

3 Simple Ways to Use Trust and Transparency to Foster Long-Term Success for Your Business



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The hype that often accompanies new startups can be both a blessing and a curse for entrepreneurs. On the one hand, it increases the likelihood that investors will be ready and waiting to hear about your new startup. On the other, it means there's a lot of pressure to go big and deliver fast to stand out from the competition. This has led to an environment where "fake it 'til you make it" has become something of an unofficial motto in Silicon Valley.

For those just starting out, this approach can feel like the

only way to get ahead. Startups are rarely funded in excess, and the people providing that funding are pretty much always short on time. That means you're dealing with tight competition and a small window of time in which to present your best self to investors. It can be extremely tempting to mix imaginary future successes with the reality of the present moment to make your startup seem like the best investment out there.

However, this creates an environment where investors approach everything you have to say with skepticism, regardless of whether you're telling the truth. It also fosters an unhealthy environment where successes are exaggerated and failures are swept under the rug. On the extreme end, this leads to high-profile disasters such as Theranos; even in moderation, it can cause lasting harm to your startup's business prospects and your own reputation.

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Honesty is your best selling point

Instead, you should try to be forthright and transparent right from the start. This engenders trust among investors and also puts you in a better place with potential customers. According to a report from NielsenIQ, 72% of consumers consider transparency to be either "important" or "extremely important" when it comes to choosing whom to buy from.

With my own company, I've found that people are more willing to recommend us as a startup worth investing in. This isn't because we offer guarantees that we won't end up being one of the 90% of startups that fail. Rather, it's because people know where we stand – both in the areas where the company is succeeding and those in which it's struggling. Creating a positive brand image isn't about removing risk from the equation. It's about making both the risk and reward crystal

clear to investors.

The startup world might seem intimidatingly large, but when you narrow it down into specific niches, such as fintech or food tech, it becomes much smaller. You might start out as an unknown entity, but once you build a community around you, your reputation in your industry will likely precede you. You should make sure that reputation is one you'll be happy to have associated with you for the rest of your career.

For entrepreneurs who want to build that all-important customer trust, here are a few places to start.

1. Balance optimism and realism

I have to admit that I am more of a skeptic than an optimist, which makes one wonder: Why run a startup? I like to think of myself as more of a critical thinker. I would prefer to find the flaws in the path than have the market show it to me later. Transparency in business isn't about admitting you don't know the answer to something. Instead, it's about admitting you don't know the answer yet. You need to tell people where you are but also what your plan is for getting to where you need to be.

If you're still trying to figure out what or where your startup is, don't shy away from that, either. You can be forthright without sounding lost at sea. Talk to potential investors and customers about your great idea, as well as the ways in which you're moving toward understanding how to put that great idea into a commercial package.

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2. Build your foundation on defensible information

Data is important in any organization, but having data in a startup shows that you have done your homework to the furthest extent possible – whether that be market size backed by multiple industry contacts or lab data that has been repeated more than once. We have all seen the good news story that is based on only a single data point, but a company needs to build its foundation on defensible information.

Remember that the goal shouldn't be to raise money just because you can – it should be to raise money because you should. The best way to prove that is by backing up your efforts through data that shows what your startup is doing is impactful.

Be honest about what kind of revenue to expect and what obstacles you'll encounter. If all you have is a rosy, unrealistic forecast you relied upon in order to secure initial funding, it will only be a matter of time before you find yourself at the end of your runway with no real idea of how to take flight.

3. Ask yourself the tough questions

To succeed as a startup, you need to do some serious self-reflection. Understand that it is just as important to have a board made up of individuals that will ask the organization the tough questions as well. Ask yourself: Is your startup something that can actually make it with today's technology and consumer demand? If it is, do you have enough money to make it happen?

The answer to these questions might be no, but it's better to know that before you've sunk your time, money and reputation into an idea that just won't work. This can not only sink your

startup but can also end up sinking your career as an entrepreneur. One such example is the drone startup Airware. The startup could have potentially made it if it had saved its funds and waited for its clients and tech to get up to speed. This is an excellent case to use as a comparison for future startups to ask themselves hard questions about budgets, market readiness and more – while not counting their victories with prestigious investors before reaching the finish line.

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While “fake it ‘til you make it” might look good on a coffee mug, as a strategy in the real world, it leaves a lot to be desired. You might be able to convince venture capitalists to take a risk on you at the start, but if you’ve built your business on the back of empty promises, there’s nowhere to go but down.

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