

An autonomous approach, pattern matching and investing in outliers, a profile of Bessemer Venture Partners

In the ever-growing investment landscape, funds are multiplying and diversifying, and for startups there is more to raising investment than the money and the media moment. With #QVCS Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we speak to Alex Ferrara, partner at Bessemer Venture Partners.

Bessemer is born out of innovation within the steel industry dating back more than a century ago, and over the last 50 years we've been helping entrepreneurs lay strong foundations to build long-standing companies. We have more than 130 IPOs - including LinkedIn, Shopify, Pinterest and DocuSign - and 200 current portfolio companies. We have long believed that innovation is borderless and have taken a global approach to our investments, with teams now in Silicon Valley, San Francisco, New York, Boston, London, Tel Aviv, Beijing and Bangalore.

We made our first investment in Europe in 2004 and since then have seen 13 current partners back companies in the region, with nearly 50 investments made across Europe. In the fall of 2021, I relocated from our New York office to officially open our first office in London and be closer to European founders and tech hubs.

Which industries are you working in?

Our strategy in Europe is to back the leading early-stage cloud companies that are focused on selling to global customers. I spend my time primarily focused across SaaS, fintech, data management, SMB software and cybersecurity, where the European tech ecosystem is showing exciting potential. We see many exciting innovations in these areas - from the development of new cross-border payments systems to software to help enterprises manage data privacy and cloud security.

What do you look for in a founder?

We look for three main attributes amongst founders. Firstly, founders who are intellectually honest and curious; secondly, founders who are open to learning and champions of divergent thinking with their teams; and thirdly, founders who are naturally collaborative. We believe it's important for entrepreneurs to share and take on new perspectives to help grow and nurture their teams and ideas. Additionally, we have found that success is often linked to high personal motivation, resilience, and a growth mindset - this combined skill-set can help a founder deal with the highs and lows of their entrepreneurial journey, which is rarely linear.

Can you talk about your current portfolio?

We have nearly 50 European portfolio companies and I've personally invested in more than 10 across Europe and Israel. Companies include Manta, GetAccept, Pipedrive, Temaviewer, NewVoiceMedia, Wandera, Vertice, Upvest, Dashlane, BigID, Hunters.ai, Optibus. Common themes are that we invest early, often as the first check in the seed, frequently back first time founders, focus on B2B companies that aspire to sell globally and leverage Europe's strength in engineering and product talent.

How has COVID-19 changed the way you operate?

We've operated as globally distributed/remote teams long before the COVID pandemic made it necessary. And while COVID certainly pushed us to a new level of decentralisation and hybrid work, in the end, the pandemic further removed geography constraints, which has allowed us to connect with more founders and companies where they are being built.

From a broader perspective, remote working and virtual connectivity presents opportunities from all corners of the world that may not have been as obvious when everything was done in the office. Through this period, we've seen entrepreneurs rise to the occasion to transition entire industries online and create new ones, harnessing the benefits of the cloud to a greater extent than ever before, which we've written about recently in our [State of Cloud 2022 Report](#).

What does the future look like? New trends/technologies, changes in the global/local economic landscape?

Despite the recent drop in the value of the public cloud market, we still believe that cloud software will play a pivotal role in transforming global productivity - whether that's freelancers excelling on platforms such as Canva and Fiverr, businesses automating operations with platforms like Zapier, or vertical solutions shifting B2B commerce online and optimising logistics with software.

Across the tech startup ecosystem, we're going to see less fixation on reaching unicorn status. The saturation of 'easy' money within the startup ecosystem has led to many billion dollar valuations, and some founders have been too focused on growing the valuation instead of the fundamentals of good business - encouraging a "unicorn or bust" mentality.

This sentiment is changing and we believe that Annual Recurring Revenue (ARR) is the right metric - rooted in business fundamentals - for the market to realign around and specifically, reaching the \$100M ARR milestone. We've coined the term 'centaurs' as a way of recognising \$100M ARR companies. A company who has reached this milestone has strong product-market fit, a scalable sales and marketing organisation, and a critical mass of customer traction - ingredients for long-term success.

What makes Bessemer Venture Partners different?

Unlike many of our peer firms, we invest primarily from one core global fund and that structure gives us flexibility in both industries and geographies of our investments. We also take an autonomous approach to our partnership - we work together as a partnership to support companies, but decisions about what investments to make are up to individual partners. In venture capital, pattern matching is critical, but we're also looking for outliers - our autonomous model allows us to take chances on those outliers. Our investments are rooted in roadmaps - or deep dives into industries - and allows us to make investment decisions based on our knowledge of the market/landscape, countless conversations with entrepreneurs in the trenches, and our conviction in the founders. Finally, something that I think exemplifies the value we put on intellectual honesty - we don't simply celebrate our successes but we make a point to call out and learn from the opportunities we've missed with our *anti-portfolio*.

What one piece of advice would you give founders?

One of the CEOs I worked with used to say that no one is perfect, but there are near-perfect teams. This really resonates with me. The companies that have performed the best across our portfolio are the ones where the founders have prioritised team building. And this is not only about the exec team, it extends to your board, investors, and advisors.

Alex Ferrara is a partner at *Bessemer Venture Partners*.