A third of startups fail after raising a Series A – how to prevent your company becoming just another statistic

For early-stage founders, raising a Series A is one of the most significant milestones in their business. Not only does it provide the runway needed to take their startup to the next level, it validates their effort and ambitions. It's a destination that can often take years of hard work and sacrifice to reach.

Temps de lecture : minute

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Yet in reality, it's not a destination. It's when the true journey begins.

Stats estimate that only 65% of Series A startups reach series B, meaning more than a third fail at this hurdle. To put this into perspective, the fail rate post-Series B falls to just 1%. If a company can navigate a successful Series A stage and reach Series B, they have an overwhelmingly strong chance of longer term success.

The stakes post-Series A are, therefore, high. Yet many early-stage founders spend so long aiming for Series A that they're not fully prepared, or not aware of exactly what comes next.

"The absolute step-change that needs to happen following a successful Series A round is so often underestimated by founders," says Joe Knowles, Partner at Smedvig Ventures. "We've observed, time again, that after Series A there's a huge amount of levelling up. The cadence of hiring ramps up, startups find themselves needing to diversify channels and enter new segments, everything from sales processes to marketing and finance need to be professionalised."

In short, startups require an operational infrastructure and team that's way ahead of anything they've had in the past. But while this sounds overwhelming, it doesn't need to be – as Smedvig Venture's latest playbook *What happens after Series A? Building your business after the fundraise* reveals.

Read What happens after Series A? Building your business after the fundraise

The evolving role of the CEO

Up until this point, founders have likely been across every function. They've known everything that's been going on in their business and have worn multiple hats (often at once) to do what's been needed.

Post-Series A this job evolves.

The focus shifts from working *in* the business to more *on* the business and this can be a steep learning curve. A key aim of any CEO post-Series A is to grow the team in a way that doesn't cause a material decline in productivity. Their role now is to hire best-in-class people who've ridden this wave before. People they trust, and who bring a healthy dynamic to the senior leadership team. This requires them to hire slow, but fire fast when things aren't working out.

“Building this team comes down to surrounding yourself with brilliant people and learning to delegate,” explains Smedvig Ventures Partner, Jon Lerner. “Some founders find this shift difficult or are unaware of what great looks like and they settle for mediocre.”

As Smedvig explained previously, in its *Building Winning Teams playbook*, it's critical in early-stage businesses to map out the weaknesses and strengths of the founding team to help identify areas of improvement and need. And this can, and should, take time.

“If a company has doubled in size pre-Series A, they see little reason why they can't double again post fundraise, but it's easier said than done,” said Knowles. “Taking the time to understand the knowledge gaps on the team will pay off in the long run.”

In short, it's best to do it right rather than rushing it.

Prepping for Series B

Somewhat ironically, the best way to take things steady post-Series A is to jump ahead and write a pitch deck for Series B.

“We ask all of our founders post-Series A to write an internal one-pager and their Series B deck almost immediately after the deal is closed,” adds Lerner. “The one-pager brings clarity to what the business is and does; why the team is doing it, what value it brings, what problem it's solving and why it matters. This is a great opportunity to make sure everyone already in the business is engaged, but also makes sure any and all new hires buy into this mission."

This seeming leap ahead may seem contradictory but it's the most effective way for founders to take stock on where they are, so they can focus on where they want to be. It's particularly key when looking to build a meaningful senior leadership team, while directly tying into the need to grow the wider team in a way that doesn't cause a material decline in productivity.

"For the pitch deck, we work with our founders to determine what are the 10 bullet points that all of us want to be able to write in two years' time," continues Lerner. "How do we build around these points, what is our funding strategy, how can we grow to the level we want and what financial plans are needed to align to these goals?"

"Time and again such important first steps get left too late," adds Knowles. "Founders underestimate the value that drafting the Series B deck early creates. The one-pager lays out a clear picture of what's going on, and the deck reveals the direction the company needs to take. It makes the daunting multi-dimensional tasks become clearer."

Rebuilding the plane mid-flight

In fact, "multi-dimensional" is the best term to describe what happens post-Series A. It's why being a founder at this stage has been likened to rebuilding the plane whilst flying it.

"The multi-faceted, interlinked levelling up that's needed; the idea of having to do everything all at once is so often what no-one tells you as a founder post-Series A, which makes it the most daunting," says Knowles.

This is where advisors, investors and their networks come into their own. They've worked with hundreds of founders and senior leaders, and have helped hire just as many. They can make sure founders have the right people for the right roles; they can help put processes in place; they know how to break things down and manage one thing at a time while creating space for the founder to step back and take stock.

And most importantly, they help founders avoid making mistakes others have already made.

"It's a somewhat difficult reality to accept that many companies after Series A stall for six to 12 months," agrees Knowles. "Even the smartest founders will make mistakes during this key stage of learning and we know just how important learning from such mistakes are for long-term success. Our playbook has been written to help bring clarity to these critical stages while optimising for these mistakes; to accelerate the steps needed to reduce the stall as much as possible."

Read What happens after Series A? Building your business after the fundraise

Since 1996 Smedvig Ventures has partnered with and helped scale over 75 companies. Leading Series A/B rounds, we are passionate about finding and investing in the best, fast-growing B2B businesses across the UK, Nordics, and the Netherlands. We work closely with a small number of *high-quality teams and build strong relationships with our founders. We’re not afraid to roll up our sleeves and be there for our portfolio when and how we’re needed through the inevitable ups and downs of growing a business. We’re a flexible source of capital supporting and accelerating ambition with a long-term view, we understand that great things can take time.*

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