12. Great Care must be Taken When Scaling the Business

Every great company starts with an idea and typically a couple of founders that find the courage to branch out on their own in an effort to "put a dent in the universe." Some of the heaviest lifting inevitably takes place in those early days which are characterized by endless work weeks that often go unpaid. For the ones fortunate enough to find their stride, a very small, fragile company begins to take shape and the process of adding resources and structure soon follows. Entrepreneurs refer to this evolution as scaling the business. This involves building a team that shares common goals, dreams, and values that enable it to gain the trust and respect between its members that is required to achieve liftoff.

There are several important aspects that are fundamental to the scaling process which begins with the founders loosening their grip on every tedious detail of the business. In the early going, it is rare to find anyone more committed to the cause than the founding members of the team, making it difficult for them to effectively delegate. *Harvard Business Review* published an article in March of 2016 titled, "Startups That Last—How to Scale Your Business," written by Ranjay Gulati and Alicia Desantola, which highlights the importance of adding management structure at the appropriate time. "Founders tend to view formal structures and processes as bureaucratic threats to their entrepreneurial souls. They also worry about losing speed, control, and team intimacy. When they eschew order and discipline, however, they pay a steep price: chaotic operations and unpredictable performance." It is imperative for founders to learn to delegate effectively to avoid becoming a bottleneck which hinders information flow, decision-making, and execution. "The 'all hands on deck' approach can work fine in the beginning, when adrenaline is high and the company is small. But as organizations expand, they face new levels of complexity that require them to define and assign tasks more formally… to accomplish this, they typically seek specialization in select functions, such as Sales, Human Resources, Marketing, and R&D leveraging the knowledge these specialists bring to tackle their functions' work more efficiently and implement best practices within their domains."(Harvard Business Review – Startups that Last) When the startup's early pioneers come to appreciate the ways in which experienced talent can help, including them in the hiring process to ensure they have a voice has proven to be helpful in navigating this delicate process. As Liz Wiseman notes in *Multipliers*, "A leader's responsibility is to inspire others to accomplish the 'what,' not to dictate a specific 'how.'"

With the addition of key personnel to help guide the rapid growth of the business, there comes a need for official policies to help focus conversations around "taking vacation and sick days, balancing work and family expectations, and expensing." (Harvard Business Review – Startups That Last – Gulati/Desantola) It is critical to establish some early guidelines in these important areas to avoid confusion or the disappointment that can result when unspoken policies and the expectations of a team's newer members are out of alignment. Every company has its own way of building structure around these variables which is why it is so important to take the guesswork out of the equation early on. As dedicated resources are put in place, the leadership qualities these new team members bring are vital in helping to set the right tone. In *Measure What Matters*, John Doerr suggests the need for a startup's early leaders to "train people to think like leaders from the start, when their departments have a staff of one." Part of thinking like a leader includes putting definition around some of the subtler areas of the business so that every member of the team has a good baseline understanding of what is expected from Day One.

As startups scale and begin to get serious about "professionalizing the organization," it becomes ever more important to solidify the policies that protect the company and its employees in a more structured way. The relentless pursuit of growth can very often come at the expense of good business hygiene as was the case with Uber under Travis Kalanick's leadership. It becomes far more difficult and costlier to unwind these bad practices if they are left untended for any meaningful amount of time. As a result, it has become far more common today to establish the Human Resources function early on in the life of a startup. San Francisco-based startup, CodeSignal felt so strongly about setting the right policy foundation that it made a head of talent the first hire at their Bay Area headquarters. On the heels of Uber's sexual harassment complaints, similar allegations at GitHub dating to 2014 and regulatory missteps at Zenefits which all surfaced in 2017, CodeFights moved quickly to formalize their workplace culture "as deliberately as they build their products."

In the frenzied early days, Human Resources also plays an outsized role in setting aside time to plan and to identify and share best practices. The *Harvard Business Review* article – Startups That Last (Gulati/Desantola-March 2016) confirms, "While it's possible to have freedom within a framework—setting clear goals and guidelines, systematically gathering and sharing information to shed light on performance and enable better forecasting, and creating processes instead of relying on key individuals to craft one-off solutions—all of these promote efficient, smart decisions, especially when the world around you is in flux."

Finally, the early establishment of Human Resources can help bring order to the hiring process to ensure that great care is taken to preserve a company's culture even as the velocity of adding resources accelerates. Having the right people in the right positions at the right time is critical to scaling the business most effectively, but nearly impossible to accomplish at the frenetic pace of a startup without dedicated resources. In *Good to Great*, Jim Collins references a policy that "David Packard instituted early on that became known as Packard's Law: No company can grow revenues consistently faster than its ability to get enough of the right people to implement that growth and still become a great company." That has never been truer than it is today, in what has become one of the most challenging hiring environments in history—over 6 million posted job openings in the United States and nearly 1 million fewer people who are out of work and actively looking. John Doerr echoes these sentiments in *Measure What Matters*, noting, "HR can be a potent vehicle for operating excellence. It's also the place where culture change is crystallized—at the end of the day, culture is about the people you recruit and the values they bring to bear." In a world that has become acutely focused on diversity and equal opportunity across gender and race, the importance of establishing Human Resources in a startup's earliest days simply cannot be overstated.

In today's booming economy, the ability for startups to access capital from a growing list of venture and private equity groups has never been greater. Ideas and funding events have grown at breakneck speeds for the better part of a decade with seemingly endless amounts of capital chasing the same deals. Valuations, as a result, have ballooned to unprecedented levels in both the private and public markets. These dynamics have only compounded the challenges associated with scaling a business as the volume of well-funded startups has been dialed up making qualified resources scarcer by the day. With all of these things in mind, it is no surprise that today's outliers have been the most meticulous in the care they have taken to scale their businesses most effectively. Irrespective of the economic backdrop, this has been a hallmark of every great startup I have come to know which is why it qualifies as a leading strategy for The Startup Playbook.