

Scaling Your Startup: Having an Effective Growth Strategy



Startups must think about and understand the right growth strategy for their company. The most effective growth strategy for your startup will depend on the market in which you operate and the [stage of your business](#), and knowing which lever for growth you can pull. According to the *Startup Genome Report*, premature scaling is the most common reason for failure of a startup, which indicates the importance of timing.

For startups engaging in [business-to-business \(B2B\) sales](#), the growth strategy will be more complex than for those engaging in online sales.

Growth strategy: Startups selling B2B

Entrepreneurs need to pace their efforts for growth and avoid trying to scale too soon. Startups who attempt to scale their [product development](#) and marketing and [sales teams](#) before they have validated their product and [business model](#) run a risk. The danger is that if you later find you need to pivot during your validation process, you may find that you run out of money, due to having a higher cost base, before you achieve traction.

It is appropriate to think about sales growth when your startup has completed the validation of its business model and you are starting to earn revenue on your product. Your venture is scalable when you have a [business model](#) where you know and can predict how customers are going to buy. You can then scale accordingly in a cost-effective manner. At this point, you can focus on growth and add resources to drive more volume.

Growth activities

Your growth strategy will involve different aspects of your business. You will need to add to your team and build systems to support your increased volume of business. For example, you will need to consider expanding your tracking of analytics, as well as your contact management, email and customer-service capacity.

It may be that an initial investment helps you to [hire](#) and [train](#) your additional sales and marketing team members. At this point, many startups experience a lag before the increased revenue starts materializing, depending on how effective their marketing efforts are as well as the complexity of the [sales process](#).

Growth strategy: Startups selling online

Startups who acquire customers through online marketing and sales (e.g., companies who sell a cloud-based service or app), and not through a B2B sales process, experience more linear growth. The best practices outlined above would not apply to them. For these types of startups, the process to sign up new customers is automated and more predictable. Startups who sell products or services online need to focus on which expenditures (e.g., social media, SEO, Google AdWords) lead to more customers, and then spend and scale accordingly when they have the resources.

Scaling and product shipping

If you are ready to scale your sales and marketing team, and your product is one that needs to be shipped (e.g., an Internet of Things device), ensure you can scale all elements of your manufacturing and shipping process accordingly. Do not let insufficient shipment capacity of your physical product be the problem that holds you back.

Scaling and hiring: What to know when growing your startup's team

Before [hiring your new salespeople](#), ensure you have a good employment agreement in place. This will facilitate the scaling of your team. Think through the sales incentives (variable compensation) that you will offer to motivate your team.

Before hiring, consider whether the [job candidate](#) can function in a startup environment, which by nature differs from one at an established company. Keep in mind that every single employee can have an impact on your [company culture](#). Identify your [company values and culture](#) beforehand and ensure any new hires are a good fit.

If you hire employees who do *not* fit your company, you risk that:

1. They will not strengthen your team or business objectives
2. Their presence will have a detrimental effect on your existing culture and the morale of your other employees

Scaling your startup: Understanding which lever to pull

When the time is right for scaling, understanding the right lever to pull is crucial. There are two levers: you can either increase quality (which typically means adding experience or expertise) or increase the amount of activities (adding more capacity to your resources). The right lever to pull depends on the complexity of your sales channel.

B2B sales

B2B sales involve a complex decision-making process—often the best lever to pull is to increase quality. This may mean adding a senior or more experienced salesperson, one who thoroughly understands your market, each customer’s unique situation and your [value proposition](#). Often this “quality” develops as a function of time and experience. The salesperson to fill this role will be a “[hunter](#).”

In situations where startups engaging in B2B sales can [close sales](#) with a straightforward, predictable process with proven results, they can increase these activities in order to scale (i.e., they can add more resources to achieve more of the same results). For example, this could mean adding more

members to your sales team or leveraging metrics from Google to replicate past successes.

Online sales

Online sales have a less diffuse sales channel than the B2B market. With online sales, the product is usually pre-packaged and well understood. In this case, often the best lever to pull is to increase activities. Once you have identified the sales and marketing efforts to which your customers respond, you can leverage this predictable process. This may mean adding more salespeople, or more money to a certain campaign, or targeting your online advertising in a particular way. This type of lever can be pulled by a more junior salesperson than the hunter mentioned above.