Switching gears for your business: the journey from startup to scaleup

In the world of tech, the exact definitions of ‘startup’ and ‘scaleup’ are somewhat open to interpretation. But how do you go from one to the other?

A startup typically refers to nascent pre-revenue companies that have raised initial rounds of funding but haven’t yet established product market fit (PMF) or a robust customer base. A scaleup is a company that has reached growth phase. Having successfully established PMF and developed growing turnover, it will be focusing on further customer acquisition and entering new markets, paving the way for global reach.

As an advisor to companies moving *from the startup* to scaleup stage, I often see founders that find this transition challenging. Many founders are laser-focused on hitting targets and meeting investor demands that they sometimes overlook the mindset shift required to truly activate scaleup model.

A purposeful switching of the gears is crucial for levelling up an organisation to its next phase. Having witnessed many tech businesses navigating this transition and the growing pains they may face, here are some thoughts on navigating the process to scale successfully.

Leverage founder knowledge carefully

The founder is usually the fountain of all knowledge within the business – it's not unusual for them to wear multiple 'hats', from CEO to CFO, CMO, and even receptionist.

There are common challenges that arise as the team grows. Founders can struggle to relinquish the control they've become accustomed to. As new team members are hired, they can become too reliant on the founder, making it hard to remove themselves from the day-to-day and concentrate on the bigger picture.

This can often be a symptom of limited formal processes that aren't implemented early on in the company's life cycle. It can also be difficult as a founder to accept possessing a particular skills gap, so they must be honest with themselves and recognise where they excel. This will help them add the most value to the business and reduce the different directions that they're pulled in.

The impact of this over-dependence on founders risks stunting company growth and progression. As a founder, it's crucial to surround yourself with the right management team; candidates you can trust to help you enact your vision. In addition to building the team within, don't underestimate supporting the C-suite with external advisors and mentors to help offer another perspective that may not be immediately obvious to those ingrained in the minutiae of everyday operations.

Balancing the vision with detail

Plans to be the next Google are admirable – investors want to know they are funding ambitious leaders with growth aspirations. In the same breath, technical brilliance must be coordinated with clear budgets and tax management rather than vague projections. Growth must be realistic and sustainable – is there an urgent need to get a first-mover advantage or is it better to pace things carefully to avoid plateauing? Founders must also consider the pressures that will come from scaling into a large firm.

Similarly, while a bright idea might be alluring for new hires, it will take more than table football at lunch and access to the beer fridge after 5pm to keep teams happy. Is flexible working something that founders have factored into their operational structure for the short-term or long-term, for example? 65% of leaders don't trust staff to work from home, according to Ricoh Europe, although PwC found that 65% of workers are job hunting and 20% want to remain remote.

Like investors, staff want more substance and detail to understand what they're committing to. Mushroom management – the process of closeted company development that leaves workers in the dark – has been criticised for years now, with employees desiring more visibility and knowledge of business performance.

Although Excel spreadsheets may be a go-to option in the early stages of a business, there are many accounting software options available on the market. Considering which best suits your business is a solid first step to move the needle and implement a more robust system for managing financials.

Platforms have evolved over time, and continue to be enhanced, becoming highly intuitive and able to provide the level of sophistication and detailed information to keep your finger on the pulse as you scale. Not only will it help to professionalise ongoing business, but companies will also be better equipped to review their company data and crunch it as necessary – whether for investors, internal planning or otherwise.

Removing trust from the equation and looking at the numbers, leaders should observe how working from home has impacted the business financially. If the data the business has collected suggests it's viable, then formalised HR processes should be taken into consideration to not only keep growing staff numbers, but to retain them with job satisfaction.

From that initial seed fund to later rounds

Looking back, raising seed money from friends and family may have seemed relatively smooth and straightforward, but is the level of information provided to personal contacts going to be as satisfactory to investors in later investment rounds?

After Series A, investors will expect to see evidence of product market fit. This should be clearly defined, and growth within the market should be apparent. Some founders that have come from larger enterprises may have experience of the detail required for this, but those who haven't shouldn't underestimate the particulars, including clear KPIs and robust financial hygiene.

Investors will need to see a defined roadmap of growth to date, but also where future opportunities to scale further will come from and how the product evolution will take shape. Tying into the previous point around software, budgets will need to be accounted for so that VCs can see where their money will be spent and how it will be made back.

By implementing financial hygiene ahead of time, founders can be assured they'll be far better equipped to tackle any curveballs that may arise, rather than still relying solely on the early-stage mentality of 'being agile and moving quickly' which can only get you so far. It may have worked for Travis Kalanick, but it's a risky strategy.

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