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**SPEAKERS**

Fernando Hönig, Matthew Todd

**Matthew Todd**

Hi. My name is Matthew Todd, and welcome to Inside the ScaleUp. This is the podcast for founders, executives in tech, looking to make an impact and learn from their peers within the tech business, we lift the lid on tech businesses, interviewing leaders and following their journey from startup to scale up and beyond covering everything from developing product market fit, funding and fundraising models to value proposition structure and growth marketing. We learn from their journey so that you can understand how they really work, the failures, the successes, the lessons along the way, so that you can take their learnings and apply them within your own startup or scale up and join the ever growing list of high growth UK SaaS businesses. Hey, and welcome back to the podcast really pleased today to be joined by Fernando Hönig, CEO and founder of StackZone and good morning. Great to have you here.

**Fernando Hönig**

Hi, Matthew. Yeah, pleasure to be here.

**Matthew Todd**

No worries, I look forward to finding out more about stacks own about the journey that led you to where things are now. But if you can just kick things off for us by just giving you a little bit of a brief intro into exactly what StackZone is, and a little bit about your background as well.

**Fernando Hönig**

Sure, I was born in Argentina. Essentially, I started my let's say IT career when I was 17 years old. I'm 40, almost 41 Now, so imagining when I was 17, there was no Cloud, there was kind of almost no internet at that point. I was the guy basically installing modems in people's computers at home. So I started my career by doing that, then I moved to more like a support engineer type of role. Eventually, in 2011, I started interacting more with with cloud computing. Then in 2014, I came to the UK, working for a cloud company here. And I think at that point is where I found this kind of idea of of building something on my own. So this StackZone, and we are a Cloud Management Platform. What we aim for is to build best practices, from from scratch with with automation, you know, making sure that organizations start with the right foot on the cloud, and if they are already in the cloud is how they can get back to the right track.

**Matthew Todd**

I see. From what I understand, there are quite a few different cloud management platforms these days, but a lot of them focus on kind of operational or developer efficiency, making it easy to provision what they're trying to do. But it sounds like you're taking quite a different perspective and trying to introduce a layer on top of that, almost of what those best cloud practices are for different types of scenarios. Is that right?

**Fernando Hönig**

Yeah. So I mean, if you if you think about cloud being evolving in the last, I would say 10 years, quite rapidly, and sometimes our time does not allow us to understand those many services in every single cloud available. So as a business, probably what you want to do is you want to focus on your own product, you want to make sure that you're providing the best value proposition to your customers, and sometimes you kind of delay or forget about making sure that everything is compliant, that everything is encrypted with all the latest announcements, or news around. Data being a publicly available. So what we try to do here is trying to make sure that everything is is what it should be and and and that it stays like that, you know, for every new project that you build.

**Matthew Todd**

Sounds interesting. We'll definitely dig into some more details about that. But first, just taking a step back slightly, you were kind of in the consulting space before founding StackZone. So what was the why did that idea for starting so then start what was the motivation to try and to keep yourself as a platform rather than continuing with a consulting as a solution?

**Fernando Hönig**

So as I mentioned before, when I when I came to the UK, I started working for this cloud organization. Then I founded my second startup. The first was was in Argentina was a hosting company. The second one was a Cloud consultancy business, so, essentially what we were doing back then was implementing these best practices on every single customer, and we realized that it was a real need, and the need, it was more around customer self serving, you know, so trying to understand exactly what they were being built in their, in their environments in their accounts. During the pandemic, funnily enough, in 2020, we, we decided to make this self serve for customers and to have some sort of simple interface that you don't need to deep dive into each service and each parameter that you need to build to integrate those cloud services into your environment. So I guess that was the main driver and the genesis of building StackZone.

**Matthew Todd**

That makes a lot of sense, seeing that changing customers and their needs, I can see how that the self serve approach would suit them better, but also give you a degree of scalability that you probably wouldn't have had with a more manual approach, as well. So I suppose given that identification of that problem of those needs, then how did you you go about validating that creating that initial version? And what did that look like?

**Fernando Hönig**

So, with a cloud consultancy business, we had a number of customers that were kind of eager to try these these platforms. So we use that as a as a way to start and, we basically validate, almost an every single item in our roadmap. As part of StackZone, we have what we call our wish list or feedback page, where customers come here and indicate, okay, we would like to have this, we would like to have that, and based on our experience, and what was the art of possible with a current cloud vendors, is what we start putting things on the platform and make sure that everything we build is tied to a customer need to customer requirement.

**Matthew Todd**

It sounds like you're especially with cloud vendors adding more and more services themselves over time. There are a few different cloud providers out there, but there's a few big ones, I can imagine the initial scope or potential for scope could have been absolutely massive. So how did you manage to constrain that to something that was not feeling incomplete to the early clients?

**Fernando Hönig**

What we initially thought when building StackZone was market share, so we took a deep dive into into which ones were the cloud vendors that were part of the top three. Based on that, we we started thinking how can we integrate these services? How can we make sure that when a customer requires a specific security, compliance enablement, you know, we can do it at scale. We can do it in a way that it takes less time for a customer to actually implement it. So with StackZone what we essentially do is with a few clicks, you just enable that, but you don't enable just for the existing environments you have, but also you create what we call a framework, and that framework allows you to, whenever you need to create new environments, new projects that everything looks the same. You don't have to have a list of 20 items that oh, okay, I need to enable this, I need to enable that, I forgot about that. You know, so with automation, we saw that sort of human error factorthat's always part of building building software.

**Matthew Todd**

So with that validation of that roadmap with the clear customers and customer needs to build against them, how long did it take you to get something off the ground to start with?

**Fernando Hönig**

We started in April / May 2020. By the end of 2020, we had what we call the engine, which is basically what drives all this automation and then early 2021, which had our first front end, back end developer. Since May 2021, we've been building the interface, all the authentication and making sure that everything is secure on our side. By the end of October 2021, we were a team of six people. At that point, we realized that we wanted to scale, and we wanted to make this a reality for as many customers as possible and we started looking into into fuinding. That's basically where we've been by the end of 2021.

**Matthew Todd**

That funding, then, was that purely for customer acquisition, was that building features that were missing from the product? How did that kind of break down? What were you looking to do to accelerate that growth?

**Fernando Hönig**

Initially, it was more around making the product off the ground, so we wanted to make sure that the product was ready available for customers as soon as possible. So we needed to increase or grow our engineering team. We realized by the end of 2021, that with bootstrapping, it was going to be quite a long journey. One of the main things here is that you want to be first, you want to make sure that you you get your product early, so then you can potentially switch to a different product, or maybe your thesis about what you're solving. It wasn't right, so we wanted to put our product to customers hands as soon as possible.

**Matthew Todd**

So you wanted to launch with something that was complete enough that customers weren't going to be looking elsewhere or frustrated by any particular barriers or problems they encountered, if they only got 60% or 80%, of the way there towards what they're trying to achieve?

**Fernando Hönig**

It was everything around reducing time. So when we initially built StackZone it was more around, hey, Mr. Customer, this is taking you six, or eight weeks, potentially, three months to get to get done. So with StackZone, we make sure that we we put that in, you know, 2, 3, 4, 5 hours, and it's done. With that in mind, is where we started to scale our customer base, and they were realizing that it will take money for hiring very senior engineers to take care of this, potentially was going to take time to teach them or making sure that they understand what security compliance means. So that's why we wanted to put it first and making sure that we were tackling a kind of real world problem.

**Matthew Todd**

In terms of types of customers that were right for the products that you were building, you mentioned, security, you mentioned compliance, there are companies of all sorts of shapes and sizes building on the cloud. How did you go about finding that sweet spot and definition of the ideal customer that matched your perspective as well as what the product could deliver for them?

**Fernando Hönig**

We have what we call two ideal customers, right. So one is what we call the end customer, you mentioned every single organization now is taking some sort of a form of shape of cloud computing. So it's all about making sure that these customers are able to accelerate that adoption. As I said, before focus on their own product, making sure that they deliver their product and with the right capabilities and features, but also understanding that security and compliance and governance is part of of the of what they need to build as well. So, we are focused mainly on on industries that require compliance. So, financials services, health care, and insurance. Those are the type of industries that fully require the sort of compliance and governance perspective. But also, there are some retail telco machine learning organizations, that they also need to take care of their data, making sure that, you know, is secure, it's governed in a way. So, when you start growing as an organization, and you are having more accounts, more engineers touching different things on data, and at that point is what you realize, oh, I just have things everywhere that I cannot control anymore. It's really delivering on efficiency is the obvious thing. But really, it's making sure that for the customers that need and demand that compliance, have people responsible for that compliance actually have a solution to solving that, that otherwise would be incredibly difficult to deliver against, if they, as you say, have teams of engineers. It's incredibly difficult to get them all to even be aware of all of those security policies that alone, how they should implement them in a consistent way across the organization, that must be a massive undertaking without any kind of automation in place. Then we have the second ideal customer, which is what we call the enablers. So these MSPs, cloud consultancies that need to onboard customers, and do migrations, as soon as possible. For those type of organizations, StackZone is a good solution. Because managing, 10, 50, 100 customers at scale and each of these customer having 10, 15 accounts, it's hundreds of accounts that you need to manage. If you start thinking for every customer, I need to put a new engineer taking care of it, you're not going to ever scale. It's all about numbers here and scale. Is there an element of service as well as platform and automation to what you provide? We basically decided to go full on on a SaaS platform, so don't do any professional services. That's why we have these integration with MSPs. Because in case a customer requires some professional services or some sort of companion from a DevOps perspective, we just directly introduced to our partners. So at this point, we were basically looking to create a network of partners that they can take care of the more in depth things of the customer. As I mentioned before we were in a position to build that framework for them.

**Matthew Todd**

That allows you to be very, very focused and very clear on exactly what it is that you're delivering for your customers in that instance. When it comes into translating that into pricing, I know you've got the pricing and the calculation live on the on the site, was that something that was pretty easy to arrive at? Did that require a bit of testing work to get right how did you approach the pricing of a new platform?

**Fernando Hönig**

One of the main things that we have is that we wanted to have a clear and transparent pricing. So that's why there is no hidden button on our website of our how much does it cost? Or how do you calculate how much will it cost for you. So, one of the things here is that we don't charge per user. So the idea is that the platform can be used with different areas of the organization, and everyone could kind of come together into a platform that will give you enough insights for you to make decisions. We also don't charge by a number of accounts, we don't charge by number of instances, we basically charge a percentage of the amount that you use in cloud, and because our platform is essentially a platform that allows you to understand what you're spending and understand how to make the right adjustments. Then again, it's all about transparent pricing. So we also have a way for you to understand how much you're spending on StackZone this month, etc. So everything is quite clear in that sense.

**Matthew Todd**

It is clearly tied towards the size and complexity for their deployments that they're running. We're seeing a few different SaaS platform start to move away from that, per user model of pricing, which I think in many instances can just encourage bad patterns of behavior and value.

**Fernando Hönig**

Exactly, swo one of the things that completely discouraged us of using this per user thing is password sharing, and we definitely don't want people to share passwords. In fact, in StackZone, for every user that joins the platform, we enable multi factor authentication. So each user has its own account, and definitely we discouraged people to to share passwords, because the idea here is that if you make a change on the platform that gets logged, and you know exactly who made that change and when.

**Matthew Todd**

I think that's a very good move. For any kind of platform, but especially for one that is promoting best practice and secure best practices, having a business model that essentially rewarded people for sharing passwords would not be a good thing.

**Fernando Hönig**

Definitely not.

**Matthew Todd**

So in terms of the journey, so far, I think we've got a really good, you know, picture in terms of how you went about validating and building that product. But I'd love to know, a bit more about some of the challenges that you you face on the way to getting it to that stage.

**Fernando Hönig**

The challenge is that every single startup faces is. Well, there are many challenges. Right? So let's start with one. So during this kind of allegation process, and building the product is finding the right team. That is key. One of the things that you as a founder, you need to transmit to your people is that you're working for for something meaningful. That it really solves a problem to the end customer. They're not just writing code, and that is something that, sometimes in big organizations, it kind of fades into that. What we're building here is, is something that solves real organization problems at scale. I think, creating that sort of culture, making sure that, every bug that is introduced, it's impacting a customer. Make them realize, okay, it's really important what I'm writing and making sure that for every feature they build, they're not thinking of, okay, we need to test in our demo account, which has, you know, a couple of accounts and that's it. They need to think at scale. They need to think of how this will be used by 100,000 customers with dozens of accounts. That is where I think I'm really making some changes here. I think I think that is kind of one of the first challenges, finding this team that work as a as a solid rock, that no one feels that, is smaller than anyone else. We have an open structure, it's quite open in the sense that everyone has a say. I think that sort of culture and spirit is what really moves your organization forward at a pace that every startup needs.

**Matthew Todd**

I've seen firsthand many organizations, especially as they scale where the, there are some members of development team and subcultures whereby the developers are just reduced to doing what they're told, and no more to get a ticket through. Whether it works or doesn't work it, it's someone else's problem. That's products problem, that's test problem. We've done our bit. And all of those conversations about how they can improve, are essentially how can we churn out more code, regardless of whether that code actually moves the product forward, solves problems better for any of their customers, it's, unfortunately common to see that. So it's good and interesting to hear that you've been very deliberate about making sure that the developers are problem focused as much as solution focused.

**Fernando Hönig**

It's all about trying to not repeating the same mistakes that you've experienced before. I worked for many other organizations in the past, so I was making mental notes, like, I don't want this for my company, oh, this is good to have in my company. So I think I think when you when you reach an age, where you can have that sort of decision process of okay, I don't feel good with this way of working, and I don't want to kind of repeat same mistakes.

**Matthew Todd**

Is that something that's been easy to hire for and to educate and embed within the culture? How have you approached that?

**Fernando Hönig**

I'm very lucky in terms of the the team that we have. It's a young team, people in the region of 25, 35 years old. So, they come with that spirit of learning and thinking that every day they're learning something new. Because the platform is so broad in the things that we solve that, every single day, there is a new challenge, there isn't something new that they need to defeat. We've got to 22 rule. So I'm gonna try to fix something for 20 minutes, if it doesn't work, and or if I tried twice and it doesn't work, I raised my hand, there is no more time for this.

**Matthew Todd**

I like that. I've not seen anyone implement that anywhere before. But it certainly sounds like an interesting model, a good model that would with the right people would promote positive communication and shared problem solving.

**Fernando Hönig**

One of the things here is not being afraid of being wrong, and I think that should come from the very top.

**Matthew Todd**

That's a really interesting approach to team management and making sure that you do have that right kind of culture, especially in a startup in a scale up in a company that is growing and getting market share. It's so important to make sure that you not only operate at the right velocity, but that everyone really is sharing the same perspective on the direction of the product and the types of problems you solve. I suppose the awareness of why those are the important problems to solve as well. Right?

**Fernando Hönig**

As I mentioned, the first challenge that we faced was, you know, how to hire the right people. But if you cannot work on the culture of your company, you're going to start hiring, and the only reason why people will come to your company is because you need to put more money and more money and more money. And money is not unlimited at this point. So it's more about sharing the values sharing the mission of the company.

**Matthew Todd**

In terms of where you see the product, and the team then heading from where you built it onwards, you mentioned you, you're keen for it to be a complete product, one of the first products of its type brought to market. How you kind of planning to take that further forward, and, make sure that you deliver on that and don't get overtaken by by others as you scale?

**Fernando Hönig**

Focusing on what our customers are telling us is key. We have different, let's call it input, here. So one of the most important one for us is our customers. We basically build things for them. We also have the direction of where cloud computing is going, and it's definitely not slowing down. The amount of of organizations going to cloud is ever, increasing. At this point it's making sure that we take that into account and deliver the promises that we made as a product, when we launched. Becoming a one stop shop for multi cloud, multi tenant, cloud management, focused on governance, and security,

**Matthew Todd**

For StackZone then what is that vision? What do you see StackZone looking like in the future? What point are you trying to get it to?

**Fernando Hönig**

Our roadmap essentially, is to become, in 12 months, a company of a size of around 75 to 100 employees. Essentially operating all over the world. So we have right now a fully remote team. We are now operating in five different countries. Because we are a global platform, we are expanding our operations into the US and to the rest of Europe as well. So, that is what we were looking to be.

**Matthew Todd**

From a customer acquisition perspective, with that global remote team, how have you been able to tackle that without making without kind of making the mistake of spreading yourself a bit too thin and losing a bit of focus. Do you have any learnings or lessons or advice for people, you're trying to do something? It'd be interesting to hear how you've managed to take quite a big ambition and problem and break it down into something quite strategic.

**Fernando Hönig**

What we what we did wrong at the beginning is trying to spread too thin and say, oh, we can take over the world. So for a very small company, that's, definitely not a reality. It's going to be quite difficult and congratulations if someone did, but essentially what you need to focus on first is, what's your ideal customer? Fom that make it into chunks. So by industry by location, and start testing which ones of these ideal customers take your message and and understand your proposition. There's so many organizations in the world so even if you say, I want to tackle West Coast financial services while looking for compliance, there might be hundreds of those, so you don't need to be afraid of saying, this is going to be a very small market for me. So essentially, what we are looking at now is going into those kind of buckets of customers who are really feeling the pain of managing hundreds of accounts, and they're receiving audits from different organizations, and they need to somehow demonstrate that they're compliant.

**Matthew Todd**

That's really good advice and perspective. Sometimes founders can be a bit too drawn to that global potential and possibility and thinking, well, if I go this specific, then am I missing out on the rest of them that don't fit inside this, but I think by by doing that they're not appealing as well as they could do and not being as focused as they they could be on trying to generate any element of of traction within a particular segment. If you do what you're suggesting, of focusing on a very specific niche based on a number of things, industry, geography, all those other elements as well, I think it gives you an opportunity to say, well, there is enough business here to do very well, but let's get really good at doing it here. Then once you get really good at doing it, then you can take that learning and transplant that to the next chunk and the next one or the next one or so on and so forth.

**Fernando Hönig**

You get more customers when they when they see themselves in your case studies. I think that is kind of a key to demonstrate your value proposition. I helped many customers in the same geography or in the same industry vertical that you're in. I've nailed it down already. So why don't you just, you know, test it by yourself?

**Matthew Todd**

It's gonna be a lot easier to sell into someone, when you've got customers that are just like them that have already seen the success, they can then see themselves having that success with you as well. A lot of founders should should pay attention to that, especially as they're looking to scale outside of an initial segment that they got some traction with, or even if they are trying to get traction and wondering how they should go about it. I think that's the device worth following. Is there anything else that springs to mind that you think other founders may be able to learn from us, that you've encountered in your journey so far?

**Fernando Hönig**

The other thing is, obviously, gambling in terms of who's going to be your first industry, or who should you focus on on first. Which sort of geography should I tackle first? Typically, what we what we think as founders is, I'll go where the big amount of money is. But what you need to think of is that, that place in that particular place, is an ocean and you're just a little small fish. It's going to be too much for you at the beginning. So that's why initially it's probably best to think of something that is closer to you, in this very remote world that you have a name or reputation that what you're solving is actually what you're in for a number of years. Your'e trustworthy. So, making sure that you have some sort of reputation in the industry, that your value proposition is matching your previous experience, and that you found that problem and you're solving that problem with your product in this in this case.Yeah,

**Matthew Todd**

I think you need to have a way of credibility, ist's so important.

**Fernando Hönig**

So for example, attending different meetups and making sure that you write the right kind of thought leadership content. It will kind of build that credibility on on on your profile.

**Matthew Todd**

I think sometimes it can be a bit too product focus a bit too internally focused. It may not be adding to the credibility that you've got. So I think finding the right people to be involved in the business that can add that credibility, if you don't have it is, is going to be something that's important as well, what you say about what your ideal customer may look like this. But if this is where the money is, chances are everybody else is going to be going there. So why don't you try and prove yourself somewhere that might be easier for you to access first, and then build on that.

**Fernando Hönig**

Don't be afraid of building something that is not 100% done, or 100% ready, because eventually, when you build the wheels, maybe a customer says, actually, I love boats, so scrap the wheels. Because if you build everything, maybe it's too late? That's why I always encourage my team, and when I meet with other founders is just build incrementally, all the features that you think because potentially that could go in a completely different direction midway through.

**Matthew Todd**

Absolutely, I think it speaks to building for the problem that you're trying to solve, rather than building the solution, because that's what you're trying to build and, fit into those customers hands, and I think a good culture and a good connection between the development team and what the business is ultimately trying to solve for, has got to help that process. Some really good lessons there for founders. It's interesting to understand the way that you've gone about this as especially in a business in that cloud space as as well as one that's fully remote as well as one that is reaching into two different areas geographically, as well. So thank you for for sharing that. I'm sure there's a lot more we we could talk about. I'd love to find out more about the remote culture side of things, but I think rather than overwhelm people I think the the kind of the key lessons that I'm hearing here I think, are ones definitely worth taking away in terms of that product focus, customer focus, problem focus, and some good strategies for chunking that up in terms of building it as well as taking it to the market.

**Fernando Hönig**

Thank you, Matthew For for inviting me. I wish the best best of luck to every founder is it's not an easy ride but it's really interesting.

**Matthew Todd**

It is not easy. It is interesting, and I hope you know with this podcast, we can hopefully show some founders, what are the core principles that that you should be bearing in mind, but help them realize there are different strategies, different tactics that they can take forward.

**Fernando Hönig**

Pleasure to be here.

**Matthew Todd**

Thank you for joining me on this episode of Inside the ScaleUp. Remember for the show notes and in depth resources from today's guests. You can find these on the website insidethescaleup.com. You can also leave feedback on today's episode, as well as suggest guests and companies you'd like to hear from. Thank you for listening.