



The No. 1 Growth Killer Is Leadership Debt

Businesses do not fail because they run out of cash. They run out of cash because of the leadership debt incurred.

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It is tough to build a business, but it is even tougher to scale a business. 90% of all startups fail, and only 0.6% of all startups break through the \$10m revenue threshold. Given the current tech rout, we can expect this number to go down even further.

[Founders seem to believe the no. 1 reason for startup failure was running out of cash.](#)

In my experience as a growth capital investor, running out of cash is not a *reason* for failure, but a *consequence* of failure. It is the consequence of the entrepreneurs' failure to develop strong leadership skills, transition from founders and entrepreneurs to leaders, and build strong leadership teams. If you want to lead your business from initial traction to sustainable high growth, you should start developing your leadership skills now. The longer you wait the more *leadership debt* you incur and the higher the likelihood your business will not make it through the growth valley of death.

Leadership debt is usually incurred already in the early-stage phase of a startup

In the early-stage phase of a startup, founders usually focus all their efforts on execution. They build a small team. They build the product. They invest in marketing and sales and generate first revenues. They make all major decisions themselves. But they do not use the early-stage phase to develop their leadership skills. They incur 'leadership debt'.

In the growth phase, leadership debt cannot be repaid anymore

The situation is totally different in the growth phase. Suddenly, the company has grown from 20 to more than 100 employees who may be dispersed across offices, countries, and even continents. In the growth phase, founders cannot focus solely on execution anymore. They cannot make all decisions themselves but must delegate 90% of all decisions to a strong leadership team. They are suddenly in charge of the people who drive the business. Unfortunately, becoming a strong leader who can attract, retain, and lead a strong leadership team is not learned overnight. It takes time and constant effort. When founders realize they must transition from founder to leader, it is often already too late. They cannot repay the leadership debt incurred. The leadership debt incurred leads to bad decisions that, in turn, lead to business failure.

Incurring leadership debt can be avoided

You can avoid incurring too much leadership debt.

1. Take ownership of your leadership debt. If a company fails, there is no one to blame but the leader. If you want to succeed, take ownership of your leadership debt. Work on your leadership skills and develop a strong leadership team early on.

2. Work on your leadership skills. Do not postpone working on your leadership skills. Certainly, there are always other things you can focus on. But eventually, your success and the success of your business depends on you transitioning from founder to leader. Do not procrastinate! Act! Read books! Listen to audio books! Attend courses! Hire a coach! Ask for feedback, listen, and improve! Every day.

3. Develop a strong leadership team. If you have a dysfunctional leadership team, you have a dysfunctional organization. Hence, start building a strong leadership team early on. A strong leadership team can make critical decisions themselves and helps you make good decisions. Ensure that your leadership team is not a team of functional experts only. They must be leaders themselves. Empower them and help them grow.

4. Watch out for leadership debt symptoms. You will not be able to completely avoid incurring leadership debt. But you can minimize it and repay it if you notice it early enough. Some leadership debt symptoms are:

- *Team conflicts and team members blaming each other.* Constructive team discussions during which team members share diverse points of view and give critical feedback (including peer and upward feedback) are essential for your success. Make sure you build a culture of trust where team members are 'tough on the issue but soft on the people'.
- *You must approve too many decisions.* You want to retain the decision-making power for the most important decisions. Delegate the rest and empower your team members to make their own decisions. Otherwise, you become a bottleneck.
- *High employee turnover.* Strong talent wants to work for strong leaders. If you fail to attract and retain the right talent, this may be a sign for

something being wrong in your leadership team (which certainly includes you).

- *Teams work in silos.* A team is a set of individuals that work as a team. You can only achieve your goals if your teams embrace teamwork and communicate with each other.

Take Action

Developing your leadership skills can be the decisive action you take now to create one of the few startups that make it successfully through the growth valley of death. Do not wait! Act!

Want to know more?

If you are interested in learning more about our growth mindset leadership coaching, consulting, and mentoring, please [reach out](#) or [book a call](#), and check out Patrick's leadership book '[The Leadership House](#)'. You can find more information about Unlog Growth at: www.unloggrowth.com.