

Are you ready to scale?

74% of high growth start-ups fail due to premature scaling

In other words, these companies focused on growing before the company, product, team, financials, or business model was ready for it. And for those that get all their ducks in a row before they scale, they end up scaling 20x faster than those that scaled prematurely. This is based on a study that the Startup Genome Project did of 3,200 high-growth start-ups. So, wow. That's a good sign that understanding if you are ready to scale before you scale is important. So let's check now.

This is a self-assessment for you. A check-list. Like one you make before leaving for holiday to make sure that you have everything you need. So be honest with yourself as you go through this.

1. **Market Size:** My total business market size that I am pursuing is in the range of
 - a. Less than \$1B and not growing very fast
 - b. More than \$1B and not growing very fast
 - c. More than \$1B and growing fast

2. **Market Attractiveness:** My target market is characterized by:
 - a. Low barriers to entry and lots of competitors. Oftentimes price plays a role
 - b. Some barriers to entry (e.g. regulatory, capital requirements, relationships)
 - c. High barriers to entry. Industry profit margins average above 20%

3. **Scalable Business:**
 - a. Our business is bespoke and custom.
 - b. Our business has some scalable elements to it. As we grow, our business becomes disproportionately more valuable because we have one of the following: increasing

returns, viral dynamics, economies of scale, or an embedded technology that gets smarter over time.

- c. Our business has lots of scalable elements to it. We have almost no incremental costs for each additional unit and more than one of the above elements that make our business more valuable as we scale.

4. **Purpose and ambition:**

- a. We have a 1 year plan for the business and our goal is to grow it enough to make a nice exit in a couple of years. I have always wanted to be my own boss and enjoy running a small company. If we scale, that's great. But my hockey team is also important to me.
- b. I have a 5 year goal for where I want to take this company. I think there is a chance that this company can change my industry / customer problem / world for the better.
- c. I am on a mission – this business is my way of solving this important societal need and I am not going to stop until I solve it. If this business goes bankrupt, I will find another way.

5. **Diversity of customers:** How many customers do you have that you DID NOT KNOW before starting the company?

- a. All my customers are friends or people I knew before I started the business.
- b. My customers are primarily forward-thinking people in my space who have an interest in seeing my business succeed.
- c. My customers were not known to me before this company. They responded quickly to our cold calls. They seem to have a strong need for my solution. We got their attention really quickly as they were searching for a solution to the problem.

6. **Engagement:** How core is your product to your customer's business? How much pain would they experience if the product is removed? Will they care if your site goes down?

- a. My customers view my product as a nice benefit but sometimes they delay signing up for it or delay using it by weeks or months.
- b. My customers have told me that my product is critical to their business or life and yet they still sometimes delay in using it or buying it.
- c. My customers use my product on a daily basis and it is core to their business or life. If we removed the product, they would suffer a major loss in productivity or happiness. They sometimes email me to ask when they can have more of it.

7. **Do customers love your product:** Are you measuring customer satisfaction?

- a. I sure do hope so. But I really don't know exactly. Every once in a while I get an email complaining about the product and we work to address that when we get it. And when I meet customers, many of them tell me the product is great.
 - b. We measured customer satisfaction levels once last year. Or perhaps it was the year before that. We use a tool such as NPS or by asking the question "if we told you this product was no longer available, would you be very disappointed?" or another metric that we feel best measures our customer satisfaction levels. And we are scoring e.g. around a 0 for NPS. Customers like the product ok.
 - c. We regularly measure customer satisfaction levels with one of the tools mentioned above in answer b. And we are scoring e.g. a 60 for NPS. Customers are ecstatic about our product or service. We get that customer fanatic behavior of people putting our logo on e.g. their laptops and posting on social media about us or emailing us to ask when the next version of our product will be out.
8. **Word of mouth and virality:** How are you acquiring new customers?
- a. All of our sales require outbound cold calling, and we are paying for leads.
 - b. Our sales are mixed between outbound cold calling and inbound leads. People are starting to search for solutions in our market.
 - c. Most of our sales are generated from inbound leads and customer referrals, which is shortening our sales cycle. We need to ramp our onboarding efforts to handle the volume.
9. **Competitive Edge:** Why can others not copy you?
- a. We launch fake it until we make it. We often sell something and then figure out how to deliver it. Currently, our competitive advantage is that we are agile and fast.
 - b. We have an edge (IP, technology, skills or a relationship) that gives us a head start in the eyes of our customer. However, it is a fast-moving market and competitors are either copying us or developing their own competitive edge almost as fast as we are.
 - c. Our competitive edge is so distinctive that a big player may buy us.
10. **Learning Velocity:**
- a. It took us a long time and a lot of money to develop our first product and it didn't take off right away. But we then learned from our customers and had to rework a significant part of the product.
 - b. We prototype products and get customer input before we launch.
 - c. We are constantly embarrassed by how bad our products are when we launch them. We launch in beta stage and once we are in the market and are constantly iterating.