

Mind the Gap

The 5 Things Startups Need that You Aren't Giving Them

Summary

We come into contact with all sorts of startups, from all over the country. This list represents feedback from them combined with our own views on how to best to capitalise on opportunities to improve their outcomes:

1. Paint an honest picture upfront to “connect the dots”
2. Teach them to recognise and harness their individual personalities for the benefit of the business
3. Equip them with multiple scenarios
4. Hold them to account
5. Test them

Finally, we highlight several opportunities that only you can provide to help them get their business off the line.

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Where Has This List Come From

We're fortunate to work with startups from across the UK. They use our software to create forecasts, we speak to them at events and we meet many more through our clients – some of the best, most effective agencies and incubators in the UK. And now we're into our fourth year we're hearing more and more stories of things startups wished they'd known or been through earlier in their business.

There are some common, very positive themes that you'll recognise: people who left employment because they wanted to feel more ownership and accountability, people who started a business in their spare time because they were so passionate about something, and those who simply realised they'd regret it if they didn't try. Lots of very successful businesses.

But we also hear themes that represent opportunities for enterprise organisations. Opportunities to do something different for your startups, to go further – many of which won't increase your costs. There may be some things in the list below that you're already doing but that could have a higher impact if done slightly differently, or with a different focus. And there may well be things in the list where you think "we tried that and it didn't work" or "our startups simply wouldn't do it". Take another look. *Sit back for a moment and think how you could do these 5 things, and what it would mean to your startups if you succeeded.*

Why?

We're successful because you are – so we've a vested interest. And in turn, you're successful when your startups are. So we're all working towards the same things:

- Make your startups will be more successful, boosting your KPIs like GVA and 3 year survival rates.
- Reduce your costs (your clients will be more engaged, motivated and committed to their businesses, driving to get the most value from your support programme).
- Engage entrepreneurs to become even stronger advocates for you and the support you've given them.

Let's get straight to-it: Here are our 5 things support organisations aren't doing for their startups:

1. Paint a Brutally Clear Picture, Right Upfront

The Office of National Statistics numbers (1) show fewer than half of startups last 4 years. A quarter of them won't survive to the end of their second year.

That's a lot of hard work put in by committed people that ends with their company being wound-up.

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It's very important that your first engagements with the budding entrepreneur spell out why, in some detail, startups fail. Explain why your advice is so valuable and why the survival rates for your businesses are better than those that go-it-alone. This isn't a sales pitch for your organisation, it's **setting the tone for the programme** and making sure people are constantly looking to get the most value possible from your support.

You may be concerned that you'll scare them off. That's not the case. You're working with adults, so give them the facts and help them to realise why your programme is structured the way it is, and how important it is that they apply every bit of the benefit of your expertise to their own business.

How?

It's worth stepping through the list of most common reasons businesses fail, and tying each to a seminar or stage in your programme. For example, many startups fail because the entrepreneur focuses most of their time on tasks they enjoy at the expense of those that are just as important. (Being "technicians" in the words of the E-Myth (2)). Many startups spend insufficient time marketing and selling – even though you equip them with the knowledge and tools in your various workshops. It's not a failure of the workshop – we all slip back to focus on the things we enjoy most, and that doesn't often include sales.

Choosing a valid product is an even bigger "sink". You must see it time and time again, startups building products that suit the owner but have limited market appeal. Again, your seminar on market research and pricing will cover the basics, but without the very clear and vivid picture of the consequences of skimming over the task many will not go to the level of detail they should if they are to end-up with a sustainable business.

Remember, it's important to stop a poor business from starting. Only that way can a better, stronger business idea emerge.

GIVE YOUR STARTUPS THE FOCUS THEY NEED TO GROW – A DEEP "WHY", AS WELL AS THE TOOLS THEY REQUIRE (THE "HOW").

2. Help Them Understand their Personality Preferences – and their Implications

Psychology affects not-only the way we interact with others, but the way we tackle tasks. It goes right down to brain structure: **one quadrant of a person's brain is up to 100 times more efficient than the others**. Since each quadrant is designed to tackle a particular type of task, there are some ways of doing things that you find easy and some you find more difficult. In fact, because of the way the brain sections are connected, executing tasks using the diagonally opposite section of your brain is difficult and tiring - inducing stress and illness if done for extended periods.

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How?

It's a big topic and we go into more detail in our paper "Entrepreneur Brain Structure: You're either With It or Against It" ([email us](#) for a copy if you haven't read it). However, in summary, brain structure means people will tend to have a natural aptitude for **one** of the following 4 "sorts" of task:

1. Practical and Organisational
2. People, Harmony and Empathy
3. Imagination and Creativity
4. Logic, Analysis and Numbers

Diagnosing "thinking-styles" is relatively easy in entrepreneurs – much easier than for corporate employees. Read our "[Entrepreneur Brain Structure](#)" paper for more information.

The bad news is that starting a business requires an entrepreneur to tackle tasks that would normally require all sections of the brain, namely: delivery, sales and numbers.

The good news is that almost all tasks can be delivered in a variety of ways – ensuring they capitalise on the most efficient section of the entrepreneur's brain, enthusing and "charging" them rather than exhausting and turning them off.

For example, market research could be methodically planned and tackled in a series of small steps. Or it could involve surveys (face to face or over social media). It could be an exercise in trying-out ("spiking") new ideas and looking for analogies and past-successes/failures, or executed by trawling through papers and journals in the library.

The underlying steps in building a strong business *simply must be completed*. If you help the entrepreneur to understand their natural style and preferences and tackle tasks in a way that suits them, they will complete it more quickly, more deeply and get much more from it.

Imagine if your startup business owners all enjoyed and got engrossed in each of the essential steps to starting their business. How would they benefit, how would their business benefit – and how would your costs and KPIs benefit?

TEACH ENTREPRENEURS HOW TO UNDERSTAND AND UNLEASH THEIR NATURAL COMPETENCIES FOR A REMARKABLE SHORT- AND LONG-TERM IMPACT

3. Equip Them with a Variety of Scenarios

Strictly speaking this section should probably be titled "equip them *for* a variety of scenarios" but as you will have experienced, the process of creating the scenarios themselves ensures the entrepreneur starts thinking about and planning *for* them.

Most enterprise organisations tend to pick this up with their startups during the financial forecasting process. Financial forecasting is a critically important part of the process,

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acting like a hub drawing the various spokes together. This is normally the first time the entrepreneur really connects their business idea with reality.

You encourage and help them to create a forecast, and assuming they do, your next step is probably to explore the possibility (likelihood) that they won't achieve their sales targets as quickly as they expect. As they cut back the sales forecast, the real thinking begins:

- How can they sell more,
- reduce fixed costs,
- increase the margins
- fund the business
- **and what are the most important things to be doing right now to make the business a success**

The easier you make this forecasting process, the more successful they will be. You'd expect us to say that – [that's why we invented Finanscapes](#). But think for a moment: how many times have you seen a startup falter for entirely predictable reasons? And think how much time and effort you put into teaching them how they could have avoided the issue simply and easily!

How?

This isn't rocket-science, but it does require two things: The discipline to run several scenarios, and a mechanism to do it that appeals to all psychology types (see section 2 above). Two and a half thousand years ago, Sun Tzu (widely regarded as one of the greatest strategists of all time) wrote:

"The general who loses a battle makes but few calculations beforehand. Thus do many calculations lead to victory and few calculations to defeat... It is by attention to this point that I can foresee who is likely to win or lose."

– Sun Tzu, *The Art of War*

Success is all about planning.

You're probably now thinking about how hard it is to get the entrepreneur to fill out just one copy of your spreadsheet. And how long it took you to show them, how long you spend fixing it and how in some cases you give up and accept they're just not going to do it. It doesn't have to be that way... check out www.finanscapes.com

PLANNING IS ESSENTIAL. BUT ONLY STOP AT THE FIRST PLAN IF YOU'RE CONFIDENT YOUR CLIENTS CAN PREDICT THE FUTURE! JUST 3 FORECASTS/SCENARIOS WILL INSPIRE THOUGHT AND PREPARATION FOR THE MAJORITY OF LIKELY OUTCOMES.

4. Hold Them to Account. Really.

Entrepreneurs fall into two categories:

- Those who have come straight out of University or College then started a business (often freelancing)
- Older entrepreneurs that worked as employees before deciding to startup on their own

In both cases the entrepreneur needs direction and pressure to be applied, particularly while they “don't know what they don't know”. Both education and employment set objectives, define timetables/ deadlines and “enforce” delivery.

The vast majority of both groups will relish the freedom associated with self-employment and will be far less productive and organised than they used-to-be. This is called the Parkinson Principle – work expands to fill the time. **It's up to you to ensure they are doing what they need-to – no excuses.**

Many support providers shy-away from pressure and consequences for the members of their programmes. **The business market doesn't, and their Cashflow won't wait.** And don't be under any illusions: allowing people to coast-on through the programme **does not result in higher programme completion rates or better feedback scores** – and it certainly doesn't give you lower costs or higher success rates.

How?

It can be relatively straightforward to implement this improvement – particularly when your first “orientation” seminar has laid-out why it's so important (section 1 above). Take a leaf from the experts:

- people whose jobs are ensuring people learn effectively (teachers)
- and things get done on time (project managers).

Teachers take things in small steps, check understanding and ask for “work in progress” to be submitted regularly – even if they won't be providing feedback. Project managers take the estimates and deadlines from the people who will be executing the tasks, and then track progress.

If people understand what they need to do then fail to meet their own deadlines and can't manage to even submit individual sections of their forecasts and business plan to you there's no sense taking them on to the next step. But don't worry – that will be rare. Set clear expectations and deadlines and people will rally around them to respond with much higher quality work and a stronger business.

STARTUPS WILL BENEFIT ENORMOUSLY FROM YOUR LEADERSHIP AND DIRECTION, HELPING THEM TO SET THE TONE AND CULTURE IN THEIR NASCENT BUSINESS. THE IMPACT WILL FAR OUTLAST YOUR PROGRAMME...

5. Test Them

There's a reason why you interview staff before hiring. It's simply not enough to read a covering letter, application form, CV and even their references. You need to see that applicants really understand what they've written and can turn it into action.

There are other benefits that are particularly relevant to your startups too:

- The Latin term: Docendo Discimus means "the best way to learn is to teach". Have your startups present their plan to a panel. In preparing-for and executing that presentation they will identify (and resolve) untold numbers of questions and issues.
- Challenging the entrepreneur, even saying "no" presses their resolve. The market won't pull any punches – it will be brutal to their business. You can help them prepare for that in a safe environment, with your support, before they're out in the wild.
- The Lean Startup movement has put a term to the flexibility and resourcefulness that helps entrepreneurs to be successful: To Pivot. There's a fine line between determination and pig-headedness – between putting everything into an opportunity and failing to recognise when it's just not working. "Pivoting" is changing direction in the business in response to the market. Stress-testing the entrepreneur's plans early-on and challenging them to think of how they would change their business in some (relatively predictable or likely) scenarios will make the business stronger, even if the conditions never materialise.

How?

The easiest way to handle this exercise is a panel interview – even if the panel is limited to just one or two advisers. This is fairly common when a loan is being disbursed, but should be a mandatory step even when it isn't. It doesn't have to be intimidating, but it should put them under pressure to really go deeper planning their business.

This interview can have a prescribed format – starting with a 5 minute walkthrough of the proposition and the market, then running through the financials (presented in a standard, quality-controlled format) and the business-plan that backs them up. After 15 minutes, move-on to Q&A – probe the financials, dig underneath the surface and help the entrepreneur to consider how, in practise, they'll handle their business.

WHETHER OR NOT THEY REQUIRE FUNDING, THE PROCESS OF PREPARING TO BE INTERVIEWED ABOUT THE BUSINESS WILL SIGNIFICANTLY IMPROVE AN ENTREPRENEUR'S UNDERSTANDING AND RESILIENCE.

Then Take it Over the Line

By this point you'll have done everything you can. You'll have inspired a culture, given them the self-awareness to make the business rewarding, and ensured they're informed and prepared to take-on a variety of scenarios.

How?

Now it's time to put *your* reputation where it counts, and springboard their business with your credibility. The thing they need most as they start is help getting themselves "out there", in front of potential clients.

- **Every one of your startups should have a summary page on your website**, drawing together why customers should buy from them. SEO and marketing will have been covered on your seminars, so give them their first backlinks from your high authority, high credibility website. They could even create the content for this page as a deliverable after the seminar.
- Provide an exhaustive guide to the local marketing events and opportunities, along with your advice on which ones are valuable for their particular type of business.
- Publish a buyer's directory listing your startups and use your relationships with the local press and chambers of commerce etc to make it a feature in your local area. This sort of activity is very difficult for individual startups with little time and reputation – but relatively easy for you given your scale and experience.
- Buy from them. When you're looking for services (web design, print, training – whatever it might be), you should buy it from one of your latest startups. There is overhead to cycling suppliers frequently, but this is offset by the impact you'll have on your own startup KPIs. If you aren't confident enough that they're a valid supplier, you've done something wrong – and putting your money on the line is the short-cut to focussing your mind on the quality of businesses you're starting.

Conclusion

None of this is rocket-science, but most of it probably feels like a step-too-far for many enterprise organisations – particularly those that have been doing things the same way for a long time. Implementing these steps may involve something of a change in culture at your organisation, or at least some re-planning.

So start by deciding what your success criteria are. Are you in the business of building the most successful startups, set-up for success? If so you'll find it hard to identify 5 changes you can make to your programme that will have a bigger impact on them... and you.

Oh yes and of course if you don't do it, your competitors probably will. That's business – sooner or later providers step in to fill gaps in a market.

About Finanscapes

Designed specifically to meet the needs of startups and the organisations that support them, Finanscapes is an intuitive and robust financial forecasting tool developed with reference to user psychology and feedback. Equipped with an administration console it allows support organisations to manage users and mentors centrally and securely, with at-a-glance login and completion metrics and full remote access to user forecasts.

Better-informed decision-making means stronger businesses, so each license allows the entrepreneur to create an unlimited number of forecasts and scenarios, with no fear of broken formulae or errors alienating them. The software is provided securely, "in the cloud" meaning you can be using it with your clients in minutes, with no operational overheads or maintenance.

And it's priced per user so it pays-back within the first week in mentor cost savings alone. Once your clients truly "own" the numbers you'll never go back.

Email us at enterprise@finanscapes.com.

Other Articles in this Series

This article is one of a series of papers put together for Finanscapes based on academic and market research and feedback from their clients. If you would like to receive others (such as "**Enterprise ROI: If you don't measure it you can't double it**") please email enterprise@finanscapes.com.

References

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