

ENTREPRENEURING

The Ten Commandments for Building a Growth Company

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MAIN IDEA

The historical model for entrepreneurial success has been to start a business from scratch or with borrowed money, build it up and then sell out for a vast fortune. Today, however, some of the world's most successful business founders stay with their companies well past the start-up stage. For these founders, the establishment of a thriving business which continues to innovate and grow year by year is more important than selling out.

The 10 commandments for building a growth company set out the philosophical foundation around which a high growth business can be developed. They are based on the experiences of real world companies which have been built from the ground up into the medium- and large-sized operations of today.

The historical call of the classical entrepreneur was once, "Be your own boss". The motivation of today's entrepreneur is now more often, "Let's build something new of value". Entrepreneurship is a way of life.

1. Limit the number of people who are involved in the management of a new company to those who can contribute directly to the achievement of the company's objectives.
2. Define the business of any new company strictly in terms of exactly what is to be offered by the company, who the target customers are and why will they will be interested in purchasing your product or service.
3. In a start-up company, all available resources should be concentrated on the accomplishment of two or three operational objectives within a specified time period.
4. Always work from a written plan which specifies who is responsible for doing what within the company, and by when.
5. When you start to employ people, select those who have a proven record of success, and who work within a value system which is consistent with the desired value system of the new company.
6. Establish very early a reward system which can be used to reward employee performance which exceeds expected performance levels.
7. The first priority for any new operation is to establish a profitable base. Once that is achieved, you can then expand methodically until you achieve a balanced business.
8. Cash flow is the life blood of any company, particularly a new business. Project and monitor your cash and credit position carefully and meticulously.
9. Always view your new business from a detached perspective. Don't become so emotionally involved that you are unable to make the hard but necessary business decisions.
10. Anticipate constant change by periodically testing your business plan for alignment with the real-world realities faced by your new enterprise.

THE FIRST COMMANDMENT

Main Idea

Limit the number of people who are involved in the management of a new company to those who can contribute directly to the achievement of the company's objectives.

Supporting Ideas

The key to the long-term growth and profitability of any new business venture is directly dependent on the decisions of the management. Therefore, any new venture should not be handicapped by a large cast of shareholders and managers who are each trying to take the company in a different direction.

Some people get caught up in the enthusiasm of a new project who have little to offer and no proven experience in building a growth company. For example, friends or a long established lawyer or accountant may be invited to participate in the establishment of a new company. The problem comes when these invited participants have visions of future progress which conflict with the direction the company needs to go to make progress.

Another trap is that often these people are given stock in the new company in lieu of a salary. Then, if the person turns out to be incompetent or a hindrance to the ongoing operations, they are very hard to dislodge. Disgruntled early shareholders also seem to have a knack for being able to sell their share holding at the worst possible time for the new company, and almost invariably to the wrong people. It is far better to restrict stock ownership in the formative stages of the company's growth to those people who are making a direct and unique contribution to the company's operations.

Another area of focus for a new company is to establish a Board of Directors who are not simply associates of the founder but who can provide seasoned advice based on real-world experience. Ideally, the Board should deepen the management capabilities of the company by constantly focusing on the pursuit of increased shareholder value. An effective Board serves as the ideal sounding post against which the company's management can bounce new ideas and concepts.

Any new company faces a number of philosophical questions. Should the company be structured to achieve high capital gains growth, or is the establishment of a sustainable but moderate level of annual income preferred? Should the company take on debt? Is the driving force of the company to achieve fame and fortune, or to make a contribution to society? Due to the fact so many of these questions are judgement calls, it is much easier to have everyone working on the same wavelength if the number of people making the decisions is kept to an absolute minimum.

New companies (especially those aspiring to become high-growth companies) can be pulled in a number of different directions. The founder needs to be aware of this tendency, and compensate by concentrating all decision making power in the hands of the people who will be most affected. To do otherwise makes the successful establishment of the company that much harder.

THE SECOND COMMANDMENT

Main Idea

Define the business of any new company strictly in terms of exactly what is to be offered by the company, who are the target customers and why will these customers be interested in purchasing your product or service.

Supporting Ideas

Typically, the establishment phase of a new business venture is marked by large amounts of enthusiasm and vivid dreams of future prosperity. While any successful company needs these elements, they should never outweigh the specifics that must be addressed by every company -

1. What is the specific benefit customers will gain by purchasing your product or service?
2. Who specifically are your target customers?
3. Why will customers decide to buy your product or service in preference to anything else they currently purchase?

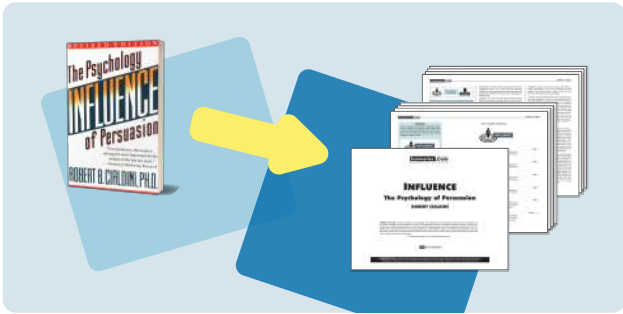
In the final analysis, a new company will only succeed if it has products or services which meet the needs of enough customers or clients. From one perspective, it is customers rather than entrepreneurs that define the business, and hold the key to long-term prospects.

Any new venture needs to resist the exceptionally strong urge to dabble in the number of fields which apply to the founder and instead concentrate all resources on first and foremost establishing a cash flow stream which will fuel future business growth.

The most basic business transaction is one in which a person exchanges money for your product or service. If enough people are willing to do so, the business will succeed. If not, you will only be in business for as long as your capitalization allows. Focus on the basics when building a new company, and don't get distracted or side tracked.

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