Beyond numbers: How Early Metrics measures success

Working with startups can have a huge impact on larger companies looking to solve problems and boost innovation. With millions of startups being created around the world each year however, finding the right one and assessing its suitability can be an expensive, time-consuming process. Maddyness met Antoine Baschiera to discuss the methods used by Early Metrics to measure success.

Temps de lecture : minute

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Early Metrics is a company that strives to make things easier. Seen as the world's first rating agency for startups, it forgoes the traditional one-dimensional credit rating and instead focuses on the management, technology and ecosystem, to provide an overall score. Companies can then use these scores to find the best startup suitable for their needs.

The idea for Early Metrics was born when co-founders Antoine Baschiera and Sébastien Paillet were working at PwC together. "We saw that there were a lot of startups out there", Antoine states, "but almost all of the many corporations that wanted to engage with them lacked the proper tools to analyse them".

Founded in Paris in 2014, the company soon expanded to London and Tel Aviv, and today has more than 3,000 startup ratings on its books, with 25-40 per cent of Fortune 500 companies in Europe using their services.

How do you rate a startup?

Developing a rating system for something as complex and varied as the world of startups is no easy task, but Early Metrics has created a deep dive method which provides an accurate overall picture of a startup's worth - not just in strict monetary terms, but rather the effectiveness of their solutions, and how efficiently they operate.

The company drives home the point that its rating methodology is scientific and completely objective, and is built on three core pillars - managers/founders, technology, and the market - and each assessment takes around just over two weeks from start to finish.

The first of these pillars is vital, as founders' actions can often make or break companies, regardless of the quality of their product. Early Metrics works with HR, psychologists and VCs to initially identify the core skills that an entrepreneur needs to have. Beyond the obvious skills such as technological knowledge or <u>financial understanding</u>, emphasis is also placed on soft skills, such as their ability to self assess and work with others.

"Our soft skills assessment doesn't just focus on the founder's past experiences", Baschiera explains. "We also look at how they react when they're challenged, how they interact with and complement their colleagues, and so on. A large part of our methodology is based on human interaction. We're working with some partners in London, which include Imperial College, to determine the impact of the founder's network, and the success of their startup".

In addition to assessing the founders, the second pillar focuses on the technology and solutions themselves. Alongside analysing business models and traditional traction, Early Metrics also looks at market

positioning, commercial trends, and execution. This thorough examination results in an in-depth understanding of a startup's innovation, and its capability for deployment and execution.

The last core assessment pillar, the ecosystem, looks beyond mere market sizing. Instead, it also focuses on measuring the ability for new ventures to operate within their environment, while also evaluating the power relations between stakeholders as well as the overall market appetite for innovation.

Ensuring credibility

It's all very well having a rating system, but it means nothing without having the credibility to back it up. To ensure that its methods remain as accurate as possible, Early Metrics revisits startups that have been previously assessed, to monitor the accuracy of its rating.

"We have a process called scientific back testing", Baschiera describes. "We check on startups that we rated two years before, and we study the correlation between the initial rating, and what actually happened to the company in terms of success and growth. In this way, we're seeing investors that can be quite risk averse actually lend more to startups, as our model is viewed as a reliable statistical tool".

Another important factor in the credibility of Early Metrics' ratings is the fact that the assessment process is completely free for startups, removing any possibility of bias. In addition, ratings won't be shared with other companies without permission. Companies and large corporations pay for the ratings themselves - either for individual ratings for a specific company of interest, or a monthly fee which provides access to the entire database.

One example of a company making use of this rating system is Innovate UK - a research innovation body which deals with a wide variety of programs such as loans and grants. "We work closely with Innovate UK on processing loan applications", says Jordan Fletcher, Senior Business Development & Partnerships Manager UK&INT at Early Metrics. "In terms of connecting businesses, we're bringing in solid data which enables quick and effective decisions for giving people credit".

Future growth

Currently, Early Metrics has a team of 60 employees spread across five countries. The company prides itself on having team members which bring their own previous industry expertise alongside an analytical mindset. Advisors have varied backgrounds ranging from strategic and scientific to entrepreneurship, innovation, investment and private equity.

Fuelled by its ambition to become the standard for certification for investors, corporations and entrepreneurs worldwide, the company is looking to continuously improve its rating model and methodology to help continue to empower clients and companies drive innovation.

Thanks

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Article by Esat Dedezade