

5 Things You Don't Know You Need to Know.....

Charles M. Alexander J.D., M.B.A.



Paul:

23 Things Every Entrepreneur Must Know

Written by: Paul Brown

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Charlie:

Paul Brown is clearly a very experienced writer, legal student and accomplished witness of entrepreneurial stories and events. The knowledge he has gained watching and studying the world of entrepreneurship is extremely valuable to those want to read about and study it. Paul writes from a broad based position and his thoughts and comments reflect that. His article listing 23 things every entrepreneur must know is accurate, I'm not challenging that. However, either way you look at it "23" is just an arbitrary number. **There are considerably more than 23 things a successful entrepreneur must "know" but are all of them critical to success?** Can that list be boiled down to 23? Can it be distilled down even further? Will it remain as valuable if it is taken down to 5 key points...?

That depends on what the reader wants to accomplish. For example, if they want to only use an article to start, and successfully, run their business they are sorely misleading themselves and are destined to failure – that's just being plain old lazy OR what I also see and hear is people underestimate what all goes into being a successful entrepreneur. So what is the reader supposed to do? Do they keep reading 1000's of articles from hundreds of writers with myriad backgrounds and experience levels? That would take years and years and quite probably still result in inaction... Although I haven't read it yet, I'm sure Paul's book Just Start: Take Action would provide some tips on how to avoid getting caught in analysis paralysis. But again, how does one go about learning what they don't know but need to know?

The absolute top priority of anyone interested in starting a business is – choose who you are going to listen to and take advice from very, very carefully. There are thousands of people selling their knowledge about how to start, run, build, grow, market, improve, and ultimately sell a business. Here it is.... Drum roll please.... How do you know who to listen to...?

The actual answer is not that complicated, you must get advice from someone who has already been down the path you intend to travel... It's that simple. The trick is, how do you find those people?

Again, this is not belittling Paul's experience or knowledge, as a matter of fact I think he would whole heartedly support what I am saying. Rather, the question becomes, do you want to have a 30 year career as an observer and writer about entrepreneurial endeavors? If that is the case, Paul is your man. I'm sure he knows things about that path that very few, if any, other people know.

I agree with Paul that the 23 things listed are all important for an entrepreneur to know. However, is it only these 23, or are there more? Can we distill the list down or break it apart for newly minted entrepreneurs vs. experienced entrepreneurs? I have handpicked a few of Paul's "Things" for those interested in starting a business. There are virtually an endless number of resources available about starting a small business, however, it has been my experience that the vast majority of them start at the wrong place. An attorney will advise you the proper corporate structure/form to use to provide the best protection and mitigate the most risk. That's not bad advice, but you will pay many hundreds, if not thousands, of dollars for that advice and it may be premature. Furthermore, people will often make the mistake of speaking with an accountant when they should be speaking with a CPA or vice a versa, they spend big money with a CPA when an inexpensive, or quite possibly 'free', conversation with a bookkeeper would suffice. These are just two examples of mistakes made by inexperienced people getting advice from resources with narrow fields of expertise. Again, I am not claiming that the advice as presented is useless – it just may not be the right advice, at the right time, for the right price.



On the following pages , I provide comments and suggestions specifically related to the excerpts from Pauls Brown’s article, “*23 Things Every Entrepreneur Must Know*”.

Paul:

“The best entrepreneurs don’t come up with great ideas, they solve market needs.”

You and I can come up with wonderful ideas all day long but unless they satisfy a large enough need, one that can support a business, they don’t do anyone any good.

Charlie:

This is a very accurate and poignant statement and I agree 100% with it. However, how does someone determine whether their idea will satisfy a large enough need, one that can support a business? And what do they want or need that business to look like once they do? Paul addresses some of this later in the article but I wanted to make a couple of points right now. It is not sufficient to only satisfy a market need to create a successful and viable business - it is absolutely necessary, but it is not enough. Many businesses actually fail from achieving too much success too quickly. You must know how to manage growth and exactly when to quickly bring on experienced management if you begin to experience rapid growth. If you bring a truly “great idea” to market there is a high probability the demand will outgrow your skills very quickly and you run the risk of massively disappointing failure. Paul touches on this in the next excerpt I have chosen and I deep dive into the methodology of how to assure you can handle that growth from a number of perspectives about handling growth. I address little known market research techniques in depth in other materials. These comments are intended more so to open your mind to the vast expanse of the world of entrepreneurship and get you thinking about what you haven’t thought about yet.... In other words; “Things you don’t know you need to know”

Paul:

“If you want to build a successful company give up control.”

You can try to micromanage but: the business will never grow bigger than one person (you, the CEO) can handle effectively; the company won’t be able to move very quickly. Since everything will have to flow through you, you will create a bottleneck; you won’t get the best ideas out of your people. Once they understand the company is set up so everything revolves around you, people are not going to take the time to develop their best ideas. “Why should I,” they’ll ask. “He is just going to do what he wants anyway.” And it’s exhausting.

Charlie:

Interestingly, this is a topic I just addressed with two different clients very recently. Here is the basic story; the owner had run the company for 8 years, he has taken responsibility for everything – ordering supplies, human resources, labor scheduling, building and grounds maintenance, inventory, production, customer satisfaction, and the list goes on. His management style is one of ‘putting out fires’. This is probably not by choice but, rather, that is just how it evolved as more and more ‘things’ started happening around him. Many resources available will advise the simple solution of “just delegate”... If you find yourself constantly putting out fires you must delegate some of your less important tasks to free up your time to work on your business and not just in your business...” I agree, completely. Here’s the question – HOW? How does someone who has spent 8 years allowing their business needs to sneak up on them to where now it just completely dominates their every waking moment break free? This is where I get a little wound up at most of the advice out there. It is produced by intelligent people who have great ideas, can disseminate those ideas in a great package, collect their payment and move on. That just drives me nuts. And, please understand, I am NOT singling Paul out. In fact, as far as I can tell Paul just sells his information and does not try to go further with it than purley presenting it – I respect that.

So here’s the scenario;

The business owner spends all of their time putting out fires. They know this, but they do not know how to change it.

They need to delegate some of those tasks to other people. They know this, but don’t know who they can assign it to.

They need to train someone to be able to delegate to them. They know that as well, but they don’t have any time to train anyone because they are too busy putting out the fires.

And the cycle continues....

The first step is to get the business owner to tabulate (even if it’s just off the top of their head) how much time they spend doing things someone else could do. Now multiply that by the days/weeks/years it will continue until someone else is delegated that task. Now assign a dollar value to the difference between the owners’ time and the employees. Multiply it out and now you have a large, accurate amount of the waste that bad habit is creating. Not all business owners can relate to wasted time or energy but every single business owner can get their mind around wasted money.

We’re still not there. All we’ve accomplished thus far is to prove to the business owner their methods don’t work and they are foolish if they continue this way. They still don’t know how to fix it. By placing a large, undeniable value on that one specific task; delegation; we are providing the business owner the fuel they will need to carve out a small amount of time to properly train an employee to take on that task. Once they see, right before their eyes, that by taking a few hours to train a quality employee they will save a tremendous amount of time, energy and money in the long run they will begin to effect the critical psychological change that must occur – they must switch their view to the long term benefit regardless of the short term cost.

We’re still not done. This may be the most critical step and is the most over looked in all the research I have done on this topic. How does the business owner know with confidence that the employee will handle the delegated task with the skill and expertise that the owner would? Of course the simple answer is ‘training’ – the employee

must be trained properly, and that is where all the other experts stop. But that was not crux of the question, if you reread it, the question did not focus on fixing the problem of delegating a task. No, rather, the question focused on

the business owners' **confidence** in knowing the employee will complete the task correctly. The owner can only gain confidence in the employees' ability to successfully complete the task by testing the employee on the task until such time that the owner is comfortable with the employee's skill.

Hold on, we're still not done. We are not talking about some large corporate environment where there is a dispassionate trainer and an employee with no real connection. We are talking about a scenario where the owner most probably hired the employee and has worked side by side with this person for quite some time. They probably know something about each other's families and personal lives and have somewhat of an emotional bond. Here is the most critical moment in this entire situation – I hope you have stayed with me thus far because here is the absolute most valuable information in this entire passage. In almost every single instance the boss does not sufficiently test the employee. They are afraid to hurt their feelings and have a very difficult time challenging an employee who is willing (and already determined to be able) to take on this extra task for the good of the company and to help alleviate some of the boss's work load. What kind of a person would ask someone to step up, take on more and then test them on their training...? I'll tell you who, a business owner that actually gets it, one that understands the importance of setting everyone up for success. The importance of preparing the employee to take on this added responsibility with the right tools and training to make the transition as smooth as silk – that's who.

So how does the boss get over this massive hump, this roadblock that causes massive failure and often times creates an environment that is even worse than before and possibly leads to losing a great employee...?

Again, after 30 years of doing this, I can tell you it's really very simple. Communication. That's it, all it takes is good communication. Now if I was only interested in reeling you in to buy my course and spend money with me that's where I would stop.

"Communication", really, what the heck does that mean in this specific situation? Well, here it is – free. If you've read this far you deserve to hear it because you're my kind of person – you truly want to understand what is critical and you also understand the value someone with genuine experience can bring and how much, in the long run that can save you in time and money. In this instance you create a simple, step by step training program (even if that means telling the employee they will shadow you for 2 days and you will tell them what you're doing and why, and that they should ask any and all questions at that time) and here it is.... drum roll please.... You tell them at the very beginning that they will be tested on this at each and every critical point in the process. Yes, it is that simple. I know, that seems so simple it's barely worth paying for. However, I can assure you that piece of information is worth tens of thousands of dollars to even a moderate operation. I am currently working with a \$1 million +/- a year business (relatively small by most accounts) that we have determined that single change will create an additional 208 hours a year for the owner – He could never take any time off more than a 3 day weekend, now we 'found' 4 weeks a year for him. Additionally, the labor savings between the differences of what the owner should be earning and what the business will pay the employee along with other savings generated because the employee will complete the task more consistently will be approximately \$35,000 per year – that's 3.5% of bottom line additional profit. In an industry that works with a national average of 5% profit margin that is huge! Now the owner is paying much closer attention to where they spend their time and what can be delegated. Soon they will have all the tasks delegated to the appropriate employees and be freed up to pursue additional revenue streams and maybe even spend some quality time with the family. How do we put a price on that?

Paul:

“You need to be able to turn every obstacle into an asset. Yes, every single one. And – Learn from your mistakes.”

You are going to make mistakes. That’s a) a given and b) okay, providing you truly understand what went wrong.

Charlie:

This is a topic that is very close to my heart. As a very young entrepreneur (I started my first corporation at 19 years old) I developed an attitude that has served me very well over the years. This attitude is best described by one of my oldest ‘Charlie-isms’; “If you put an obstacle in front of me, I will find a way over, under, through or around – but one way or another I’m getting to the other side!” Granted, it may not be the most poetically spoken statement ever shared, but cut a guy some slack I was about 20 years old when I began saying it. So, that goes to the attitude required to be a successful entrepreneur. I address this in-depth in my book “Live in Entrepreneurial Freedom” but to summarize, every successful entrepreneur can be encapsulated in the ‘Charlie-ism’ above; An unstoppable drive to achieve what they set out to do, regardless of whether that is a huge goal like ‘a computer in every home’ (Bill Gates) or any of the lesser known goals that thousands of small business owners have set for themselves such as providing a ‘better future for my family’ and ‘to leave a lasting legacy that they can be proud of.’

Through the early study of NLP (Neuro Linguistic Programing) and then a deeper dive into learning about NAC’s (Neuro Associative Conditioning) was I able to best understand the true drivers of people’s deepest motivations and how to best guide people in their journey to deeper fulfillment while steadily achieving their goals. There have been a multitude of books written on the subject and equally challenging arguments within the academic arena as to the usefulness and validity of NLP and NAC’s as a science. I will leave those arguments up to more learned people than I. What I do know is that from a practical, street level use of them, they work. I have used some of the techniques I learned through my training to help motivate people in my direct employ, employees of my coaching or consulting clients, seminar participants, and even to help stubborn, know it all, business owners realize what they were doing wrong and how to open up to accepting help and correct their failed, “this is the way we’ve always done it”, systems and processes.

Although I can’t take credit for it, I have, since a very young age, used the ‘summary’ statement – “yup, write it off as tuition...” As long as you look at every single event as an opportunity to learn you will never dwell in failure. In business you will make mistakes, things will not go as planned and you will be blindsided by the unforeseen; it is what you do with those moments that counts. If you respond with a negative attitude; something like “nothing ever goes right...” or “this couldn’t have happened at a worse time...” you are not setting yourself up for success. Instead, at a bare minimum, look upon each event as an opportunity to learn and any expense you may have incurred in that moment – “write it off as tuition”. Once you adopt that perspective you will never experience pure failure. When asked how he handled so much failure, Thomas Edison responded “I have not failed, I just found 10,000 ways that won’t work”.

So, in summary, ***it is vitally important to maintain a positive attitude***. There are those among you that will be thinking ‘come on, let’s be real, you can’t be positive all the time, at every moment...’ well of course if you put it in absolutes using ‘all’ and ‘every’ I guess it would be pretty dang hard to meet those demands. But I can assure you this, if you try at every turn to find something positive, again even if that’s just how you view that singular ‘failure’, you will begin to realize that all of life can be much more enjoyable and significantly more peaceful. I’m not trying to promote meditation or spiritual pilgrimages – although I would love to get better in those areas myself. No, I am just trying to relay the simple fact that you are responsible for how you react to what comes into your world and to understand that is how the world will react back to you. It’s a symbiotic relationship that continuously feeds each party.

Thus far we’ve spent some time in a more esoteric realm discussing what many would consider theoretical and not ‘hands on practical’. I get that, but let me assure you that what we just discussed is extremely practical when implemented correctly and can have a massively profound, positive impact when fully adopted and practiced consistently. The major issues as to why they are underappreciated are 1) most small business owners are not brought to full understanding of the how’s and why’s of how to implement those topics and shown, at a minimum, the practical benefits of using them, because 2) most consultants and coaches do not have the hands on, practical experience coupled with the academic training and critical thinking skills to educate their clients in a manner that the client truly benefits from. There is a large gap between academicians and those possessing practical skills. It is my goal to bridge this gap and help both sides understand, and benefit, from the other. I must confess, when I was heading into graduate school I held the belief that ‘those who can do, and those who can’t teach’. After completing 5 years of graduate studies, I can attest it was my personal experience that is about 50% accurate. Particularly in business school, about half of my professors had practical, real world experience in the subject they were teaching and the other half basically only possessed book learning. In law school most of the professors had spent some time practicing law in the real world, the question became just how much ‘real world’ experience they were bringing into the classroom – but law, in and of itself, is a different animal. One of the foundational skills one learns in law school is critical thinking. A focused, disciplined business mind with critical thinking training can be an extremely powerful tool when making business decisions. This is why you will note that many CEO’s of very large companies had obtained a law degree at some point in their life.

The ideal mental place to reside is right between theory and practical. This is where one person can carefully analyze their thoughts about a pending business decision and then, once decided on, put those thoughts and the subsequent plan into motion. Often times when someone attempts to go too deep into one area or the other, they will end up bogged down in analysis paralyzes, in the case of a practical person attempting to do deep analytical thought. Or in contrast, a person with strong analytical skills may be unable to actually put the plan into motion and see it through to a successful outcome as planned.

Following are some comments from the practical side of things. More of the ‘this is how it is, this is the real world’....

Paul:

“If the dogs don’t like the dog food it’s bad dog food.”

You don’t determine what a good product is. Only your customer does. And if they don’t like your product, it’s a bad product. Period. In others words, the customer is always right. Darn it.

Charlie:

Tough words to hear for the analytical person who has spent massive amounts of time analyzing and preparing a plan for a product roll out. Small business owners do this all the time. I hear it over and over again – “well, I think our customers will like this because...”

Now, some of that may be steeped in many years of experience by someone who is front facing and deals with customer’s every day. If that is the case that persons intuition should, at a minimum, be listened to and a ‘test’ roll-out could be tried just off of that. Remember, small businesses do not have the marketing research budgets like large corporations and must operate from a grassroots level. If you come from a large corporation background it is important to understand that those days are over. In small business you do not get to conduct focus groups and roll out A/B tests of different products, in different geographic locations. The balance is between the person who fly’s completely by the seat of their pants, running purely on their instinct without gathering any data whatsoever, and the person who stays in their head trying to gather all the data they can and never creates an environment where failure is considered ‘one step closer’ to success.

As Paul’s statement above illustrates, the customer – ***I prefer to label it the ‘market’, is always right.*** Anyone who has worked in retail can, and will, argue against the ‘customer is always right’ line. But, when we say the market is always right, it is. If you try a few iterations of a product and none of them sell well, it’s over. There is something wrong and you are left with two options; 1) continue to pound away at it, losing money and time or 2) face the facts, you made a grave error somewhere in your planning and the market is not responding.

I know I said I would keep this section in a more practical mind set, but this a perfect moment to mention a specific area of study when analyzing entering a market; it is called barriers of entry. Keeping it simple, if the product or service you are trying to bring to market has high level barriers of entry it may be beneficial to keep pounding away at trying to make it work. The reason is that if you succeed you will have something that is very difficult to replicate and may very well be applicable for legal protection under IP (Intellectual Property) laws. Other than that, if you are bringing a common product (or service) to market you may not be realizing success for myriad reasons, not the least of which is that the market is saturated and you’re just not being seen. Unless your product produces a very high profit margin (highly unlikely in an over saturated situation) there is no point in trying to overcome the mature players already occupying that space.

In summary, if your product is ‘regular’ and the market is not responding get out, cut your losses short and step away. However, if you had searched out the right guidance and remained open to hearing a fair and balanced argument for and against your ideas you most probably wouldn’t have ventured down that path from the onset. One of the most valuable services I have provided for my clients has been talking them out of pursuing a new business idea....

Paul:

“You must figure out how you are going to collect what you are owed.”

Charlie:

Almost nobody thinks about this before they get underway and suddenly they learn first hand what they phrase “cash flow crunch” means.

Alright, so I wanted to finish off with a brutally obvious one – you gotta get paid to stay in business... Yes, it seems that simple and in reality it is. But, how? Yes, again I’m asking How?

Entirely too many people go into business thinking the process is very simple; I produce my product or service, I get people to buy it, and I collect money – repeat over and over again, and viola, I’m a successful business person – wrong.

As Paul states above, you must figure out how this works, and it is very important to figure it out before you need the money. What terms are you going to offer? Here’s a short, ‘real world’ story; many years ago I owned a tow truck business and through years of hard work was able to build it into one of the largest commercial account towing businesses in the area. How many of you picked up on a sliver of critical information in that description...? The critical point was “commercial account”. That meant that the majority of my accounts were other businesses. Some of them small local automotive repairs shops that were billed monthly and some large national companies (like Avis, Hertz, AAA) that paid on 90 day receivables. It took years to be able to build up to handling the cash flow requirements these type of receivables demanded. There is good and bad involved within this scenario; the bad was that I had to be able to pay all my other bills while extending credit to these long term payers – if you make a mistake and take on this type of arrangement unprepared you can easily run out of money and either have to borrow against receivables (very costly) or you may go out of business because you simply run out of money.

Your probably wondering ‘how could there be any good’ in this scenario, well there is. If you’ll recall from the previous section I mentioned ‘barriers of entry’ – yes, being able to accept long term receivables is a barrier of entry. Only the very economically stable companies could take on this level of work. And, you want to know another upside, the stable companies are typically run by experienced operators that fully understand how to value their services and price accordingly. In other words, by the time a towing operator reached this level they were not cut price operations and there was money to be made at this level because we all knew how to price correctly to factor for all the contingencies including waiting 105 days for payment.

As another aside, the towing business just outside New York City was a pretty tough business from many viewpoints. Not the least of which was how frequently someone would jump into the business with an old beat up truck, no license and improper insurance. Their marketing plan was to go around and under cut all of the regular operators’ prices – brilliant huh? Regardless of how foolish that plan is it happened over and over again. I was forced to develop a plan to counter attack their attack. I would pay someone to follow the new guys’ truck around for a few days and find out each new account he began “servicing” with his super discounted pricing. I would then contact each and every one of those accounts, some of them even being my ‘regular’ accounts and tell them I would do all of their towing for the next month for free. Of course the accounts would jump on my offer and the new guys’ phone would stop ringing. He would go back to all those accounts and ask what happened and they would tell him what my offer was. Inevitably, I would get a call from him telling me that I was “crazy” and that I couldn’t do that. I would respond; “I can, I did, and you’re out of business. You should have come to me first, I would have given you my over flow business; It’s better to enter the market making friends with the established players, then to come in the way you did, have a good day”, and hang up.

Sometimes there is a natural barrier of entry and sometimes the key players will create a barrier of entry, either way it is best to get with the established players and figure that out before spending money.

So, you can come into a new business thinking you have the payment schedule all figured out and have enough cash flow in reserve but we haven't talked about unforeseen events like natural occurrence or weather related interruptions. Collections may be one of the most over looked and vitally critical aspects of running a successful business. There are entirely too many variables related to cash flow projections and collections to list in this small section. I wanted to share a couple 'real world' scenarios to bring some life to the discussion and emphasize just how important cash flow can be to the success of any business – big or small. By the way, cash flow and collections is nowhere near as serious an issue for people running a small consultancy. So when a person giving advice claims to possess their 'real world experience' as a consultant – in other words, when the only type business they have owned is their consultancy - they are most likely advising their clients in the realm of cash flow and collections from a theoretical perspective. Most consultancies do not experience significant cash flow and collections problems. I know, I manage all the administrative/back room tasks for our Clinical Research Consultancy business. I also manage all the administrative tasks for our food services business which includes a restaurant, mobile food unit and catering operations. Although these are fantastic from the receivables side of the cash flow calculations (we get paid immediately) they require very special cash flow management on the payables side of the equation (there are massive bills that can pile up very quickly).

In summary, each and every different type of business has different and critically important cash flow management requirements. You must get this right or you will go out of business – it is that simple. Getting it right means extremely careful planning in concert with someone with years of experience in that specific field; not your attorney, not your accountant (although they can provide some assistance), not your insurance agent, not your spiritual guide or life coach, certainly not your know-it-all neighbor that ran an ice cream stand when they were a teenager. No, this requires you putting in the time and effort to find the right advisor with specific industry experience in running the same or very similar type business. Cash flow is no joke. It is however one of the most overlooked, least focused upon aspects of business by pretty much every person entering into the world of entrepreneurship and the fastest to cause massive disruption or worse.

Yes, I used this last section to mess with you a little. I wanted to finish off with a subject that was unassuming and kind of smack you right in the face with it. My research shows that the topic of genuine entrepreneurship is one of the least respected fields of endeavor out there, almost everyone thinks they can do it, yet the Small Business Administration has produced study results that factually show; over 50% of small businesses fail within the first year and, over 95% fail within the first 5 years.

If it's so damned easy, why do so many consistently fail?