

Scaling through investment in medium-sized SaaS enterprises

Master's thesis
in International Business

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The concept of scaling has become a closely followed and interesting topic in the SaaS industry in the context of growth, which indicates a need for additional research on scaling up companies, and especially what to strive for and how to execute plans regarding scaling. This study has attempted to contribute to existing literature and provide practical applications and managerial implications for any SaaS company trying to scale up their business, especially from the new sales and revenue generation perspective.

This thesis aims to fill the research gaps, especially on the process of scaling and how to achieve scalable growth. The approach can be condensed into the main research question “How are medium-sized SaaS businesses scaling up after investment?” and the two sub-questions “What are the processes behind scaling up medium-sized SaaS businesses?” and “What is the role of investment in scaling up medium-sized SaaS businesses?” These research questions are answered through the combination of reviewing existing literature on the subject and data collected by interviewing industry experts on the phenomenon of scaling up SaaS businesses.

The research process begins with a review of existing academic literature, which will then be used to create a theoretical framework. The findings from the review and the creation of the framework guide the planning and generation of the interview questions, and the framework is also used when presenting and discussing findings from the collected data. The theoretical framework is a result of an iterative parsimony effort, where an existing framework on scaling is modified to better fit the process of scaling up SaaS businesses. The modified drivers represent four key elements in scaling up SaaS businesses after receiving investment: Creation of value propositions, investor value-added, access to new markets and institutionalized rules and norms. The collected data is examined through the perspective of the four drivers.

The main finding of this thesis is the process a SaaS company can utilize when aiming to scale up after receiving external investment. The process includes getting to understand how the market and company are developing, evaluating if the efforts and resources should be focused on existing customers and the processes associated with maintaining and growing customer relationships or if the focus can be on growing the customer base through the actions of sales and marketing. The conclusions and managerial implications provide additional detail to how initiatives should be attempted and what kinds of ways can be evaluated when deciding on the proper approach to scaling up a SaaS company. In addition to this, the thesis contributes to defining the term scaling, which is yet to enjoy a commonly agreed upon definition.

The thesis is evaluated from a critical perspective and certain limitations are identified and presented, alongside suggestions for future research. The main suggestions revolve around the data collection phase, namely the selection and number of interviewees.

Key words: Software-as-a-Service, SaaS, Private Equity, Scaling up

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Skaalautuvuuden käsitteestä on tullut tiiviisti seurattu ja mielenkiintoinen aihe SaaS-toimialalla, mikä on osoittanut tarvetta tutkimukselle yritysten skaalaamisesta ja erityisesti siitä, mihin skaalaussuunnitelmilla kannattaa pyrkiä ja miten niitä kannattaa toteuttaa. Tällä tutkimuksella on pyritty täydentämään olemassa olevaa kirjallisuutta ja tarjoamaan käytännön sovelluksia SaaS-yrityksille, jotka yrittävät laajentaa liiketoimintaansa, erityisesti asiakashankinnan näkökulmasta.

Tämän opinnäytetyön tavoitteena on täyttää tutkimusaukot erityisesti skaalausprosessin ja skaalautuvan kasvun saavuttamisen osalta. Lähestymistapa voidaan tiivistää päättämiskysymykseen ”Kuinka keskisuuret SaaS-yritykset skaalautuvat investoinnin jälkeen?” ja kahteen alakysymykseen ”Mitkä prosessit ovat keskisuurten SaaS-yritysten skaalaamisessa tärkeimpiä?” ja ”Mikä on investointien rooli keskisuurten SaaS-yritysten skaalaamisessa?” Näihin tutkimuskysymyksiin vastataan tarkastelemalla aiempaa kirjallisuutta ja alan asiantuntijoita haastatteleamalla kerättyä tietoa SaaS-liiketoiminnan laajentamisesta.

Tutkimusprosessi alkaa akateemisen kirjallisuuden katsauksella, jota käytetään teoreettisen viitekehyksen luomiseen. Katsauksen havainnot ja viitekehyksen luominen ohjaavat haastattelukysymysten suunnittelua ja viitekehystä käytetään myös esiteltäessä ja keskusteltaessa kerätystä datasta saatuja tuloksia. Teoreettinen viitekehys on iteratiivisen prosessin tulos, jossa olemassa olevaa skaalautuvuuteen liittyvää viitekehystä muutetaan sopimaan paremmin SaaS-yritysten skaalausprosessiin. Muokatut ajurit edustavat neljää keskeistä elementtiä SaaS-liiketoiminnan laajentamisessa investoinnin jälkeen: arvolupausten luominen, sijoittajavetoinen arvonlisäys, pääsy uusille markkinoille sekä institutionalisoidut säännöt ja normit. Kerättyä dataa tarkastellaan näiden neljän ajurin näkökulmasta.

Tämän opinnäytetyön tärkein löydös on prosessi, jota SaaS-yritys voi hyödyntää pyrkiessään laajentamaan toimintaansa investoinnin jälkeen. Prosessi sisältää markkinoiden ja tarkastelun alla olevan yrityksen kehittymisen ymmärtämisen, arvioinnin siitä pitäisikö panostukset ja resurssit keskittää olemassa oleviin asiakkaisiin, asiakassuhteiden ylläpitämiseen ja kasvattamiseen liittyviin prosesseihin vai kannattaako keskittyä asiakaskunnan kasvattamiseen. Tämän lisäksi opinnäytetyö myötävaikuttaa termin ”skaalaaminen” määrittelyyn.

Tutkimusta arvioidaan myös kriittisesti, tiettyjä rajoituksia tunnistetaan ja esitellään, joiden lisäksi tarjotaan jatkotutkimusehdotuksia. Tärkeimmät jatkotutkimusehdotukset liittyvät tiedonkeruuvaiheeseen, tarkemmin haastateltavien valintaan ja määrään.

Avainsanat: Software-as-a-Service, SaaS, Private Equity, Skaalautuminen

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1 Introduction

1.1 Background to the research

As the demand and market for cloud-based solutions continue growing, with the worldwide public cloud services segment projected to reach nearly 600 billion USD in spending in 2023 (Gartner 2022), the interest towards scaling Software-as-a-Service (SaaS) businesses is also expected to grow. The SaaS business model is inherently scalable, due to the possibility of delivering value via the internet (Mäkilä et al. 2010), research on the scaling processes of specifically SaaS businesses is relevant not only from the perspective of literature on scaling, but also from the perspective of literature on Software-as-a-Service businesses. While scaling as an abstract concept has been more widely studied in recent years, the practicalities of scaling have been left with relatively low amounts of attention in academia. This thesis helps fill the literature gap on the processes of scaling, while also contributing to defining the term.

Global SMEs may have potential for rapid growth but might not possess the knowledge on how to achieve said growth. Scaling up sales is in a crucial position to enable growth. Since growth and scaling are both important aspects in this thesis and in the motivations behind it, the two concepts should be distinguished from each other. In this thesis, the selected definition for scaling is the act of increasing revenue at a faster rate than increasing costs.

The process of scaling is examined especially as something initiated or accelerated by investment in this thesis. The investment perspective is also taken into account and an attempt is made to identify discrepancies and commonalities between the expectations and opinions of investors and investees regarding the processes of scaling after investment, especially regarding the value enabling activities of the investing party.

The process of scaling is defined and examined with the help of an adapted framework. The adaptations made to the framework shift the focus to be on increasing revenues, especially from the point of view of new sales, within the SaaS industry. This perspective is achieved through overlaying the context and specifics of the SaaS industry and investment driven growth to the original framework which focuses on scaling as phenomenon in the context of the food and entertainment industry. In practice, this meant for example, taking into account the recurring revenues a SaaS business model implies:

More specifically, the method of delivering the product or service to the customers online. In addition to this, the investor value-added perspective, alongside other contextual changes were taken into account. This decision to attempt to confine the discussion of the thesis to revenue generation and new sales is caused in part because of time management reasons and due to the research being done as part of a master's thesis, but also due to the commissioning company's specific area of interest: The revenue generation perspective. In the following subchapter, the research problems are presented and discussed.

1.2 Research problems

This thesis is a thematic analysis on scaling as a process in medium-sized SaaS businesses which have received late-stage external funding. Within the lifecycle of a SaaS company, a round or more of external funding is required or sought after in order to fulfill business needs, such as boosting product development, marketing or sales efforts. This thesis is commissioned by a private Finnish SaaS company. The company is a B2B analytics provider, with a relatively wide target audience; it is industry agnostic in that it can serve any customer globally and work with all types of source data, the limitations for new customer acquisition is based on the size of the ideal customer. Regarding investment, in the case of the company, the funding has come in at a relatively late stage, after 18 years of organic growth. In the company's case, the funding has not tipped the original balance of the decision-making process within the company, as the financier, did not gain a majority share. This current situation is one reason behind the subject of this thesis, the company now possesses resources, but a more detailed view of the options for the use of said resources would be beneficial. In addition to the research done in this thesis, the company listens to the advice coming from the investor. This thesis was commissioned to gain insights into how the funding can most effectively be used to scale up the business. As the thesis focuses on the processes of scaling up, the decision to conduct it as thematic research was made. This is done because the term is relatively new and there is no definition yet, which would completely be agreed upon within the scientific community. It should be noted that the commissioning company's current position is quite unique, as the more common pathway towards private equity funding is one which is littered with e.g., venture capital investment. The author of this thesis is currently employed by the commissioner of this thesis.

The thematic analysis will focus on different processes for scaling up. As the interviewed companies have different value propositions, environments and products or services, a direct comparison would not provide desired results as the differences in processes can have multiple differences.

The underlying focus of this research is scaling up. Due to the multitude of different ways the scaling up of a company can be achieved, this thesis will focus on the scaling up process of medium-sized SaaS businesses, as the business model allows for more unbounded scaling when compared with e.g., manufacturing companies, and as the business model represents the situation of the commissioning company. The main research question of this thesis, distilled from the explanation of the aim of the thesis above is shown below.

How are medium-sized SaaS businesses scaling up after investment?

This research problem is divided into two sub-problems, as the process of scaling is not always reliant on the external financing. In examining the process of scaling and the specific role of investment in said process, these two aspects have been split up to be their own sub-problems:

What are the processes behind scaling up medium-sized SaaS businesses?

What is the role of investment in scaling up medium-sized SaaS businesses?

As the subject of this thesis, along with the three research problems is heavily reliant on the terms medium-sized, SaaS business, and scaling, it is important to define all terms: medium-sized and SaaS business. With the term medium-sized this thesis refers to the European Union's definition. According to the European Union, small and medium-sized companies (SMEs) are defined as companies, which have less than 250 employees and have a turnover of less than 50 million euros or have less than 43 million euros in their balance sheets. A company is defined as medium-sized if its staff headcount exceeds 50 people and its turnover exceeds 10 million euros, or its balance sheet contains over 10

million euros. (European Commission 2022). The term SaaS (Software-as-a-Service) is defined by Mäkilä et al. (2010, 116) as a software which is delivered to the customer via the internet and is normally used through a web browser. The SaaS business model leverages this ease of delivery, allowing for relatively easy global expansion, compared with more traditional businesses e.g., manufacturing. SaaS businesses are defined in a more detailed manner in chapter 2.1. Scaling is the most difficult of the three key terms to define, as it still lacks a full, commonly agreed upon definition. Scaling has been defined by multiple authors in recent years (Appelo 2019, 4; Maslan 2018, 3-4; Bocken et al. 2016, 297-298; etc.) and while a wider consensus is still missing, scaling can generally be used to mean the growing of a company through e.g., increasing the number of customers and/or employees. The definition of scaling which will be used in this thesis is as follows: Scaling is the act of increasing revenues at a faster rate than increasing costs. Scaling is defined in more detail in chapter 2.2. Finally, the term investment, defined by the Cambridge Dictionary as “the act of putting money, effort, time, etc. into something to make a profit or get an advantage, or the money, effort, time, etc. used to do this”. In this thesis, the term investment is primarily used to indicate monetary investment into a business, with the other dimensions of the definition above e.g., effort or time being left out.

1.3 Structure of the thesis

In this subchapter, the overall structure of the thesis is presented and discussed, alongside the explanation on how the different chapters tie together to provide the reader an understanding of the ways SaaS companies can scale up. The overall structure of the thesis is presented in the figure below.

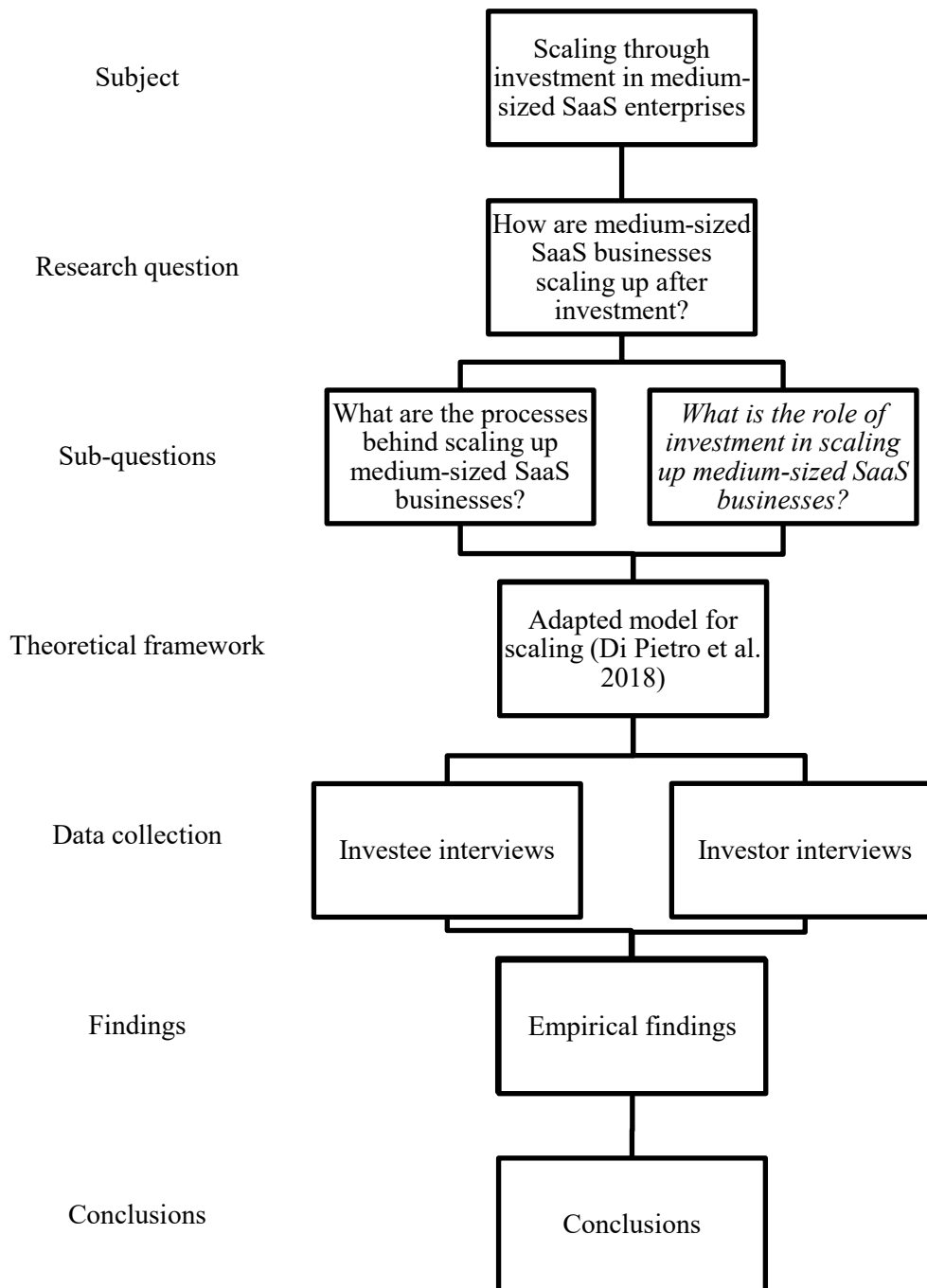


Figure 1 Research process

The subject of the thesis has guided the creation of the research questions, which provide a north star for this thesis; the aim of this thesis is to provide insights into how SaaS companies can scale up after receiving investment. This approach has been followed from the beginning onwards, meaning that the theoretical framework is also in line with the research questions. The adaptation and parsimony of an existing framework on scaling is presented alongside the literature review and connected to the context of the SaaS industry and external investment driven scaling.

The research questions and theoretical framework are then applied into the methodology of the thesis: The interview questions are built based on the research questions and the theoretical framework, with the links between the questions and their background influences presented explicitly in chapter 3.

The findings of the study are then examined and discussed from the perspective of the theoretical framework and research questions, connecting the existing literature to the data collected for this thesis. Conclusions are drawn from the findings and their connection to existing literature, and the theoretical contributions and managerial implications are presented, before providing the reader with a summary of the entire thesis. Following this structure enables an organized way of connecting theory with empirics.

2 Scaling through investment in medium-sized SaaS companies

This chapter examines the literature surrounding SaaS as a business model and scaling as a process. The theoretical framework and the iterative parsimony process used to adapt it are also presented in this chapter. The chapter begins with the defining of key terms and providing context of the SaaS industry and sales in it to the reader. After the establishing of the base for the concepts to be examined, the theoretical framework is adapted to the needs of this thesis beginning with a perspective for increasing revenues in the SaaS industry, moving on to highlighting the importance of rules and norms when examining the phenomenon of scaling, further examining the value an investor can bring into the mix apart from the capital and finally incorporating the way SaaS businesses can deliver value and access new markets globally due to their online presence.

2.1 Increasing revenues in the Software-as-a-Service industry

The key concepts will be defined in this chapter. This is important to provide context required to understand the theory, findings and discussion. In addition to these definitions, the iterative adaptation process of the theoretical framework is started with examining how revenues can be increased in the Software-as-a-Service industry. The theoretical framework's adaptation is done through adding context and through parsing together relevant frameworks, which together help to better understand the process of scaling up a SaaS company.

2.1.1 Software-as-a-Service

Mäkilä et al. (2010, 116) point out that the term Software-as-a-Service (SaaS) currently means software, which is delivered online, usually via web browser. The business model usually works so, that the SaaS-providers solution is accessed via the internet, and the provider charges service fees (Mäkilä et al. 2010, 116). There are also five different features that usually unites SaaS businesses: The product is usually accessed via web browser, product is not tailored for separate customers, the product does not require on-site installation, product's integration and installation is simple and the pricing of the product is based on usage. (Mäkilä et al. 2010, 117-118). The features mentioned by Mäkilä et al. (2010) are common, but there depending on how they are interpreted, they might hold different meanings: for example, the final characteristic, the product being

priced based on usage could e.g., mean the number of users, amount of monthly use measured in time, or the total amount of data being processed; while the measure might change, the underlying idea of the pricing being based on usage helps the customer predict the cost of the solution, according to Bhardwaj, Jain, and Jain (2010, 41). Due to the software being accessed online, the user and provider can be in different locations, with an additional benefit being that the maintenance and modifications can be managed remotely (Bhardwaj, Jain, and Jain 2010, 41). The service fee model also means that the customer does not own the software itself. (Mäkilä et al. 2010, 116). The SaaS business model can be built in different ways, provided for B2C or B2B customers, include free and paid versions and so on. In this thesis I focus on medium-sized SaaS businesses, which operate on a paid subscription, B2B basis. This distinction is done due to the different strategies two-sided platforms, meaning platforms providing services for non-paying and paying users (Baden-Fuller & Haefliger 2013, 422), compared to those which only provide services for paying customers.

As the SaaS business model is usually fully digital, it is not bounded by the traditional challenges of, for example, internationalization. According to Nambisan (2017, 1029-1030) digitalization has caused entrepreneurial processes to transcend certain, more traditional boundaries. This shift allows for digital businesses to, for example, more freely choose when and where business activities are carried out. (Nambisan 2017, 1029-1030). This is an important addition to the definition of the SaaS business model, as it helps focus on more relevant challenges businesses must overcome when attempting to scale.

2.1.2 Increased revenues as a building block of scaling

While scaling as a term has yet to garner a definition set in stone, the term is generally agreed to relate to business growth. Most research also fails to differentiate between growth and scaling (Bailetti & Tanev 2020, 6), which provides an additional challenge for generating a definition for the term. This subchapter examines the different definitions of scaling and combines them to generate a definition used in this thesis.

“Increasing the number of customers or members of a business as well as expanding its offer and maximizing its revenues until it reaches millions of people.” (Bocken 2016, 298). Bocken’s approach can be criticized by referencing Carucci (2016), who argues that scaling should not be confused with growth; his definition of scaling is increasing revenues “at a much greater rate than costs”. With this definition, he also defines growth

as increasing revenue at the same rate as you are adding costs in and that it is medium-sized companies exactly which should take this discrepancy into account. (Carucci 2016). While Carucci sheds light on scaling, I thought his definition of growth might have been designed to add contrast at the cost of accuracy; the Cambridge Dictionary (2022) defines business growth as an “increase in the ability of an economy or business to produce goods and services”. The Cambridge Dictionary definition fits better and would also allow us to think that using Carucci’s definition of scaling would mean that scaling is a much more efficient version of growth; scaling is always growth, but growth isn’t always scaling.

A synthesis of these different definitions can be created by focusing on the growth of a company: The company in the process of scaling up is growing revenues at a faster rate than growing costs. This will be the definition used in regards of scaling in this thesis, due to its differentiation between growth and scaling. The research of Di Pietro et al. (2018, 147) proposes a framework for processes driving up scaling. Their original framework is presented in the figure below.

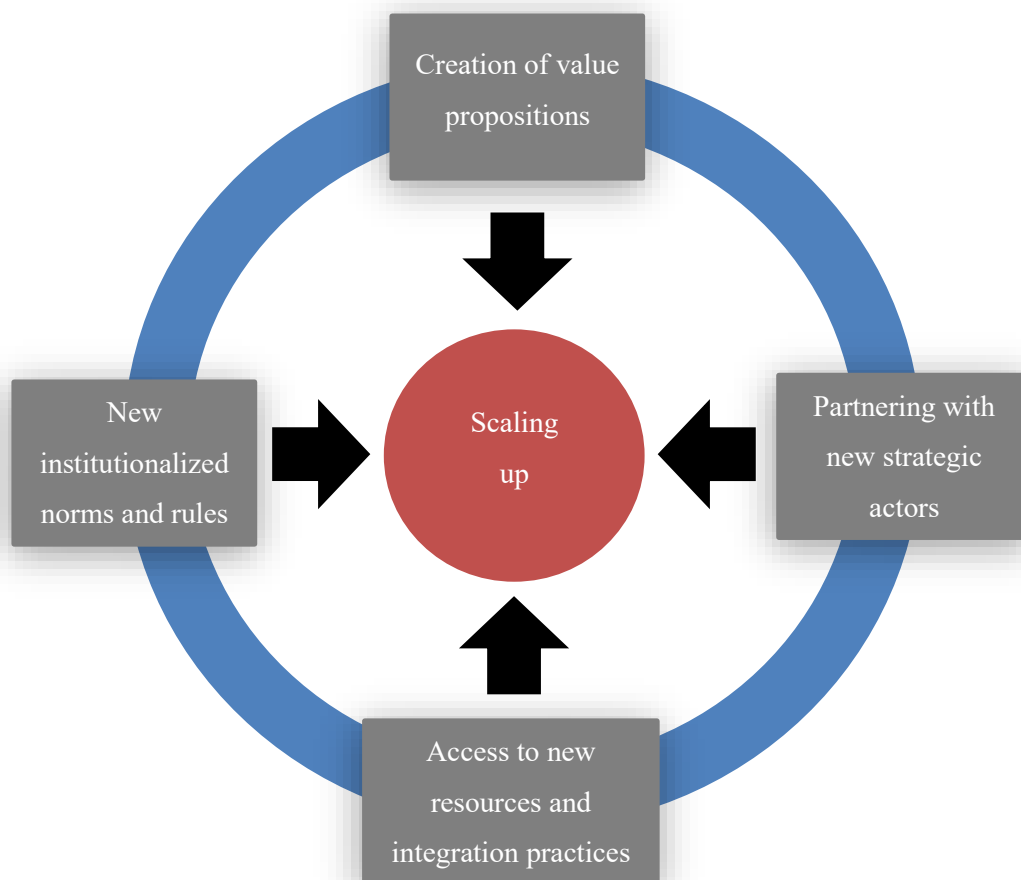


Figure 2 Framework for scaling up innovative service ecosystems by Di Pietro et al. (2018, 162).

The framework contains four drivers for scaling up: Creation of value propositions, Partnering with new strategic actors, Access to new resources and integration practices and New institutionalized norms and rules. (Di Pietro et al. 2018, 162). While the framework focuses on the scaling up process of innovative service ecosystems, the model can also be used to examine scaling up of single companies as well, as companies can also be seen as digital ecosystems; in this case, the different stakeholders in said ecosystem are websites, software, communities, employees and customers (according to Power and Jerijan 2001, as cited by Galateanu and Avasilcai 2013, 80). Diving deeper into the model created by Di Pietro et al. (2018), we can determine the different drivers, or building blocks, for scaling up an ecosystem.

First, going over the creation of value propositions building block: Di Pietro et al. (2018) have identified that this driver includes wording the value propositions, adoption and inclusion of new and existing stakeholders and the vision of the enterprise itself. These drivers fit as they are also in a framework examining singular business level ecosystems.

Secondly, looking at the Partnering with strategic actors' driver: selection of partners, engaging selected partners and implementation of key roles. In the framework by Di Pietro et al. (2018, 157) this driver is examined from a more grass-roots level, with discussions around concepts like employee or customer engagement. While important, the strategic actors and partners SaaS businesses usually collaborate with can bring value on a larger scale. Examples of partners could be private equity or venture capital firms with capabilities and experience required to increase efficiency within the business, or technology or sales partners actively increasing revenues.

Third, examining the Access to new resources and integration practices driver: different forms of collaboration between actors, integration of different brands and integration practices to develop an innovative servicescape. Out of these drivers, the two latter ones are left out of the scope of examination in order to promote the generalizability of the discussion and implications of this thesis. These aspects could also be incorporated in future studies, especially when the focus would be on investment driven growth of SaaS companies which is executed through Mergers and Acquisitions (M&As), as this perspective would better justify discussion and examining of integration of brands and integration practices.

Finally, examining the driver “New and institutionalized norms and rules”: Importance of sustainability and well-being and coordination and adaptation to local norms and rules. The former of these sub-drivers will be examined from the perspective of its parent driver, while the latter, adaptation to local norms and rules, will be examined in relation to the Access to new resources and integration practices driver, which in this thesis has been adapted to Access to new markets.

As Di Pietro et al. (2018) examine scaling from the point-of-view of two B2C service-providers, the model they present can be adjusted to act as a better tool for examining the scaling process of medium-sized SaaS businesses, which usually act in a B2B environment. For this reason, the “Creation of value propositions” block of the scaling framework proposed by Di Pietro et al. (2018, 162) will be examined via a framework proposed by Tyrväinen and Selin (2011, 12) as it helps add the perspective of marketing and sales into the theoretical framework of this thesis. Creation of value propositions has traditionally been very seller-centric, but as value creation becomes more customer-centric (Strandvik et al 2012, 132), the role of marketing and sales must also adapt. The decline of seller-centrism and rise of customer-centrism is especially important when examining industrial markets, which are where B2B SaaS businesses usually act. This is another supporting factor in adapting the framework by Di Pietro et al (2018) to include viewpoints from sales and marketing by combining the scaling model with the model of Tyrväinen and Selin, as they take into account the more customer-centric market through, for example, the use of a more personal sales approach (2011, 11). The model proposed by Tyrväinen and Selin (2011) is explored in more detail below.

As mentioned above, the framework by Tyrväinen and Selin (2011, 12) will be used for examining the sales and marketing activities of SaaS businesses. The clover model they propose in their research contains four “leaves”: Business, Target customers, Customer relationship and Sales process. All of these “leaves” have two dimensions, which will be gone over in detail later in this chapter. The model has been created to better understand the building blocks of sales and marketing success in SaaS companies. (Tyrväinen & Selin 2011).

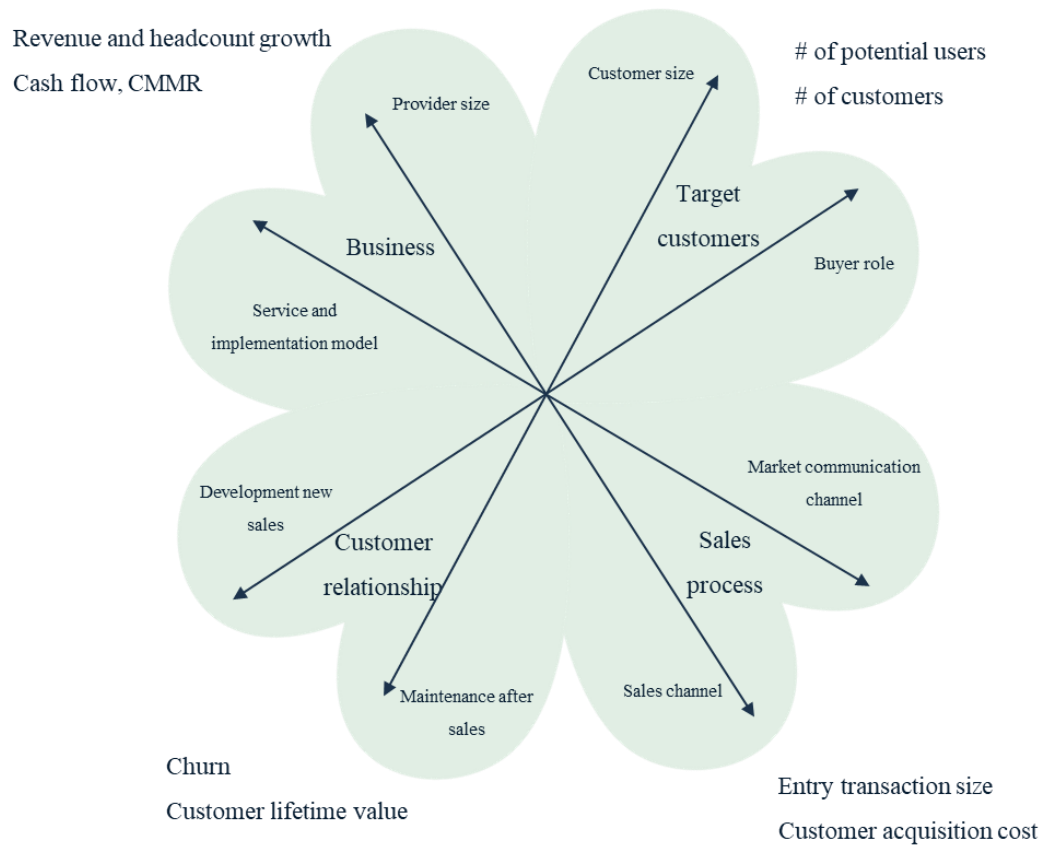


Figure 3 Framework on sales and marketing in SaaS businesses (Tyrväinen & Selin 2011, 12). Diving deeper into the leaves of the clover model and starting off with the “Business” leaf: This leaf consists of two aspects, the implementation and service model and provider size. The implementation and service model are measured on a scale ranging from a low-effort implementation and service (self-service) to a more high-effort model (consulting). The intensity of this model is usually also tied to the pricing of implementation, with the less-intensive implementation models (self-service) having a lower cost. (Tyrväinen & Selin 2011, 13). The provider size aspect is slightly more straight-forward: it measures the revenue, headcount growth, cashflow and monthly recurring revenue of a business. (Tyrväinen & Selin 2011, 13)

The *Target Customers* leaf is built upon the dimensions of Customer size and Buyer role and the KPIs Number (#) of Potential Users and Number (#) of customers. The size of a

customer is relevant as it one of the main determinants of the size of the deal, due to affecting e.g., the number of potential users (Tyrväinen & Selin 2011, 13), but it could also have effects on the notoriety and reputation of the SaaS business through more prominent (i.e., larger) customer references. The Buyer role dimension examines the role and seniority of the person tasked with procuring the solution and it shifts based on the size and lifecycle of the deal. (Tyrväinen & Selin 2011, 13)

The Sales Process leaf consists of the market communication and sales channels. The market communication leaf represents the actions a SaaS business takes when attempting to convey information to potential customers with the intention to increase sales. The common target of both the sales and marketing channels is what makes them interconnected. The sales channel leaf represents the actions directly related to the selling of the solution. (Tyrväinen & Selin 2011, 5-6).

The authors point out that while they see the market communication and sales channels as interconnected, the domain is not always the same: Tyrväinen and Selin pinpoint the use of internet in the market communication channel and the lesser use of internet in the sales channel. (Tyrväinen & Selin 2011, 13). The relatively lesser use of internet in SaaS sales channel is explained by the higher amount of personal selling (Tyrväinen & Selin 2011, 13), which has yet to lose its foothold from B2B sales. The use of Value-Added Resellers (VARs) is also mentioned in relation to the sales channel leaf (Tyrväinen & Selin 2011, 4), an approach also known as Channel Sales or Partner Sales in the software industry (Gartner 2022). A Channel Sales approach can mean the use of extra-organizational players, like consultants or similar companies, who add value to the customer, but also promote the use of the original company's product or service (Gartner 2022).

The customer relationship leaf contains the development and maintenance of existing customers. The former refers to new sales for an existing client, also known as upsales, whilst the latter refers to customer retention, making sure that the revenue keeps flowing from the biggest possible customer base in the future as well. (Tyrväinen & Selin 2011, 13).

The adapted model to be used in this thesis will combine the model proposed by Tyrväinen and Selin (2011) with the *Creation of value propositions* block of the model proposed by Di Pietro et al. (2018) to create a framework more suitable for the

examination of the scaling process in B2B-oriented, medium-sized SaaS businesses. The model with the first iteration of adaptation is presented in figure 4 below.

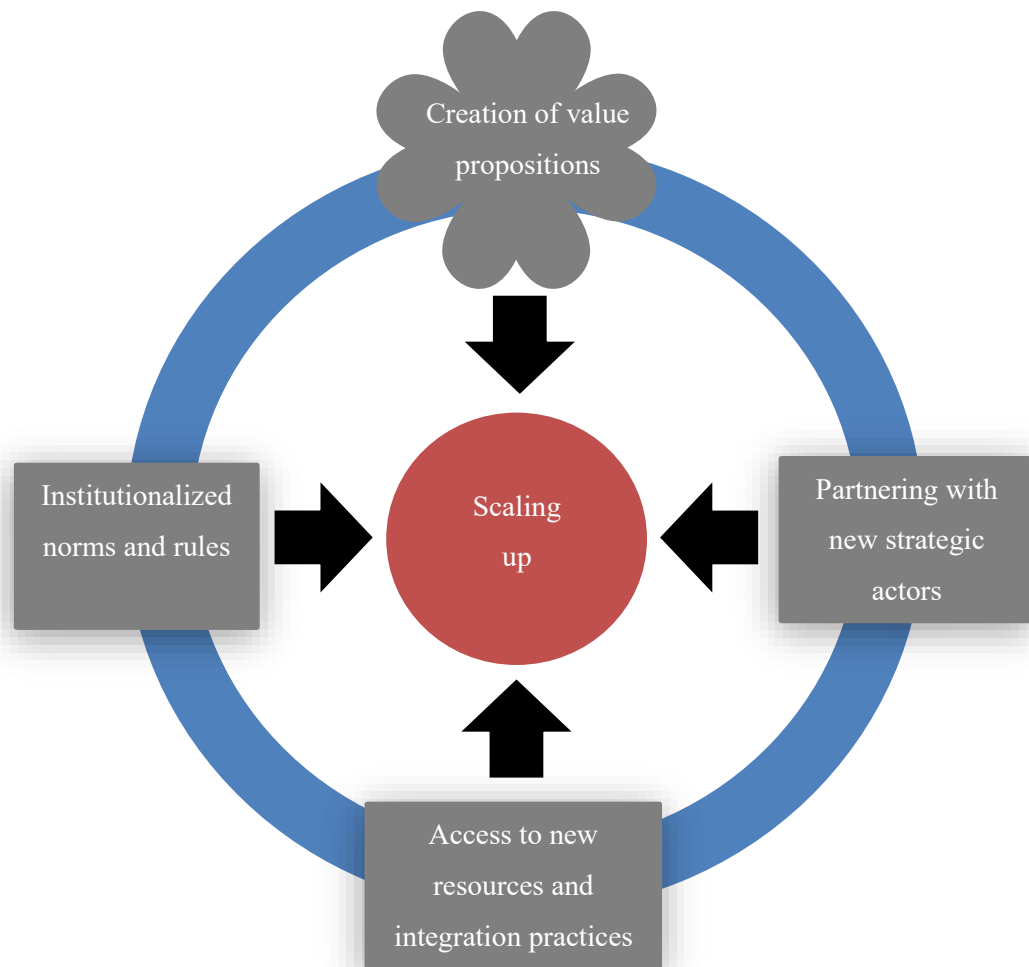


Figure 4 First iteration of the adapted framework (Di Pietro et al. 2018; Tyrväinen & Selin 2011). In the iteration of the adapted framework presented above, which contains parts of two frameworks; one by Di Pietro et al. (2018) and the other by Tyrväinen and Selin (2011), the role of sales and marketing in scaling is highlighted. This can also be seen in the adapted model through the replacing of the creation of value propositions box by the clover model outline.

One key aspect of this discussion is the metrics the company wishing to scale up should follow. There are two types of metrics examined in this thesis: Key Result Indicators (KRIs) and Key Performance Indicators (KPIs). Parmenter (2019, 4-10) mentions seven characteristics as a definition of KPIs which state that KPIs are nonfinancial, timely, simple, acted on by top management, team based and have been tested to only possess a

positive impact and address critical success factors (Parmenter 2019, 10). Key Result Indicators lack these characteristics. To sum up the difference between a KRI and a KPI is that KPIs measure how to get to a KRI, which from an operational point-of-view can be argued to be more important than comparing cash-flow of subsequent months. In the following chapter, the focus is shifted from increasing revenues into the internal rules and norms enabling desired outcomes: The rules and norms of an organization.

2.2 Rules and norms

The *New institutionalized norms and rules* driver is also one which should be contextualized to make sure it properly fits the purpose of this thesis and the SaaS industry. The original model assumes the context of business-to-customer services, with the examples describing this driver holding a more grass-roots level perspective. For the two case businesses in the research of Di Pietro et al. (2018, 160), the norms and rules presented relate to themes of sustainability and a general sense of improving the world around them.

While the examples of these norms and rules and the outcomes of implementing them are examined on a more detailed level in the original framework, for the purposes of this study the scope of examination is widened. The themes presented in these norms and rules however are also relevant for the SaaS industry from both the internal and external perspectives. The potential risks a business would take without implementing and nurturing a culture of corporate social responsibility have grown, so from an external, risk mitigation perspective, the norms and rules regarding these themes are important to consider in other industries as well, not simply the food and entertainment industries examined in the research of Di Pietro et al. (2018).

The effect of these norms and rules can also be observed in the internal activities of the business: Indahl and Jacobsen (2019, 41) argue that businesses which succeed in setting goals to solve social problems, in incorporating these goals to the core of their business and in solving these problems are more likely to motivate management and employees, while attracting top talent into the organization. These examples of the internal and external purposes for creating and nurturing norms and rules like these provide better context as to why this driver is relevant for SaaS businesses willing to scale up their business. While these norms and rules might be implemented after an investment, it would seem rare that a business would have acted without any tacit or explicit norms and rules

until that point. For this reason, the word “New” is removed from the framework, to represent the necessity of these rules and norms more accurately without implying novelty regarding them. This modification is already represented in figure 4, presented in the previous sub-chapter.

In addition to the sustainability perspective highlighted by Di Pietro et al. (2018), the institutionalized norms and rules driver is extended to include internally applied norms and rules to the day-to-day activities of the business, so in addition to attempting to make the world a better place, the norms and rules would also be seen as vectors for making the company a better version of itself.

2.3 Investment

In this subchapter, the role of investment in scaling and sales and marketing effort driven growth is examined further through existing literature. Private funding can be provided through loans from commercial banks, but also among other additional methods, through the venture capital sector (Yigitcanlar et al. 2018, 462). In addition to this, private funding can be gathered in the form of private equity, in which, similarly, to venture capital, the investor finances the business in exchange of stock in the business. The key difference between venture capital and private equity is the stage when the investment is made.

2.3.1 Features of different modes of funding

Venture capital funding is a specialized form of equity capital investment that in principle targets new companies and entrepreneurs with disruptive innovations (Kenney 2011, 1677-1678). However, Zider (1998, 133) would argue that venture capitalists prefer to invest in good industries rather than good companies or people, which is caused by the difficulty in distinguishing good company performance from good industry performance, as hot industries are hungrier for products. Naturally the investment towards industries is done through investing in the companies in it. While Zider’s argument is that investors are interested in investing into companies in certain industries, possibly with the idea that the companies will grow together with the industry, Zider (1998, 132) goes on to highlight the key differentiator between companies in hot markets: capable management. Zider (1998, 132) argues that venture capital is not long-term capital, but rather a way to build up the investment target’s balance sheet and credibility to a point where other means of funding become accessible. The niche of this mode of funding is based on the interest

gaps of commercial banks, which are too low to constitute lending to a higher risk venture (Zider 1998, 132). Regardless of the motives behind venture capital investment decisions, some researchers argue that venture capital is very well suited to support the creation of innovative start-up companies.

The other relevant mode of investment is Private Equity. Private Equity is a mode of investment where capital is invested into a company that is not publicly listed or traded. (Investopedia 2023). Where venture capital is a mode of investment which can be more interesting in the financing of younger and more risky investees, private equity can be seen as a more relevant choice for medium-sized SaaS companies. To highlight the difference, Venture Capital (VC) can be referred to as the “money of invention” (Cumming and Johan 2014, 4), while the Private Equity (PE) investments are less commonly referable to as “money of invention” as PE investments are usually made at a later stage of the company’s lifecycle when the core idea is commonly already established. The notion that Venture Capital and Private Equity differ mainly regarding the stage where they are usually interested in investing to a company is echoed by Cumming and Johan (2014, 5), as they also mention that venture capital focuses on the early stage, while private equity is more focused on the later stage investments. Cumming and Johan (2014, 5) do note however, that Private Equity investments can also be made in earlier stage businesses, so the term Private Equity does not in itself exclude the possibility of such investment.

2.3.2 Value creation and different modes of funding

Another reason behind the suitability of venture capital as a form of investment to companies with higher-than-average growth, is the implicit value-addition as an on-top bonus to the capital, like coaching or promotion (Luukkonen, Deschryvere, & Bertoni, 2013, 154). By coaching, Luukkonen et al. mean providing know-how in sectors of business not in the core of the companies’ or entrepreneurs’ own knowledge, e.g., in financial, administrative, or marketing related issues. In addition to this, investors can provide value through connecting their portfolio companies with for example certain professional service providers or with similar companies, allowing them to work together as one stronger unit (Luukkonen, Deschryvere, & Bertoni, 2013, 154). However, there are differences in venture capitalists and their ability to generate more value on top of the financial investment. These differences can be seen in the amount of intangible assets the

VC possesses, like talent in their workforce, through examining the motives behind the investment and the lifecycle stage of their portfolio companies, and the plan they have in mind for the portfolio companies timewise. (Luukkonen, Deschryvere, & Bertoni, 2013, 154). These differences in investors should compel businesses seeking investment to do their own due diligence of the investor, when there are multiple options available. If the expectations of the business and the investor are not aligned, situations might arise where the potential value of a company is not maximized due to e.g., the lack of support which the entrepreneur was expecting. Luukkonen, Deschryvere, and Bertoni (2013, 155) examine the differences in Independent Venture Capital (IVC) and Governmental Venture Capital (GCV) and a note they highlight is that GVCs have limited possibilities for the coaching and promotion activities when compared to IVCs due to a higher portfolio company to manager ratio. Similar findings are also presented by Grilli and Murtinu (2011, 25) who, in their research examined the differences of results between novel technology-based companies backed by public and private venture capital. They found that in all but one measure, the private VC backed companies were more successful investments, when tracking the employment, sales, and total assets of the companies. The public VC backed companies only outperformed in the employment measure. (Grilli & Murtinu 2010, 25).

2.3.3 Private Equity

The effect on private equity injections has been studied by scholars. As mentioned in the previous chapter, cash flow can be seen as one measure for sales growth. Kaplan (1989, 225-226) argues in his research, that when studying a sample of 48 private equity buyouts of companies, the process caused the cash flow of the target of the buyout to increase. In addition to this, the connection between cash flow and sales is also explicitly mentioned in the research (Kaplan 1989, 225), further strengthening the argument for using the metric when measuring sales and marketing growth, and therefore, scaling. At their best, equity-based investments can be very successful and pleasing for both sides of the transaction, as noted by Cumming and Johan (2014, 445), through, for example, increased rate of innovation in both, private equity, and venture capital investments. The positive effect on innovation can be seen especially in venture capital investments' effects on the investees. There are also positive effects which arise when examining the effect of the size of the private equity, venture capital or other equity-based investment fund: When the investment is done by an entity which has other companies in its portfolio as well, the

potential for synergies between the portfolio companies rise as well (Cumming and Johan 2014, 449), another positive factor from the perspective of the target company, on top of the coaching, training or promotion aspects.

The mutual satisfaction of equity-based investments is not always guaranteed, as is the case with investments in general. Research on the more detailed level of why some equity-based investments succeed to please both parties has shown that in cases where the investor does not provide additional value to the monetary investment, the cost of an equity-based transaction can be higher than a simple debt-based transaction for the investee (Cumming and Johan 2014, 10). Another common criticism towards equity-based investments is their effects on the employment safety within the business earning the investment. Politicians and media in the 2000s, for example, have been highlighting the adverse effects of equity-based buyouts on jobs and this discourse has even led to the limitation of opportunities regarding equity-based investments. (Cumming and Johan 2014, 446-447). The effect of equity-based investments has also been shown to lead to the opposite scenario.

In the case of Management Buy-Outs (MBOs), equity-based investment has been shown to increase the amount of jobs in the businesses which have earned investment in the UK (Cumming and Johan 2014, 446). Here the understanding on the specific type of Management Buy-Out (MBO) investment is important: MBOs are investments in which one or more members of the leadership within a company purchase a majority share in said company, providing them with increased control over the company and an opportunity to gain larger personal rewards (Investopedia 2022).

An MBO is a form of Leveraged Buy-Out (LBOs), in which the investor uses mostly debt-based funds in order to acquire a stake in the targeted business. LBOs have been accused of being predatory, especially due to the possibility of using the assets of the target of the investment against it. (Investopedia 2022). Based on these definitions, it is easier to understand both the ongoing criticism towards LBOs in general, but also the value of MBOs from the target company's perspective. While LBOs can be used to partake in a predatory and malicious way of doing business, an MBO seems to represent the managerial individuals or teams gaining more control over the company by taking additional personal risk. Becoming more personally invested in the company and its success can be seen as a significant motivational factor at the higher echelons within the

target company, potentially leading to better performance of the company overall. I believe that the approach towards the criticism towards equity-based investment is not fully deflected by Cumming and Johan (2014, 446) simply by examining one of the equity-based investment forms which happens to increase the feeling and personal determination of the managerial team, which most likely will lead to a shorter power distance between the employees and decision-makers.

Stating that research has been made on MBOs and that it has increased the employment numbers in the context of discussing overall effects of equity-based investment seems biased as it is only one part of the total equity-based investment pool. In addition to the potential loss of jobs within the company, an equity-based investment can lead to uncertainty within the target company's employees even when plans and motives would be pure from the perspective of existing employees. This is because the plans of the investor do not always include plans for the employees as well, as noted by MacArthur (2000, 217). In addition to the perceived risk, the inherent resistance to change is also a factor in the human aspect of Mergers and Acquisitions (M&As), (MacArthur 2000, 219), and by extension in equity-based investments where the current status quo is also shaken up in. The reasons behind an acquisition can range from buying out competition or gaining specific tangible or intangible assets from the target in question (MacArthur 2000, 217). Due to the perceived risk, as well as the inherent resistance towards change, the management of the human aspect of an acquisition style investment becomes more important. Especially the role of communication in the investment process is highlighted, as in a more transparent situation, employees have to handle less uncertainty. The importance of communication in these situations is highlighted for example by MacArthur (2002, 219), who in their article describes a situation where a company was being bought by a larger entity especially due to the human capital in the target company, but as this was not communicated clearly, the reason for the investment, the employees, were already considering a mass exodus from the target company, but before this happened the situation was fixed with more open communication.

Private equity value creation is a subject which has received the attention of scholars since the industry's rise in the 21st century (Krysta & Kanbach 2022, 203). The research around private equity value creation has shown that perhaps the older view of PE firms acting out their inner Ebenezer Scrooge mindset of driving profitability through cutting costs and dispossessing of assets is being replaced with seeking growth opportunities.

(Cumming, Siegel and Wright 2007, 449). Cumming et al. (2007) go on to highlight different ways PE companies develop their portfolio companies outside of the actual financing, with development efforts focusing on e.g., product, corporate entrepreneurship, management, and networks (Cumming, Siegel and Wright 2007, 451; 455). The value provided outside of the more obvious benefit of PE to portfolio companies, access to capital, has been structured by Cumming et al. (2007) into four focus areas, represented through roles the PE company can adopt: “Organization optimizer”, “Inefficiency cutter”, “Growth enabler” and “Strategic revitalizer”. The actions which are at the core of value creation for each specific role have also been split into different groupings, or levers: “Governance levers” and “Performance management levers” for the role of organization optimizer; “Operational excellence levers” and “Financial management levers” for the role of Inefficiency cutter; “HR levers” for the role of Growth enabler; “Strategy and innovation levers” for Strategic revitalizer. (Cumming, Siegel and Wright 2007, 211). These roles and levers are placed in a matrix, explaining the value creation focus and effect. The adapted model can be seen below, with the focus being on the different roles and their respective levers. Please note that some aspects of this model have been consciously left out, in order to keep the focus on the roles. A key aspect, the example actions of the levers are examined in more detail later on in this chapter.

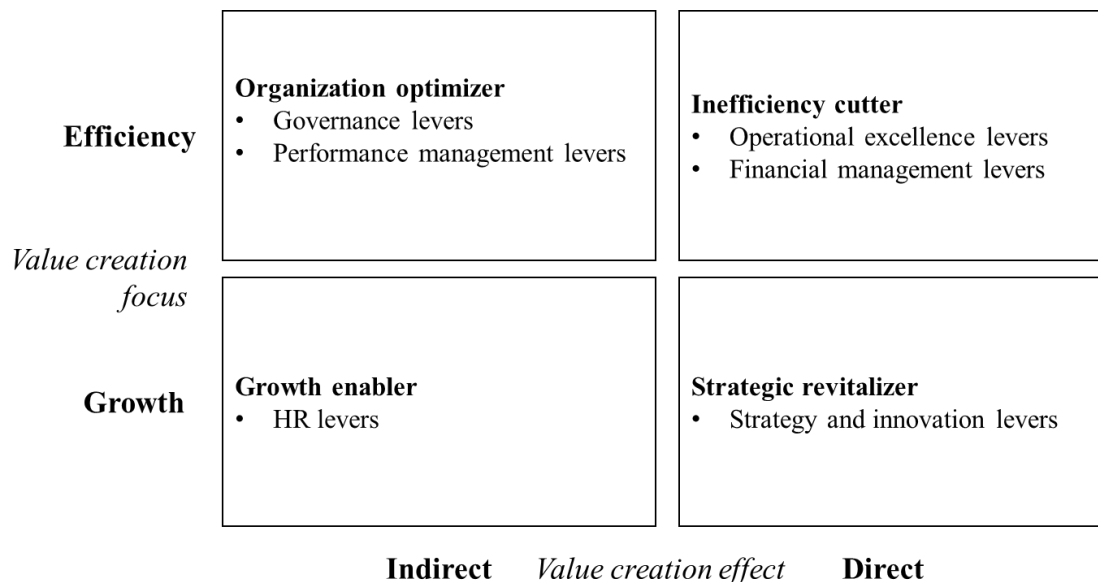


Figure 5 Framework for value creation in PE companies (Krysta & Kanbach 2022, 211).

Looking at these roles and their respective levers, we can determine that when the goal is to focus on the scaling of SaaS businesses, the roles growth enabler and strategic

revitalizer are more interesting due to their grouping in the *value creation focus* measure. However, all levers have been given examples by Krysta and Kanbach (2022), so in this subchapter these levers will be examined, and then connected to the most relevant ones. In the following table, I have compiled the different roles, levers, and sub-levers along with examples, to provide an overview of the framework.

Table 1 Private Equity roles, value enablement levers and examples (Krysta & Kanbach 2022).

Role	Lever	Sub-lever	Example
Organization optimizer	Governance	Incentive alignment	PE firm allocates a larger ownership share to management and employees, incentivizing preferred behaviour (2022, 212-213)
		Management restructuring	Replacing underperforming managers (2022, 213)
		Board reorganization	Increasing relative number of institutional investors within the board of the portfolio company (2022, 214)
	Performance management	Monitoring improvements	Implementing new KPIs, PE demands more accurate reporting (2022, 214-215)
		Debt-induced value focus	Higher degree of debt associated with the PE firm and by association, the portfolio company forces management to focus efforts on most promising uses for cashflow (2022, 215)
		Target stretching	Setting more ambitious targets, motivating management and employees to exceed. (2022, 216)
Inefficiency cutter	Operational excellence	Organizational streamlining	Decentralizing operations to increase efficiency, reducing amount of hierarchy. (2022, 217)
		Overhead optimization	Reduction in management levels (2022, 217)
		Production optimization	Driving cost efficiency through hiring more skilled employees or capitalizing on economies of scale (2022, 217)
	Financial management	Financial structure optimization	Restructuring the financial structure to lessen amount of tax paid (2022, 218)

		Capital access support	PE company's good relations with other financial institutions in their network help their portfolio companies in securing additional capital when needed.
		Capital efficiency improvements	Driving cash flow and profitability through working capital improvements (2022, 219)
Growth enabler	HR	High-performance practices	Comprehensive performance documentation; hiring of top talent (2022, 219-220)
		Entrepreneurial freedom	Managers granted wider freedoms, awakening an entrepreneurial mindset and motivating them to develop the company on their own (2022, 220)
		Mentoring	After board restructuring, the PE firm's representatives help by mentoring the top management of the portfolio company (2022, 221)
Strategic revitalizer	Strategy and innovation	Growth strategies	Refocusing the portfolio company's efforts, by divesting non-core activities (2022, 222)
		Innovation strategies	More significant engagement in collaborative innovation agreements (2022, 222)
		Managing extrenalities	PE firm actively implements ESG value creation initiatives within the portfolio company (2022, 223)

The table above presents the different roles of the investor alongside the levers and sub-levers associated with them. Diving deeper into the levers and the practices behind them will help understand the value both parties of the transaction are able to put forth after the investment. The deep dives into these levers will be kicked off with the structural changes an investor could propose or force within the investee organization.

The structural changes an investing entity can put to motion, while important in their own accord, might not always be necessary: For example, in case there are no underperforming managers, replacing them might not make sense. On the other hand, the Board reorganization lever could be seen as an important enabler for the rest of the levers, meaning that the restructuring of the company's board might allow for a better base for investor-investee mentoring, which in turn could be seen as a prerequisite for enabling

the value-added of the other levers. The levers focused on detailed situations where a function is performing in a sub-optimal manner could be seen as self-explanatory and require no further discussion in this thesis to sufficiently understand why an investor would want to act in the manner explained in the table above.

The value adds for e.g., hiring top talent and reducing the number of management levels all seem quite straight-forward, but the framework also presents certain levers where this is not the case: For example, decentralizing the organization could make data-driven leadership more difficult and stretching targets or being too ambitious on behalf of the operative team can lead to the team beginning to sandbag results (Carucci 2020). Sandbagging is defined by Investopedia (2022) as individuals trying to outperform expectations by first intentionally performing worse. These examples highlight the need for communication and understanding between the investor and investee, as simply giving too ambitious targets to the teams, or decentralizing operations without a proper plan could be counterproductive.

The role of communication and especially further reflection is highlighted also when examining the Performance management lever and especially the Monitoring improvements sub-lever: Krysta and Kanbach (2022, 214-215) argue that the PE firms usually wish to know how the newly acquired portfolio company is performing on a more detailed level, leading to the adoption of new Key Performance Indicators (KPIs) in the portfolio company with the intention of fulfilling this wish. However, as mentioned in chapter 2, the examples given in the research seem to be more in line with Parmenter's (2019, 4-10) definition of Key Result Indicators (KRIs), which lack most the seven characteristics of KPIs which state that KPIs are nonfinancial, timely, simple, acted on by top management, team based and have been tested to only possess a positive impact and address critical success factors (Parmenter 2019, 10).

One theme seems to be more represented than others in this framework, and that theme is the financial development of the business. As this theme is quite close to the core reason on why the value enablement is even being discussed, the investment, it is only natural that a subjectively more significant focus would be on the financial side. In the framework Krysta and Kanbach (2022) present 4 sub-levers which examine the value enablement aspect through the financial perspective: Debt-induced value, financial structure optimization, Capital access support and Capital efficiency improvements. The Debt-

induced value lever contains an interesting base-idea: Due to the PE firms usually utilizing debt in their acquisition of the portfolio company, the relative amount of potential cash-flow is hindered, meaning that the cash on hand from the investment must be invested in a value-creating manner (Krysta & Kanbach 2022, 215). What makes the idea interesting is that it does not require active participation of the PE firm, unlike the other levers. The Financial structure optimization and Capital access support levers are levers, which respectively explain the PE firm's effect on e.g., the amount of tax paid and the ease of gaining new capital later. An interesting quirk of the Capital access support lever is the fact that it seems to contradict the Debt-induced value focus lever. Finally, the Capital efficiency improvements lever represents the development of the use of capital within the portfolio company, with the focus being on process improvements which decrease the amount of working capital needed by the portfolio company, driving profitability as working capital freed up from the operative activities is capital that can be used more effectively elsewhere (Krysta & Kanbach 2022, 219). The Production optimization lever is another example of a more self-explanatory lever. This lever represents the actions taken by the PE company which help the portfolio company better utilize economies of scale and standardize products, reducing costs and driving profitability.

The Innovation strategies lever describes the actions taken by the portfolio companies after PE investment, which stimulate product, organization, and marketing innovations (Krysta & Kanbach 2022, 222). The effect of the PE firm is a debated matter, but research shows that PE intervention can be accompanied with increased innovation in the portfolio companies. Certain actions PE firms can make to boost innovation in their portfolio companies are for example a larger engagement in collaborative innovation activities, entering licensing agreements or increased R&D collaboration. (Krysta & Kanbach 2022, 222). Another reason behind increased innovation with the introduction of a PE context to the portfolio companies could stem from the employees' individual motives; Gollin (2008, 13) argues in his book that self-interest and competitiveness can be reasons behind innovation. This might be seen in portfolio companies as well since PE firm introduction can affect the personnel of a company. Concrete examples of PE intervention in the HR activities are e.g., the Management restructuring lever, which implies to the whole company that poor performance is not accepted, thus encouraging innovation among other performance improvements. A new perspective that has become more important in

recent years is represented by the Managing externalities lever, which describes the value creation efforts regarding the mitigation of Environmental, Social and Governance (ESG) risks. PE firms can help the portfolio company gain better visibility into its current situation through improved reporting and might be able to aid through a higher degree of experience. Ambitious ESG goal setting can also lead to positive byproducts like being able to attract and motivate top talent. (Krysta & Kanbach 2022, 223). The growth strategies lever describes actions taken by the PE firm concerning sustainable growth and molding the portfolio company to be more profitable, through divestments of non-core activities (Krysta & Kanbach 2022, 222).

Two of the levers presented in the framework by Krysta and Kanbach (2022, 211) should be examined together. The Entrepreneurial Freedom and Incentive alignment levers affect the entrepreneurial freedom and motivation of managers. Examining both levers is important, as the entrepreneurial freedom lever is connected closely with the financial wellbeing of a manager being connected with the success of the company. As the incentives of managers and top leadership are aligned, with the focus being on e.g., how to scale up the company, how to make it more profitable or how to in general, make the company succeed and bolster its position in the market, the framework proposes that the managers will begin to move assets to generate more value. (Krysta & Kanbach 2022, 220).

One critical aspect which was highlighted to be missing earlier when examining the financial levers is the aspect of data sharing between portfolio companies, which can be facilitated by the PE firm. The role of data and its use in decision-making is a field where research is still needed, at least in the context of investor-driven value enablement, especially as it is already being focused on closely by businesses worldwide. Especially procurement can convert data from cross-portfolio analyses to profit, through e.g., price comparisons for the same or similar materials or services being bought across the portfolio or consolidation of payment terms. In addition to the data's better usage, the PE companies also hold relatively large negotiation power when compared to a singular portfolio company; so, in cases where a product or service is used in enough portfolio companies to justify the use of time and effort, the PE companies can negotiate different frame agreements, cutting costs and driving profitability. In this context, further studies could focus on e.g., the types of data portfolio companies are willing to share with each other, how the data should be used or if governmental investors have the same legal

possibilities of applying data gathered from cross-portfolio analyses as private investors have.

To summarize, different methods of receiving funding are more relevant than others depending on the maturity and situation of the business searching for and receiving the funding. Venture capital is an opportunity geared towards younger companies and start-ups especially. Private equity on the other hand can be a more relevant opportunity to companies seeking later stage funding. There are also multiple different ways the investing party can bring additional value into the table, meaning that not only should businesses think about the category of investor they are looking for, but also make sure that the potential value enablement opportunities don't get wasted.

As established earlier in this thesis, the definition of scaling is the process of growing revenues at a faster rate than growing costs. While the sales and marketing perspective and respective framework adopted from Tyrväinen and Selin (2011) focuses on the growing revenue aspect more intensely, the framework proposed by Krysta and Kanbach (2022), gives insights focusing on improving efficiency, which in turn in many cases means the lowering of costs. With lowering of costs and better efficiency being contributing factors towards scaling up a business, the effects of the investors' actions and guidance should also be represented in the framework. Below you can see the adapted framework, with the "Partnering with new strategic actors" driver being replaced by the "Investor value-added" driver. The original definition of Di Pietro et al. (2018, 157) is not far from the contents of the value enablement levers presented by Krysta and Kanbach (2022) or the argued value adds of capital, coaching and promotion provided by venture capital firms (Luukkonen, Deschryvere, & Bertoni, 2013, 154), with the framework of Di Pietro et al. (2018) describing the value of strategic actors to be gained through energy and direction provided by the actors.

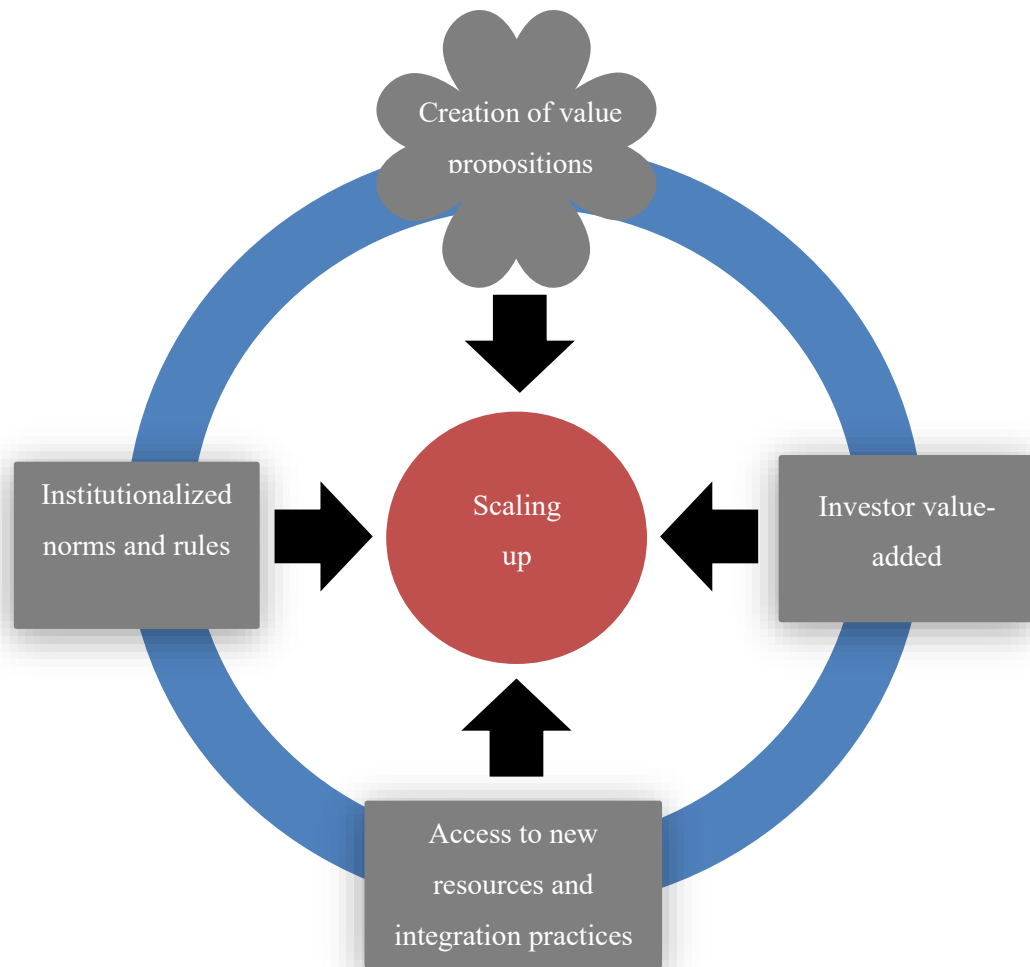


Figure 6 Second iteration of the adapted framework (Di Pietro et al. 2018; Tyrväinen & Selin 2011; Krysta & Kanbach 2022).

This framework considers the unique effects of the SaaS business model and its effects on the sales and marketing efforts and the potential value-enabling effect of an investor on the business. With these perspectives considered, the framework is more suitable to guide the empirical part of this thesis focused on examining the process of scaling up a medium-sized SaaS business after investment. In the following chapter, the structures and roles within SaaS customer acquisition are examined.

2.4 Organizational structure and roles in customer acquisition

This chapter will provide some detail on the different roles and structures within the customer acquisition side of SaaS businesses. An important thing to note when examining investment driven sales is the depth of the sales and marketing functions. As these functions are so easy to simplify into closing and advertising or to other similar

stereotypical generalizations, it is important to define their role in more depth, as the examination of investment driven sales growth would be difficult without understanding the intricacies of the steps going into a B2B SaaS sales process. In addition to this, an understanding of the different ways roles and responsibilities might be shared within different sales organizations (i.e., is a specific task usually handled by marketing or sales) and the reasoning behind the decisions can provide valuable insight into the efficiency and effectiveness of said organizations. For example, in the case of the commissioning company of this thesis, the sales organization consists of the sales, marketing, presales, channel sales and sales excellence functions, with the sales excellence function representing both sales development and sales enablement.

The sales and marketing functions should work as a team, as both are reaching towards a common goal, increasing revenue. This means that while the methodologies and responsibilities vary, the two functions should work together, as a team. This line of thinking should naturally be applied also on the company level whenever possible, but the importance of it is highlighted in these two functions, due to them being quite central in the success of the company and because of the shared goal of said functions. First, let's begin by defining the different functions in question, starting off with marketing: There are multiple definitions for marketing, The Chartered Institute of Marketing has defined marketing as a process, which is responsible for the identification, anticipation, and satisfaction of customer needs (Dann 2010, 148; The Chartered Institute of Marketing 2005), while the American Marketing Association defines marketing as "the activity, set of institutions and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners and society at large" (Dann 2010, 148; American Marketing Association 2008). To synthesize, these definitions all focus on a rather wide view of marketing, which does still apply in the SaaS market as well. However, while these definitions hold up quite well, some aspects of them contain obsolete, or less important notes when applied in the modern markets, especially in the SaaS field: For example, the delivery of products is less a marketing effort in the SaaS business, as delivery is usually handled by other parts of the organization; in the commissioning company's context, the delivery aspect is led by a mix of the presales function, ensuring that integrations are made correctly, with a handover between them and the rest of the company happening once the preliminary process is done. The

flexibility of responsibility is made possible by the SaaS business model which allows its implementation globally with relatively few prerequisites like access to internet.

As mentioned earlier, the sales function shares the same goal with marketing: selling more, increasing revenue. The sales function differs from marketing mainly through the phase they take over the process from marketing. Organizations may have different points of handing the case forward. The steps sales should take have been debated widely, and there is still no common consensus on how sales functions should organize themselves, and the structure of the sales process itself is still questioned regardless of multiple different frameworks trying to answer this question (i.e., MEDDIC, BANT, SPIN). Didner (2018, 1) mentions the multiple different tasks which can be imposed on sales: internal and external sales, prospecting, and research, responding to Requests for Proposals, customer service and billing. This multitude of possible tasks for a sales organization is one challenge companies face, as their sales teams risk prioritizing the wrong tasks leading to a suboptimal revenue generation. This lack of one correct answer is part of the reason behind the need for this thesis, as if these answers were already common knowledge the question on where to invest regarding sales would be quite straight forward.

To boost the collaboration between these and all other customer-facing functions, Didner (2018, 8) highlights the importance of an inward-looking marketing professional. The wider approach she is examining in her work is the *Sales Enablement* function, which she defines as a function which helps deliver a positive customer experience through training, skills, processes, and different tools and boosting internal collaboration, with the goal of increasing sales revenue, maintaining the existing customer base and increasing productivity. (Didner 2018, 5). It should be noted that there are multiple definitions for sales enablement, with marketing and sales software-as-a-service firms like Hubspot and Salesforce, different consultancies and research companies donning their own versions of the term's definition. (Didner 2018, 4-5). The importance of a function like this is highlighted by the wide, complex, and manual-heavy responsibility scope sales teams can have. Didner (2018, 7) mentions that sales enablement has become a more common sight in sales related to technology, due to the products or services being more complex and therefore requiring more detailed explanations and coherent demonstrations.

In addition to especially the tech sales landscape becoming more complex, marketing and sales functions are facing requirements to change due to arising trends. Didner (2018, 54-55) mentions multiple trends affecting the sales process, with buyer empowerment being a guiding theme; today's buyers are more educated on the issues they are trying to solve through market or in-house solutions, meaning that sales and marketing teams must shift their activities to match this new buyer behavior. This can be done through e.g., providing the market with reliable expert knowledge of the areas the company is acting in. As an example, in the commissioning company's case this has meant providing the market with knowledge on procurement analytics and other content related to it. A methodology of answering this specific trend is called "demand generation" which is defined by Gartner (2022) as a marketing strategy which focuses generating awareness and interest in the company's products and services and ultimately leading to long-term customer engagement. Other interesting trend mentioned by Didner (2018, 55) are the omnipresence of the company on social media and an on-demand availability of the sales team. Based on these two trends, it would seem that trend-aware sales teams are enabling a certain impatience of the modern buyer. For smaller organizations, these trends can be difficult to capture, as both are quite resource intensive. For a company with an additional boost to resources via an external financing round however, this could be a straightforward investment opportunity. Didner (2018, 57) also mentions the higher expectations of buyers regarding global and local support, meaning an international approach is becoming more important. In the next chapter, the perspective of international outreach of the company willing to scale up is examined.

2.5 Internationalization as a factor in scaling up

As businesses try to scale up and generate growth, at some point the market's borders start closing in. An important perspective to the scaling of medium-sized SaaS businesses is to begin the conquest of new markets. In the case of this research, the commissioning company's ideal customer profile limits the number of prospective companies as the size requirement of the companies, in the company's case based on revenue information, forces the company to look beyond country borders. Also, as mentioned earlier in this thesis, the trend of having both global and local support guides organization's into establishing operations in different parts of the world (Didner 2018, 57), even if the business model would otherwise allow for hosting all functions and operations in the central headquarters of the organization. While the SaaS business model provides the

possibility for a relatively easy internationalization process and the B2B context enables using English in many cases, some barriers still need to be overcome by a company willing to begin operations in a new market.

Another point for internationalization in the context of scaling a medium-sized business is the relatively low number of resources required to do it. SaaS companies, or digital companies can access international markets without Foreign Direct Investment (FDI) or with limited foreign assets (Cahen and Borini 2018, 2). In their research, Cahen and Borini (2018, 17) show that digital companies reach new markets through lighter methods of entry and presence: online expansion; non-equity entry modes, such as rented offices; and international partnerships.

A concept which helps in defining the internationalization aspect of SaaS businesses is the term Internet Firm. This term is defined by Hazarbassanova (2016, 350) as a “for-profit organization, which conducts its business exclusively through an internet-based platform, in a way that if the central servers of the company are turned off, the business of the company will be interrupted.” Parallels can be drawn between this definition, and the definition of SaaS company, meaning that the concept can be used to also describe the actions of SaaS companies. Hazarbassanova (2016, 350) argues that Internet Firms (IFs) can engage in passive and active international market-seeking.

Passive internationalization in this context could mean that the firm has a general website targeted to the home market, but accessible via the internet for foreign users as well; this allows for the passive capture and service of customers not directly in the scope of the firm’s target accounts (Hazarbassanova 2016, 350). Active internationalization of IFs could mean establishing a physical presence in the target market, optimization of a website to target the desired market, foreign direct investment or partnering with local actors in the target market (Hazarbassanova 2016, 350). Hazarbassanova’s arguments are supported partly by Yamin and Sinkovics (2006, 342), who argue that default (cf. passive, Hazarbassanova 2016) internationalization represents the creation of a website without the intention to internationalize. Active online internationalization (AOI) on the contrary, represents deliberate attempts to reach and do business with people or companies from foreign markets (Yamin & Sinkovics 2006, 342).

The concept of AOI differs from the more traditional market entry modes as a less resource-intensive alternative. There is no need for foreign direct investment and any

efforts aimed towards succeeding in AOI can be done remotely. (Yamin & Sinkovics 2006, 342). However, while this mode of internationalization is relatively less risky, due to it not requiring FDI for example, and would seem to require less effort, the process is less straight-forward as one might think. Where the requirements of resources and effort decline, one could argue that so does the impact to said market, if not done right. The internet provides a great deal of different and precise ways to gain the attention of the decision-makers it wishes to reach, but choosing the correct approach for a new market, with different cultural, legal, and other factors at play can be difficult and is not a guaranteed success.

Yamin and Sinkovics (2006, 343) mention the existence of two types of knowledge regarding moving into new markets: Pre-entry and post-entry knowledge. Where pre-entry knowledge has traditionally been seen as a home market centric activity and post-entry knowledge being host market centric, Yamin and Sinkovics (2006, 343) argue that within AOI, the physical location where the knowledge of pre- and post-entry knowledge lies is not as straight forward as in the traditional split. They write that in AOI post-entry knowledge can lie in the ether, rather than having to rely on one singular market (Yamin & Sinkovics 2006, 343). A key concept Yamin and Sinkovics discuss, is psychic distance. This concept has been described and defined by many researchers in the past, with notable definitions highlighted by Yamin and Sinkovics (2006, 345) arguing that the concept can be used to understand cultural and business-related differences between markets or as a general uncertainty of the market with specific barriers hindering learning from the market.

Needing to understand the cultural and business-related differences of a market is one factor, alongside e.g., language, preventing immediate entry to a foreign market via AOI. The cultural side of psychic distance can be examined through Hofstede's cultural dimensions as argued by Yamin and Sinkovics (2006, 345). These dimensions are Power Distance, Individualism Versus Collectivism, Masculinity Versus Femininity, Uncertainty Avoidance, Long Term Orientation Versus Short Term Orientation and Indulgence Versus Restraint (Hofstede Insights 2022). Understanding differences on these dimensions in national cultures and guiding actions related to market entry (online or traditional) can be the differentiator between a successful and failed entrance. An example of this in the context of AOI could be building a website targeting a market with a relatively short-term orientation and highlighting immediate benefits of implementing

a solution as another option could be to highlight the benefits of longer cooperation. The former option could lead to better results in this market, while the latter could lead to results in another market.

One of the key takeaways from Hazarbassanova's (2016, 366) research is that IFs should utilize different methods of internationalization, based on the specific attributes of the companies in question, and that this is generally the case with IFs which were studied. The other point of view from Yamin and Sinkovics (2006) would be that companies should utilize different methods of internationalization based on the targeted market. So, to synthesize these points, there are no shortcuts to success when it comes to internationalization and organizations wishing to establish a presence in a foreign market (online or offline) should do so considering their own limitations and strengths, and the specifics of the target market.

As noted in this sub-chapter, access to new markets can be seen as a good way to increase revenue at a faster rate than that of the increase of costs, due to the relatively low number of resources to access them. Due to this, the model of Di Pietro et al. (2018) is revisited again, with the *Access to new resources and practices for integration* under further examination. The examples of actions behind the driver are less relevant to SaaS businesses, with relatively low resource requirements compared to the food or entertainment industry. On the other hand, the lower need for resources required for internationalization is also acknowledged, alongside the potential for increased revenue. For these reasons, the model by Di Pietro et al. (2018) is adapted to consider the more relevant driver for scaling up a SaaS business: *Access to new markets*. The updated model can be seen in figure 8 below.

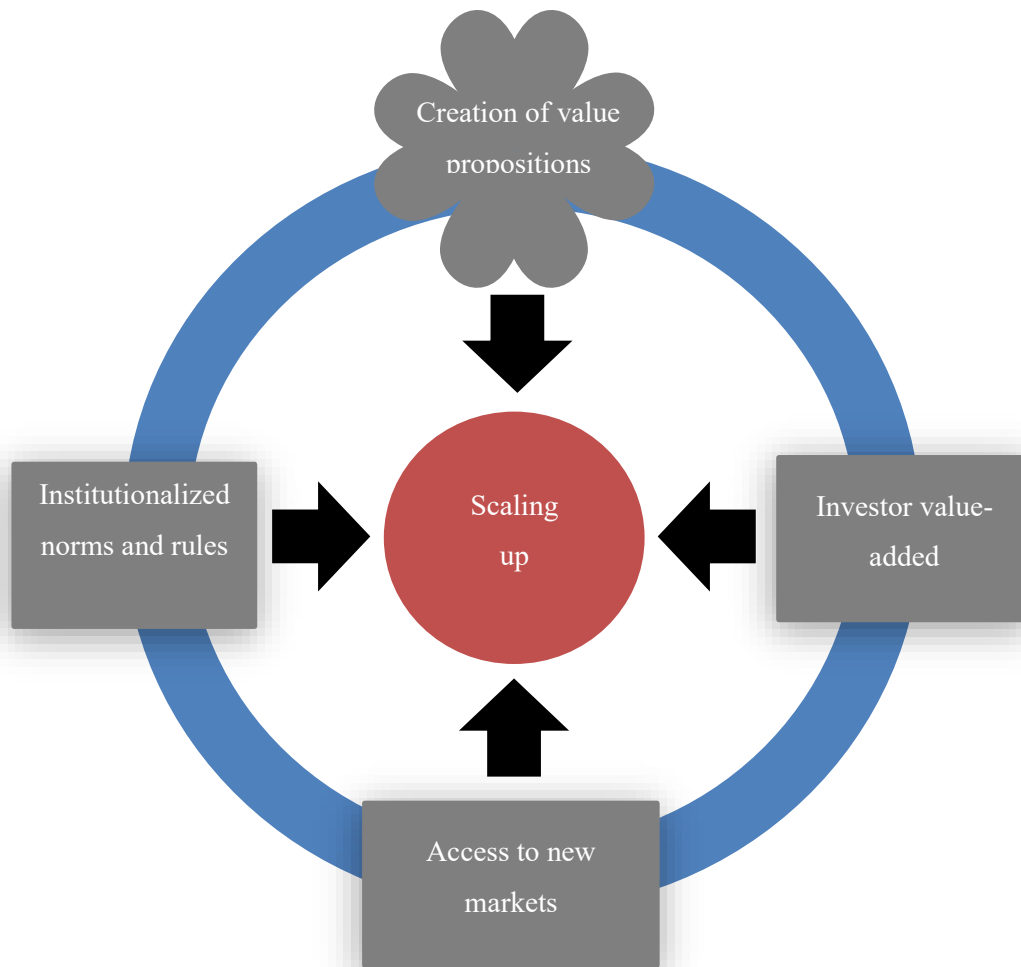


Figure 7 Final iteration of the adapted model, originally by Di Pietro et al. (2018).

The updated model has now been adapted to consider the more relevant drivers for scaling up a SaaS business. In the following chapter, a synthesis of the literature review and the final version of the theoretical framework is presented.

2.6 Synthesis

The theoretical framework to be used in this thesis is based on the framework for scaling up a business presented by Di Pietro et al. (2018) with modifications and additions being done in parts of the framework, which is also in accordance with the view of the original authors, as they acknowledge that the original model is not something that can accurately fit every service ecosystem or industry (2018, 162). The original model can be seen in figure 2.

The process of parsing together a theoretical framework has been presented throughout this chapter, and the result of this process is presented in the figure below. The definition of scaling to be used in this thesis describes scaling as the act of increasing revenues at a faster rate than growing costs. The more detailed justifications for certain changes made within the framework are given earlier on in this chapter, but to summarize, the model proposed by Di Pietro et al. (2018) is built on the assumption of focusing on scaling businesses in the context of the grass roots level of the food or entertainment sector. This meant that the original framework contained less relevant examples and terms to define the scaling activities of SaaS businesses. Regardless of this, through the parsimony process, the framework is now a more accurate representation of the scaling up process within medium-sized SaaS businesses after receiving external funding.

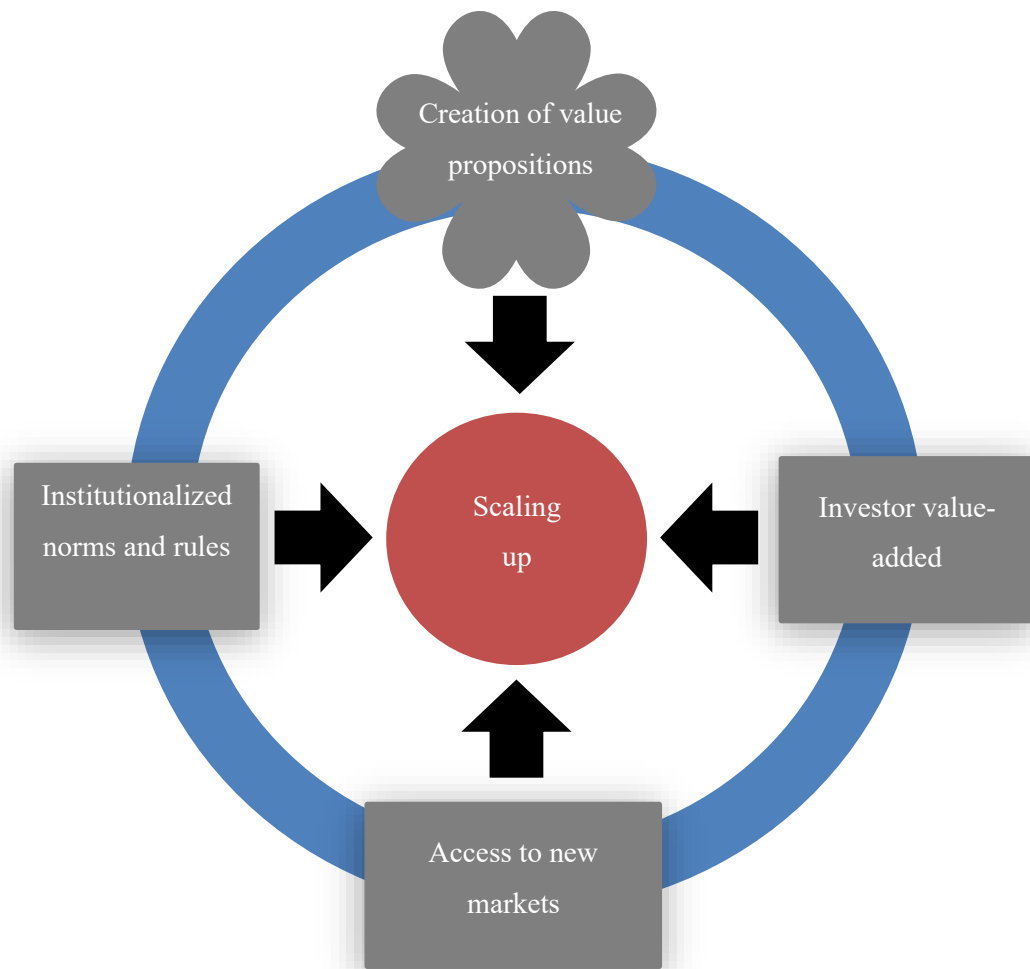


Figure 8 Adapted framework.

The framework proposes four drivers, which affect the scaling up of a SaaS business, with the *Creation of value propositions* driver addressing how more revenue can be

generated. The *Investor value-added* driver addresses and examines the efficiency and cost structure side of scaling, with potential outcomes of processes represented within this driver being crucial in decreasing costs or keeping them stagnant while revenues grow. The *Access to new markets* driver addresses the internationalization perspective of scaling, which is especially significant in SaaS businesses, as penetrating into new markets is less resource intense due to the nature of the industry. From the perspective of scaling, internationalization seems like a good method, as it allows the business to tap into new revenue streams, while sacrificing little resources in the process. Finally, the *Institutionalized norms and rules* represents the explicit and implicit norms and rules guiding the actions of the business, driving scaling.

The presented framework represents the scaling process from the perspective of the SaaS-industry, but also from the perspective of the sales and marketing function. During this literature review, the other factors affecting the scaling process have been examined briefly and should not be disregarded; in this thesis however, these aspects are left with less attention due to the focus justified in the introduction. The adapted framework helps confine the data collection in a way that the research questions can be answered with more accuracy and from the relevant perspective.

3 Methodology

This chapter outlines the choices made regarding the methodology of this thesis. The qualitative research method was selected, with data collection executed through interviews held with experts on scaling up SaaS businesses, from both the investor and the investee side. In addition to providing an explanation on why this approach was selected, this chapter will also shed light on how the interviews were conducted, how the data was analyzed, alongside reflections on the trustworthiness and research ethics of this thesis. A disclaimer on the research ethics subject: This thesis has been completed with the privacy of the interviewees in mind and this has been actively communicated to the subjects. This communication has been active both before and during the interviews, with the privacy and active consent of the participants being key subjects. This way of working, especially from the perspective of having active, vocal consent from the interviewees is supported by Aluwihare-Samaranayake (2012, 68) who highlights a risk when research is conducted in the researcher's everyday environment. As this thesis is a commissioned work, and the interviewees have been aware of this, active consent, and the ability to redact certain comments and thoughts or if the interviewee so would wish, completely withdraw from the research was explicitly made clear before each interview. In the next chapter, the research design of this thesis will be examined more closely.

3.1 Research design

This chapter outlines the plan and process of the empirical part of this thesis. First, the chosen design is described along with the arguments for it, this includes describing the data collection and analysis process used to answer the research questions posed in this thesis. The chosen research design connects the goals, theoretical framework, research questions, methods and collected data together (Flick 2004, 152). The literature review confirmed that there were research gaps which could be answered through empirical data collected in this thesis. In addition to filling these gaps, another reason for choosing the qualitative approach was to collect and provide new ideas and hypotheses (Hair et al. 2016, 296), which could provide a comprehensive and practical suggestions for the commissioner of this thesis.

To provide context to selected process and interviewees, information on the commissioner of this thesis will be shared. The information has been collected from the

company's website, but to protect the anonymity of it, the reference to the website will not be shared. The company in question is a Finnish SaaS company, which has, after multiple years of self-financed growth gained an investment from a private equity fund. The OECD (2007, 61) defines growth enterprises as enterprises with annual growth greater than 20% over a three-year period, with growth being measured by number of employees or turnover. The company has been able to maintain a higher than required growth rate for over three years, making the company a growth enterprise. Before gaining investment, the company was already profitable and fit into the OECD growth company definition. In addition to this, the company has a product-market fit, strong existing processes and an impressive customer portfolio with over 100 customers from the target market segment of large international companies. The company operates out of three locations, two in Europe and one in the United States. The annual revenue of the company is nearing 30 million euros and it employs over 300 professionals across the 3 locations. The company secured an investment of over 40 million USD in 2022 from a US-based growth equity company. While there are already plans in place outlining how this investment will be used to boost the company's scaling efforts, the company is looking to gain insights into the different ways this can be done as well.

The interview process is central for this thesis as a data collection method, which allows the researcher to gain insights into the thoughts, opinions and learnings from the investors and investees. Interviewee Alpha will be representing the commissioning company partially behind this thesis. The interviewee method, other selected interviewees and the process will be examined in the following sub-chapters.

3.1.1 Interview method

The data collection of this thesis was done via interviews. The interview method is popular in qualitative research partly due to the method's versatility. (Eriksson & Kovalainen 2008, 79-82). Due to the different ways interviews can be conducted, the level of specificity can be tweaked by choosing the level of structuredness applied. A semi-structured interview process was selected for this research due to the lack of research regarding the subject of investment driven scaling: this process allows for asking "how" and "what" questions (Eriksson & Kovalainen 2008, 82), which fits the goal for the research, presented in the main research question:

How are medium-sized SaaS businesses scaling up after investment?

Understanding the practicalities behind the scaling phenomenon would not be possible with a fully structured interview, as it would require sufficient previous experience or research on the subject, with some qualitative researchers arguing that fully structured interviews should not be used in the qualitative field at all (Eriksson & Kovalainen 2008, 82), but having a fully open-ended process could cause the comparability of the interviewees experience to suffer too much. A semi-structured interview process allows for comparison between the ideas and expectations of investors and investees, but still allows for a deep dive into new themes which might pop up during the interview. The flexibility of a less structured interview is also mentioned by Hair et al. (2016, 200), with the trade-off being consistency. Hair et al. (2016, 201) also echoes the enhancement aspect of semi-structured interviews specifically, as they allow the interviewer to ask follow-up questions.

In the interview process, a qualitative attitude was adopted by the researcher. This attitude described by Roberts (2020, 3189) highlights informant-centrism, where the interviewee is the expert on their personal experience. This approach is supported by other research, as the human element of the research can be seen to be central in qualitative research (Jacobs & Furgerson 2012, 1) and in the case of this specific research, this human element is injected into it via the interview process. Roberts (2020, 3189) also highlights the dangers of the feeling of already knowing the answer to the research questions and therefore guiding the interview in the way that will produce a desired, but not necessarily accurate outcome. In case of this research, acknowledging the risks on the personal bias of the researcher has helped keep the research process on the right track. In addition to this, the framing of the research problems was quite open ended, that the risks of having a personal bias affecting the process was quite small to start with; it would be foolish to assume that there is only one correct way to scale up.

On the design of the interview question, Roberts (2020, 3190) mentions the importance of the interview questions to be aligned with the research question(s), goal, and purpose of the research. Turner (2010, 758) mentions the importance of not making assumptions within the questions and therefore not letting personal bias or poor wording guide the interviewee to answer in a certain way. Roberts (2020, 3191) argues for the use of interview guides, even when conducting a semi-structured interview, where admittedly,

the interviewees answers to preliminary questions should guide the following questions and overall conversation. Roberts mentions that the use of a guide might lend a helping hand with potential follow-up questions or with keeping the focus of the interview on subject matters related to the research problem and questions. An interview guide was utilized in this research as well, partly based on the recommendation gotten from Roberts (2020), but also since the subject matter was wide and barely defined, and the research question was open ended. The interview guide was helpful due to it providing an easy way to stay on track even when treading wider concepts. The point on the wording of interview questions, made by Turner (2010, 758) is echoed also by Roberts (2020, 3192): The interview guide should not contain poorly worded questions, which prompt a specific kind of response, or contain assumptions of the answer. Roberts (2020, 3193) also recommended to treat the interview guide as what it is, a guide; the guide should not be used as a to-do list, but a lifeline for when the conversation is getting off-track or drying up.

The interview question design process was begun with the sentence “Your first question may suffice for the whole interview if stories tumble out” in mind. (cf. Roberts 2020, 3193; Charmaz 2008, 29). This meant designing the starter question to allow the interviewee to answer freely. This approach allows for a more natural flow of conversation during the rest of the interview. Roberts (2020, 3194) also highlights a certain type of starter question, which was also adopted for this research; the “Grand Tour” approach, which works by having the interviewee reconstruct an image of what happened in detail, a notion repeated also by Jacobs and Furgerson (2012, 4) who mention that that the researcher should be able and willing to make on-the-spot revisions to the interview questions based on the specific interview situation. They also mention that there is an urge within humans towards storytelling (cf. Jacobs & Furgerson 2012, 1; Mellon 1998, 174), so prompting it through questions can be justified as a method of gaining insights from a research perspective. The approach of setting up the first question in a way which prompts a wide and descriptive answer from the interviewee seemed like a good way to begin the discussions in the investee interviews, as asking what happened after receiving external financing would provide a linear story on what the immediate steps were taken and what the outcomes were. This approach was also utilized in the investor interviews, but with the focus being the latest, most memorable, or most successful financing round from a scaling perspective. In addition to these, follow-up

questions were also drafted, first based on possible answers to questions thought up by the researcher, later based on the actual answers given in already held interviews. In their research, Jacobs and Furgerson (2012, 2) highlight the importance of having the underlying research guide the interview process, as tying the interview questions to existing literature provides additional grounding to the process and research. They also mention the power of using more aggressive prompts like “tell me about...” to get the interviewee to tell a story, rather than giving a brief answer. (Jacobs & Furgerson 2012, 4).

The story aspect of the interviews is highlighted in the interview guides through the first question after the introductory questions being an open ended one, providing the interviewee the chance to approach the phenomenon of scaling SaaS companies which have received external financing. Due to the unpredictable nature of the interview setting, other, more specifically guiding questions have also been incorporated into the interview guides, as shown in appendices 1 and 2. The questions added for further guidance examine the relationship of the investor and investee, the process of scaling, the roles within said process and specificities of the phenomenon in a SaaS context. In conclusion, the interview guide is used in accordance with its name, as a guide; when possible, the discussions will be held up as naturally as possible.

3.1.2 Interviewee selection

The interviewees were not chosen randomly, but with a specific goal of answering the research questions in mind. For this thesis, two reference groups of interviewees were selected: Employees of SaaS companies which have received external funding and investors, who have invested in SaaS businesses. The justification of the investee interviews with other SaaS companies stems from the main research problem itself:

How are medium-sized SaaS businesses scaling up after investment?

As the focus is on examining the process of scaling up, it is natural to try and peek into the thought processes, chosen actions and results of similar companies. As has been established in this thesis so far, the SaaS industry is wide and filled with many actors of different sizes around the globe. The actors within the industry also have multiple different target audiences and ideal customers, which, as established, require a different

strategy, toolkit and perhaps even a different organizational structure in order to successfully scale up. Due to this reason, the interviewees from the first group have been narrowed down to employees of B2B companies. Within the employee pools of these B2B companies, special attention has been paid towards employees working in the sales and marketing functions due to the functions' critical position in the processes which may lead to the scaling up of businesses and due to the focus of this thesis overall. In addition to this, the interviewees chosen from B2B firms may be able to shed light on just how much and what type of help and added value they are expecting from the investing side.

The justification for the second group of interviewees, representing the investor mindset also stems from a research question:

What is the role of investment in scaling up medium-sized SaaS businesses?

While the investment can solely be seen as a way for a business to gain resources, which it can then use in order to scale up on its own, the role of the investor can also be much more than simply a wallet: As mentioned in earlier in this thesis, investors can also provide the target of investment with more value through actions like coaching or promotion (Yigitcanlar et al. (2018, 462). In addition to this, examining the investor perspective may provide more general and universally applicable insights and suggestions, since, opposed to the investee interviewees, the investor interviewees have potentially been involved with the investment process of more companies and potentially been looked to by this higher amount of companies to provide guidance, coaching or promotion in addition to the financial investment. Where this is the case, the interviewees can pull memories and insights from larger sample sizes of experience regarding the specific situation of scaling up a [SaaS] company after investing into it.

These two groups complement each other well, as where a investee interview can provide a detailed and reconstructible account of the singular process, the investor interviews may provide a wider look into the subject. In addition to this, gaining perspectives into the investors' mindsets, an understanding on just how much and what kind of additional value they feel like they are bringing in, through e.g., the training or promotion of the target business. In addition to this, by interviewing both sides of the situation, this thesis might be able to also identify potential discrepancies between the expectations of the targets of

investment and the investors. This could provide another perspective into the topic of scaling, while also opening a new avenue for further research since as discussed earlier in this thesis, the mutual benefit in equity-based investments is not always a given and can require further effort than simply executing the monetary transaction.

The interviewees from both investors and investees can be described as corporate elites, who are people occupying a senior position with functional responsibility in an area which is valued in the corporation, have industry experience alongside a wide network and international exposure (Welch et al. 2002, 613). When searching for appropriate interviewees for this thesis, the help of the CEO of the commissioning company was enlisted: The CEO sent the description of the thesis and the ideal interviewee to his contacts in relevant investee and investor entities, who used this information to pinpoint the correct person from their organization, leading to interviews with senior members of functions responsible for growth; functions which enjoy the appreciation of their respective organizations. Therefore, we can conclude that the interviewees in this thesis were all corporate elites based on the description of Welch et al. (2002, 613). Due to the interviewees being corporate elites, some concessions had to be made in order to gain the time and honest, open discussion with them: Welch et al. (2002, 614) argue that access to elites can be more time-consuming and costly due to the barriers established between them and non-elites. One may assume that the calendar of the interviewees was at least a more visible barrier to access these elites. This perspective is not mentioned by Welch et al. (2002), but should definitely be considered, after all the elites are people with the same number of hours in their days. After gaining access to the elites, the power difference was recognized and considered through the interview methodology: Corporate elites tend to dominate the interview according to Welch et al. (2002, 614); this risk from the perspective of the integrity of the thesis was mitigated through a conversational interview flow described in more detail in the next chapter. Due to corporate elites usually being expected to answer and discuss on behalf of the organization they are representing (Welch et al. 2002, 615), the anonymity of the interviews was communicated early on, more information on this aspect of the interviews in the next chapter as well.

This thesis contains data from four interviews, with two being from investee interviews and two being from investor interviews. Moser and Korstjens (2018, 11) as well as Fusch and Ness (2015) argue that in qualitative research, data collection should be continued until the data becomes saturated and additional data collection does not provide additional

or new insights. In the context of this thesis however, the data collection process which would go on until data saturation is unviable due to two reasons: 1) this research is conducted as a part of a master's thesis, which is arguably from the smaller, less intense side of academia, and 2) the research subject and focus of the data collection is the process of scaling up; due to this being a highly subjective focus, the viability of being certain of data saturation can be heavily questioned.

The investors and investees have been distinguished from each other through using a method of anonymization: The SaaS companies (investees) are referred to using letters from the Greek alphabet, while the investors are referred to as Investors A and B. A rough estimate of the annual revenue of an interviewee is given to provide context into the scale of operations, which admittedly is a more telling metric for the investee interviews with the investees rather than that of the investors. Similarly, the entity type column provides more detailed insight especially into the investors and possibly their motives, by highlighting e.g., growth equity funds.

Table 2 Interview details

Interview type	Interviewee	Role	Annual revenue	Entity type	Language	Duration
Investor interview	Investor A	Chief Commercial Officer	30M €	Growth Equity	English	57 minutes
Investor interview	Investor B	Head of Portfolio Value Creation	10M €	Growth Equity	English	26 minutes
Investee interview	Alpha	VP Sales	30M €	SaaS	Finnish	54 minutes
Investee interview	Beta	Group Vice President, Sales	200M €	SaaS	English	55 minutes

Providing some more context into the interview process, this part of the chapter will focus on the introductions of the interviewed entities. Investor A represents a growth equity firm based in the Nordics, with a focus on European businesses operating in the realm of technology. It has made over 140 investments after being founded in 2003 and has committed a total of over 4 billion Euros. Investor A is the Chief Commercial Officer, who leads a team of over 30 professionals tasked with the assessment and advancement of portfolio companies, especially from the perspective of frameworks and marketing

practices. Investor A had a background from successful scale-up software companies before joining the firm.

Investor B represents a growth equity company based in the United States with over 70 investments in their history, of which over 40 are currently in their portfolio. The capital for making the investments for the firm represented by Investor B comes from a large international trading firm. It should be noted that Investor B represents the firm which invested in the commissioning company, represented by interviewee Alpha, but only holds a minority stake in the company. Investor B at the time of the interview was acting as the Head of Portfolio Value Creation and as such was tasked to attempt to find, create and provide value to the portfolio companies outside the scope of the capital invested.

From the investee interview side Beta represents a SaaS company specializing in providing ESG and risk management performance software, data, and consulting. The interviewee is the Group Vice President, Sales. Finally, Alpha represents the commissioning company for this thesis, and the interviewee is currently the acting VP Sales of the company. In the following chapter the practicalities of conducting the interviews are presented.

3.1.3 Conducting the interviews

The interviews were conducted with the anonymity and privacy of the interviewees in mind. This was achieved through open communication between the interviewee and the researcher. For example, information on the relationship between the thesis, the commissioning company and the researcher was made clear. In addition to this, the informed and active consent was collected from each participant of the interview process and the possibility to withdraw from the process was communicated clearly. A comprehensive description of the aims of the thesis was given, alongside information on how data would be stored and used, and when the raw data would be deleted. In addition to this, the interviewees were asked for consent separately on if they found it acceptable for the researcher to record the interview. Information on the thesis and its aims were also shared before the interviews took place, with the information being conveyed through an email exchange.

Two interview guides were crafted for the data collection phase, but as mentioned earlier in the thesis, the goal of having the interview flow in the way of a discussion was kept in

mind in order to gain a broader sense of the processes which enable and drive scaling in SaaS businesses. In practice this worked well, with the interviewees having the opportunity to guide the flow of the conversation to the direction and area they are the most knowledgeable in and perhaps into the direction they themselves feel to be the most important when discussing the scaling of SaaS businesses. The interview guides were used in a way which allowed the researcher to fall back on a predetermined set of questions based on the learnings of the literature review, helping refocus the interview in case discussions were derailed or a specific discussion point had run its course. This is to say that the themes discussed in the interviews were the same for everyone, but the specific questions and focused discussions differed from each other based on the unique experiences of each interviewee. The interview guides were also used in order to have some structure in the process, which helped find commonalities and discrepancies between the answers of the investors and investees.

The themes discussed in the interviews was the scaling of a business, with a brief tangent on the definition of scaling itself, revenue generation and the processes associated with scaling and or revenue generation. For the investor interviews the theme of how an investor can convince the portfolio company of the benefits of certain actions over others was meant to be discussed where possible timing-wise. These themes are supported by the explicit questions presented in the interview guides, which were utilized in situations where the naturally flowing discussion stopped contributing findings relevant to this thesis. While they were not used to their full extent in all interviews, the questions presented in the interview guides provide context to the reader on how the literature review has contributed towards the data collection phase. Examples of these links are the questions on the definition of scaling: “Do you agree with the definition of scaling presented earlier during the interview?”; on the different ways to achieve scaling, e.g. from the internationalization perspective: “What is the role of internationalization in the process of scaling?”; and on the roles of the investor and investee in the process: “What is the role of the investor in the investment process”. The full interview guides can be found as appendices at the end of this thesis.

The interviews were conducted between January and March of 2023, with all interviews being hosted online in Microsoft Teams. The interviews being conducted via teams allowed for the researcher to have a wider and more international scope of interviewees, with interviews being held with Nordic and North American actors. Microphones and

cameras were kept on during the interviews, with the researcher being ready to request this from the interviewees if needed. This allowed for the non-verbal communication of both parties to be taken into account. This was beneficial for the interviewee as the researcher was able to show signs of active listening, potentially encouraging the continuation of certain comments, while also adding to the amount of communication happening between the parties overall, which can be useful for the researcher to interpret (Puusa 2011. 80).

As mentioned earlier in this chapter, consent for the recording of the interview was also collected, which allowed for a more accurate analysis of the interviews and also contributed to a more effective interview process from the perspective of time management; the researcher knew he could return to certain less important comments later, in case he had difficulties hearing them, thus saving time from back-and-forth between the interviewee and the researcher and enabling a wider array of questions to be asked and more ground to be covered in the discussion. This aspect is also important from the perspective of the credibility of the research, as the recording of the interviews decreases the risk of misinterpretations and forgetting what was discussed in the interviews (Puusa 2011, 73-80). The latter risk was especially high due to the researchers scattered personal schedule during the data collection phase, which meant that data could be analyzed days or weeks apart from the interview date.

The interviews were held in English, but the researcher was prepared to hold interviews in his native tongue Finnish if needed, allowing for flexibility for who can be interviewed and enabling a more relaxed atmosphere compared to both the interviewee and researcher speaking in a second tongue. Due to this a Finnish interview guide was also created, but as all interviews were held in English, the guide was left out of the appendices of this thesis. During the beginning of the interviews, some small talk was had alongside introductions from both parties, setting the stage for an open, relaxed and even fun environment for both to discuss the themes. The building of trust is an important part of the interview process, as mentioned also by Hair et al. (2016).

As the interviews were held with representatives of equity investors and growth businesses, the time constraints had to be considered and concessions had to be made in the duration of the interviews. For example, one of the interviews only lasted for 30 minutes, while the goal the researcher had set for the duration of the interviews was 45-

60 minutes. However, as this was discussed and agreed upon beforehand, the researcher was able to prepare for the time constraint from a time management perspective, with less relevant parts of the discussion, for example the introductions were glossed over more quickly, leaving more time for the discussion themes centered around the research questions. The steps taken to enable a more efficient interview were not made at the expense of mutual trust however, and the researcher was observing the interviewee in this case tried to make sure that the faster pace of discussion did not affect the responses. As mentioned earlier in this chapter, the interviews were semi-structured, and the goal was to have the sessions be more like discussions rather than Q&A sessions. This allowed for the researcher to ask questions outside the interview guide as well, leading to discoveries which might have been left out of the discussion otherwise. In the following chapter, the analysis of the collected data is examined.

3.2 Data analysis

The data gathered from the interviews has been analysed in a way which supports the identification, comparison, and interpretation of repeating themes. (Hart 1991, 197; Adams et al. 2013, 152; Hair et al. 2016, 301–302). The method chosen for the analysis of data was the framework method, presented by Ritchie and Spencer (1994, 177). This method involves a systematic approach to the data and its analysis, where the data collected is mapped in accordance with relevant themes (Ritchie & Spencer 1994, 177).

Due to the data being charted in a table form and sorted based on the themes which have come up in the interviews and literature review, the amount of data points presented is higher than in many other methods. This was the main reason for choosing this specific method, as the interviews being unstructured, a balancing effort was made through structuring the analysis. There are five steps which should be followed when using this data analysis method: Familiarization, identifying a thematic framework, indexing, charting, and mapping and interpretation. It is acknowledged by Ritchie and Spencer (1994, 179) that the person analysing the data should be familiar with the data when using this method; this challenge is addressed through the interviewer and researcher being the same person. The next step in the method is the identification of a thematic framework, where the researcher is examining the data on a deeper level than in the familiarization phase.

The issues identified in the literature review were also considered alongside the issues which arose in the interviews and the patterns which could be identified throughout the data collection phase (Ritchie & Spencer 1994, 179-180). After a thematic framework had been built, the key themes were mapped with the data. The indexing of data helps to find patterns more easily within the data (Ritchie & Spencer 1994, 182). After indexing, the data was placed in a chart, to grant the researcher better access to the different data points enabling easier comparison. Finally, during the mapping and interpretation phase, the researcher was able to define concepts, analyse the connections between these concepts and provide explanations (Ritchie & Spencer 1994, 186-193). In the following chapter, an evaluation of the trustworthiness of the study is presented.

3.3 Trustworthiness and evaluation of the study

The trustworthiness of this thesis has been evaluated using a transparent criterion, enabling a higher level of transparency and provides the researcher with more tools to highlight strengths and limitations of the research. (Eriksson & Kovalainen 2008). The evaluation of the research was started during the data collection phase, which helped guide the research process. This is the recommended way, as an evaluation done solely once the research is complete will not have the chance to actively guide it into the correct direction (Eriksson & Kovalainen 2008). The evaluation criterion was chosen to fit the methodology used in the research, as this is a crucial aspect in properly evaluating a research-piece (Eriksson & Kovalainen 2008). As mentioned earlier on in this chapter, this thesis relies on subjectivist epistemology, meaning that the researcher and participant are jointly creating an understanding of the phenomenon of scaling up a SaaS business. Eriksson and Kovalainen (2008) cite Lincoln and Guba (1985) in their article when describing the building blocks of trustworthiness, which are credibility, transferability, dependability, and confirmability.

The credibility of research according to Eriksson and Kovalainen (2008) can be determined through questions like: “does the researcher have enough familiarity on the topic or is there enough data to support made claims” or “are there enough strong logical links between observations and the categories?”. The familiarity of the subject is based on a strong literature review, which in turn was based on the pre-existing knowledge the researcher had gained on the subject through working in the SaaS industry specifically related to themes of scaling up and revenue generation. The confidence on this pre-

existing knowledge was also confirmed to be grounded in reality through discussions held with senior sales professionals at the commissioning company, signposting where the researcher should begin searching for additional information. However, it should be stated that while the pre-existing knowledge provided a preliminary direction, it did not at any point override the academic literature reviewed while conducting the literature review. With the data collection being based on qualitative interviews, the quantity of the interviews was not the highest priority for the researcher, but rather the quality of the data collected, and the interviews held was considered from the first interview onwards. With the quality of the collected data in order, a strong base was established, on which the links between observations and categories could be supported on. This way of working helped increase the credibility of the research.

Transferability in the context of Eriksson and Kovalainen (2008) is a way of determining if the thesis is on the same track as the research-pieces which came before it. Is there a connection between this piece of research and earlier research on the same subject. The transferability of the thesis suffers from the fact that research done regarding this subject is quite limited and the processes of scaling can vary greatly between businesses due to the definition of scaling: Increasing revenues at a greater pace than increasing costs. There are multiple ways increasing revenues and reducing costs, meaning that a researcher replicating the interviews with similar companies might find other ways to scale up a business. However, if the themes discussed in the interviews are examined from a thematic level, the key themes of scaling would most likely repeat in future studies as well. The transferability is also decreased due to the anonymization of the data collected from the interview, however, this decision has arguably increased the credibility of the research, as the anonymity of the interviewers might have enabled the discussions to be more open.

Dependability according to Eriksson and Kovalainen (2008) can be evaluated by asking if the research has proceeded in a logical, traceable, and documented manner. This research has been built in this way, with the for example the theoretical framework being adapted and modified in multiple logical steps based on the requirements outlined by the research questions, the said framework then guiding the interview process and the interview process, alongside with the rest of the literature review guiding the conclusions and discussion of the thesis.

The confirmability of a study, according to Eriksson and Kovalainen (2008), can be analyzed through examining if the findings and interpretations are linked to the data in an understandable manner. In this thesis, understandability of the text has been at the core of writing, as one of the goals has been to generate suggestions to guide the use of the investment towards an increased rate of scaling. An example of the confirmability of this thesis is the coding of key themes which have arisen in the interviews, which helps the reader understand the context while also presenting detailed descriptions of potential actions.

From the perspective of the evaluation and trustworthiness of the study, it should be reiterated that the researcher is both employed by the company commissioning this thesis and would receive a financial compensation for the research. The relationship between the researcher and the commissioner of the thesis guided the selection of the research topic, which in turn partially guided the creation of the research questions. While the selection of the topic was guided by the commissioning company's own goals, the academic contribution and scientific quality of the thesis was not compromised, as the thesis goes on to also provide contributions regarding the definition of scaling and process of scaling, which have both been under researched subjects in the past, in addition to the managerial implications which are the most important takeaway from the commissioning company's perspective. This is in line with the view of Eriksson and Kovalainen (2008) who state that the scientific quality and ethicalness of the research must be ensured.

This chapter concludes the part of the thesis examining the methodology used in the research. In the next chapter, the findings from the data are presented, alongside with some discussion around them and the research questions being answered.

4 Findings and discussion

This chapter presents the findings from the empirical data gained from the interview process. The findings are examined theme by theme. Selection of the themes is based on the data collected from the interviews. The interview questions were guided by the research questions, the literature review, and the theoretical framework. Examples of the literature review, research questions and the theoretical framework guiding the interview questions can be found in chapter 3.

In the following sub-chapters, the processes behind scaling up medium-sized SaaS companies are examined more closely. Through these findings, all research questions: *“What are the processes behind scaling up medium-sized SaaS businesses?”*, *“What is the role of investment in scaling up medium-sized SaaS businesses?”*, and *“How are medium-sized SaaS businesses scaling up after investment?”* are answered. In addition to this, discussions on the definition of scaling are examined.

Certain points should be highlighted before proceeding to present and discuss the findings: Firstly, it is important to recognize the online nature of SaaS companies, which can be concisely defined by using Harbassanova’s (2016, 350) definition on Internet Firms: “a for-profit organization, which conducts its business exclusively through an internet-based platform, in a way that if the central servers of the firm are turned off, the business of the company will be interrupted”. This means that the company can serve customers with internet access worldwide, without physical restrictions or challenges. Other challenges in the business are still a reality however, cultural, legal, and practical challenges of global sales are still present. This should be kept in mind when examining the findings, as all interviewees are well-aware of this concept.

Finally, the effect of investment on the resource base of the company should be considered: When a company receives investment, they often have a possibility to try more resource-intensive methods to achieve the desired outcomes, in this case scaling. This perspective was given to the interviewees through context and the title of the thesis: Scaling up medium-sized SaaS companies after investment. However, the definition of scaling used in this thesis does soften the thought of “growth at all costs”, as it includes the cost perspective as well.

4.1.1 Discussion on scaling as a concept

The definition of scaling was discussed in all interviews and the lack of consensus on the definition discussed in the earlier chapters of this thesis was highlighted. The question was presented to all interviewees alongside the definition of scaling used in this thesis: Scaling is the act of increasing revenues at a faster rate than increasing costs. Alpha, Beta and Investor A agreed that the definition of scaling should include the cost aspect as well, or at least that it is a well-argued part of the definition. Investor B questioned the definition on the cost part: In a way scaling 1:1 is scaling as well, and Investor B went on to give an example of a company increasing revenue from 40 million USD to 80 million USD and profit from 10 million USD to 20 million USD alongside a question on if this is scaling or not.

While Investor B was the only one to explicitly challenge the definition of scaling, the other interviewees also gave comments on not having thought about the cost side of it explicitly. The implicit thought-processes were uncovered later in the interviews, with each one of interviewees showcasing some kind of profit-cost planning; not simply pushing utopistic growth at all costs thoughts forward. In the next chapter the bread-and-butter of all interviewees, revenue generation, is discussed in more detail through the lens of the theoretical framework used in this thesis and the clover model presented by Tyrväinen and Selin (2011, 12); this discussion begins to uncover what the interviewees see as the keys to scaling.

4.1.2 Creation of value propositions

The special characteristics of SaaS businesses enable businesses in the field to scale up in a manner specific to them. This is due to e.g., the subscription-based model and the fact that SaaS companies can be seen as Internet Firms, which are able to export the software and services internationally. Examining the responses of the interviewees from the perspective of the “Creation of Value Propositions” driver for scaling, based on the framework presented by Tyrväinen and Selin (2011, 12) which highlights areas to focus on when examining sales and marketing in SaaS businesses. As a reminder, these areas are Business, Target Customers, Sales Process and Customer Relationship. These areas were all touched upon in the interview process and will be discussed in this subchapter.

Investor B mentioned three distinct levers which can be used for scaling in SaaS businesses specifically: Increasing prices, reducing costs, and increasing quantity of

customers. Understanding the link between scaling SaaS companies and the first and last lever requires an understanding of the SaaS business model: Gartner (2023) defines Software as a Service in a way which includes the description of the payment structure. This structure is built either on a pay-for-use basis or as a subscription (Gartner 2023), meaning that instead of paying a one-off fee, the customers wishing to continue using the software need to pay for continuous use. Due to this, the levers related to price increases and customer quantity increases have a subjectively larger effect than in traditional software business, where the purchase of the software happens through a single payment. Investor B argues that currently the price increases are justifiable and an easier way to scale-up:

I think the unit price increase is the easiest one to push due to inflation. Worldwide you have 5-10% inflation and a lot of software companies are increasing pricing. This is by far the best short-term lever. You can use the argument that “hey, we’re just keeping pace with inflation. (Investor B, Head of Portfolio Value Creation, 8.2.2023)

The timeline of the price and quantity levers differs from each other, with the price lever being more productive and impactful in the short-term while the quantity lever is more beneficial in the long-term. The quantity lever is also more difficult to shift, especially due to the recession we are heading towards. According to the interview with Investor B there are two more common ways SaaS companies are trying to shift this lever:

Usually, we see people shifting the quantity lever through entering a new market like the US, or they’re going from enterprise to middle market, so changing segment, or they’re opening a new go-to-market motion. (Investor B, Head of Portfolio Value Creation, 8.2.2023)

Due to the point of contact with the former of these two ways Investor B mentions as the common ways to shift the quantity lever and one of the levers highlighted in the theoretical framework, Access to new markets, the comment confirms importance of this framework lever.

While seen as a self-evident point by some, the role of business and market intelligence was deemed important by all interviewees either explicitly or implicitly, through answers highlighting this need.

I think there is no silver bullet that you could apply to all companies. For me it’s important to understand where bread and butter of the company is. (Beta, Group Vice President, Sales, 15.2.2023)

The point Beta is highlighting is that the company wishing to scale up should begin with understanding what its strengths and weaknesses are. Beta also mentioned that understanding how the market is developing and how well the company is faring against the market is an important aspect in this context. As the importance of understanding the business and its market has been established, a natural segue to examining the more detailed measures required towards gaining an understanding of what is happening internally was provided.

A big part of understanding where a company is now, where it is heading and where it could be gained from the use of the correct KPIs. In addition to this, examining the different key result and key performance indicators provides insight into what the interviewees hold most important from the perspective of scaling. This way the processes identified in this research can be extended by attempting to formulate new ways of reaching the desired results. The interviews confirmed the presumption that investors and investees look at different metrics due to being on different levels, but from the investor side an interesting thought was shared regarding the perceived differences internationally in KPI tracking. The Nordics based Investor A mentioned that KPIs are being tracked better on the other side of the Atlantic:

I want to say that I think our American peers have for a longer time been much better at this. We're really upping our focus on this. (Investor A, Chief Commercial Officer, 24.1.2023)

Investor A was also able to share their most followed metrics, which are simply a tip of the iceberg of many metrics:

The obvious ones like rule of 40, customer acquisition cost, lifetime value, sales efficiency, magic number, ARR intake per sales rep, compensation metrics on sales reps specifically, marketing cost over revenue. Internal metrics, MQLs, SQLs, opportunities, and the whole opportunity funnel. Gross revenue retention, logo churn, net revenue retention. Those are probably the key ones, then we have probably a hundred [KPIs] that we sometimes look at. Specifically, marketing, there's 40 or 50 we might want to look at. (Investor A, Chief Commercial Officer, 24.1.2023)

The US based Investor B highlighted metrics like gross retention, net retention, cost of customer acquisition and gross margin. While the answer was shallow compared to the one from Investor A, the most important KPIs were listed out by both investors in the interviews, which were very similar and some indicators being entirely the same. This is

an interesting contrast to Investor A's belief that the US based peers are doing much better, when it would seem the differences are quite slim.

Beta divided the different metrics by function: Sales, Marketing, Sales Development, Channel Sales, and Customers. The main things the interviewee from Beta wanted to track were the total addressable market, market share and the growth of market, and the growth of market share. These points of focus provide the company with an understanding of their business environment, with the growth of market share providing visibility into how the company fares against competition. The growth of market share can be analyzed more closely through examining where the growth is coming from (new sales or upsales) and if there is churn. This analysis can also be done based on functions, product areas and regions. Interviewee Beta highlights that this examination should be made regarding what the company is trying to achieve:

What I would like to see first is what's the total addressable market, what's the market share of the company, the growth of the market and the growth of the market share, because with this information I know is the company growing in line with market, above market, below market and how is the market itself developing? Then I have my arms around the market, the company, and the market share, then I want to know what's my underlying target. Is it market share growth, profitability growth? Depending on my overarching target I have a different subset of criteria that I want to measure more in depth after I understand the market. (Beta, Group Vice President, Sales, 15.2.2023)

Understanding the market and the company comes first, then the focus can be shifted towards more specific, performance related indicators. This answer highlights the need for understanding where you're heading first. Beta continues to provide examples of the subset of criteria he wants to measure to determine how to move forward regarding the overarching target. One key indicator Beta wants to highlight is net revenue retention, which helps in understanding how the customer base is developing; is our revenue growing, decreasing, or stagnating overall? Factors affecting this indicator are for example new sales, upsales and churn. Measuring Net Revenue Retention (NRR) is important from the perspective of scaling:

As a company, if you have an NRR above 100% you are prepared to also reach exponential growth, because the more customers you have, the more you grow. If you have an NRR of 100%, then all incremental bookings you put in from the new business side is growth, but the growth will slow down over time because your existing book of business in comparison to the new bookings will become smaller. If you have an NRR below 100% you can very

clearly calculate when and at which state the company will get flat, because there is only so much you can add from the new business perspective. (Beta, Group Vice President, Sales, 15.2.2023)

A high NRR is important from the perspective of scaling SaaS businesses as it enables growing revenues at a higher rate than growing costs. In case the NRR is or drops below 100%, the customer acquisition costs and stagnating or decreasing revenue make scaling an impossible task based on the definition used in this thesis. This point was also echoed in the interview with Alpha, as he highlighted the focus on NRR to be the first thing to look at when attempting to scale up the company. His reasoning lies behind the same mindset as Beta's: In case a company has less than 100% NRR, the company should focus on getting to 100% or above first, then move on to evaluate different ways the ARR intake could be increased. Alpha also went on to highlight the importance of two other customer-centric metrics: Customer Acquisition Cost (CAC) and Customer lifetime value. Customer lifetime value is a metric also mentioned by Tyrväinen and Selin (2011, 12) in their clover model. The importance of this metric being in order is discussed further later, but from the perspective of KPIs, there was an interesting point made by Alpha: The larger the customer lifetime value, the larger the Customer Acquisition Cost can be. Basically, a high promise on returns, based on previous experience, can guide an organization to take more risks and invest more in gaining new customers. Sales focused metrics named by Alpha were the number and quality of first meetings with leads and case velocity, meaning the speed at which a prospect completes the sales cycle and becomes a customer.

Regarding the account management and customer success functions, Beta mentions an interesting point regarding enabling of scaling: Simply investing more resources towards these customer-facing functions might prove to be even detrimental from the scaling perspective, as it allows the functions to stagnate in efficiency. Due to this, Beta wants to follow the indicators of ARR managed per head in both functions as when these metrics develop upwards, the functions become more cost efficient, assisting the growing of revenues at a faster rate than growing costs. An example of an investment which can lead to growing the amount of ARR managed per head is the development of an on-demand training platform, which takes some pressure off from these functions when it comes to training new users, enabling the ability to serve more customers per head.

The findings indicate that the investors and investees were already quite well aligned, which when the Private Equity firm roles in investor value-addition by Krysta and Kanbach (2022, 214-215) are included in the discussion, can potentially mean one of two things: Either the investees interviewed in this thesis have already had enough time within the sphere of influence of their investors, or the role highlighted by Krysta and Kanbach (2022, 214-215) does not apply to more mature companies like the ones represented by Alpha or Beta.

Discussion on KPIs also ties into the concept of efficiency within the business. Efficiency was deemed as crucial from the perspective of scaling up SaaS companies by the interviewee from Investor A. The reasoning is based in the distinctive characteristics which apply especially to SaaS companies: The product is commonly more scalable than other products. This means that from the perspective of scaling up a business, the efficiency of the commercial side of the business becomes more important. The customer acquisition cost is naturally highlighted as an important building block in scaling, as the lower the customer acquisition cost, the better profitability the company gets to enjoy. The customer acquisition cost is affected by multiple factors, but one of these factors is the time spent on the sales process. Decreasing the time, a sales or marketing professional must use on a prospect decreases the cost of acquiring a customer. On the flip side, building more efficient processes, especially in a sales and marketing context, might decrease the time it takes to gain new customers, increasing revenues at a faster rate. This situation might happen through a timeline or effort perspective, meaning that either the time to acquire a specific customer decrease from a year to six months for example, or that the effort required to acquire a customer is decreased, meaning that more prospects can be handled by a single professional in the same amount of time.

In addition to time spent with a certain prospect, a key issue when looking at gaining more customers is the activities happening in the top of the funnel. This was mentioned to be a bottleneck by Alpha at the moment, meaning that when discussing plans to scale up more effectively, the focus has been shifted from evaluating the viability of the NRR, which is at a good level, to the next step which is new customer acquisition or new sales. For Alpha to widen the customer base, the sales funnel needs to be two things: filled with prospects and effective at converting these prospects to customers. The issue highlighted by Alpha at the moment is the smaller-than-desired number of prospects in the funnel, which naturally affects the number of total customers acquired. The functions responsible

for this according to Alpha are marketing and sales development, of which the former is responsible for creating awareness and providing leads, and the sales development function is responsible for converting these leads into fully-fledged prospects, with whom the sales function can begin the usually long sales process with.

In relation to the *Customer relationship* leaf of the clover model by Tyrväinen and Selin (2011, 12), the concept of upsales came up in every one of the interviews. The comments and findings on this subject were mostly related to the concept of *Customer lifetime value* as mentioned in the clover model. While gaining selling to more companies and increasing the customer base is important, the from the perspective of scaling, succeeding in upselling is as, if not even more important. This is due to the fact that having processes in place to effectively increase revenues from the existing customer base is in fact an enabling factor to the argument that new sales is the function driving scaling in an organization.

The less discussed perspective of the definition of scaling used in this thesis, cost reduction, was discussed explicitly in brief only in the interview with Investor B. However, the efficiency aspect touches on the cost discussion as well, meaning that it is also at least in part seen as an important perspective in scaling. Investor B explicitly mentioned the following tip on what companies should do regarding cost reduction and efficiency:

Make sure we're developing monetizable stuff, make sure we don't have too many middle managers, especially in general and in administrative roles instead of a single developer actually doing all the work. (Investor B, Head of Portfolio Value Creation, 8.2.2023)

This comment from Investor B highlights the need to also examine the ways of working critically within the organization, which conflicts with the view of “growth at all costs”, meaning that while Investor B was the only interviewee challenging the definition of scaling used in this thesis, he does also see the value of having less costs when discussing the concept in the context of revenue and profitability growth. The comment presented above by Investor B is also a great example of the investor taking on a PE role defined by Krysta and Kanbach (2022, 217) Inefficiency cutter; this role has a specific sub-lever the comment by Investor B could be connected to: Overhead optimization. Investor B lives up to the role description by Krysta and Kanbach by questioning the need for certain middle-management roles. The comments from Investor A can also be interpreted as pro-

cost reduction through efficiency improvements. Building a playbook for the entire sales process enables a faster and therefore cheaper onboarding and sales process, releasing the time of sales and marketing professionals towards new value-adding tasks. Beta also chipped into this side of the discussion, with comments on internal KPIs like ARR managed per head:

When I joined, the company doubled within two years the absolute spend on customer success but the NRR remained stable and the ARR managed per head was going down. So actually we became more inefficient but without a better result: that's not how you can scale an organization. You need to become more efficient. (Beta, Group Vice President, Sales, 15.2.2023)

This comment was made while discussing gaining investment and it provides an interesting risk medium-sized SaaS companies might face when receiving funding and wanting to use these new resources to scale up the business. In case the revenue generation is the only area of business under examination, management of the existing and new customers might even become more inefficient, when the scalability of the functions tasked with this are not motivated by a more limited resource base anymore. This is why even in the situation where external financial support is provided, the company receiving these resources should work towards improving processes to be more efficient. Beta provided some examples of this in his comments during the later parts of the same discussion:

One of the key learnings has been that we were on a very 1:1 customer success base, so very high-touch model – we bought an academy live, where you have self-learning and self-training. As a result of that [change] we were able to increase the ARR a customer success manager can manage and enabled us to prepare to scale. (Beta, Group Vice President, Sales, 15.2.2023)

It would seem the saying “work smarter, not harder” could potentially be applied here as well as doubling the spend towards customer success was clearly not enough of a solution, but a way of provisioning building blocks, in this case budget, which after some practical learnings and by following key metrics like ARR managed per head, could be reapplied in a smarter way. Beta went on to provide this point in a more concise manner as the discussions continued:

Number one investment from a customer service perspective is to lean heavily towards self-service because this is where your scale is. (Beta, Group Vice President, Sales, 15.2.2023)

From the perspective of the definition of scaling used in this thesis, this point is an important finding focusing on the cost side of the definition.

In this chapter, the discussion has so far revolved on where a company should move towards and why, in addition to some discussion on what should be done to get to the desired destination. An important perspective to consider is the *how*. Investor B wanted to highlight the use of pilot projects as ways to test out new go-to-market channels for example. He used the example of setting up an outbound cold-calling function and outlined a few key things to consider: Firstly, the project should be protected from the “tyranny of the urgent”, meaning that if resources are committed to the pilot, it should be seen through. In addition to this, the success criteria and key performance indicators should be agreed upon before beginning the project, alongside the timeline of the project, so basically creating a deadline for when the results should be reviewed and the decision on if the pilot was a success or not made.

4.1.3 Access to new markets

One of the perspectives in scaling up SaaS businesses presented in the theoretical framework, Access to new markets, was also discussed in the interviews. The international point-of-view is especially relevant in the SaaS industry, considering the prevalence of Internet Firms in it. This was noted in the interviews as well, with Investor B highlighting especially the importance of internationalizing for Finnish B2B-SaaS companies:

For European companies it is very different than a US company, I think for a company based in Finland you obviously need to enter [a new market] – Nothing against Finland, it’s a wonderful country – But relatively soon you’ll need to enter a new market, whether that’s in the EU or on a broader scale. (Investor B, Head of Portfolio Value Creation, 8.2.2023)

The main argument for needing to enter a new market, especially for Finnish SaaS companies is the size of the home market, it simply cannot support scaling efforts, as the size of the market is limited. Investor B went on to say that European companies in general need to enter new markets a lot earlier, first within the EU, then typically when revenues hit 20 million dollars, the same companies usually need to start looking into the US. The argument for the focus on the US is the size of the market, especially in technology and SaaS spend, of which the US market represents around 50% according to Investor B, who goes on to highlight that while the opportunity is huge, the

competitiveness of the market is also on another level and should be considered by a company evaluating whether to enter the US market or not. While the size of the market is an important motivator for a company to enter, the perspective on how and at what cost this should be done should also be considered according to Beta:

In the [home market] for every marketing dollar I spend, I get 20 dollars in pipeline in return and a good conversion rate. I know that every dollar I put into marketing I get in bookings in return. Then for example you open an office in the US: In the beginning it will be horrible, your dollar spent in marketing to pipeline. You need to have a clear path: in two years it will be different, I will be at the 20-dollar mark as well. Then you need to break it down; what needs to be done. Have your check-in points, so that after a half year later you can see are we at the 1:5 ratio already? If we're at 1:2 does it make sense to continue – yes or no? (Beta, Group Vice President, Sales, 15.2.2023)

Simply pushing money into the new market is, at least from Beta's perspective not the way to go, but the company striving to enter a new market should also be prepared to pull out of the initiative, even in the case of the company having received investment:

Now you have money, you have more resources. Not all of your initiatives will go as expected, I can promise this. But you need to identify early what's the leading indicator for later success? If you don't hit the leading indicators do not continue. (Beta, Group Vice President, Sales, 15.2.2023)

This discussion can also be tied to the comments made by Beta on efficiency KPIs like ARR managed by customer success manager; in case key metrics are drooping downwards, the answer to the issue of e.g., not being able to properly penetrate the new market is most likely not going to be to shower the marketing and sales teams with money, but rather to look for new solutions similar to the solution on the customer side at Beta: instead of investing more and more resources, using a more intelligent approach and trying to increase efficiency by launching an academy was finally the decision which brought home the desired results.

Returning to the motivation to seek new markets: Understanding the size of the potential market can act as a catalyst for a business to begin looking over national borders. A similar reaction can be seen with businesses identifying the size of the target market segment: A business might notice that the competitive landscape is too saturated, or the number of potential customers is too small to support a larger provider. A realization like this can push a business towards other market segments. This thought is echoed by Beta,

who notes that sometimes enterprise SaaS providers might begin eyeing mid-market prospects:

I would always de-risk and never double down on only one initiative. So, for example if you're coming from an enterprise sales world, then how about your self-selling aspect in an SMB market, how about a freemium model; is this possible as an additional lever? (Beta, Group Vice President, Sales, 15.2.2023)

From a risk management perspective, it might be worthwhile to look into other customer segments. But when you tie this thought into the discussion on opportunities, it becomes clear that a company wanting to boost scaling efforts should not limit itself into the known and familiar. Investor B would also agree on expanding the horizon of examining markets from the geographical market to include the different segments to the mix. Also highlighting the importance of this lever in scaling up a SaaS business, Investor B mentioned this when asked about the best ways to boost scaling efforts as part of a three-part answer.

4.1.4 Investor value-added

The talent aspect was highlighted in the interviews as it is one of the more crucial aspects to address when discussing scaling up the business. A competent salesforce and leadership team are crucial when increasing revenues and lowering costs. There are two main themes to examine based on the interviews: Talent acquisition and onboarding and training. Talent acquisition was highlighted by Alpha and Investor B, from their respective perspectives. Investor A also sees increasing the number of workers as an important primary step after the basic building blocks, like product-market fit and at least one successful go-to-market channel of scaling up a business are there:

[The first step after making sure the fundamental building blocks of scaling are in place is] Hiring more people and making sure you have the right leaders in place. (Investor A, Chief Commercial Officer, 24.1.2023)

Investor B highlighted how they can leverage their network and expertise to provide value outside of the monetary investment, especially when discussing top management hires:

Fundamentally, I hope the CEO is never the expert in hiring VPs of Marketing, that would be really sad. (Investor B, Head of Portfolio Value Creation, 8.2.2023)

This comment was made to highlight the expertise investors can bring into the mix and in this example, Investor B wants to highlight that due to their portfolio's other companies needing assistance in hiring VPs of marketing, Investor B helps make these decisions at a higher frequency than regular SaaS companies, therefore providing them with more expertise on the subject, making it sad in case a SaaS CEO doing it once every 5-10 years would outperform them. Investor A also mentioned activity in helping portfolio firms find the right talent. In addition to attracting and securing top talent, the added value new hires can bring is dependent on how quickly and well they are onboarded. This is why Alpha is currently thinking about the company's capability of onboarding new sales team members and why Investor A stresses the importance of having frameworks in place to support employees in their day-to-day work.

Alpha also sees the value of acquiring and maintaining talent in the organization to be very high from the perspective of scaling. In the interview, Alpha highlighted that this becomes very important when planning how to achieve growth and scaling from the perspective of singular functions, especially ones with greater strategic importance. Functions like this could be channel sales, sales development or customer functions which are able to drive sales with existing customers. Having the correct people in the strategically important functions, whichever they might be, according to Alpha can make the difference. In addition to having the correct talent, Alpha stresses the importance of having enough talent in these functions. This is clear point of alignment between the investor and investee mindset, with clear action plans and practical processes to go with the aligned thought process of both parties. While the roles on the talent acquisition might overlap between the investors and the investees, the responsibility of properly onboarding the new talent lies with the investee according to Alpha. This is also a process which should be efficient and effective, as this is also a small but important building block of scaling as well. Alpha, as Investor A, mentions the use of playbooks to provide the frameworks mentioned earlier. Alpha goes on highlight that the payoff of materials like playbooks is higher the more team members there are.

From the perspective of the roles of the investor and investee in this situation, Beta has a clear vision of where the line between the two players is drawn:

I would say that the investor's role is to give a framework and guidance on where to go, and how to get there, that's the [responsibility of the investee] company right. (Beta, Group Vice President, Sales, 15.2.2023)

He bases his view on the overall experience and capabilities the investors and the portfolio companies have investors are able to look at the company from above, while also being able to compare success with other portfolio companies. Beta mentioned that this vantage point provides the investor with experience and knowledge to share portfolio and industry best practices between its portfolio companies, but while the assistance can prove helpful, Beta sees that when discussing the actual implementation and operative plan on how to get to where the company wants to be, the ball is in the portfolio company's court. The investor points the company to the right direction, but it does not necessarily need to know how this is going to be achieved. The view on being able to share the learnings of portfolio companies between each other fits well into the idea of investors being able to leverage their networks, which is what Investor B was highlighting as well.

Alpha mentions that from the perspective of a company receiving investment from a investor only gaining a minority investment that there is a clear difference in the roles of companies and investors depending on the investment share itself: In case the investment buys the investor a majority share, the approach from the investor can be more hands-on, than in the situation where only minority share is gained. In Alpha's case, the expertise and experience of the investor is valued, and the overall thought is that the investee's success is the goal of both parties. In practice, Alpha mentioned that the investor has been a great help and the assistance gained has been gotten through the investee pulling, rather than the investor pushing. This has realized in the form of tips and guidance which Alpha has gained when asking for specific advice on a certain subject, like how outbound or account-based marketing should be approached, and this advice has been provided by experts who have done this already.

4.1.5 Institutionalized rules and norms

The institutionalized rules and norms driver was described as a way to make the world around the company a better place and drive the company to become a better version of itself. A sustainability perspective was highlighted in the theory, but the data collected from the interviews would indicate that building rules and norms around sustainable topics might still be in on the horizon, due to many companies still struggling with creating more basic frameworks to core day-to-day activities. Especially Investor A was adamant in highlighting the opportunity around the subject:

A key part of scaling is to define optimal, smooth processes in daily work. This is an area where many companies are quite weak. (Investor A, Chief Commercial Officer, 24.1.2023)

The suggestion to overcome this area for improvement was also provided: Playbooks. What Investor A means with playbooks are well defined and detailed descriptions and instructions relating to the operative work done in different functions, mainly in sales and marketing when discussing revenue growth. In addition to the day-to-day work, it is crucial to also be able to bring on new employees quickly. These points were concentrated into one answer:

How you find, onboard, enable, ramp new employees; specifically within sales and marketing and if you have decent go-to-market motions you will have SDRs, BDRs, sales reps focused on different segments, you may have a partner motion. My point is that you need to have a hiring playbook and an enablement playbook – And that is super super core. (Investor A, Chief Commercial Officer, 24.1.2023)

So, while Investor A is promoting the benefits of playbooks in general, he also was able to clearly highlight which playbooks are especially important. After describing the hiring playbook, Investor A went on to define his description of an enablement playbook:

Enablement playbook is basically onto how do we do this: [answering the question of] you were hired as a salesrep, what does that mean? And then you're also building in the CRM side of things, reporting side of things, opportunity funnel. It's basically all of these things which describe how it is possible to get hold of people, how to get them to work together. (Investor A, Chief Commercial Officer, 24.1.2023)

The gist of what Investor A is talking about is becoming clearer, basically it is important from a scaling perspective to have these explicit documents outlining the ways of working, norms and rules which provide context to new and existing employees. Investor A went on to mention that this methodology should be applied per go-to-market approach, for example in channel sales, or in specific low-frequency situations like how we should enter a new market.

The lack of discussion on the sustainability aspect highlighted in the literature review when examining this driver for scaling from the framework originally by Di Pietro et al. (2018) is also worth separately noting. Perhaps this is something we will see as next steps after getting basic operative ways-of-working, norms and rules to be more clearly outlined, or through pressure provided by changing legislation across the globe.

The findings and discussion chapter ends here, with the next chapter moving onto drawing together conclusions from these findings and from existing literature.

5 Conclusions

In this chapter the discussion and findings of chapter 4 are brought together and a conclusion to the research questions presented in this thesis is given. The main research question of the thesis was:

How are medium-sized SaaS businesses scaling up after investment?

With the supporting sub-questions being as follows:

What are the processes behind scaling up medium-sized SaaS businesses?

What is the role of investment in scaling up medium-sized SaaS businesses?

The conclusions to these questions will be examined from the perspective of their theoretical contribution and the managerial implications. After this, the limitations and implications for future research are also addressed.

5.1 Theoretical contributions

There are multiple ways the findings presented in this thesis contribute to the literature of the subject of scaling up SaaS companies. The main theoretical contribution of this thesis is the framework for scaling up medium-sized SaaS businesses after receiving investment. The framework is the result of an iterative process, where the framework originally presented by Di Pietro et al. (2018, 162) has been adapted to better represent the scaling of exactly Software-as-a-Service firms. This was done by parsing together relevant literature relating to the SaaS business and the frame provided by the original creators. The result of this process can be seen in figure 9, representing the final version of the framework.

The contribution of this thesis to literature begins with the honing of a core definition. The definition for the concept of scaling does not yet enjoy the comprehensive agreeance in academia. In this thesis, the concept of scaling has been defined as the act of growing revenues at a faster rate than growing costs. The findings of the thesis support this definition, but also confirm that the definition used to understand the concept is not generally agreed upon in business either.

The findings presented in chapter 4 can also be used to present links between prior literature on increasing revenues in SaaS businesses. The different key elements SaaS companies should consider when scaling up presented by Tyrväinen and Selin (2011, 12)

were also identified from the findings of this thesis. While the definition of scaling also includes the perspective of remaining stagnant on or decreasing costs at the same time, increasing revenues is an integral part of how SaaS companies can achieve scaling. Multiple connections between the clover model and the collected data can be found. To begin with, the Business leaf (Tyrväinen & Selin 2011, 13), which has more to do with the provider of the service and the implementation and service model in use was touched upon through discussions regarding the need to know the unique value points and position of the company in question. The Target Customers leaf (Tyrväinen & Selin 2011, 13) and connections between collected data continue a similar theme: In addition to understanding the internal strengths, weaknesses and the overall position in the marketing, the interviewees highlighted the need to understand who the buyer is and what is the scale of the organization they are representing. This discussion was also expanded to cover potential new target customers and therefore new markets; a company focusing on e.g., enterprise level customers might find more potential from the mid-market customer segment. The Sales Process leaf (Tyrväinen & Selin 2011, 13) was especially interesting as the collected data drew parallels to this leaf exactly when discussing one of the main points of interest in this thesis: practical applications. Discussions regarding this leaf in the interviews steered towards themes like choice of marketing and sales channel, how the choice should be made and how the choice could be tested reliably. In addition to this high-level view, some discussions on the grass-roots level roll-out of these decisions were had, from the perspective of efficiency gained through the creation of frameworks on a function-by-function basis; what to do, when and why should be clear to everyone working towards a shared goal. Due to the specific focus on new sales pushed for in this thesis, the Customer Relationship leaf (Tyrväinen & Selin 2011, 13) was not discussed as much and therefore was left in the shadows, regardless of all interviewees highlighting the importance of good customer relationship management when examining a phenomenon like scaling; if a bucket is leaking and the options are to plug the hole or keep pumping water in at a higher pace, it is more effective to fix the bucket first. Based on the data collected and presented in chapter 4 and briefly touched upon here, we can conclude that the clover model of Tyrväinen and Selin (2011) can be reliably used to examine the revenue generation of SaaS companies in a more structured way and is therefore a legitimate addition to the overall framework for examining scaling in SaaS companies after gaining investment.

The final of the clover model's (Tyrväinen & Selin (2011, 12) leaves had a highlight-worthy presence in all interviews. All the interviewees considered Net Revenue Retention (NRR) and Customer Acquisition Cost (CAC) as key metrics for scaling. The higher the NRR, and the lower the CAC the more scalable the revenue generation operations are, due to the costs related to gaining new customers being lower, and the existing customer base providing revenue, the better the environment for achieving scaling. The larger the existing customer base is, the more opportunities the company has for upsales, meaning that the work of the customer-facing functions can be seen to be as important, if not even more important in scaling up the company. Customers churning continuously can be very detrimental for the company, as new customer acquisition might become a channel which helps the company stagnate revenues, rather than grow them. In situations where existing customers are funnelling the company with the same revenue as always, and especially in situations where the amount of revenue of existing customers is growing, the scalability of the company grows at a rapid pace compared to a situation where the revenues of existing customers begin to leak away from the revenue stream. When proper processes are in place and the product is good enough to be able to keep paying customers happy and even extend the size of the customership, the effect of each new logo gained as a customer is a multiple of the effect in case the customer were to churn after a few years. Due to this, one of the interviewees explicitly mentioned that the processes relating to existing customers should be in order before looking into new ways of increasing revenues.

The theoretical framework used in this thesis contained the driver of accessing new markets as a driver for scaling up a SaaS company. This driver was also confirmed to be an important part of the scaling efforts of companies, but not only from the perspective of access to new geographical markets, but also from the perspective of selling to new market segments for example. From the geographic point of view, interesting differences between European and US-based SaaS companies were highlighted in the collected data, for example the comment of one of the investors interviewed: European companies need to internationalize faster than US-based companies due to the smaller size of the home market, compared to the size of the US market for example. From the perspective of scaling, accessing new market segments was also deemed as a good way to scale up a SaaS company, as this would most likely allow the company to reutilize existing blocks

of the solution to enable sales to a completely new market, without increasing research and development related costs for example.

In contrast with findings usually, an interesting finding in this thesis was a lack of a certain perspective: How to scale up SaaS companies. The what and by whom were discussed in extensive detail, but when discussing e.g., how a new go-to-market approach should be attempted to incorporate into a part of the overall sales and marketing process. Regardless of the overall lack of comments on this front, two of the interviewees, one SaaS company and one investor did have comments specific to this topic. Both, Investor B and Beta mentioned pilot projects as a way of trying out new go-to-market motions or trying to enter new markets. These revenue generation improvement attempts, according to these interviewees, should be well planned out in regard to the resources to be used for them, to the clear definition of a successful project and to the timeline of the project, i.e., when are results examined definitively. In case the deadline for the pilot projects initial period is crossed and the results indicate poor success, the pilot or initiative should be pulled out from. This way resources can be reallocated to other, potentially more successful initiatives.

From the perspective of the third driver of scaling, investor value-added, all interviewees highlighted talent acquisition and the better handling of human resources as a key point of cooperation between the investor and investee. This finding confirms two things: Firstly, investors are able provide value to their portfolio companies, confirming the relevance of examining investor value-added when discussing SaaS scaling after investment. Secondly, the findings support the roles of the PE firm in an investor-investee relationship, presented by Krysta and Kanbach (2022, 219-220): The role of the PE firm can be to be a Growth enabler, which means that the PE firm is helping the investee hire top talent and maintain and nurture entrepreneurial freedom through a HR lever. Another investor value-add highlighted by Alpha was the investors role as a mentor, helping the company with expertise gained from previous attempts to scale up other portfolio companies. This is also a growth enabling sub-lever in the PE role list by Krysta and Kanbach (2022, 221). One of the sub-levers presented by Krysta and Kanbach (2022, 214-215) had a lot of discussion around it: The monitoring improvements sub-lever, meaning in practice the implementation and enforcing of new KPIs. This lever was something that could not be confirmed or denied based on the findings, due to all interviewees from both the investor and investee side being on the same lines of what

kinds of KPIs to follow. Another role described by Krysta and Kanbach (2022, 217), Inefficiency cutter, was highlighted during the data collection as Investor B questioned the need for all middle managers, which on its own part partially confirms this roles rightful place in the role catalogue proposed by Krysta and Kanbach (2022). To summarize, the investor value-added driver used in the adapted framework originally by Di Pietro et al. (2018, 162) and the role catalogue proposed by Krysta and Kanbach (2022) can both be strengthened by the findings presented in this thesis. The value an investor can provide outside of the capital itself can be seen as a valuable part of the relationship, and therefore should be considered when providing or gaining investment.

The conclusion based on the findings can be visualized using the figure presented below:

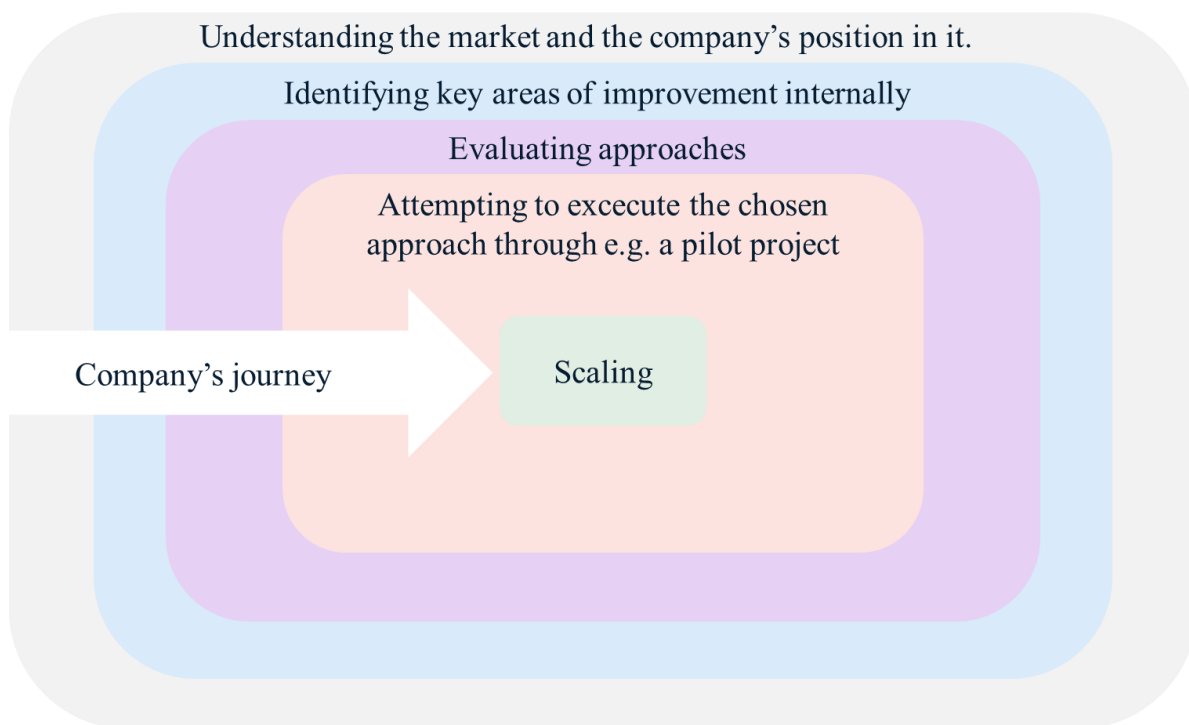


Figure 9 Process of scaling up a SaaS company.

The figure highlights how the steps the company desiring to scale up their business is taking also affect the following actions of it, and each step provides a layer of reasoning behind why something is done. Due to the limitations of this research, examined in a more detailed manner later in this chapter, this figure should be seen as non-exhaustive, as other steps might also be required. These steps, however, are all generalizable and the process of scaling up a medium-sized SaaS business could look like this regardless of the specific field or type of the company. In addition to the contributions to theory, the thesis also provides practical applications and suggestions, which are presented in the next chapter.

5.2 Managerial implications

Due to the thesis being a commissioned work, the subject and an overarching goal of the research was influenced by the wish to be able to provide practical, real-life applications of the findings for the commissioner, in addition to contributing to existing literature. In this chapter, the most universally applicable findings are presented, and the chapter provides practical applications tailored for the managerial teams of medium-sized SaaS companies, when attempting to drive scaling efforts after receiving external investment in a logical, temporal structure, beginning with the things which should be considered chronologically first, and ending with the final, polishing touches to look into.

The findings indicate that the first thing to consider when attempting to drive scaling efforts in SaaS business, is to conduct a thorough investigation of what the current market situation the company is in, focusing specifically on points like: what the market situation is, is the size of the market growing or shrinking, then examining if the company is growing or shrinking and connecting these findings together to see if the growth rate differs from the market's movements. In addition to this high-level view, the internal situation should also be assessed, with the help of a certain key metric: Net Revenue Retention. In case the NRR of the company is below 100%, scaling is difficult, as the bucket the sales team is trying to fill is constantly leaking. In case this is the case, the first thing to focus on and allocate resources to, is to patch these leaks. In case there are ways of increasing NRR, through upsales for example, those should also be explored, as this means that the customer lifetime value grows, and makes each new sale more valuable than if the customer lifetime value was lower. After being certain that the newly acquired customers are staying within the customer base, and preferably growing, the focus can be shifted to the new sales side of the business. Functions in question are the marketing, sales and potentially sales development functions, depending on the organizational structure. With these functions, it is good to examine the funnel top-down, so in the commissioning company's case for example, starting with marketing, tasked with lead and demand generation, and moving onto sales development, lead capture, and finally to sales which is tasked with capitalizing on opportunities.

Key issues standing between the company and successfully scaling up are subjective to each company, but once they have been identified, it becomes easier to focus on the solution versus trying new things blindly. While this thesis won't suggest that certain

issues are more prevalent than others, the collected data provided some universally found issues SaaS companies might face, or solutions the same companies might want to consider.

Out of these solutions, perhaps the most traditional is to attempt to access new markets, be it new geographical markets, or new market segments. Whichever route is chosen, a consideration found from the collected data for a practical application to help in this process would be the use of playbooks, which represent frameworks for day-to-day work. This becomes more useful when coupled with another key finding, which was to acquire and identify better talent, and make sure said talent is in the correct places in the organization. When these frameworks are in place, onboarding is more efficient and effective, helping the top talent hired to make an impact, make an impact at a faster rate.

Another finding, focusing especially on the question *how* was to utilize pilots to test out new types of go-to-market approaches, or to provide a framework for success in new geographical markets. The idea is to use pilots as mediums for implementing plans to the initiatives taken by the company: these pilots help the company define the success criteria, outline which functions are responsible and what kinds of resources are allocated for the pilot, and finally providing a set timeline for when to assess the success of the pilot. Especially the success criteria and timeline help the company avoid allocating resources inefficiently, as unsuccessful pilots are identified at the latest when the results are assessed after the set deadline; in case the pilot is unsuccessful, the resources can be reallocated, and learnings documented. With these universal implications, the SaaS companies attempting to scale up only need to find an overall idea of what they should attempt in order to scale, with the process of finding this out provided in the beginning of this chapter. In the following chapter, the limitations for this study are assessed and presented.

5.3 Limitations and implications for future research

This thesis adds to existing literature and contributes specifically to the field of research on scaling up medium-sized SaaS companies, with the subject being focused on SaaS companies receiving external investment. Although this thesis has made its contribution to some research gaps in existing literature, during the process of writing the thesis the researcher identified certain limitations to this study.

Firstly, there was only a small sample of interviewees, more specifically two investor interviewees and two investee interviewees. For the results to be more generalizable, the sample of interviewees should be larger. This was due to the requirement of having experts acting on the strategic level in their respective organizations, meaning that getting hold of them was a difficult task. While the researcher did make an attempt to interview more experts, the lack of engagement hindered this plan, but it is what it is. In addition to the smaller-than-desired sample size of interviewees, it should be once more highlighted that there is an investor-investee relationship between the commissioning company and the fund represented by Investor B, meaning that the thoughts and perspectives in this context could be more aligned than with a different mix of companies. More interviews could be conducted in the future to provide more generalizable findings. The time constraint is another limitation of this study, but one which is not atypical for a master's thesis research process. This is partially the reason why the interview sample size smaller than what it could have been.

Another limitation of the study's findings generalizability is that all interviewees were aware of the context of the research, myself working on the thesis as a commissioned work, which might have contributed to who the interviewees agreeing to participate in the study were. For example, direct competitors of the commissioning company would potentially not been willing to participate in the research due to this context. Even though the commission helped steer the research into a more practical direction, which contributed to existing literature, in future research, this subject could be worked on without these potential conflicts of interest as well, so no potential participant would feel the need to leave themselves out of the collected data. It should be mentioned that this was at no point explicitly communicated from any of the potential interviewees contacted.

A limitation to gaining more detailed managerial implications is that the term SaaS company is quite inclusive and contains vast amounts of diversity in the products, their target market and so on. To gain more depth and detail into the findings, a suggestion for future research could be to focus on a specific category of SaaS business. This way potential differences between types of SaaS companies' scaling efforts could potentially be identified. This chapter concludes the conclusions chapter of this research. The next chapter will summarize the thesis.

6 Summary

The concept of scaling has become a closely followed and interesting topic in the SaaS industry in the context of growth, which indicates a need for additional research on scaling up companies, and especially what to strive for and how to execute plans regarding scaling. This study has attempted to contribute to existing literature and provide practical applications and managerial implications for any SaaS company trying to scale up their business, especially from the new sales and revenue generation perspective.

This thesis aimed to fill the research gaps, especially on the process of scaling and how to achieve scalable growth. The approach can be condensed into the main research question How are medium-sized SaaS businesses scaling up after investment? and the two sub-questions What are the processes behind scaling up medium-sized SaaS businesses? and What is the role of investment in scaling up medium-sized SaaS businesses? These research questions were answered through the combination of reviewing existing literature on the subject and data collected by interviewing industry experts on the phenomenon of scaling up SaaS businesses.

The research process began with a review of existing academic literature, which was then used to create a theoretical framework. The findings from the review and the creation of the framework guided the planning and generation of the interview questions, and the framework was also used when presenting and discussing findings from the collected data. The theoretical framework was a result of an iterative parsimony effort, where the framework originally by Di Pietro et al. (2018) was modified to better fit the process of scaling up SaaS businesses. The modified drivers represented four key elements in scaling up SaaS businesses after receiving investment: Creation of value propositions, investor value-added, access to new markets and institutionalized rules and norms. The collected data was then examined through the perspective of these four drivers.

The main finding of this thesis was the process a SaaS company can utilize when aiming to scale up after receiving external investment. The process includes getting to understand how the market and company are developing, evaluating if the efforts and resources should be focused on existing customers and the processes associated with maintaining and growing customer relationships or if the focus can be on growing the customer base through the actions of sales and marketing. The conclusions and managerial implications

provide additional detail to how initiatives should be attempted and what kinds of ways can be evaluated when deciding on the proper approach to scaling up a SaaS company. In addition to this, the thesis contributes to defining the term scaling, which is yet to enjoy a commonly agreed upon definition.

Finally, the thesis was evaluated from a critical perspective and certain limitations were identified and presented, alongside suggestions for future research. The main suggestions revolved around the data collection phase, namely the selection and number of interviewees.

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Appendices

Appendix 1 Interview guide for investor interviews

Introduction

- Please give a brief introduction of yourself and your role in external investments of SaaS companies,
- How does your role change during the period after the investment has been made.
- How do you identify the [SaaS] firms you find promising or scalable?
- In the context of scaling, what factors and KPIs are most important to follow when deciding on what the investment will be used to do and during the execution of these decisions?

Gaining the most out of investment

- What do you think is the best way to boost scaling efforts in SaaS businesses and why?
- What are the key processes behind successful scaling of a SaaS company?
- What are the key processes behind increasing revenues? Especially from the perspective of new sales.
- How would you begin guiding a SaaS business after investment?
- What is the role of the investor and investment in the scaling process?
- What is the role of internationalization in the process of scaling? This thought arises from the fact that SaaS businesses can enter new markets with relatively little costs associated with the move.
- In case internationalization is an important piece of the puzzle, what is the importance of localization of marketing, sales, and other efforts?
- OR: What aspects do you consider when enabling value in portfolio companies of other cultures?

- Do you agree with the definition of scaling presented earlier during the interview?

Reflections on previous investments

- Have the targets of previous investments been able to scale up using the investment and investor advice?
- What were the main success factors?
- What factors contributed to potential failure?
- Were the companies easy to convince of the guidance provided?
- Is there something else we have not covered yet, but you feel would be important to bring up in the context of scaling up medium-sized SaaS businesses which have received external funding?
- Can I be in contact with you via email after this interview, in case new findings would come up, I'd need to clarify answers or ask further questions?

Appendix 2 Interview guide for investee interviews

Introduction

- Please give a brief introduction of yourself and your experience in the SaaS industry.
- If not mentioned: Title, responsibilities, function?
- Please give a brief introduction to your role in the scaling of the company.
- Investment process: from where and how did the company attract investment from?
- What kind of investment has the company received and did the investors gain a majority or minority share?
- Do you agree with the definition of scaling presented earlier during the interview?

Gaining the most out of investment

- What do you think is the best way to boost scaling efforts in SaaS businesses and why?
- What are the key processes behind successful scaling of a SaaS company?
- What are the key processes behind increasing revenues? Especially from the perspective of new sales.
- What is the role of the investor and investment in this process?
- What is the role of internationalization in the process of scaling?
- In case internationalization is an important piece of the puzzle, what is the importance of localization of marketing, sales, and other efforts?

Reflections on previous investments

- Were you able to scale up / increase the speed of scaling after receiving external funding?
- What were the main success factors?
- What factors contributed to potential failure?
- Did the investors provide guidance in the context of scaling?
- What is the role of the investor and investment in the scaling process?
- Is there something else we have not covered yet, but you feel would be important to bring up in the context of scaling up medium-sized SaaS businesses which have received external funding?
- Can I be in contact you via email after this interview, in case new findings would come up, I'd need to clarify answers or ask further questions?