Top 12 Scale Up lessons VC's want to share with entrepreneurs

Ever wondered what you could learn from people who work with the top 1-2% of high potential ventures, and see hundreds of early stage ventures mature over a decade or more?

In September, SiMODISA (www.simodisa.com) did a quick poll on the top 10 lessons Venture Investors in SA would love to share with entrepreneurs about Scaling Up. That's the stage after you have product-market fit and a scalable business model and now you're pushing for growth. Many of these VC's are entrepreneurs themselves, or were once entrepreneurs and are now VC's. So many of these insights come from people who've seen it from both the inside and the outside. 'Pinged' VC's include 4Di, Edge Growth, Grofin, Hasso Plattner Ventures, IDC's VC team, Invenfin, Knife Capital, Sanari Capital, and Vumela. I polled a few of the other Scale Up partners in the SA ecosystem too for good measure – like Endeavor.

Fortunately, we got better than a top 10. Here's a Top 12 plus a few extra golden nuggets that come from 'the school of hard knocks'. The top 12 are ranked, the rest are listed.

TOP 12:

1. Make building an A-team your first priority.
2. Clearly answer the simple question of… "What do you do?". Value Proposition.
3. If you're not an Enterprise Leader / Scale Up CEO, get one. Take a role in the business that fits your strengths.
4. Focus on the Customer and not the Product iterations. Great companies are built from the departure point of the customer's psychology.
5. Once you have something scalable, shift attention from finding to executing. Stop the thousands of experiments. Focus on building a great company.
6. Build for exit. Even if you don't plan to exit, it results in building a better company with more options
7. Openly disclose relevant information - good and bad. Non-disclosure will work out badly.
8. Don't scale mess. Be clear on what you're scaling (what market, what offering, what business model), get it right first, and then focus on scaling that.
9. Build a numbers-driven, results-driven performance culture. Have priorities, have scorecards, track execution, reward success
10. Be investable. Have your house in order. It's too late to start when you need capital quickly.
11. Hire kick-ass heads of Marketing and Sales who know how to make marketing and sales scalable, systematised functions that are managed like fine-tuned engines.
12. Systematise! Think 'how will we do this at scale – 10,000 times more than we do it today?' Figure out the systematic approach, and then build it that way!

OTHER NUGGETS:

- Study the Investor Mandate/ understand the 'fit" (know which investors you're not wasting your time with, and who's capital is 'smart money' for you).This is the first answer choice
- Make financial management and reporting a priority, get it right. No excuses. If you are scaling, you need to manage the numbers tightly.
- Be teachable. Learn how to find people worth listening to, and then really listen.
- Don't be emotional and unrealistic about capital and shareholding issues. Be a rational shareholder, seeking to use outside capital to maximise your wealth. Your business is not worth your blood sweat and tears / past investment. It's worth whatever wealth you can create for investors. Focus on creating wealth, pricing your equity realistically, and diluting to create more wealth.

- Make peace with the downsides of being an entrepreneur and get rid of that negative energy (corporates moving at a slower pace, salary sacrifices etc).
- Understand that investors invest for a financial return/ exit. Work with them on this
- Build management team capacity such that Executives can spend 40%-50% of time building the organisation, culture, and enterprise, not in the actual operations.
- When you start scaling, build a quality Board. Lack of a strong Board will probably sink most scale up CEO's
- Get rid of the ego. Great venture leaders are bold and confident, but 'focus forwards': they are realistic that they need feedback on what to improve so they amputate defensiveness and treat critical feedback as a valuable resource to build a great company
- Build a capital raising roadmap – think about capital raising 2-3 years in advance. Know the next fund
- Treat key stakeholders like customers. Package Information so they'll get it instantly and love it. It takes time. But not doing it wastes time.
- Negotiate from a position of strength and not from a position of desperation (or at least pretend to).
- Bring on professional managers (with real enterprise & functional management skills)
- Focus as much on scaling yourself as a Scale Up Executive, as you are on scaling the business
- Once you've built your scale up plan, double execution timeframes, halve revenues, and add 30% to your cost base. Then figure out how you will make it work because that's what's likely to happen
- Match heads of Sales and Marketing to the Marketing and Sales model (e.g. B2C online Ed-tech)
- Firm up commercials with seed funders/ align internal stakeholder interests before approaching VC Investors.
- Ensure solid IP ownership at creation
- Respect the investor's reporting mandates.
- Approach investors through referrals/ get to them when they are in the right mind-space to listen to your pitch
- Balance sensible future financial outlook with pipe dreams
- Get a Head of Talent who knows how to find A-players and make them love working there. They report to the CEO.
- Become finance savvy. If you're going to scale, you have to be on top of the basics of investment, how investors think and work, and you have to be able to deal with them professionally.

Source: Keet van Zyl and Jason Goldberg, SiMODiSA www.simodisa.org.