Manish Madhvani of GP Bullhound explores how to go from startup to scaleup

It has never been easier to start a business. Startup culture is developing internationally and nowadays people have more access to funding and a wider market base than ever before. However, starting a business and scaling one are two very different propositions, and it's in the second stage when things can often go wrong.

Over 70% of startups fail because of premature scaling. More often than not, this comes down to a lack of holistic planning. Scalability is about whether a company can adapt to an increasingly large market, and in turn the extensive preparation to ensure their product and team are ready for the shift.

At GP Bullhound, we track the growth of businesses across the global tech industry. Our annual Titans of Tech report analyses Europe's fastest-growing tech companies, in relation to the global market. As part of this we compile a list of 50 start-ups with the most potential to become $1B companies in the next two years.

Through this analysis we have identified five key ingredients to turn a promising startup to a successful scaleup:

Having a global mindset from the outset

In order to be scalable, your idea needs to have the potential to reach the global market. Startups fall at this hurdle when their plans to scale the product don't include an idea usable for a wider audience.

If too specific, the product will only ever be fitting for a small portion of the market. This, of course, does not mean you shouldn't have a target market in mind. But you do in fact need the idea to be replicable anywhere.

Becoming a Tech Titan should be considered in reach for many European leaders, but achieving this status involves resetting your ambition and structure in a similar fashion to frontrunners like Spotify and Adyen.

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How to scale a startup to 50 employees without losing its culture

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Understanding your market

You need to make sure your product is market-fit. This means understanding your target market, knowing your competitors and being clear on what makes you different. You need to find out your core users and get their feedback to inform any product iterations. It's also important to have board members who can introduce you to customers or clients. This will give you access to bigger markets but also amplify your credibility in the field.

Above anything else, your product needs to be ready to withstand the pressures of increased usage. However, momentum can make or break your ability to scale. If you want to expand to a wider market, then you need the market to be ready for you. This means investing more in marketing and publicity and using market research to identify the best way to get your brand out there.

Getting the right investment

You need to think big when preparing to scale up. At the moment companies are holding increasingly large raises – we found there was a staggering 60% increase in the number of $100M rounds in Europe between 2017 and 2018, with multiple new pools of capital available.

The funding is out there to ensure you have the resources to scale but you need to be clear about what your scale up strategy is – whether it's market share or measured in units? How much does profitability matter to your shareholders? Make sure you have investors who will stay with you in the commercialisation phase. The best rule-of-thumb is the 'no-surprises' rule – for your board and your investors. Keep up communication at all times to make sure you're united on a shared goal.

All systems are go

Your company needs to have a firm foundation in place to cope with the change of scale.

You'll need to think about all the core systems involved in running a business and make sure they are robust enough to withstand a larger market. Can you meet customer services demands for more customers than you currently have? Is everything backed up in cloud storage? Is payroll in place and do you know how you will manage new hire training? If you are able to streamline operations to make everything faster and more efficient, then you are more likely to have a truly scalable business model.

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VivaTech launches the 2020 Female Founder Challenge

Be prepared to step away

One of the biggest things that can get in the way of a business expanding is its founder.

Understandably founders want to be present in the decisions about the future of the company. But in order for a company to work to scale, it needs to be able to run without you. People will need to take on more responsibility and be

able to delegate to others in turn. A strong leadership team, rather than just strong individuals, will be critical to making a success of your business's expansion.

Europe's tech scene is growing at an unprecedented rate. A combination of experienced talent, funding and belief has unlocked significant potential across the continent.

European entrepreneurs and investors should be justifiably proud of their achievements in creating over 100 billion-dollar companies since 2000 – in 2019 alone, 21 companies reached the billion- dollar mark, compared with 13 the previous year.

With funding and experienced talent in strong supply, we must continue to raise ambition levels. It is clear from the VivaTech 100 list that the cohorts of Flagship tech companies are getting stronger and stronger and with the right people, systems and mindset in place, European businesses have all the potential to scale to the top.

Manish Madhvani is Managing Partner and Co-Founder of <u>GP Bullhound</u>, a leading technology advisory and investment firm, providing transaction advice and capital to the world's entrepreneurs and founders.

Vivatech 100 – How to go from Start-Up to Scale-Up

Manish Madhvani, Managing Partner and Co-Founder, GP Bullhound

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