

Deloitte.



**Scale-Ups
Confidence Survey**

Dutch edition

April 2024 Report



Foreword

“Scale-ups are an essential part of any advanced vibrant economy: They are key drivers of innovation and creative disruption, and can ultimately evolve into large-scale employers and key contributors to the public purse. But scaling a small business is not for the faint-hearted, particularly during times of geopolitical and economic upheaval. In a seemingly unstable world, investors can shy away from backing smaller companies, while talented people may gravitate towards the safety of large, well-established employers.

To help entrepreneurs, investors, policymakers and other stakeholders understand the key challenges facing scale-ups and their immediate priorities, Deloitte surveyed 50 such businesses in the Netherlands. The main objective of this research is to gain insights into the growth trajectory of scale-ups, which involves evaluating their past and projected growth, main challenges faced, future priorities, and areas of focus, and—in summary—their confidence in the future.

This report summarizes the findings of the 2024 survey, which is the first to focus entirely on the Netherlands. Last year, Deloitte conducted a survey of scale-ups across both Belgium and the Netherlands. For comparison purposes, we have extracted and aggregated the responses from the 65 Dutch scale-ups that participated in the 2023 survey. That comparison shows a heartening increase in confidence between 2024 and 2023.

Looking forward, we plan to conduct a Netherlands-focused survey each year, enabling us to track how Dutch scale-ups’ priorities and sentiments are changing over time.”



Jan-Piet Nelissen
Partner – Scale-Up Ecosystem
Deloitte Netherlands
jnelissen@deloitte.nl



Rob de Leeuw
Partner – Scale-Up Ecosystem
Deloitte Netherlands
rdeleeuw@deloitte.nl

1. Executive Summary

Key findings within the scale-up ecosystem



The biggest challenges relate to talent and liquidity

Some 40% of scale-ups identified finding the right talent as one of the biggest challenges to achieving their growth ambitions, while 38% cited liquidity and funding issues. Liquidity is now a more prominent issue than it was in the 2023 survey.



Most scale-ups want to expand their headcount, but they face obstacles

Although 82% of Dutch scale-ups want to employ more people (up from 75% in 2023), they face multiple obstacles in this respect. Almost two-thirds of respondents highlighted the scarcity in the job market of specific profiles, while 34% flagged candidates' expectations regarding financial rewards, as a result of the talent war.



More Dutch scale-ups confident they can raise more funding

Of the scale-ups surveyed, 60% are actively seeking additional funding, and 64% of this group feel confident that they will be able to secure what they need – up from 55% in 2023. Venture capitalists remain the most popular source when considering funding.



Need for new features and functionality and better sales/lead management

Some 90% of the respondents identified the development of additional product features and functionality as a high priority for technology investment (up from 78% in 2023). In terms of potential for improvement, 70% of scale-ups identified “optimizing my lead/sales funnel management” (up from 58% in 2023).



A key priority for 2024 is new customer acquisition

For 2024, the surveyed scale-ups are heavily focused on generating new business: 86% of respondents plan to focus on acquiring new customers, and 42% on building partnerships/reseller channels and 42% on product diversification and development. Each of these figures are higher than in the 2023 survey.



More scale-ups are confident of future growth

The proportion of respondents that are highly confident or confident that they can continue or even accelerate their growth trajectory has increased from 80% in the 2023 survey to 91% this year.



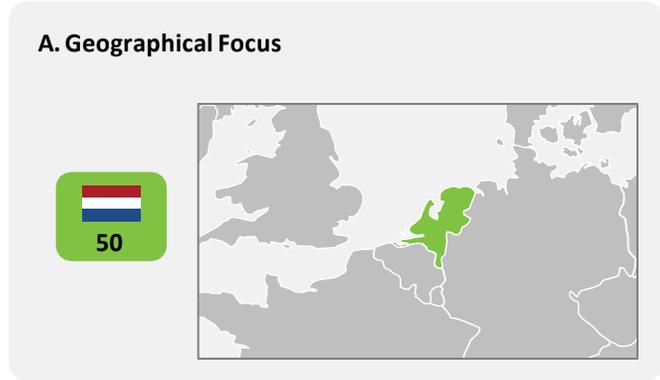
2. Setting the Scene: Respondent Details

In total, 50 scale-ups based in the Netherlands responded to the 2024 Scale-Ups Confidence Survey. Thirty-eight of the respondents held the position of CEO or co-founder in their respective organizations.

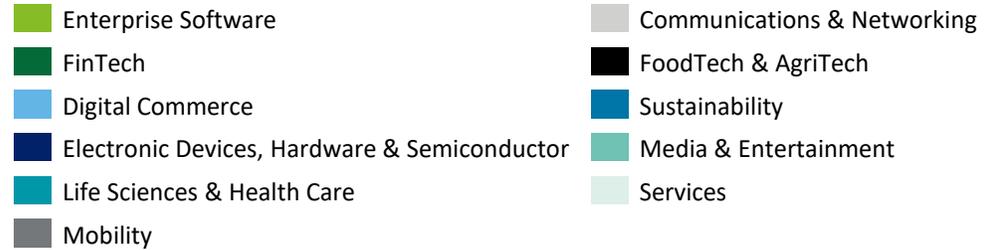
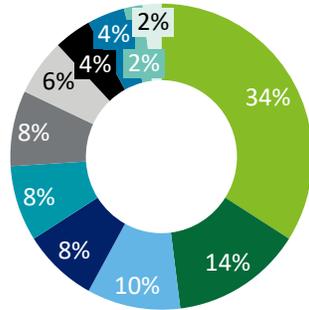
there are major differences in size. While 42% generate less than €1 million in annual revenue, 12% generate more than €10 million in annual revenue.

Scale-ups from multiple segments participated in the survey, with the enterprise software, fintech and digital commerce sectors best represented. More than 90% of the respondents operate at least in the B2B sector, but

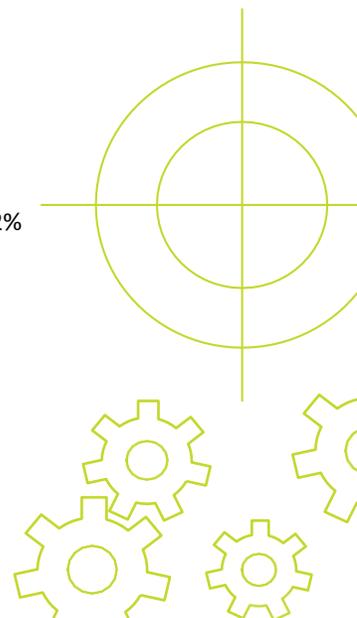
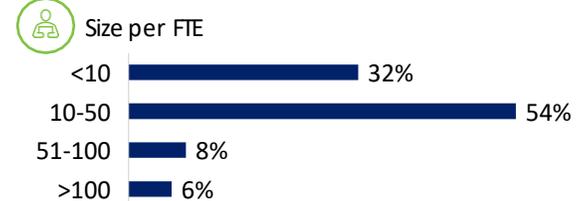
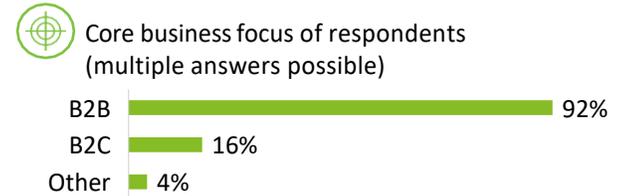
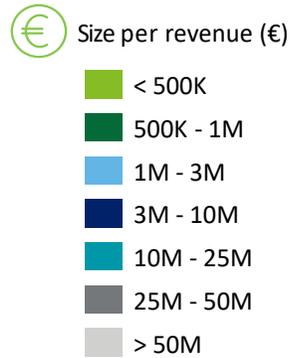
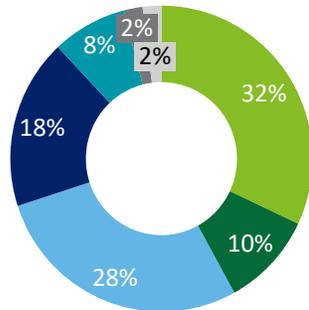
More than half the respondents have the equivalent of between 10 and 50 full-time employees, while 6% have more than 100 staff.



C. Segments



D. Core Business Focus & Size



3. Business Growth: Looking Back

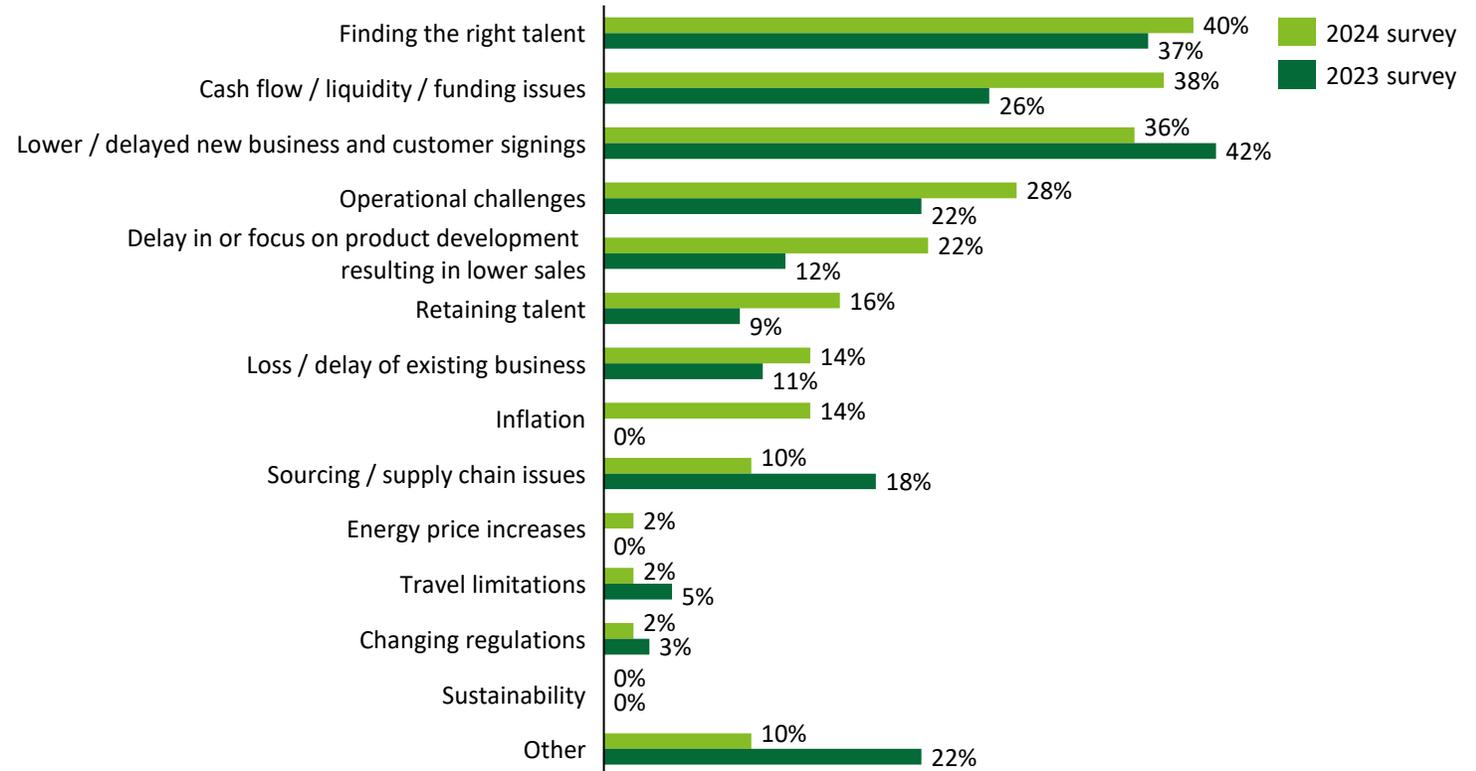
The uncertain economic environment continues to be a major challenge for entrepreneurs, limiting their ability to raise money and grow their businesses. As they struggle to win new business and customers, many Dutch scale-ups point out they don't have sufficient liquidity. In the 2024 survey, 36% and 38% of respondents respectively cited these related issues as among the biggest challenges to achieving their growth ambitions. Liquidity was less of an issue in 2023 when only 26% of respondents identified it as a major challenge.

The most commonly cited challenge (by 40% of respondents) in the 2024 survey is finding the right talent. This hasn't change much from 2023.

Some scale-ups are also struggling to execute their strategies: 28% of the respondents identified operational challenges as one of the biggest obstacles to achieving their growth ambitions, while 22% said product development issues had resulted in lower sales. Both these figures are significantly up from the previous year.

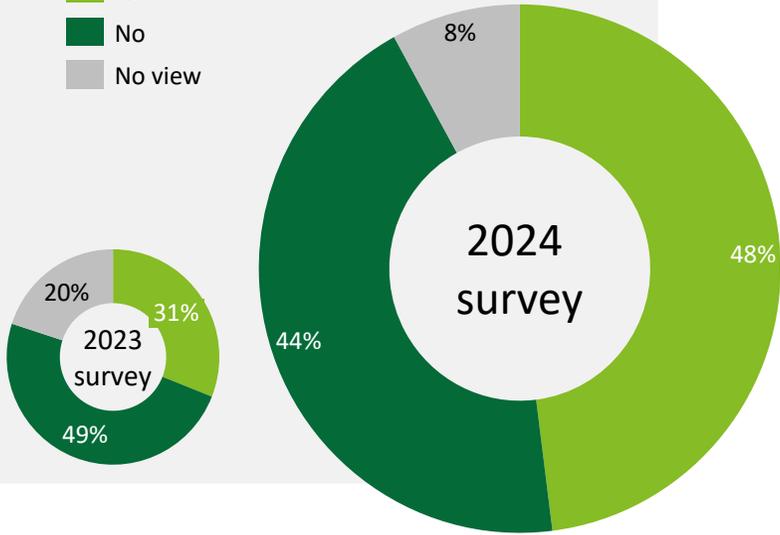
Only 10% of respondents said sourcing/supply chain issues were among their biggest challenges, down from 18% in 2023.

Looking back at 2023, what were the biggest challenges to reach your growth ambition?



Did your company meet its growth expectations last year?

- Yes
- No
- No view



Almost half (48%) of the respondents in the survey met their growth expectations in 2023. That finding is somewhat reassuring, given the talent, new business and liquidity challenges discussed in the previous section. It is also significantly higher than the equivalent figure (31%) from the 2023 survey.

Indeed, this finding implies many scale-ups remain robust despite the ongoing weakness in

the economy and the increasingly tense geopolitical environment.

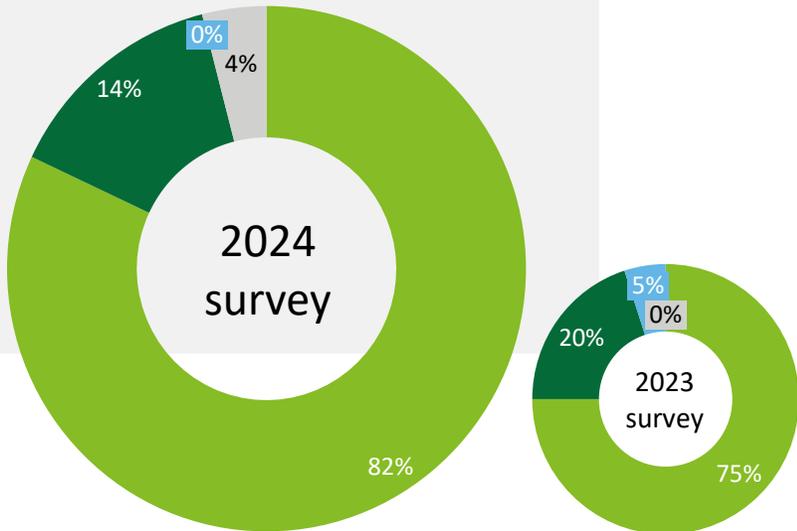
In fact, 85% of respondents contended that the current economic environment has had either no or limited impact on the valuation of their company (see page 11). That suggests that many scale-ups and their investors have long factored in a high degree of economic uncertainty.



4. Finding the Right Talent

How do you see the evolution of your workforce?

- Headcount growth
- Hiring freeze / no headcount growth
- Headcount reduction / right-sizing
- No view



82%

of Dutch scale-ups are anticipating an increase in headcount, up from 75% in the 2023 survey. This represents a bullish finding given the fact that 44% of respondents failed to meet their growth expectations in 2023, seemingly pointing to confidence in an improving market environment for their businesses

This figure is also consistent with the importance scale-ups attach to finding the right people (see previous section), which can be difficult. Indeed, they face multiple obstacles when it comes to attracting and retaining talent (see next page).



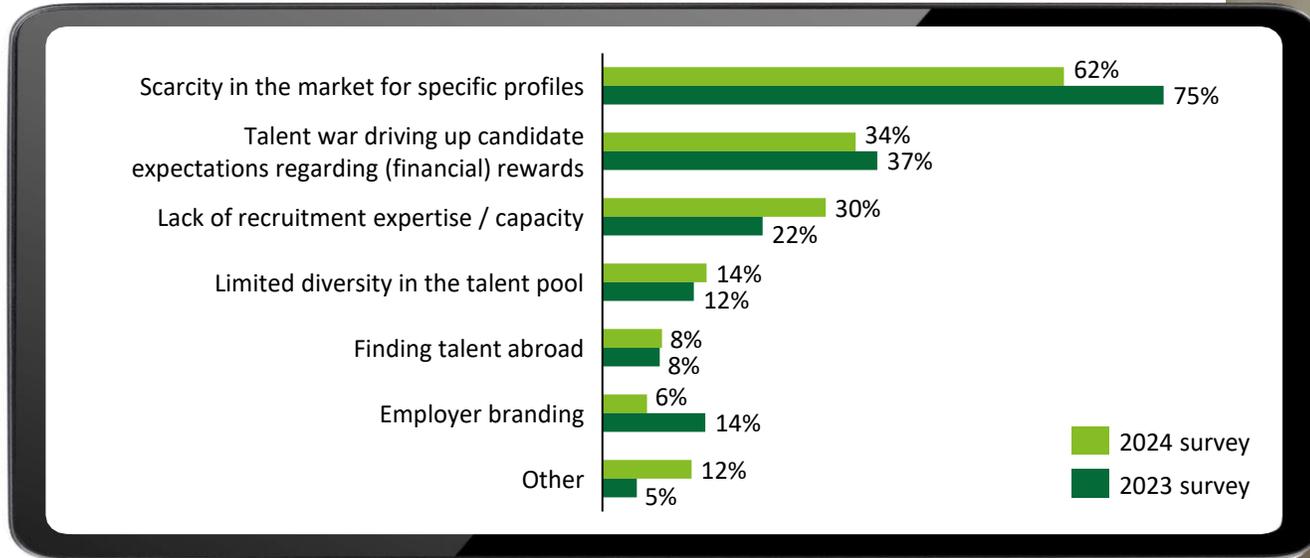
14%

of Dutch scale-ups are expecting either a hiring freeze or no headcount growth. Again, this low figure suggests that most respondents are managing the economic uncertainty relatively well.

None of the respondents said they plan to cut headcount (compared with 5% in the previous year), which suggests they had largely anticipated the current economic environment. It could also imply that many scale-ups are effectively under-staffed, given the scarcity of tech expertise that has become essential to build new businesses in a highly digital economy.



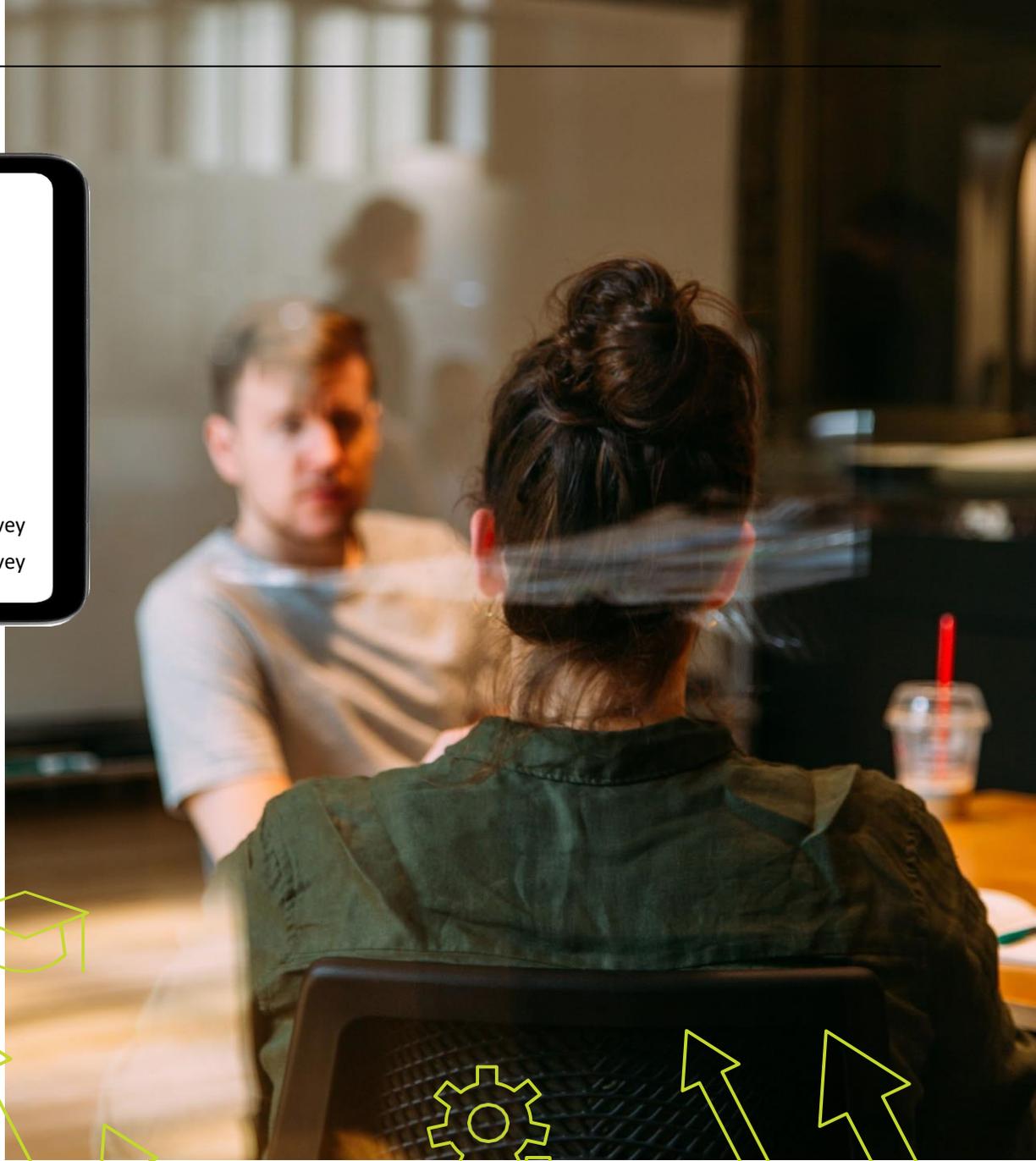
What do you see as the main hurdles in attracting and retaining talent?



Although 82% of Dutch scale-ups intend to grow their headcount, many struggle with attracting and retaining the people they need. The survey found the main obstacle preventing scale-ups from finding and retaining talent is scarcity in the job market of specific profiles, which was reported by 62% of respondents. Although this figure is down from 75% in the 2023 survey, this ongoing issue likely reflects the fast-evolving technological landscape, which calls for new skillsets, and the supply-demand mismatch for people in certain domains.

A related hurdle – cited by 34% of respondents – is candidates’ expectations regarding financial rewards, as a result of the talent war. Some respondents may be struggling to reconcile potential employees’ salary demands with the liquidity issues discussed in the previous section. One way to square this circle is to offer performance-related pay, linked to specific business milestones, and stock options.

Another significant hurdle is many scale-ups’ lack of recruitment expertise and capacity (cited by 30% of respondents, up from 22% in 2023), reflecting the fact that most of the respondents are still small businesses with less than 50 staff. This talent bottleneck could be more difficult for many start-ups to resolve than the financial bottleneck.



5. Cash Flow, Liquidity and Funding Issues

Of the scale-ups surveyed, 60% are actively seeking additional funding, slightly down from the 68% in 2023.

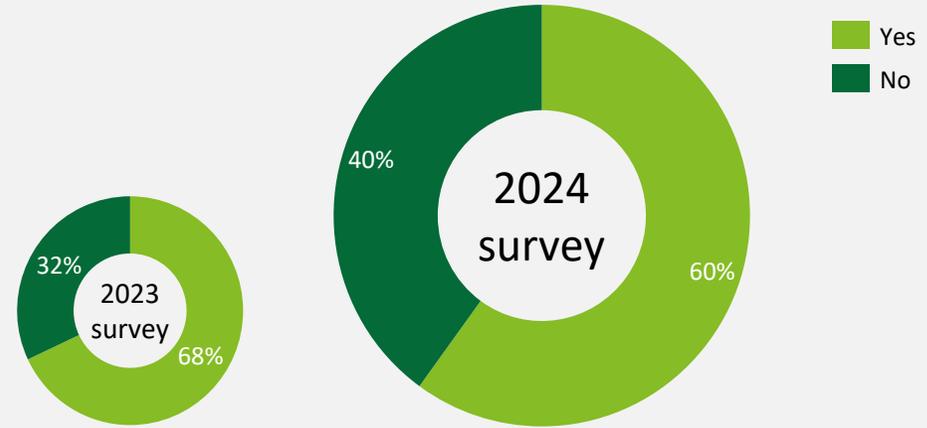
The top three types of funding being considered by the surveyed scale-ups are additional equity funding by new investors (58%), additional equity funding by existing shareholders (40%) and government grants and subsidies (36%). Compared with the 2023 survey, the balance has shifted somewhat in favor of equity funding, rather than government grants and debt financing.

Each of these sources offers advantages and disadvantages for scale-ups. New investors, for example, can bring a fresh perspective and valuable expertise, but they will also dilute the existing equity. Government grants and subsidies can come with onerous strings attached, but don't involve any dilution of ownership.

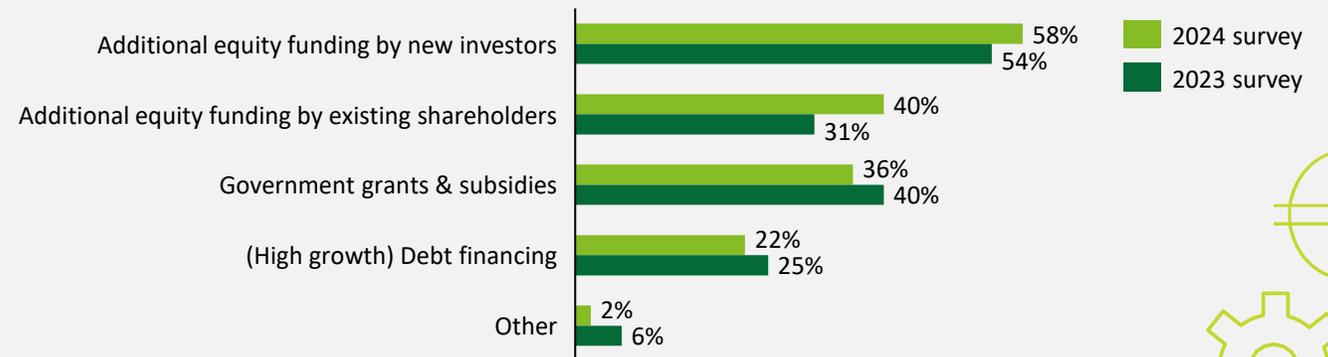
Of those that are looking for funding, 64% feel confident that they will be able to secure what they need, up from 55% in the previous year's survey (see next page). Indeed, 40% said they have confidence in their relationships with their existing investors, which should help them raise more money from this source, if they choose to go down that route.

In other words, most of the scale-ups surveyed believe that they either have the funds they need or will be able to extend their current financial runway. That confident response bodes well for their survival during a period of relative economic weakness.

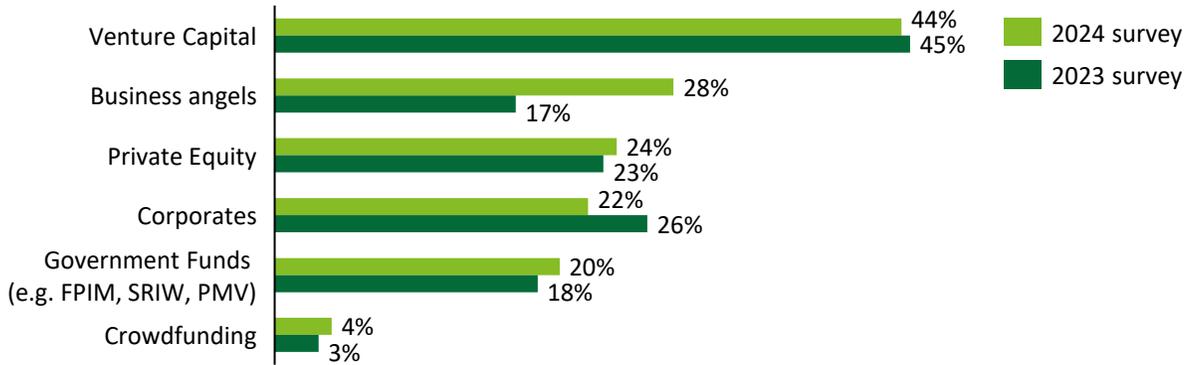
Does your company look for any additional funding?



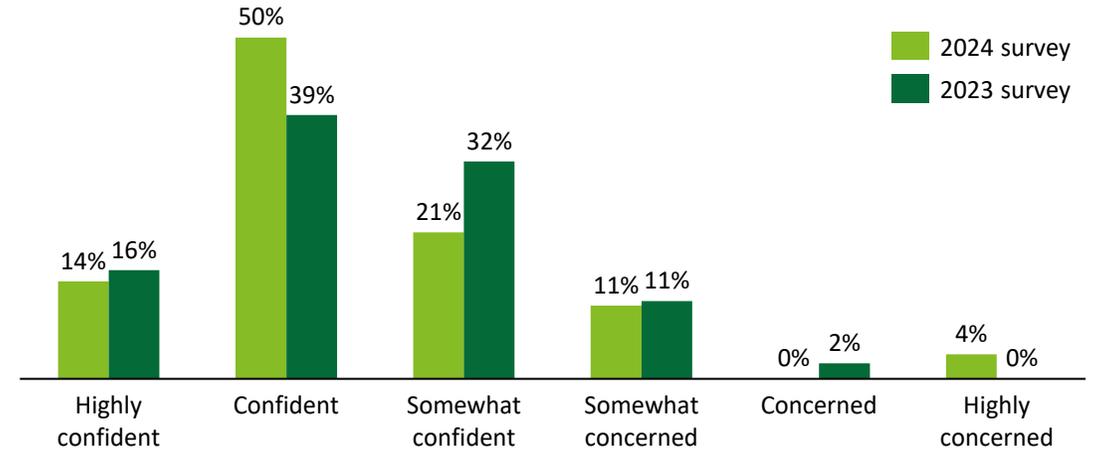
What types of funding do you consider to fuel your growth trajectory?



Which types of new investors are you considering?



How confident are you that you will obtain the required funding?



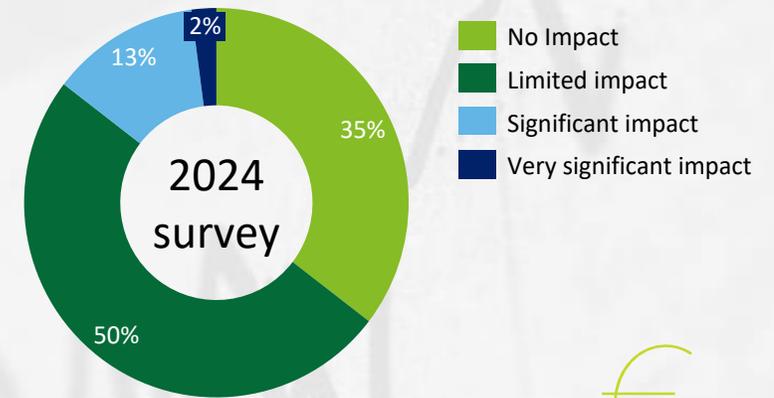
Like their counterparts in other developed countries Dutch scale-ups can source funds from a variety of investors, including venture capitalists, business angels, private equity, large enterprises, government agencies and even from the public, via crowd-funding. Of these, venture capitalists remain the most popular source among respondents in the survey, while crowd-funding is the least likely option, reflecting its primary role as a tool for start-ups, rather than established businesses.

The amount of money a scale-up can raise will depend on the valuation investors attach to the business. But it will also depend on the wider investment climate, which has been negatively impacted by the conflicts in Ukraine and the Middle East, as well as concerns about the outcome of elections in the US, the UK and other major economies.

Still, among the scale-ups themselves, there was a high level of confidence that the economic uncertainty hadn't significantly reduced their value. Half the respondents said the impact of the current economic situation is limited, while 35% thought there was no impact.

Indeed, 50% of those scales-up looking for funding were confident they will secure what they need and a further 14% were highly confident. The respective figures for the 2023 survey were 39% and 16%, indicating that some scale-ups are now more optimistic about their ability to see out this period of economic uncertainty. In the 2024 survey, 15% described themselves as concerned, up only slightly from 13% in the previous survey.

How has the valuation of your company been impacted by the current economic situation?



6. Investment Priorities & Operational Challenges

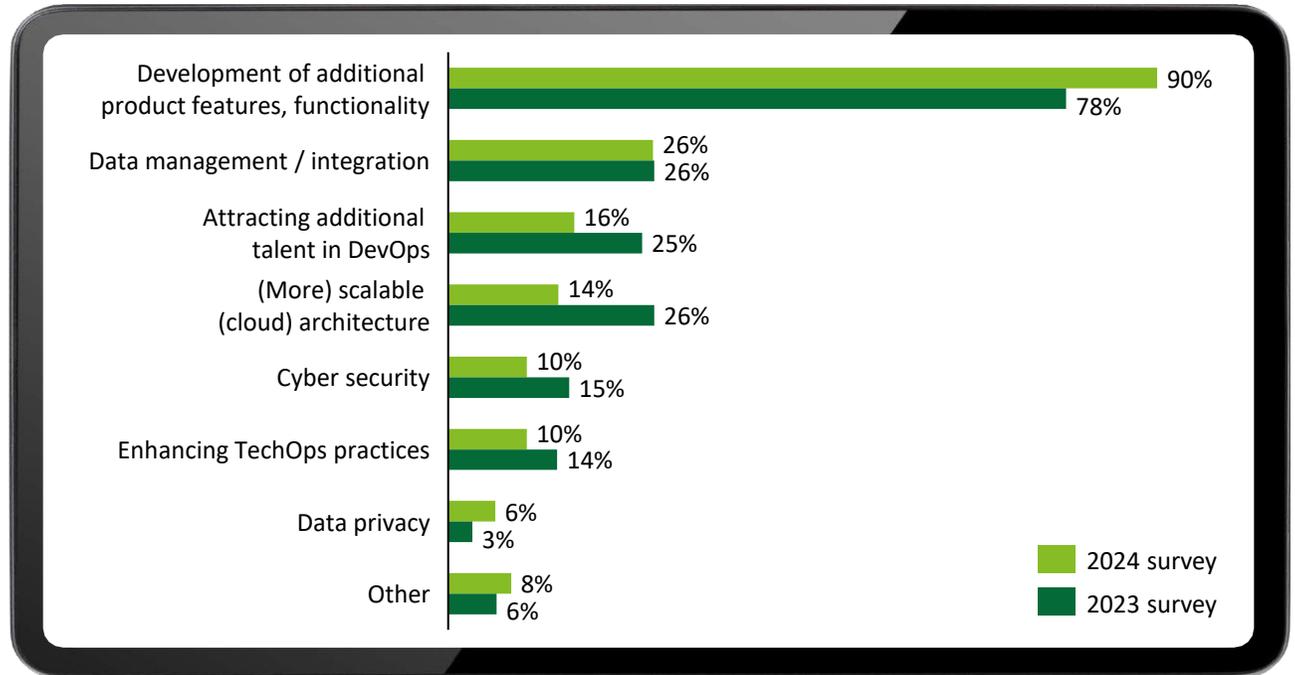
As and when scale-ups secure the funding they are looking for, most will invest some of that money in the development of additional product features and functionalities. Some 90% of the respondents identified this as a technology investment priority, up from 78% in the 2023 survey, with data management and integration being the next most popular choice (26% of respondents).

The over-riding focus on the development of new features and functionality is consistent with the one of the primary challenges scale-ups are facing – securing new business/customers. In a similar vein, 70% of the surveyed scale-ups identified “optimizing my lead/sales funnel management” as an area of potential improvement, up from 58% the year before (see next page).

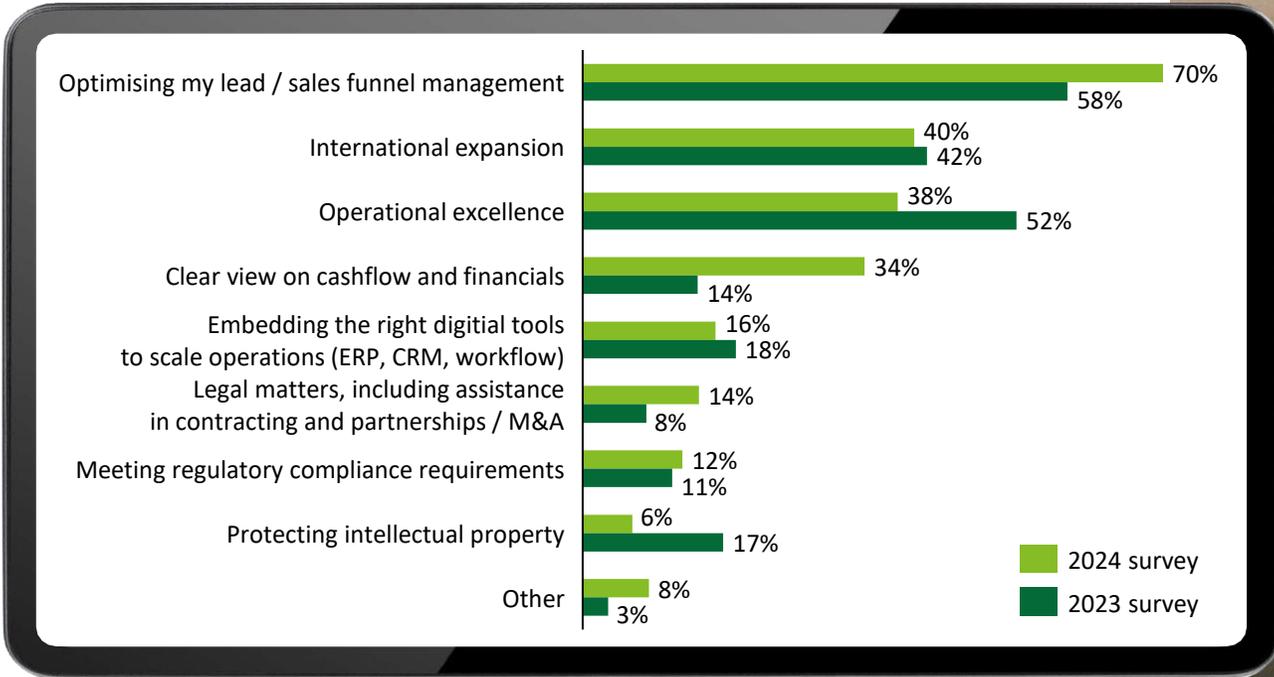
The third most popular technology investment priority – attracting additional DevOps talent – is consistent with the survey’s findings about the challenges scale-ups face around attracting and retaining talent. However, this area was cited by only 16% of respondents, indicating its relative importance has fallen since the 2023 survey, when 25% regarded DevOps talent as an investment priority.



What are the technology investment priorities for your company?



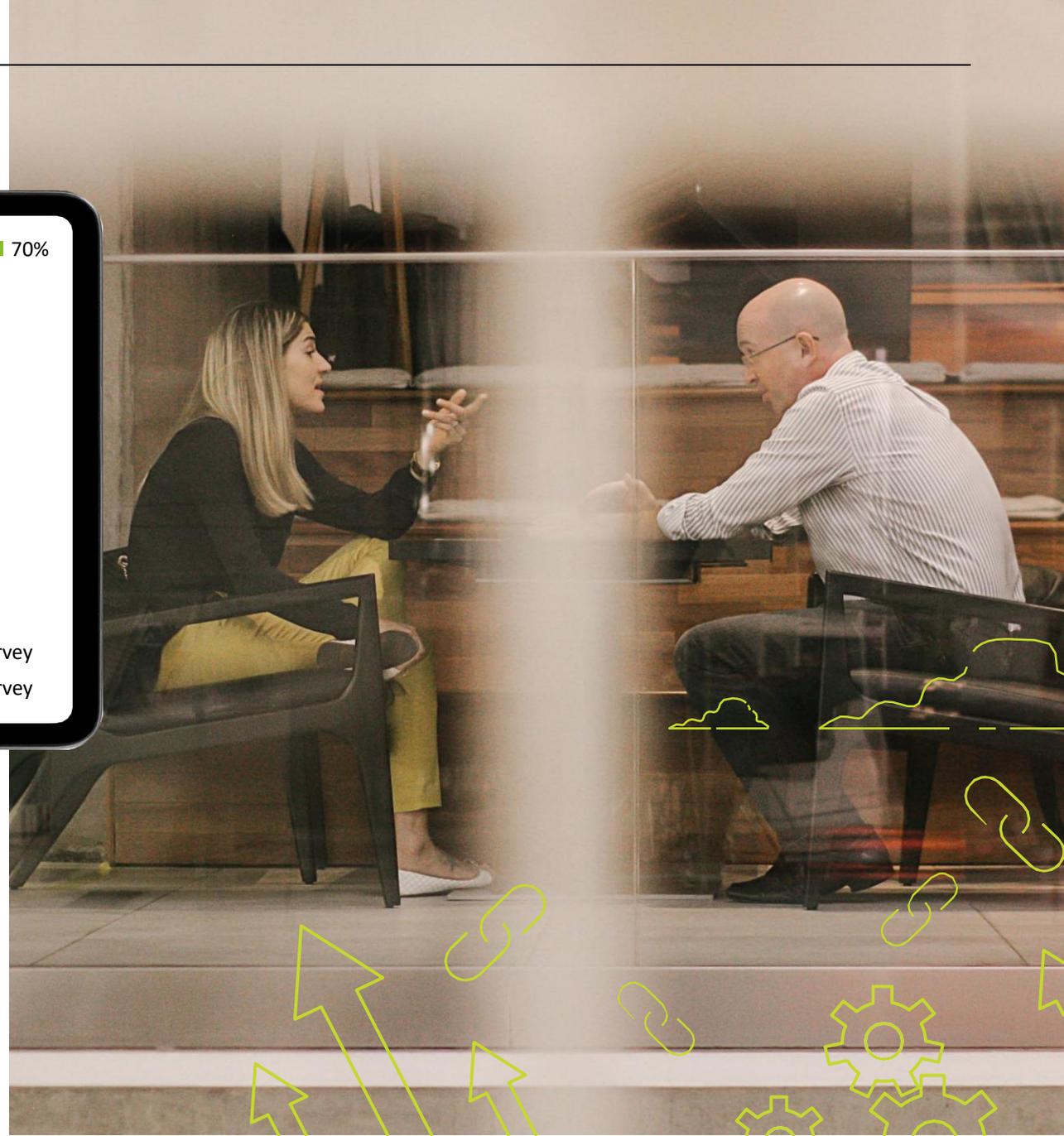
For which of the below items do you see most improvement potential within your company?



Beyond optimizing the lead/sales funnel management, many scale-ups identified international expansion, operational excellence and a clear view on cash flow and financials as areas with the most improvement potential.

In 2024, there was a marked increase in the number of respondents looking to get a better handle on their financials, which is consistent with the increase in the number of Dutch scale-ups experiencing liquidity issues.

International expansion also has to be a high priority for scale-ups based in a relatively small country, such as the Netherlands, particularly given the reported challenges around securing new business. But, for small companies, international expansion can be a fraught process characterized by unexpected pitfalls, particularly for Dutch businesses targeting the UK, which is no longer part of the EU. Therefore, it is vital to have the right international expansion plan, both from a strategic as well as an execution point of view.



7. Business Growth: Looking Ahead

Turning to their priorities for 2024, the surveyed scale-ups are heavily focused on generating new business. They are looking to do this in a number of ways. By far the most popular option (selected by 86% of respondents) is to focus on acquiring new customers, but there is also an emphasis on building partnerships/reseller channels (42%) and product diversification and development (42%). Close behind were upselling (40%) and new market entry (38%). All of these figures were markedly up from the 2023 survey.

These findings are broadly consistent with the reported areas for improvement and challenges related to new business and liquidity discussed in the previous sections of this report.

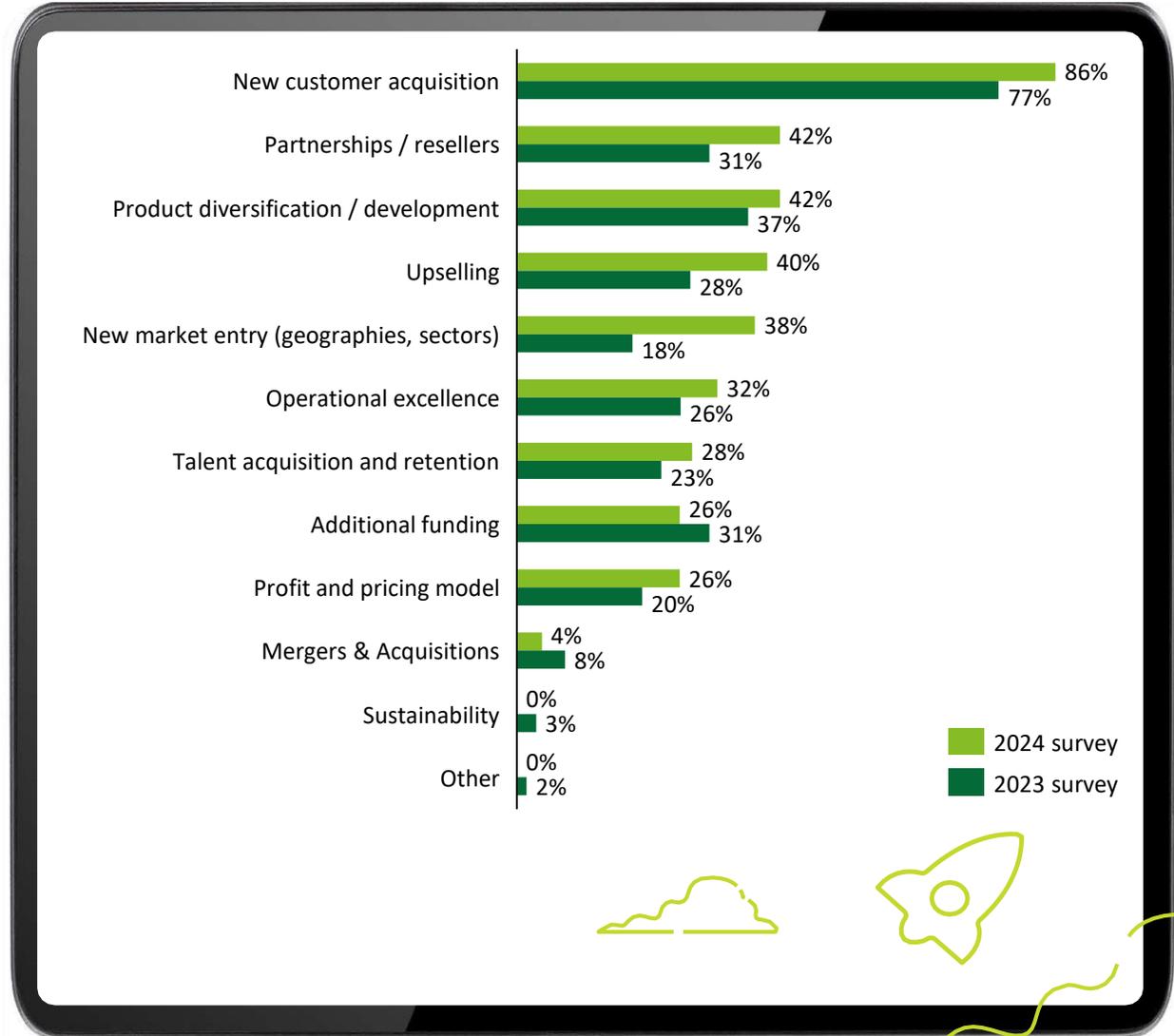
Of course, winning new business is usually a high priority for scale-ups no matter where they are based or what economic climate they are operating in. But the 2024 survey findings suggest that Dutch scale-ups are currently very

preoccupied with how to build new customer relationships and open up new markets. Indeed, the surveyed scale-ups say these areas are a higher priority than talent acquisition and retention, and securing additional funding, despite the challenges they face in these areas (as discussed in earlier sections of this report).

In an uncertain economic climate, expanding the customer base is particularly important, given that a scale-up needs to avoid being dependent on just a handful of customers that could be impacted by an unexpected geopolitical event, a supply shock or some other crisis.

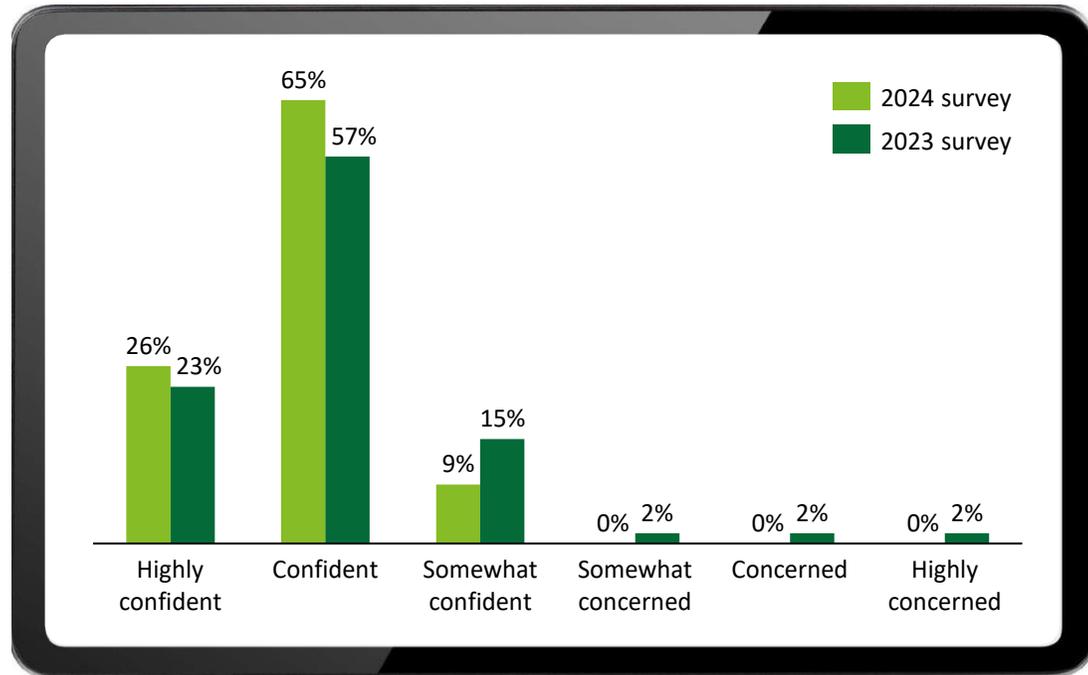
In a similar vein, most small companies need partners and resellers to widen their distribution channels and reduce that burden on the small number of in-house staff.

What will be your primary areas of focus in 2024 to realize your growth aspirations?



8. Conclusion: An Encouraging Uptick in Confidence

How confident are you that your business can continue or even accelerate its growth trajectory?



2024 Confidence Score → **8.5**

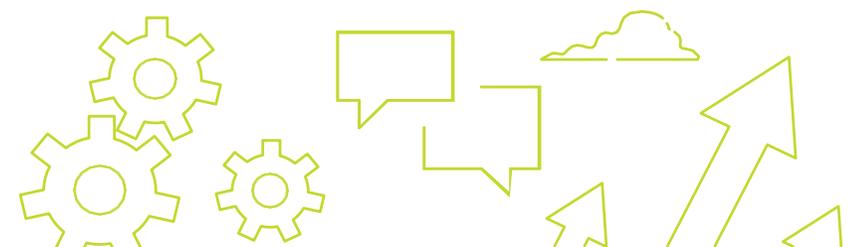
2023 → 8.1

Dutch scale-ups are now more confident about future growth than they were in 2023. Despite the challenges identified in this report and the economic and geopolitical uncertainty, 91% of surveyed Dutch scale-ups said they are confident that they can continue or even accelerate their growth trajectory, compared with 80% in the 2023 survey. That finding could reflect the fact many of these scale-ups have already experienced tough times, such as the pandemic and the cost-of-living crisis, and have realistic growth ambitions.

More than one quarter of respondents said they are highly confident that they can continue or even accelerate their growth trajectory, while 65% said they are confident. That translates into a Confidence Score of 8.5, up from the 8.1 score last year.

This uptick in confidence is striking given the challenges many of these scale-ups identified during the survey: some 36% of respondents reported lower/delayed new business and customer signings in 2023 and 38% reported funding/liquidity challenges. Still, the survey also found that most scale-ups believe they can secure the funding they need.

Moreover, an uncertain economic outlook might help some of the scale-ups to address their biggest ongoing challenge – recruiting and retaining the right talent. As large enterprises and the major tech giants take a more cautious approach to recruitment that could give scale-ups more opportunities to secure the tech talent they need.



Contacts



Jan-Piet Nelissen
Partner
Deloitte Netherlands
inelissen@deloitte.nl



Thijs van Lieshout
Director
Deloitte Netherlands
thvanlieshout@deloitte.nl



Rob de Leeuw
Partner
Deloitte Netherlands
rdeleeuw@deloitte.nl



Pepijn Janssen
Jr. Manager
Deloitte Netherlands
pejanssen@deloitte.nl

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s more than 415,000 people worldwide make an impact that matters at www.deloitte.com

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte organization shall be responsible for any loss whatsoever sustained by any person who relies on this communication.