

# THE CHALLENGES OF OPERATIONAL SCALING


Working to support your success.

## 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



## 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

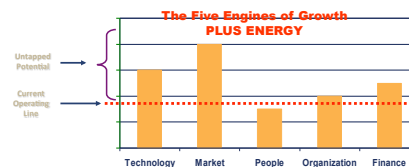


## Engines for Business Growth

- **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...



An organization’s performance is typically limited by one of these “engines”.



## 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



## Typical Weak Points

- Organization
  - Transition from Hub and Spoke to Functional responsibilities with management of each area
  - How are Mission Vision and Values communicated?
  - Who is responsible for quality?
  - How do we onboard new customers?
  - Review of suppliers and initial customer contracts
  - How does Sales integrate with Delivery?
  - Continuous Improvement of key processes – Who, How?
  - Capacity Planning



## Scoring Engines

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



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## 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.



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## 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.



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### 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.



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### 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.



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### System Engine characteristics

- All initiatives are: carefully planned, implementation is closely monitored, and completed on time and in budget. We rapidly adjust 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 recurring challenges, and accommodate future growth.
- Each staff member knows their individual accountabilities. Our organizational structure is clear to all staff. Our management openly encourage 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, offered, and captured at all levels.
- Training is a major commitment with commensurate budget and schedule



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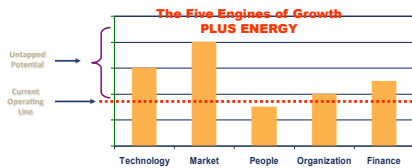
### Energy characteristics

- 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



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### How does your company look?



An organization's performance is typically limited by one of these "engines".



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### MVV

- Mission
  - The position we seek in the marketplace
  - Our purpose, cause, or passion
  - Who our customers should be
  - What makes us unique
- Vision
  - Inspirational, compelling statement of our future state five to ten years out
- Values
  - Ethics, philosophy, principles



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### 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?



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### 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.



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### Interesting Statistics

- 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



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### 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



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### Value Drivers of all Businesses

#### MARKET FACTOR

- Growth
- Market Size
- Market Share
- Revenue
- Barriers to Entry
- Differentiation
- Brand
- Customers
- Satisfaction

#### OPERATIONAL FACTORS

- HR
- Legal
- Innovation
- Operations
- Financial
- Margins
- Company
- Management
- Marketing

