Larry and Barry Analyze And Learn From Losing ©

Arthur Lipper

Larry: We should never have done the deal, we didn't have enough money to reach the point of being attractive as an acquisition and we never planned on reaching cash flow breakeven. Everything cost more than we planned and took longer to make work.

Barry: Yes, and we lost all of our money and created losses for our friends who believed in us. It's terrible.

Larry: Well, at least we kept everyone informed and let them know that we had disappointing news about product progress and the absence of the marketing demand we hoped for.

Barry: So what have we learned from this disaster?

Larry: Money. We didn't try to raise enough money and planned on everything working as we hoped. Even worse, we decided to start the operation with less money than the insufficient amount we originally planned.

Barry: So we let "the wish become the parent of the thought" and had the belief that we could raise more capital when we needed it based on the progress we hoped to have achieved.

Larry: So our real fault was in the inadequacy of our planning and not having the patience to wait until we had the necessary resources before starting the business.

Barry: Yes, and that was certainly not in the best interest of the investors. This is the point some of our advisors kept telling us and we thought they were being too conservative.

Larry: So lesson number one is to plan conservatively and allow for contingencies.

Barry: Yes and accepting the advice of those having more experience than we had. There were a lot of things I wish we had done as they advised.

Larry: We should also have gotten better insight from our anticipated customers and had a much better understanding of the market in which we expected to compete. Again, we were assuming the Gods were with us.

Barry: Our planning was terrible, and that made us be unintentionally unfair, not only to the investors but also to our employees.

Larry: So lesson two is plan for the worst, and we should have paid more attention to the "What if" exercise one of our investors kept asking us.

Barry: One of the reasons we didn't seek more money was that we didn't want to lessen our share of the ownership of the business.

Larry: We should have pursued the idea of financing the business with a royalty where the investor was betting on the growth of revenues and not owning any of the business.

Barry: Yes, if we had gone that route we could have raised more money and not have been so focused on avoiding equity dilution. The royalty investor only cares about revenue growth, and not market valuation.

Larry: So lesson three is focus on building the business through securing enough growth capital and do so through selling a percentage of revenues for an agreed period.

Barry: So, we had a good idea, a good group of people and just not enough time and money to pull it all together.

Larry: We should have gone the REXdebt-shareRoyalties.com route and spent more time reviewing the articles in Royalties.Website.

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