

Business is a very simple concept. You have to pay your bills. If you have anything left over, you get to smile and spend it as the principals of your business see fit. If you don't have enough to pay your bills, you either have to raise money to cover the deficit, file bankruptcy and try it again, or go out of business. Simple.

There are no other options. Sure, you can sell, give or throw the business on someone else and make it their problem, but that doesn't change the math.

If (total cash in < total biz cash out) = You are now officially a consultant. No exceptions.

No matter what kind of business you have, you absolutely, positively must have a revenue strategy. No revvie, no survivee.

In the digital world not everyone, particularly those in Silicon Valley, seem to understand that. There seem to be two kinds of startup companies. The first understands this concept and knows going in exactly what they are going to sell, to who, what they hope to sell it for, their hoped for margins and just as importantly, who will sell it and how. When they model their business, they model the least expensive way to get into and stay in business with the focus on reaching profitability within months rather than years. They aren't modeling in an exit strategy. They recognize that any company that is profitable gives them choices. They can maximize their ownership percentages. They can pay themselves an amount commensurate with their profitability. They can go public. Or they can sell. Profits provide choice.

The 2nd kind of startup relies purely on financial models to justify their future revenue streams. They create a company hoping to generate enough volume in whatever it is they hope to sell around, traffic, users, whatever. The goal is to then find a way to monetize all the volume or to execute on an exit strategy. They spend a ton of time playing with spreadsheet models. They are experts at plugging in CPMs, pageviews, unique users, sell through rates. They also know how to list "comps". Companies that they hope to emulate and if they have only some subset of their success will more than generate enough revenue to fulfill their exit strategy. They are projection warriors. Perfectly reasonable, right? Right, if you understand the reasoning of the people who fund these types of startups.

Venture Capitalists (VCs) tend to fall in love with concepts. They have the same problem that NBA GMs and Owners often do in evaluating players. **We both see our last success in the promise of our next opportunity.**

Entrepreneurs who start companies with the required, expected and motivating stars in their eyes usually forget the VC model for funding these types of companies. What's the Venture Capital funding model? Fund 10, hope the 1 or 2 winners more than makes up for the 8 or 9 losers. That's right. Most VCs expect to have at least an 80pct failure rate. Which in turn means that 9 out of 10 of the entrepreneurs behind these types of "make it up on volume" companies will end up as "consultants".

On the flipside, if you talk to any company I have ever invested in, the only thing I care about are profitable sales. What are you selling? How hard are you working at selling? What are your revenues? Why are you paying yourselves a salary rather than a commission? What unique initiatives are you working on to generate sales TODAY.

When I invest in companies, I expect 100pct of them to be successful and grow and QUICKLY be profitable. I may not hit many homeruns, but I sure hit a lot of singles and doubles and rarely strike out.

Whats the point of all this and how does it apply to success and motivation?

If you are an entrepreneur and looking at starting a company, its VERY easy to put off the hard part. Which is generating sales for your company and making a profit. Believe it or not, its far easier to go out and raise enough money so you are "in the game". You can raise the money, start the company and take your chances. If you run out of money, you can raise more. Until you can't. At which point you enter the world of consulting, having learned from your experience.

On the flip side, if you want to start and grow a business that you retain control of, put money in the bank from and can make a long term commitment to, then always remember that sales should be the first thing you focus on when you wake up in the morning. Profitable Sales to happy customers is the best path to making money. If you go to bed at night thinking about how to sell more and how to make your customers happy. You probably are in a good place. If you go to bed and wake up thinking about how to raise money to stay in business, you might as well get the new business cards and think about what your new consulting blog is going to look like