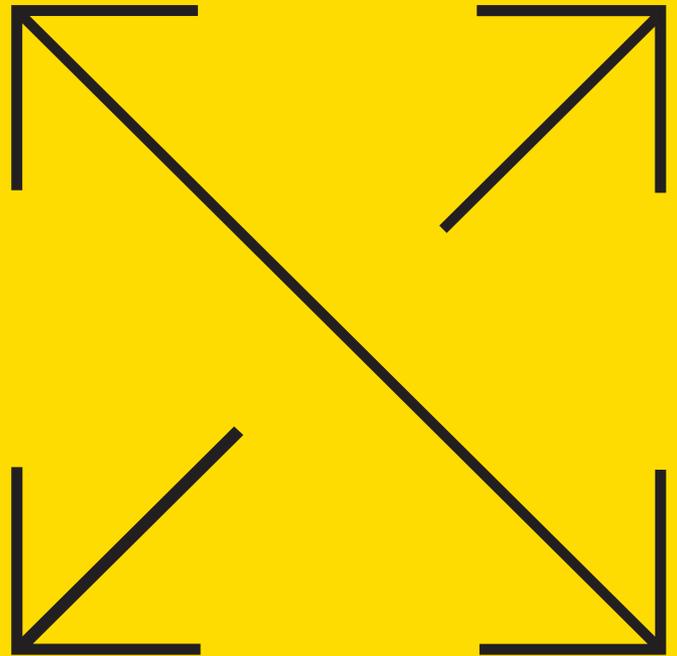


Future**Kings**

**From Startup
To Scaleup:**
mind the
confidence gap.



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Executive summary.



634,116

new businesses formed in 2017

Thousands of new startups are born each year. In 2017 the UK saw 634,116 new businesses form, experiencing no slow down in the number of ambitious founders launching their business ideas¹.



4/10

startups fail after 5 years

Some will survive, others will fail to make it through the first year. But getting past the first year doesn't mean success is beckoning.

One report claims that four in ten startups will fail after five years².



251

startups were asked

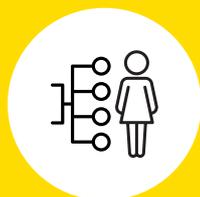
There has been much reported about the challenges of cash flow and funding to sustain growth, but this is only part of the story. As founders scale up, the fundamental challenges of getting their startup organised for growth take more and more precedence.



0 > 5

age range of 0 to 5 years

The following research offers an introduction to the importance of the tasks and challenges startups undertake in their journey to succeed and survive beyond their first years of life.



1 > 250

varied employee size

To conduct our research, we sampled 251 startup founders and senior management teams with a range of questions about their business. Our questions ranged from their ambitions and confidences to their barriers and concerns. The sample group ranged in age, from 0 to 2 years old, 2 to 3 years old and 3 to 5 years old. They also varied in employee size, from a headcount of 1 to 10, 11 to 50 and 51 to 250 employees.

Our research revealed that although there were high growth ambitions, gaps in confidence were appearing in how they organise areas of their business to be ready for growth.

¹ <https://www.informdirect.co.uk/company-formations-2017/national/>

² <http://smallbusiness.co.uk/business-failure-four-ten-small-companies-dont-make-five-years-2533988/>

The problem.



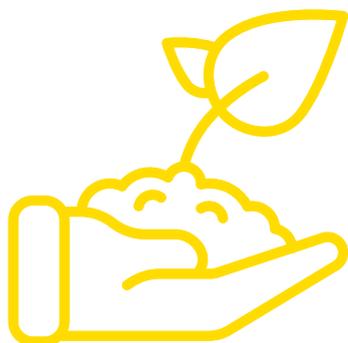
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startups fail after 5 years

Startups make up a large portion of UK business. Successful ventures provide growth and are integral to our economy. Every startup wants to be successful. Their ambitions of scalability range from revenue growth to expanding their products and services, and of course, the desire to survive.

For their ambition to become a reality – to go from startup to scaleup, and not just be another statistic – they need to get their business organised.

Growth ambitions.



“The older and the bigger the startup, the more ambitious their growth targets.”

We know startups have big ambitions, but their confidence in achieving these ambitions varies by size and age of business.

Initially, it appears that confidence grows as startups survive that first year and start to scale.

It appears that the older the startup, the more ambitious they are, with over 45% of 2+ year old startups expecting to achieve over 100% growth in the next 2 years, compared to only 18% of younger startups.

And over 70% were confident or very confident of meeting their targets.

However, when asked about the challenges they faced, both internally and externally, gaps in their confidence started to appear.

It is apparent they are not meeting these challenges as well as they should be.



The challenges.



Startups face numerous challenges when they begin to scale up. To understand the most common, the following challenges were put forward to our sample group, asking how important they thought each one was and how well they thought these challenges were being met.

- Creating a clear vision for everyone to rally around.
- Creating and sustaining the right culture.
- Handing over responsibilities to others.
- Recruiting the right people.
- Creating and communicating a consistent and compelling brand.
- Creating the right customer experience to reflect the brand.
- Creating and developing the right products and services to keep ahead.
- Being responsive to market conditions and planning ahead.

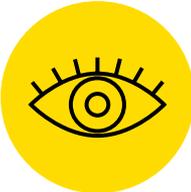
Despite these internal business challenges being considered important by the startups, their confidence in meeting these challenges varied.

The importance of one united vision.



For any startup it's essential to have a clear vision for everybody to rally around. The whole business needs to be aligned. Failure to do so can result in a disjointed company with differing views.

Of the startups sampled, 86% were concerned or very concerned about meeting the challenge of creating a clear vision for everyone to focus around. Our research shows how important this is to help define and organise other areas of their business.



86%

concerned about creating clear vision

And as we see from the research, this needs to permeate all areas of the business.

Culture: creating and sustaining the right working environment.



96%
agree their vision
and purpose is key

“As a startup, founders are often too busy on the growth aspect of the business to focus on the company culture.”



35%
concerned challenge
was not being met

Creating and sustaining the right culture is another crucial aspect of maintaining a startup. When people are happy in their working environment and its culture, this can increase the performance and productivity of the business, making it more likely to succeed.

Of the startups sampled, 82% said they were concerned or very concerned with creating and sustaining the right culture, while 35% were concerned or anxious that this specific challenge was not being met. When 96% agree their vision and purpose play a key role in defining their company culture, this presents a problem.

As a startup, founders are often too busy on the growth aspect of the business to focus on the company culture. But, creating and sustaining the right culture within the business can have a positive impact on all aspects of company life, so it's crucial this is not forgotten.

Letting go: knowing when it's time to delegate.



82%
concerned about delegating



1/2
anxious challenge not met

As a business grows, the founder will have to start delegating. Handing over responsibilities to others is a milestone in the journey of a startup, but as a company grows and the founder's time and expertise are stretched, this becomes imperative.

As Corinne Putill observed in her research: 'Founders often refer to companies as their babies or children. If that's the case, they should remember that knowing when to relinquish control and let a child grow on its own is one of the most important decisions a parent can make.'³

But founders recognise this challenge, with 82% sampled being concerned or very concerned with this internal issue, with almost half feeling concerned or anxious about how well this challenge was being met.

External research further supports our findings. A report commissioned by the Chartered Management Institute (CMI) and Chartered Association of Business Schools, called Growing Your Small Business, found that 44% of the companies founded in the UK had failed, and incompetence or poor business management was to blame in 56% of cases⁴.

³ <https://work.qz.com/1125919/we-finally-have-proof-that-visionary-founders-make-the-worst-ceos/>

⁴ <https://www.telegraph.co.uk/finance/businessclub/11864369/Incompetent-bosses-behind-start-up-failures.html>

Recruitment: the good, the bad, and the struggle to find the right people.



75%
concerned about bringing
the right people in



1/3
lacked confidence in recruitment

“It’s vital for founders & CEOs to know they have employed the right people - hiring the wrong staff will stall growth ambitions for startups.”

Recruitment and employing the right people is a key component and concern for startups. As they start to scale up, founders and CEOs will have to grow their employee headcount to maintain the growth of the business. But this comes with its challenges. CEOs will have to delegate and pass responsibilities on to others - this is when the cracks can begin to show. It’s vital for CEOs to know they have employed the right people who share the founders’ beliefs and buy into their ambitions.

While 93% of the startups we sampled believed recruitment was imperative or important to support their growth ambitions, 75% were concerned or very concerned about bringing the right people on board.

It’s important for startups to define the type of people they want to employ. It’s imperative to attract and retain talent in any startup culture - having good employees can be the difference between survival and failure.

But, when they considered how well this challenge was being met, 1 in 3 was concerned or anxious it was not. Additionally, 1 in 3 lacked confidence in their recruitment capabilities to support their growth ambitions.

In fact, the confidence startups have for their recruitment strategy falls as their growth targets rise.

Internal engagement.

It's imperative to create the right culture to drive growth.



We've touched on some of the common internal challenges each startup faces around culture and vision. Our research reveals that having a consistent, internal programme of employee engagement in place is key in the successful scalability of a startup.

97% agreed that it was important (69% said imperative) that employees understand the business vision and purpose.

Consistent internal communications and engagement is recognised as being of high importance if you want a startup to succeed. However, focus on this begins to fall as other areas - such as revenue growth and target growth - take priority.

As a specific business challenge that startups face, 89% said they were concerned or very concerned about this, while 1 in 3 was concerned or anxious about how this challenge was actually being met.

Other research and literature supports this conclusion. Engage for Success described internal engagement as 'a workplace approach resulting in the right conditions for all members of an organisation to give of their best each day, committed to their organisation's goals and values, motivated to contribute to organisational success, with an enhanced sense of their own well-being'⁵.

Summary

Developing a unified vision for a startup is crucial in recruiting the right people, communicating this consistently to both existing and future employees and ultimately creating the right culture for growth.

To do this a startup needs to have a clearly defined brand that articulates the founders' vision.

⁵ <http://engageforsuccess.org/what-is-employee-engagement>

The importance of brand:

bringing your business strategy to life.



97%

recognised having a clearly defined brand as being crucial to support growth



32%

felt branding did not reflect vision and purpose

“Your brand strategy brings your business strategy to life.”

Branding today is much more than just a logo, design, identity or slogan. It transcends every aspect of the business. It is the expression of who you are, your values and behaviours. A brand strategy should bring to life the startup's business strategy in everything they do, say and create.

As a specific business challenge, having a clearly defined brand was recognised as being crucial to support growth, with 97% claiming it was important or imperative.

But when asked how well they were tackling brand, 1 in 3 was concerned that this challenge was not being met.

More worryingly, 32% felt their branding did not reflect their startup's vision and purpose.

The consequence of this is that the business is not consistently aligned across all internal and external areas.

Consistency: communicating a consistent brand to win customers.



95%

believe consistent brand marketing is imperative



32%

claimed no to low consistency



28%

anxious about the effectiveness of their brand marketing

It's no surprise that 95% of the startups we sampled believed that having consistency of brand marketing was important or imperative to support business growth.

But what was surprising was that 28% were concerned or anxious about the effectiveness of their brand marketing, while 32% claimed low to no consistency in how their brand was presented through communications.

It's obvious that startups see the value of brand. Communicating a consistent and compelling brand is crucial - without it they won't build customer engagement and loyalty.

Customer experience:

delivering a consistent, defined brand experience.



96%

of the startups agreed that their purpose and values should help define their customer experience



88%

said it was an important challenge

“A startup’s customer experience needs to reflect their brand values and purpose.”

Startups need to design a customer experience that reflects who they are and what they stand for, and 96% agreed that their purpose and values should help define their customer experience.

In a recent article, Amanda Forshaw explained: ‘A brand customer experience is where the brand’s essence, promise, values, and all that it stands for, come alive through its customer experience.’ Forshaw continued: ‘It is puzzling that only 18% of companies use their brand as the base for their customer experience strategy, according to a recent report from Forrester.’⁷

Of the startups sampled, 88% said that this was an important business challenge they were concerned or very concerned about, but 1 in 3 expressed concern or was anxious that this challenge was not actually being met.

What is more, confidence in creating the right customer experience consequently dropped with older startups with higher growth targets, again suggesting other challenges were taking priority for founders.

⁷ <http://customerthink.com/the-customers-experience-now-defines-the-brand/>

Beating the competition: creating and developing products to stay ahead.



84%
agreed an important
challenge for business



36%
concerned challenge
was not being met

“Startups must create a clear space for their product or service to be number one.”

A big challenge that startups face, and one that frequently contributes to failure, is how to create and develop the right services and products to stay ahead of their competitors.

84% of the startups agreed that creating and developing the right services and products to keep ahead was an important business challenge, but again 36% were concerned or anxious that they were not meeting this challenge.

But it's not just about developing products, it's crucial that startups respond to changes in the market and have the right processes in place. Our research found that 88% were concerned or very concerned, while 36% were concerned or anxious that they were not responsive enough to market changes.

Conclusion.



No shortage of ambition.

There is no shortage of ambition amongst startup founders in setting their growth objectives. Getting past the initial startup challenges of getting funding and market traction is only the start. Preparing the business for scaling up brings with it a whole new set of challenges.

Founders recognise these challenges and their importance.

Our research shows that founders recognise these challenges are important. Ensuring the founders' vision and purpose is integrated throughout the business and not lost as they scale is imperative across all areas of the business.

Gap in confidence.

Even though these challenges are recognised, and in many instances seen as imperative for growth, confidence dropped when founders were asked how well they were actually performing in these key areas.

This is the biggest challenge of all: getting the business organised for growth.

A brand strategy to bring your business strategy to life.

Consistently in our research, founders have said that their vision and purpose need to guide all areas of their business. From internal engagement and recruitment strategy, to marketing communications and defining the customer experience, having a clearly defined brand is imperative to support growth. And yet a third were not confident this had been met.

Fill the gap, getting organised for growth.

At Future Kings, we help startups get organised for growth. We work closely with founders to help clearly define and then activate their vision, values and purpose.

We do this by creating a single, powerful Organising Idea to put at the heart of their business:

1. It defines and orchestrates the total employee and customer experience from the inside out.
2. It underpins and unifies your purpose, values and culture.
3. It encapsulates the fundamental truth about an organisation.
4. It establishes a platform to drive change and behaviour.
5. It helps bring people together, to inspire innovation, to improve people satisfaction and drive performance.



Thank you for reading our whitepaper.

If you have any questions or would like to discuss how we help scaleup businesses get organised for growth, please get in touch.

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