

Case Study Critical Challenges for Start-up To Growth Companies

Strategy, Structure, Human Capital

MAKING HUMAN CAPITAL
A STRATEGIC INITIATIVE



TABLE OF CONTENTS

- 1 Background**
- 2 The Beginning, 1 – 6 Months**
- 3 6 – 12 Months**
- 4 12 – 18 Months**
- 5 18 – 24 Months**
- 7 Today**

Background

GrowUp is a start-up technology company, started 2 years ago by its founder to aggregate customer data to accelerate sales growth. The product is both a qualitative and quantitative CRM business planning tool. This application does not exist, in this form, in the marketplace.

The company has grown quickly over the past 2 years. GrowUp has grown from one person to 25 people within the first year and 90 people by the end of the second year. They are projecting to double in the third year. They expect the growth to continue for the next few years - doubling in size every year.

The first two years have been a whirlwind for everyone. GrowUp enjoys a unique niche in the marketplace. The news about GrowUp began to leak into the marketplace and they were starting to be called on by both investors and competitive CRM platform-based technology companies for acquisition.

With the rapid growth, GrowUp has outgrown the collegial and friendly start-up culture it enjoyed in the beginning. GrowUp quickly approached the large organization size. The founder fears she will soon become removed from the daily work. She has been hands-on all the way. The founder has recently noticed that work is starting to bottleneck and it seems like big organizational bureaucracy is starting to creep in. There is definite concern that the work quality and completion standards are beginning to slip. The original 15 people, also referred to as 'the seniors', have been working together from the beginning.



The Beginning, 1 – 6 Months

GrowUp was founded on innovation. The founder supported a climate of critical thinking, accountability and problem solving as fundamental to success. Those competencies were embedded in the value culture. Therefore, everyone delivered the work, on time and on budget. There was never any concern about that. Everyone was passionate about and committed to the future of GrowUp. That passion was palpable. You could feel it. Like many startups, the culture was everything and the founder was intent on keeping that culture in tact. Yet somehow, as GrowUp grew, the culture seemed to be changing. It was hard to describe, but there was a sense of change. Everyone internally was excited about GrowUp's cutting-edge technology, and it was always easy to hire highly-talented people. The business model and technology platform bridged the qualitative and quantitative sides of account management. Something that everyone in the market has talked about, but no one has been able to develop. GrowUp was quickly being seen as an innovator and a 'cream puff' opportunity for either investors or competitors.

The product was creative and forward thinking and spoke for itself. However, the founder also knew that the product itself was not going to make GrowUp a profitable entity. From the founder's advice group, there was acknowledgment that the hard work of building a business structure was where the founder needed to focus her time. This was the component of GrowUp's growth and development that was much more foreign to the founder. How to build a finance, marketing and sales, and operations group was going to be the next challenge. There were so many decisions that needed to be made around these areas. And product development needed to continue - business as usual. From the founder's perspective, here is where the fun ended and the hard, unrewarding work of building a business started.



6 – 12 Months

GrowUp continued to grow with the main business focus still on product development. The founder, who was formerly a very successful business developer, began marketing efforts by presenting at industry conferences. It was clear that GrowUp was creating a disturbance in the marketplace – a good thing. The marketing effort was on track, however, the founder was starting to feel stretched in two directions, product development and marketing / business development. As the founder looked internally for marketing backup, there wasn't anyone else who could truly fill the marketing / business development shoes. Without marketing and business development, you can have the greatest products with no revenue. This had the founder concerned. The product was now fit for purpose and would be ready for the market in the next two months. The founder realized that GrowUp was facing its next challenge.

During this time, additional staff was added. The additional staff continued to focus on product development and technology. Hopefully there would be some people in that group who could also market and sell when the time came. After all, being knowledge experts was important in technical sales. How hard could it be?



12 – 18 Months

Since the founder started the business over a year ago, everything has been a blur. The founder and the original core of 15 employees, 'the seniors', have been working flat out, without coming up for air. To date, the staff is 95% focused on product development. And there has been a big bonus. In the past month, GrowUp has secured a private equity investment, representing yet another challenge – increased need to be accountable to outside investors. With the private equity money comes their expectation that GrowUp will now act grown up and have a solid business structure and processes supporting the product. It is really time now to grow up!



18 – 24 Months

It used to be so simple when GrowUp was in simple, start-up mode. The company was continuing to grow. Now there were finance, HR, operations and general administrative people. These people were increasingly referred to as 'overhead' by the product developers. The founder sensed that as GrowUp was growing, the culture seemed to be changing, and not for the better. Collaboration now seemed to become tension. Those that knew the old culture were in mourning for 'the old days'. It was hard to describe, but there was a sense of change.

The product was now out in the marketplace. In the earlier organization, the product developers were king. Now there was friction between product development and the sales and marketing team. The sales and marketing team was providing good market feedback to the developers, and the product developers said that feedback was 'trouble'. I often heard this comment, 'What do those idiots in sales and marketing know about the product? All they want to do is change it. Why don't they just focus and sell it?'

The next two focus areas to hire for growth were:

1. Finance and Accounting
To build up a credible finance and accounting function. We need GrowUp to closely monitor the cost of doing business and understand the profitability of our revenue flows.
2. Implementation, Customer Loyalty and Technical Service
To maintain the business already built, and to be responsive to the marketplace that will keep our competitive advantage. Using this group, GrowUp will be able to spot new trends and be ahead of the product development curve.



18 – 24 Months

The founder now had to manage so many more things these days:

- Product Development
- Sales and Marketing
- Finance and Accounting
- Implementation, Customer Loyalty and Technical Service
- General Administration and Operations
- Private Equity Investors

It seemed like there was an army of people. There were over 125 employees and the number, as projected, was likely to double in the next year. Everyone looked busy, but what were they really doing? The founder started to feel like overhead and costs were out of control and that she was getting too far removed from the everyday work, unlike the old days. Work was not being delivered as fast as it should. People were not collaborating as well as they used to. Work silos were beginning to develop.

Where was the kumbaya?

Trying to avoid the complexity of building an organizational structure, the founder attempted to not define an organizational structure at all, hoping that everyone hired was a mature, accountable, delivering professional. The founder was a big believer in the value of a matrixed organization – flat, responsive and robust.

In the founder's mind, structure only complicated a company. So there were no titles and no hierarchy and everyone was invited into the founder's office at any time. Over time, the founder started to realize that her office became the dumping ground for problems. There were always problems, but never solutions. It felt like the founder spent the entire day putting out fires that the more senior people should be handling. (However, according to the non-existent organization chart – there were no designated managers.) Surely, the senior people should be naturally stepping into that role. That was the founder's plan.



Today

You just heard from a large customer that a major CRM player in the marketplace is coming out with a somewhat similar approach to CRM. How did this happen without you knowing about it? The founder had taken her eye off the competitive landscape – which was always her forte. She has been sucked into the work vortex, picking up work everywhere in the organization. What are the sales and marketing people doing? And why don't the developers know about this? What is happening?

The founder arranged for an immediate 'Red Alert' meeting with all the staff in product development, customer loyalty and marketing and sales. In the meeting, each group admitted that they had heard nuggets of information about this new development, but each person thought it was someone else's job to deal with this. The founder was horrified. Things must change.

Case Analysis Questions

As you think about this case, here are several issues that should be considered.

1. From Day 1 to Month 24, what are the strategic changes that took place both within GrowUp and in the competitive marketplace? Were the changes continually re-evaluated against the strengths of the current staff?
2. What phases did GrowUp go through in its short lifecycle of 24 months?
3. In each of the phases, what worked well and what could be improved relative to the following:
 - Size
 - Roles
 - Competencies
 - Structure
 - Process
 - Role of the Founder
 - Marketplace Issues
4. Does an organization need an organization chart and defined roles?
 - Pros
 - Cons
 - How does this apply to GrowUp?





Joanne T. Flynn
Phoenix Strategic Performance

(480) 242-5522
jflynn@phoenixstrategicperformance.com
www.phoenixstrategicperformance.com

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