



**7 Mistakes to Avoid
When Scaling Up
Your Sustainable
Business**

By Stefan Doering

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I can't tell you how many green companies I've met and worked with have a mixture of arrogance and ignorance when it comes to growing their business.

And that is usually what does them in.

I know because I was one of them. In 1991 I took my new green retail company (one of the first in the country) and grew it to being one of the largest. But by the end of '97 I managed run it into the ground.

To best make sure you hit a home run while growing your green biz, it is best to heed the lessons learned from these very crucial mistakes.

Mistake # 1

You think you have the best green product/service in your industry.

While that may have been true when you started, things change. And these days, quicker than ever.

It is difficult being the best. Ask any top athlete, be it Tiger Woods, Roger Federer or Michael Jordan. When you're at the top, everyone wants to topple you. You become a big target. They study you, watch you, and learn all your moves.

That is why many of the "best" become shooting stars. Instead of staying focused on staying the best, you can become high on yourself and all the crap others feed you about how great you are.

For many, this creates lethargy. You become slow, fat and sometimes stupid.

And then one day you wake up to the news another company is now #1 in your industry and you wonder how that could have happened.

Questions to Ask Yourself

When was the last time I checked in on the competition? Compared to them, how do I rate? Where are they doing better than me? What do I need to do to stay/get on top?

Recommended Next Steps

Study Sam Walton, founder of WalMart. Regardless your opinion of WalMart, he was a master at growing a company. For example, Walton knew more about K-Mart than K-Mart knew about themselves. Find that passion in you to know and understand your competition and what is necessary to stay/be the best in your industry. Have this become your driving force in your business.

Mistake #2

You think you *can* scale up easily without selling out

One of the hardest things to manage as your company grows is sticking to your environmental and social ideals.

As you grow the playing field changes, often dramatically. What you were once able to do when you were smaller, you can no longer do at all or as effectively. Either because your company is too large or because you now have people working with you that have different priorities or views in regard to your ideals.

For example, you have a small solar energy consulting firm. You love working with a local manufacturer and have a great relationship with them. Great product and they deliver quickly to you when you need it.

But as you grow, the customers you deal with are demanding more from you and you are struggling keeping your overhead from rising. To boot, manufacturers from China are starting to seriously beat your manufacturer's prices. Plus you now have a product manager on staff that doesn't care about that local manufacturer, since his prices are not competitive.

So you reluctantly decide to go with the manufacturer from China.

Questions to Ask Yourself

What have been the underlying environmental and social principals of my company? Which of these original principles are no longer in place? Which are no longer relevant? Why?

Recommended Next Steps

Evaluate your underlying triple-bottom-line components (TBL is the newest business model for maximizing profits while ensuring social and environmental responsibility.) Determine which ones are still appropriate. Ask your staff to get involved in coming up with a definition of your core

sustainability principles to follow and how to scale up without sacrificing them.

Mistake #3.

You believe your investors will let you play your own game

When you first start out, you most likely get funding from family and friends. They invest or loan you the money because the love and trust you.

You get comfortable in your roll as decision maker and you try to keep them updated on your decisions and the direction you are take the company.

But the next round of funding is beyond their reach. Now you bring in more seasoned investors. Your grand visions of the company are OK, but how you get there are not necessarily in alignment with what they think.

You agreed to give these investors seats on your board of directors. Being the guys with the wallet, they might be able to persuade other board members to their way of thinking.

Now you have a dilemma. Either play by your rules and risk being fired by the board, or you play by theirs.

It no longer is your game.

Questions to Ask Yourself

How well do I know my (potential) investors? How aligned are they with my plan for running the company? How much stock do they want/own for their money? How many seats on my board do they have/want? If I have to play by their rules, how does this change my game? What environmentally and/or socially-grounded components am I going to have to give up?

Recommended Next Steps

For existing investors: set up a meeting to review the direction you plan on taking the business. Make them feel included in the process. Ask their advice.

If you disagree, ask them how you can find a middle ground. Ask them what has to happen for them to want to try your way for a period of time. Use your negotiating skills.

For potential investors: interview them as if you are considering marrying them, which you are— in business. Make sure you're compatible in the important issues around your company's business and sustainability model. Because once they're on board, it is a pain in the butt to get rid of them if things don't work out.

Mistake #4

You're convinced your team will follow you to the ends of the earth

In the beginning, it's you against the world. And those crazy enough to follow you and your dream to save the planet are completely on board with you. You envision you will all grow old running this company together.

As your business grows, you now have growing staff, customers, suppliers and the related additional responsibilities not there before. What you used to do by the seat of your pants you now need to have an "operations manual", hiring and firing policies, budgets, shareholders meetings, policies and procedures, and a growing list of demands from outside forces to be dealt with.

You also might have a growing list of environmental and social issues to manage that were not relevant when you were smaller.

For some of the original team members, it is no longer appropriate to have them working with the company. And it could be a mistake to keep them.

And for others, they may conclude the company is not what it used to be. It is no longer you against the world. They have a hard time adapting and accommodating the shifts.

So they leave. And a piece of you and the company leaves with them.

Questions to Ask Yourself

Who are on my core team? What is the understanding in working together? What happens if/when they leave the company? How much of the company do they take with them? Can they set up shop down the street and become my main competitor?

Recommended Next Steps

Speak with your core team about how some of them will stay and eventually some will leave, and that is completely fine. In the best interest of the company, you need to set up an exit strategy with them. If you don't have a non-complete agreement set up, you'll need one. Meet with a lawyer and let your core team know why it needs to be set up. Get this done ASAP.

Mistake #5

You think things won't change as your company grows

One of the biggest mistakes entrepreneurs make is when your company starts to grow, you think you will stay the same.

In fact, the more you resist changing as the company changes, the more the company changes... only in the wrong direction.

For example, you decide you will continue to do the bookkeeping since you like doing it and are pretty good at it. Because you are not spending that time looking for new hires to join your team, you soon find your team running around trying to accommodate the additional work load as you grow.

This stresses your staff. They start dropping the ball on the increase in customers you have. Eventually either your staff or customers quit as you are not taking care of either.

Questions to Ask Yourself

What change am I resisting in my business routine? What is the impact of not making the change? What is the impact of making the change? How do I know when it is time to make that change? What is my plan for making the change?

Recommended Next Steps

Take a general read on where you spend time in your business: in administrative tasks, production/servicing clients and marketing. Redesign your structures to allow 60-80% of your time to be spent in marketing.

Mistake #6

You're sure you'll always stay in charge

Sometimes it gets lonely at the top. As you grow, you will make mistakes, mainly because you are exploring new territory and might not have an experienced person to turn to for advice or guidance.

Furthermore your personal experience and technology may no longer be current (especially in green tech where things are changing so fast.)

So if you don't know your own exit strategy from the business, you could actually take down the whole company. Having an experienced board of directors helps. Eventually the decision may be that it is time for you to step down and let someone else take over. Someone with the right experience to take the business to the next level.

And if you envisioned running the show until you die, you may be in for a rude awakening.

Questions to Ask Yourself

What is my exit strategy? At what point will I know it is time to relinquish the reigns? How will I bring in my successor? How will I ensure the sustainable vision of the company is retained? What would my new role be?

Recommended Next Steps

Create/review your exit strategy. Make sure you have a specific and measurable point to which you will lead the company before turning it over. Use it as a barometer as your business grows. Next, write two job descriptions: one for your successor (now, before you need him/her) and the other for your new role in the company. This will ensure a smooth transition when the time comes.

Mistake #7

You believe that when you're scaled up you'll be sitting pretty

One of the biggest illusions is when sales get to a certain level you'll be content. Or once you raise this round of capital, then life will smooth out.

In reality what happens as you scale up is your challenges stay exactly the same.

Only just with more 0's.

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For example, instead of dealing with five suppliers for your products, you are now dealing with 50. Or instead of raising \$500K to purchase inventory from a supplier, you're now trying to raise \$5MM to buy them.

Your challenges will always stay with you, no matter where you go. For green businesses these challenges are exponentially greater, as you are dealing with three bottom lines, not just one.

The rude awakening is one day you wake up and realize you miss the good ol' days when things were much smaller and simpler.

Yet that is the price of playing a very big game.

Questions to Ask Yourself

What do I need to happen before I'll be successful? When that happens, how will my life change? What new set of challenges may arise when that in fact does happen? How will they be better or easier to deal with than my current challenges?

Recommended Next Steps

Review your business model and plan for scaling up. Analyze what are the key components necessary for scaling and identify the core challenges you will face no matter where you are in your journey. Make sure to incorporate sufficient resources for staying true towards your vision of a sustainable business as you continue to grow the business.

Conclusion

Scaling a green business is just like scaling any business... only much more difficult. Because you are balancing three bottom lines, not just one.

The cost of not balancing your profits with your commitment to restoring our planet and communities is either you put too much focus on the company's profits and drop the ball on your social and environmental components, risking a reputation of being a *greenwasher* (your environmental claims are greater than your actions.) Or you focus on your passion as an environmentalist and/or community leader and drop the ball on running a profitable company, risking bankruptcy.

The solution to maintaining the right balance is the new way of doing business.

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Make sure you create and incorporate a clear vision for your company integrating your environmental, social and business commitments in a sustainable way.

The key is to build a system for consistency and to manage your mistakes.

And you *will* make mistakes. If you don't, you are not playing a big enough game. Just know you will make more of them than the "single-bottom-line" (traditional) businesses.

The key is not to *not* make mistakes, rather to accelerate through them.

In the end you are playing a big game. A game that needs to be played, far beyond just you. For the economy, for the planet and for your community. And by following these lessons learned by those before you, you are more likely to succeed.

The Author - Stefan Doering



Hi, my name is Stefan Doering. Since 1987, I've been pioneering new approaches to environmental business and sustainability. After having started one of the first green retail businesses in the country and growing it to one of the largest, I now have coached hundreds of green businesses as well as teach green entrepreneurship for various NYC programs and at Columbia University's *Center for Environmental Research and Education*. We work with Green Businesses in on three major areas:

- 1) Innovating** powerful green business models,
- 2) Crafting** and implementing marketing and positioning strategies for bringing green to mainstream, and
- 3) Creating** a consistently profitable and sustainable business.