

AMSTERDAM ENTREPRENEURSHIP CASES:



SRXP: entrepreneurial spirit with multiple facets

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Introduction

In 2010, four students taking the minor Entrepreneurship of the University of Amsterdam were brought together to develop a business idea in the field of electronic invoicing. First, they were working on other business plans, but as these other business plans did not really work out, their supervisor convinced them to work as a team on a business idea that was left over from other students. From the very beginning of their collaboration, the four students believed in this business idea. Later that year the four students even decided to start their own business officially, based on this business idea, by registering SRXP (an abbreviation of “SecuReceipt”) with the Chamber of Commerce in Amsterdam. In 2011, there was a sales amount of €8 (eight euros) on the left side of their profit and loss statement. Now, in 2018, the firm’s sales level has reached its top so far, even more than 100% growth in sales in 2018 compared with 2017. However, only one of the four founders is still active in the company; the other three founders have left the company. This is the story of a very successful Dutch gazelle firm. The current major shareholder

of SRXP, Pieter Verbruggen, one of the four original founders, has shared his story during five extensive discussions and a number of additional meetings.

SRXP is the undisputed market leader in digitizing expense reporting processes in the Netherlands. What started as a rather innocent study project has developed into a very successful player in the Amsterdam entrepreneurial ecosystem and in the Dutch Fintech scene. This development of the firm has not proceeded without a struggle, to say the least. However, it is the entrepreneurial spirit in the company which has been decisive at a number of crucial moments in the development of the firm. Also the firm equity approach by the current major shareholder has played an important role in the successful development of the firm.

Recently, in 2017, SRXP won two prestigious prizes: the Dutch Fin Tech awards in the category Payments & Transfers and the Oranje Handelsmissie Fonds prize. The Dutch Fin Tech awards put in the spotlight those innovative companies that can (re)form the future of the financial world. At the same time, the Dutch Fin Tech awards also recognize the work of those innovative companies that make a difference in the current technical financial world. And that is exactly what SRXP does: to realize significant cost and time savings for its clients by digitizing expense management processes with a handy expense management app and an online portal. Simply put: employees only have to take a photo of their receipt and enter it in the app, and the rest is settled for them.

The Oranje Handelsmissiefonds¹ is an initiative by the ING Bank, the Dutch airline KLM, the Dutch Association for SMEs (MKB-Nederland), and the Dutch Ministry of Foreign Affairs, in collaboration with the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland). The Oranje Handelsmissiefonds prize was won by SRXP in 2017 because, according to the jury, SRXP is convincing about the aims to do business in Asia, especially Singapore. The Oranje Handelsmissiefonds looks every year (in 2017 for the fifth time in a row) for ten Dutch SME entrepreneurs with international ambitions and an export dream. The jury was very impressed

¹ Oranje Handelsmissiefonds is the Dutch original and only name of the initiative - no English name is available. 'Oranje' is the Dutch word for the color orange, the historical national color of the Netherlands. 'Handelsmissiefonds' stands for Trade Mission Fund.

by Pieter, the major shareholder of SRXP. The winners of the Oranje Handelsmissiefonds receive one year of assistance to make the step to go abroad. Specifically, this prestigious prize is supporting SRXP to enter the Singaporean market.

Being the winner of these two prestigious prizes in 2017 is a clear indication of the success of SRXP. More objectively speaking, its growth speaks for the success of the firm, as will be shown later in this case. For Pieter, the success of the company is shown in the inextricable link between the development of its profitability in recent years and the happy clients who have been served from the beginning of the firm.

This entrepreneurship case is structured as follows. The following topics are discussed in turn: the entrepreneur; the firm; the development of SRXP over the period 2009-2018; the governance of SRXP; and the role of the investors with and for SRXP. Finally, there is a brief look at the future of SRXP. There are also four Appendices: useful links (the information on these websites formed an important input to this case, as well as the personal interviews with Pieter); an overview of the dates of the interview with Pieter; an overview of the literature used; and finally ten questions for students.

The entrepreneur

Pieter Verbruggen (born 1985) is the daily face and the leading light of SRXP, for clients and for employees, and for other stakeholders as well. He was one of the four founding students of the firm back in 2010, and he is currently the major shareholder of the firm (besides one other shareholder). Obviously, he is the linking factor between the past and the present of SRXP, as he was also present at the birth of the company and he is still leading the company now.

Pieter's leadership style is not standard, even after all these years: *I am direct, I can be very blunt, I will quarrel if you do not keep our appointments, but I will be the first to cheer you and to honor you for your good performance.* Pieter comes from an entrepreneurial family: his parents still run their own family machinery business in the southern part of the Netherlands. Pieter says about his entrepreneurial background that this has formed him to an important extent. In particular,

his parents taught him to work hard and to never give up in life. This positive attitude shows not only in the commercial development of SRXP but also when personal aspects have threatened to disturb the development of the firm. About never giving up: during a crucial stage in the development of SRXP Pieter became seriously ill, but fortunately he made a full recovery. During that difficult period he nevertheless continued to work at SRXP and to lead SRXP, showing great personal tenacity and drive. Failure was never an option for Pieter, not in the good times, and neither in those dark days, combining hospital and work. Over his whole working life, Pieter also learned a lot during his SRXP career: *I have come to understand better the importance of managing expectations, to be really the boss of the company, and not to mix private and business interests, just to mention a few issues.*

The firm

The core business of SRXP is to digitalize expense reporting processes with an app and a digital portal, at high speed. This digitizing is mainly done by integrating finance and payroll software, automated workflows, credit card integration, business rules, and many other features for the benefit of the clients of the firm. As Pieter says: *It is always custom-made, for each client, but still scalable.* In brief, the unique value that SRXP offers its clients is that they become more able to process their expenses submissions, with less mistakes, and that the internal control by the firm is made easier. This can all be assessed in terms of effectiveness and efficiency, leading to important cost savings for the clients of SRXP.

Essentially, the way SRXP works for client firms proceeds in three steps (the basic process):

1. Employees of the client firm capture receipts or create mileage expenses with the expenses app. Expenses are arranged in reports and submitted in the SRXP portal.
2. Managers of the client firm approve or reject the expense reports in the online SRXP portal (in the latter case the report has to be adjusted and then resubmitted). After approval, the reports arrive at the finance department of the client firm.

3. Eventually the finance department of the client firm (or the human resources (HR) department of the client firm, brought in by the finance department) exports the approved reports to the firm's financial or HR software, or creates a CSV², XML³, API⁴, Excel or PDF report, and then exports.

In this way, SRXP makes the expenses submission processes of its client firms more efficient and more flawless, by smoothing these processes. In terms of the Business Model Canvas this would sound: SRXP takes away the pain or part of the pain of its customer, in the sense that working with SRXP saves the client firm money. According to Pieter, the client firms may save very significant percentages of the costs of their expenses submission processes by working with SRXP.

From the perspective of the client firm, the SRXP expense reporting software helps in four ways:

1. The Finance Manager should make sure that all expenses are justified. SRXP helps him/her with automated workflows, integrated credit card statements, and real-time insight into spending.
2. The HR manager no longer has repetitive administrative tasks that may take him/her too much time. The use of SRXP helps to get the best out of the client firm's employees because they are then able to focus on their core responsibilities.
3. SRXP offers expense report software for corporate credit cards so that the client firm does not have to chase down the receipts. The SRXP expenses app connects with every respected credit card company in the world.
4. It is often too complicated and too time-consuming to check foreign VAT (value added tax) refund manually for every firm's expenses submission. This refunding can be automatized by SRXP for the client firm.

By 2018, SRXP has grown to become a firm with over 3,500 clients, and its services have been used in about 90 countries, all over the world. Bugaboo and SkyTeam are just two of examples

² A CSV report is a comma separated values file which allows data to be saved in a table structured format.

³ XML is a set of rules for encoding documents in a format that is both human-readable and machine-readable.

⁴ API stands for application programming interface: a set of subroutine definitions, communication protocols and tools for building software in computer programming.

of SRXP's major client companies, but SRXP also serves many smaller clients. The partners of SRXP have also played an important role in the development of SRXP: they are organizations like Exact and ICS that make possible SRXP's deals and vice versa.

SRXP is a highly unique company, though with several competing companies. This uniqueness means that it is difficult to place SRXP in a certain sector. Pieter himself tends to call SRXP *a software company*, but these days SRXP can also be positioned as a Fintech company. Fintech (or FinTech) is short for Financial Technology. One of the most common definitions sounds as follows and rather obvious: "Fintech is a new financial industry that applies technology to improve financial activities" (Schueffel, 2016, page 45). According to the same source, "the Fintech genie is out of the bottle" (page 32), with the recent enormous investments in Fintech firms, and still the development does not seem to have peaked.

The development of SRXP

As said already in the Introduction of this case, the idea for SRXP was initiated during the minor Entrepreneurship of the University of Amsterdam in 2010. During this minor, entrepreneurship is studied for one semester, in the third year of the Bachelor degree course. Students from different disciplines can participate in this minor, though mainly it is those students with a background in business administration and business economics. A team of four students (among them Pieter) adopted the business idea brought in by one of the lecturers in order to do something with the digitizing of financial declaration processes, an idea that popped up in another form earlier during the minor Entrepreneurship but never flourished at that time. The four students were in fact a leftovers team and had mixed educational backgrounds (two of them were students in Information Sciences, and Pieter had a Bachelor's degree in International Business Administration and a Bachelor's degree in Science). The team had two experienced coaches during the minor, who really helped the team further with the development of the original business idea.

The study assignment was successfully completed, and the four students then decided to give it a go with a serious, real-life follow-up by starting their own company, and they called it SRXP.

The company was officially founded on 7 June 2010: this is the date when the four partners registered SRXP with the Chamber of Commerce in Amsterdam. The initial legal entity was a VOF partnership (VOF is the abbreviation for 'vennootschap onder firma' in Dutch). All four partners chipped in a modest amount of money. A VOF partnership under Dutch law means that that the multiple partners operate on an equal basis under one company name. Under Dutch law, a VOF partnership does not have limited liability but the VOF partners have full liability. One of the four partners in this VOF soon quit and immediately received back his initial payment, and then there were three.

SRXP's first external investor was enlisted in 2014. With the entrance of the first investor the legal form of SRXP was also changed into a private limited liability company (or Ltd.: in Dutch 'besloten vennootschap', abbreviated as BV), with the new investor having 30% of the shares and the three partners all having 23.33% of the shares. Originally the investor only had 25% of the shares but, on the basis of an SRXP performance contract, this percentage increased to 30%. In 2016 the other two remaining partners were bought out by Pieter, and hence Pieter became the major shareholder with 70% of the shares in SRXP. Also the then current investor was bought out; the 30% of the shares of the first investor were subsequently transferred to a second investor. In 2014 certificates of the shares were provided to three SRXP employees, as an incentive and as a token of gratitude for their good work, leaving Pieter with 65% of the shares in the current situation. The current investor is not only a minority shareholder, but also operates as a real business partner for Pieter. He is very frequently to be found at the SRXP office, and he is thus more than just an investor for SRXP and for Pieter.

The buying out of the two remaining partners is a story in itself. The successful development of the firm over the years nevertheless also left its mark on the solidarity of the three once good friends. There were serious conflicts between the partners, especially about how to run the management of the firm, about their personal ambitions, and about the future development of the firm. After some time, these conflicts really began to grow out of hand, resulting in a more or less unworkable situation between the partners. The solution to this impasse seemed to solve itself, when a larger foreign company, partly active in the same sector as SRXP, made a more or

less expected bid to take over SRXP. However, this bid had the important restriction that Pieter (only he) had to stay with the firm for some more years as an employee, in order to smooth the process of integration of SRXP in the larger foreign company. The two remaining partners were eager to sell the company, as they were more or less done with it, and also with Pieter: they wanted to step out and cash their SRXP shares. However, Pieter was totally against selling the company, as he still saw its growth potential and he had absolutely no wish to continue his career just as an employee of SRXP. Or as Pieter put it: *I am not going to work for a competitor, I prefer to make my own company big.*

As a result, a deadlock between Pieter and the two remaining partners resulted, as they all three had the right of veto on the future of the firm. Obviously, this was no solution for the problem, as the situation had become rather unworkable for the three persons involved. Then Pieter decided to take decisive action: he bought out his two partners for an amount equal to the amount that the partners would have acquired by selling the company to the larger foreign company. Pieter used his own money to buy them out. And so Pieter became the major shareholder of the firm.

Let us now go back to the start of the company. SRXP started in the, then, incubator of the Amsterdam Center for Entrepreneurship (ACE) at the Amsterdam Science Park. The incubator focused (and still successfully focuses) on start-ups (and later also on scale-ups), and was one part of ACE, besides the mainly educational activities of ACE. When the incubator, which continued after the expiration of ACE in 2017, moved to the Start-up Village, also at the Amsterdam Science Park, Pieter decided not to move with SRXP, because he felt that SRXP had grown beyond its infancy stage and was no longer a start-up company. In addition, he felt that SRXP needed more floor space than the incubator could offer him at the new location. However, the incubator is still active, even very successful, and currently operates under the name ACE Venture Lab.

Table 1 shows the development of SRXP in terms of the number of employed people over the years (that is, the number of active owner-managers and employees). This number is the head count only, so the difference between full-time employees and part-time employees is not taken

into consideration. The figures clearly show the fast growth of SRXP over time, as the firm in 2018 is more than seven times its original size in 2010. The average percentage growth per year was 34.7% over the period 2010-2018.⁵ Although it depends on the definition of a gazelle firm, this percentage growth per year clearly makes SRXP a high growth firm, and SRXP is thus a gazelle firm.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of employed people	3	6	8	10	12	15	12	18	26
Percentage growth compared with the previous year	NA	+100%	+33,3%	+25,0%	+20,0%	+25,0%	-20,0%	+50,0%	+44,4%

Table 1. The development of SRXP in terms of number of employed people

Governance

Figure 1 shows the basic governance structure of SRXP. The major shareholder, Pieter, is at the top of this organogram, and he directly guides the four departments, that all have their own department head. The Technology department is responsible for the development of all the software that SRXP uses. The Customer Services department is responsible for the execution of implementation and support, and for maintaining good relationships with all current clients. The Marketing department and the Sales department are responsible for the acquisition of new clients. All four department heads directly report to Pieter. The current investor is here positioned in a staff function, because, while he plays an important role for Pieter's decision-making, he only has a minority stake in the company, though very important. However, given his direct commitment to the firm, he can also be seen as a partner to the firm. Concerning his own function in the firm, Pieter explains that he has gradually shifted more from sales to the general

⁵ Alternatives for this growth measurement are also available. For instance the Compounded Annual Growth Rate (CAGR) can be used, the measure that is less sensitive to volatility.

management of the company. About this shift, Pieter remarked: *My heart was with the sales of SRXP but it just happened that I became more of a manager.*

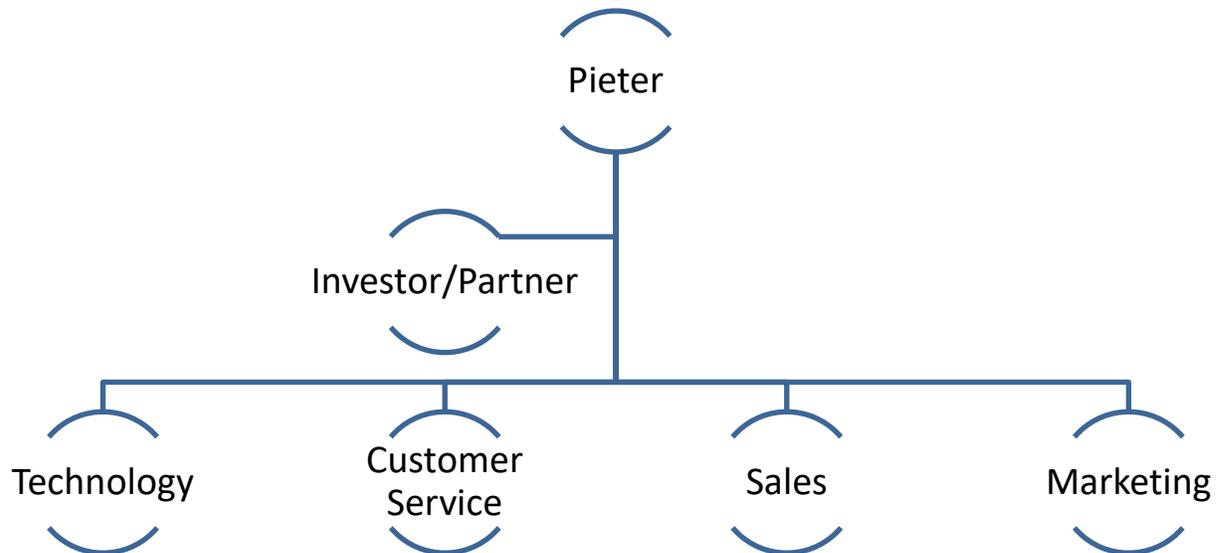


Figure 1. The organogram of SRXP

Investors⁶

In the section on the development of SRXP in this case, attention was already paid to the investors, as their roles cannot be separated from the development of the firm. In this section, more detailed attention is paid to SRXP's investors.

The first external money (besides overdrafts with the house bank) that came to SRXP was from one private person who chipped in for €20,000 (it was a loan with an option for shares in SRXP if all parties would agree). This person also became a coach for SRXP and visited the firm every week during the time he was financially involved in SRXP. In the next step of his involvement in the company (and in exchange for his investment), this person wanted to have shares in SRXP.

⁶ For reasons of confidentiality, no names of the investors are mentioned in this section, except the name of the current investor.

However, Pieter refused, and then the investor decided to quit his financial involvement with SRXP. The loan was fully repaid to him, with interest.

After that, Pieter found an investor who represented an Internet start-up fund. In exchange for the financial investment in SRXP, the investor received 25% of the shares, a portion that increased to 30%, based on a performance contract with SRXP. However, the relationship between Pieter and the investor was not entirely satisfactory, although the representatives of the Internet start-up fund were very supportive in the process of buying out Pieter's two remaining partners. After some time, Pieter and the investor decided to terminate stop their relationship, and the shares were bought back by Pieter.

The freed 30% of the shares then were sold to Tommy van Reijen, who had just sold his own company Infotheek and was looking for new challenging investment opportunities and more. Tommy is not only an investor for SRXP, but is also actively involved in SRXP, and works for the company about four days per week. So he is an active and committed investor and partner.

The future

According to Pieter, *2017 was very much about cleaning up the mess within SRXP*. However, 2017 also became the first profitable year of SRXP. The year 2018 will be more about building up and ensuring its further growth, with more employees, in all departments, and increased labor productivity at the company level. Pieter does not have any serious ambition to sell the company to an external organization in the near future, especially because he considers that the company is still in an early growth stage, with promising growth perspectives and hence the firm will be able to increase its value.

Appendices

I. Links

www.srxp.com

www.srxp.nl

www.oranjehandelsmissiefonds.nl

www.2017.fintech.nl

www.ace-incubator.nl

II. Interviews with Pieter Verbruggen

14 November 2017; 29 November 2017; 19 December 2017; 5 January 2018; 26 March 2018.

III. Literature

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Senderovitz, M., Klyver, K., & Steffens, P. (2015). Four years on: Are the gazelles still running? A longitudinal study of firm performance after a period of rapid growth. *International Small Business Journal*, 32(12), 391-411. <https://doi.org/10.1177/026624261456783>

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Wennberg, K., & DeTienne, D. R. (2014). What do we really mean when we talk about 'exit'? A critical review of research on entrepreneurial exit. *International Small Business Journal*, 32(1), 4-16. <https://doi.org/10.1177/0266242613517126>

IV. Questions

1. In which stage of the firm is SRXP in 2018? Explain your answer on the basis of the paper by Masurel and Van Montfort (2006).
2. Do you consider SRXP to be a gazelle firm? Why (not)?
3. According to Sims and O'Regan (2005) self-organization and agility are the key drivers for the success of gazelle companies. To what extent does Pieter comply with that picture?
4. What do you learn from SRXP's equity approach?
5. The entrepreneur may take three different roles during the life cycle of the firm: the role of the professional, the role of the leader, and the role of the manager. Describe Pieter's roles during the life cycle of SRXP.
6. Why did the original start with four (shortly afterwards three) partners not work out?
7. What can be seen as the pivotal moment in the development of SRXP?
8. What would be the ideal exit situation for SRXP five years from now, on the basis of the paper by Wennberg and DeTienne (2014)? Why?
9. Which major obstacles do you identify in coming to that exit situation?
10. How would you overcome these obstacles?