Five top tips for founders in 2023 from Dawn Capital's Dan Chaplin

Fintech specialist and Partner at Dawn Capital, Dan Chaplin shares helpful insights for founders looking to succeed in a challenging environment...

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Planning for a new normal means going back to basics

I've been lucky to work alongside some of this generation's most talented fintech founders. We’re still in the early innings of the impact that technology businesses will have in changing the way that consumers and businesses transact. Looking out on untapped opportunities and a stronger-than-ever ecosystem of builders and operators, founders should know that VCs' doors remain open to exceptional leaders and businesses.

That being said, it is no longer 2021, and it’s important to adapt. When capital was cheaper, founders and investors oriented business plans around growth at all costs - and so for many founders, the turning market has come as a shock. Suddenly investors seem to be finding value in different - often seemingly conflicting - north-star metrics.

My advice is to start by going back to basics. Unquestionably important in an environment where capital has become more expensive is strong fundamentals - gross margins, unit economics, sticky revenues and customer retention. These are foundations for building sustained and resilient value at scale. Keeping a tight granular and data-driven grip on these metrics is where founders should be focusing. It's often repeated that great businesses are built in recessionary environments; headwinds like these ask founders to take a deep and honest look at their business and find operational models that scale efficiently.

Grow or cut, but act decisively

In this new environment, balancing trade-offs between growth and efficiency has become the topic of conversation for boards. Often there's seemingly no clear cut answer. On the one hand, markets seem to be telling companies to re-orientate towards profitability; on the other hand, deep cuts into the muscle of a business may limit growth potential in the future.

Stuck between two paths, there's a temptation to try and find a middle ground - trim here and there, grow slightly slower and slightly more efficiently. That's the wrong answer for many businesses.

For companies with strong product-market fit, efficient channels and a healthy pipeline - now is the time to double-down. Step on the gas, keep growing. If that means raising capital, then take the insider money that should be chasing you. Valuations multiples may have changed, but now is the time to win market share and go after a larger prize.

But if you're still finding product market fit or your distribution model just isn't scaling, now is the time to act decisively and cut your burn. Think deeply about the marginal value of every dollar you spend. A radically reshaped business with tangible momentum in whatever it chooses to refocus on (product or go-to-market) with cash in the bank, is a better business.

And it's ok to pivot. *Tink* started as a B2C business and pivoted twice before landing on a winning proposition. Tink's founders Daniel and

Frederik had the grit and determination to keep going through difficult times and were willing to go back to the drawing board when something wasn't working.

Stay engaged with the investment market

I continue to hear advice to founders to shy away from investor conversations for the time being. Of course I may have some bias here, but I do believe this is the wrong approach.

If the broad consensus is right, there will be a flood of companies starting to feel a cash pinch and coming to market in the second half of 2023. In the midst of this, founders are likely to be better-positioned, having engaged with the market sooner rather than later. Even if a raise isn't top of your agenda, early market feedback and a clear view of your equity value and positioning gives you much more data to change and adapt your strategy in the coming months.

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Stay open to new talent

Discovering that an early-stage founder has managed to get a hyper-talented team on board is a major 'green flag' for VCs. Being able to attract fantastic people into your business – especially proven experts in their field – is an amazing feat for an early-stage founder. It’s not just a great signal to investors but also to customers, that you're leading a company that's going somewhere. Seasoned operators who have already been on the scale-up journey are the fastest accelerator for a young organisation.

In the current environment, many companies are looking to tighten their recruiting pipeline and many have implemented hiring freezes. But the recruitment market is now more open than it has been in some time. Big tech is no longer an obvious default option for talent, and many operators in later stage companies are seeing more long-term upside in earlier stage businesses.

Be selective, but be opportunistic. Now is the time to scour the market for experienced people who can supercharge your business.

Find support from your peers

Being a founder is a unique position. Founders operate under high pressure and have to deal with infinite demands on their time. Successful founders often report feeling quite isolated, as it can be hard to share work lives with family and friends, and leaders never want to burden their teams.

After years of working with B2B software startups, I've learned that it's vital for founders to build a support network of peers. At Dawn, we try to help founders create a network by bringing our portfolio together at dinners or annual offsites. It doesn't matter if those founders' sectors or target markets are different. Ultimately hearing stories, advice and insights from a bunch of people doing what you're doing, who have lived experience of similar challenges, can really help founders stay determined and at the top of their game in tough times.

Dan Chaplin is a Partner at Dawn Capital.

Article by Dan Chaplin