fortra
executive search

COVID-19 Sink or Swim Survey Results

Introduction

Over the last week, we've surveyed CXO and other high-level tech executives across hundreds of companies in Silicon Valley. We wanted to get to the heart of the sentiment about how the COVID-19 pandemic is affecting business, fundraising, sales, hiring, and overall company survival. The survey was anonymous and didn't include any venture or private equity investors. Eighty percent (80%) of responses came from private companies, series A-C. Twenty percent (20%) of responses came from executives in public companies. All were software (or primarily software) companies.

Respondents represented a good mix of people with a feet-on-the-street view of the effects of the slowdown. CXOs represented forty-two percent (42%) of respondents, vice presidents represented fifty percent (50%) of respondents, and the remaining respondents were director level.

We asked respondents to review the Sink or Swim model below and then respond to the survey questions. The answers were surprisingly positive, with a few nuggets of uncertainty as well. Generally, we found that:

1) While businesses are being cautious, there is a lot of confidence that the tech industry will survive the crisis with a lot of healthy companies in the market.
2) Caution doesn't necessarily mean reducing staff or completely freezing hiring in most cases.
3) Many private company executives are confident that they'll be able to fundraise, but do admit that it may be harder than it has been in recent years.
4) Sales are continuing to hold steady in most cases, and sales leaders are seen as critical contributors to a company's survival plan.

Also, note that while our survey size was relatively small, the responses represent a statistically accurate picture of what is going on in the tech market. We'd love to hear from you about your experiences while doing business during the COVID-19 crisis.

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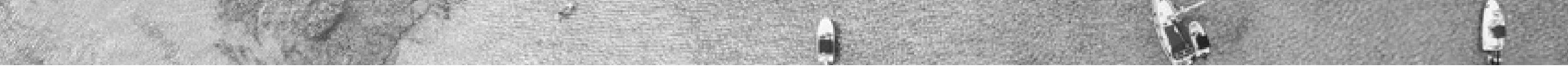
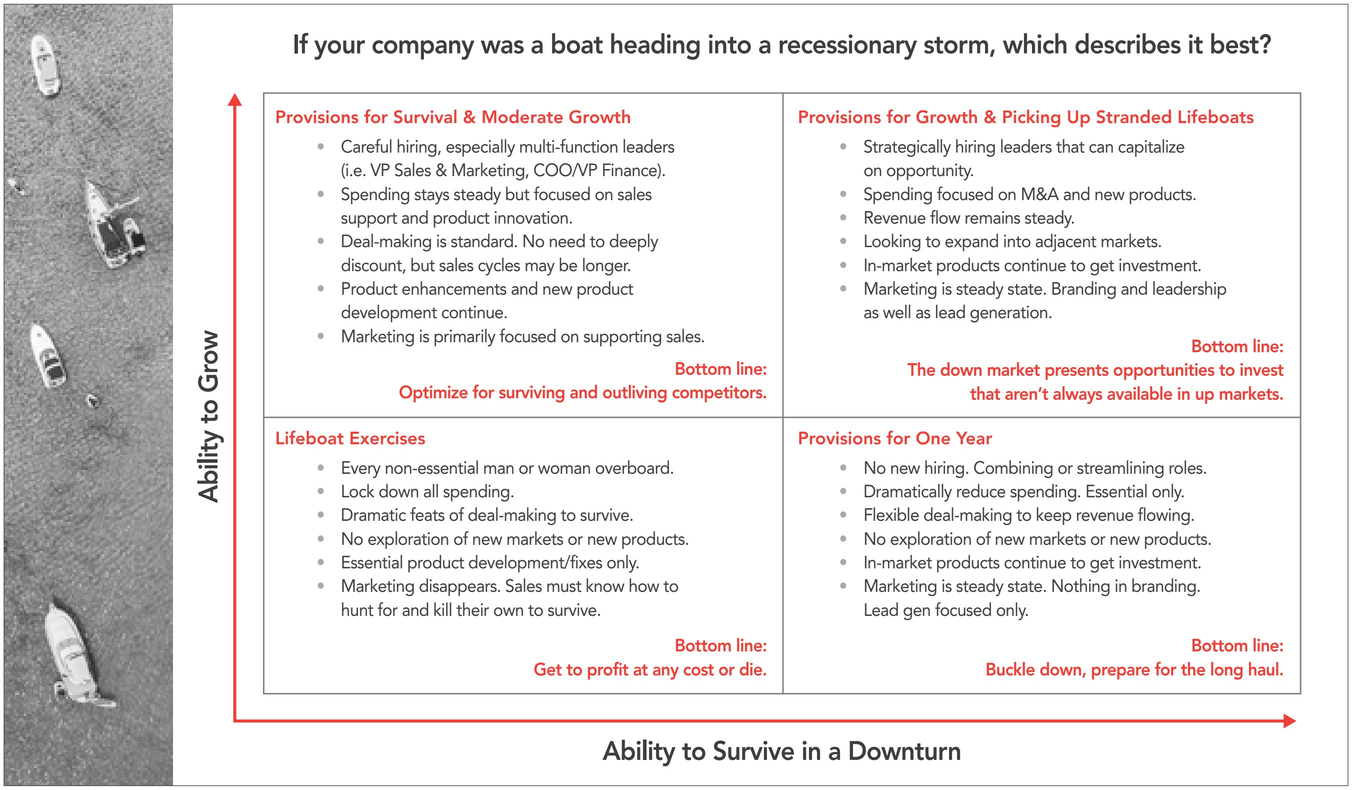


Will Your Company Sink or Swim During the COVID-19 Pandemic?

We asked survey participants to identify which quadrant below is most appropriate for their company. The timeframe we asked them to consider is the next 12 months. Results are below.



If your company was a boat heading into a recessionary storm, which describes it best?

Provisions for Survival & Moderate Growth

- Careful hiring, especially multi-function leaders (i.e. VP Sales & Marketing, COO/VP Finance).
- Spending stays steady but focused on sales support and product innovation.
- Deal-making is standard. No need to deeply discount, but sales cycles may be longer.
- Product enhancements and new product development continue.
- Marketing is primarily focused on supporting sales.

Bottom line:
Optimize for surviving and outliving competitors.

Provisions for Growth & Picking Up Stranded Lifeboats

- Strategically hiring leaders that can capitalize on opportunity.
- Spending focused on M&A and new products.
- Revenue flow remains steady.
- Looking to expand into adjacent markets.
- In-market products continue to get investment.
- Marketing is steady state. Branding and leadership as well as lead generation.

Bottom line:
The down market presents opportunities to invest that aren't always available in up markets.

Lifeboat Exercises

- Every non-essential man or woman overboard.
- Lock down all spending.
- Dramatic feats of deal-making to survive.
- No exploration of new markets or new products.
- Essential product development/fixes only.
- Marketing disappears. Sales must know how to hunt for and kill their own to survive.

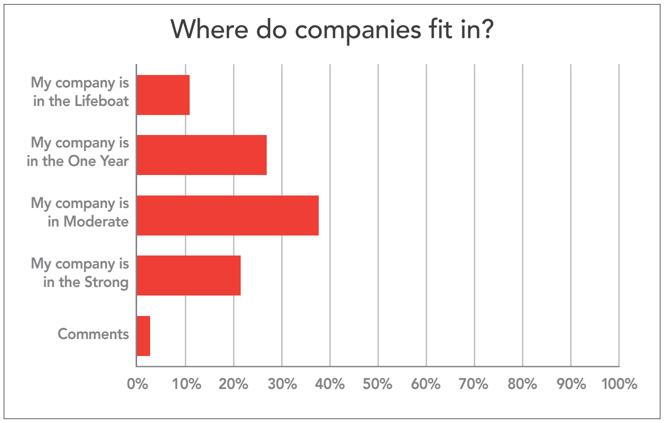
Bottom line:
Get to profit at any cost or die.

Provisions for One Year

- No new hiring. Combining or streamlining roles.
- Dramatically reduce spending. Essential only.
- Flexible deal-making to keep revenue flowing.
- No exploration of new markets or new products.
- In-market products continue to get investment.
- Marketing is steady state. Nothing in branding. Lead gen focused only.

Bottom line:
Buckle down, prepare for the long haul.

Which Quadrant Do Companies Fit In?



Each tech executive respondent chose one quadrant that best described their company. We were surprised to see that the largest group of respondents, thirty-nine percent (39%) believe that their companies are positioned well to continue to see moderate growth for the next twelve months. Another twenty-eight percent (28%) believe that they are well positioned to survive for the next year, but don't expect to see much growth. A full twenty percent (20%) of executives feel that the next year will present both growth and opportunities to buy companies that augment their strategy and propel their company to stronger market positions. Not to be overlooked, eleven percent (11%) of executives see their company in the lifeboat category and are unsure of its ability to survive the next twelve months.

Which Executives are Essential During the Crisis?

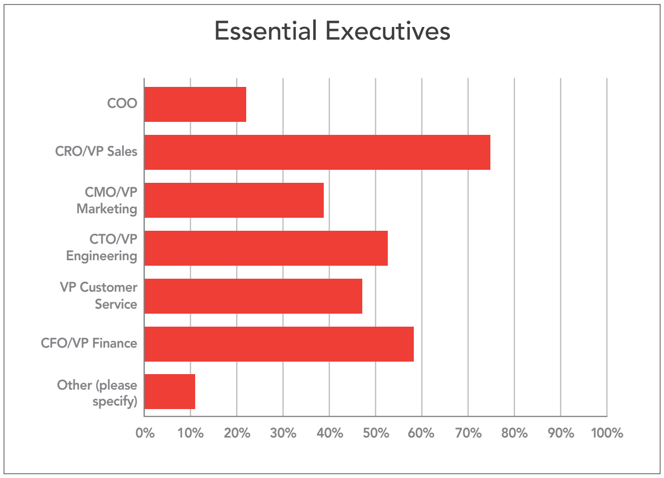
We asked survey-takers to identify which executives are absolutely essential for a company to navigate the challenges of the COVID-19 crisis. Executives overwhelmingly (75%) believe that a CRO or VP of sales is essential during this time. Other essential executives identified by respondents include the CFO/VP of Finance (58%), and the CTO/VP of engineering (53%). Customer service and marketing leaders were also identified as important, but not at the same level as the other executives. Chief Operating Officers and other titles received the fewest votes as essential.

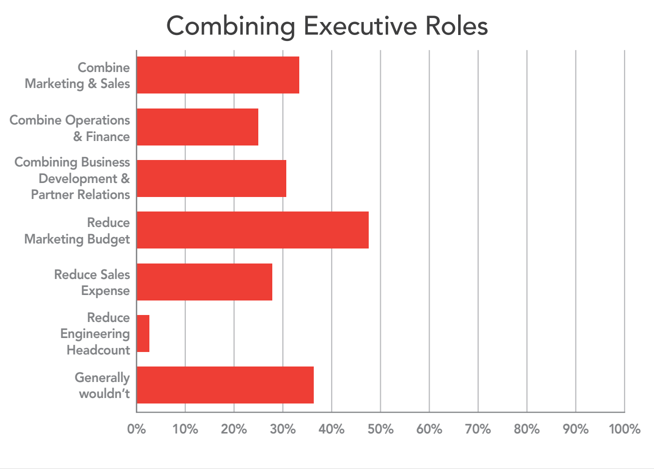
Note: respondents were asked to select all positions that they deemed critical, so most selected more than one.

Would You Consider Combining Executive Roles to Reduce Burn?

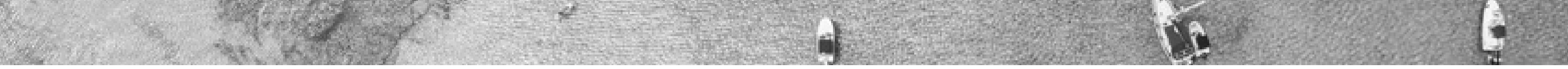
We asked whether or not tech executives are considering combining functions under a single leader to reduce headcount and burn. We also asked which other budget areas are likely to be reduced. Many said they'd reduce marketing budget (47%) and reduce sales expense (28%). Three percent (3%) said they'd reduce engineering headcount.

While over a third of respondents (36%) said that they wouldn't combine roles to reduce expense, for the ones that would consider combinations of functions, combining sales and marketing was the most popular choice (33%). Combining business development and partner relations was selected by thirty-one (31%) percent of respondents and combining operations and finance was selected by twenty-five percent (25%) of respondents.



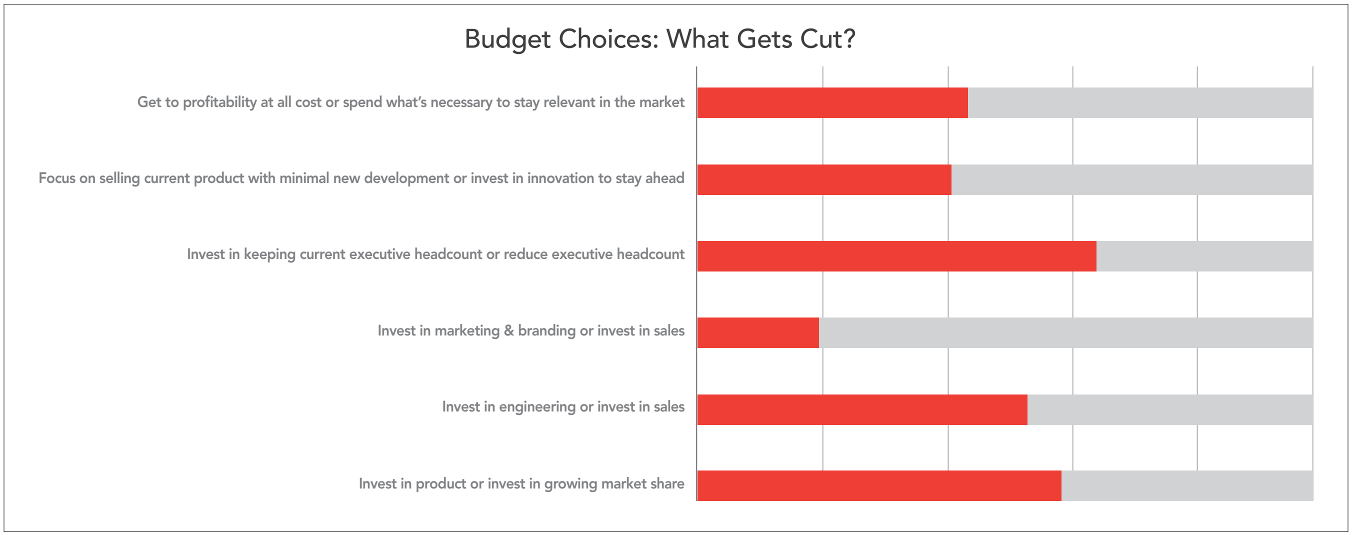


> "We're lucky. We have a solid product portfolio and reasonable traction in the market. We're not expecting it to be easy, but we think that careful management will bring us through this. I'm not sure everyone is in as good of a position as we are."



Tough Budget Choices: What Gets Cut?

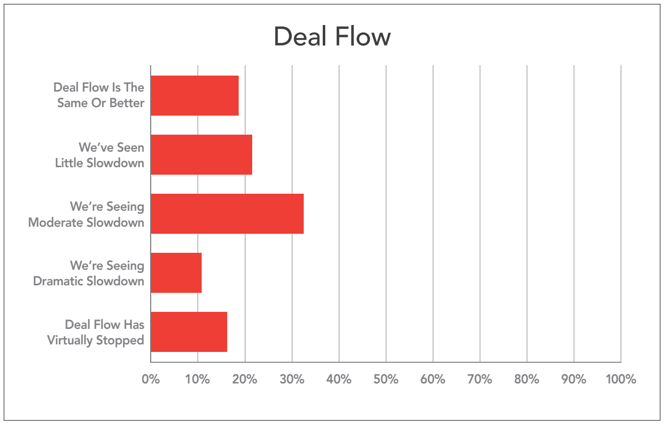
Respondents were given A/B choices and asked to choose between different activities for budget reductions vs. investments. The majority of executives, fifty-seven percent (57%) feel it's more important to spend what's necessary to stay relevant in the market than it is to get to profitability at all cost. Fifty-seven percent (57%) of respondents stated that they believe it's more important to invest in innovation to stay ahead than it is to buckle down and sell existing product. A majority, sixty-four percent (64%) believe it's more important to keep existing executives than it is to reduce executive headcount. Sales gets the investment over marketing with eighty percent (80%) of respondents identifying sales investment a priority. Overall, engineering and sales investments receive relatively equal investment priority at fifty-three (53%) and forty-eight percent (48%) respectively. Finally, product investments were identified as more important than investments in activities designed to grow market share. Fifty-eight percent (58%) of respondents indicated product as more important.



Deal Flow is Slowing for Some, But 40%+ See Little or No Effect on Sales

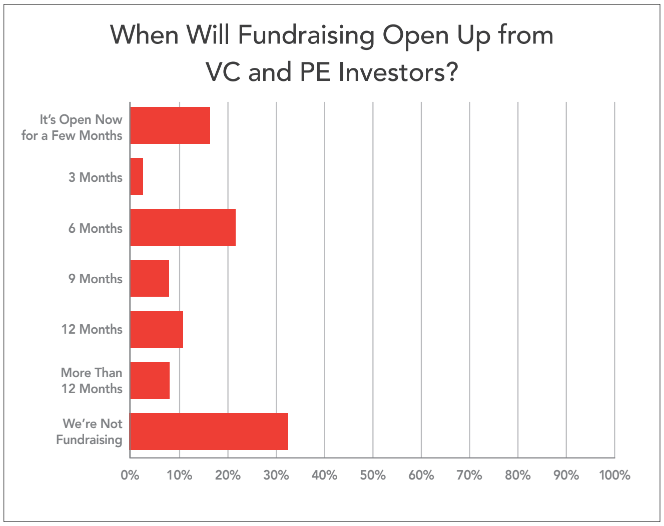
Of the executives polled, nearly a third (32%) are seeing a moderate slowdown in closed deals. Just over a quarter of companies (27%) say that they're experiencing a dramatic slowdown in closed deals, or that deal flow has virtually stopped.

On the brighter side, twenty-two percent (22%) responded that they are seeing little slowdown in deal flow, and nineteen percent (19%) indicated that they are seeing the same or better deal flow. We acknowledge that this response could be influenced by market segment or product maturity as well as other factors.



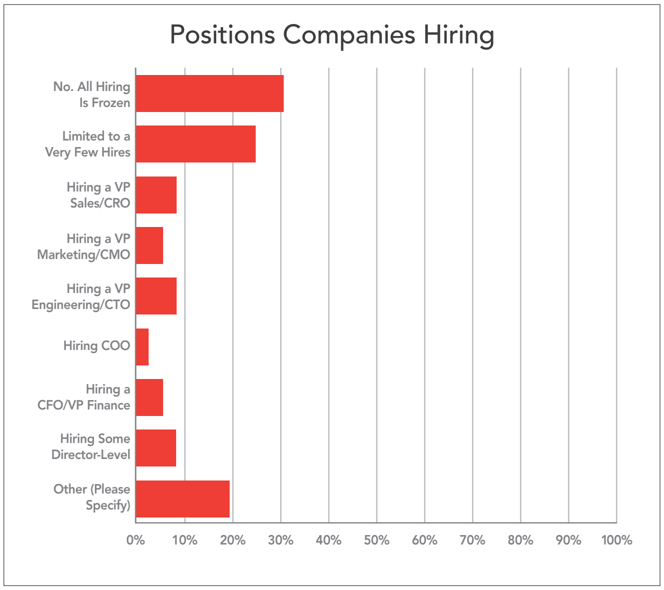
When Will Fundraising Open Up from VC and PE Investors?

Of the companies who are fundraising now, or plan to fundraise in the next year, sixteen percent (16%) of executives believe that the window is open for fundraising now. Twenty-two percent (22%) believe it will open in six months, while nine percent (9%) believe it will take nine months and eleven percent (11%) believe it will take twelve months. Only nine percent (9%) of executives we surveyed think it will take longer than a year for the investment window to open.



What Positions Are Companies Still Hiring?

While thirty-one percent (31%) of executives say that hiring is frozen for now, another twenty-five percent (25%) of executives say that their company is doing limited hiring. The most open headcounts are for CRO/VP Sales, CTO/VP Engineering, or various director titles.



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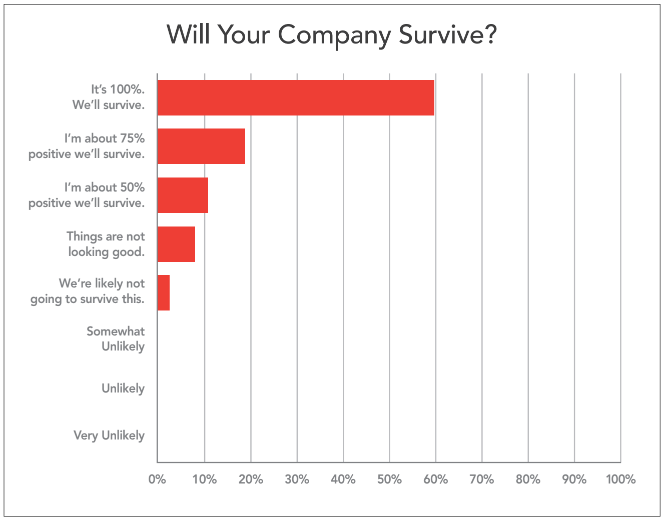
How Long Before the Tech Market Sees Growth?

The largest group of respondents, forty-nine percent (49%), feel that it will take six to nine months for the tech market to begin to recover. Twenty-four percent (24%) of executives are optimistic and believe that the market will begin to recover in as little as three months. The rest of respondents believe that the tech market won't see growth for several years to come.

Will Your Company Survive the COVID-19 Crisis?

Finally, we asked respondents to candidly answer whether or not they believe their company will survive the downturn related to COVID-19. The majority, sixty percent (60%) are confident, stating that they're one-hundred percent (100%) positive that their company will survive the crisis. Good news! Another nineteen percent (19%) are seventy-five percent (75%) sure that their company will make it. About eight percent (8%) of executives say that "it's not looking good" for survival and nearly three percent (3%) say "We're likely not going to survive this."



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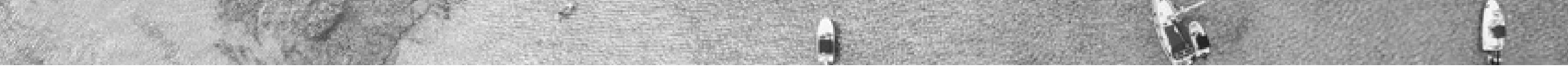

Conclusion

Through all the uncertainty and the unique nature of the times that we as an industry are facing, there remains a sense of cautious optimism. While a minority of respondents see unprecedented challenges with the pandemic, the vast majority anticipate that they'll be able to weather the storm and come through the other side. A few companies seem to believe that they're in a position to not only survive, but also to grow during this time.

On the talent management side, respondents indicated that there is still a need for leadership, especially in revenue-generating or engineering functions of the company. Many companies are, in fact, recruiting for these positions in spite of the crisis.

While none of us can predict exactly how the COVID-19 downturn will play out, we are encouraged by our findings, and hope that its effect will be minimal for all the brilliant innovators and important emerging and established companies in tech. As an amazingly strong engine for the U.S. economy, we expect to see the tech industry recover quickly and be an important factor in our nation's recovery.

Be well,

The Fortra Team

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