# Scaling insights from grounds up

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**Introduction**

Business like all living organisms scale and grow up or die premature death. Some may scale up too fast, if on steroid funds and then contract when they find going tough. Companies in post start-up phase require new layers of management to drive operations and growth. For well-funded start up scaling up is a business requirement driven by valuation concerns. While, scaling up in a family business can have different hues. Scaling up is not just about increasing the scale of production or entering more markets, it is about continuing to move ahead (Sutton & Rao, 2014).

Scaling is all about reinforcing the market relevance and monetizing the competitive advantage the company enjoys. It, like any change initiative, is risky and brings its own complexity. Scaling up is not just about doubling or tripling the scale of operation or entering new geographies. Companies need capabilities in operations, management, development, transaction and monetization areas. Operations capabilities cover scope, product/service mix and scale of production. Development capability covers integration, applied, or basic research areas. Management capability covers professional leaderships, data driven decision making, effective governance, risk and compliance systems. Transaction capability may cover marketing mix (online/offline, paid/free, direct/indirect) and supply chain. Monetization capability refers to the revenue streams, stickiness of services, control of revenues from complementary partners and cash flow management.


I had the good fortune to work with companies that scaled up and grew their revenues. Designing and implementing right strategy, structure and investments to serve the mission is critical for a company to realize scaling efforts. Stretching too far ahead, too heavy internal investments may not de-risk from overcapacity and technology obsoleteness. Scaling is all about building the right capabilities, sufficient capacities and good quality resources. It is about doing things that matter and staying focussed. Let me elaborate.

**Build capabilities, only that matter!!**

Successful scaling does not require a company to build capabilities in all areas by themselves. Companies need to build capabilities only in market making, control of the value chain and protect their revenue. Insights from Teece and transaction costs also suggest that capabilities to invest and harness depend on the type of innovation the company is pursuing, the regulatory environment and uniqueness of the assets/capabilities required to produce consistently at the desired quality (Teece 2009, Williamson, 1981). So, if you want to scale up and remain competitive, build capabilities in few areas that give you long term competitive advantage through IP protection or reinforce market lock in. Even smaller companies can scale quickly by using effective contractual instruments, including innovation contracts or committed production contracts to farm out capabilities to external players and stay invested in areas that protect their long-term interest. An ecosystem play is key to connect and exploit the complementary capabilities. Even SME find value in R&D transfer from academic/research institutes, targeted chair professorships, commissioned studies, technology transfer from labs, or engaging senior freelancers for capabilities that are highly specialized but not continuously required and/or efforts can be modularised (or independent).

**Build capacities, but agile and effective**

A common fallacy many companies believe is to scale that is one needs to build internal capacities to support the demand. My experience has been scaling has been effective when companies smartly built enough capacities not just internally but also externally. Whether an IT or an aerospace manufacturing company, capacity decision is not just about cost economies but also agility to respond to demand. Back-to-back agreements for service, committed capacity plans and shared resources plans have worked out extremely well for companies. Companies have successfully exploited fractional work arrangements on sales, design, development, testing and marketing areas to gain access to a pool of experienced resources in the ecosystem. Freelancers, co-create contractual agreements, or profit-sharing capacity offer the right flexibility and reduce the risk to scale and stay profitable, especially when the markets face many tail winds.

**Invest in Execution Governance, manage risk**

Scaling up is successful when companies can control and continuously manage the transitions. Similar to a program management office (PMO), scaling up requires focus on execution connecting resources, men, materials and finances. Successful scaling requires integration of project management, people management and cash management functions. To sustain scaling benefits, invest in operational risk management audits, proactive checklists and methods to arrest service failures, quick response reporting and review systems

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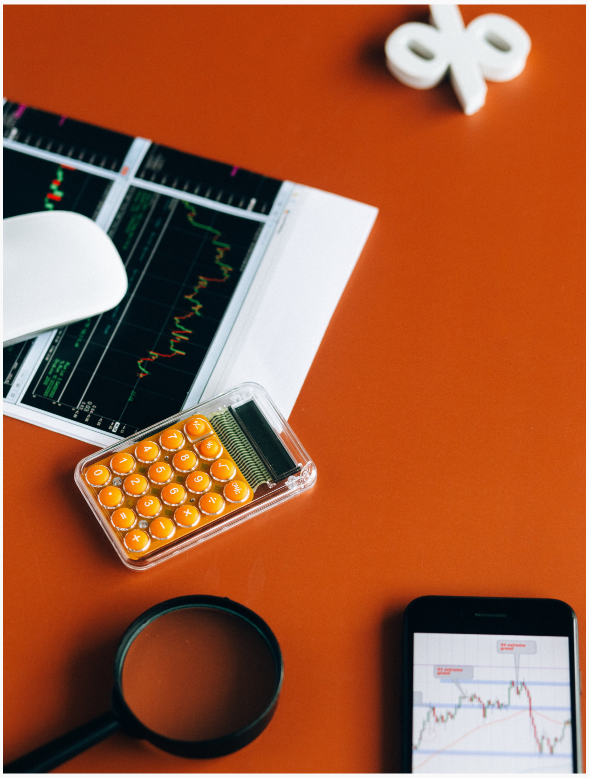
**Devote on Customer experience**

Most companies find scaling up opens up pandora box on client experience or revenue cycle management fronts. Customer experience drops as they quickly add more clients and the service delivery and client success management lose focus. Another area companies face is the visibility loss. When companies scale from few customer to serving larger group, the personal touch and relationships that hitherto existed with client side ebbs away. The transition rate from vendor to preferred partner with new clients falls short of expectations. These happens more pronounced in B2B environments, where the visibility at the end-customer may be blocked by administrative structures, deliberately or otherwise. Automate time-consuming, inefficient and prone to human errors processes to scale quickly to meet the demand. Aftermarket support, customer help desk and field service desk ideal candidates.

**Hire the right, get HR right**

Scaling requires efficient availability of human resources at all levels. Scaling and staying profitable requires the right blend of deep experience of grey and enthusiasm of the youth. Optimal mix of high cost, A type resources with a judicious mix of B and C resources are key to retaining cost advantage. In my experience, insufficient investment in design, development and sales, especially at senior levels hamper the most on scaling outcomes. HR process and culture are key to sustain scaling. Scaling can be smooth when culture code is institutionalized and robust enough to bring in expertise from outside without hurting the emotional and career aspects of insiders. Invest in leadership at all levels and ensure the neck does not become the "bottleneck". Create alternate roles and responsibilities if the founding team members have limitations for the expanded positions and do not attempt to force fit roles to employees. Value commitment, support development, and pay for performance. Scaling up requires the leadership that can take the mantle of leading with conviction, focus on priority areas only, unequivocally provide critical feedback to sustain the scale up momentum and stress on a culture of high performance. Scaling up is a significant and organizational wide transformation process. This requires the involvement of all stakeholders (both internal and external) and attention to details. Resources and adoption require continuous steering, not just following up a plan that been written long back and endorsed. Scaling up required a collaborative leadership team that has committed staff who can work together and can handle issues that pop up at various stages.

**Measures, few but relevant**



Companies pursuing scaling programs must check themselves against the "analysis-measures" itch. Many companies build heavy performance management system that demand high management bandwidth and resources. In my experience, companies that have successfully scaled to next level first collectively evaluated what are key inputs they need to drive the change, what key measures are good enough to capture, report and review. Measurement that improves managerial effectiveness, ownership and accountability in achieving results is needed to drive a scaling up program. Mid-period review using output and outcome measures are useful indicators of what is working and what is not working. The company can quickly calibrate alignment between activities, resources and outputs to see the returns are on expected line.

**Bibliography**

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