Strategic Scaling for SME success

juliadejong.com



Let 's make sure to...

Align

Do we mean the same when we talk about Scalability

Explore

How Scalability can be embedded into decision-making process and strategically steer business development

Develop

A MVP of a standard scalability-based framework for client/project acceptance decision (Opportunity Scaling Checklist)

Demonstrate

To explain the logic of my scalability approach, I share the analysis I did for my own project Equvio, which aims to provide digital HR solutions to SMEs, following the recent change in EU law

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Are we on the same page regarding Scaling?

Scaled system is essentially a system that has a life of its own

Scalability means exponential growth (x2)



Tip

Scalability implies:

Repetitive processes, simplicity, recurring patterns. Scaled business captures value from recurring income stream with high profit margins.

Building block of business that can scale

Business

Fundamentally, we need to be able to a) generate the value, b) capture a portion of this value for ourselves, c) have customers adn d) ideally high-margin, recession proof

Core recurring

Having a core service offering that can be offered and is consumed at scale.

Here solid value proposition and clear message are vital

Adjunct recurring

If the core business itself does not allow for simplification or recurring patters, explore whether a recurring revenue stream can be developed on the back of it.

To scale a business... ...the core projects need to have a potential to scale or to build a recurring revenue on the back of it

Tip

Document your processes to extract standard, non-tailored chains of value generating activities that can be automated.

How to embed scalability into business building

Define

Elements that are critical for business scaling. What are the strategic, operational and financial level factors that need to be taken into account?

Differentiate

Between different stages of business development (Idea - incubation - growth/scale) and characteristics, support by fitting test environment

Apply

Relevant criteria to the to the projects/clients, based on where they are mapped in your development process and decide whether they serve your scaling ambition.

Track

Your data and your metrics to have make informed decisions

Scaling relies on repetition, standardisation, simplification, efficiency and tracking numbers



Tip

As the product moves from the development and incubation stage into the growth and scale stage, the owner's active involvement is reducing to minimum

What are the three stages of business growth*

Start

FORM

Idea, with a potential to get traction

Small investment to validate the idea, low customer count, Proof of Concept

GOAL

Understand the market and create proposals to capture opportunities

Develop

Incubation of successful ideas

Growing number of customers for the core service offering.
Customer service

Understand the persona and refine core service offer and narrative (VP)

Grow/Scale

Self-sustaining system with feedback loops

Low investment into system. Expense on marketing, targeting, communication

Drive the system

What are the three stages of business growth

Start

STRATEGIES

Numbers Game

Test your PoC and crEate space for experimentation and fail

What is the size of the market and potential feasibility of idea. Does our idea have legs

Fall in love with idea

Develop

Focus & Diversification

Develop a **solid testing framework** to identify candidate that will scale

Unit economics - CAC, CL. Attrition, churn, Profit, COGS. Profitably acquire next customer

Swell before scale

Grow/Scale

Continuous improvement

Keep system hygiene through feedback

Growth rate

Insufficient investment

METRICS

Risks

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New offers joining the related services in their verticals are evaluated through strategic, operational and financial lenses.

Is your new business venture scalable?

Use the Opportunity Scaling Checklist



Tool

Use the logic to design a Scaling Opportunity Scaling Checklist to assess whether the new offer presents an interesting long-term prospect



In this example, I recount how I evaluated my Equvio idea for scalability

Lens	Aspects	Project Example
Scalable elements	Recurring element in core offer	When developed /purchased, tool can be used indefinitely
	Recurring element in adjunct services	Tools can be reused annually
Opportunity	Total addressable market	Growing exponentially
	Timing	New legislation just came into force
	Persistence	Legislation will apply to more companies in the future
Value	Identify the opportunity to deliver value	Yes - reliable data, fast delivery, qualified support for further actions
Operations	Right processes	?
	Right tools	?
	Right people	Yes for DE&I experts, ? for statisticians
Financial	Margins	?
	Unit economics	?
	Investments	Investments into the tool and potentially data protection



Details of project evaluation:

Strategic - can core offering scale in itself or can we build a recurring income on the back of this project

Project shows high growth and scalability potential due to the increasing and persistent demand from imposed mandatory disclosures. The number of EU companies subject to regulations increased by x5 and in next years the reporting requirements will also apply to smaller companies.

Scalable elements

If Gender Pay Gap (GPG) is core service offering - Analytical tool used for statistical analysis be reused to offer to other companies as well making annual calculators, The process built around the tool, such as onboarding, can positively influence customer retention.

In case of serving Strategic Integration of DE&I policies (Phase 2), Gender Balance and Power Balance calculators are potential scalable elements

Using the method to evaluate Pharma Logistics:

Value - Is there value proposition that answers the needs of the market

Upcoming legislation will increase transparency, requiring mandatory disclosures in 2025 (FS 2024). The companies have short time to know the numbers and start taking responsive actions fast. Two needs a) numbers (Statistical tools) and b) know how to formulate the DE&I policies. Secure and consistent access to such expertise enables required service delivery at scale.

Operational - can project be fulfilled and delivered

Due to difficulty estimating the time commitment to developing and serving the tool, it is unclear at this stage

Financial - is this profitable

High potential for initial investment, however, whether it is viable is unclear

Conclusion?

There is potential

There are items that speak for and against developing this service offering, as it caters for a growing demand, has scalable elements and is requires DE&I consulting expertise that is in high supply.

Potential to unlock profitability needs to be tested in a established testing environment over circa 1 year, where it has to generate high level of revenue.



Gameplan:

Review existing inventory

Review entire portfolio of clients and services to determine profitability, lead times and unit economics and determine potential for scalability

Embed tracking mechanisms

Track data points to collect data for strategic decisions

Develop solid testing framework

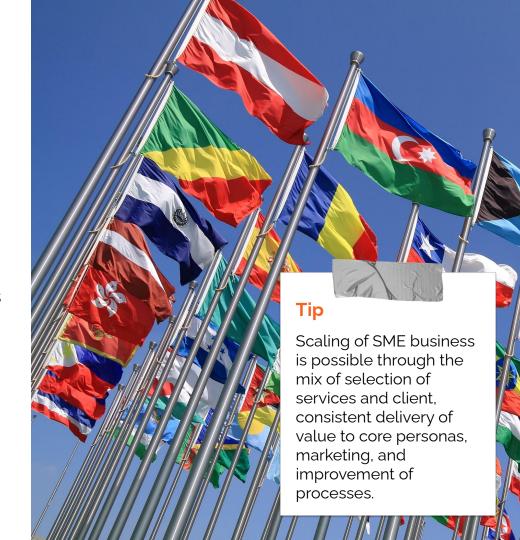
Core Value Proposition tested at every stage of the growth process and compared to established reference frame

Map, analyse, prioritise

Regularly review where are the projects v where they should be, drivers and blockers of of performance, make start/stop/continue assessments

To scale business successfully, it is important to :

- 1. Test initial ideas in the market
- Track performance of different service offering in the incubation stage to select the most promising candidates. Let the market teach you what it wants from the service
- Scale through investment into marketing and sales



Feel like you want to learn more?

Feel free to reach me on linkedin