The C-Word

with Kate Mercer
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Growing your start-up to SME

Everybody wants promotion, but someone's got to do the work

Them hey all want a pay rise – but we're not making enough money. Nobody documents anything – we fly by the seat of our pants. I never know what's going on until it's an emergency.

Do you sometimes feel like this? There comes a point in an organisation's growth when communication seems to break down. It's no longer small enough for everyone to know what's going on by listening in on conversations, yet it is not a 'corporate' either, with layers of processes, resources and staff to run the operation smoothly.

You feel out of control and can't keep your arms round everything that's going on. People expect things like pay rises, bonuses, development and promotion, but complain if you ask them to document their work and be accountable for measurable results. You're frustrated and your staff are starting to complain. What's happening? Your organisation has grown up – it's now a second generation company.

Emily is MD of her family's growing marketing services company. She has worked hard over the past few years to move away from the company's 'all-hands-to-the-pump' start-up phase, and is putting in structure and processes to systematise the running of the company. She has one eye to the future – if her family one day want to sell the business, prospective buyers will expect stability, process and professional management.

However, people liked the cosy, informal feel of the company before Emily took over, and they are uncomfortable at her emphasis on accountability, management structure and results. They complain they aren't paid enough and the younger staff have an eye on promotion. Yet they still resist the changes, which they feel are too 'corporate'. They prefer to do things in the old slightly haphazard way which meant nobody felt too on the spot when things went wrong. Emily feels unsupported, and as if she can do nothing right.

Emily's staff have two basic pictures of 'an organisation'. On the one hand, the cosy, 'family', slightly chaotic, first generation (1G) 'start-up' where everyone feels vital to the business. On the other, the 'big corporate', in which (in their perception) an individual is a cog in a machine, and creativity, innovation and self-expression are stifled. It's the former image which attracted them to work in Emily's family business.

Many people's picture of any organisation larger than a start-up is based on years of school and college, and reading about big third generation (3G) companies in the news, where the stories tend to be about bonuses (especially in recent years), promotion and huge salaries. This leads to assumptions about the way organisations work which give rise to the problems Emily and her staff are struggling with:

- 'After a year or so I'll get a salary increase (they always do in the stories I read in the papers)'
- 'After a short time in my first job, I'll get promotion (I got one every year at school)'
- 'My boss is there to a) tell me what to do and b) to look after me'

Between 1G start-ups and 3G corporations, there's a third type of business – the second generation (2G) organisation. These are small to medium sized enterprises (SME) which, in the UK at least, account for more than 99% of all business and employ over 12 million people. The EU definition is very wide: if your business is an SME, it will be turning over anything from £2m to £50m and employ from 10 to 250 people.

2G organisations need to be structured more than start-ups, but this doesn't need to be very complicated – in fact some people moving to them from corporates fail precisely because they over-engineer the organisation. These organisations don't need the full raft of corporate structures to work well – for example they won't usually have full-time internal service departments like HR, Finance, Marketing or IT, instead using part-timers, agencies and external suppliers. This comes as good news to staff who fear the rigidity of a corporate environment, and it may come as good news to you. But don't throw the baby out with the bathwater. Your organisation will still need some basic structures and 'rules' to make it work, and it helps a great deal if everybody understands and accepts this.

Focus on agreeing with your core leadership team the critical few structures that need to be applied. These will vary depending on personalities, the current culture and objectives of your organisation, but should include simple ground rules for behaviour, basic documentation of all key company processes, and goal setting and review between every manager and employee. If everyone lets go of resisting change and is willing to agree and comply with a few key ground rules, the organisation will run more smoothly and you as leader will have the support you need. Focus on having everyone share this basic understanding, and you can all get on with enjoying working with each other again. ■

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