

Lesson 7: Lack of financial understanding

 By [Alon Raiz](#)

3 Dec 2020

Over the past 20 years, Raizcorp CEO Alon Raiz has learned many tough lessons and overcome many entrepreneurial challenges. He shares some of the most important lessons he has learned using a sequence that mirrors the typical stages of any entrepreneurial journey - from ideation through to scaling a business.



Source: pixabay.com

I failed Accounts 1. Twice. I got it the third time round but only just. As a result of that traumatic experience, I convinced myself of the mythology that I was not good at accounting. In fact, I convinced myself that I was really, really bad at it and that accounting could be outsourced to somebody far smarter than myself.

A few years later, when I started my entrepreneurial journey, this mythology remained strong in my mind and I, like so many entrepreneurs I've come across over the years, avoided accounting and financial data like the plague.

I suppose that one reason for this was my lack of confidence in managing the books while the other reason was that I instinctively knew that the numbers weren't looking good and I didn't want to be reminded by a set of financials of the fact that I was insolvent. Why face the truth when I could avoid it by concentrating on all the potential business I was definitely going to get based on the weak commitments of people who had simply intimated that they may become clients in the future? When you are desperate for work, every positive response (no matter how unlikely it is to translate into a sale) is considered high potential.

This strategy worked for a while – until there was no more money to run the business. The bank wouldn't extend my overdraft, my investors wouldn't provide further funding, and I was up against the wall.

I approached my mentor, asking him for help by seconding one of his clever accountants to my business to help clean it up. Perhaps one of these smart accounting people, I thought, could discover a way to find more cash and collect outstanding monies from my creditors...Or was that my debtors? My mentor's response was to ask me if I was a director in my business. I replied, "Yes, the marketing director." He promptly retorted, "Change your title to financial director and sort it out yourself!"

Like many other entrepreneurs, I had abdicated my responsibility to understand the financials of my business and given it to someone else. After licking my wounds and self-reflecting, I decided I was going to change the story in my head and take responsibility for understanding accounting – to know the difference between debit and credit, to deeply understand the difference between income-statement and balance-sheet items, and to understand all the levers of cash flow. It was probably the most important decisions of my entrepreneurial journey. It was the turning point from being an entrepreneurial cowboy to becoming a serious businessperson. It was the pivot point between managing a hobby (really badly) and building a real business.

Now, when I witness entrepreneurs who are in a state of denial and avoidance about their financials, I completely empathise with their fear...But I cannot express in strong enough terms the importance of overcoming that fear if they want to build a real business. YouTube and Google are filled with incredible free resources to help you become familiar with accounting and finance terminology and concepts. Now is the point in your journey to acquire financial knowledge. As the author Susan Jeffers says, "Feel the fear and do it anyway."

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.

- What it takes to go from side hustling to successful entrepreneurship - 7 May 2024
- Learning to pitch better: The value of feedback from investors and financiers - 19 Apr 2023
- Want to grow your business? Get rid of the 'fax machines' - 15 Dec 2021
- #PolishYourPitch: Pitching Tip 9: The simpler, the better - 20 Jul 2021
- #PolishYourPitch: Pitching Tip 8: Be specific - 13 Jul 2021

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>