



You Can't Get It Right The First Time

by

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Entrepreneurship has never been more popular or more important. By most estimates millions of businesses are started every year in the United States and around the world. But there's a dark side to these statistics. Two out of three of these businesses, several million in total, do not survive to their fifth birthday.

Why? Is it because the entrepreneurs were unlucky or lacked some other quality such as determination or tolerance for risk?

We don't think so. It is our belief that the number one reason businesses fail is because entrepreneurs are focused on starting a business – a very specific type of business, no matter what. The businesses that survive, we believe, succeed because the entrepreneurs who run these businesses don't start a business. They start a process.

Let us explain what we mean. The number one reason so many startups fail is because the entrepreneurs follow the "conventional wisdom" and make a very simple assumption. They think they can get "it" right the first time. That is, they are willing to "bet the ranch" that the business they are starting is THE RIGHT business. One that will satisfy their customers' needs and wants better than any other business in the world. And they are wrong. You simply can't get it right the first time!

Peter Drucker, the famed business guru, once said, "When a new venture does succeed more often than not it is in a market other than the one it was originally intended to serve, with products or services not quite those with which it had set out, bought in large part by customers it did not even think of when started, and used for a host of purposes besides the ones for which the products were first designed."

In other words, change is intrinsic to business. And change means rhythm – the rhythm of business. In order for you to be successful in business, you've got to listen to that rhythm or you are soon going to end up out of business.

Here are a couple of examples. Virtual Knowledge, Inc., a company that developed and marketed the Sylvan Children's Skill Test, a CD-ROM-based exam which allows parents to measure their children's academic skills at home. When first introduced the product was marketed as a quasi-IQ test and sold poorly because as David Blohm, the owner and CEO found out, parents were less interested in knowing their children's IQ and more interested in measuring and improving their children's skills. After analyzing his customer feedback and quickly repositioning and relaunching his product, Virtual Knowledge sold hundreds of thousands of copies.

And then there's Top of the Tree Baking Company, originally of Londonderry, New Hampshire. When Gordon Weinberger started the company, he insisted that all pies be made in his own baking facility. But two days before an investor was supposed to give him the money for a new, more efficient facility, the investor backed out. It was a devastating blow. The vision Weinberger had spent nights and days building was gone in one short phone call. He couldn't make enough money to survive in his old facilities. Depressed, he piled his wife, kids and dog in the family car and went away for a long weekend, convinced he was going out of business. However, by Monday, he had a new plan. He'd outsource the baking. His

fresh apples wouldn't come from New Hampshire any more, but from New York. The baking would no longer be done in Londonderry, but in plants in Quebec and in U.S. locations outside New England. And in just a few short months he went from losing money on sales of \$500,000 to a profit on annual sales over \$3 million. And from there sales increased steadily reaching \$15 million in 2001 when Gordon sold the business to Mrs. Smith's.

So, what's the message? It's not persistence or luck. The message is: In business, no one gets it right the first time! Virtual Knowledge had the wrong understanding of its customers and Top of the Tree had the wrong understanding of how to produce its pies. Both of these examples clearly illustrate the simple but critical point--most companies do not succeed with the idea with which they began.

So, how do you get it right, eventually? The answer is pretty straightforward. You must understand that every business goes through a natural development process; a natural development process which requires change. This is the rhythm of business.

How do you follow this rhythm? The short answer is you have to listen to your customers, listen to your employees, listen to your vendors, listen to your investors and, eventually, you will succeed most likely in a different market than the one you started, with different products and services sold to different customers than those with which you originally set out but most importantly with a profit!

As David Blohm of Virtual Knowledge remarked, "If you have the mind set of listening to customers and keeping yourself nimble enough to make the changes, you can succeed."

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