



Exploring the keys to entrepreneurial success

Ian Dembinski, head of client development at Rathbones, shares his reflections on some of the key qualities driving successful entrepreneurial businesses in a changing world.

We recently hosted an evening at The Churchill War Rooms, bringing together a group of entrepreneurs from different backgrounds, and with a truly inspiring range of experiences and expertise.

The setting for this gathering of talented entrepreneurs was apt and the parallels between Churchill's response to the challenges of war and the entrepreneurial spirit of today were not lost on us. High among the list of qualities needed to build a successful business include a can-do attitude, unwavering resilience, and often an absolute bloody-mindedness in the face of adversity. The energy that the UK's diversity of entrepreneurial talent creates in finding new solutions to society's problems, creating new opportunities and jobs, and driving our economy plays a vital role in our society and is pivotal to our future place in the world.

Rathbones has had a long history of supporting entrepreneurs and dynamic family businesses since itself was founded and built by entrepreneurs in 1742. This has given us some unique insights into the challenges of building successful businesses. I like to think of Rathbones as a 280 year-old start-up that has been in a constant state of transformation, with a strong track record of investing in successful businesses and seeing the potential of leadership teams.

Personally, I have had the privilege of working with many entrepreneurs over the years and have a deep admiration for their dynamism, grit, attitude to risk and tireless ambition.

I was delighted to be joined by Dharmash Mistry, who shared his wealth of experience. As well as being a non-executive director of Rathbones Group, Dharmash has had an accomplished career sitting on 'all sides' of the boardroom table, as a leading entrepreneur, CEO, chairman, non-executive board member, investor and venture capitalist.

It was truly inspiring to hear Dharmash's perspective and to speak to the many entrepreneurs in the room. Here are my key reflections based on those insights.

Building profitability and resilience from day one

Dharmash reminded us of the importance of building resilience into the business plan. In his view, this means driving efficient, profitable and sustainable growth from day one in order to deliver on high traction plans and manage

costs. Being able to show a quick route to profitability is a key performance metric and makes it easier for companies to raise funding during the initial growth phase - a critical time when capital can be scarce.

Understanding the investor perspective

Choosing investors and shareholders wisely and making sure their values align with those of the business is vital. Particularly in the current environment, where there is no shortage of capital available, it's imperative that entrepreneurs understand the perspectives of everyone around the boardroom table - and think hard about why they're saying what they're saying.

It's often said that finding the right investor is like a marriage, hence the advice I keep hearing is for entrepreneurs to do their own research and due diligence when choosing investors to make sure there is alignment of objectives.

Finding and retaining talent

In my experience, the most successful entrepreneurs are those that humbly surround themselves with talented, experienced and knowledgeable people - not just investors, shareholders and advisers, but the people who will help to build the business every day.

Investors tend to rank leadership talent and culture among their top three criteria when making investment decisions. Entrepreneurs who actively bring together people with different backgrounds and experiences have been shown time and again to be more likely to succeed: we all know that diversity of thinking drives understanding and innovation.

Retaining talent is particularly challenging in the current environment and we all feel the pain, regardless of the size of the business. So, I particularly valued Dharmash's advice about building a business where profitability is linked to purpose as fundamental to attracting and retaining talent. "The most valuable companies of the future, with the highest growth, and the most sought-after places to work, are likely to be businesses that have a positive impact on society."

Seeing the downside as well as the upside

Dharmash highlighted the fact that most entrepreneurs spend a lot of time and effort focusing on what can go right.

Seeing 'the glass half full' is an important entrepreneurial trait and often the basis on which resource, talent and investment choices are made. However, while this is a must-have characteristic for innovation, it's equally important to think about what could go wrong and identify the hurdles that will stop you from achieving your goals. The key is finding the right balance: retaining the ability to think positively in order to build and shape new markets, while also learning from more seasoned businesses.

One of the most important lessons I've learned from working with entrepreneurs is that making mistakes and having things go wrong is fundamental to growing a business - as long as those mistakes are used as learning experiences.

Acting like a small company while thinking like a big one (some of the time)

Being agile and adaptable to evolving customer needs, while staying humble, frugal and adopting good corporate governance and cost control practices during the growth phase, can be a powerful combination.

This helps fast growth companies to decrease exposure to risk early on, improve decision making and set off early warning indicators if things are heading off track - all factors likely to increase the probability of creating a successful, profitable business.

Building a business with a positive impact on society

Finally, experience suggests that the most successful businesses are usually built on solving a well-defined problem - and there are certainly plenty of those facing the world right now.

There is a lot of talk about 'profit with purpose'. Clearly, this is about more than just ticking the ESG boxes. As Dharmash suggests, the most successful businesses of the future will be the ones linking the growth vector to having a positive impact on society. These will be the most sought after by customers, by talented staff and by investors - and the faster their growth, the more positive their impact on society will be.

This doesn't mean that all businesses should change their purpose so that they have an obvious positive social impact. But they can perhaps look for inspiration at measures such as the UN Sustainable Development Goals and identify one or two that relate most closely to what they do and align themselves with those goals. For example, here at Rathbones we believe strongly in responsible investment, and we're working hard to ensure those principles are available to all our clients.

Key takeaways - entrepreneurial insights for a changing world

- 1 Build resilience into your business model and focus on profitability from day one
- 2 Choose your investors and shareholders wisely, and make sure your values align
- 3 Surround yourself with talented, experienced and knowledgeable people
- 4 Think about what can go wrong, as well as what can go right
- 5 Learn from the governance and cost control concepts of the corporate world
- 6 Focus on creating a business with an emphasis on both profitability and a positive impact on society

I look forward to continually supporting entrepreneurs. Please contact me with any questions



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