Agenda

- 1400-1430 Continuation of workbook/discussion of findings
- 1430-1445 Intro: Growing pains and considerations in building the team
- 1445-1530 Exercise & Discussion
- 1530-1600 CEO hiring

Growing pains – every company feels them

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Characteristics	From (past)	Ouch!	To (future)
• Revenue	<£1m		>£10m?
• Staff	<10		>50
• Offices	1		50% WFH "20+ offices"
• Countries	1		3
• Product portfolio	1		3

A classic growth challenge – how do we build the team as we face an exponential rise in complexity?

Organisational challenges:
- Used to know everyone personally
- Relationships were able to substitute for process and formality
- Shared value and trust – built up over many years held business together (but can no longer substitute for more formal mechanisms as scale increases)
- Lot of tacit knowledge and know how – not written down

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Tackling growing pains – areas for discussion

- Build processes – delegation is not a process (as it will come back to you) over time you will need:
  - Sales order handling/ Customer Service
  - Delivery, installation and maintenance
  - Order to cash
  - Hiring and review
  - Work force planning (schedules, timetables etc)
  - HR basics (payroll, holidays, sick leave)
- Plan for specialisation
  - Smaller businesses have to have generalists
  - Bigger businesses can't run with only generalists
- Collect information digitally – boring, painstaking but crucial
  - Start in the cloud
  - Customer info and order management
  - Purchases
  - etc
- Deliberately build the sort of ways or working and culture you want
  - It won't happen automatically for newcomers (esp if they have worked elsewhere)

Hiring people full-time is only one way to access the skills you need (and often not the best)

- Alternative to hiring
  - Try before you buy – capability and fit
  - Compare – don't just assume that Jerome will be a great sales person because he was a good technician
  - Start with part-time people for certain roles (e.g. part-time finance director)
  - Use fixed term contract – which you can convert to employment
  - Use associates/freelancer – there is a big market out there
  - Don't assume a good early stage person is right for later stages – even in the same role

- Risks of hiring
  - Costly (to recruit)
  - Slow and time consuming
  - Error rate can be high – which really matters in a small company

Self assessment
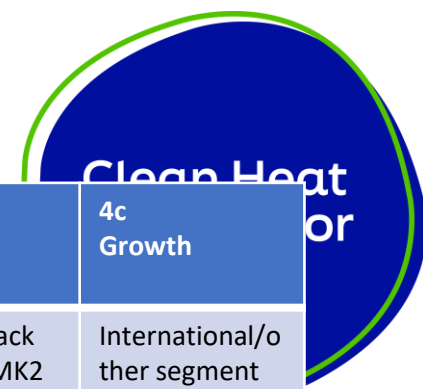
Commercial Readiness Leve	1 Concept	2 Seed	3a Resource & plan	3b Build	3c Test	3d Execute	4a Market Entry	4b Proven	4c Growth
Market Understanding	Idea & basic market interest	Market research & engagement	CVP & route to mkt	Detail on chosen segment	Detailed competitor comparison	Pricing refinement	Customer feedback	Use feedback to create MK2	International/other segment needs
Business Dev & Sales			Engagement	Lead gen for trials Engage channels	Select channel partners	Distrib agreements Full trials			International/New Segment plans
Strategy & Planning		First business plan	Synthesise all work streams	Synthesise all work streams	Synthesise all work streams	Second business plan	Budgeting/Regular finance		Growth strategy plan
Technology (TRL)	3/4	4/5	5	6	7	8	8/9	9	9
IP		Preliminary filing	Investigate other IP needed	Freedom to operate					
Product Dev	Concept dev	Prod Req's	First prototype in line with mkt need	Improved prototype	Preliminary trial	Full trials	First commercial product	Refined product	New products for other segments
Supply Chain	Research	Engage	Requirements	First orders	Rework supply	Contracts	Operate SC	Grow volumes	New SC for scale
Team	Innovator	Innovator & PT/FT	Small FT team		Larger FT team (sales)	Marketing & Sales hires	Full company		Expansion team
Funding	Angel, grant, crowd	Angel, grant, crowd (Fund raising)	Grant, Private	Grant, Private	Grant, Private	Grant ,VC, Private (Fund raising)	VC, Private	Bank, VC, Private	Market, Bank, VC, Private

Example – how you might build up a team – what will be the right sequence for you? Not everyone has to be full-time from day 1

CRL	1 Concept	2 Seed	3a Resource & plan	3b Build	3c Test	3d Execute	4a Market Entry	4b Proven	4c Growth
Chief technologist	X								
Finance director		X							
Sales/partnering lead			X (PT)			X (FT)			
Product engineer		X (contract)		X (PT)	X (FT)				
Marketeer						X			
Chief Executive	X	X							X
Supply chain lead				X					
Chair			X						
Non-exec director				X					

For larger businesses – replace this scale with time or revenue

Building our te[am]

CRL	1 Concept	2 Seed	3a Resource & plan	3b Build	3c Test	3d Execute	4a Market Entry	4b Proven	4c Growth
Chief technologist									
Finance director									
Sales/partnering lead									
Product engineer									
Marketeer									
Chief Executive									
Supply chain lead									
Chair									
Non-exec director									

Building our te[am]

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Time	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26
Chief technologist								
Finance director								
Sales/partnering lead								
Product engineer								
Marketeer								
Chief Executive								
Supply chain lead								
Chair								
Non-exec director								

TECHNOLOGIES

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The path of founder CEOs

- Difficult – sensitive
  - No technology innovator who has become a CEO will ever be fully comfortable relinquishing this role
  - Tech founders are not inevitably good CEOs (or,bluntly, even likely to be……)
- Hard to raise
  - Awkward conversations
  - Personal pride
  - Challenging commitment – are you saying I'm not committed/working hard enough…
- No silver bullet solutions
  - Nightmare of hiring a CEO
  - Nightmare of not hiring a CEO
  - Self harm (hire CEO and rejoice in their failure – told you so)
- A potential problem for everyone (staff, investors, customer) – not just the founder/CEO

What can help?

- Chair and NEDs – they can see issues, have dealt with before, are not employees, might be investors

- As a founder – get a mentor – they will have seen this and is someone you can discuss this with without fear of disrupting the organisation

- Put in on the table as an issue yourself (as a founder) – if the success of your innovation is more important than your own personal path – you should

- Study other companies and get to know other CEOs who have gone through this – many of them may have relinquished some of the tasks happily/with relief

- Buy a mirror – take time to assess the needs of the developing organisation and of your own role and capabilities (and preferences)

Instructions

- Reflect on your stage of business development
  - What are the 1-2 biggest challenges in building up your team?
  - What currently is your solution?
- We will go round each person and give feedback/comment

Agenda

- Gate manager roles – "Moments of truth"

- Cost of Quality intro and pre-work

- Selecting first customers

Gate managers and delegated responsibilities

Get a second hand one for £1

Agenda

- Gate manager roles – "Moments of truth"

- Cost of Quality intro and pre-work

- Selecting first customers

Cost of quality – a true story

"Almost all returned mattresses have to go to land fill/recycling"

Logistics Head – UK e-commerce business

Why are mattresses returned?

- Why are mattresses returned? Too hard, too soft mainly?
- What happens? – they get filthy in the van or in the warehouse when being returned

What are the costs

- Cost of processing the refund
- Wholesale cost of the mattress
- Pick up cost
- Warehousing & labour cost
- Landfill/environmental disposal cost
- Delivery of the next mattress………

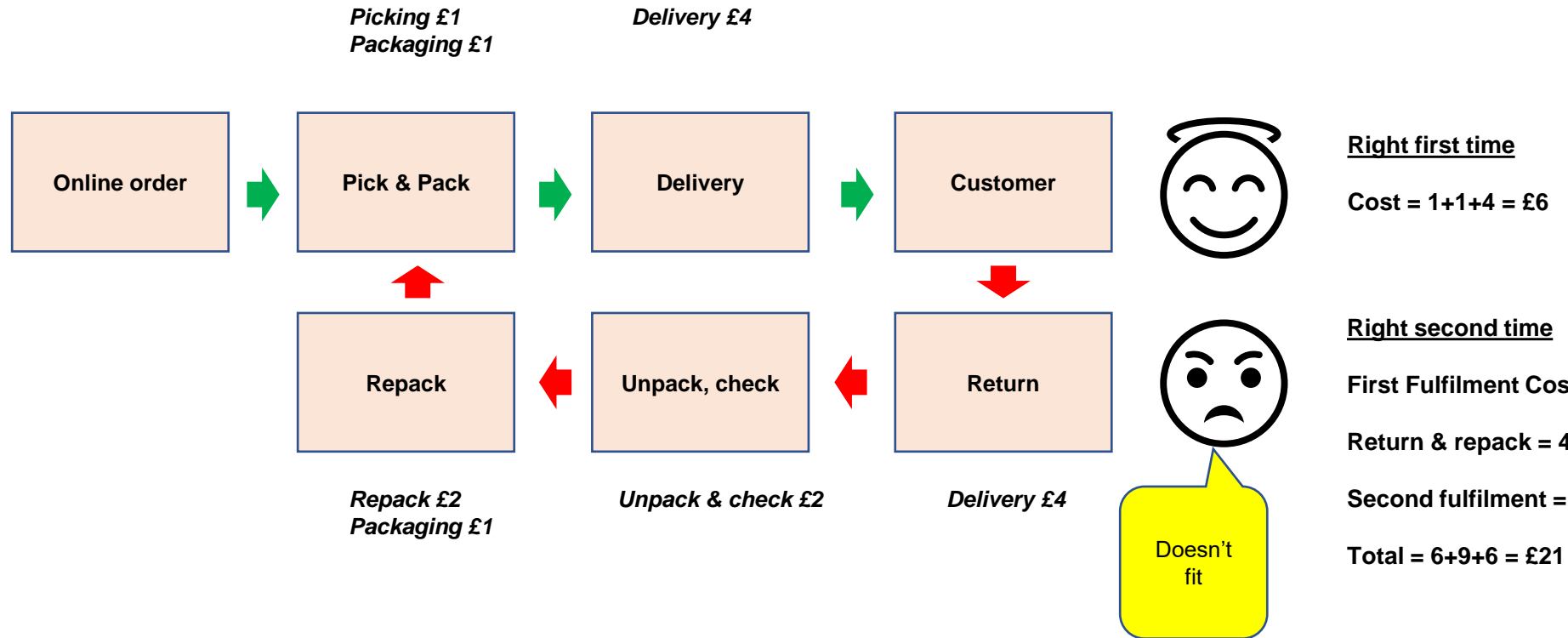# "Muda" – Waste – the cornerstone of the quality movement

The 7 forms of muda (from the Toyota Production System – lean manufacturing):

- Waste of overproduction (largest waste)
- Waste of time on hand (waiting)
- Waste of transportation
- Waste of processing itself
- Waste of stock at hand
- Waste of movement
- Waste of making defective products

COST OF QUALITY – error in the warehouse or poor sizing instructions on the web (1)

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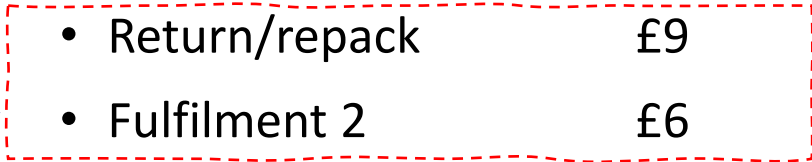## Right first time

- Price of item (inc del)   £30
- Cost of item   £15
- Fulfilment   £6
- Overhead   £4
- Profit   £5

16.7% profit

Right second time

- Price of item (inc del)   £30
- Cost of item   £15
- Fulfilment 1   £6
- Return/repack   £9
- Fulfilment 2   £6
- Overhead   £4
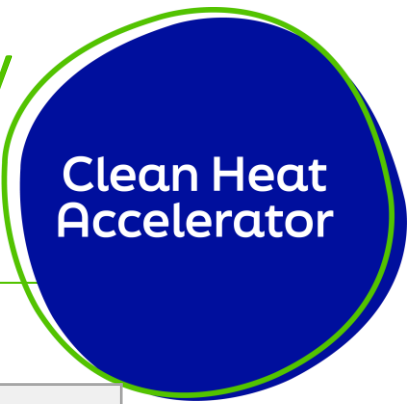- Profit   -£10

-33.3% profit

Overlooked cost

What is the equivalent in your company?
- Data entry error – giving rise to a complaint and investigation?
- Incomplete customer information capture – have to go back and ask again?

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Most processes have a different levels of quality problem

Situation	Right first time	Problem	Nightmare
Delivery	• Pick, pack, deliver	• Not there/can't leave it – second delivery	• Damaged on delivery • Customer claims damage • Damaged goods sent back and new goods sent out
Customer service	• Instructions work • Intuitive to use • Self serve – look at FAQs	• Call customer services (already a failure) • Single call resolution	• Multi-call resolution • Supervisor intervention • Special price (and pissed off customers)
Business case	• Cost envelope in budget • Business case passes criteria first time	• Rework of business case taking a lot of time and effort again	• Business case actually wrong – incomplete analysis leads to additional costs/less functionality
Customer Data	• All data entered by customer (correctly)	• Incorrectly entered data (by customer or staff) – leads to manual intervention and mistakes	• Inconsistencies in data lead to manual checking, resubmission of documents and customer complaints

Expanding costs of HR processes with problems - example

	Stages of a review process			
Normal		**Review & Feedback**		
With a Disciplinary			**Disciplinary Meeting**	
With a court case				**Court Appearance**
Time used	Cost/hr			
Employee	10	2	1	1 (unpaid)
Supervisor	20	2	2	3
Manager	30		2	3
HR person	30		2	3
Lawyer	100			3
Cost		**60**	170	540
			230	**770**

Cost of quality for minor and "nightmare" occurrences

Homework – Cost of Quality

- Select an activity or process Booking a holiday (if you remember how)
  - Sales process
  - Operations process
  - Internal HR or finance process

- Set out the main steps
  - When things go right first time ("happy path")
  - When there are minor issues
  - When there are nightmare issues

- Reflect on why things go wrong and what some systemic solutions might be (i.e. that remove the possibility of that issue arising)

- Use the template provided (next page)

- For extra "gold star" try costing the orange and red routes

- For 2 extra gold stars – work out how often the minor and nightmare costs arise – and you can calculate the total cost of quality

Cost of Quality Process:_____

Right First Time Process

Minor Problems Process

Nightmare Problems Process

Reflections: What could be done to systemically avoid these issues? What lessons are there for you?

Agenda

- Gate manager roles – "Moments of truth"

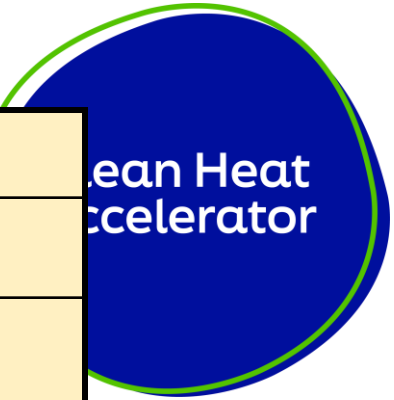- Cost of Quality intro and pre-work

- Selecting first customers

Criteria for identifying strategic sales/first sale – a checklist

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- Value of the customer
  - Financial
  - Reputation/Reference
- Breadth of application/Focus of application
  - Can they use our innovation in multiple ways
  - Is there a good starting point for us to work on?
- Empathy with customer – can we work together?
- Location – close enough (right time zone?)
- Your priority in their world
- Their other commitments

Use the tool on the next page to compare and prioritise potential first customers

Once you start thinking this way it allows you to assess, formulate a hypothesis – which customers are strategic for us?

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Criteria Score (1 low, 10 high)	Potential Strategic Customers			
	Name:	Name:	Name:	Name:
❑ Value of the customer ▪ Financial ▪ Reputation/Reference				
❑ Breadth of application/Focus of application ▪ Can they use our innovation in multiple ways ▪ Is there a good starting point for us to work on?				
❑ Empathy with customer – can we work together				
❑ Location				
❑ Your priority in their world				
❑ Their other commitments				

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Other factors may also influence your choice of first customer: Understanding the end user buying process and buying factors?

- Buying processes:
  - Who are the decision makers, what's the budget limit?

- Buying factors:
  - Is your solution valued for cost reduction, performance improvement capacity expansion?

- Impact:
  - What's the level of impact on clients operation?
  - What's the relative importance in the project hierarchy?

Other

- Finance or purchase agreements, Warranties, installation & commissioning considerations, decision time frames, references.