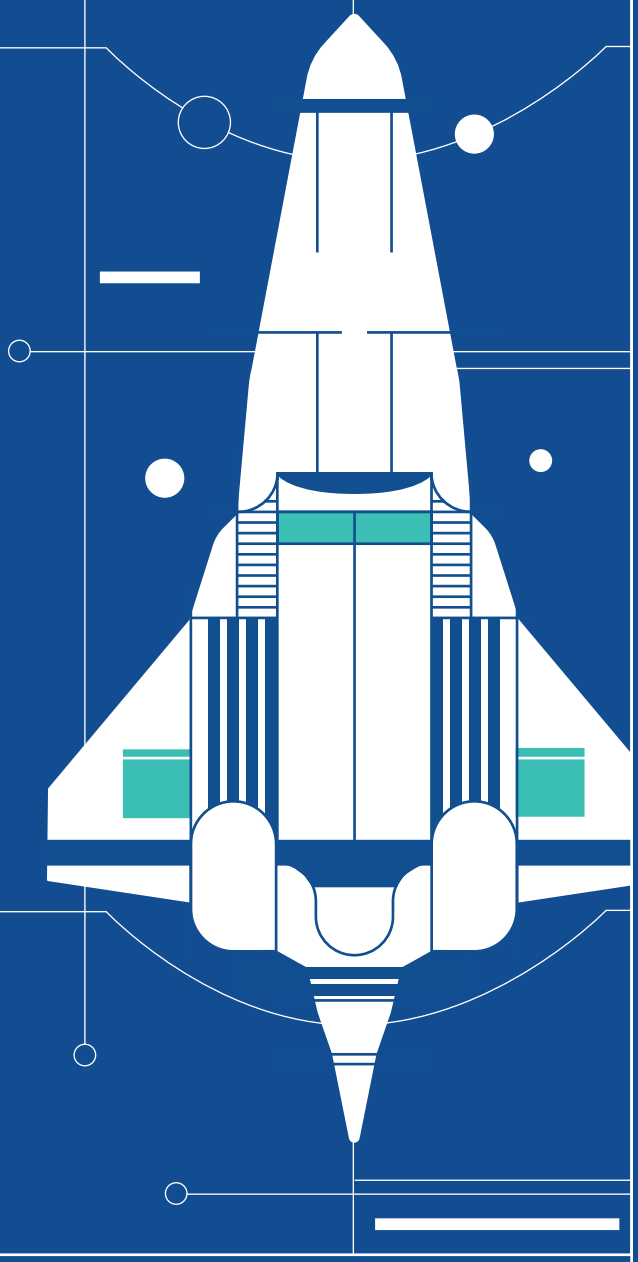
The Series B Blueprint: A Guide for Early-Stage Founders

BY XAnge
Siparex Group

Everything European Founders Need to Know & More to Prepare for a Series B Fundraising Round



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Preface

After the remarkable 2020–2022 period, characterized by significant rounds of funding and elevated valuations, the first quarter of 2023 has revealed a sharp 53% decline in global VC funding, as reported by Crunchbase. With valuations receding by 30% compared to 2022, the Series B funding round has emerged as one of the most intricate and demanding stages in the current financial landscape. While these numbers might lead you to believe that everything is unraveling, from our perspective it feels more like a well-deserved return to normalcy. In a typical VC market, the Series B stage has always been a transformative crossroads.

For Series A founders, raising Series B funding has become a game of standardization, where startups must align with market expectations. While this aspect of the standardization game has been well documented, preparing for the organizational changes and key challenges that startups will have to face over the next 18 to 24 months (perhaps even longer in 2023) is extremely important, but less studied and often neglected.

At XAnge, we've funded more than 250 startups, and we've observed that the path to startup growth is relatively standardized. This path is like a fortune teller, helping founders foresee the challenges they'll face before they encounter them.

Becoming a Series B company is a pivotal phase, and usually mid-road to exit. It's the stage where the equity story should come to life, and where the organizational aspect becomes a key asset of the company itself, beyond the founders.

The "**The Series B Blueprint: A Guide for Early-Stage Founders**" aims to fill this gap. It draws from all the startup cases we've seen at XAnge across Europe and brings together key experts from our ecosystem. Developed for Series A CEOs preparing for Series B, the blueprint explores the specific challenges and changes you'll encounter, providing insights, strategies, and practical tools to help you meet both market and VC expectations — all while navigating the human complexities of the Series B landscape.

We sincerely hope it will help you successfully prepare for your next phase of growth.

Median valuations						How the valuations compare	QoQ Q2'23 vs. Q1'23	YoY Q2'23 vs. Q2'22
$10M	$15.5M	$13.3M	$12.6M	$12.5M	$13.1M	Seed/Angel	+5%	-15%
2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2			
$62.6M	$61.8M	$53.2M	$51.2M	$50.9M	$43.9M	Series A	-14%	-29%
2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2			
$227M	$176M	$150M	$118M	$115M	$123M	Series B	+7%	-30%
2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2			
$515M	$551M	$347M	$340M	$317M	$287 M	Series C	-9%	-48%
2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2			
$1.6B	$1.5B	$0.9B	$1B	$0.9B	$0.6B	Series D+	-33%	-60%
2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2			

CB Insights, Tech Valuations Q2'23 Report

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Your success is our success

XAnge (xange.vc) is a leading European venture capital firm based in Paris, Berlin, and Munich. With +€600M Assets under Management, we invest in European early-stage innovative technology companies operating in the fields of Digital Consumer Technology, Enterprise & Data, Fintech, and Deeptech. Since its creation in 2003, XAnge has backed more than 250 fast-growing companies in their entrepreneurial journeys. The team works alongside visionary founders with strong values and international ambitions, such as Ledger, Odoo, Raisin (ex. Deposit Solutions), Mister Spex, and Believe Digital.

To better meet our portfolio's needs, XAnge has built a **Startup Success platform** available to all of our portfolio startups. Since 2019, the dedicated team has handled over two thousand requests across a wide range of topics including management, international expansion, finance, sales, and HR, maintaining an 80% success rate.

Visit xange.vc for more about the XAnge Startup Success Team.

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And you? We're hiring!



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Partners

This blueprint has greatly benefited from the invaluable expertise and dedication of our partners: **Earlybird Venture Capital**, **Hubspot for Startups**, **Talent Tree**, and **torq.partners**. We also wish to express our heartfelt gratitude to our friends and key contributors, whose insights and collaboration were instrumental in bringing this Blueprint to fruition.

Special thanks to Olivier Aust, Stéphane Azamar-Krier, David Bizer, Tilo Bonow, Marion Darnet, Roland Dennert, André François-Poncet, Cédric Mao, Célia Maury, and Alix Nepveux for their indispensable contributions.

Earlybird Venture Capital has backed early-stage tech companies since 1997 across Europe, supporting development + growth phases. With EUR 2 Bn under management across all fund streams, Earlybird provides financial resources, strategic support, and access to international networks & capital markets.

HubSpot is a CRM platform with all the tools you need for marketing, sales, customer service, and content management HubSpot for Startups partners with thousands of global VCs, accelerators, incubators, and entrepreneurial organizations to help you go from early-stage to the next hottest IPO. Apply to HubSpot for Startups today via XAnge and get started using our full suite of free tools or upgrade to Professional or Enterprise level products to unlock 30-90% off.

Talent Tree is a boutique recruitment advisory firm specialized in the climate tech and impact space. Having emerged from the European climate venture space after campaigning for climate protection, we speak the same language as our clients and apply the same structured, agile and impact driven approach to everything we do. We understand the scene because we are part of it. Since our founding in 2015, we have supported ventures and investors in filling highly critical positions aiming to combat the climate crisis innovatively. Our close-knit network of exceptional entrepreneurial talent in the start-up and scale-up scene empowers us to stay true to our mission: “We help the brave create impact!”

torq.partners is a consulting firm whose more than 80 employees provide startups, scale-ups, and SMEs with the stability they need to grow sustainably. On one hand, we structure and optimize financial processes and help organizations secure control over their budget and gain data-driven insights. Our pragmatic approaches to accounting, controlling, budgeting, and liquidity management ensure a scalable organization. On the other hand, we design and optimize human resources management with customized solutions in people operations, talent acquisition, tooling, and people analytics. More than 350 clients have already benefited from our extensive expertise. As a professional companion, we support companies in building a smooth organization and offer them individually tailored support.

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A Word from Cyril Bertrand

Dear Founders,

If you're reading this, you're at a crucial point in your startup's journey: getting ready to raise your Series B round of funding. You've figured out if you should keep shooting for hyper-growth and fundraising, or if it's time to shift your focus to profits. More on that later.

Let's start with the growth route.
It comes with a specific set of guidelines.

From now on, to play the VC game, you've got to master down-to-earth metrics. This is true for SaaS companies, of course, and for most other markets except perhaps three red-hot sectors where things can be anti-gravitational: climate, AI and some parts of Deeptech.
But for all other segments, we're seeing a resurgence of good old no-nonsense metrics to determine a startup's current valuation.

During the "peak valuation period" of 2021, VCs worked with sophisticated unit-economics trying to predict the next 12 or 24 months – not because they liked it, but because it was the only way to rationalize the prices they had to pay. In 2023 the metrics expected in a Series B fundraising can be read in your P&L. This is good news: those metrics are now CEO territory – no CFO expertise needed for the first few steps of the due diligence process.

Current valuations and current fundraising speed are reminiscent of 2018 and 2019. The time to raise funds has come back to approximately six months. If it's shorter, that's good news. If it's longer, something is wrong and it's wise to acknowledge it without beating around the bush.

Before delving into specifics, let's state the obvious: a startup gunning for a Series B round must harbor ambitions of achieving near 100% Year-on-Year growth in the current and probably next fiscal year.

Then we see three essential metrics to keep in mind (remember, it's not 2021 anymore):

1. **Do you have the right number of employees?**
   Your **ARR per Employee** is fundamental. If it's less than €100,000 per employee, questions will pop up. If it's below €50k, your Series B is most likely dead. And if you are above €120k - €150k, congrats you're sitting on a gold mine.
2. **How efficient is your revenue generation?**
   In 2023 the question is no longer 'should I grow or should I go?' (towards profitability). The right question is: "tell me about your acquisition costs." We'll expect your **Burn multiple** (the cash you had to spend to achieve your ARR increase) to fall below 2x. You're above 3x? Forget about this Series B.
3. **Is your business sticky?**
   Your **NRR** will provide clarity. It shows how your ARR would increase or decrease in the absence of any new customer acquisitions.

That's it. Three metrics, three opportunities to score points during the first meeting and generate enough interest for a second meeting. The first meeting should be led solely by the CEO. In the follow-up meetings, the CFO and the VP Sales or the CTO may step in, and we'll explore more sophisticated metrics.

For startups unable to grow 2x annually, Series B will be challenging, but fear not. Private equity funds currently pay 4x to 6x ARR (sometimes 8x) for quality startups — mostly on behalf of their SaaS portfolio companies. Two pre-requisites: at least €5 million in revenue and at/near profitability. What is "near profitability"? Visibility to break even within 12 months or a consistent 12-month cash horizon (earning an additional month's worth of cash each month).

In the trajectory of raising funds, from Seed to late stage, Series B is a shift from selling future success to selling numbers. From now on, those 'numbers' to be put forward have gone back to basics. They are the same numbers by which the CEO runs their business.

Best,
Cyril



Cyril Bertrand, CEO at XAnge, began his career as a software architect, pioneering Alcatel's first Wifi product line and patenting digital modulations. Post-INSEAD MBA, he joined TeleSoft Partners in Silicon Valley and later DVCG in Munich, honing his investment acumen. At XAnge since 2007, Cyril's expertise spans Fintech, marketplaces and Web3, with investments from seed to unicorn in Lydia, Ledger and Odoo. He's worked for a US VC in Silicon Valley, for a German fund in Germany and – nobody's perfect – a French fund in France. He's a certified coach and holds an engineering degree from Telecom ParisTech.

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Navigating this blueprint

We've divided the Series B journey into four categories: **Performance Leadership**, **Operations**, **People**, and **Organizational Design**. We'll focus on four main challenges per category, digging into each challenge's characteristics, weak signals, KPIs, and related organizational changes.

To make the most of this resource

- **Start with your "Why"**
  Series B isn't just about the capital — it's about the vision. Before immersing yourself, re-anchor to your core motivations for seeking this next round. What future do you see for your startup? It's essential to have clarity here.
- **Chart your own path**
  The table of contents isn't just an index. It's your roadmap. Identify the sections most aligned with your present challenges and dive in.
- **Embrace interactive learning**
  Dive into a world of links, graphs, and charts. Don't miss out on pivotal resources we link to or cite — they're here to enhance your understanding.
- **Dig into grounded data**
  Make informed decisions with real data. Leverage industry benchmarks, like headcount trends and organizational charts based on XAnge portfolio companies, to inform your decisions.

Remember, this isn't one-size-fits-all. As your startup scales and morphs, revisit and adapt the insights here. Series B is within reach. We wish you every success on your scaling journey!

Defining the Obvious

What is a Series A or B company?

There is no absolute definition of a company stage, but startup growth is relatively standardized, especially for B2B SaaS companies.

Generally, each stage lasts **18 to 24 months**. That's why, on average, companies reach what's called the "scaling phase," or Series B, about **4 to 5 years after company's creation**. That said, we've seen an increasing gap time between funding rounds, with the average time between Series A and Series B reaching 31 months — a 10-year record (source: Crunchbase, 2023).

> "Growing is not only a performance and execution play, it's also (if not mostly) a perseverance play."



Pauline Paquet, Head of Startup Success at **XAnge**

Stage	Seed	Series A	Series B	Series C
Number of employees	**16**	**50**	**125**	**222**

Average headcount of XAnge portfolio companies as of February 2023.

Average stage growth indicators

We can identify a Series A or B company using the following indicators.

	Series A	Series B
Headcount	**30-75** employees	**75-150** employees
ARR	**1-5M€**	**7-10M€**
ARR/Employee	**20/25k€**	**40/50k€**
YOY Revenue Growth	**min. 100% - x3** for B2B SAAS	**min. 50% - x2** for B2B SAAS
Fundraising (equity)	min. **5M€**	min. **20M€**

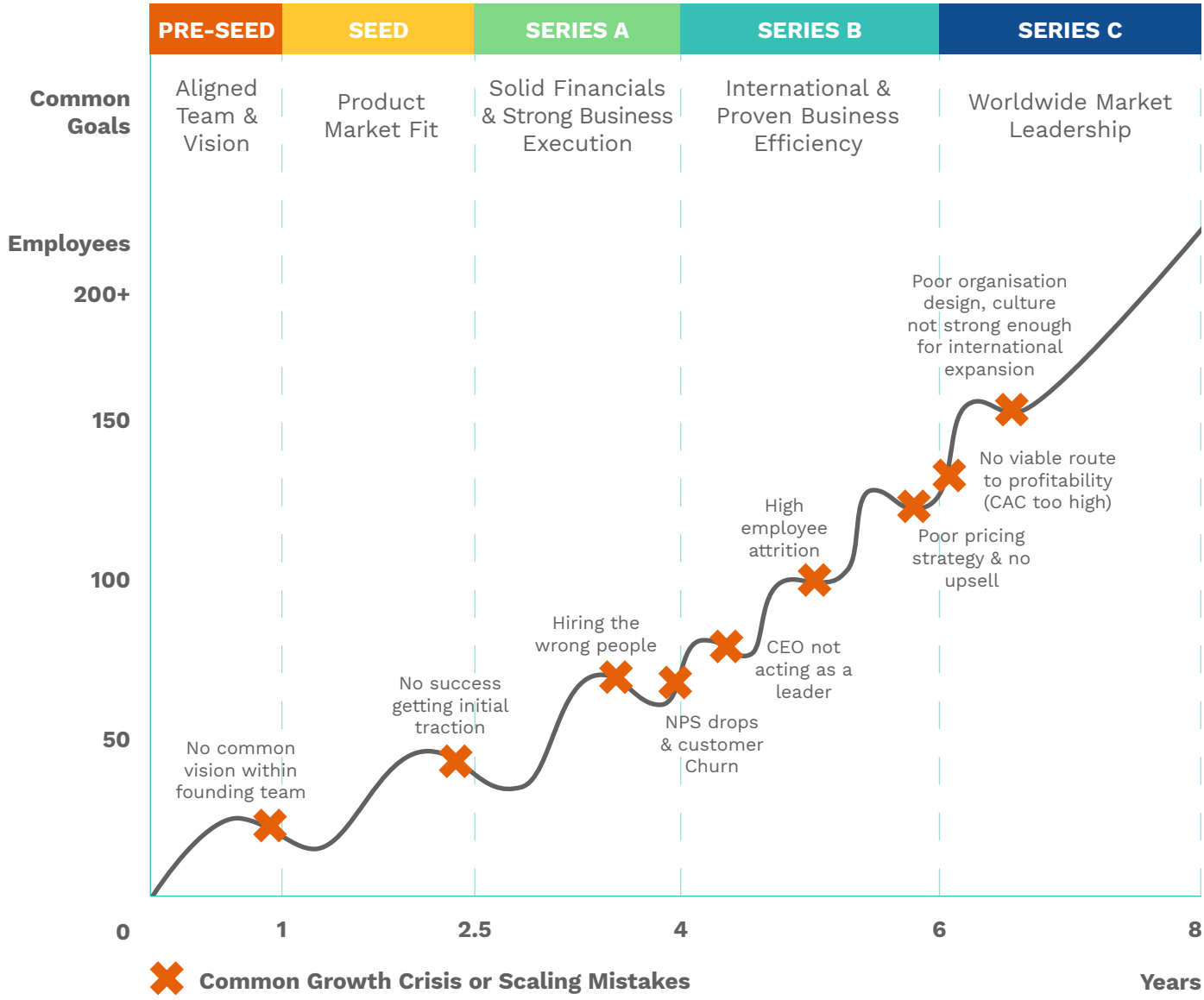
Please use these metrics as a general reference point for identifying a startup's growth stage.
These are not the definitive evaluation criteria investors use when deciding to make an investment.

Scaling: a challenging staircase

Scaling rarely happens in a straight line. It's more like a staircase, with plateaus you settle on while stabilizing things at each stage.

But although startup growth is relatively standardized, this doesn't prevent companies from facing and struggling with the challenges we explore in this blueprint.

When a company is facing one of these challenges, it's called a **growth crisis.** But it's actually fine — even healthy — to go through these steps. The wrong approach is to look the other way and not acknowledge the challenges you're facing. **It's the main reason companies fail.**



Moving from Series A to B: not just a matter of meeting KPIs

Founders who reach Series B have already completed a difficult task: proving that the company is working. In this new phase, they're asked to transform their company into a worldwide leader while facing totally different challenges caused by the company's growth. Profilic investor Elad Gil describes this phase in a 2021 blog post that we've quoted from and adapted below:

- **"The More More Moment":** The pace of everything at the company accelerates. More customers, more support, more interest, more partnership offers — more more more more.
- **"Complexity goes up dramatically.** You need to manage an ever-expanding org with many new functions, geographies, products, etc." The efficiency and startup agility you used to love are going down.
- **"Bottlenecks and breaks emerge everywhere.** Things will start breaking all at once — your backend servers will melt down, your managers' capabilities will hit their limits, your customer NPS will drop, your ability to be in every meeting stops."
- **What's expected from you (as a founder) has changed.** You're now leading an average of 100 employees (or more). You need to stop "doing" the way you used to and rely on a strong leadership team.
- **And we'll add another critical point:** Beyond your core business activities, it is expected that you address ESG (Environmental, Social, and Governance) issues and think "sustainable."

To succeed in this new phase of growth, you'll have **18 to 24 months** to set up your organization accordingly.

"ESG considerations have moved beyond being niche concerns and are now a central focus in the investment landscape. As the call for environmental and social consciousness resonates not only with customers and employees, but also with investors, the imperative for robust measurement and policies within these dimensions becomes undeniable. This imperative extends beyond impact-driven funds, finding resonance within generalist funds and dedicated financial investors. Recognizing this evolution, we firmly advocate for the integration of ESG policies at the beginning of a company's journey, actively supporting our portfolio companies in this endeavor."



Marie-Thérèse von Buttlar, Investor at **Earlybird**

Typical achievements in Series A & B stages

Here's a non-exhaustive list detailing some of what growth investors will look for:

Series A

- **Product-Market Fit:** The company has developed a product or service that addresses a market need and has demonstrated traction with its target customers.
- **Revenue Generation:** The company has started generating revenue, although it may not yet be profitable and repeatable/predictable.
- **Established Business Model:** The company has a clear business model and strategy for growth.
- **Initial Market Penetration:** The company has made inroads into its target market (usually the domestic one) and has a strategy for further expansion.
- **User/Customer Base:** The company has acquired a growing user or customer base that shows potential for scalability.
- **Experienced Management Team:** The company has built a strong team of experienced professionals, especially in Sales and Finance roles.

Series B

- **Proven Scalability/Predictability**: The company has shown that its business model can scale effectively, with increasing revenues and an expanding user or customer base.
- **Revenue Growth:** The company has demonstrated significant revenue growth and may be approaching profitability if it has chosen this growth path.
- **Average Basket and Upsell Potential:** The company has optimized its pricing and makes the most of its customer base in terms of revenue.
- **Market Expansion:** The company has successfully expanded into new markets or broadened its product or service offerings.
- **Customer Satisfaction/Retention:** The company has shown that the user or customer base churn is under control.
- **Strong Management Team:** The company has built an even stronger management team with a track record of success in their respective fields, especially in Finance, Sales, Product, Tech, and HR.
- **Operational/Organizational Efficiency:** The company has optimized its operations and is working to streamline costs and improve profitability, as well as improve knowledge management.
- **Brand Recognition:** The company has established a recognizable brand within its industry.

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Chapter #1
Performance Leadership

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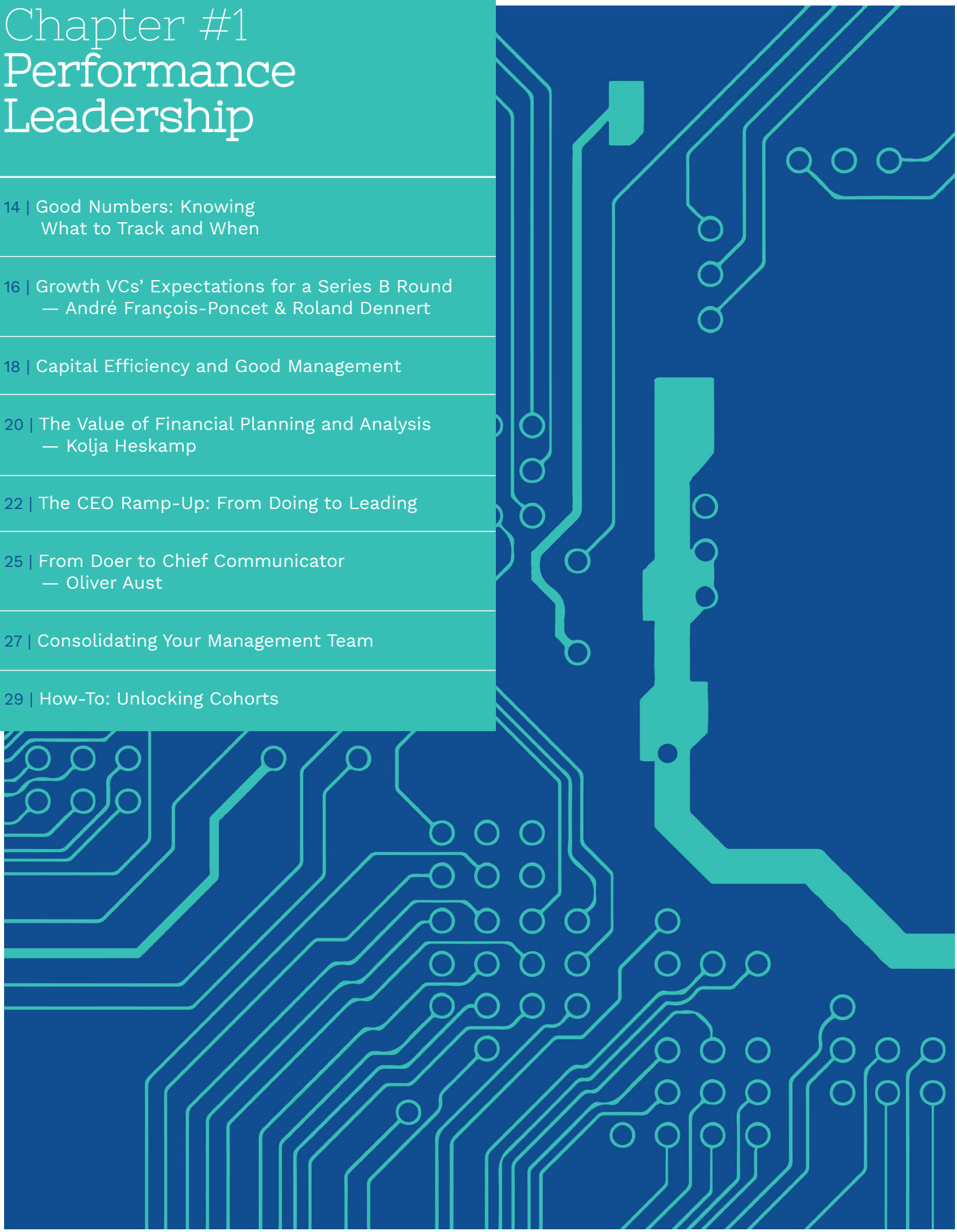

As you transition from Series A to Series B, you and your leadership team will face four pivotal challenges. First, you must master business and financial planning and analysis to guide your company's growth (**Good Numbers**). This means making decisions based on accurate data, forecasting future needs, and optimizing resources. Second, you'll need to show capital efficiency and sound management to attract investors and ensure long-term sustainability (**Capital Efficiency and Good Management**). This involves using resources wisely and demonstrating financial responsibility to build stakeholder confidence.

The next challenge is personal: you, as the CEO, must evolve from a doer to a leader, focusing on strategic vision rather than daily operations (**The CEO Ramp-Up**). This shift empowers your team and aligns them with your company's executive team. Lastly, building a robust management team, especially the executive committee, is vital (**Consolidating Your Management Team**). A collaborative, skilled, and visionary team can leverage its diverse strengths to drive your company forward.

These challenges are not just about numbers: they're about leadership, vision, and the human factors that turn a promising startup into a thriving business.

> "The most important unit economics are ARR/employee, NewARR/CashBurn, and NRR/Client."



Cyril Bertrand, CEO at **XAnge**

Which KPIs will investors be looking at closely?

To give you an idea of what an investor looks for in a Series B candidate, here are some of the most important **Performance Leadership** KPIs that the XAnge team looks at before encouraging a startup to raise a Series B round:

XAnge KPIs	Danger Zone	Good	Better	Best
ARR/Employee Enterprise	<100k	100k	100-150k	150-200k
ARR/Employee SMBs	<50k	50k	75k	>100k
Burn Rate	>3x	<2x	1.5x	<1x
Gross Margin	<70%	70%	80%	>90%
Net Revenue Retention	<100%	100%	105-120%	>120%
YoY Growth	<70%	70-100%	120-150%	>200%

Explore all KPI definitions and calculations on page 105.

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Good Numbers: Knowing What to Track & When

What's this challenge?

Your **financial reporting and forecasting** can serve as your North Star illuminating the path for your startup's success. At this stage of your growth, you should:

- have identified the KPIs that will propel your business towards performance, allowing you to fine-tune your trajectory.
- have built a solid and clean reporting framework that empowers you to dive into the value-driving details such as Growth Margin, Contributive Margin 1 & 2, etc.
- have seamlessly acquired and organized the data process necessary for your financial reporting: this is paramount.
- have ensured your assumptions hit the bullseye, neither falling short nor overshooting. Demonstrate your unwavering expertise, showcasing that you possess an innate understanding of the intricate dynamics of the tech industry.

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

KPI calculations are unclear
You're unsure about which factors to include for key metrics like Gross Margin, CAC, or ARR, stemming from revenue recognition challenges.

Reporting lacks accuracy
There are detectable inconsistencies and errors, producing unreliable figures.

Data retrieval drains time
Fetching specific investor-requested data becomes an ordeal, as sifting through multiple spreadsheets delays accurate number sourcing.

Monthly targets are inconsistent
Either consistent delays or overshooting of targets indicate challenges in meeting your goals.

Best practices for overcoming this challenge

Identify the right KPIs

Take the necessary time to identify the KPIs that truly reflect the growth and resource allocation of your company. These KPIs should demonstrate an upward trend when additional resources or capital are injected. Collaborating with your current investors can provide valuable insights to help you determine the most relevant KPIs.

Empower your CFO

Enhance your financial management by hiring a competent Chief Financial Officer (CFO). This is why the CFO role is often created towards the end of a startup's Series A phase or shortly after its Series B round. A skilled CFO can bring structure to your P&L statements, Cash Flow analysis, and Business Plan, while also managing data flows efficiently within the organization.

Establish a comprehensive reporting model

Find the right model that integrates both suitable tools and effective organizational methods across all teams. This model should facilitate the flow of accurate data throughout the company, ensuring that reliable information is accessible when you need it.

Embrace agility

Adopt a proactive approach and put agility at the heart of your financial reporting. Be ready to swiftly respond and adapt on a monthly, or even weekly, basis. Stay ahead of the curve by continuously adjusting your strategies to capitalize on emerging opportunities and navigate potential challenges.

"The data room's contents, including KPIs, are an opportunity for a founder to engage more deeply with investors. Founders that embrace deeper analysis of their performance from investors are exhibiting a growth mindset, as the process will surface valuable insights for the company. Much like reporting to your existing investors, the exchange of data with external investors is a forcing function for clarity of thought about the metrics that are most important to your business, what explains variances from the plan, and the learnings you've accumulated. Additionally, the hygiene of an organised, structured data room is an important discipline to hone for downstream investors as growth capital expects more rigour than earlier stage investors."



Akash Bajwa, Investor at **Earlybird**

Team members to rely on

- **Finance Team Leader**
- **Chief of Staff**

Key Metrics

- **ARR/Employee**
- **Net Revenue Retention**
- **Burn Rate**
- **Growth Rate**

Growth VCs' Expectations for a Series B Round

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When speaking with VCs to raise a Series B round, founders have to be prepared. Many XAnge portfolio companies have strong growth VCs on their cap table. Here's a list of what we've noticed they're looking for and expect.

You know who you're talking to

Much like early-stage VCs, late-stage VCs are not all looking for the same company profile. Do your homework and make sure you're talking to VCs you're aligned with. That means: if you believe in priceless growth, don't partner with VCs looking for a low Burn Rate.

You're very well prepared

The time a CEO needs to answer to a KPIs request from a growth VC during a fundraising process is a good indication of how structured their reporting is. The usual (SaaS) KPIs will be requested, such as CAC, CAC/Payback, LTV, etc. Beyond KPIs, the data room and the deck must show a certain level of readiness and business maturity.

"Beyond getting the KPIs themselves, we have to know how they've been calculated. What are the data sources and spreadsheets?"

Roland Dennert

"When we ask for data, we expect it to be granular, clean, and relevant for the specific business in question. Formatting, beauty of the deck : these matters less to us."

André François-Poncet

You have strong ambitions and a clear roadmap

High risk, high reward. Your business plan has to translate your ambitions and include consistent growth levers such as international expansion and M&A. You have to show that you've already worked toward them. For example, your hiring plan for the 12 months following the Series B fundraising must reflect this.

"For us, it's a weak signal if the company does not have at least 25–30% of its revenue coming from international expansion."

Roland Dennert

"We are ready to accept absence of internationalization only if leadership on the domestic market is well under way."

André François-Poncet

You've proven that you could be profitable if you wanted to be

On the other hand, the more money you raise, the more the investment risk should be limited (even if venture capital is still one of the riskiest asset classes). That said, growth VCs want to see that the cash burn, even if high, is under control and serves a growing business (not a spendthrift business). That means that, if needed, you could be profitable by stopping all the investments.

"We expect the company to have at least 18 months of business history where they succeeded in selling the product at a good price/cost ratio. LTV is notoriously important, for good reasons. Though it serves a different purpose, I find Payback Period to be as meaningful and easier to measure: it says a lot about the company's ability to live on its own."

André François-Poncet

You have the beginnings of a strong top management team

For the Series B round, growth investors expect at least the start of a strong management committee with a strong Head of Sales and CFO. **You have to prove that you've been able to attract talent that's as good as or better than the founding team.**

"We can understand that the role has not been hired yet because money was an issue. But these hires have to be planned in the post-Series B hiring plan."

Roland Dennert

You already have good investors/advisors on bord

Who's sitting on board is important for new investors. The investors need to be confident that board members are quality people able to support the company in its growth. The board also reflects the founders' ability to attract highly talented and well-known people. It's a good market signal.

You have an opinion on key market/tech disruption

How AI will impact your business? Is quantum computing an opportunity for you?

"We don't expect a full roadmap, but we need to see that the founding team has thought about it."

André François-Poncet

Capital Efficiency & Good Management

What's this challenge?

Gone are the days of burning through endless cash. As your Series A startup reaches the Series B stage, you must make **critical decisions regarding investments** in various areas, including international expansion, product development, recruitment, and potential mergers and acquisitions.

It's also a phase of rationalization. You need to demonstrate your ability to identify and effectively shut down non-profitable business units and make any necessary major cost optimizations, including those involving cloud expenses, offices, and people costs.

It becomes crucial to demonstrate to your investors that cash is being strategically allocated for the right reasons, propelling your business trajectory towards profitability — even if that progression is gradual.

"On the path to Series B success, founders should master the art of mindful scaling. The goal is to optimize resources intelligently and see every expense as an opportunity to amplify impact. Embrace tech-driven efficiency, align spending with goals, track profitability KPIs, and nurture a culture of ownership where everyone can identify with the business's purpose and targets. This means driving innovation by enabling your team to thrive autonomously whilst following principles of resourcefulness. Every cost item spent should move you closer to sustainable, long-term success guided by strategic frugality. To support our portfolio companies in this, we see ourselves not only as investors, but also as allies who provide their resources, expertise and network for them to prosper."



Dr Christian Nagel, Founding Partner at **Earlybird**

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

Cash runway is dwindling
If it's under 18 months, you might need better cash management or additional funding.

High burn overshadows earnings
A Burn Multiple higher than 2x indicates that spending is outpacing revenue, shortening your runway more quickly than expected.

Margins aren't optimal
Your Gross Margin falls below 65%, pointing to possible inefficiencies in cost management and revenue generation.

Payment delays become frequent
You notice an uptick in unpaid bills or longer average payment delays.

Best practices for overcoming this challenge

Future-proof your budgeting

Produce a 5-year budget, including a “normal case” scenario and a “depreciated” scenario, in order to anticipate any cash flow needs that may arise.

Intelligently forecast your cash flow

Produce a forecast that includes key strategic assumptions in order to 1) make it a real strategic decision-making tool and 2) detect any cash flow needs that will have to be addressed in the coming months in advance.

Leverage non-dilutive resources

Know how to activate various non-dilutive financing levers such as bank loans, venture debt, and pre-financing of tax credits. You should know how to make profit on your cash through short-term placements.

Team members to rely on

- **Finance Team Leader**

Key Metrics

- **Burn Rate**
- **Growth Rate**
- **Rule of 40%**

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Stability in Motion

The Value of Financial Planning & Analysis

Author



Kolja Heskamp is one of the founders of torq.partners. He looks back on years of experience in the startup sector and has accompanied more than 100 companies from different growth phases. Among other things, he has conducted over 30 due diligence on the investor and investee side and raised more than €300 million in equity and debt. His roles have included Interim CFO at Outfittery, Head of Finance & BI at Thermondo, and Interim Director of Finance at infarm. His focus is on scaling finance, debt-structured propositions, working capital management, and crisis management.

Financial planning at an early- to growth-stage startup is like dreaming in Excel.

This might seem like a dramatic take on the value of financial planning, but it's the reality we've been experiencing for years. Value in a startup is typically seen as stemming directly from customer-facing activities: marketing, sales, delivery, and customer satisfaction. These activities connect with the KPIs of orderbook and revenue growth, CAC/CLTV, payback period, NPS, and retention rates.

Without a doubt, especially in the early- and growth-stages, these are the KPIs determining your startup's ability to secure favorable valuations and fundraise. However, to achieve scalability, you must develop a scalable margin structure. Sales and marketing must evolve from founder-led activities to team efforts. Delivery and customer satisfaction must become system-driven, often relying on external contracts. As more individuals make daily decisions, the basis for these choices shifts away from the founder's holistic perspective to isolated optimization within specific functions.

Consider a striking example I witnessed recently. A company's purchasing department decided to stock up on inventory because they "got a great deal." They based the order on their peak month and purchased a year's supply. This decision reduced the company's runway by 60%, prompting investors to intervene. A simple conversation with marketing, sales, or finance could have prevented this blunder.

Financial planning and analysis are pivotal for communication in an expanding organization.

FP&A plays a unique role in data aggregation, forming a vital segment of your internal communication to maintain expectations across the team and with investors. It lays the foundation for informed decision-making, helping you to stay on track and avoid decisions that put your equity story and fundraising capabilities at risk.

Consider a company with basic planning, viewing the financial model as only essential during fundraising. Targets are set top-down, liquidity doesn't factor in payment terms and is solely driven by expected P&L performance. Growth ambitions are rigid (hard-coded). KPIs aren't used to generate outputs like revenue; instead, they are the output. This approach is prevalent in B2B SaaS companies where marketing and sales conversion funnels aren't as direct as in B2C models.

At the investors' request, we worked with a company last year that couldn't determine why their ARR wasn't meeting expectations. The issue? Their plan overlooked conversion times in their funnel, leading to a misaligned fundraising plan and investor doubts. Their overall performance was above par, and I believe investors would have reacted differently if they were able to demonstrate that conversion rates and CLTV/CAC were fine, but conversions were taking longer than anticipated.

Such companies might have systems indicating performance deviations but will find it challenging to delve deeper to understand how these variances affect their investments, margin structure, or liquidity forecast. This limited perspective means the planning aspect of a financial model—and its role as a communication and decision-making tool—is grossly misunderstood.

Continuous refinement of your planning tool empowers a growing organization.

Your financial plan won't be flawless, especially if it assumes hyper growth. What's crucial is viewing your planning tool as a dynamic document, continually updated based on changing assumptions and their interplay with organizational KPIs. A well-structured model that uses KPIs as an input and the P&L and liquidity as an output makes adjustments and resource allocation decisions smoother.

Whether in dedicated software or Excel, a planning file keeps track of interdependencies, allowing continuous improvement in the visibility of margins, resources, and runway. **My experience at Thermondo, a Berlin-based heating system installation company, taught me the importance of understanding the performance of individual teams,** where and at what cost customers were acquired, and which team installed what and where. Investing significantly in a model that understood KPIs as input and the P&L and liquidity as output allowed for more informed decisions.

The key is relentless improvement. Analyze past deviations, evaluate your capital efficiency, and utilize the insights for resource allocation, driving growth. A financial model also helps analyze new initiative potentials and necessary bold steps to maintain your growth trajectory.

Collecting timely data is a universal challenge.

Whether you have ten thousand euros or ten million euros in revenue per month, you will always be under pressure to maintain the data to sustain a functioning model. Underlying systems — such as CRM, Accounting, ERP, and your own backend — will be in flux constantly. Growing processes and volumes will keep you busy until you reach a point where your back office is as scalable as your front office business. However, the struggle is worth it to stay on top. This diligence will aid in identifying more effective campaigns, pave a road to profitability, and harness your internal financing power.

The key to successful FP&A lies in staying updated with all organizational functions and recognizing the importance of consistent data flows. Leveraging experts from your network or investors can help in cost-saving, pinpointing tested tool combinations and logical components tailored to your business model. The benefits of even slightly better visibility can free your mind, allowing you to concentrate on core value generation. **After all, every great architect requires a blueprint for a project to come to fruition, and FP&A is yours.**

The CEO Ramp-Up: From Doing to Leading

What's this challenge?

Could anyone transition easily from managing 5 people to 150 people in 36 months? As their companies grow, founders and CEOs must undergo **a crucial shift from being focused on execution to assuming a leadership role**. This means developing and executing ambitious strategies alongside their teams.

The CEO must transform into a Chief Engagement Officer, driven by a clear mission and serving as a resource for their teams. They should adopt the role of a coach, actively removing barriers and empowering employees to excel. It is essential to recognize that the CEO's role is no longer that of a startup founder operating from a garage. Instead, their time should be dedicated to activities that create value, ensuring they do not become a bottleneck in day-to-day operations.

As the leader of a team with over 100 employees, the CEO's guidance and direction are pivotal for charting the course of the company's success. Additionally, they will be leading multiple committees, such as the Executive Committee and Board Committee, from which they should extract substantial value.

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

You're swamped with tasks
Responsibilities are piling up, leading to a heavier workload and slower operations.

You're near burnout
Clocking close to 80 hours a week, you're nearing exhaustion and potential burnout.

You're managing a large team
Overseeing more than 10 direct reports is adding to your leadership strain.

You hesitate to hand off tasks
Feeling that certain tasks are best done personally makes you reluctant to delegate.

You feel demotivated
There's a discernible dip in your morale and drive to propel the business forward.

"Transitioning from a doer to a leader is essential, and seeking help is nothing to be ashamed of. At XAnge, 40% of founders have been coached when progressing from Series A to Series B+. Embracing coaching and personal growth enables founders to navigate scaling challenges and position their companies for success."



Pauline Paquet, Head of Startup Success at **XAnge**

"As a company scales, the CEO transforms from a hands-on visionary to more of a strategic orchestrator. Building a robust leadership team becomes paramount. This allows the CEO to focus more on strategic direction, culture, and innovation, while limiting the operational work, for instance selecting key account sales processes. As a VC, we can support founders in this evolution by emphasizing team development, support leadership in hiring, or introducing mentors who can share hands-on insights from successful scaling experiences. The journey's success hinges on the CEO's shift from individual tasks to team empowerment, fostering a dynamic that propels the company forward."

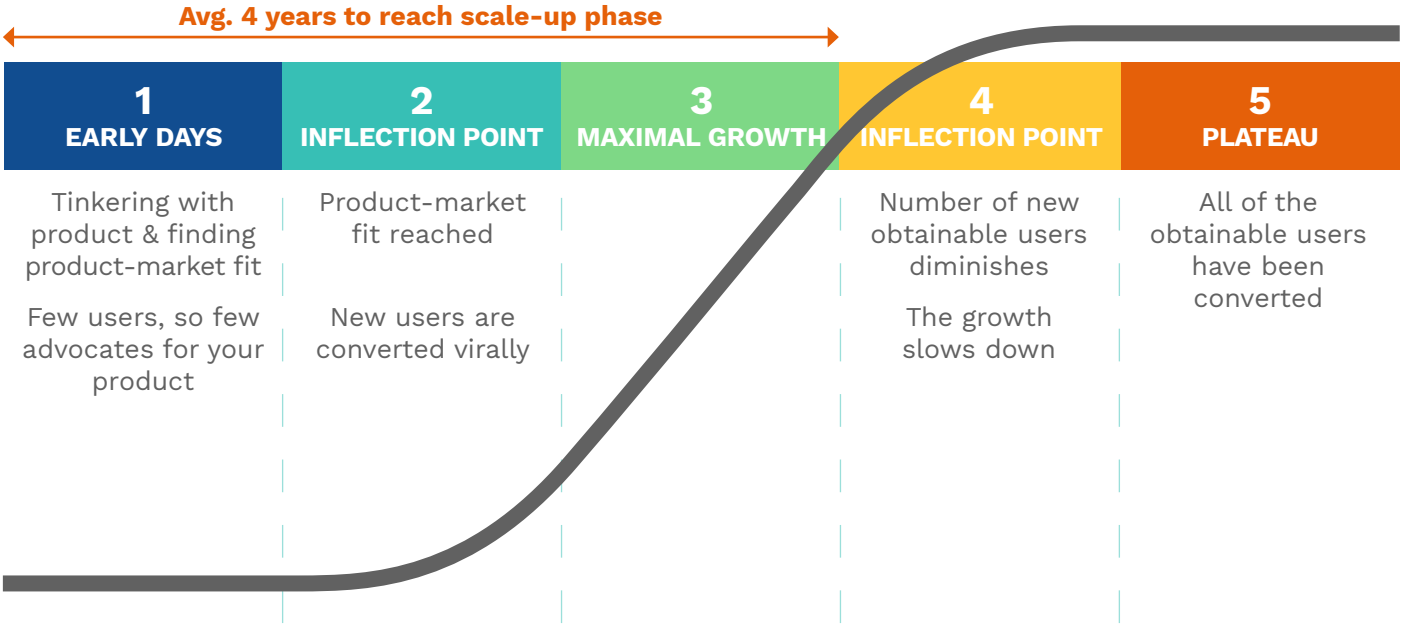


Nina Mayer, Principal at **Earlybird**

Chief Commando	Entrepreneur	CEO
Do-er	Salesperson	Manager — Leaders — Visionary
	Common Trait: **Persistance**	

From Operations to Leadership

Anatomy of an S-curve



By Gavrilo Bozovic, Head of Product at Sphere

Best practices for overcoming this challenge

Surround yourself with a strong support system

Seek guidance from fellow entrepreneurs, personal coaches, a Chief of Staff, a personal assistant, and obviously your investors. You're experiencing a significant transition, and you should invest resources accordingly. Building a robust network and leveraging the expertise and support of these individuals and entities can greatly contribute to your success during this transformative journey.

Focus your leadership

Streamline your workload by identifying high-value tasks that align with your role as a strategic leader. Delegate or eliminate non-essential tasks to free up time for critical responsibilities.

Empower your team

Don't be the sole driving force! Build a strong management team capable of taking the lead and propelling your teams forward. Hiring a competent management team will ensure that responsibility is shared and that your teams continue to make progress effectively.

Delegate, delegate, delegate

Identify tasks you can delegate and empower capable team members to take ownership. Trust in their abilities and provide the necessary support and resources. Additionally, foster a culture of accountability by clearly communicating expectations, goals, and responsibilities to your team. Encourage and support a work environment where team members take ownership of their tasks and deliver results.

Team members to rely on

- **Chief of Staff**
- **People Team Leader**
- **Head of Strategy**
- **Personal Assistant**

Key Metrics

- **YoY Growth Rate**
- **Span of Control**

From Doer to Chief Communicator

Author



Oliver Aust is one of Europe's leading experts on CEO and founder communications. As the CEO of Eo Ipso Communications, he and his team are on a mission to help 250.000 CEOs and founders scale themselves & their companies by 2026 through one-on-one coaching and mentoring as well as through his books, newsletter and category-defining podcast "Speak Like a CEO". Together with Jag Singh, he most recently published the "founder bible" on communications, "Message Machine: How Communications Will Make You an Unstoppable Founder". Oliver shares his strategies for ambitious CEOs and founders who want to scale, exit and have a real-world impact in his free weekly Message Machine newsletter.

All great leaders are great communicators. The same is true for founders of successful companies. They had to become great communicators because companies don't rise above the communication skills of their founders.

Once you reach Series B, mediocre communications puts a hard limit on growth. Or worse. Startup history is littered with great teams with fantastic products and services who could not figure out how to get noticed or simply sell their product. They may have product-market fit but lack message-market fit. As a result, they can't scale, exit or make an impact.

As Ben Horowitz put it, "as a company grows, its biggest challenge always becomes communication." Fortunately, founder communication is not some god-given talent but a set of skills that anyone can learn.

If you don't communicate, you don't exist

Excellence in communications has never been more critical for founders. There are more startups but not more attention. Audiences are increasingly fragmented. It is much harder to get noticed by the right investors, customers and top talent.

Communication only becomes more important around series B. As you prepare to enter additional markets, you need to continue to professionalise communications, be it marketing, employer branding, or your personal communication skills.

As your company grows, build a comms team...

In the early stages, founders do it themselves. Right from the beginning, one of the founders needs to truly own communications. The founders do pretty much all the communications themselves in the early stages, talking to investors, the media and the team. Of course, it doesn't stay that way.

In a high-growth company, a marketing person is hired at some point and a communicator or PR person as well. Which role is more important depends on your customers, business model and growth strategy.

...but the CEO remains the Chief Communicator

Once you delegate communications, marketing and sales, things can really go off the rails. As a founder, you don't need to understand the intricacies of performance marketing or media management, but you do need to have a proper grasp of the key communications principles and commit to improving your personal communication skills.

This will ensure that you hire the right people who can execute your vision. Your first hires should already bring in additional expertise in communications, marketing or sales. Hiring interns, for instance to build your social media channels, is usually ineffective.

Throughout all stages, the CEO remains the Chief Communicator. During the growth phase, the CEO and the other founders still represent the business to its key audiences. But they do take a step back from the day-to-day running and instead provide direction from a 30,000-foot view.

Combine Marketing, PR, Branding, and Internal Comms

As you grow, the most effective approach is to combine marketing, PR, branding and internal communications into one function led by a VP of Communications or Chief Marketing Officer. Your strategy will determine who the right CMO is. Whatever the focus, just like the CEO, the CMO will need to have or develop a thorough understanding of all areas of communications. All major communications functions – internal, PR, marketing, employer branding – should report to this one person to prevent friction and duplication.

The right person is an agile leader who is excellent in decision-making and in building a cohesive team that consists of experts in various fields. Everyone works from one communications plan to avoid constant coordination about who posts what on your company's LinkedIn channel or the CEO's personal accounts. You share services like scheduling and monitoring tools. Most importantly, the company speaks with one voice.

PR and Marketing are equally important

It is often between Series A and Series B that startups build their communications or PR team, regardless of the business model. Not having a professional communicator onboard at that stage is a mistake, especially if you want to become a category leader.

Over time, your PR team will grow, and the question arises of where it sits in the organisation. Having the PR team report to marketing is risky because of the functions' different key objectives. Marketing focuses on the product to grow revenue, PR's role is to establish the company's narrative and to build and protect the brand.

Companies that treat PR as an extension of marketing therefore struggle to establish their narrative and to hire and retain top PR professionals. In essence, marketing promotes the product, PR promotes the business. Both are strategic functions that should stand tall next to each other, not one bowing to the other.

Find out how advanced you are

You may not need a full-time person for internal communications for some time, but you definitely need someone who is responsible for it. Internal communications used to sit under HR when it amounted to little more than email updates and a clunky intranet. Today you approach employee communications in the same way you approach marketing.

Often it is hard for founders to know how good their business really performs in terms of communications. If you want to know where you and your company stand, take this 5-minute self-assessment.

Founders who become great communicators unlock the potential of their companies and turn them into Message Machines. They hire an excellent team that can challenge and support their leaders to become even better communicators. The founders and the team then motivate each other to excel. And excellent leaders and teams build great companies.

Consolidating Your Management Team

What's this challenge?

As your company experiences rapid growth, it undergoes significant changes every 6 to 12 months. At each stage of this growth journey, different expertise and profiles are required. To successfully scale, **the C-suite must become more specialized**. You'll need to recruit or train members whose experience and backgrounds make them an ideal fit for the next 12 to 18 months.

Overcoming this challenge requires tailoring the management team to fit your company's unique needs, which will mean considering factors such sector, founder backgrounds and responsibilities, experience, and business model.

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

Vision and alignment are elusive
There's an absence of clear leadership vision, including the nurturing and development of company culture.

Leadership skills seem insufficient
Current leaders might not have the required management and leadership prowess, impairing their capability to steer the company through growth stages.

Delegation challenges persist
Founders find it hard to delegate, leading to a burden of tasks and possible decision-making bottlenecks.

Best practices for overcoming this challenge

Elsewhere we explore the composition of an effective management team and discuss the key roles and responsibilities that should be included. If we just focus on the "building" phase, we recommend starting with these first steps:

Assess your organization

Draft your current org and list the bottlenecks and related managers.

- Identify who is a leader/manager and who is an doer/expert. There is no shame in being one or the other, but you have to know who is which.
- Identify top rising talent within your organization.

Nurture your talent

Provide training to your current leaders so they can reach the desired proficiency level. This will improve retention and help build a career path for early doer employees while maintaining institutional knowledge.

Focus on strategic hires

This will help you quickly acquire new knowledge and structure as your company grows. It will also make your company more attractive to talented people and give the impression of a robust organization.

Team members to rely on

- **Chief of Staff**
- **Head of Talent Acquisition**

Key Metrics

- **ARR/Employee**
- **Employee Attrition and Turnover**

XAnge
Siparex Group

How-To: Unlocking Cohorts

Proving the quality of your business model during Series B fundraising can be challenging. Startups are usually betting on recurring sales or orders to build a profitable business. However, traditional financial analysis (i.e. yearly P&L statements) doesn't provide enough information to evaluate the true profitability of multiyear customer relationships or contracts.

That's why every founder should have cohort analysis in their toolkit. It's a must for communicating effectively with investors during a Series B round, and failing to use it can put you at a disadvantage right from the start.

Cohorts are groups of users or customers acquired within a specific time frame, usually in the same month or quarter. They're snapshots that allow investors and founders to identify and analyze patterns.

Why do VCs want to look at your cohorts?

Cohort analysis gives detailed insights into the health of businesses. Cohorts tell the story of your user acquisition, retention, churn, reactivation, and expansion, painting a comprehensive picture of your business's life cycle and the effectiveness of your customer acquisition strategies. This is particularly critical in the context of Series B funding, since at this stage, businesses need to demonstrate not only a robust growth trajectory, but also effective mechanisms for customer retention and expansion.

By looking at a startup's cohorts, VCs can gain a clear understanding of the success or failure of product offerings over time, which is crucial for evaluating the company's potential for future growth. Cohort analysis also serves as a basis for comparing multiple startups. It illuminates relative strengths and weaknesses, particularly within a given industry or market. This information can be instrumental in making informed investment decisions.

Setting up cohorts like a pro

There are two golden rules for building cohorts: quality data and quality segmentation.

1. Data is at the core of the analysis: you need to make sure it's clean before starting anything else. Additional data could also be useful for segmenting cohorts, such as size, country, product, etc. The only reliable source of data is the billing file. You'll need to extract the following information:
   - Customer ID: so you can track all the data linked to a given customer
   - Bill ID: so you can avoid duplicates and make sure all the data matches
   - Date of the bill: so you can put each client's bills in chronological order, and also find the month of the first billing, which determines which cohort the client is part of
   - Value (without tax): so you can able to analyze revenue metrics
   - The type of billing: so you can segment between annual, quarterly, monthly, etc.
2. Segmentation makes it possible to compare what's actually comparable. The first and most important rule of segmentation is to not mix different types of customer subscriptions together. Annual and monthly billing must be differentiated in a same cohort analysis. This analysis can help you identify which customer segments are the most valuable and where to focus your marketing efforts.

Visualizing your cohorts

Now that you have a clear picture of what you need, let's start shaping the cohorts in your spreadsheet of choice.

From your raw data, start by aggregating and cleaning everything so all relevant data fields mentioned above are complete and accurate. For instance:

- Standardize dates by adding a new field that transforms the billing date format to YYYY/MM or YYYY/Q—much easier to sort (ascending).

- If your business experiences seasonality and there are months without any billing activity, create blank bills to prevent gaps in your cohort pyramid. This helps prevent data inconsistencies.
- Add a new field for each bill called “Month of first bill” or “Conversion month” which is lookup of the date of the first bill of the customer (in a format YYYY/MM)

Then you can create your first pivot table. A basic cohort table could start with month of conversion on the vertical axis, and month of each bill on the horizontal axis. This first outcome showing the cohort will be right-aligned. To ease the comparison between cohorts, you will need to align the table to the left by ranking each billing month of each cohort by the number of month relative to the conversion month (first month, second month, etc.).

It’s more common to look at percentages rather than absolute values, because they make it easier to quickly analyze and compare trends in retention or churn.

Conversion month	New customers	Number of Customers											
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Jan-23	107	107	102	100	98	95	92	90	70	88	85	84	82
Feb-23	212		212	210	208	202	198	194	188	186	183	177	172
Mar-23	134			134	132	128	126	125	110	118	115	113	110
Apr-23	161				161	158	153	151	130	147	142	139	133
May-23	122					122	121	119	90	112	110	106	102
Jun-23	149						149	143	125	136	132	129	126
Jul-23	178							178	167	160	169	170	170
Aug-23	93								93	89	87	83	82
Sep-23	186									186	180	176	170
Oct-23	235										235	229	222
Nov-23	157											157	155
Dec-23	139												139
		107	314	444	599	705	839	1000	973	1222	1438	1563	1663

Conversion month	New customers	% Retained Customers (relative to previous period)											
		0	1	2	3	4	5	6	7	8	9	10	11
Jan-23	107	100%	95%	93%	92%	89%	86%	84%	65%	82%	79%	79%	77%
Feb-23	212	100%	99%	98%	95%	93%	92%	89%	88%	86%	83%	81%	
Mar-23	134	100%	99%	96%	94%	93%	82%	88%	86%	84%	82%		
Apr-23	161	100%	98%	95%	94%	81%	91%	88%	86%	83%			
May-23	122	100%	99%	98%	74%	92%	90%	87%	84%				
Jun-23	149	100%	98%	78%	93%	90%	88%	86%					
Jul-23	178	100%	94%	90%	95%	96%	96%						
Aug-23	93	100%	96%	94%	89%	88%							
Sep-23	186	100%	97%	95%	91%								
Oct-23	235	100%	97%	94%									
Nov-23	157	100%	99%										
Dec-23	139	100%											
		100%	97%	93%	91%	90%	89%	87%	82%	84%	82%	80%	77%

74% represents clients retained after **3 months (in Aug-23)** from the **May-23 cohort**

- Number of customers gained in a specific month
- Percentage of customers retained in lifetime months for each period

My 3 tips to avoid common cohort traps

Throughout my years as an investor, I've conducted due diligence on numerous companies and helped them optimize their cohorts for successful funding rounds. Here are my two cents on getting cohorts right:

1. **Simplify your pricing plans:** Avoid making pricing plans overly complex with too many billing options (monthly, quarterly, annual). This can create data analysis challenges, waste time, and affect billing efficiency. Keep pricing flexible but not overly complicated.
2. **Build data infrastructure early:** This ensures effective data collection and management. Import fresh data monthly to track cohort evolution and maintain historical records.
3. **Segment customers from the start:** This segmentation enables more precise cohort analysis, allowing you to pinpoint high-performing segments and make informed decisions. Failing to segment early can lead to a loss of valuable historical data. Even if you don't immediately use all the segmented data, having it available is crucial for avoiding data quality issues down the road.

VCs examine your cohort dynamics closely. They pay particular attention to your growth trends, especially if there are clear signs of resilience or expansion. They tend to focus on the larger cohorts, rather than the smaller ones. When cohorts are too small, it's difficult to draw meaningful comparisons between the KPIs the VCs track and their corresponding values from the cohort. I strongly recommend you take the cohort exercise seriously.

Author



Guillaume Meulle leads XAnge's Care vertical as Managing Partner. He started his career at France Telecom Mobiles, excelling in financial project management. He played a key role in setting up financial departments in Lebanon, Denmark, and Romania. With over 17 years at Iris Capital, he focused on telecom, software, and early-stage investments. Notably, at XAnge, he strategically invested in Welcome to the Jungle, Synapse Medicine, Implicity, and Gleamer. He also acts as XAnge's COO.

Chapter #2
Operations

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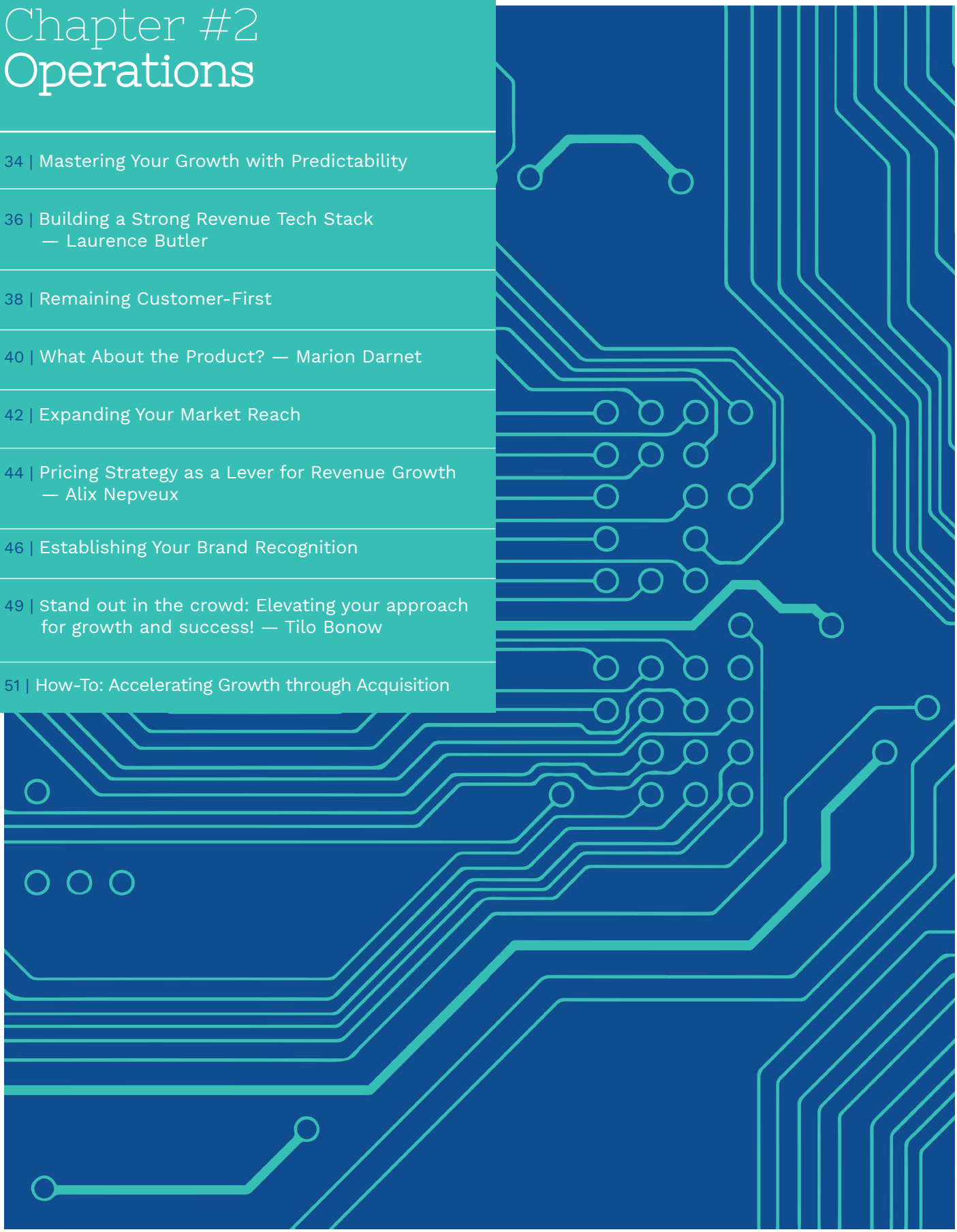


As you transition from Series A to Series B, the operational challenges you face will become more complex and demanding. Your ability to scale effectively, predict revenue growth, and master your domestic market will be under scrutiny (**Mastering Your Growth with Predictability**). Investors will be looking for signs that your business model can transform into a future unicorn, and they'll be examining relevant KPIs such as ARR/Sales Salary, churn rates, and sales cycles. The rules of the game are changing, and the expectations are high.

But it's not just about numbers and growth. Your focus must also shift to customer satisfaction and retention (**Remaining Customer-First**), market expansion (**Expanding Your Market Reach**), and brand recognition (**Establishing Your Brand Recognition**). You'll need to build strong sales and customer success teams, find your unique sales recipe, and create a brand that resonates with your audience.

Which KPIs will investors be looking at closely?

To give you an idea of what an investor looks for in a Series B candidate, here are some of the most important **Operational** KPIs that the XAnge team looks at before encouraging a startup to raise a Series B round:

XAnge KPIs	Danger Zone	Good	Better	Best
ARR/Sales Salary		Minimum 4x sales reps' salary + taxes		
Enterprise Churn (Yearly Gross Churn)	>15x	10%	10-5%	<5%
SMBs Churn (Yearly Gross Churn)	30%	25%	15%	<10%
Portion of International ARR		25%	30%	40%
Average Sales Cycle SMB		1 to 4 weeks		
Average Sales Cycle Mid-Market		4 to 12 weeks		
Average Sales Cycle SMB		12 to 36 weeks		

Explore all KPI definitions and calculations on page 105.

Mastering Your Growth with Predictability

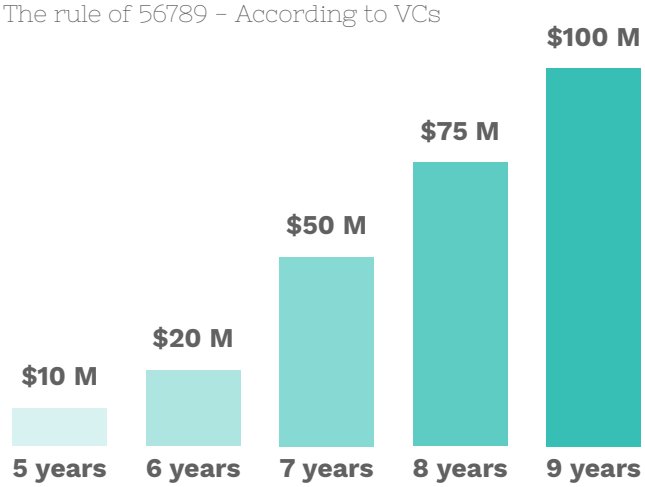
What's this challenge?

Have we mentioned that Series B is a standardization game? When you're raising a Series B round, VCs will be looking for the ingredients that could turn your current startup into a future unicorn. They expect companies to show that their business models can scale effectively. Long story short: whether you put a thousand, ten thousand, or ten million euros on the table, your revenue must grow accordingly and exponentially. At this stage, your ability to **master a significant portion of your domestic market and predict your revenue growth** is a huge signal.

The rule of 56789 (courtesy of Balderton Capital) and the T2D3 rule (courtesy of Battery Ventures) are good examples of those expectations. According to the rule of 56789, a 5- or 6-year old company (the average age of a Series B company) should break $10M ARR (if 5 years old) or $20M (if 6 years old). Then it goes up to $50M for 7 years, $75M for 8 years, and finally $100M for 9 years. The triple/triple/double/double/double (T2D3) rule says that once you hit $2M in ARR, you should triple to $6M, triple again to $18M, then double three times to $36M, $72M, and $144M.

The expected pace

The rule of 56789 - According to VCs



Source: Balderton

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

Sales structure lacks clarity
There's confusion in ownership of customer types (SMBs/Enterprise or sector-related), the sales funnel isn't optimized, and there's ambiguity regarding sales cycle length.

Optimal marketing remains undefined
You're uncertain about the right marketing mix or acquisition channels, causing rising acquisition costs.

Financial targets are elusive
You experience regular or sporadic misses in budget targets, with a pronounced gap between Booked MRR and Actual MRR.

"Setting and tracking booking objectives in addition to ARR-growth objectives, mastering the transformation of bookings into billings, are key signals for Series B investors to evaluate the maturity of your sales engine."



Guillaume Meulle, Managing Partner at **XAnge**

Best practices for overcoming this challenge

Master your sales playbook

You need a strong, repeatable, and cost-savvy sales playbook to 1) train your sales team, ensuring that you maintain a uniform approach to sales as you grow, and 2) ensure the growth of recurring revenue.

Solve the revenue generation puzzle

You have to try and find your sales recipe: what does your sales cycle looks like? How is your pipeline filled? What marketing channels work the best? Inbound or outbound? Your goal is to know exactly how much money you have to invest in Sales and Marketing to generate X millions of revenue.

Instill a new leadership dynamic

As a result, you need a strong sales leader. Head of Sales is THE position VCs look at when investing in a company at the Series B round. They assess whether the Head of Sales has the ability to implement an efficient and successfully recurrent sales process.

Team members to rely on

- Sales Team Leader
- Sales/Revenue Operations Team Leader
- Finance Team Leader
- FP&A Team Leader

Key Metrics

- ARR/Sales Salaries
- Net Revenue Retention
- Sales Representatives Quota Attainment
- Average Sales Cycle Length

HubSpot for Startups

Building a Strong Revenue Tech Stack

Author



Laurence Butler serves as the Senior Director at HubSpot for Startups, where he leads the startup program. Growing up in a family of founders, he possesses a deep understanding of the challenges that startup founders encounter. With a career spanning over 17 years in the technology sector, his insights and experiences greatly enrich his role.

Moving from Series A funding to Series B also means transitioning from a primarily sales-driven approach to a revenue-driven one. Reliable reporting will thus be critical, as customer data will be your key to gaining better visibility and control of your business operations moving forward.

Having the right tools and technical infrastructure internally allows you to enable upselling, cross-selling, and co-selling opportunities much more effectively. This is because the right software solutions can help optimize everything — improving efficiency, increasing conversions, and enhancing customer experiences.

These tools and infrastructure can also be collectively referred to as your "revenue tech stack." Transitioning from Series A to B will require you to adopt more revenue-centric business methods. And in today's data-driven world, leveraging customer data is your key to driving additional revenue from existing customers and to reaching new markets, customer segments, and geographies.

The benefits of setting up a strong revenue tech stack include:

- Organizing the way you manage leads, nurture prospects, and close deals
- Reducing manual administrative tasks through streamlined processes via automation
- Quantifying and reporting customer data that can be used to inform business strategy and gauge sales and marketing effectiveness

Key Components of a Revenue Tech Stack

You can use various tools to form a tech stack that can help you build a scalable revenue strategy. These include:

CRM | Customer Relationship Management

Your CRM, such as HubSpot, Salesforce, or Affinity, is your central hub for all your sales and marketing leads and other contacts (suppliers, partners, etc.). It forms the core infrastructure for managing external relationships and stands as your master database. By utilizing the right CRM software, your sales and marketing teams can monitor customer interactions with your business, enhancing the customer journey at every touchpoint.

Marketing Automation Software

Tools for marketing automation will automate repetitive and monotonous marketing tasks like sending out marketing emails and SMS advisories, posting scheduled social media announcements, and running advertising campaigns.

Marketing automation software like Hubspot's Marketing Hub, MailChimp or Marketo can take the tedium out of fulfilling these time-consuming marketing to-dos and free up marketing teams' hands to do more critical work.

And for a business that's looking to scale rapidly, not having to manually send out and schedule emails, notifications, and posts can make a difference in terms of increasing productivity and driving revenue.

Data Enrichment Tools

Data enrichment tools like Lead Genius, Apollo, or Seamless provide ways to access critical prospecting data. In a nutshell, these tools beef up the data you already have in your prospect lists. These include information like the number of employees a business has, their approximate annual revenue, where their headquarters are located, and more — which can be very helpful if you are looking to reach more customers.

For individual clients, say you were able to get a person's name and email address. A data prospecting tool can then fill in the gaps with information it can find from its sources, such as the person's job title, place of work, and phone number. This will allow you to segment your customer lists better and personalize how you reach out to them.

CMS | Content Management System

Today's digital age necessitates businesses to create and publish quality content regularly, regardless of their industry. A website plays a prominent role in reaching new and existing customers, as well as increasing revenue and catalyzing growth.

Your CMS, whether it be WordPress, Squarespace, or Kentico, will serve as your all-in-one hub to manage digital content, providing an organized way for multiple contributors to create, manage, revise, and publish the content they're responsible for. This includes blogs, event announcements, release schedules, whitepapers, and more. A CMS will allow internal users, like marketing teams, to easily create and publish content without seeking help from IT teams to make changes on an online platform. It also serves as content storage, allowing you to store and access your content in one place.

Buyer Intent Tools

Lastly, buyer intent tools can increase conversions by allowing you to access data about prospects who are at specific stages of the conversion funnel. For example, these platforms (for example, Capterra or ZoomInfo) can help you find prospects looking for products or services similar to what you offer — and even prospects checking out your direct competitors.

Buyer intent simply refers to the likelihood that a customer will purchase a product or service. Buyer intent data can provide powerful insights on how to time your outreach efforts and meet your customers where they are.

Shifting from a sales-driven to a revenue-driven business model will require a lot of adjustment as you push for growth on your way to Series B funding. But with the right tools and technical infrastructure, you can leverage customer data to increase revenue across new and existing target markets.

Remaining Customer-First

What's this challenge?

If Series A is about selling at any price, Series B is about selling at a fair price **while keeping your customers**. Why? Because customer retention is more cost-effective for businesses than customer acquisition (according Bain & Company, increasing customer retention by just 5% can boost profits by up to 95%).

It's not rare to see end-Series A to early Series B companies facing a huge NPS drop. Whether you have a thousand, ten thousand, or a million customers, you have to serve them equally and ensure you don't run a spendthrift business. You must show that the user or customer base churn is under control and make the most of it by growing your average basket.

Several factors can influence customer retention, including product quality, product data, product marketing, and customer service. You must show that your team is managing all of those factors.

> "After several years, upselling — through new features or tariff restructuring — is essential to maintain growth and becomes a key auxiliary engine. Customers should be 'farmed' after being 'hunted', and customer relations should be re-structured to introduce greater business sense."



Guillaume Meulle, Managing Partner at **XAnge**

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

NPS trends worry you
Either there's a significant decline in the score, or worse, there's uncertainty about how to calculate it accurately.

Understanding customers is elusive
Deficiencies in customer data lead to gaps in understanding their needs.

Churn remains uncontrolled
Effective management of the churn rate appears to be a challenge.

Spending rises, but not revenue
Development costs increase without seeing a matching rise in revenues.

Misalignment in strategies
The customer experience doesn't seamlessly tie in with overall business goals.

Best practices for overcoming this challenge

Enhance your customer journey

It's time to build a strong Customer Success team to support your customer in their journey! Customer service can strongly influence customer retention by properly onboarding your new clients, training and educating them to make the most of your product, taking care of day-to-day customer support, and renewing and upselling your customers.

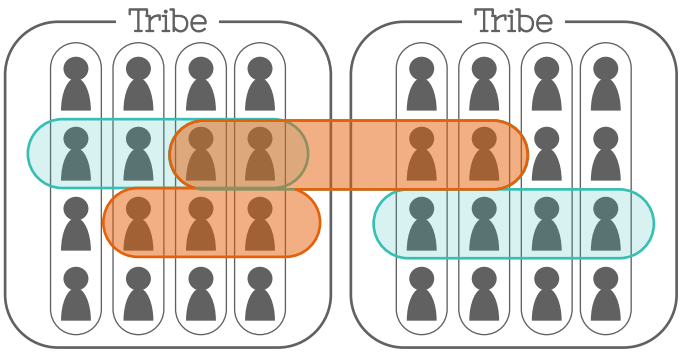
Put the customer first

Conduct regular product research to make sure that customer expectations are aligned with business strategy. This can be done by implementing user feedback (such as NPS), user interview campaigns, analytic tools, and regular reporting.

Collaborate

Design a team structure that allows product, customer experience, business, and tech to work well together. The Squad Methodology built by the Spotify team is a great example of how to get those teams to work together.

Community > Structure



Source: Spotify

Team members to rely on

- Customer Success Leader
- Product Leader
- CTO

Key Metrics

- Churn
- NPS

What About the Product?

Author



Marion Darnet, founder of Pachamama, is a former head of product in SaaS B2B who transitioned to a career agent role. Her agency serves as an advisory and recruitment platform to help companies scale their product teams efficiently. Her client portfolio includes Payfit, Reveal, Trustpair, Brevo, Pennylane, and others. She is highly invested in diversity and inclusion topics and co-founded *L'Avant-Garde*, a private community dedicated to women holding product leadership positions.

A well-structured product-management team is the engine that drives innovation, market traction, and customer satisfaction. As you aim for Series B funding, investors will closely scrutinize how you've aligned your team with your growth objectives and market demands. These are the four main topics to address on the product side.

1. Rock solid CPO

It all starts with a CPO, and it's, by far, the most complex recruitment of all the C-suite positions, rivaling the CMO — a role with a significant turnover risk. When hiring a CPO, you're seeking someone who will embrace your vision as a founder, challenge it, and disseminate it throughout the company.

Three types of CPOs :

- **Disruptive CPOs:** Launch new offers/markets, create value, and enhance the USP. They can think outside the box while maintaining a focus on the bigger picture. However, they might introduce unpredictability to a team and may prove challenging for you to manage.
- **Entrepreneurial CPOs:** Valued for their pragmatism and hands-on approach. They can oversee complex projects and quickly structure a robust middle-management team. Their primary aim is to make a swift impact on the business.
- **Framer/Organizational CPOs:** No longer hands-on. Their roles encompass management, strategy, staffing, product organization efficiency, and processes. Consider hiring this profile if you're planning to attract and retain top-tier product and design talent, especially when the team grows beyond 30.

2. It all comes down to metrics, metrics, metrics

Beyond the growth stage, the primary focus shifts to financial efficiency. After achieving product-market fit, the emphasis moves to scaling. While CPOs usually employ KPIs related to engagement, customer acquisition, retention, and monetization, the most value a CPO can offer lies in analyzing cohorts and customer behaviors to pinpoint your product's genuine value. As one CPO from a leading B2B international scale-up emphasized, "Take any KPI and you should start deep diving to get into the underlying metrics that support it."

3. Swift impact

Delivering value rapidly hinges on a product-centric organization. **Avoid scaling if you're already saddled with organizational debt.** The product organization is your company's operating system: your product represents your core business. Ensure that your product team promotes a culture of empathy towards customers. A frequent misstep involves scaling the team prematurely without addressing current bottlenecks.

Three essentials of a product-driven organization:

- **Customer-centric approach:** Foster an environment that emphasizes the end user's impact. Implement robust mechanisms for collecting and acting on customer feedback.
- **Organizational design:** Prioritize eliminating bureaucracy, hierarchy, and superfluous processes.

- **Agile teams:** Advocate for small, autonomous, cross-functional teams, integrating both tech experts and business professionals. This aids in maintaining focus and achieving short development cycles, with an eye on "time-to-impact."

A Series-C CEO who expanded from three founders to a sixty-member Tech & Product team in eighteen months shared, "We moved from feature teams to impact teams where a team would focus on a persona instead of a feature. We needed to have a cross-functional team to make sure we were building the right experience and bring it to market properly and then onboard and support our users properly as well."

4. Strong execution

Investors expect adept execution. How swiftly can you pivot, deliver essential features, or launch in a new market or country? **Execution correlates closely with engineering capabilities** and the efficiency of that relationship. Strengthen the CTO/CPO dynamic. Similarly, on the business front, efficient market integration of what's built is vital.

Execution also hinges on a strong product team. Showcase your success in assembling a powerful product team. There are two primary strategies:

- Develop your team around budding junior and mid-level PMs and PrDs. This approach demands a capable CPO to guide and elevate them, along with a stellar engineering team.
- Recruit fewer PMs but those with vast experience. This tactic requires competitive salaries, full remote work options, and superior engineers to lure the best. With this arrangement, you can delay hiring middle managers until the Series B round, maintaining direct team management.

A CPO who navigated a startup from Seed to Series D remarked, "Technical debt arises when product managers fail to adequately anticipate their product's potential evolutions."

5. How about Product-Led Growth?

Many startup founders ponder how to optimize product-led growth (PLG) for their enterprise. It's a prevalent topic of discussion, yet only a handful truly master it — especially in the B2B sector.

In B2C, contemporary innovations might suffice: sign-up workflows, activation, and growth hacks. So why do numerous B2B firms grapple with PLG? The answer is simple: PLG necessitates the product to essentially "sell itself." If you pivot towards a sales-driven strategy, it will cannibalize business from your sales pipeline.

Transitioning from a sales- or marketing-centric approach to a PLG strategy signifies a monumental shift:

- Embrace a more analytical approach accompanied by continuous testing and learning.
- Prioritize messaging and positioning: The earlier you foster product marketing, the better.
- Concerning pricing, transferring monetization responsibilities to the product becomes crucial.

In conclusion, effective PLG is inextricably linked to exceptional product management.

On top of these 4 critical topics, the most common mistake as a founder at this stage is to pretend you still know what your customers want as you keep on scaling. Market insights will evolve. Brace yourself for your beliefs to be contested. Allow your product team to communicate their findings, which will fuel your company's growth and commercial endeavors.

As a SaaS B2B CPO testified, "founders are biased in their own beliefs, which quite often limits the space for creativity and new growth opportunities. The best CEOs are the ones who learn how to bring insights and then focus on where they bring more value."

Expanding Your Market Reach

What's this challenge?

When you first raised funding for your startup, VCs questioned the potential size of your market. Now, as you approach your Series B funding round, it's time to operationalize things and prove that market sizing. While you've already secured a noticeable market share, further expansion becomes challenging. To continue growing, you must **explore new avenues for acquiring additional market shares**. This involves unifying your strategy to incorporate fresh ideas and identifying untapped opportunities to increase revenue.

With a well-established sales structure and streamlined operations, your reach will naturally grow. But market expansion also entails taking your product or service to new markets, whether that means targeting different geographical regions or customer segments or exploring new distribution channels. By strategically pursuing market expansion, you can unlock new growth potential and propel your startup to even greater success.

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

Growth metrics seem stagnant
A declining ARR/Employee ratio could hint at inefficiencies in your revenue generation relative to your team size.

Domestic expansion is costly
If you find it challenging to grow within your home market without substantially increasing your acquisition cost, it signals potential inefficiencies.

The market landscape is confusing
Being in a fragmented market with no clear frontrunner can be daunting and suggest that positioning and differentiation might be issues.

The biggest opportunities appear elsewhere
If a majority of your Total Addressable Market is outside your current region, this means you need to consider international expansion strategies.

Best practices for overcoming this challenge

Optimize pricing

By refining pricing and leveraging the current customer base, firms can fully realize their revenue potential. At the Series B phase, it's not uncommon to see average ACV surge by around 40% (as suggested by this 2023 survey by OpenView). Instead of merely hiking up prices, this growth in ACV predominantly comes from boosting usage and adopting clever feature-based pricing strategies.

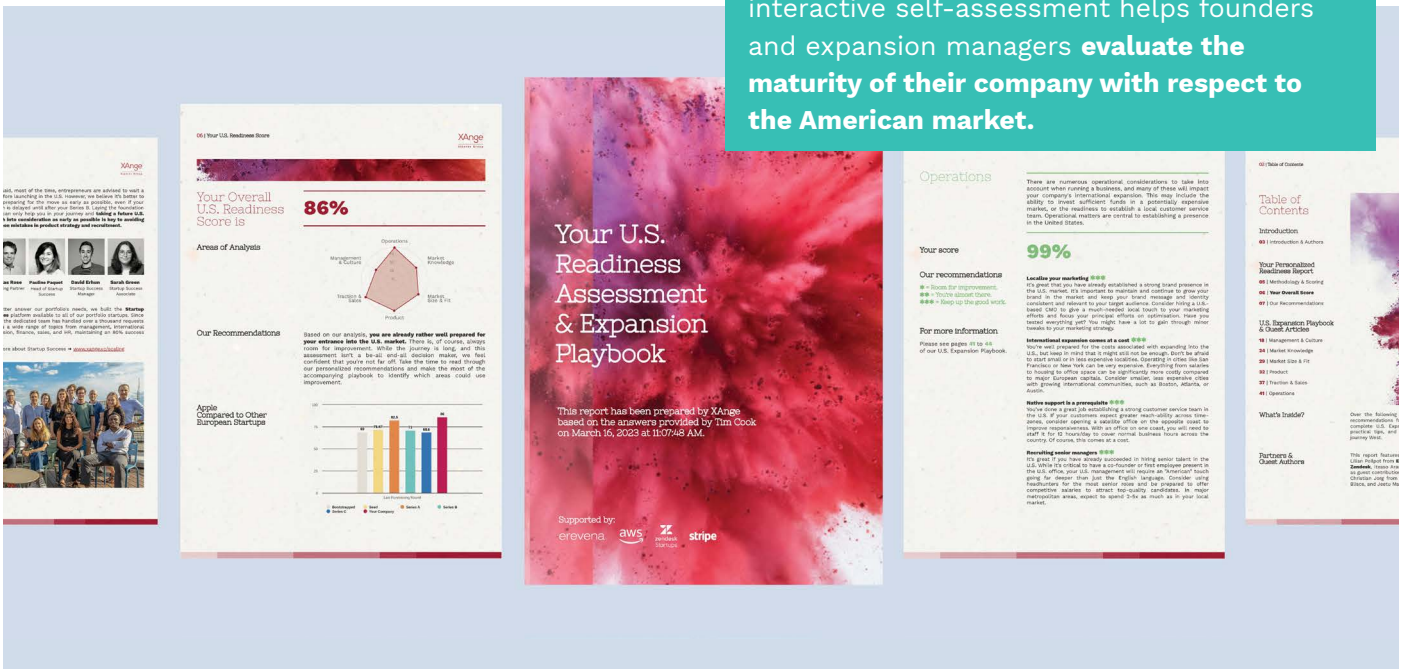
Conquer new markets

The Series B stage is typically the stage for business internationalization. Internationalization is like launching a second startup, and it's the founder/CEO's job. Before moving forward with expansion plans, it's crucial to thoroughly analyze the new market you're entering. This includes gaining a deep understanding of your clients, as they are essential to the success of your business.

Acquire competitors

For many companies, non-organic growth is a quick way to increase their revenue, customer base, product usage, geographic scope, and headcount. This is often the leap they need to take to gain a competitive advantage in the market.

Thinking about U.S. expansion?
Take our U.S. Readiness Assessment. This interactive self-assessment helps founders and expansion managers **evaluate the maturity of their company with respect to the American market.**



Team members to rely on

- **Operations Team Leader**
- **Country Manager(s)**
- **Head of Strategy**
- **Chief of Staff**

Key Metrics

- **YoY Growth Rates**
- **% of International ARR**
- **% Market Shares**

Pricing Strategy as a Lever for Revenue Growth

Author



Alix Nepveux is a Partner at Simon Kucher's Paris branch, specializing in Software, Internet, and Technology. She assists B2B firms in packaging, pricing, and sales strategies, serving both local and international businesses, from legacy companies to scale-ups. Her expertise covers phases like transitioning to SaaS, and land & expand strategies for various business models. She also advises online platforms on acquisition and monetization, emphasizing customer-focused approaches. Alix is part of the XAnge mentors programme.

Pricing is one of the most straightforward and cost-effective mechanisms for boosting revenue, particularly when compared to:

- **Enhancing the product** (which requires tech investment and time)
- **Managing customer acquisition and churn** (which requires sales investment)
- **Spearheading lead generation & recruitment** (which requires marketing investment)

In contrast, pricing strategies typically call for just one or two dedicated full-time resources, yet they can generate an average revenue uplift of 20–30%.

Additionally, any pricing adjustments should go hand-in-hand with refining the value proposition. This integrated approach can cast a positive halo effect on customer acquisition, conversion, and business expansion. It can facilitate a "land and expand" strategy through a more easily understandable value proposition, an offer structure that resonates with diverse customer segments, and a scalable pricing model.

As the Chief Product Officer of one of our clients in the US testified, "When we weighed up all our options, it became clear that pricing was the most impactful lever for ROI that we could pull. In hindsight, we realized we had waited too long to address it."

What are the most common pricing strategy mistakes?

- **Setting a poor price anchor:** If a price is set too low, it becomes harder to subsequently raise it. While it is always possible to evolve, if the gap is significant, this can only be achieved through major innovations or gradually over time. It is especially critical to align prices with target customers' willingness-to-pay, especially when prices are public.
- **Offering a "one-size-fits-none" product:** Many early-stage teams constantly seek to create more value within their product, sometimes without realizing that customer targets have diversified and no longer have exactly the same needs. Therefore, it becomes crucial to have a segmented understanding of customer needs and to segment or differentiate the offer or service modalities to address all market segments, offering affordable entry options while charging the right price for the most advanced versions.

- **Prioritizing immediate acquisition over future expansion:** Just as a single version of the product does not allow for cross-selling, a pricing model that is too "all-inclusive" can also make upselling complicated over time. A pricing model that capitalizes on organic growth (more usage, more value delivered = more revenue from existing customers) is a key driver for scaling.

- **Leaving money on the table:** We often see key features that have been "given" to everyone without being (sufficiently) valued. A simple decision tree showing what is useful to all or not, driving a lot of added value or not, differentiating versus competition or not, should help identify which innovations to include in the basic offer and which to reserve for certain customer segments. Evaluating the willingness to pay associated with various offer components and detailed features should also inform roadmap prioritization!

What are the key success factors?

- **Don't be afraid to discuss "willingness to pay" very early with your target market:** Getting feedback on the product without discussing price will at best give you partial information; the real feedback begins when you ask to set a price.
- **Establish a collaborative and iterative culture** around pricing to best prepare for future growth and challenges, in particular by appointing a CXO-level pricing sponsor (e.g., CPO or CRO). Pricing shouldn't be changed constantly, but it's reasonable to systematically question it every 12 months (and sooner in the case of major innovation or strong market evolution).
- **Equip yourself to track subscription, upsell, downsell, and churn behaviors as well as customer-level usage:** These data will be a gold mine when you're developing your offer structure, determining the right pricing model, and managing your sales force.

Establishing Your Brand Recognition

What's this challenge?

During the Series B stage, your company undergoes a pivotal transformation, shifting from relying solely on lead-gen marketing to adopting a comprehensive strategy that emphasizes brand recognition. In addition to tracking essential metrics like Average Sales Cycle Length and evaluating the effectiveness of outbound and inbound approaches, the Marketing team takes a deeper approach by **building an authentic brand identity**.

This shift elevates the company to a new level, as a well-established reputation will naturally attract clients and contribute significantly to deal closures. A trusted and recognized brand is a potent asset for a growing company. Building a trusted brand requires significant investments of both time and financial resources, but the rewards are invaluable: it establishes the company as a reliable and credible player in the industry, leading to sustained success and increased market share.

> "In 2017, Lydia is approaching its fourth year. Reaching nearly one million French users signifies that it has entered a mass phenomenon, extending well beyond the community of early adopters of technological innovations. It is, therefore, time to take it to the next level and establish Lydia as a brand, beyond just being a product or service. For its first institutional communication campaign, Lydia has opted for a poster campaign in the Parisian subway."
>
> Cyril Chiche,
> Founder & CEO at **Lydia**

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

You feel like nobody knows you
This indicates a lack of brand awareness in the market, which can hinder customer acquisition and growth.

You can't get any journalists to cover your company
If media outlets aren't paying attention to your brand or covering your news and stories, it can limit your reach and exposure to potential customers.

You think communications have to always show immediate results in the sales pipeline
Focusing solely on short-term sales outcomes from communications efforts may overlook the importance of building lasting relationships with customers and stakeholders.

You're struggling to attract talent
Difficulty in attracting top talent may stem from a lack of brand reputation as an employer or a weak employer value proposition.

> "Early-stage founders are familiar with a first press release that kicks off company storytelling. By Series A, the company's core values, mission, and Unique Selling Proposition (USP) as well as main marketing messages should be established, and ideally, brand basics and website are in place. It's then crucial to hone a relationship with a few key journalists who cover your industry; look who covers your competition and address them politely with why you and your team are uniquely suited to tackle the problems you are solving. Consider offering them a tour of your space, a demo of the tech, or exclusive information in advance of publication. If you choose to work with PR agencies, you might want to recruit a Marketing/Communications Manager or a CMO who can help select and direct them. Your brand evolves over time; embracing steady and authentic communication of your company's identity, purpose, and relevancy will help to attract the right supporters – whether backers, employees, customers, or fans."



Elisheva Marcus, VP Communications at **Earlybird**

Best practices for overcoming this challenge

Difficulty in attracting top talent may stem from a lack of brand reputation as an employer or a weak employer value proposition.

Evaluate and evolve your brand

Start by conducting a thorough brand audit, which, if necessary, may result in rebranding. Investing in branding may seem daunting, especially when the ROI is hard to quantify. But a strong brand can be a significant competitive advantage and is worth the investment.

Foster dialogue

Don't be afraid to deviate from the norm and be divisive. Create discussions around your brand to stimulate engagement.

Optimize structure

Consider separating the teams in charge of branding and lead generation. This will allow each team to focus on their own objectives and maximize their efficiency.

Team members to rely on

- **Marketing & Communications Team Leader**
- **Head of Design (Product Team)**

Key Metrics

- **% Inbound Leads**
- **Brand Awareness**

“For our first large-scale communication, we chose a bold advertising concept. The best campaigns are the ones where I don’t sleep well the night before. I’m apprehensive about the conversation that will be created and hope that supporters will strongly outweigh the detractors, which is the primary goal.”

Anne-Carole Coën, CMO at **Swile**,
a French employee benefits company



The ad (in French) playfully tricks the reader by starting with “Con” suggesting the well-known CEO Xavier Niel is “stupid”, but finishes with “-cerné” to show he’s actually “concerned” about his employees, promoting the Swile (ex. Lunchr) meal card.

Stand out in the crowd: Elevating your media approach for growth & success!

Author



Tilo Bonow is an entrepreneur, value-creating investor, communications expert, keynote speaker, and book author. He is the founder and CEO of PIABO Communications, Europe's leading growth platform for the digital economy. Since 2006, he has been helping future makers with global ambitions to give them and their stories the attention they deserve. The communication expert and author of the personal branding book "Light Your Fire!" is an expert in storytelling, brand building, and the digital economy. With his wide expertise in communications, investments, and digitalization, Tilo Bonow is frequently speaking at national and international tech conferences which focus on topics related to digitalization.

For start-ups, securing a successful round of funding can be a defining milestone. However, with the infusion of new resources comes the need to use them wisely, particularly in the areas of communications and media relations. As Bill Gurley well noted, "most companies vastly underinvest in "owned" & "earned" and rationalise the hell out of unlimited scaling of "paid." Love to measure investment in owned+earned as a % of paid budget. The really great ones only do owned & earned and set paid to zero."

Leveraging owned and earned channels is essential for startups aiming to make a mark. Such campaigns not only amplify visibility but also enhance conversion rates, acting as trust-building anchors in the marketplace. Authentic engagement through these channels is particularly pivotal in bolstering a startup's credibility, especially given Europe's diverse media landscape. As startups secure new resources, it's crucial to allocate them wisely, with particular attention to communication and media relations.

Maintain a continuous flow of communication

Companies don't suddenly launch their first communications campaign out of the blue; it's a continuous process aimed at maintaining ongoing media presence and relevance, supplemented by specific projects or announcements. Simultaneously, while external communication often garners much attention, clear and transparent communication within the organisation is equally crucial, ensuring employees are always aligned with the company's vision, values, and current developments.

Make efficient use of increased resources

While securing a successful round of funding provides startups with a larger budget, it's crucial that they resist the temptation to 'Spray'n'Pray'. Instead, founders must learn to use these resources wisely, ensuring that each investment is targeted and efficient. This provides an opportunity to implement communications strategies on a more robust and comprehensive basis. An increased focus on PR, high quality content creation and targeted media relations can now make all the difference.

Stay consistent and demonstrate adaptability

While it's important to keep communicating, this doesn't mean that you need to change your message frequently: It's crucial to maintain consistency in your brand image and key messages to build trust with your target audience. However, given the fluidity of the market landscape, this consistency must be balanced with adaptability. Feedback, market changes and internal developments require regular strategy evaluation and subsequent adjustments.

Leverage digital tools strategically

In today's digitally-driven landscape, the strategic use of digital tools is not merely an option: It's a necessity. By integrating analytics tools into your communication strategy, you unlock the potential to gain continuous insights into your target audience's behaviors, preferences, and responses. Monitoring campaign effectiveness becomes more than just measuring numbers; it transforms into understanding patterns, trends, and areas of opportunity. This wealth of data is invaluable, offering a compass to guide your communications. By analyzing this data regularly, not only can you make informed decisions in real-time but also anticipate potential shifts in audience behaviour. Consequently, this proactive approach allows for consistent optimization, ensuring that your communication remains resonant, relevant, and impactful.

To sum up: **Communication – both internal and external – is a critical success factor for high-growth-companies.** With the right resources and a well thought-out strategy, grown-ups can tell their story in an effective way that will help them to win investors, attract clients and to become a magnet for talents.

XAnge
Siparex Group

How-To: Accelerating Growth through Acquisition

For companies with available capital, the current market trends present a unique opportunity for consolidation. Here's an excerpt from the XAnge M&A playbook with 6 essential questions about the M&A process and related best practices.

Where and how should you source M&A opportunities?

You can source M&A opportunities via tools or platforms such as Orbis, Crunchbase, or Specter. In many ways, M&A sourcing can be compared to a sales process. Once identified, you can **score your acquisition opportunities** and contact them accordingly. You can also turn to investment bankers, some of whom are specialized by sector. But be careful: since M&A banks work on a success fee basis, your deal size must be large enough that they prioritize your search.

What should be your main focus during the due diligence phase, particularly with regard to the team?

Assume that you will experience disappointments. During the Due Diligence (DD) phase, it's crucial to identify how much they could impact the deal. Start your M&A process by listing all the key assets you want to get out of the deal (legal, IP, people, operations, revenue...) and assess them accordingly with local advisors.

Do you need to structure an internal M&A team?

We recommend that someone at the top of the organization oversee this either part-time or as a priority (depending on the deal size and M&A strategy). This person could be the Chief of Staff, the COO, or a dedicated Head of M&A if it's core to your expansion strategy.

This person's responsibilities should include:

- creating the scorecard to analyze M&A opportunities;
- contacting and analyzing them;
- aligning the interests of all parties and facilitating open discussion to help interests converge;
- setting up a dedicated committee to report and address problems;
- providing an overall perspective of success, creating teams, and establishing alignment with a person from both the acquiring company and the acquisition to reassess each strategy for the company.

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

Should the acquiring CEO be involved in the M&A process?

Of course the CEO should be involved throughout the M&A process. BUT! The acquiring CEO and their team should be seen as the "good guys." If you work with external consultants or auditors, let them handle the tough discussions. It's crucial to maintain a good relationship with the to-be-acquired company's top management and team in a PMI perspective. We recommend that the CEO not be involved in discussions regarding negotiation of the LOI, company valuation, and other similar matters.

How should you deal with founders and key people in the company we're acquiring?

Involving founders in the process can be valuable, but it's important to ask why they would want to stay post-cashout. It's also important to consider the integration vision and the level of autonomy the founders will have. It's crucial to co-build the PMI process with a founder and top executives of the acquired company to ensure cultural fit and minimize PMI risk.

It's important for the acquiring team to perform a talent review in order to identify high potentials and low performers within the to-be-acquired company. Based on the findings, the team should plan the integration accordingly and rely on key people.

How should you manage investors in the company you're acquiring?

You have to understand the roles and the relationship between top management and the shareholders. Who is leading? When do the shareholders have to be in the loop? We highly recommend you list the key topics or decisions you won't give up on and share them with the shareholders. This will facilitate the discussions.

Author



Nicolas Rose, Managing Partner at XAnge began his career at JP Morgan and later aided the launch of Hambrecht & Quist in Europe. He transitioned to venture capital in 2000 and joined XAnge as a Partner in 2004, specializing in data, AI, and SaaS software investments. Nicolas boasts a robust investment record, including successes like 360 Learning, Believe's IPO, and the sales of Sweagle to ServiceNow and Neolane to Adobe. He holds degrees from the University of Michigan and the Ecole des Ponts et Chaussées, Paris.

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Chapter #3
People

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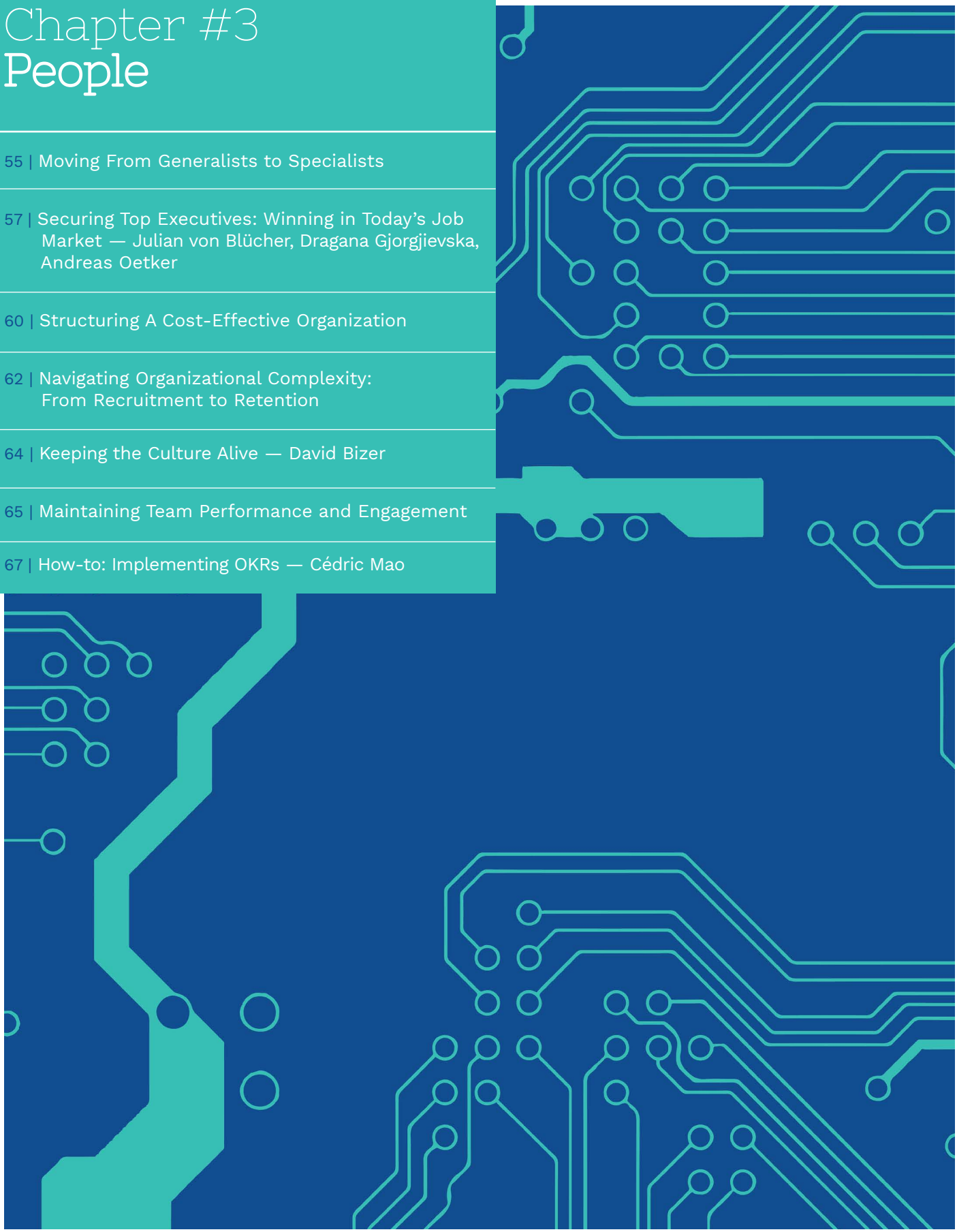


As your company scales closer to its Series B growth phase, human resources challenges become increasingly complex. This stage often sees higher turnover rates — which is entirely normal — and the emergence of specialized roles (**Moving from Generalists to Specialists**). This shift requires the rapid implementation of structured HR practices. The human factor, both powerful and nuanced, demands that execution be precise and take place within a short time frame. This will respect both the company's evolving needs and the preferences of its employees.

In the following sections, we explore these multifaceted issues and provide insights into organizational efficiency (**Structuring a Cost-Effective Organization**), employee retention (**Navigating Organizational Complexity**), performance management (**Maintaining Team Performance and Engagement**) and more. From KPIs to best practices, this chapter offers a comprehensive guide to navigating the human challenges of scaling. It can serve as a valuable resource for founders, managers, and HR professionals, equipping them with the tools they need to foster a cost-effective organization and drive team performance.

"Don't neglect the People function, especially when your FTEs are growing fast. As you approach your Series B round, you'll need to invest in your Talent Management team to strengthen retention via Career Paths, Compensation & Benefits, and more."



Sarah Green, Startup Success Associate at **XAnge**

Which KPIs will investors be looking at closely?

To give you an idea of what an investor looks for in a Series B candidate, here are some of the most important **People** KPIs that the XAnge team looks at before encouraging a startup to raise a new round:

XAnge KPIs	Good	Better	Best
ARR/Employee SMBs	50k	75k	>100k
ARR/Employee Entreprise	100k	100-150k	150-200k
ARR/Sales Salaries	Minimum 4x sales reps' salary + salary taxes		
Span of control	5-7		

Explore all KPI definitions and calculations on page 105.

Moving From Generalists to Specialists

What's this challenge?

As you approach your Series B fundraising round, you may notice high turnover rates, sometimes up to 40% per year. This isn't a sign of failure: it's a sign of growth. Your organization is changing, teams are multiplying, and new layers of management are emerging. You'll find that the jack-of-all-trades who fit earlier stages may no longer align with your current needs. You'll need specialists like a VP Engineering or a Head of Customer Success. This is a time for transformation, and it will require new managerial skills and specialized roles.

Average employee attrition across the XAnge portfolio	**2021**
Late Series A/Early Series B	36%

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

You notice management issues
Teams report dissatisfaction with current management, or strong managers oversee too many people, diluting their focus and guidance.

Roles or ownership are unclear
There's confusion about roles and responsibilities between teams, leading to overlap, inefficiency, and lack of accountability.

Turnover is high
A high turnover rate in core business teams can indicate dissatisfaction or misalignment. An average tenure of less than 12 months can indicate instability in retaining employees.

You notice a lack of expertise
Deficiency in key expertise in critical areas leads to ongoing reliance on outsourcing core business functions, despite having the resources to develop internal specializations.

You encounter loss of corporate knowledge
Knowledge isn't retained within the company, leading to a continuous loop of starting the same projects over again, causing delays and inefficiency.

Best practices for overcoming this challenge

Embrace turnover, but foster a positive culture

Acknowledge and accept the high turnover rate as a natural part of growth. Focus on clear communication so it doesn't create a negative atmosphere. Over-communicate about the fact that this phase is normal for a rapidly growing company and foster a supportive team culture.

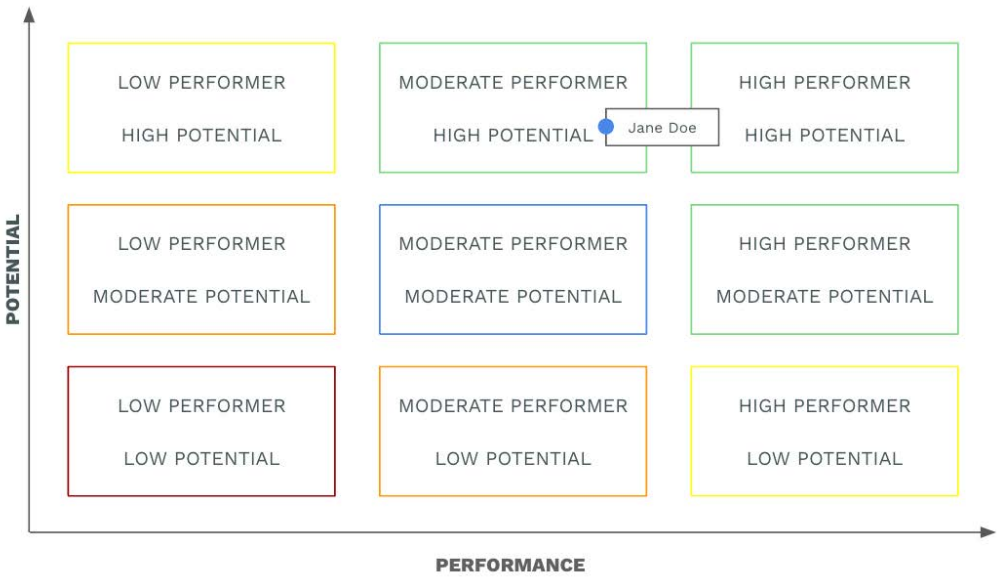
Develop top performers

Identify current top performers (using a Rising Talent Matrix or other tools) who can evolve with the company's vision and growth. Invest in their personal development to ensure their alignment with the company's changing goals.

Align new job descriptions with new expertise needs

Identify needs and review your job descriptions to match the new expertise you're seeking. Differentiate between generalist and specialist profiles to attract the right talent, ensuring that roles and expectations are clear for all potential recruits.

Rising Talents Matrix



How to use: Place on this matrix rising talents that you could see evolve in a leadership positions.

Criteria for "potential" assessment (non-exhaustive):

- Capacity to have a stategic vision
- Business acumen
- Financial acumen
- Followership
- Ability to make difficult decisions
- Result driver, proven results
- Team building
- Experience beyond current environment
- Risk taker
- Driver of change

Team members to rely on

People Team Leader

Operations Team Leader

Key Metrics

Employee Attrition Rate

Securing Top Executives: Winning in Today's Job Market

Authors



Julian von Blücher is the Founder & CEO of Talent Tree where he has carved a niche in recruiting top-tier talent for pioneering tech start-ups across Germany, with a particular focus on climate tech. With an academic background in industrial engineering, Julian's diverse roles have spanned from scientific research at the North Pole to spearheading initiatives for cleantech scale-ups.



Dragana Gjorgjievska, Head of Recruitment Operations at Talent Tree, is an accomplished recruitment specialist with a deep-rooted background in the digital and technology sectors. Her expertise spans both Executive Search and embedded talent acquisition, showcasing her versatility in catering to diverse client and candidate needs.



Andreas Oetker is Managing Partner at Talent Tree and a distinguished recruiting and HR expert. His blend of experience, which include scaling executive search agencies and his tenure at the renowned family office, Arvantis Group, has endowed him with unique market insights. This background, combined with other leadership roles, gives Andreas a solid approach to sustainably scaling teams.

In today's challenging economic climate and competitive market landscape, selecting the right leadership for your organization is fundamental. As a founder, the composition of your management team significantly impacts your company's ability to scale, maintain operational health, and establish strong market positioning. Since our founding in 2015, Talent Tree has been assisting ventures and investors in filling mission-critical positions. Below, we outline our insights on some of the best approaches to give you an edge in recruiting your executive team.

Define your hiring needs and budgets with input from investors

A successful hiring process always begins with a hiring plan and role definitions. Regardless of the structure and layout chosen, it's essential to define why you're hiring for the position, the mission and objectives this person needs to achieve in the next 12-18 months, how success will be measured, and the required skills and traits necessary for success. Determining the budget and compensation package is the next crucial step. Unless your team possesses the market knowledge, you can achieve this with benchmarking tools (like Ravio, Figures, etc.) or with the help of a service provider.

Challenging the role's purpose and the ideal candidate from multiple perspectives is particularly important. The most successful endeavors always include input from investors. Our approach begins by assisting the founders to create the role definition, persona, and budget. With this foundation, we arrange a calibration call with the founders and VCs to review and challenge these points by examining a short list of sample profiles representing different edge cases. Another method includes involving the investors early in the co-creation process through a workshop. However, it's vital to gather this input, as it leads to better alignment, reduced time-to-hire, and decreased cost-per-hire.

Hand-pick the interviewing team

A thorough interview process provides a comprehensive view of the candidates and offers them a chance to network and gain insights about the company. Defining a carefully selected interview team of three to five people with clear assessment goals is key to making a sound decisions. Otherwise, outcomes and feedback might seem improvised, leading to delays and misalignments in an already lengthy process. Our experience shows that the average executive search takes 12-15 weeks, with some searches extending up to six months or more, so a disorganized interview process can drastically diminish your chances of a successful hire.

When choosing interviewers, consider those who can gauge an executive's specific skills, functional expertise, and fit within the company's culture and leadership dynamics. Including a board member is beneficial for their expertise in evaluations and possibly persuading a sought-after candidate. Avoid using subordinates as primary interviewers. For highly technical roles, instead of relying solely on a senior team member's evaluation, seek expert input from your or the VC's network.

Consider outsourcing the executive recruitment process

Executive hiring is high stakes, especially when entering Series B, emphasizing the need for the right recruitment partner. While internal recruiters might have a better grasp of the company and its culture, if they lack capacity, network, or acumen to recruit executive candidates, it's often wiser to work with a talent advisory or recruitment agency. This collaboration offers numerous advantages, including broader and faster access to talent pools, expertise in executive search, time efficiency, meticulous candidate assessment, negotiation support, and valuable market insights. The ultimate benefit is the ability to benchmark and compare top candidates within a specific timeline, ensuring the best fit for your organization.

When choosing an agency, consider its specialization, industry reputation, and references. It's crucial to partner with an agency that understands your company's ethos and acts as your brand ambassador, guaranteeing alignment between the candidates and your organization's vision. Regular communication updates, high-quality candidates, and confidentiality measures are essential. Ultimately, the choice should balance your personal chemistry, contractual clarity, and the agency's capability to be a reliable collaborator in securing top-tier executive talent for your company.

Hire for experience vs. potential

As your company evolves, it demands more specialized executive expertise. While hiring for potential once sufficed, it's now crucial to prioritize experience. Seasoned professionals bring knowledge and expertise, enabling them to contribute immediately. Their comprehensive understanding of complex challenges, bolstered by tried-and-true strategies, ensures swift problem-solving and confident decision-making. Their industry networks can elevate your company's reputation and spur growth and their mentorship of less experienced employees cab nurture a culture of learning.

Reconsider the cultural "fit" presumption

As your business environment changes, so should your perception of company culture. To maintain a positive atmosphere, it's vital to shift from cultural fit to cultural contribution. This approach emphasizes how a candidate's unique background can enrich and diversify the company's environment, fostering innovation, creativity, and enhanced problem-solving. Seek executives who bring fresh ideas, challenge the status quo, and drive positive change.

TALENTTREE

Food for thought – Navigating the Executive Search Paradox in Series B and Beyond

While funding seems to be gradually picking up on the early-stage side, the landscape for later stages B, C, and D remains fraught with uncertainties. The unstable funding environment of 2022–23 is rippling through the candidate market, where top-tier talent, usually enticed by high-growth startups, is becoming increasingly cautious. Their preferences are leaning toward more secure, cash-positive companies, reflecting a broader trend that is contrary to the risk-embracing ethos that once defined the startup world.

Talent at this level is conducting its own rigorous due diligence — evaluating your financial health, market position, and long-term viability. Adding to the complexity is the paradox of a candidate-driven job market, despite widespread reports of mass layoffs. While it may seem counterintuitive, top talent is leveraging this uncertainty to negotiate for better terms, whether it's higher salaries, better work-life balance, or more robust equity packages. Your challenge is to present an offer that not only survives their due diligence but also rises above the competition.

Given these conditions, your recruitment strategies should be sharper than ever. Transparency is nonnegotiable; full disclosure of your company's prospects and challenges will be your ally in these negotiations. Navigating the shifting landscapes of hiring C-suite and funding cycles will be challenging, but **in this new paradox, opportunity beckons for those willing to adapt.**

Structuring A Cost-Effective Organization

What's this challenge?

As you step into a period of rapid growth, teams will naturally require more resources — whether people or funds — to assist them in reaching their objectives. This is a normal part of getting bigger, but it's important to move forward with a solid understanding of how to evaluate your company's situation (using KPIs and team ratios) to make sure things work well and continue to do so in the future.

One way to assess organizational efficiency is through the ARR per employee metric, which is closely scrutinized by Series B investors. A complementary strategy for gauging efficiency is to dissect the allocation of various teams within the company, including General and Administrative (G&A), Sales and Marketing (S&M), and Research and Development (R&D) divisions. While there's no universally applicable solution, you can often identify distinctive patterns in team structure for a typical Series B B2B SaaS company.

Department	% of FTEs
Customer Success	17%
HR	4%
Product	16%
Tech	32%
Marketing	8%
Finance & Strategy	3%
Sales	20%

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

ARR/Employee is in decline
A drop in your ARR per employee signals potential growth challenges. This metric reflects how effectively your team generates revenue relative to its size.

There's growing demand for fresh talent
You're experiencing a sharp increase in the demand for additional human resources across all teams in your upcoming year's hiring plan. This surge might suggest an expansion phase that calls for skilled resource management. The heightened demand might stress your current infrastructure, prompting thoughtful adjustments to accommodate the growth.

You're not sure how to allocate financial resources
Feeling uncertain about where to channel your financial resources within different teams could suggest a lack of clear strategic direction. This hesitation might hinder your ability to make informed decisions about investments, which is vital for maintaining growth and optimizing outcomes.

Best practices for overcoming this challenge

Consult industry benchmarks

There are numerous benchmarks about team distribution based on ARR levels. Notable examples include The SaaS Benchmark by OpenView and Scaling to 100 Million by BVP. Before crafting your next hiring plan, consult these resources: they offer insights into effective team structures and growth strategies.

Align team distribution with company challenges

Make sure your team setup aligns with the challenges your company currently faces and those you anticipate in the future. Understanding these proportions can provide vital insights into upcoming obstacles. Alignment can help you determine where to allocate resources and establish a clear direction tailored to your business needs. It ensures that your time and money are directed where they can most effectively spur growth.

Team members to rely on

- **People Team Leader**
- **Operations Team Leader**

Key Metrics

- **ARR/Employee**
- **Cost per Hire**

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Navigating Organizational Complexity: From Recruitment to Retention

What's this challenge?

You're on the brink of a growth phase, and updating your HR policies is essential. While these adjustments might make procedures more complicated, they're necessary to address your organization's expanding needs. You have the vital role of steering your company's next phase. The emphasis is no longer just on recruitment but also on retaining top talent.

You'll need to acquire a deep understanding of organizational dynamics. A central concern is organizational complexity: as the management hierarchy extends, particularly beyond four tiers, you must actively promote cohesion and connectivity among all collaborators. With increasing complexity, retaining knowledge becomes crucial as well. Before collaborators leave, ensure their insights remain with the organization.

The importance of global talent is also undeniable. To secure and retain professionals from diverse geographies, you'll need a strategic approach. Beyond merely welcoming them, you'll need to guide them, taking their regional and cultural backgrounds into account. This nuanced approach will help them integrate seamlessly and ensure their skillsets are utilized effectively.

Stage	Key HR challenges
Seed	Recruiting A-players and basic employee management
Series A	Structuring HR policies & processes to support team growth
Series B	Implementing actions for higher retention & building management layers with more seniority
Series C	Adapting HR strategy for a global scale when going international

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

Turnover is increasing
If you're noticing a significant and steady rise in employee turnover rates, it could be a sign of potential issues.

Average tenure is short
An average employee tenure of less than 12 months may indicate difficulties in retaining talent for the long term.

Knowledge gaps recur
Continuously revisiting the same projects due to a lack of retained knowledge might be hindering your efficiency.

Talent acquisition is difficult
Struggling to attract high-quality talent from beyond your domestic market could be a stumbling block for your organization's growth.

Best practices for overcoming this challenge

Clarify career paths and compensation

Establish transparent career paths, distinguishing between managerial and expert roles. Provide clear scorecards for advancement and align compensation and benefits packages to attract the next wave of talent. Ensure that your policies are relevant in every location, making them expansion-proof. This will help employees visualize their growth within the organization.

Invest in knowledge management

Implement systems to ensure that vital information and expertise are retained within the organization. Leave nothing to chance — your team should build processes and frameworks for everything. This will make onboarding new team members easier and prevent the loss of knowledge if a collaborator leaves the company.

Boost learning and development

Provide access to internal and external training, allowing employees to grow within their roles. Give special attention to those who are new to management, emphasizing leadership, communication, and team dynamics. This will also help you discover the rising talents and gems who can ramp up quickly, while ensuring a great workplace environment that allows for learning.

By implementing these strategies, you'll not only promote a positive company culture, but also ensure a smooth transition as you scale up and prepare for the next phase of your business

Team members to rely on

People Team Leader

Key Metrics

Employee Turnover and Attrition

Span of Control

Keeping the Culture Alive

Author



David Bizer is a Director at KeySearch. Prior to joining KeySearch, David was the Founder and CEO of Talent Fountain, a boutique consulting firm focused on talent acquisition, talent management and startup culture. Before Talent Fountain, David was the Chief People Geek at one of Europe's first startup accelerators, HackFwd, and was the first recruiter at Google in Europe, building out the organization from 100 to over 5000 employees in 7 years. David is part of the XAnge mentors programme.

In the 13 years I've delved into the intricacies of company culture, one question has remained central: How do you keep culture alive, especially in the dynamic ecosystem of a startup? A startup's culture is its lifeblood, its identity. A deeply embedded and living culture is a precursor to great success. But the real challenge lies not just in creating it, but in continually nurturing it, ensuring your culture evolves in a manner that supports the company's trajectory.

Assuming you've spent the crucial 6-12 months meticulously defining your company's culture – from its values to its behaviors and real-world examples – the next step is equally challenging. It's about consistency, evolution, and vigilance in keeping that culture alive.

Here are three pivotal strategies to consider:

Quantify Your Values

It's essential to have a tangible metric for each value. Without this, how can you discern if your startup genuinely embodies these values? While this may be challenging, even a single measurable metric for each value can be illuminating. It provides a lens through which you can retrospectively gauge how well you're actualizing a particular value over time. Try this: pick one value, design one metric and plan a time to look back on your progress in 6 months. Determine the results and modify the value, the behaviors and the metric if needed. Set a goal for the next 6 months and continue.

Foster Continuous Dialogue

A frequent grievance among startup employees is a lack of communication. Founders might believe they're communicating enough, but more often than not, employees beg to differ. Monthly meetings centered around values not only bridge this communication gap but also serve to further embed these values within your team. Discuss real-world examples, evaluate metrics, and most importantly, ensure everyone is on the same page. Use this time as an opportunity to highlight individuals who are living the values. This will help not only with recognition but will highlight the behaviors you wish everyone in the company to exude.

Embrace Evolution

Company culture isn't static. It's a living entity, shifting with every new team member and every new challenge. Make it a yearly ritual to hold a workshop solely focused on reassessing your company's values and culture. Such periodic introspection ensures that your company's ethos is not just a page on your website but a constantly evolving force driving your startup's success. It's OK to make a change in your culture. If something isn't working, change it. If something is working well, double down on your efforts and get even more benefit.

As a startup moves from its nascent stages to more mature phases, its challenges multiply. With increasing headcount and operational complexities, the risk of diluting the original culture intensifies. But a company's culture isn't merely an initial foundation; it's the bedrock that supports growth, innovation, and cohesion. By quantifying values, promoting continuous dialogue, and embracing the inevitable evolution of your culture, you can ensure that even as your startup grows from 50 to 500 people, the essence of what made it unique remains undiminished. With this kind of investment and constant nurturing, you ensure great success.

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Maintaining Team Performance and Engagement

What's this challenge?

As your company expands, you might feel a sense of detachment from your employees, especially with the rise of remote work. This transition can bring on challenges such as declining performance and diluted company culture. You're no longer directly overseeing the majority of your team, which can potentially lead to lowered performance expectations and an erosion of your diligently nurtured culture.

Meanwhile, the increase to an average of four management layers may prevent your vision and guidance from reaching everyone, causing breakdowns in communication from top to bottom.

Clarity about imminent growth milestones might also not reach your entire team, causing delays in problem-solving. You must reassess and reinforce your communication strategies to ensure that your vision, culture, and performance standards endure across all tiers of your organization.

Are you facing this challenge?

You may be facing this challenge if you observe the following weak signals, among others:

Team growth is in surge mode
Your team's size has swelled into the double or triple digits.

Budget performance varies
Your company experiences occasional or consistent challenges in meeting budgetary targets.

Unresolved problems have lasting effects
You discover persistent issues that haven't been fixed and remain unaddressed.

Communication hinders vision alignment
Effectively communicating and aligning every employee with the company's overarching vision poses significant challenges.

Best practices for overcoming this challenge

Implement a performance management method

Use a performance management method, such as OKRs or 4DX, that requires every team to 1) clearly and consistently share the company's growth trajectory, 2) set and communicate clear goals and KPIs that align with this growth trajectory, and 3) hold themselves accountable for achieving these goals with a strict cadence.

Get the CEO involved

Retain a CEO's involvement in the hiring process and/or onboarding. If the number of new hires is too high, consider organizing group workshops.

Over-communicate to your employees

Periodically relay company progress and upcoming milestones with all members. This can be achieved through comprehensive meetings, routine seminars, or alternative communication channels.

For XAnge portfolio company Welcome to the Jungle, the monthly all-hands meeting is crucial. Their senior executives take the opportunity to comment on vital metrics and project advancements. Occasionally, their CEO, Jérémy, answers team questions in an interactive format. They conduct discussions about their products, technological trajectory, and HR approaches, ensuring the team's alignment with company growth objectives. They also arrange frequent small-group meetings and team engagements to foster closer ties and address specific concerns. Learn more about Welcome To The Jungle's approach here.

Foster manager accountability

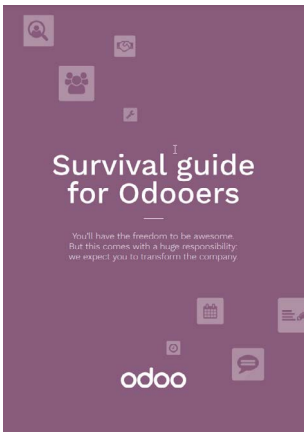
Ensure managers are accountable for delivering consistent messages aligned with company goals.

XAnge portfolio company Skello achieved a strong level of engagement by organizing training sessions with the managers. This approach proved effective, as gaining the commitment of managers streamlined the process of bringing the teams together. Team members had the opportunity to form their own groups and access a comprehensive resource containing detailed explanations of the new proposed process. Learn more about Skello's approach here.

Document culture

Chronicle your company's ethos and make certain every employee can assimilate it. Many companies craft an employee manual that acts as a universal touchpoint. Two notable examples from the XAnge portfolio are Skello and Odoo.





Team members to rely on

- **People Team Leader**
- **Operations Team Leader**

Key Metrics

- **Employee Attrition Rate**

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How-to: Implementing OKRs

Let's look at Wizze, a fictional B2B SaaS company. They're building an AI-based solution to help retail brands improve their in-store presentation and flows. They raised a comfortable Series A round two months ago and are beginning to prepare for their the next step — raising a Series B round — after proving their ability to drive strong ARR growth.

Why is performance management critical when moving toward a Series B round?

Two main factors make the implementation of a performance management system, such as OKRs, critical. First, on the business side, the run overcomes the build. Second, the organization is moving from a from a core-team to a team of teams

In terms of its business, the value chain has to scale, so the company must move from an explanatory mindset to a run-driven structure. Until Series A, it's probably counterproductive to put too many processes in place, as iterations are happening everywhere to find the best way to execute the value chain.. But to scale the business, choices have to be made, and each process in the value chain needs to be structured with playbooks and, of course, a strong performance system consisting of KPIs and objectives.

In terms of its organization, the company is evolving from a core team of 20+ people to a "team of teams" that will scale up to 150+ people. In the early days, it's possible to know everyone well enough to assess performance intuitively; a natural leader can handle a small team without any tools. At this new stage, though, it's impossible. In a team-of-teams structure:

- the company needs a strong leadership team, able to determine cross-company priorities and set targets,
- and each team must be equipped with priorities and objectives to handle the run as well as their contribution to cross-company projects.

Building an effective and simple performance framework with OKRs

Objectives should be clear, easy to assess, and non-negotiable. The OKR system meets these criteria perfectly.

"O" stands for "Objective," as in "qualitative objective." It describes the outcomes of our actions, not the outputs, not tasks.

For the customer success team at Wizze, "Structure the customer journey and set regular meetings" was not a good objective. It only referred to outputs, tasks, and projects. The expected outcomes were actually: "Each customer recommends our product and generates at least one new prospect."

KR stands for "Key Results." These are the quantitative representations of the objectives. They are KPIs, and each one has a target that represents success.

In this example, Wizze sets up 2 KRs:

- *NPS > 90%*
- *Number of leads coming from customers > number of customers*

There is never only one OKR. Companies or teams should have several OKRs, probably between 3 and 12 depending on the size of the team.

OKRs have to be prioritized. There must be a #1, or else the performance management system won't be effective: we can't allocate resources based on priorities.

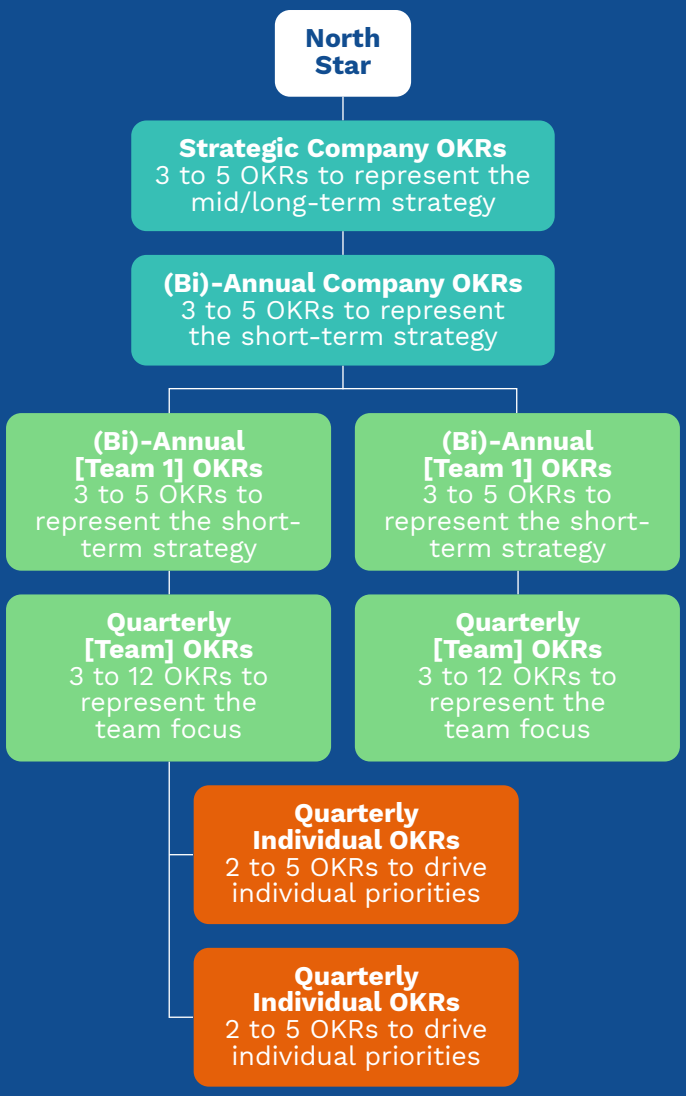
When Wizze's customer success team sets up their OKRs, they actually have 3:

1. *Each customer recommends our product and generates at least one new prospect.*
2. *We grow our top accounts by at least 15%.*
3. *By structuring our processes, we grow our capacity: we could double our customer base without hiring more.*

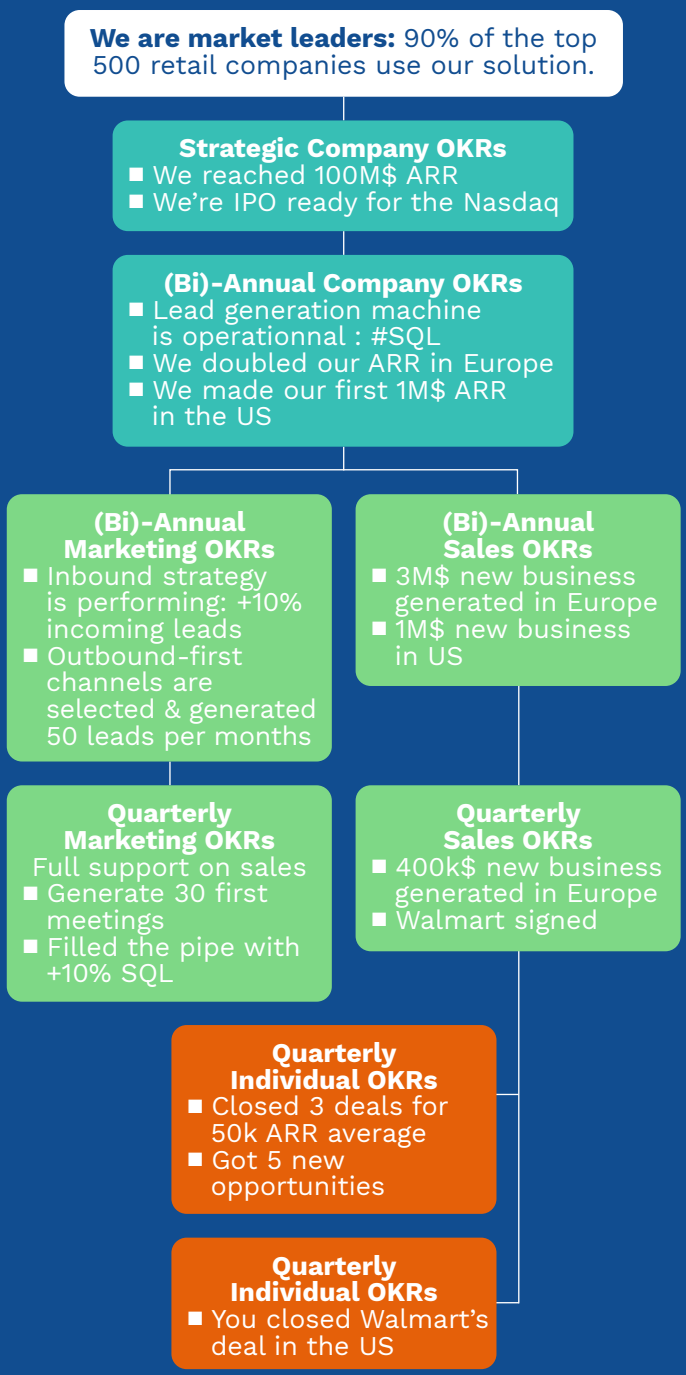
Deploying OKRs during a Series B scale-up

Now that we understand the OKR structure, how can we apply it to the company?
To each team? To each employee? To the strategy?
Let's see what the "OKR waterfall" looks like.

Template



Wizze's 2023 OKRs



How to build OKRs for a company

1. **Set a date for the leadership team to meet offsite and set the company's OKRs.**
   It would probably be smart to choose OKRs before setting the budget, but this depends on the maturity of the budget process, and it shouldn't happen too far ahead of the new year. Business cycles should also be taken into account.
2. **Gather feedback from the whole company.**
   This step is optional, but it always adds value. Using surveys, even live, ask the entire team what they think should be the company's top priorities for the coming months.
3. **Build the company OKRs through a series of workshops held during the leadership team's**

Workshop 1: Mid- to Long-Term Strategic OKRs

- 10': Individual preparation: identify three major examples of success for the company.
- 1h: Share and reach a consensus on the top five to keep.
- 15' for each of the top five:
  Choose a clear formulation ("O": inspirational; "KRs": clear and sharable).

Workshop 2.1: (bi)-Annual Priorities

- 20': Individual preparation: identify the top five priorities for the company and rank them. Place #1 on a red post-it (worth 5 points), #2 and #3 on blue post-its (each worth 3 points), and #4 and #5 on green post-its (each worth 1 point).
- 20': Share each member's #1 priority (red post-it) and group them if relevant.
- 20': Share priorities #2 and #3 (blue post-its). Group when relevant.
- 20': Share priorities #4 and #5 (green post-its). Group when relevant.
- 1h: Discuss the prioritization. Aggregate the points based on post-it colors (5 points for red, 3 points for blue, 1 point for green). This aggregated scoring provides a preliminary (V0) prioritization to facilitate the discussion.

Workshop 2.2: (bi)-Annual Priorities

Now that you've identified the top priorities, frame them using the OKR methodology. Give each of the priorities:

- a name;
- an "O," meaning a qualitative formulation of the target;
- at least one KR (often called the "golden KR");
- an owner.

Workshop 3 Reach a consensus on the top 3 priorities for each department.

Based on the company priorities, it's time for each department to discuss its own top priorities. Overall leadership should try to find alignment before department heads conduct a similar exercise with their respective teams.

1. **Build team OKRs.**
   Repeat steps 1 to 3 at the team/department level.
2. **Set up OKR tracking and review.**
   OKRs should be tracked at each level to maintain commitment. Company OKRs (the KR data) should be updated and discussed during a company-wide ritual.
   - Team OKRs should be updated and discussed during a team-wide ritual.
   - Team quarterly OKRs should be updated every quarter.

Individual OKRs should be updated at each performance review.

Author



Cédric Mao, is a scale-up & leadership coach and co-founder of Fly The Nest, a decentralized organization. Cédric dedicated his professional life to coaching teams and leaders to unlock the potential of people and projects. After coaching around 100 scale-ups, he decided to dive deeper into each stage of scale-ups through long-term commitments with three fast-growing companies: Back Market, DataDome, and Sekai.

XAnge
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Chapter #4
Organizational Design

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- Office of the CEO
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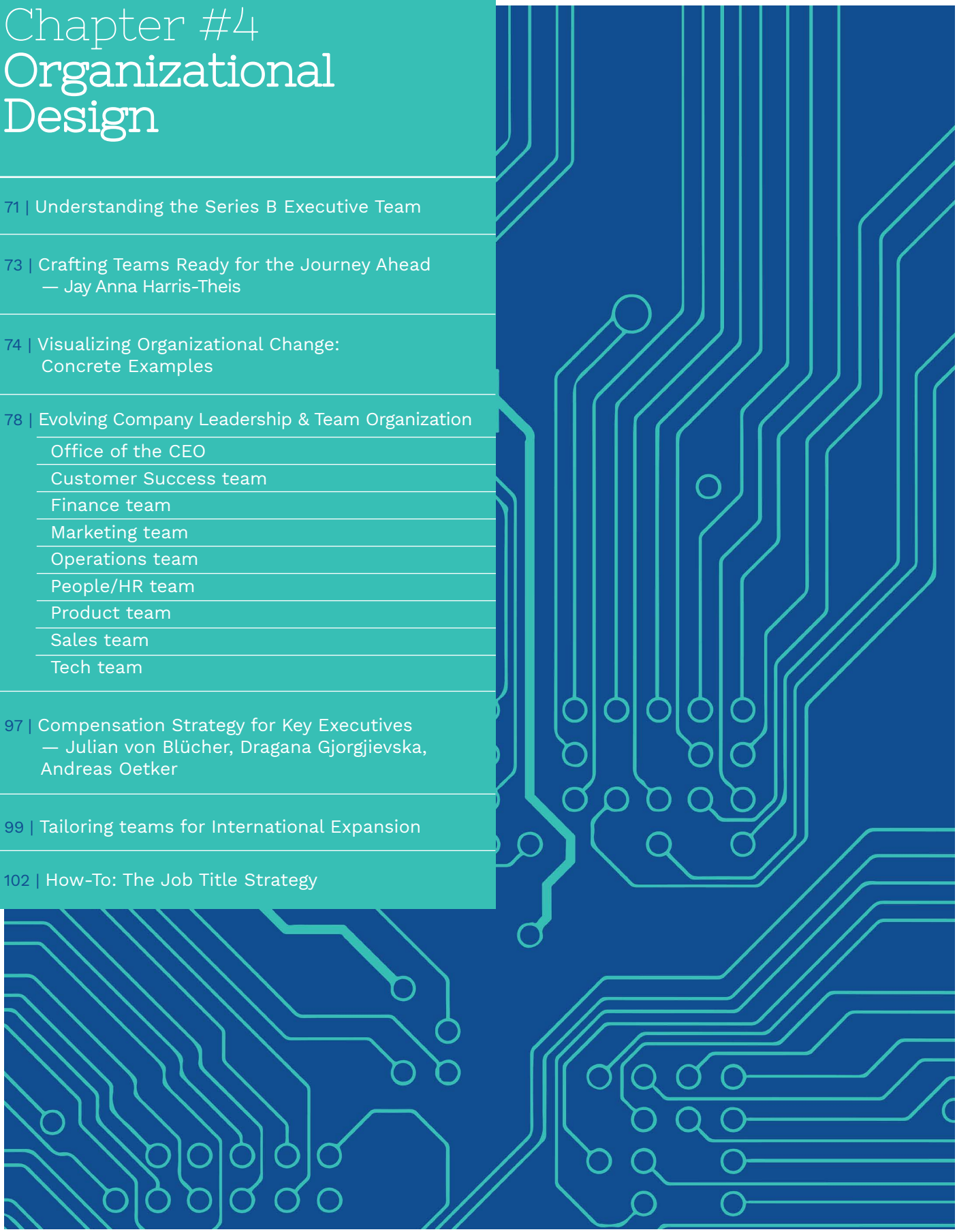
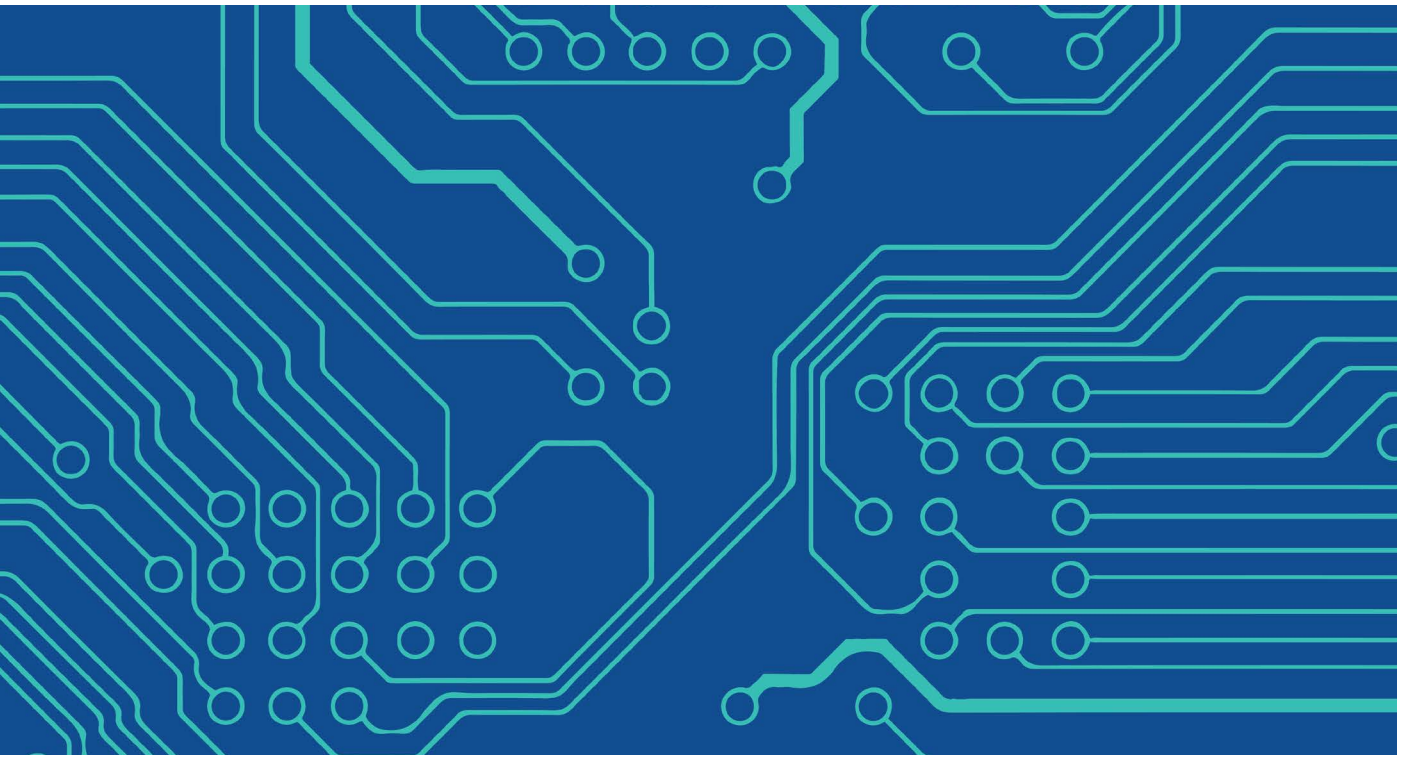
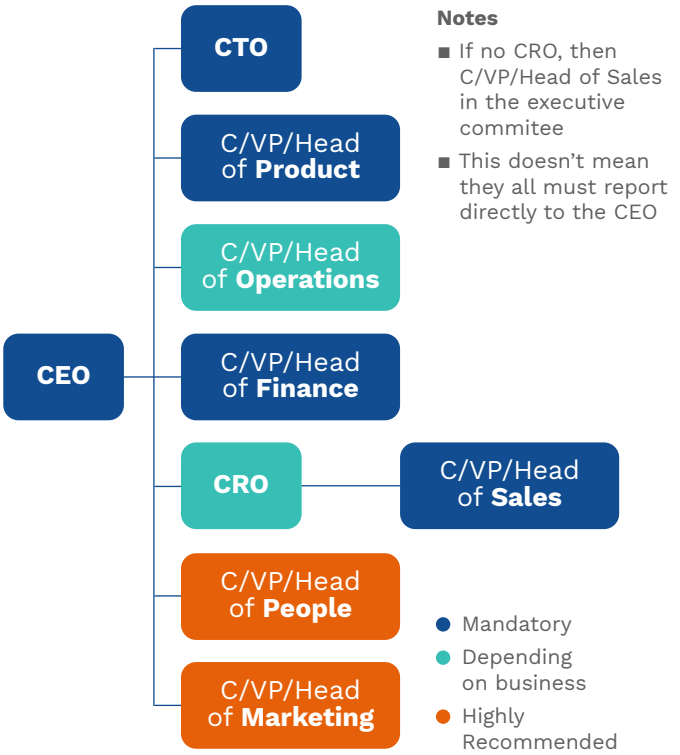


As you navigate the shift from Series A to Series B, the challenges around organizational design and leadership come to the forefront. The journey isn't just about increasing the workforce size or breaking new grounds—it's about the strategic enhancement and specialization of the very nucleus of your company: the executive team. Why is specialization so important? Series B introduces distinct challenges that require specific skills and seasoned expertise. The emphasis shouldn't just be on sustaining growth, but also on getting a sophisticated understanding of revenue predictability. Over the next 12 to 18 months, it's crucial to either hire or develop talent equipped for these nuances.

Amid the rush of scaling and the excitement of potential expansion, there lies the necessity to refine the organizational structure.Leadership that was once unified might need to branch out, specializing in various avenues to drive optimal growth (**Understanding the Series B Executive Team**). The existing hierarchy may need to evolve, ensuring agility and alignment with the brand's new objectives (**Evolving Company Leadership and Team Organization**). Moreover, with market expansion come market-specific challenges; hence, tailoring teams to cater to these regional nuances becomes indispensable (**Tailoring teams for International Expansion**). In this chapter, we journey through the subtle yet significant shifts in leadership that come with Series B. Whether you're on the brink of this transition or strategizing for what's next, a grasp of these evolving leadership dynamics is essential to ensuring your startup not only survives but thrives in its next phase.



Understanding the Series B Executive Team



Based on the XAnge Annual Portfolio C-Suite Study 2023. The roles shown as mandatory in the chart above should be considered strategic for successfully scaling up.

No universal blueprint exists for a Series B company's executive committee, but the guide provided here can serve as a general framework. Factors such as specific industry, founders' varied backgrounds and roles, and precise business model contribute to unique variations in both organizational structure and roles.

To the left, we detail the roles most frequently found in a Series B company's C-Suite. Transitioning to this structure doesn't happen overnight: it's a journey that might begin before your Series B round or sometime after.

Although these roles are common across many sectors, they resonate with the specific challenges and prospects that companies at this growth juncture typically encounter. It's crucial to adapt the roles and their expectations to your unique context. The makeup and responsibilities of your executive team should mirror your company's individual mission, values, and strategic objectives.

Here's a closer look at what this evolution might entail:

Pre-existing roles:

The key roles that have been instrumental to your startup's success so far include:

- CTO
- C/VP/Head of Product
- C/VP/Head of Sales
- C/VP/Head of Marketing

These roles may need to evolve with the demands of the Series B stage, possibly requiring new individuals with different skills, experiences, or seniority levels to take the helm.

New roles:

With the move towards Series B, the leadership structure may require the formalization of new roles within the Executive Team. These might include:

- C/VP/Head of Finance
- C/VP/Head of Operations
- C/VP/Head of People
- CRO | Chief Revenue Officer

These new positions represent a formalization and consolidation of functions that may have been more dispersed or externally managed in earlier stages. They signify that the organizational structure is maturing, aligning leadership more closely with the startup's scaling ambitions.

Crafting Teams Ready for the Journey Ahead

Author



Jay Anna Harris-Theis joined Earlybird at the end of 2021 in Munich as VP People. She has an impressive background with over 17 years of experience in Talent Acquisition, Employee Development, and Global HR from esteemed organizations such as NavVis, McKinsey, and Allianz. Jay's expertise extends to our portfolio companies, where she serves as a valuable coach and facilitator, covering a wide range of critical topics for early and growth-stage startups. From establishing and optimizing their HR functions to rapidly scaling their teams to meet high-growth recruiting goals. Jay guides our portfolio companies in leveraging the right digital tools, expanding internationally from an HR perspective, and providing support during founder assessments and CEO interviews before investment committees.

My role as VP People in Earlybird's Digital West team has afforded me an insider look into how startups evolve. What I've noticed is that founders who are best set for success to take their startups from Series A to Series B have done a few things in common. I can categorize these at a high level into: timing, people, and adaptation.

Timing

First, they hire functional leaders early on. In other words, they invest in top people, train them, and give them ownership on functional topics. In an analysis penned by Erevena's Maddy Cross, we see that B2B Saas Unicorn startups (vs. non-Unicorn startups) hire on average 3-4 leaders each year after their product launch.

People

Secondly, they create the right environment for leaders to thrive and create value. In my opinion, that means a focus on hiring and enabling leaders & functional experts who are "better than themselves."

Reinforcing this commitment to people means clearly articulating and living company values, underpinned with strong internal communications, to keep all employees up-to-date in a fast-moving environment.

A top-notch internal People & Culture team is also critical to establishing a scalable interview process. This helps align everyone on the right hires and retain them through good feedback, growth opportunities, and employee engagement practices.

I advocate for early-stage startups to hire either a high-potential junior People & Culture Leader or an experienced HR & Talent Partnering Manager very early, so at Seed stage. Getting the people-side right helps a startup grow quickly through creating scalable process and avoiding critical mistakes. A proactive people team ideally acts as a thought-partner to founders on all growth topics, bringing in the perspective of human capital.

Adaptation

Thirdly, they have found the right way to involve those first employees (there since the beginning) into the growth of the startup. In this scenario, they won't feel demoted, but rather supported in their personal growth, especially when an external experienced leader enters.

Retaining first employees is important, in my opinion, because they are often the greatest champions of the startups values & culture, know the product and first clients by heart, and have built deep personal relationships that help them connect the startup today to the one when it was founded.

In closing, it is not easy to define which executive committee constellation can propel a startup from Series A to Series B as it depends a lot on the industry. For example, where a B2B Saas would focus on engineering, sales, and marketing, a Fintech might focus hiring on legal and IT infrastructure. Deeptech would likely double-down on R&D.

For more on people aspects, I can suggest the following resources:

- A good article from experts: How to spend series B" from Sifted
- David Sacks' Bottom-up Playbook for B2B SaaS

Synergies and benchmarks from The ORG to compare & contrast startup org charts, titles, and headcounts in real-time.

Visualizing Organizational Change: Concrete Examples

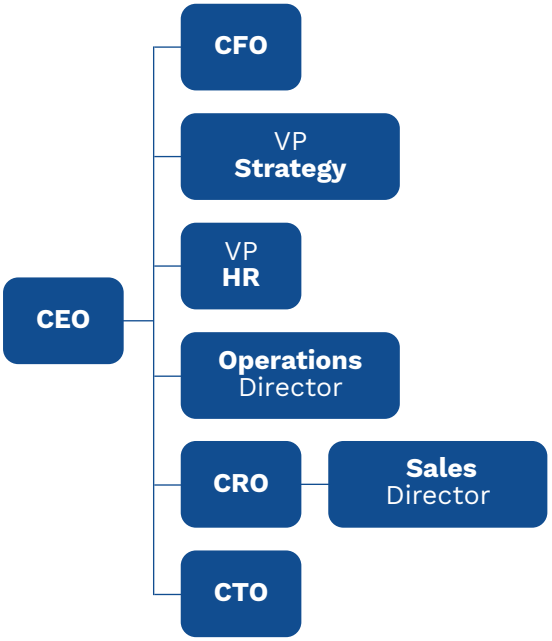
As a startup matures, especially in the frenetic period between Seed, Series A, and Series B fundraising rounds, we see an evolving organizational design. Additional layers of management appear, new roles are created, and job titles can shift to reflect new levels of responsibility. To better illustrate this transition and how it's been handled by different startups, please see the following examples from companies we've invested in. Every entrepreneur's journey is different, and circumstances for various decisions may vary widely, but we hope these examples demonstrate a few possible paths you could take.

Company 1

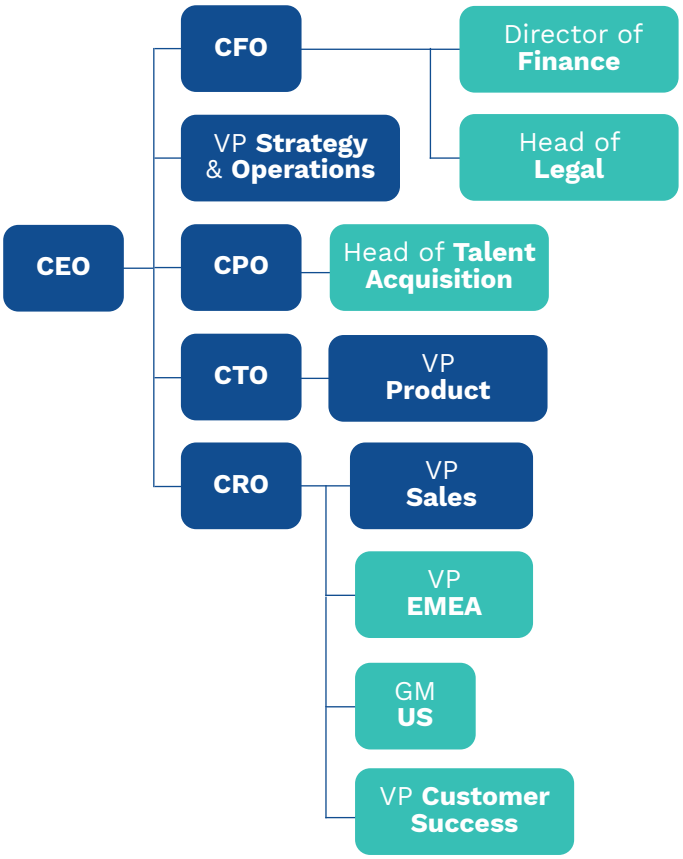
As the company moved into its Series B, it expanded rapidly into new markets. New regional VPs/GMs arrived to bring a local touch to sales strategy and the finance team was reinforced to provide more structure to a fast-growing team.

FTE growth between Series A & Series B	**+29%**

Series A



Series B

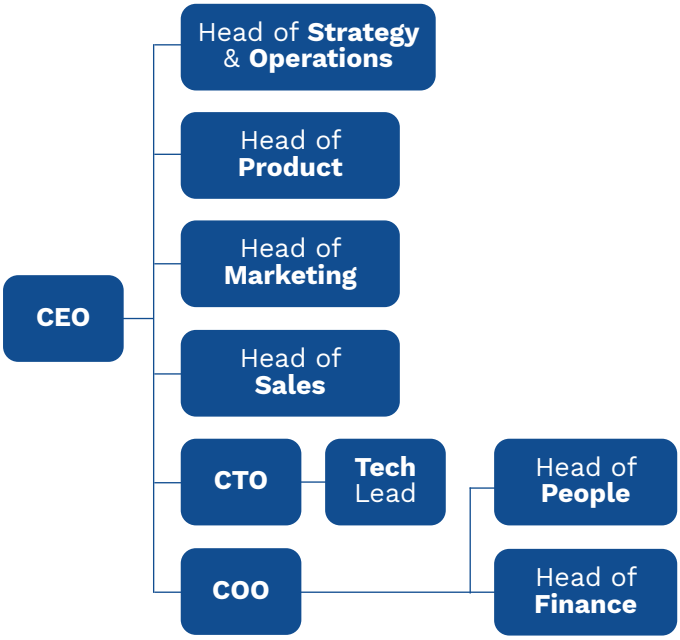


Company 2

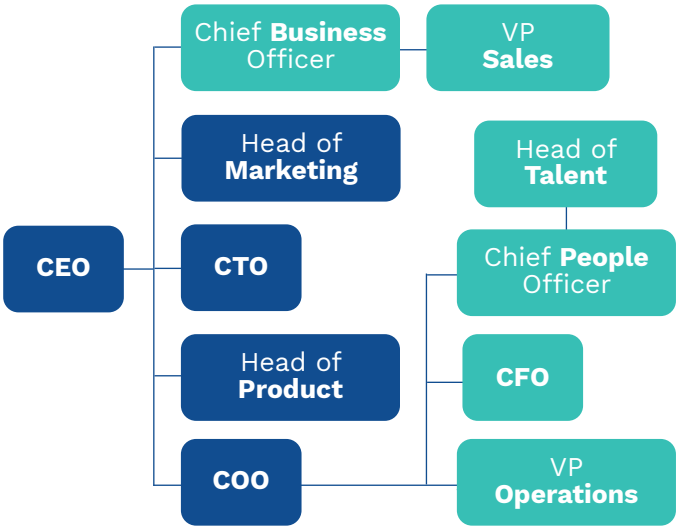
During the transition from Series A to Series B growth, the COO formed a team consisting of a Chief of HR, CFO, and VP of Operations to enhance internal operations. The company appointed a Chief Business Officer (CBO) and leveraged their substantial market presence and proven sales to drive revenue expansion.

FTE growth between Series A & Series B	**+38%**

Series A



Series B

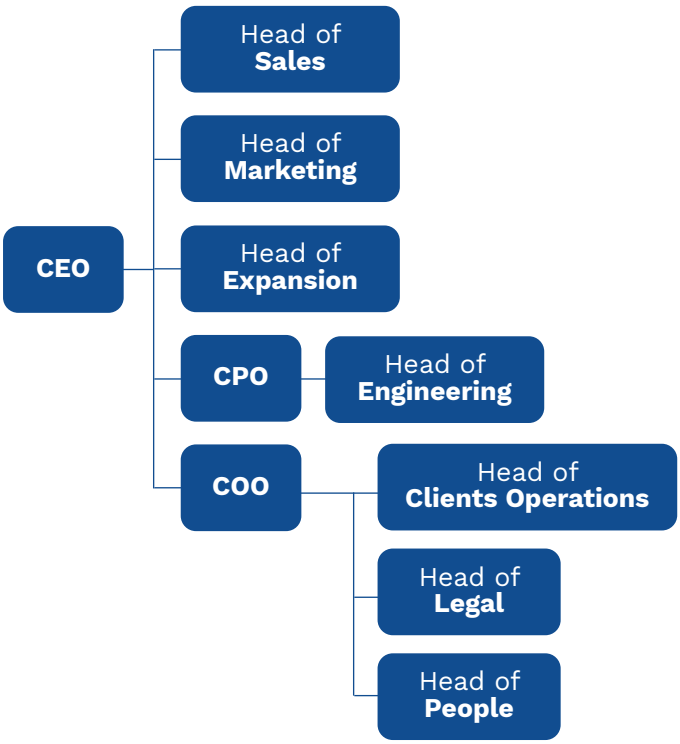


Company 3

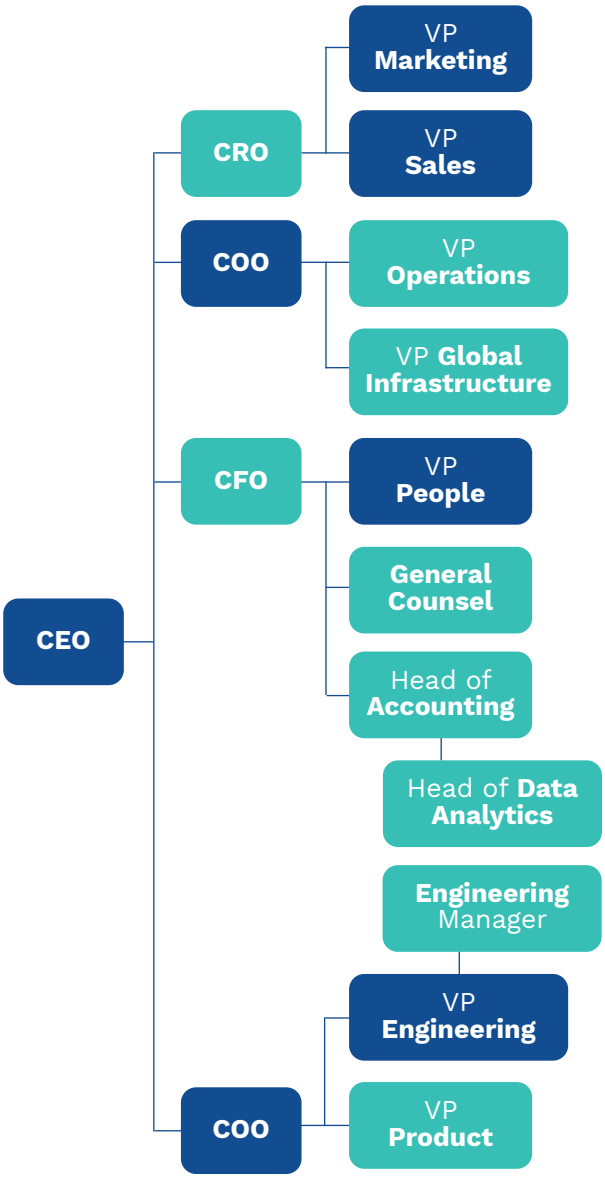
Having experienced a surge in growth from Series A to B, the company adapted to increased complexity by adding layers to its structure. This involved moving the C-Suite up and introducing VP roles, with all department heads transitioning to VP positions. They brought in a CFO to navigate the intricate finances of their multi-country business, aiming to enhance predictability and strategic planning.

FTE growth between Series A & Series B	**+210%**

Series A



Series B

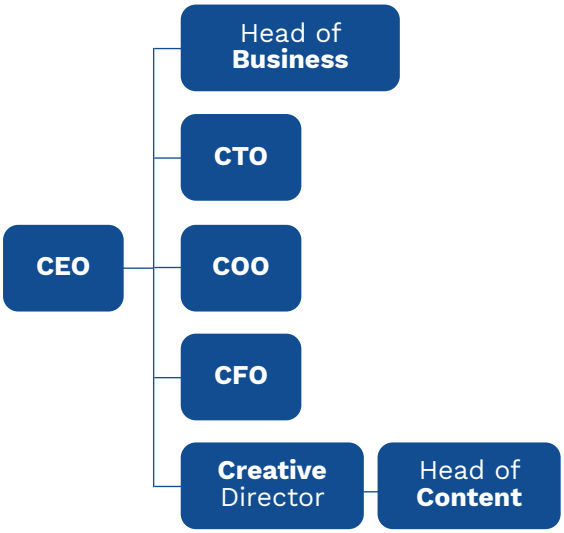


Company 4

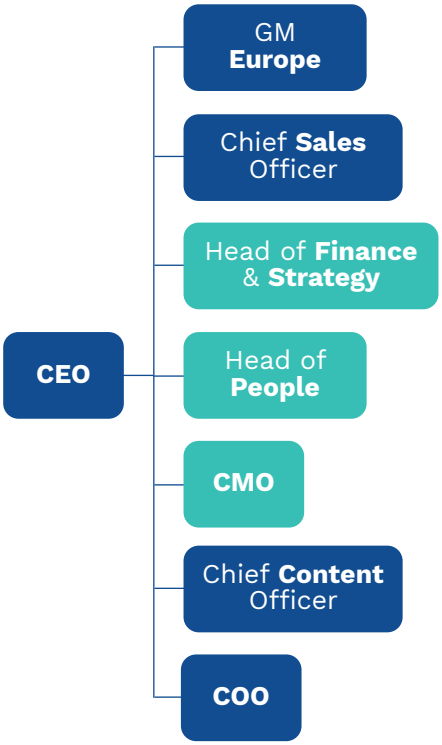
To tackle scaling challenges, the company replaced its Series A CFO with a stronger profile, opting for a lesser title to accommodate future C-Suite expansions. With high growth in the number of full time employees, they introduced a Head of People.

FTE growth between Series A & Series B	**+225%**

Series A



Series B

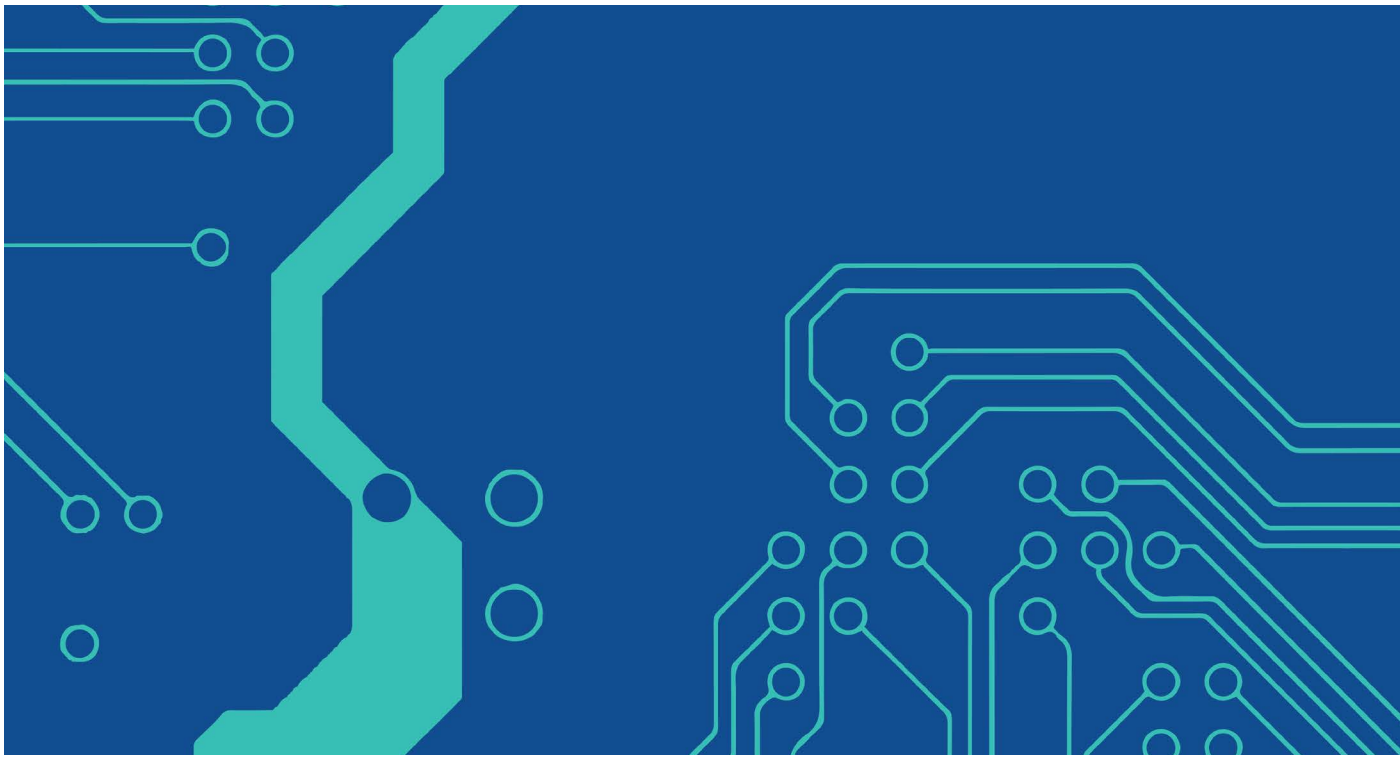


Evolving Company Leadership and Team Organization

As a startup matures into and beyond its Series B fundraising round, the transformation becomes evident not just within the executive team but across the entire organizational structure. This complex phase of growth introduces new challenges that demand specialized expertise and targeted focus.

To meet these demands, new leadership roles emerge throughout the organization, as well as within specific teams. These roles are designed to address specific obstacles and opportunities that arise during this critical period. This section digs into how each team might evolve and provides key information to keep in mind. While you may not be there yet, it's important to be prepared, or at least aware of what to expect.

Our convictions on team sizing and organizational ratios have been informed by internal studies conducted across our portfolio in France, Benelux, and DACH, as well as by market insights and benchmarks, including the SaaS Org Chart by David Sacks, the 2021 European SaaS Benchmark by Serena, the 2022 SaaS Benchmarks Report by OpenView, and the startup CTO growth cycle by The Unicorn CTO.



Office of the CEO

Scaling Challenges

All

Associated KPIs

All, but if you had to keep only one as your North Star, it should be

YoY Growth

Key expectations for a Series B-ready CEO

- Provide clear guidance and inspiration to the team by effectively communicating the company's vision and strategic path.
- Serve as the recognizable ambassador of the company, elevating brand visibility and enhancing credibility.
- Oversee the company's corporate trajectory, including planning for future fundraising efforts and identifying new levers of growth.
- Lead critical development projects, such as exploring and opening new markets or introducing new product lines.

Team organization

Founders can often feel extremely isolated in the face of the challenges they encounter. It's not rare to see a CEO working more than 70 hours per week. That's why it can be a game-changer to know who to pull into your inner circle, and when, to help lighten the load. This is typically when Series B startups bring in a Corporate Strategy Team to lead those big, hairy strategic projects, and maybe even a Chief of Staff (in addition, or instead). And hey, it might be time to snag a personal assistant to knock out those low-value tasks, so you can keep your eyes on the big prizes.

"Remember, your time is priceless and has to be carefully allocated."



Pauline Paquet, Head of Startup Success at **XAnge**

> "...when you're an executive assistant to an executive who has never had support before, your role clearly takes on a different kind of flavor and tone in that you become both an ally to the executive, but you also become their coach in many ways if they're [...] willing to be coached and to be taught."
>
> Angela Wiley, Sr. Executive Assistant to the CEO at **BRIGHTMARK**

Typical breakdown

Role	Team size
CEO	3-4
Head of Strategy	1
AND/OR Chief of Staff	1
Personal Assistant	1

New related leadership roles

Role	Appears	Why at Series B?
VP/Head of Strategy	Most of the time	As a company approaches its Series B stage, the complexity of growth and transformation projects (such as OKRs, internationalization, new product lines, pricing adjustments, or even M&A) require specialized oversight and strategic vision. Having a VP/Head of Strategy becomes essential to manage these multifaceted developments. This role acts as both the orchestrator and the catalyst, not only managing key company-wide projects but also proactively investigating next-level growth opportunities.
Chief of Staff	Most of the time	Serves as a **strategic partner** to the CEO, overseeing key initiatives, managing communication and coordination across departments, and assisting in the execution of company-wide strategies.

> "As a company grows towards the Series B stage, it becomes virtually impossible for the CEO alone to be everywhere and still be able to take a step back to reflect on long-term strategy and vision. The Chief of Staff has an essential role as a sparring partner to empower the CEO to bring value where it really matters. Additionally, bringing in someone with a complementary skill set compounds the strengths of the top management team."
>
> 
> Laetitia Carle, COO, previously Chief of Staff at **Greenly**

Customer Success team

Scaling Challenges

Mastering Your Growth with Predictability

Remaining Customer-First

Associated KPIs

NPS **Churn**

Net Revenue Retention

Key expectations for a Series B-ready Customer Success Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Yes	≈ 10+ years	■ Address NPS drop and increased churn challenges. ■ Develop targeted strategies to improve customer satisfaction, retention, and upselling. ■ Oversee the organization of the Customer Success Team as it specializes (by account size and by customer journey steps). ■ Collaborate with cross-functional teams to enhance overall customer experience. ■ Analyze customer feedback to drive product improvements.	CRO/CBO

Team organization

As a company nears the Series B stage, the expanding customer base often leads to a significant decline in NPS. Meanwhile, as the product becomes increasingly complex, customers require enhanced support throughout their product journey, and their feedback becomes crucial for guiding future product enhancements.

Consequently, the following shifts become evident:

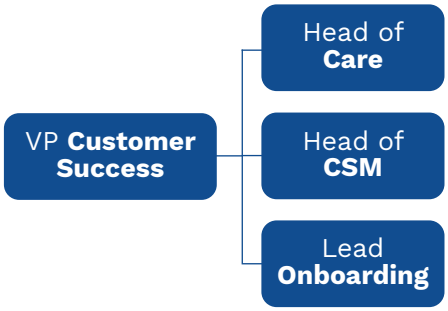
- A Customer Success Lead appears
- The Customer Success team becomes more specialized (by account size and by customer journey steps)

Typical breakdown

Role	Team size
VP Customer Success	19
CSM Enterprise	6
CSM SMB & MM	5
Head of Implementation/Solutions + 2 Solutions or Delivery reps	3
Director, Customer Support + 3 Customer Success Managers	4

Typical team ratios

% of FTE	11-17%
% Revenue Spent / Team	8%



Example Customer Success team
from a Series B company in the XAnge portfolio

The Care team focuses providing technical support while the CSM team works to improve the customer experience.

Finance team

Scaling Challenges

Good Numbers: Knowing What to Track & When

Capital Efficiency and Good Management

Associated KPIs

Burn Rate

Gross Margin

Payback Period

Key expectations for a Series B-ready Finance Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Yes	≈ 10+ years	■ Calculate and analyze financial metrics, revenue, expenses, cash flow, burn, cap table management, stock options and cohort analysis. ■ Build finance strategy and vision, and scale systems and processes. ■ Manage investor relations (Board prep and presentation) and non-dilutive financing (debt, grants, and subsidies). ■ Build the team: accounting (controller) and budget & planning side (FP&A). Usually own the following departments: HR, IT, Legal.	CEO

Team organization

During the Series B stage, the Finance team begins to specialize in providing a more comprehensive understanding of the business to top management and investors. As revenue and customer growth continue, the team often takes on more strategic roles, gradually internalizing transactional functions, such as accounting. Depending on strategic requirements, the Finance team may also include operational experts to handle specific areas like legal matters or mergers and acquisitions (M&A).

Typical breakdown

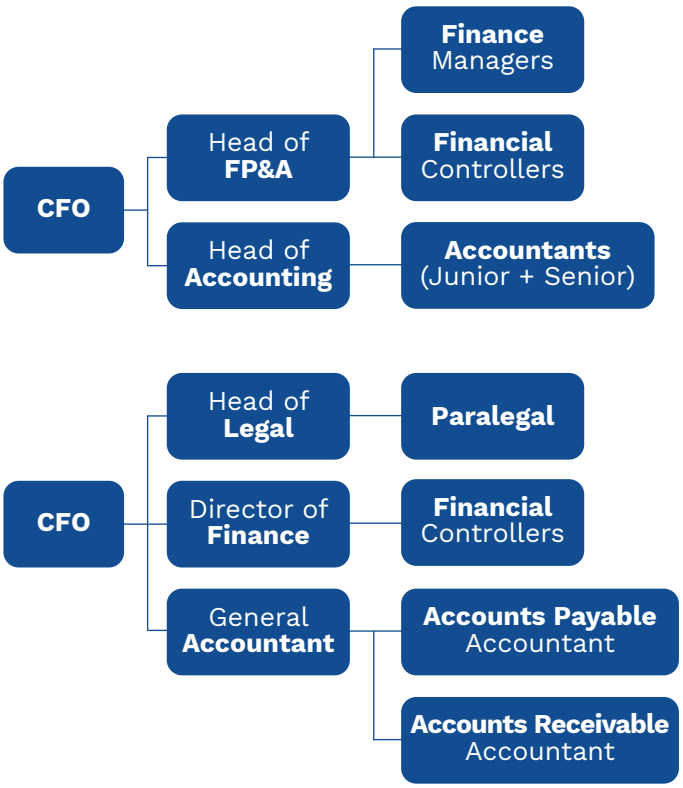
Role	Team size
CFO	8
FP&A Manager and Analyst	2
Controller	1
Accountant	1-2
Operations	2
Legal (depending on business needs)	1

New related leadership roles

Role	Appears	Why at Series B?
FP&A Manager (Financial Planning & Analysis)	Most of the time	The growing demand for a deep financial understanding of the growing company requires specialized financial management. The FP&A Manager supports the CFO in providing accurate forecasting, budgeting, and strategic financial decision-making, aligning finance with the overall business strategy and growth targets.
Head of Legal/General Counsel	Optional (usually necessary in regulated markets)	Legal complexities increase as the company grows. This role ensures legal compliance, manages intellectual property, and negotiates contracts, safeguarding the company's interests and navigating through progressively intricate legal landscapes.

Typical team ratios

% of FTE	4% (Full G&A: 7%)
% ARR Spent / Team	12% (Full G&A)



Two examples of Finance teams from Series B companies in the XAnge portfolio

Marketing team

Scaling Challenges

Mastering Your Growth with Predictability

Establishing Your Brand Recognition

Associated KPIs

Growth Rate

Customer Acquisition Cost

Key expectations for a Series B-ready Marketing Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Highly recommended	≈ 8+ years	■ Create and implement a marketing strategy to enhance brand awareness, generate leads, and retain customers. ■ Oversee marketing channels such as digital, social, content, and events for new expansion markets. ■ Work closely with Sales and Product teams to align messaging and target audiences. ■ Continuously monitor and analyze marketing performance, making necessary strategy adjustments.	CEO or CRO/CBO

Team organization

At the Series B stage, the Marketing team becomes better at evaluating its impact on sales, and team size is adjusted accordingly. In addition to tracking metrics from the full sales pipeline, the Marketing team needs to begin crafting a strong brand identity. As a result, companies often bring on an experienced CMO who's proficient in brand development. This CMO is instrumental in shifting the marketing team's focus from sales to a comprehensive "full stack" marketing approach.

Typical breakdown

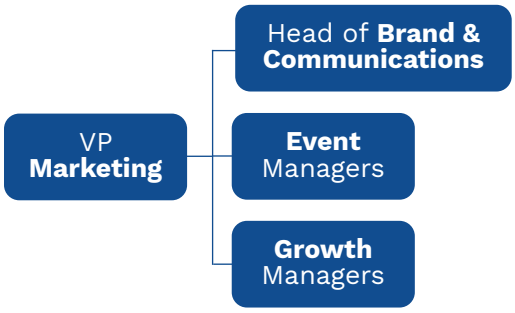
Role	Team size
CMO	9
Head of Growth/Demand Gen/ Sales Enablement + Ops	4-5
Head of Brand ■ Public Relations (1) ■ Events/Community (1-2)	3

New related leadership roles

Role	Appears	Why at Series B?
VP/Head of Brand	Especially when the CMO's strength is not branding	During the Series B phase, as Marketing transitions from focusing solely on lead generation to embracing a holistic strategy underscored by brand recognition, it becomes urgent to name a Head of Brand. This role involves shaping and preserving the company's brand identity, positioning, and voice across all channels. It requires innovative and out-of-the-box thinking to make the company's image stand out.

Typical team ratios

% of FTE	8%
% Revenue Spent / Team	5-6%



Example Marketing team from a Series B company in the XAnge portfolio

Operations team

Scaling Challenges

- **Good Numbers: Knowing What to Track & When**
- **Capital Efficiency and Good Management**
- **Expanding Your Market Reach**

Associated KPIs

- **YoY Growth**
- **% of International ARR**
- **Burn Rate**

Key expectations for a Series B-ready Operations Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Depends on existing team and business sector	≈ 10+ years	■ Oversee daily operations, ensuring efficiency and alignment with strategic goals. ■ Implement and refine processes across departments, focusing on scalability. ■ Collaborate with other executives to ensure cross-departmental alignment. ■ Manage risk, ensuring compliance with laws, regulations, and best practices.	CEO

Team organization

At the Series B stage, it's important for the founding team to take a step back and focus on understanding and solving the company's challenges, and designing the next steps in the company's journey.

During this stage, you may notice:

- The emergence of a **Revenue-Ops team** responsible for connecting the efforts of the Marketing, Sales, and Customer Success teams, and providing a more comprehensive business approach. In this case, the COO may also be referred to as a CRO.
- The formation of **Strategy and Ops teams**. These teams act as the super-Chiefs of Staff, supporting the CEO in addressing all company bottlenecks and preparing the company for its next steps.
- The addition of a **GM or Deputy CEO**, enabling the CEO to focus on opening new markets the company needs to move into.

Typical breakdown

There are as many types of Operations team organizational designs as there are businesses.

"The COO acts as a reliable metronome, ensuring operational precision, which allows the CEO to focus on shaping the vision with new ideas."



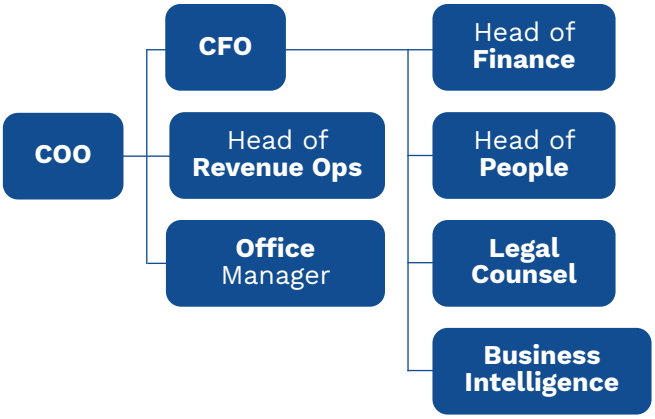
Eric Landouzy, ex-COO at **Believe Digital**

New related leadership roles

Role	Appears	Why at Series B?
Country Manager/ GM [insert country name]	From the moment the company enters a new country	During Series B, expanding into new markets becomes a strategic focus. A Country Manager, sometimes even a member of the founding team in big markets, is often the first sales presence in a new country. The Country Manager aligns global plans with local needs, pioneers initial sales efforts, and becomes the face of the company in the region.

Typical team ratios

% of FTE	8-10%



Example Operations team from a Series B company in the XAnge portfolio

People/HR team

Scaling Challenges

- **Consolidating Your Management Team**
- **Structuring A Cost-Effective Organization**
- **Moving from Generalists to Specialists**
- **Tailoring Teams for Market Nuances**

Associated KPIs

- **ARR/Employee**
- **Cost per Hire**
- **Span of Control**
- **Employee Attrition**

Key expectations for a Series B-ready People/HR Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Highly recommended	≈ 10+ years	■ Develop and execute the People strategy, including recruitment, development, and retention. ■ Build and nurture the company culture, aligning it with overall business goals. ■ Manage compensation, benefits, performance management, and employee relations. ■ Oversee compliance with labor laws and regulations.	CFO or CEO

Team organization

At the Series B stage, the HR team's most important challenge is setting up internal processes to retain and manage talent. In addition, it needs to implement a more extensive and complex hiring plan: establishing clear career paths and a robust compensation policy are crucial at this stage. To achieve this, new roles might be introduced, such as HR business partners responsible for compensation and benefits, learning and development, and employee experience.

Typical breakdown

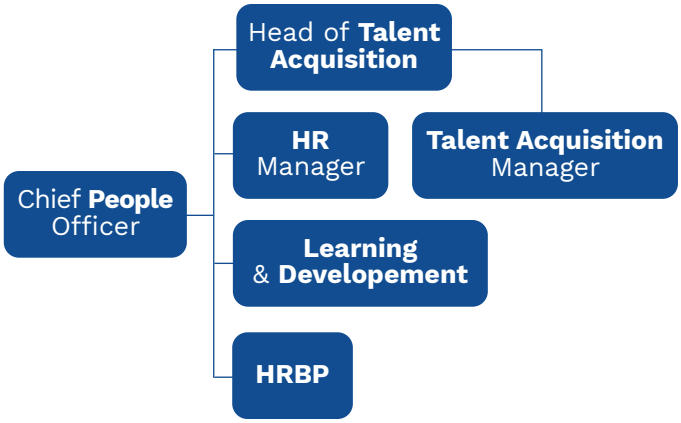
Role	Team size
C-People-O	7
Head of Talent Acquisition + recruiters	4
HR Admin	2
HRBP	1

New related leadership roles

Role	Appears	Why at Series B?
VP/Head of Talent Acquisition	Most of the time	Talent acquisition is a totally different game from HR. As the company scales and requires more specific expertise across various geographies, the HR team must have a dedicated unit to handle pure recruitment. This stage often marks a shift toward internalizing more recruitment, while collaborating with headhunters on volume-based functions or specific roles.

Typical team ratios

% of FTE	4-5%
% ARR Spent / Team	12% (Full G&A)



Example People team from a Series B company in the XAnge portfolio

In this case, the HRBP is focusing on supporting the tech and product teams.

Product team

Scaling Challenges

Mastering Your Growth with Predictability

Remaining Customer-First

Expanding Your Market Reach

Associated KPIs

Net Revenue Retention

Churn **NPS**

Key expectations for a Series B-ready Product Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Yes	≈ 10+ years	■ Establish and execute Product strategy in alignment with business objectives. ■ Oversee product development, ensuring timely delivery and market fit. ■ Collaborate with Engineering, Marketing, and Sales to ensure cohesive product rollout. ■ Gather and analyze feedback to iterate and improve products.	CEO/CTO/COO

Team organization

At this stage, the product team becomes more specialized, focusing on reducing churn and improving customer NPS. The team now includes a dedicated product marketing division. This team is entirely committed to enhancing customer upselling and cross-selling and plays a significant role in driving revenue growth and predictability.

Typical breakdown

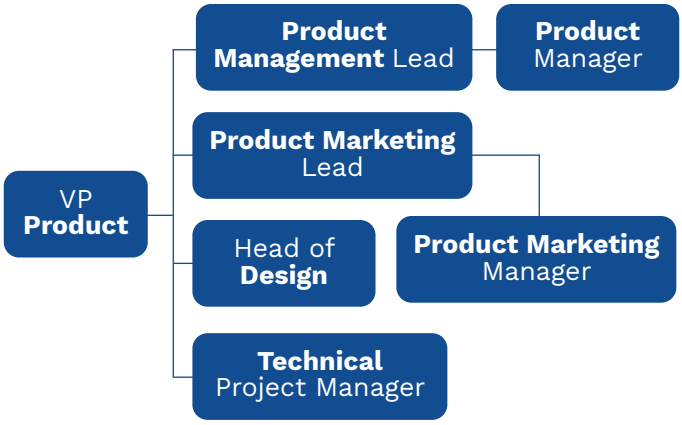
Role	Team size
C-Product-O	15
Head of Product Marketing + Product Marketing Managers (can be also in Marketing Team)	4-5
Head of Design	5
Product Managers	5

New related leadership roles

Role	Appears	Why at Series B?
VP/Head of Design	Most of the time, especially in companies with product-led growth	As the product line expands in Series B, a Head of Design becomes essential. Working in conjunction with the Head of Brand, they ensure cohesive, user-centric design aligned with market trends. Their role is critical in providing a consistent and appealing brand image across all products, and in meeting the brand recognition challenge that comes with growth.

Typical team ratios

% of FTE	15-17%
% Revenue Spent / Team	8%
Team Ratios	1 PM for 5-8 Dev



Example Product team from a Series B company in the XAnge portfolio

Sales team

Scaling Challenges

Expanding Your Market Reach

Mastering Your Growth with Predictability

Associated KPIs

ACV **ARR**

Average Sales Cycle Length

Key expectations for a Series B-ready Sales Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Yes	≈ 15+ years	■ Develop and execute the sales strategy, scaling revenue and targeting new markets or customer segments. ■ Oversee the Sales team, setting targets, providing training, and ensuring a robust sales pipeline. ■ Collaborate with Marketing and Product teams to align on product-market fit and value proposition. ■ Monitor and analyze sales performance metrics, identifying opportunities and challenges.	CEO

Team organization

At this stage, the Sales team understands what to sell and to whom. However, they need:

- Guidance on where to prioritize their time in relation to ARR generated, as well as on improving ARR per salesperson and the growth rate. This is why a Sales Ops team is introduced.
- Streamlined day-to-day operations, processing, and automation of all daily tasks to contribute to revenue growth and predictability. This is another reason for establishing the Sales Ops team.
- New lead generation methods to ensure the growth rate, such as a **dedicated Partnerships & Alliances team**.

Typical breakdown

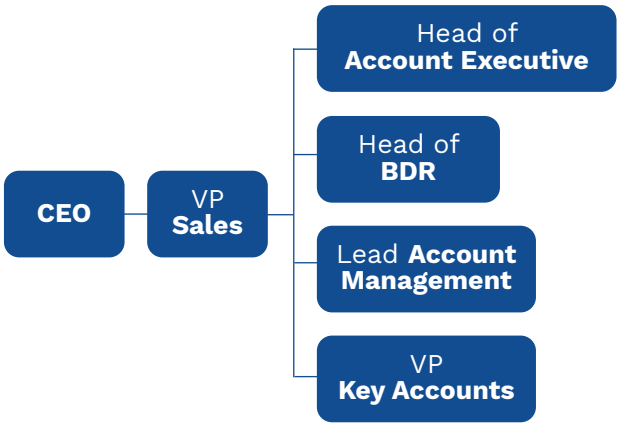
Role	Team size
CRO/CBO	45
Head of Sales ■ Enterprise AE (5) ■ SMB & MM AE (8) ■ Renewals Specialist (1)	15
Head of Sales/Revenue Development ■ SDRs	6
Head of Sales Operations ■ Sales Ops	3
Head of Alliances & Partnerships	1

New related leadership roles

Role	Appears	Why at Series B?
Head of Partnership & Alliances	Mostly in B2B businesses with a high average basket	Beyond the traditional approaches of outbound and inbound strategies, Partnerships & Alliances emerges as an additional way to achieve monthly growth objectives, particularly during the Series B stage. Why not earlier? Simply because it's the first time the company has enough means to develop activities with no direct immediate tangible results. The role is centered on identifying and fostering long-term connections with key players to enhance product offerings, open new markets, or create valuable synergies with other organizations.
Head of Revenue/Sales Operations	Not most of the time, but increasingly often	Before Series B, the company usually doesn't have enough business volume or resources to allocate them to such a position. Now that the sales recipe is clear, the Head of Revenue/Sales Operations can manage the expansion of sales operations, ensuring data-driven decision-making, integrating sales strategies with other departments, navigating market complexities, and enhancing customer experience.

Typical team ratios

% of FTE	19-21%
% Revenue Spent / Team	15%
Team Ratios	1 SDR: 2 AE / 1 Sales Ops: 10 AE



Example Sales team from a Series B company in the XAnge portfolio

Tech team

Scaling Challenges

Remaining Customer-First

Associated KPIs

NPS **Churn** **Net Revenue Retention**

Key expectations for a Series B-ready Tech Lead

Mandatory for Series B?	Average experience	Key job expectations	Usually reports to
Yes	≈ 10+ years	■ Establish the technological direction and vision, aligning them with business strategy and innovation. ■ Oversee research, technology selection, and high-level architecture decisions. ■ Collaborate with other executives on integrating technology with other business functions (e.g. Marketing, Sales). ■ Act as a technical evangelist, representing the company at conferences, in publications, etc.	CEO

Team organization

As the pace accelerates, users flood in. To meet the rising demand, the Tech team needs to expand. The CTO now oversees a team of more than fifteen people, including front-end and back-end developers, core services developers, and even a DevOps specialist. With such a large technical team, it's unrealistic for the CTO to allocate more than 10 percent of their time to the codebase.

This is why hiring a VP of Engineering becomes crucial at this stage. One essential skill for this VP of Engineering is the ability to understand business objectives, such as Growth Rate, and translate them into technical objectives for their team to execute.

Typical breakdown

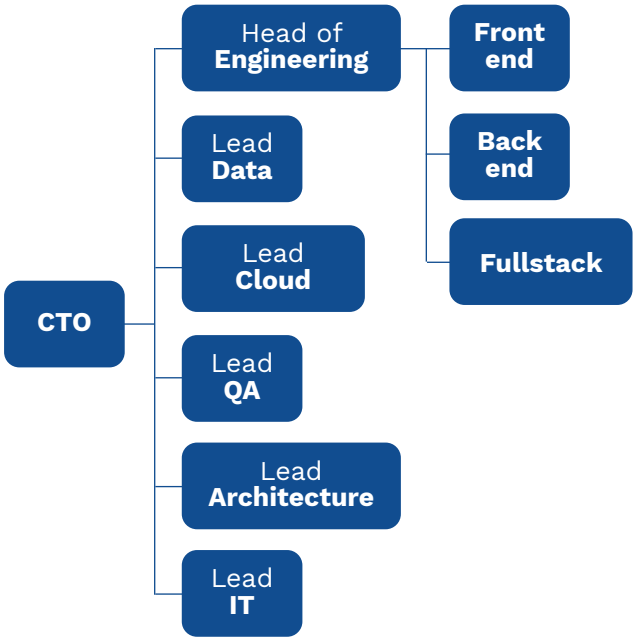
Role	Team size
CTO	40
VP Engineering ■ Lead Cloud Engineer (14) □ Front End (6) □ Back End (6) ■ QA Lead + 1 dev (2) ■ Architecture Lead + 2 devs (3)	28
Security Lead + 1 dev	2
Data Lead + 3 analysts	4
IT	1-2

New related leadership roles

Role	Appears	Why at Series B?
VP/Head of Engineering	Most of the time	As the tech team grows, the Head of Engineering's role is to reduce direct reports to the CTO and enable them to focus on strategy and architecture. The Head of Engineering is responsible for setting and achieving team objectives, and spends significant time on team development, coordination with other leaders, and crafting tech strategies.
VP/Head of Data	Most of the time	With growth comes an influx of data that requires professional handling. This role ensures data-driven decision-making, quality, and security, turning information into actionable insights and competitive advantages.

Typical team ratios

% of FTE	32-33%
Average FTE	15-50
% Revenue Spent / Team	23%
Team Ratios	1 DevOps: 15 Dev 1 Design: 5-10 Dev



Example Tech team from a Series B company in the XAnge portfolio

TALENTTREE

Compensation Strategy for Key Executives

Authors



Julian von Blücher is the Founder & CEO of Talent Tree where he has carved a niche in recruiting top-tier talent for pioneering tech start-ups across Germany, with a particular focus on climate tech. With an academic background in industrial engineering, Julian's diverse roles have spanned from scientific research at the North Pole to spearheading initiatives for cleantech scale-ups.



Dragana Gjorgjievska, Head of Recruitment Operations at Talent Tree, is an accomplished recruitment specialist with a deep-rooted background in the digital and technology sectors. Her expertise spans both Executive Search and embedded talent acquisition, showcasing her versatility in catering to diverse client and candidate needs.



Andreas Oetker is Managing Partner at Talent Tree and a distinguished recruiting and HR expert. His blend of experience, which include scaling executive search agencies and his tenure at the renowned family office, Arvantis Group, has endowed him with unique market insights. This background, combined with other leadership roles, gives Andreas a solid approach to sustainably scaling teams.

Options & Incentives

Creating a compensation plan is a complex task, much like creating a business plan. In the preparation phase for Series B, the focus is on hiring top experts and leaders to tackle specific challenges associated with the product, the markets, and, typically, with internationalization. To attract and retain top talent, you must offer a competitive compensation package that aligns with your company goals, culture, and shareholder value.

Obtaining as much market data as possible is key to devising a fair and equitable package. This involves talking to candidates, investors, and partners, as well as using benchmarking tools. You don't want to lose your best candidates to your competitors, but consistently overpaying key hires can backfire.

While total compensation is increasing around fifteen percent year over year, we're observing significant shifts concerning three key elements:

- Cash bonuses are declining markedly in favor of equity components. This shift reflects that equity compensation is tied to the company's long-term success, which can yield significant financial rewards for employees if the company thrives.
- There's a modest rise in fixed salaries, indicating that companies recognize the importance of offering competitive base salaries to attract and retain top talent.
- In Germany, the forthcoming "Zukunftsfinanzierungsgesetz" (or "ZuFiGe") legislation will likely amplify the move toward equity compensation. It will simplify the process for startups to issue stock options and other equity compensation forms without encountering dry-income tax issues.

Lastly, companies with remote or hybrid work models possess a distinct advantage. Many top talents are willing to forgo a portion of their compensation in exchange for greater flexibility. Indeed, a strictly rule-based office policy is increasingly untenable for numerous executives.

Executive Compensation Benchmark for Series-B Startups: Example for the DACH Market

Role	Base Salary	Variable Bonus	Equity
C-Level	120–220k€	20-50%	0.7-5%
CEO (not founder)	145-250k€	20-30%	2-5%
COO	120-220k€	15-25%	1-2%
CFO	135-200k€	15-20%	0.7-1.5%
CCO	115-175k€	30-50%	1-1.5%
CPO / CTO	135-225k€	15-18%	1-2%

For VP and Director Level the rule of thumb regarding the equity component can be estimated with 0,5x - 2x of their salary.

Tailoring teams for International Expansion

First, remember that expansion is primarily a topic for the CEO and founders' team. In many ways, it's like launching a second startup, so don't delegate it prematurely. Here are our primary insights about the impact of internationalization on team organization:

On the Leadership side

- **G&A** (Strategy, Administration & Finance, Human Resources) **are usually managed at a global level.** As the company expands, it will need a local presence, especially in HR.
- In terms of **company management**, most companies appoint either a Regional Director or a Country Manager who reports directly to the CEO, CRO, or VP International. There's no Country Manager when one zone encompasses multiple countries, but one is the primary market. There's no Zone Director when a zone includes too few countries to be designated as a zone. On occasion, the VP International, VP Sales, or VP Partnerships may assume the role of Country Manager or Regional Director.
- **Compliance and Legal Team:** As you venture into multiple countries, having a legal team familiar with international laws, local business regulations, privacy policies, and so on, is paramount. This ensures smooth operations in each country and helps avoid legal challenges.

"With its Series B funding, Doctolib chose to venture into Germany in 2016. The company hired a German Country Manager. Initially, the first sales recruitments were overseen from Paris. It was only later that they enlisted an external German agency, followed by the hiring of the first HR personnel a few months later. Although the preference was mainly for Franco-German profiles, several French executives traveled to Berlin weekly to provide on-site training to the local teams. Every detail was meticulously planned and managed by the French team. In contrast, for some startups, the Series B phase heralds the introduction of a Lead Strategy and Market Access Europe role, especially when multiple countries are targeted simultaneously. This was the case for Synapse Medicine, for instance."



Celia Maury,
Go-to-German Market Consultant & ex-Launch Team at **Doctolib Germany**

On the People/HR side

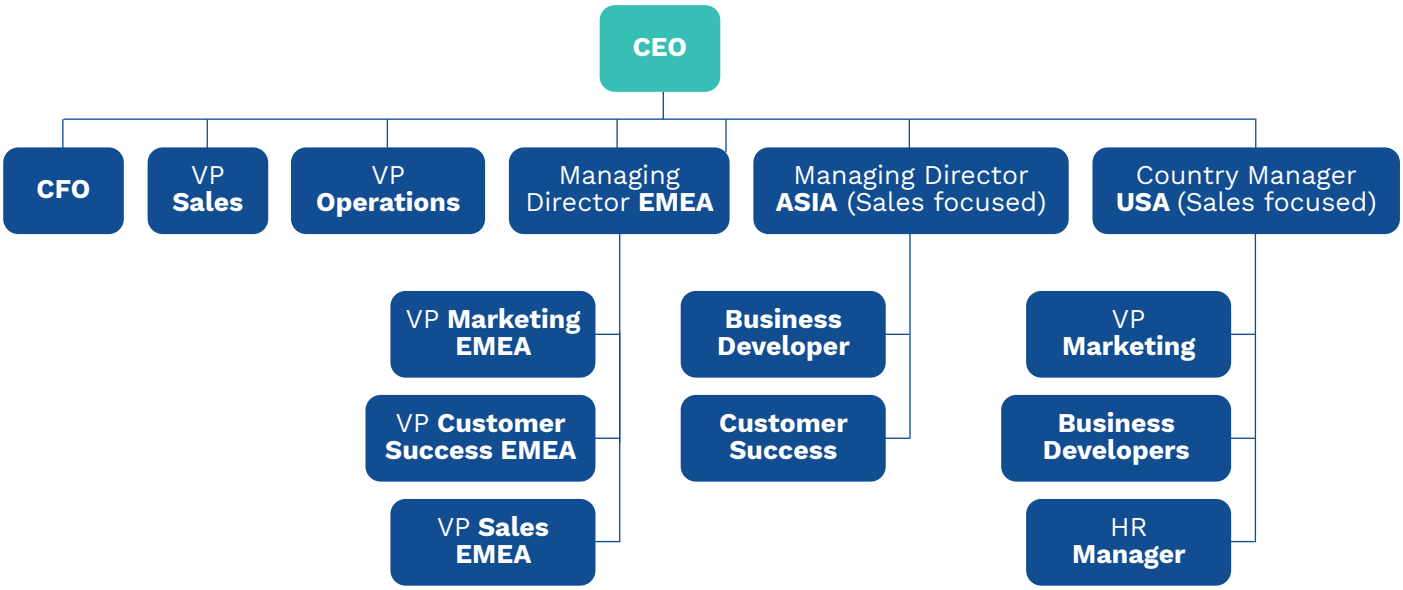
- **Cross-cultural training:** As the team goes global, investing in cross-cultural training becomes indispensable. This ensures all members appreciate the cultural subtleties of their target markets and promotes a more inclusive and harmonious workplace.
- **Diversity and inclusion:** Building diverse teams might require a dedicated Diversity and Inclusion (D&I) role or team. This ensures the company remains inclusive and responsive to all employee needs, optimizing satisfaction, productivity, and appeal to prospective employees.
- **Remote team management:** With teams dispersed across different regions, crafting strategies for effective remote team management is vital. This includes developing methodologies for seamless communication across time zones, fostering a unified company culture, using collaborative tools, and implementing conflict resolution strategies.

On the Operations side

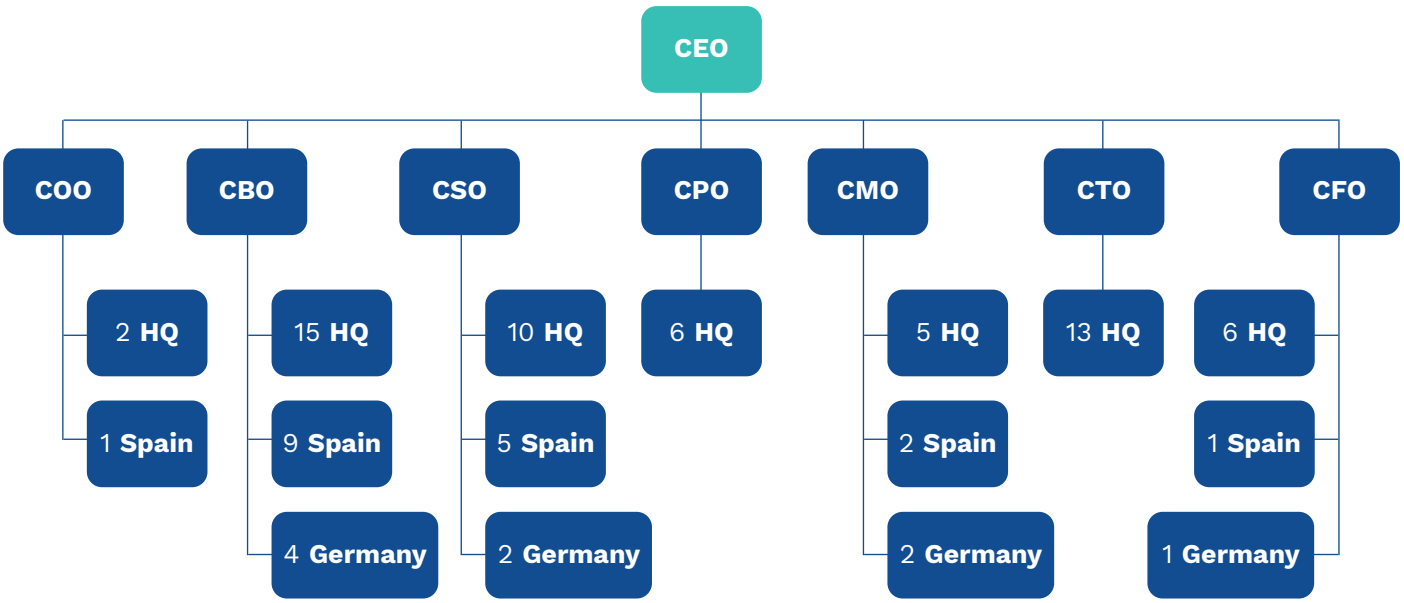
- **Tech and Operations:** For tech companies with tangible products or requiring local data servers, managing international supply chains and operations is crucial. Local teams or partnerships may be essential for timely delivery, installation, and upkeep.
- The **Sales function is present at all levels** (global, region, country), especially when the sales cycle requires close customer contact. Consequently, local sales teams should synchronize with zone and global units.
- **Product** management might be exclusively global or also local, depending on whether the product needs particular adjustments for a country or region. Products with **strong cultural or legal dimensions** would require a local team for localization.
- If product variations occur between countries, the **Tech** function **might also have local teams** to manage country-specific product updates and launches.
- The **Marketing** function's structure hinges on strategy: Inbound marketing leans toward regional or global operations, whereas outbound marketing or community management requires a local operational team. Corporate communications are typically global.
- **Customer Support:** As the company extends its reach, a vital shift takes place in customer support. This team might need to expand in number and in cultural and linguistic diversity to effectively address local customer needs and queries. This can be done by hiring local representatives, outsourcing locally, or a combination of both.

Remember, there's no universal solution. Your international team's structure will depend on your product or service, your expansion strategy, and the unique demands of the markets you're venturing into.

International organization examples



B2B SaaS company with a presence in Europe and the U.S. from the XAnge portfolio.



B2B Saas Enterprise with presence in France, Germany, and Spain

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How-To: The Job Title Strategy

Why titles matter

A well-defined title framework is often overlooked in startups, but it should be thought of as a strategy in itself.

Titles are easy to do and hard to undo: once you give someone a title, the only direction to go is up the ladder. If you unwisely decide to offer a lower title as the next step, it usually ends up driving the talent away.

When establishing a title framework, companies can consider the two paths highlighted in the High Growth Handbook: opting for either low titles to decrease hierarchy or large titles to compensate for risk.

Negotiating vague titles or deferring the title choice can prove beneficial when hiring executives who may desire higher titles. However, use caution to avoid potential challenges, such as difficulty hiring someone above a CXO title or promoting someone to a CXO when they should have held a VP position, which could result in future demotions or departures.

A simplified title framework

Here's a framework that can help you create room for open senior titles in your organization:

Level	Titles
Individual Contributor	Associate, Analyst, Specialist, Coordinator
Junior Management	Supervisor, Team Lead, Manager
Middle Management	Head of Department, Senior Manager, Director
Senior Management	Vice President (VP), Senior Vice President (SVP)
C-Level	Chief [X] Officer (e.g., CEO, CFO, CTO)

Note that the significance of titles may vary between different locations. Use thoughtful consideration to ensure leadership positions make sense at both local entities and the headquarters during expansion.

Research conducted by Tomasz Tunguz for Redpoint's 2020 SaaS GTM Survey demonstrates how titles evolve as a company grows. It shows the most senior titles for three functions:

ARR ($M)	0–1	1–5	5–20	20–50	50–100
Customer Success	Lead	Lead	VP	VP	VP
Sales	Lead	VP	VP	CRO	CRO
Marketing	Lead	Lead	VP	VP	VP

The title of "Lead" can be considered equivalent to "Head of" due to cultural differences between different countries.

Note that until reaching $20M in ARR, you don't see true seniority reflected in the job titles, with the exception of Sales.

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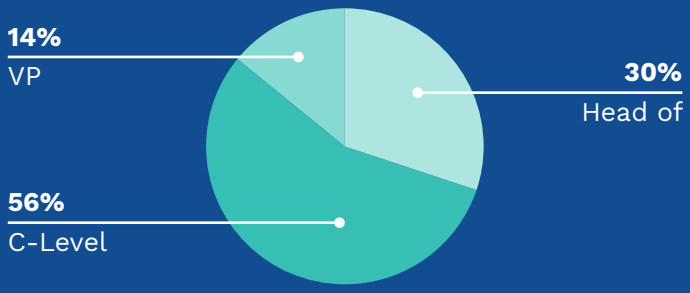
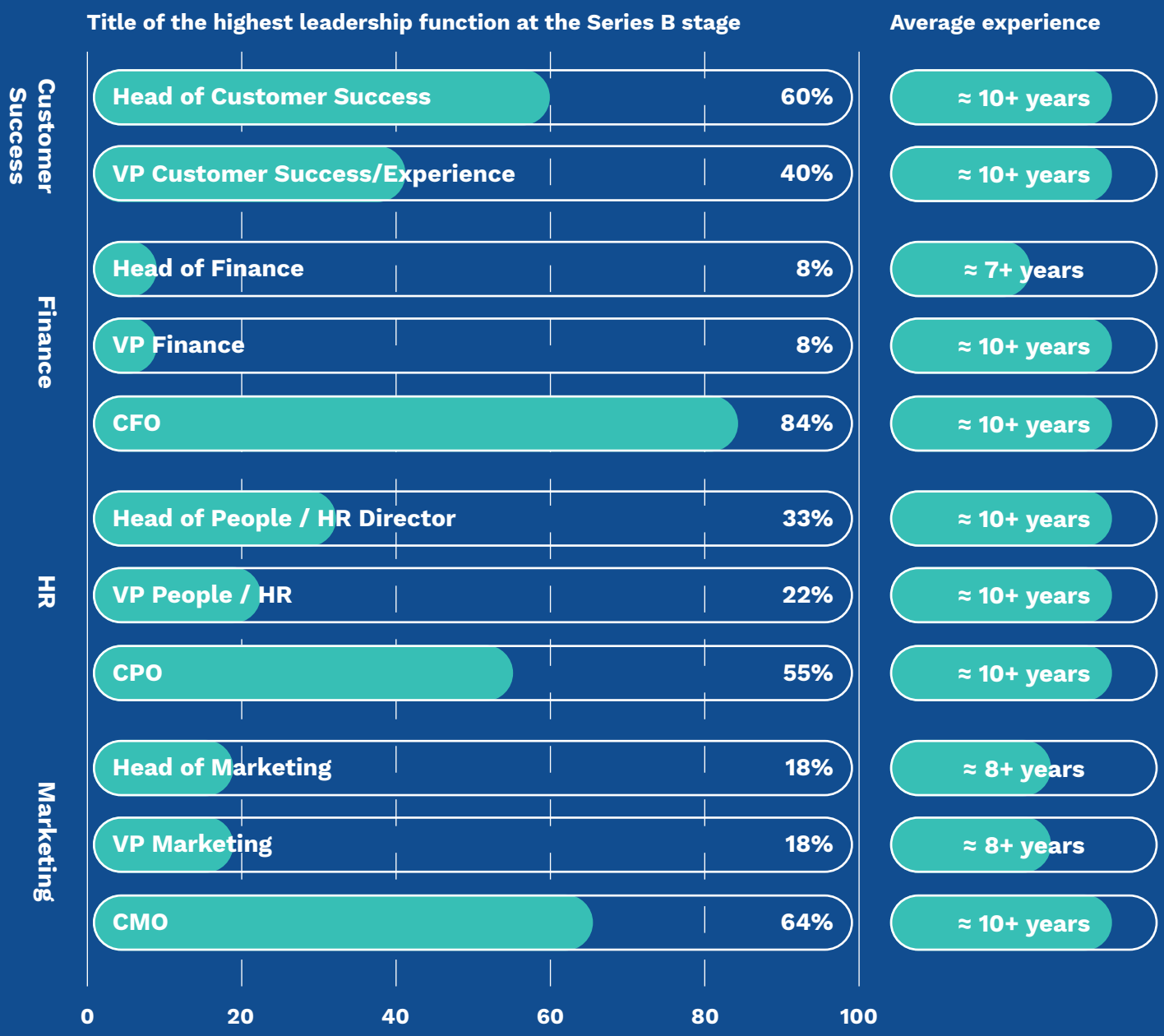
Exclusive XAnge portfolio study

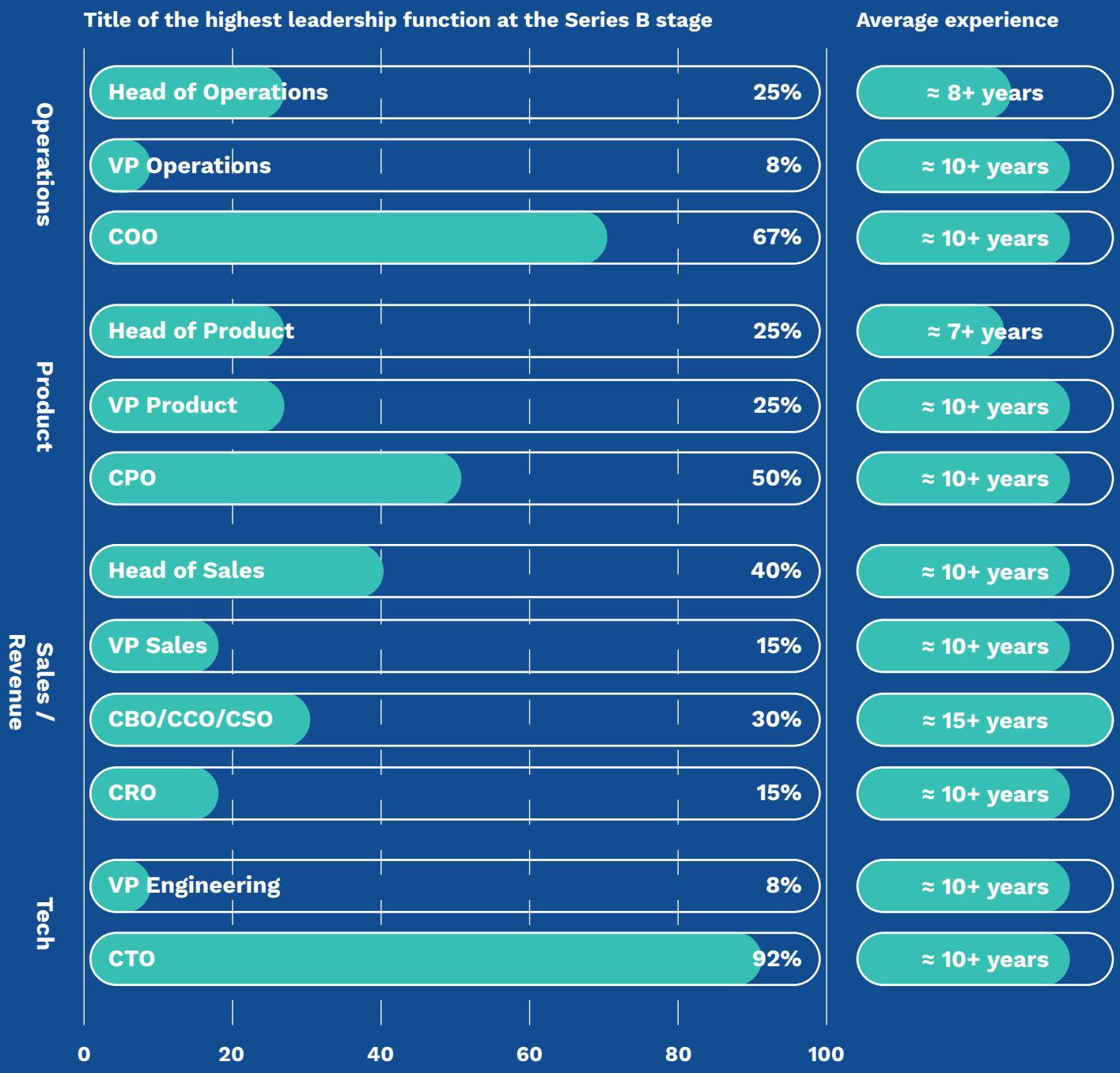
For the functions not covered in Redpoint's study, here's what our 2023 Executive Team study on XAnge's portfolio reveals about the job titles of the most senior employees

In our Series B startups, C-Level positions make up the majority, comprising 56% of the highest leadership roles. This shows that companies at this stage have confidence in their leadership to grant them executives titles, typically reserved for senior and strategic hires.



Here's the full breakdown for each department:





Author



Sarah Green is a Startup Success Associate at XAnge since 2021. A Sorbonne graduate with a master's in Entrepreneurship, she previously managed partnerships and events at Qonto for the French market. At RAISESHERPAS, a philanthropic startup accelerator, she contributed to the funding programs and community efforts. Sarah is deeply committed to the entrepreneurial ecosystem and leads the People & Organizations stream within XAnge.

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Chapter #5
Metrics that Matter: Understanding Essential KPIs

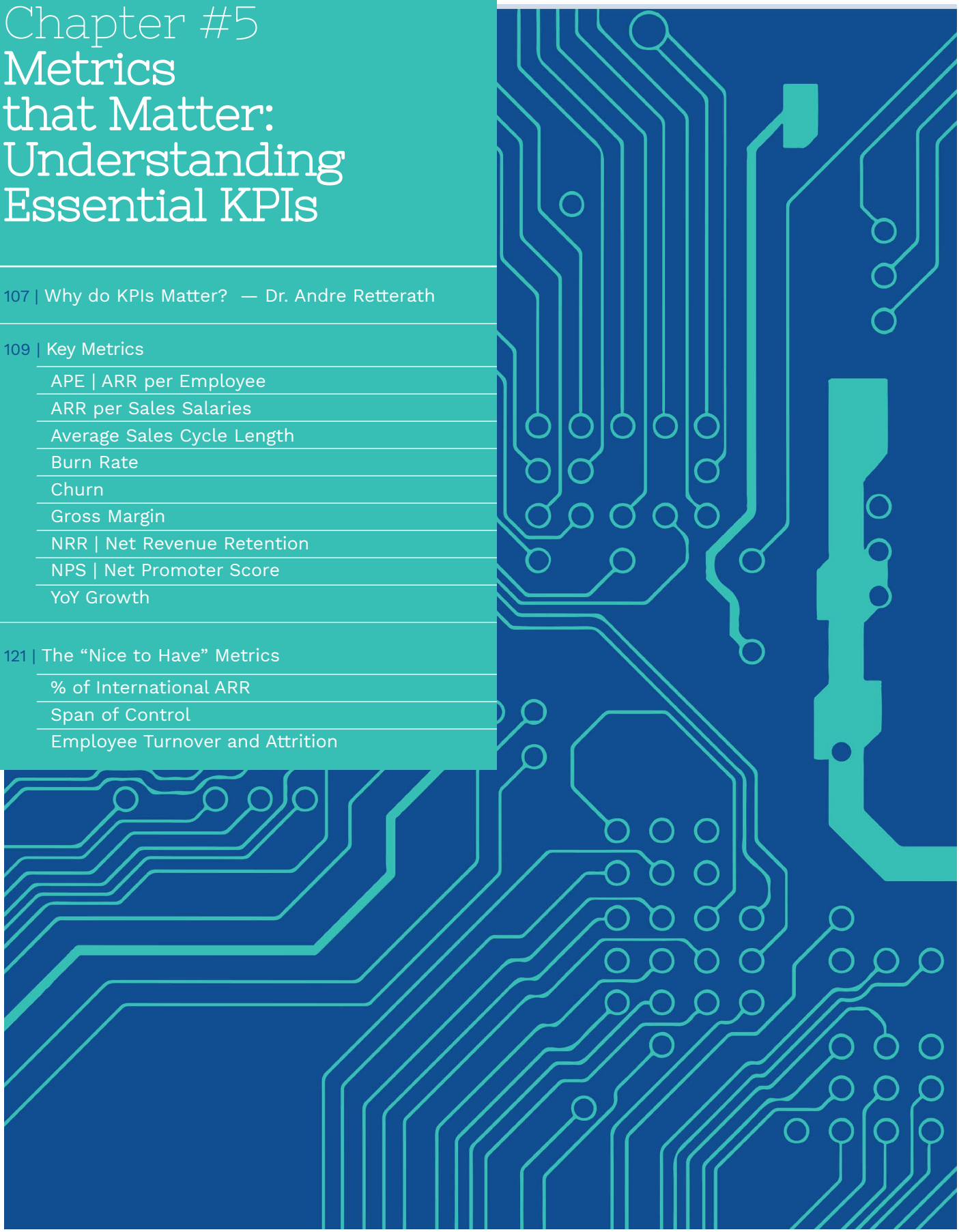
107 | Why do KPIs Matter? — Dr. Andre Retterath

109 | Key Metrics

- APE | ARR per Employee
- ARR per Sales Salaries
- Average Sales Cycle Length
- Burn Rate
- Churn
- Gross Margin
- NRR | Net Revenue Retention
- NPS | Net Promoter Score
- YoY Growth

121 | The “Nice to Have” Metrics

- % of International ARR
- Span of Control
- Employee Turnover and Attrition



In this chapter, we zoom in on the Key Performance Indicators (KPIs) that are vital to piloting your startup's growth and success. These aren't just numbers: they're your roadmap to understanding how your business is performing and where it's headed. We've handpicked the KPIs that are most crucial for helping you make informed decisions, face challenges head on, and show potential investors that you're on the right track.

From inception to scaling, each stage has a unique set of KPIs that should be closely monitored. It's important to understand that ideal targets for various KPIs may differ based on the maturity of your company. For instance, a 70% user acquisition rate might be considered excellent for early-stage startups, but as your business matures, a 90% customer retention rate becomes the gold standard.

During the due diligence process, investors will be particularly keen to understand how these KPIs are relevant to your current stage. Providing them quickly isn't just about flaunting impressive figures: it's about demonstrating your ability to manage, interpret, and contextualize essential data within your startup's journey. Investors are looking for teams that can explain what these KPIs mean, how they fit into the growth strategy, and how they shift as the startup progresses from one stage to another. Your confidence in presenting these insights will prove that you're not just following numbers, but using them strategically to guide your business.

Diving deeper: contextualizing our choice of KPIs

Please note that the following list is not exhaustive, and that the KPIs highlighted here were chosen based on the convictions of XAnge and our partners. Also, the relevancy of each KPI and your "North Star KPI" may shift as your startup evolves. Other important KPIs worth keeping in mind, but not detailed in this section, include: ACV, the 40% Rule, Sales Rep Quota Attainment, Number of Deals Closed per Month/Quarter, Cost per Hire, and Outbound vs. Inbound vs. Cobound.

Why do KPIs Matter?

Author



Dr Andre Retterath is a Partner in Earlybird's Munich office and focuses on enterprise software investments with a particular interest in AI and data infrastructure as well as developer and productivity tools. Andre currently serves as a board member at Aleph Alpha, MostlyAI, Ethon.AI, Energy Robotics, and Workist, among others. Moreover, he leads Earlybird's engineering team and the development of EagleEye. Before transitioning into VC in 2017, Andre gained more than 5 years of experience as a process automation engineer with ThyssenKrupp and further insights as a management consultant with GE North America. He conducted his Ph.D. at the Technical University of Munich on the topic of "Machine learning and the Value of Data in Venture Capital". He holds a M.Sc. in Management and a B.Eng. in Mechatronics Engineering and was previously educated at Harvard University, University of Cambridge, and Georgia Institute of Technology, among others.

As a Partner at Earlybird who has taken a very data-driven approach to discovering innovative teams, startup trends, and exploring their success factors, I am happy to offer a brief introduction to this chapter. You might be wondering, why do KPIs matter and what's the difference between pre and post investment KPIs? Read on!

Why do KPIs matter?

KPIs play an essential role in the life of early-stage founders and investors. They are often the best indication on the surface level of a business's underlying operational health. So it is helpful to understand from which perspective a potential investor will look at metrics – before and after an investment.

Pre investment

Analyzing a start-up's KPIs is a crucial part of the screening and due diligence process, providing the basis for informed decision-making. Depending on the stage of the initial investment, our evaluation criteria range from soft factors like team or value proposition assessment over more product-related metrics like usage or retention to commercial KPIs such as topline growth, unit economics or net dollar retention. Showing one's past achievements through meaningful KPIs can help a founder stand out among the high volume of pitches an investor looks through on a daily basis. It also lets the investor benchmark opportunities in a straightforward and objective manner. A classic quote within the Earlybird team is: "Traction never lies" - meaning if a company shows great metrics, there must be something getting done right, even though it may not be obvious at first glance.

On the flip side, looking into KPIs often also reveals early red flags in a business model, such as unhealthy unit economics; that can become troubling later on as the company grows. In many cases, a company's current KPIs will also form the basis of valuation range expectations, (though some might say early-stage valuations are more of an art than a science).

Post investment

With increasing maturity of a company comes increasing focus on KPIs. While at the early stages it is more often about a strong team, product, and differentiation, later stage investors will increasingly look for operational metrics. Working together with the founders post investment, KPIs are an ideal way of setting and aligning goals and tracking achievements towards these. It also makes steering strategic decisions easier as you'll see their impact black on white. It quickly becomes all about predictability of generating revenues and a clear path to profitability at scale.

Expectations in 2023

If you were to put a theme on venture capitalists' expectations in terms of KPIs for the year 2023 it would be coined "sustainable growth". This stands in stark contrast to the focus on "growth at all costs" that we saw in many cases in 2020 and 2021. This sustainable growth can be summarized as a healthy balance between topline growth and cash burn. Translated into metrics, this means focus on ARR per FTE, payback period, net dollar retention rate, and other efficiency metrics. Of course, established concepts like triple triple double double double growth for SaaS businesses or rule of 42 are still valid.

Key Metrics

APE | ARR per Employee

ARR / **Number of Employees**

or **Total Revenue** / **Number of Employees**

Why it's important

It's considered one of the North Star metrics for measuring the efficiency of a startup. When examining your cost structure, personnel often account for well over half of your expenses. The number of FTEs should correspond reasonably to your revenue. Although no perfect ratio exists, this formula can help assess efficiency.

Be careful with comparisons, as it's crucial to differentiate between selling to Enterprise or SMBs. Companies selling to Enterprise clients typically have a much larger average transaction size, making the ARR per employee substantially higher than what's observed in SMB-focused companies.

How to do it right

Divide your Annual Recurring Revenue (ARR) or Total Revenue by the number of Full Time Employees (FTEs).

VC & expert insights

From	Good	Better	Best
XAnge Enterprise	**€100k**	**€100-150k**	**€150-200k**
XAnge SMBs	**€50k**	**€75k**	**>€100k**
David Sacks[1] (Series B bracket)	$40-50k		
KeyBanc Capital Markets[2] ($5M–$10M bracket)	$64k	$100k	$160k
Serena[3] (5M€–10M€ bracket)	$108k		

[1] The SaaS Org Chart, 2021
[2] SaaS Survey, 2022
[3] European SaaS Benchmark, 2021

ARR per Sales Salaries

New ARR / (**Sales Salaries** + **Taxes**)

Why it's important

"If your sales rep earns an 80k€ per year gross salary, and the employer's cost is around 116k€ (as it would be in France, for example), it means that each sales rep should generate **464k€ of ARR** over 12 months when they are fully ramped."

Stéphane Azamar-Krier, CEO at **Atscale**

Role	Territory	Base salary	Quota (10x base)	OTE (2x base)
Junior AE	SMB	€50k	€500k	€100k
Mid-level AE	Mid-Market	€75k	€750k	€150k
Senior AE	Enterprise	€100k	€1 million	€200k
Whale-hunter	Strategic Accounts	€150k	€1.5 million	€300k

"Two industry standards allow us to simplify greatly:
1. **The standard commission rate for SaaS products is 10%**. For example, closing a $100,000 ARR deal generates a $10,000 commission.
2. **In constructing OTE for an AE, a 50/50 split between base and variable compensation is typical**. For an AE who's hitting quota, their variable pay will equal their base salary.
Taken together, these standards generate a third rule: **the typical quota will equal 10x base salary**. I call this the Rule of 10."

David Sacks, in his 2020 blog post Simple Math to Set Up a Sales Team

How to do it right

During the chosen ARR (Annual Recurring Revenue) period — which is often measured quarterly or semi-annually — this formula takes into account sales salaries, taxes, and the ARR that is newly acquired or generated (New ARR) during that period. This offers an appropriate timeframe to analyze pipeline earnings. Adjustments can be made for shorter sales cycles or for extended timelines for Enterprise sales.

It's important to remember that sales salaries consist of a fixed salary and OTE (On-Target Earnings) based on commission.

VC & expert insights

When evaluating whether your Sales team is earning enough, keep in mind the good practice ratio of having them bring in revenue at least 4x their Gross Salary (including employer taxes).

Average Sales Cycle Length

All Closing Dates / **All Sales Cycle Start Dates**

Why it's important

Monitoring the length of the sales cycle helps a company understand how long it takes to close a deal, which can impact revenue and cash flow. A longer sales cycle means it takes longer to generate revenue and can strain cash flow. Evaluating Average Sales Cycle Length also enables a company to identify areas where they may need to improve their sales process to shorten the cycle and close deals more quickly, ultimately increasing revenue and achieving Sales team quotas.

How to do it right

The Average Sales Cycle Length is a metric used to measure the amount of time it takes for a Sales team to close a deal, from the start of the sales cycle to the closing date. This is calculated in days or weeks.

Let's break down each component:

- **Sales Cycle Length:** The total number of days it takes for a deal to close.
- **Start Date:** The first day of the sales cycle or when a lead enters your pipeline.
- **Closing Date:** The last day of the sales cycle or when the client signs.

Use raw data from your CRM to input this formula. You're looking to determine the average length of deals based on all deals made. Additionally, you could consider using granular metrics based on the team member involved, the size of deals, and the type of product/plans you're selling. This can give you a better understanding of the different sales cycles than you might already have internally.

VC & expert insights

"The sales cycle should be 1 to 4 weeks if you target SMBs, 4 to 12 weeks if you target Mid-Market, and 12 to 36 weeks if you target Enterprise."



Stéphane Azamar-Krier, CEO at **Atscale**

According to Jason Lemkin, Founder of SaaStr, writing on the SaaStr blog: "Once you have a bit of an engine going though:

- Deals <€2,000 in ACV should close on average within 14 days.
- Deals <€5,000 in ACV should close on average within 30 days.
- Deals <€25,000 in ACV should close on average within 90 days.
- Deals <€100,000 in ACV should close on average within 90-180 days depending on # of stakeholders and gates.
- Deals >€100,000 in ACV will take on average 3-9 months to close. They can take the better part of a year, as importantly, these purchases are often on budgets on Annual cycles. Some deals will be faster, some shorter. But on average.
- Deals >€500,000 in ACV are almost always budgeted annually. This means then can take from 6-18+ months to close (once in a while shorter if the timing works out). Short if you hit the annual budgeting process just right. A whole additional year if you don't."

Burn Rate

Net Burn / **Net New ARR**

Why it's important

This metric answers the following question: **How much revenue is generated for every dollar spent?**

The burn multiple measures how much a startup spends to achieve growth. A higher burn multiple indicates that the startup spends more to achieve growth, while a lower burn multiple suggests more efficient growth.

It's important to have context when interpreting this metric. For instance, a high burn multiple might be expected after a fundraising round when a startup is heavily investing to drive growth.

In some instances, significant investments — especially for hardware or deep-tech companies — might be necessary to spur growth.

How to do it right

Net Burn = **Monthly Revenue** − **Monthly Operating Expenses**

Operating Expenses (OpEx) include all the following costs:

- G&A | General and Administrative
- S&M | Sales and Marketing
- R&D | Research and Development

Net New ARR = **New ARR** + **Expansion ARR** − **Churned ARR**

- **New ARR (from new customers):** ARR gained during the period from new clients.
- **Expansion ARR (from existing customers):** ARR gained during the period from existing clients through upsell or cross-sell.
- **Churned ARR:** ARR lost during the period from clients who stopped paying.

VC & expert insights

From	Danger Zone	Good	Better	Best
XAnge	**3x**	**<2x**	**1.5x**	**<1x**
a16z[1]	3.8x	1.6x	1.1x	<1.1x
Bessemer Venture Partners[2]	>2x	2x	0.67	<0.67x
David Sacks[3]	>3x	1.5-2x	1-1.5x	<1x
Scale Venture Partners[2]	>2.4x	1.6x	0.8-1.6x	<0.8x

[1] A Framework for Navigating Down Markets, 2022
[2] Benchmarking SaaS Growth and Burn, 2022
[3] The Burn Multiple, 2020

Churn

Customer Churn

(**Lost Customers** / **Total Customer** (start of the period)) × **100**

Revenue Churn

((**Churned MRR** + **Downgrade MRR**) / **MRR** (end of last month)) × **100**

Why it's important

Churn is a crucial metric for startups, especially for SaaS businesses, because it directly reflects the recurring revenue associated with customers. Monitoring churn rates offers insights into customer satisfaction, product-market fit, and the overall health of a business. A high churn rate can signal problems with the product or the customer experience, both of which can lead to revenue losses and stymie sustainable growth. By keeping a close eye on churn, startups can pinpoint areas of concern, make the necessary adjustments, and focus on customer retention strategies, which ultimately contributes to the business's long-term success. Customer churn is defined as the number of customers lost within a specified time frame.

How to do it right

The two primary types of churn rates focus on either customers or revenue. Calculation periods can vary: they might be monthly, quarterly, semiannual, or annual. However, the two most frequently used periods are monthly and annual.

VC & expert insights

From	Danger Zone	Good	Better	Best
XAnge Enterprise (Yearly Gross Churn)	**>15%**	**10%**	**10-5%**	**<5%**
XAnge SMBs (Yearly Gross Churn)	**30%**	**25%**	**15%**	**<10%**
ChartMogul[1] (Gross MRR Churn on $3M–$8M ARR bracket)	9.5%	5.3%	3.3%	2%
Initialized Capital[2] (Monthly Gross Churn)	>3%	3%	1%	<1%

[1] SaaS Benchmarks Report, 2023

[2] The Metrics to Raise a Series B (Downturn Edition), 2022

Gross Margin

As a percentage

((Sales − COGS) / Sales) × 100

As a dollar value

Sales − COGS

Why it's important

Gross margins indicate how well your business is performing and its potential for growth. They help determine if your business has the right foundations to scale effectively.

How to do it right

Let's break down each component:

- **Sales** = Revenue or Net Sales.
  This encompasses everything you bill to your customers.
- **COGS** = Cost of Goods Sold.
  - This includes all the costs necessary to produce your goods and services: everything from raw materials to labor.
  - For SaaS businesses, this typically includes costs for Customer Success, Hosting, and internal infrastructure/engineering labor (including the DevOps team and everyone involved in making your product environment available).
  - It excludes indirect costs, such as overhead, and sales, and marketing expenses.

COGS (Cost of Goods Sold) stands in contrast to operating expenses (OpEx). OpEx encompasses expenses that aren't directly tied to the production of goods or services.

VC & expert insights

From	Danger Zone	Good	Better	Best
XAnge	**<70%**	**70%**	**80%**	**>90%**
Bessemer Venture Partners[1] ($1M-$10M ARR bracket)	<60%	60%	70%	85%
Initialized Capital[2]	<65%	65-75%	75-85%	>85%
RevOps Squared[3] ($5M–$20M ARR bracket)	<60%	60%	74%	80%

[1] Scaling to $100 Million, 2021
[2] The Metrics to Raise a Series B (Downturn Edition), 2022
[3] RevOps Squared SaaS Benchmarks Report, 2022

NRR | Net Revenue Retention

((Starting MRR + Expansion MRR − Contraction MRR −
Churn MRR) / Starting MRR) × 100

Why it's important

This metric addresses the following question: **Are you attracting and retaining customers?** It allows you to quantify the percentage of revenue retained over a given period.

How to do it right

Net Revenue Retention is usually calculated with MRR, but can also be calculated using ARR.

Let's break down each component:

- **Starting MRR:** The MRR at the beginning of the period.
- **Expansion MRR:** The MRR gained during the period from existing clients through upselling or cross-selling.
- **Contraction MRR:** The MRR lost during the period from existing clients due to downselling.
- **Churn MRR:** The MRR lost during the period from clients who ended their subscriptions.

VC & expert insights

From	Good	Better	Best
XAnge	**100%**	**105-120%**	**>120%**
Bessemer Venture Partners[1] ($1M-$10M ARR bracket)	110%	140%	145%
ChartMogul[2]	61%	82%	98%
Initialized Capital[3]	100-110%	110-120%	>120%

[1] Scaling to $145 Million, 2021
[2] SaaS Benchmarks Report, 2023
[3] The Metrics to Raise a Series B (Downturn Edition), 2022

NPS | Net Promoter Score

% Promoters — **% Detractors**

Why it's important

The NPS gauges customer satisfaction and loyalty. It provides insights that extend beyond mere data, which can help you effect meaningful change. Maximize NPS by engaging Detractors for feedback and refining your services accordingly. Regularly track NPS to gauge customer sentiment over time. Continual feedback assimilation and NPS tracking boost customer satisfaction, nurturing a favorable bond with your clientele.[1]

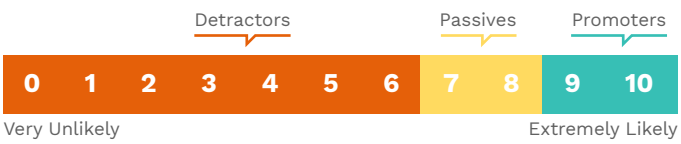
	Using the data	Solutions
0-6 Detractor scores	Use as a lesson or as proof that policy, offerings, or operations need adjustment.	Quickly address customers with apologies, and solutions when feasible.
7-8 Passive scores	Monitor to prevent churn and aim to delight them into loyalty.	Reach out to customers, express gratitude, and inquire about enhancements.
9-10 Promoter scores	Reward loyal customers or ask them for testimonials.	Extend appreciation to customers for their unwavering support.

How to do it right

To determine the NPS score, subtract the percentage of Detractors from the percentage of Promoters.

Ask customers the following question: "On a scale of 0 to 10, how likely are you to recommend us?" or "How likely are you to recommend our product/service to a colleague or a friend?"

The grading scale is as follows:



After collecting responses, categorize respondents based on their ratings into three groups:

- **Promoters:** Those who rated 9 or 10. They're highly satisfied and are likely to recommend.
- **Passives:** Those who rated 7 or 8. They're somewhat satisfied but aren't enthusiastic promoters.
- **Detractors:** Those who rated 0 to 6. They're unsatisfied and might spread negative feedback.

[1] NPS Benchmark by Idiomatic, 2022

The goal isn't just to measure, but to obtain actionable feedback from customers. To ensure relevant feedback, segment your surveys to target similar client groups. Here are specific occasions for SaaS start-ups to send the NPS survey:

Timing	Comment	Question
Onboarding completion	Send shortly after a new user completes the onboarding.	"Welcome to [Your SaaS Product]! How likely are you to recommend our platform to a colleague or friend?"
After a trial period	Send towards the end of the trial or right after it concludes.	"Thank you for trying [Your SaaS Product]. How likely are you to recommend us after the trial?"
Post-customer support interactions	Send once the support ticket is resolved.	"We hope our support team was helpful. Would you recommend us based on your recent experience?"

Market insights

NPS is a relative metric, designed to evaluate customer loyalty against competitors, so it's vital to benchmark against industry standards for valuable insights. When NPS is decontextualized from relative metrics, its strategic efficacy is limited.

NPS	Implication
Below 0	Indicates more detractors than promoters; requires improvement and attention.
Above 0	Signifies more promoters than detractors; a generally positive indication.
Above 50	Reflects strong customer satisfaction and loyalty.

Payback Period

CAC / (**Revenue** − **Average Cost of Service**)

Why it's important

The Payback Period in capital budgeting measures the time it takes for a company to recover its Customer Acquisition Cost.

At XAnge, we prefer evaluating the Payback Period Gross Margin because it lets us determine the Customer Acquisition Cost ratio and measure how much the company truly profits from a customer in the first year. This metric also underscores the startup's margin. If the margin is slim, the company's profitability hinges on customer retention, which introduces a degree of uncertainty.

XAnge's preferred Payback Period calculation:

CAC / **Gross Margin First Year**

First Year Gross Margins:

Total Revenue (first year contract) − **COGS**

How to do it right

Typically, we calculate MRR or ARR based on a given time frame. However, for SaaS businesses, it isn't possible to forecast too far ahead, because of potential upsells or customer churn. Instead, billing is used to measure the number of months needed to recover the upfront Customer Acquisition Costs, also taking into account the variable expenses required to service that customer.

Let's break down each component:

- **Customer Acquisition Costs (CAC)** is a business metric that determines how much it will cost your organization to attract new customers

  CAC

  (**Total Marketing** + **Sales Expenses**)

  / **Number of Gross New Customer**

- The **Average Cost of Service (ACS)** represents the total expenses incurred by a company to provide services to its customers, divided by the number of services rendered.

The table below outlines how to calculate the ACS for an SaaS business in straightforward steps. By focusing on each department separately, you can determine how best to optimize the expenses in each one. This method is inspired by Ben Murray (The Startup CFO):

Steps for calculating ACS	Department	Considerations
1. Identify supporting departments		Focus on expenses that support existing customers; exclude one-time services. Use Cost of Goods/Services Sold (COGS) to better understand your expenses.
2. Allocate OpEx expenses	R&D | Research & Development	Dedicate time for bug fixes and maintenance, but exclude new features.
	Sales	Focus on support for existing customers, such as account management.
	Marketing	Prioritize expenses directed toward existing customers.
	G&A | General & Administrative	Estimate the back-office support needed for existing customers.
3. Refer to SaaS P&L		Include department expenses and allocated amounts.
4. Calculate ACS		Calculate ACS for COGS and OpEx separately, then combine the two.
5. Analyze and optimize		Gather insights to improve cost efficiency and enhance customer support.

VC & expert insights

From	Good	Better	Best
XAnge	**18 months**	**15 months**	**<12 months**
OpenView[1] (SMB)	7 months		4 months
OpenView[1] (Mid-Market)	14 months		7 months
RevOps Squared[2] (CAC Payback by ARR on $5M–$10M ARR bracket)	26 months	18 months	13 months

[1] SaaS Benchmarks Report, 2022
[2] RevOps Squared SaaS Benchmarks Report, 2022

YoY Growth

As a rate

(**Current ARR** − **ARR** 12 months prior) / **ARR** 12 months prior

As a percentage

((**Current ARR** − **ARR** 12 months prior) / **ARR** 12 months prior) × **100**

Why it's important

This metric answers a critical question:
Is your revenue growing?

Assessing past growth can inform both you and potential stakeholders about potential future trajectories. As revenue increases, it's typical for growth rates to decelerate. For instance, Series B companies often exhibit a reduced YoY growth rate compared to Seed-stage companies. Usually, a graph depicting the growth rate shows an inverse curve: the highest growth rates correspond to the lowest revenues, and vice versa.

It's crucial to recognize the driving forces behind growth, not just look at the growth rate in isolation. With these insights, you'll be able to replicate and invest in proven strategies.

How to do it right

ARR

Annual Recurring Revenues × **12**

or **MRR** × **12**

Calculating MRR offers a near-term perspective, while YoY Revenue Growth provides a broader, long-term outlook that captures overarching trends and contextualizes figures.

VC & expert insights

From	Good	Better	Best
XAnge	**70-100%**	**120-150%**	**>200%**
Bessemer Venture Partners[1] ($1M-$10M ARR bracket)	100%	160-200%	230%
Initialized Capital[2] (converted from rate)	100%	100-400%	>400%
Point Nine[3] (converted from rate)	50%	100-200%	>200%

[1] Scaling to $100 Million, 2021
[2] The Metrics to Raise a Series B (Downturn Edition), 2022
[3] RevOps Squared SaaS Benchmarks Report, 2022

The "Nice to Have" Metrics

% of International ARR

(**ARR** outside of Home Country / **Total ARR**) × **100**

Why it's important

This metric measures the proportion of a company's Annual Recurring Revenue (ARR) that comes from international markets.

As explained in the Expanding Your Market Reach challenge, the Series B stage is typically when businesses begin to make big internationalization efforts. If your Total Addressable Market (TAM) has a significant international share, revenue growth in those geographic areas is crucial to give investors confidence in the next steps of your journey.

Successfully entering new markets showcases your startup's strengths, team capabilities, and readiness to tackle bigger challenges.

How to do it right

This formula calculates the percentage of Annual Recurring Revenue (ARR) generated outside of the company's headquarters.

VC & expert insights

From	Good	Better	Best
XAnge	**25%**	**30%**	**<40%**

Serena's 2021 European SaaS Benchmark uses a similar metric, percentage of customers per geographic region:

Last Investment Round	None	Seed	Series A	Series B	Series C+
Home Country	68%	67%	66%	47%	44%
Europe (excl. home country)	13%	17%	17%	23%	29%
United States	9%	11%	7%	19%	17%
World (excl. Europe & the US)	9%	6%	11%	11%	10%

Span of Control

Number of Employees / **Number of Managers**

Why it's important

The span of control describes the number of employees directly reporting to a manager. As organizations evolve, adjustments to managerial relationships may be necessary.

The span of control offers a general guideline for most managers, but outstanding managers might capably oversee a larger group, even exceeding ten individuals. The suitable ratio also varies with the nature of the team: for instance, customer success and engineering teams typically exhibit larger spans.

For comprehensive insight into the various manager types within your enterprise, consider reading "How to identify the right 'spans of control' for your organization" by McKinsey & Company.

VC & expert insights

From	Danger Zone	Good
XAnge	**>10**	**7**
Tomasz Tunguz[1]		7

[1] Span of Control, 2013

Employee Turnover and Attrition

Turnover

(**Number of Churned Employees** / ((**Employees** start of period + **Employees** end of period) / **2**)) × **100**

Attrition

(**Number of Churned Employees** / **Average Number of Employees**) × **100**

"Employee turnover should be seen as a starting point for startups to assess their company's environment. But although it provides valuable insights, it shouldn't be taken as the definitive answer for judging the overall quality of the workplace."



Sarah Green, Startup Success Associate at **XAnge**

Why it's important

Employee turnover is an important metric, but it's different from attrition. Turnover refers to the scenario where an exiting employee is replaced. In contrast, attrition occurs when the departing employee isn't replaced, meaning the total workforce is reduced.

Attrition quantifies the proportion of employees exiting an organization within a specified timeframe, either voluntarily or involuntarily. It's a vital metric that HR departments use to evaluate the situation, refine their workforce planning, and enhance overall management. However, during periods of robust growth, attrition might not be the most useful KPI, due to its potential to naturally spike.

VC & expert insights

For growing startups, a high employee turnover rate, **potentially reaching 40%**, isn't unusual. This arises from rapid internal changes and the inherent volatility of the startup landscape. Early employees who were drawn to the company's primary vision or mission might discover that their initial expectations are misaligned with the evolving objectives of the organization. Their departure in pursuit of roles better aligned with their personal and career goals is to be expected.

But it's imperative to recognize that a drastic, abrupt surge in turnover relative to prior periods might hint at deeper concerns, beyond growth. Elevated turnover rates can signal problems related to company culture, leadership, or employee satisfaction. Addressing these concerns promptly is crucial for mitigating further potential setbacks for the company.

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