



**TRIDENT
SEARCH**

CYBER SNAPSHOT VENTURE CAPITAL INVESTMENT



THE INVESTMENT LANDSCAPE

Trident Search sources the very best GTM and R&D professionals for cyber security vendors across the USA and EMEA. With a track record of over 1,000 placements made, we have become a trusted partner to VCs and founding teams in early-stage cyber vendors, supporting them to build high-performing teams to achieve their ARR growth metrics and gain market share.

We understand that for startups to succeed, people strategy needs to be a central pillar of the VC investment process. Drawing on our experience and the market intel we have gathered from our extensive client network, we've pulled together some key insights to help our VC partners guide their portfolios. In such a fast-paced industry, staying at the forefront of talent trends is vital to offer genuine career advice.

Venture Capital Trends

Since 2021 the number of active investors has dropped by **45%**, and VCs are certainly being wary with their fundraising efforts. Startups can't afford for the VCs to be cautious however. Silicon Valley Bank estimate that by Q4 around half of US VC-backed startups will be out of cash if they don't raise before then. That's the highest levels since 2019.

Yet as we settle into H2 2024, there appears to be cause for optimism. The expectation is that as the wider market accelerates, as it has over the last few months, VC confidence will increase, with Seed and Series A tech deals likely to bounce back. Indeed, from what we've seen from our partners, **Seed and Pre-Seed capital investment in particular in cyber security is certainly on the rise.**

Many VCs are now in a strong position with enough built up cash reserves to be more strategic with their investments; ensuring they can capitalise on the right companies at the right time and with the right people. We'll all be keeping a close eye on the market to see what happens!

HIRING TRENDS

On the hiring and personnel front, several clear trends are emerging that we expect to continue for the rest of the year.

1. Executive-team build out

With the pace and volume of investment increasing, Seed and Series A companies are making executive hires a key priority; building out an experienced and established C-Suite. In the early stages of the company lifecycle, Founders and initial hires consistently wear many hats and juggle several roles – this follows the Misfits, Builders and Scalers Model proposed by Sudheesh Nair. Following increased funding rounds, we're seeing a consolidation of responsibilities into one skilled hire with specific expertise (i.e. the builders) who can deliver results more effectively than the initial leadership team (i.e. the misfits).

2. A view to commercial scaling

We're now seeing much earlier hiring of sales teams due to pressure from experienced investors to accelerate path to revenue. This sees a shift away from the hiring of heavy engineering teams early on, resulting in an over-engineered product in search of perfection vs. out to market at 70% PMF.

3. The CRO as a pivotal hire

As the leadership team is being built around the Founders, the role of CRO or SVP Sales has come to prominence as a critical early hire. This position is essential for many reasons: they act as the bridge between sales and marketing, streamline business processes to drive efficiencies, and by taking a purely commercial view are skilled at driving productivity from high performers whilst cutting the dead weight of underperformers. Now more than ever we are seeing this be a hands-on role with the CRO in the field and leading from the front, rather than being isolated away from the new business team.

WHAT'S MOST IMPORTANT TO VCS?

The role of leadership teams

Leading VCs rank the **founders and executive leadership team** as the most important factor in early-stage investments. In fact, in research by The Harvard Business Review, the perceived ability of a founding team to carry a business was cited by **95%** of VC firms as an important factor in the decision to pursue deals. In contrast, just **74%** thought the business model was the top priority. It's the classic horse and jockey analogy: products and processes can be tweaked whereas people will make or break the business' success.

Even in late-stage investments, although **revenue growth and a clear path to profitability** become the priority in VC decisions, the founding team are still seen as incredibly important.

The hype word: AI

As with everything cyber-related, AI remains the biggest buzzword in the industry. There are currently over **7,500** US VC-backed companies offering AI as a product or service, and many more across Europe and APAC. In the first quarter of 2024, over **\$263 million** was poured into AI startups, with solutions, products and services aimed at harnessing the technology and defending against AI threats flooding the market.

Yet **58%** of VCs see AI as the most overinvested segment, so opportunities in the space are likely to diminish. Investors are now facing a conundrum: do they jump on the AI bandwagon to avoid missing out on this growing market, or do they hold off until they can find a proposition that actually cuts through the noise.

As it is such a new technology there is also uncertainty about the regulatory environment and a limited workforce skilled in AI technology; all of which is creating barriers to greater investment. From a hiring strategy perspective, and given that this technology is still so new, we would suggest searching for a skilled technical lead early on who can implement guardrails and safety measures into security processes and the wider workforce.



PitchBook reports a slight uplift in IPO expectations in H2 2024, with 8% more VCs anticipating significantly more IPOs. In addition, 49% expect valuations to become more attractive in the near term. With the market moving now, there is cause for optimism across the sector.

Drawing on deep-rooted market intelligence, Trident Search partners with venture-backed cyber vendors through founder relationships or VC connections, supporting our clients to implement an effective people strategy and offer advice for accelerating their development during rounds of funding.

**For more information on the market trends we are seeing,
or to connect with our international team, get in touch.**

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