



The Hidden Truths of Running Your Own Business

When I embarked on the life of an entrepreneur after a corporate reduction in force during the Great Recession of 2008, I admit to being terribly naïve about running my own business. After all, I had an MBA and had been in the corporate realm for over 30 years – how hard could it be, right? I want to share some of the issues entrepreneurs routinely face that you won't hear about in b-school.

We have all heard the somewhat grim statistics of small business longevity. Bloomberg cites 80% of new business will disappear within the first 18 months. A further 15% will disappear by 2019. This translates to 5% cresting the 5 year mark still in business. Since I passed my fifth year a month or so ago, I should be feeling pretty good – why don't I dislocate my shoulder by patting myself on the back achieving these stellar results? Rather than do that, let's examine some issues that the 80 – 95% didn't last. Was it money, lack of effective capitalization, business debt, the economy? Probably most failed due to none of these – it may just be their mindset about what to expect when they start a company.

The Law of 5

Becoming an entrepreneur at any age has its trials and tribulations. After all, you have had a successful career up until now, so you're feeling pretty good about your chances for success in your new venture. Not so fast...one piece of advice is to not assume that since you were battle worn yet triumphant in your first career, your second will be a snap. Be aware of the Law of 5.

The Law of 5 is quite simple. Whatever you think it is going to take to get your business up and running: time, money, other resources, etc.; multiply it by five. If you think your startup and operating expenses will be about \$50,000, plan and budget for \$250,000. If you estimate you will be revenue positive in 6 months, plan for it to happen in 30. If you feel meeting with 3 funding sources will get you your money, line up at least 15. If you think it'll take 4 contacts to convert a prospect to a client, plan on at least 20 before you land the deal.

On the flip side for revenue and customers, plan for it to take 5 times what you think. If you plan to have 50 clients within a year, bank on landing 10. If your revenue projections in your business plan show an income stream of \$250,000 by the end of your first fiscal year, ratchet it back to \$50,000.

The Law of 5: Be realistic in your goals. Success is a goal, not an entitlement.

Problem Solving Is Your New Job

From the day you open your doors, you are going to encounter obstacles and challenges. Most of them you will not even expect – think of it as being on a roller coaster. The twists and turns that the track takes come up way before you are prepared for them.

The key is not to give up – failure is not an option if you want to stay in business. Accept the fact that your job is to solve problems – in fact maybe that should be the title you put on your business card. I recently had the opportunity to attend a webinar with Robert Herjavec, author of *"The Will to Win: Leading Competing, Succeeding"* and one of the sharks on *Shark Tank*. His pitch comment: "Don't start a business; Find a problem and solve it – that's your business."

Embrace the challenges, obstacles and the opportunity to make changes that will continue to grow your business – otherwise you will remain static and eventually disappear.

There Are No Vacations or Sick Days

You think you're working hard now? Wait until you start your own business. You will soon realize that you need to invest even more time and energy . . . and the returns will be even more elusive in the beginning.

You are the business. You get to come in early, stay late and often work through the night and weekends. You may think you are in some alternative universe – you cannot imagine the weight of everything resting heavily on your shoulders. The truth is, you will be working harder and for less financial rewards (not to mention security of a paycheck with benefits) than you ever did before.

Who is Your Customer?

Sure you have an amazing concept for a new product or service – but do you have a market? And how do you find that out? Do not, repeat, do not ask family and friends as your sole research. They are inclined to be distracted by shiny objects where you are concerned and are unlikely to give you an unbiased opinion. Do research, hold focus groups, seek professional guidance, work with an incubator group, get out there and find your customers, understand their pain and then make sure your product or service solves it.

As Levine, Locke, Searls and Weinberger posited in *“The Cluetrain Manifesto”*: “Markets are conversations.”

You Get Paid Last, if At All

If you have stars in your eyes hearing all the success stories about start-ups that ended up racking up billions for their founders, go back to the 80-95% failure rate stat – you need to be realistic about when and how much you can compensate yourself.

Your employees, vendors, contractors, landlords, and utility providers must all get paid before you. If there is anything left over when all of these checks are written, then, and only then, do you get to pay yourself.

You're out of business on the day that you can't pay all of your bills.

Just getting started? It's going to be months, possibly even years, before you ever see a check. And it will likely not approach what your former salary was for even a longer time. Make sure you have money set aside to pay your personal bills during the lean months. Cut your personal expenses if you have to, because there is no way around this reality.

Think and move quickly, ‘fail fast’ if you’re going to fail at all, and nail your business model.

Otherwise, you’re in the 80% bracket my friend.

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