

# Think six months ahead of rivals to grow your startup

» **STRATEGY** Entrepreneurs can get a business going with a bit of luck. However, it requires the right strategies to sustain and grow it

**Prof Murray B. Low**, the Director of Entrepreneurship Education at the Columbia Business School, recently talked to Sandra Chao-Blasto on how entrepreneurs can grow their businesses to the next level and the do's and don'ts to observe while on this journey.

## Should you fear failure as an entrepreneur?

Entrepreneurship is all about risk-taking, tripping and picking yourself up. You should not fear failure though you should not seek it out either.

An underlining factor for successful entrepreneurs is overwhelming passion and dedication for what they are doing which is an even better recipe than being good at it.

Every day you wake up with clear goal of moving your business forward and being willing to learn as you go on.

Someone who is obstinate will keep butting their head on the wall even though it is not working, a persistent person realises what is not working and changes the strategy to get their goal.

## There are so many funds for youth and women enterprises in Kenya today. Is entrepreneurship the key to solving unemployment?

Startups are very important but they normally do not create jobs and wealth. A very small percentage of startups become big companies.

We need to transition small successful companies to larger ones.

Once startups reach a point where they can scale and grow sustainably they will begin to create those outcomes.

## How do we scale the growing enterprises?

Starting a business is not easy but it represents a very different challenge from growing such a business into a sustainable micro enterprise.

These are companies that have customers, employees and good quality products and services but are looking to cross the million dollar mark. Entrepreneurs seeking the next level must however remember that heroics do not scale.

## What do you mean by that?

You can succeed in getting a business from the scratch by a bit of luck, hard work, good salesmanship and timing but you cannot grow the business beyond that without putting proper systems, having the right kind of partnerships and sustainable funding for your business.

## So what are these proper systems?

First, you need a clear understanding of the opportunity that you are seeking and knowing that businesses are fluid.

The opportunity that exists today may not be there three months down the line and an opportunity that might present itself a year from now may not be clear today. You need to identify an opportunity that is big enough and that will get people excited and eager to invest in.

Secondly, you must have an understanding of the trends in consumer demands, technology, macroeconomics, political issues and the forces creating the opportunity for this business to grow.

You then have to build an effective strategy to take advantage of that opportunity. This begins by understanding the business from your customers' perspective, what your value proposition is and building products to meet those needs.

## So if entrepreneurs have a competitive advantage they are safe?

Having a competitive advantage is not enough. You need figure out what sets you apart from other businesses and continuously enhance it. Whatever your competitive advantage is today, it will grow old and may need to be replaced or enhanced from time to time.

By understanding and anticipating customers' needs as they change, you will be able to stay a step ahead. Anybody can come into your business, see what you are doing and be able to replicate it in their own firm.

You need to always be innovating and doing something differently, thinking six months ahead so that if competitors copy you, they go and replicate trends that have already been overtaken by events.

The most sustainable source of



Prof Murray B. Low of Columbia Business School in the US. COURTESY

competitive advantage is making it difficult for customers to move to your competitor.

## What then is a good business strategy?

A good strategy is one that tells you how to make money out of the opportunity you are eyeing.

A business with a low cost structure that has direct access to customers is preferable to one with many distribution channels with a lot of middlemen as this ensures that most of the money generated remains within the business.

You have to understand where the money comes from and where the money goes. As your business grows, more of your revenue should stay within the company rather than go out to other suppliers.

You also need to steer away from models that are dependent on political favours. If your business is successful now it could become unsuccessful when the regime changes. Instead of political favours, opt for customer favour because that is what investors are looking for.

## How do we secure funding to grow businesses?

There are two kinds of businesses; those that are customer-funded and those that are investor-funded.

Where financing is difficult to come by, it is desirable to make your business

customer-funded. This means that the business gets paid upfront for services as they are being delivered.

However, not all businesses fall in this category. Some businesses require a considerable amount of investment to scale and having good governance and transparency is a more important competitive advantage for such companies.

If investors do not understand what is making a company succeed and if that environment is uncertain, they are likely not to give you their money.

Debt funding is a good option because once you finish repaying loan, the company is yours and remains intact.

However, you could use equity funding to build other stronger partnerships for your business that you might never had a chance of building on your own.

The trick here is to build a strong enough business with the right fundamentals that people would want to invest in and where you can dictate the terms.

## Is that enough to grow your business?

Most entrepreneurs are keen on being the smartest, hard-working person in the room. This model will not grow your business.

You grow a business by hiring people with skills that are better than yours, hiring the right people, putting them

in the right places and giving them the right guidance by providing the right incentive to achieve your strategy

Many of the things that got you to where you are right now are the things that limit you from growing to the next level. You need to delegate, and think much more as a manager than an entrepreneur without giving up your vision.

It is not about being a boss. It is about encouraging and seeing what others can achieve through you though that does not mean you abdicate responsibility as the leader.

There are some decisions only a founder or entrepreneur can make like the risky decisions which preserve the future of the business.

## So, is it safe to assume that it gets easier as the business scales?

It is hard when you are small, it is hard when you are growing, and it is hard when you are big. It never gets easier.

However, as an entrepreneur you develop pattern-discerning skills in this chaos and you see order and gain the know-how to navigate through.

Build self-confidence and the people around you will rise to challenge of meeting your business opportunity. Even if you are doing well, the point is not to get too comfortable but instead think of how much better you can be.

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