

Ten Steps to Success in New Ventures

by Matthew Simmons



Introduction

Lets set the scene - you are an entrepreneur who has invented a great idea, or perhaps you are a manager in a larger organisation who is about to launch the business into new product territory.

In either event, you're planning to start a new venture or company.

Actually, statistics will tell us that unfortunatley most new businesses fail – but don't give up yet because I am about to offer you ten pure gems – a set of rules to help you avoid the ten biggest reasons why new ventures struggle.

I do not claim to have invented these rules; they are common sense really, but they come from talking to real people who been there and done it. Adopt them quickly into your new venture to give it the best chance of success.

Along the way, you will find that there are other problems to solve not covered here as your business grows and develops, but these are the first ten to think about and many of these apply to any business.

Step One - Get the product positioning right

This is often the first place that many ventures fail. How often have you sat in a product meeting where the speaker has simply described a list of things that the product will do – its features and functionality.

While this information is really important, and customers will need this, your product idea needs to be VERY clear about why it should appeal to a prospective customer. You need to apply the "so what?" test.

For example – "Our new patented active PA system has a frequency range of 100Hz to 10kHz, is rated at 1000 watts RMS and weighs only 10lbs per speaker"

"OK – SO WHAT?"

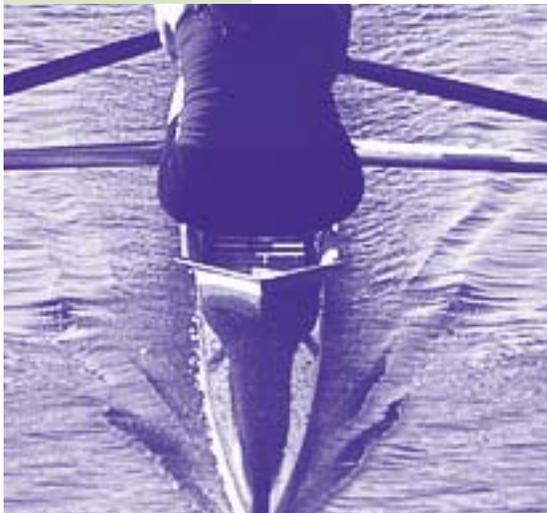
Instead, how about "Many traveling professional musicians need high quality PA equipment that they are familiar with and trust.

"Equipment at venues is of variable quality – which means that musicians tend to take their own gear which up to now has been based on bulky, heavy, traditional technology or they make do and suffer the potential consequences to their reputation.

"Our new, patented active pa system has high power and superb clarity, performing at least as good as Brand X (the benchmark competitor).

"BUT weighing in at only 10lbs per speaker means that the whole system can be carried in a small bag in the back of a saloon car rather than a van."

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You have just defined how your product solves real pain felt in your target market.

Take time to get this right – test it on friends in the business – a proper product positioning statement is important because these ideas will drive everything you do to market and sell your product.

Step Two – Don't define your offer too broadly

This one is a real killer. The correct product positioning is crucial and what happens is that your idea is either not defined in a sufficiently appealing way (see Rule 3), or its defined too broadly, or both.

Your idea does not need to appeal to everyone – it needs to be very specific so that potential customers know exactly what you do. It saves wasting time with prospects who will simply never buy your idea or product and it puts off those who would if they really understood what you can offer THEM.

It's really important that your business is known for something, which means that people also understand what sort of business opportunities are not part of your offering.

A broad canvas is also a big mistake in defining your target routes to market.

You need to gain credibility in the market and, with the big players such as large retailers, you only get one shot. Fail with that one shot and you may take years to get another chance. Be narrow in focus initially and gain success there first.

Step Three – Never fear failure

It's really easy to procrastinate – there's not enough data – you need to fine-tune the plan (if you have one see 8) – you concentrate on the easy things like the product itself.

In other words you are spending your hours in your comfort zone – when you need to DO some thing.

You need to take action, make the tough decisions, step out of the comfort zone and get the idea moving. This is the classic behaviour of many entrepreneurs – they do things – they make things happen – they make mistakes and learn by them.

"Narrow your offering - be the expert in your field."

You will only really find out how good your idea is going to be if you start getting some traction with it amongst your target market; and this initial feedback will be 24 carat solid gold in terms of perfecting your product and eventually in creating a sustainable sales platform. Your response to any issues that do get thrown up will also define you as a supplier that can be trusted.

Step Four - Don't give up too soon

There will be setbacks. Get used to it, but develop a persistence to enable you to succeed.

Many clients I have worked with cite persistence as the reason that they ended up doing business with some of their better customers.

Remember that “no” is rarely a “no, not ever” in sales and business development especially if you have done your targeting correctly and aren’t trying to sell to the wrong client. Timing is crucial and a “no” usually means “no, not now” – even if its not articulated that way.

Step Five – Build a team and a strong one

If the product was your original idea, you are the creator/inventor and you need help. And you will need to step out of the comfort zone and get the right people in for the next job in hand.

You will need a couple of specialists to take 2 key jobs away from you – and you will need to get used to the idea. You will need a commercial specialist to tackle business development (plus any initial marketing) and you will need someone to run the administrative and finance side of the business.

This is a really crucial part of the development of the fledgling venture and there are a couple of ways to go about it. But you need to build that team.

If you are lucky and have an existing base of contacts who can produce these people one way or another, this will get you permanent team members, or you can bring in hired guns in the form of interims.

Permanent is risky because there will be all the attendant issues with salaries NI, PAYE and notice periods. Interims are results driven, usually over qualified for the job and are very accustomed to picking up new challenges at the drop of a hat. Interims need only paying when an invoice appears. Don’t rule out either option and you may be able to go with a mix of the two.

Also bear in mind that many interims and freelancers are happy to work part time

to a budget you set, and you probably won’t need say an FD full time for a while anyway.

But whatever route you take, you need to build a team for a very good reason – experience tells us that really creative people do not normally have the skills or desire to attend to the minutiae of running a business. You need someone to bring in orders for your product and someone to turn them into cash.

Step Six – Don’t try and do it all yourself, get professionals

There are going to be some things that you will need to do yourself – simply because there will be too much to do.

But it is a false economy to do your own accounts, marketing, design, legal work, HR – these are crucial areas of the business that need specialist resource.

It will cost you money, but will cost you less than the damage you could potentially cause by doing it yourself badly. Ask yourself if you are really that

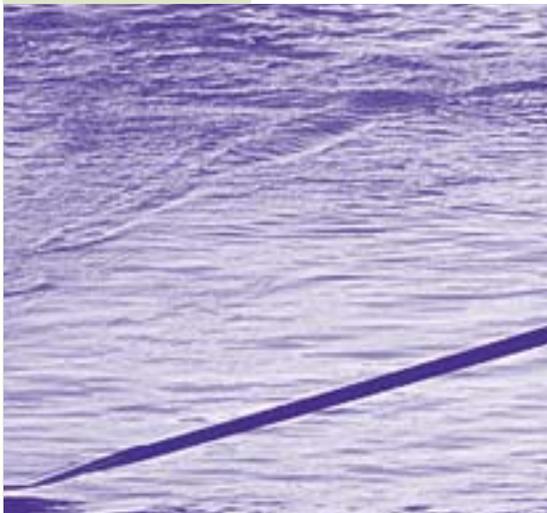
good a website designer, just because you can program a bit of html.

Factor these in to the plan (you do have a plan don’t you? See Rule 8) and fund it properly.



*"Don't try
and do it all
yourself!"*

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Step Seven – Make any changes quickly

If you go down the permanent recruitment route, assess very quickly whether or not the team is working.

If everyone is on the same page then break out the bubbles, because you've done well.

This team will be your interface with the outside world, your prospective customers – in other words your future success or otherwise. This team will represent your business and you have to be absolutely clear that they are going to present themselves professionally, because by doing so they are the image of your business.

Remember Gordon Gekko in the movie Wall St - you need to be just as ruthless (well nearly!); do not hire if you have the slightest misgivings about e.g a potential Finance Director. Its better to go back to the drawing-board, or get an interim, than to recruit the wrong guy in the first place.

And if you realize you've made a mistake – then like Gordon Gekko - cut your losses quickly. You cannot afford to make costly mistakes so be aware of employment law – get specialist advice first.

Step Eight – What no Plan?

It's an often repeated that, if you fail to plan, you plan to fail. This may be trite but it is true. You need to plan everything

and, if you aren't good at it, get someone who is, or at least get something - ANYTHING - down on PAPER.

You need to put down a roadmap to product launch – times, dates, versions etc.

You need to identify where the revenue will come from ie routes to market.

You will need to plan how you will reach those prospects ie a marketing plan. And finally you need to put numbers down for costs and sales income on a monthly basis. You may need a specialist to do this for you, but the plan is non-negotiable.

Step Nine – Make it a working Plan

"Plan the work - work to the Plan!"

The plan is done once a year and we never look at it again - right? Wrong!

Many people write a beautiful and detailed plan and then put it in the bottom drawer and forget about it. Its much more fun making exciting new

developments to your product range – than to monitor progress on your plan.

But its crucial that the plan is a working document that you review every month with the team members. Sole traders, review the plan yourself or create a virtual board through your business network. You need to focus on what happened to take you off track, and to take corrective action to bring you back to plan.

Its crucial at so many levels – with a proper monitored plan your cash requirements become obvious (see Rule 10). And in business development and marketing, its crucial that you are driven by the timing plan to keep the sales funnel filled with potential clients.

Step Ten – Cash is king

I've left the best till last. They say in golfing circles that you drive for show and putt for dough – I think it was Lee Trevino who came up with that one; but in business its true that revenue is for show and profit is the real dough.

But even if both are compromised and you are failing to meet either the revenue or the profit targets - or both - you can still survive, and many businesses operate with losses and get away with it for a while.

However, one thing that every business needs to fuel growth, and the lack of kills a business quicker than all the rest, is cash.

Probably the single biggest killer of new ventures is poor cash management.

Which is why you need that boring old bean counter, because your sales guy is out there bringing in the business, but you have to realise the value from it quickly, which means chasing each invoice as if it were your last – obviously diplomatically and without upsetting the fledgling commercial relationships that are starting to appear.

And this last point if very difficult if you are servicing large companies, habitually they are poor payers and you will need to think about this early in the planning process and then in subsequent negotiations.

Conclusion

Ten basic rules to keep your new technology venture from the bad end of the statistics.

These are all common sense really but, as I said at the introduction, there will be many more problems to solve as the business develops and grows.

If you are a technology-based venture you will need to be concerned with how to protect your Intellectual Property

Rights, Patents, and there are lifecycle issues and business models unique to technology-plays that you also need to understand.

You will will need to solve these new issues along the way, and I cover some of them in other papers you will find on my website. But if you can take on board the ten here, you will start with a great basis for future success in any new venture.

I wish you well.

Matthew Simmons

"Cash is king"

PS email me - I'd love to hear how you get on.

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About the author

Henley Interim was set up by Matthew Simmons who, following a successful corporate career developing and launching technology products in many different fields, has had over 6 years experience, as a contract interim, helping businesses at all stages of their development fulfill their potential through planned, creative marketing and business development.

