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GROWTH

EVERYTHING
you need to
KNOW
before you can
GROW
your business

CONTENTS

Introduction

Businesses tend to grow naturally. But that growth can be dangerous, especially if you've never grown a business before.

There are a lot of things that can go wrong. Growth means more work and more people working for you. But things break when you grow. Before you know it, you will lose control, expenses will eat up all the profit, your product/service won't be up to the standard anymore, you'll be drowning in emails, and you won't know where your head's at any more.

It will all culminate with you lying awake at the middle of the night as you wrestle with the thought of shutting it all down.

This book will help you prepare for growth so you can avoid common mistakes every business owner makes when growing their business.

This book is for:

- **1 going on 3**: solopreneurs who think about hiring their first employee
- **3 going on 10**: small business owners who want to expand their team
- **10 going on 30**: business owners who need to hire their first managers
- **30 going on 100**: business owners who need to scale their

organization without breaking it

The book covers everything you need to know before you can grow your business. It will show you how companies grow and how each change impacts the way you have to run your business.

You will learn about important topics, like: Founder's Trap, Leadership Pipeline, Greiner's Growth Curve, systematic employee onboarding, talent management, processes, client profitability, and more.

This book will change how you think about your business. It will give you the insight you need in order to be a truly successful entrepreneur.

But most importantly, it will help you sleep peacefully, knowing that everything is going according to the plan.

PART I

TOTAL BUSINESS RE-CONFIGURATION

Chapter 1: Why Businesses Don't Grow

Roughly 50% of new businesses fail within the first 4 years. The most common reason why new businesses fail is because business owners try to do everything and end up burnt out.

This is because new entrepreneurs focus on technical things instead of focusing on running a business. To avoid this, you need to know when it's time to change your approach.

The most common startup story

Most entrepreneurs, like you, start their career as an employee. You are very good at what you do but one day you get tired of having someone else take all the profit for your work. You'd be happier working 80 hours for yourself than 40 hours for someone else.

So you decide to start your own company and do the same work you do now. Only this time, you don't have to share the profit or work for a wage. Everything you do, you get to keep.

Because you are the technician, the soul of the business, you can personally vouch for quality as you're the one delivering it.

A year passes and the business is doing great. Clients are happy and profit is good. But there's problem: the business is so good and there's so much work, you need to expand. This is where the troubles start.

You, who are primarily a technician, now also have to be a manager. You need to hire somebody, teach and delegate work, and plenty of other things.

Somehow, you find your employee #1. Employee #1 is also a technician but they learn how to do other things too. They take care of half the things in the company (like accounting, hiring others, etc.) while you keep delivering on the technical work.

As amount of work grows, so grows the number of employees. But as new people come, work becomes sloppy and isn't up to your standard.

So you spend most of your time correcting mistakes and nitpicking. Others resent you for it but you're the boss. Slowly, you start to hate what you do and think to yourself that criticizing others isn't what you started the business for.

Somewhere along, your employee #1, your key player without whom you can't function, gets a better offer and leaves. You end up having to single-handedly run the business you don't know much about anymore because half the know-how just leaked out of your company.

You feel burnt out and you don't have the energy to deal with managerial issues. Clients push you for quality, employees push you for time, and your private life starts to crumble.

You try to please everyone but it doesn’t work. You keep dropping the balls and feel that something’s gotta change.

Your three options

To sum up: you feel burnt out, lost, disillusioned, and betrayed.

What to do?

> *“In any situation in life, you only have three options: you can change it, you can accept it, or you can leave it. What is not a good option is to sit around wishing you would change it but not changing it, wishing you would leave it but not leaving it, and not accepting it. It’s that struggle, that aversion, that is responsible for most of our misery." – Rainn Wilson*

You have three options:

- **Accept it**: try to do the best you can with what you've got and feel miserable every time you get out of bed
- **Leave it**: close the business and return to doing technical work as an employee or a freelancer
- **Change it**: rethink your business and your role, and build something better, smarter

Accepting it and leaving it are pretty much straightforward options. But changing it requires a much bigger effort. If you want to change your business, you first need to know how companies grow and how your role changes.

Chapter 2: How Companies Grow and Die

What do giants like McDonald's, Apple, Starbucks, and Walmart have in common, besides having more than 100,000 employees?

They all started small with no more than a few people, and then grew. Can you imagine the road Walmart had to journey from a humble Five and Dime store in Arkansas to a global empire consisting of 11,000+ worldwide stores and 2.3 million employees?

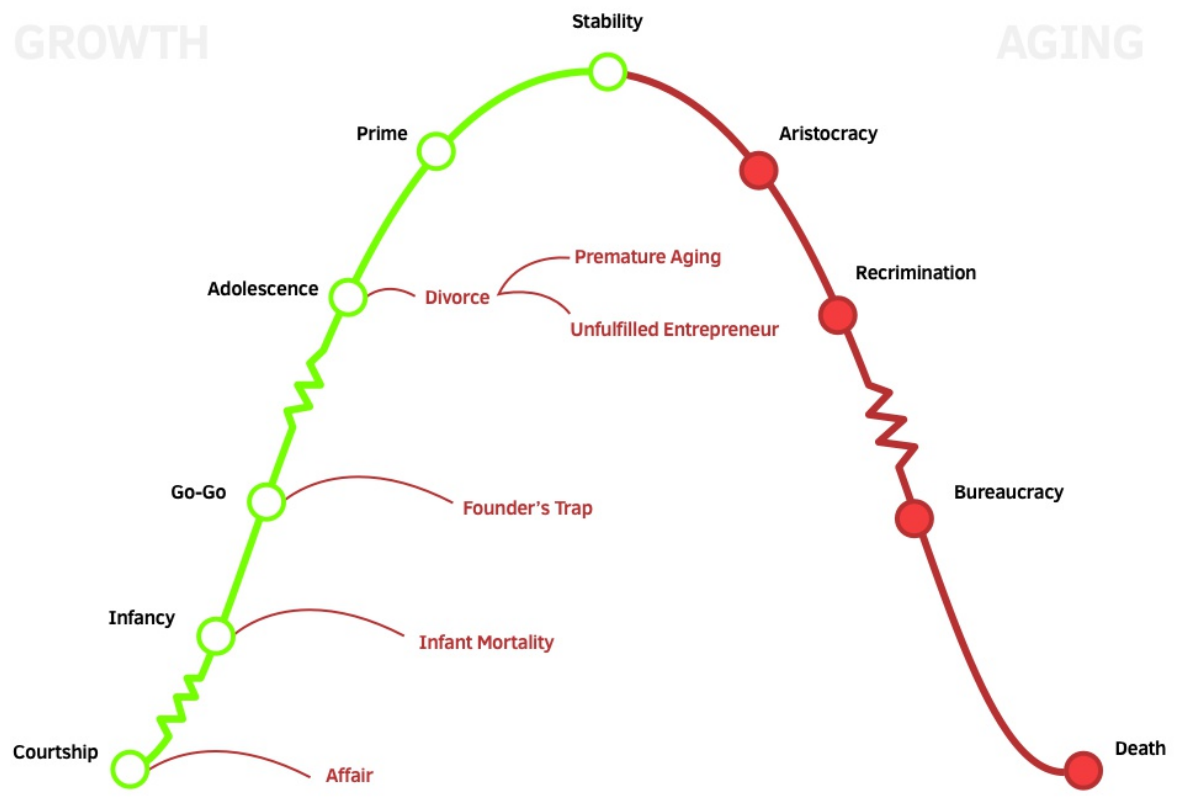
During that growth, they had to change how they work and each growth stage brought new challenges.

All the big companies go through the same growth stages, regardless of the industry. Apple had the same problems going from 2 to 30 to 1,000 as did Ogilvy & Mather.

If you want to grow your company, it's useful to know how other companies grew and what challenges they faced. Once you know the typical path, you can avoid common mistakes entrepreneurs make when leveling up.

Ichak Adizes, one of the world’s leading management experts, has developed a methodology that describes the typical lifecycle every company goes through. He compares company growth to human growth where a company grows, ages, and ultimately dies.

There are 10 stages and each brings its unique set of challenges.



Growth stage 1: Courtship

Every business starts as a vision in somebody's head, an idea. The would-be founder dreams up all the thing they could do and spends days and nights in crafting ambitious plans for the future. They tell everyone about their idea, enthusiasm runs high, and everything is rosy. But there is a nagging concern:

> *"What if it doesn't work? What if I fail?"*

This stage is called courtship because the founder flirts with the idea of starting a business but hasn't taken any concrete steps. To get to the next stage, a founder needs courage to take a risk and commitment to follow up on that idea.

The courtship stage ends the minute the founder decides to make a commitment and assumes risk (like renting space, acquiring equipment, or taking a fulfillment order).

Danger: Affair

A business can die before it's even born if the founder doesn't make a commitment and abandons the idea.

Growth stage 2: Infancy

Once a founder takes the risk, a business is born. An idea becomes reality and it needs to start producing results. Each sale is a special event and everything is action-oriented. Business will do anything for a sale. There are no processes or a systems, and nobody pays any attention to paperwork.

Founders work 16 hours a day, every day. They don't have time for personal life because the business that needs constant attention is like an infant. Decisions are crisis-driven. There are new problems every day so rules and best practices are created along the way. Energy is high, consistency is low.

In order to secure a positive cash flow, long-term planning takes a back seat. Everyone is busy trying to keep the business afloat. Firefighting is the way of life. Each day brings unique situations which require creativity and the ability to make decisions quickly.

Introducing processes this early is a mistake because things change too fast. What worked one day won’t necessarily work the next. Founders are deeply involved in the technical work and day to day operations, and delegate only if forced to.

Danger: Infant Mortality

There's a great possibility the business will die due to a lack of sales or commitment from the founder, negative cash-flow, or if the company stays in infancy too long (at which point people will give up due to continuous pressure and no compensation).

Growth stage 3: Go-Go

The business is making money consistently and growing rapidly. The company is optimistic, confident, proud, and takes on more than it can handle. As a result, it has to grow rapidly. It has a vision about where it can be and there are opportunities around each corner.

The business tries to chase every opportunity it gets and has trouble staying focused. People are spread thin due to all the work. New people are introduced but there aren't enough processes to coordinate everyone. Work gets sloppy and quality suffers.

Founders organize the company around people rather than functions but keep interfering in everyday work. They keep trying to run everything but they keep dropping the ball. They need to hire their first managers and offload control and decision-making.

Danger: Founder’s Trap

If the founder doesn’t delegate control, the company's growth becomes limited by how many people they can personally manage. The founder ends up a bottleneck. They have to decentralize decision-making so people can pursue initiatives without having to ask permission for each and every thing.

Growth stage 4: Adolescence

As the founder lets go and hires chief operating officers, the company needs a new organizational chart. Transition from Go-Go to Adolescence is often rocky and filled with internal conflicts as founders have trouble handing over the reins. This happens because the professional managers see the work as just another job, while the founders see the company as their life.

During adolescence, the company suffers a temporary loss of vision due to conflicting attitudes. Too many projects are started in the Go-Go but few are followed through. So the new management’s first job is to consolidate existing projects and reorganize. They also need consistency and a way to measure progress. So, they introduce processes.

A company in adolescence is in constant conflict and confusion, like a teenager. Leaders can't agree on a direction and what risks to take. But once they resolve their conflicts, the company reaches its prime.

Dangers: Divorce

If management can't resolve their conflicts, one of the two things happens:

- **Unfulfilled Entrepreneur**: Professional managers leave the company and the company stops growing, thus failing to reach its full potential.
- **Premature Aging**: The founders decide to retire or sell the business. Administratively-oriented technocratic managers take over and cut costs, which briefly improves profit. But then they run out of ideas. Without a creative energy and founders vision, the company stops growing and stagnates.

Growth stage 5: Prime

When the management and the founders settle on a clear vision, magic happens. The company reaches its prime and everything comes together. Efforts are disciplined yet innovative. The company is agile and produces results consistently thanks to strong processes.

It has the same energy and aggressiveness like in the days of Go-Go, only it's much more predictable. Due to having more people, it can accomplish more, do it better, and make gains in efficiency due to the constant improvement of processes.

The management has a strategy for improving services/products and employee satisfaction. Companies in their prime have trouble finding talent because their standards are high and they need a lot of people. At this point, they start developing talent in-house instead of relying on the outside.

The biggest danger for companies in the prime is complacency and becoming satisfied with its success.

Growth stage 6: Stability

The transition from prime to stability happens so quietly and take so long that no one even notices. But this is the most profound transition as it marks the beginning of the end.

The company is now the industry leader but it doesn't have the same drive and hunger as before. The company welcomes new ideas but with less enthusiasm. Financial people are running the company and in order to please the shareholders they focus on short-term results rather than investing in R&D, which is needed for future growth.

The top management becomes comfortable and doesn't want to change the status quo. They have a success formula and are reluctant to touch it. Company politics also become an issue. People are more focused on how something is done and processes than what is done.

The company is so big by this point that it’s very slow to answering changes. The only way from this stage is down.

Aging stage 1: Aristocracy

As company ages, it refuses to change how things are done. Leaders rely on the past to carry the company forward, but that's not possible. Companies die if they don't grow and change. But making waves and innovating are discouraged in aristocratic companies. So the company starts to degenerate.

It starts losing touch with the market and outside conditions. The company makes more money than ever before but it has no new initiatives where it will invest that money. Management at this stage often rewards themselves with hefty bonuses and huge salaries.

The company stops investing in its own new initiatives but it does spend some money, mostly in acquiring young and innovative startups. This way, it tries to inject vitality back into the organization but the acquired startups only get suffocated due to the heavy top-down administration and bureaucracy.

People in the company place greater importance on dress code, decor, and titles than the actual work. Working in the company begins to feel like belonging to an exclusive country club. Poor performance is tolerated while new ideas are discarded because they threaten the establishment.

The company starts to lose touch with the market and slowly loses customers. No one wants to deliver the bad news to the top until it becomes too late to do anything about it, which sets the scene for the next stage.

Aging stage 2: Recrimination

When management can no longer hide that profits are going down, they start a witch hunt. They spend all their energy on finding a scapegoat and someone to blame, instead of channeling that energy to fixing the problem. Executives fight to protect their turf and there is a lot of backstabbing and petty jealousy.

Managers, usually the most productive ones, either leave or get kicked out. Purges and infighting continue while customers are treated like inconvenient annoyances that distract from the "real problem" of finding the guilty. However, once the scapegoat is found and removed, the problems remain because the problem is not in individuals but the system.

In order to get their profit back, the company focuses on cutting costs, which only hurts the business further.

Aging stage 3: Bureaucracy

The witch hunt drives away any remaining talent and hope for salvation. A new CEO comes to fix the chaos and turbulence. But the new CEO values stability, processes, and repeatable execution, which starts a creative death spiral. The creative people start to leave, yes-men take over senior roles, and company culture changes completely.

All that remains are procedures, policies, and paperwork that choke innovation. The company relies on minute work specifications because it tries to escape the chaos of the previous stage.

At this point, the company is on life support and it can no longer generate profit because almost all the customers have left due to neglect. The only reason the company is still alive is that some kind of external subsidy keeps it afloat, (eg. it's in a regulated environment and has political relevance or it’s of national interest so the government takes over). But once the subsidy is removed, it's the end.

Aging stage 4: Death

Company death is a slow and drawn-out process which can take several years. Once the company can't generate the cash it needs to cover its costs, it starts reducing its size and selling its assets.

The company is a sinking ship but no one feel the responsibility to end it. People simply leave or get laid off until no one remains and the office lease expires.

Chapter 3: Setting Up a Self Running Business

All founders, in order to let their business grow, must learn to delegate and trust others.

Delegating means removing yourself from daily processes. Your business should be able to make money without you. If your business heavily depends on you for its day-to-day activities, you shouldn’t even think about growing it or it’ll fall apart.

The fatal assumption entrepreneurs makes

Most entrepreneurs make a fatal assumption that if they understand the technical side of business, they understand the business. This isn’t true. In fact, this assumption is the most common reason why 50% of business fail within their 4 years.

The founding story is always the same: you, a technician, get tired of working for somebody and decide to start your own business. But after one year, you realize there's more to running a business than simply delivering technical work. While knowing technical details is your biggest assets early on, once you begin to grow it becomes your biggest liability.

When you first start a business, you’re doing one job which you know very well and a dozen others you don't know anything about. But you learn about managing cash flow, client profitability, invoicing, hiring, delegating, and other things as you go.

The real problems begin when you start getting more clients and you have to grow your company due to extra work. But as you hire more and more people, you’ll quickly learn that no one is willing to work as hard as you do and that no one cares as much as you do. You’ll try to control the quality of work and interfere in your employees’ job, but after awhile you’ll only end up burnt out, disillusioned, and bitter.

So before you even start thinking about growing your business, you need to change how you think about business itself and then set processes in place that support growth.

Replace yourself as soon as possible

As your business grows, the work will start to exceed your ability to do technical work. As it grows, it will exceed your ability to coordinate others, check quality, and see what needs to be done. Sooner or later, the work will suffer if you try to manage everything. You will become a bottleneck that delays progress.

The only solution to grow is to remove bottleneck, which in this case means removing yourself from day-to-day operations. And to do that, you must first stop thinking like a technician (or a manager). You must start thinking like an entrepreneur.

You are not your business or the work that comes from it. If you wanted to work on technical things, you'd get a job and spared yourself from all the messy entrepreneurial responsibilities. Your business is not a place where you get to work on technical things but a place where others work. The whole purpose of starting your business in the first place was to get free of jobs so you can create jobs for others.

You can't have a day job at your company because, while you work on day-to-day stuff, no is working on strategy and no one is taking care of making sure your business doesn't fall apart when the amount of work doubles or triples.

Switching to the entrepreneurial mindset won't be easy. This personal transformation will require you to get out of your comfort zone and acquire new skills, new knowledge, and new understanding. You can’t grow your business before you start thinking about yourself as an entrepreneur, a visionary whose job is not to work in your business but shape it.

You’re not responsible for the actual output; you’re responsible for designing the system that creates the output.

For example, if you're in a business of making software, you’re not responsible for the code itself. You're responsible for the company: the employees, managers, clients, processes, and the know-how.

You need to set up a system so one day it can run with minimum input from you. You must build a business that works not because of you but without you. And to do that, you’re going to need processes and set up a self-running business.

Can the business run without you?

Here's a quick test to assess if you're running a good business. All you have to do is ask yourself:

> *Would someone buy my business if I wasn't there to run it?*

The point of the questions is to see if your business functions and makes money even if you’re not there. The less a business depends on you, the more it worths because it’s robust and can be easily scaled.

If you (or your buyer) want to scale a business, that business needs to rely on processes instead of individuals. You have to answer these 3 questions :

- How can I get my business to work without me?
- How can I get my people to work without my input?
- How can I set up my business so it could be easily reproduced in unlimited quantities?

Keep in mind that some businesses are more processes-friendly, and as a result are easier to scale. For example, it's much easier to grow a restaurant than a web development agency. This is because restaurant business is easier to standardize and find employees.

On the other hand, industries that rely on knowledge workers are more difficult to grow because it's difficult to standardize the know-how and train new people. You can train someone to flip burgers in less than a day, but training someone to develop software according to your shop standard will take much longer.

Also, if your business depends on highly skilled people, you're going to have a tough time growing, because highly skilled people are a premium in the marketplace. But even if you depend on highly skilled people, it doesn't mean you can't grow your business; it just means it'll be more difficult.

For example, you may need developers to run a web development consultancy, but you don't need brilliant developers. All you need is a right system that can make good-enough developers produce brilliant results.

The system will also prevent you from depending too much on the mood of your people to get things done. It's better to have extremely good processes and ok workers than ok processes and extremely good workers. Businesses that rely on processes are stable while business that rely on superstars always have to worry "How to I keep my people motivated?" and "What if they leave?".

When creating a system, start from the end goal. Imagine how your business should look like in 10 years and then change it in the present to match the vision. Start by imagining what market purpose the business fulfills and how it makes profit. Don't go into details of how it works. The technician in you might be tempted to jump right to the nitty-gritties of delivering a product but it won't help you set processes.

The point of the exercise is to figure out "How can I give my customers results that are systems-dependent rather than people-dependent".

It's your job to design your business to work perfectly without you having to be there all the time. The business you design has to serve as a blueprint for a thousand more business just like it. That's why you need processes.

Chapter 4: Introducing Processes

You may not be a big believer in processes. In fact, you probably think you'd lose even more time because you'd have to manage the process itself. And you'd be right—if you look at big organizations, most have lots of unnecessary bureaucratic baggage.

This is because the bigger the organization is, the harder it is to communicate and share knowledge, plus there's rules for legal reasons, and to make managers feel like they're in control.

And you're right, processes can hinder productivity. But you're also wrong. The truth is, it's the poorly thought-out rules that really hinder productivity.

People avoid processes and rationalize the decision by telling themselves that flexibility is more important. But by wanting to remain flexible, they put a limit to how much they can grow. Because, at one point or another, you're going to need processes.

Why being flexible is such a bad idea? It all boils down to being reactive vs proactive. Take for instance answering email:

- **No process**: you check email several times a day at random moments, usually when you're procrastinating or switching between tasks.
- **Process**: you check email only before lunch and before going home; for anything urgent/important, there's Slack or

phone.

Problems of unorganized project

By not having a process, you create an illusion you're free and flexible, but that's really not the case. You just shift the responsibility from a self-imposed process to that of your environmentthus loosing control.

Having any kind of process on project is valuable for several reasons:

- In the "no process" system, you react to your surrounding and send a signal that you're always available and ready to drop whatever you're doing. But with process in place, you send a clear message that there's a time and place for everything and that you value your time—and more importantly, others have to value it too.
- You're less efficient as you spend a lot of time in idle mode and you procrastinate more than you should. By establishing a rule, you're creating a safeguard against wasting time. It works just like freezing your credit card in a block of ice to avoid impulse shopping (so if you really need to make a purchase, you have to wait for the ice to thaw)—an obstacle helps you stay on the right path.
- You may have all the know-how in your head, but you'll waste time by having to explain how to do certain things to others. But once you have clear processes, you can document them in a company knowledge base (wiki or

PDFs on a server) and redirect people to it, thus freeing you for more productive things. You can define processes within your project management tool.

Streamlining your workflow on projects

So how do you introduce processes that won't smother productivity? The key is in making processes dead simple and easy to apply. Set too many complicated rules and you'll find others quickly slipping into the inertia of no-process.

Here are some suggestions to get you started:

- Update the company **knowledge base** (like DokuWiki) with new procedures for doing just about anything. Lack of knowledge (and having to seek it out) are the biggest productivity killers. All information should be ready at hand.
- Have a **style guide** that people can consult when they're not sure what font to use, how to name a task, folder, file structure, etc.
- Create **recurring tasks** so you automate task creation for things that should happen every day, week, or month, like: invoicing, reporting, SEO analysis, publishing blog posts, etc.
- Use **subtasks** to lay out every step that needs to be done; for example, a "new blog post" task has several tasks like research, writing, promotion, etc.
- Create **project templates** outlining what needs to be done

for common types of project you do. This gives your projects structure and saves you time from creating a project from scratch.

- Keep a **Kanban board** to track your project progress, spot pain points, and see how to fix them. A project management tool is perfect for this because your team isn't not confined to a physical location and they can track work no matter where they are.
- Enforce the **rules** until they become a habit (it takes at least 2 months for something to become a habit). Only when you internalize and master the rules, that you get to break them.

A little organization goes a long way. You don't need to do the business process mapping or 5S, but have a few rules in place to keep you grounded. You can't avoid processes so you might as well use them where you can, smartly.

And if you're afraid that rules will kill your creativity, keep this in mind:

> *"Telling yourself you have all the time in the world, all the money in the world, all the colors in the palette, anything you want—that just kills creativity." – Jack White*

Innovate-measure-standardize cycle

Once you have processes, you need to keep them updated. The Innovate-Measure-Standardize cycle will help you with that.

The Innovate-Measure-Standardize cycle consists of tweaking something in your business, measuring how it affects the business, and then standardizing the tweak by making it a part of how everyone works.

Start by documenting everything you do in a manual. Document it in such a way that you can give that manual to someone and they can perform the job like you just by following the instructions. Once you complete the manual, hire someone without experience and give them the manual.

As a new employee follows the manual, see where they make mistakes and update the manual. Before long, you'll have a standardized processes for everything. Then you'll be able to let go of technical work secure in the knowledge the work will always be up to the standard.

Think of yourself as a music composer. Your customers want music from you. As long as it’s good, they don’t care if it’s you playing it or someone else. Your job is not to play the music but create the notes and then move on to composing new music. Then it’s your manager’s job to be the conductor, to hire people, train them, and make sure they play the notes right.

Once you have processes in place, you can employ Kaizen, which is a process of continuous improvement. Because you won't be the one doing the technical work anymore, you won't be able to update the manual as work changes.

You need to empower your employees to keep the manual updated.

Encourage your employees to innovate and experiment. Once they come up with an idea, let them test it and measure the impact. If their innovation improves performance, encourage them to standardize the method and update the manual.

This is the best systematic way to improve your business because it's system-dependent and not people-dependent.

While your business keeps getting more efficient thanks to the Innovate-Measure-Standardize cycle, you can work on strategy and make sure the business is moving in the right direction.

Rule of 3 and 10

You need to update your processes as you grow because everything breaks roughly at multiples of 3 and powers of 10.

> *"Every time you triple in size, you need to rethink how you do things" – Phil Libin*

For example, when you're running everything single handedly, everything works. But then there are 3 of you and things are different. You suddenly have to collaborate, make decisions together, divvy up work, etc.

Then you adjust and you're fine for a while. But when you get to

10 people and everything breaks again (things like how you handle payroll, schedule meetings, communicate, make decisions, allocate resources, hire, onboard new employees, etc.). This cycle repeats at points of 30-100-300-1,000 people.

This is why companies which grow quickly get in trouble. A fast growing company can go from 30 to 400 without updating their processes. That's why companies constantly need to innovate and improve.

Be careful though, innovation for its own sake isn't good either. This is a trap big companies fall into often. Big companies figure out how to run a 1,000-people company but getting to 3,000, ie. the next breakpoint, takes a lot more time.

But big companies feel like they have to innovate all the time and so they come up with reengineering initiatives they don't really need, thus wasting time and resources.

Chapter 5: Staying Relevant

Once you create processes and hire managers to watch over the day to day operations, you as a business owner get work on a far more important job: keeping up with the latest trends and adapting your business accordingly.

Staying relevant takes a lot of work, energy, and money. You need to read everything you can get your hands on, be ok with spending billable hours on education, and adapt to the ever-changing business environment—even change your whole business if you have to.

Why agencies struggle

Ten years ago you could make good money in web design. Today, it's a completely different picture. Nowadays, anyone can make a good looking, responsive website with no technical skills in minutes.

Why should a client hire you to make a custom website when they can take something off the shelf for the fraction of the cost?

And if you somehow manage to find a client, you have so much things to worry about besides the work itself, like:

- What will be new in my industry in several years?
- Will my employees know how to use new technologies?

- How am I to finance their education?
- How will the new technology change my clients' needs?

Keeping up with all the new things is exhausting. For instance, if you offer full-service digital solutions, you need be an expert in: CMS, web design, usability, UX, graphic design, SEO, PPC, social marketing, content, mobile, accessibility, CRO, email marketing, SEM, community management, site performance, copywriting, branding, animation, analytics, security, PR, strategy… No person can keep up with one field, let alone all.

Things are even worse if you're a development shop. Angular is so last year; React is where it's at now. And who knows what the next big thing will be tomorrow. Maybe as a business owner you don't have to worry about keeping your skills updated, but what about the skills of your employees?

Keeping up with new things is like climbing a mountaintop you'll never reach, and yet can't stop climbing or you'll fall down. You have to constantly learn new things, not so you can be ahead—you have to do it just so you don't fall behind.

In the past, if you were a carpenter with a few years of experience, you'd be extremely good and have those skills for life. You could feed your family and pay off the mortgage using the same skills without having to chase the latest buzzwords.

This unrelenting pace of change isn't limited to just people working in IT. It affects everyone. Think how Uber changed the taxi industry, how Amazon changed bookstores, how iTunes changed the music industry, etc.

Or take for example marketing agencies. In the past, an agency would create branded content, buy media space, and that's it—instant engagement. But today, consumers don't have any interest in branded content. Big brands have to compete with organic, user-generated content that's a lot more engaging than a thinly veiled ad for a new body spray.

Marketing agencies have a problem with short-term thinking. They are used to doing things a certain way and are afraid to change things in fear of losing a client; then they create a campaign that fails and clients lose faith in them. It's a vicious cycle of doing the same thing hoping for the same result in a completely changed market.

Sometimes, the whole market can change overnight. For example, Dave Nevogt, the co-founder of Hubstaff, had to start and sell several business because of the changes in the marketplace:

> *"The SEO company I bought made over $1 million in annual revenue for five years. We primarily sold to SEO agencies and most of them went under after Google's algorithm changes in 2011-2013. Their clients were scared and slashed their SEO budgets. About 60% of our clients went out of business and the other businesses changed their strategies" – Dave Nevogt*

Tips for staying relevant

In order to stay relevant, you need to actively work every day on keeping up with the latest trends and—this is crucial—you must enjoy it.

Go to meetups

The real value of meetups (and conferences) is that you get to see people from your industry you haven't seen in a long time, ask what they're up to, get new ideas, and meet new people. The lectures themselves are just gravy. Meetups are also a good place to meet your next great employee. New potential clients are also there, but keep in mind that you’re not there to sell but to learn.

Treat hiring as a unique opportunity

Sure, you're looking for someone to do the job, but bringing on a new person can give you so much more than just a bigger pool of billable hours. This is your chance to see your business through a fresh pair of eyes, review your processes, and challenge your assumptions. This is also an opportunity to bring someone who does things differently so you can learn new things.

Write about your business

There are several benefits:

- Writing forces you to really think about your business and explore new ideas.
- By educating your customers about your industry you're

providing them value and position yourself as an expert.

- You make it easy for someone to reach out to you and form a business partnership.
- You'll attract the right kind of talent who care more about doing good work than simply finishing work and getting paid.

Read every chance you get

Books are great if you're new to something and need a general overview, a thorough analysis, or simply an introduction to a complex topic. Blogs, on the other hand, are great to keep up with the latest trends or when you're interested to know a bit more about a topic but don't have the time/will to read 300 pages.

Spy on competition

See what the top players in your industry are doing. Do an SEO analysis of their website, see what tactics they use, and emulate. They've done most of the hard work for you—you just have to see what they do and improve in every regard (or do what they've missed out to do).

Use Twitter

Find people who are influential in your industry and follow them. See what they're reading and who they follow. The great thing about Twitter is that everything is public so you can peek in the minds of your role models and see how they keep up with the latest trends.

Don't celebrate your success too much

When you're celebrating, you get comfortable and complacent. Suddenly, you don't have to try so hard anymore and you start resting on your laurels. That is when you stop challenging yourself and stop growing. Instead, remind yourself that tomorrow will be even more difficult and you should work even harder. Remember that you're only as good as the work you did in the last 6 months.

Keep your businss processes fragile

When a problem happens, it'll be much harder to sweep them under the rug. Having fragile processes helps you surface problems on time so you can deal with them immediately. If one error stops everyone from working, you'll be sure it's fixed right away. To contrast, with robust processes, it's easy to put fixing a problem on your to-do because there won't be that much damage; but the real problem is you'll never get around to fixing the problem and they'll just keep piling up.

Train your idea muscle

Come up with 10 business ideas each day. They can be improvements related to your business or someone else's, it doesn't matter. The point is to keep your brain primed for solving challenges. Thinking is hard if you're not used to it, so make sure you practice.

Study your environment. Keep an eye on what your family members/kid/employees buy, what they think about different products, who their idols are, and how they use gadgets. While observing the people in your environment, you'll get new ideas and stay on top of the latest trends.

Invest in training

Your company is only as good as your least skilled employee. Instead of ordering a pingpong table or sodas, invest that money in training. Not only will you have more qualified employees, you'll also attract and retain talented individuals.

Reward even the smallest improvements

Toyota became famous for their Kaizen philosophy of continuous improvement, which says that instead of focusing on big improvements (which are rare and far apart), everyone should try to incrementally improve whatever it is that they do, even at the expense of productivity. Each tiny improvement doesn't matter in itself but they add up, and more importantly, it encourages the right type of culture.

Be ready to pivot

Using the above techniques, you'll get better and more relevant one day at a time. These are your bread and butter of staying relevant, the things you'll do each day.

But every once in awhile, you need to stop, examine your position and see if you're moving in the right direction, and make a radical change if needed.

It’s like having a car. You should constantly wash it, change oil, keep tires pumped, etc. But there will come a time when no matter how many repairs you do, you have to replace it. Same in business.

To stay relevant (and profitable), you must know when to keep up and when to chip out.

A lot of big companies started out as one thing before completely changing their business in order to stay relevant:

- Avon started out by selling books before realizing that customers were more interested in free perfumes that came with the books.
- Nintendo started out by selling playing cards and then branched out to love hotels, rice, TV network, etc.
- Starbucks started out by selling espresso makers and coffee beans before focusing on a much more lucrative coffee-shop business.
- IBM started out by making clocks which recorded a worker's arrival and departure time on a paper tape.
- Facebook started out as a "Hot or Not" app for college students.
- Toyota started out as a producer of wooden looms.
- Lego started out as a wooden toy company.
- Nokia started out as a paper mill.

A lot of agencies transition to a product company. For example, Rand Fishkin from Moz first started out by doing web design. In the beginning, it was good money but soon he had trouble paying the bills and was in serious debt. But, he saw a great need for SEO services and so he pivoted to making software that helps SEO professionals.

The point is, a good entrepreneur isn't tied to their business. If something is underperforming, they're not afraid to take it behind the barn and shoot it. You always need to keep one eye on the future and see how your business fits in the great scheme of things

Take for example an SEO agency or a creative agency. They can't compete in a global marketplace with their prices because there are plenty of people out there willing to do what the agency does for less money. For an agency, the globalization and outsourcing is a big problem—but it doesn't have to be.

Instead of offering services like link building or creating landing pages, they should offer professional guidance. Forget "client brief"—instead, offer your expertise and focus on strategy.

Anyone can hire a freelancer for nothing to code what they need but finding a specialist who has a deep understanding of your target audience and knows how your whole marketing strategy should look like – that's extremely rare.

By offering strategic aid, you're differentiating yourself from everyone else on the market and you can charge a premium as a result. This means you'll need to get out of your comfort zone and work harder than you're used to, but it's better than complaining how the rates are going down and how the client demands go up. You just have to see where the new opportunities lie and leverage your skills.

Keeping up with the latest trends and adapting to them takes a lot of work, but it's your only option. Stay hungry, open to change, and always keep one eye on the future. Sure, it means a lot of work and leaving your comfort zone, but what else can you do?

Chapter 6: Staying Profitable

As you grow, you also have to change what type of clients you take on. While you're small, you take on small projects and don't have much overhead. But once you start having a bigger payroll, you need stability.

But the good news is, you also get to work on bigger projects that pay better and build stronger client relationships.

Analyzing the client list

When was the last time you analysed your client list? Maybe it's time to see which clients generate profit and which ones just weigh down your business so you can do something about it.

Client profitability analysis doesn't take much time, one hour at most, and it's important because you need to:

- Identify clients that waste a lot of your time but don't bring enough profit
- Identify clients who could bring you more profit if you only had the time to focus on them

Once you identify your "bad" clients, you no longer have to try so hard to please them. Instead, you can spend that time better, like chasing new ones.

During this analysis you shouldn't focus exclusively on quantitative

KPIs like profit margin. You have to factor in the qualitative KPIs too, which are equally important.

For example, a client that pays good (good quantitative KPI) but is difficult to work with (bad qualitative KPI) isn't good because you'll have trouble keeping your employees, which in turn means you'll lose money on recruitment.

Also, keep in mind the long-term vs short-term goals. A startup client may not be profitable now, but once they take off, you'll be sorry you lost them.

Profitability analysis: Quantitative KPIs

First step toward client profitability analysis is to calculate profit profit margin and profit share per client.

To calculate the profit margin, take the sum a client paid and subtract amortized fixed costs (office, taxes, lease, etc) and variable costs (time you worked).

> *Client A Profit Margin = Client A Revenue – (Amortized Fixed Costs + Variable Costs)*

Then, plot all the clients on a graph to see which ones aren’t worth keeping.

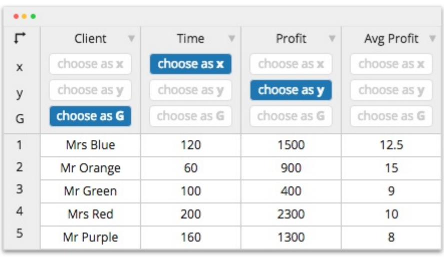
Be completely honest with yourself when calculating client profitability. Take into the account each hour you spent on a client

- even unbillable, like the time spent in a taxi on your way to the client meeting.

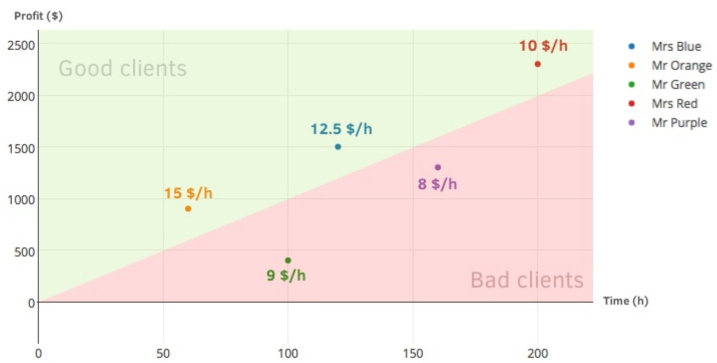
To calculate the profit share per client, divide client profit with the sum of all the profit and multiply the result by 100%.

*Client A Profit Share = (All Profit / Client A Profit) * 100%)*

This will help you identify your biggest liabilities so you can manage risks better. If a certain client is responsible for 60% of your earnings, you're in serious trouble because you'll spend so much time servicing them that you won't have the time to find other clients and diversify risk.



	Client	Time	Profit	Avg Profit
x	choose as x	choose as x	choose as x	choose as x
y	choose as y	choose as y	choose as y	choose as y
G	choose as G	choose as G	choose as G	choose as G
1	Mrs Blue	120	1500	12.5
2	Mr Orange	60	900	15
3	Mr Green	100	400	9
4	Mrs Red	200	2300	10
5	Mr Purple	160	1300	8



When most of your billable hours depend on one client, you're in a very precarious situation and you have to make subpar business decisions because the client holds all the bargaining chips. And clients know it. They know how much power they have over you and they use it.

And it's just a matter of time when they'll leave and you'll crumble - unless you do something about it now.

There are a lot of reasons why companies keep depending on big clients like those in their portfolio, the most common one being "they're my A-list client that gives me leverage when dealing with media". They're all just excuses.

You have to find a workaround or otherwise you risk too much. Diversify your client list and focus on bringing new, more profitable clients instead of letting existing ones impose tighter and tighter deadlines and lowballing your rates.

Note: a small client that pays on time is always better than a big client who you need to chase for payments. Stable and healthy cash-flow is the lifeblood of every business that's more important than anyone realizes.

Profitability analysis: Qualitative KPIs

Focus on keeping clients that give you challenges. They are good because they give you the chance to learn and grow. They force you to sharpen your skills and push you to become better each day.They are rare and you should work on maintaining relationship with them at all costs because they help you stay relevant and current.

Slowly phase out bad client who make your life bitter. You probably know who they are; even people in your company who don't work directly with them know who they are • that's how bad they are.

Those are the clients who swamp you with unnecessary emails, want something for nothing, and drive everyone crazy. Those clients are the reason you lose your most valuable asset • your best employees. Get rid of those clients. Most of them are not worth the hassle and energy you pour into them.

Once you set even one of these "vampires" free, your whole company will experience a sudden boost in morale and energy. You'll have more time and creative energy to focus on acquiring new clients who'll fill in the revenue hole.

PART II

MANAGEMENT AND YOU

Chapter 7: How Management Changes

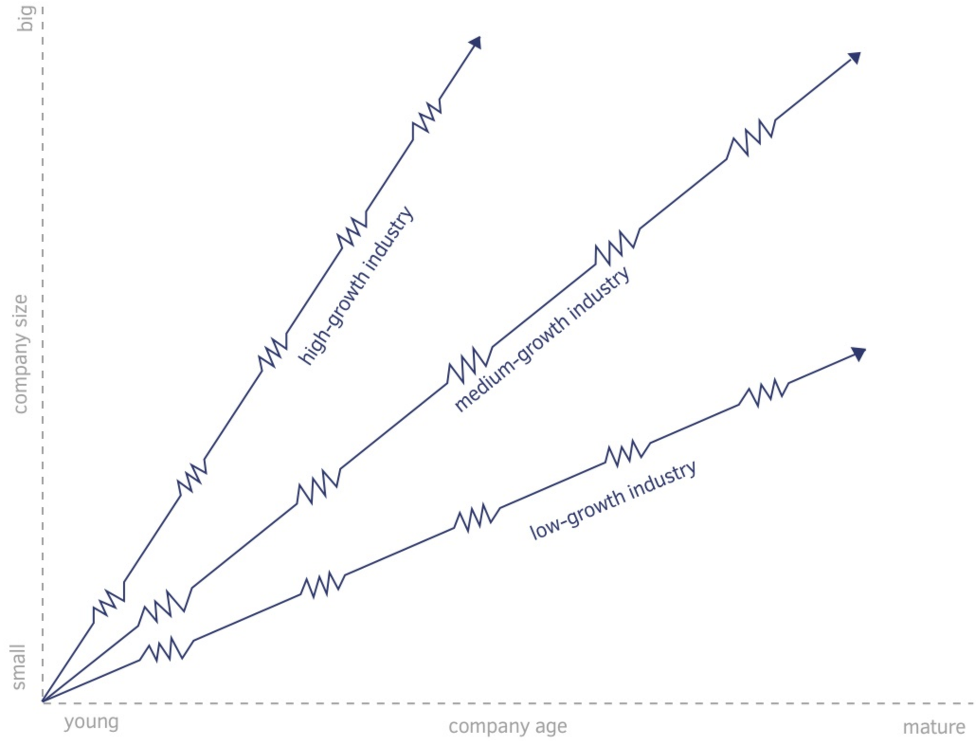
Things change as you grow. Even though you still provide the same service/product, you need to change how you do it. Running a business with 40 employees is not the same as running it with 10.

Greiner’s model provides insight into how management changes as the company grows. It is similair to Adizes Corporate Lifecycle, only it focuses more on growth from management perspective, and there are no decline stages.

Larry Greiner said each company goes through 6 stages. In each stage, a company grows differently (eg. the company's early growth is driven by founders working hard while later growth is driven by delegating work to managers) and different crises (eg. when you delegate, you start to lose control).

A company’s stage (along with problems and solutions) depends on the number of its employees, company age, and growth rate typical for its industry (for instance, a company in a rapidly expanding market like software has to add employees quickly, so it goes from one stage to another much quicker).

Each stage consists of 4-8 years of stable, continuous growth followed by a crisis. If the company survives the crisis, it goes to the next stage. And to go to the next stage, the company needs to change how it’s organized.



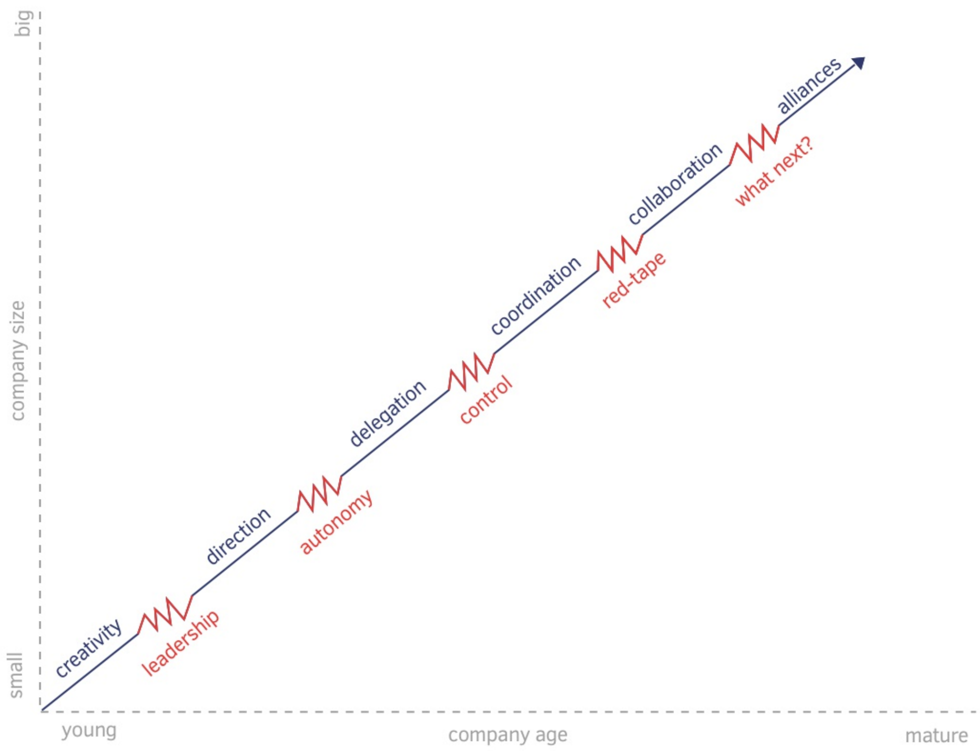
Companies in high growth industries add employees much quicker,
so their stages last shorter and crises happen more often

More people means your coordination and communication problems magnify, the management hierarchy multiplies, and jobs become more interrelated.

Management practices that were appropriate for a smaller size no longer work. Companies that are unable to change their practices are likely to either fold or stop growing. So it becomes critical to find a new set of processes for the next stage in the company's evolution.

Ironically, a solution for one stage becomes the core problem in the next one. Also, a company can't go back to a previous stage but must cope up with a new solution.

While most companies will never reach later stages, it's still useful to see where your company is and get an idea what lies ahead for your company 5 or 10 years from now, from a management perspective.



The six phases of growth and their crisis

Stage 1: Growth through creativity

Early growth depends entirely on the founder's energy. Founders are involved in everything. They disdain management activities and prefer an informal culture. Work is hard, pay is poor, and sleep is a luxury. What keep people going is the promise of ownership benefits.

There are only a few employees so everyone does everything. There is no specialization and communication is frequent and informal. This is also the stage where the company react to its customer feedback the most.

Crisis: Leadership

As work expands and company hires more people, the founder doesn't have time to be involved in everything. They need to let go off technical work. The creative energy and flexibility that got the company off the ground becomes the problem. As the number of employees rises, informal communication starts to fail. At one point, you will need a more robust project management tool to keep all communication in one place.

Employees enthusiasm isn't as intense as it used to be and founders need to find another way to keep employees engaged. The problem is, founders don't like management responsibilities and start missing the “good old days” when things were simpler.

To get to the next level, the company has to solve the leadership crisis and abandon a flat hierarchy. The founders need to step aside and hire their first middle managers who can pull the organization together.

Stage 2: Growth through direction

Employees are organized by functional departments, like marketing, sales, or production. Jobs become increasingly specialized and first processes are introduced and become standardized.

Communication becomes more formal due to the new hierarchy and job titles. Managers direct where the company will go and assume most of the responsibility for their decisions. Lower-level supervisors are treated more as functional specialists than as autonomous decision-makers.

Crisis: Autonomy

Because managers direct how others work, lower-level employees become restricted by a centralized hierarchy. Employees have direct knowledge about work but in order to do something, they first has to run the decision through their manager. So they end up torn between following procedures and taking initiative on their own.

The solution is to empower employees and delegate responsibilities. But there are two problems: a) it's difficult for top-level managers to give up responsibility, b) lower-level managers are not used to making decisions by themselves.

Stage 3: Growth through delegation

Now there is a formal management structure, which consists of several layers, mainly top-level management and middle-level functional management. The company has a decentralized organizational structure so each function can make its own decision, based on direct experience.

To motivate employees, bonuses are used. Because middle managers have greater authority and incentives, they can penetrate larger markets and respond faster to customers. This all leads to greater growth.

Middle-level management is responsible for results while top management acts when something unexpected happens, which they learn through periodic reports from the field. Communication from the top is infrequent, formal, and occurs through visits, correspondence, or telephone.

Crisis: Control

A crisis occurs when top-level executives start to feel they are losing control. A tension grows between top-level and mid-level management who are used to running thing on their own.

Unit managers don't want to share their resources with the rest of the organization because they aren't rewarded for coordination. Top management might attempt to return to centralized management, but that fails because the scope of operation is too big. The solution is to find special coordination techniques that will align every business unit with the common goal.

Stage 4: Growth through coordination and monitoring

By this point, the company is a corporation. Top-level managers introduce formal systems for coordination and take responsibility for their administration. Once decentralized units are now are merged into product groups. All planning is formalized and intensively reviewed.

The company hires more and more people to work at its headquarters who will work on company-wide programs that will control line managers and review their work.

Each unit receives a budget according to a plan from headquarters. This system encourages field managers to look beyond their unit's needs in favor of the company as a whole. While some functions become centralized (like data processing), daily operating decisions remain decentralized. Still, field managers remain subservient to headquarters to whom they have to justify every action.

Stock options and companywide profit sharing are used as work incentives.

Crisis: Red-Tape

Due to all the bureaucracy, confidence starts to erode between headquarters and the field as the systems stops being useful. Headquarters lose touch with the local conditions and line managers grow resentful as they don't have the authority to change things due to red-tape and directives from above.

While line managers lose faith in headquarters, staff loses faith in line managers and starts complaining about how uncooperative and uninformed they are. The root problem in both cases is the bureaucratic system where procedure takes precedence over problem solving. The red-tape crisis happens when the company becomes too big and complex to be managed through formal programs and a rigid system.

In a nutshell, the company loses its ability to innovate and conquer new markets because it becomes too focused on efficiency.

Stage 5: Growth through collaboration

The top management simplifies control mechanisms and introduces autonomous cross-functional task teams whose job is to solve problems. The management becomes more flexible and emphasizes spontaneity though quick team decisions.

There are less people at headquarters as most get reassigned or combined into interdisciplinary teams. Those teams work together with field managers and come to decisions together, as opposed to headquarters telling line managers how to work like in the previous stage.

People are no longer incentivized for their personal achievement but by their team's performance. Kaizen, or a continuous improvement, becomes the company's main philosophy as teams are encouraged to innovate.

Crisis: What Next?

At this point, the main problem becomes further growth as the business runs out of ideas. The only way a company can grow further is through strategic alliances and acquisitions, which mark the beginning of stage 6. After that, there are no more stages.

Chapter 8: When to Hire First Project Manager

When you start a company, it's just you, maybe another founder, and a few close employees. You do all the work and projects aren't so complex that you need a project manager.

But once you start having bigger projects and hiring more people, at what point do you need a dedicated project manager? When it hurts is too late (at least when it comes to hiring a project manager).

For instance, Matt Weinberg from Vector Media Group, one of the fastest-growing consultancies for 4 years in a row, said that his company hired their first project manager when they had more than 10 employees but wish they'd done it earlier:

> *"We hired our first dedicated project manager when we were like 12-13 people or something. Looking back now, it was way too late, super late. We should've done it way before. We did it because, honestly, we were dropping the ball on a lot of projects as we didn't have good project management." – Matt Weinberg*

How a typical consultancy grows

Stage 1

Companies usually start out as a partnership (one or two founders) with a few employees – up to 5 people all put together. The company is specialized in one thing, like developing e-commerce websites in Magento. Hiring a project manager this early isn't profitable, taking into the account a project manager costs $60/hour), doesn't generate profit, and there aren't that many clients to manage.

Stage 2

The company starts to have more work than it can handle so founders hire more developers to help with the billable hours. The number of employees is 5-9. This is the time to start looking for a project manager so you're prepared for the next stage, where having a dedicated project manager is critical. This is your chance to learn how to work with a project manager and let go of micromanaging everything yourself.

Stage 3

The company gets bigger clients who keep coming back. In order to win more big projects, the company diversifies its services and starts doing other things than developing Magento websites. It becomes a full-service agency that does everything (development, design, branding, digital marketing, etc). This means more hires, a new middle management layer, and robust processes. The number of employees range from 10-20. If you don't have a project manager by this point, you're suffering more than you should.

Stage 4

By now, you have 20-50 employees, at least two project managers, an HR manager, and maybe a few more managers (account, art director, technical lead, etc.). There are more hierarchical layers, more services you provide, and a big list of clients that keep you on their retainer. Founders hardly ever code anymore; instead, they focus more time on management, finance, company brand, and participating in client pitches.

Stage 5

Once you're over 50 employees, you're a big consultancy that does everything and has multiple offices. By this stage, the company’s number one concern is hiring and keeping employees happy. Founders no longer deal with employees but work on company culture, strategy, market positioning, nurturing relationship with big clients, etc.

Hiring a project manager early

The best time to hire your first project manager is at late stage 2 when you have around 7 employees.

Maybe the project manager you hire won’t be utilized 100% but don’t worry about that. Even if paying a full-time project manager hurts your profit margin, it's worth it.

You'll successfully finish projects on time and within budget, clients will trust you more, and you’ll have a portfolio you can point to. This will all lead to more projects, more repeat businesses, and more productive employees.

You’ll also be able to give better estimates. You can estimate how many hours the project will take and multiply that with your hourly rate:

> *"We at Vector Media Group can do that because we have a really strong project management, a dedicated project manager that's constantly keeping an eye on the budget, constantly keeping eye on the time and if we're going over, we can catch it early. If you don't have the ability to catch this stuff early, then it can be dangerous because then you go way over and the client isn't gonna want to pay for that." – Matt Weinberg*

Project managers are often treated as cost centers, meaning they don't directly add revenue—but that's a bad way to think about them. Yes, they cost, but they keep clients happy, which in turn leads to more projects. Plus, if you want to grow, you'll need them at some point, like it or not.

The first project manager is difficult to hire because you won't know what you're looking for and you won’t know how to delegate. But once you work it out, you can safely hire more employees and have a greater pool of billable hours.

Once you have a project manager, in order to have a maximum utilization rate, you'll start thinking how you can hire more people so you can justify having a project manager and keep them busy.

You'll also be more productive as you won't have to spend so much time handling clients. It will be the project manager's job to act as a shield between the team and the clients. They will play politics so you don't have to.

If the team is behind schedule, they're the one in the client meeting explaining why and trying to buy more time for the team. They will sit in a client meeting for 3 hours and be grilled on why a, b, and c aren't working so the team can spend those 3 hours getting A, B, and C to work.

Hiring a project manager a bit earlier will cost but it’s an investment you need to make if you plan on growing your company. Plus, a project manager will work on keeping your clients happy, thus getting you more projects in the long run.

Chapter 9: A Practical Approach to Risk Management

What would happen if 20% of your employees got a better offer from your competitor and left? Or, if you got hacked and lost all your files?

These things happen unplanned. But, there is a way to lessen their impact, even prevent them from happening.

It’s simple - all you have to do is make a list of all the things that could go wrong, define their impact, and make a backup plan.

How to approach risk management

You don't need any fancy software for risk management. A simple spreadsheet will do.

The whole point of the activity is to think about all the bad things that could happen and be prepared in case they do.

Don't get attached to making the spreadsheet pretty. You don’t need an exhaustive but ultimately useless list. The point is to get your mind going and letting your thoughts simmer and work in the background. The document itself is irrelevant; what's relevant is the journey.

Start by outlining types of risk and coming up with things that could go wrong.

Next, assign a probability to each risk:

- 1 there's a theoretical chance but nothing to worry about
- 2 could happen, but won't hold my breath
- 3 better to cover my bases
- 4 highly likely, must have plan B
- 5 seriously need to reexamine my business

Then, assess the severity should the risk happen and the impact it'll have on the business:

- 1 a slight bump in the road
- 2 no need to panic, we'll manage
- 3 tense workplace and lots and lots of overtime
- 4 only a miracle can save us
- 5 prepare documentation to file for bankruptcy

Calculate each risk score by multiplying probability and severity. Then apply conditional formatting so you can see at a glance what your highest risk is.

Finally, think about what would be the best thing to do if a risk occurs. Write what you'll do to avoid the risk and lessen the impact should the risk occur.

Risk	Probability	Severity	Score	Plan B
Technical				
Site is down due to DDoS	2	2	4	Change host
New version of Ruby breaks your app	3	1	3	Revert to old version
Wifi is down for a whole day	3	3	9	Work from home
A git commit can't be reversed	4	3	12	Spend billable time on reverting
Your presentation doesn't work on older machines	4	2	8	Always save using compatibility mode
Clients				
Client pushes for earlier deadline	4	3	12	Find out why that is and add a rush fee
Client doesn't likes your work	3	2	6	Work on managing expectations and charge by the hour for revisions
Client decides to completely change the project	2	2	4	Charge by the hour
Your key client left you	2	5	10	Diversify clients now and don't get tied to one
Employees				
You can't hire new employees on time	5	4	20	Keep a job ad always and hire HR
New employees don't have the right skills	4	4	16	Set up training and define better way to screen applicants
A key member leaves	3	4	12	Use knowledge base and don't rely too much on anyone
Employees ask for remote work	2	2	4	Set up company policy
Legal & Finance				
You forget to renew the office lease	1	4	4	Set up a recurring job
You get sued for copyright violation	1	3	3	Do everything in-house
Invoice isn't paid on time	5	1	5	Set up automatic due invoice reminders
A legal agreement takes longer than you think	4	2	8	Add buffer time to the plan
You don't qualify for tax exemption any more	1	5	5	Outsource new employees
External Workers				
A contractor doesn't respond to email	**3**	**3**	9	Ask for multiple points of contact and set the right expectations
They charge more than agreed	4	2	8	Use a contract
They don't deliver on time	2	3	6	Calcluate late penalty
They're work is not so good	2	2	4	Find another contractor
Work				
The initial estimate is way off	3	2	6	Use Tracked vs Estimated Report for prevention and work overtime
You lose all your files	1	5	5	Use Git and do backup every Monday
Project scope got bigger	4	2	8	Talk with the client
Defects are found before shipping	4	2	8	Discuss with the client
Not enough resources	3	3	9	Consult Team and Projects Timeline before starting a new project

Probabilty	
1	Improbable
2	Unlikely
3	Occaisonal
4	Probable
5	Frequent

Severity	
1	Negligible
2	Significant
3	Moderate
4	Low
5	Catastrophic

	FIX NOW!
	Watch out
	Keep in mind
	Nothing to worry about

Risk prevention

By thinking about all the possible things that can go wrong, you begin to spot your weaknesses and can work on preventing them:

- There's a real possibility you'll catch a virus and lose all your documents? Make a recurring task in your project management tool that'll remind you to backup files every 1st of the month.
- Client refuses to pay unless you can show them where each

minute went? Start encouraging your team to track time and writing a short note, indicating what they did.

- Your team is spread too thin and you can't finish projects on time? Start your day by checking how much work each team member has in your project management tool.

Risk management won't help you if you treat it like another to-do. Instead, think of it as a unique opportunity to save your business before it's too late.

Chapter 10: Identifying Key Players

As a small/medium business owner, you should personally work on keeping your top talent. After all, those people are the reason why you're in business and if you want to keep it growing, you should devote a good deal of your time to nurturing them.

It's expensive and time-consuming to replace good employees. In order to keep your top talent, you first have to identify it and reward it appropriately—and prepare yourself in case they leave.

Identifying key players using quantity data

How do you recognize your key player? You probably know them. Those are the people who get more done than their peers, everyone comes to them for advice, and you have complete trust in them. Sure, they are replaceable, but if you had to choose, you'd rather replace all your other employees than them. In addition to trusting your gut feeling, you should also use concrete data to identify your key players.

To get quantity data, reports are a good start. By running a report for each person, you can see:

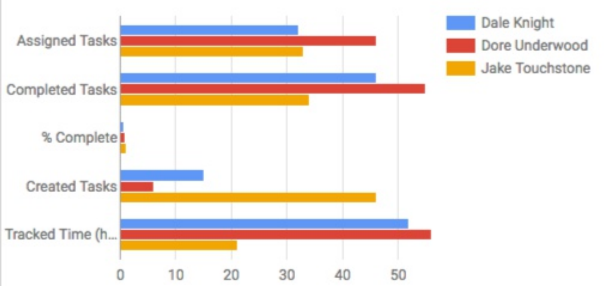
- Who is assigned to a lot of tasks
- Who creates a lot of tasks
- Who completes a lot of tasks

- Who has too many tasks
- Who tracked the most time

You can then create a spreadsheet, copy all the data, and analyze it. You should be able to see who is the most productive member on your team once you apply some conditional formatting and a put down a few graphs.

Employee Performance Review (Nov-Dec 2016)

	Dale Knight	Dore Underwood	Jake Touchstone
Assigned Tasks	32	46	33
Completed Tasks	46	55	34
% Complete	69.57%	83.64%	97.06%
Created Tasks	15	6	46
Tracked Time (hours)	52	56	21



Identifying key players using quality data

Numbers alone are not enough to identify key players. In fact, they can give you the wrong picture.

For example, your key employee might not complete much tasks, they might even track the least time on your team. But without them, the overall productivity would plummet. Why? Because they enable others to be more productive.

They spend more time helping others that they themselves don't accomplish much. In turn, others can work out their issues faster and do more. So how do you account for that? By employing quality data.

The most systematic and useful tool for gathering performance quality data are 360-degree feedbacks. They enable you to hear how everyone in the company think about each other, which gives you a full picture of an employee's performance.

To contrast, traditional performance appraisals where a manager assesses an employee performance are terribly short-sighted as they take into account only what the managers sees.

360-degree feedbacks are easy to implement:

1. Create a survey where you ask a person to rate everyone in your company (including themselves) on some attributes and add a short comment.

2. Distribute it to everyone in the company (you can even include your clients/customers and other external stakeholders).

3. Tabulate the results and go through them.

4. (optional) Talk with others about the feedback nso they can improve.

In the survey, you can anything you want, from teamwork to expertise - you can even ask them who they think key players are. It’s especially interesting to see how people rate themselves vs how others rate them.

Tip: when you make a rating scale, make it go from “OK” to "Exceptional". People have trouble giving their coworkers anything lesser than a 3 so this scale-tilting can give you a bit more accurate results.

After pairing reports from your project management tool with the 360-degree feedback, you'll be able to see who is the most productive person and who the most helpful. Those are your key people and you should do everything you can to keep them.

Scale 1 - OK, 2 - Quite Good, 3 - Very Good, 4 - Wow, 5 - Exceptional

360° FEEDBACK

	Dale K.	Dora U.	Jake T.	Me
Collaboration				
Not shy to ask for help	5	4	4	3
Always listen to other	4	5	4	5
I can ask them anything, anytime	3	3	4	4
I can always count on them	5	4	4	3
Good listener	3	4	5	5
Good at delegating responsibilities	2	5	2	5
Easy to understand what they say	5	3	4	3
Good leader	5	4	3	4
Empowers others to handle challenges	3	3	5	5
Shares information with others	4	5	5	3
Expertise				
Have a lot of experience	4	3	5	4
Efficiently use time	4	5	4	5
Good with customers	4	4	3	3
Knows everything	4	3	5	4
Accomplish a lot	5	5	3	4
I know what this person does	2	5	2	5
How important this person is	4	3	5	3
Remain calm during stressful times	3	4	5	4
Inspires me to work harder/better	5	5	3	3
Innovative, questions how things get done	5	3	4	5
Makes meetings productive	4	5	4	3

Greatest strength?

Dora - Very sweet and friendly
Jake - Git master, knows everything about dev
Dale - Great eye for details

What are things that bother you?

Dora - leaves unwashed coffee mugs
Jake - not loud enough, difficult to hear
Dale -Doesn't communciate progress

What are things that they should continue doing?

Dora - open to ideas from associates
Jake - help with Git
Dale - have patience with new trainees

Chapter 11: What Happens When a Key Player Leaves

Your business is doing great when all of a sudden your key employee tells you they decided to leave. They got a better offer, decided to start their own business, or they're moving to another city - the reason doesn't really matter.

What matters is that your company can't function without them. Preventing this from happening is the best solution, of course - but what you do at that exact moment?

Immediate course of action

You can't let the fact you lost your key employee frazzle you. Instead, you must keep the wheels spinning. The show must go on.

You can't let the fact you lost your key employee frazzle you.

Plan how to fill the role

First, evaluate if you really need to fill the vacant role. Maybe you don't need that particular role anymore and the company could use some restructuring.

You can split job responsibilities between your team members so everyone does a part; or you can promote an internal team member to do the job. If you really need someone to fill in, and there's no one on your team who can do it, put up a job ad and wait.

In the meantime, offer a person who leaves to hire them on a contract basis, thus buying some time until you've found a permanent replacement. You can also hire a consultant to help you out during the transition.

Carefully use their notice time

The person leaving will usually give you their notice two-four weeks before they leave. You should carefully plan what they should do during that time. You can't afford losing them while all their things are up in the air. Make a detailed plan with them on what they should be working on and closely follow it.

In addition to their regular job, they should get their affairs in order, create a training plan and onboard their successor. They should stop getting new assignments so they can focus on completing their existing tasks and documenting their workflow.

Announce the news

Rumours are a nasty things as they can dampen morale and make others feel something is wrong. Stop the rumours and announce the departure yourself, wishing the employee all the best in front of everyone. After all, what's good for them is good for you too. Organize a farewell party, acknowledge their contribution, and stay on the best terms - it’s always good to have friends in the industry since you never know what tomorrow brings.

Do an exit interview

Talk with the person about why they're leaving and see if you could've done anything to prevent it. After all, they're one of your key players and you need to know why they decided to leave so you can spot the signs earlier in the future. This is also a chance for you to take some time off work and reflect on where your company is headed.

Take care of administration

First, make sure you have all the work files once they leave. Often, a person leaves without transferring their archive because no one asked. Then, one day you need a particular file and have to track down the person in order to get it. This is especially important in when working with designers as you can't make adjustments to existing assets without having the original files.

Second, cancel/restrict their accounts on all your platforms, like analytics, chat, help-desk, git repository, etc. Since they're not a part of your company any more, they don't get the privilege to see what you're working on.

Preventive measures

The best way to deal with a sudden departure of your key player is to prevent it from ever happening in the first place, but that takes a lot of time and work. You have to nurture a positive culture, manage risks, and change the way you do things so no one is indispensable - not even you.

Plan risks

Risk management is a big topic but it all boils down to this: list all the bad things that could happen and devise a backup plan. The point of the exercise is not so much to make the backup plan but to prepare mentally for anything that may come your way. You don't need any fancy tool for risk management, a simple spreadsheet will do.

Do stay interviews

Contrary to popular belief, people don't leave because of bad managers. They leave because they're either: a) criminally underpaid, b) stop growing and getting new challenges, or c) want to do their own thing. You can't do anything regarding the latter, but you can find out if they're unsatisfied with work or pay and fix it.

To prevent your best players from thinking about quitting, conduct stay interviews. Take half an hour every month and have a cup coffee, have a nice chat, and see how they feel. Find out if they have any problems or what they would like to do more.

Usually, good employees will tell you exactly what is on their mind because they trust you and know you mean well. Just a cup of coffee a month, that's all you need to keep key talent.

Lower the bus factor

The bus factor asks you one simple question:

> *If certain team members would get hit by a bus one day, would you still be able to finish the project without them?*

The more people can replace each other, the lower your bus factor is. This means having someone who's indispensable is a bad idea as it puts you at a great risk.

To lower the bus factor, you should first standardize processes. Then you can disseminate knowledge by documenting processes and keeping a company wiki updated. Also, you should encourage cross-training programmes so others can learn different skills, do code reviews and pair programming, encourage mentorships, and do daily standups.

The other (more extreme) option is to fire indispensable employees. For example, fire exceptional programmers is a good management decision because others can't read it or work with it.

Reduce complexity

When things are complex, you need specialists, which are hard to replace and make your risk factor go up. But when you keep processes simple, one person leaving is not the end of the world; you can easily find someone else and train them.

Use technologies that are widely available and easy to learn. Instead of a custom CMS, use Wordpress, Instead of Scala, use Java, etc. Use tools that are simple yet powerful. You can also automate complex processes so no one has to learn arcane processes like how to setup a virtual machine just so you can publish a blog post, for example.

Chapter 12: Leadership Pipeline

As your business grows, you need more managers to coordinate everyone (the 10:1 staff-to-manager ratio is often used as a rule of thumb). But where to find managers? You either hire from the outside or promote from within.

Why is it so hard to find a good manager?

You might be tempted to promote your rockstar worker, but don't be so hasty. According to research, companies choose a bad manager 82% of the time.

Management position requires a whole new set of skills, like dealing with people, organizing processes, strategic thinking, business savviness, etc. Those skills are difficult to measure, assess, and acquire.

When promoted to management, a worker has to acquire new skills, plus they can no longer do what they excel at. Instead, they have to spend lots of time on meetings, reporting, and coaching.

Even promoting a manager from one management position to another isn't easy. This is because each level in management is vastly different and requires a sharp U-turn in terms of the required skills and job description.

To better understand how the transition to management works, you need to understand the Leadership Pipeline model.

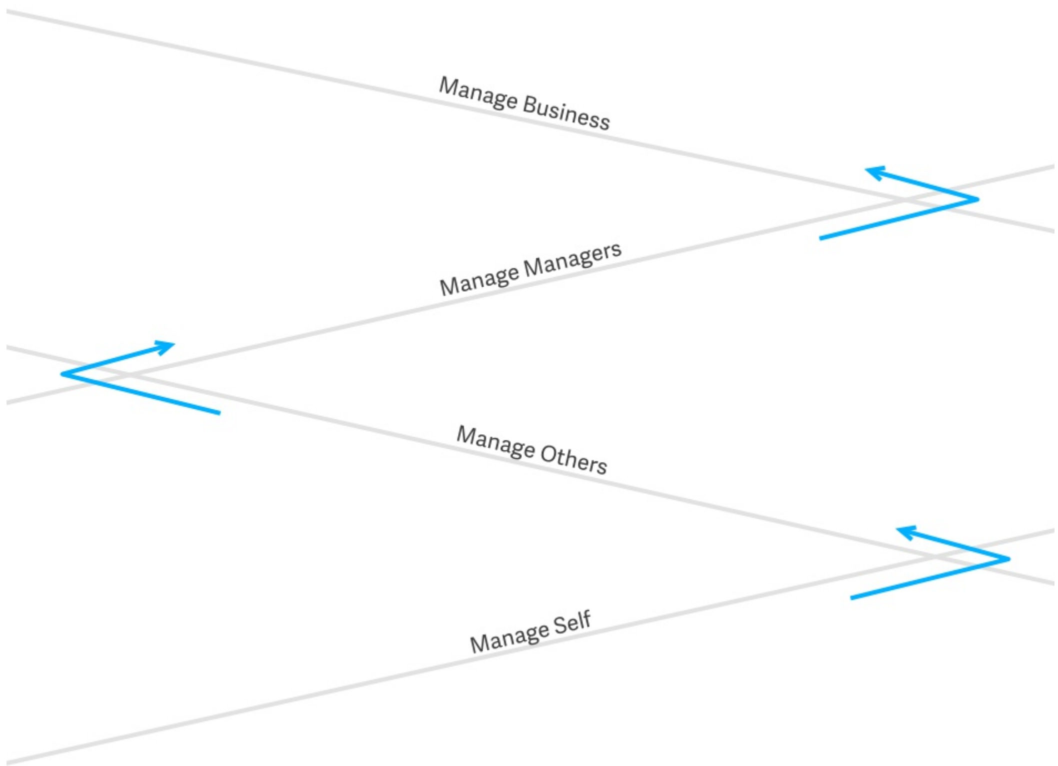
The Leadership Pipeline describes how each level of management differs and what challenges each level brings. The pipeline shows the new responsibilities and the skills a worker has to acquire to become a manager.

The main transitions for a small company are:

• From being a worker (managing self) to managing others

• From managing others to managing managers

• From managing managers to managing a business



Transition 1: Managing others

The first transition happens when you're promoted from a worker to a manager. You need a whole new set of skills and the job isn't anything you're used to.

Let's say you're a great designer. The boss likes your work and decides you should manage other designers. This represents the first sharp turn. You're no longer responsible for your particular design, but for all design in general. Your design skills don't matter anymore because now you're responsible for what others do - you're basically designing through others.

Also, as a manager, you need to communicate with other departments and see what they need from designers, then decide what to do and who should do it. You also need a system to track projects and give feedback.

It's difficult to promote someone to a manager because nothing they did has prepared them for the sharp turn in job their description and skill requirements.

Transition 2: Managing managers

It might seem like the first transition is the most radical, but it's not. The second transition is just as radical as the first one. When you tell a manager to manage other managers, their job description and skill requirements completely change once more.

Let’s say you’ve managed to make the first transition, built a great team, and became better at telling people what to do. Now the boss wants you to manage other managers. This is your second sharp turn. The job description may seem similar but it isn’t. Now you're not telling others what to do but teach them how to lead their teams.

You have to share techniques you’ve learned in management, coach soft skills, plus everything is more abstract and super people-oriented. Your job now is to provide motivational talks. You also no longer have any connection to design or whatever you've been initially hired for.

To be successful, you need new modes of communication and you constantly have to be in the loop. If there are more branches in your company, you need to start fighting for your branch, be vocal where resources go, make and meet quarterly projections, plan KPI’s, etc.

Most of your day will consist of sipping coffee with other managers, attending conferences, and networking. You no longer deal with workers who need to get things done, but you deal with managers with easily bruised egos.

Transition 3: Business manager

When you become a CEO, there comes another U-turn. Just when you figured out the corporate politics, you need to rise above it. You need to become a visionary, learn to put together various reports, steer the company in the right direction, and appoint the captains for each part of your ship.

Being productive is no longer important. Most of the time you'll spend sitting and thinking. Plus, short-term goals no longer matter as your job becomes to think of the long-term goals (something other manager can't do because they're not incentivized to).

How to prepare your employees for a management position

It’s difficult to promote people to managers because they need to change their mindset, responsibilities, and workflow.

So how do you prepare people and ease them into their new role? You’ll first have to understand the fundamental difference between a regular job vs a manager’s role.

Take programmers, for instance. They are creators—they put their time, effort, and soul into the code. The result is tangible and easy to test: it either fails or passes.

Management on the other hand is all about making charts, plans, and projections. You can’t easily get answers and all your productivity depends on others. Your only way to measure the result is through profit. The people you lead are your primary focus.

It can take a lot of time and effort to switch to management mindset.

When your company grows, you’ll have lots of people to coordinate. You need to start thinking early who will be coordinate people, recognize potential leaders in your organization, and nurture them.

There are two useful programs that can help you preparing workers for management role: mentorships and action learning.

Mentorships and action learning

In a perfect world, seniors would do everything, since juniors can’t do much on their own. In reality, it’s not sustainable. That’s why you need to train your staff to become independent.

Training and talent management takes time, but it creates more self-reliant people, which lowers your business risk. That’s why mentorships are great for developing autonomy.

But mentorships alone aren’t enough to create leaders. Leaders need breadth and understanding. People need time, experience and the right assignments to become effective managers. That's where action learning comes in.

Action learning is an approach to solving real problems that involves taking action and reflecting upon the results.

Action learning exposes workers to problems outside their jurisdiction. The worker usually gets to solve a problem from a different department, but the real value is a broadened awareness—they will understand the importance of every function and how each cog keeps the machine going, which isn't easy to teach by mentorship alone.

You need to start assigning people new responsibilities so they can learn completely different things. Then, when one day the work overwhelms you, you have managers ready to promote.

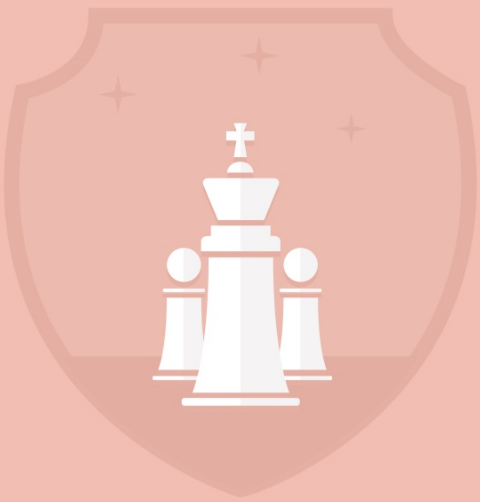
> *"I've never fired executives because they didn't work hard or they weren't smart. The issue is always that they had the wrong background and the wrong skill set for the company at that point in time. Whose fault is that? You're the one who knew your company. And you're the one who got the chance to assess the candidate. You got it wrong. Or else you failed to integrate the person." — Ben Horowitz*

So, before you grow your business team and promote someone, ask yourself:

- Have I prepared the person for the new responsibilities?
- Will they be able to let go of their technical skills and switch to a manager's mindset?

PART III

CRASH COURSE IN TALENT MANAGEMENT



Chapter 13: When to Hire First HR Manager

When you're small, you do all the hiring by yourself for two reasons: a) you have to control who you work with, and b) you can't afford an HR manager. But as your headcount increases, at what point do you need to get a dedicated HR manager?

A common rule of thumb is, once you get +50 people, you definitely need an HR manager.

How about earlier? It depends on your industry and organizational structure. If you have high employee turnover or you don't share recruitment responsibilities with others, you need a dedicated HR manager as soon as you have around 7 people.

When and why to hire an HR manager

HR managers are a must at big companies. Big companies can’t function without processes and HR managers are great at standardizations.

But small companies are different as they either don’t have processes or they change often. That's natural. You just need to realize at what point it's smarter to hire an HR manager than handling everything yourself.

Existing processes break as you grow. Whenever you hit a growth breakpoint, you have to reexamine your structure and processes.

For example, when you first start a company, you manage everything HR-related, from recruitment to payroll.

As you grow, you start spending more and more time on managing human resources. But at one point, you have to stop and reconsider your duties. You have to analyze whether the time you spend on HR tasks could be better spent.

A good rule of thumb when it comes to hiring an HR assistant is: If it takes more than an hour per day, you're better off hiring someone to assist you. (Keep in mind the assistant doesn't have to be an HR manager; a project manager or office manager will do just fine too.)

What type of industry you're in has a lot of impact on when to hire an HR manager. For instance, the IT industry is very competitive.

There aren't enough IT specialists and so a lot of companies are competing for a finite resource. The turnover is also high as IT specialists often switch jobs because they can easily find a better one. Plus, talent varies widely. You have to spend a lot more time testing to see whether they'll be a good fit and even then nothing is guaranteed.

This all means you have to constantly recruit new people.

Companies which rely on part-time workers and remote freelancers are also a classic example of a company which needs a dedicated HR manager (or even a team) as soon as possible.

Some industries are very small and finding the right person can take a lot of work. If you want to find and hire a talented person, you need to spend a lot of time on finding them. In that case, you should think about hiring an HR manager early. They can visit career fairs, snipe talent at universities, and work on your employment reputation.

> *"If the volume of hiring is pretty high and consistent, either through growth or turnover, you need a dedicated recruiter." – Peter Rosen*

If you're a digital agency, you whole income depends on workers. The more contracts and clients you can serve, the more you can earn; and the only way to serve more clients is to have more people working for you. That's why an employee number 7 in an agency should be either an HR manager or a project manager.

Who to hire first, a project manager or an HR manager? A project manager will make sure you have satisfied clients while the HR manager will make sure you always have employees in the pipeline when someone quits. In that regard, it's better to have a project manager first simply because if you have to replace employees that often, something's very wrong with your company.

If you're a product company, you don't need an HR manager that soon. You can get away with doing mostly everything by yourself. But once HR-related tasks start taking up 30 hours/week (ie. almost a full-time position), you should hire an HR manager. Plus, you'll be sure you can handle expansion and more work in the future.

Why startups can do without an HR manager

Startups should avoid hiring an HR manager as long as they can. When you're a startup, you need to quickly adjust to your surroundings. But if you introduce bureaucratic processes early on, it will stifle your agility, which is the main advantage you have over your competition. Hiring an HR manager kills agility.

In addition to agility, you really don't want to rely on your HR manager to motivate and inspire your team. That's a job only the CEO can do. You should know who works on what, have an open door policy by default, and appraise and motivate everyone.

An HR manager performs 3 main functions:

1. **Compliance** - makes sure hiring, firing, and promoting are legal
2. **Recruitment** - find new employees and onboard them
3. **Organizational and professional development** - provides training opportunities so employees can grow professionally; and provides insight to management on how to develop the organization

> *"A startup has no need for #3 - if it does, it's not a startup. #2 you definitely want to be doing yourself at first - and not have another employee being the buffer. Though you might need some tips on technique, you can get those from a consultant or mentor. #1 you definitely need but you can probably get by with some consulting from someone in the field or a lawyer who deals with this topic." – John*

Seiffer

The best course of action for startups is to hire someone part-time or on a as-need-basis. A consultant can help you set up the basics and help you with legal compliances (like what reports to file in your state and what statutory requirements you need to fulfill on federal, state, and local levels).

Other than that, there is very little value in an HR manager. Everything an HR does can be split between a product manager, an office manager, the CEO, and other team members.

What HR manager can do for you

An HR manager's activities can be split between team members. But once you've identified you really need a dedicated HR manager, here's a list of things they can help you with.

Recruitment

Recruitment takes a lot of time. An HR manager can take care of formalities like promoting a job position, finding potential candidates, screening CVs, running background checks and calling references, scheduling and conducting interviews, offering the position, and some onboarding.

Workload management

When a project manager has a lot on their plate, an HR manager can help them to make sure no one is overworked.

Talent nurturing

A CEO and line managers should know their employees the best and work on making them better, but sometimes this part gets out of focus due to all the work. An HR manager can help you with appraisals, employee satisfaction surveys, feedbacks, training programs, and team building.

Manage risks

An HR manager can help you identify dissatisfied employees and plan successions. This way, you don't have to worry if your key player leaves. An HR manager will make sure you have someone in the pipeline and a stack of people they can call for replacement. This is especially important when you take into the account that a typical hiring process takes anywhere from 7-20 weeks.

Bureaucracy

Handling bureaucracy is something you should outsource as soon as you can. It's not part of anyone's core business and doesn't add any value to your customers. If you don't have an office manager, you can delegate bureaucracy to an HR manager.

They can take care of payroll, benefits administration, legal and paperwork (contracts, certificates, contract changes, contract terminations, clearance forms, various statistics and reports), and keeping track of sickness/absence/vacation day.

Chapter 14: Contractor vs Full-Time Employee

Your business is doing great - in fact, you have more work than your team can handle. Having too much work is a great problem to have. It’s a good sign that you should grow your team and hire.

The only question is: is it better to hire a contractor or a full-time employee?

Hiring a contractor first

You should first hire a contractor to help you with the extra work. For example, you might have a project that's due next week that requires more hours than you can squeeze from your team; so instead of requiring everyone to work 12 hours/day, find a freelancer to help you out.

Once you find a good and reliable freelancer, you can regularly outsource work to them. You can even have them on a monthly retainer. By prepaying a certain number of hours each month for their services, you can make sure you can count on them whenever you have extra work.

Retainers are great for both you and the contractor. You’ll know how many billable hours you can count on when taking on new projects and the contractor will appreciate the financial security of a steady cash flow.

Advantages of hiring a contractor

Flexible Hiring

You don't have to worry about running out of work and having idle employees you have to pay even when there's no work. With contractors, it's very simple: if you don't have enough work, you don't hire them; when things pick up, you hire as needed. Also, when you decide to hire a full time employee, you can ask a contractor you know is good to come and work for you.

Hard-to-Find Skills

Maybe you have a project that requires coding in a framework none of your employees are familiar with or you need some other obscure skill. Instead of wasting billable hours on getting your team up to speed, you can hire a specialist who'll get it done 3x faster. You're also not confined to your geographical region and can hire from anywhere in the world. This is especially important when you need a very specialized knowledge that's very hard to find.

Cheaper

When you see a contractor's hourly rate, you may think they cost much more than your full-time employees. But contractors actually cost you 20-30% less. For example, a $45/hour contractor cost less than a $30/hour employee. This is because an employee incurs a lot of additional costs (like benefits, unemployment insurance, retirement, overhead, administration, etc.).

Low-Risk

Because they’re not employees, you have fewer legal obligations. If a contractor is not good at what they do, you can easily replace them. Be careful not to treat contractors as employees, which is illegal: if you control what the contractor does and how, and you're supervising them, they are an employee in the eyes of the IRS and you should be paying for all the benefits an employee gets.

Disadvantages of hiring a contractor

Availability

Contractors work with several clients and they have their own schedule. If you plan to hire them, you'll need to plan in advance and make sure they're available. In case they're not available, you must have a plan B. This is especially risky if you’re looking to hire a contractor when a project is already running behind schedule.

Training and Onboarding

A contractor needs time to get to know your business and your client's needs, which costs both yours and theirs billable hours. Then, you need to make sure they follow your shop standards (coding style, workflow, etc.) and you need to set up various accounts for them (like inviting them to Active Collab and Slack, giving them credentials, etc.). Plus, your team's productivity will suffer if they don't know each other that well.

Commitment

A contractor's only job is to successfully finish the job they're hired for. They don't care much about your company's success and you can't expect a high level of commitment. Don't expect them to improve your business or work extra hard to finish a project on time.

Relationship Building

Because they won't stick around for long, there's no reason for them to build a relationship with your clients. Or the opposite - the client might like them so much they'll hire the contractor instead of you next time.

Hiring a full-time employee

Hire a full-time employee when you're sure there's already enough work for them. Before hiring, ask yourself:

> *Are we really dying for extra help?*

If you're thinking "Oh, it would be nice to take the load off", don't hire, it's not worth the risk. But if you find yourself regularly needing an extra 10-15 hours/week, definitely hire a contractor.

Then, when you're regularly paying the contractor 20-25 hours/week, it's time to hire a full-time employee.

Now, if the work you're hiring a contractor is your business's core competency, you should hire a full-time employee even earlier, regardless of the "20-25 h/week" rule. For example, if you're a branding agency, having an extra designer around will pay off very soon.

Once you hire a full-time employee, you'll have a bigger pool of available hours and you'll start looking for more projects to justify the extra worker and grow your company. Just keep in mind that as you grow, you'll need to hire your first project manager too.

You should only hire full time when there's a real demand and when hiring will generate more revenue than the new employee will cost. Hire a contractor first and when you regularly have plenty of work for them, hire a full-time employee.

Chapter 15: How to Find and Hire the Right People

When you start to grow your business, you're going to do a lot of hiring. Hiring will no longer be a rare activity you do once every 3 months. Instead, it will be a constant process of attracting new candidates, figuring out who’s the best, and keeping the talent pipeline full.

You can no longer just post an ad and hire the first decent candidate that applies. Because you'll need more specialized roles, you'll have to find specialists, know how to evaluate them, and hope they want to work for you.

> *"Any company managed and run by plodders and jobsworths will be lucky to survive, let atone prosper. Talent is the key to sustained growth, and growth is the key to early wealth. You have to identify and hire talent. You can't skimp on it. Then you must move heaven and earth to hire it. You must nurture it, reward it properly, and protect it from being poached. If necessary, dream up a new project. Better still, get the talent to dream it up. Talent is indispensable, although it is always replaceable." - Dennis Felix*

You will need to adapt your hiring process in order to scale. Because you'll have to do this dance more often than before, you'll need a reliable and repeatable hiring process.

The hiring process

The process has 3 stages: sourcing, screening, and interviewing.

You should roughly estimate how many people you need at each stage. A common rule of thumb is to move 25% of people from one stage to another. So, for example, if you're offering 1 job, you should interview 4 people, screen 16, and source 64.

This is not a hard-and-fast rule but it can help you fine-tune the hiring process and see if there’s imbalance in any of your stages.

Stage 1: Sourcing

Sourcing is the first stage, the one where you promote the position so people would apply. The goal is to get enough qualified applicants so you can proceed to the next stage.

The number of applications you need depends on how big your company is. Big companies can cast a huge net, which their HR can sift through later. But smaller companies need surgical precision and make sure only qualified candidates apply.

There are 4 main recruiting channels through which you get candidates: in-house referrals, agency referrals, outbound, and inbound.

You'll need a strong command of each to meet your hiring needs. Relying too much on one channel only is not good as it will eventually tap out.

In-house referrals

In-house referrals are candidates you learn about from someone who works at your company. The trouble with referrals is they limit the diversity pool of your candidates and you'll quickly exhaust your employee's social network.

To keep the referral channel fresh, you can ask new employees for referrals. For example, you can sit with them during their first week and quickly pass their Facebook/LinkedIn networks and ask them if they know someone who they can recommend.

You can also highlight open positions each week during a weekly meeting; or you can take it a step further and hold a regular referral event where you come in, share open positions, and ask everyone to go through their social networks and build a referral list you can then contact.

The key to reaching out to referrals is to leverage the referring employee and mention them. Otherwise, it's just another cold call and you lose the advantage the referral process gives you.

Agency referrals

You can also get referrals from staffing agencies, although it's going to cost you. You tell them what you need and they send you the CVs of potential hires. If you hire their referral, agencies charge 10%-20% of the employee's salary for one year.

In addition to giving you qualified candidates, they can also help you to refine the job description, establish a fair salary range, check references, and conduct testing. They can also be very effective in finding senior hires.

Outbound

Outbound sourcing means you reach out to potential candidates and try to convince them to apply. It typically consists of browsing social profiles (mostly LinkedIn) and messaging people.

It's not very efficient so most recruiters at big corporations do this. If you want to make yourself stand out, get personal. Be specific, get to the point, and tell them why you reached out to them specifically.

Remember that great people don't look for jobs, they are sold on jobs. They're going to say no at first so you have to work on winning them over.

You actually have a good chance to get a positive response as 85% of people on LinkedIn are willing to switch jobs if you have an interesting offer, according to the survey from LinkedIn. Just keep the message human and short; otherwise you'll look desperate, which is a turnoff.

You can go a step further and interview your rivals' employees.

> *"I have never known a single person in a rival organisation, however well paid, who has refused to meet me for a quiet drink after work. I have discovered more about what my rivals are up to in this manner than any other. In addition, I have often been so impressed with the people I met that I poached them later." - Denise Richards*

Another trick is to use display advertising and targeted ads on Facebook and other social networks. They key here is segmentation. For instance, if you're hiring for SEO, show your ad to people who like Majestic on Facebook or follow Rand Fishkin on Twitter. You can also tap into your social followers, who already know and like your product, and see if there's someone who'd be great for the job.

Inbound

Inbound sources come to you, for free. You don't have to do anything except have a good reputation and tell a good story. You need to really work on your website's career section and show why it's so exciting to work at your company. Give people a real sense of what it's like to work at your company using blog posts and Instagram.

Work on your employment brand. Issuing press releases, being active on GlassDoor and LinkedIn, and organizing meetups and other community events - all these can make talented people want to work for you.

When someone does apply, you should have a 100% response rate, even if it's just a couple of lines. The point is, if someone took the time to reach out to you, you should treat them with respect. They are your brand ambassador. If you don’t even bother to thank for applying, the word will get out and damage your employment brand.

Stage 2: Screening

Screening is the part where you sift through CVs and decide who you'll scheduled for a quick call.

Looking at all the resumes is time consuming for business owners so you should outsource this to your line managers. They can color-code CVs by level of interest and then you can scan the ones that your staff is most excited about.

You should use software to manage the application process and track applicants. Software can help you store all the candidate information, communicate with them, know the entire engagement history, and leave notes and comments.

For example, candidates will send you their CVs and other info, which will go into software's database. Then a manager can go through the profiles and write notes. They can then mark a candidate as "to call", set an agreed date and time, and make comments after the call.

Once you make a shortlist, schedule a casual 15-minute screening call to find out why they applied and see if they're a good fit. The goal is to assess if the candidate has the right motivation for applying and the necessary experience before moving to the interview stage, which will take a huge time investment on your part.

When you need someone with hard, technical skills, talk is not enough. You also have to test their skill and see if they actually know what they claim. You can make an online quiz or send something challenging by email before moving to the next stage.

> *"At Flipboard, we built the site challenge.flipboard.com, where we post engineering problems. The goal here is to start a conversation as much as it is to screen for skills. We simply ask candidates about the challenge. Why did you decide to use this language? Why did you decide to implement it this way?" - Eric Feng*

Stage 3: Interviewing

Once you narrow down the candidate list to 1.5% of its original size, you invite the finalists to your office, show them around, let them meet the team, and get to know them in-depth.

Every interview should be structured. This means, you should ask each candidate the same set of questions (sub-questions can differ based on the response). This way you can compare candidates using the same measuring stick and remove bias.

Each interview should consist of several elements:

- Breaking the ice (chit-chat to relax the candidate)
- General questions (why they applied, employment history)
- Work questions (highly technical for the position they're applying)
- Cultural fit questions (to see if they'll fit in with the team)
- Admin stuff (salary, notice period, perks)
- Wrap-up (ask if the candidate has any questions, thank them for their time, and let them know what happens next)

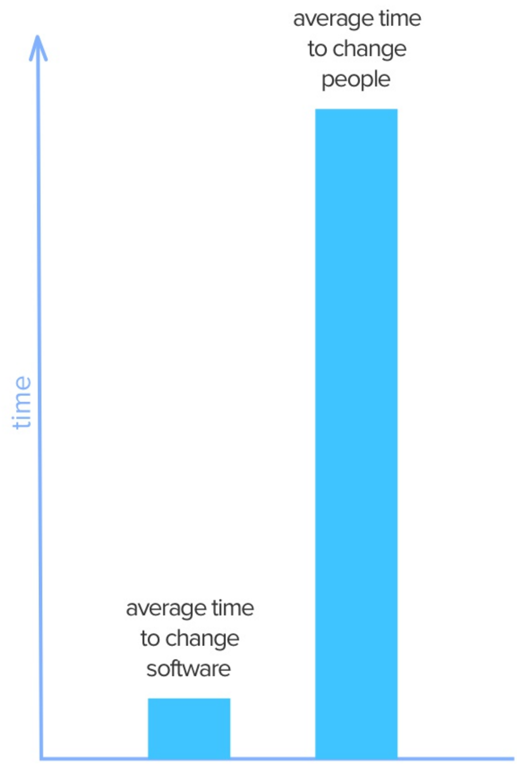
You want to extract as much information as you can so use open-ended questions, which can't be answered with yes or no. Also, use situational questions because they'll help you predict the candidate's performance better.

For example, if you're hiring a sales person, don't ask them how would they sell you a pen but ask them to role-play and talk to you like you're a potential customer.

The whole idea of an interview is to try and predict how a candidate will do the job in the future. And the only way you can accurately predict future performance is by looking at their past performance. So focus on the candidate's work experience and really drill down on what they did and why.

If you don't know what questions to ask, google some ideas. But don't ask questions like "How many ping-pong ball could fit in an airplane". These kind of questions were once popular but have fallen out of favor because no matter how a candidate answers, it won’t give you any insight about them (except how tolerant they are to dumb questions).

Don't focus on technical skills only. Look for attitude and character. You can teach them most of the technical know-how, but changing someone’s personality is impossible. You can't train someone to be nice - you have to hire nice.



Why developers get frustrated

Interviewing can take a lot of time, especially when you consider that several people have to attend it; remember that a typical 1-hour interview actually takes several hours (1 hour for each person present).

Don't be shy to cut the interview when you see the candidate is not the right fit. Don't feel you have to continue out of courtesy. You'll only waste both parties time. This will feel awkward the first several times you do it, but you'll get comfortable. And the candidate will respect your for it.

The processes you set up so you business can grow are worthless if you don’t have the right talent. You have to identify it, hire it, and nurture and reward it. And once it becomes irreplaceable, fire it.

Chapter 16: Hiring Advice for Growing Businesses

Sometimes you'll hire the wrong person

Most of the time you'll hire the right person. But sometimes, you'll hire the wrong one and that's normal.

When you have 40 employees, one bad hire doesn't have the same impact as when you have 10. You could strive to be 100% right all the time and be super conservative when it comes to hiring, but it will only slow you down. Just hire the best candidate and be willing to take a risk once in awhile on ones that don't fit the mold but you think would be beyond great.

> *"Sometimes you'll hire the wrong person. Sometimes you'll let the right person get away. Don't beat yourself up. You will learn from both situations. In my experience, great hiring managers can be wrong 30% of the time. That's fine as long as you identify where the error occurred and fix it quickly." – John Ciancutti*

Hire interns

Small companies don't have the resources to train interns, but once you start to grow, they are very helpful for several reasons:

- You can give them low-level work, which saves time for your team
- Interns help you develop leaders. In growing companies, people with no management experience get promoted fairly quickly so they need someone to practice their

management skills on. Plus, people will stay more focused because they don't want to look lazy in front of their interns.

- You're always going to need talent and the best way to have it is to develop it in-house.

Be sure to pay your interns so they want to work for you and you can attract the best. Interns who are applying for paid positions are generally good enough that they can land a paid position and they are incentivized to actually care about work.

Have a career plan for your hires

Once you hire someone, you need to have a solid career path for them, in writing. People won't feel motivated to work hard unless you show them how much they can grow. You should have a document that outlines the different levels of employment as well as provide examples of what someone needs to do to get from one level to the next.

Get used to laying people off

When you're small (10-20 people), everyone knows each other very well and employees feel like a family - and you don't fire family. Everyone is in it together and your businesses either works or it doesn't. But as company grows, rules change.

A company changes from being a tight-knit team, battling for success against all odds, to a big company with hierarchy, titles, finances, lawyers, growth plans, quarterly reports, regulatory compliances, etc. Employees no longer feel like a part of the family unless you build your company around that value, in which case, you'll slow down growth.

Netflix for example doesn't build its company around family but team:

> *“We’re a team, not a family. Netflix leaders hire, develop and cut smartly, so we have stars in every position.”*

People will come and go all the time. So growing companies need to constantly be in hiring mode and keep their talent pipeline full. Don't wait until someone leaves to put up a job ad, because by that point, you'll already be behind schedule.

Even founders are replaceable

As the company gains momentum, it becomes bigger than any individual. Slowly, people start to adjust around the company. This goes too for the founder, who slowly loses the power to shape the company according to their vision. If the founder isn't careful, they can even be fired from the company they started.

> *"In smaller companies, when founder-CEOs do really well, they're going to be replaced with an individual skilled to manage the growth. It's a lose-lose position for startup founders: if they perform poorly they're out, and if they perform very well, they're out. It is precisely their success that has increased the need to replace them at this point." – Noam Wasserman*

Plan your talent needs in advance

Keep in mind that the bigger your company gets, the longer you'll need to fill an open vacancy. When you're small, you do all hiring yourself so you can move fast. The minute you get a resume, you can call the candidate and hire them if they're the right fit. But growth introduces processes and they take time.

You'll typically need 2-3 months to hire someone:

- 2-3 weeks for the position to be posted online
- 1 week for sorting applications, sending them to hiring managers, and waiting for answer
- 1 week for phone screening
- 1 week for skill challenge
- 1 week for scheduling interviews when both the candidates and hiring manager can available
- 2 weeks for interviews and offering the job

Be aware of the talent market

Keep in mind that specialists, who you're going to start needing more and more, operate under different market conditions than you've been used to.

Specialists will either be harder or easier to find, depending on your ability to find them. Plus, they cost more and have a number of options so you'll need to woo them.

The age of candidates matters. Talent in its forties is very expensive. But young talent will be cheap as long as the work is challenging. But once young talent gathers skills and experience, you will need to pay them the market rate.

At this point, you can part ways with and look for new young talent, or promote them, depending on your processes and needs.

Chapter 17: Systematic Onboarding

You've just hired a new person and you feel super excited, even a bit in love. You have such high hopes for them. Their first day at work consists of you personally showing them the ropes and answering questions. But this unstructured onboarding works if you don't hire often.

The problem starts to appear when your company grows. When you have a new employee every month, you won't have the time to teach them everything; plus, the processes will become so complex that teaching will take a lot more time.

What you need is a system, a standardized process that'll make sure each new employee integrates in your team and starts performing at full capacity as soon as possible. What you need is systematic employee onboarding.

What is onboarding

Onboarding is welcoming new hires to your company. According to research, 86% of new hires decide whether to stay or leave within the first six months; and 69% of new hires are more likely to stay longer than three years if they experience well-structured onboarding.

Why is retaining new hires so important? Because hiring and training people costs money.

Onboarding a new employee costs about 150% of their monthly salary. When translated to actual money, this is how much it costs to recruit and train a single employee:

- $3,328 for an employee earning $10.00/hour
- $8,000 for a manager earning $40,000/year
- $21,000 for a C-suite executive earning $100,000/year

Onboarding isn't simply training for the job. It's also about instilling company culture and making them feel like welcome and making sure they fit in. Michel Falcon, founder of Experience Academy, said it best:

> *"Employee onboarding is the design of what your employees feel, see and hear after they have been hired. Often, companies confuse onboarding with training. While training does have a role within the onboarding it doesn't represent the entire scope of the process." – Michel Falcon*

Most small companies don't have a well-developed onboarding process because developing it costs proportionally more for a lower reward. For example, when you're small, you don't onboard a lot of people to justify investing time in the process; but when you have 500 employees, the cost is nothing compared to time and money you'll save with each new hire.

Just because a company has structured onboarding, it doesn't mean it's good, though. Sometimes it's better not to have a systematic onboarding because at least you know it's bad and you have to do something about it.

A mediocre company will give you an orientation packet and a bunch of paperwork, read old documentation, and make you watch in-house training videos. But the truly great company will welcome you with a big smile, ask you how you feel, track your engagement, and make you too excited to sleep because you can't wait to go to back to work.

How some companies onboard new employees

Percolate

Percolate had a problem: how can they grow their team while keeping its culture? The answer is through thoughtfully designed onboarding. The CEO personally takes newest members through company history, philosophy, and culture. It's his personal job to share the company vision and make sure the new hires know how they contribute to it. The company also has a 18-page document called “Day One” that's regularly updated and contains everything a new hire should know.

> *“When your company is really small, the percentage of time everybody gets to spend with you (the founder) is pretty high. If you’re five people, everybody conceivably gets 20% of your time. That’s a lot harder at 200 employees. But founder connectedness is always paramount. When it comes to your message — mission, vision, and values — repeat yourself until you think you sound like a broken record. Then start repeating yourself some more. That's a good way to think about what your job is*

in building a culture and running a company." - Noah Brier

Red Branch Media

At Red Branch Media, training is a learning processes that encompasses both the how and the why. A new hire will learn not only how to do something but how to behave when faced with a new challenge. They focus their "why" around sales and ease of use, so for example when an employee schedules calls or shares social updates, they ask themselves "How will this make our customer's life easier?" or "How will this sell the product?".

> *"When you train your new employees in the ethos of the company while simultaneously showing them how to do their job, everyone wins. We give them a reason to believe and a map to what their future could be by telling stories of our successful employees and the highs and lows that got them there." – Maren Hogan*

Infusion

Once a year, Infusion runs a month-long boot camp for new graduates. There, they teach every skill a person needs to know to do well at the company. This includes everything from pitching ideas and gathering requirements, to good programming practices and how to actually code (including deployment, release, and documentation). By working on real projects, graduates are prepared for the actual work to come.

Netflix

Netflix keeps a new hire busy with a highly-structured schedule for the first 2 weeks, after which they have regular check-in meetings. This way, newbies are never left wondering what to do next. They also meet with team leaders from other departments so they can understand how they fit into the big picture. They also get to talk to the CEO in a small informal group setting within the first 3 months.

New hires get real responsibilities and can see their impact quickly. An employee will start working on a product immediately and within 4 months they'll see their work being used by tons of Netflix customers. This gives them a big confidence boost and makes them see value in their work.

Valve

Valve has a flat company structure (no hierarchy, management, or being told what to work on), which is very rare for a big company (they have around 360 people). This makes onboarding difficult as most people never worked in a similar environment.

That's why Valve employees created a handbook for new hires. It's a survival guide that explains company culture, inside jokes, job review processes, and why desks have wheels, among other things. The handbook is so good that it made people want to work at Valve, while at the same time helping new hires adapt to a specific company culture.

> *"This book isn't about fringe benefits or how to set up your workstation or where to find source code. Valve works in ways that might seem*

counterintuitive at first. This handbook is about the choices you're going to be making and how to think about them. Mainly, it's about how not to freak out now that you're here." – Excerpt from Valve's Handbook for New Employees

Zappos

Zappos makes every new employee, regardless of their position, go through a 4-week customer service training. After all, making customers happy is their core value and making an accountant or a developer answer customer tickets shows how important it is.

Sometimes, new hires figure out they don't want to stay and instead of keeping them, Zappos offers them $5,000 to quit. This way, they make sure they only have employees who really enjoy working and offering great customer service.

Square

Square is a mobile payments startup. To show new hires how important it is to have good relationship with merchants, Sqaure takes new hires to visit local merchants so they can meet customers and see how they really use their product.

Tips for structuring your employee onboarding

Prepare one day in advance

A day before the new hire comes, create an email account for them and set up all the other accounts with it (like Active Collab, Git, Slack, etc.) so they don't have to waste a whole day on administration.

Also, prepare the workstation and the computer a day in advance. Make sure the computer is stripped of old user data and that all the software is installed and updated. You can even organize their bookmarks and include bookmarks to all the documents and software you use.

Provide answers to questions most new employees have. This can include who's who, who they can ask for office suplies, what are the benefits, and so on. It's best to keep the FAQ in a cloud document like Google Doc so anyone can update it and there are no different versions floating around.

Prepare a welcome package that includes your swag (t-shirt, personalized coffee mug, favorite candy bar, bag), a sample of your product, welcome card, and so on. A Kindle or an account to online courses is a great gift too because it encourages them to learn. Also, make sure they have keys and other access credentials waiting for them so they don't have to hunt for them.

Document processes

You should have every process documented so when one person leaves, another one can continue. For knowledge management, it's best to use a wiki software (like DokuWiki), but spreadsheets, docs, images, and checklists are also good.

The problem with having several sources of documentation is it's all over the place. To keep it centralized, you can use links in a wiki software or create a project in Active Collab and put everything there so it's all in one place and everyone can access it.

The best thing about having extensive documentation is that it scales incredibly well as your team grows. When you have a good onboarding documentation, your team can asynchronously learn and update it as things get more complex. It’s also good for existing employees to refresh their memory when they have to do some arcane process they haven’t done in ages.

Treat onboarding as a mini-project

Onboarding a new employee is a mini-project by itself. One person’s onboarding isn't that different from another’s. Once you make a to-do checklist do, you can use the same checklist again for other new hires.

Project templates are perfect for this. They let you define tasks and then create a project with those tasks each time you have a new hire. (You can also use recurring tasks if you don't want to create a whole new project just to onboard a new person.)

Create tasks and assign the new employee and any responsible team members. Then, new hires can work through the tasks at their own pace, starting with something simple, like checking out team the calendar or saying hi to everyone. You can even gamify the experience and let them collect points for each task they complete.

Create a project from an onboarding template before the new hire arrives and assign other people to complete tasks. For example, once an onboarding project is created, the sysadmin should be assigned to the task “create the email account and other login credentials” and a deadline should be the day the new hire arrives. Involve multiple people in onboarding because, as they say, it takes a village to raise a child.

Formalize team integration

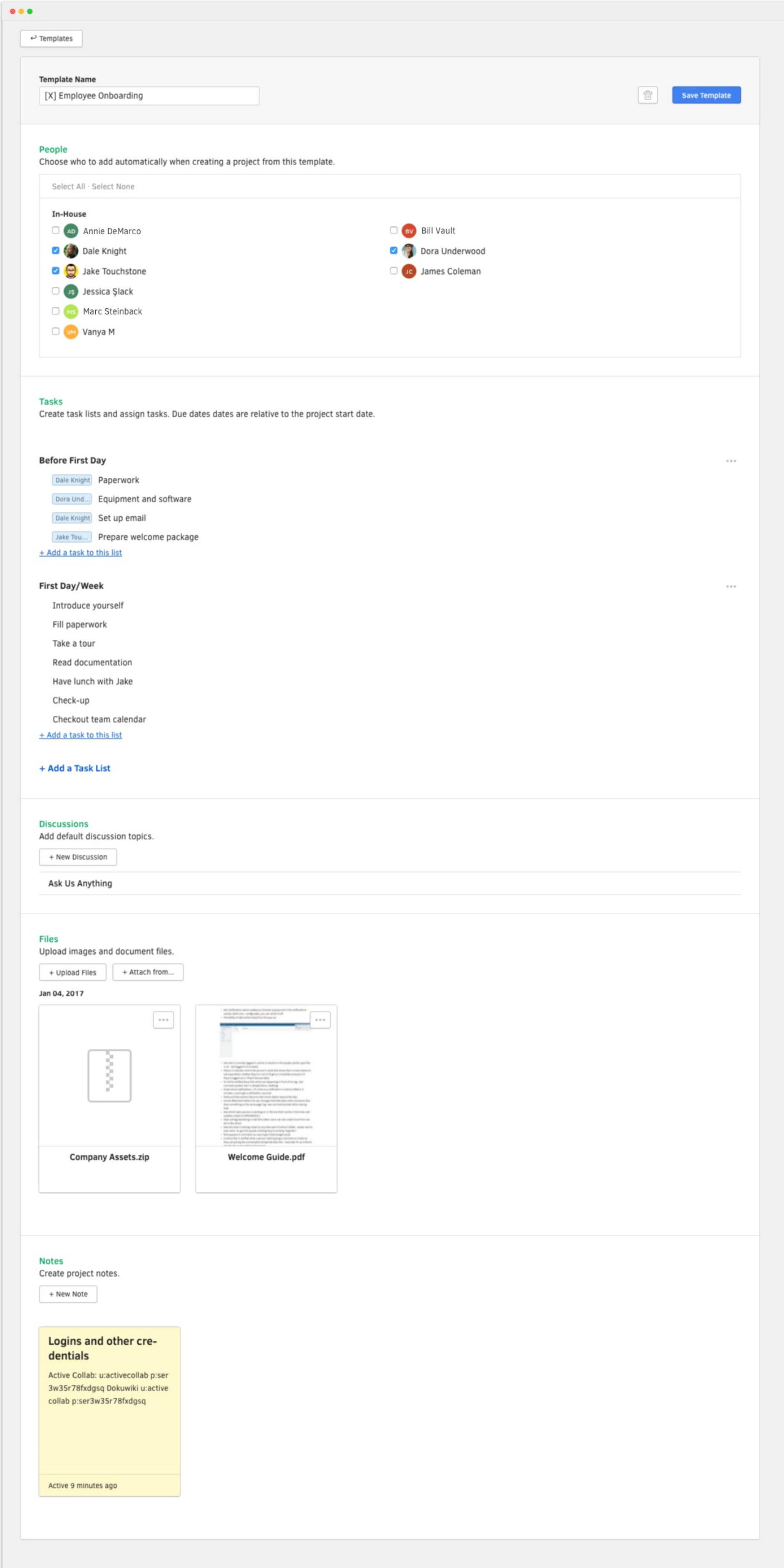
The first day at work can be stressful. When you're new, you don't know anyone, there are so many new names to remember and you worry what others think of you. It can be very awkward to join the tight-knit people who know each other well.

To make sure a new hire fits in, you should formalize the first part so you take away the nerves of a new team member joining the team.

Assign a different team member for each part of the onboarding process so the new hire gets to know more people. Also, assign a buddy, someone who will take them on a tour of the office, introduce them to others, answer questions, take them out for lunch, and keep them company while they settle in.

A good idea is to make a task for new hires to send an introductory email to everyone in the company. This email should include what they were doing before joining the company, what they will do in the company, some random personal details, and a crazy embarrassing photo. This emails are fun to read and provide great discussion starters for others to get to know the person better.

Once you have a systematic onboarding process, you'll be able to grow much faster while keeping turnover costs low. Also, onboarding isn't only about training for the job, but also about instilling company values, making sure new people fit in, and making them feel valued.



Whenever you hire a new person, just create a new project from the **project template** so the onboarding process can begin.

Chapter 18: Avoiding Toxic Workers

When you're running a business, you must be extra careful with who you hire. You need someone productive but also someone who gets along with the rest of the team. You can't afford to spend your time fixing human relationship issues with clients and deadlines breathing down your neck.

The problem is, avoiding toxic workers is easier said than done - especially when you take into the fact that toxic workers are on average more productive than others. This puts every entrepreneur in a tough position: should I turn down the the person who brings results because they are a terrible fit, or should I hire them and hope their productivity will offset their bad attitude?

Well, according to research done by Harvard Business School, you should turn them down as they're gonna cost you more in the long run - $12,500 more, to be exact.

Who are toxic workers

Toxic employees are talented and productive people whose behaviour is ultimately harmful to an organization. They're difficult to talk to, they gossip, make others feel inferior, aren't welcoming to new team members. It's stressful for other employees to work with them, and others generally feel uneasy in their company because they always have to keep their guard up. They poison the atmosphere and kill collaboration.

If they're so bad to work with, why are they hired? And more importantly, how do they stay employed? The answer is very simple - they hit their numbers. If they didn't, it would be easy to fire them; but when they actually bring in the results, it's a different story. According to research, only 1 in 20 workers is fired for toxic behaviour.

Harvard Business School specifically did a research on toxic workers that encompassed 11 global companies and 58,542 workers. They found that a worker is more likely to be toxic if they're overconfident, self-centered, productive, and rule-following.

The research also found that other people, when exposed to toxic workers, are 46% more likely to be fired for misconduct. In other words, toxicity is contagious.

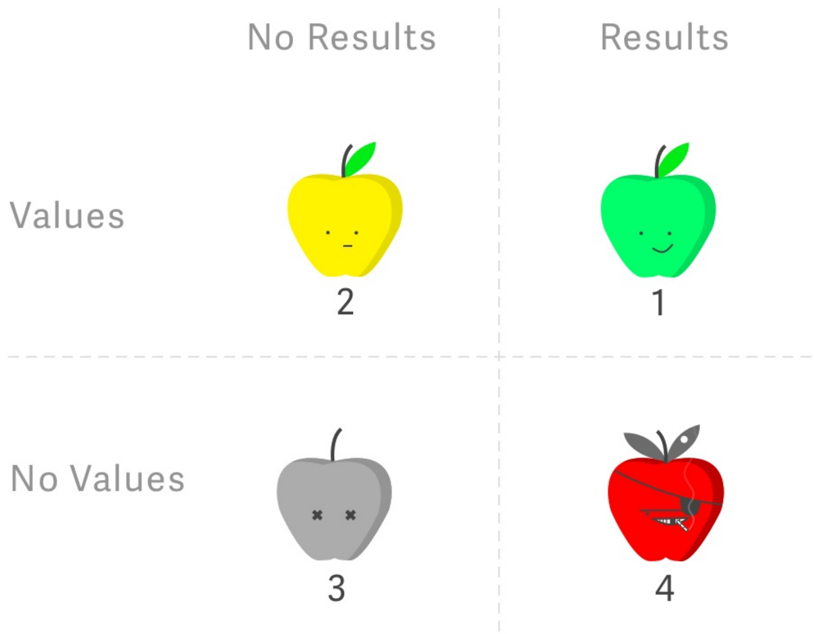
The trouble with toxic workers

The main reason why toxic employees persist is that they're more productive and more likely to be a superstar (meaning, they're in the top 1% in terms of productivity). This is why toxic workers are recruited and remain in company for a long time. According to research, unethical workers enjoy longer tenures. An unethical trader might bring in millions of dollars so the firm is tempted to look the other way as long as the trader doesn't overstep legal boundaries.

Toxic workers are more productive, but that comes at an expense. They trade work quality for speed. On the flipside, a worker is 27% less likely to be toxic if they do quality work.

A company might be tempted to hire a toxic worker in hopes their productivity will offset the downside, but that's not the case. It turns out, avoiding a toxic worker is worth more than hiring a superstar: a superstar only adds $5,300 to the bottom line, while avoiding a toxic worker saves you $12,500 in turnover costs.

Jack Welch (a former CEO of General Electric during whose tenure the company's value rose by 4,000%) once classified all workers into four types, based on two attributes: results and values.



He advised to keep those who deliver results and share company values (1), fire those who don't (3), and work with those who share values but miss their numbers (2). But type 4 workers, those who deliver results but create toxic environment, are a problem.

It's unnatural to fire them because they get the job done. Jack Welch decided to make the tough call and remove them because type 4 workers had the power to destroy the positive culture that's critical to business success. By doing this, he showed that soft values are truly valued and not just empty words written in the company's codex.

Be careful though. Jack Welch also said that a workforce consists of 20% of people who are high performers, 10% who you should get rid of, and 70% who do ok. This forced ranking can do a lot of harm because managers focus on workers who are high performers and believe the other 70% are underperformers, which is not true.

Companies need to appreciate the competence of the masses and not chase the superpowers of the elite because when it comes to building a stable business than can grow, it's the people who do ok who are the most important. They are the backbone of every big company because they are both reliable and replaceable.

What to do with toxic workers

Bad workers have a stronger effect on the bottom line than good workers. If a workers is a bad fit, they'll be terminated prematurely and the cost of finding and training a new worker will be high. That's why you need to be extra careful when selecting new hires and turn them down even if their work is strong. All their expertise won't matter much if your team can't collaborate efficiently and quit their job.

The first step to avoiding toxic workers is to prevent hiring toxic workers in the first place. When interviewing new candidates, don't ask solely skill-based questions. Ask questions that can help you gauge if they are a team player.

The best way to assess that is by asking questions like:

- Can you recall the last time someone asked you for help and what did you do?
- Can you give us an example of a great team work at your previous company?

What to do if you already have toxic workers? First you have to identify them. If you're a business owner who doesn't spend too much time in the office, you're most likely oblivious to who makes others miserable because all you see are great results. Current workers won't tell you either because they don't want to badmouth others.

The only way to learn the truth is through exit interviews. When someone leaves saying they need to be in "a more challenging environment with more professionally-minded people who support each other", take that as code word for "the work environment is toxic and I can't take it anymore".

Getting rid of toxic workers is difficult. You can't just fire them - it's bad for morale, legally risky, and you can't afford to lose productivity. The best course of action is to slowly drive them away by introducing changes to the workplace. You can introduce team buildings, pair programming and code reviews, processes, and other activities that require teamwork and support.

Also, bringing in new people can do wonders for the work atmosphere, especially if you bring in a lot of new people. This gives you the chance to mould the right culture. The toxic worker will have to either adjust or decide on their own to leave.

Final Words

Each growth stage is unique and brings its own set of challenges you need to accomplish in order to level up.

Before you hire anyone, you first need to have a clear vision of how your business will function in the future. Once you know that, you can shape your processes and business according to that vision.

Then, you should work on removing yourself from everyday processes so you can work on on the long-term market position. Start documenting processes in the form of standards, manuals, procedures, and onboardings so you don't have to hold each employee's hand. Once your employees have clear guidelines, they can work on their own and make minute decisions without you.

Somewhere along the way (>10 employees), you'll hire your first project manager or HR manager. They will lift a huge burden of you back. Because you'll depend on them a lot, you'll need a risk plan in case they leave and develop your leadership pipeline.

No matter how good your processes or management are, talented people are at the core of your business. They are the backbone and the engine behind your growth. Very few businesses can get away with low-skilled labour, especially in the 21st century and the rise of knowledge workers and automation. So learn how to recognize and nurture talent, and it will bring you lots of money.

In the end, always keep in mind the three P's of successful businesses: philosophy, processes, and people. If you can align all three, only the sky's the limit to how much you can grow.

This book is mainly for people who want to grow their business. But don't feel like you have to grow your company just because everyone says you should. Growth completely changes how you do business and once you grow, there's no going back. Your life will change, and not necessarily for the better.

It all depends on your personality and what you want in life.

Don't feel pressured to grow. There's nothing wrong with staying small. In fact, you'll probably feel much happier and more fullfilled.

But if you feel the insatiable hunger and ambition, go for it. After all, it's the only thing that will make you happier. If that's the case, you don't have a choice but to grow.

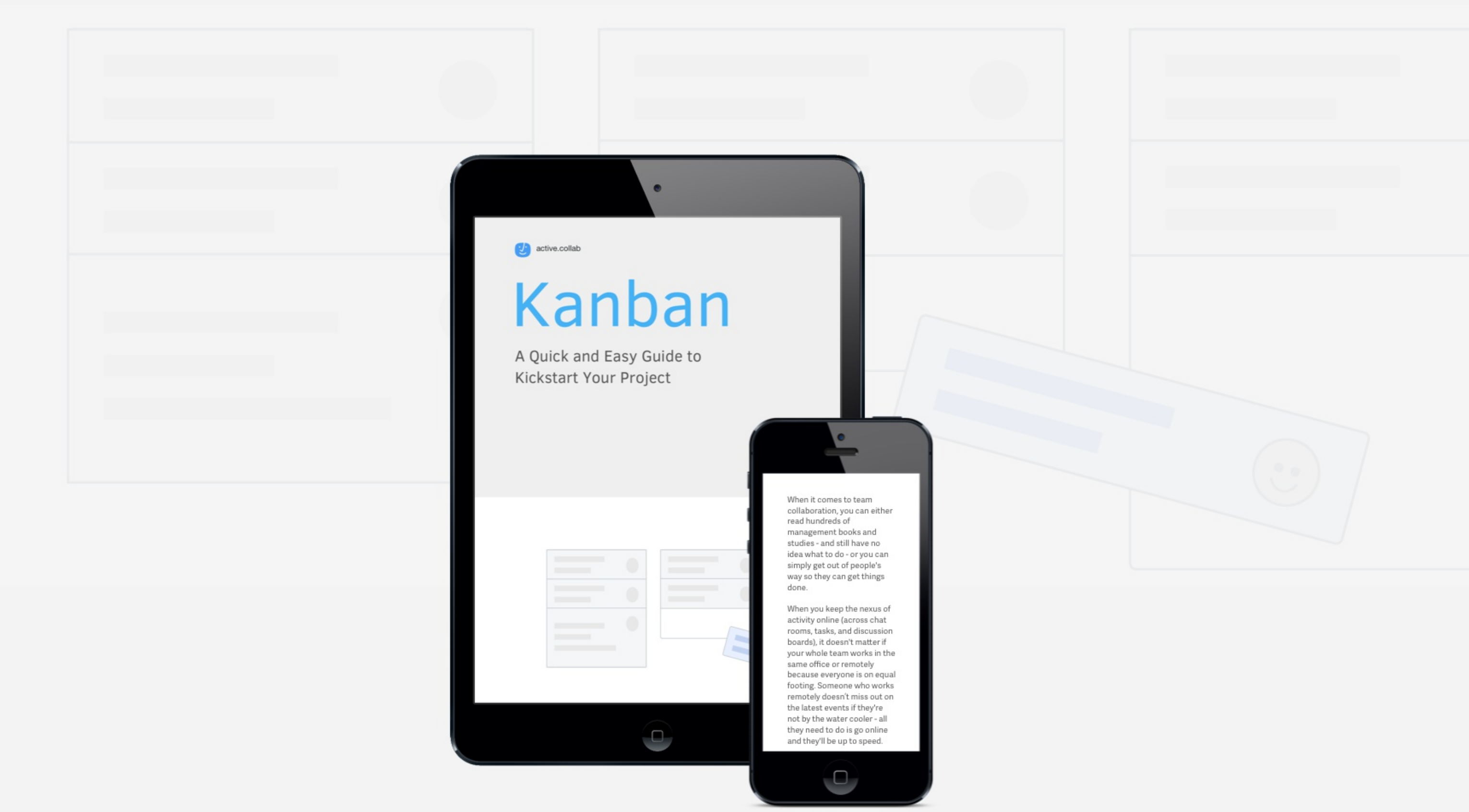
What Next

This books focuses on the soft aspects growth brings, (like human resources, management, and strategy). For more concrete things (like how to set processes in real life), check out our other ebooks.

Kanban: A Quick and Easy Guide to Kickstart Your Project

This book introduces Kanban and key principles of agile project management designed to improve your productivity. The book is very short and is geared towards beginners.

The book will help you learn how to organize projects and how to introduce a simple and reliable process so you don't have to worry about things breaking apart when you grow.



Download

The Complete Guide to Managing Digital Projects

This book dives deep into project management. It covers everything from client collaboration and project management to invoicing and time tracking.

The book will teach you everything you need to know to successfully manage digital projects, get paid, and make your clients happy. Unlike the Kanban ebook, this will take you much longer to read but it's still very easy to understand.

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Active Collab is a powerful, yet simple project management software. It helps your team stay organized when you outgrow emai. It’s a one-stop solution for all your business needs.

Active Collab is perfect for growing teams. It gives you an overview of your team’s activity across projects. WIth it, you can delegate tasks to your team, keep information in one place, estimate and track time, and issue invoices.

For more than 10 years, over 200.000 people have used Active Collab, ranging from small businesses to Fortune 500 members, universities and government institutions.

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