

THE BUSINESS PEOPLE WE REALLY RESPECT ARE THE ONES WHO HAVE LIFTED THEMSELVES UP TO SUCCESS THROUGH SHEER HARD WORK, DETERMINATION AND STRATEGY. THEY ARE THE INDIVIDUALS WHO COULDN'T GET "SEED FUNDING" OR "CAPITAL INJECTIONS", THE ONES THAT HAD TO BE SMART AND SAVVY TO MAKE ENDS MEET AND FIND WAYS TO GENERATE INCOME FROM THE START.

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# Real Entrepreneurship is Focused on Creating Positive Cash Flow

by Ben Benson

ACCORDING TO WIKIPEDIA an Entrepreneur is someone who is willing to launch a new venture or enterprise and accept full responsibility for the outcomes. He or she is seeking profit through the use of initiative and the acceptance of personal risk. And yet at some point in the mid-1990s entrepreneurship became subverted. Every man and his dog became an overnight entrepreneur - due in no small part to the easy access to money. All that was needed was a well crafted business plan, a snappy PowerPoint presentation, inspiring "elevator pitch" and sufficient persistence to convince some institution or sceptical stranger to lend them the money. Whether the plan was viable, thought out beyond "secure funding" or whether there was genuinely a market for the offering seemed secondary as more and more people declared themselves an "entrepreneur" and hopped aboard the dotcom express.

People would cite companies like Amazon as examples of companies that didn't make a profit for years and yet are valued in astronomical figures. But for every Amazon there are thousands of failures who chewed through the funding with lavish offices and slick marketing campaigns only to fold before making any profit whatsoever.

But let's get real here - a business is not a business and you are not an entrepreneur until and unless you are generating positive cash flow. Cash flow *is* king. It is the lifeblood of every business. The business people we really respect are the ones who have lifted themselves up to success through sheer hard work, determination and strategy. They are the people who couldn't get "seed funding" or "capital injections", the ones that had to be smart and savvy to make ends meet and find ways to generate income from the start. They are the real entrepreneurs.

The real entrepreneurs are still using their initiative to manage risk and generate a profit but their focus is on acquiring or creating *cash flows* not on creating endless business plans that look good on paper but deliver nothing of value in the real world. In an era of easy money and get rich quick schemes we have forgotten one of the golden rules of successful entrepreneurship; *create something that people want and are willing pay for.*

What is the point of being in debt if the business you own or the assets you own don't produce an income that is greater than the money needed to service the debt? In business we sometimes talk about the size of the entity as a means of avoiding the issue of cash flow and profit. Who cares if

your business has a turnover of \$50 million, if the business is spending \$51 million there is no positive cash flow and no real business. If you're still unsure about this distinction;

**Repeat three times daily  
until the delusion goes away;**

With cash flow I'm an entrepreneur;  
without it I'm not...

With cash flow I'm an entrepreneur;  
without it I'm not...

With cash flow I'm an entrepreneur;  
without it I'm not...

It's impossible to create genuine wealth without income or cash flow – a fact that has been known for thousands of years although conveniently forgotten in recent history.

Even the ancient Babylonians knew this truth over 8000 years ago. George S Clason talks of this Commandment in his classic little book *The Richest Man in Babylon*. He refers to it as “The Third Cure” to a lean purse which states, “*Put each coin to labouring that it may reproduce its kind even as the flocks of the field and help bring to thee income, a stream of wealth that shall flow constantly into thy purse.*”

Successful entrepreneurs are always looking for streams of wealth that will constantly flow into their purse. They do that through buying or creating entities that generate income or cash flow with or without their daily involvement. That could mean buying positively geared investment properties, shares that provide a dividend or investing in or creating a successful business. It is the positive cash flow that makes these equity investments viable because they generate money instead of spending money. A real entrepreneur is not interested in “paper profits” or inherent value – they are seeking positive cash flow which can be used to buy additional wealth creating assets or re-invest in the business. A business is only viable and genuinely wealth creating if it makes more than it spends and generates cash flow for growth and investment. It

is the cash flow that feeds the business, allows it to prosper so that the business can eventually be sold and its value realised.

If you're a business owner seek out every possible way to reduce your expenses, increase your sales and improve your ability to generate not just one, but *many* cash flow positions. This is what the most successful business people do to become wealthy. They create or acquire ‘*cash flows*’ for a future sale or exit. If you own assets ensure they are positively geared and that you are generating and acquiring positive cash flow[s] at all times. The future success of your enterprise depends upon it.

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