



CASES for DTU course "Knowledgebased Entrepreneurship"

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LogBuy Designing the right company organization

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Background

The initial business idea was born in 2002 and the two founders started LogBuy the same year, offering '*getting a better deal*' as a consultancy service within negotiations.

By 2012 the company has grown to providing '*Benefit solutions*' to over 550 customers across the UK and Denmark. LogBuy is market leader in Employee and Member Benefits Schemes for businesses and organizations in Denmark, and it is well on its way to the same position in the UK.

LogBuy's strategic foundation is "Operational Excellence" working constantly to automate and streamline business processes to benefit the company, its customers, users and partners.

LogBuy's vision is: "Global access to the best benefits", which keeps it innovative and progressive when providing users with the best benefits in an easy and simple way across all platforms (global).

LogBuy is a dynamic company with a rapid growth and development. For 3 consecutive years it has won a "gazelle" in Børsen Gazelle study (The fastest growing private companies in Denmark) and from 2010 and forward it has received the highest credit rating one can get - the AAA. The company continuously focuses on creating value for the customers while constantly working to develop and optimize solutions to suit the customers' needs.

The Challenges

The two founders were the only employees for the first 3 years – working hard on growing the company successfully, without paying themselves salary. Obviously, this was not a sustainable situation. Customers and sales required more attention than the two founders were themselves able to deliver.

Market opportunities however were good, but to exploit them, the company needed competent capacity, and hence, the two founders faced the classical problem related to expansion out of the niche: when to hire, who to hire and how to organize.

The founders had little or no experience within HR management and company organization, and the responsibilities involved with hiring and employing people also raised considerable concern. One pending issue was the balance between development and sales. Hitherto, SW development had been outsourced at great expense. Considerable savings could be reached by insourcing this crucial activity. At the same time, the company expansion depended on the proactive presence in the market.

Your task:

1. Should LogBuy strengthen sales or software development as the first step?
2. What factors should be considered in deciding on HR profiles?
3. How could the –still very small - company attract the right person/people?
4. What capabilities would be needed to run the future organization?

What happened:

The two founders decided to recruit their first employee with focus on software development, thus prioritizing the cost saving factor and handing sales, marketing and customer services themselves.

In order to attract the right software developer, it was necessary to include a warrant program including up to 10% of the company shares.

From then, the company continued to grow organically. At one time it employed more than 20 employees within sales and customer support, marketing, account managers, webmasters and programmers.

The revenues also increased quickly but the founders discovered along the way, that they had “created a monster”. Some of the employees were very good and up to the job, but some were not. Further, the organization had become too complex and not the best fit for the tasks in hand.

So the founders realized that they were not good enough at hiring and organizing, and they also had to admit that they had not exercised sufficient leadership themselves. Serious redesign of the organization was needed.

Over a period of 6 months in 2008/2009 the staff was reduced from 22 full-time persons to 14 full-time persons and software development was outsourced once again.

Today, late 2012, in DK and UK the company employs 7 full-time people while turn-over is still growing. Further, around 15 students each spend 10-15 hours per week in the company. The goal is to increase revenue by 35% every year in DK and 100% every year in the UK – for the coming 3 years.

Conclusions:

The founders realized that they needed to build a sales organization with focus on pre-sales and after-sales and to outsource development. Additional jobs in the future will be within after-sales services.

Lessons learned

If the founders were to start the company today – they would have chosen out-sourcing of development from the very beginning.

The strategic question about the value chain position: what kind of company are you – sales & marketing or research & development - should be defined from the beginning.

Don't start up in a new country without analyzing the market and ROI. No market is easy.

In a small start-up, underperforming employees can severely damage the whole organization.

Avoid complicated organizations: keep it “mean and lean”.

Do everything in your power to attract talented and engaged employees and to keep them on board.