

Catching the Car with Grace

Handling the people side of going from concept to thriving business by nailing key people issues





Anticipating and addressing the people challenges as you transition

on which to erect an impressive future, haphazardly throw together a solution which ultimately cracks under additional weight or consciously build a temporary solution, intentionally deferring the problem until later in the journey. While the option to build a strong foundation is the obvious choice for most businesses, it is easy to fall short of that ambition if the right questions are not asked and addressed.

Before a business can effectively address and avoid people challenges, a few important aspects of the operating model must be clear. It is critical that business leaders:

- Fully understand the business's identity
- Can orient business decisions correctly to serve the principle end customer
- Organize individual responsibilities for maximum impact
- Design the organization for the success case
- Understand and sell a vision from day 1

Fully understand the business's identity

While it may seem obvious to say that a company needs to understand its own identity, experience shows this is trickier than it initially seems. Business leaders should be able to quickly answer the following questions, but not all can:

- What is the goal of the business?
- How does the business define success?
- What makes the business unique in the market?
- Who are the intended primary customers?
 - Who are the actual primary customers?
- Why should the customers use the business instead of its competitors?
 - Why do the customers use us instead of its competitors?
- What boundaries does we place on our operations?

Even when the top leader is to answer all the questions, there can still be challenges if the other members of your leadership team would answer the questions differently? Transitioning (not new) businesses have the added challenge of needing to understand these questions equally well in the new context as in the old context.



While these questions are simple questions, the answers should be nuanced and specific to be useful for designing in addressing operating model challenges, especially those related to people. For example, two companies that want to be dominant sellers of widgets could have different, but not incompatible goals leading to significantly different implications to the operating model:

BUSINESS GOAL	IMPLICATIONS
<p>Create a sustainable profit stream through the sale of widgets</p>	<ul style="list-style-type: none"> ● Principal customer is the buyer of the widget ● Operating model decisions require applicability on an indefinite time scale ● Being scalable and positioned to capture growth opportunities are key ● Operating model needs to create an employee value proposition that minimizes unplanned attrition
<p>Demonstrate the potential profits associated with selling widgets to attract a buyer who acquires the company generating a monetization event for investors</p>	<ul style="list-style-type: none"> ● Principal customer is the set of companies who could be buyers of the company ● Operating model decisions favor flexibility and ease of integration into other models over scalability and long-term sustainability ● Operating model should either minimize dependence on specific people or incorporate a retention mechanism to retain people through an exit event

In the example above, if the company that wanted to be acquired adopted the exact same operating model as the first, they would not in any way prevent themselves from being acquired. However, it is very likely that during due diligence concerns would be raised about risks associated with post-merger integration. Furthermore, depending on the timing of buyer interest, efforts to scale could cause investment costs to deflate short-term profitability in favor of long term profitability to be reflected in lower valuation of the company. None of this prevents acquisition, but it would add avoidable challenges.

Thus, it is advantageous for companies to thoroughly think through the answers to those identify questions in as much detail as practical prior to (re)designing the operating model.



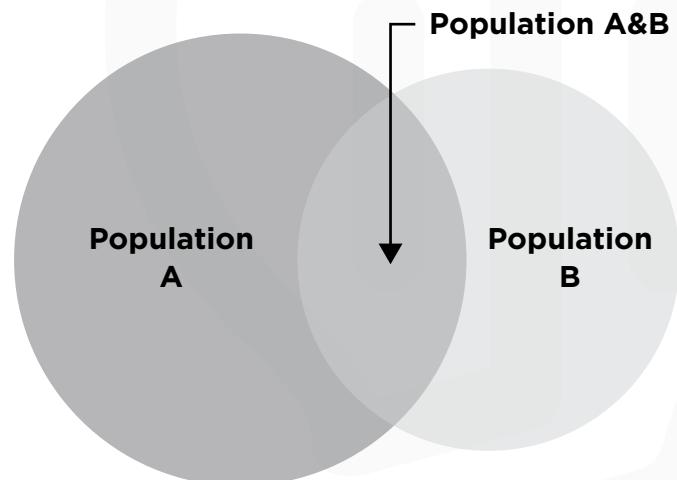
Orient business decisions correctly to serve the principle end customer



Having a thorough understanding of who a business’s customer(s) are and what they want is a powerful tool. It is surprisingly common for large and/or complex businesses to lose sight of who their ultimate customer is or what that customer wants. While this may sound absurd, take the example of Facebook:

Is Facebook’s ultimate customer the end user with a Facebook account or the businesses that buy advertising space on Facebook? A casual, objective observer could make a compelling case for either being the principal customer. Trying to reverse engineer Facebook’s internal position on the question by looking at conflicting indications from their marketing efforts and handling of user privacy do not render an obvious answer. Some decisions seem to support each perspective and the resulting business operating model generated company behaviors which ultimately ran counter to the needs and desires of large components of both populations. This created some very significant issues for the company in 2018.

Many people argue that the combination of both populations could be the principle customer, but behaviors based on this premise invite inevitable problems, often very quickly. It is unavoidable that two populations, even if similar, will have competing interests at some point in time. It becomes impossible to cater to all perspectives at all times. Attempting to do so risks losing both populations.





The primary argument for multiple principle customers is that more customers is a good thing. The challenge is that in catering to two competing sets of demands, a business ends up catering to the intersection, not the combination, of the populations. In doing so, it risks losing both the portions of populations A and B that are not within the intersection. In no scenario will the population of A&B be larger than either population A or population B independently. To take actions that risk losing both significant subsets of A and B by catering to the intersection is inherently risky and usually illogical, especially since focusing only on A or B does not preclude attraction of the intersection group.

For example, try to imagine designing a car that appeals to both the low-budget and luxury-driven markets. Addressing both markets would make for a much larger customer set than just addressing one or the other. The two markets do even overlap in some small subsegment of people that are both generous in their definition of low-budget and meager in their expectations of luxury. However, even though such a car appeals to some in both markets, the car only allows access to the small number in the intersection, not the entire combined population. A larger set of accessible customers would come from focusing only on the luxury market OR the low-cost market and appealing to the full population not just a subset.





Understanding who you want to serve not only has far reaching implications on the product or service the business offers, but it should have impact on the people the business hires. Presumably by getting to the point of catching the car, the business has adapted its product or service to its customer in an effective way, but has it does the same with its people. Or as a new business, has it figured out the right people to bring on?

Once the business thoroughly understands the primary customer, key pieces of information needed to effectively design your team become accessible:

Customer Experience

- ▶ Having a great product or service that customers want is critical, but not sufficient. They need to enjoy the experience they have in the process of receiving the product or service. What is the right profile of individual to interact with the customer. What type of people are needed behind the scenes to enable that experience?

Competitive Advantage

- ▶ What can you offer the customer that will set them apart, not just in your product or service, but also in the experience they have engaging with you? What profiles enable that advantage and what profiles can intensify it?

Critical Path Activities

- ▶ Leaders have a finite amount of time. Knowing where to focus that time to ensure the best experience for customers avoids wasting talent on necessary activities adding limited value. What profiles and skills will complement, not replicate the capabilities of the existing team?

Development of Culture

- ▶ Building the right team renders a business capability that is greater than the sum of the parts. The team needs to have the right culture which goes beyond just having the necessary skills and experience. What mindsets and personalities should be sought to make culture an advantage not a challenge.

Designing Incentives

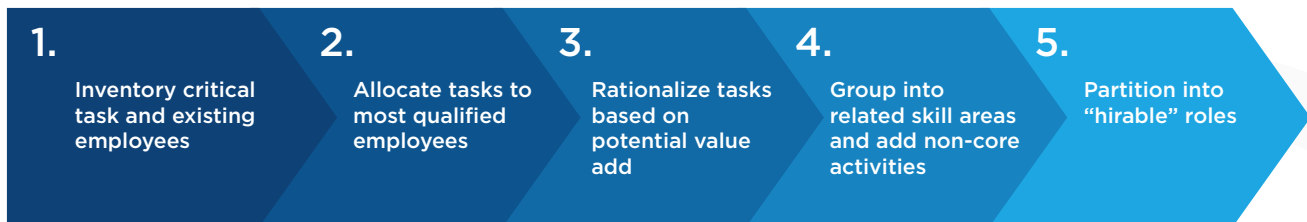
- ▶ Identifying the right team is a wasted effort if you cannot attract and retain them. A business's understanding of its customers and its goals allow it to build an effective plan for motivating the right team to do the right things for business success. What behaviors do you need to drive people to exhibit? How can you align personal and business objectives?
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Organize individual responsibilities for maximum impact

The run to catch the car is often an all-hands-on-deck team effort where people discard traditional role boundaries and simply get things done. Whether this effort is an exercise in securing funding for a start-up or working through due diligence to make a transaction happen, the informality of responsibilities is both necessary and inefficient. Tasks emerge and are tackled by volunteers or assigned to the most capable hands able to complete it on schedule. Things get done on a tight schedule because they have to, not because it is efficient or sustainable in that model. It is an adrenaline fueled process, exciting and ultimately sustainable only until that objective is met or definitively lost. Once the car is caught, intelligent discipline should be applied to introduce efficiency and sustainability to the operation.

To many this sounds like tedious, bureaucratic effort and consequently many businesses devote only a token effort towards this design. Unfortunately, this often orients business towards top-heavy (high cost) organizations with frustrated employees and problems with unwanted attrition. The most common root cause is that jobs are inefficiently designed.



Jobs are fundamentally just collections of tasks to be performed and decisions to be made. While many jobs have a commonly understood standard set of responsibilities (e.g. CFO), companies have complete freedom to design the jobs in the organization however they choose. Few businesses exercise this freedom to the full benefit that they should.

At this point in the evolution of a company, the set of tasks and decisions that will be regular to the business (and some that will be irregular but predictably necessary) should be known. Some are getting addressed based on intentional design of preliminary jobs while others are the result of volunteerism or just-in-time (i.e. not thoughtfully reasoned) assignment. Here, most companies delegate the task of creating job descriptions to a senior leader (usually an HR leader if one is available in the company) and that person begins to fit tasks into whatever organization design and role titles are most familiar.



However, there is a must better way to ensure early and sustained efficiency:

- 1 Start by inventorying the critical tasks that have a material impact on the ability to serve the customer and inventorying the skills, capabilities and passions of the existing (initial) employees/owners.
- 2 Organize these critical tasks based on the existing employees most qualified to successfully execute them.
- 3 Prioritize the tasks based on the uniqueness of the employee to successful administration of the tasks and the potential of that employee to add greater value in those tasks that other more junior employees (current or generically available in the market). Identify a manageable expectation of workload from the top priority items and move the rest to the side. If sufficient additional bandwidth exists for the employee to take on more responsibilities, add to the job based on the interests of the employee to do other non-critical tasks topically relevant to him/her.
- 4 Collect the tasks that were moved to the side in the previous step and add non-core activities that need to be addressed (e.g. administrative tasks). Group these by related skills or experience needed to perform them and/or traditional functional groupings (e.g. human resources, finance)
- 5 Capture the collection of tasks and decisions for existing employees as their on-going job descriptions and combine the leftover tasks into job descriptions to be hired

Many companies allow themselves to become bogged down by concerns about organization structures and governance. While very large organizations often have deeply rooted cultural expectations around reporting lines and decision-making authorities can cause significant transitions in roles to be more arduous than in smaller organizations, this should not deter them from challenging the status quo and designing an organization that optimizes the use of its people. This should be the starting point for the design even if practical constraints push the implemented design towards traditional expectations.

With this approach, reporting lines become a natural outcome of the job definition process instead of a constraint to the augmentation of the employee population. Governance models are freely influenced by the operational boundaries set forth as part of the mission of the business rather than being force-fit into the defined reporting lines. Together this results in the people not only having the right amount of authority, but also the right amount of responsibility as decision-making authority naturally gets pushed lower instead of higher in the organization freeing senior leaders to focus on topics where they add the most value.



Planning for success

Having developed a vision for how the business needs to operate which is both anchored to the specific needs of the primary customer and optimizes the use of the existing talent in the organization, plans need to be designed and set in motion to grow. At this point, another hidden pitfall exposes itself to leaders: the shift from unbridled optimism to risk aversion.

Prior to the seminal event that we have called “catching the car”, the team most likely pursued the goal with significant, possibly even reckless enthusiasm. The risks that were taken and the passion applied brought the company to the point of success that it now looks to expand on. However, an interesting psychological phenomenon happens for many people at this point: the fear of losing something becomes more significant than the fear of never having it was.

Interestingly, this increase in fear is not justified by increased likelihood of business failure. Regardless of how you define success of the business, the unavoidable reality is that achieving one significant goal does not make a company less likely to achieve the next goal than they would have been if it had failed to achieve that goal. Yet many business leaders become much more risk averse the moment they catch the car.

To the extent that business leaders were successful based on objectively reckless decisions, a modicum of additional risk aversion can be healthy, but too often organizations are designed not for the success case, but for the minimal downside risk case. Deciding to hire for the needs on day 1 of having caught the car means that either the business will be constantly playing catch-up or not growing.

Even under the best conditions, it is rare to complete a recruiting cycle from defining the need to on-boarding an employee in less than three months. For complex or senior roles, the cycle often requires at least 6 months and when a company commits to only hiring unicorns (ideal candidates) the timeline can extend much longer. Thus hiring based on the current business, not the successful business 6 months from now limits potential.

Savvy businesses continue to aggressively, but not recklessly, pursue their goals after catching the car. They keep their stride and design and hire an organization that supports them in success recognizing that the loss of momentum and opportunity cost of not having enough support to sustain progress is far greater than the cost of having excess bandwidth in the face of poorer than anticipated business results.



Understand and sell a vision from day 1

Part of being able to build a team and to serve your customers well is to have a vision for the organization. This must speak to both:



The success of a business “catching the car” shows a level of maturity in vision for why customers want to use the business. However, the question of why employees should want to work for the company can be an afterthought that gets matured only after people have been hired or after a transaction has closed. During this time, employees reach their own conclusions that may include unrealistic expectations that the business cannot deliver or may narrowly define the value proposition they think they are receiving undervaluing what the company is really providing them. Either scenario creates an increased risk of attrition.

Building the vision should be a straight-forward process. By this point, the basic building blocks including: company goals, value proposition to the customer, competitive advantage and company values are known. Much of the value proposition to employees is just a matter of transparent, coherent, and consistent communication of these pieces of information. Simply communicating the value proposition through regular dialog can have a profound affect on the morale and retention of employees

Still, a few critical pieces of information need to be set, many of which are personal or specific to employees:

- **Performance management philosophy** – How are employees going to be measured and kept accountable for their delivery on the job?
- **Compensation** – How are they going to be compensated for their work? This needs to address cash, cash-equivalent and non-monetary elements.
- **Culture** – What will energize and fulfill their spirit in the workplace?
- **Career Opportunities** – How will their involvement and success in the company contribute to their long-term careers?

Often, the combined value of any single components is not as compelling as the coherence, practicality and authenticity of the holistic story. While some candidates make objective, quantitatively supported decisions to join and some employees to do the same when choosing to leave a company, most make decisions under heavy influence from emotion. The most compelling employment package loses significant luster in the absence of a compelling story while even a modest package can inspire an individual with the right story.



Making it happen

If a business waits to catch the car before starting to think through these topics, it is likely to be late adequately addressing the people needs. For new businesses moving from startup to mature business, the time pressure may be less than mature businesses going through a transition, but both ought to be thinking about these topics as the car comes into clear sight.

Maintaining an “evergreen” view of the business identity and ensuring that there is always a compelling story for employees about why they should want to be part of the team is really a matter of good business hygiene. Once put in place, the effort to keep these current and to regularly communicate them is nominal in comparison to the initial effort to get them right.

It is easy to nullify significant potential by failing to attract or retain the right people. It is too common to lose people because they simply did not understand the value they were receiving while in the role they occupied to not pay close attention to these issues. Fortunately, these issues are largely avoidable.

Savvy business leaders entrust the delivery of these topics to a senior member of the

business leadership. Abdicating the responsibility to an isolated human resources organization not only diminishes the importance, but it chokes the flow of critical information into the process. This is not to say these leaders shoulder the entire desire burden.

Certain support from the human resources organization and outside support (if desired) should be included to support the business leader, but he/she must champion the effort and own not just the outcome but also the design process. Execution of the resulting processes (e.g. recruiting and on-boarding of new employees) of course become of the responsibility of the human resource function (or equivalent if in a small organization) to deliver, but the plan must be championed by a business leader for optimal results.

Fortunately for the business leader taking on this burden, these activities should be fun. It should be exciting to grow the business. It should be exciting to talk about success: how it is captured, measured and shared. It should be exciting to create new, exciting and differentiated opportunities for current and future employees. In short, it should be exciting and fulfilling to catch the car!

To discuss your situation or topics presented in this paper in greater detail, please contact:



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