

SCALING UP EFFICIENTLY WHILE BEING TRUE TO A COMPANY'S VALUES

Insights from the CEOs of 40 European
tech unicorns and scale-ups

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INTRODUCTION

Scalability originally referred to the ability of IT infrastructure to adapt to high growth in demand while maintaining a high level of performance and availability. Given that technology is a vital part of start-ups' DNA, they have taken this term and given it a different meaning: it refers to their propensity to sustain hypergrowth. The challenge lies in identifying which business model is best suited to achieving this objective.

From the very first stages when a start-up begins designing its products or services, it is crucial to focus on this imperative of scalability, which often determines the potential for widespread use of the aforementioned product or service.

Of course, technological scalability as defined above is required to ensure that the company's infrastructure can scale up smoothly. But in addition to these considerations, a company must be built on solid foundations which will enable a seamless growth process; it is a company's values which constitute these foundations. It is these values which will act as a compass to guide decision-making and the management of a company's every activity: finding the first employees to join a long-term entrepreneurial adventure, hiring incredible talent to accelerate the company's growth and considering the societal and environmental impact of everything the company does.

By staying true to their values and to themselves, founders are able to weather the storm by pivoting their business or entering into mutually beneficial partnerships. This simplicity and humility also have an effect on the way in which the organisation is structured and strengthen a company's governance by attracting experienced entrepreneurs. They also play a role in ensuring that a company focuses on financing which is aligned with its long-term objectives, rather than the endless race to raise funds and the cash burn which are often interlinked; indeed, the sustainability of this model is currently threatened by increasingly cautious investors.

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1. THE CREATION OF A POWERFUL AND UNIFYING SET OF VALUES AS A COMPASS FOR DECISION-MAKING AND MANAGING ALL THE COMPANY'S ACTIVITIES

BRINGING EMPLOYEES TOGETHER WITH CORE VALUES

Identifying core values plays a crucial role in the life of any start-up: they form the basis around which the company's culture will be created and will develop over time. At the beginning of the process, this culture is strongly influenced by the values and vision of the company's founders and it is up to them to ensure that it flourishes. The company's mission, as envisaged at the time of its founding, includes elements which are inherent to a company's values and which need to be formalised. Much more than a mere exercise in communication, it is vital to identify these values which bring employees together around a common cause and are a real driver of a start-up's performance and appeal. The process to identify core values is extremely important because the start-up's founders will set an example by embodying them, upholding them and adhering to them at all times. These values should provide clear principles which can be applied by the company's employees in most situations. This is a prerequisite if the company's culture is to be passed on and embraced by its employees. Even if the founders leave or distance themselves from the company, this set of values must continue to be the start-up's cornerstone.

Corporate culture must not be limited to theoretical principles and must be put into practice. To be properly integrated, it must be part of a broader set of values. Whether it is expressed through rituals, dress codes, ways of working or methods of communication, it constitutes the company's DNA. The sum of all these parts determines a company's culture and makes it possible to consolidate a company's teams. A company's culture strengthens employees' sense of

The process to identify core values is extremely important because the start-up's founders will set an example by embodying them, upholding them and adhering to them at all times.

belonging as they focus on shared endeavours, encouraging them to do their best to achieve ambitious goals; in this way, it becomes a driving force for the company. In the event of international expansion, it helps to engage employees who join the company, sometimes on the other side of the world, and it provides them with essential information for their successful onboarding, overcoming any cultural differences.

If a corporate culture is to last, it cannot be unchanging: it must remain in flux, evolving as the company develops and as newcomers arrive. The most important pitfall to avoid is the watering down of corporate culture, including its gradual replacement by processes which can be seen by employees as being impersonal or even dehumanising. Mirakl, a specialist in online marketplaces, organised workshops for all employees, during which the company's founders and long-standing employees told the story of the evolution of Mirakl's values as it has grown, helping the employees to realise how far the company has come and enabling them to recognise their own contribution. Managers should showcase and share their employees' good ideas and individual or collective successes; this has a knock-on effect and strengthens their confidence in the strategy chosen by management.

To ensure the long-term future of a company's culture, some companies even go so far as to create a culture book, a guide which provides a frame of reference for both internal and external use. It involves formulating the "references which are shared within the company, whether consciously or not, and which have developed over the course of its history"¹. Involving managers and employees from all countries, this collaborative exercise is designed to articulate a company's mission, vision, values, standards, processes, practices, expectations, behaviours and models. It can include benchmarks, internal surveys and workshops with the managers who are perceived as the best proponents of the corporate culture. A culture book is intended to be published: it ensures the effective communication of shared principles within the company and beyond, reaching its entire international ecosystem. Its influence often extends beyond these borders because it guarantees consistency and transparency, strengthening a company's appeal in terms of recruitment.

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Corporate culture is therefore a fundamental aspect of a start-up and plays a key role in recruitment. It is a major part of a strong employer brand; it can even be a deciding factor for candidates who identify with these same values. Driven by environmental and social concerns, the younger generation has a strong desire to work in meaningful roles; this can even lead candidates to prioritise mission and values over particularly lucrative remuneration packages: 73% of millennials would be unwilling to work for a company which did not share their values. In fact, more than half of the 5,000 participants in this survey² said that a company's mission and culture are key criteria which take precedence over salary. This desire for meaning is also an issue for very experienced professionals who, after brilliant careers working for major groups, want to join companies whose work reflects their own values.

1 Maurice Thévenet, Professor at ESSEC

2 Glassdoor survey, 2021

OPENCLASSROOMS

“Tackling the dilution of our company’s culture means ensuring that all members of the team bring its values and its mission to life as often as possible.”

The OpenClassrooms school, an impact start-up through and through

OpenClassrooms is an online education platform which 300,000 students from all over the world use every month. Aiming to make education accessible to all, this mission-driven company is a Next40 member, boasts B Corp certification and now has 600 employees, 60% of whom are women. Thomas Meister, Chief of Staff at OpenClassrooms, explains that the company’s employees are all aligned with the company’s culture; this commitment to its mission is vital and is one of the main recruitment criteria.

In 1999, Pierre Dubuc and Mathieu Nebra, then aged 11 and 13, began to develop the company which would go on to become OpenClassrooms; they have dedicated the last 20 years of their lives to this company. They both embody the company’s values and mission, setting an example for all employees: indeed, Mathieu Nebra is still involved in creating courses and training generations of coders in France.

Despite this, how do they deal with the risk of their growing workforce diluting the company’s culture? Similarly, how do they ensure that candidates are the right cultural fit to nurture the corporate culture at OpenClassrooms?

A growth-proof corporate culture

“The company’s reputation naturally attracts a certain type of candidate who is interested in companies like ours.” Thomas Meister knows he is lucky: he has no problems recruiting. Nevertheless, it is difficult for recruiters to assess a candidate’s cultural fit with the company culture. Consequently, several employees are involved in the recruitment process at OpenClassrooms, whether or not they are required to work with the candidate. This is a chance for recruiters to ensure that the candidate is the right fit; the candidate, meanwhile, can see whether he or she feels comfortable. In this way, it is a reciprocal opportunity to check compatibility.

In this instance, OpenClassrooms’s co-founders identified the company’s mission even before developing the product, proving just how central it is. However, the risk of diluting a company’s culture and mission increases as it grows, particularly when it is a “remote first” company with employees working on different continents.

To reduce this risk, an internal communication and documentation system helps employees to learn about the values espoused by the company and its main KPIs which, in this case, include career outcome (an assessment of students’ professional progress and therefore the positive impact of OpenClassrooms on their career). *“Tackling the dilution of our company’s culture means ensuring that all members of the team bring its values and its mission to life as often as possible.”*



Founded in
1999



Employees
600



Total Fundraising
USD 150 M

Underpinning the company's mission with activism

The company's Chief of Staff admits that the culture at OpenClassrooms is *"unlike the culture anywhere else"*. In practice, this means providing more than a pleasant working environment with a permaculture vegetable garden, bike travel and unlimited holiday. For instance, this culture is reflected in various initiatives which are symptomatic of the momentum it seeks to create:

- A principle of absolute transparency. This means that all employees can access financial information in a monthly report submitted to the board and then to the teams; the aim is to ensure that the level of information provided is unrelated to an employee's position in the company's hierarchy;
- A comprehensive caregiving agreement to support employees before and after the birth of their children (maternity and paternity leave, promotion and/or salary increase for women, etc.) and, more broadly, as part of a policy of providing equal pay and benefits.

The implementation of these policies creates both a sense of trust and accountability among employees.

Trust and accountability: a finely balanced value system

This combination of trust and accountability ensures that the company's "remote first" and unlimited holiday policies work well; the latter is very rarely used excessively by employees, for example. At OpenClassrooms, once precise objectives have been set, employees are free to organise their own time as they see fit and everyone contributes to the collective effort.

Other progressive initiatives also include the launch of an employee survey on diversity, including ethnic origin and sexual orientation, which are usually sensitive topics for a French audience. Thomas Meister explains that this is made possible by the mutual trust which their corporate culture has helped to develop. *"They trust our ability to encourage diversity in the right way, in an activist way."*

The next step? Sharing this questionnaire with students and developing a diversity index to identify shortcomings and create comprehensive programmes for those who need it most, as part of the company's activist approach.



ADVICE FROM MATHIEU NEBRA

Co-founder and CIO of OpenClassrooms

Excellent internal communication is key to creating alignment and buy-in. We have developed a course based on our pedagogical model to explain what makes the OpenClassrooms culture; it serves as a reference for the whole team.

Submit your company to external scrutiny by applying for labels like B Corp: this has helped us to reflect more on our impact and work on our blind spots.

HAVING AND COMMUNICATING A POSITIVE SOCIETAL IMPACT

The positive impact a company has on society or the environment affects its public perception. In France, the entry into force of the PACTE Act and the development of mission-based companies have established the importance of CSR when companies are founded. This view is unanimously shared: 92% of French people want their company to be actively involved in the positive economy³. This concept of societal impact is increasingly seen as being a determining factor for customers, suppliers and even candidates. Business leaders have realised that not only does a positive impact improve relations with their ecosystem, it is also a strong indicator of their appeal and their employer brand.

This impact can be demonstrated through these companies' innovation, business practices or the nature of their business model. Examples include e-commerce unicorns such as Vestiaire Collective and Back Market: these companies have built their success on the circular economy and the reuse of second-hand goods. The start-up Yuka, on the other hand, has developed an application which consumers can use to scan food and cosmetic products to find out detailed information about the impact of these

products on their health. Other technological companies, such as Service Now, have developed software bricks dedicated to sustainability, designed to analyse the evolution of related metrics. Measuring impact is crucial because it provides tangible evidence of the company's efforts for partners and investors who increasingly take CSR criteria into account when choosing which entrepreneurial projects to support. We have seen that this can be a decisive factor for candidates, equivalent to the role's scope and pay. In addition, impact-focused positions, including the role of Chief Impact Officer (CIO), increased by 50% between 2020 and 2021 in tech companies⁴. CIOs are responsible for implementing sustainable development action plans and, more generally, for ensuring that their company moves towards a more virtuous business model, both for the planet and society. It was with this in mind that the analytics company Contentsquare put together a team led by CIO Kat Borlongan, former director of French Tech, a government-led initiative to bolster France's start-up ecosystem. The team focuses on six areas: digital accessibility, user experience education, UX for good, inclusion, environment and privacy. The long-term objective is for the heads of the company's main departments to integrate impact-related issues into their duties, from diversity in the case of the Chief People Officer to climate change for the Chief Operations Officer.

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³ OpinionWay and Insign study for the Institut de l'Économie Positive, 2020

⁴ Figures provided by Birdeo

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century female pirate, renowned for her bravery and independence. This guild for female employees aims to improve women's experiences at Back Market and in tech in general. These initiatives revealed biases in the recruitment process: the over-representation of white men in recruitment teams often led to the hiring of candidates with a similar background. The involvement of female recruiters in these processes has helped to redress the balance by hiring more women, particularly for developer roles, where there are still too few female employees. Similarly, ManoMano has launched an initiative called The Ladder, a nod to the website's original name (*Mon Échelle* which means "My Ladder" in English), which aims to improve the visibility and career development of its female employees. It is run by a 10-strong Women Squad, which organises networking sessions, a mentoring programme and conferences on female empowerment at ManoMano.

On another note, BlaBlaCar wanted to measure its carbon footprint and estimated that its shared and multimodal mobility solution saves 1.6 million tonnes of CO₂ every year, equivalent to the annual emissions of all road traffic in Paris. The software giant Salesforce, meanwhile, has launched its Net Zero Cloud data analysis solution which enables its customers to track and analyse data related to CO₂ emissions and waste management.

While environmental impact analysis is essential, diversity and inclusion issues are no less important. According to a survey⁵, 21% of French employees considered themselves to be victims of discrimination in recruitment in 2021. In a world in which the proportion of women and minorities is still too low, some tech leaders have decided to tackle the issue head on. To foster diversity within its workforce, Back Market hired a Chief People Officer who immediately provided managers with a broader outlook in terms of recruitment and management. This was reflected in the launch of Anne Bonny's Club, named after an 18th

5 https://www.lemonde.fr/societe/article/2021/11/24/discriminations-a-l-embauche-un-phenomene-qui-reste-generalise-et-persistent_6103458_3224.html

ecovadis

"CSR has become an existential issue."

Founded in 2007 by Pierre-François Thaler and Frédéric Trinel, EcoVadis is a corporate social responsibility (CSR) rating platform which assesses the environmental and social performance of companies and their suppliers.

A positive response to these issues has become an asset for calls for tender, with investors and when it comes to attracting talent, which is increasingly conscious of these matters. To what extent can a positive societal impact influence the development of start-ups and scale-ups?

The tech world in the spotlight

"The latest report from the Intergovernmental Panel on Climate Change (IPCC) shows that we have three years to reduce CO₂ emissions: CSR has become an existential issue," EcoVadis's co-CEO and co-founder Pierre-François Thaler points out. "In the tech industry, major companies like Salesforce and Microsoft have been leading the way for more than 10 years with initiatives like the Azure cloud, which reduces energy consumption compared to data stored on site. Start-ups would do well to learn from them."

Today, entrepreneurs must take sustainable development into account very early on in the life of their start-up, not only to protect the planet's future but also to attract customers and recruit talent: younger

generations are increasingly demanding when it comes to corporate engagement with sustainable development issues. Consequently, CSR must be considered when the company is founded, before being incorporated at every stage of its development.

Quantified objectives and CSR labels

When it comes to sustainable development, Pierre-François Thaler distinguishes between three categories of companies:

- Start-ups whose core business is clean tech, a booming sector with 20 times more companies than five years ago, including Back Market, Fairphone, Vestiaire Collective and BlaBlaCar.
- Companies which choose to include a "sustainable development" product or service in their offering, like Salesforce with its Net Zero Cloud, Patagonia which offers free repairs and Balzac and its marketplace for second-hand clothes.
- Start-ups which don't have a dedicated sustainable development offering but which communicate about their focus on CSR, such as Alan, Luko and Legalstart which have signed the Climate Act and are committed to measuring their carbon footprint, sharing the results publicly and taking action to limit their emissions.

For EcoVadis's CEO, tech start-ups which don't fit into any of these categories are overlooking a crucial element. Some companies and investment funds are courting disaster by ignoring these issues: *"There are funds which we refuse to allow to invest in our company, because they have invested in tech companies which raise ecological or ethical issues. It wouldn't be consistent with EcoVadis's values,"* Pierre-François Thaler explains.



Founded in
2007



Employees
1,358



Total Fundraising
USD 730 M

EcoVadis's labels reflect a simple, reliable and comparable scoring system which is used worldwide. It is a transparent way for scale-ups to show that they play a key role in the ecological transition. *"Some companies also set quantitative targets using KPIs. This is what BlaBlaCar does, precisely quantifying the impact of the CO₂ which its business model saves. This is also true of Ecosia, a German search engine which donates 80% of its profits to NGOs to plant trees and publishes its results every month. These are good practices with great potential when it comes to communication,"* Pierre-François Thaler explains.

An opportunity to boost structural competitiveness

Originally, EcoVadis's scoring system was designed for B2B use but many clients also use it to promote their employer brand. Environmental, social and governance (ESG) criteria have become an attractive recruitment tool, particularly in these tense times. Companies proudly display their policies on their career pages, job boards, platforms like Welcome To The Jungle and even on their brochures for student careers fairs. *"It's not just for younger talent: for some C-levels in their 40s and 50s who have enjoyed successful careers in the tech industry, the determining factor in their job search isn't money; instead, they want to have an impact, particularly on the environment,"* EcoVadis's CEO explains.

In a rather vendor-oriented market, CSR presents a key advantage for calls for tender. *"European and American clients are increasingly taking these criteria into account when awarding contracts. When product quality and price are similar, sustainable development considerations become a key factor in choosing a supplier. French companies are also well placed in the global CSR ranking: they are ranked third, after Finland and Sweden,"* Pierre-François Thaler concludes.



ADVICE FROM PIERRE-FRANÇOIS THALER

co-founder and co-CEO of EcoVadis

Choose a recognised framework, such as the 17 Sustainable Development Goals, and identify two or three issues on which your product or service can have a positive impact. Don't try to address every area! If you can only choose one, choose the climate: it's a central issue and most tech companies can have an impact on it.

Integrate CSR criteria in your start-up's development as soon as possible. Sustainable development considerations will be enshrined in your product's development and will also guide your communication strategy and your corporate culture.

2. BUILDING AND SUPPORTING A TEAM WITH COMPLEMENTARY SKILLS WHICH CAN EVOLVE WITH EVERY GROWTH PHASE

PUTTING RECRUITMENT AND RETENTION AT THE HEART OF CORPORATE STRATEGY

In view of a widespread shortage of talent, recruitment is more important than ever and it must keep pace with a company's development. When recruiting their first employees, founders often look for multi-skilled candidates who can perform a wide range of tasks, beyond their initial area of expertise. In the first few years, HR duties are often carried out by one of the founders; this has a significant impact on the process and the types of profiles recruited. Candidates are often sourced from founders' own networks. But as start-ups grow, they focus on working with specialist professionals to structure their various departments. Although technical skills are paramount, experience and interpersonal skills must be central to the selection criteria for candidates; in turn, their assessment requires a specific skill set.

To successfully scale up, one must give HR a central role: in turn, it must adopt best practices so that it can remove any barriers to recruitment. The difficulties facing start-ups in this regard are exacerbated by certain factors which are specific to them, with the most notable issue being a particularly marked shortage of tech profiles which are critical to the development of solutions and platforms. There are many options: identifying university courses with content which reflects the expectations of a company's executive management is a way to expand the pool of candidates for junior roles while also encouraging greater diversity. Improving the clarity of job offers, anonymising the recruitment process and introducing new recruitment methods which focus more on skills analysis would

Although technical skills are paramount, experience and interpersonal skills must be central to the selection criteria for candidates.

also help. Consolidating the role of HR involves several phases: providing training for executive management and HR managers on the challenges of skills management and developing recruiters' specialist knowledge of each of the key roles in phases of strong growth (tech, sales and finance). To ensure further growth, the main challenge lies in anticipating recruitment needs by building up a "reserve" of highly qualified candidates who can be recruited as and when the company needs them. Other companies, like the B2B marketplace Ankorstore, decide early on to recruit senior candidates, particularly in sales and marketing, who have already experienced hypergrowth; in Ankorstore's case, this enabled it to accelerate its own growth and reach unicorn status in a very short time.

**To ensure further growth,
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a “reserve” of highly
qualified candidates.**



“Focus on the right person, rather than the right skills.”

The start-up reinventing the food chain with insect farming

How can we continue to feed a growing population while preserving the planet's natural resources? This is one of the greatest challenges of the next decade and Bastien Oggeri, Aude Guo and Clément Ray have come up with an answer: Innovafeed. Working with 350 employees, they aim to create a more sustainable food system by developing an innovative industry: insect breeding and processing. They have developed technologies and processes for the large-scale production of this valuable protein source, which has long been underestimated, to provide nutrition for both animals and plants.

Innovafeed is a leading impact start-up: it has a positive effect on the environment and encourages local economic growth. This appeals to young talent driven by an interest in meaningful roles, rather than a desire for financial gain. The company's appeal is no coincidence, however: from the very beginning, its founders focused on developing a thorough and carefully considered recruitment process. Today, they can be proud of having built up their own pool of candidates which is almost self-sustaining.

Why did they make hiring a priority so early on? How did they manage to build up and maintain a quality hiring pipeline and how did having an in-house head-hunting service play a role?

Compensating for an early-stage start-up's understandable lack of appeal

For a start-up like Innovafeed, the ability to structure its teams was vital. *“The recruitment teams really need to be one step ahead because they are going to be overstretched until the company is at full strength and able to replace every staff member's departure,”* Bastien Oggeri points out.

By his own admission, he quickly realised that he could not handle the recruitment process himself and that he had everything to gain by formalising this role. The aim was to develop a hiring pipeline with a team of in-house head-hunters.

This proactive approach to maximise the company's appeal was particularly important: the company's reputation was understandably limited and candidates who chose to apply for jobs were not ideal. Just a few years later, Innovafeed received nearly 10,000 job applications in 2021.

Creating a team of in-house head-hunters to develop a quality hiring pipeline

Innovafeed's HR department features a head-hunting team of seven full-time employees. They work to find interesting external candidates and are supported by an internal recruitment team of some five employees who work on a rotating basis, in addition to their own roles. This team organises an introductory telephone interview, followed by a further two rounds of interviews.



Founded in
2016



Employees
350



Total Fundraising
EUR 200 M

The employees involved in this process won't necessarily work with the candidate. They are from different teams and provide a diverse range of views to reduce inevitable bias, while ensuring company-wide consistency.

Taking this demand for consistency a step further, Innovafeed's co-founders established a dedicated training course for all employees who might take part in a job interview to standardise their approach, focusing on the questions to ask, the kinds of examples to include, the assessment criteria to use and how to analyse soft skills. This is a key point for Bastien Oggeri: *"We work on the principle that it's better to recruit the right person than the right skill, which can be learnt, as opposed to the right attitude."*

Avoiding a troublesome "race for talent" with an existing pool of candidates

By focusing on head-hunting, the company was able to develop a quality hiring pipeline from the very beginning, even when the company did not have significant appeal or a long-standing reputation. In the view of Innovafeed's CEO, this approach was particularly important because *"the first employees shape what the company will become, which affects subsequent recruitment."*

When asked whether this tried and tested system has enabled Innovafeed to create a diverse workforce, Bastien Oggeri provides an honest, lucid answer: *"Now that we're almost at parity, even in terms of our pipeline, and now that we've reached a critical size, diversity is our next challenge. We'll need an external recruitment team to change perspective and get rid of our biases."*



ADVICE FROM BASTIEN OGGERI

CEO and co-founder of Innovafeed

If properly supervised, a good recruiter isn't necessarily a senior recruiter. Our head-hunting team includes former head-hunters, former employees of recruitment departments and freelancers.

Assess soft skills by looking at a candidate's drive, impact, leadership and past experience: this shows his or her ability to add value to your business.

If you have a pool of talent from which to draw on a regular basis, you can reconsider a candidate at a later date or for another position when he or she has reached the required seniority, for example.

Many recruitment failures stem from a poor assessment of the “fit” between the start-up’s corporate culture and the candidate’s own values.

Values should be explained as clearly as possible at the beginning of the recruitment process. This ensures that employees believe in the project and move in the same direction. Many recruitment failures stem from a poor assessment of the “fit” between the start-up’s corporate culture and the candidate’s own values; this can have serious consequences. On average⁶, the cost of a failed recruitment varies between EUR 30,000 and EUR 150,000. This figure is based on criteria which can be divided into two categories: direct costs, including the cost of recruitment and the salaries of recruited employees or their replacements, and indirect costs, which are more difficult to quantify and which involve onboarding and training employees, opportunity costs linked to their departure and the costs of the additional work generated by their departure.

To avoid this potential pitfall, companies have developed effective methods: Equativ, global ad tech company, has created a Value Hero position, whose role is to attend almost every interview to assess a candidate’s suitability. Very few candidates share every value of the company they want to join but these values may well be complementary to their own. Sometimes a new recruit’s past experiences or personality can even contribute to a start-up’s corporate culture. A candidate’s successful integration is crucial, once he or she joins the company. This process starts at the recruitment stage with meetings with the founders and opportunities to get to know the company’s teams. A welcome pack is very popular when joining a new company: this is usually a set of branded goods which

an employee receives on arrival and can use to show off their company, wherever they are. Although it is important to develop this sense of belonging, the onboarding process for a new employee must be comprehensive, including a presentation of each of the company’s business lines to familiarise the new arrival with their working methods. It is worth asking for feedback from newcomers on this induction period after a few weeks with a view to optimising these processes.

At Mirakl, values are a focus of the company’s key HR processes throughout employees’ careers: 40% of the evaluation scale for annual interviews is based on the way in which employees embody the company’s values. Every value is broken down, based on the role of the employee in question, and describes the expected behaviours with three levels of maturity: early stage, mature and advanced. To encourage the adoption of these values, the company has established a buddy system: employees who have been with the company from the beginning act as mentors to newcomers to pass on the corporate culture.

⁶ According to ManPower, HR Voice and Opensourcing

It is extremely important to motivate “veterans” (the company’s first employees who witnessed its development first hand) to ensure that they enjoy their deserved status and prevent any rift between them and newer arrivals. For instance, the company Ynsect, a leader in natural insect protein production, prioritises internal mobility by considering existing employees for every vacancy; this internal transparency helps to motivate the troops. Similarly, JobTeaser, which is the leading recruitment and career guidance platform for young talent in Europe, has introduced a grade system, similar to the system used in the consultancy sector: employees are Individual Contributors (IC) and as they move up a grade, they can access personalised training courses or the opportunity to become a spokesperson for the company.

It is extremely important to motivate “veterans” to ensure that they enjoy their deserved status and prevent any rift between them and newer arrivals.

ATTRACTING AND RETAINING THE BEST NATIONAL AND INTERNATIONAL TALENT

There are many ways to attract the best candidates. This may involve a referral process whereby incentives are offered to employees who recommend a candidate who is then hired: these incentives are often financial and can be a fixed amount or a percentage of the new employee’s salary. This is a mutually beneficial method because employees who make referrals are driven by a desire to maintain their credibility and the associated rewards are important sources of motivation. Attracting the best talent has a knock-on effect and helps to strengthen the employer brand.

The Covid-19 pandemic has revolutionised the way in which we work: while some companies had experimented with remote working before this crisis, they were quickly forced to implement it for their entire workforce. Some of them have seen so many benefits that they have adopted a “work from anywhere” policy, the most flexible way of working there is. At Payfit, which develops a SaaS tool for payroll and human resources management, employees are no longer obliged to work in the company’s offices, which are now seen more as a place in which to socialise.

This flexibility makes it possible for employees to move far away or even spend time in a company’s international offices. It also appeals strongly to international talent who no longer need to move countries to join a company. In return for this incredible freedom, employees must be able to work together in a truly agile way, particularly when they are located in different time zones. It also requires systems to be put in place to prevent employees becoming disengaged, given that they see each other in person very infrequently.

This phenomenon has given rise to a new position: a Chief Remote Officer works to maintain a sense of unity and ensures that the corporate culture continues to play an important role, even at a distance. Attracting foreign talent, however, cannot be limited to the

implementation of a flexible working policy. It is vital to develop an international culture as early as possible and the use of English as a working language is indispensable. Some companies like Equativ encourage their employees to communicate systematically in English.

It is therefore the employee experience in the broadest sense which makes it possible to attract and retain national and international talent.

By adopting an international mindset, start-up founders pave the way for international expansion. In addition to being the working language, English must also be used from the outset for technical documentation to attract the best candidates for tech roles, which are at the heart of the company. When employees move to another country, it is important to ensure that there are support systems for them, both before their arrival and during their first weeks in the country. This may involve developing partnerships with relocation agencies, assisting with the search for accommodation, particularly by providing translation and interpreting services, or helping with applications for nurseries or schools. It is therefore the employee experience in the broadest sense which makes it possible to attract and retain national and international talent.

Employee retention is another major issue; this involves the roll-out of initiatives dedicated to employee development. Companies can give their employees the opportunity to use their working days to volunteer for initiatives which are related to the company's mission: for instance, at JobTeaser, a European leader for the recruitment of young talent, employees can coach young university students who have been awarded scholarships. It has also introduced Guidance Days to enable employees to get to know each other better. Staff members take psychometric tests in a group: this provides them with an opportunity to discover hitherto unsuspected similarities. Employee retention also involves individualising career paths by providing personalised training programmes which can focus on soft skills, business skills or other areas, just like the Gap Year Programme, a partnership launched by Roland Berger which offers work experience in consulting and in a start-up company, along with an internship abroad.

Lastly, remuneration packages must be competitive to prevent employees from being tempted by competitors or head-hunters. In addition to employee remuneration, sharing the company's financial value, which can take the form of a share issue for employees, is a good way to involve them further in the company's growth. In France, the BSPCE (Bons de Souscription de Parts de Créateur d'Entreprise) scheme gives employees the opportunity to buy shares at their subscription price in the future. Often introduced during fundraising, this system is based on a company's growth potential and helps to attract and retain talent. Ultimately, reputation is a significant part of a company's overall appeal: it is a subtle combination of the influence of its culture and therefore of its employer brand, its impact on society and the strength of its brand. This virtuous circle attracts the best talent who will help to accelerate the company's growth; in turn, this organically attracts other talent.

**This virtuous circle
attracts the best talent
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“Our employees work so closely together that geographical borders seem to disappear.”

The QR code which wants to “give people back 15 minutes of their time”

Launched in April 2021 by Christine de Wendel and Victor Lugger, Sunday is the spin-off of Big Mamma. Designed for restaurants, this QR code payment solution makes it possible to pay a restaurant bill independently and incredibly quickly from the comfort of your table. Sunday wants to be disruptive and aims to facilitate new digital uses in the catering sector.

After raising a USD 24 million seed round (the largest amount raised in Europe at this stage), they had no choice but to recruit talent quickly to sustain the company. They certainly rose to the challenge, expanding from four to 100 employees in under 60 days. Now operating in five countries, Sunday has three offices in North America and four offices in Europe.

How did they manage to attract and persuade their first employees, both from France and further afield, to join them in record time? How did they structure their multicultural teams?

“Bring Your Own Friends” for rapid recruitment

A strong vision, substantial funds, a fledgling company: recruiting was imperative. The two founders focused initially on key positions; once these managers were hired, they could recruit the teams which would then report to them.

They recruited by networking. *“We reached out to the best people we had worked with over the past 20 years.”* From the supervisor of her first internship, a partner in investment banking who is now Sunday’s CEO, to her most brilliant scale-up colleague, who became the company’s General Manager of Europe, Christine convinced them all to join the adventure.

In this way, the founders built up a team of quality senior leaders whom they really trusted; this is particularly valuable during a company’s acceleration phase. As envisaged, the first recruits then replicated the process: *“Bring Your Own Friends is a very powerful tool, both for recruitment and employee engagement, and was included in all our email signatures.”* A year later, Sunday now has 300 employees.

Three fundamental values and the same rules for all. Even before choosing the company’s name, Sunday’s co-founders identified the values for a strong corporate culture, outlining them in a manifesto. Carefully considered, playful and “straight to the point”, it reflects the company’s values: simple, trust, beyond. In practice, this tool is included in all job offers and is a key element in encouraging candidates to apply.

In addition, Victor Lugger and Christine de Wendel made bold choices regarding employee benefits:



**Founded in
2021**



**Employees
250**



**Total Fundraising
USD 124 M**

unlimited holidays, encouraging full remote working, equal parental leave for men and women and even stock options for each employee. This issue, which is usually quite obscure, is presented in another equally clear document. *"Simple, trust: those are our values. If everyone has shares in the company, even financial communication can be transparent."*

What is it like to have a "same for all" culture in a multicultural company with employees working on several continents? *"We've never found it to be an inconvenience, precisely because everyone who joins the company is treated in the same way, whether they're from Spain or America,"* she says; this starts with a two-week onboarding process, during which new employees all remotely attend the same sessions. It goes without saying that English is the "universal language" of the company, which also focuses on the importance of written documentation using tools like Notion.

Multiculturalism, remote working and hypergrowth

At present, many of the company's core and tech roles are based in Europe, while growth is more likely to be based in North America. This system works so well that the matter of time zones is no longer an issue. *"We almost forget that people live in different countries because they work so closely together, it's rather amazing to see geographical borders disappearing,"* Christine continues.

However, by the CEO's own admission, it is difficult to nurture the corporate culture at a local level, given Sunday's hypergrowth and the intense workload of its employees. Fortunately, having physical offices plays a role, enabling the company to celebrate certain events, as does the organisation of off-site trips, which are designed to embody the company's values as much as possible: in 2021, the company organised a three-day walking retreat in the Vosges for European employees and a camping trip in Georgia for American employees.



ADVICE FROM CHRISTINE DE WENDEL

CEO USA and co-founder of Sunday

To assemble a good team, start with the managers and let this leadership team hire its own teams to avoid bandwidth problems or a lack of in-house expertise.

Use your network to hire quickly and efficiently: get in touch with people you have enjoyed working with and whom you consider to be skilled professionals.

Ask every candidate which three roles they would hire if successful: this indicates whether they have understood which profiles are relevant to your company and its objectives.

3. THE IMPORTANCE OF A STRATEGIC PLAN COMBINED WITH A LONG-TERM VISION, FROM THE GO-TO-MARKET STRATEGY TO INTERNATIONAL EXPANSION

CONSTANTLY FOCUSING ON THE PRODUCT/MARKET FIT

In the early days of a start-up, most of the resources are used to design its product (or solution). The aim is to put a minimum viable product (MVP) into production as soon as possible: this is a beta version of the product which is sufficiently mature to be made available to users. The challenge lies in ensuring both that this product attracts a large number of users in a short period of time and that this acquisition of customers generates sufficient resources to refine the product's development. This gives a glimpse of the holy grail sought by all founders and something which is a prerequisite for any strong growth: product/market fit. How can a company ensure that the product responds to a real issue identified by its potential users, that it fulfils their needs and that they perceive this value?

In the words of Patrick Hertzog, co-founder of the scale-up Nexthink, which develops software to manage employees' digital experience, a good product must have three key attributes: *"it must have a high level of technical feasibility, by which I mean it must not require huge development to deliver the MVP, something which goes hand in hand with the idea of further refining its development to improve it as frequently as possible, it must meet the expectations of a specific market and it must create excitement among its core target audience."*

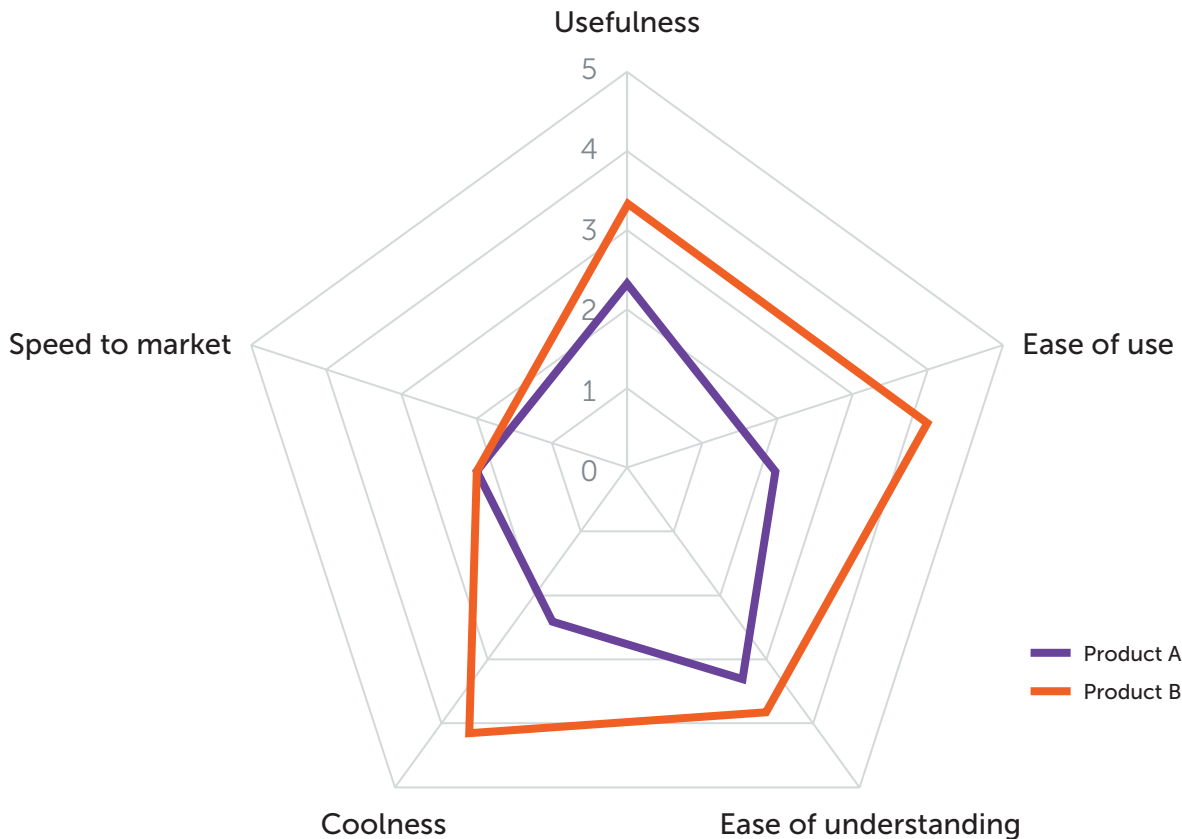
When it comes to product design, there is a matrix of 5 criteria which need to be considered: the usefulness of the product in the eyes of its potential users, its ease of use, the ease with which the main features of the

product can be understood, its "coolness", and finally its speed to market, because no matter how revolutionary a product may be, it won't solve any problems until it is in users' hands.

It is vital to ensure that these criteria are met as early as possible, even before the product is actually developed, so that the target audience and potential investors can be asked about its suitability; this will avoid wasting resources if feedback is not as positive as expected. Nicolas d'Audiffret, co-founder of Ankorstore, recalls presenting his project for the first time to wholesale retailers: "We wanted to provide a service which would really change our customers' lives. So we met with a lot of people in the wholesale industry to test out this idea of a marketplace for wholesalers. To our great surprise, the first three people we spoke with were so enthusiastic about the idea that they offered to resign immediately to join our company!". In general, it is important to test the product regularly.

The founder and his or her teams must be the first users to test the product in real conditions and must be as objective as possible. BlaBlaCar has chosen to put its maxim "Be the member" at the heart of its values: to create value for its community members, employees must put themselves in users' shoes to understand their needs and constraints; as such, they should use the service as often as possible. It is also crucial to carry out frequent user testing; this can involve face-to-face discussions with users or external monitoring of their behaviour. While their opinions are valuable, it is important to ensure that they do not cause founders to give up on their original vision. As Henry Ford, the inventor of the Ford T, is quoted as saying: *"If I had asked people what they wanted, they would have said faster horses!"*

PRODUCT DESIGN MATRIX



“it must have a high level of technical feasibility [...] it must meet the expectations of a specific market and it must create excitement among its core target audience..”

PATRICK HERTZOG

Co-founder of the scale-up Nexthink



"It's not about having a good product; it's about having the best product."

The Danish start-up which has disrupted the world of wine

In 2010, Danish entrepreneurs Heini Zachariassen and Theis Søndergaard launched an application with a clever concept. In the blink of an eye, their tool provides all the necessary information to help users to choose a bottle of wine they will enjoy. Twelve years later, the concept remains the same and Vivino has achieved the impressive feat of revolutionising the wine industry: 50 million users have scanned more than 1.6 billion bottles.

The application has evolved and new features have been developed. Yet Vivino's teams have always focused on their customers' needs. How did Product/Market Fit play a key role in Vivino's commercial development? And how did this Danish start-up position itself to become a world-renowned marketplace?

Providing a practical solution to a common problem

Product/Market Fit can be a matter of life or death for a start-up. If the proposed product or service doesn't reflect the expectations of a group of consumers, the project has very little chance of success.

From day one, the Vivino application has answered a question which many people ask themselves: *"Am I going to like this bottle of wine in front of me?"* The initial product's concept was simple. It was an application to scan labels and compare wines, with limited features.

By providing a practical solution to a common question and targeting the general public rather than wine experts, Vivino's strategy soon paid off. Once it launched, the start-up enjoyed 18 months of growth. *"It's not about having a good product; it's about having the best product,"* explains Heini Zachariassen, CEO and co-founder of Vivino. Within two years, the Danish company became the leading wine application of the 600 applications available on the App Store at the time.

Launching a product before embarking on further development

In the first year, Vivino's developers and users scanned some 5,000 bottles of wine: a respectable number, but nowhere near enough to become the leading wine application. Vivino was functional and user-friendly. The founders made the application available to download and encouraged users to photograph as many bottles as possible by organising a competition. The person who scanned the most bottles of wine would win a bottle opener! This was a stroke of genius: in just a few weeks, Vivino added nearly 50,000 products to its catalogue. The application's reputation grew rapidly and development continued, with several thousand new photos of labels added every day. *"When we reached a million users in 2013, our application was still dedicated to its core functionality and target audience,"* Heini Zachariassen says.



Founded in
2010



Employees
300



Total Fundraising
USD 221 M

In 2016, Vivino's teams mapped wine merchants, including in the United States and France, to match their bottles with the application's data. This was a major turning point for the Danish brand, now on its way to becoming a global marketplace. By rolling out this development strategy to an existing customer base of one million users, Vivino was ahead of the curve. *"To stay relevant in the fast-paced world of tech, we listen to our users' feedback and incorporate it into the app. Twice a month, we roll out an update to ensure a faster and better product, with more data and fewer bugs,"* Heini Zachariassen explains.

Building customer loyalty with personalised recommendations

The co-founders had to give up on some ideas along the way. The launch of the marketplace, for instance, didn't go as planned. *"Our application initially offered users the option to place an online order for the bottle of wine they had just scanned. This was a failure: it wasn't the right time in the customer journey to encourage users to open their wallets,"* Heini Zachariassen recalls. Particularly attentive to and aware of users' expectations, the company was able to adapt to provide the most relevant user experience possible.

"In addition to a solid product, we wanted to capitalise on the satisfaction that a user feels when scanning a bottle of wine for the first time," the CEO of Vivino explains. This was a winning strategy for this start-up which is now truly international. In recent years, the brand has redoubled its efforts to build long-term customer loyalty. By rating the wines themselves, users contribute to the application's algorithm and receive increasingly relevant recommendations. In 2021, customers provided 204 million ratings for 13.5 million bottles. The same year, Vivino closed a USD 155 million Series D funding round. *"Today, we're focusing our efforts on machine learning: we want to provide our users with increasingly personalised suggestions,"* Heini Zachariassen concludes.



ADVICE FROM HEINI ZACHARIASSEN

CEO and co-founder of Vivino

Always keep in mind that you're developing a product to meet your users' needs. Start with their feedback: analyse it and incorporate it into your roadmap.

Be willing to give up on some ideas if you realise that they're not relevant. It's better to rebuild a feature from scratch than to try to improve an unsuitable solution.

Your objective should be to develop the best product on the market: it's vital to provide the most relevant solution in comparison to competitors, even if the immediate value proposition isn't optimal yet.

Once the product/market fit is found, a start-up must identify the business model which best suits the product to ensure its long-term future. Many companies have struggled for years to find the right business model. Frédéric Mazzella, the co-founder of BlaBlaCar, has spoken of trying no fewer than six different models before choosing the transactional model which has made this car-sharing platform so successful, while Wallapop, the leader in mobile classified ads in Spain, successfully conquered a difficult market in under 10 years. For Rob Cassedy, the company's CEO, the challenge lay in adapting existing business models to Wallapop's identity, rather than the other way round: *"There have been three milestones in the classified ads market: the move from paper to online, the move from PC to mobile and the move to a transactional model. It was at this third inflection point that we found our way. The emphasis on personalisation, in terms of sellers, brands and items offered to our users, did the rest and enabled us to consolidate our position within this market."*

There are situations in which a radical change of business model can be beneficial.

There are situations in which a radical change of business model can be beneficial. A company's decision to change its model can be caused by a wide range of situations: the emergence of a revolutionary technology which radically transforms the industry, such as the advent of digital technology in photography, a change in usage, such as the gradual switch from desktop applications to mobile, or the arrival of a

competitor with a disruptive value proposition. This is known as a pivot: a change of direction to adapt a company's model and products to customer demand. This drastic decision may not be well received by the market, so management must be prepared to lose customers until the new positioning is understood and accepted.

Meilleurs Agents, a French online real estate service for individuals selling property, had to go through a major pivot in 2012. Sébastien de Lafond, co-founder of the company, explains⁷ that they decided to change their commission system: real estate agents now had to pay for meetings with individuals seeking to sell property, which was unprecedented. If at first their reaction was overwhelmingly negative, they ended up accepting it, with the number of subscribed agencies to this service going from 600 in 2014 to 12,000 in 2020. Sébastien de Lafond concludes that *"start-ups [...] are like butterflies, they have to undergo profound transformations [...]. Founders have to be ready to change their business model, their organisation and their managing team as often as necessary [...] it is often painful, [...] but when you decide to do it, go all out and don't look back"*.

Stewart Butterfield, co-founder of Flickr and Slack, made one of the most famous pivots: his initial ambition was to launch a massively multiplayer video game but the concept didn't appeal to players. Butterfield and his team singled out a feature which had been developed for this game: an internal chat system, which they turned into a dedicated application, Slack. It has since established itself as the preferred messaging service for many companies around the world and was acquired by Salesforce for USD 27 billion in 2020. A pivot can also involve rebranding. The French company Lunchr initially provided a card with digital meal vouchers, driven by a clear sense of purpose: to create a sense of well-being for employees during their lunch break. Eager to go further in its efforts to ensure workplace well-being, its founder Loïc Soubeyrand decided to rename the brand Swile, a contraction of "Smile at Work". This change paid off: Swile became a unicorn in 2021.

⁷ On voit bien que vous n'y connaissez rien !: Les secrets de réussite d'une start-up qui a renversé son marché - l'aventure meilleurs agents, Editions Eyrolles, 2020

In times of crisis, some companies are forced to overhaul the fundamentals of their business model to remain in business. This bounce-back phenomenon sometimes requires an even more fundamental change than a pivot.

In times of crisis, some companies are forced to overhaul the fundamentals of their business model to remain in business. This bounce-back phenomenon sometimes requires an even more fundamental change than a pivot.

The Covid-19 pandemic has disrupted entire sectors, including tourism, hospitality and culture. Some businesses have managed to reinvent themselves, emerging stronger from this crisis; Evaneos, which connects travellers with local travel agencies, is one such company. During the pandemic, it redefined its strategy by setting itself a new objective: to become the leading travel agency for “better trips” with tailor-made travel which benefits travellers, local economies and the

planet. By conveying this powerful message to their teams, Evaneos’ management managed to recover from the effects of the pandemic. This realignment with the company’s founding values has helped it to improve its image as a responsible brand; ultimately, this change has enabled Evaneos to consolidate its business model by boldly stating its positioning.

Of course, customer acquisition is the logical consequence of product/market fit, but so is customer retention. It is important to introduce effective measures to ensure customer retention. This involves building a customer success team. A new product is inevitably imperfect and there should be regular customer follow-up to avoid churn. For this department to be effective, it is advisable to put together an onboarding team to help customers to get to grips with the product and a customer care team which follows up on customer requests and can also produce documentation or FAQs. In e-commerce, which is a good example, monitoring customer retention via KPIs is crucial, in view of the strong competition within the sector. The retention rate is an increasing function of the number of purchases; a user is considered captive from his or her third purchase on the same platform⁸.

⁸ Interviews with CEOs of European marketplaces

Klarna®

“We have embraced the consumer’s point of view.”

Founded in 2005, Klarna is a FinTech scale-up which offers online and interest-free payments in three instalments and works with 400,000 partner brands. For some years now, the Swedish company has had a banking licence, along with its own B2C shopping application. Why did Klarna pivot from a B2B business to a B2C offering?

The desire to create synergies between B2B and B2C

Since 2016, users of the Klarna app have had direct access to a digital shopping centre. The platform serves nearly 8 million US consumers. Various brands including H&M, Sephora, Timberland and The North Face have signed commercial partnerships with the scale-up, whose valuation reached USD 45.6 billion in early 2022, following a massive investment by Softbank.

Sebastian Siemiatkowski, Klarna’s CEO and co-founder, rose to the challenge of transforming a FinTech specialising in commercial partnerships into a consumer goods brand. The synergies which have emerged have benefited all stakeholders.

Pivoting to a B2C shopping platform

Payment solutions are often designed to simplify processes for suppliers, rather than for consumers. Until 2015, Klarna was a traditional B2B payment company, focused on helping retailers to grow. That year, Sebastian Siemiatkowski took the decision to turn his start-up into a bank to extend the payment value chain. The CEO was mindful of the initial objective of providing

consumers with the best possible check-out experience for their online purchases. However, he seized the opportunity to leverage partnerships with brands to enhance the consumer shopping experience.

Embracing the consumer’s point of view, Klarna focused on offering flexible payments: the application makes it possible for buyers to purchase the things they like by paying in instalments. The “buy now, pay later” option was developed, without fees or interest. Klarna’s business model involved bearing all risks, both for consumers and for brands. Users loved it, becoming loyal customers who bought more and more from partner brands: the pivot was successful, with mutual benefits and a seamless end-to-end shopping experience.

Internally, switching to a B2C model required real adaptability. *“In B2C, customer expectations are huge when it comes to financial products and services, personalisation, compliance rules and even after-sales service. We revamped our organisational model at the same time, which helped our teams to change their mindset,”* explains Aoife Houlihan, Vice President of Global Communications at Klarna. The management team thoroughly reviewed how the scale-up operated before changing the company’s structure and way of working.

Instead of having traditional departments, Klarna created 300 small multidisciplinary teams, operating autonomously, with their own budgets, investment cycles and products. The revamp of the company’s organisational model revived the company’s performance at every level: each team’s scope was clearly defined, facilitating the implementation of KPIs and precise yet flexible processes. Today, Klarna solves the problems of its consumers and brands more quickly, all while continuing to develop.

Klarna’s B2B partners still play a key role: the scale-up has continued to focus on providing a quality shopping service, attracting new consumers and retaining

existing customers. With regards to B2C, the CEO has chosen to prioritise innovation to provide an attractive user experience. The application streamlines the shopping experience: users can shop at any online store, create and share wish lists and enjoy exclusive discounts. Klarna boasts celebrity investors and partners, such as Snoop Dogg and Lady Gaga, who help to attract and retain consumers, thereby strengthening the company's brand image.

Klarna continues its dual growth

The Swedish scale-up has successfully pivoted to a brand which is both B2B and B2C. Customers who use the Klarna application to make payments in instalments are naturally drawn to its partner brands, while consumers who go directly to the brands' websites are encouraged to use Klarna's application. The result is a virtuous circle with a high level of inertia. In 2022, the Swedish scale-up now operates in 21 markets around the world and continues to grow at an impressive rate, both with its consumers and with its partner brands.



ADVICE FROM AOIFE HOULIHAN

Vice President
of Global Communications
& Public Policy at Klarna

Take a step back from your company's development. If something is working very well at a given time, it probably needs to be restructured so that your business can grow faster. That was how we realised that we needed to rethink our entire organisational model.

If you want to switch from a B2B company to a B2C brand, embark on this transition before it becomes necessary! There will inevitably be difficulties and unforeseen events, so you might as well get a head start.

MAKING GOOD USE OF PARTNERSHIPS

Technological and commercial partnerships are sometimes needed if a company is to reach growth milestones. For many years now, large companies have been interested in working with start-ups and there have been numerous initiatives to try to find the best way to work together. This includes the creation of support and integration systems, including incubators and accelerators. Most often, these partnerships involve a proof of concept (POC), which can be a double-edged sword for start-ups: although it is a good way of demonstrating their expertise, it often requires significant resources and the personal involvement of executive management, sometimes with no real compensation for the time and effort involved and with no real guarantee as to its outcome. Start-ups must therefore take precautions when sharing technology, data or skills with large organisations.

Founded in 2018, Kinéis is a satellite operator and global connectivity provider. The French company draws on the expertise of the ARGOS system, created by CNES, the French space agency, some 40 years ago. The CEO of Kinéis, Alexandre Tisserant, emphasises the importance of the company's scientific partnership with CNES: *"Our technical director had worked there; this enabled us to develop a relationship of mutual trust*

without spending too much time on protocol and processes. This simplified access to management was vital in ensuring that we benefited quickly from the expertise and visibility provided by CNES." He adds that *"a partnership does not have to involve sharing intellectual property. It is important to define the boundaries properly so that it is mutually beneficial, and to be able to internalise again, if necessary, to reduce any dependency on the partner without exorbitant associated costs."*

In this situation, it is important to provide a proper contractual framework for the process, taking into account the long cycles of these groups, and assess the tangible benefits for the start-up. Lastly, partnerships with prestigious players can be a way to boost credibility and visibility in the eyes of investors.

Once it reaches the scale-up stage, a company is in a better position to negotiate business partnerships on an equal footing. It can then consider acquiring companies with similar or complementary activities, which is another form of partnership. This is known as *acqui-hiring*: the primary purpose of such acquisitions may be to expand a company's geographic scope or enter a related market segment to complement its existing portfolio of product offerings. Their success often depends on the affinity between executive management and between teams, along with the synergies which are created between the parent company and the acquired company.

Most often, these partnerships involve a proof of concept (POC), which can be a double-edged sword for start-ups: although it is a good way of demonstrating their expertise, it often requires significant resources and the personal involvement of executive management.

The primary purpose of such acquisitions may be to expand a company's geographic scope or enter a related market segment [...] Their success often depends on the affinity between executive management and between teams, along with the synergies which are created between the parent company and the acquired company.



“Cultural fit is a vital element of an acquisition. You may work with these people all your life, so it’s best if everyone gets along well.”

Malt, the French leader in freelancing

Vincent Huguet, Hugo Lassiège and Jean-Baptiste Lemée founded Malt, a platform which connects a network of tech freelancers with companies. After quickly becoming a key player in the French market, Malt finalised its first acquisition a few months ago by buying Comatch, a leading German company. This marketplace brings together highly qualified freelancers in various industries (finance, automotive, logistics, etc.). The two merged companies have 355,000 self-employed workers and 450 employees.

Given that one company’s acquisition of another is a key moment in their respective development, what drove Malt’s acquisition and to what extent will it ensure Malt’s profitable international growth?

The objective: “being German in Germany”

The acquisition of another player may be driven by a need for technological complementarity, the addition of a new product, the development of an additional activity or, as in this instance, the expansion of the company’s geographical scope.

This acquisition presented a twofold challenge for Malt: firstly, its geographical expansion (Comatch had a strong presence in Germany and elsewhere, including offices in London) and secondly, the development of a new market segment (given that half of its freelancers are former strategy consultants, Comatch had a premium positioning which Malt had not previously enjoyed).

A company which expands to another country (Germany, in this case) will need to develop a reputation with local customers and candidates. The most important aspect is to be seen as a local player, which is what Vincent Huguet calls *“being German in Germany”*. For this reason, acquiring a company with a team which is already functional in the target market has considerable advantages; this approach is known as *acqui-hiring*. Acquiring Comatch has helped Malt to grow internationally, strengthening its European leadership.

Cultural fit: a key element of any acquisition

A year before acquiring Comatch, Malt’s founders appointed an employee to the position of Head of Strategy and M&A, deciding to use someone with “insider knowledge”, rather than an external bank. Today, the Head of Strategy & M&A is responsible for PMI (Post Merger Integration) and supporting a team of French and German employees, from the teams at Malt and Comatch, to ensure that the merger is successful.

Another preliminary stage involved Malt drawing up a list of potential acquisitions within its industry. Vincent Huguet explains: *“Every story always has a rational side to it (which would have seen us focusing on the first name on the list) and an irrational side to it, the personal story.”* In this case, it was this irrational aspect which took Malt’s directors to Berlin during lockdown; they met up with Comatch’s founders and enjoyed their time together. *“We immediately felt that there was a good cultural fit and a common vision,”* which led to a more strategic thought process. Given the significance of their common market (the European

freelancing market has an estimated value of more than EUR 350 billion), they agreed to join forces and consolidate their position to counter the arrival of more powerful players from the USA or China.

In the end, it was this positive interpersonal relationship which led the two parties to choose each other over their respective competitors.

From a French company to a European business

This acquisition had an impact on the company's international development: *"Before, we were a French company which had subsidiaries abroad. Today, we're a truly European business."* More specifically, the acquisition has led to the systematic use of English both in discussions and in official documentation. Moreover, investing in a new country initially results in 100% of a company's turnover being generated in one country and 0 or 1% in the other country; inevitably, this has an effect on the company's product strategy, vision and management. Malt's CEO continues: *"This acquisition has created a positive shift: the core of the company now lies in the heart of Europe, rather than in Paris."*

Vincent Huguet and his teams decided that the two companies would remain independent for the time being, separating the two brands and the two distinct groups of employees. Paradoxically, given the cultural fit which led to the merger, the company's management are having to rein in their desire to work together: *"Once our plan is clearer, we will begin to work together but until then, we prefer not to rush into anything."*



ADVICE FROM VINCENT HUGUET

CEO and co-founder of Malt

When it comes to international development, managing the operation from afar is not enough: you have to put your heart and soul into it and go out into the field; the acquisition must represent much more than a financial deal.

It is important to understand who is at the helm of the company you are hoping to acquire: identify the right people, find compromises which are in everyone's interests and bear in mind that shareholders, who are primarily focused on financial matters, will have their say.

The acquiring company needs to get everyone on board, including employees, managers and shareholders. Although it may seem counter-intuitive, the company needs to focus more on selling itself (as a business) than on buying!

PREPARING EARLY AND MOBILISING SUFFICIENT RESOURCES FOR SUCCESSFUL INTERNATIONAL EXPANSION

International expansion is one of the keys to scaling up, particularly when a company's domestic market is not big enough for it to reach critical mass. This is an ambitious objective which requires preparatory work which must start well in advance of any launch in a new country. The first point to consider is the brand name: it must be easy to pronounce and write in several languages. The same goes for the product, which should be developed in several languages as early as possible, if resources are available. It is also vital to create and maintain an international culture within the company; this facilitates the integration of international professionals within the teams, encourages the widespread adoption of the company's culture and strengthens the employer brand in the countries in which the company plans to operate.

In return, these international employees enhance the corporate culture of a start-up, bringing in different approaches to business and management. It is also a real motivator for existing employees who are keen to push themselves to tap into these new markets. Executive management must go into the field to sound out market appetite, identify business opportunities and confirm or dismiss the country's potential before devoting significant resources to it. In this situation, approaching the foreign subsidiaries of companies which are already customers is an excellent way to boost legitimacy and obtain customer references in a given market. Investors also have a role to play: their contribution to the capital of international companies often enables them to act as matchmakers.

While expansion can sometimes be overseen remotely, it is better to send experienced long-standing employees to open a new office before building a team by recruiting talent locally. If one of the co-founders can move to the target country and spearhead this expansion, it will be more successful. Companies must also think carefully about the

It is also vital to create and maintain an international culture within the company; this facilitates the integration of international professionals within the teams, encourages the widespread adoption of the company's culture and strengthens the employer brand in the countries in which the company plans to operate.

countries in which they plan to operate. For example, entering the US market requires greater resources than when a European company launches in a neighbouring country; it may necessitate working with local advisers who are familiar with the country's business practices and can reach out to their own networks.

**Executive management
must go into the field to
sound out market appetite,
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or dismiss the country's
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significant resources to it.**

EQUATIV

“The time you spend abroad is invaluable when it comes to understanding the market.”

Equativ, previously known as Smart Adserver until 2022, offers online advertising management solutions. Included in the 2022 edition of the French Tech Next 120, the French scale-up has impressed with its international hypergrowth over the last four years. What's the best way for a tech start-up to expand to international markets? Arnaud Créput, Equativ's CEO, discusses the challenges of successful globalisation.

Developing a global international strategy

Most tech start-ups dream of marketing a scalable product or service around the world. Although Equativ's product was designed to be international from the beginning, the company's development hasn't always gone smoothly. *“We quickly understood that our ‘Frenchness’ was an issue. Our expertise was firmly rooted in France and our market was seen as being too focused on Europe. In addition, our employee turnover was very high internationally,”* Arnaud Créput points out.

The CEO explains his initial idea: *“It wasn't just about selling our product locally: we wanted to provide the same levels of expertise, advice and quality all over the world. That's when we started talking about ‘globalisation’, rather than ‘internationalisation’.”* The company set itself the objective of doubling the share of its turnover generated in the United States: this increased from 10% in 2017 to 40% in 2022 and the current objective is 60%.

“Globalisation doesn't necessarily mean having teams working on the same subjects. It means communicating easily with colleagues all over the world, accessing knowledge and skills,” Arnaud Créput explains.

Adapting company policy

In 2017, Equativ began its globalisation by recruiting a Chief Revenue Officer in London and a CMO in the United States. Part of the marketing and communication teams relocated to New York. *“For our customers, partners and investors, this is our company's internal and external identity. The public face had to be American,”* insists the CEO, who spends one week a month in the US to learn about the local culture. *“The time you spend abroad is invaluable when it comes to understanding the market, both to prepare your international expansion and, subsequently, to develop the business, recruit teams and create commercial opportunities.”*

To accelerate the company's expansion in the United States, Arnaud Créput and his teams worked with two local and senior advisers: Greg Coleman, former President of Criteo USA, and Mainardo de Nardis, who was CEO of OMD Worldwide for 10 years. *“They opened doors for us, advised us and helped us to think more*



Founded in
2006



Employees
500



Total Fundraising
N/A

globally,” Arnaud Créput adds. The French scale-up also sent various key roles to New York, including Infrastructure, Product and Quality Assurance managers. *“It was difficult for our Paris offices to lose these professionals but it was a vital decision which ensured that their expertise was shared.”*

The French scale-up also strengthened its credentials as a global company by offering all employees, regardless of local constraints and practices, a company-wide policy on healthcare, pension contributions and maternity/paternity leave. A hybrid remote working policy was also established, well before the pandemic, to give employees flexibility.

Successful globalisation for strong growth

Equativ also internationalised its customer service to cater to the platform’s global users. *“Initially, all customer support was in Paris. We now have three centres: one in France, one in Madrid for the rest of Europe and one in South America for the Americas,”* explains Adrien Thil, Equativ’s Development Director.

The French scale-up leveraged its globalisation to grow and make numerous acquisitions, with two main objectives: integrating new technologies and expanding the company’s geographical scope. In 2021, the company acquired DynAdmic, a start-up which generated 65% of its turnover in the US. As a result, the US share of Equativ’s turnover has grown from 20% to 40% and the company has increased its staff there from 25 to 85 employees. *“This acquisition ticked all the boxes of our ‘US-acceleration’ strategy, both in terms of its geographic location and its business expertise,”* Arnaud Créput enthuses. Today, Equativ offers its American clients the same level of expertise it provides its clients in France.



ADVICE FROM ARNAUD CRÉPUT

CEO of Equativ

Travel! A company can’t develop internationally from a single city. Before entering a foreign market, move to the country for 3 to 6 months. This is vital when it comes to understanding the market, the local culture and your start-up’s position within this environment.

Don’t rush to hire local employees. Cultural divides often lead to a lack of transparency in communication. You risk getting unclear feedback: if your new recruit is not up to scratch, you may be left in the dark. It’s best to relocate your best talent. Yes, it’s difficult but it’s important because they can share their expertise.

Once your international expansion is well underway, hire local talent and repatriate your expert talent, if that’s what they want. Work with senior advisers to hone your strategy and increase your commercial opportunities in the country.

4. QUALITY EXECUTION AND AUTOMATION: KEY ELEMENTS OF PROFESSIONAL DEVELOPMENT AND GOOD GOVERNANCE

AUTOMATING WHATEVER CAN BE AUTOMATED

Talent is the lifeblood of any company and the key to its development. Consequently, it is important to ensure that a company's employees benefit from the best possible conditions so that they can fulfil their potential. In phases of hypergrowth, founders expect employees to perform their tasks to the best of their ability. Automation is therefore of paramount importance: it enables teams to focus on high value-added tasks such as developing new product features, optimising the customer experience and entering new markets, given that they no longer have to concentrate on the most time-consuming tasks.

Robotic Process Automation (RPA) comes into its own in these circumstances: artificial intelligence is used to automate recurring tasks such as data processing, exchanges between IT systems and categorisation. It has many advantages, including a reduction in operating costs and therefore an increase in ROI. It also allows better management of customer data and therefore an improvement in the customer satisfaction rate, and increased motivation for employees whose professional skills are fully developed.

This is particularly important when a company is experiencing rapid growth and the number of users of its product or solution is increasing exponentially, faster than the number of employees the company is able to hire. In these instances, companies also need to ensure that their IT infrastructure can withstand the change in scale. As we have seen, scalability is fundamental to achieving growth. It is the original meaning of the term which interests us here: the ability of IT

Automation is therefore of paramount importance: it enables teams to focus on high value-added tasks.

infrastructures to adapt to high growth in demand for resources without causing latency or downtime. Scalability can involve software or hardware; in the latter case, the infrastructure can be expanded horizontally by adding servers to cope with an increased load, for instance, or vertically by increasing the performance of these same servers by adding RAM or processors.

Hiring a CTO with a long-term vision of this infrastructure is key when it comes to making relevant technological choices, including data hosting in the cloud or in data centres, SaaS or on-premise solutions and the programming language for the solution's back end. Not only will these decisions have an impact on the company's technical architecture, operating costs and production speed, they will also affect the company's ability to attract developers.

**Hiring a CTO
with a long-term vision
of this infrastructure
is key when it comes to
making relevant
technological choices.**



“Working to develop outstanding partnerships is a good way to ensure consistently high standards for your product.”

Refocusing on what really matters: employees

Payroll, expenses, leave and absences: PayFit is an HR management software for companies (VSEs and SMEs). The tool is automated, easy to use and reliable, which is particularly important, given that it processes sensitive data.

Having announced that it wanted to recruit 500 new employees in 2022 to support its hypergrowth, the company set itself the goal of developing technological gateways with partners to perfect its product and improve the user experience. Firmin Zocchetto, Florian Fournier, Ghislain de Fontenay and their teams aim to integrate their solution into a genuine ecosystem, providing a platform with different HR solutions which are perfectly interconnected.

How did the development of these partnerships provide an even better user experience?

Automating whatever can be automated to save time

The PayFit solution is designed to facilitate and streamline payroll management, which can be long and repetitive. This highlights PayFit's purpose: saving time and automating tasks for its client companies and all their employees. Unsurprisingly, PayFit's teams felt that there were high expectations about integrating technological tools provided by the tech industry (both in France and further afield) into the company's software.

In response, the company needed to enhance its solution, drawing on expertise which it did not have internally. According to the CEO, Firmin Zocchetto, this approach required humility, one of the four founding values which act as a compass for the company, along with kindness, passion and excellence. *“This is a principle which has always guided PayFit's founders, who were young when they launched the company: understandably, they sought advice from those who had the experience they lacked.”*

More broadly, the co-founders also saw this as an opportunity to facilitate the digitisation of other business processes, in addition to the HR-related issues which provided the initial impetus behind the company.

Creating technological gateways through the integration of partner tools

As it has grown, PayFit has developed many technological partnerships with other tech players familiar to its users. In view of the multitude of existing digital tools (which, in turn, address a multitude of issues related to HRIS, or Human Resources Information Systems), users can quickly feel confused; in this way,



Founded in
2015



Employees
1,000



Total Fundraising
EUR 434 M

a wide range of solutions can ultimately prove counter-productive.

PayFit makes it possible for its clients to merge some of the industry's best solutions with its own software by means of connections or even integrations. These include Qonto, Skello, Snapshift, Alan (to simplify employee health insurance contributions), Lucca (to provide comprehensive management of all HR processes), Swile (to offer employee benefits, particularly meal vouchers), Leapsome, Elevo and Javelo (to optimise the management of job interviews and performance monitoring).

Developed by PayFit's product and tech teams, all these integrations offer end-to-end automation in real time.

An increasingly seamless user experience

By centralising frequently used tools within the same software, these various integrations are time-saving, helping to benefit HR managers and entrepreneurs and all their PayFit users. Synchronising their personal information simultaneously avoids double manual entry and the risk of errors.

PayFit can therefore boast a better, more comprehensive and safer user experience. By creating these technological gateways, which constitute challenging projects for the company and its teams, PayFit covers an increasingly wide range of lines of business, thereby contributing to their digitisation. The company is understandably proud of this: *"Working to develop outstanding partnerships with key players of our ecosystem ensures that our clients always get the best user experience."*



ADVICE FROM FIRMIN ZOCCHETTO

CEO of PayFit

**Look elsewhere for the expertise
you don't have in-house**

**Strive to improve the customer
experience continuously, whether
through internal developments,
integrations or partnerships.**

CREATING A STRUCTURE TO ENSURE SIMPLICITY

As a start-up grows, team structure becomes an increasingly important issue. It is particularly important for scale-ups which are already well established in their market and which want to take their growth to the next level. Initially, many start-ups have a very horizontal organisation with few hierarchical levels, and are suspicious of large groups' sprawling organisational charts. Creating additional layers of management isn't a miracle solution, while implementing multiple processes can confuse teams. However, when a start-up finds its product/market fit and seeks to enter new markets, it is often necessary to add a layer of middle management to consolidate the company. This often results in the integration of C-level directors (CFO, CMO, etc.) from companies which have already experienced this growth stage.

Creating additional layers of management isn't a miracle solution, while implementing multiple processes can confuse teams.

Once again, corporate culture has an important role to play. Strong values provide a solid frame of reference which can replace processes, particularly in hyper-growth companies whose organisational charts are understandably fluid. They are more flexible and easier to follow than processes. What's more, employees often join a company because they are fully committed

to its values; as a result, this framework empowers them to carry out their tasks. Exotec is a French company which develops robotic and software solutions to optimise order preparation and logistics; its values include "Build products, not projects" and "A deliverable, a date, a leader", which are practical principles which can directly be applied by the company's teams.

When a company becomes a unicorn with several hundred or even thousands of employees, its organisation inevitably needs to be reviewed, particularly to ensure continued flexibility which is critical to tech start-ups' success. Projects sometimes become so complex and transverse (and, in turn, it becomes so difficult for teams to work together) that the company is forced to refocus on the fundamentals. There are organisational and management models which foster autonomy, employee initiative and continuous improvement, such as lean management.

Based on the production system invented by the car manufacturer Toyota, this aims to minimise processes which do not add value to the final product. It involves a visual representation of projects or Kanban, another component of lean management, which provides an overview of projects' progress and makes it possible to identify any sticking points quickly.

Qonto, a European neobank for SMEs and the self-employed, built its initial success on its agility. Its dazzlingly quick scale-up led it to develop the Qonto Way: a genuine managerial philosophy inspired by lean management which is at the heart of the company's strategy. It is applied to all employees and aims to make it possible for managers and teams to improve continuously and consciously. This improves the quality of delivered projects because it ensures that the company's developments are always on the right track. Qonto has also established a Founders' Unit: a team working with the founders which works to align the company's teams with their vision and encourage the sharing of knowledge internally; in this way, it prevents the company's values from being watered down, something which is often observed with hypergrowth.

**Strong values
provide a solid frame
of reference which can
replace processes,
particularly in hypergrowth
companies whose
organisational charts are
understandably fluid.**



"Collaboration takes time but it really pays off."

The European Marketplace which continues to grow

ManoMano, a European Marketplace which specialises in DIY and gardening, has experienced spectacular hypergrowth. In just five years, its workforce has increased tenfold, along with its business volume which now exceeds EUR 1 billion. However, this meteoric rise has led to various organizational and collaborative challenges and issues for this unicorn, which called for changes to the company's organisation, processes and technology.

Reshaping the company's internal structure to make it a growth pillar

Once the increasing complexity of the product's functionalities and the level of interdependence between the company's initiatives became clear, ManoMano set about developing a new model of governance and organisation. Its objective? Delivering customer-centric and profitable value at the right time. The company also wanted to attract and retain the best talent while helping them to flourish as members of motivated, successful and happy teams. The decision to introduce this new model was driven by a desire to put ManoMano on track to develop a virtuous cycle,

enabling the company to grow seamlessly, learn and improve continuously and adapt quickly to hypergrowth, thereby ensuring the best possible performance at all times.

Finding organisational balance

To meet these challenges, ManoMano established the ManoMano Advanced Collaboration System (MACS), designed to be the organisational balance point between the company as a start-up and the company as a large group. Based on engineering, product and Agile best practices while being tailored to ManoMano's culture and values, the framework was built on four agility-related pillars: alignment, transparency, programme execution and integrated quality. It forms part of the company's ongoing commitment to strengthen its product culture and its business-centric and customer-centric duality.

One of the framework's new developments was the creation of "trains". Inspired by Agile@Scale, these mega teams⁹, aligned with a specific value chain, are made up of 5 to 12 self-organised multidisciplinary teams which explore, deliver and maintain the products for which they are responsible. Every train has three drivers: the Head of Product, the Head of Engineering and the Agile Delivery Leader. There are now seven trains; their structure is inspired by the book *Team Topologies: Organising Business and Technology Teams for Fast Flow* by Manuel Pais and Matthew Skelton:

Four stream-aligned trains which are designed to have the greatest positive impact on the experience of marketplace stakeholders:

⁹ or "team of teams", inspired by the book *Team of Teams: New Rules of Engagement for a Complex World* by General Stanley McChrystal



Founded in
2013



Employees
1,000



Total Fundraising
USD 725 M

- the B2C Visitors train (individual visitors to ManoMano);
- the B2B train (professional customers and visitors to ManoManoPro);
- the Buyers train (7 million active customers);
- the Sellers train (4,000 retail partners sell their products on ManoMano in Europe).

One complex sub-system train, responsible for the development and maintenance of a key pillar with a high level of specialist knowledge: the Catalogue train (16 million products available online on the website).

Two platform-focused trains which aim to provide services for other trains: the Data train and the Platform train.

Another key feature of MACS is the quarterly event where all the teams (400 to 500 people) come together in hybrid mode (meeting face-to-face and remotely) to develop the quarterly roadmap together. This process empowers the teams to define their objectives and key results (inspired by the book *Measure What Matters - How Google, Bono, and the Gates Foundation Rock the World with OKRs* by John Doerr), encouraging collective engagement to deliver the company's vision and generate impact for customers.

Achieving strategic goals and boosting predictability through collaboration

Introduced in July 2021, the MACS system has already yielded results in qualitative terms. There is much less friction between teams, departments and different roles and delivering value has become less time-consuming. It has become more natural to collaborate on complex issues and these trains are now able to manage dependencies and transverse issues better.

The impact is even more tangible in quantitative terms: the predictability rate of value creation has increased from less than 60% to approximately 80%. This has enabled ManoMano to achieve its strategic goals by increasing collaboration, autonomy and alignment.



ADVICE FROM STÉPHANE PRIOLET

CTO of ManoMano

Soft skills are the hard skills of tomorrow.

If a company is experiencing a strong growth phase, the ability to collaborate effectively across teams will become increasingly critical. We see collaboration as a muscle which needs to be strengthened with a system and tools which encourage, challenge and support it.

Balancing autonomy and alignment with accountability.

Extreme autonomy can be the result of a start-up's past practices, taken to an extent which often borders on "superhero mode". As a company grows, it is interesting to deconstruct this mode and foster the aligned autonomy of individual teams and a team of teams. At ManoMano, we use the OKR system combined with transparency and commitment, to ensure that the organisation and the staff are aligned with a common and meaningful goal.

A learning organisation is an organisation that is continually expanding its capacity to create its future.

At ManoMano we believe that our goal is to be an organisation which learns and adapts organically. Although often dismissed as a myth, it is advisable to begin by ritualising retrospectives, post-mortems, communities of practice, book clubs and learning-related half-days (which we call "crafternoons" at ManoMano), firstly in teams, across teams, with a whole department and, lastly, with the entire organisation.



Company culture & growth: rethinking the traditional org chart

The global leader in digital experience intelligence and analytics, Contentsquare analyses trillions of digital customer interactions, and transforms this data into insights to optimize the digital experience. In ten years, the French unicorn founded by Jonathan Cherki has grown from 30 to 1,500 employees. Governance, centralisation, communication, corporate culture: hyper-growth presents various challenges which can make or break a start-up. In May 2021, Contentsquare closed a one-off USD 500 million funding round. How did the French start-up adapt its organisational set-up in response to the growth of its teams?

A culture built on strong values

From the very beginning, Contentsquare has always had a powerful company culture. *"In 2016, consultants helped us to clarify our values so that they could be integrated at every stage of the employee journey,"* explains Nicolas Fritz, Contentsquare's Chief Operating Officer (COO). *"Our founder is still with the company, along with several employees who have been with Contentsquare from the start. We've seen the culture evolve and strengthen but our founding values are still part of the company DNA."*

Fostering a collaborative work environment is another key priority for Contentsquare which has always encouraged its employees to share their views. *"Communication within teams and between teams is vital:*

everyone must be able to say if something is not working the way it should," the COO says. *"When employees are fulfilled, they share their ideas, whether those ideas are about the product, the process or something else."*

As the company expanded internationally and multiplied acquisitions, Contentsquare reviewed its governance. The start-up chose to keep a centralised system: all Contentsquare subsidiaries around the world report to a single Chief Marketing Officer (CMO), for example. This system is used within each department (Finance, Legal, Sales, R&D, Product, etc.). *"We didn't want to create a company for each of the countries in which we operate. We have regional budgets and specificities but the teams have learned to work together remotely,"* Nicolas Fritz adds.

Escaping the confines of an organisational chart

To consolidate its values and corporate culture, Contentsquare invested significantly in internal communication. A team shares internal newsletters and video content, ensuring that all employees have the same level of information. The COO emphasises the importance of rituals: *"From the very beginning of Contentsquare, we introduced our 'Fireside Chats', discussions which give everyone the opportunity to share their questions with the CEO Jonathan Cherki."* And every year, the whole team — or CSquad, as we call it — comes together for a three-day event to focus on the company's values and objectives: *"It's an opportunity to discuss strategy and business together, look ahead to the next few quarters and strengthen the links between different teams while having some fun."* Contentsquare has historically embraced a project-based organisational model, which is now part of



Founded in
2012



Employees
1,500



Total Fundraising
USD 810 M

the company's DNA. *"It's not a free-for-all. We of course have executives across every department who report into our CEO, but the decision-making model remains decentralised,"* Nicolas Fritz explains. Every employee contributes to product development and the company's organisation. *"I'm responsible for on-boarding new recruits and one of the presentation's first slides is dedicated to disrupting the traditional organisation model. At Contentsquare, we don't want to be confined to a hierarchy in which employees can only interact with their line manager,"* explains Nicolas Fritz. *"We've built the kind of cross-functional organisational culture where every team member can take part in projects that truly impact the business. We also host an annual Hackathon that gives every employee the opportunity to influence the product roadmap."*

When it comes to acquisitions, Contentsquare conducts preliminary audits to identify any potential friction points. When integrating or joining forces with a new company, the French tech leader is mindful of making space for the other company's culture. When it acquired Hotjar, for example, which has built a strong company culture and identity over the years, this was top of mind. Contentsquare's COO is clear: *"Hotjar's teams work asynchronously. They hold very few meetings but everything is documented. And all employees are remote, whereas one of our priorities has always been to develop a strong workplace culture around our physical office hubs. We don't want to impose our corporate culture on them."*

Creative, flexible and motivated teams

Contentsquare's success is partly driven by its employees' creative potential, energy, autonomy and ability to work together on different projects. The company's model is a far cry from a compartmentalised hierarchy: the teams benefit from a flexible approach, working on projects for which they are responsible.

To ensure that its values continue to play a key role, Contentsquare regularly asks its employees about their experiences and opinions. *"One day, several employees from the same team told us that they were unhappy. We had appointed a competent but slightly rigid manager who believed that their team should abide by all their decisions. We had to remind them of Contentsquare's values,"* Nicolas Fritz says.



ADVICE FROM NICOLAS FRITZ

COO of Contentsquare

Senior managers should embody your company's values. When recruiting a new C-level executive, it's better to choose someone who has perhaps less experience but is perfectly aligned with your values.

When your start-up begins to expand to other regions, send your best talent to become your brand ambassadors there.

Appoint a manager (the COO, for instance) to be responsible for anticipating problems which your teams may face in the future.

There comes a point in the growth of a start-up when the founders can no longer be as involved as they were in the beginning. For an entrepreneur who is used to overseeing operations, this transition can be tricky. Recognising the need to delegate while focusing on the bigger picture, some company directors opt to recruit a Chief of Staff. This role can prove to be key for a company. Originating in the political and military worlds, the Chief of Staff role is becoming more common in tech and other companies. This multi-faceted role combines operations, strategy and external relations. The skills of a Chief of Staff can vary, depending on his or her professional background and aptitudes, and the scope of the job also depends on the needs of the directors he or she supports and the company's existing structure, particularly if the company already has a COO, since their roles may overlap. When establishing a board of directors, a CEO will immediately think of recruiting a CFO, a CMO or a Head of Sales; a Chief of Staff can be the ideal complement to this classic structure.

The Chief of Staff role [...] combines operations, strategy and external relations.

Consistently at the heart of the company, the Chief of Staff's main responsibility is to direct the teams to achieve the objectives identified by the management. Often involved in transverse projects, he or she identifies issues which could hamper the company's growth by prioritising them, involving the right people and focusing on business issues, if the need arises. Consequently, a Chief of Staff acts as a catalyst: he or she plays a key role in the implementation of the founder's strategy, translating it at an operational level, implementing processes and introducing a more horizontal organisation if it has become too vertical. Other Chiefs

of Staff help to make their CEO's life easier by optimising his or her schedule and clarifying issues before handing them over. Their communication skills are also appreciated because they can act as a sounding board for the CEO, both internally and externally. Philippine Rougevin-Baville, Chief of Staff at Qonto, sums up her role in the following way: "My job is to make others succeed."

SEEKING SUPPORT TO STRENGTHEN CORPORATE GOVERNANCE AS SOON AS POSSIBLE

While organisational structure is key for scale-ups, governance isn't always a priority for a company's founders; instead, they often focus on developing products and services with the aim of marketing them and gaining market share. However, the prompt establishment of a board of directors can be key to a company's development. This body can act as a supervisory entity, ensuring that the company remains true to the strategic direction chosen by the management and providing different perspectives. Initially, it is important to ensure that the board of directors and the management committee don't step on each other's toes. To lay the groundwork, some CEOs draw up a founders' agreement: this is a relatively informal agreement which is a precursor to the shareholders' pact and which aims to protect the founders' interests, particularly from investors whose vision is more short-term than that of the founders.

Consequently, one needs to ensure that the board of directors features a range of profiles. In the early stages, it is advisable to involve experienced entrepreneurs and business angels. For a fast-growing company, the board should include representatives of all stakeholders: founders, investors and independent directors, who play a crucial role. They can have both sector-specific expertise and business acumen, while providing an unbiased and objective view of the overall workings of the company, far beyond a mere assessment of its financial performance.

For a fast-growing company, the board should include representatives of all stakeholders: founders, investors and independent directors, who play a crucial role.

A closer look at scale-ups' boards of directors confirms these trends¹⁰: they have an average of eight directors, of which only 20% are women and 20% are international, and 95% of these boards are chaired by a founder. Directors representing investors have a prominent place: they account for 46% of board members, compared to founding members who make up 22% and independent directors who constitute 16%. The average term of all these board members, who meet four to eight times a year, is three years. However, it is crucial to ensure compliance with international financial and environmental standards at an early stage and this is partly the board's responsibility: 78% of companies report in accordance with international standards.

It is true that being an entrepreneur can be a lonely business and this solitude tends to become more acute over time. To overcome this, many entrepreneurs work with experienced advisers or mentors. There are as many kinds of advisers as there are entrepreneurs but there is one common denominator: a passion for entrepreneurship and the transmission of knowledge. Entrepreneurs look for a wide range of

skills in their mentors, from human qualities (listening skills, empathy, altruism, objectivity) to soft skills (the ability to grasp a new subject in a short space of time, solve complex problems quickly, take a step back or think abstractly). A sense of mutual trust is key to a successful relationship between a mentor and a business leader which is beneficial to both parties.

Consequently, in addition to any potential remuneration, mentors must also derive intellectual satisfaction and believe in the project in which they are involved. This professional relationship is developed and must be maintained like any relationship between two people; it also requires a period of adaptation. It transpires that 32% of scale-up founders are supported by a mentor, with whom they interact twice a month on average, with 3% of them even sitting on the company's board of directors¹¹. There are many reasons for which people turn to these advisers: to benefit from their network, to give them a role as an ambassador for the company, to ask for an outsider's honest view of particular problems or to ask for their professional expertise in their line of business. For scale-ups which establish a board of directors to ensure structured governance, a mentor is vital to develop real growth governance and may even be asked to take on the role of chairman or chairwoman of the board.

In addition to the key role played by mentors, the board of directors must fulfil essential duties. The board must not hesitate to question the strategic objectives chosen by the company's leadership, they must anticipate business risks and opportunities and they must adopt an intermediary role in the event of an emergency or a crisis. The strategic topics which are most commonly discussed at board meetings are business strategy, international expansion and financing. The board of directors also decides whether to replace the founders with new management if the board believes that they are no longer best placed to pursue the company's growth. However, directors also have personal responsibilities: they must not hold too many directorships, they must assess their own performance annually and they must be prepared for every board meeting.

¹¹ IFA/Roland Berger study, The Governance of Innovative and Growth Companies, 2022

¹⁰ IFA/Roland Berger study, The Governance of Innovative and Growth Companies, 2022

CHANCE

“When an adviser calls you at 5 in the morning before an important event, it’s not business any more: it’s a professional friendship.”

A movement for equal opportunities

In the words of its co-founder Ludovic de Gromard, Chance is *“the most advanced career guidance system for adults”*. The company has the worthy goal of improving equal opportunities and social mobility with its digital platform which combines PsyTech and Social-Tech. Chance is an online cognitive science-based coaching programme for people who are considering a career change which helps to reveal their long-held ambitions.

Chance came about when its future founder met the man he considers to be his role model. As a student in San Francisco, Ludovic de Gromard was exploring the social business models developed by Nobel Peace Prize winner Muhammad Yunus and managed to persuade him to become the Honorary President of the

company which they founded together. Today, there seems to be an even more widespread desire and need to work with advisers, as he confirms: *“As a leader, you can sometimes feel quite isolated without a manager to turn to. Working with advisers provides real perspective; their expert analysis is valuable in its own right.”*

Why is it important to work with advisers when creating a start-up? What vital role did they play in Chance’s development and how did they help the company’s managers to make the most important decisions?

Working with opinion leaders to achieve a powerful social objective and increase impact

From the outset, Chance’s co-founder worked with numerous advisers (a term he prefers to mentors, which is more indicative of a top-down relationship). At the heart of this valuable ecosystem, he differentiates between the roles played by advisers, ambassadors and business angels. These advisers included Françoise Gri, former CEO of IBM and Manpower, Robert Dilts, a world leader in coaching and neuro-linguistic programming (NLP), and Elena Tej Grewel, former Head of Data Science at Airbnb.

Although it may seem counter-intuitive, being a good adviser doesn’t depend on cognitive ability or years of experience. The brightest professionals with the most industry expertise won’t necessarily be the quickest to get to grips with an unfamiliar subject. In addition, a good adviser must be empathetic, a good listener and a problem solver. Similarly, a good adviser needs to be held in high regard by the advisee: Chance’s CEO stresses that this is a prerequisite for establishing such a relationship.



Founded in
2015



Employees
75



Total Fundraising
EUR 20 M

Being able to rely on advisers to overcome difficulties

In 2018, Chance made a major change to its strategy and the company's founder was forced to lay off 80% of the workforce. Although he was deeply affected, he was able to count on his advisers' help : for instance, Robert Dilts provided him with psychological support just a few hours before he had to announce the loss of some fifty jobs, for instance. *"When an adviser calls you at 5 in the morning before an important event, it's much more than business: it's personal support, it's a professional friendship,"* Ludovic de Gromard says, insisting that Chance wouldn't be here today without this support.

The entrepreneur who receives advice clearly benefits from this relationship, but how can it be nurtured in the long term to ensure a truly reciprocal relationship?

Chance's co-founder argues that advisers are driven by a desire to be part of an initiative which benefits society (in this instance, encouraging equal opportunities), particularly when this is an entrepreneurial initiative which, by definition, is unpredictable and exciting. The fact that it is intellectually rewarding to be called on to provide advice also plays a role, particularly when the subject is outside an adviser's usual scope.

Professional friendship: part of a virtuous circle

The issue of *intuitu personae* is key when it comes to working with advisers. In many cases, as in this instance, advisers are won over by the merits of the project they will be supporting and, in fact, are driven by a desire to help the person behind the project.

This leads to the development of a virtuous circle: this desire to help other people, which was the catalyst behind Chance, is now a fundamental part of the company's own business model: the participants, 20% of whom go on to become entrepreneurs themselves, benefit from the community's support.

The company's model is a far cry from a transactional approach: instead, solidarity is championed by Chance and all its stakeholders.



ADVICE FROM LUDOVIC DE GROMARD

CEO and co-founder of Chance

Choose several advisers who can provide support on different subjects and work with a range of profiles: from people of your parents' generation to friends to whom you could also act as an adviser in other circumstances.

Being a good adviser means asking the right questions. There's only one way to find out whether a potential adviser has this skill: describe a problem to someone and see how he or she would be able to help you to solve it.

Encourage your adviser to work with your colleagues: when there's real chemistry, it's a good idea to scale up the relationship's benefits and develop a new professional friendship!

DEVELOPING AN ECOSYSTEM OF INFLUENCE

To unite customers and partners around a product, it is important to develop a real ecosystem of influence. This involves participating in key tech and industry-wide events which give start-ups the opportunity to speak in front of their peers and their core target audience, share their common experiences, benefit from a platform and build relationships with key players for their development: investors and major corporations. The creation of user communities is also beneficial; companies can use these communities to collect feedback on their product, better understand the expectations of the communities' members and communicate corporate values more extensively.

But joining incubators, and then accelerators, is a process which many start-ups go through and which can play a decisive role in their success. Incubators support early-stage start-ups and aim to help entrepreneurs to get their project off the ground. We are particularly interested in accelerators because their main objective is to accelerate business development and growth through personalised support. At the forefront of these institutions is Station F, the largest start-up campus in the world. Home to 1,000 tech start-ups, it hosts 30 acceleration programmes run by major groups, schools and entrepreneurial networks in different business verticals. It provides a range of services for start-ups: nearly 200 international investment funds are present on site and 30 public services have offices to assist with administrative procedures.

The creation of user communities is also beneficial; companies can use these communities to collect feedback on their product, better understand the expectations of the communities' members and communicate corporate values more extensively.

The campus also has a job board with vacancies for nearly 1,000 positions: this boosts the visibility of the start-ups on campus and strengthens their employer brand. The focus on network development is at the heart of the model: Station F's structure makes it possible to establish commercial partnerships and pass on technical expertise, particularly from large groups to start-ups. It also boosts the visibility of its members' projects by organising annual Demo Days. While these services are appealing, start-ups are seeking a positive ROI when they join this type of structure. This was not a central element of acceleration schemes until a few years ago but it is now crucial to ensure their appeal.

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“Leverage all the services that acceleration structures can offer.”

Whatever a company's development stage (early stage, scale-up, late-stage), there are many benefits to joining acceleration structures, through the competitions and calls for applications which these structures regularly organise. These benefits include networking, access to financing and the tailor-made services for high-growth start-ups. Founded in 2012, Seedstars is a Swiss company on a mission to impact people's lives through technology and entrepreneurship, thanks to a range of capacity-building, investment and innovation ecosystem-building initiatives.

Programs for every stage of growth

Seedstars provides programs for start-ups throughout their lifecycle: from ideation to expansion and internationalisation and at every stage of development. Support from this kind of structure can help entrepreneurs to reach growth milestones: first-time founders can launch their businesses through incubation programs, early-stage founders can develop their product/market fit with acceleration programs and seed ventures can find the keys to repeatable growth and expansion. Doris Clemenz, Program Manager at Seedstars, emphasises the importance of these companies: “We believe in high-growth ventures: these companies create significant numbers of jobs and have a scalable social impact.”

Networking with peers and investors

The company has a network of more than 250,000 stakeholders, including 30,000 entrepreneurs, 1,200 active mentors and 700 active investors across all regions. Seedstars focuses on bringing together the various stakeholders of each innovation ecosystem; every start-up which joins a Seedstars program can access this community and these networks during the program; companies can also benefit from an active alumni community of like-minded peers, resources and further training courses.

In alignment with their values

Seedstars is guided by strong values which influence its decision-making process: *get sh*t done*, not simply for the sake of doing things but as change-makers pursuing entrepreneurship support and progress; in experiments we trust, because the company is keen to push the boundaries of current knowledge through data-driven experiments; *independently together*, to encourage a synchronised way of working; *out of the comfort zone*, to challenge the status quo by constantly trying new things; *follow the money*, which acts as a reminder of the financial implications of decisions; *hack the system*, a mantra which encourages employees to move quickly, even with few resources; keep it Swiss, to deliver the ultimate value on schedule and with real attention to detail and, last but not least, no excuses, because every employee is accountable for his or her actions.

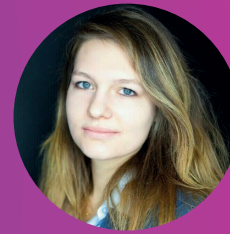
These values are reflected in the projects backed by Seedstars: together with Grameenphone, a leading telecommunications service provider in Bangladesh, Seedstars launched GP Accelerator, a four-month on-site program for early-stage ventures across Bangladesh. “The aim of the program was to accelerate companies and provide entrepreneurs with the knowledge and tools to find their product/market fit and scale their businesses,” Doris Clemenz says. It featured weekly workshops and four on-site bootcamps with

international mentors from the Netherlands, Thailand, Sri Lanka, Portugal and Turkey, focusing on lean methodology, product development, marketing and fundraising basics.

To help to tackle issues of web accessibility, Seedstars also partnered with Mada, a non-profit organisation based in Qatar which works to improve local and international ICT access to help people with disabilities and the elderly. The objective of this partnership was to find the best tech solution to improve access to quality education, transportation, tourism, sports and retail for people with disabilities. Working with Mada, Seedstars launched the Mada ICT Accessibility Award and organised an open call for ventures around the world. During the screening process, 20 promising early-stage ventures were selected. Key criteria included the proven presence of a demonstrable product or service (MVP), the ability to scale and a market launch within the last four years.

An innovative acceleration model

The company also focuses on venture capital activities with Seedstars International Ventures, the first seed-stage venture capital fund dedicated to global emerging and frontier markets. The fund has invested in more than 30 companies across Africa, Asia, Latin America, CEE and MENA. The Seedstars International Ventures team and the acceleration team are in regular contact about programs which reflect the VC branch's investment focus. This explains why Seedstars has such impressive access to a diverse community of investors and is able to provide support for the due diligence and investment processes: its network includes more than 3,000 investors (including business angels, corporate investors, funds and development banks) across more than 50 markets.



ADVICE FROM DORIS CLEMENZ

Program Manager of Seedstars

Don't rule yourself out by not applying and don't be discouraged by the application process for an acceleration program, no matter how competitive it might be. If you have a product which meets a genuine customer need, you have a chance of being chosen to join the program.

Once you've been selected, make sure you get the most out of the program. Leverage the network of peers, mentors and investors which an accelerator structure offers you. Take an active part in sessions, do your homework and ask questions. Take advantage of the brilliant minds which are available to you.

After the program, keep in touch! In addition to providing you with valuable knowledge and skills, the program can also help you to develop your current network. Make the most of alumni groups, keep meeting up with peers and stay in touch with your mentors and advisers. The founder journey can be tough: surrounding yourself with people who understand or have been on this journey themselves will change your life.

5. ACCESS TO FINANCING WHICH ALIGNS WITH THE COMPANY'S AMBITIONS

SETTING CLEAR AND SEQUENCED FINANCING OBJECTIVES OVER TIME

While it is often the amount raised which makes the headlines, this is not always the best criterion by which to assess a company's viability. Given the current economic climate, the pace of "mega rounds" is starting to slow down. Hypergrowth is no longer sufficient for investors, who need companies to prove their profitability before they can agree to support them. At the same time, business leaders must be careful not to compromise themselves in a bid to raise funds at any cost; this would lead them to lose sight of their initial objective. Fundraising is a means to an end, not an end in itself, and the relationship with investors is built on mutual trust. Over-valuation can be a danger: if a company does not grow sufficiently between two rounds of financing, it runs the risk of having to launch a down round, which could scare off investors and lead to a damaging spiral in terms of its development. The unit economics must also be sound: this metric assesses the costs and profits of an individual unit sold (such as a journey for a chauffeur-driven passenger vehicle company) and makes it possible to anticipate future profits and financing needs. To this end, it is important to anticipate these needs so that a company does not start to raise funds only when it finds itself in a critical situation.

Among the approaches which have a significant impact on a start-up's future, the admission of new shareholders is at the top of the list. While sustainable financing of the company's growth is essential, company founders must ensure that this does not lead to their share being diluted. With each round of financing, shareholders should have the opportunity to invest in 20 to 25% of the company's capital; this should lead to the company's valuation being tripled. If the valuation does not reach this threshold, there is a risk

Over-valuation can be a danger: if a company does not grow sufficiently between two rounds of financing, it runs the risk of having to launch a down round, which could scare off investors and lead to a damaging spiral in terms of its development.

Investors must have in-depth knowledge of the ecosystem and its trends: it is their responsibility to share their expertise on this subject with the company's founders, rather than the other way round.

that the founders' share will fall below 50%; this could undermine their interest in developing the company and make a company's capitalisation table less attractive. An unequal distribution of capital which benefits the first investors, such as business angels, could discourage other investors from focusing on the long term. It is therefore imperative to ensure that the rate at which the company opens up to shareholders works for every stakeholder.

The main factor when choosing financial partners is their ability to provide funds but this is not the only requirement. Their financial scalability (their ability to follow a company from one financing round to the next) is essential because it enables these investors to protect themselves from latecomers who arrive in round C, for example, and then take precedence over those who arrived in round B. By avoiding this dilution, these investors position themselves as long-term strategic partners. Investors' geographic scalability is another key point because it often determines the success of international expansion: their experience in financing foreign companies and their network are invaluable assets in this respect. Their knowledge of regulations and their ability to influence them are also valuable, especially when a company's activity involves significant compliance issues, as is the case with FinTech and InsurTech. More generally, they must have in-depth knowledge of the ecosystem and its trends: it is their responsibility to share their expertise on this subject with the company's founders, rather than the other way round.

In addition to a company's choice of partners, its choice of financial instruments is a key issue: there is a wide range and these instruments ensure that a company does not have to open up to shareholders too often. Operating debt, based on the company's assets, can be used to finance working capital requirements. The advantage of this method is that a bank's financing of working capital ensures that there is no dilution and the cost is relatively low. In return, banks will need securities for assets such as product stock. If a start-up is growing rapidly but is unable to offer these securities, they can also seek out venture lending: pending major fundraising, these loans generally have a higher interest rate than bank loans but are coupled with share warrants which enable investors to acquire shares in the start-up with an additional return.

swile

“The speed of a scale-up’s development is determined by its fundraising.”

Formerly known as Lunchr, Swile is a French scale-up which was founded in 2018 by Loïc Soubeyrand; it is the first employee super app which provides a unified, personalised and modern experience to enhance engagement at work. This Montpellier-based “unicorn” has experienced extraordinary growth, reaching a valuation of USD 1 billion just three years after it was founded. After establishing itself as the leader in digital employee benefits in France, the scale-up planned to expand to Brazil and Mexico. How did Swile’s management work with the company’s investors to optimise funding?

Tailoring the search for investors to the company’s growth

The issues of monetisation and profitability arise relatively early in the life of a start-up, once a product/market fit has been clearly defined. “Swile had to identify the type of investor it wanted to target fairly quickly. The more mature the company, the more focused its investors are on profitable and sustainable growth and the more fundamental these issues of monetisation and efficiency become,” explains William Kunter,

Swile’s CEO. *“It all starts with growth in turnover. The challenge for Swile lay in establishing a profitability trajectory before presenting it to the right investors and ensuring its continued development.”*

Initially, Swile was supported by the network of its CEO Loïc Soubeyrand and several business angels. To persuade its first investors, the FinTech’s equity story included KPIs regarding revenue growth, number of users and NPS, proving the existence of both a product/market fit and significant traction. Once the product was launched and the company began to grow, Swile won over Series B and C investors by presenting a solid development strategy. The FinTech is conscious of the varying investment horizons of its investors: *“Most of them are in alignment. The difference stems from those who joined us at the start and whose investments will reach maturity earlier in the company’s development, hence the importance of organising secondary events to keep interests aligned,”* William Kunter explains.

Funding, network and reputation

Investors also play an advisory role in a scale-up’s strategy, such as the group’s organisation, the distribution of funding or the company’s international expansion. *“When you’re looking for an investor, money isn’t everything: you’re also looking for investors with a reputation because their involvement shows the world that they approve of your business model,”* William Kunter adds. *“These investments provide key assets, particularly in B2B, in terms of recruitment, networks of potential customers and international expansion.”*



Founded in
2016



Employees
700



Total Fundraising
EUR 290 M

The more mature the scale-up, the more it attracts private equity and public market investors. At this stage, the company must be able to communicate in detail about its financial performance, margins, acquisition costs and the effectiveness of its sales teams. For Swile, this meant showing that its activity generated a positive return for investors in the long term and presenting a plan for the coming years. *"We chose Soft-Bank's Latin America fund, given our plans to launch and develop our business in South America: we needed an investor with detailed knowledge of the market and the ability to help us on the ground,"* Swile's CFO explains.

In a bear market (which we are currently entering), scale-ups must concentrate on efficiency and other fundamentals. *"We've already seen this over the past few months in our discussions with investors: the issues of profitability and efficiency are an increasing priority,"* William Kunter says. *"There is more focus on sustainable growth and value creation than on growth at all costs, which is very healthy."*

However, there is still plenty of liquidity in the market. Swile's CFO is confident: *"Investors today still have a lot of capital to invest. If you can demonstrate your profitability model, you will always find investors who will take the gamble of waiting to invest in volume businesses with a clear profitability trajectory."*

Preparing for an exit

William Kunter encourages scale-ups to think about exit-related issues relatively early in their growth trajectory: *"In practice, the speed of a scale-up's development is determined by its fundraising. Whether that involves a sale or an IPO, an exit acts as a compass. It plays a role in determining the company's growth rate, defining KPIs and setting targets."* Although Swile doesn't foresee an exit over the next few years, it's important to think about the different issues involved to ensure that a company is as well prepared as possible.



ADVICE FROM WILLIAM KUNTER

CFO of Swile

Don't belittle your relationship with investors. It's not enough to have a visionary founder and a few KPIs: the real challenge lies in telling an equity story in an articulate and quantified way.

Identify the KPIs you want to focus on. The KPIs you show to your investors, whether for seed funding or fundraising, should be aligned and consistent with the KPIs you use internally.

Educate your investors: don't just show them what they want to see. Sometimes they will be focused on KPIs which aren't relevant to your business. It's your responsibility to explain and illustrate your choices.

LEVERAGING THE MULTIPLIER EFFECT OF PUBLIC AUTHORITIES AT NATIONAL AND EUROPEAN LEVELS

To raise funds, most entrepreneurs turn to private investors, including business angels in the start-up phase, growth equity funds during the acceleration phase and late-stage investors for unicorns. In light of this, European states have tackled the issue of financing innovative start-ups with high growth potential by providing a number of financial initiatives which complement private financing. Consequently, it is important to adopt a strategy to map available public funds as soon as possible; these funds can take several forms (loans, repayable advances, grants) and can be provided at different levels (local, regional, national and European). Through structures such as FrenchTech, start-up founders can develop relationships of trust with public authorities and benefit both from financing and increased exposure. Just like the French Banque Publique d'Investissement (Public Investment Bank), some public banks have developed specific financing programmes for technology companies.

In light of this, European states have tackled the issue of financing innovative start-ups with high growth potential by providing a number of financial initiatives which complement private financing.

In addition to the financial contribution they provide, these investments have the benefit of attracting the attention of private investors because these structures are members of investor networks. In this way, public money has a leverage effect on private money, because it can be used to fund a subscription or a direct shareholding. At a European level, the financing of start-ups has transformed in recent years. At the Scale-Up Europe conference in 2021, the French authorities announced the creation of a fund of funds attached to the European Investment Fund, initially worth EUR 3.5 billion. The aim of this initiative is to finance around 20 European funds with EUR 1 billion to invest in scale-ups and produce a ripple effect for other institutional investors, including insurers and pension funds.

Some public banks have developed specific financing programmes for technology companies. In addition to the financial contribution they provide, these investments have the benefit of attracting the attention of private investors.



“We provide a triple value proposition: developing new talent [...], ensuring scientific breakthroughs and creating [...] an ecosystem of highly skilled jobs. This will deliver business advantage for industry customers using quantum computers.”

The Finnish start-up IQM manufactures quantum computing systems which could revolutionise modern computing by significantly speeding up the processing of complex problems. Quantum computing research has made significant progress since the turn of the century, but this emerging DeepTech does not yet have a marketable product on an industrial scale. Let's see how IQM has leveraged European and local resources to finance its long-term development projects.

Becoming a world leader in quantum computing

In 2018, the researcher and PhD student Jan Goetz brought together with his professor Mikko Möttönen 20 leading experts in quantum physics from Aalto University in Helsinki to work on an entrepreneurial project, based on quantum computers. Their objective was to develop and market essential components for

quantum supercomputers, with long-term plans to build one from scratch in the future. The following year, the Finnish entrepreneur co-founded IQM, drawing on the scientific reputation of his colleagues and using sophisticated marketing campaigns to boost IQM's visibility in Europe and around the world.

Although they have the potential to change the future of our societies, quantum computers still cost millions of dollars to develop and quantum computing has few practical applications. “At IQM, we want to develop the use of quantum computing. But the challenge in Deep-Tech lies in remaining in business for 10 or more years without having a marketable product. Our current model is to break this model and bring early products to the research market: we generate revenue by creating our own market in the supercomputing space selling to scientific computing centers who are early adopters of the technology,” explains Jan Goetz, IQM's CEO.

National and European influence

From the very beginning, IQM developed a network of political contacts, starting in Finland and within the European Union. Jan Goetz and his colleagues met with political players; however, rather than asking policymakers to give them money directly, they persuaded these political figures to provide funds for research centres specialising in supercomputing. Subsequently, these universities and computing centers became potential buyers of IQM's products. The Finnish start-up copied this method directly from SpaceX, a programme which was inspired by the US federal agency NASA.

“We provide a triple value proposition: developing new talent, which the sector is cruelly lacking, ensuring scientific breakthroughs and creating an ecosystem of



Founded in
2018



Employees
160



2021 Fundraising
EUR 71 M

highly skilled jobs in the medium term. This will deliver business advantage for industry customers using quantum computers on the long term,” Jan Goetz explains. “This is a way of getting around the idea that it’s difficult for politicians to fund start-ups. Quantum computing is an industry of the future but politicians need to create jobs and encourage local ecosystems.” IQM’s laboratories in Helsinki and Munich have already attracted two start-ups specialising in quantum computing.

Finland held the presidency of the Council of the European Union in 2019: this was a stroke of luck for this young start-up which continued its influence work and presented its project in Brussels to highlight the scientific expertise of Finnish DeepTech companies. *“We were able to address very high-level politicians, European decision-makers. Not every scientist or investor was a fan of this approach, but it was the best way to proceed,”* IQM’s CEO insists.

As the strongest supplier in the world to offer on-site delivery of quantum superconductors, the young start-up continued its growth with grants from the European Innovation Council. *“The first profits from the sale of our quantum computers enabled us to take out loans with private banks, which have complemented our various sources of public funding. Ultimately, what we are seeing now is that public funding attracts private funding,”* Jan Goetz says.

At the crossroads of technology and science

This quantum physics DeepTech is now attracting investors from around the globe. *“Our company attracts many quantum computing experts: we have more than 180 employees from 35 different countries. Many of them are engineers and researchers but we operate like a start-up, with a strategy based on objectives and results. To have any chance of becoming the world leader in quantum computing, we have to move quickly,”* IQM’s CEO explains.

Quantum computers will turn ideas which are currently far-fetched into a reality. *“I always say that quantum computing is like electricity: think of all the things made possible by electricity! Soon, this technology will be infinitely adaptable and will become an integral part of our lives,”* Jan Goetz concludes.



ADVICE FROM JAN GOETZ

CEO of IQM

Investors provide much more than money: their networks can really open doors. Take advantage of the porous nature of private and public funds to diversify your funding sources and reduce risks.

As a DeepTech founder, make sure that you work with non-technical professionals as early as possible in the process, such as product managers to supervise your engineers’ work and business developers who are used to building relationships with public authorities to obtain funding.

DEEPTech'S DEVELOPMENTAL CHALLENGES

DeepTech start-ups aim to develop high value-added products using disruptive innovations which often come from the research world. The European Innovation Council (EIC) was founded in 2021 to address their specific issues. Its primary role is to support high-risk, high-potential technology projects and help researchers and start-ups to bring their innovations to market by providing funding, networking opportunities and business acceleration services. With a budget of EUR 10 billion until 2027, it provides programmes which are aimed at scientific and technological projects at different stages: the EIC Pathfinder programme focuses on the exploration of ambitious concepts which could lead to technological disruption and provides support up to the proof of concept stage, while the EIC Transition programme helps companies with their technological choices and their business applications. The EIC Accelerator programme focuses on going to market and scaling up. Lastly, the EIC fund provides financing for companies whose innovations have contributed to market disruption.

Ana Maiques is a member of the EIC Advisory Board and the CEO of Neuroelectrics, a company which develops medical devices for monitoring brain activity and electrical stimulation of the brain. In her view, *"it is crucial to be able to rely on this type of funding source when transitioning from a prototype to a market-ready product. This funding, which had the benefit of being non-dilutive, made it possible for us to pivot from monitoring to brain stimulation, which proved to be a real game changer."*

For Jungle, a pioneering AgriTech company which specialises in vertical farms, the shift from applied research to commercial production also presented many challenges. Co-founder Gilles Dreyfus told us that *"once we understood which types of crops and nutrients best suit a plant, we then had to transition to*

a pre-industrial environment and then to an industrial environment (if the tests were successful)." This change created new problems: *"We had to switch from R&D tech to a tech which was suitable for commercial production; more importantly, we had to convince our prospects to take a risk by agreeing to provide a large-scale proof of concept."* The other co-founder, Nicolas Ségué, also told us that for an industrial start-up like Jungle, *"it is vital to have expert knowledge of the value chain and the cost chain; working with living organisms leads to additional technical complexity."* For these capital-intensive activities, *"it is therefore essential to take a long-term view and find a balance between the four pillars of business expertise, technology, talent and financial modelling"* as Gilles Dreyfus explains.



***“It is therefore essential
to take a long-term
view and find a balance
between the four
pillars of business
expertise, technology,
talent and financial
modelling.”***

GILLES DREYFUS

Co-founder of Jungle



"The key to innovation is acceptable risk."

The Bordeaux-based start-up TreeFrog Therapeutics brings together biophysicists, biologists and bioproduction engineers to make cellular therapies accessible to as many people as possible. In 2021, this company specialising in stem cell therapy raised EUR 64 million and set itself the goal of launching its first clinical trials in 2024. How did a research-based start-up reconcile its objectives in terms of innovation and the expectations of its investors?

Quantifying objectives and leveraging the necessary tools

To find financing in an industry which focuses on the long term, biotech start-ups need to identify inflection points over time which are compatible with their investors' plans.

Stem cells are fragile and take a long time to develop. Given that it wanted to maintain its momentum, the start-up needed to demonstrate its ambition, quantify its therapeutic and research objectives and leverage the necessary financing tools to achieve them.

Identifying different stages of value creation

To continue its innovative scientific work while addressing its investors' needs, TreeFrog Therapeutics identified short-term stages of value creation for its

three main areas of development: technological, therapeutic and organisational. *"Our objective is to develop technology which everyone can use and which meets the pharmaceutical industry's standards. From 2023, it should be possible to use this technology in a conventional pharmaceutical facility. At the same time, we want to roll out a more flexible and innovation-oriented version to drive research,"* explains Frédéric Desdouts, TreeFrog's CEO.

To meet its investors' expectations, the start-up set itself the goal of further developing its lead product for Parkinson's disease by completing clinical trials on animals in 2023 before embarking on human trials in 2024.

Although TreeFrog's innovative concept was appealing, companies did not want their stem cells to be transported, given their fragile nature. Consequently, the start-up was forced to open hubs in strategic regions. *"80% of the value of the healthcare industry ends up on the American market because of pricing and profit margins,"* Frédéric Desdouts says. Opening a laboratory in the United States was a logical choice: *"We were awarded a two-year residency at the Lab-Central biotech incubator in Boston."*

A second international hub was opened in Kobe, Japan, a country at the forefront of cell therapy. In both countries, TreeFrog made use of its solid network to ensure optimal development and the company's worldwide expansion reassured investors.



Founded in
2018



Employees
80



Total Fundraising
EUR 70 M

Innovation as a train of thought

In 2019, six months after it was founded, the Bordeaux-based start-up closed a first round of funding of EUR 6.5 million, used to prove that the technology met the announced specifications both in terms of cell encapsulation and industrial production. Two years later, a second funding round increased the scope of TreeFrog's technology.

"When I took over the company in 2021, we wanted to focus on therapeutic challenges, but we lacked the skills," Frédéric Desdouits adds. To remedy these shortcomings, the CEO created new internal roles and began working with external partners: the company entered into an agreement with ENS Lyon, for example, to access a new technological brick for gene editing. "This expertise is strategic in the long term but it's not part of our traditional core business. If we want to accelerate in this area, we must increase our capacities now."

Frédéric Desdouits is aware that he needs to accommodate investors' inflection points, even though he would like to earmark some resources for innovation. *"When building an innovation team, it's all about balancing objectives, resources and timing. It's vital to choose a few ways to improve products or future products and identify objectives, even if they are vague: the number of people to recruit, the time frame in which to recruit them and the skills they should have."*

Of course, there is an element of risk in research and the CEO openly admits this: *"The key to innovation is acceptable risk. Our investors provide us with a wealth of resources, without being sure of the result, but that shouldn't hamper our innovation and turn us into a one-product company!"*

The management team is working hard to anticipate any potential obstacles, both scientific and practical, such as the size of the laboratories. *"We try to have the teams focusing on three- or five-year time frames: this simplifies our decision-making processes and is transparent for investors,"* TreeFrog's CEO concludes.



ADVICE FROM FRÉDÉRIC DESDOUITS

CEO of TreeFrog Therapeutics

Explore different options and take risks, even if it involves significant resources. This is an opportunity to seek leverage effects and move forward. Talk to your management team, your partners, your investors: see how much they would be willing to lose on a given project.

When you identify a problem, such as a technical issue or regulatory failure, make use of the necessary resources internally to explore different solutions. This task force will develop invaluable skills which will save you a lot of time in the future.

PREPARING FOR THE END GAME

For a fast-growing start-up, the issue of the “end game” needs to be considered as soon as possible, if not from the foundation. This is the end of the road for the company as envisaged by its founders; it may or may not be a takeover. It is fundamental to think about the company’s eventual buyer because this buyer encapsulates the company’s destiny and provides its long-term outlook. It enables the entrepreneur to focus on the future of his or her company and produce a clear roadmap which is focused on the future. It is the very existence of this “end game” which will enable a start-up founder to plan the company’s key milestones before reaching his or her ultimate goal.

There are three stages to figuring out a company’s “end game”: determining this ultimate goal, which may be a takeover by a large group, a merger-acquisition, an IPO, or even complete independence. The second stage involves identifying the conditions for a successful end game: market dominance? Selling the product to X million users? Becoming a reflex? The third stage is to assign Objectives and Key Results (OKRs) to teams to achieve these long-term objectives. Of course, although founders should not be obsessed with this objective, early exit preparation helps them to structure their company to achieve these results. In this way, a given exit strategy may have an influence on many aspects: a company’s legal status, its business model (and consequently its revenue generation), the time horizon for growth and the investor profiles to be prioritised. While it is not always easy to reconcile different investment horizons, exit planning at an early stage enables investors to make short-, medium- or long-term return projections and therefore increases the likelihood of attracting them.

Special purpose acquisition companies, or SPACs, are a popular exit option. These are companies with no commercial activity which only exist to raise funds by going public so that they can buy a company in the long term. They can acquire founder shares, before listing a company indirectly to assess the market’s interest before a full stock exchange listing. In return, the company opting to use a SPAC has to provide a 20% interest.

But for companies which aim to surpass unicorn status, an IPO is an option which should be seriously considered. Despite the associated prestige and symbolism, an IPO should be seen as a means to an end, rather than an end in itself, and requires significant preparation. One needs to begin the process by working with experts with recognised skills and with whom the company’s founders have a good relationship. In addition to the must-have roles played by lawyers, investment banks, auditors and communication agencies, an equity adviser is a valuable addition in these circumstances. Internally, a company must recruit experienced administrative and financial candidates well in advance of the IPO to prepare the company for the transparency and high standards which are required by the markets.

These experts will be particularly helpful when it comes to drafting extensive regulatory documents to present the company’s strategy. Recognising the need to support tech companies with these efforts, stock exchange operators have created pre-IPO programmes. For instance, Euronext has launched the TechShare programme for mature companies with sales of tens of millions of euros. It involves a six-month training programme which focuses on the IPO process, the legal perspective, IPO valuation, equity stories, financial communication, corporate management and post-IPO life. Companies which have joined this programme include Innovafeed and Recommerce, a start-up which specialises in the online sale of repaired smartphones.

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"Growth, coherence and trust: the keys to a successful IPO."

Taking the right step at the right time

OVHcloud, the European leader in cloud computing, had always self-funded its growth until 2016 when the company closed a EUR 250 million Series A funding round with KKR and Towerbrook to finance its international expansion. Once its valuation surpassed EUR 1 billion, talk turned to a potential IPO. Four years later in 2020, OVHcloud decided to take the plunge: the company was ready to go public. But before becoming a listed company, extensive preparations were required. What did the company need to do to maximise the chances of success and what challenges did it need to prepare for?

Ensuring alignment with the long-term vision

Faced with the options of an IPO or a private placement, OVHcloud chose the former. The unicorn was driven by a desire to increase its exposure and credibility as an international company. The move was intended to provide the company with additional resources with which to capitalise on the full potential of the hyper-growth of the cloud computing market. As a result, proving the relevance of its long-term commercial project and attracting investors who shared the same ambitions became a vital objective for the company, which had enjoyed profitable

growth for 20 years. OVHcloud's management saw consolidating the company's position as the architect of European technological sovereignty as the driving force behind its IPO.

Focusing on a coherent project and a supportive ecosystem

While many banks suggested that the company should be listed on the NASDAQ for ease of trading, following in the footsteps of many other European unicorns, OVHcloud chose to be coherent. As the European leader of cloud computing, the company's management wanted to have an impact on Europe's technological and financial ecosystems by listing on the Paris Stock Exchange. The objective? To create a virtuous circle of investment on the Old Continent by proving that a European alternative was both possible and (most importantly) relevant.

Preparing for an IPO takes two years. During the first year, OVHcloud took the standard approach of focusing on the company's structural preparations. This involved aligning financial reporting, compliance and accounting, along with finance and risk analysis to present accounts consistent with international standards and to develop a compelling equity story. The following year was even more technical: preparing required financial documents, formalising documentation with the syndicate banks, registering with the financial authorities and appointing an extended board, with new committees and new members.



Founded in
1999



Employees
2,700



Total Fundraising
EUR 700 M

However, despite two years of meticulous preparations, the day before the official announcement of OVHcloud's share value, the company was confronted with a very unexpected event which could have jeopardised its IPO. A massive outage on its fibre optic network brought all its services to a standstill for over an hour. This incident occurred during an intervention in one of their data centres in the United States, putting the trust between all stakeholders to the test. But the unicorn was able to rely on the unfailing support of its ecosystem. This incident didn't have an impact on the vast majority of its investors who chose to maintain their investment, thereby enabling the company to announce the initially anticipated share price. The IPO was a success and OVHcloud's resilience was clear, as evidenced by the stability of its share price.

Becoming a figurehead of European digital sovereignty

The company's employees felt real pride when the bell rang. 98% took advantage of the employee share offer, proving their overwhelming support for OVHcloud's plans; the company immediately saw the effects of this tremendous opportunity on its talent attraction. However, the benefits will become even more apparent in the long term; for technology companies, the cloud computing specialist's listing on the Paris Stock Exchange symbolises the first step towards access to a European financing system and other companies will have to follow suit to make this a reality.



ADVICE FROM MICHEL PAULIN

CEO of OVHcloud

An IPO is a window of opportunity, not an end in itself. Before taking this step, the company needs to be aligned with its principles and values; these valuable assets must not be compromised because of market expectations.

A coherent project makes it possible to maintain and nurture a sense of trust within the company and within your immediate ecosystem (e.g. investors). This is key to the company's long-term outlook.

CONCLUSION

Until 2021, there were many success stories of meteoric growth and the biggest fundraising rounds ever but the current context has reminded company founders that the days of “easy money” may be coming to an end as investors become more cautious. As valuations reach heights which do not always reflect the impact and value creation generated by certain companies, we felt it necessary to conclude our study by focusing on the idea of restraint. It is related to the concept of the “end game”: this final objective, which a company’s founders must focus on as soon as possible, cannot be achieved at the expense of society and the environment. It is therefore vital for company directors to bear in mind the final size of their company; this will enable them to grow the company at their own pace, using only the resources they genuinely need, to minimise negative externalities.

To this end, measuring the rebound effect of a product or service can often be revealing and efforts should be made to minimise it. Executive management must therefore be aware that it is not possible to scale infinitely and that uncontrolled hypergrowth entails risks for their company, their employees and, potentially, the planet. This brings us back to the importance of solid foundations and the values which are their cornerstone, acting as a guiding light in turbulent times. They must not be overlooked.

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