



Kon Leong

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CEO and Founder at ZL Technologies

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3 Ways to Stay Afloat in a Looming Tech Bubble Burst

The best ideas are meaningless if they can't be executed.



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The Leadership Insiders network is an online community where the most thoughtful and influential people in business contribute answers to timely questions about careers and leadership. Today's answer to the question to "What do you need to know before starting a business?" is written by Kon Leong, founder and CEO of ZL Technologies.

Arguably, the two most important things you should consider when launching a new company are the current economic climate and how your company will be funded. And if you're an adherent to mainstream tech coverage, it's easy to

assume that venture capital funding is one of the key ingredients for becoming a successful tech business.

But this narrative, especially today, is oversimplified and worn thin: “Found an innovative startup, secure consecutive rounds of VC funding, get famous, go public, and become a household name.” Right? Not quite. The problem is that it rarely actually happens that way.

With another potential bubble burst ahead, this isn’t only a misleading stereotype—it’s a dangerous one. For entrants into today’s technology market, it’s critical to rethink business strategy in order to survive.

With tech media foreshadowing the apocalypse with ominous terminology such as “rude awakenings” and “unicorn carnage,” it’s possible for businesses to feel the effect of uncertainty before anything *technically* goes awry.

But regardless of whether today’s apparent bubble goes bust, organizations with diverse types of funding typically remain more insulated from the volatility and nervousness that a perceived bubble can create. Independent, employee-owned businesses generally have an advantage when rumors of a tech bubble inevitably and periodically make their rounds. They’re more able to remain fixated on long-range business strategy and typically more able to create a strong culture in the absence of extravagant perks—even as VC-funded operations struggle to meet expected timelines.

It’s clear that simply panicking about a bubble will do nothing for the business or its employees. It’s like facing an oncoming hurricane: Worrying alone will offer no protection, but proactively stocking up on supplies and boarding the windows will. You have to assess and take action. Here’s what you can do to succeed, even in a bubble burst:

Know how the 2000 bubble was different, but how it still applies to your business

In the dot-com era, things were highly speculative. In many ways, it was similar to the financial crashes of the late 1800s—driven by inflated value of railroad stocks in both Great Britain and the U.S. Those days, too many people were betting aggressively on the rapid expansion of railroads—too much money for too few immediate riders. In today’s startup world, there are just too many people crammed on the available tracks. The only way to relieve overcrowding on the tracks is either to (1) get people off the tracks, or (2) build more tracks. A bubble burst today would likely prompt a quick drop in

the number of people using the “tracks” via elimination of less viable businesses.

Make sure your team is equipped with the tools they need to stay on the “track”

There’s always the opportunity to create new tracks—or product spaces—via disruption. In the immediate future, remaining on-track is most important by focusing on the strongest differentiators and making sure the business has the resources to attract customers. However, don’t neglect innovation. It’s what creates alternate tracks for the business to rely on. Striking the right balance between these two is critical.

Learn how to identify what your business can and can’t realistically execute

The best ideas on earth are meaningless if they can’t be executed. There are two main categories to assess here: operational and strategic. For operations, make sure there is adequate cash flow for long-range project plans and the people/resources needed to complete them. For strategic validation, you need to determine if you’re in a viable space. For some, this may even mean determining what space(s) they’re really in to begin with. For those operating in multiple spaces, it’s time to focus energy on products or services that are most likely to succeed.

There’s rarely a single right answer to funding. There can be, however, choices that are simply not a good fit for a particular organization. As the entrepreneur, it’s up to you to determine what’s right for your company and goals.

To successfully launch a business, it's important to know your business, know yourself, and know your objectives. The time it takes to deeply assess the nature of your business before seeking funding will likely pay off more in the long run than any single round of VC money.

