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 INTERVIEWING  
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 PETS  
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## How To Spot A Start Up Business That Will Fail - By L. Burke Files

*President of Financial Examinations & Evaluations, Inc.*

There are 5 factors in my experience that clearly demonstrate future underperformance even in what appear to be on paper very strong and competent teams.

All "Start-up Guys". This one may seem counterintuitive, but especially in business applications, it's not. You need start-up guys to do a start-up. But people that only want to do early stage stuff don't scale up at all. Heck, they don't even manage all that well even in the early days. But that is what you want than, people who will take an idea and just go. However a business will need a few people at the top to be able to scale, 2 at a bare minimum. When your work force start to quit as soon as everything gets past 20-50 employees and begin implementation of some management discipline ... isn't going to work out well.

Lack of Trust Across Team. Start-ups need to make no-look passes all day long. If the team is strong as individuals, but doesn't have the relationships, the trust, to operate as a single entity - it will fail. Watch the body language, when everyone is present and ask question of individuals when not in the group. You will see if there is trust or not. Nothing is more poisonous than employees trying to figure out what other employees are doing of the rumor mill

Lack of Learning. Hubris is required to start a start up. However, some mega minds take this the wrong direction. If they learn something new that can help, that can improve the company and the team -- they are able to evolve, change, and incorporate those learning's. If not and you see the attitude of it's my way of the highway and all new ideas not emanating from the owners are chucked out the window, run. Ignorance is full force is astounding.

Insufficient Expertise. Smart guys can talk themselves into attacking any problem even if it is not there filed of expertise. But if you are entering a space without sufficient hard won experience, you are going to miss the point and make all of the mistakes all of the other pioneers in that filed have made. Yes, I know Reed Hastings started Netflix because he hated late fees. But just because you don't like something does not mean it is wise or profitable to change it. This is a solvable problem, in staffing up or in recruiting outside experts. If all problem solving is focuses on reinventing the wheel progress will not be made.

Short Termers With No Patience. Founders are always impatient to get going, to scale quickly, to build a great team and a great company, but's going to take time. A bunch of guys who've never worked more than 24 months at any company before won't make it. These guys do not see the future clearly. They cannot see the \$100m+ business 7+ years down the road or all of the trials and tribulation it will take to reach that summit. Further, they'll quit when it gets tough as they have done time and time again.

Start Ups are hard work with hard choices. Vision, leaning, teambuilding and dogged persistence are they keys to retain a hope of success. Without these even the best ideas will fail as the team will fail.

Mr. Files is a published author of five books, in particular "Due Diligence for the Financial Professional, 2nd edition 2010" and "Money and Budgets" other writing and material can be found at <https://www.feeinc.com/media.php>. Mr. Files is an international speaker on these topics.

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As a financial industry insider for over 30 years he is keenly aware of the type, and accuracy of the information required to make

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This article is courtesy of the Top 1% Club and the Top 1% Club Mentor Gail Kasper. For additional information on Gail Kasper, her television appearances and speaking engagements, please visit [gailkasper.com](http://gailkasper.com).

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Technology (2)  
Sales (2)  
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Health/Diabetes (3)  
Healthy Eating (19)  
Weight Management (4)