



Business Scaling Capability Model (Pyramid-Spire)

The intrepid entrepreneur has a great capacity to overcome the multiple challenges of starting a new business, however many stall at the first major strategic hurdle, which is starting to scale, in order to create maximum stakeholder value, usually measured as Profit, Revenues, Customers and market share for most commercial organisations.

The ideal scenario is, when setting up and, designing a new business the foundations for scaling the business are designed in. However often a shorter term view is taken by the entrepreneurial team and, or pressure from investors demands a more short term view. It's not unreasonable to have a focus on verification and validation of a business proposition in the early stages of a ventures development, in fact we recommend it. However ensuring there is an understanding of the scaling strategy, capability and outline plan will give direction to the entrepreneurial team and confidence to investors and other stakeholders.

Often an entrepreneurial venture has secured the beach-head, successfully entered the market and proved the value proposition and advantage but, the rate of growth is slow or the cost of growth is high. There are limited sets of tools to enable the entrepreneurial team analyse and adjust their business to create the capability to scale.

The scaling advantage pyramid-spire was developed to assist Entrepreneurs, leaders and organisations measure and understand their scaling capability and put in place action plans to accelerate the scaling of their business, based on our research and experience.

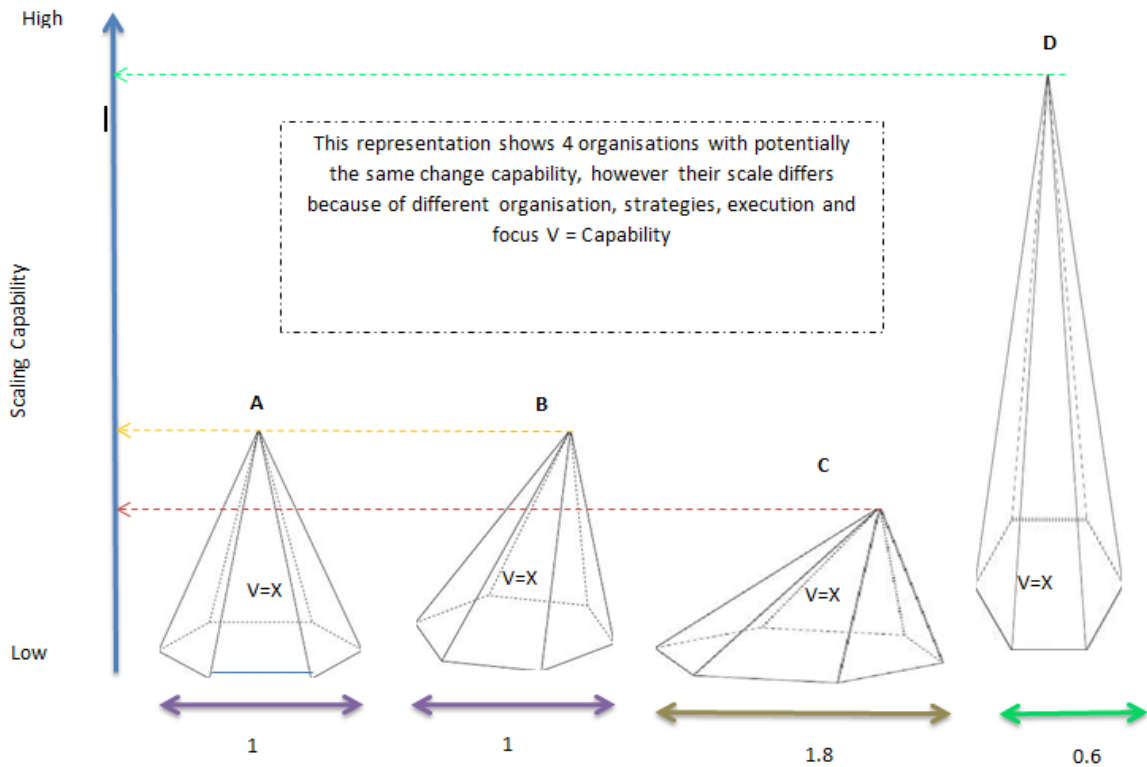
The Hexagonal-Pyramid is used to create both a visual indication of the scaling capability and also a measurement algorithm for scaling capability.

There are two scenarios we consider with this model, the first is the organic capability (Capacity & Competence) for scaling, this outlines the potential to scale within the current dynamics and resources in the business and the second is the in-organic capability to scale by the addition of additional resources to the business.

Let us consider the basis of this simple visual model.

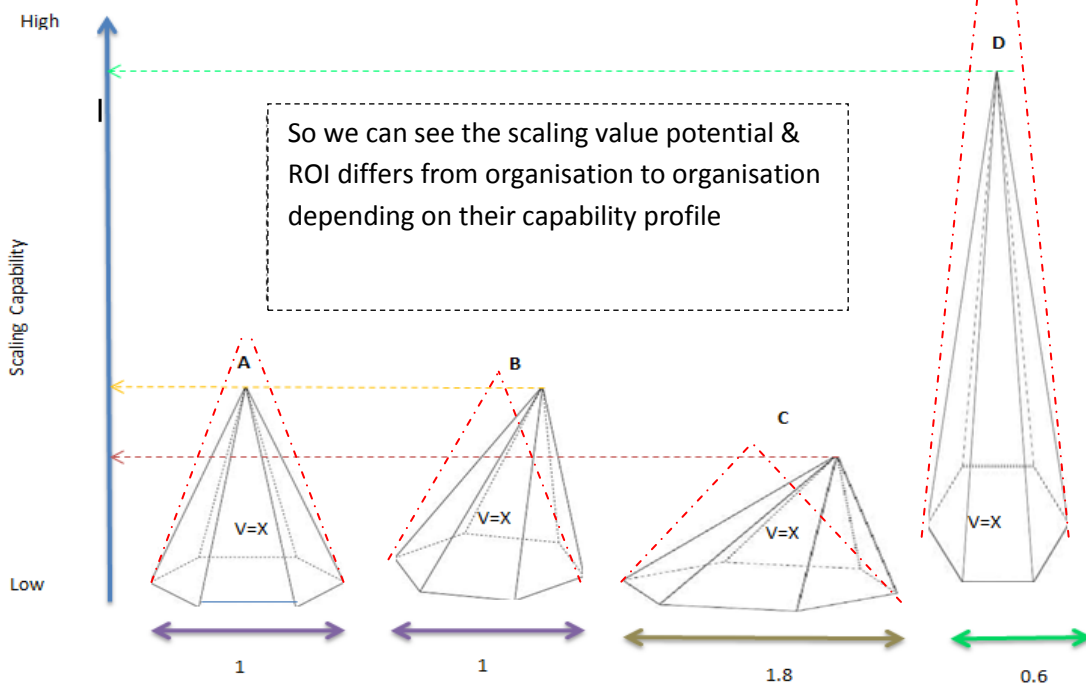
Introduction to the Scaling Advantage Pyramid

An organisation's capability to scale can be measured and presented in the form of a Hexagonal Pyramid at any point in time. The height of the apex denotes the scaling position and/or potential.

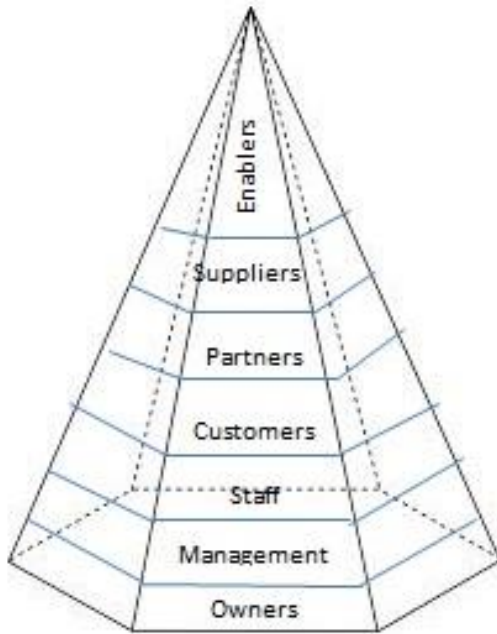


Organisation D has or can attain greater scale than A, B or C because its design, management and leadership have taken a stronger set of scaling actions, relative to Org C, Org D has a business model that scales well currently.

We could add resources at any stage to any organisation profile to add additional scaling capability, however the efficiency of scaling ROI will be determined by the structure of the organisations scaling pyramid. Red Dash indicates added capacity potential



Let us look at this Pyramid in more detail and explore the forces that impact a ventures capability to scale:

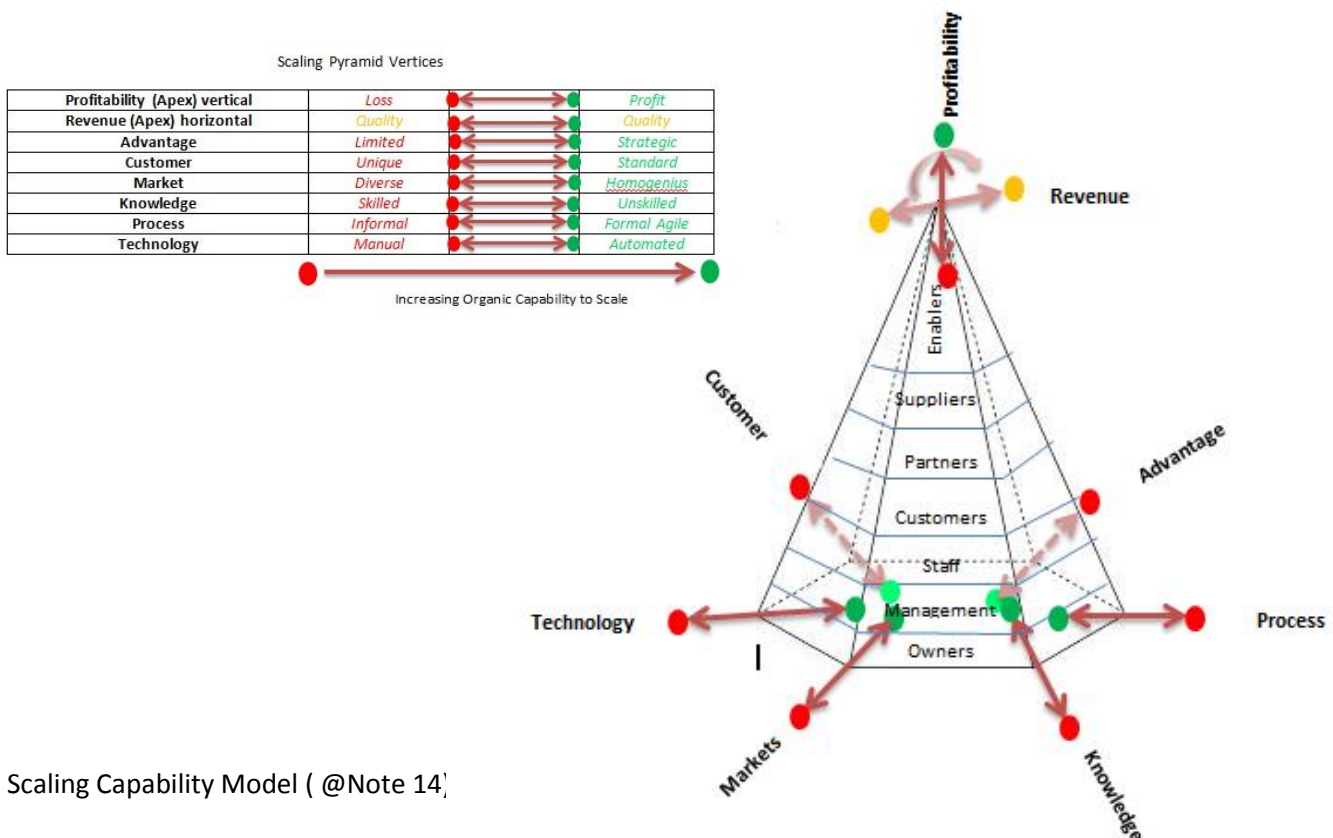


The stakeholders in a business and their engagement in the business model and value chain play an important role in a ventures capability to scale.

- The owners attitude to risk, investment and dilution.
- Managements vision, leadership and experience.
- Staff Competence, Flexibility & Commitment
- CRM & Experience
- Partner Advantage derived
- Supplier Profile & Value
- Advisors, Government, Regulatory etc.

These are the bread and butter items for management

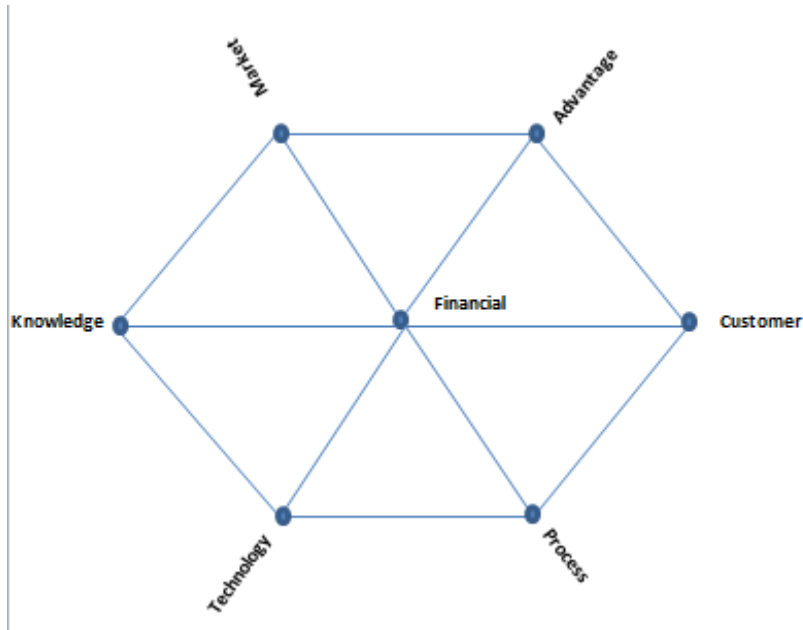
Add to this the forces that contribute to or detract from the ventures capability to change at the vertices



The scaling forces at vertices

Scaling Pyramid Vertices

Profitability (Apex) vertical	Loss	↔	Profit
Revenue (Apex) horizontal	Quality	↔	Quality
Advantage	Limited	↔	Strategic
Customer	Unique	↔	Standard
Market	Diverse	↔	Homogenous
Knowledge	Skilled	↔	Unskilled
Process	Informal	↔	Formal Agile
Technology	Manual	↔	Automated



We have seven core forces for and against scaling, creating our scaling capability, we assess each of these in the context of our ventures value chain and the operating environment. When we consider each we need to understand where we are “Current status” and identify what we need to change to achieve a “Target Status” for our scaling capability.

The financial performance is at the apex, because often the primary and formal measurement of scale (Not capability to scale). In addition it is the primary resource that can be directed to improve business performance, investment. It gives us organic capacity to scale but does not guarantee a competence to scale.

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Let us now consider each of these forces for creation of scaling capability

Customers

We need to have a clear understanding of our customer profile are they homogeneous or heterogeneous or somewhere in between. Our customer profiles ultimately determine the nature of our business and organisation, our products and services and have an influence on our capability to scale. If our customers are nearer the homogeneous end of the scale, in that they are very similar in nature and need, then our products and services are likely to be based on standards, which allow for efficiency, repeatability, productivity and consistency. However if our customers are nearer the heterogeneous end of the spectrum we may have very diverse customers , with diverse needs and profiles and therefore our business model requires higher engagement during the value chain life

cycle, there is customisation and uniqueness in how we service each customer. This does not mean that you cannot scale a business with heterogeneous customers but that it is more challenging and costly in many instances. At one end of the spectrum we might have an FMCG business at the other end of the spectrum an Architectural & Engineering consultancy firm. Understanding what creates differences is an important basis for the model and includes geographic, cultural, political, environmental, influences as well as the core need and solution (Product/Service). So understanding the nature of our business as defined by our customers is key to the design and execution of a scaling strategy.

Markets

Does our venture have the same challenge when it comes to markets, different groupings of customers with similar needs and where on the spectrum of Homogeneous to Heterogeneous do our markets lie, and then within each market group. Ventures may service different markets because of the portfolio of products and services they have. Markets can be segmented in many different ways such as Industry, Consumer profile, Location, Language etc. In general it is easier to scale if markets are more homogeneous. Understanding the market dynamics and how they impact our strategy, structure and operations is key to scaling. Considering access to present and sell our products/services as well as provision and support them are forces which influence our scaling capability.

Processes & Structure

When we refer to processes, we refer to all our business processes these include management, technical, operational across all functions of the business. The alignment and connections between our processes will be very important as regards our ability to scale, as will the maturity of each process. At one end of the spectrum we have “Ad Hoc” in what gets done, how, when and by whom is relatively undefined and unmanaged. Ad hoc depends on the individuals and though it can be effective in small early stage ventures, it does not scale as a management approach. At the other end of the spectrum is “Formal Agile”, we use this term to make clear that good process is essential where it creates value and, agile is to represent that processes can and do change to improve performance and adjust to changes. We must identify and exclude process where it does not add value, and account for and identify for organisations who may have many formal processes across all their business but these processes get in the way of successful growth and scaling.

Advantage(s)

It's essential to understand the ventures advantages, because without advantage we don't have a strong value proposition, the potential to scale is at its highest when we have strategic advantage, this is where we have an aligned combination of Market Advantage, Customer Advantage and Internal Advantage enabling very strong differentiation and high value proposition, versus the other end of the spectrum where we have limited advantage over the competition overall, or may only have strong advantage in certain segments thus restricting our ability to scale from a market pull perspective. Our relative advantage is a force that can enable organic scaling capability and also the cost of additional external scaling resources.

Knowledge & Skills

Knowledge & Expertise across the business and each key role and function, if our business requires specialist knowledge, training and skills for some or many of its functions to operate, we immediately have potential resistance points for scaling versus the other end of the spectrum where our business model is well designed and the nature of the knowledge and skills required to carry out roles is reduced and gives high flexibility in resource management then in this scenario we have more capability to scale when it comes to access the required human resources and talent.

Technology

The use of technology has the potential to facilitate scaling in many organisations whether they be products and/or services. The level of automation deployed across any process or business function is an enabler of the capability to scale. At the other end of the spectrum if our business is manually and people intensive it becomes more difficult to scale because of the need to hire, train and deploy more people to generate additional capability.

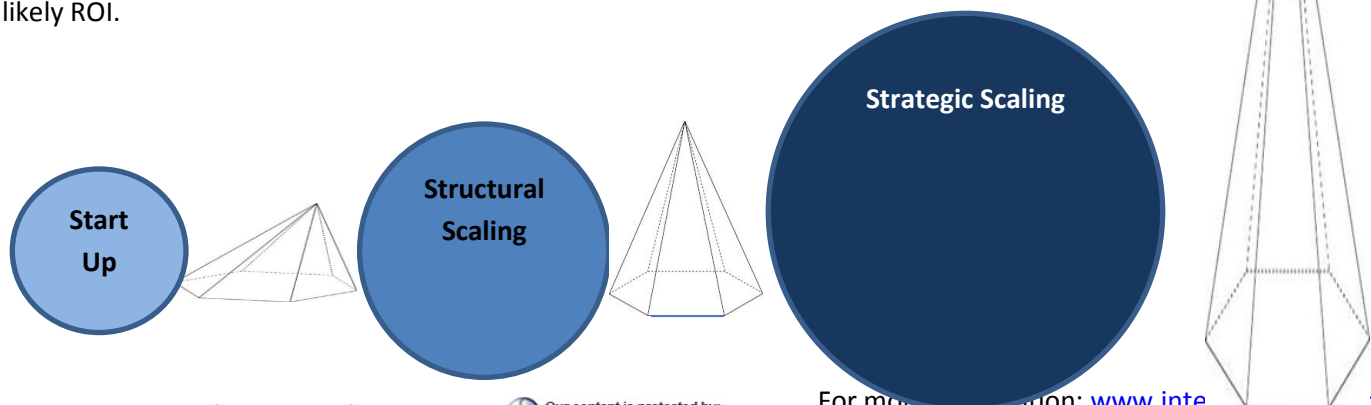
Summary

The capability to scale a business is as much to do with innovation and operational effectiveness as it is to do with available resources. Much can be achieved by assessing the current business and adjusting those factors which increase the level of innovation and operational effectiveness thus creating and/or releasing resources that can be applied to growth and scaling, in fact this should be a precursor to adding additional resources for scaling or at least in parallel as the ROI for investment in scaling will be eroded if the scaling capability pyramid for your venture is not optimised to achieve a Spire profile as in Organisation D above.

The model can now be used to understand any ventures capability to scale, to identify the appropriate scaling strategy and plan, to measure success and to evaluate the ROI efficiency for any scaling investment.

When evaluating a ventures evolution with respect to investing for scaling we can now understand what is feasible from organic scaling, when it is correct to invest in inorganic scaling and have clarity that scaling investment is correctly directed where the maximum return will be gained.

It can also be used for the management team to align with external investors/funders as regards likely ROI.





It does not mean that ventures which have scaling dynamics that make it more difficult to scale cannot scale, however their strategies and tactics have to be adjusted to account for those dynamics that are a force against scaling. In knowledge based consulting and services organisations where there are heterogeneous customer and market requirements. Here are some tips for this profile of venture:-

Customers:-

Customers want to feel unique and special, however often there are high degrees of commonality across customer solutions. Identify those areas of commonality and productize them in a methodology, Framework, or components library. This will enhance your value proposition in that it will allow your true value which is the unique aspects of each customer engagement to be focused on, reducing wheel re-invention, increasing re-use, shortening delivery times. These types of organisations can enhance their win rates and value propositions by adopting these types of approaches, also enhancing the ability to replicate and scale.

Markets:-

There are a number of different approaches, most common are 1. Create a niche/boutique in a specific domain and this allows a great understanding of the customer, their needs and the value proposition you provide. You create efficiencies of expertise and knowledge because you specialise. 2. Partnering & Franchising can enable you to find routes to access and service markets with different dynamics , where you provide the core solution to your partner who has the additional capability to service the unique needs in specific markets and segments.

Processes & Structure:-

Most of the tips here apply regardless of the scaling dynamics and context of any business. Having an appropriate structure , governance and performance management processes in line with the nature of the business and business model. For the example we are considering we are more likely to have a flatter, matrix type structure where teams can form and disband when needed, often with project management as a strong competence. Recognising the likelihood is an inverted pyramid versus a traditional hierarchy is key. The goal is empowerment to those that service the customer in any way and sharing information amongst that customer service team. Performance management and MBO processes are essential to alignment and efficiency and good process definition, understanding and application are the same. Process is about finding the best way to complete an activity or series of activities and then codifying it in a way that whomever is responsible for that process and if that person changes we always get consistent, predictable output.

Advantages:-

The approach here equally applies to organisations that have strong scaling capability, so it's all about continuous management of your advantage and understanding the relationship between internal, customer, market and strategic advantage. Continuous innovation is required (for more read the book "Advantage" by Declan Kavanagh available on Amazon, Nook, Kobo, Smashwords and advantage-book.com)

Knowledge & Skill:-

The example we give is fundamentally a knowledge based business. Knowledge sharing, collaboration, training and career management become very central to ensuring the productivity of knowledge workers is maximised in the shortest possible time frame. A culture of rewarding collaboration and sharing is essential to facilitate re use of knowledge, expertise, experience and deliverables across the full life cycle of a customer engagement from Marketing and pre sales to after sales service and support. Understanding the pyramid and designing the work in a way that the appropriate resource is applied to the appropriate task avoiding using over or under qualified resources for each task and activity thus avoiding unnecessary costs for your or your customer. Talent Management as the new broad term for the HR view of the business is the key, so project, resource and assignment management is effective and efficient.

Technology:-

For all organisations having the appropriate application of technology for each function is essential, automating routine tasks and capturing the right management information to run the business well. In the case of the knowledge intensive business we described we have more focus on the structure and nature of CRM because there is more heterogeneity in the customer base. So capturing and sharing “Good” Information is more important, managing resources is more dynamic and great gains can be achieved by enabling a culture of information sharing and re-use. Technology can be implemented to codify many different activities enabling lesser skilled resources carry out roles guided by IT systems that are currently carried out by very skilled resources. So CRM, HRM, PM and collaboration technologies can enable greater flexibility efficiencies and potential to scale.