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One-Pagers_1_Startup Transitions

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Quick Summary: From the initial idea to their becoming a Fortune 500 company, multiple transitions occur.

Abstract:

Apple, Meta, Amazon, Google, and virtually all companies started with an entrepreneur's idea and vision. In every case, the entrepreneur and all aspects of the organization underwent a series of transitions. Some were fast, and some were painstakingly slow. Understanding those transitions helps an entrepreneur maintain a proper perspective on what lies on the road ahead.

Perhaps the Greek philosopher Heraclitus, in 500 BC, was talking about startups when he said, "The only thing constant is change." Hand in hand with that statement is "Uncertainty is the only thing that is certain." All startups move from one state to another. This does not imply they are unstable. Instead, the movement can be thought of as a series of transitions that naturally occur as an entrepreneur moves along their journey. In some cases, the transitions can be abrupt; in most, they involve evolutionary processes. With only a few exceptions, what was experienced in one state continues throughout all of the transitions. Ten separate transitions have been identified as described below.

1. The Stepping Stones

From the idea phase to ongoing customer support, there are 10 sequential steps that most successful companies take. Each has a specific goal and should be used as the focus of the activity. With their initial enthusiasm, it is natural for entrepreneurs to want to skip some steps to reach their goal of creating a highly successful company more quickly. Before they jump ahead, the entrepreneur is advised to consider the simple statement shown for the step they intend to skip. They need to ask themselves what will happen if I do not resolve the issue listed. More than likely, upon reflection, they will realize that they need to take each step, one at a time.

2 Company Transition

Nine different stages have been identified that a company travels through along its journey to success. They can be thought of as waypoints along the journey. In some cases, the company lingers in a stage for months or even years, while in others, they may sail through the stage. Think of the overall journey as traveling up the mountain to success. Along the winding road, there will be very steep stretches, while at other places, the road will be on flat ground. Skinned knees and out-of-breath conditions will be encountered.

3 Business Validation Transition

In virtually every case, the entrepreneur starts with an idea that leads them to their vision of their future success. This simple idea → vision → success process is what inspires entrepreneurs and keeps them

moving forward when major obstacles are encountered – and they will be encountered. However, it is easy for an entrepreneur to fall into the trap of believing so thoroughly in their vision that they lose sight of reality. They must follow a rigorous process to validate their idea and vision. This process is known as Customer Discovery. This is, arguably, the most important activity in the entire startup process. Without it, it is highly unlikely that a proper customer market-product fit will occur.

4 Entrepreneur Transition

The time an entrepreneur spends as an entrepreneur should be very short-lived. Once they begin their journey, they will take on seven new roles, each with a distinct focus and set of responsibilities. In each role, they will perform different activities with different goals and challenges. Rather than leaving each past role behind, they will continue those previous roles as they take on the new ones. Yes, the entrepreneur's life gets more demanding and complicated, but it is worth it!

5 Changing Roles

Mapping the nine Business Stages and the Seven Entrepreneur's Changing Roles provides a useful matrix to help entrepreneurs to determine "what" their role is and "when" they need to embrace it. This mapping helps an entrepreneur prioritize their activities while avoiding feeling overwhelmed by the tasks that lie ahead. Perhaps it the resulting matrix can be viewed as a "when to worry" roadmap. It allows the "worrying" to be delayed or put into the proper time perspective.

6 Revenue Transition

Invariably, startups need money. Raising money, covered in later articles, is virtually impossible in the very early stages of a company. The logical (and best) alternative is to generate revenue to fund operations. For that to occur, the revenue must be profitable, perhaps not from the GAAP perspective, but it should generate cash to pay the ever-present bills. Unfortunately, focusing on profitable revenue first seldom works. There are two other sequential revenue phases required before the focus in on profits. These phases do not alleviate the cash crunch, but they are nonetheless critical for long-term success.

7 Pivoting vs "Pogosticking"

Although the entrepreneur's original vision might remain, the tactical steps to achieve it are likely to change significantly. In many cases, the core idea may not be the best approach or even needed, as determined by objective Customer Discovery. In either case, the company needs to pivot and change some of its tactics or direction. Pivoting involves the careful, objective analysis of what is not working to move to an approach that may work. Many successful companies have made fundamental pivots many times – think of Apple, which started as a hobbyist PC company and is where it is today. Unfortunately, many entrepreneurs "jump" to a new approach when their previous approach stumbles. When that new approach hits a roadblock, they "jump" to another. Think of this situation as the entrepreneur on a pogo stick. On one, the downward force of your weight on the pogo stick's spring results in an upward force taking you to a new unstable position, where the process is repeated until you fall off or run out of energy.

8 Adapt or Die

Currently, the time a company remains on the US Fortune 500 list is estimated to be fifteen years. If even major corporations with their incredible resources have trouble maintaining their position, what does that say about startups? Every company must adopt a mindset of "adapt or die." Markets, customer

requirements, competition, and technology change virtually every day. Perfect product-market fit today may be totally out of sync in a short period of time. The company has only one choice to make.

9 Key Roles

Previously, the changing roles of the entrepreneur were described. From that discussion, it should be obvious that an entrepreneur cannot do it alone. It is unreasonable for them to think they have the skill sets, experience, and time to perform all the tasks required as their startup matures. Developing a skills roadmap detailing who is needed, the skills they require, and when they should be added to the company is critical. It is unrealistic to plan to add all the required specialized resources at the same time. The solution is to add people who can do “double” or even “triple” duty, covering multiple specialties until the full-time need and finances are available. Of course, the entrepreneur, in their “Chief Everything Officer” role, takes on all the tasks initially but will clearly need help.

10 Organization Expansion

Every company needs to develop its own organizational expansion roadmap early in its growth stage. The roadmap will serve as the basis for the company's expense model in its financial plan. It is also helpful to curb the knee-jerk reaction to adding someone after a crisis has occurred, supposedly to address the short-term pain. The model shown should be thought of as a superset of what an organization might require as it grows. Rather than thinking of each entry as a person or group, think of the identified function and how it will be handled today and tomorrow.

Article References

1	Page Number in the Collection									Article No.	Articles Title
	2	3	4	5	6	7	8	9	10		
X										8.040313	The Levels of Discovery
	X									1.030001	The Three Business Phases and Nine Sages
	X									3.010501	Problem, Prospect, and Buying-Customer Discovery
	X						X			2.020103	Someone Will Put You Out of Business
		X								2.010001	Introduction to Seven Principles
		X								2.020101	Overview Chapter 2.02 Principle One
		X								3.010201	What Is Your Goal For The Business
		X								8.0403131	Three Levels of Discovery Presentation
			X							3.010203	Are You the Right Person
			X							8.040312	Your Transition from Entrepreneur to CEO Presentation
				X						3.010502	Two Critical MVPs
					X					3.040202	Three Kinds of Revenue
						X				8.040311	Three Entrepreneur Fatal Flaws Presentation
								X		8.0403041	Who Should Do What, When Presentation
									X	8.0403043	Who Should Do What, When Matrix

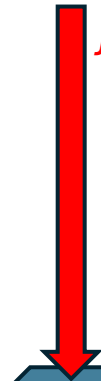
Ten Stepping Stones

A logical and mandatory progression



The Stepping Stones

THE most critical step in the entire journey!



Company Transition


Every startup moves through nine stages on their journey to success. Some stages take longer than others and often stumbling blocks are encountered which require re-trenching. The journey is filled with obstacles and delays but well-worth the effort.

Phase	Stage	Stage Overview
Solidification	1. Thinking of Starting a Business	Thinking of starting a business requires answering some tough questions objectively.
	2. Committed to Starting a Business	Making the commitment to start a business needs to be a conscious, objective decision.
	3. Working Full-Time in the Business	The key to a successful start is to carefully decide what does not have to be done now.
Validation	4. Has a Demo Product or Service	The ability to demonstrate a new offering represents only 10% of the total effort required that has customer-driven capabilities.
	5. Needs to Raise Money	Many steps must be taken before a company should attempt to raise money, including having paying customers.
	6. Has Some Customers	The commitments from customers are exciting, but it starts an entirely new set of challenges.
Coming of Age	7. Ready to Expand	Internal expansion to address increased customer demand requires careful planning and can be costly.
	8. Having Some Operational Problems	Planning for the unexpected is an effective method of dealing with operational issues beforehand. Respond do not react.
	9. Pursuing Revenue	The continuous receipt of profitable revenue is the lifeblood of every enterprise.



Business Validation Transition

External Validation through a thoughtful and rigorous process of researching the company's primary product or service offering is absolutely essential. Many entrepreneurs are convinced their idea will sell. They may be right or wrong. Asking others who are knowledgeable, objective, and candid is essential – this activity must be pursued as early as possible in the business formulation process.




Discovery Level	What it Involves
1. Problem Discovery	Consists of researching the problem -- not your solution. 1) What is the problem 2) What is being done today to resolve it 3) Who has the problem 4) What are its consequences 5) What happens if it remains unresolved, 6) How long has the problem existed?
2. Prospect Discovery	Meet with prospects one-on-one; not surveys or focus groups. Review all of your findings from Problem Discovery. Then and only then, discuss your proposed solution and ask for candid feedback. Avoid making any "yes, but" replies.
3. Buying-Customer Discovery	Problem Discovery is based on your opinions. Prospect Discovery is based on prospects' opinions. Buying-Customer Discovery is based on what prospects DO. It is the only Discover Level that matters. For prospects to buy they must: 1) Believe your offering addresses a known problem they have and want it resolved 2) They can project the business value they will receive 3) your solution is better (as they define it) than the alternatives 6) the purchase is a better use of funds than other items.
An Ongoing Level of Discovery: Repeat Buying-Level of Discovery	Customer requirements and priorities are constantly changing. Have existing customers continued to buy from you? Have their priorities changed? Has competition appeared? Have you kept your offering updated to meet new challenges?

Entrepreneur's Transition

Different Skill Sets and Emphasis Required Throughout the Journey

Title	Entrepreneur	Chief Examination Officer	Chief Everything Officer	Chief Expansion Officer	Chief Execution Officer	Chief Evangelist Officer	Chief Executive Officer
Role	Creator	Investigator	Doer	Builder	Organizer	Motivator	Delegator
Focus / Responsibility	Share and validate your idea	Rigorous Customer Discovery	Perform anything required to attract customers	Hire a team and form partnerships	Lead the effort to create & adopt processes to support orderly growth	Externally focused on "spreading the word" to increase awareness	Provide leadership, focus, and direction. Promote vision and strategy
Activities	Solidify planned approach	Research the Problem	Work alone	Work with others	Direct others to create SOPS	Public exposure	Work through others
Goal	External validation of idea	Validate the problem research with prospects	Obtaining a few Referenceable Customers	Scale operations with a replicable solution	Create scalable process across all operational elements	Increased market presence to help increase sales	Growth of profitable operations while facing competition
Challenges	Naysayer's influence	Objectively understanding the problem independent of the solution	Prioritization of activities	Finding likeminded people	Overcome resistance and feeling of bureaucracy	Allowing time between internal & external activities	Letting go
Key Activity	Finding a mentor	Focus on problem definition and need to resolve it	Balance time and focus	Hire your opposite first	Develop a process for the development of processes	External exposure, prospects, media, investors	Round out team with cultural fit members
Potential stumbling block	Refusal to ack valid criticism, unwilling to pivot	Attempting to define the problem based on planned solution	Focused on one area while ignoring others	Not a scalable solution	Embracing processes, avoid "work arounds"	Lack of resources to carry the ball internally	Lack of revenue growth or profitability. Competition

Changing Rolls

Entrepreneur's Role Change with each Business Phase 

Changing Role -->	Entrepreneur	Chief Examination Officer	Chief Everything Officer	Chief Expansion Officer	Chief Execution Officer	Chief Evangelist Officer	Chief Executive Officer
Primary Focus	Working alone, formulating plan	Working alone, focused on Customer Discovery	Adding a few key resources, MVP focus, external validation	Expanding team and relying on outside services	Leading effort to allow business replication	Raising external awareness with prospects & investors	Splitting time between internal & external activities
Business Stage							
1. Thinking of Starting a Business							
2. Committed to Starting a Business							
3. Working Full-Time in the Business							
4. Has a Demo Product or Service							
5. Needs to Raise Money							
6. Has Some Customers							
7. Ready to Expand							
8. Having Some Operational Problems							
9. Pursuing Revenue							

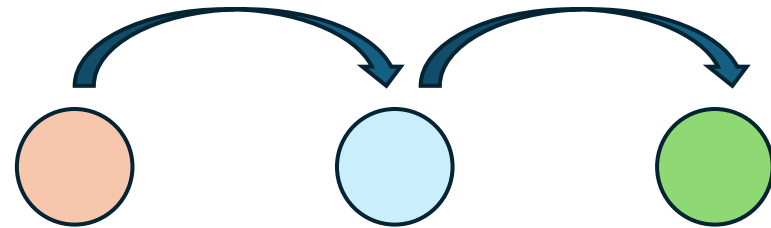
Revenue Transitions

Establish Different Financial Goals for Each Phase 

Revenue Phase	Referenceable Revenue	Scalable Revenue	Profitable Revenue
Market	Any prospects, independent of market.	Focus on “a” market, not necessarily “the” market.	Focus on a large, accessible market that is your “best” fit.
Customers	A few known prospects.	Unknown, identified thru marketing.	Results from mass marketing efforts.
External Validation Goal	Independent validation that your assumptions were correct.	Able to find and fulfill increased customer demand.	Able to run a profitable and sustainable business.
Solution	Minimum Viable Product as specified by the customer.	Release One with roadmap to add customer-driven features.	Follow-on feature rich offering with cost reduction focus.
Sold By	Entrepreneur	A few others.	Large-scale distribution model.
Common Issues	Not enough functionality to be viable.	“Hand” process implementation required.	Lack of market awareness.
Profitability	No, sell at any cost greater than zero! Goal is securing customers, not revenue.	Required investment dwarfs collected revenue. (Especially distribution)	Will be profitable, but initial business re-investment.
Considerations	It’s what other DO, not what you say. Will they tell others?	More of the same probably will not work, must rely on others.	Good gross margins are not enough, “below the line” costs are the killer; more and more “creep in” as you grow.

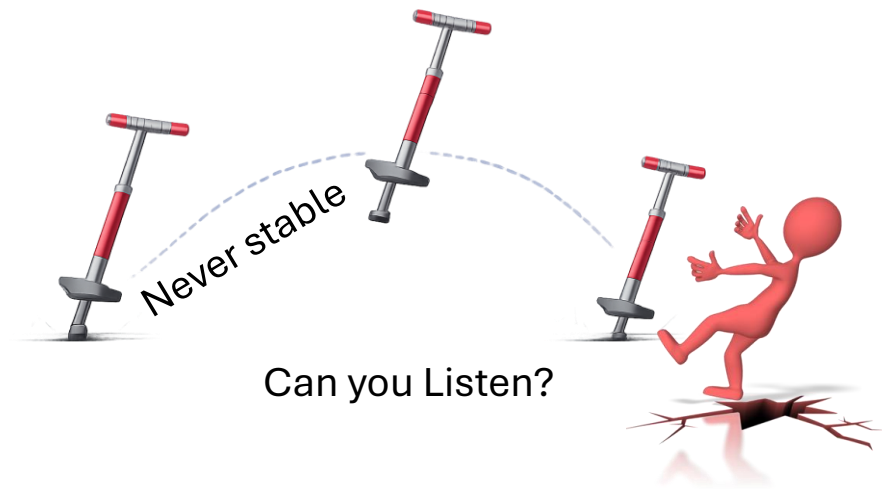
Pivoting or “Pogo Sticking”

Are you willing to pivot based on objective external feedback on your proposed Product-Market fit?



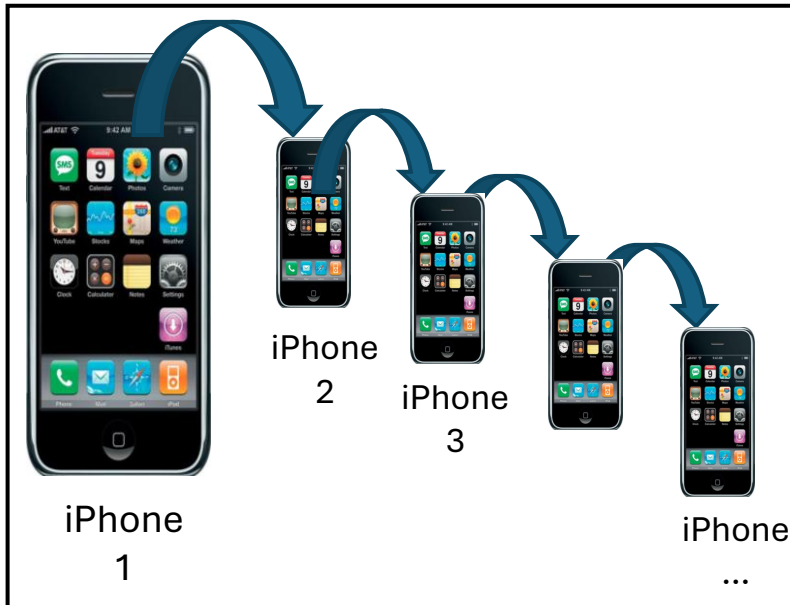
Can you let go?

Do you “jump” from one market to another, trying “different things” to see what sticks?



Adapt or Die

Someone will put you out of business.



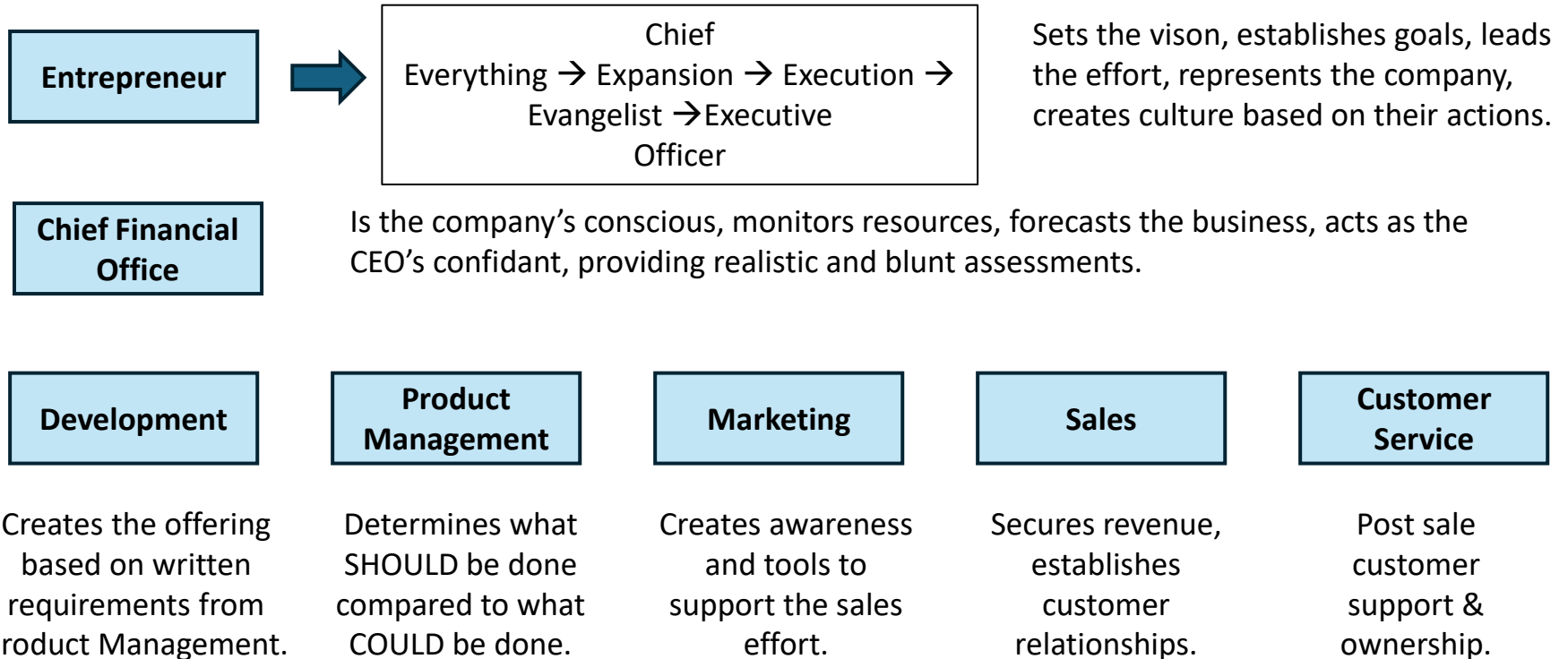
What put the iPhone 1 out of business was the iPhone 2.



What put these companies out of business was the iPhone.

Key Roles

Every company needs all of these functions:
Who does them, to what extent, and when they are required are the only variables.



Other Functions:

H/R, Legal, Accounting, Purchasing, Business Development, Partner Management, Manufacturing, Quality Assurance

Organization Expansion

Sequential Business Stages	Thinking about starting a business	Committed to starting a business	Working full time in a new business	Has a demo product or service	Needs to raise money	Has some customers	Ready to expand	Having operational issues	Pursuing Revenue
Strategy	CEO	----->	----->	----->	----->	----->	Mkt Specialist	----->	----->
Business Development	CEO	----->	----->	----->	----->	Prod Mngnt	----->	----->	----->
Development			Dev Team	----->	----->	----->	----->	----->	----->
Quality Assurance				Dev Team	----->	----->	----->	----->	----->
Product Management			CEO	----->	----->	Prod Mngnt	----->	----->	----->
Marketing			CEO	Mkt Specialist	----->	----->	----->	----->	----->
Sales			CEO	----->	----->	CEO /Sales Rep	Sales Team	----->	----->
Field Support				Dev Team	----->	----->	Cust Srvc	----->	----->
Customer Service				Dev Team	----->	Cust Srvc	----->	----->	----->
Manufacturing /Fulfillment				Dev Team	----->	Out sourced	----->	----->	----->
Distribution Partner							CEO	----->	Prtnr Mngnt
Accounting / Finance			CEO w /Excel	P/T CFO Quickbooks	CFO	----->	Finance Team	----->	----->
Legal / Contracts			Out sourced	----->	----->	----->	----->	----->	----->
Human Resources			CEO	Out sourced	----->	----->	H/R Specialist	----->	----->
Investor Relations					CEO & CFO	CFO	----->	----->	----->