28 July 2022

From a tech start-up to a stock-listed company in five years

Jerzy Kasprzak, deputy CEO of Q Securities, in conversation with Konrad Weiske, CEO of Spyrosoft, Europe's fastest-growing tech company in 2021, according to the Financial Times.

Jerzy Kasprzak (JK): What's the secret to your success?

Konrad Weiske (KW): We launched the company five years ago, but we were not typical start-uppers, meaning people in their 20s with little money and only at the beginning of their professional path. We were already in our late 30s and early 40s, with significant industry experience. We knew what we were doing and had a precise idea of what we wanted to achieve.

The first key to our success was understanding the business well. Consequently, we knew the right people, so we knew whom to employ and had contact with those we could sell to. So the distribution channels were the people we knew; the first employees were people I had known for many years and with whom I always wanted to start a company.

JK: Would you then say that being a genius kid with a brilliant idea is not necessarily the best way to launch a company?

KW: If you look at what is required to start a company, people in their 20s usually do not have that. First, there's capital: you need plenty of money to start a company. Unless your parents are rich, nobody will give you millions if you're in your 20s.

Then, you need contacts: people you would work with, employees, distribution channels, partners, etc. Who do you know if you're 22? You know your fellow students who have yet to learn about entrepreneurship.

And then you also lack industry and life experience. Of course, you will also have failures and encounter challenging situations later in your career, but as we grow older, we become slightly indifferent to things that happen to us. What you have in your 20s is enthusiasm, but you can be enthusiastic in your 40s and 50s.

A fascinating study by MIT shows a clear correlation between a founder's age and the probability of a company succeeding. The older, the higher the chances.

JK: Still, five years from launching a company to going public, it's fast by any standards.

KW: The Financial Times said so when they named us Europe's Fastest Growing Tech Company, which was a huge success. But one built on experience and professional maturity, not wealthy parents' support.

JK: What lessons have you learned that you'd like to pass on to younger entrepreneurs?

KW: Don’t be young! (laughs) I'm not saying that a young person can’t be successful in business, but they will have to learn all things the hard way. I have made a lot of mistakes in my life. I still do make a lot of errors. But the worst of them were made when I worked for someone else, a corporation that was in a better position to absorb these mistakes. Plus, many more experienced colleagues would tell me: ‘Don't do it. It’s a foolish idea’.

JK: I’d add that the crucial success element for a company to go public is an established business model that works. Putting a typical start-up on the stock exchange with no revenues nor EBITDA might quickly bring on a lot of debt and burn the project.

Many start-ups only consider the blue sky scenario. They don’t track possibilities that something might go wrong, like the pandemic or the galloping inflation changing the cost of money on the market.

In most cases, I would advise founders to take the standard path: from VC and business angels to private equity, and only later go public, eventually to international capital markets.

JK: Konrad, what else worked to your benefit?

KW: A typical start-up is a product company, while we offer services, which already gives us a head start in terms of cost.

With B2C products, marketing costs are gigantic, and if, on top, you provide an innovative product, you also need to educate the market. While you offer a service and know the industry quite well, the cost of reaching customers is significantly lower. If you know five relevant people, you already have five potential clients, and if these clients are large enough, you can sustain the company.

Even a modest product requires dozens of millions of dollars to launch. Our initial investment was around 300,000 US dollars, enough to create a profitable company in its first year of operations.

JK: What changes when you become stock-listed? Was it worth it to become a stock-listed company?

KW: It’s definitely worth it, but you need good advisors. We were lucky to have chosen Q Securities, who made the process smooth and straightforward.

In our case, we didn't IPO because we needed capital. We had enough money. We did it because we were a relatively young company, so we needed more credibility for our clients to trust us. And a publicly traded company certainly gains credibility because of the oversight.

Secondly, we needed credibility for our potential employees. Many people prefer to work for a publicly-traded company, again, because of its credibility.

KW: Jerzy, so why companies are reluctant to list?

JK: The most common fear, no matter the sector, is that because of the reporting obligation, some company know-how will be made public, and the competition will steal the business idea. In addition, many fear the burdensome financial reporting compulsory once you become a public company. But if your business is a success, sooner or later, someone will copy it, no matter what. So there's no point in slowing down your growth if what you fear will happen someday.

JK: Would you agree, Konrad?

KW: Business is about money and being successful in money terms. Therefore, people who consider doing business with you will judge you based on your success. So, if you want to be credible, you publish this information as frequently as possible and tell the world, "Hey, this is us, and we are doing great."

If you share this information, people will treat you better. They will look at you more favourably, and it will be easier to win clients and convince people to work for you.

JK: What are the immediate and long-term threats that your industry faces?

KW: Let me start by debunking two myths. One: there's no scarcity of talent in the IT industry. Two: there's no such thing as an employee issue due to the generation they represent.

People are driven at work by three factors: (1) money, so we offer solid market-average salaries. (2) Professional development and what we do is fascinating stuff. Our projects are technically challenging because we work for interesting companies. (3) Recognition. We give people the possibility to implement their ideas, as they have a lot of freedom to do what they think should be done, which is not the case in large IT companies.

The issue of generational shifts is made up. When you're young, professional development is more important than stability. And as you age, you have kids, mortgages, and so on, stability takes priority. That natural life cycle has nothing to do with any sort of generation. I'm not blaming people for hopping from job one job to another when they are young because they simply want to get more experience. I did the same. What's encouraging for me is that many who quit Spyrosoft have sooner or later returned.

JK: Ok, so finding the right talent is not an issue. But there must be other threats.

KW: The biggest challenge is how the size of projects has changed over time. For example, 20 years ago, a company like ours employing roughly 1300 people would have 13 projects, so 100 people dedicated to each. Now, it's the other way around. Now we have 100 projects, and ten people working on each. The technological advancement is such that the projects get smaller, and we can automate much more.

Some big financial institutions with legacy systems are not there yet and need considerable resources to maintain their often outdated systems. But if you design a system from scratch now, you spend a fraction of what you would pay 20 years ago.

When launching a start-up today, you need to spend around € 0.5 million on software, not €20 million as was the case two decades ago. It lowers the market entry barrier, making this service more available to everybody, benefiting us all. But things become more complicated for a company like ours because now I need 100 clients, instead of just ten. So we have to sell more. I have to be more agile as these projects are more demanding, challenging, and short-term.

As revenues from one project are many times smaller than 20 years ago, the true challenge for the industry is how to sustain growth when you need more and more clients.

About Q Securities

Q Securities is an independent MiFID investment firm and a brokerage house with offices in Luxembourg and Poland. We're approved by the financial regulators in Luxembourg (CSSF) and Poland (KNF) to offer depositary services for alternative investment funds, including custody of financial instruments. On the Polish market, our licence additionally covers equity and debt financing, securities safekeeping, and brokerage transactions services for a variety of instruments.

About Spyrosoft

Spyrosoft is an authentic, cutting-edge software engineering company established in 2016. In 2021 and 2022, we were among the fastest growing technology companies in Europe, according to the Financial Times. We bring our clients' ideas to life by recognising their problems and formulating effective and thorough solutions for the automotive, geospatial, industry 4.0, healthcare, human resources and financial sectors.