



## How to Grow Your Startup in 2023

10 tips that will help you grow your business and attract venture capital

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As a startup founder, you are facing a global recession, a correction of the stock market, a corresponding correction of startup valuations, and venture capital investors [who have slowed down and sometimes even stopped their investment activities](#). And while the VC industry is sitting on a record level of dry powder, you would be foolish to believe that the [\\$290 billion of dry powder](#) available (in the U.S. alone) will be flooding the market as if there had never been a crisis. There are several reasons why venture capital investors won't just return to their pre-crisis funding behavior. Here are a few:

- They have already been asked by their limited partners (the funds, corporations, and family offices that have committed to invest in VC funds) to deploy the capital available more slowly.
- They struggle with the performance of their existing funds and deploy a large portion of the dry powder available to companies that are already in their portfolios (to the extent possible).
- They invest a significant amount of dry powder into rather mature companies with clear and compelling exit opportunities.
- Given the valuation corrections, venture capital investors have become more risk-averse and will deploy a large portion of the remaining dry powder to efficiently growing startups.

Bottom line: If you want to grow your business and attract venture capital, you must be among those startups that grow efficiently. Here are 10 tips that will help you thrive in 2023:

1. Do not blitzscale unless (i) your market requires you to prioritize speed over efficiency, and (ii) you have reasons to believe that investors will fund your high-risk venture.
2. Instead, [fastscale](#). If you fastscale, you first validate your business model and then accelerate growth. It may take you a bit longer to build a massively valuable business, but the probability you succeed is significantly higher.
3. If you have not yet found product-market fit, focus all your energy on generating it. If you accelerate growth without having found product-market fit, you burn unnecessary amounts of cash. Your customers will not only be hard to acquire. They will also churn fast and not return. Even worse, they will leave bad reviews that will hurt your brand and increase your customer acquisition costs even further.
4. Focus on selling into your key target markets and key target market segments and to your key target customers. This is where you can generate product-market fit and efficient growth the fastest.
5. Product-market fit is by no means all that matters. What good is product-market fit without a working distribution channel? Most startups do not get more than one distribution channel to work. Find this channel, and don't invest in growth channels that do not work from an economic perspective. Analyzing your unit economics per channel will help you identify channels that don't work.
6. Analyze your conversion funnel and find ways to improve it. The higher your conversion rate in a specific channel, the lower your customer acquisition costs. The lower your customer acquisition costs, the shorter your payback period. The shorter your payback period, the less external funding you need and the more efficiently you grow your business.
7. Analyze your customer cohorts to better understand what works and what does not. The more you improve your business model, the more efficiently you can grow. Customer cohorts can tell you more than you may think.
8. Improve your gross margin. If you can reduce your cost of goods sold (CoGS) without dissatisfying your customers, do it. It trickles down to the bottom line and improves your customer lifetime value.
9. Measure your growth metrics and improve the variables underlying these metrics. Can you improve your return on investments in growth? Can you improve employee productivity? Where can you eliminate slack in the organization?
10. Challenging times demand effective leadership. Don't forget that outstanding results are not achieved alone. While you must be a strong leader, a role model, optimistic, and decisive, you need a strong team to succeed. Ensure your leadership team embraces teamwork and jointly explores ways to improve your growth efficiency.

[Blitzscaling may not be dead](#). But investors focus on efficiently growing startups now. I just recently talked to a Dutch bootstrapped startup founder team who had been growing their business fast and profitably. They had been receiving several terms sheets with attractive investment terms despite this challenging environment. Take the above tips to your heart and you can thrive too.

The best startup founders and growth leaders do not consider the current funding environment an obstacle to overcome but an opportunity to grow. They grow as leaders and outcompete founders who thought they could win by focusing on topline growth only.

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