

# Beware of the 'blitzscalers'



## THE FUTURE OF WORK

### Azeem Azhar

It once took 20 years for the typical S&P 500 company to join the index. But it took Google eight years, Facebook six and Uber just three.

Supported by a pullulating base of customers, companies are growing at an incredible rate — not just in the fickle measure of market capitalisation, but also in terms of customers, revenue and workforce size. As they do so, they are pushing incumbents out of the way.

Take Uber, the mobile minicab app. It celebrates its seventh birthday this year. Leaked documents show its revenues, which it earns by taking a cut of rides, were near \$2bn in 2015 and are forecast

to hit three times that in 2016. The company operates in hundreds of cities around the world. It has done all this in less than seven years — in China, Uber's rival Didi Kuaidi is moving even faster.

If we steer away from household names we find similar trends. Veeva Systems provides software to the regulation-bound life-sciences industry. Founded in 2007, the firm took \$4m of venture capital, a tiny injection by today's standards. By 2015, 18 months after a vigorous flotation, it had achieved 50 per cent annual growth and revenues of \$313m. Meanwhile, the number of Veeva's employees has grown beyond the 1,000 mark.

While such rapid growth remains rare compared with the millions of established businesses and start-ups across the world, it is becoming more common. So what is happening?

Moore's Law, the technology phenomenon that describes the exponentially increasing availability of computing power at fixed prices, is one key driver. The connectedness of the market helps: freer trade, global supply chains, high smartphone penetration and marketing messages that spread at speed across social networks — all of these are enablers. But organisations that want to emulate the kind of growth that Facebook has experienced need to be able to take advantage of them. Start-ups are easy, scale-ups are hard, Reid Hoffman, co-founder of LinkedIn, has said.

So what is it that the bosses, workers, processes and practices of fast-growing companies have that others lack?

They move through distinct phases, each of an order of magnitude larger than the previous one, points out Mr



Hoffman. Effective scale-ups understand that what succeeds at one scale (say your first 100 employees and first 1,000 customers) will not work at a larger scale (1,000 employees and 10,000 customers). The winners purposefully move from one phase to the next. As they do, they change their people, focus and processes.

Take recruiting, for example. Aneel Bhusri, chief executive of Workday, personally interviewed every one of his software company's first 500 hires to ensure they would fit in. It worked but Mr Bhusri accepted that he had to ditch the idea as the company's workforce increased tenfold.

Another area is marketing. Figuring out whether a product meets a need takes only a few people; how to make it profitable takes a few more. A proper marketing budget becomes necessary only once the product is ready to be sent to as many customers as possible. Thus "blitzscalers" — companies that aim to stay ahead by growing quickly — live in a perpetual state of change management.

This may seem obvious, yet too many senior managers in established companies are oblivious to the fact that they need to adopt a similar approach as newcomers eat into their markets.

"When you scale at speed, you can capture the market quickly and also outmanoeuvre potentially global competition," Mr Hoffman warns.

The knowledge of how to grow quickly is proliferating and as it does many existing companies will fall by the wayside more quickly.

The alumni of successful companies are moving to others to implement what they have learnt. And classes on how to grow a company are beginning to pop up online and at universities, such as Stanford, where Mr Hoffman's course is taught.

As blitzscaling spreads, how many of today's Fortune 500 will be able to count on membership in 60 years' time? The answer will depend on how many of

them learn from the approach of their furiously fast-growing competitors and similarly embrace change.

*Azeem Azhar founded software company PeerIndex, acquired by Brandwatch in 2014. In 2015 Business Insider named @azeem the UK's most influential tech Twitter feed. He works at Schibsted Media.*

## Haiku Contest

The theme of the "new boss" led to poems of angst as well as hope. This week's winner is Marion Clarke from Warrenpoint, Northern Ireland.

Jim Kacian, founder of the Haiku Foundation and our judge, chose her poem "because of the perfection of its rendering — nothing wasted, nothing out of scale."

swinging round  
in his old chair  
new boss

The runner up, by Ernesto Santiago, is a work of ambiguity.

adapting well  
to the new manager  
a cable bug

*Theme: miscommunication. Entries: workplace.haiku@ft.com by Feb 4.*

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