

LEAN APPROACH TO RECURRENT STRATEGY – CASE STUDY

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Abstract. In this paper, the application and advantages of the lean approach to start-up business is presented through a practical example how to correctly do employment of new workforce. Splunk was an example of innovate and creative approach to start-up and that will be shown in this paper. The focus of this paper is on taking various aspects into account when recruiting employees in order to ensure the success of a startup business.

Key words: Lean management, start-up business, employment, software

1. INTRODUCTION

In order to properly introduce the Lean Start-up (Figure 1) to a company, it needs to have an organization structure, culture and discipline to properly execute the search for growth and at the same time maintain the operational activity level [1]. Hence, applying this type of methodology on processes that already exist requires the adopting company to adapt the practices to the current culture and processes [2].

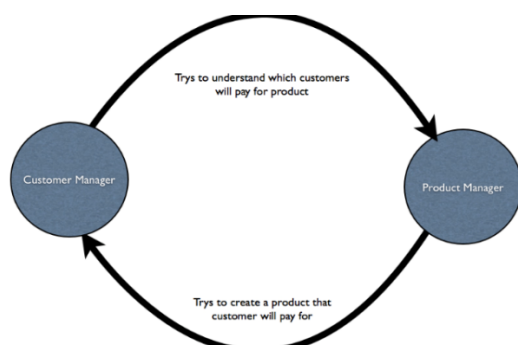


Figure 1: Basic Lean Start-up scheme

The Lean Start-up defines the team structure as self-autonomous and full-time cross-functional teams that have secured small capital, the necessary authority for not slowing down learning and accountability by unnecessary approvals and the recognition of the innovation success [1, 3]. When its organizational structure is in question, Lean Start-up suggests developing a “platform for innovation” that has self-imposed rules, i.e. within pre-determined and settled limits that promote and boost the start-up impact in the company itself without restricting its start-up methods [1]. Another curtail requirement is the necessity to change the company culture. In his works, Alange [4] states that top management should install a more innovative culture that is open to change amongst its employees to foster creativity, commitment and passion to innovate in a continuous learning environment. Another essential part of making great impact on early Lean Startup is to not be blindsided, as very often happens to managers around critical processes like recruiting, hiring, and training and development. In this paper, Splunk’s approach to this field and how to successfully these blind spots can be avoided will be presented.

Splunk is a software firm from San Francisco; it’s a perfect case that will be used to illustrate this point. Founded somewhere during 2003 with around \$40 million in venture capital funding, Splunk was one of the pioneering companies that have been solely focused on so-called “big data” space. Splunk was a small company with no previous track record to use as a reference, so for this reason they needed to be clever and creative when it came to recruiting, hiring and training their team members.

2. METHODOLOGY

Shown in this paper are the insights on how Splunk prevented the blind spots as it scaled and how they successfully recruited the right members.

When it comes to recruiting (Figure 2), the saying goes „business process is only as good as the people involved“. This is one of most crucial parts, it is most notable for the type of sales that is dependent from individual performance. Salespeople that are the best in their jobs generate astoundingly more than their average colleagues: the difference can be even up to ten times more, depending on what they are selling. To quote Bart Fanelli, Vice President of the Splunk „For recruitment, we set our sights on talent from companies already operating at the level we want to operate at.“ This is a long and hard process and demands time and resources from company’s leadership. The biggest part of making company constantly grow is recruitment and hiring as a continuous part of the management culture.

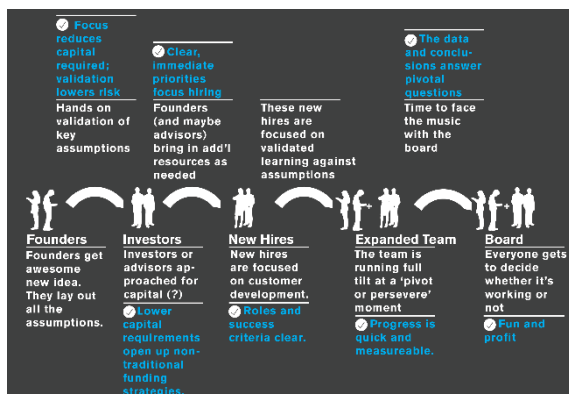


Figure 2: The Lean employment pattern

Next important part of successful recruitment is the process of interviewing and hiring. Problem starts here - managers are often too much self-assured about their ability to judge and estimate candidates based only on personal interviews. From experience, there is no parallel between performance on the interview and on-the-job performance. In studies that had been done, it was clearly shown that performing the hiring process solely by this way can be hurtful to the company in selection decisions: there is almost no difference between choosing randomly or solely by interviews. This danger is most evident in sales. When employees are chosen in departments where talent varies a lot, this usually leads to a so to say cloning: that managers hire as many as they see fit and are taking control of the interviews by themselves. In companies where a manager’s assessment is complemented with multiple interviews involving

diverse people, much better results have been observed. As a consequence, a process that is structured, and emphasizes behavioural criteria was established.

Management’s commitment to communicating, establishing, and keeping of an up-to-date hiring process remains a real constraint. The company Splunk created profiles that state certain skills and ability to perform each role appropriately. They also made certain behavioural elements in management’s view, which are valuable across roles.

Another vital aspect that will be considered in this paper is training and development. Modern trends in most modern companies is that they don’t train salespeople constantly and the usual practice is that training budgets increase following good sales and decrease when sales are tough. This is not a useful practice because it wastes time, and on top of that it’s almost impossible to determine cause and effect.

Naturally, people need support and upgrading of the skills from time to time and motivational help. Here, the focus is of crucial importance - learning and development on an analysis of sales needs to be performed on site and with quality employees. This is a process that provides good and accurate feedback on time to managers and leaders of company.

To be more clear, it is of key importance to know what you can control and control it. In Splunk’s case, as Fanelli notes, “we kept a certain leader-to-contributor ratio in mind to make sure the first-line sales leader can train contributors on the desired skills. We track this quarterly, looking at training and coaching with the same attention that we use to review ‘the numbers’ because the effectiveness of our first-line leaders is the gateway to the performance we want to see in sales outcomes.“

Any work environment has a wide variety of people with different capabilities, learning styles and temperaments. To have the best effect, development and coaching needs to have capability to reach to any employee and be constantly updated and renewed. Review made on time in the sales organization can push the process up the chain and successfully create a constantly developmental tool. “The first-line review process,” says Fanelli, “connects quarterly to every manager in the field. The second-line review (a review of those who manage and review the first-line managers) focuses on a broader set of skills, happens

annually, and goes into more depth than the quarterly process.”

In this paper it can be seen that Splunk mixes a lot of good practices that in the long term are helpful to them avoid common blind spots in sales as it grows. Of course, not all companies need to do what Splunk does, but is highly recommended. In every company, placement and strategies are different, and because of that practices need to vary. What this paper is trying to show is that any company must acquire talent by making core processes like recruiting, interviewing, and development a real priority in daily practice. To quote Aristotle “Excellence is a habit.”

3. CONCLUSIONS

Splunk had in plan to increase their capital from a \$50 million company worth \$250 million during a five-year cycle, but it should always be kept in mind that targeted figures are different from company to company. They successfully did this, allowing their company to grow to a desired level. Also, don’t forget that this was possible due to considering the recruitment and hiring process as a continuous part of the management culture, not only an HR responsibility, this was Splunk’s approach and it was very fruitful.

All of the recruitment concepts mentioned in the example presented in this paper are the same ones which make up the lean startup methodologies. They are based on careful selection of employees, taking into account various personal aspects, while ensuring that the future employees will receive all of the necessary training. In addition, the lean approach suggests that employee motivation is of great importance for a successful business.

Therefore, the success of Splunk’s strategy was largely influenced by their decision to integrate the lean aspects into their recruitment method.

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