7 Mistakes Tech Companies Make After Securing Series A Funding
Securing Series A funding is a big step for many tech companies. You have likely had some experience with seed funding and maybe even angel investment. But Series A represents that first power move, one that will hopefully see the ascension of your company with no looking back.

Series A is the optimisation stage where companies look to take things to the next level after securing a substantial windfall. The goal is to go bigger and go harder. Yet, sometimes tech companies can go too big and too hard, undoing all the hard work that initially got them to this phase.

It doesn’t need to be that way, however. If navigated correctly, Series A funding is another step on the growth train - with Series B and Series C on the horizon. In this article, we look at **7 mistakes tech companies make after securing Series A funding**. With these tips, you will avoid any perils and position your company in a healthy place that’s ready to win.
MISTAKE

1

Hiring too Aggressively
Increasing the employee count is often the first order of business after securing Series A funding. Whether it’s sales, marketing, product, operations, or a combination of every department, one of the first stages of growth entails more team members. Yet, too often, companies bring in new hires without having a proper onboarding strategy and therefore aren’t prepared for a significant increase in team numbers.

How will you communicate effectively to the team if its size suddenly doubles? It’s not a case of merely hiring talent and expecting instant results that include increased sales, a more aggressive marketing output, and improved products. **Three new sales hires won’t automatically equate to doubling your sales in the next quarter.** Instead, you need to grow at a pace that fits with your model.

You’ve already made it this far - there’s no need to rock the boat to the point where the company suddenly looks like a different set up. Focus on quality over quantity - are there existing employees that need replacing before the headcount increases? More doesn’t equal better. Quality should always come first.
MISTAKE

2

Hiring Before Having a Market
A common theme with B2B tech startups sees them hiring salespeople and onboarding with hope and ambition but with no real understanding of their target audience. It creates unrealistic expectations and often leaves the sales rep unsure about the target market, essentially leaving them throwing enough mud at a wall in the hope that something will stick.

Hiring a VP of Sales too early ties into this mindset, and is often something we see with US big “tech influencers” who talk about hiring a VP of Sales after your first 10 customers. This is not a wholesome metric, however - you may have two customers that contribute 90% of the revenue, with the rest being pilots and short-term engagements. It will be hard for a VP of Sales to thrive in such an environment, and most likely end up being a costly mistake.
MISTAKE 3

Overly Ambitious Targets
Impatience can lead to a quick unravelling. Your first significant deals took nine months to close, but now you want them done in three. Expand the team, be more aggressive and, voila, shiny new sales deals secured in record time.

Such a method is understandable but more often not it doesn't prove to be successful.. Nor should you base your strategy around changing everything too soon. By all means look at your sales cycle and refine, but don’t change the landscape overnight. It makes sense that you aim to improve your metrics when it comes to closing deals. However, ambitious targets - along with lying to yourself about where the company is in the sales cycle - won’t help.
MISTAKE
4
On/Off Marketing
Many startups think of marketing like pouring petrol on a bonfire: it creates a huge flame that attracts plenty of attention. Once that attention has come your way in the form of leads, you then dial-down on marketing, safe in the knowledge that you have more potential clients than you can handle.

No more SEO, PPC, trade shows, Social Ads Spend, networking events or PR agencies. In reality, marketing isn’t an ‘on/off’ solution - it’s part of the long game and helps build your brand awareness over time. There may be an uptick in leads at the start of a campaign, but that doesn’t mean the job is done. Choose flexible marketing tactics, so they can be adapted if necessary.

But don’t go hot and cold on marketing, expecting to stop it for a few months and pick up where you left off. The whole medium of marketing is too nuanced for such a strategy to succeed.
MISTAKE 5
No Alternative Plan
It is easy to get carried away after Series A funding, but part of running a successful business is the ability to think of the best and worst-case scenarios - and be prepared for the latter. Doing so involves planning and budgeting accordingly. We often set unrealistic goals based on nothing but blind ambition, then go into panic mode when those goals don’t come to fruition.

As they say, failing to plan is planning to fail - and faster scaling doesn’t necessarily mean a quicker route to success in the long term. Keep your day-one customers happy for those times when new customers aren’t pouring in at the rate you anticipated. Being prepared, correctly estimating costs and having a clear idea about how your market works will help maximise your chances for sustained success.
MISTAKE
6
Thinking...Now We've Made It
hen a Founder raises consecutive rounds of funding, they can start believing they’ve got all the answers - especially if a well-known investor has invested £1m+. The thought process goes something along the lines of, “If investor A believes in me, I must be doing everything right”.

The reality is investors spread their bets. They invest in 20 companies, then only one of those needs to be acquired or go into IPO for them to make their money back and wipe out the losses of the other 19 companies.

Furthermore, your company might have an inflated valuation, so ask yourself:

- Do we have £150k+ revenue per employee?
- What is our free cash flow (FCF)?
- What is are our gross profit trends?

Many companies now raise Series A at a lower recurring revenue than ever before. What was once £80-90k monthly recurring revenue is now raising millions off just £20k MMR. Have an open mind and realise that you are on your way and have a lot to learn, will keep you grounded and enable you to make wiser decisions.
Making Unnecessary Changes
Change is a crucial component needed for true evolution, but it shouldn’t be forced. In fact, trying to change too much too quickly can be one of the biggest downfalls for companies that just secured Series A funding. Talk to your employees. Most of them will likely cite unnecessary changes as disruptive and unproductive.

If you go down this route, employees may start doubting your leadership as a CEO, as they have to adapt to your yo-yoing. "If they begin asking questions along the lines of “how would you like me to do it,” it could be an indication of your indecisiveness and also reflect a lack of confidence of your team to back their own conviction and ability."

Let change happen naturally, or because you’re adapting to new markets. But don’t force it because you think it should be the next step.
Thoughts from the pros

As well as our own experiences, we’ve spoken to some other professionals on what they’ve learned after securing Series A funding. Here are their thoughts:

Avoid overspending or adding to the operation that gears towards Series A cash burning a hole in your company’s pocket.

Mike Downing, Director, Downing Ventures.

Hiring from a standstill: Starting the hiring process for your post-raise team before closing your Series A might seem time-consuming, but it’s essential to do so.

Ben Prouty, CEO & Founder, Shepper.