

International expansion, company culture and post-pandemic trends with Silicon Valley Bank UK branch's Sonya Iovieno

As life slowly returns to a new post-pandemic normal, startups are looking at how to excel in this uncertain, unknown territory. Maddyness UK spoke to Sonya Iovieno, head of venture & growth at Silicon Valley Bank (SVB) UK Branch, about pinpointing job specifications, the key to success in overseas growth, and the sudden uptick in digital adoption.

How would you recommend that European tech startups can best scale up?

It's important to understand what we mean when we talk about the two terms startup and scaleup. When I think about a scaleup, it's a company that has probably established their product market fit. They've got some traction and

they've probably raised a Series A of £5M or more from an institutional venture capital fund. Once you're in scaleup territory, there are a few things I think that founders need to think about and work with their board and their investors to establish.

The first one that I think is very important is culture. They will have established a base culture as they start up the company. But sometimes people don't think about that, and I think when you're in scale up territory, it has to be an item on your board's agenda.

You have to be quite definite about the culture you're building at a company, because it's going to be very important as the company scales – particularly if you're going to be scaling internationally.

The next thing is, of course, your team. With the capital that you've raised in your Series A, some of that will always go to build out your team and to build out roles and responsibilities and the framework under which the company is going to operate.

The talent you get into your company at the scaleup stage is really important because everybody's running around very quickly: usually you're talking about companies that are growing anywhere from sort of 40% to 400%. People need to be very sure about who has responsibility for what, what the reporting lines are, and that there's also very clear communication between operational staff and the leadership of the company. It also means that if they hit bumps along the road, they can react quickly.

When a business is tiny, so many people wear many different hats. When you're scaling up, I imagine it's a great opportunity to really pinpoint people's job specifications?

That's exactly right, and often it's the founder who is used to having a finger in every pie and overseeing everything. It can be quite difficult for a founder to start behaving in a different way and trust new recruits to run their part of the business. But that's part of the journey, part of the maturing of the company. It's also why it's very important to make sure you get the right people and that you don't just rush into filling roles for the sake of it.

What kind of culture do you think a company needs to successfully scale?

There is no single culture that equates to success. What matters is that it is something that people can rally around, that it is driven with the direction and mission of the company, and that there's consistency and clarity from the top about what that culture is.

Businesses should question what kind of company they are trying to build and then they need to come out and make very definite statements about that. A lot of companies will obviously put their clients at the heart of their culture so that everybody understands what they're rallying around, and what the aims of the business are.

What are the key issues that you think surround both scaling and international expansion in a post-Brexit and post-pandemic environment?

Things are evolving and changing all the time. Early on in Brexit and pre-COVID, we certainly saw fintech companies start to move quickly, well ahead of the deadlines to think about their business models. That was important because they suddenly had to set up in different jurisdictions in Europe if they were a UK-based company – or indeed if they were a European company set up in the UK – and get their regulatory licensing sorted out.

We saw a number of UK fintechs move to various different jurisdictions. Some understood fully what was involved, but others didn't quite understand either the level of regulatory oversight and the number of times, for instance, that they would have to meet with a regulator and report to a regulator, or they didn't plan sufficiently for the headcount that they would have to physically have in the country. They've had to build that over time, but that costs money. Others did their research and raised capital ahead of doing that.

I think the other area we've seen post-Brexit is for any companies that are involved in the physical movements of goods. It could be logistics companies, retail companies or ecommerce companies where they either have to build up stocks to make sure that everything was going to be okay over the start of the year and Christmas period, or they suddenly had to look at what was involved with the admin perspective to make sure that they had a smooth process for

the movement of goods.

I think a lot of that stuff is going to sort itself out over time. Already, we can see that the deal is being refined and that everybody is learning – governments included – in terms of how they need to move things to ensure the smooth flow of trade.

It's very interesting to see how COVID-19 influenced old business – not just tech companies – in terms of the remote working environment. It has actually made a number of tech companies in particular quite nimble and flexible. They've had to move very quickly to flex their business models in order to reach their customers and be effective.

For the most part, we've actually seen enormous growth in tech companies. Ecommerce is an obvious one, where because of physical lockdowns and closures, a large amount of trade went online. But equally, in the finance and fintech area, it has rapidly escalated the level of digital adoption of financial services.

I think we've moved ten years faster than we would have if it hadn't been for COVID, and we will never go back. I think people who are nervous about using digital services will continue to use them as part of their lives going forward. That's a massive opportunity for any tech companies that are in those areas.

It's interesting what you said about the uptake of digital being more accepted. Despite things progressing hugely in that realm, I think some people are still a little bit scared of it, but had no choice but to embrace it during lockdown.

I think so too, and I think those companies who have made it as intuitive and as easy as possible to access and use their services are the ones that have really seen the payoff from that level of design and investment in their services.

In terms of who are the winners? There have been some industries in particular who have really seen a massive uplift: edtech is an obvious one. All of a sudden, schools, universities, and any sort of educational institution has had to deliver services online.

Again, I think that's something that is going to stay. Obviously, people will go

back to school, but already they're continuing to use laptops and online resources to complement what they're doing in classes. We've seen MBAs go digital and online, and I think it's a massive opportunity for those companies because it opens them up to so many more users than they would have reached otherwise.

Unfortunately, in some ways, one of the other big winners is cybersecurity. We've seen a massive explosion of criminal activity taking advantage of people rapidly having to move their businesses to remote working. Luckily, we have some very talented cybersecurity companies in this country. Recently, DarkTrace had its IPO and is one of our UK success stories in the sector.

Cybersecurity is something that every business and institution needs to have a really good plan for in their back pocket to make sure that they have set their business up securely. It goes directly to your brand if you can't show customers that you have a very secure interface.

The other one we spoke about before is fintech and any business that is a B2C fintech provider has certainly seen a big boost. Insurtech is another one that we're seeing huge amounts of growth in. It had already started pre-pandemic, but again, we're seeing an acceleration because of the fact that people have to work online.

What would you recommend to startups looking to scale up if they have their focus on expanding to the US? Do you think that there are slightly different approaches they should take to expand than in Europe?

I think there are certainly some considerations that are different when you go to the US. In many ways, we think we're very familiar with it, but from a business perspective, there were a few points that we've learned from seeing so many companies over the years go over there that should be taken into consideration.

A company needs to ask itself, what is the right time to go to the US? From experience at SVB, we've seen two different times that people go and tend to get it right.

The first is that they go very early in their gestation, and that it's part of their early business plan to go over there. They're building their business and their interface with their clients in the US from the get go. The other route is a business takes its time and they really establish themselves in their home market, and they go to the US late. This means they have an established business to fall back on and established cash flows that anchors the business before they go to the US.

The other thing to think about in the US is the whole legal landscape. It is one country but it is really about the states, and every state has a different legal system.

It will probably cost you three times more in legal fees to run your business in the US than it will in Europe. Part of that is because you use lawyers for more services in the US; part of it is the litigious nature of operating in the US; and part of it is just the complex nature of the state system that means you really need to have a good law firm representing you.

Americans like to buy from American companies. So, if you're going as a European company, they want you to feel local. Elements like using American type language on your website, in your documents, and making it feel as American as it can are key. That's something that a lot of companies now understand, and that actually European and UK customers throughout the world are very forgiving and will accept an American interface to your business whereas in the US, if you go with a European type interface, they find it difficult to relate to that.

Can you see any trends emerging that you think will happen post-pandemic? With edtech thriving over the past year, will we see a drop off when life returns to normal?

I think that institutions who are users of EdTech have had to invest a lot of money in them, so I don't think we're going to see a massive drop in the use of technology in education. In fact, in many ways, it has been enormously enabling because, again, you can provide more content that way than you can provide in a physical way.

The platforms that are working with schools and universities allow a multiplicity of services to be provided, and certainly from what we're seeing at this very early stage, actually, it's probably going to be an increasing trend. These

companies are innovating all the time in terms of how they can face into institutions and indeed into businesses.

In terms of other ones that might continue, certainly platforms like Zoom and conference type platforms like Hopin come to mind. I think the world of conferencing and the world of communication has changed, and while those companies saw massive growth because everybody suddenly went online at the same time, I expect the growth levels will definitely tail off, but I think they will continue.

If you think about a conference where 40,000 people would fly in from around the world, in the future we'll have a mixture of online content and physical content so that conference can now reach 200,000 around the world.

There's a very real monetary motivation for the use of this technology and to continue to embrace it. There's a lot of development that still has to be done and there are still unknowns out there, but for innovative tech businesses, unknowns are where the opportunities are for growth as well.

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