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What You Don’t Know Can Kill Your Company
Early Stage Staffing Strategies

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A company developing a complex telecommunications hardware product was very careful with their limited cash. Their staffing plan was laid out carefully to hire people just as they were needed: product marketing to define the product, then engineers to build it, then operations people to manufacture it, then marketing communications people to promote it, then sales people to sell it. As a result, they wasted millions of dollars. Why? What was wrong with this strategy?

The problem is that they were focused on hiring people based solely on what organizational functions were needed. What they failed to consider is what *knowledge* they needed to make good decisions along the way, and what expertise they needed to identify the critical paths in their processes. Engineers designed products that were difficult to manufacture. Supply chains were not set up, which resulted in component shortages and the inability to meet early demand. The recently hired VP of sales was having a hard time quickly finding people who were familiar with the target accounts.

There is certainly no need to waste money on building a large staff early in the process. One company I worked with didn’t want to hire a VP of operations early, so they hired a lower level but experienced manufacturing, logistics, and supply chain expert to help in the early stages. While this can cause conflicts when a VP is eventually hired, it is still better than flying blindly. The point is not to build an oversized organization too soon, but to ensure that the right expertise exists on staff to understand what potential issues need to be addressed early in the process.

There are three specific categories of entrepreneurs that most often fall prey to these mistakes. The most obvious is the inexperienced entrepreneur. Not only do they not always have the right information to make good decisions, but they also don’t know what they don’t know. If they are lucky they may have a savvy investor or other board member who can guide them along the way, but this is not always the case.

The second type is an experienced entrepreneur who is changing industries or markets. An entrepreneur who I worked with had two successful software startup companies under his belt, but he had the same issues as a first timer when he took on the development of a hardware product.

The third type is the experienced executive from a large company who founds or takes over a new venture. In many cases some of the necessary early stage functions were so far beneath them on the company organization chart that they were virtually unaware of them. In other cases they fail to understand the extra hurdles that startups must clear that larger companies do not.

CEOs who have startup experience and stay within the same industry are much more likely to hire the expertise hey need to make good decisions in the early stages. That is one of the reasons that venture capitalists prefer to invest in them. The smartest CEOs always worry most about what they don't know. They make appropriate hires or bring in outside expertise early to minimize their exposure.

Doug Green is the founder and principal of the Bradam Group, a consulting firm specializing in marketing, strategy, and early stage execution with a focus on new ventures. He is also teaches entrepreneurship and marketing at Duke University. For more information on Doug and The Bradam Group visit www.thebradamgroup,com.