Perspectives by Atscale

A curated collection of insights from and for tech leaders in H2 2023

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Introducing Perspectives by Atscale, a bi-annual tech paper crafted by our team of Operating Partners.

Our mission is to bring together the most relevant thought leadership content from esteemed tech leaders, exclusively for fellow tech leaders.

With each edition carefully tailored to the upcoming semester, we strive to surround you with valuable insights and guidance.

Perspectives by Atscale
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Atscale Operating Partners

Atscale is your Operating Partner to help you land above your top line target.

Along we the executive teams of our clients, we are working to increase sales performance and build the right architecture to reach the next phase of growth. We are a team of executives who have scaled top-tier international startups, experienced IPOs (NASDAQ), and have endured what it takes to create big companies.

2x

Our clients close deals 2x faster vs their average time to close

33%

Average revenue increase generated by a sales rep

10x

10x ROI is an average delivery for our clients (incremental revenue generated vs investment)

25%

Average increase of sales reps hitting on quota

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A Word Of Introduction

From Stephane AZAMAR-KRIER

CO-FOUNDER & CEO, ATSCALE

Speed is in the DNA of our industry. And, for most of us, probably a driver, an inner motivation to build fast and get satisfaction from achieving what we're aiming at.

Our coaches and mentors, though, advocate to sometimes take a moment to reflect on ourselves, our achievements, and most importantly, on what we could have done differently, so we learn from the past and improve. Most of us do it on our own terms, either every day, during solo retreats, or collectively during leadership offsites.

And once this essential job of reflection is done, we can finally do what we enjoy most: imagine the future. Think about the open roads ahead of us, the dreams we are chasing, and the infinite possibilities of our lives.

As we are today flooded by information, and usually by information dealing with the past, we have decided to create a media that will discuss the future of the technology and cloud industry. Atscale has gathered CEOs, executives, VCs, operating partners, and thought leaders across Europe who will bring, twice a year, their own perspectives on that matter.

We want Perspectives to be a platform for free speech, a forum, an open conversation between thought leaders and economic leaders of our industry. We want Perspectives to be a moment. A moment where we break barriers and look beyond the line.

THOUGHT LEADER-SHIP

Section 01

A curated collection of opinion pieces crafted by VC investors, executives of unicorn scale-ups, and tech thought leaders to navigate the upcoming semester of 2023

Flight To Quality

What Does That Mean, And What Are The Levers You Can Pull To Successfully Raise VC Funding At Series A Or B Today?

6 min. read

By Lucile CORNET

PARTNER, EIGHT ROADS

Lucile is a Partner at Eight Roads, focusing on software and fintech. Passionate about the European startup community, Lucile believes it will be the birthplace of the next generation of global leaders.

Eight Roads Ventures is a $12bn global venture capital firm with a presence in China, Europe, India and Japan and 50+ years of venture investing experience. Its portfolio companies include Amenitiz, AppsFlyer, Fever, Fireblock, Funnel, HiBob, Icertis, Kaiko, Leocare, Odaseva, Otrium, OTA Insight, Owkin, Red Point, Reveal, Spendesk, Tibber, Wallapop, Walnut.

Lots has been written about the drop in valuations and tumble in VC funding in 2023 versus the peaks of 2021. Headlines mention valuations that have halved since the peaks and unicorns that have lost their crowns. However, the reality is more nuanced, as all businesses have not been affected the same by the market downfall. What is happening is rather a *flight to quality*. Most investors (public and private alike) are going back to fundamentals and paying much more attention to a handful of criteria.

Let's take a look at public markets first. When you look at averages, the story goes, "Nasdaq is down 22%, and the BVP Cloud Index is trading 50% lower than at its peak in 2021". However, once you go deeper into the details, the narrative starts to become clearer. Tech stocks have not been hit the same way by the recent market correction. While some sectors have completely rerated (Marketplaces like Booking or Etsy went from trading at 10-15x to 5x almost overnight, Mobility players like Bird went from 15 to 0.5x in the last 24 months), other sectors have stayed remarkably resilient, such as SaaS but also Consumer subscriptions (Netflix went from 8x to 6x) and Gaming (Electronic Arts went from 7x to 5x).

Now, let's turn our attention to private markets. Again, headline data from Crunchbase as of Q1-23 talks about "VC deployment being down 53% year on year". That being said, there were a number of high profile deals completed in recent quarters that tell a very different story. In Europe, companies such as Saastrify, Prewave, Swan, Raft, and Parloa, have all raised very successful Series A or B despite the challenging market.

So, what are the concrete takeaways for entrepreneurs today thinking about raising a funding round in the next 12 to 18 months? **Here is a list of 8 levers that you can pull and that will significantly increase your chances of raising a round at the best conditions.**

1. Recurring Revenue

There is a clear premium for true recurring revenue. Not re-occurring, not transactional, not consumption-based, but truly predictable recurring revenue.

How do I act on it? *Contemplate making your revenue more recurring, even if that means lower revenue in the short term. Consider asking for multi-year commitments if you can. Visibility and predictability are kings in this market.*

2. Attractive Margin Profile

During the peak years, investors paid less attention to gross margins, funding many businesses on the promise that these margins would improve over time. Today, the pendulum has shifted the other way, and investors will scrutinize margins, ascribing a premium to high gross margin businesses and, in general, lean organizations. When money was free, many tech companies overhired and feel a bit bloated today, forgetting to look for ways to automate their own internal processes.

How do I act on it? *Review all COGS and Opex items line by line and think how much more automated they could be. It's also worth reviewing pricing, as you might be selling too cheaply if there is a lot of work at onboarding or in customer care. Can you outsource some of these functions to partners?*

3. Net Revenue Retention

Net revenue retention, meaning if a cohort of customers brings $100 revenue in year 1, how much do they represent in year 2, is becoming one of the key metrics monitored by investors. Schematically, nobody wants to invest in a leaky bucket (work hard and pay high acquisition cost for new customers, and then lose 30% of them after a year). In terms of benchmark, anything above 100% is good. Above 120% is best in class.

How do I act on it? *By investing in a customer success team much earlier than you think. Many Series A startups invest in go-to-market but not in success. It is equally important to keep these hard-earned customers and make sure they are buying more from you over time.*

4. Must-Have Product

Everyone believes they are a must-have product. However, in difficult times where budgets are tight, it becomes clear that some products are more must-have than others. A few good indicators for this are engagement metrics and ACVs. For example, if users open your product every day and spend 4 hours a day in it (think of an ERP or a CRM, for example), it is much harder to churn than a tool used a few times per year. Similarly, ACVs can be a good proxy for this. If the ACV is large compared to the overall budget of the buyer, it means it probably has strategic value and senior-level attention (think of a core banking software, for example). Finally, you can also try to estimate the cost and friction for your customers to switch (think of database businesses, for example, which have extremely low churn).

How do I act on it? *This one is difficult to shift overnight, but I would think extra hard about what are the product features or positioning that can make you more sticky and generate more usage, as it really changes the narrative for your company.*

5. Diverse Customer Base

Who is the customer base? In this volatile world, the more diverse, the better. Companies that were overexposed to VC-backed tech companies have suffered. Companies that are too exposed to consumer retail may feel the macroeconomic shocks more than others. Companies that are overexposed to one geography are also more at risk.

How do I act on it? *This needs to be intentional. Often, companies will start by being quite concentrated (one vertical, one country), which is good as they can demonstrate faster product-market fit. However, as you scale, I would try to be very intentional in diversifying your customer base.*

6. Efficient Growth / Path to Profitability

Profitability is the new grail. Demonstrating a path for profitability is now a requirement, as the funding risk is much greater than it used to be. (Funding risk refers to the risk of the company not getting its next round of funding). At later stages (series B+), you want to show that this could be the last round of funding. I speak to many entrepreneurs who have got used to raising every 18 months, and the bigger the company, the more it burns. It's a dangerous trend, and ideally, you want to show that the more you grow, the less you burn.

How do I act on it? *Start monitoring cash efficiency. Burn multiple is an easy metric (how many $ of revenue were gained in the quarter vs $ burned). It will show investors and employees that you are trying to build a sustainable, profitable business over time.*

7. Gen-AI Disruption Potential

Gen AI is probably the most talked-about topic of 2023. It is clear that it will profoundly disrupt businesses and change the way we live. Investors will assign a (large) premium to businesses that are deemed to benefit from this secular change or at least have a robust strategy towards it.

How do I act on it? *Whichever sector you are in, you NEED a Gen AI strategy. How are you leveraging Gen AI tooling in engineering? In customer care? How is your market going to be affected by Gen AI? If you don't have a strategy, someone else in your market will.*

8. Climate Impact

Finally, climate change is probably the other secular trend that investors are actively investing behind. There will be winners and losers in this transition to a net-zero world, and a large premium will be assigned to businesses that are proactive on the topic (some public and private investors might not even be able to invest if you DON'T have a positive ESG impact).

How do I act on it? *Again, whichever sector you are in, you HAVE TO think proactively about the impacts of climate change and the net-zero economy. Can you benefit from the change? Don't underestimate how quickly the disruption is coming. This is quite binary, and businesses that are on the wrong side of the trend will struggle to raise, for sure.*

Goodbye Customer Lifetime Value

Payback Velocity Is Your New Core Metric

6 min. read

By Edwin HENGSTMENGEL

PARTNER, ENDEIT CAPITAL

Edwin is a Partner at Endeit Capital – a growth capital firm with offices in Amsterdam, Hamburg and Stockholm.

He is a board member at Floryn and an investor in Bux, but these days increasingly working on Climate Technology, Educational Technology and B2B Software. He served as director of the LOEY Foundation, a Dutch initiative to stimulate Entrepreneurship.

The Hague School is a collective term for a group of painters active in The Hague between around 1860 and 1890. I have a painting at home but no clue about its value. Maybe not important as I am not planning to sell. Even though you might not be selling your business anytime soon, you are consciously aware that SaaS businesses are generally valued on a multiple of their revenue. In most cases, the projected revenue for the next 12 months ("NTM").

Economist Alfred Rappaport educated me early in my career and explained that revenue multiples are a shorthand valuation framework. Given that most software companies are not profitable, or at least not generating meaningful Free Cash Flow (FCF), it is, however, the only metric to compare the entire industry against. The promise of SaaS is that growth in the early years leads to profits in the mature years.

SaaS multiples are calculated by taking the Enterprise Value (market cap + debt - cash) / NTM revenue. Jamin Ball – *check out his Clouded Judgement newsletter* – considers high growth (>30% projected NTM growth), mid-growth (15%-30%), and low growth (<15%). The median has come down considerably over the last 18 months:

8.5x

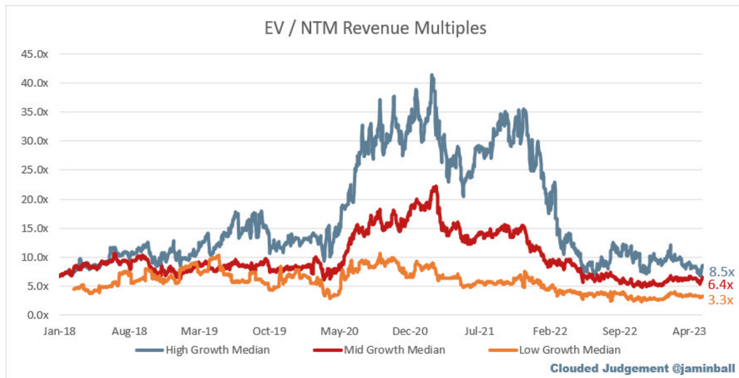
High Growth Median

6.4x

Mid Growth Median

3.3x

Low Growth Median



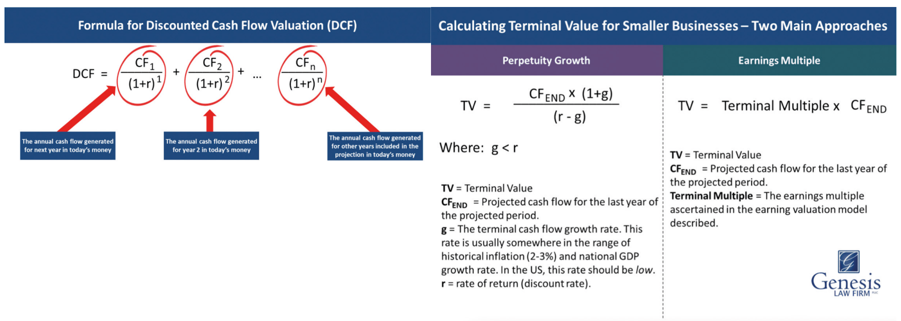
[1] This graph is provided by substackcdn.com

With valuations plummeting – *unless you are an AI or Climate tech startup* – you can be assured that unsophisticated investors are washed out of the market and no longer active. Luckily, you never wanted an unsophisticated investor on your cap table anyway ☺. Investors still active in the market are spending more time and conducting longer due diligence to better understand cohorts and unit economics for new investment possibilities. Overall, it's not a bad situation since the DD outcomes can help you set post-financing priorities, such as through a 100-day plan, for example. However, in my humble opinion, many investors have made their DD somewhat of a laborious and nagging process. I don't believe that final investment decisions should mostly result from answering tons of questions around Contribution Margins, Customer Lifetime Values, Customer Acquisition costs, etc.

Bill Gurley, the general partner at Benchmark, once explained that the Utopian destination imagined by the Customer Lifetime Value (LTV) formula is a mirage. Hear, hear!

A Utopian destination outlined in Excel formulas almost never works out as planned in the long run. Either growth begins to slow, or you run out of capital to continue funding losses. Enter 2023, when the Venture Capital industry cries uncle and asks to see profitability. Late(r)-stage multiples have declined significantly, and we are painfully reminded that the long-term value of a company is still based on discounted future cash flows. Current valuations are simply a reversion to the mean. With rising interest rates, we all understand that the denominator (the discount factor) is rising. Money is no longer free, and cash flows (the numerator) start to matter.

See the source article "Cash Flow Valuation: Part 4 of How to Value a Small Business"[2].



[2] "Cash Flow Valuation: Part 4 of How to Value a Small Business" by Genesis Law Firm: genesislawfirm.com/cash-flow-valuation

When all this happens, and investors start asking for a clear path to profitability, the fragility of the LTV model also starts to appear. Customer Acquisition Cost (CAC) is often a little higher than expected. You met your growth target, but the projected loss was bigger than expected. Venture Capitalists are hounding you for churn numbers, but you are reluctant to give them out.

The lack of transparency then leads to cynicism, and everyone assumes the worst. It turns out that the excessive marketing spend was also propping up repeat purchases, and pulling back to achieve profitability is increasing churn. Moreover, a negative cycle has ensued because of your upcoming valuation decline and investors' new doubts about the sustainability of your model. Not only are results impacted, but so has customer perception of your brand.

The bottom line is that the notion of "one day we can stop spending and be remarkably profitable" rarely comes to fruition.

It's not impossible to create permanent equity value with the LTV approach, but it's a dangerous game of timing – you don't want to be the peak investor, and Endeit Capital certainly does not want to be. Let's say a new business starts with aggressive marketing techniques and aggressive fundraising. The company can achieve amazing revenue growth (and corresponding losses) but nonetheless creates a rather sizable organization. Eventually, however, gravity

> **"The bottom line is that the notion of "one day we can stop spending and be remarkably profitable" rarely comes to fruition."**

ensues. For early founders and investors, they may do okay but it will be accomplished on the backs of later-stage investors that helped fund the unsustainable push. This has been the story of many scale-ups over the past years, often in capital-intense market segments such as mobility.

David Peterson, partner at Angular Ventures, wrote about his lessons as an early employee of Airtable, where he was responsible for growth. David always thought of his job as optimizing a funnel. You acquire users, you activate users, and you get those users to pay. And ideally for more than you paid to acquire them in the first place.

“Growth should not be thought of as a funnel. Growth, done well, is all about loops.”

But he learned growth should not be thought of as a funnel. Growth, done well, is all about loops. The easiest ones to identify are the product growth loops. A user signs up, activates on your product, does something that helps acquire a new user (for example, inviting a colleague or sharing a piece of content), and then the new user starts the loop all over again. Product growth loops are so powerful because they are specific to your product (and thus can’t be copied) and are compounding (with each new user driving additional user acquisition).

But paid marketing loops are just as powerful. In 2017, David noticed the growth team at Monday.com had started experimenting with an “early bird” discount. Here’s how it worked: one day after you signed up for an account, they’d offer you a 33% discount on an annual plan if you upgraded immediately.

If you, like most paid marketing teams, were just myopically focused on reducing your CAC, increasing your ARPU (average revenue per user), or optimizing the ratio of your LTV to CAC, you might have missed the genius of this tactic, because offering such a hefty discount would decrease your ARPU and would thus move your LTV/CAC ratio in the wrong direction.

This is exactly why you need to think in terms of loops. If product growth loops are about leveraging users to get more users, then paid marketing loops are about leveraging revenue to get more users. And that’s precisely what this “early bird” discount was all about. By significantly decreasing the time it took for paid marketing dollars to get paid back as revenue, Monday.com was supercharging its marketing team, enabling them to reinvest much more quickly.

“If product growth loops are about leveraging users to get more users, then paid marketing loops are about leveraging revenue to get more users.”

To put a finer point on it, while every other marketing team out there was getting seduced by lifetime value[3] to justify their burgeoning budgets, Monday.com was recycling dollars into an ever-growing marketing monster.

This thinking is especially important when cash is hard to come by. Hello, 2023! Optimizing for a payback period might not make sense when you can just go back to investors and raise more capital whenever you’d like. But what if this is the last €1m you’ll ever be able to spend on marketing? Suddenly, payback velocity matters a whole lot. The quicker that €1m hits your bank account again, the quicker you can reinvest, and the quicker you can grow your customer base and drive more revenue... to reinvest again (it’s a loop, after all).

I found this to be a great piece of advice: throw out your lifetime value model and refocus on payback velocity. It made sense back in 2017 when Monday.com did it. And it makes even more sense today.

[3] “The Dangerous Seduction of the Lifetime Value (LTV) Formula” by Bill Gurley, published on Above The Crowd: abovethe-crowd.com

[2] “Cash Flow Valuation: Part 4 of How to Value a Small Business” by Genesis Law Firm: genesislawfirm.com/cash-flow-valuation

2023 Investing: VC Turn To Real-World Problems

4 min. read

By Raphaël CATTAN

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Raphaël is a Vice President in the Venture Team of Eurazeo. With €32bn AUM, including €8bn for tech, Eurazeo is one of the most active tech investors in Europe. Raphaël focuses his investments on Climate, Energy, Transportation and Real Estate. His past investments include 1KOMMA5, Vay and Spacefill. Prior to joining Eurazeo, Raphaël worked at the cabinet of the Minister for the Economy and Finance and in strategy consulting.

The last 18 months felt like an everyday hangover for many VC investors. The fall in public valuations first struck hard those who were not able to sell their shares in companies listed in 2021 due to lock-up; those who planned to IPO had to review their plans, and for many, they were refinanced with non-standard terms in order to maintain their valuation. Meanwhile, the last 6 months have seen a multiplication of internal refinancing to bridge early-stage companies until the next round of funding or profitability.

The difficult adjustment of private markets

This slump has brought a day of reckoning for many. Who is to blame for the boom and bust? VCs flushed with cash who pushed founders to take more money than they reasonably needed to speed up their growth? Founders always looking for the highest valuation possible, even if disconnected from the reality of the business? U.S. investors playing tourists and leaving as soon as the sun stopped shining? The reality is that the tech private markets are flawed. In public markets, good times lead to skyrocketing valuations, and in bad times, valuations adjust. In private tech markets, valuations don't adjust because of the stigma attached to it and the big impact it may have on founders' ownership and motivation. With VCs having raised big funds and still looking for the next fund returner, the scarcity of good assets with the potential of a +$5bn exit opportunity leads nevertheless to high competition and 2021-like valuations for the best-performing companies. Average-performing assets are not repriced, while good-quality assets are still overpriced, making it difficult for VCs to make the math work.

Turning to real-world problems

This day of reckoning has also led investors to change their mindset as some sectors have quickly fallen out of favor. Food delivery, ecommerce, and consumer-focused businesses have shown their limits: high capital intensiveness even for asset-light platforms, difficult path to profitability, high acquisition and retention costs turning a significant portion of VC money into net profits for the gatekeepers of the Internet, Google and Facebook.

Investors are now turning their interests to real-world problems. Companies succeeding in downturns and surviving budget cuts will be the ones solving a massive issue and driving a clear ROI for their customers, especially on sectors particularly highlighted during the Covid-19 pandemic and the Ukraine crisis for their fragility: supply chains, industrials, productivity tools are cases in point.

At the same time, VCs remain natural optimists and bet on clear growth trends. With the clear path drawn by E.U. regulations and the Inflation Reduction Act in the U.S., VCs are pouring money into renewable energy, electric mobility, home renovation, new materials, and carbon offsetting. Over $40 billion have been invested worldwide in 2022, only a 3% decrease compared to 2021 despite market slowdowns and 28% of the otal VC investment for the same period.[1]

The decrease is mainly due to growth deals, while early-stage activities are on a positive trajectory. At Eurazeo, our investment into 1KOMMA5 was driven by the realization that the urgent need to decarbonize our economy relied on aging and subscale craftsmen struggling to hire qualified workers and that a buy-and-build play on solar and HVAC installers was the quickest way to reach scale, make an impact, and solve the supply bottlenecks.

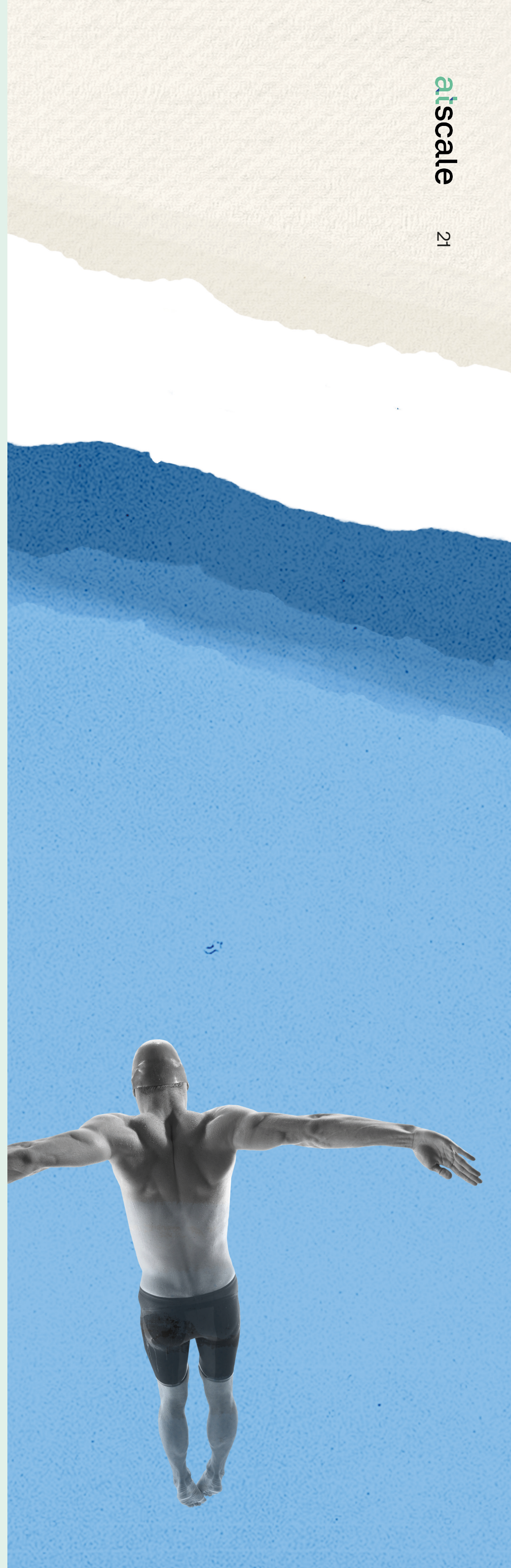
However, investors remain cautious. Nobody wants to invest in a "Ukraine stock" whose top-line growth is driven by a momentary market pull. Climate tech also covers a variety of sectors with heterogeneous maturity and liquidity. The last Climate 1.0/Cleantech boom ended in a big failure. Between 2006 to 2008, $25 billion were invested and recorded a 50% net loss[2]. Today's conditions are different, but the risks have not disappeared: technology readiness is much higher than 15 years ago, and the market appetite for sustainable solutions is now much stronger, driven by the regulatory push and consumers' awareness of climate change.

"Companies succeeding in downturns and surviving budget cuts will be the ones solving a massive issue and driving a clear ROI for their customers, especially on sectors particularly highlighted during the Covid-19 pandemic and the Ukraine crisis for their fragility [...]"

However, one should be careful of the risk/reward ratio in capital-intensive businesses where the investment horizon can be long, and the cycle of financing is still not complete at every step of the journey. Many companies also rely too much on a potential ability to charge a "green premium" or expensive carbon credits spending to reach positive unit economics.

AI boom: are we back in 2021?

The launch of ChatGPT has been, for AI, a "Sputnik" moment. While investors had turned to a more down-to-earth mindset, the new potential offered by these tools opened to anyone has galvanized a new wave of companies. Most popular deals mainly focus on sectors with large existing datasets and quick go-to-market, such as sales, customer support, productivity & operations or engineering, product and design. Despite this new space being still new and rapidly evolving, it nevertheless looks very consolidated with the usual giants Google and Microsoft heavily invested and integrating AI tools to their suite. More than ever, VCs are building their investment thesis and investing in the dark, on shaky grounds, betting on founders' velocity and technical skills to succeed as the sector evolves. But after a few years of investments into businesses with low technological intensity and differentiation, this new boom of AI brings a welcomed breeze of fresh air to the market.



[1] "More than one quarter of all venture capital funding is going to climate technology, with increased focus on technologies that have the most potential to cut emissions" by PWC: pwc.com
[2] Clean Tech Company Performance Statistics by Cambridge Associate, 2022: cambridgeassociates.com

Transitioning From Growth At All Costs To Profitable Growth: A CEO's Journey

5 min. read

By Guillaume LINET

CHIEF OF STAFF, SPENDESK

Guillaume Linet is the Chief of Staff at Spendesk and is a trusted partner to help executives focus on what really matters. He has experienced different industries (Consulting, Fintech, B2B SaaS) and the different stages of scaling. In more than 4 years, Guillaume has contributed to expanding the Spendesk team from 20 people to 700 and raised more than 250m€ to support the growth of the company (x50 in ARR).

Founded in 2016, Spendesk is a spend management solution for SMEs across Europe. Its software, combined with smart payment cards, provides finance teams with complete transparency and control over all payments while increasing productivity and collaboration of operational teams.

It's been an interesting year for the tech industry, with lots of changes in terms of growth strategies. While VCs were highly supportive of the growth of new technologies adoption, even at high costs, they are now much more conservative if the payback is not short enough (e.g. less than 18 months in the SaaS industry)[1]. Why is that, you ask? Well, the increase in interest rates has led to lower valuations for public tech companies, and private ones that are valued on ARR multiples have followed suit. So, what does this mean for tech companies? They'll need to reduce their burn multiple to achieve similar ARR growth if they want to maintain similar valuation trends.

"[...] communicate the vision, mission, and values of your company. Make sure your team hears it so often that they can't get enough!"

How do you manage such a switch as a CEO? Regardless of the macro-environmental context, your first role is to set and communicate the vision, mission, and values of your company. Make sure your team hears it so often that they can't get enough! At Spendesk, our CEO repeats it in his Monday morning video and during our weekly All Hands.

While your financial statements may need to adapt to the external context, they're not the goal in themselves. They are merely a means to achieving your north star KPI that quantifies your vision (e.g. XBn€ spend operated through the platform for Spendesk).

[1] State of the Cloud 2023 by Bessemer Venture Partners
bvp.com/atlas/state-of-the-cloud-2023

As a CEO of a VC-backed company, you may find yourself in the situation of shifting your company's focus for financial reasons, which can be a complex and challenging process with significant change management requirements. Think of it like moving to a new house or starting a new job. Change can be scary or exciting, depending on how you perceive it. It is important to prepare for the change, implement it and then ensure its sustainability within the organization.

I want to emphasize the importance of engaging with employees and stakeholders throughout the change process to foster a sense of ownership and commitment. Pierre Fournier very well illustrates two contrasting financing approaches to support growth in his fable "The Fable of the Bootstrapper and the Fundraiser"[2]. Don't worry, though - your reality probably falls somewhere in between!

Let's move you forward with some actionable steps

Here's what I suggest:

First things first, you and your leadership team need to review your plan and be bold about what really matters in the short term to support your long-term vision.

Let's break it down into three dimensions:

1. Focus on the core markets where you're clearly winning and have confidence that you'll displace competitors in the long term. Winning can mean several things, such as strong topline growth or robust unit economics.

2. Keep testing the product-market fit or business model in investment markets.

3. Cut out the markets you don't want to be in and let your competitors focus on them.

Remember, a market can be a geography and/or a customer segment (industry vertical and/or company size). Your re-forecasting exercise should treat each of these buckets differently: budget a clear pathway to profitability for core markets (1), be ruthless about cutting out what doesn't work in (2), and radically cut out (3) altogether.

[2] "La fable du leveur et de l'éleveur" by Pierre Fournier published on Medium.com in 2022

Your second action is to align the extended leadership team on this shift and get their commitment to execute the reviewed plan. This is not an easy one! Such change can sometimes be tough for your leaders as they can be very used to "growth at all costs" environments for decades, and their first reflex can be misaligned with the reviewed constraints.

Anyway, this step is mandatory to lead the organization in the right direction. At Spendesk, we have put in place an operating philosophy with required forums to enable the extended leadership team to get informed, take action, and make decisions (see "The Cadence: How to Operate a SaaS Startup")[3].

To ensure the team is well-equipped to execute the reviewed plan, you need to rely on your operating principles and illustrate them in this new context. It's easy to become too reactive, and when that happens, you'll inevitably start to make human resources mistakes, execution mistakes, and prioritization mistakes. This is why you need to document core tenets describing the way you work. Once they're written down, you need to repeat them constantly until everyone has internalized them. Many companies have "values," but I want to distinguish philosophical beliefs from the concrete principles that should be applied to the day-to-day work of running your business. Check out Patagonia's principles[4] or Twilio ones[5] as a concrete example.

Next, over-communicate the plan with your employees and equip your managers to be strong relays in the organization. Spend time doing focus groups, coffee chats, and large Ask Me Anything sessions. It's a great use of your time and will keep everyone on the same page.

This is a lot! The key is pausing just long enough to be very intentional about how you will collectively approach the new phase. The good news is that as CEO and founder[6], you are in the unique position of building the organization custom to your leadership style[7] and overall skillset to make the change happen!

"To ensure the team is well equipped to execute the reviewed plan, you need to rely on your operating principles and illustrate them in this new context."

[3] "The Cadence: How to Operate a SaaS Startup" by David Sacks published on Medium.co in 2020
[4] Patagonia's values: patagonia.com/core-values/
[5] Twilio's values: twilio.com/en-us/company/values
[6] Article by Matt Mochary, 2021 can be accessed via this QR code
[7] "Type of Leadership Styles: A Step-by Step Guide with Examples" by Luke Ferris published on foundr.com in 2021

The Use Of Fractional Expertise As A Parachute For The Tech Talent Crisis

11 min. read

By Henri DE LORGERIL

CO-FOUNDER & CEO, AVIZIO

After a 10-year career in the French tech industry, working in sales departments at Groupon, MonDocteur, and Oyst and recruiting nearly 400 people, Henri decided to co-found Avizio.

Avizio is a one-stop shop for growing companies, supporting them in all their HR and people-related needs, including mid to top management recruitment, consultants on demand, mentoring, and assessment.

The current state of the tech industry is widely recognized. Several noticeable trends include decreasing valuations, increased challenges in fundraising, significant layoffs, and downward pressure on salaries. The rise in interest rates makes the financing conditions more stringent, which directly impacts valuations. This marks a significant return to reality following the possibly excessive investment boom in the tech sector, particularly in the wake of the Covid-19 crisis. Within this context, the recruitment market is tightening: while there is a growing pool of available talent, companies are exercising greater caution when it comes to hiring.

Nevertheless, their challenges remain significant. Companies must find ways to differentiate themselves, accelerate progress on all fronts, secure new clients, improve profit margins, and sustain their business model.

To achieve these objectives without significantly expanding their workforce, companies are increasingly seeking functional expertise with a focus on risk reduction, especially in relation to hiring. Additionally, companies are often compelled to maintain multiple viable business plans simultaneously, such as hyper-growth, cautious growth through financing, or a swift return to break even.

This market reality has resulted in a significant increase in the utilization of fractional expertise by companies, sometimes at the expense of traditional hiring practices.

In this article, we will delve into the primary motivations behind the recruitment of part-time experts. We will examine the advantages they bring and offer practical guidance on how to seamlessly integrate them into your organization to optimize their value.

The market uncertainty requires greater expertise

While the tech crisis is often associated with financial difficulties, its impact extends beyond monetary aspects. For companies that have managed to secure funding, the issue lies in how long they can sustain their operations with the available resources, commonly referred to as the runway.

Maximizing the runway becomes a crucial objective for several reasons.

Firstly, rapid growth in recent years has led to instances of over-hiring, resulting in high fixed costs that directly impact profitability. The key idea is to minimize these costs and prolong the runway as much as possible, avoiding the need for extensive layoffs.

Another critical aspect of maximizing the runway is ensuring sufficient liquidity to swiftly respond to market downturns. This liquidity provides companies with the necessary flexibility to adapt, pivot, or seize opportunities when faced with challenging circumstances.

The final reason is closely tied to investor expectations. Investors have become increasingly demanding when it comes to the performance of their investments. Their ability to secure future fundraising relies on the success of their portfolio companies. As a result, their criteria for evaluating investments are evolving, with profitability, revenue growth, survival rate, and long-term prospects becoming paramount.

In the startup ecosystem, the traditional approach is to continuously raise funds until reaching profitability. Therefore, it is crucial to maintain the freedom to secure funding when the company chooses to do so, rather than being compelled by a cash shortage. In the latter scenario, the company risks losing leverage over the terms and conditions imposed by potential investors.

In this environment of uncertainty, managing companies becomes even more intricate and demanding, leaving little room for trial and error. Emergencies arise more frequently, necessitating swift and efficient decision-making to achieve immediate and substantial outcomes.

In light of these circumstances, the current focus has to lean more toward expertise rather than exploration. The triple tracks that are pursued demand comprehensive plans across all strategic aspects of the company, including finance, HR, product, data, and more. It is essential to recognize that the individuals who initially propelled the com-

“Continuous skill improvement cannot be solely relied upon, and as a result, they require appropriate support and training to effectively navigate these new challenges.”

pany during its early acceleration phase may not always possess the most suitable expertise to tackle emerging strategic issues. Continuous skill improvement cannot be solely relied upon, and as a result, they require appropriate support and training to effectively navigate these new challenges.

The utilization of fractional expertise effectively addresses this requirement by leveraging experienced and specialized professionals such as CFOs, DPOs, HRDs, and more. These individuals work on a part-time or full-time basis, directly contributing to the team’s growth and skill enhancement. By integrating fractional experts, companies can execute high-value projects, enhance internal capabilities, and benefit from strategic decision-making expertise.

For instance, IAD, a startup specializing in digital real estate and recognized as a Next40 company by FrenchTech, opted to hire an external expert to thoroughly analyze their go-to-market strategy when expanding into a new international market. This approach allowed them to minimize trial and error, mitigate associated risks, and make informed decisions based on expert insights.

Ultimately, the primary challenge lies in sustaining growth while responsibly managing resources. Investors and companies must collaborate closely to ensure that investments are utilized effectively, leading to the establishment of sustainable and resilient businesses. This shared commitment to responsible resource management is crucial for long-term success and mutually beneficial outcomes.

Exective recruitments are becoming increasingly complex and demanding

Strategic recruitments are now subject to more meticulous evaluation. The significance attributed to these pivotal hires results in lengthier and more risk-averse decision-making processes. The hiring criteria have multiplied (experience required on similar positions, background, required

“a […] trade-off arises between the aspiration to hire experienced professionals who have already demonstrated their capabilities and the challenge of incentivizing seasoned experts to replicate past achievements.”

salary, physical presence in the office, etc.), and the consequences of manager’s recruitment errors are substantial (amounting to approximately 50,000 euros cording to a study by Collock[1], and even more for experienced profiles).

Moreover, during times of uncertainty, the influence of investors in strategic decision-making is growing, along with heightened scrutiny over proposed salary levels. Consequently, recruitment processes can involve multiple stakeholders, ranging from 4 to 6 or even more individuals. Decision-making periods are consequently prolonged, and the attractiveness of offers may be diminished as a result.

[1] “Coût d’un mauvais recrutement” by Collock: collock.com/2020/02/25/cout-mauvais-recrutement/

“A new trend has been gaining momentum among highly skilled professionals in recent times : a shift towards self-employment.”

This prudent approach to hiring, while it may slow down the recruitment process, can yield long-term benefits. Investing time in thoroughly understanding candidates and their expectations enables the selection of individuals who not only possess the necessary skills but also align with the company’s values and dynamics.

While waiting to find the ideal candidate for a position, more and more companies are considering the use of part-time experts for a few days or weeks per month as an alternative worth considering. This approach avoids vacant positions, resolves strategic issues, and enhances the skills of existing team members who collaborate with these experts. This flexibility in timing recruitment decisions enables more deliberate and thoughtful hiring choices, particularly in an economic environment marked by uncertainty. Moreover, if the recruitment process remains transparent, these experts can also provide valuable support during the hiring process itself, leveraging their expertise and objectivity that are inherent to their role within the organization.

Experts in search of freedom and security, away from tech startups

A new trend has been gaining momentum among highly skilled professionals in recent times: a shift towards self-employment.

In recent years, many experts have sought to join consulting firms or opt for freelance work (71% more freelancers since 2009 in France)[2].

First and foremost, they seek greater autonomy in selecting clients and engaging in projects that align with their values and aspirations. They are increasingly driven by the desire for meaningful work on a daily basis.

Moreover, in the face of a challenging market, companies often find themselves compelled to downsize their workforce or implement hiring freezes. These measures can have a detrimental effect on the professional situations of experts, leading them to seek out alternative opportunities.

Furthermore, we are currently witnessing a decline in company valuations. The once sought-after BSPCE (stock options) that used to entice top professionals to join fast-growing startups are losing their allure and are increasingly seen as a diminished advantage. Companies that heavily relied on this incentive may no longer be able to afford these highly skilled experts.

These various factors drive talented individuals to often join consulting firms, which offer more flexibility in choosing their client base or lead seasoned professionals to venture into entrepreneurship by starting their own businesses. These firms can change their target in the current climate and reduce their dependence on startups. Being independent or part of a consulting firm provides them with a level of autonomy from the economic conditions of a single company. It grants them greater financial independence, at least in the medium term.

As a result, outsourcing resources provides companies with access to experienced profiles who have turned to this type of service. It also enables them to engage experts for specific projects without the commitment of full-time employment and associated costs.

Working effectively with part-time experts

Using part-time expertise has become a common practice for companies looking to improve their efficiency and flexibility while reducing costs.

While this may seem like an ideal solution, the use of external consultants can lead to apprehensions or “undesirable” effects. Prudent rules are essential to ensure effective collaboration.

Indeed, on one hand, bringing in independent experts can provoke resistance internally. Employees may feel replaced and fear a loss of control over their scope. As such, transparent communication and change management are essential, as we will see below.

[2] “Le Freelancing en France” by Freelance: freelance.com/blog/actualites/etude-freelancing-france/

On the other hand, the selection of part-time employees is essential to ensure the convergence of their vision with that of the company. Their mindset must match that of the team. It may also be relevant to consider their other ongoing assignments to ensure that their organization and schedule are compatible with the company's objectives.

Here are a few suggestions on how to ensure the successful integration of these advisors and optimize their contribution to the organization.

The initial step involves defining the expert's responsibilities and what is expected of them.

Are certain deliverables expected? If so, which ones? Within what timeframe? It is important to establish clear criteria at the start of the mission to facilitate effective collaboration. Regular checkpoints for monitoring progress can also help reach a mutual agreement on expectations and mitigate any potential disappointment at the conclusion of the collaboration. One challenge to address is countering the "magical thinking" effect, where unrealistic expectations are placed on the expert as a supposed solution to all problems, which can ultimately lead to disappointment.

"Onboarding is no longer a mere novelty; it has become a crucial challenge when bringing in new employees."

Onboarding is no longer a mere novelty; it has become a crucial challenge when bringing in new employees. Similarly, it holds significant importance for the successful integration of outsourced resources. While certain traditional onboarding steps, such as a welcome breakfast or extensive training, may be skipped in this context, there are still essential checkpoints that need to be addressed to foster a high-performing organization.

As part of the onboarding, it is crucial to ensure that the expert has access to the necessary company tools. This entails creating an account for them on the relevant platforms, such as internal email, collaboration tools, and communication channels.

Additionally, introducing the expert to the team members they will be working with can be highly beneficial. This allows collaborators to gain a clear understanding of the outsourced resource's specific tasks while allowing the expert to identify their key contacts within the organization. It is also important to communicate internally about the arrival of the external resource, their impact, and their scope in relation to the internal staff. This helps prevent potential frustration or unintended consequences, such as information retention issues.

Lastly, implementing a "shock report" approximately 20% or 30% into the duration of the engagement can be valuable. This serves as a checkpoint to ensure alignment between the company's expectations and the expert's progress, effectively framing the remainder of the collaboration.

Flexibility is key when leveraging outsourced fractional expertise. Since experts are not full-time employees, it is important to acknowledge that they may have other ongoing missions, which could affect their availability compared to internal staff. However, their experience and knowledge of the mission requirements enable them to effectively manage and organize their work to align with the company's objectives. The goal is not to verify and evaluate each of their actions, as doing so would undermine the main advantage of engaging part-time experts: their specialized expertise. Building a relationship of trust is, therefore, crucial to fully capitalize on this collaboration and ensure the successful completion of the mission.

It is important to note that the use of external experts does not solve the fundamental problem of attracting and retaining talent. While external expertise offers an interesting solution, it cannot replace an HR policy focused on the development and retention of key internal expertise.

In conclusion, leveraging fractional expertise for strategic and complex subjects presents an effective solution to the challenges posed by the current uncertain context. It allows companies to quickly access the specialized expertise of experienced professionals without the need to directly increase their permanent staff, thereby mitigating the risks associated with hiring executive-level profiles. These experts can contribute by training internal teams and delivering high-value projects that are essential for the successful development of companies in the sector. However, it is crucial to establish safeguards and maintain transparency to ensure effective collaboration.

"Building a relationship of trust is therefore crucial to fully capitalize on this collaboration and ensure the successful completion of the mission."

Strategies To Further Extend The Runway In The Second Half Of 2023

6 min. read

By Benjamin LARRERE

CPA & MANAGING PARTNER, ACL

Benjamin is a CPA and Managing Partner at ACL. For 15 years, he has advised tech companies on accounting and financial advisory. He is involved in all stages of their development, from incubation and fundraising to external growth operations and exits.

ACL is a one-stop shop to take care of all founders' needs, from accounting to financial advisory, through tax, payroll, and audit support. ACL aims to provide a high-level service based on quality, efficiency, and reactivity.

In an ever-evolving ecosystem, startups must demonstrate adaptability and resilience to achieve their goals. The first months of 2023 have been marked by the prevalence of profitability over growth. This profound shift presents CEOs with new financial challenges and the pressure to deliver rational and controlled financial results.

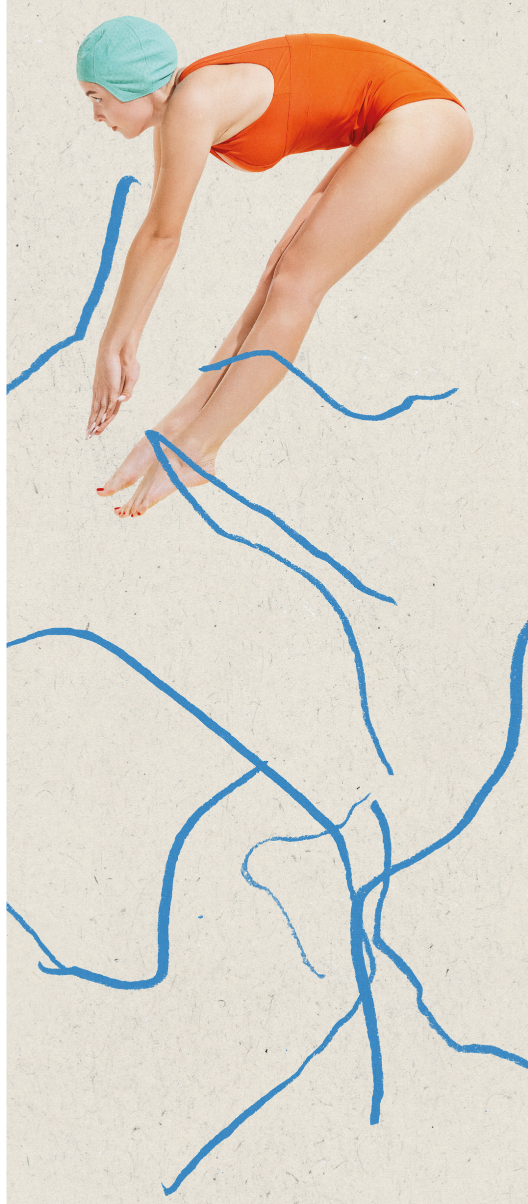
While it is important to recognize that the majority of founders have already implemented strategies to extend their runway, it remains a critical task and an ongoing process as we enter the second half of 2023.

In this article, we will delve into the fundamental principles that underpin a successful runway extension.

We advocate for an approach based on two pillars: rationalizing the historical perspective and projecting into the future.

Streamlining the history

Firstly, we consider it crucial to rationalize the historical data and understand the cost structure of the company, specifically its burn rate. To accomplish this, CEOs must have access to accurate, verifiable, and up-to-date information. They should establish data collection processes and organize the generation of reports. Data sources are vital for making informed decisions and should not be overlooked. CEOs should be involved in preparing the files and ensuring the proper construction of tables and analytical assignments. Financial reporting should include frameworks, controls, and an audit trail for clear understanding and verification.



CEOs need to take a granular approach to analyzing expenses while maintaining a business lens and not reinventing what already works well. In this phase of analysis and understanding, the various heads and C-level executives play a key role in providing an operational perspective and justifying their budget. CEOs should be able to identify major expense items and assess their impact on the overall profitability of the company. With a thorough understanding and mastery of financial information, CEOs can make informed strategic decisions and explain them to their teams and investors in an intelligible, clear, and pragmatic manner. In this exercise, it is essential to adopt a rigorous cost-benefit analysis for each decision and carefully evaluate the risks and benefits of each action. Making decisions is complex and automatically involves trade-offs that CEOs must navigate. Being prepared to make difficult decisions, such as discontinuing non-profitable projects, closing subsidiaries, or reallocating resources, is vital.

Startups are constantly racing against time, which is further intensified in the current context, where time is an increasingly limited resource. CEOs must take proactive actions to buy themselves additional time. This includes actively exploring financing and cash management strategies to extend the period during which the company can operate with its existing resources. All sources of financing should be considered,

“All sources of financing should be considered, from current and new investors to suppliers, banks, and alternative financing institutions (RBF, participatory loans, etc.).”

from current and new investors to suppliers, banks, and alternative financing institutions (RBF, participatory loans, etc.). Collective proceedings such as conciliation or AdHoc mandates also offer interesting avenues that should be carefully examined in collaboration with the company’s advisors. They provide a negotiation window with banking partners and government bodies like CCSF, which can be valuable in this sprint. Buying time also means having the opportunity to try, test different strategies, fail, restart, adjust, and ultimately succeed.

Looking towards the future

The second pillar of our approach is the ability to project into the future and execute a vision. This entails establishing a solid budgeting exercise aligned with the company’s strategic vision. CEOs need to develop detailed budgets by team that reflect the long-term goals of the company and consider opportunities, challenges, and the company’s DNA.

Like financial reporting, budget construction should be methodical and collaborative.

From this work, the energy of the company for the next 24 months should emerge. Objectives must be clear and achievable for each team. The budget should garner the team’s buy-in; otherwise, it will not be executed properly. It is also essential to create flexible budgets that allow for adjustments based on market changes. CEOs should establish regular monitoring of actual performance against forecasts and adjust budgets accordingly to maintain profitability and achieve set goals. However, it would be detrimental to think that projecting into the future stops at the initial budgeting process. CEOs must adopt a mindset of continuous reforecasting to account for changes and unexpected events that can affect the company’s profitability. Regular performance analysis and comparison with set objectives allow CEOs to identify gaps and take corrective measures. This may involve adjustments in resource allocation, revising sales and marketing strategies, or implementing measures to reduce unnecessary costs. By remaining vigilant and responsive, CEOs can anticipate challenges, seize opportunities, and maintain solid profitability in a constantly evolving environment.

Finally, projecting into the future and optimizing profitability cannot be achieved without the involvement and commitment of the teams. CEOs must clearly communicate the company’s vision and financial objectives, providing specific guidance on the efforts required to achieve these goals. It is crucial to involve teams in the budgeting process and empower them to manage financial resources. CEOs should encourage initiative, creativity, and innovation within the company, motivating employees to propose ideas for cost savings, process improvements, and revenue generation. They should also establish KPIs to measure and evaluate progress towards financial goals. Regular communication of financial results and performance allows teams to understand the impact of their efforts and align with common profitability objectives.

Maximizing the profitability of startups requires a strategic approach and rigorous financial management. As a result, CEOs must rationalize the historical perspective by adopting precise reporting systems and gaining a detailed understanding of their company’s burn rate. They should buy themselves time by exploring various sources of financing and optimizing cash management. By projecting into the future, CEOs need to develop robust budgets, regularly reforecast their forecasts, and actively involve their teams.

The Decentralized AI Revolution:

Open-Source LLMs Leading The Charge

6 min. read

Adrien MONTCOUDIOL

FOUNDER & CEO, MOZZA

Adrien Montcoudiol is the CEO of Mozza, a product studio for top-tier startups across Europe. Adrien is also an angel investor and passionate about AI.

Guillaume SIMON

FOUNDER & CEO, ROMY

Guillaume, seasoned CPO from companies like Tigerlily, Stuart, and wave.ai, is setting up Romy, AI-first company generating unique audio stories for children. He is also co-founder of an AI think-tank.

Mozza is the product studio that gathers the best product minds, unlocking startup potential like Lettria and Tenyks in AI. We advise, build, and solve complex challenges, transforming products into unique powerhouses.

In the world of AI, a seismic shift is underway. The dominance of proprietary large language models (LLMs), such as OpenAI's GPT, Anthropy's Claude and Alibaba's MPT7B, has sparked concerns about privacy, vendor lock-in, and reliance on centralized solutions. It is being challenged by a rising tide of open-source alternatives. This groundbreaking development holds the key to unprecedented control, transparency, and game-changing opportunities for businesses.

Breaking free from proprietary models

The rise of initiatives like RedPajama, which recently unveiled an open-source model capable of outperforming established players, exemplifies the democratization of AI technology. Boasting comparable capabilities at a fraction of the cost, RedPajama exemplifies the democratization of AI technology.

Business leaders cannot afford to ignore the rise of open-source LLMs. The implications are profound, offering a number of advantages that can reshape the competitive landscape:

1. Fueling Innovation

By making AI accessible to a wider audience, open-source models become catalysts for innovation. Smaller organizations, who were previously priced out of the market, can now harness AI to drive fresh solutions that larger organizations might overlook. The potential for disruptive breakthroughs is immense.

2. Tailoring AI to Business Needs

Proprietary LLMs are known as black boxes, limiting businesses to one-size-fits-all solutions. However, the open-source revolution flips the script. By revealing their code and training data to the world, these models empower businesses to fine-tune and customize AI solutions according to their unique needs.

3. Challenging Proprietary Dominance

As the performance of open-source LLMs continues to improve, they emerge as viable alternatives to proprietary solutions and potential replacements in certain use cases.

The power of customization & concrete applications

The ability to fine-tune open-source LLMs on domain-specific data unlocks the true potential of generative AI applications. By training the model with their own datasets, businesses can achieve unparalleled accuracy and performance in generating text, suggesting captions, answering queries, and completing tasks. The resulting customized model outshines off-the-shelf proprietary LLMs, delivering responses perfectly tailored to the company's unique content, writing style, and information needs.

This customization process is now easier and cheaper than ever before (Training costs were slashed by as much as 10-100x in the past 5 years).

Let's explore some concrete scenarios of how this could apply to specific industries.

1. Retail E-commerce Company

Imagine a large-scale online retailer training their LLM to craft personalized product descriptions or recommend products based on past purchases. The fine-tuned model can embody the company's brand voice and generate text that aligns perfectly with its style. Moreover, the LLM can transform customer support by providing instant and personalized responses to common queries, enhancing the overall shopping experience.

2. New Organization

News organizations can revolutionize their operations by fine-tuning LLMs to automate article writing and generate reports in their distinctive house style. By training models in specific domains like financial reporting or sports journalism, LLMs become invaluable partners, generating news summaries, captivating headlines, and compelling photo captions effortlessly.

3. Healthcare Provider

LLMs become indispensable allies for healthcare providers, helping parse complex medical literature and generating easy-to-understand summaries for patients and professionals. Additionally, these models can be harnessed to develop virtual health assistants that provide compassionate and knowledgeable responses to general health inquiries, revolutionizing patient care.

4. Financial Services Firm

Customized LLMs can equip financial services companies with the ability to generate accurate financial reports, analyze market trends, and even offer investment advice. By fine-tuning models to comply with stringent financial regulations, businesses can ensure ethical and legally compliant outputs, thereby building trust and maintaining industry standards.

5. Content Creation Company

Companies producing visual, written, or audio content, like Romy (getromy.com), can greatly benefit from customized LLMs to ensure their output is consistently on-brand across diverse teams. This bespoke approach facilitates a unique, engaging, and secure storytelling environment, reflecting the power of customized LLMs in shaping a brand's content and identity.

6. Educational Institution

Educational institutions can utilize LLMs to develop personalized learning materials based on students' individual progress and learning styles. From providing instant feedback on assignments to suggesting further reading materials and generating quiz questions, these models redefine education, empowering students with engaging and adaptive learning experiences.

The remarkable potential of tailored open-source LLMs to amplify generative AI performance holds immense promise for businesses seeking a competitive edge. The seamless and cost-effective refinement of AI capabilities through customized model training should impel enterprises to delve deep into the realm of these models and explore their utilization and optimization in earnest.

It is worth noting that the future of LLMs does not solely rest in the hands of models trained on extensive and often expensive datasets. We are witnessing the rise of compact models that show commendable performance while being economically viable. These agile, efficient, and increasingly capable models present a compelling option for businesses across a range of applications. Moreover, their smaller resource footprint contributes to a reduction in environmental impact, fostering sustainability.

Undoubtedly, the advent of open-source LLMs marks a pivotal moment in the AI landscape. However, this does not diminish the value of proprietary models such as OpenAI's GPT. These models offer off-the-shelf solutions that are vital for swift market entry, particularly for startups and businesses venturing into AI for the first time. They provide a reliable and expedited pathway to AI capabilities without requiring significant resources or expertise in AI development.

Nevertheless, for businesses equipped with established AI infrastructure and ample resources, open-source models present an intriguing prospect. These models allow for enhanced control, customization, and competitive differentiation. They empower organizations to leverage the transformative power of AI in a manner that aligns precisely with their unique requirements and strategic objectives.

In essence, the choice between proprietary and open-source models is not a binary one but a strategic decision based on an organization's growth stage, available resources, and specific AI needs. For some, a hybrid approach may prove to be ideal, leveraging proprietary models for rapid deployment and experimentation while gradually cultivating capabilities around open-source models to achieve deeper customization and differentiation.

HQ FORUM

Section 02

Recommendations for startups and entrepreneurs for the second half of 2023

What Recommendations Can You Give To Startups And Entrepreneurs For The Second Half Of 2023?

Patrice HUTIN

Managing Director, Sofiouest

Based on the continuing uncertainty in the macroeconomic environment, it is imperative for startups to present spotless metrics: CAC ratio, Growth Vs Cashburn, and long runway (18 months a minimum). Quality of recruitment is key, with a robust onboarding process for new hires to make them immediately productive. Long ramp-ups are out of fashion. Give new hires a purpose; they can always get a job elsewhere. Be thankful to people who help you be successful. The people you meet on the way up are the same you may meet on the way down, should there be such a thing. Make sure people that are not as smart as you are can understand your product, so keep it simple!

Antoine MARTIN

Co-Founder & CEO, amo

It's very hard to be generic on this one, but pre-PMF, I'd stay very low and focus exclusively on the product, and post-PMF, I'd do the opposite.

It is a bit contrarian, but I don't think I would focus on profitability.

Profitability for an early-stage startup is a slow death. We build startups to make them grow really fast; we are valued that way. When we stop, we become zombies and lose everything:

- Our teams are built on ambition, and turnover is immediate if ambition is gone
- Our venture partners are chosen based on ambition, and they lose faith and interest immediately if we reduce it
- We are addicted to adrenaline and lose focus when it's not there anymore
- There will always be younger startups focused on growth in your vertical, and they will catch the attention and funding you would want

On top of that, and despite the VC crunch, I still haven't come across a company with explosive growth and no funding. It might take a little longer to raise, but if you are growing at more than 12-15% a month and have reached a certain size, you'll be financed and well-financed.

The other thing I'd do is focus on the US as much as possible in terms of market but also in terms of funding. I expect them to restart faster than we will, and I'm already seeing US VCs being more aggressive than they were a year ago.

Sébastien **BOUCRAUT**

Chief Scaling Officer, Breega

First and foremost, in the pre-seed/seed stage, valuations remain healthy, and even though the market is more challenging, there is liquidity for good projects and strong teams. So don't hesitate to launch your technological innovations and explore the market for testing.

With the market being more competitive than before, it is advisable to focus on the essentials and work on operational efficiency, lead quality, conversion rates (especially in the acquisition to activation stage), and team cohesion. It is relatively easy to get along when everything is going well, but if the foundational relationships have not been addressed and worked on beforehand, cloudy weather can negatively impact the company. The human/relational aspect, which remains the lifeblood of the organization, is often underestimated.

The right balance between growth and cash management is the backbone of any entity. Therefore, it is essential to be vigilant about the timing of revenue versus contract signing (CASH REMAINS THE KING) and the Net Burn / Net New Revenue ratio, which ideally should be <1 for scale-ups and controlled for startups (the optimal ratio varies depending on the stage of maturity but should be below 2 and approach 1 quickly). Keep in mind that you should have a runway of at least 24 months!

This period is also conducive to reviewing your business model and go-to-market strategy and assessing strengths and weaknesses in relation to the market and competition. Accepting a pivot is not a failure but a demonstration of agility and resilience that often reenergizes and revitalizes the organization. Stay focused, avoid dispersing your efforts, and work on density rather than geographic expansion or service expansion at any cost. Remember, "Where focus goes, energy flows."

Finally, in terms of financing, don't hesitate to explore dual tracks (financing or acquisition) to maximize your options.

The market demands more operational excellence, but liquidity is available for talented individuals and technological projects that have an impact on our daily lives.

Augustin **SAYER**

General Partner & Co-Founder, OVNI Capital

Seed recommendations:

- Make sure you start your fundraising with low expectations regarding your fundraising amount and aim to be oversubscribed. This will ensure you capture the interest of as many funds as possible.
- Don't put the word profitability everywhere on your slides. Seed funds are still looking for unicorns, and you won't become a unicorn within the 10-year frame wanted by VCs if you are profitable in your second, third or fourth year of operation.
- Focus on your tech. In times of crisis, VC funds focus on basics, i.e. disruptive innovation. If you're not tech-centric, don't waste time raising from vanilla VC funds and broaden your list of potential investors to include regional funds, corporate funds, public funds and even clubs of business angels.

Samantha **JÉRUSALMY**

Partner, Elaia

In this market, where the investment pace across VC firms and stages has drastically reduced, with the average round size going back to 2018 levels, it can be a double-edged sword. On one hand, it might mean that you will have to work harder to raise less, which brings up the notion of capital efficiency. On the other hand, it leaves you more time to prepare solid KPIs to then start a more effective roadshow. In some cases, this might mean that you have to do an internal round or a bridge to stay afloat in order to search for these KPIs.

All in all, I would say that a refocus towards your core value proposition (the one thing that works despite everything you throw at it) and cutting down any additional features or products that might distract resources from the core will be key to surviving the stormy seas. If all of the above are still quite hard to reach despite your best efforts, it is best to start thinking about exiting your company and looking up the major incumbents that are looking to bolster their offerings by acquiring startups.

Guillaume **LINET**

Chief of Staff, Spendesk

Before proceeding, I would take a moment to reevaluate my plan in light of any changes in the market context. My aim would be to prioritize efficient growth in a thoughtful and strategic manner. I would only focus on what is working very well from a unit economics perspective.

To continue improving your unit economics, I would take into account how AI can enhance both your customers' experiences and streamline your internal operations. I would start doing the following :

- Assess the AI opportunities by conducting an internal audit. From Administration, Customer Support, and HR, to Legal, Marketing, and Engineering, AI is an ability multiplier.
- Reimagine your product roadmap from a first principles perspective. If you were to build your product today from the ground up, how would you leverage AI to best address your customers' core needs?
- Take action and start shipping: Give every employee access to LLMs and share best practices for using them effectively. Host AI hackathons to encourage experimentation and creativity. Start reimagining features that can benefit from AI, focusing on those that are safe, feasible, and high-impact.
- Start your AI strategy today, and once it's on the market, focus on long-term defensibility.

Finally, with the market slowdown, I would take the opportunity to pause and reflect on your role as CEO to be very intentional about how you want to operate in this new change of paradigm.

Damien **MORIN**

Founder & CEO, mobile.club

More alarming than the low startup fundraisings is the fact that in Q1 23, very few venture capital firms in France have raised new funds. This suggests that this year's second semester is going to be difficult, and there are no shortcuts. My recommendations would be to first secure as much cash as you can. If you have a good equity level, raise debt from major banks. If you have venture investors, make a bridge. If you have potential new investors, make a round. The valuation doesn't matter. You can make a flat round or a down round; the only important thing for your company is to survive. This is your mission.

Cash is king, don't necessarily aim to be breakeven but make sure you have a runway of 24 to 36 months. If this requires terminating some of your employee contracts, do so. Being a leader is also being brave in bad market conditions period. No one will ever blame you for taking difficult decisions. Be respectful, and take all the time needed to explain your situation. Be transparent about your cash level, and integrate your top executives into your roadmap. Remember that there are almost no major companies in this world that have not experienced hard times.

Bartosz **JAKUBOWSKI**

Partner, Alven

When the tide is low without flows of cash flocking to the risk-on tech sector during the zero interest rates era, you see who's swimming naked, meaning that businesses with negative unit economics, nice-to-have value propositions leading to high churn and lower willingness to pay struggle. This moment of truth is harsh but can prove to be a very powerful forcing function for entrepreneurs to refocus on which part of their product is really a must-have for which segment of their customers and why and how they can extract value from it.

My advice would be to reprioritize understanding these business levers over less-than-efficient growth:

- Understand your segments and narrow down your ideal customer profile so that they're really, well, ideal: who are they? How much does the pain cost them? What are their alternatives? Why are they sub-par for these issues? What do you really do differently? Who cares about it? Etc.
- Refocus your best resources (especially talent) on these aspects to ensure that this core part of your business is secured and your customers are happy and willing to pay more. From there, you can gradually expand.

Higher cost of capital has led a lot of tech product buyers to either stop expanding, renegotiate, or churn from some of their contracts. Entrepreneurs who focus on deeply understanding their customers and segments and how they map to their product roadmap will enjoy a valuable north star to guide them through troubled waters and give confidence to the remaining VCs willing to invest in the next tech category leaders built on solid foundations.

Pauline **PAQUET**

Head of Startup Success, XAnge

As we enter the second half of 2023, the tech industry continues to present both challenges and opportunities for startups and entrepreneurs. In light of current market conditions, here are five key recommendations to guide your strategies and decision-making:

1. Prioritize Growth and Build a Sales Machine:

With cash reserves dwindling for many companies, it is crucial to focus efforts on generating sustainable growth. Make growth rate your north star: investors will have a close look at it. As a reminder, a good growth rate starts at x2, and the best companies are doing > x5.

2. Manage Burn Rate and Cost Efficiency:

Prioritize cost-saving initiatives such as optimizing your tech stack, reassessing office needs, and streamlining operations. Explore alternative funding sources like debt, grants, and subsidies to supplement your cash flow. As for growth rate, investors will have a closer look at your cash spend. As a reminder, a good burn rate starts at x1, and the best companies are doing < x0.5.

3. Capitalize on Market Consolidation Opportunities:

For companies with available capital, the second half of 2023 presents a unique opportunity for consolidation. With many businesses facing financial constraints, market shares can be acquired at attractive prices. Evaluate potential acquisition targets and strategically position your company to seize these opportunities for expansion and market dominance.

4. Empower HR/Ops Teams for Effective Restructuring:

Whether scaling through acquisitions or reducing staff, the human factor is key for your company's trajectory. Invest time and, if possible, resources in these teams to navigate restructuring initiatives effectively. Ensure clear communication, empathetic decision-making, and effective change management throughout the process.

5. Transparent and Frequent Communication:

In times of uncertainty, open and consistent communication with your team is essential. Despite limited visibility, keep your employees informed and engaged through regular updates. By fostering a transparent and inclusive environment, you can minimize attrition, maintain a positive work atmosphere, and limit business impact.

Aurelien **DUPUY**

Senior Vice President - Portfolio Operations, PSG

From previous years' context of low interest rates and growth at all costs, the paradigm has very clearly shifted towards profitable growth. Despite current market headwinds, this has, in return, created a number of opportunities for companies with proven product-market. They can now further differentiate themselves from the pack thanks to a few proven operational best practices:

- Adopt a zero-based budgeting approach, challenging previous years' practices to make sure capital is used efficiently. Aim at becoming a "rule of 40+[1]" company.
- Narrow down your pricing structure, further monetizing your highest ROI and least price-sensitive customers.
- Improve retention rate by paying closer attention to your existing customers, setting processes to anticipate churn and increasing adoption while upselling new features. Happy customers buy more.
- Gradually decrease your CAC (which has likely been inflated during previous years) by doubling down on your ICP[2], managing individual sales productivity closely, and sending leads to your best sales closers.
- Consider M&A as an alternative path to accelerate your growth outside your borders and core product offering.

[1] Year-on-year growth rate + EBITDA margin = 40% or more
[2] Ideal Customer Profile: those most likely to need your solution

ROUND TABLE

Section 03

A conversation among Atscale Operating Partners

Striking A Balance Between Sales Growth And Operating Margin Improvement

Stephane **AZAMAR-KRIER**

CO-FOUNDER & CEO, ATSCALE

Ex-CRO at Inato

Ex-Managing Director at Criteo

Led teams of 100+ FTEs across the U.K., Northern Europe and MEA

Contributed to the growth of the mid-market business unit from 50 to 800+ FTEs (2013 - 2018)

Pierre **TRANNOY**

CO-FOUNDER & MANAGING DIRECTOR, ATSCALE FRANCE

Ex-Director, Sales France at Criteo

Ex-Managing Director France at Holidu

Led the largest sales team in EMEA at Criteo; 50+

Contributed to the growth of the mid-market business unit from 100 to 1,000+ FTEs (2015 - 2020)

Richard **SCHENZEL**

MANAGING DIRECTOR, ATSCALE THE NETHERLANDS

Ex-Sales Director, the UK & Ireland at Criteo

Ex-VP Sales Global at Channable

Enables companies to (re-)build sales machines by focussing on processes, go-to-market strategies & execution

Contributed to the triple digit growth of scale-ups

Amine **SLIM**

ASSOCIATE PARTNER, ATSCALE

Part of Global LinkedIn Fast Track (top 40 talents globally)

First Sales Director under 30 in LinkedIn EMEA

Opened BeLux & Swiss markets: 0 to 60 FTEs

Created sales processes & sales tools for 500+ FTEs in EMEA

Olivier **CASASSUS**

VP DEMAND GENERATION

Ex-Head of Marketing, EMEA at Front

10+ years of experience in Demand Generation

Built and scaled both inbound and outbound demand generation teams responsible for 100% of EMEA revenue generation

10x'd inbound digital assets revenue generation while improving and maintaining ROI efficiency

Striking A Balance Between Sales Growth And Operating Margin Improvement

Stephane

Given the current tensions in the tech industry, investors are asking companies to be profitable sooner than they used to. Basically, pace to profitability is the new order for most startups.

And the issue here is that if you want to be profitable sooner, you usually have to reduce costs, but reducing costs is obviously putting at risk the growth rates you can achieve. This presents a dilemma: investors want companies to keep performing more or less at the same pace but with a reduced cost structure.

Hence the reason for this discussion today.

Pierre

For the past 12 to 18 months, we have indeed fully embraced this perspective, this mindset. I would say that most startups and scale-ups are already aware of it. **They know they have to focus on profitability. The 1 million dollar question is how? How can we make it happen? How can we execute? And what do we mean by profitability?** Should we measure the LTV: CAC ratio? Should we measure sales productivity? Should we measure EBITDA? Or should we measure all of them? Should we create an aggregate score based on these KPIs?

What can help companies in starting to answer this question of "how"?

Amine

During crisis times, people usually reflect a bit more on how they run their businesses. So we observe a more accurate analysis of the current performance and the past performance. And sales leaders usually look at KPIs in a deeper way. They try to find exactly where the red flag is. And this is where we see more involvement from Sales Ops and, if applicable, Sales Enablement as well. Because the goal is not to hire extensively by adding more headcounts but to improve profitability and sales productivity by including Sales Ops with a better analysis based on data, plus the execution coming from stealthy enablement, we can really change and shift the approach to strengthen the current performance.

What do you think has changed in the current sales model compared to the recent years?

Pierre

What we see, and I think all of us when working with tech companies for years, is that we are witnessing a shift in sales organizations: models with SDR, BDR, AE, CS, and AM are being totally challenged now. The main thing is to adapt your sales organization and your sales system and model to the segments you are targeting, the ICPs, and the size of the deals you are signing.

Basically, **if we take the example of the BDR-AE model, this is something that works for sure, but from a profitability standpoint,** it does not work at all for SMBs and potentially mid-market segments. For ACVs less than 20/25K, it doesn't make much sense to have the BDR-AE model. And many tech companies are switching back from the BDR-AE model to AE full stack.

Richard

I think people and companies are forced right now to reconsider their sales playbooks. **We are switching from a sales-led organization to a sort of buyer-led organization.** It is more about the experience from the buyer because, with the SDR-AE motion, it is, first of all, indeed, super expensive if your ACV is low; but on the other hand, you have a lot of handovers, so the whole buyer journey is not seamless. **And nowadays, when buyers are so used to product-led growth with a seamless experience, we should mirror this as well with sales teams.**

So I think we need to create one-stop shops and help people buy instead of selling a product.

How can you achieve the same numbers with a reduced sales team?

Stephane

First of all, of course, I think that almost all companies have done or are still doing the exercise of reviewing the cost structure, meaning, usually, letting people go. The good thing is that it is also an opportunity for companies: it is a good time to review compensation plans and salary policies and to make sure that everybody is paid in a competitive way. You want to keep at the right cost the top profiles that are remaining in your company.

Richard

You want to secure the core performing team members, yes. I think that enhanced ownership of the people whom you decide to keep is very important. So make your financial situation transparent for everybody, for profitability to be not just a founding team or management team concern but that of the entire company.

Pierre

I think it is really about creating an environment that will allow individual contributors to perform. And this comes from the beginning of the journey of an employee in the company, from the values of the company. This is something I see too often lacking in tech companies: **putting performance at the center of the company's values.** We often focus on work-life balance, and it is good, it is nice, but putting performance as a marker of happiness for an employee is sometimes lacking. The root cause is that the company has a poor or low-performance culture. It is the role of the company to create an environment where the culture of performance is strong and where performance is understood as a source of happiness in the journey of the contributor.

Amine

Absolutely. There is a gap between the trends we see in the media and the reality of the business. And I think it is the role of the founders and the leaders of a company to remind how business has to be done, but also to remind how the company wants to do this business because we all have different approaches, right? A culture of performance will not be the same from one company to another. So what does performance mean in our company? Is it achieving 150%? Or is it 100%?

How can you boost the performance culture in your company?

Amine

We often make a comparison between professionals and top athletes. If we look at top athletes, they train, they practice, they are coached, they rest, and on the D-Day, they have to be at the top of their abilities.

For professionals, especially in hyper-growth environments, it is exactly the same. And all of this is based on one common element: discipline. The more discipline is embedded in the culture of the company, the more it becomes a habit. We create healthy, successful routines. Discipline is not a matter of whether it's your thing or not; it has to be done. **We have seen many companies, and we know that discipline is one of the key ingredients of the « secret sauce » for consistent success, for sure.**

Richard

Lead by example and set the right expectations as well. And then celebrate success, as it is often overlooked. Reward people who are performing well because this will have a positive impact on the entire organization.

Amine

And discipline doesn't mean that we have to get there in a day. It is about taking baby steps. It is a small habit. It is about celebrating small wins. Small wins are as important as big wins. We have to lead by example, indeed. We have to acknowledge that sometimes it is more difficult for some than for others, but that's okay. As long as we stick to the plan, things will come.

And I would say, on top of that, **it is also important to think ahead and try to forecast what success will look like in six months.** I am going to just give you an example - it is really hard to hire top talent. And what we have observed so far is that people often hire through the lens of the past. They hire candidates they hired before. But it is not a done deal to assume that those who performed in 2022 will continue to perform in 2024. We are going to change products, the environment will change, and our company will change processes. So, by doing our best to anticipate what the next 6 to 12 months will look like (which is not easy), we can identify some trends. We will know what we need to do to be successful because what has been working before in the past might not work in the future.

Richard

It is also crucial to keep your team motivated and maintain high energy in tough times. It can become quite difficult if you ask your team to constantly do more with the same resources or less.

One of the things that we always recommend is to focus on sales floor animation to make sure that you keep the energy high. Spend time with your team to ensure that you boost energy and activity at the same time.

How would you address the lower demand generation? That is a key topic for many companies at the moment, and it can support the motto of «doing more with the same team»

Olivier

I think that the first thing to do is analyze the impact of the global situation within your funnel. What kind of discrepancies can you see between stages, conversion rates, and typologies of leads? What is showing signs of impact? What can you flag as new indicators to monitor going forward?

You'll also want to look at your target segments in detail; maybe some of them have been impacted more than others. Mark them as highly impacted, mildly impacted, and not impacted at all. Then you'll be able to deal with each segment with the proper level of prioritization and focus and ask yourself new questions. What is your new sweet spot? Where are you gonna focus your initiatives in the short and long term? Eventually - which segment should not be prioritized at all at this time?

You'll then be able to address any granularity with the proper amount of work. Typically, can you put some sort of optimization in place to respond to any specific challenge or opportunity that you have identified? This could potentially unveil a pricing topic or something that you would not have necessarily anticipated but that is in your control to fix.

Do you recommend cutting marketing channels? Should companies double down on the top-performing ones?

Olivier

Companies should definitely allocate resources to double down on top-performing campaigns, maximize their return on investment, and potentially try to expand on them horizontally - typically trying to duplicate a successful campaign to address a different audience target.

Though one thing that is important is to not only double down on successful assets that are likely not offering a huge expansion potential but also to continue to experiment with new campaigns and new ways to generate revenue. A significant amount of resources should be dedicated to these methodic experimentations geared at unveiling new scalable revenue-generating programs and campaigns. **A good general ratio between experimentation vs optimization campaigns would give a 30/70 split for mature companies and 70/30 for earlier-stage fast-growing startups.**

Indeed in these situations, I would also recommend cutting marketing channels that have been lagging behind and not proven to be cost-effective nor scalable after a significant amount of time - to reallocate this budget to experiment on new growth levers.

Which sales levers can you pull today to increase revenue?

Richard

Segmentation and focus is key in this situation because it is quite natural for salespeople to become creative in times like these. It feels good in the beginning to go after everything that is available on the market because you can attract a lot of prospects, and you want to increase your volume at the top of the funnel. But you will see that there is going to be a big drop-off or churn early on because it is not your ICP. It is not for whom your product or service is built.

Instead, look at your current client base, apply some customer modeling, see which clients value you the most, which ones are the most profitable, and which clients get the most value out of your products, and try to find similar characteristics of these clients and adjust your ICP around this.

Stephane

Basically, you need to improve sales performance. It is usually about marginal gains, especially when you are a medium-sized company. So, you will need to excel in reviewing all the sales stages that you have to see at which stage you can improve your conversion rates.

To do that, you first need to look for the best-performing sales rep at each stage of your sales cycle. Who on your team has the best conversion rate between disco and qualification calls? And who is the best between demo and negotiation? I have recently spoken with an executive at Microsoft we are about to hire, and she explained to me their black belt program - people who are outstanding in selling one product or in mastering one specific stage of the sales cycle are teaching others during office hours. Exactly what we are implementing with our clients but without the cool naming next to it!

What you need is to extract the knowledge, techniques, and expertise of "the black belts" and put it in your sales playbook. Then, train the remaining team on those topics. So basically, everyone will try to move up to the level of a black belt.

And that is how you will start excelling in outbound: by looking at what is the best thing done by someone and trying to replicate it. It requires a bit of sales enablement and, most importantly, a lot of training.

Also, give flexibility to the top performers so that they can have more ownership. One technique that exists, which they can try, for example, is to merge steps of your sales process to gain time. It is not easy to do, and it should only be done occasionally, but merging both the disco call and qualification call can save you weeks if you have sufficient mastery of all of the stages.

Richard

And there is always pricing - it is not an easy topic to tackle, but it is a good lever to increase revenue. Price increase can work if the change is based on inflation or on value increase.

And look at the packaging as well, how you can tweak it. See what are the most valuable parts of your product, and readjust the packaging and the prices around this.

Any last pieces of advice?

Amine

We spoke a lot about strategy, about reflection, about how to think about things and everything. But to make it actionable, one thing that can help is to list the goals, find ways to measure them, and keep track of them with accountability.

And by doing so, even if we don't execute 100% of the plan, at least by having the list of things we want to achieve and tracking them - on a weekly or monthly basis, that will already make a big difference.

CASE STUDIES

Section 04

Key insights from Atscale's recent engagements

Introducing

Building Blocks by Atscale™ for profitable revenue growth

To go from startup to scale-up, you need to have clear battle plans for each of these 8 building blocks. This is a winning formula.

For each building block, we have battle stories to tell across a wide range of tech industries and for all sales cycles: SMB, mid-market and enterprise.

SALES REPS EXCELLENCE

- Sales Hiring & Ramp-up
- Sales Enablement
- Sales Performance Management
- Talent Management

SALES ENGINE

- Demand Generation
- Sales Execution
- Client Relationship
- Revenue Operations

November, 2022 - January, 2023

Shipfix <> Atscale

ABOUT SHIPFIX

Shipfix is a collaborative data platform for the maritime and trade industry, aiming to assist commodity brokers in managing and processing a significant volume of information, allowing them to effectively track their ships and streamline their operations.
Shipfix's target market primarily comprises large enterprise organizations, including some of the largest private companies in the United States.

Context of the Collaboration

As the Shipfix sales team was relatively new and lacked a dedicated VP of Sales, Atscale's initial mandate upon joining Shipfix for the mission was to assume the role of VP of Sales.

This unique position has not been initially part of the plan, but Atscale team has quickly identified the course of collaboration that would bring the most impact and adapted accordingly.

The Interim VP of Sales has been fully integrated into both strategic executive decision-making and in-the-field work of the sales team.

The key focus of this collaboration was to create a sharp structure for a recently created sales team, relying on the existing foundations set by Shipfix and eventually enabling the team to gain autonomy.

Revenue Operations

The engagement started with a collaboration between Atscale Interim VP of Sales and the Shipfix CFO to build the company's 2023 financial plan.

Building the 2023 plan involved:

Reviewing territories and introducing tiering

When the market is large, maintaining focus is essential. Spot-on tiering provides focus to the team and helps them prioritize effectively.

Determining targets for 2023

With the specific objective of achieving consistent and predictable performance.

Defining compensation plans

Using commissions as a means to guide the sales team towards:

- Prioritizing larger accounts in terms of size.
- Achieving upselling through the alignment of incentives between the sales team and the customer success team, based on the growth of existing clients.

A Few Takeaways

One of the key factors is to identify an Ideal Customer Profile (ICP) that can generate the majority of your revenue. It is important to structure the sales team in a way that directs their efforts toward nurturing and growing this specific IC while minimizing time spent on smaller deals.

It is essential to separate qualification and demo meetings in order to increase the closing rate. Failing to give the qualification call the necessary importance, merging the meetings together, or neglecting to adapt the demo based on the qualification learnings can result in failing to provide prospects with exactly what they need and consequently losing their interest.

Wherever appropriate, it is advisable to eliminate easy "exit routes" for newly acquired clients. For example, in the case of Shipfix, removing the option to terminate a contract after the first half of the engagement had a positive impact on ARR.

Sales Performance Management

As part of the next step, we delved into sales performance management, specifically focusing on the structure of our ways of working.

What proved to have a significant impact were the following actions:

Conducting a sales pipeline review with the entire sales team every week, dedicating a proper hour to the process

Identifying and analyzing KPIs

Adjusting the meeting cadence for the sales team and implementing a 1:1 structure for managers to effectively manage the team

Tweaking basic forecasting: establishing KPIs and sales meeting cadence

Sales Enablement

The importance of sales enablement for enterprise accounts cannot be overstated.

Here are a few key insights we can share from the additional boost we provided to the sales enablement efforts for Shipfix:

Building a sales pitch deck

Collaborating with teams to enhance the existing sales pitch

Developing objection-handling materials

Providing support to the team during deal negotiations, resulting in a doubling of the length of engagement for several key accounts

Reviewing and enhancing the sales playbook

Training the team through deal support and actively participating in strategic client meetings alongside the sales representatives

Results

Shipfix has achieved consistency in meeting their targets every quarter, resulting in more predictable revenue. There is now a clear focus on pipeline generation and sales velocity, compared to the erratic performance experienced in the previous year (2022).

20%

The ARR has grown by 20% compared to the month preceding the start of the mission.

Close rates are showing a stable trend of improvement, although it requires more time to gather sufficient data for accurate measurement.

This improvement can be attributed partially to sales efforts and partly to product enhancements, which are unrelated to the Atscale mission.

The partnership with Shipfix originated from an introduction made by Eurazeo.

November, 2022 - December, 2022

Qobra <> Atscale

ABOUT QOBRA

Qobra is the next generation sales compensation software designed for sales, operations, finance & HR fast-growing teams.

Context of the Collaboration

The collaboration between Qobra and Atscale centered around equipping the sales team with the necessary tools, knowledge, and practices to thrive in their roles and achieve exceptional sales outcomes.

This encompassed several key objectives:

- **Assessing the sales skills:** Evaluating their proficiency in key areas such as prospecting, qualification, demo, and closing.

- **Establishing foundations of sales performance:** Implementing effective sales processes and equipping the team with the necessary sales materials. This included defining, documenting best practices and ensuring a comprehensive understanding of the competitive landscape.

- **Developing sales excellence:** Implementing automated systems and establishing consistent routines that would enhance productivity, streamline workflows, and promote efficiency within the sales team.

- **Instilling a standardized and data-driven sales performance mindset:** Our collaboration emphasized the importance of data-driven decision-making and performance management within the sales team.

The primary focus of our approach was on covering the fundamental aspects of the revenue engine, with a particular emphasis on sales execution and sales performance management.

Sales Execution

Within the scope of our collaboration, we focused on three primary streams: sales enablement, sales methodology, and sales process. These areas are vital for enhancing the sales team's capabilities and driving improved performance.

This encompassed:

- Full call recording analysis
- Review and optimization of current sequences structure and emails
- Optimization of the sales playbook
- Pitch analysis of competitors

Impact

- Pitching skills: Improving the cold calling effectiveness
- Sales cycle structure: Streamlining the sales process to increase sales velocity
- Sales playbook: Enhancing the sales playbook to provide valuable guidance and support for the sales team's efforts

Sales Performance Management

The collaboration aimed to improve sales performance through effective routines and management practices.

Enhancing performance routines

Incorporating sales floor animation to create a dynamic and motivating sales environment and boost productivity

Under & top performance management

Sales KPIs monitoring

We started by assessing the current sales routines and then designed adapted routines for current AEs and future SDRs. This included implementing strategies like Blitz sessions and Power Hours and establishing recording habits, processes, and routines.

A key focus area was sales performance management, which plays a significant role in driving improved sales outcomes. We reviewed 1:1 routines and team meeting routines, as well as identifying the relevant KPIs to monitor.

Impact

Efficiency of the assessment of sales management performance: This involved streamlining evaluation methods, providing clear performance criteria, implementing regular feedback loops, and offering guidance about 1:1 structures for managers.

Sales activity: Identifying areas where sales reps can be more proactive, setting clear targets and expectations, and providing the necessary resources and support for sales activities.

Revenue Operations

The collaboration focused on key areas to optimize sales performance:

Go-to-market strategy aiming to target and reach the desired customer segments

Streamlining sales process for greater efficiency and consistency

Implementing robust forecasting, reporting, CRM, and sales tools

We started by reviewing and optimizing the sales process, focusing on call recording analysis. This included analyzing cold calls, qualifications, and demos and designing the handover process from SDRs to AEs, as new SDRs would join shortly.

Optimizing forecasting, reporting CRM, and tools were essential for success. We assessed and monitored sales reports, KPIs, and pipeline reviews, implementing forecast best practices. Territory planning was also adjusted to enhance focus and drive greater impact.

Impact

Enhanced sales operations efficiency: Identifying and addressing areas of improvement within sales operations, the team to optimize workflows, enhance productivity, and achieve higher levels of performance.

Improved data-driven approach in order to anticipate any kind of potential under-performance issues.

The partnership with Qobra originated from the Atscale network.

January, 2022 - January, 2023

Sellsy <> Atscale

ABOUT SELLSY

Sellsy is a CRM, invoicing and pre-accounting suite for optimized business management and customer experience. A collaborative tool to give marketing, sales and administrative teams the means to be effective. With 6300 clients, Sellsy surrounds itself with almost 130 employees to carry out its projects. Sellsy remains, above all, a French company created by two entrepreneurs, Frédéric Coulais and Alain Mevellec, for entrepreneurs. Since its creation in 2009, Sellsy has placed innovation at the heart of its strategy, in order to offer companies simple, efficient and secure digital solutions.

Context of the Collaboration

Sellsy raised $55M from new investors and had a goal of diversifying their marketing channels while maintaining their strength in inbound marketing.

Our collaborative efforts aimed to launch two new channels: direct (outbound) and indirect (partnership/affiliate). We focused on four key areas:

- Organizational design
- Outbound and go-to-market (GTM) Strategy
- Inbound optimization
- Revenue operations

Organizational design

We initiated a comprehensive organizational reshaping encompassing sales, marketing, customer success, and revenue operations.

We prioritized lead generation and acquisition as our main focus, establishing the following teams:

MARKETING

Paid acquisition team

Product marketing team

Brand & communications team

SALES

Account executive (AE) team handling both inbound and outbound sales

Sales development representatives (SDR) responsible for activating inbound leads

Business development representatives (BDR) focused on outbound prospecting

Pre-sales team, with technical expertise providing demos and guidance on product integration

Sales enablement team

Revenue operations manager to oversee KPI monitoring and data quality assurance in the CRM streamlining internal processes and enhancing lead prioritization and management

CUSTOMER SUCCESS

Onboarding specialists to ensure smooth customer onboarding and setup

Expansion and customer success managers (CSMs) focusing on upselling, cross-selling, and customer renewals

Customer care team dedicated to addressing customer inquiries and support needs

Kicking Off Outbound Machine

Sellsy’s target market included small and medium-sized businesses (SMBs) with 0 to 50 full-time employees.

To maximize the results of the outbound machine, we conducted a thorough analysis of the market size and penetration – to identify the most suitable vertical markets and buyer personas.

It also helped us determine the resonance of Sellsy products with different markets and customer profiles.

We additionally provided sales skills training to enhance the overall sales maturity of the team.

SOME COMMON PITFALLS WE OBSERVED WERE:

Sales reps primarily focusing on product features rather than providing a comprehensive understanding of how the product addresses customer pain points

Ensuring a seamless transition of lead information from the SDRs to the AEs, and maintaining continuity in the prospect's experience

Inbound Optimisation

The primary objective of inbound optimization was to enhance the connection between sales and marketing.

ACTIONS TAKEN ON THE MARKETING SIDE:

Improved lead quality to ensure higher-quality prospects were being generated

Implemented effective prioritization strategies to focus on leads with the highest potential

Measured and improved conversion rates from different marketing channels to optimize performance

FOR SDRs, THE FOLLOWING STEPS WERE TAKEN:

Enhanced the qualification process to ensure only the most qualified leads were pursued

Refined lead prioritization criteria to maximize efficiency and effectiveness

Increased activity levels to drive more outreach and engagement

Improved the conversion rate from lead to booked demos by refining the sales pitch

FOR AEs, THE FOLLOWING MEASURES WERE IMPLEMENTED:

Improved lead prioritization to focus on the most promising opportunities

Streamlined the sales process to enhance efficiency and effectiveness

Implemented better pipeline management practices and disciplined follow-up

Increased the average account contract value through strategic selling techniques

Improved the conversion rate from leads to closed deals

Provided sales skills training to equip AEs with the capabilities to close larger-scale deals

Reconfigured the interaction dynamics between AEs, pre-sales, and the customer success (CS) team

Revenue Operations

To ensure the impact of outbound and inbound channels, impeccable revenue operations are essential.

This involves consolidating all data into a single "source-of-trust" and creating a comprehensive dashboard for visualizing the end-to-end funnel.

We managed to improve business predictability and pipeline management by establishing a commitment culture around accurate forecasting.

Results

16%

Increase in leads volume by 16%

15%

Average revenue per account increased by 15%

Additionally, Atscale involvement from the beginning helped the company save 6 to 8 months in building the acceleration phase after fundraising.

Victor DOUEK

CEO, SELLSY

"Atscale team are sales experts with a proven track record in successful and mature companies. Atscale are not just consultants, they are actual operating partners collaborating with us and with the teams internally, so we were able to get quick wins very easily"

See the video testimonial from Victor here:

The partnership with Sellsy originated from a webinar with Sofiouest.

ATSCALE HIGH-LIGHTS

Section
05

The latest updates we are proud to share

1. WE HAVE ANCHORED OUR TRACK RECORD OF DELIVERING STRONG WORK WITH A RESULT-ORIENTED APPROACH

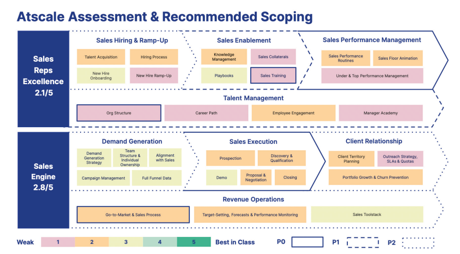
In H1 2023, we have considerably expanded the number of companies we worked with. And by doing so, grew the team of Operating Partners at Atscale. We are proud to have maintained our standards of excellence the market knows us for and to have created the utmost value and ROI for our clients.

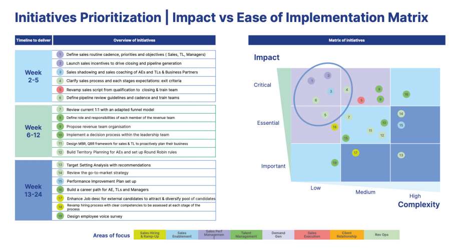
2. WE HAVE EXPANDED OUR PRODUCT OFFERING

The categorization of “Increasing sales performance” went from important to critical over the last 12 months on the agenda of business leaders. As a result, we have seen an unexpected rise in demand from early-stage companies to benefit from our services.

We have thus decided to create a one-week sales scan, a full revenue diagnosis performed in only 5 days, allowing early-stage companies to know exactly how well-structured their revenue machine is. The deliverables are a deep analysis and actionable recommendations on our 8 Building Blocks (Sales Hiring & New Hire Ramp-Up, Sales Enablement, Sales Performance Management, Demand Generation, Sales Execution, Client Relationship, and Revenue Operations) and a detailed roadmap to uplift performance over the next 6 months.

This product, our one-week revenue diagnosis, has also been used multiple times this year by VCs across Europe to conduct sales due diligence on companies they’re about to fund.





3. WE HAVE EXPANDED OUR PARTNER NETWORK OF VCs IN FRANCE AND IN EUROPE

This year marked the start of the worst kept secret in the VC industry, Atscale Private Webinars for their portfolio companies. We have conducted two webinar series with 10+ leading VCs in Europe since January and have reached an average attendance rate of 85%.

During these webinars, we unfold the techniques of how to get the most out of your sales teams.

Endeit Capital
5,282 followers
2mo •

Last week we had the pleasure to host a Atscale x Endeit Portfolio webinar on How to make the most of your sales team in 2023 and thought we would share the insights a bit more widely. Special thanks to Stephane and Richard for passing on all these great pointers from your hands-on scaleup experience.

So what does it take to set up and sustain a well oiled sales machine? Key takeaways below 👇

💰Revenue Operations 💰
Set up a clearly defined GTM (go to market) strategy by aligning your GTM with ARPA (average revenue per account). When serving long tail (<5K ARPA clients), a product-led growth strategy might be a more effective way for maximizing unit economics vs. assigning an account manager to look after these clients, who tend to have small pockets.
Put one north star KPI in place for the entire organization to avoid misaligned objectives between i.e. sales, account executive teams. Agreeing on a clear path forward for the whole sales organization is crucial to promote cross-team execution.

🧑‍🎓 Sales Skill Development 🧑‍🎓
Develop a robust sales playbook for your team to ensure consistency and scalability. The playbook should serve as a knowledge base for sales reps and includes all relevant documentation on sales processes, buying personas, lead sources and KPIs etc.
Manage operational excellence by putting a sales enablement manager in charge of sales methodology and talent development, being most effective for teams with 10+ sales reps.

📈 Sales Performance Management 📈
Carry out performance meetings with all levels of management down to the sales representative. Use two slides containing performance data, qualitative comments, as well as next quarter's budget. This way, everyone is able to reflect on their performance regularly and performance management iterations can be put in place timely.
Set clear expectations of what is satisfactory and unsatisfactory performance for salespeople. Be prepared to create performance improvement plans with an experienced manager. This guides sales reps through underperforming periods on specific action steps to achieve their performance growth KPIs.

#sales #startups #saas #scaleup

XAnge
19,965 followers
1w •

⭐ How to make the most of your sales team in 2023 ?⭐

In a quest to empower startups on their growth journey, we recently organized an engaging webinar with Atscale experts 🤩

💪 From enhancing outbound principles for sales excellence to optimizing revenue operations and identifying critical KPIs, the webinar provided invaluable insights to drive sales growth even with limited resources.

XAnge's Startup Success Team is a dynamic force driving entrepreneurial triumphs, and providing invaluable guidance and support to our portfolio!

👏 Kudos to Pauline Paquet, Richard Schenzel and Stephane Azamar-Krier

In doing so, we're giving back to our partner network of VCs and the community, as these events are free of charge. Each attending company is also offered a free 2 x 1h 1:1 workshop, so we can dive into their own burning business topics and bring appropriate solutions.

We have an additional line-up of 10+ new VCs who will enroll in our webinar series program from H2-23 and counting.

4. WE HAVE STARTED TO STRENGTHEN THE FOUNDATIONS FOR OUR INTERNAL OPERATIONAL EXCELLENCE WITH THE SUPPORT OF OUR CLIENTS

In 2023 we've shaped a new 3-year plan. This includes new and extended roles and responsibilities for our core team and a better alignment between our core activities: client delivery excellence, new business, hiring & community, EMEA expansion and marketing.

We are blessed to have developed such relationships with our clients that some of them are actually supporting us on the fly, during and after our engagements with them, to fine-tune our strategy and tactics.

We are blessed to have them next to us. We feel - we are - stronger with them on our side.

6. THE SPIRIT OF VICTORY

In 2023, the team of HEC female rugby players, Filles HEC Rugby (aka FHR), proudly sponsored by Atscale since our first year of existence, emerged as the champions of Coupe de France amongst business schools. We would like to extend our sincere gratitude to every player, coach, and team member for their incredible dedication and contribution to this outstanding accomplishment. You all are truly amazing!

5. WE ARE DEVELOPING GROWTH LEVERS AND NEW BUSINESS UNITS THAT WILL CREATE STRONG SYNERGIES BETWEEN EACH OTHER

In 2022, we took a couple of setbacks. 2021 was such an amazing year for us, growing at 350% YoY, that we lost it. We hired a lot and launched two new subsidiaries. One failed. So we had to revise our ambitions and initial plans. We've carefully piloted H2 2022 and are now again in a position to think big and expand to new territories and to new services, as it was planned in the first place.

It's a thin line between resilience and stubbornness, right?

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We would like to express our gratitude to everyone who contributed to the creation of this paper, with a special thank you to the authors of the articles and short opinion pieces. It has been a privilege to collaborate with you on this project.

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