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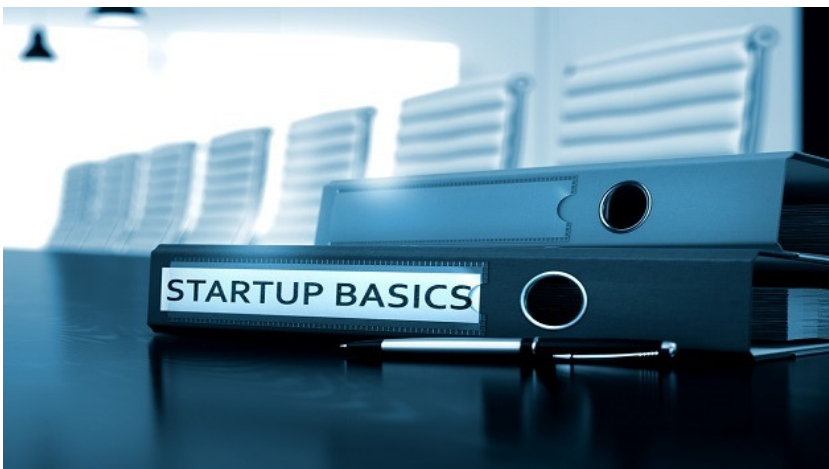
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Five things I wish I knew before starting a business



Starting a business will consume all your energy, with planning often consisting of surviving from day-to-day.

It is said that, "You don't know what you don't know." Most people are happy to accept that proposition because while ignorance is not always bliss, it doesn't pose an immediate danger, as most people tend to avoid risk. Setting up a start-up is a rush into the high-end of the risk zone where even minor things going wrong can have a significant impact on your potential success. More humbling is the situation of starting a business when the bleeding obvious was among your "don't knows."

My experience as a start-up entrepreneur often involved a business partnership with a like-minded person. The true like-mindedness was not always based on the actual start-up but the lack of capital. This is often the true motivator of such arrangements. It took me several iterations before I realised that it was easier to talk a person into partnering in my ideas than to get them to move on when the relationship wasn't working. Real partnerships have exit contracts. Marriage for instance is a contract that also comes with legislated exit clause being the divorce laws. Everyone encourages you to go forward but no one wants to cover your back. Suppliers are justifiably cautious about start-ups. The 80 per cent fail concept is always on people's minds. Landlords may want up to one year's rent in advance. Trade suppliers will happily give you an account but sadly marked "cash only." Banks are always keen to lend money but are risk adverse. It is always wise to have two banks accounts: one for your house mortgage and one for your business. Best to keep bad business news away from skittish home mortgages lenders.

A list of some of my past "didn't knows" are listed below:

1. **Entrepreneurs aren't driven by money**

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It is true that every fellow entrepreneur you meet, and perhaps befriend, tells you this. However, when you do business with fellow entrepreneurs, the very first thing you learn about them is they are among the most hard-nosed who insist on being paid immediately!

I didn't know: avoid entrepreneurial suppliers. Look for big, slow, well-established suppliers who operate 30-day accounts.

2. Strangers make the best customers

While most start-ups have a customer or two ready to go, it can often be these friendly customers who will feel licensed to be so demanding that not only do they become low-profit they absorb more time than is paid thus costing you income and the opportunity cost by denying you time to recruit new clients.

I didn't know: friendly customers are often lower margin.

3. Stay very close to your customers

A customer is never married to you or your business. Business is a series of independent experiences that requires each experience to be satisfying.

I didn't know: you can be committed to your customers but they must always be treated as new customers. Customers old and new are always free agents.

4. A dollar in the hand is worth two tomorrow

The cost of recruiting a client can easily move the relationship from a business arrangement to one of a servant, fearful of not getting the investment expended in the recruitment of the customer returned should the customer move on. Once this concern is known to the customer, they are often tempted to seek reward for their patronage by delaying payments to you. This high-cost customer is now a debtor using your companies cash reserves to fund their business.

I didn't know: that it's best to recruit customers that are not "too big" for your start-up.

5. Look after you and yours

Starting a business will consume all your energy, both psychical and emotional, with planning often consisting of surviving from day-to-day, but start-ups either grow up or die – your responsibilities to yourself and your family will go on.

I didn't know: that even successful start-ups can leave you near broke.

As surely as every person has a story every survivor of a start-up has a story and a list of what "I didn't know." I hope the list will assist in reducing the number of "don't knows" and support you to be bold enough to launch a start-up. Remember, you are no less smart than the other guy who may just think they know everything.

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