

WHY

GOOD

STARTUPS

FAIL



Source: Harvard Business Review

The Fear Of Structure

As you add structure you have to bring in functional specialists who understand how to carry out those specialized tasks so that they can be done more effectively. The challenge here is how one can bring in structure whilst still maintaining the entrepreneurial spirit

To avoid this, define specialized roles along with hiring functional specialists gradually while still reinforcing the entrepreneurial spirit



TAKING THE VERTICAL STRUCTURE TOO FAR (OR NOT)

When the company is small, the decision-making lies in a few hands making it much easier to make quick calls. The flip side is not adding enough layers — the founder or CEO wants everyone to report to them — which becomes a bottleneck for quick decision-making.



MAPPING YOUR PATH TO THAT OF ESTABLISHED COMPANIES

One cannot simply follow in the footsteps of established startups and try and replicate that. Is your endpoint to be a mid-cap company or a large-cap company? There is no single, universal pathway to building a scaled organization, so know your mission

Aim for disciplined growth: chalk out how fast you want to grow and what your play for growth will be and then stick to that mission



CRAFTING THE CULTURE

As you begin to scale and formalize functions, the founder's attention moves to more immediate things and instead of being deliberate about the culture, founders let it evolve on its own.

Hire people in functional roles a bit ahead of the scale-up process so the new hires have enough time to understand and soak in the culture and grow with the startup

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THE CHANGING ROLE OF THE GENERALISTS

When you bring in people from outside for specialized functional roles, older employees could feel frustrated at losing authority. The result could be employees leaving, taking with them the critical tacit knowledge of the business and your culture.

Involve generalists in the hiring process and, and in many instances, this may even entail "hiring their bosses." Domain experts can act as mentors and help generalists find their niches

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PRESERVING THE CASH COW

As the startup grows and you are able to secure more funding, founders may feel that it's time to add more feathers to the cap, taking the focus away from the core business.

One way to ensure focus is to articulate a purpose statement that encapsulates the firm's reason for existence and business plan and to revisit it frequently.



MANAGING PIVOTS

Managing pivots in the firms' strategy and direction is a common challenge faced by entrepreneurs. One facet of this challenge is convincing the firm's key stakeholders of the need to pivot and get their buy-in on the new strategy.

You need to step back and reflect on whether you are in pursuit of the right growth opportunities in your rapidly changing market.



SPOTTING THE RIGHT TALENT

Along with bringing in talent with functional skills, it is also important to bring in those who have scaled a venture before and understand the dilemmas associated with scaling

THE CHANGING ROLE OF THE FOUNDER

As the company grows, founders should find a role that suits their skills and also devise more functional designations, so they know what exactly they're responsible for

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