THE CHALLENGES OF OPERATIONAL SCALING

Start Up Mindset
- Race to Breakeven
- Revenue Focused
- Daily Scramble “We’ll fix that later”
- Very Informal Systems and Job Descriptions
- Everyone wears lots of hats
- Land of the OOO – Only Operating Officer

Second Stage
- Getting some idea of revenue forecasting
- Have realized some profits or growth
- Bringing on people outside of our network
- May have multiple products or markets
- Begin to have leaders in functional levels
- Getting beyond founders reach to see and manage all.
- Pressure on to grow topline for exit strategy or next round of investment

Engines for Business Growth
- **Market**: our connection to customers
- **Technology**: our value added solving customers’ needs
- **People**: the vitality of staff is blended KSA, commitment, development, innovation, and recognition
- **Capital**: sources and uses, track performance, manage assets, fund growth
- **System**: we plan, implement, monitor, standardize, and improve

How we think about Business...

Overview
- Start Up Mindset
- The Engines of Growth
- Typical Strong Areas
- Typical Weak Areas
- Self-Test Exercise
- Planning – Mission Vision Values
- Why is all of this important?
- Q and A
The Typical Strong Points
- Company is focused on Finance and Market (and Tech for tech startups)
- Market – to prove viability of product and service
- Finance – always in front (burn rates, valuations, cash on hand)
- Technology in Tech Start-ups - integral to product or service
- Advisor Team is experienced in these areas. (Investor, Bank, CPA)

Typical Weak Points
- People – Good starting team but how do we find and onboard new people
- Interview Process
- Job Description
- Company Culture (Mission, Vision, Values)
- Shared Experiences
- Company No-no’s
- Benefits
- Career pathing

Scoring Engines
- 4 Stars = Rock Stars
- 3 Stars = Above Average
- 2 Stars = "C" Students
- 1 Star = We Could Improve
- 0 Stars = Rotten Tomatoes

Market Engine characteristics
- We know our customers, their needs and preferences. We anticipate their changing needs, and we meet them.
- We know our competitors and their strategies. We know our market share and how to increase it.
- We ensure thorough communication between sales and the whole organization.
- We train our sales staff, we have sales goals, we hold regular meetings to discuss sales performance.
- New customer/business is a noticeable part of our sales performance.

Technology Engine characteristics
- We deliver the best value, (quality for price) most advanced processes, using the latest equipment, materials, and skills.
- We budget for continuous upgrades, [equipment and facility] production training, and new product/service development.
- We operate with high efficiency, (little to no waste) our productivity is the highest in our industry.
- Our quality management systems are internationally recognized. We have no safety issues.
- We fully guarantee our products/services.
People Engine characteristics

- In addition to skill and experience we overtly recruit for energy and personality fit. Our candidate evaluation system is thorough, refined, and successful. There is a structured onboarding process.
- Compensation is linked to company and individual performance. Employees consider income and benefits meaningful.
- We regularly and formally communicate individual performance. We openly recognize good work.
- We strive to build capacity and capability with individual development plans that offer career progression. We support ongoing education. We plan for the succession of positions.
- Throughout our company enthusiasm, job satisfaction, and team work are high. Conflict and tension are low. We encourage innovation and the freedom to act.

Capital Engine characteristics

- Cash flow, debt, and equity are thoughtfully blended to maximize growth.
- We systematically track costs accurately understanding the impacts at department, product, and project levels. We study trends, manage budgets, and project future performance in detail.
- Eliminating waste is an overarching principal guiding organizational productivity improvement, physical inventory control, procurement decisions, and risk management.
- Financial performance elements, including AR and AP, are well managed to meet stated objectives.
- All assets are managed to deliver the best availability, speed, effectiveness, and quality.

System Engine characteristics

- All initiatives are: carefully planned, implementation is closely monitored, and completed on time and in budget. We rapidly adjust plans to changing needs.
- Systems and records are well documented, easily accessed, current, and maintained to common standards. We update or build new systems to minimize duplication, maximize productivity, eliminate unnecessary rework.
- Each staff member knows their individual accountabilities. Our organizational structure is clear to all staff. Our management openly encourages staff to take initiative in meeting expectations.
- Decisions are made at the lowest possible level of competency, communicated thoroughly, and executed promptly. Input is sought, decisions are captured at all levels.
- Training is a major commitment with commensurate budget and schedule.

Energy characteristics

- Vision of the future is inspiring and sets the direction for decision-making.
- Core values are authentic, compatible and rewarded when practiced.
- The organization’s reason to exist (purpose) is understood by all.

How does your company look?

An organization’s performance is typically limited by one of these “engines”.
Preparatory Work for Planning Process

- What has happened in the past three years in the external environment that could affect our work as an organization?
- What are the opportunities we should take advantage of in the organization?
- What information do you have that is important to share with others in the strategic planning process?
- Are you clear about Vision, Mission and Core Values?
- What challenges have we failed to meet in the past 2-3 years and why did we fail?
- What is the most important outcome you would want from a planning process?

Interesting Statistics

- Business Owners
  - Life’s work and dreams are vested in the business
  - 85% of net worth for business owners is dependent on their business as an asset
  - 70% of business owners are minimally, or not prepared to sell, even if they believe they are ready.

- Owner’s Family
  - Families are the silent stakeholders in any privately owned business
  - Whether growing, selling, or transferring, a family is dependent on the business for their future
  - 75% of private companies fail to transfer ownership, altering the future for business owners and their families

- Communities
  - Employees, their families, and the local economy depend on well-performing and valuable businesses for their livelihoods, their security, and their tax bases
  - With 75% of US businesses owned by baby boomers, there is a great generational risk to communities dependent on the sustainability of these businesses

Value Drivers of all Businesses

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