

THE WAY FORWARD

How SAAS Companies Harness IT To Manage Their Own Growth



A conversation with Carlo Gualandri, Chief Executive Soldo

Extract from a report commissioned by:



Powerful Accounting Software

Introduction

Leading Edge – Bleeding Edge – Unicorn

– whatever the description of a fast-track growth company, its focus tends to be four-square on the envelope bursting, disruptive ‘product’.

But what are the particular management issues which have to be addressed with rapid expansion in order for a business to realise potential and meet expectations?

Is there a risk, for example, that for a technology company, its own IT infrastructure can become the equivalent of cobbler’s shoes?

Especially when, as one CEO put it, managing the growth trajectory is like constantly pressing on the fast-forward button on the television remote and trying to make sense of what you’re watching on the screen.

In a report commissioned by iplicit, the cloud accounting software company, to be prepared and published by DECISION magazine later this year, the chief executives and chief financial officers of SAAS companies will be revealing what they consider to be the key metrics and why, how best to address the challenges that such rapid growth can present, both in terms of operational execution and controlling costs, and whether IT can facilitate stability. What is a necessity to maintain momentum?

This is one of the interviews to be included.



Knowing what will drive real growth

“I kept my sanity,” says Carlo Gualandri, a serial tech entrepreneur, “because I never really believed that incredible fast-track growth, however you define it, can possibly be sustained for ever. I’m old enough to have seen a few things in the dot-com era, starting up and exiting as a unicorn. I’m proud of the fact that the tech companies I started in the previous twenty years ago are still alive now.”

“So you ask me what drives real growth? Good question. Defining that is very important, otherwise you end up simply burning investment money. It starts from finding something to bring to market which doesn’t exist or can be done in a significantly better way, identifying demand, having the ability to present it to the potential customer, and finally being able to scale the process multiple times.

“I never forget that a tech company can only survive if it grows but in a way which would be described as sustainable. Let’s use the analogy of flight. If an aircraft stops moving forward, if it runs out of fuel, it drops out of the sky.”





Carlo Gualandri

Today, as its chief executive, Gualandri is building a fintech company he set up in January 2015. By combining secure company cards for business expenses with a business spend management platform, Soldo streamline the management of budgets, spending, and reconciliation. An independent total economic impact study commissioned by Soldo revealed a 358% return on investment, 80% time savings, and less than a six-month pay-back period.

“One thing I’d like to point out,” he says, “without trying to cause offence, is that in the past ten years there has been glitzy



talk about the potential for particular tech companies which have been built purely based on technology making something possible rather than meeting a real market need - which can only last until the bubble bursts.

“What happens in that scenario is that a distorted way of building a business can be applied which is often typified by investors money being used to buy a top line that is and will remain unsustainable.

“There are new business concepts which could only exist because of technology, but that doesn't mean there's a market demand for them, that they are viable. I mean, how many people need a bag of crisps and a can of Coke delivered to their desk in the next fifteen minutes? How much are they really willing to pay for this? Is there a sustainable business model for the provider? So much investment ends up going into start-ups firms to generate revenue which isn't recurring or can ultimately generate profits.

“It's like an athlete taking performance, enhancing drugs. They can get that high performance, but then it is followed by the inevitable low. It's not a sustainable approach.”

“There is responsibility in taking money from investors,” stresses Gualandri. “Thomas Edison said that innovation was one per cent inspiration and ninety-nine per cent perspiration. I would say that one percent triggers everything, and that is why it is perfectly legitimate to get investors on board to fund the investigation of new ideas. Inspiration begins the process of



discovering whether there is really something that the market needs.

“Then you have the key ninety-nine per cent perspiration phase that must deliver value creation, and this needs to happen whatever it takes.

“If you are first to market with a new concept you have to be able to identify whether there are enough customers who are going to be interested – where is the demand? If you are second, you can build a business more quickly, because the need has been established already, and if you don’t step in, someone else will because now there is likely to be more competition.

“It could be the technology flies off the shelf without the company having to raise a dollar in outside investment, but the more normal scenario is that investment is necessary to get into a position where the business can fly. Investment helps in developing the market until it reaches the ‘pull’ stage and growth really explodes. If marketing is the only factor pushing the customer to the product, when the company reduces that spend, growth stops as well.

“What a company in this position needs to consider is the possible cost of not doing something, not making a particular investment in product development or marketing.”

There’s another dimension which Gualandri highlights. “If the aim is to build the best company as well as the best product, then





something is created which everyone is proud of – customers are pleased, investors satisfied. And profit is important because it is the measure of the success of a company, a demonstration of whether something solid is being built.

“When we are growing up, the challenges faced by a toddler are different from those of a teenager, and then an adult. When an entrepreneur starts a tech company, the beginning in a way is straightforward. It’s about discovery, being instinctive, refining the idea, and focusing on survival. Internal communication for a start-up is almost a given because everyone is likely to be together in the same room, so there is no imperative to formalise the ethos of the business.

“But then comes the need to build the team beyond the original group which was driven by the founder. Life begins to get harder



when a company reaches the point where it needs to attract additional high-quality, ambitious people to take it to the next step. Building the quality of the management team is super important, and a company needs to be talking to candidates whose experience reflects what will be needed in the future.

“People provide complexity. I’ve always found everything else to be a rational challenge. So at what point does the new tech company need structure? In the early days, the founder can keep people together and motivated by force of will and personality, but when the business grows and the organisation becomes larger and more complex, that glue is no longer enough and needs to be replaced by structured communication and explicit processes.

“When you scale a tech business, everything is amplified. Let’s start with the good. There is the opportunity to bring in people who will blow your mind, because unless a founder is extraordinarily arrogant or has been there before, they will learn from people who know more about specific areas than they do.

“The downside for the founder is that before, they could see first-hand what everyone was doing at all times, but that’s not going to continue to be the case as the business grows.”

Which is why, says Gualandri, processes and procedures aren’t a boring tick-box bureaucratic exercise. “I see them as the discipline needed to enable a company to grow and have time to innovate rather than have having to work out how to address the same issues time and time again,” he explains.



“It boils down to what you think your role is as leader. If it’s just to follow the vision rather than build a business to deliver it, then you’ll always be backfilling. I would say, apply the same passion for the company as for the product; see the company’s structural development as a product in itself rather than something to be considered when there is spare time.

“If the founder expects the company to be able to grow up by itself as demand for the product grows, then it will become increasingly dysfunctional. We are back to bubbles and bursting. If you disregard the importance of building the actual company, you will eventually find yourself simply throwing money at problems as they arrive from left field.

“That of course undermines any perception that the business is sustainable, because unless its structure is developed alongside growth, it is more likely to implode.

“It would be like building a house before getting round to putting all the foundations in place.

“Without proper foundations, it’s either going to result in more cost to continually put things right or the structure will collapse. I would describe that as a failure of leadership.”

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About iplicit

Providing a cloud-based finance and management software solution that allows fast-track growth technology companies to focus on what really matters. Tailored for those frustrated by on-premise legacy software, iplicit provides greater flexibility and enhanced levels of reporting, integrating with other cloud applications for a seamless migration path from a user's existing system, enabling organisations to 'step up' to next generation finance software without losing the functionality they currently enjoy. iplicit received the Accounting Excellence award for mid-market and enterprise software of the year in 2020, and the top product for enterprise accounting/ERP in the Accounting Web software awards, 2021.

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The interview with Carlo Gualandri was undertaken with Tim Coles, specialist at iplicit in working with technology companies.

About DECISION magazine



First published in 1988, DECISION magazine reflects the business lifestyle, the trials and tribulations, the hopes and aspirations of directors and managing partners responsible for businesses with a turnover of £5million and above.

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