

Five Business Tips from a Top Entrepreneur

By Dan Richards

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Financial advisors are classic entrepreneurs, typically starting a business from scratch with the goal of achieving financial security for themselves and their families. That's why lessons from entrepreneurs with a pattern of demonstrated success – even outside the financial industry – are tremendously helpful.

For every Mark Zuckerberg, Steve Jobs or Mark Cuban, whose names get trumpeted in headlines, there are dozens of low-key entrepreneurs who have created tremendous value for their customers and their shareholders and amassed substantial wealth along the way.



In early February, I attended an IT conference in Miami Beach, where I had the opportunity to hear Terry Matthews, who is one such overlooked success story:

- In 1972, he co-founded a company that was bought in 1985 by British Telecom .
- A year later, Matthews founded Newbridge Networks, purchased in 2000 for \$7 billion by Alcatel.
- Most impressive of all, Matthews has been involved with 89 tech startups, a remarkable 83 of which have been successful – and is still active in starting new ventures.

In his talk, Matthews outlined his 10-step formula for new ventures. Here are the five key elements that he looks for when getting involved in start-ups:

Step 1: Focus on solutions to big problems

In Matthews' experience, most start-ups fail because the founders fall in love with an idea. Once launched, founders become invested in the idea, ignoring bad news and continuing on even when it's clear that they're on a sinking ship.

That doesn't mean you should give up if you don't see immediate success – patience is essential in any significant new initiative – but Matthews preached the importance of connecting with customers to dig deep and understand their big problems, what he called being solution-driven, rather than idea-driven.



In Matthews' words: *"If you're really delivering what customers are asking for and solving their problems better than anyone else, you've driven most of the risk out of new ventures. When you're tackling real problems, you can afford to be patient."*

To address big problems, you don't need to dramatically depart from the core work you already do. I recently wrote about an advisor who saw a dramatic spike in referrals, stemming from calls last fall to retired clients suggesting that they meet to prepare a detailed monthly cash flow forecast of money coming in compared to their expenses.

Given low interest rates and uncertain equity markets, it turns out that this was a top-of-mind problem for many of his older clients. Even clients who had absolutely nothing to worry about walked away relieved to have confirmation that their situation was well in hand and that they could proceed with plans to buy a new car, go to Florida for three months, make a donation to their favorite charity or help grandchildren with education or a new home.

By addressing a big problem for retirees, this advisor created peace of mind – and also positive word-of-mouth in the network in which his older clients travel, leading to as many referrals in the three months after he initiated these meetings as he'd seen in the previous three years.

To read more details about how this advisor did this, click [here](#).

Step 2: Set "stretch" goals ... and then monitor progress against those goals

Matthews is a believer in setting ambitious, "stretch" goals In his view, too many businesses have what he calls a corner-store mentality, failing to think big enough. To be effective, those goals have to be tangible and measurable, not amorphous or vague.

Once those stretch goals have been set, he wants to see monthly or quarterly updates on progress against those key goals, looking for concrete actions and specific achievements that can be summarized in plain English on one piece of paper. Matthews insists that this be written in terms that, as he put it *"could be understood by Aunt Nellie, who gave her favorite nephew \$25,000 to get started."*

Step 3: Establish the right team with the right work ethic

Matthews discussed his practice of hiring recent graduates who have "fire in their belly" and the drive to succeed, but also demonstrate the ability to function as part of a team. He pointed to complacency and lack of work ethic as barriers to progress for many small- and mid-sized businesses, where the owners are making a comfortable living and don't push themselves harder than necessary.



One of the things Matthews also pointed to was reluctance on the part of many businesspeople to give up equity. Here's how he sees it: *"I'd rather own 20% of a big business than 100% of a small business. Not only is it more profitable, but it's more fun. If you want to get a 7-24 effort from the very brightest talent, you have to ensure their incentives are aligned with yours – and the only way to do that is by giving them equity."*

Step 4: Get constant feedback

Another key practice Matthews identified was forging tight relationships with customers and generating constant feedback. In his experience, access to customers and clear visibility of their needs have been instrumental to positive outcomes. Without that feedback, all too often companies go far down the road on new initiatives before running their thinking past customers – and then find they're beyond the point of no return. He looks to partner with customers who will work with his ventures to provide continuous "test-and-try" feedback as new products are being developed.

A Board of Advisors is another source of feedback. For recent graduates who are involved in his start-ups, he advocates setting up an informal Board of Advisors, consisting of retired or semi-retired businesspeople, retired bankers and former partners from accounting and law firms. This Board of Advisors can provide perspective and experience as well as credibility.

Step 5: Bounce back from disappointment

Terry Matthews finished by saying that the single most important quality required for a successful start-up is resilience. You are guaranteed to encounter setbacks – the only question is how you respond to them. After all, the real test of commitment and fortitude doesn't come when things are going well – it's when you hit a bump in the road and stumble.

This struck a chord with me – in January I attended a talk by the Academic Director of Israel's Technion Institute of Management. Israel has become a hotbed of tech innovation, with Technion's boot camp-like environment a significant driver of this success.

He discussed research with flourishing entrepreneurs in which they were asked to rate 20 different variables in terms of the contribution to their success. The top two factors these thriving entrepreneurs pointed to?

Number one was resilience, followed by persistence at number two.

Questions from Terry Matthews

Imagine that you had the chance to enlist Terry Matthews as a partner in your business. Here are five questions he might ask:



1. *Focus on big problems*

What can you do to more effectively solve the big problems your clients face? And once you're solving big problems, how can you better let prospective clients know about this?

2. *Monitor progress against stretch goals*

Do you have concrete, ambitious goals for your business? On a monthly or quarterly basis do you track your progress against those goals? Examples of goals could include:

- Upgrading your knowledge level in a key area
- Strengthening your team
- Shifting your business model or mix of clients
- Increasing revenue or broadening relationships with existing clients
- Regular communication with professionals who are potential referral sources
- Enlarging the pipeline of prospective clients with whom you're in regular contact
- Actually bringing new clients on board

3. *The right team with the right work ethic*

Advisors may not need the 7-24 commitment that it takes to start the next Facebook, but if you have ambitious goals for your business, you need an above-average team with above-average motivation.

Have you fallen victim to the complacency and work ethic traps that Terry Matthews talks about, even in a small way? If so, what would it take to get out of this rut?

Do you have a high-performance culture on your team? If not, what can you do to put the team in place that will allow you to achieve the full potential for your business?

- Do your people need different skills and training?
- Do they need a different mandate and objectives?
- Do you need to adjust how you compensate your team?
- Or are some of your team members simply not cut out for a high-performance environment?

4. *Get constant feedback*

Are you getting enough ongoing feedback on your business, whether through client surveys, client advisory councils or the kind of informal Board of Advisors that



Matthews advocates? Whichever route you go, understand that constant assessment and outside feedback is the only way to improve.

5. *Bounce back from disappointment*

With ambitious goals come inevitable setbacks. What's your strategy to build up your resilience and ensure you bounce back from hiccups on your path forward?

Getting going

One of the challenges when listening to someone like Terry Matthews is translating his insights to your business. That said, it's remarkable how much of what he talked about is absolutely transferable to any advisor who has ambitious goals to move their business forward.

To benefit from Terry Matthews' talk, you didn't have to be in Miami Beach – all you have to do is think hard about the five questions above, then pick one to work on in the next 90 days. If you do that and that alone, one of our generation's most successful tech entrepreneurs will help you move your business forward.

*Dan Richards is a top-rated presenter at advisor conferences and an award winning instructor in the MBA program at the University of Toronto, as well as author of *Getting Clients Keeping Clients: The Essential Guide for Tomorrow's Financial Advisor*. To learn more about his conference keynotes and workshops, email dan@clientinsights.ca.*

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