iuvo
TECHNOLOGIES

5 WAYS

IT HELPS VENTURE-BACKED BUSINESSES SUCCEED

INTRODUCTION

Are you an investor making forward-thinking decisions about the companies in your portfolio? Venture Capitalists and Private Equity firms can use IT as a strategic partner to protect investments and reduce barriers companies often face when going to market. You can also avoid the kind of technical debt that blindsides other investors and messes with your margins. (More on that in a bit.)

You invest in smart people and their ideas. Now, give them a head start by providing the tools and systems they need to get the job done. By setting up IT correctly, following industry best practices, and matching the company's needs:

1. People can focus on their expertise without distractions
2. Big ideas will emerge faster and non-starters will be filtered out faster

Information technology is not always top of mind, but it's the foundation of the tech companies you invest in. If it's done by the wrong people, IT becomes a barrier to the company's success. On the other hand, if it's done by a team of seasoned professionals, IT can fast-track a startup's success and become an enabler for growth and productivity.

An easy and obvious solution to launching a company's IT is hiring an in-house team. However, there are several crucial drawbacks and missed opportunities with this option. First, a single person (or even a small team) can't possibly know everything about IT. Even the world's best IT manager can't do it all. You need a full team to get the job done right. Plus, a company's needs will change over time. For example, setting up one user is easy, but consistently setting up fifty is very difficult. However, you likely do not want to hire a full IT team when you only occasionally need that level of support.

So how can you, as the investor, ensure that companies set up their IT correctly? By delegating this part of the business to a team of experts who bring a wealth of knowledge to enable startups to succeed. In other words, partner with a managed service provider (MSP) that can make educated decisions so that your IT budget (or the IT budget for your portfolio companies) is spent wisely and strategically.

"A managed service provider can make educated decisions so that your IT budget is spent wisely and strategically."

How a Team of Skilled IT Professionals Can Help

I. SCALE QUICKLY

The proper IT solutions can help a company scale quickly. In the best case, the company will rapidly succeed and investors will realize a faster return on their investment. Even in the worst case, if a company fails, if it is supported by a healthy IT environment, it will fail fast without wasting time and resources. Then investors can pivot and move on to explore new opportunities.

Starting operations with the correct hardware, software, and infrastructure can help you avoid playing catch-up in the future. When a non-expert starts building their business around IT systems that are not configured properly or built in a way that cannot support scaling or proper security, it creates a technical debt that costs precious time to repair in the future.

Definition: Technical Debt is the cost of additional work that arises when companies take shortcuts and delay necessary technical upgrades instead of following best practices and updating devices and systems on an ongoing basis.

Instead of starting with a seemingly fast and easy solution that leads to costly challenges in the future, a team of experienced IT professionals gets it right the first time so that your venture-backed business is primed for growth. Often, the best way to do this is to set up a cloud-based infrastructure that scales up or down depending on the number of users. This allows the company to start with the right infrastructure for 5 people and expand that same setup as it grows to 500 people or more when necessary. This approach does not limit the company's growth by requiring more staff or requiring work to be redone to meet the needs of a larger company in the future.

Don't: Company A has developed a great product and it is nearly ready to seek FDA approval. Suddenly, operations must shut down or delay growth in order to re-architect the entire IT infrastructure to enable the massive growth that will happen overnight in order to meet security obligations and scaling requirements.

Do: Company B has developed a great product and it is nearly ready to seek FDA approval. The IT infrastructure is cloud-based. The IT manager upgrades to the higher service tier with a few clicks. The system meets security obligations and scales instantly, without disrupting end users.

II. IMPROVE PRODUCTIVITY

Protect your investment in people by making sure that technology doesn't get in their way. Hiring a team of experts to handle critical IT functions allows your scientists, engineers, developers, and senior management to stop fixing computer problems and focus on what they do best. Seasoned, highly skilled IT professionals keep up with best practices and the latest technology so that your companies can run as efficiently as possible.

For example, there may be an employee on staff who knows how to build a server, but the way they do it is based on dated knowledge, not the latest best practices. This will lead to disruptions and frustration in the future when the server doesn't meet the company's needs. Plus, that employee's knowledge is a very small piece of IT. There are many other essential IT duties that require a larger team for ongoing monitoring and support.

A dedicated team of IT professionals will not only set up the correct infrastructure in the first place but also work to keep the business moving forward. For example, senior IT professionals offer DevOps consulting and/or managed services to help companies build, test, and release software faster and more reliably. They can bridge the gap between programmers and IT. At the same time, a virtual CIO handles the development and strategy of the company's IT so that the team is equipped with the latest innovative tools to stay productive.

III. PROTECT YOUR IP

IT plays a huge role in protecting a company's intellectual property (IP) by setting up the proper security systems. An expert will go above and beyond the bare minimum security software to ensure that IP is secured properly to reduce the risks of losing your investment. Common risks include:

- Ransomware
- A competitor taking the idea, copying it, and growing it faster
- Natural disasters
- Hardware failure
- Employees leaving the company with sensitive information

There isn't a one-size-fits-all solution for protecting IP. With a good IT partner, a team of experienced professionals will evaluate the organization's vulnerabilities and set up a combination of security measures and data backups to make sure that the company's IP is protected, no matter what. To do this correctly, this process should be proactive and constantly evolving.

CASE STUDY: FINDING AND STOPPING RUSSIAN HACKERS IN LESS THAN 4 DAYS

Sometimes, your ROI on hiring an outside expert can pay off immediately. In a kickoff meeting with a new client, the staff explained that they routinely got locked out of their accounts. When they had mentioned it to their former IT team, they were told that this was a normal course of business and they shouldn't worry. Our team of experienced IT professionals immediately knew that it was not normal to be locked out every day and began looking into the issue. We analyzed the accounts and, within hours, discovered there were Russian hackers in their network. The reason all the accounts were getting locked out was the hackers were trying every possible password for each account. After several bad guesses, the account got locked. It was not a system flaw, as they were told by their former MSP -- there were actual human beings in their network trying to access their IP. Once we found the security hole and identified it as a major breach, we sourced a team of highly specialized forensic security professionals who pinpointed the Russian hackers and validated that the network was now secure.

IV. MANAGEMENT CONSULTING

Have you ever wished you could be a fly on the wall at the companies in your portfolio? As a third party who operates in the day-to-day business, a managed service provider has a unique insight into the company. As a partner, the team's main objective is to identify problems and opportunities that link to IT. However, they can also provide valuable insight regarding overall morale and senior leadership.

Turnover is inevitable in any business, and it is especially disruptive when senior leaders or key contributors exit. If it seems like key people in the organization are unhappy in their job and there may be a risk of them leaving, your IT consultant can give you advanced notice about these trends. Meanwhile, they also work to put security measures in place so that exiting team members do not take sensitive information with them. In addition, they ensure employee's data is backed up and their files are accessible so that it will be easier to replace them when they leave. The right managed service provider develops personal relationships with their clients and focuses not just on IT, but on holistic business outcomes.

A virtual CIO is equally comfortable meeting with senior executives and IT managers alike. This can be helpful, for example, when investors in companies that are farther along want to start fresh with entirely new IT infrastructure because the previous IT team did not set systems up correctly the first time.

A trusted third party can help smooth over adversarial relationships between different departments, for example, when departments such as bioinformatics and chemo informatics have an overlap in function.

Figures

On average, only 25%* of VC-backed startups have a successful exit.
With **iuvo Technologies**, 53%** of VC-backed startups achieved a successful exit, outperforming the market by more than 100%.

25%
Successful
Exit

75%
Failure

53%
Successful
Exit

47%
Failure

VC-Backed Startup Industry
Average

VC-Backed Startups w/iuvo
Technologies

*Source: HBR Study Authored by Shikhar Ghosh & WSJ Article
** iuvo Technologies startup data analysis: 26 startups, 9: successful exits, 9 active invested funds, and 8 failed

V. DUE DILIGENCE VIA IT AUDIT AND ROADMAP

When you are considering whether to invest in a company, iuvo Technologies' experienced IT professionals can tell you how much it will cost to implement any IT infrastructure that does not exist already. If there is existing IT, your IT consultants can evaluate whether the current infrastructure is adequate or if it creates delays in work or reduces productivity. If there are weaknesses in the current IT setup, they can tell you how much it will cost to fix everything.

When two companies are merging, bringing in an outside third party can help the two companies align by either merging the IT environments or migrating one company to the other's IT systems. Doing this well requires both a deep and wide understanding of technology, so having the right trusted advisor on your side can be critical to the success of any M&A activity.

The more you know about your investment, the less risky it will be. A managed IT service provider can handle ongoing IT maintenance for the companies in your portfolio so you have predictable costs and reliable infrastructure to keep the company productive.

IT goes far beyond managing daily computer issues. A team of skilled IT professionals can even look at tech stacks through a third-party expert lens to identify gaps and redundancies, while also balancing decisions such as which technology should remain in place to reduce the risk of workflow fractures. We can help curate tech stacks and reduce redundancies, for example, among business, marketing, and customer service software.

Don't: Investor X bought a company that had valuable IP but had stopped IT spending ahead of the sale so they would look more profitable and appealing to investors. Now all the computers are obsolete and the network infrastructure needs to be replaced at the same time. This is a large upfront expense that will be repeated again in 3-5 years because all of the hardware is on the same IT lifecycle schedule.

Do: Investor Y hired an IT consultant to help her understand the environment she was considering making an investment in. The consultants helped her plan for this expense which allowed her to include it in the valuation and initial budget. And the IT team establishes a machine replacement schedule to keep the work environment secure and productive with a predictable budget.

CONCLUSION

Now that you are aware of the benefits of hiring a managed IT service provider for the companies in your portfolio, you can help guide those companies toward faster profitability, acquisition, or a successful exit.

If you are ready to make a strategic investment, be sure to hire the best managed IT service professionals for the job. Many providers say they are the best, but you need a provider who can back up their claims with evidence. Here are six key differentiators that iuvo Technologies' clients experience daily:

Responsiveness and Customer Service. We don't just respond quickly -- we have a 16-minute (average) and 10-minute (median) response time to critical tickets over the lifetime of our company. Plus, we measure customer satisfaction regularly via the NPS (Net Promoter Score) survey, a standard metric used in customer experience programs. Our world-class NPS score of 69 places us among the best customer service companies in the world and is two times better than the average score for managed service providers.

Dedicated Teams. Most managed services providers have a help desk that handles basic IT issues as they arise. They don't know their customers directly and they do not have the context or knowledge to see the big picture. But if you hire us, the companies in your portfolio will get a dedicated team of people who not only have deep expertise but also take the time to get to know the company and feel more like co-workers. Each company will get a minimum of two direct service engineers plus an engagement manager who is the dedicated support personnel.
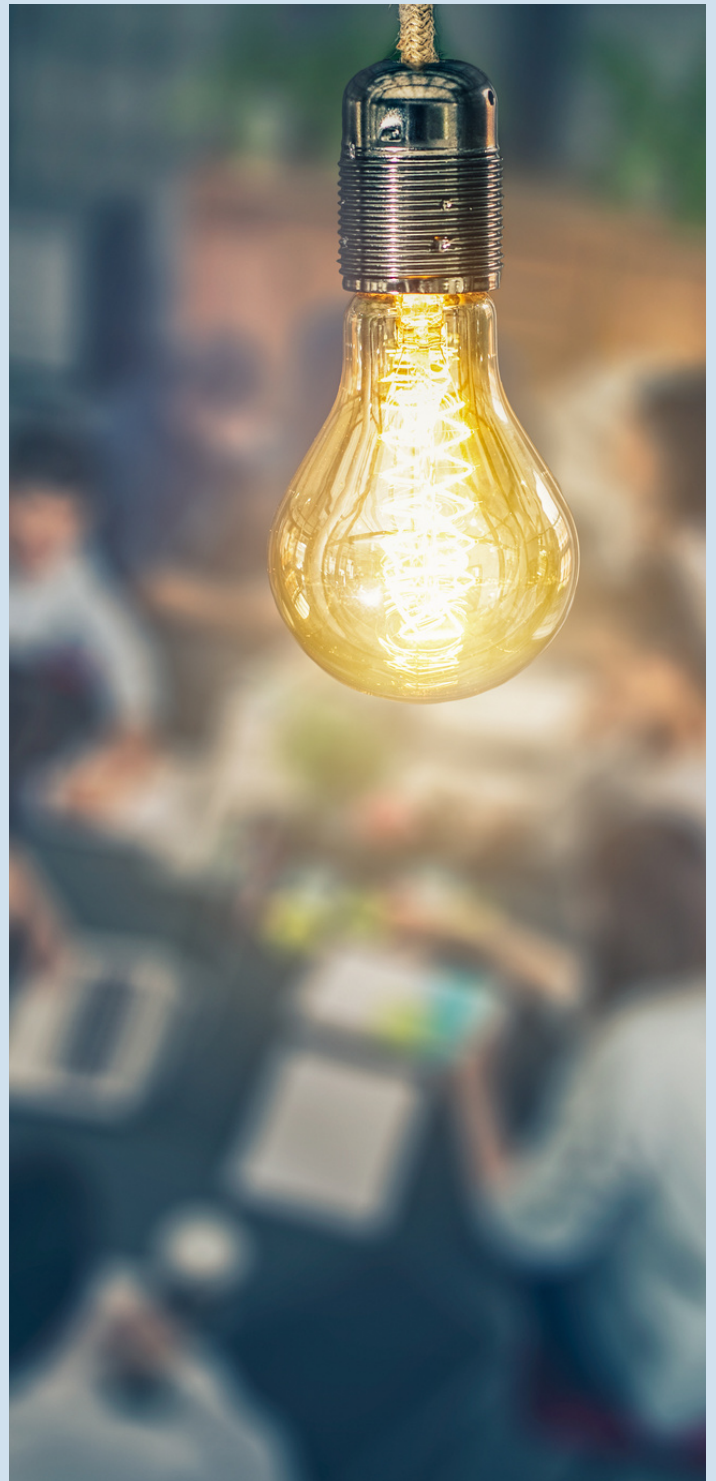
Senior Experts. Other MSPs put junior staff at the virtual help desk. These less experienced professionals will try the obvious solutions and will then escalate the issue to a manager when they are not able to solve it. This is precious time that wastes your investment. iuvo Technologies only has senior staff who (on average) have 22 years of IT experience. When a problem arises, your dedicated team will draw from a wealth of knowledge to find the best solution the first time. Plus, our experts will find the root cause and then proactively search for similar issues within the company and solve them behind the scenes so that the whole team can stay productive. When comparing MSPs be sure to ask them about their average years of technical experience as it can make a huge difference.

Engagement Managers. Other MSPs use Account Managers, who are salespeople rewarded on how much they sell you. We ensure you get what is right for you, not what is right for the salesperson or quota. When you work with iuvo Technologies, your Engagement Manager (EM) is your primary business interface. They are a senior technical resource whose entire job is dedicated to ensuring our clients are getting the right solutions and service. They perform Quarterly Business Reviews, are your trusted advisor, and are rewarded for our client's content.

Broad Skill Sets. Other MSPs focus exclusively on Microsoft products and services. Rather than this one-size-fits-all approach, we match our clients with the right solution for the job. Our technologists have a broad set of skills including Windows, Macs, Linux, networking, and cloud technologies.

Part of the Team. We are on-site at client locations whenever possible, which allows us to become familiar with the environments and people, and ensures we are on-hand when needed. We also seamlessly join remote workforces on video calls to develop deep relationships while leading our clients in best practices for working from anywhere.

In summary, contracting a skilled team of professionals to manage the IT side of the business in your portfolio can help companies scale quickly, become more productive, protect valuable IP, stay strategic with management consulting, and operate with a predictable IT budget. All of this reduced your VC or PE's risk and helps achieve a positive return on your investment.

Are you ready to think strategically about IT? Schedule a meeting with iuvo Technologies to get started.