



10 Tips For Building The Most Scalable Startup

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Investors will tell you that they love to put money into startups that are scalable, and ready to scale. But what does that really mean? Simply stated, it means that your business has the potential to multiply revenue with minimal incremental cost. Ready to scale is when you have a proven product and a proven business model, about to expand to new geographies and markets.

A software product is a classic example of a scalable solution, since it costs real money to build the first copy, but unlimited additional copies can be quickly cloned for almost no incremental cost. Most consulting services, like marketing, are not scalable, since they must be delivered by experts, and cloning experts is slow and expensive. Investors don't invest in services startups.

Here are some pragmatic tips on how to make your startup more scalable and investable:

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1. **If you need investors, start with a scalable idea.** Just because all your buddies think an idea is cool, that doesn't mean it is scalable. Investors like ideas based on market research from outside experts, like [Gartner Research](#), proclaiming a billion dollar opportunity with a double digit growth rate. These are more likely scalable and investable.
2. **Build a business plan and model that is attractive to investors.** I see too many business plans that are really product plans for customers, touting free services and long feature lists. It's hard to build and scale a business on free high-support products. Scalable businesses have high margins (over 50%), low support, and minimum staffs.

If you have a \$500,000 portfolio, download the guide by *Forbes* columnist and money manager Ken Fisher's firm. It's called ***The Definitive Guide to Retirement Income.***

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3. **Use a minimum viable product (MVP) to validate the model.** No product, even with a large opportunity, is ready to scale until you can show it working, with multiple customers paying the full price, to validate the business model. Count on multiple pivots with real customers, before you get it right, before you ask for investor money to scale.
4. **Build a strong team to take yourself out of the critical path.** If you are still spending most of your time working “in” your business, rather than “on” your business, then you are not yet ready to scale. Show that you have and can continue to hire the right people to run the scaled business without you being everywhere and making every decision.
5. **Outsource what is non-strategic to optimize leverage.** Smart entrepreneurs never outsource their core competency, and never rely on intellectual property they /
entrepreneurs don’t own. They also don’t try to do everything in-house, since growing all the expertise you need is slow and expensive. Scaling requires leveraging outside resources.
6. **Focus on marketing and indirect channels to get the message out quickly.** Direct marketing is generally not scalable, especially on low-cost high-volume products. These days, heavy marketing is always required to make your startup visible and scalable amid the flood of

- information from all sources to all customers. Word-of-mouth does not scale.
7. **Automate to the max.** A startup that is labor intensive and staff intensive is not scalable. Start early looking at production automation, proven process technologies, and minimum staff approaches, before you begin scaling. Document processes and build online training videos so new people can come online quickly and consistently.
 8. **Attract and relish investor funding.** Organic growth (reinvesting profits only) will not allow you to build the “hockey stick” growth curve desired by premium buyers at exit, or financial analysts positioning you for public stock sale. You will give up some control with investors, but their expertise and experience is usually more than worth the cost.
 9. **Consider all possibilities for licensing and franchising.** Many markets already have major players, so figuring out how to make them partners is much more effective for scaling than trying to out-market them. In other areas, once you have a documented and proven model, franchising will let you scale much faster than managing every location.
 10. **Define a business that is open-ended and continuously improving.** If your startup sounds like a one-trick pony, it won’t be perceived as scalable. Don’t try to solve every customer problem at the same time, but build a strategy and plan that shows continuous innovation, leading to follow-on complementary solutions well into the

future.

Let me make one thing clear – not everyone needs or wants investors, or a highly scalable business. Ninety percent of small businesses today are family businesses, which can be very successful, satisfying, and small by design. It's a strategic decision. If your passion is to change the world, or even dominate an industry, scalability is the only way to multiply your arms and legs, and the hours in your day. Are you feeling the need yet in your own startup?



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