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5 things that every start-up needs to know

If you're thinking of going it alone, make sure you follow these golden rules.

Alan Manly



Alan Manly is a founding director of Group Colleges Australia and recently established a private MBA school for entrepreneurs. In 2013 he joined the board of the Council of Private Higher Education, a national industry body representing non-government higher education providers. He is also the author of [When There Are Too Many Lawyers There Is No Justice](#) and [The Unlikely Entrepreneur](#).

(<http://alanmanly.com.au/>)

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When talking about start-ups this famous Oscar Wilde quote seems most appropriate: “Experience is a hard teacher because she gives the test first and the lesson afterwards”. Along my entrepreneurial journey I have been an unwitting student of experience, enduring tests followed by tough lessons. Partnership disputes, cash flow panics, scams and of course personal life disasters – I’ve been there, like many others. So, when considering starting a new venture, there’s five key things that you need to consider.

5 things that every start up needs to know:

1. Cash is King

The mantra for all start-ups should be cash flow, cash flow and cash flow. The business concept of having enough income to pay the bills is a reality check. Assurances are easily given that the start-up will have enough cash due to the enthusiasm of the seed investors, but actual cash flow is different to cash reserves. Cash flow means that your customer is prepared to pay for the goods or services being offered. Ensure you have them!

2. Know your market

Entrepreneurs naturally see their product as irresistible to any logical thinking person. Many target their product at a known customer base wishing to capitalise on an innovation that the incumbent product is lacking.

The risk here is that only the early adopters amongst the current user base would see the advantage of changing suppliers. The innovation being proposed needs to be a differentiator that will inspire both

satisfied current customers and new customers to be interested in the product's differentiating innovation. Remember that without enough customers we won't have a business for long.

3. **Set payment terms**

The excitement of getting a new customer can often distract from the fact that a customer is someone who buys and pays for the product/service. New sales should be celebrated by the whole team as it's great for morale. Unfortunately, this excitement can evaporate when a cool calculating customer can easily become a debtor.

That is, they have your product and are now in debt to you because they haven't paid the invoice. It is vital for cash flow and business relations that when selling a product there is a realistic expectation about payment terms. Establish this early so that there isn't any miscommunication, and you can keep cash flow on track.

4. **Ask for Credit**

Larger suppliers offer credit accounts to customers seeking repeat business and of course passing on discounts as reward for loyalty. This is a golden opportunity for start-ups seeking to conserve cash reserves. Ask to set up an account with all suppliers. Some will be willing, which immediately saves your reserves and gives a month or so to pay the bill.

That is one month more to find a customer to assist in your cash flow. Sometimes suppliers prefer that you use your credit card to settle the account. Always be prepared to ask if you can have a monthly account to get discounts. Creditors are a source of short-term funding. Thirty days can often be stretched to forty-five and still be acceptable. Pay in cash and the money is out of your control.

5. **Work-life balance**

The term start-up says it all. It is starting a business and it will be all uphill, so be prepared to sacrifice work-life balance while you get the business up and running. Total commitment will be the foundation of a

successful business. Accepting this challenge is all part of the fun and will be instrumental in your success.

Some of these points may seem obvious, but being aware of basic business fundamentals will ensure the long-term success of your business.

[AUTHOR \(/AUTHORS/ALAN-MANLY\)](#)

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