Scaling A Start-Up

A “People Strategy” Case

The Company

An advanced wastewater technology start-up. The company was well positioned to seize a major market opportunity North America, replacing out-of-date traditional infrastructure. The company has a strong technical team, led by a passionate CEO with a scientific background.

The Business Challenge

The company was struggling to simultaneously deliver on existing commitments, while building their sales pipeline. The CEO of the company wanted to, and the business needed him to, spend more of his time on positioning the company in the market, cultivating relationships, and ultimately building the organization. However, almost all of his time was consumed putting out fires inside the business. In other words the CEO needed to work on the business, not in the business, but he kept getting pulled back into the business. As a result the company’s sales suffered, deliveries were delayed and general disorganization inside the company persisted. There was serious concern that if the company did not get organized, and the CEO was not freed up to do strategic, long-term work that the venture would fail.

The People Strategy

An assessment of the personnel in the organization and nature of the work the company was executing surfaced a two key issues that were causing the organizational pains. These issues relate to the levels of complexity inherent in the work of the start-up and the human capability to handle such complexity.

The most pressing issue was a lack of an executive layer in the organization. The CEO could not focus on his level five work, because there were no level four vice president roles to support him. Some roles resembled executive work on the org chart, with the "Chief" prefix, but these roles were in fact being done at level three. The CEO was forced to try and do all of these executive roles.

The company was actually staffed very well at level three, but the gap between this strong team at level three and the CEO at level five, resulted in very poor communication and an extreme under-utilization of the team. The executive layer was needed to provide the context for the stratum threes to do their work in a unified direction.

The second major issue was that the sales strategy was ineffective because not only was the CEO too busy, but the company was trying to sell their product at too low a level. They needed to be targeting level four and level five potential customers, who could see the value to their communities and organizations. Instead they were trying to sell to level three potential customers, who could not see the problem that the company was solving. This required the sales force to be lead at level four, and staffed with at least level three representatives in order to resonate with the complexity of the customer.

Lastly the roles in the company, and their corresponding authorities and accountabilities were not clearly defined. Although, team members of start-ups wear many hats, and work in flexible manner, an overwhelming lack of structure generally leads to disorganization. In this case stuff was falling through the cracks because no one was accountable for it, and no one outside of the CEO thought they had the authority to do anything about it.

The Solution

The company created three level four executive roles, VP of Sales, VP of Delivery, and VP of Plant Operations. One of these positions was filled by the promotion of a level four intern at the company, who had just completed his PhD. The two other roles were filled after candidates were screened for their ability to handle complexity. These roles freed up the CEO and allowed the company's strong level three team to do their work.

While these executive roles were being filled, an operations administrator role was filled at stratum three, to take some of the administrative burden off of the CEO. This allowed the CEO to work with the consultant to design the organization so that it fit the market opportunity. Significant strategic changes were made so that the company could meet customer needs, which required engineering, construction and regulatory services to be integrated into their offering. These services were previously outside the capabilities of the company, but were developed through the creation of new roles, and finding strategic partners that were capable of the work.

Along with the creation of new roles, the company structure was clarified, with core authorities, accountabilities, and role relationships clearly defined. This supported a collaborative culture of accountability, and helped the CEO let go of control of every minor decision in the organization. Now that there was an objective measure of capability, and clear roles, the CEO could trust that the work would get done without him doing it.

Finally a new compensation system was implemented that effectively priced the value of work at each level of complexity. In combination with an organizational chart that reflects strategy, the compensation system allowed the CEO to better understand his marginal and fixed costs, and ultimately to price his product. Additionally, an accurate staffing budget provided the CEO with a guideline for financing required throughout the scaling process.

The Payoff

The full payoff for this case is still in the process of being realized. So far the CEO has been freed up to focus much more on his job. The company's sales pipeline looks much more promising, as does their ability to consistently deliver orders on time and to spec.

Moreover, the foundation has been set for scaling. The roles around selling and delivering a single unit are clear and replicable, and the systems to support scaling up are being established.

Finally, a much clearer understanding of strategic fit in the market has emerged through this process, which has improved sales performance.