



RECIPE FOR DISASTER – WHY MOST BUSINESSES FAIL

By Mike Michalowicz

The other day I gave a keynote speech in which I shared the formula farmers use to grow half-ton, prize-winning pumpkins, and how entrepreneurs can follow this formula to grow truly remarkable businesses. I know it sounds crazy, but it actually works. I followed the formula and grew two multi-million dollar businesses, real industry niche “giants,” and then I shared those stories and others in my new book, *The Pumpkin Plan*.

On my flight home after the speech, I thought about formulas, and how everyone is looking for a proven strategy for success that is easy to follow. We want to follow the recipe and end up with something that looks like the picture on the box. (Can you tell I’m not the cook in the family?) But what if there was a surefire process for tanking your business? What if, instead of a recipe for success, there was a recipe for disaster?

Why would anyone in their right mind want to know the formula to crashing a business? Because you may be blind to the fact you are already doing it, at least in part. And, if you know the ingredients to avoid, you’ll save your business before it’s too late.

I thought about all of the entrepreneurs I’ve known, worked with and mentored over the years and considered all of the businesses I studied, and I came up with this formula for failing in business:

1. **Turn your hobby into a business.** You make a killer from-scratch spaghetti sauce, and your friends think you should bottle it and sell it. Wrong! Launching and growing a business requires passion, something that pulls you out of bed in the morning because you can’t wait to do it. And you’ll do it all day long, and love it, even when you’re so exhausted you can’t even tie your shoes. That’s not a hobby. A hobby is something that releases energy; a passion is something that creates energy.
2. **Get rich quick.** You see a trend, like web design ten years ago, and you jump right on the bandwagon because, man, it sure looks as if that would be a great way to make money fast. Or you invest in a program or coach that promises you’ll make millions in just a few short months. Not happening. Get-rich-quick ideas are rarely true, and are never sustainable. But what about those trends? What about the hot topic of social media, isn’t there money to be made? Absolutely. People will get rich—the people who are passionate about social media. Everyone else will lose. When you follow your passion with single-minded focus, money (and lots of it) will be created over time. And when you do start making money, you’ll be ahead of the trend, not following it. That’s how you get rich right.
3. **If things are going south, work harder.** You’re ankle deep in the red, so you decide you’d better figure out how to squeeze an extra hour out of the day to get more done. When that fails, you start seriously looking into cloning experiments, so you can get twice as much done. Stop

right there. Most entrepreneurs fail because they try to work harder, when they should be working smarter. Rather than ask yourself, “How can I find extra hours in my day for work?”, ask yourself, “How can I spend ten hours over the next few days developing systems so that this one thing can get done in ten seconds?” Failed entrepreneurs are almost always exhausted entrepreneurs. Successful entrepreneurs have sustainable systems in place that not only enable them to do more in less time, but serve as the infrastructure for scaling their business.

4. **Nurture the weak.** You have a few “problem” clients who take up a lot of your time and energy and then reward you with late payments, so you’ve decided to work with them to create a better client relationship. Nope. Devoting your energy to fixing “weak” or challenging relationships deprives your best, healthy clients of your attention, which means you’ll eventually end up with unhappy clients all the way around (because let’s face it — those crabby clients will never be happy with you). My first business really took off when I let go of my weakest clients and nurtured the strong.
5. **Measure revenue from the top line.** You look at your balance sheet, and if the top line looks good, you think you’re doing all right. You’re thinking about the money that is coming into your company. Wrong. The gross revenue means nothing if, at the end of the day, you have no operating cash; you need to think about the money you’ll have left over. I know many entrepreneurs who say they have a million-dollar project, but actually end up losing money in the end. And, I’ve known entrepreneurs who land a fifteen-thousand-dollar project, and take home ten thousand. Think of this analogy: Failed entrepreneurs measure a successful day of fishing by how many fish they catch. Successful entrepreneurs measure a successful day by how many fish they cook.
6. **Focus on your wallet.** You’re always thinking about money — how much money you could make from a client, or to how many well-heeled clients they can refer you. Bad choice. Every time I see an entrepreneur with a singular focus on how much money they can make, I know I will find ways in which they are weakening the company. Your main focus should be on doing everything you can to help the client. Was Steve Jobs thinking about money when he developed his latest round of products we can’t live without? Not likely. I would argue he was thinking, “How could I make a product that will have the most impact on society before I die?”

Sure, there are other ways to fail at business, but this formula is foolproof. Follow it to the letter, and your business will be toast by Christmas.