BIZCOMMUNITY

Lesson 14: Fear of conflict

By Allon Raiz

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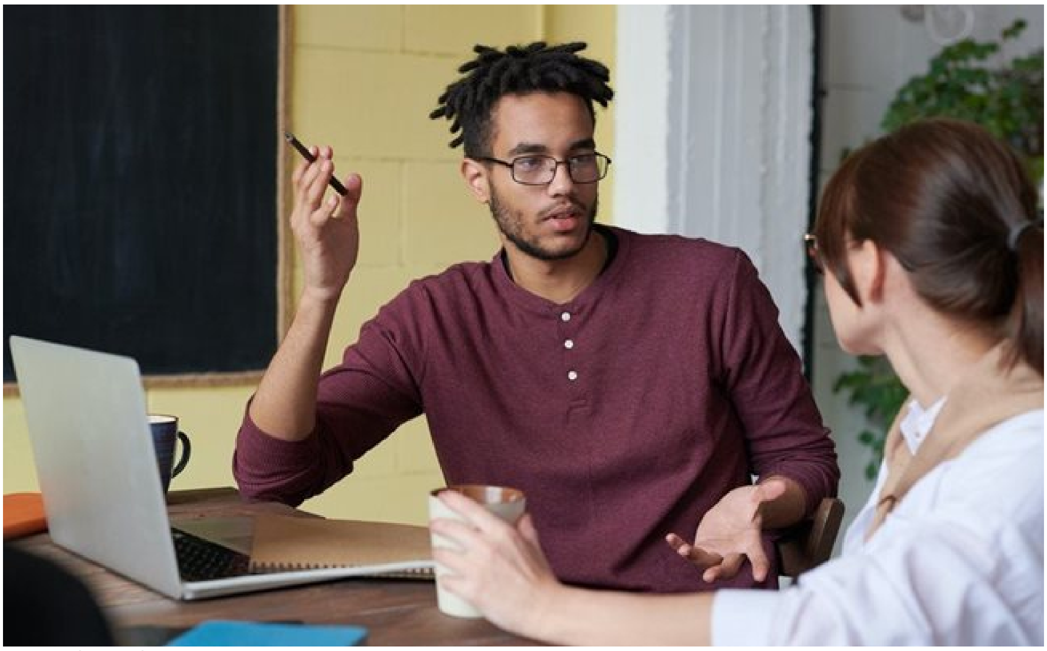
In the early years of startups, especially for first-time entrepreneurs, there is a novelty associated with having people work for you for the first time. It feels a bit like being a first-time parent with uncertainty about the parameters of parenting; when must you be tough and when are you being too tough? Do you say nothing when a deadline is not met, or do you come down hard on the individual? Do you acquiesce to a demand for more money when an employee threatens to leave, or do you stand your ground?



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These are just a few of the questions you need to navigate as startup entrepreneurs. At the same time, you are probably trying to break into a pre-existing market that is dominated by other players. Knowing that you are desperate for sales, potential new clients will test you for better pricing and better deals in order to “give you a chance.” And you are only too happy for that chance and consequently you drop your pricing or add additional features or incentives to sweeten the deal.

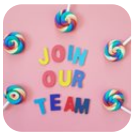
This effectively makes you “boundary-less” on two fronts – with your staff and with your clients. Over the past 20 years, I have witnessed the stark difference between the success rates of entrepreneurs who develop boundaries and those who do not.

Staff boundaries

The longer you take to formalise each role in your business with an employment contract, a performance contract and, most importantly, the time you take to understand and manage performance, the less likely your business's chances of making it to ten years intact.

The manner in which you introduce these boundaries is also important. Coming into work on a Monday, calling your staff in and saying, "Right, from now on things are going to change around here" is not going to work. The process of creating boundaries needs to be incremental – albeit at a relatively fast pace. It must be well-communicated, consistently applied to all staff, and predictably and rhythmically managed.

Change management is important. Providing your staff with the reason things are going to change is imperative. You will no doubt have to deal with comments like, "It's not like it used to be, things have changed" and even the odd resignation as a result of the change.



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It is important to remain resolute and not capitulate to the first threat of resignation. The thing is your team is right. Things are not like they used to be and, if the business is going to survive in the long run, things are going to be changing all the time and they will and never should be like they used to be. Making your team understand the importance of change and the reasons for new boundaries is critical to the future success of your business.

Once the first boundaries have been established, it is important for them to swiftly evolve in an incremental way. Firstly, this gives your team time to adapt but it also begins the cultural messaging that things are constantly changing.

A fatal mistake to make in this process is to treat some employees differently to others. This mistake normally occurs when entrepreneurs are too afraid to apply boundaries when it comes to the more tenured staff, the more temperamental staff, and staff who perform mission-critical roles. I cannot express strongly enough that the selective application of boundaries is probably worse than not having boundaries at all, and it should be avoided at all costs.

Quarterly performance reviews are important. In my opinion, annual reviews are ineffective in many ways. Our memories are short, and the performance and attitude of the month or two months before an annual review erroneously become the proxy for the previous twelve months, distorting the reality of the full prior year's performance.

Quarterly reviews not only provide more feedback, they also provide time to correct behaviours and actions and, when averaged, provide a more accurate assessment of the year's performance. They also institutionalise the act of regular feedback and communication with your team.

Client boundaries

When building client boundaries, the rules are similar to those for staff. Beginning slowly is important. Start with a "no" here and a "no" there. Provide alternatives or compromises. Explain that the consistent reduction of prices and the addition of unreasonable value-add is eating into your margin to such an extent that you are making losses. In a word, communicate.

It's important to become very knowledgeable, through continuous research and intelligence gathering, about your competitive environment – both in terms of product and pricing. This knowledge will give you more power when negotiating with your clients as you will know the extent of the disparity between your total offering and others in the market.

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By delivering on your promises from a delivery, quality and pricing point of view, time and time again, you will build trust with your new clients. This trust will slowly allow you to normalise your pricing as your clients will accept paying a little more for the reliability and predictability that you provide.

It's never too late to develop boundaries. Sometimes the most important word for entrepreneurs to learn – in any language – is "no" and then have the courage to say it in a context where everyone, including themselves, is expecting them to say "yes".

ABOUT ALLON RAIZ

Allon Raiz is the CEO of Raizcorp. In 2008, Raiz was selected as a Young Global Leader by the World Economic Forum, and in 2011 he was appointed for the first time as a member of the Global Agenda Council on Fostering Entrepreneurship. Following a series of entrepreneurship master classes delivered at Oxford University in 2014, 2015 and 2016, Raiz has been recognised as the Entrepreneur-in-Residence at the University of Oxford's Saïd Business School.

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