

# Simple, Timeless Priorities

## Letter from Michael Jordaan for Endeavor Entrepreneurs

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*We cannot control what happens to us, but we can always control how we respond to it. Use this time to look after yourself and then to make your business relevant and profitable. Simple but timeless.*

By now you've been overwhelmed with information about C19. You probably know way more about the virus and things like infection rates, incubation periods, mortality rates and its rapid global spread than you ever cared to know.



Michael Jordaan

More-over you're probably reading this from home where you've had to self-isolate until at least 16 April and have had ample time to think through the implications of C19 for your life and your business.

Nevertheless, in my recent interactions with entrepreneurs, I have found that most fit into 2 broad categories: those that are in denial and those that are still behind the curve.

The denialists are those that believe the worst of the crisis will be over soon after lockdown. In macro-economic terms they want to believe that there will be a global V-shaped economic recovery. This is completely unrealistic in an integrated world that has suffered a simultaneous, severe supply- and a demand shock. Massive monetary and fiscal stimulus may appease markets in the short term but have only somewhat softened the blow in the real economy. And actions by central banks and governments, while much needed, are certainly not free. Someone, probably our kids and grandkids, will have to pay for today's money-printing and debt incurred.

In South Africa, the denialists conveniently forget that we have 7,8 million citizens living with HIV and of those 3,5 million are not on anti-retroviral treatment. This vulnerable group still has to face a cold winter in which C19 thrives. Our medical facilities are simply not in a position to handle an epidemic. To use just one metric: ventilators/ respirators are crucial in the treatment of those with severe symptoms but SA only has 6 000 ventilators.

The second category of entrepreneurs are more realistic. They know that the world economy will eventually experience a U-shaped recovery but over a longer period and they also know that SA could be one of the hardest hit emerging markets.

But they could still be behind the curve if they think the depressed economic conditions will last less than 18 months. And they are certainly behind the curve if they don't realise that for many industries, the world will never be the same again. Some industries will have shrunk forever and some businesses simply won't survive.

For example, Edcon was already marginal before the outbreak and is now most unlikely to survive in its current form. Edcon's erstwhile customers are already happily shopping for clothes and footwear online. South Africa has 2000 shopping centres which is very high relative to household consumption.

The loss of such a large national tenant as Edcon, with its flow of feet to their shops in the mall, will hit landlords hard.

Another casualty would be printed newspapers. Many businesses who are rationally responding to lower volumes are cutting their costs including advertising expenses and this is driving printed newspapers, many of whom were already marginal before the crisis hit, to extinction.

Then there is SAA. The money from a recent R3,5 billion bailout was all but spent by SAA before the C19 crisis. Now the entire global airline industry is in dire straits. It is time to put this zombie business out of its misery and re-prioritise government support directly to individuals and small businesses. Whether this logical action will happen is never certain when dealing with ideologists. Even if bailed out yet again, SAA will be a very different, slimmer business flying only commercially viable routes.

Nobody likes it when industries suffer, businesses fail and people lose their jobs. The best we can do as a society is to cushion the fall for individuals and create the right conditions for businesses of the future to be created. This is why entrepreneurs and their start-ups are so important: when done correctly, they are solving problems sustainably and in doing so, creating a better future.

So what should you, as an entrepreneur, be doing to give your business the best chance of success during the time of the virus and the new normal that will follow?

The very first thing is to look after yourself. This may sound selfish, but it is the opposite. If you don't look after yourself, you also won't be able to look after others around you. Now more than before, you need to eat healthy food, sleep properly, exercise (lose those extra kilos) and stop smoking. You should also strengthen your immune system with Vitamins A-E and Zinc. And of course, wash your hands.

Secondly, the single most important thing you can do now for your business is to make it profitable (if it isn't) or to keep it profitable. Startups usually need funding to grow. In these economic conditions, capital is hard to come by. Investors have many bargains to choose from. Banks always react pro-cyclically which means they tighten their lending standards in tough times (and open the taps in good times). It's not that there will be no equity or loans available, just that it will be much tougher to get them. Either way, you will be

required to demonstrate a clear path to profitability if you absolutely need more funds. Or you will need to become profitable if you cannot get external funding.

Exactly how you become or remain profitable will differ for each business. Clearly the business needs to be relevant as the world has changed significantly and in many ways forever. My only advice is to start from first principles when evaluating every cost, every product and every employee. Think as if you could start the business again from scratch. Knowing what you know now, what would your ideal cost structure be (probably low and variable); who in your team are the rainmakers (find a way to retain them), what products can be terminated and which new ones are needed and how can pricing be optimised (probably lower) to cater for these times.

There's a great line that is ascribed to many people that dispenses the following wisdom: "Don't waste a good crisis". Now is a time to be bold. You can no longer afford putting off those tough decisions that you knew had to be made, but weren't urgent enough.

Some of the bold decisions you make, will feel counterintuitive. Says winning racer Yves Montand in the 1966 movie Grand Prix: "I'd see an accident and be so weak inside that I wanted to quit – stop the car and walk away. I could hardly make myself go past it. But I'm older now. When I see something really horrible, I put my foot down". This may be a time to invest in marketing your product more aggressively or employ more staff to handle demand.

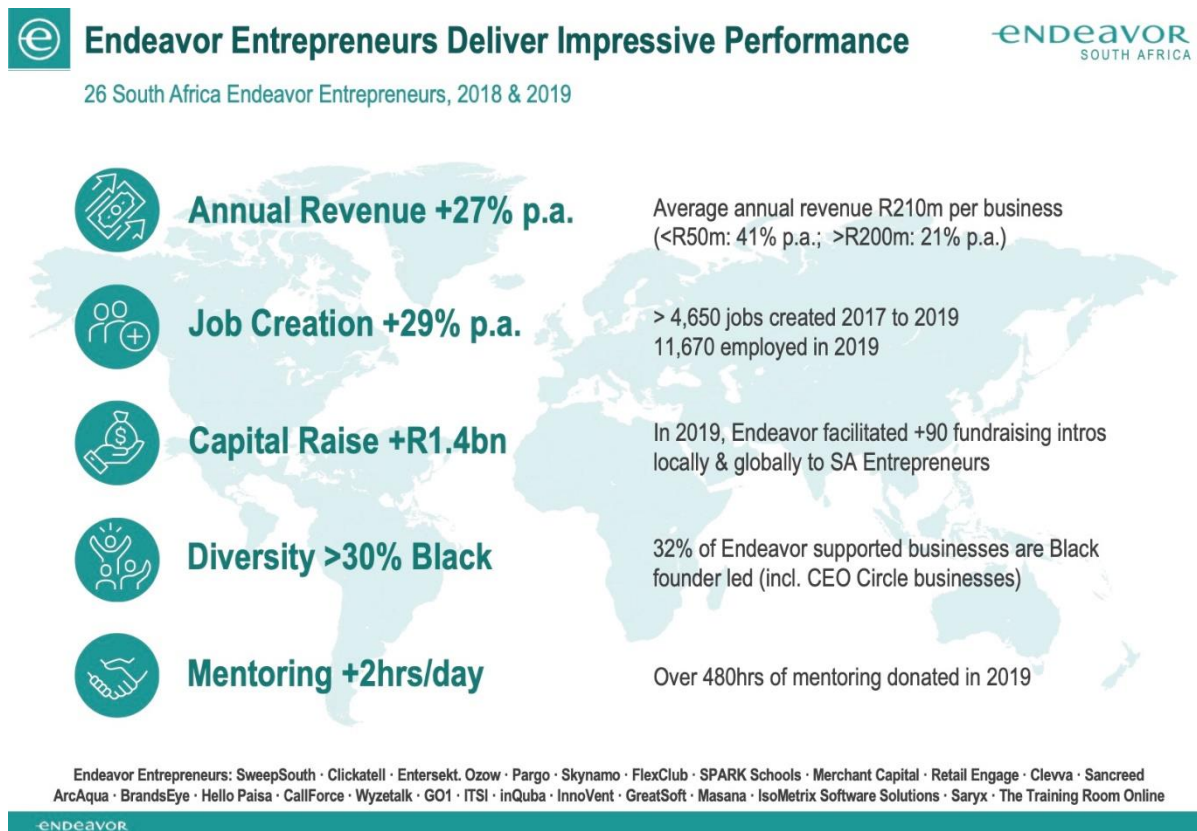
The good news is that some and maybe many new businesses will thrive in the new normal. Online enterprises (shopping, banking, stockbroking) and data providers have all received a welcome boost during lockdown and many of their newly acquired customers will never revert to older, slower, expensive and manual ways.

Education will never be the same as an entire generation of teachers and learners have now experienced how easy tools like Google Classroom and Snapplify's digital Textbooks make it to operate remotely.

Office workers will waste less time in traffic as meetings are conducted over Zoom or Microsoft Teams. A whole cohort of managers will have learnt to manage the output of professional workers rather than whether they are in their cubicle on time.

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Endeavor is a global organization present in 35+ countries that works to catalyze long-term economic growth by selecting, mentoring, and accelerating the best high-impact entrepreneurs worldwide. Endeavor South Africa currently has 26 Scale Ups in its program, 50+ in its pipeline and receive pro-bono support from 125 mentors. These 26 Scale Ups have average annual revenue of R210m per business and over the past 2 years have achieved 29% annual growth in headcount and 27% growth in annual revenue - collectively creating additional 4567 jobs and generating incremental revenue of R1.7bn. At end of 2019 these 26 Entrepreneurs jointly employed a total 11758 people and generated R4.7bn total revenue. The Endeavor South Africa board is chaired by Herman Bosman and the team is led by Alison Collier.



Linda's Rottenberg, Endeavor's co-founder and CEO, has some core insights about Entrepreneurship that are apt for our current situation: "turbulence is the official climate of entrepreneurship. Stability is the friend of the status quo. Chaos is the friend of the entrepreneur. Entrepreneurs' competitive advantage is being nimble and adaptable."