



FEATURES

Failure made me thirst for success

Entrepreneurs can often gain valuable experience from the collapse of a start-up and the earlier you get your failures behind you, the better

Sandra O'Connell Published: 28 August 2011

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McDonagh founded Supermac's only after his plan to open a pool hall was rejected

Pat McDonagh is one of Ireland's best known entrepreneurs. His Supermac's fast food chain has 106 outlets and a turnover of about €100m a year.

Despite the recession, new branches are opening all the time including, in the past six weeks, stores in Clifden, Co Galway, and Monasterevin, Co Kildare.

Yet McDonagh's first foray into business was a complete failure.

The former schoolteacher opened a pool hall in Ballinasloe, Co Galway, in 1979 that fell foul of the planning authorities and had to close. With a bank loan to repay and no business from which to repay it, it could have been a disaster. Instead he turned it into a takeaway, and the rest is fast food history.

In an economic climate that is seeing a record number of business failures, the only silver lining for some of those entrepreneurs is that, perhaps, the lessons they have learnt will stand them in good stead next time round.

"The thing to remember is that it is not the end of the world," said McDonagh. "The sun will still rise in the morning and, in many ways, your setbacks will only strengthen your resolve to succeed."

This has certainly been the case for Keith Bohanna, a Kilkenny based internet and business consultant.

Two ventures founded by him in the noughties, Product Inform and DB Twang, failed to take off, despite having secured investment of €400,000 and €125,000 respectively.

He now has nascent plans for a venture in the food and internet space that he expects will take shape within a year or two. When it does, the new business will, he reckons, benefit enormously from what he has learnt the hard way.

"Everything takes longer than you think," said Bohanna. "Every entrepreneur hears this and discounts it but the reason it matters more than anything else is the next truism in business — cash is king.

"Again, the entrepreneur hears and discounts this, thinking they will manage. They are all buoyed up with the blind optimism of the start-up, which is what makes it hard to remember those two things. Experience teaches you them. What I have learnt will definitely change my approach next time round."

Joe Drumgoole, a technology consultant, has learnt that for him there won't be a next time. "I have given up on starting my own company," he said.

He has founded three businesses, none of which have been successful. Today he works as a consultant to other technology start-ups.

"The biggest lesson any entrepreneur needs to take from business failure is that it's your fault," he said. "The entrepreneur will always find someone else to blame, to insulate themselves from that failure. It's the hardest lesson to learn."

His experience affords him great insight for working with start-ups.

"Too many of them talk about their three-year business plan and predicted sales of €5m. But when I ask them where their next customer is coming from they haven't a clue.

"Far too much time is wasted on pie-in-the-sky planning for three or four years out," said Drumgoole. "The less mature investor might go for that, but the mature one will want to know less about year five and more about quarter one."

Drumgoole, 47, believes that the earlier you get your failures behind you, the better. "One of the things they don't teach you at entrepreneurial school is the value benefit of starting early," he said. "The salary sacrifice for a guy in his early 20s is marginal. When you're older, like me, with a wife and kids, the salary sacrifice is too high.

"I've had no salary for two of the past three years, at a cost to myself of between €200,000 and €300,000. That's a lot of money to flush down the toilet for your pipe dream.

"The guys who are succeeding are young, single, no-family guys who can pour themselves into it."

Simply talking about failure is helpful for younger entrepreneurs, according to Mark Campbell, 33, the founder of Pocket Anatomy, which has created an app for medical students and doctors. The company, which was set up in 2009, is seeking first-round funding of €200,000.

But Campbell is also an organiser of BizCamp, a conference organised for entrepreneurs by entrepreneurs.

Last year's theme was The Power of Failure. "One of the messages that came out clearly at last year's camp was that in Ireland failure is seen as an end, whereas in America, it's a rite of passage. Investors put a value on a person having bounced back, said Campbell, it's seen as evidence that they are a fighter.

"It was important for people to hear that not everything will go 100% right all the time, that life is tough, but that there are also guys that have failed and bounced back," he added. "We need more bounce-back role models."

As a partner at accountant RSM Farrell Grant Sparks, Deirdre Kiely has worked with various large and small businesses in crisis, some of which have survived, some not. "We are at the front line," she said.

Where a business is failing, the emotional involvement of an owner-manager can complicate things.

"Making the decision to cease trading is a difficult call," said Kiely. "The legal line is where a company can't pay its debts as they fall due but it's very difficult for directors to make a call on it because they always work on the assumption that cash flow is about to come in."

It's a point at which, for most entrepreneurs, "the last thing they want to think about is starting again," said Kiely, which is perhaps as it should be. She added: "I'm not sure the perception of shame is gone in relation to business failure and I'm not sure it should be fully gone. There is a lot of rawness left behind in terms of staff and creditors.

"I wouldn't like to see the promotion of starting up again straight away — the phoenix syndrome."

What she can conclude from the business failures she has worked with, is that a key ingredient was almost always a lack of emphasis on risk assessment and stress testing.

"They didn't ask the 'what if?' questions," she said. "It's an area entrepreneurs need training in, as much as having the great idea and promoting the business."

Rosie Sheehan of Rosie's Broadway Bagels has had her "what if" question answered in harsh reality. She founded her business with a great product, but just one distributor. When the distributor was bought out in 2009, she faced an instant delisting from all her supermarket customers.

"Sales fell to zero, it was harrowing and soul destroying," said Sheehan, 44.

It was her second brush with business adversity, the first being the closure of the coffee shop she set up in Co Waterford on arrival from New York in 2000. That failure resulted in the loss of €40,000, her life savings, and left her with only a bagel machine to start her new venture.

Today, having fought her way back, shelf by shelf, into supermarkets, Broadway Bagels is once again growing, with a turnover of €500,000 likely for this year and a new range of desserts due to launch.

"When we lost our supermarket listings I felt like getting on the first plane back to New York," said Sheehan. "But when you have young kids and staff and loyal customers calling to find out where your product has gone, you get the steely resolve you need.

"I think once you have a good product, one that people want, you will find a way around the problem."

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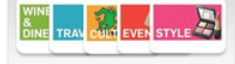
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