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February 26, 2019

Growth Strategy: How to Go From 5 Employees to 20 Employees

When your business is very small, your growth strategy needs a sharp focus on hiring the right employees. Three successful entrepreneurs share strategies that worked well for their business growth.

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You know that business growth is a balancing act. When your team is small, you can't scale up without a strong foundation. That includes having the right employees.

As you consider your growth strategy, here are five tactics that have worked for three successful entrepreneurs.

1. Hire when it hurts.

Saddleback Leather CEO Dave Munson started making leather bags in 1999, selling them online. When he officially launched the business in 2003, his first half-dozen employees were family members. The company grew to about 12 employees by 2009 and doubled three years later.

Today, Saddleback Leather, based in Keller, Texas, has a full line of leather products, with 50 employees in the United States. Another 230 work at the company's manufacturing plant in Mexico.

"We grew very gradually," Munson says. "Once we found people were drowning and couldn't keep up because they had way too much going, we began to hire more."

It's a growth strategy that Stuart Draper, CEO of education-technology startup **Stukent**, calls "hire when it hurts."

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When you're between five and 20 employees, you need to take a lot of time with someone before you hire them.

—Stuart Draper, CEO, Stukent

"It's all about managing cash flow. When you get to a point where you're cash-flow positive, then you can start hiring in advance of when it hurts," he says.

Draper launched his Idaho Falls, Idaho, e-learning company in 2013 with two employees, growing to five at about eight months. It took two years to scale to 20—and today, Stukent has more than 50 employees.

"We would continue to wear the same hats, as many hats as we could, until we couldn't balance them on our heads any more," he says. "When they would start to fall off, that's when we would find someone else to wear them."

Rory Crawford learned the scaling lesson the hard way. Crawford started [Bevspot](#), his Boston-area software company for food and beverage management, in 2014 as a side project while he was a full-time student at Harvard Business School. With two co-founders, he raised \$850,000 pre-seed money in just five months, and brought in a \$5.5 million investment round by mid-2015.

From six employees the first year, Bevspot took off quickly—growing to 40 by the end of 2015, and adding another 30-40 the next six months.

"It was incredibly aggressive and we were trying to accelerate our growth as much as possible," Crawford says.

Then, tremendous challenges came. Crawford calls the situation prescaling: scaling before you're ready. Once the company ramped up, cutting back became a matter of survival. Bevspot laid off many employees and restructured, and today has a comfortable—and growing—staff 30. Yet the revenues and customer numbers are higher than ever before, Crawford says.

"Focus the resources you have and get more out of the people you have rather than hiring new people," he says.

"Figure out the things that will move the needle most effectively in the short term."

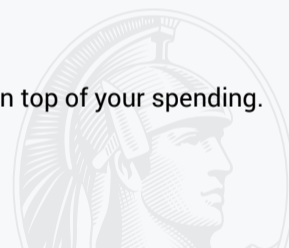
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2. Hire slow.

A common mistake that comes with business growth is a rushed hiring process. Draper says a "hire slow, fire fast" mentality helps ensure you bring the right people on board.

"When you're between five and 20 employees, you need to take a lot of time with someone before you hire them," he says. "Because you hire slow, you don't have to fire unless they've made a big mistake, and then you want to fire fast."

In addition to the typical interview, the Stukent hiring process may include a phone interview, a second in-person interview and a test project with a member of the relevant team. Bevspot does one-on-one interviews with multiple people from different teams, asking detailed, experience-based questions and expecting "very hard, tangible answers." At Saddleback Leather, the questions are based on the "Core Values Index" to determine job fit according to four personality categories.

"If you don't have [the right people](#) before you start scaling, it can be very, very challenging," Crawford says.

3. Reshuffle as needed.

When you don't have the right person in one job, sometimes it's better to find a different role instead of firing.

"Because it still feels so family-like, it's hard on the morale of the company when someone gets axed," Draper says.

"Just because they couldn't [perform in a role](#) doesn't mean they couldn't do something else."

Munson agrees. After implementing the Core Values Index, he tested existing employees as well as talking to them about what they liked—or didn't like—about their jobs. Several moved to different departments.

"The result was a more positive environment," Munson says. "People looked forward to going to work because they were working in an area where they felt they were contributing."

4. Set the bar high.

There's a time to reassign, but there's also a time to let go. Munson says firing people is not easy, especially if they're good people who simply couldn't perform, but it's necessary for business growth.

"Our A players were getting frustrated because they had to take on some of the C players' work," he says. "We didn't want to [start losing A people](#) because of the C players."

Crawford says you need to set a high bar for performance because when you're doubling your team from 10 people to 20, high performers may find themselves surrounded by employees who don't work as hard or are not as focused.

"That's incredibly scary, because really talented people don't want to be in that environment and all of a sudden, the average starts to go down very quickly," he says.

5. Understand the critical roles.

When everyone starts out with multiple hats, how do you decide which one needs a dedicated person? Play to your strengths, Draper recommends. In his case, that's human resources. Despite a workforce of 50, Stukent doesn't have an HR manager yet.

"The areas where you fall short is where you have to pass the baton off sooner," he says. "For us, recruiting has never been a struggle, so I chose not to outsource that role."

Before hiring a full-time person for a dedicated job, try alternatives. Do you really need a full-time content marketing person or a chief financial officer? Crawford found the answer to both was no.

These days, Bevspot experiments more with hiring contractors, and Crawford says it's been "phenomenal," allowing more thoughtfulness around the growth strategy. For example, a seasoned CFO was key, but hiring full-time didn't make sense, so Bevspot contracted a part-time CFO.

"I didn't even consider the idea at first that there would be someone like that, incredibly experienced who likes helping startups navigate this challenging and exciting time," he says. "It's been an incredibly eye-opening experience, and now we're looking at different areas where we can do that to benefit the business."

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