

## 3 MISSION-CRITICAL FUNCTIONS ESSENTIAL TO A START-UP: *They're Regularly Overlooked & Sorely Misunderstood*

**WHAT'S WITH THE TITLES? SHOW ME YOUR FUNCTIONS!** – Recruiting a team of highly motivated, adaptable, productive talent is both challenging and time-consuming. It's essential for closing investors, and driving to market. But let's be clear – this is not about filling up fancy “C-Level” titles on an org chart. You need to identify and recruit for mission critical functions that will get you to market, and fast. Success is about execution. But in the early stages, you may not need a VP of Sales & Marketing. It's more likely you need someone who understands how to build and develop the core machinery behind a sales operation. And you don't necessarily need a full-time CFO. You need someone who knows how to control cash, manage budgets, and forecast the future.

**MORE DOERS** – Now most tech start-ups need “subject matter experts” (SME's) to drive their design innovation and product development functions. Every industry sector and venture play will be different in that regard, whether you require chemists, coders, engineers, or pharmacologists. In short, there will be a portion of your team make-up that will be very specific to your market opportunity. However, all start-ups (whether high-tech or low-tech) always require three mission critical functions that are regularly overlooked and sorely misunderstood:

1. **Controller**
2. **Business Developer**
3. **General Manager**

These are mission-critical “functions” that must be owned and managed by identifiable designates on your team. They may not appear as titles on your org chart. And aspects of these three functions may be shared, doubled-up, outsourced, or contracted in early stages of your growth. But your operation will flounder quickly without having someone take weekly, dedicated ownership of each critical function. These functions are not for your CEO – they should **report to** your CEO. Here's a look at what each of them entails and why you need to ensure these functions are rolled into your team plan.

**CONTROLLER** – Our experience consistently reveals that this function, perhaps more than any other, is regularly overlooked. Every start-up needs a designated individual responsible for administering budgets, monitoring the “burn,” tracking cash expenditures, and forecasting cash requirements. Instead, what we often see are start-ups that bag big funding, and then spend without intention, purpose or design. Every use of proceeds must be projected and allocated down to the dime. What we typically hear, on the other hand, are the following:

- “We're a start-up. It's too early to budget.”
- “I contract a bookkeeper. I let her track things for me.”

This kind of thinking is not only flawed, but will most probably be fatal. Start-ups don't become successful first, and then start applying best practices in managerial accounting. Start-ups become successful **because** they've adopted best practices in money management from the beginning.

Now, to be clear, we all know that planning for a start-up is like planning for the battlefield – everything goes to hell once the first bullet is fired. But that doesn't negate the absolute necessity of budgets, however conceptual. Why? Because your budget is a critical tool you will use to help track operational and financial progress. It identifies your “burn” – that bare minimum cash requirement you need in the bank on the 30<sup>th</sup> of every month. It will determine when you may need to find more funding. And it's essential for developing the “Use of Funds” schedule you'll need

to close that next round of funding. These are only just some of the ways in which the operating budget is critical to your success.

But building your budget is not simply a “set it and forget it exercise.” It’s the single most critical financial barometer for daily and weekly health checks. And so here’s where you must ensure you have a controller working on your team - a designated individual tracking progress and projecting forwards at all times. This function is not about bookkeeping. You need an individual who, as part of her/his responsibilities, regularly compiles the latest numbers, and then forecasts possible scenarios based on the most recent business outcomes.

- We’ve hired another staff member. How does that impact our monthly “burn” and overall “runway?”
- We’ve landed two new clients representing an increase in consistent monthly recurring revenues. How does that alleviate our “burn?”
- An unforeseen complication in QA-testing of our product has increased overall development costs by 20%. How does that accelerate our use of proceeds and diminish our “runway?”
- That same complication has caused a delay-to-market by 3 months. We’ve secured deposits for our current round of sales orders. But we now won’t see final payments upon shipment for another fiscal quarter. What does that do to our overall cash position?

This is a permanent, on-going exercise. And one that should be conducted whether a company is 5 months old, or 5 years into a successful and profitable trajectory. Why do many avoid this exercise and function? We think oftentimes it’s because people are actually afraid of their own numbers. But, in reality, your numbers are the very source of many answers. Or, at the very least, they’ll help you hone and focus your decision-making, and isolate the key areas of your operation that need your critical attention. And that can represent an incredible savings in time, as well as mental and emotional energy.

**BUSINESS DEVELOPER** – Business development is a second mission-critical function that is essential to all start-ups, but is often sorely misunderstood and poorly executed. Part of the challenge is the very nomenclature that’s been adopted in the business world. At some point along the way, “business development” became synonymous with “sales and marketing,” which has done the core function a grave disservice. Business development is about “developing” or “building” the many facets of a revenue-generating, customer fulfillment engine behind a core product or service. Sales and marketing are only a sub-set of what a business development professional must strategize for, develop towards, execute on, and close/deliver.

Yes, “business development” as a function does ***include*** sales and marketing responsibilities. And the business development function within a start-up may well be executed and administered by a mix of personnel (full-time and/or contracted). However, every start-up at the earliest stages requires a senior designate to oversee an overall business development program that goes well beyond “making sales calls” and “placing ads.” Just a sampling of the questions a senior business development designate must be exploring at all times includes:

#### **Sales Goals & Pipeline Metrics**

- What is the company’s current burn-rate?
- What is minimum viable revenue target to cash-flow positive?
- What is the anticipated average deal valuation of a customer sale?
- What’s been our average conversion rate? And what’s the average sales-cycle-to-close?
- How much net contribution margin will go towards the bottom-line burn on each of these sales?
- How many sales do we need to break-even given these assumptions?
- What are the larger revenue goals being communicated to the investment community?
- How many sales do we need to attain those objectives? What are the potential accelerators?
- How many leads do we need at the front-end of the pipeline to achieve the conversion rate that will meet the overall revenue goals stated above?

### Market Validation & Anchor Client Acquisition

- Have we validated our value proposition, minimum viable product, and target markets?
- Are we comfortable with our pricing strategy?
- Where do we expect to find early wins? Which sectors are most promising?
- Who and how can we target for anchor client acquisition?
- How quickly can we convert early adopters into favourable case-studies and testimonials?

### Lead Generation and Sales Management

- Which target markets are now ready for deeper exploration?
- What are the best means to generate leads in bulk? (Digital/traditional advertising, blogs/social media, promotional partnerships, conferences, public presentations, etc...)?
- How are we tracking quality of leads and percentage conversion rates?
- Do we have the right marketing and sales talent to execute? Is it time to hire or outsource?
- Do we require training? Do we need to standardize sales protocols and presentation materials?

### Brand Development & Marketing Collateral

- Who is our competition?
- What are we doing to position our brand and differentiate our product-service mix?
- How do we ensure the right timing/type of visibility to capture the attention of different target segments?
- Who can we recruit for advocacy?
- Is our web design adequate? Do we need an eCommerce site?
- Have we developed all the essential marketing collateral for advertising, promotions, tradeshow, etc?

### Sales Systems, Business Processes & Client Fulfillment

- Are we investing in the right mix of business administrative systems to drive the sales & service engine?
- What do we require in terms of CRM, ERP, E-Campaign Management, Website Analytics, etc...?
- Have we evaluated our cradle-to-grave customer fulfillment program, and how it will impact our internal team, external partners, and clients?
- If we're deploying a technology at a client site, do we have a properly crafted work breakdown structure and client activation/adoption plan?
- Are the sales systems interfacing with inventory management, procurement, finance, etc?
- Do we require an international shipping and freight plan? Will we require warehousing?

### Reporting Conventions

- Do we have adequate insights on our marketing and sales activity (daily, monthly, quarterly)?
- Have we designed dashboards and "hot-sheets" for relevant internal stakeholders – senior management, finance, Board of Advisors?
- Are we working closely with the Controller to assist with monthly forecasting/re-forecasting?

**IMPORTANT NOTE:** The business development function and controller function are closely intertwined and should be regularly advising one another of new developments and changing financial forecasts.

Once again, finding the right individual or team to execute early-stage "business development" is not about hiring a VP of Sales and Marketing. In fact, it can be exactly the wrong thing to do - both hiring a **full-time** senior manager, and sourcing a **conventional corporate sales professional**. You need foundation-builders who know how to develop an engine from scratch. This is very different from a senior sales administrator who is more suited for growing a book of business where the core apparatus is already in place. [See also **7 Reasons to Outsource Your Early Stage Biz Dev** at [www.canadastartup.com](http://www.canadastartup.com).]

**GENERAL MANAGER** – This final function should work in tandem with the Controller, and can even be executed by the same individual. But more often than not it seems that this critical role is generally overlooked and/or its importance is sorely misunderstood in the venture start-up community. Stated simply, “general management” is all about internal air-traffic control. And it necessitates regular involvement in the operational weeds. Sorting out the right hand from the left hand. Ensuring deliverables are on track and in sync between core departments or functions. Managing business materials and mission-critical resources. Regularly revisiting the money model with the Controller and Business Developer.

As circumstances change, the General Manager (working with the Controller and Business Developer) needs to quickly identify how trajectories and corresponding tactics may also need to change. And then communicate refined options to the CEO for deliberation, decision, and action. Most important of all:

**The GENERAL MANAGER designate cannot and should not be the CEO/FOUNDER.**

While ideally nimble and competent with operations, the CEO should nonetheless do his or her absolute best to remain one-step removed from daily operations whenever possible. This is a tall order in the early months, and even founding years. But delegation has to remain the core objective. It is fallacy to believe that a CEO can oversee inward-facing daily operations in the shop while also chasing down additional financing, juggling investor relations, soliciting advisory input, closing anchor clients, managing media relations, and/or brokering larger partnership deals with external stakeholder groups. Instead, you need to assign a General Manager to the task of internal management. This person may be “named” as COO on the org chart. But make no mistake, he or she better be ready to roll up the sleeves and dig in the mud.

For more on the resurgence of the “General Management” function in venture start-up environments, read Geoffrey Moore’s recent post: **“Executive Development: We Need Our Next Generation of General Managers Now!”** <https://www.linkedin.com/pulse/executive-development-we-need-our-next-generation-general-moore>

**Controller. Business Developer. General Manager.** These three “functions” are pivotal to your success. You may fulfill them in a variety of ways. You may find the controller and general manager, for example, are one-in-the-same person to start. You most definitely will want to ensure there is a regular working relationship between the Business Developer and the Controller. Either way, you are bound to introduce greater risk and reduce probability of success without properly addressing these three functions from the very beginning.

GOOD LUCK! And let us know how we can help.

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