INTEGRATED OPERATIONS

CHAPTER 8:

INTEGRATED OPERATIONS

As we move into the final three chapters of this text, we invite our readers to consider a mental transition. While we've largely spoken, both in abstract and specific terms, about the ways that one should go about setting up a business on a limited budget, we're now going to move into discussions and examples of what comes next.

The truth of the matter is that it can be far too easy to get caught up in the process of launching your company and not end up spending nearly enough time considering how to keep your business up and running, as opposed to just getting it there.

That's where integrated operations come into play. Regardless of the size of your company, successfully establishing an integrated operations protocol that serves executive staff, junior hires and consumers alike can be daunting. This is, somewhat unexpectedly, even more true when you're dealing with a startup. While large, legacy companies have a great deal more volume to account for on the operations sides, they also tend to have seemingly unlimited capital. If you're rolling in money, you may not need this chapter. Then again, you likely aren't if you just founded your startup.

While there are countless aspects of the operations side of a business to consider, the most frequently encountered three are what we'll be dealing with here. In no particular order, those are talent operations, financial operations and legal operations.

While these may seem like distinctly different categories of your business, they tend to blend together more than you might think on the operations side. That blending is exactly why we encourage an integrated approach to operations.

Startup founders and small business owners recognize that growth always comes with cost, and that it behooves a founding executive to have a comprehensive understanding of the company's many systems, even if they're outside of their general area of expertise (rather, especially, if they're outside of their general area of expertise). It is through building this integrated mesh of tools, services and practices that you and your company can establish the foundation for lean growth.

With this in mind, we're going to discuss these three categories in two different ways, much as we have in other chapters of this book. First, we'll offer general descriptions of the business functions and facets that pertain to each category of operations. Second, we'll offer some brief examples and light, high-view profiles of tools and services that may make your life easier when it comes to establishing operational proficiency. Finally, near the end of the chapter, we'll offer a brief look at how these systems all interact together, and how you can go about capitalizing upon the strengths of one to benefit another.

With that said, let's begin our chapter by speaking about the talent operations capacity, and what you and your company can do to simplify the processes therein.

I) TALENT OPERATIONS

> ***"It's not the tools you have faith in - tools are just tools - they work or they don't work. It's the people you have faith in or not."***
> ***- Steve Jobs.***

It seems fair to say the late Steve Jobs knew what he was

talking about. Despite building one of the most successful companies in human history on the basis of technology, he still put as much faith, or more, in his people as he did in any of his products. But why? What is it about people that makes a company function or fail?

The answer, of course, is evident. If a company is merely a collection of assets and resources leveraged to attain a certain series of goals, then that company's ability to achieve those goals is only as strong as it's greatest asset: it's talent.

While we could write an entire book on the nature of talent operations, we've found, both through research and discussion, that it's easiest to break the concept down into four core, key points. Specifically, talent operations can be most holistically viewed by taking a close view of people, personalities & development, acquisition practices, and retention practices. While all of these fall under the broader umbrella of operations, we'd be remiss not to discuss each one in some detail.

People, Personalities & Development

If you remember nothing else from this section, take away these two key points:

People are all different
People are all the same

While these may seem at odds with one another, they actually aren't. People are, in fact, simultaneously very unique and very similar, regardless of what walk of life they come from or what their professional and personal experiences are.

Identifying and acting on similarities in your staff can go a long way towards simplifying your integrated operations. As a starting point, consider the following: all of the people who have come to work for you or who will come to work for you are doing so of their own free will. Regardless of the state of the economy, very few people are likely to take a professional-caliber job that they absolutely despise. Since they've all come to work for you at least largely of their own free will, it's likely, then, that they all have similar interests and motivations.

With that in mind, one of the best practices that you can engage in from a talent operations standpoint is to take the time to identify the similarities that are apparent among your employees. Maybe they all have a burgeoning interest in the growing tech community in your area. Maybe they all feel that they're going to be able to make a genuine difference through working with you and your product. Regardless of the similarity, it's likely something that is actionable enough to be spun into your operations.

For example, if you find that one of the greatest similarities held by your company's talent is that they have a strong interest in tech, then they're likely to want to continue their education. In that event, you can leverage this staff similarity from an operations standpoint by creating programs and opportunities that allow them to further their education in that realm. More clearly, you can do so in a manner that helps them understand that the company or firm is backing them, not only in their work, but also in their personal and academic pursuits. This has unfathomably large benefits to not only your workers, but also to your operational function from a talent standpoint. Specifically, employees working to further their education in your industry in their free time means that you

will have employees who are constantly growing more skilled and valued to your company. Perhaps even more importantly, employees engaging in activities like this are less likely to feel that they need to move elsewhere. One of the largest motivations for transitioning jobs is a feeling that you aren't gaining any new skill set or growth out of the position. If you make furthering your employee's interests a cornerstone of your talent operations functions, you'll already be a step ahead of the game when it comes to talent retention. In short, identifying the ways in which your talent are similar is one of the greatest assets that you can leverage from an operational standpoint.

Now that you've gotten that in your head, take some time to remember that people are also, of course, all largely different and complex in many, many different and complicated manners. While it's every bit as important to recognize the differences inherent between different members of your staff, it's also important to recognize that these are inherently less actionable on a large operational level. Now, this doesn't mean that you can't act on recognition of the differences in your talent, it just means that those actions have to be a great deal more individualized.

For example, if one of your employees has a few kids at home (or even one, for that matter), that individual is a great deal more likely to be motivated by an increase in salary or employee benefits like college savings funds. Largely, these things will mean less to an individual who's two years out of college and who eats pizza four meals a day. That individual, though, might be motivated by happy hours or the chance to advance his or her title at a young age.

The bottom line here, effectively, is that you can't treat people like widgets. They are, for better or for worse, the absolute backbone of your organization, and need to be treated as such in order for your company to find prosperity and proper functionality. This is particularly true in your firm's early years, as employee retention is a great deal kinder to a small operating budget than having to dismiss or onboard employees with any kind of regularity.

If you're wondering if you're on the right track when it comes to recognizing and acting on the ways in which your talent pool differs and is the same, ask yourself one key question. Are the actions that you're taking intimidating to your employees? Or are they inspiring. At this point, it should be naturally evident which option is preferable. Sounds overly simplistic, perhaps, but it works.

Acquisition Practices

Now, let's backtrack for a moment and talk about an equally, if not more important phase of talent operations. Believe it or not, talent operations begin long before an employee walks through the door, sits in his or her desk for 90 days, and qualifies for benefits. Indeed, the process of acquiring a new employee sets the tone for what experience that person and your company will have while they're working for you.

With that said, one of the first hires that you make once you've filled your other basic functional needs may be a dedicated human resources professional. In smaller businesses, you're likely to only need one of these people to fill out an entire HR department, and they can often fill multiple roles. For example, finding someone

with a legal background can help circumvent the need for retained or external general counsel. No matter what skill set you decide on for this hire, though, make sure that they have the capacity to draw up a basic recruiting strategy. In making this hire, you're going to want to ask two primary questions during the interview process.

1) What hires do you see this company needing as of now and in the next year? Why?

2) Through what mediums do we find these individuals?

Now, of course, there are no right answers to these questions. The trick is to find someone whose vision for the recruiting process is very in line with your overall vision for both the direction of the company and your understanding of talent operations within your organization. Finding the right fit here is key, as it sets the tone for the recruiting process every one of your firm's future hires will experience.

While this process will likely be handed off to someone besides the founding parties of your company (you) over time, it will probably fall at your feet in the earliest stages of your company. To complicate things, you may not have the budget to integrate an operational solution like a high-grade recruiting software or the like. In that event, we've found that it's critical to take a viewpoint towards talent that focuses on abilities instead of credentials.

The fact of the matter is that you'd rather have a skilled, capable person working for you who didn't finish college than someone with three degrees and no real work experience, and this is particularly true during the early phases of your company. This means that you're going to need to find ways to measure the proficiency of someone to do a certain job before they've ever actually, you know, done the job for you.

In a tech environment, this can be done on a relatively low budget by using code tests that you and your founders or development team design. However you choose to do this, finding ways to measure the balance of a candidate's strengths and weaknesses before you have a dedicated HR or recruiting staff member is something that you can't ignore.

It goes without saying that we know this process is a complex one, and that it's only made more stratified and difficult when you don't have a given recruiting lead. One abstract tool that we've found works well when it comes to evaluating a candidate for employment is the airport test. Now, it's worth noting there that this is intended for when you've already established that the candidate has the technical proficiency necessary to fill the role you're working at your company. If that's the case, take time to consider whether or not you could sit in the Buffalo airport, snowed in, with this individual for eight hours. Are they the kind of individual who would drive you nuts, or with whom you might actually have a decent conversation? Now put yourself in your existing employees shoes. How would those employees fare with this candidate in a similar situation? There you have it.

Retention Practices

Once your employees have been onboarded, the real work begins from an operational standpoint. As we hinted at earlier, it's a great deal easier to retain employees than it is to have

to constantly let some go and hire new ones (not to mention extraordinarily more cost efficient). But, in addition to identifying the motivations, similarities and difference of your staff, which we've already outline, what can you do to bolster retention from an operational standpoint?

For one, you can think carefully and critically about the potential duration of employment that your employee intends to experience with the company. This is something that you should always be asking in interviews, as well as regularly touching upon in evaluations and regular check-ins with your employees. Having a sense of how long they see themselves with the company will allow you to structure their position within the company in a way that benefits both parties, making it less likely for them to leave and for you to suffer the operational burden of parting ways and bringing on new staff.

Similarly, this will likely help you when it comes to establishing compensation packages for your staff. As we've said a million times, companies in early phases often have less working capital than more established, legacy ones, so working out a contract that doesn't break the bank is key.

Work with your employee at the beginning of their contract and during evaluations to identify the proper mix of contractual elements that will entice them to stay. This isn't always money. In fact, having explicitly stated non-monetary growth opportunities, such as vesting schedules for equity or a combination of salary and title increase, instead of a raw raise, may be one of the best employee retention tools at your disposal.

To summarize this section - integrating operations from a talent standpoint is - at least in the early phases of a company - often less a technical issue than it is a culture one. Take the time to consider your employees as actual people, as opposed to just means to an end or function, and you're that much more likely to experience success.

II) FINANCIAL OPERATIONS

"Beware of little expenses. A small leak will sink a great ship."
- Benjamin Franklin

There's a great deal to be learned from the words of Franklin. Indeed, throughout this text we've countless times addressed the fact that it's important for founders and executive staff of any type of company to learn to operate on a budget, and to do so early on. In fact, it isn't a stretch to say that not learning to manage your financial operations early on will almost certainly lead to an untimely demise of your company.

As we'll see with most categories in this chapter, if not all, financial operations are a deeply multifaceted set of issues, and we could devote far more pages than we have at our disposal here to the discussion of them.

With that said, there are again, four key issues on which we've chosen to focus our discussion. First and foremost, it's critical that all startup founders learn to address issues surrounding their bookeeping in a task-mannered way, and do so early. In the secondary, we'll discuss best practices when it comes to invoicing, and then turn our focus to taxes, payroll and benefits.

Operations and bookkeeping

Financial accounting, as you may or may not know depending on your background, is effectively based on a system of debits and credits. The debits and credits, however, do not mean what you think they do. In fact, debits can mean money coming in, and credits can mean money going out. The only thing that debits and credits truly mean is a reference to the left or right side of a given account, as expressed in a T-chart. Luckily, all t-accounts can be easily memorized if you can make sense of the chart:

Look confusing? It is. That's why we don't encourage you to do your own bookkeeping by hand, unless you're some sort of masochist or already have your CPA. Even then, please, please, take the time to get organized and integrate your financial operations early on.

This is particularly simple when it comes to bookkeeping issues. Thankfully, the common disdain of business owners for years and years over history has led to an era in which your choices have never been more greatly numbered when it comes to digital operational bookkeeping solutions and services.

This may seem overly simplistic, but we recommend that anyone starting a company take two easy steps to ensure that they've at least covered the basics when it comes to bookkeeping. The first, and you may have already guessed it, is to get very, very comfortable with Quickbooks.

The industry-leading option when it comes to bookkeeping software, Quickbooks is surprisingly easy to use even if you have no financial accounting background. It allows you to purchase custom-tailored software packages for everything from startups (where you are) to enterprise-level companies (where you want to go) so you can continue to use the service as your company grows.

If you're entirely unfamiliar with the Quickbooks product, it's delivered by Intuit and couldn't be simpler to learn. The key is beginning to use it when your company is only in it's infancy so that you can develop a strong hold on the program prior to actually getting up to speed with your operations. And, in case you were wondering, Intuit offers countless options when it comes to Quickbooks training, so you can truly start from zero, here.

The second thing we recommend on the bookkeeping front is to develop and maintain a comprehensive chart of all of your accounts.

What this means, for the less savvy in this arena, is that it's imperative that you establish a chart or document that tracks all of your accounts in real time from the moment that you begin formal operations with your business. This means that the second that you receive seed funding, get a loan, or get gifted $50,000 by some long lost uncle to start your business, it's going on the chart as a working capital account.

As you grow and become more complex, the chart will evolve to contain multiple accounts, all labeled to describe the business function with which they correspond. Please, do yourself a favor and don't allow your company to fall behind on this. There's nothing worse than having to catch up and track down what expenses or monetary actions your business took over a week or (god forbid) a month-long period where you simply couldn't find the time to keep this chart updated.

It's worth noting, here, that this can be done very easily in

Quickbooks. The software cannot create and label individual accounts for you, but it does nearly everything but. With a few clicks you can create, modify and update a chart of accounts that tracks all of your business's activity over a given period.

In the infancy of your organization, you'll likely be doing this all on your own. While that's within your range, it will behoove you to eventually make a full-time accounting or finance hire who's capable of taking on these duties as part or all of their day to day responsibilities. Not only will it allow you to get back to your work, it will provide much needed peace of mind for a startup.

As a final caveat on our fast and dirty Quickbooks rundown, here, the software is fully capable of being integrated with your other financial accounts. Set up Quickbooks to track your company's investments, accounts receivable and any other accounts you hold with major financial institutions, and you'll make life easier on yourself, the IRS, and whomever you hire to do your bookkeeping later on.

Operations and Invoicing

Invoicing is typically one of the areas that young startups turn a great deal of attention to early on. After all, invoicing is more or less how you and your company get paid and keep the lights on, so it's natural that it would be a focal point.

Just because you're paying attention to invoicing, though, doesn't mean that you're doing so in a way that is as optimally integrated as possible.

That's where Harvest comes in. It's a tool that we've had a great deal of luck with, and we think any young company would be remiss not to give it a try to fill it's invoicing needs. In short form, Harvest is a tool that's attempting to change the ways in which businesses track, use and get paid for their time.

The key way in which harvest differs from more traditional invoicing solutions is that, as of it's latest re-release, it provides predictive analytics on the invoicing side. Specifically, Harvest gathers data about the way in which your company works and gets paid, over time. It learns your behaviors, and how long it takes your various teams to complete different projects. Once it has done so, it has the capacity to actually forecast your invoicing capacity. More succinctly, Harvest can tell you whether or not your company has the manpower, time and resource - the bandwidth, more or less, to complete a given project. And, once you've put that project into Harvest, it can draw out a plan of projected invoices to your accounts receivable and project cash flows for the period of the project.

Naturally, Harvest is also fully capable of being simply integrated with your Quickbooks account, making it simpler than ever to bring into an existing business or a startup.

Of course, all the best invoicing operational processes in the world won't help you if you don't have capital coming in to pay your bills. In the event that a client fails to pay you on time, you can experience a great deal of ripple-effect issues that threaten the livelihood of your business. At no fault of your own, you can find yourself in considerable peril overnight.

While the funding and financing strategies of each and every startup are going to differ widely based on the views of the founders and executive staff, it's important to have a solution for the moments where risk aversion is no longer a totally viable

option. If you find yourself in a pinch when it comes to collecting an invoice on time, but know that the money will make it back to your company in short form, you may want to consider Fundbox.

Fundbox, to offer a brief explanation, makes advance loans to companies who are hitting invoicing gaps - eg; companies who haven't been able to collect on an invoice by its deadline are have bills of their own to pay. While this may sound a little cash-for-gold to certain types, the company has established a very reputable image within the startup world, and is worth exploring and keeping in your back pocket in the event of an unforeseen dilemma. You can register an account with Fundbox by providing basic company information and 6-months worth of established invoice records. Better to be safe than sorry, right?

As a final note in this segment, make sure that you take the time to establish billing cycles with each new client at the beginning of the relationship. While you can change these on a project by project basis over time, it's important that invoicing standards are established in advance.

Operations: Taxes, Payroll and Benefits

In keeping with the general theme of financial operations, taxes, payroll and benefits is a deeply complicated and multifaceted subject, and is largely catered to the needs of individual businesses based on exactly that - need.

When you're just starting out, you likely won't need a tax professional in your employ if you're only employing two to five people, including yourself. Further, in your intermediary phases, any individual that you hire to undertake HR generalist or recruiting duties within your company will be all the more attractive if they have any acumen when it comes to taxes payroll and benefits.

With that said, let us offer one brief caveat before we outline some valuable tools, here. If you think you need the service of a tax professional, you're very likely correct. Just keep that in mind. This doesn't mean you need to fully retain one, but it may be worth having a conversation with H&R Block or the like.

Without diving too deep into the weeds of the matter, we'll recommend three tools that our colleagues have had considerable success with. All of these options are built to scale, so if you purchase them near the time of your company's inception, you need not worry about having to switch to an adjusted product as you grow.

Gusto is a one-stop shop solution that, whether or not you'll be hiring some sort of tax,payroll,benefits,HR rockstar employee, you're likely to benefit from having. The product is a web application that helps you manage payroll, benefits and HR processes for your entire business in one place. The true benefit here, in simple terms, is consolidation, but of course Gusto is worth much more than that. Providing everything from retirement plan management and 401k oversight to payroll, benefits and invoicing, Gusto has quickly become one of our favorite tools on the market.

As an alternative, Zenefits is particularly catered toward small businesses, but can also be used as you scale (up to a certain point, of course, at which point you'd likely need an entire HR department). Zenefits is already being used by more than 20,000 small business around the world. Having recently released the newest version of their product, Z2, Zenefits is fully integratable

with a number of other popular finance and operations applications, making it perfect for a company on the rise that hasn't necessarily determined it's entire systems platform as of yet.

AnyPerk takes a slightly different approach to the traditionalized concept of benefits management. Instead of providing a management platform for a given benefit, Anyperk allows business owners and managers to provide their employees with a "complete happiness solution." In addition to providing benefits and discounts for your employees at over 850 excellent brands, Anyperk also allows you to send your employees customized notes of recognition for their performance, among other customized solutions.

As we mentioned a few times already, we absolutely cannot overstate the complicated and multifaceted nature of integrating your operations from a financial standpoint. You'll find, though, that with the help of the right applications, you can develop a cross-integrated financial operations platform that makes life a great deal easier.

III) LEGAL OPERATIONS

> ***"Law is not a profession at all, but rather a business service station and repair shop."***
> ***- Adlai E. Stevenson***

Integrating legal operations into your startup business provides some unique challenges that don't occur when working within the financial or human capital arenas. The fact of the matter is that law is as dynamic a business as there is, and unless you have a J.D. or are starting a business built around the dissemination of legal knowledge, you likely don't know as much as you need to to operate perfectly.

In order to address as many broad topics as we can without diving too deeply into one, we'll once more address three key sections within this segment. First we'll give an overview of the general homework that you should be doing before you officially form your company.

In the secondary, we'll take some time to speak about which incorporation process might show the most benefit for your company. Determining whether you incorporate as an LLC or C-Corp will affect the remainder of your business experience, so we'll touch on that as well as the Delaware paradigm.

Third, and finally, we'll offer some general words of wisdom on legal hires and retaining legal service providers, particularly as it pertains to startups and companies in the technology industry.

Doing Your Homework

With all of the legal implications that come out of each and every one of your business functions, it's easy to want to get a jump on the game and employ a legal hire or service at the very outset of your company. While this isn't the worst move you could make, it can be limiting.

You're going to want to do your homework on the matter before you make any decisions because, for better or for worse, you aren't going to be getting any of your spend back in this department at the end of the day. In fact, the optimal result that you can hope for is that your legal expenses go so far as to prevent you from incurring other costs, such as fees or fines

leveraged against your for compliance issues.

With all that considered, you should think on the following tips to ensure that you make the right choice.

1) Plan first to save later

Before you even so much as make a call to a law firm, take a few weeks to critically consider the actual extent of your legal needs. While it may sound a bit cynical, law firms are businesses that bill by the hour, and it's in their interest to provide you with as much service as they can.

Now, this isn't to say that all lawyers operate this way, or that you have the capacity (as a presumably non-legal startup founder) to recognize what all of your legal needs are going to be. Still, take some time to do your research and work your network. Get online and research the key compliance and operating issues that companies in your industry have had to deal with as of late. Talk to your friends or family who are lawyers and gain a sense of what your highest priorities should be in the legal realm.

At the very least, you should have a list of the key issues and questions you intend to ask your legal service provider for before ever making contact with them. Time spent in their office determining what exactly it is that you need is time spent on the clock, and money out of your pocket. A little bit of advance planning can go a long way when it comes to your bottom line.

2) Schedule Recurring Meetings

Once you've gone so far as to make your legal arrangements (whether that's onboarding a legal hire or retaining the services of a firm), you're going to want to make sure that you schedule regular and recurring meetings with your legal counsel.

This provides two general benefits. One, it's going to allow you to have a regular and set time to voice your legal questions. Airing them out towards your legal service provider as they arrive can be a bit hectic and can cause you to get lot in the shuffle.

Two, having regularly scheduled meetings will incentivize your legal counsel to be on top of their game, so to speak. They likely have a lot of clients, and meeting with them frequently is, in some regards, worth the cost in that it provides you the security of being in the front of their mind and at the top of their to-do list. Which brings us to our third tip:

3) Define your deliverables

In the moments (and hopefully you experience many) where you don't have a legal issue at hand or a pressing question in the front of your mind, it can be easy to lose sight or grip on your operations from a legal standpoint. While this is natural enough, it behooves you not to operate in this fashion.

Schedule some regularly received deliverables from your legal counsel. Even if these are just general status reports on what you need to be considering for the future in light of company, industry and market trends, you're likely to benefit greatly from having deliverables given to you as a recurring point of contact. Additionally, this will provide ease in scheduling deadlines when you actually need something specific, like a contract reviewed or drafted.

The Incorporation Process

When you get down to the point where you're actually beginning to operate (and hopefully turning a profit, you're likely to need to incorporate your business. This can be done through

many different methods, but we've found that the two most common in startups are Limited Liability Corporations (LLCS) and C-Corporations. While we can't tell you which is best for you, we can offer some of the pros and cons of each, as shown below.

LLC: Limited Liability Corporations are a great option if you're looking for flexibility when it comes to ownership circumstances. LLC's can be taxed as a sole proprietorship, an S-Corp, a C-Corp or even a partnership. The paperwork and filing costs tend to be low on this side, and owners are often protected from a large share of costs in the event of legal or finacial troubles. On the negative side, you cannot pay yourself wages as an LLC member, and taxes often tend to be higher. You can, however, receive revenues higher than your individual ownership percentage.

C-Corporations: In a C-Corporation, shareholders are taxed on profit individually based on the number of shares they hold, and owners and the business itself are taxed separately. C-Corps are often easier to raise capital for, as they're more attractive to large-scale investors, and liability is reduced even more greatly for owners, as they are separate entities from the corporation itself. In the negative, you have slightly less control of your company, as shareholders receive voice in the firm due to their stock shares.

Regardless of which incorporation model you choose to go with, keep in mind that geography matters. While rules differ state to state, Delaware has long since been seen as an attractive model for some young companies. In fact, some of the world's most successful companies are incorporated in Delaware, despite being operated and run elsewhere. The following infographic, taken from IncNow, shows some of these benefits in short form.

Delaware, effectively, provides certain tax initiatives and managerial protection that you won't be able to find in a great deal of other states. Giving control of your internal affairs to the judgment of a state in which you don't even live, though, is not a decision that should be taken lightly. In any event, you'll want to ensure that you have a trusted legal contact review any and all operating agreements, board consents or option pools.

General Wisdom on Retaining Legal Services

Naturally, and this should go without saying, you need to be extremely prudent when it comes to selecting your legal hires. Whether you're retaining someone full time or paying for the services of a legal firm, it's important that you take heed to value quality capabilities over prestige.

Just because a lawyer or law firm "works with startups" doesn't mean that they have the experience that's right for your company. Dig into their industry knowledge and expertise, ask for client testimonials. Do whatever it takes to ensure that you receive the service that you deserve. After all, this is one of the most important spend categories your business will incur from an operational standpoint.