HARRIMAN BUSINESS ESSENTIALS

100 RULES FOR ENTREPRENEURS

REAL LIFE BUSINESS LESSONS

NEIL LEWIS

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100 Rules for Entrepreneurs

Real-life business lessons

by Neil Lewis

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First published in Great Britain in 2010

ISBN: 978-0857190-27-7

British Library Cataloguing in Publication Data
A CIP catalogue record for this book can be obtained from the British Library.

Printed and bound in Great Britain by CPI Antony Rowe, Chippenham.

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To all entrepreneurs who dare to think differently but especially those who take the knocks, learn the lessons and then decide to get up, get going and make it happen.

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About the Author

Neil Lewis is a media entrepreneur and business leader based in the North West of England. A partner in MediaModo and the driving force behind new digital magazines, business events and entrepreneur accreditation assessments, Neil has over 22 years' experience in publishing and business investment.

His specialist skills include business strategy, online publishing and media plus business investment and start-ups.

Neil regularly speaks at university and entrepreneurial networking events where he shares what he has learnt from his experiences. MediaModo recently won a North West Development Agency grant to develop a new entrepreneurial accreditation scheme that will revolutionise the way that investors and entrepreneurs work together.

Acknowledgements

I want to thank the publishing team at Harriman House who stood their ground and forced this book to be better than I could ever have made it. Also, thanks to my family, friends and associates, who have stood by my crazy ideas, shared the successes, put up with the disappointments and have been there to encourage me when I needed it most. Lastly, thanks are due to my neighbour who kept me awake late at night and so gave me the motivation to write this book.

Introduction:
15 Principles of Successful Entrepreneurs

All great achievements in business and life are built on a willingness to stick to first principles – what you know is right, even though many people around you will tell you to do otherwise.

In this book I lay out what have become for me the 100 most important rules for entrepreneurs. They have been established through practice, refined through failure and proven under pressure – and all stem from a few bedrock principles that I have learned and carried with me through many years in business. If the rules that follow are the individual tactics of successful entrepreneurialism, these principles represent the overarching strategies behind them.

1. **Debt is like a disease** – managing debt and repayments slowly eats you up, and burns up time. Avoid it in your enterprise at all costs, unless you can't, in which case, take on amounts so large that it becomes someone else's illness. (Trust me – Rule 93 explains it.)

2. **Prove your business before you take on equity partners** – if at all. And proof means one happy customer who delivers an operating profit and is willing to recommend you to another potential customer. This simple foundation is the first base for any prospective entrepreneur.

3. **Leverage a good idea with talent, but without building liabilities.** This means that in the UK and Europe you must use freelance and contract talent and ensure you don't accumulate long-term liabilities for redundancy, pensions or other entitlements.

4. **Hire or contract with all talent on a local basis.** Yes, they can work from home or in their own agency, but they must be

within easy travelling distance of a single meeting point. This allows you to bring different people together with different talents to seek and find solutions to the inevitable problems that will crop up.

5. **Talent is defined as anyone who can take your idea and make it better than you can.** If you find you are giving a job or delegating the work to someone who does it worse than you would, then you have the wrong person. On the other hand, if you give the brief to someone else and the idea or implementation gets better, then you have talent. Do not compromise on this.

6. **Never hire new staff to meet growth** – instead you should have your team prepared and ready for action before you take on the additional business. Otherwise, you will hire in desperation – 'anyone who can do the job' – but you'll fail to get the right people.

7. **Business is not about jobs or 'saving jobs'** – it's about profit and then the talent you can engage with that profit.

8. **In fact, business is not about profit, it is all about profit margin** – as profit margin is the true defence for any business which hits a difficult patch. No amount of cash reserve can save a business if the profit margin evaporates.

9. **Learn to negotiate** – and learn to negotiate win/win meaning, simply, that both you and your negotiating partner do well out of the deal. That way you will build long-term good will with all of the stakeholders (staff, suppliers, customers and shareholders) and the relationship will develop new ideas and ways to earn a profit for all.

10. **Look after yourself** – without you, the business is nothing. So, preserve that most essential element – you.

11. **If you don't love your business, move on** – if you have built a successful business but don't enjoy it anymore, then move

on, sell up, get out. As a demotivated leader your business isn't going to last anyway, so sell it fast and find something new to do.

12. **Grow your business smart** – set a target of the annual revenue per employee or effective employee (regular freelancers count in proportion to their time) at, say, £100k per person and ensure that you constantly increase this as your gross revenue grows. This way, you'll become a smarter and leaner core team. If you fail to do this, then the business risks becoming Big But Dumb.

13. **Manage your managers.** You need a mechanism to decide whether your managers are performing – which you will need once your business grows beyond a certain size. The best mechanism to use is the team member or staff appraisal method. Note, this appraisal should apply to all your team – freelance, contractors, agencies and full-time employees (if you have any). And your managers' ability to spot weaknesses and act on them as a result of this ongoing appraisal process is the best mechanism for assessing your managers' skill. So use it.

14. **Avoid dangerous goals** – don't set a rigid target to sell your business for x million pounds or dollars within three years – it will only lead you to overwork a poor business idea and/or make bad decisions. Aim instead to build a great business that you love to work for and which has a sustainable cash flow and profit. That way, someone will come and buy your business for a large amount of money one day.

15. **You must build a strong brand** – all your ability to maintain price margin, and therefore profit margin, will come down to the strength of your brand – because anything you do can be copied, except your brand. I've put this last in the list, so you can put it at the top of your things to do.

These principles are in effect a summary of the 100 rules that make up this book – wisdom gained from years of starting and running businesses in good years, when everything was going well, and in the bad years when everything, and everyone, seemed to have turned against us.

The rules themselves that follow show how to implement these principles in a practical everyday way. Taking inspiration from them should allow you to learn from mistakes without having to incur the pain of committing too many of them, and to build on success by following what has, after much effort, been found to work – and work well.

Neil Lewis
Cheshire, 2010

The Rules

1.

Just do it...

The classic saying adapted from Lord Tennyson's *In Memoriam*, 'it is better to have tried and failed than to have never tried,' is well known. But, does it apply to entrepreneurs? Well, yes, only more so.

Reading this book, you will either be an entrepreneur or would-be entrepreneur ready to start out on your own voyage of discovery and possible riches. If you are an entrepreneur, one who has had to battle through the past few years (or many years) and is already battle weary and wondering whether to continue with your current venture or life as an entrepreneur.

Equally, you might be a wised-up entrepreneur who really has been there before, and has the scars of the failures and memories of the successes, and is just looking, as ever, to clarify and develop your understanding of your role in business.

Among business angel and start-up investors it is a generally agreed principle that they are better off backing an entrepreneur who has failed and is willing to get up and try again than either a newbie entrepreneur and/or, perhaps worst of all, an entrepreneur who is yet to make or maybe realise their first mistakes.

In my ten years of creating and building a growth company, I learned more in the last two years than in the first eight. My first business grew from a £2k investment in a London back-bedroom, with two partners, in 1999, to a £12m valuation and three partners in 2007.

However, despite the excitement and massive learning curve that we all enjoyed in the first eight years of growth, it was in the last two years of decline and subsequent closure that I really learnt my entrepreneurial lessons.

By August 2009 we took the decision to close the business, sell the assets and share out what remained. We walked away with nothing.

Was it a waste of time?

Absolutely not.

What I discovered – mainly, indeed, by making mistakes, along with getting some things right – was of incalculable value.

And so our first rule starts with **Just do it** – because there is no substitute for putting down the business plan and just getting going… and no better way of learning.

2.

Learn from your mistakes

Booms are not always a good thing.

If you are successful as an entrepreneur in a boom time then it can be difficult to say how or why that success came about – with everyone being lifted up on a rising tide, the quality of the boat and the seamanship don't always seem to come into it.

In a boom all sorts of soft business models get funding and grow – and some are sold on to suckers who buy the story too – and everyone appears, generally, as successful as everyone else.

And of course, in the narrowest sense – buy low and sell high before the market busts – some are successful without being, strictly, successful. It is this that makes some entrepreneurs wake up with a cold sweat wondering, can I do it again?

In fact, this is a problem for any successful entrepreneur who has never experienced failure. Can they do it again? Did the only-ever-successful entrepreneur achieve that success because they were lucky or because they were omnipotent?

And indeed, many entrepreneurs who have been successful – without failure, or perhaps not enough tough lessons along the way – have a tendency to believe that they truly are great and cannot fail. But they can.

Look at what happened to these highly successful entrepreneurs, who perhaps enjoyed too much success – Robert Maxwell. who over-extended his publishing empire and resorted to taking from his pension funds to keep it afloat, or Ted Turner of Warner, and his disastrous decision to buy AOL, which lost him US$8bn.

So, if you hit turbulence and failure early on in your entrepreneurial journey, consider it a gift. And one from which you can cement your humbleness and willingness to listen to others, yet at the same time retain a steely determination to make it happen, no matter what!

It is the error and the painful process of correction that teaches us that we are not King Midas – not everything we touch will turn to gold. It is so much better that way.

The errors in our own history make us open to new ideas, open to unusual ways of doing things…and yet…at the same time, stubborn and unyielding on those issues that really, truly count.

3.

Never blame the market

Some people take the view that businesses that fail in a harsh climate fail *because* of the climate.

I disagree.

Businesses that fail in these conditions, like my first business, still fail for the same reason – mistakes made in the past catch up with the business and overwhelm it.

The harsh market conditions – or perhaps the abruptness of the change – have simply served to bring those errors into focus. The fact that those errors were made in the first place remains the responsibility of the original entrepreneur.

The entrepreneur gets to decide who succeeds them, or if they give shares away (and to whom and on what conditions). If the conditions they put in place lead to the appointment of a weak CEO that destroys the company, the fault still lies with the entrepreneur: He or she once had the power to prevent it. If a line manager or profit and loss (P&L) manager messes up and brings down the company, then it remains your fault for hiring them or giving them authority or powers they were not able to exercise effectively.

You can't escape and blame the market or anything or anyone else for that matter: You are at the end of the error trail of responsibility. This is actually a good thing: You have more control over your success than you think.

Never blaming the market goes hand in hand with the very essence of being an entrepreneur: paving your own way, driving your own success, building your own great business. So don't fall for the excuse.

4.

Take care of yourself

If you can't get rich right now, concentrate on getting fit and healthy.

Your business begins with you and will end – hopefully with a successful sale, or acclaimed retirement – with you. You are effectively the captain of a ship. You must decide where you will sail, how to sail and who exactly you want on board.

And, if the boat begins to sink, you will almost certainly be the last to leave.

Staff and team members, like hands on deck, may come and go. You will get supplied from various ports, but it will always be your ship, and, as such, you need to take care of yourself in order to be able to take care of the business (or boat) and so get your crew safely home again, hopefully arriving better for the experience.

You have to hold it together and you must look after yourself, even if your business takes a sharp downturn. Even if creditors are pounding at the door, keep exercising regularly – you'll need this to get rid of the stress.

I've learned that the best advice for entrepreneurs is given out every time you catch a flight. The steward on the aircraft will always tell you: "In case of loss of oxygen, put your own mask on first, and only then assist those next to you who may have trouble doing so."

Looking after yourself is not selfish, as many people wrongly think; it is the best way to look after the people around you. If you aren't on your game, you will only let others down.

5.

Know yourself

Knowing yourself could be a whole book in itself. But here I have a very particular meaning in mind. For instance:

- If you find failure or disappointment hard to deal with, then you need to be aware of this and have a plan on how you will cope with the inevitable setbacks and delays that you will experience.
- If you are easily distracted, then find a way to balance this by becoming meticulous in setting goals and reviewing those goals to ensure you are on track.
- If you enjoy some things but not others, then learn to find people who are good at (and enjoy) the things you don't enjoy (and probably aren't very good at either).

In all cases, knowing whether you are a natural business sprinter (i.e. lots of quick energy early on but fade quickly) or a business marathon runner (steady approach which gets there in the end), will help you manage your own expectations.

In fact, probably the biggest challenge we face is managing our own expectations and that is why it is important to know yourself – both so that you can set attainable and inspiring goals, and take practical steps to accomplish them.

Know your weaknesses

Many entrepreneurs are not able or not willing (some are neither) to make the shift from 'doer' to delegator and hence in the early days of an enterprise there won't be enough delegation. At some point, the entrepreneur will realise this – usually when working nine days a week – and then begin an urgent hunt for a professional/hardnosed CEO or General Manager.

Recruiting the right management is critical to growing a business, and without it the enterprise will remain a wonderful, but permanently single-person consultancy. However, recruiting senior management into your business is extremely difficult and highly risky.

If you recognise that recruiting such management is not a skill that you possess or perhaps wish to learn (for none of us are born with it) then your solution is to sell your ideas early – once you have proven the basic concept. So, after the first phase of creating the idea and proving it with a pilot, your next step is to become either an excellent recruiter of talent or a great seller of fledgling businesses.

Now, you may be tempted to sell a fledgling business – until I tell you that you will sell it for thousands of pounds instead of millions. But selling early might still be the right decision. Never let greed push you further into the business's growth than you can go, or know you can go after some honest reflection on your strengths, preferences and weaknesses. Make the decision not on the money on the table (or lack of it) but based on your knowledge of what you are good at (and conversely, not so good at).

Even if you continue, don't forget that the time to get out is when you are no longer playing to your strengths. Hence, the timing of your exit is always about when you reach the limit of your strengths and not about a fixed goal or whether the market is offering you maximum value.

Know your personal management potential

Many entrepreneurs don't make great managers. There is no shame in admitting that. It simply means that you have to get the right managers onboard earlier or hand over control to a new owner sooner.

Getting the right perspective on your own management skills is a tough call for anyone. When it's your business, your idea and your baby, then it is even harder. Just be aware that you might struggle with this issue – so start asking yourself what you can do sooner and be prepared to act swiftly when it becomes clear what action should be taken.

Remember – build teams. The implementation of good management is all about the people that you put together and, don't forget, *how* you put them together.

You may have the best people, but put them in the wrong roles and give them the wrong incentives and you'll have a bust business in no time.

The building of a team is also a gradual process; you'll get it right sometimes and sometimes you'll get it wrong. So, make sure you hire people on a freelance or contract basis and not on a long-term employment contract. That way, if you realise that you've made a mistake then it won't cost you a fortune to change.

Know your strengths

There will be something at which you are uniquely qualified to do. For some people it will be sales. For others, it will be negotiating complex deals. Some entrepreneurs have a knack for trading – buying low and selling high. My special skills are in editorial and digital publishing.

All of us, I believe, have special skills. They might be quite specific skills, quite unique, but nevertheless they are something that each one of us possesses or has the potential to develop, and that very few other people have in the same configuration, allied to the same passions or together in the same time and place.

Therefore, if you know your skills, and can create a business based on them or built around them, you will more than likely be able to create a successful enterprise no matter the economic environment you find yourself in. A unique skill set, expressed uniquely, is a valuable commodity.

So, what are you uniquely qualified to do?

If you don't know the answer to this – or are not sure – then the best thing to do is to focus on what you enjoy most and find a hard-headed way to make it a business (other Rules in this book will, of course, help you there). You may change your mind about what your true strengths are along the way, but at least you'll enjoy it, and there is a reasonable chance that what you enjoy most is also what you will be best at.

6.

Measure success properly

How are you doing on your entrepreneurial journey? Good, bad, not sure?

You probably wonder what you might measure yourself against.

Some famous entrepreneurs such as Donald Trump have said about money that it "was never a big motivation…except as a way to keep score". If Mr Trump's view was one you agreed with, then yes, you would evaluate your journey by the amount of cash you have managed to amass. Or perhaps you would have a complex share portfolio system to help you work out your paper value (that is, the value of the shares you own). Then again, maybe your stocks are in private non-traded business which have no known value, but a value might be calculated periodically etc.?

Or, perhaps, this is all a big waste of time?

Certainly, it is a way to spend a lot of time, and to little purpose.

Equally, if you agree that you need to 'do it for the fun – the money is secondary' then perhaps you would choose 'fun' as the measure?

Fun may be a better measure than money, but it still has problems. A lot of business ventures are risky and scary whilst also being exhilarating and thrilling. Now, that may be a kind of fun, but it's an odd way of describing the trials and tribulations of business and overcoming them. Indeed when people say they love business, it is rarely the smoothness of the ride that, on reflection, most invigorated them. And fun isn't quite the right word for that.

So what then?

As you can imagine, we could continue this line of argument almost indefinitely and still be at no better definition of true business success. Every measure of externals has its problems.

Let me then propose an alternative way of dealing with this question.

An alternative approach

Instead of outcomes, let's take a look at your behaviour.

Now before I explain this, let me warn you – as if you needed warning – that to build a successful enterprise you have to get used to making and acting on tough decisions. You need to become as good at firing people as hiring people. You need to know when to cut your losses. You need to be able to disappoint people (although they might ultimately thank you) and move on.

You need – in the typical entrepreneurial vernacular – to be tough. But that doesn't mean you have to be hard or mean.

Here is the test, then.

If you can do everything you need to succeed as an entrepreneur, but in such a way as to retain your soul, then you are winning. Perhaps Saint Peter put it best when he wrote of "goodness… knowledge…self-control…perseverance…godliness… brotherly kindness…love".

These are the things that matter in a life, far and above the demands of business; and if you allow business to order them, rather than the other way round, you might as well try to blot out the sun in order to see better.

Measure your success by what good things you've stored up inside yourself and, come fortune or failure, the labour was never wasted.

* * *

So, the real test is this – firstly, can you do what needs to be done in order for your venture to have the opportunity of growing and succeeding? And, at the same time, can you retain self-control, kindness and everything else that matters?

The successful business will be led by someone who can manage that contradiction.