

Lesson 5: The false start

By  Alon Raiz

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In the 20 years I have worked with entrepreneurs, there is a phenomenon I have seen all too often - the false start.



Source: www.pexels.com

The typical pattern in many small businesses is that they start with a monthly revenue line that is relatively flat and a similar-looking profit line (or rather a lack-of-profit line) along with a cash-flow line that points 45 degrees downhill. As

the business starts gaining a little traction and more deals come in, at some point, there will be an exponential increase in deal sizes. Often, the increase in deal size somehow triggers a signal to the entrepreneur that they have now hit the big time, that the struggle is over and their success is imminent.



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In many instances, there is a strong pipeline of orders. There may even be some cash in the bank but, most often, the execution of these orders is incomplete. Despite this, entrepreneurs start displaying some perverse behaviours. In and of itself, one such behaviour may not be concerning but, when I witness three of the behaviours listed below, I'm pretty sure that what's being experienced is a false start.

1. Buys a new car

The old jalopy is traded in for a shiny new German car with the entrepreneur falsely rationalising the purchase as, “My clients care what car I drive.”

2. Thinks the struggle is over

The entrepreneur erroneously believes that the struggle to success is now over and, from now on, it'll just be champagne bubbles and caviar.

3. Upgrades the offices

An interior designer is appointed and, as the fresh paint starts to dry and the new furniture arrives, the entrepreneur is saying, “We need to look the part so that our clients will perceive us as successful.”

4. World domination

The strategy is prematurely focused on rapidly expanding the business across multiple local – and even international – geographies.

5. Big bonuses and increases

There's a significant bump in the entrepreneur's salary and, in many cases, a commensurate bonus to self.

6. Starts hiring people

Work is coming in and the entrepreneur starts hiring staff prematurely in the belief – or hope – that this trend continues.

7. Looks for bigger and better premises

As business picks up, another premature decision is made to find bigger and better premises to cope with the anticipated influx of work. Also great to show off to friends and family.

8. Personal image

The shiny new car and upgraded office create a perceived need for a matching personal image which means splurging on new branded or tailored clothes, imported shoes and personal grooming.

9. Takes foot off sales pedal

Growing sales encourage the entrepreneur to stop pushing in the mistaken belief that “sales breed more sales” and “everyone knows us and wants what we have.”

Entrepreneurship is not, as they often tell us, a marathon. It's more like ten marathons one after another – and then another ten! And so on. The journey is relentless and, although there are moments of respite and success along the way, they're mostly short-lived and threatened by an ever-changing internal and external environment.

Competition is hovering around, waiting to take you out at any chance it gets. People issues continue to present at an increasing rate as the organisation grows. Unforeseeable events threaten your very existence on an ongoing basis. In my opinion, you have never “arrived” and the moment you think you have is the death knell of the business.

The nine types of behaviour listed above are signals of two characteristics that are not congruent with long-term success.

The first is ego. Ego-based decisions in a business are a distraction that no growing business can afford. When entrepreneurs begin to worry about image and what others think of them more than how to add value and keep a client, it does not bode well for the business.

The second characteristic is complacency, the first cousin of ego. The underlying driver of complacency is thinking that your customers will never leave you (ego) and that your competition will never catch up with you (complacency). Elements of exhaustion may be woven into complacency but, in my experience, most entrepreneurs who lose their businesses through complacency do so as a result of it being ego related.

Any growth entrepreneur starting the entrepreneurial journey cannot begin with a mindset of “this is going to be a quick sprint to success.” Although there are examples of such entrepreneurs out there (whom the media hype up far too much), by far the majority of successful entrepreneurs slog at it day in and day out for years. They carefully layer and prune their businesses and build teams that can execute.

If you are exhibiting three or more of the behaviours above, it is not too late. Simply make the decision to reverse the behaviour and give yourself the chance of making a long-term success of your business.

ABOUT ALLON RAIZ

Allon Raiz is the CEO of Raizcorp. In 2008, Raiz was selected as a Young Global Leader by the World Economic Forum, and in 2011 he was appointed for the first time as a member of the Global Agenda Council on Fostering Entrepreneurship. Following a series of entrepreneurship master classes delivered at Oxford University in 2014, 2015 and 2016, Raiz has been recognised as the Entrepreneur-in-Residence at the University of Oxford's Saïd Business School.

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