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4 THINGS TO CONSIDER WHEN YOU SCALE UP YOUR START-UP



HAVING innovative ideas is the hallmark of a successful entrepreneur. However, as quintessential as the idea is to the success of a start-up, intangible ideas do not simply become billion-dollar companies overnight. The ability to bring your concepts and ideas into fruition is what differentiates between a mere daydreamer, and a **true** entrepreneur.

Now comes the perennial question: What, then, determines the success of start-ups? Two words: **scalability** and **sustainability**.

Local Malaysian start-up Grab (previously MyTeksi) is one of Southeast Asia's (SEA) only "unicorn" start-ups. The seed of Grab was first planted by founder Anthony Tan in Harvard's Business Plan competition back in 2011. Fast forward five years later, Grab—now valued at a billion dollars—invested in a USD100mil last year in a research and development centre in Singapore to aid in its SEA expansion.

However, not all start-ups are poised to make it big. Regardless of how inventive your seed is, without the proper climate, conditions and care, your seed will fail to germinate and grow.

Failure is the greatest fear in the back of every entrepreneur's mind, and many times this fear breeds unnecessary levels of caution and start-ups miss the opportunity to accelerate their growth at the appropriate time.

But when and how exactly should you scale your start-up? The extent and pace at which you should scale is highly dependent on the circumstances and market surrounding your start-up. Without a sustainable action plan in place, attempting to scale your start-up might instead be a recipe for disaster.

Here are some things to consider when you decide to scale your start-up business model to ensure sustainability and growth in the long term:

1 LAY OUT A STRONG FOUNDATION

With any business venture, it is essential to set a strong foundation to build your company on. The efforts taken to disseminate your product or service will be nulled, if the market opportunities, product-market fit and "sellability" of your product do not exist or are not analysed and tested first.

According to a report by Startup

Genome, 70% of start-ups fail because of premature scaling, often due to a failure to analyse the product-market fit. It is easy for entrepreneurs to get their heads in the clouds when it comes to their own brainchild and business model.

Many end up ignoring what the consumer really wants. The worst-case scenario is that the start-up pours its resources into an unsustainable business model, leaving less leeway to modify their business model at a later stage.

Valadoo, an Indonesian start-up that offered travel packages to customers, was forced to shut down in May 2015. The overemphasis on boosting growth made Valadoo fail to realise that they lacked a sustainable business model, and the additional burden of a failed merger caused them to run out of cash.

However, nailing the product-market fit conundrum is challenging. It is imperative to make improvements through user feedback and data analysis to help improve the market appeal of your products.

When investors see a start-up with a great product-market fit, it is a major tell-tale sign that they can confidently pour money into your business venture. With the increasing number of Malaysian equity crowdfunding platforms today, scaling your start-up is not as out of reach as it was 10 years ago.

2 GROWING YOUR TEAM

When it comes to start-ups, the mantra "quality over quantity" is gold. As you start out with a low headcount, ensuring the quality of manpower is critical to achieving scalability and sustainability.

Certainly, the trend today is in creating a start-up company culture, filled with talents full of spontaneity and creativity. However, this zeal in creating a culture can sometimes backfire when your company rapidly expands from a small heroic team, to a full-fledged company with specialised processes.

This rapid growth in numbers during scaling calls for improved company management and a clear demarcation of



roles. The failure to implement systematic organisational routines could put a crutch on the maximum output and efficiency that can be achieved to scale your start-up to its full potential.

3 OUTSOURCING BACK-END JOBS

One of the biggest reasons why start-ups fail to scale their business model successfully is because they scale beyond their revenue. It is essential to make prudent predictions and know what you can or cannot afford.

For start-ups, it is inevitable that your company will not be capable of doing everything in-house. While large corporations are able to hire in-house lawyers, developers and graphic designers, it may be more economical for your start-up to outsource these roles.

Leveraging on external resources by outsourcing jobs, especially back-end roles, will allow you to accomplish what needs to be done to accelerate your business, at a fraction of the price.

Instead, your start-up can focus your resources on investing

in quality staff for more important and intensive functions. Your start-up is now free to focus on developing its core com-

petencies, setting a stronger foundation for scalability and sustainability.

4 GET THE WORD OUT

Even if you have solidified your product and formed your dream team, there is no way your start-up can scale without visibility. One challenge that start-ups face is trying to make themselves visible in the presence of other existing players and the flood of information available online.

The saturation of information and struggle for a company to bring its message across has reinforced the importance of newer age marketing strategies like content marketing.

However, with limited resources available, it would be best to test the return of investment and scaling potential of these marketing channels with smaller budgets first. Should they prove to be successful, it is safe to use these marketing channels with bigger budgets to scale your start-up even further.

IS YOUR BUSINESS MODEL SCALABLE AND SUSTAINABLE?

Certainly, having an innovative business idea will aid in its success. But therein lies the problem of creating a product and service that has the potential to expand and remain relevant in the ever-changing economic and social climate.

Scalability and its sustainability will help your company multiply its arms, legs and hours in a day, and is crucial in bringing what was but an idea, into a billion-dollar company.

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FAILURE IS THE GREATEST FEAR IN THE BACK OF EVERY ENTREPRENEUR'S MIND, AND MANY TIMES THIS FEAR BREEDS UNNECESSARY LEVELS OF CAUTION AND START-UPS MISS THE OPPORTUNITY TO ACCELERATE THEIR GROWTH AT THE APPROPRIATE TIME.

■ This article was contributed by ShopBack Malaysia, a Malaysian start-up, and was first published on www.leaderonomics.com. To connect with them, e-mail us at editor@leaderonomics.com.