



Technology

How will COVID-19 reshape key Australian industries?



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The pandemic's catalytic impact on tech

The recent need to conduct so much of our lives “virtually” has brought the increasingly important role of technology into sharp focus.

There's no doubt that technology has provided massive benefits to billions of people across the world during the outbreak of covid-19, and among the beneficiaries are many companies—such as Amazon and Zoom—who had the right services at the ready to suit these extraordinary times. Lockdowns enforced across the world have provided the best “proof of concept” opportunity for any tech player in the remote working communications and collaboration space.

Attention has been focused on the boost to business for well-known brands, but it's worth noting that the boom is not consistent across the whole sector. For tech companies, much depends on the underlying market they serve—businesses that target travel and tourism, for example, or other areas of discretionary spending are still counting on better days to come.

At Westpac, we've been working closely with our technology sector clients who typically run on strong margins and keep a keen eye on liquidity—and, as leaders of people-based businesses, their emphasis is always on employees and customers. Such strategies have stood them in good stead in tough economic times.

In the final instalment of Westpac IQ's series in partnership with the Economist Intelligence Unit examining the impact of covid-19 by sector, Scott Farquhar—co-founder and co-CEO of enterprise software company Atlassian—delivers an upbeat perspective on the catalytic effect of the pandemic period with his view that the industry has “jumped ahead” five years. Atlassian is holding true to the playbook that saw it through previous downturns and won't shy from hiring, innovating and making acquisitions, he says.

Our thanks to Scott Farquhar for his insights and to the Economist Intelligence Unit for partnering with us to create this engaging seven-part series.



Technology: Opportunity or overload?

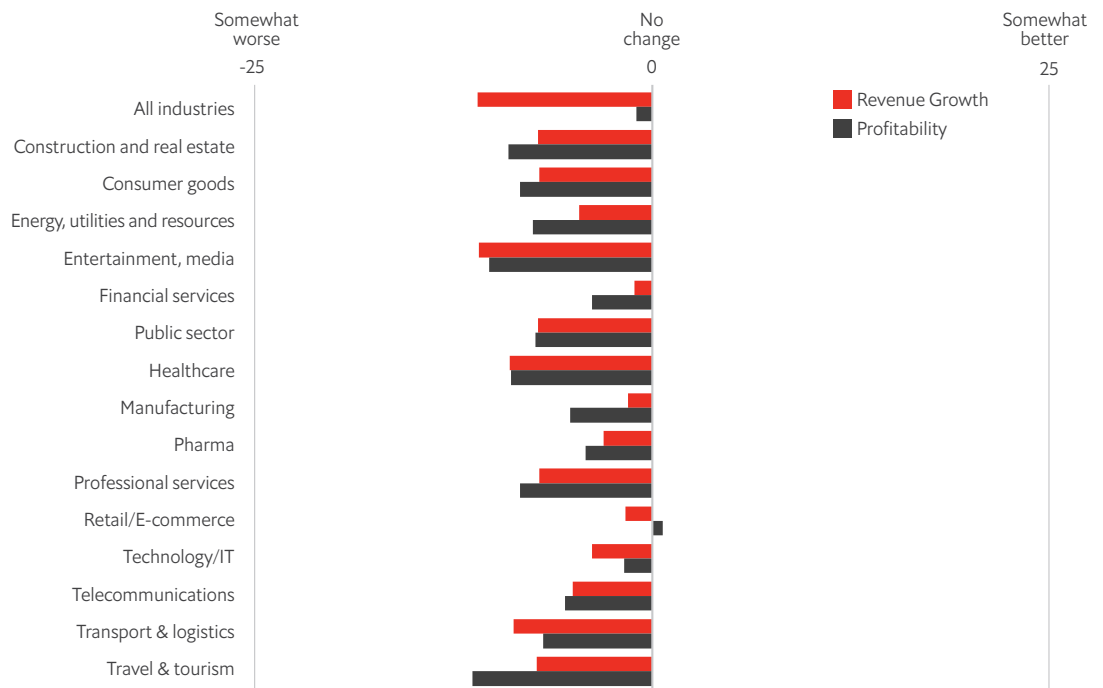
The covid-19 pandemic has prompted an unprecedented global reliance on technology. Virtually overnight the workforces of entire companies have been forced to work from home and collaborate remotely while students were moved from the classroom to online learning. When orders were issued to stay at home for everything but essential tasks, people's health, fitness and social needs also started to be met remotely. Online entertainment has boomed—in the US, TV streaming increased by 85% in the first three weeks of March 2020¹ while Netflix reported 15.8m new subscribers² in the first quarter of the year, more than double its forecast for the period.

Cloud providers and large collaboration tool companies have seen significant growth, with

Atlassian, Zoom, Microsoft Teams, Amazon and Google all thriving. The pandemic has also sparked some remarkable innovations from both large and small tech companies. Australian owned Calumino, for example, postponed a planned rollout of thermal imaging sensors for aged care facilities and instead created a small device that sits on a tripod and measures a person's temperature in less than a second.

When lockdown measures are eased completely and the economy begins to improve, tech companies are also poised to gain from some profound shifts in consumer behaviour. Just as SARS led to exponential growth of online marketplace platforms in China, in Australia more shoppers are now accustomed to ordering groceries and other goods online.

Executive expectations for the next three months.



Source: The Economist Intelligence Unit Global Business Barometer

¹ Todd Spangler, "Video Streaming to TVs Soared 85% in U.S. in First Three Weeks of March, Nielsen says", *Variety*, March 31st 2020. <https://variety.com/2020/digital/news/video-streaming-tvs-us-data-coronavirus-nielsen-1203550256/>

² Letter to shareholders, *Netflix*, April 21st 2020.

Digital payment providers are expected to benefit, with The Economist Intelligence Unit reporting the decline of cash as covid-19 has seen many businesses switch to accept only contactless, digital payments.³ A large portion of the workforce is also expected to continue working from home after the pandemic, with predictions that big tech will thrive as a result.⁴

Not all technology companies will be winners, however, as their economic health depends on the type of market in which they operate. Those serving discretionary markets have struggled more than those whose services are essential, while many hardware companies' supply chains remain disrupted. Indeed, The Economist Intelligence Unit's Global Business Barometer⁵ shows that while technology and IT executives are significantly more confident in their firms' operational agility than their peers in other sectors, as a group they are more pessimistic about revenue growth when compared with the global average.

Australia's technology infrastructure has also faced challenges. The pandemic has coincided with a seismic increase in cyber-attacks⁶ and Australia's National Broadband Network initially struggled with increased data traffic and network usage causing slow speeds and unreliability.⁷ More worrying is the digital divide that has appeared with 13% of Australians unable to access the internet at home and many regional and remote households left disadvantaged by limited and unreliable connections.⁸

In this interview with The Economist Intelligence Unit, Scott Farquhar, co-founder and co-CEO of software company Atlassian, discusses how a crisis such as covid-19 inspires a generation of new ideas and why Australia needs to do more to create truly global technology businesses.

3 "Covid-19 pandemic accelerates the rise of digital payments", *The Economist Intelligence Unit*, March 20th 2020. <https://eiu.perspectives.economist.com/healthcare/covid-19-pandemic-accelerates-rise-digital-payments>

4 "Big tech's covid-19 opportunity", *The Economist*, April 4th 2020. <https://www.economist.com/leaders/2020/04/04/big-techs-covid-19-opportunity>

5 "Global Business Barometer", *The Economist Intelligence Unit*, April 24th 2020. <https://globalbusinessbarometer.economist.com/>

6 "Safeguarding Australia's critical infrastructure from cyber attack", *The Australian Cyber Security Centre*, 2020. <https://www.cyber.gov.au/acsc/view-all-content/news/safeguarding-australias-critical-infrastructure-cyber-attack>

7 "NBN speeds recover after COVID-19 demand", *Australia Competition and Consumer Commission*, May 21st 2020. <https://www.accc.gov.au/media-release/nbn-speeds-recover-after-covid-19-demand>

8 Amy Graham, Pasi Sahlberg, "Schools are moving online, but not all children start out digitally equal", *The Conversation*, March 26th 2020. <https://theconversation.com/schools-are-moving-online-but-not-all-children-start-out-digitally-equal-134650>



Scott Farquhar,
co-founder and
co-CEO of Atlassian

The Economist Intelligence Unit: Is technology one of the few sectors to have benefitted from the covid-19 pandemic?

Mr Farquhar: “From an industry perspective, we’ve jumped forward five years. Digital transformation is being accelerated out of necessity and cloud adoption is moving faster than anyone could have predicted as a result of covid-19.

“Technology is a broad sector though, and for many hardware companies the supply chain disruptions have been substantial. Companies like Apple have been forced to shut their bricks and mortar shops and find new ways of reaching customers.

“However, every knowledge worker just got a crash course in collaboration tools. Companies that help teams work together wherever they are should be well-placed to navigate this crisis—Zoom is a perfect example of this. But it’s still early, and the impact will likely be felt for many months to come.”

The Economist Intelligence Unit: How has Atlassian been impacted by the pandemic and what do you anticipate will be the longer-term effects?

Mr Farquhar: “Our priority right now is taking care of our people and taking care of our customers. We have over 4,500 employees around the world who are working from home. That’s not easy, especially when juggling kids, home schooling and other pressures at a time like this. So we are making sure our people are okay.

“Looking at our business, we’re a long-term company, we make long-term investments, and we operate in a very large market. We’re going to continue to make investments through this crisis so we come out the other side in good shape.

“Our company has been through a few cycles. During the global financial crisis of 2008-09 we hired 32 engineers, introduced our starter licences and made acquisitions. This is the playbook that took us through past downturns and we’ll apply the same principles today.”

The Economist Intelligence Unit: What do you expect will be the impact on Australia’s tech industry in the longer term?

Mr Farquhar: “The covid-19 crisis is proving the value of global markets to a lot of businesses. More people are using Amazon to get stuff delivered, we’re all tuning into Netflix to entertain us in our homes and we’re all using Zoom to stay connected. Australia needs to create more businesses like these which are global in nature and operate across borders.

“We know that crises like these spawn whole new generations of ideas. This will be no different. In the past Australia has suffered from the tyranny of distance. But now, in a new remote-working reality, we can build the tools that help businesses operate from people’s lounge rooms.”

The Economist Intelligence Unit: As people adapt to a world that is even more reliant on technology, what issues do you think need to be addressed?

Mr Farquhar: “The world has had to adapt to mass remote work in record time, and although we have the tools to operate, we haven’t yet mastered the practices. We have to learn new ways of interacting with our colleagues, new ways of scheduling the day, new ways of socialising, new ways of structuring offices. Maybe in the future we get together to socialise with our workmates, but we do the actual work apart.

“The future workplace is going to feature a mix of both face-to-face and remote interactions, so the potential for technological solutions is huge. Are they as good as a face-to-face interaction? That depends on the task, the people and the teams involved, as well as a bunch of other factors. But they are certainly getting closer every day.

“Then there’s the massive questions around trust, stability, security and privacy that affect all digital businesses. As more workers around the world rely on remote working tools, the technology industry will need to focus on performance and ensuring their products are equal to the task.”

The Economist Intelligence Unit: Will the pandemic see Australian companies increase their investment in technology or will the resultant cost pressures force them to pause their digital transformation initiatives?

Mr Farquhar: “I’ve always believed that there are three types of companies: tech companies, those who are trying to become tech companies and those who are being disrupted by them. Technology is the number one industry in the world and it is growing the fastest. While covid-19 obviously presents a massive challenge to every business, it won’t change the need for successful companies to invest in technology. In fact, it amplifies it.”

The Economist Intelligence Unit: As a technology company, has the adjustment to remote working been a challenge or has it been relatively easy?

Mr Farquhar: “Atlassian is a global company, we have offices in seven countries, but we’re lucky in that we already work in a highly distributed way and have been able to move our teams remotely more easily than others. In fact Trello, which we acquired in 2017, was already a mostly remote workforce.

“Even so, this experience is forcing us to rethink some of our most foundational practices. For instance, we’ve just conducted our first ever annual planning process done entirely remotely and we’ve spent a lot of time preparing and streamlining our decision-making so it’s faster, more transparent and more remote friendly.

“It’s also made us rethink how we can better reach our thousands of customers who are located all over the world, and we’ve seen some surprising positives. We pivoted our annual customer summit in Las Vegas to a remote event and reached four times the number of people online as we would have if we’d held the event in person. Our customers who typically wouldn’t have been able to

attend were thrilled, and it really highlighted our need to experiment with more virtual ways to build connections with our customers.”

The Economist Intelligence Unit: How will the post-pandemic workplace differ to the one we have previously been familiar with?

Mr Farquhar: “As leaders we need to fight the idea that we should go back to the way things were. That’s not the way things are going to go. We have to chart a course to a new state, a new way of working and living. This requires thinking, dreaming, changing workplace environments and changing practices. That’s very exciting and the upside for Australia is huge.

“I don’t have a crystal ball, but when we return to normal—or as close as we can get—the world will become far more tolerant of remote workers. We will keep what worked, like collaborating on tools like Zoom and Slack, and revert back to processes that we never could nail while working apart. Business travel will be looked at with a more critical eye, and hygiene standards will certainly go up. We’ll move away from the traditional notion of a 9 to 5 work day.

“When we’re able to return to our offices, the physical space of offices will also change. Now we have proven that both individual and team work can be done from home, people will come to the office to interact with their peers and offices will need to adapt. They will be more collaborative, more social and more open. The world has changed, and there will be lasting effects from this massive shift to forced remote work.”