

## **The Start-Up Paradox**

As we enter a new decade, it's fun to look back on the companies that have stood the test of time. Despite a few well-financed chicken-focused start-ups, mounting pressure to reduce our dependence on meat, and our growing addiction to fancy coffee, McDonald's has managed to thrive. This year McDonald's is celebrating its 80th anniversary with a market capitalization of around \$150 billion—up roughly 10% over last year.

McDonald's started when Maurice and Richard (Mac and Dick) were invited by their father, Patrick McDonald, to help flip burgers at his diner, the Airdrome, which the brothers rebranded in 1940 as their namesake.

The two spent almost ten years tinkering with their business before they introduced the "Speedee Service System"—techniques that were pulled from the factory assembly line to serve customers quickly.

The McDonald clan ran their single-location hamburger stand for almost 20 years before Ray Kroc came along, asking to franchise the concept. Mac and Dick had the skills to create a successful one-location business, but it was Kroc who took their modest restaurant and made it world famous.

## **What Got You Here Won't Get You There**

Three skills are essential to survival as a start-up that you must eventually "unlearn" to grow a business. While these talents are prerequisites for getting a business off the ground, they become a liability as time goes on.

### *1. Flexibility*

In the early days, when cash is scarce, you need to be flexible. Instead of hiring full-time employees, you may need to subcontract work to a partner. This arrangement works well as you pay subcontractors only when you have work, and they pay their expenses.

You also stay flexible when dealing with customers. If you're just starting up, you're likely not in a position to dictate to your prospects, so you listen carefully and adjust as necessary to suit their needs.

Instead of setting up a physical location, you may create a makeshift office by patching together a home office or working out of a coffee shop.

All of this bootstrapping allows you to get your business off the ground on a shoestring budget. The problem is that being too flexible can start to become a liability. Your contract employees may have other clients and can't be at your beck and call when you need them. Your customers may start to ask for so much customization that the only person in your company with the technical skills to fulfill their special requests is you. And, eventually, a customer will want to see where you work and may think less of you if your office is your car. Flexibility, a prerequisite in the beginning, actually becomes a liability as you grow.

## *2. Thrift*

If you're self-financing your business, you have no choice but to make it profitable from day one. If it doesn't make you money today, you don't do it.

This discipline of getting an instant return on cash invested allows us to get a business off the ground. Still, the problem with fixating on immediate profit is that it can undermine your ability to grow.

For example, redesigning your website won't make you more profitable this month, but it could be a necessary investment to attract larger contracts from more significant customers in the future.

It's true that you should never overlook profitability entirely, but it is a good idea to place an equal emphasis on top- and bottom-line results—even if the investment doesn't pay off right away.

## *3. Self-reliance*

With no money or people to delegate to, a new business owner gets things done on her own. Many of us grow to like the control of doing things our way and fear things might get messed up if we give them to someone else.

Since we can do every job in our company, we often just keep doing some things long after we should. But once you start generating more profit, a few extra bodies

are necessary to ensure you're managing your calendar appropriately and not wasting time.

If you're not self-reliant in the early days, you won't even get a business off the ground. But at some point, your inclination to roll up your sleeves and do it yourself can be what stops you from growing.

**Overall, flexibility, thrift, and self-reliance are the essential ingredients of any start-up, and for your company to become a world-beater, you somehow have to unlearn those tendencies for a new set of skills.**