

THE 4% BUSINESS OWNER

PODIUM PROSPERITY GROUP

Ep 2 *Entrepreneurial Poverty and Zombies*

The Question: When do small businesses start turning real profit... and why don't they? Spoiler alert: It is not about sales numbers. You cannot sell yourself out of entrepreneurial poverty.

Defining Entrepreneurial Poverty:

Entrepreneurial poverty describes a business that is, at best, bringing in enough cashflow to sustain itself, and paying the owner a minimum salary that fails to pull them above the poverty line. At worst, it can look like pouring personal resources into your business to keep it afloat. When a business keeps taking and taking without giving anything back, it's a **zombie business**.

Why entrepreneurial poverty/zombification happens:

1. Failure to plan (ex. regularly revisited business and financial plan)
2. Lack of financial savvy (not knowing what/how/when and what *not* to measure)
3. Falling for common business myths and traps (ex. sunk cost fallacy)

The 1st Year Caveat: It's normal in the first year or so of business to have an expected period of stress before your business becomes profitable. If you're into your third, fourth, fifth year of business, and still failing to make profit, it's time to **fix it or exit**.

The Transition Time Caveat: There are also transition points in scaling your business where you might be making a large investment or pivot that results in a short period of putting more into your business than you're taking out. Anticipating and planning for these squeeze points will allow you to transition through them smoothly.

The solution:

Fundamentally, it comes down to planning. *cue the groans* An effective plan:

- Clarifies what success will look like, and how it will be measured (3-5 KPI)
- Identifies precisely which activities will be carried out to create cashflow
- Anticipates costs, expenditures, and investments, both up front and in the future
- Is iterative--it's not made once and set aside, it's revisited and revised on a regular basis
- Involves annual and quarterly goal setting (based on KPI) and evaluation/reflection
- Often involves making educated guesses (the "fudge factor"), and is often an imperfect projection of the future (and that's okay)
- Includes outsourcing or experts (ex. business coach, mentors, advisory board)