# PORTFOLIO ACCELERATION

## Getting Companies Seed-Round Ready

**WHITEPAPER**

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# The Genesis

*Background and Introduction*

### Deals & Fundraising – The Big Sexy

In the world of Venture Capital ("VC"), much of the discourse revolves around investment deals and fundraising. A quick scan of LinkedIn reveals *clickbaity* content like "Top Things Investors Care About" or "How To Pitch to VCs." Turn on the TV and you'll find shows like "Shark Tank," now in its 16th season, where entrepreneurs and founders pitch their start-up/venture ideas to top-tier investors.

The ubiquity is understandable; after all, investment and fundraising are thrilling times. Drawing a parallel with the animal kingdom, this is the courtship phase: entrepreneurs display their "peacock feathers," weaving stories about their dreams, showcasing their successes and convincing you why they are worth your pennies. On the other side, VCs have the opportunity to back passionate individuals and teams that are solving real-world problems, all while searching for the next high-potential sleeper hit that could become a fund-defining success.

### Portfolio Acceleration – The neglected sibling

While investment deals and fundraising enjoy glamour and attention, the real grind begins after courtship, when funds are secured.

The less publicised, but equally critical (if not more so) phase is company building or value creation: the driving force that turns potential into actual success. VC funds often describe this as portfolio success, portfolio management and portfolio value creation. In this whitepaper, we will refer to these collectively as **Portfolio Acceleration**.

Loosely defined, Portfolio Acceleration is the process through which VC funds help their portfolio companies ("portcos") accelerate growth, to achieve greatest impact and returns in the shortest possible time. As illustrated in Diagram 1, there are many inflection points in a company's journey. Given that Wavemaker Impact is an early-stage VC, this whitepaper will focus on the first major leap: moving from the valley of validation to landing a proven market opportunity.

**"Wavemaker Impact partners with proven entrepreneurs to build profitable, high-impact businesses. We believe that every one of our founders has the right experience and passion to build climate unicorns. Enabling them to the best of our ability is the least we can do."**

*- Marie Cheong, Founding Partner*
*Wavemaker Impact*

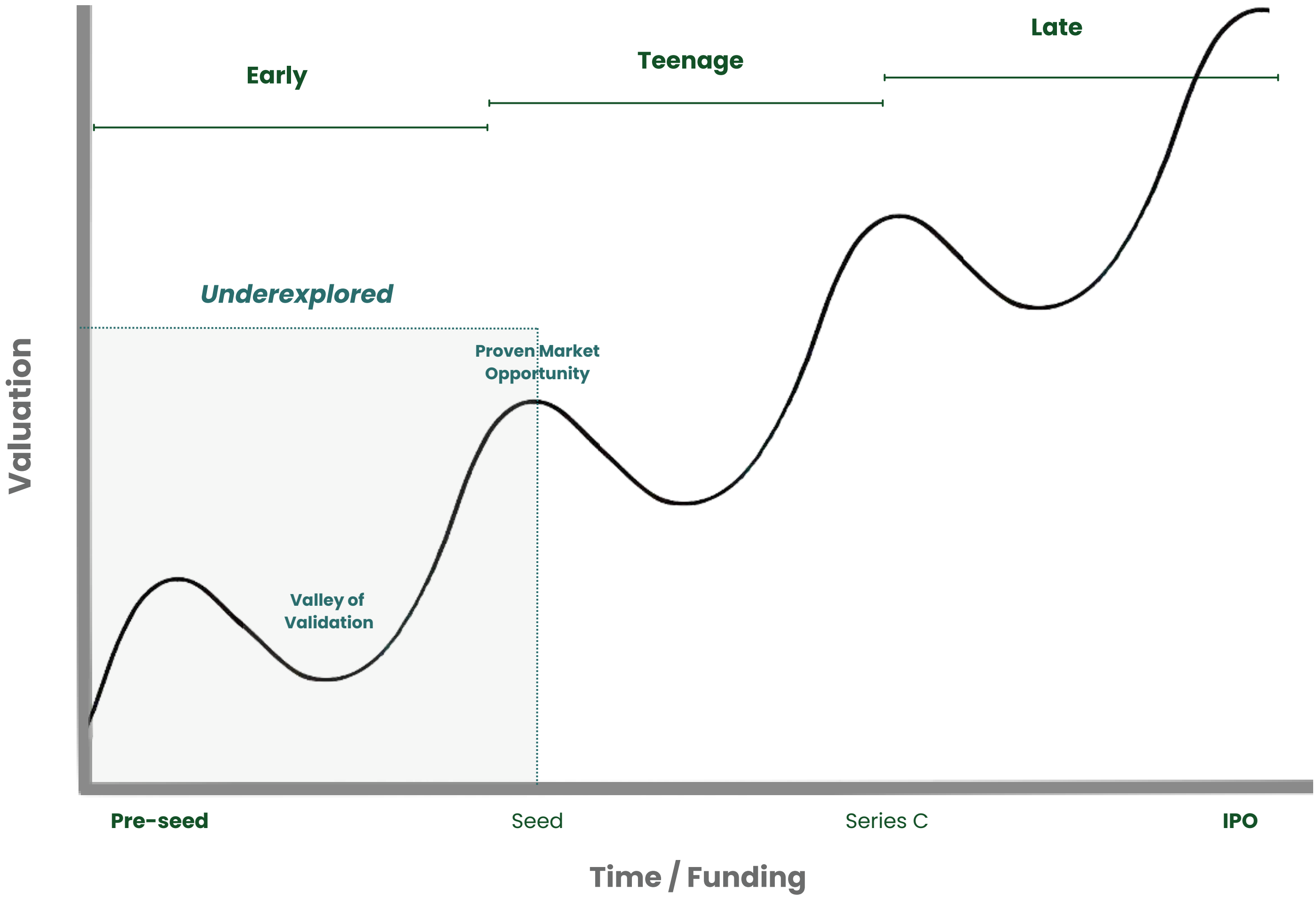


*Diagram 1: Portfolio Acceleration as a means to shortening the valleys and "flat" parts of the venture growth journey*

Interestingly, while there is abundant literature relating to later stage growth – such as *Blitzscaling* by Reid Hoffman and *High Growth Handbook* by Elad Gil – there is far less available on early-stage companies and VCs. In conversations with peers on this topic, responses like "it depends," and "it's a case-by-case thing" are not uncommon.

Yes, the start-up journey is indeed complex and company-specific, but when failure rates can be as high as 70-80% across the pre-Series A stage, these vague responses can feel unsatisfying.

At Wavemaker Impact, we believe that every inflection point in a company's growth journey matters, particularly when backing passionate founders solving real-world problems like climate change.

Through this study, we aim to build on the foundational work of industry veterans like Eric Ries (T*he Lean Startup*), John Mullins and Randy Komisar (*Getting to Plan B*), supplementing existing knowledge with real-life examples and reflections from VC peers and start-ups in the rapidly growing Southeast Asia region.

# 2 The Investigation:

## *Venturing Into Un(der)chartered Territory*

Can we systematically help early-stage companies reach a proven market opportunity more quickly? To answer the question, we conducted a study on Portfolio Acceleration to uncover fresh insights and advance an area we believe has been underexplored for too long.

Applying elements of our Venture Build methodology, we interviewed over 50 industry practitioners within Southeast Asia's VC space in the first half of 2024. Our interviewees included entrepreneurs, exited founders, fellow VC funds and accelerators.

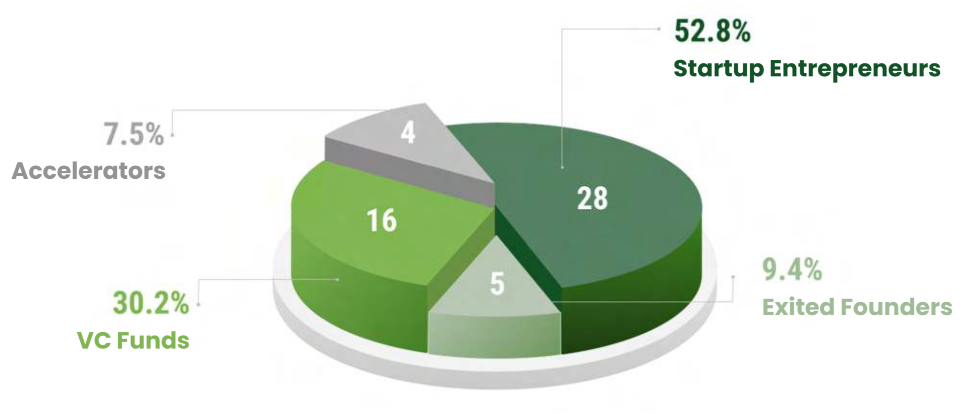


*Diagram 2: Overview of our study interviewees*

We centred each interview around our north star question: How might we get companies "seed-round ready" as fast as possible? A selection of our questions is shown in Table 1.

By sharing our findings with the broader VC community, we hope to establish foundational building blocks for best practices and applications in the venture space, benefitting entrepreneurs and funds alike.

| VC Funds/Accelerators | Existing Founders/Exited Entrepreneurs |
|---|---|
| What distinguished portfolio companies that grew rapidly from those that struggled for an extended period? | When was the inflection point for your company growth, and what do you feel triggered it? What could have helped you reach it faster? |
| When a company experienced a sudden leap forward, what sparked the growth? Was it due to a specific individual or process change? | Was there a specific team member or key hire who enabled you to accelerate your company's growth? |
| What are the most common areas in which founders ask for help? | Since starting your company, what key challenges you wish you had more support with? |
| What forms of assistance provided by your fund, if any, do you feel make the biggest impact? | What do the best investors do for you and your company? |

*Table 1: Selected examples of our interview questions*

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# The Discoveries

*3Ps of Portfolio Acceleration*


*Diagram 3: The 3Ps of Portfolio Acceleration*

What we heard from the interviews was as interesting as what we didn't hear. We distilled the insights into a set of observations, which we call the 3Ps of Portfolio Acceleration.

## Product-Market Fit (PMF)

There are many definitions of PMF floating around in business literature. In Wavemaker Impact, we define it as: "Predictably and repeatedly generating positive unit economic revenue from a large-enough group of customers."

Each of our interviewees had their own way of defining PMF. Interestingly, most described all the key elements of PMF without explicitly using the term. But one consistent theme stood out: most (if not all) linked their own or their portfolio companies' growth inflection points to achieving PMF. Founders who had previous exits or are currently in late-stage start-ups identified reaching PMF as the turning point for accelerated growth, with most typically reaching this milestone in three to four years.

VCs and accelerators echoed this focus; seed-stage investors looked for early signs of PMF, while Series A and later stage investors sought clear evidence of it.

Other patterns emerged. We heard repeatedly that founders who applied fast, “scientifically guided” iteration in areas needing validation or improvement were able to reach PMF more quickly. For example, in product acceptance testing, successful founders spent significant time not just gathering direct feedback from customers, but also implementing robust methodology to test their hypotheses in fast, iterative cycles.

**“Companies that do well are those with founders who can to identify and define a product that has a predictable, repeatable demand from their ideal customer profile.”**

*- Aktsa Efendy, President Sarana AI (ex-500 Global)*

Equally telling is what we didn’t hear. No founder credited their success to luck, immediate product-market traction or simply raising a funding round. As Ong Peng, Managing Partner of Monk Hill Ventures put it: “Good founders are good scientists. They are able to design well-defined experiments to test and validate ongoing assumptions and hypotheses relating to their business.”

**“Sometimes founders rush too quickly into things and end up not focusing on the right priorities. They should instead put together a strategic plan and a tactical plan.**

**The strategic plan is a roadmap with clear milestones, success indicators and critical numbers. The tactical plan covers "how to get there" in the next 1 or 2 quarters, specifying the minimum viable tests to be accomplished and how resources should be allocated.”**

*- Lorenzo Peracchione, Venture Partner Antler (ex-Founder, Lummo/Bukukas)*

## People: Founder Alone Holds the Keys to Unlock PMF

People are any organisation's most important asset; even the best ideas are worthless without a strong team to execute them. That said, one surprising insight from our interviews was that a company founder (or founders) is the central person in finding PMF.

While everyone we interviewed acknowledged that a strong team or individual can make a difference, no one mentioned a particular role or a type of person to be critical in finding PMF and catalysing a growth spurt.

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**"Understanding my first 100-200 customers was immensely helpful in shaping my brand and identifying critical gaps in my product. I remember personally calling up each and every one of my early customers to interview them [and get rapid feedback]."**

*- Charles Liao, Co-Founder*
*Mila*

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It is therefore important to structure the roles and responsibilities of the founder(s) and early team members to best position the company for accelerated growth.

Companies could consider our proposed time and resource allocation model, based on feedback from our interviewees.

**Founder**

75% of their time focusing on achieving PMF

**Rest-of-Team**

Support founder by giving him/her headspace to think about PMF, or help design fast, iterative cycles to find PMF

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**"Investors tend to come in two types: those who focus primarily on the venture and those who focus primarily on the entrepreneur. I believe that focusing on the entrepreneurs is more important in a startup as they are the ones who need to navigate and realise Product-Market Fit which may change substantially over time."**

*- Ben Jeffreys, Co-Founder*
*ATEC*

## Providing Strategic Clarity: Founders' Biggest Ask

In our conversations, we were also curious to explore if the support that founders seek aligns with what VCs are currently providing, or believe founders want. Diagram 4 is a word cloud highlighting key requests and wishes by founders in our study, which include helping them get connected to potential partners and customers, subject-matter experts and quality talent for hire. VCs today are responding proactively to these particular "asks," with more established funds often having dedicated teams to support their portcos in talent recruitment and networking.

But as the word cloud shows, Strategic Advice emerged as the most frequently requested support by current entrepreneurs and exited founders we interviewed.

Founders specifically described strategic advice as guidance to help them clarify their current and future priorities amid the noise and distractions. With so much going on – fundraising, product development, hiring, securing customers and more – it's easy for founders in the trenches to lose sight of true priorities and the bigger picture.

Reflecting on their start-up journeys, multiple exited founders noted that if they could conjure up the ideal VC assistance, they would want partners who "proactively engage in reviewing their businesses" at the right juncture and help them "co-think long term roadmaps." Synthesising these insights, perhaps the most valuable investors are those who are able and willing to act as "peers," sitting beside founders as they navigate murky waters on a foggy day.


*Diagram 4: Strategic Advice is the most mentioned wish by start-up founders of VCs*

**"Our investors challenged us a lot in terms of strategic thinking. While my co-founder and I were very focused on the present and solving operational questions, we appreciated that our investors always pushed us to keep in mind the longer-term vision for the business."**

*- Nicole Mao, Founder*
*Tiger New Energy*

# 4 Epilogue

After the boom and institutionalisation of Venture Capital in the 1980s, one might assume that all aspects of early-stage investing would have been adequately explored and characterised by now. But this assumption might not hold when it comes to portfolio acceleration, particularly when we look at the realm of early-stage growth. We hope the findings summarised in this whitepaper provide some thought-provoking insights for both start-up founders and fund managers, so that the VC community can continue enabling talented entrepreneurs to solve meaningful problems at speed and scale.

Finally, if you're an experienced entrepreneur, investor or peer in the VC space interested in learning more about how we're applying these lessons to our portfolio, we invite you to reach out to any of us in Wavemaker Impact.

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