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CONSULTING

Accelerating Business Growth

10 Steps for Scaling-Up

Scaling Vs Growth

The art of scaling a business requires several building blocks to be properly stacked in the right order and position to be able to generate the expected economic benefits. One of the often misunderstood concepts is the idea that growing a business and scaling is the same thing. You can grow a business, but it does not mean you have scaled it correctly. Effectively scaling a business allows for a disproportionate increase to profitability compared to the cost of sales. This means sales can be increased without the need to increase the costs associated with acquiring new customers proportionally. Traditional or organic growth of a business has a direct relationship with the costs of sales. Therefore, the percentage of profitability remains stagnate in traditional growth models since there is a proportionate increase in costs for acquiring new customer business.

Any business can grow, but not every venture is scalable. Investors love scalable companies because the potential returns are higher and the risks lower than non-scalable enterprises. The business is also valued higher, so business owners also like to scale their enterprise. Internet companies are a prime example of how effective scaling can yield significant profits for both investors and business owners. However, there are no single formulae for scaling any business. Some common key steps need to be taken before putting the foot down on the accelerator. The ten steps outlined are designed to prepare entrepreneurs for their scaling journey properly and to help avoid the mistake of prematurely scaling the business before it is ready.

Step 1: Validation of Business Concept

Before thinking about scaling your business, you need to be able to demonstrate that your business concept has traction in the marketplace. Any new business offering needs to have a clear target customer and have its appeal proved through repeatable sales. The timeframe between sales is also important. A new business concept can only achieve market validation if there a distinct pattern of repeatable sales within a reasonable timeframe. A product or service which has six months between sales does not demonstrate the required traction to be able to be considered for scaling.

If you haven’t yet achieved the desired traction in the marketplace, consider where the blockages might be. The product or service may not be valuable enough compared to other ones in the marketplace and may need some more innovation to differentiate it further. Price may be the issue and customers may not be willing to pay your price point. Alternatively, your onboarding process may be the problem. A long time to onboard your customers could be the reason preventing you from properly validating your business concept. Work on adjusting your offering until you can demonstrate a pattern of consistent sales to your target audience.

Step 2: Design a Branded Customer Experience

It does not matter if you are scaling a business that sells products or services, your ability to grow on a sustainable basis will depend on what your customers experience and what they say about you in the marketplace. It's essential to make an effort to properly understand and design your customers' experience when they interact with your company. Customers don't even have to interact directly with you to start forming opinions of you and your products and services. We all live in the age of reviews and ratings, so consider what your current image is online and also offline through word-of-mouth. These indirect interactions with your brand will help shape the emotional feeling customers have about your product or service, so investing in a well-designed customer experience model will pay dividends downstream.

By adequately documenting your target customer journey when they purchase and use your products and services, you will be able to overlay your company's impact at each stage of the journey. You don't have to create a signature moment for them at each stage, but you need to think about how you will be able to differentiate yourself in the marketplace and attract customer loyalty. A branded customer experience is one where the customer can distinctly associate the entire experience as uniquely associated with your brand. The best example of a powerful branded experience is one that Apple has created. Everything from the website, through to the retail outlet and packaging of products is the signature of what Apple stands for. Clarity of brand messaging through branded experiences delivers a powerful message for your customers that translates into confidence and trust in the brand. These build the essential foundations for emotional bonds with your customers that make them want to buy more and stay loyal to your brand.

Step 3: Clarity of Vision and Mission

This crucial step is to have a clear vision about what you want to achieve and the timeframe by which you aim to achieve this. It's not necessary to have a "world domination" vision as not every organisation is realistically capable of such lofty goals. The objective when formulating your vision and mission is to balance an ambitious growth goal with real facts about your business such as your strengths and market opportunities. If you don't have clarity about what goals you want to achieve and in which markets then you may not be ready to embark on the scaling journey. The underlying assumptions of your vision and mission need to also be backed up by facts to support the reasons why the path you have chosen is the right one. Having these assumptions supported by facts will help build confidence for team members that their efforts in scaling are likely to yield them rewards. The involvement of key stakeholders in the crafting of your growth goals will also ensure there is stakeholder buy-in from the onset.

Step 4: Investment Funds for Scaling

Scaling any business will require investment. The amount to be invested will vary on a multitude of factors. The key components to consider will be people, processes, technology and marketing costs. The degree of scaling scoped by the business owners will ultimately determine the amount of investment required. As a cautionary note, no business will be effectively scaled without proper investment in all of the components outlined in this guide. Failure to account for the appropriate amount of funds will lead to an incomplete scaling that could be more detrimental to the business as it places pressure on existing cash flow. To prevent a shortfall in funds during a scaling project, entrepreneurs should have a plan in place with realistic costs allocated for the various components required for scaling. The amount of funds needed will help identify whether new investment funds are required. Most start-ups will raise capital from new investors in exchange for equity to enable them to scale up. Unfortunately, many start-ups underestimate the amount of capital required to reach their desired scalable level and end up in an awkward position because they cannot demonstrate to their investors the return on their investment.

Step 5: Design and Document a Growth Engine Based on Leverage

Scaling a business requires a growth engine that leverages pre-existing networks, partners, or technology platforms. Exponential growth is all about leverage and how effective your sales and marketing engine is in extracting quality leads and closing sales. When designing your growth engine, you should aim to reduce or eliminate as many points of friction as possible. Any areas of resistance throughout the sales process will hinder your ability to scale at optimal speed.

There is no one-size-fits-all when it comes to designing growth engines as it largely depends on the type of product, service, and target buyer. Some examples of growth engines may help provide some insight on how to begin this step. A classic example of how a business selling consumer products can scale their business is by leveraging the audience and fulfilment services of an e-commerce platform such as Amazon. Software as a Service (SaaS) entities are another example of companies that can easily scale-up. SaaS organisations can leverage the reach of the internet by offering their software globally using a self-service buying process. Development of partner networks that have preestablished networks compounds their ability to leverage and reach a more significant number of potential customers.

Building your growth engine should be a highly creative process. Don't seek to replicate a competitor's growth engine but aim to make it better using design thinking to create a unique and more effective growth engine. Often you will end up with a hybrid engine that targets the different needs of your customers with proportional value for the price point they are willing to pay.

You may need to test a few iterations of your design before you lock it down for documentation. When documenting the process of your growth engine make sure you take the time to articulate each step in the process as this will help when it comes to implementation and transferring the know-how to the people executing on the blueprints.

Step 6: Reengineer, Document and Automate as Many Processes

Beyond documenting the process for your growth engine, you will need to review your other processes to further streamline them for speed and efficiency. As the volume of your sales increases so will the dynamics change for your supply chain and support requirements. The thought of changing your processes could be a daunting task, so the key is to prioritise the processes that are most likely to slow you down because they could become bottlenecks. The processes impacting customers are the ones you should review first. Think of processes such as onboarding of new customers, support, and billing. These processes should be re-engineered for optimal efficiency. There is now a good range of process automation software that can be utilised to remove much of the friction in your customer processes.

Manual processes require you to add additional staff as you grow, which goes against the objectives of scaling a business to achieve higher profitability without increasing your cost of sale. After you have reviewed and documented your customer processes for scaling, you should consider the internal operating processes that could also slow you down. Processes that act as blockers to your operations should be your next priority. Excessive bureaucratic processes that require cumbersome lines of authority for approvals weigh down an organisation that is trying to scale up. Revise these so that you empower your staff to accomplish their tasks more efficiently.

Well documented processes are a key step to also removing founders from the business to enable the company to operate independently of key people. The value of documented procedures for scaling is best reflected in the story of McDonald's. Their documented processes provided McDonald's with the ability to scale up into franchises by giving clear and straightforward instructions on how to perform various tasks that it made it possible for franchisees to easily hire junior and inexperienced staff to operate their restaurants. Standardising and documenting processes can be tedious, but this step is required to enable you to identify as many processes that can be automated to reduce friction for your customers and staff.

Step 7: Invest in Automation and Collaboration Technology

It goes without saying that when you are scaling your business, you will need to make investments in new technology. There is now a plethora of great technology solutions that help a business properly scale-up. The investment in technology should be based on your ability to automate as many of the cumbersome processes identified in the previous step. Take for example a process such as Know Your Customer (KYC). KYC impacts many organisations by acting as a hindrance for any organisation's ability to scale up. However, software exists to automate KYC and remove this obstacle for future growth.

The return on investment should be clearly articulated before any investments are made. The type of technology should also be fit-for-purpose and your size. For example, there is no use making a significant investment in a premium enterprise solution if your business is in a nascent growth stage. The key is to find technology that is cloud-based, enables you to upgrade in features, and is easy to use by staff.

Collaboration is also an essential feature for any business scaling-up. As the business grows, so will the importance of having effective and efficient means to track and coordinate communications around a range of processes and topics. Companies such as Slack offer software that has become popular with many growth orientated companies as it provides a cost-effective platform for collaboration across the organisation.

Step 8: Upgrade Your Leadership Skill-Set

One of the most significant hindrances to scaling a business is the inability to have the right team in place to take the company to the next level. There are two approaches to getting the right skill set for this next phase of growth. The first is to invest in upskilling the existing team through training programs. The other approach is to change the leadership by hiring new staff that have the desired skill-set. Many start-up organisations will have founders who are very capable and enterprising but lack the experience in managing a high growth business. The dynamics change in a scaling business as it shifts from a small autonomous functioning unit to larger sophisticated team-based environments. An organisation can easily become dysfunctional during scaling if it does not have the right leaders that can direct and harness the energy of larger groups of people towards a coordinated and purposeful direction.

The change required in work practices can often be too difficult for existing leaders, which leads to stunting the growth of the organisation. The key to this step is to identify quickly the option you wish to take with upgrading the leadership skill-set and then to execute it without compromise to your plans.

Step 9: Outsource Non-Essential Services

As you scale your business, you don't want the burden of having to acquire more resources, real estate and unnecessary costs to erode your profits. It's often difficult to also determine exactly how much you need to grow your non-core functions resulting in either an under or over investing in these areas. Either situation is not ideal as you end up damaging your reputation with your customers or your bottom-line. Any function that is considered non-core to your business but is likely to require ramping-up once sales start increasing should be considered for outsourcing.

The aim is to partner with outsourcing vendors that can offer your business the quality of work without fixed prices that would be higher than if you did it on your own. Seek vendors that can provide both a price and quality advantage to your business offering. Transactional or unit-based pricing ensures your costs are also directly linked to your growth. This type of pricing model will ensure you do not overspend on services you do not need. Linking multiple vendor contracts to your growth should also motivate the vendor to produce higher quality work. The key to successful outsourcing is to look for vendors who can become your growth partners rather than a supplier that has no vested interest in your future success.

Step 10: Develop a Strategic Marketing Plan

Your marketing is like the fuel that goes into your growth engine. If you don't put enough fuel, it will run out of steam and stall. If you put too much fuel, you can end up flooding the engine and it will not run smoothly. The optimal word for this marketing step is "plan". To prepare a proper strategic marketing plan you need to be armed with several facts. Key facts that will help you develop an effective strategic marketing plan are ones such as conversion rates per channel, cost per acquisition for media advertising, media behaviour for your target audience and optimal times of the year and day to market your offering. This is not the full list of metrics now available to marketers. There is now ample metrics available to marketers to ensure they effectively plan their marketing for an optimal return.

Determining your cost per acquisition may also require some fine-tuning as your new growth engine or a new market offering are likely to change the numbers. Undertake some testing until you start seeing a regular pattern in the numbers. Once this happens, then it's time to make a more substantial committed investment in marketing. The amount set aside for your marketing budget will vary on the stage of growth, appetite for growth, and type of offering. As a general rule of thumb, companies set aside between 7.5% to 12% of their total revenues for marketing. However, when scaling a business with a new product or minimal revenues you will need to revert to a percentage of your total annual budget for the company. This figure can be as high as 20% for start-ups. In your marketing plan, you should outline the intended purpose for the marketing, so you are not wasting your funds on channels that don't yield the desired results. For example, the marketing you do to raise brand awareness is going to be different from one focused on sales acquisition.

One Last Thing….

Scaling a business is no easy task. There are many moving parts to get right for it to work properly. The team you have around you and your advisors are going to be your biggest assets during the process of scaling. You should seek advice from people who have done it before and be open to new ideas. Also, don't be afraid of making some hard calls to achieve your objectives. Change is a challenging exercise for many people and can be quite disorientating. As a leader, be aware that not all your team members may want to scale-up as much as you do. It won't matter how good your plans are for scaling if you don't have a significant amount of positive energy to take your business to the next level. Mustering positive energy form your team is a critical component to achieving a successful scale-up project.

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