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Over 100 startups in our portfolio have refactored their operating plans in the past year.

Some have become profitable with as little as $5MM of revenue while others have found ways to do more with less.

Can you guess the four most common levers they pulled?🧵 👇

Focus

Bill Hewlett (the Founder of HP) once said: “More startups die of indigestion than starvation.”

The truth is that great Founders are ambitious. Every day they try to close the gap between where their startup is and their vision for what it could become.

Connecting the dots needs to be done thoughtfully and the “how to scale” playbook of the last super-cycle needs to be unlearned.

Founders need to internalize that it used to be easy to raise capital to invest in multiple S-curves at the same time and this is no longer true.

The cost structure of a startup changes when ambition is staged thoughtfully.

Simultaneously investing in multiple S-curves is an easy way to distract an organization and burn cash.

And making sure a startup has enough money to fund growth vs. science experiments is critical.

Growth

Many Founders attempt to scale before they’re ready. A startup isn’t ready to maximize its growth rate until attractive unit economics and an efficient go-to-market strategy exist.

In most cases, scaling too soon is the same as lighting money on fire.

Startups need to generate enough growth to refine the product/service they're offering, but maximizing top-line growth shouldn't be the goal.

Founders need to stop chasing "valuation arbitrage".

Darwin has returned from an extended vacation, and as a result savvy Investors have gone back to evaluating startups holistically.

The days of valuations being a simple function of revenue are gone.

A startup with healthy unit economics growing at 50-75% is more attractive to most Investors than a startup with challenged unit economics growing at 100%+.

And in many cases the last 10-20% of marketing/sales spend is marginal at best.

Startups should just save the money.

Overhead

Every startup that looks at their overhead can find places to save money.

We've seen startups take out layers of management and eliminate PM roles. We've seen startups cut G&A in half. We've seen startups examine professional services spend and nearly wipe it out.

Startups also find that reducing layers of management and G&A roles increases speed and improves decision making. It's a reduction of internal friction.

Most startups in our portfolio have reported that they're better off after their deep cuts and should have done it sooner.

Vendor Costs

Many startups signed multi-year contracts with software vendors and landlords and negotiated pricing that assumed significant future growth.

Given today's environment, it's common for startups to no longer need the capacity they're paying for.

Re-negotiating a contract isn't always possible but it succeeds often enough to be worth the effort.

Some vendors will stand their ground. Others will make concessions because it's the right thing to do or to preserve relationships with the VCs behind the startups.

And startups need to have alternatives ready to go for every major vendor they use so that at renewal time a good deal can be negotiated for the services they need.

If your vendors know you're researching alternatives they're more likely to provide relief today.

The TL;DR is that many startups are successfully refactoring their operating plans.

There are usually many levers that can be pulled once a Founder is determined to streamline “how work gets done”, “what needs to be built” and “how customers are acquired”.

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