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Business 101: Is there a formula for success?

Although luck plays a major role, successful entrepreneurs share common values...

There is perhaps no other question more pertinent for budding entrepreneurs than examining what the ingredients to success may be, and which factors contribute to a successful venture.

As with most things in life, however, there's no straightforward recipe to follow, and everybody's experiences may differ wildly.

Let's also be honest: luck often plays a major role.

Nevertheless, there's no reason why commonalities can't be drawn among those who've already enjoyed success. By learning vital lessons from those who have already succeeded in the business landscape, entrepreneurs can certainly give it their best shot, either when starting a business, or when striving for continued success with an existing venture.

Count your lucky stars

Finding the enigmatic 'winning formula' is largely a red herring, according to Chengwei Liu, associate professor of strategy and behavioural science at Warwick Business School. His research, which is outlined in *The Conversation*, argues that it's always been the fastest-growing companies that attract the most media attention, and therefore investment.

That said, he also suggests such companies experienced much lower expected growth rates in subsequent years than those with high, but less extreme initial growth.

It wouldn't be wise, therefore, to take your lead from the very biggest companies given their success is often fuelled, in part, by the luck of the spotlight. With these corporations also statistically worse-performing

in the longer-term than those ranked just below, Liu recommends looking to this latter camp to benefit from their experience. This is because the firms ranking just beneath the fastest-growing companies rely less on luck than their top-tier competitors.

Among these common attributes are tenacity and passion, according to Dave Chaplin, CEO of ContractCalculator, which can, in turn, equip you to capitalise on any luck that may come your way. Chaplin founded the site in 1999 when IR35 came into effect, having been an IT contractor himself previously. His company attracts 200,000 visitors per month, and he employs six full-time staff members and a handful of freelancers.

"You can't teach tenacity, and without passion, the tenacity engine falters, failing to capitalise on the luck," he says.

"Entrepreneurs need to look at something and see that it could be done better, or have a vision about something new that should be done,



and it must add value to the firm you wish to sell it to.

"[But] being dishonest is a surefire route to failure, because whilst you may become rich, your soul will be empty".

People power

Melissa Snover, CEO and founder of food tech firm Nourished, concurs that passion is essential. She believes you also need to ensure you have a very clear vision for success, while also being flexible about how you may hope to get there.

"Be prepared to pivot and adapt in order to achieve it," Snover says.

"You might need to trial and test several different methods and approaches to reach your goals, so being prepared to persevere and remaining resilient when confronted with obstacles is hugely beneficial."

Part of this journey centres on recruiting the right people. Snover has founded and run several successful business ventures during her career and she is now considered an expert in her field.

She owes her success, in part, to those she's surrounded herself with, although she admits this is a painstaking process. "Trust your own instinct and remember that passion can often be just as important as experience," she advises.

Due diligence is a core ingredient in ensuring you surround yourself with the right people, according to Sterling Networks' co-founder Neil Davis. "This does not always work out,

but ask around if you have a particular person in mind, and take references," he says.

"However well you know someone it is never a guarantee to success in your own business. So my advice would be to take your time. Whatever the urgency, it is far worse to engage the wrong person."

Chaplin also advises entrepreneurs to hire people who are tenacious and passionate about what they do, and have the capacity to learn. "Everything else takes care of itself," he adds. "It's important to understand that most people are, by default, motivated and want to do a great job. Demotivated workers are a sign of bad management."

Drafting a checklist

While remaining passionate and establishing a solid recruitment process may be key to success, other areas, such as financing, and future-proofing are often overlooked. Snover suggests it's common for businesses to underestimate how much budget is actually required to get their brand out there.

"I certainly didn't realise how time consuming it would be to raise a successful investment round – which is crucial for most businesses to scale," she explains.

"Networking, pitching and negotiating are skills every CEO should have, but fundraising can be a long and drawn-out process which you need to account for."

Staying current, too, can be a

challenge to maintaining the success that many entrepreneurs do achieve. Indeed, as part of Liu's research into the role luck plays in success, he discovered that of 50 companies that featured in the three most popular business bestsellers, 16 failed within five years, and 23 went on to become 'mediocre' (underperforming in the S&P 500 index).

It's important for businesses that are on the right path to plough efforts into future-proofing, Davis explains, with the most successful entrepreneurs having planned for every eventuality.

"Planning what the future would or might look like catches out most business people that I know, for very innocent reasons," he continues.

"Every business owner should have some level of passion and enthusiasm, which results in a 'head down' mentality, and often business success can be just as hard to handle as failure. My own analogy is. 'Perfect planning prevents poor performance'."

While luck does play a factor, the key ingredients for any budding entrepreneur's checklist for success tend to focus on doing your homework and staying flexible.

Whether it's in business planning, the right recruitment strategy, or even setting out your vision, putting in the hard graft during the early stages of your venture grants you the best chance of keeping your business on the right track, and avoiding having to rectify a project that's veered wildly off course later down the line.