# Naturally Caffeinated

## Addicted to Entrepreneurship

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by Steve Guengerich

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# INTRODUCTION...THE FIRST CUP IS FREE

I joined my first tech startup in 1985. By Christmas of 1986, it was clear that we weren't going to make it, when we missed our first payroll.

Fortunately, I found a position fairly quickly in the technology consulting division of one of the Big Eight global accounting firms (now, it's just the Big Four) to stabilize my personal finances. But, the startup bug was in my blood.

The daily jolt of energy from entrepreneurship is just like that jolt of caffeine, coursing through your veins in the morning, for those readers who are fellow coffee drinkers. I tell people it's like being naturally caffeinated, with an addictive power just as strong as the drug!

And so it was, barely a year after joining the consulting division safe haven, I was plotting my departure to launch a new publishing venture with a long-time colleague. We made it part of a boot-strapped IT services company (my second tech startup) in which I became a member of the small team of founding shareholders.

That startup succeeded. We grew it for eight years, becoming a category leader in a new generation of pre-internet IT consulting services firms. In May 1996, the company was acquired in an all-stock deal valued at $409M.

## PEOPLE ARE LIKE COFFEE: IT'S NOT JUST THE QUALITY OF THE BEAN; IT'S HOW THEY'RE GROWN, HARVESTED, ROASTED

I've remained in the startup business ever since. I suppose it was inevitable, given the nature and nurture of my childhood. My nature was always inquisitive, questioning everything, seeking the possibilities beyond initial definitions.

On the nurture front, I grew up in an entrepreneurial household. My father became the owner/operator of the largest private emergency ambulance service company in the panhandle of Texas.

Based in Amarillo, we had multiple locations across the plains into New Mexico. My mother, a registered nurse, was his confidant and occasional emergency medical technician (EMT), although she mostly managed an active household that my brother and I occupied.

Somehow, through a combination of luck and wise advisors, no doubt, I managed to pair an undergraduate liberal arts degree with an MBA at Texas A&M, concentrating in computer science for business.

Upon graduation, with that kind of background and a solid A GPA, I was highly sought after for entry-level programmer positions (we didn't call them developers back then).

With seven job offers in hand (six from oil companies), I took the seventh, from the consulting division of Arthur Andersen, which later morphed into Accenture long after I'd left.

## THE ESPRESSO ENTREPRENEUR

I wouldn't trade my MBA and early Andersen experiences for anything, because they gave me the large company exposure and professional polish that I've used in my work ever since.

However, to the detriment of Andersen, it also redoubled my interest in a life of entrepreneurship, since so many early assignments at the Firm involved creating or evaluating startup concepts for our large clients.

Years later, I'm convinced that the entrepreneurial force of "creative destruction" is the most powerful advantage that the American economy possesses today, when compared to China, the European Union (EU), and the rest of the world's economies.

Clayton Christensen addressed this phenomenon with ***The Innovator's Dilemma*** nearly 20 years ago. In it, he described how large companies fail by not adopting new technologies, because their current customers aren't ready for them. Thus, established, successful companies will tend to miss disruptive innovation, avoiding the harm, i.e. the creative destruction, it would cause to their customer (and revenue) base.

That's where entrepreneur-driven, new ventures come in. They discover and evangelize the new order – **the disruptive innovation** – and, in the process, displace the old. I've seen this first-hand, by observing, mentoring, and helping to build new ventures around the world, including a stint living and working in Shanghai, China, just this decade.

The life of an entrepreneur is a risky one. The bigger the idea, the more powerful the force of creative destruction propelling it. As human beings, we are drawn to that force by our innate curiosity, while at the same time we are quite opposed to it due to our reluctance to change.

Because of the tension wrought by this dual nature of entrepreneurship, it can be a quite



precarious lifestyle, like living on an earthquake fault line.

## WE ALL MAKE OUR CUP DIFFERENTLY: THIS IS HOW MINE'S MADE

I wrote this Ebook to distill some of the lessons I've learned over the years that have guided me with anticipating and navigating the tremors.

The lessons, or chapters, in each section are typically 1 or 2 pages and are intended to focus on fundamentals. Each section is a grouping of these lessons, by the major functions in a business, like "Sales" or "Finance."

Since they are drawn from the personal experience of a single author, the lessons in this Ebook are, almost by definition, an incomplete list. It's less like a recipe book, requiring you to follow a step-by-step sequence, and more like a compilation of "earned wisdom" akin to a Proverbs for entrepreneurs.

As I have more time this year to reflect and mark the 30$^{th}$ year anniversary of my first startup, the list of lessons will no doubt grow. And, far from being the retiring type, I'm reminded that there are new lessons that I learn every day.

My hope is that some of these lessons in this Ebook, even if only one, will resonate with you.

I hope it will connect with you in some personal or memorable way. And, most of all, I hope it will help you anticipate or avoid an overly-caffeinated, sleepless night in the future, so that you, too, may thrive in the life of a startup entrepreneur.

My thanks to so many people, too many to name, who have been my teachers, mentors, managers, competitors, and colleagues over the years. Everything I know and any noteworthy thing I've ever done is due to the wisdom and efforts of others.

I especially thank the team at Powershift Group, a number of whom I've literally worked with for decades. You can read about them and the work we've done individually and together on the Powershift Group website (www.powershift.com).

And, lastly, I thank my family (Rebecca, Lauren, Ben and Andrew) and my parents (Wayne and Doneta) for being my emotional and spiritual anchors, when the winds of entrepreneurship have tossed whatever little startup vessel I happened to be sailing at the time. We've had to bail some water together, but you all have made the journey worth it!

Steve Guengerich,
June 2015

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# STRATEGY


## There is Only One Reason Why

You don't do it to get rich. You don't it for fame. You don't do it to change the world. You don't do it to "prove them all wrong" about you. You don't do it because of the adrenaline.

You don't do it for fun, to travel the world, to meet interesting people, to make history or make your mark, to find your soul mates, or any other reason that has logic attached to it.

All of those outcomes – the milestones on your career journey – can be achieved in a job. Most of the time, in fact, they can be achieved just as quickly, with far less risk, and greater certainty.



No, there is only one reason to be an entrepreneur. And that is because you're unable to be as happy doing anything else.

Some would replace "happy" with "joyful." Or they might say that choosing the entrepreneur's life is due to personal passion or a deep sense of purpose.

And, I'd agree that passion, joy, purpose are all part of the emotional equation. Because happiness is absolutely a relative term.

Entrepreneurship certainly doesn't leave you with a smile on your face at the close of every day. Quite the opposite: it can be the most physically, intellectually, emotionally, and financially exhausting thing you will ever do.

That's why I often tell people that it's "in my blood" to try to provide a reason for what's become my life's work. It's inside of you; part of who you are.

At the end of the day, the choice of an entrepreneur's path is one you make because you would be unhappy doing anything else, no matter how great the rewards.

So, especially for anyone who is a college student, first-time founder, or professional considering striking out on your own, think long and hard about what makes you happy.

Take serious stock of your motivations. My friend and colleague Gmeta recommends creating your Life Map. A Life Map is comprised of your authentic answers to these four questions:

*"Who do I Aspire to be?"*

*"What is my Genius?"*

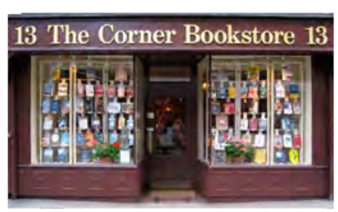
*"What is my Passion?" (And, conversely, what drains you or sucks the passion from you?)*

*"What are the things for which you have the most Gratitude? What are you grateful for?"*

Is the only choice for traversing your Life Map as an entrepreneur? Or are there other choices? Only you can decide.

## BUSINESS MODELS DON'T HAVE TO BE COMPLEX

Quick...name the business models illustrated in these simple diagrams:





If you said e-commerce and premium coffee, you were right. Amazon and Starbucks are just two examples of first-mover companies founded on innovative business models.

While tremendous sophistication and complexity exist in the execution of their daily operations, their business models are fundamentally simple. A business model is the sum of the essential parts of the business, without which it couldn't operate and occupy its unique position.

Similarly, in whatever industry you are in, do your best to strive to keep your business model simple.

## KNOW THE LEAN D-I-E-T

I'm an advocate of the ***Lean Startup*** framework, first popularized by Eric Ries. You can learn everything you need to know at his website, www.theLeanStartup.com.

There is a process that the Lean Startup methodology lays out for founders. I developed an acronym – **the Lean "DIET"** – to view this process through the eyes of the investor. The intent is to provide easy-to-remember guidance for founders on the attributes that investors seek, when assessing their startup.

**D(EMAND)**

Working backwards – most known to least, you might say – the first question is to understand if there is **demand** for the product or service?

In Lean Startup methodology, this is "product/market fit" – have you built a product that anyone wants to use and/or will pay for?

My Austin colleague Josh Baer likes to say that proven "customer traction" trumps all. If you can show a meaningful number of customers using your product or service, then that makes a decision about investing in you the easiest of all.

**I(DEA)**

Continuing to work backwards, if the product or service is still in development, then the next best thing investors will want to know is details about the **idea**.

In Lean terms, this is "problem/solution fit" – do you have a problem worth solving and what can you can offer about your product or solution that makes it novel, compelling, and important?

Investors will want to understand your knowledge of the market, your competitors, why you think certain features of your solution produce valuable benefits, and more. They will want to know how well you know your customers and any evidence you can provide that your idea has merit with them.

**E(XCELLENCE)**

Short of a minimally viable product or evidence that supports your idea, the next thing investors can look towards is **excellence** in what I call



the small things: these are both tangible and intangible.

On the tangible side, how much have you thought about the design values that matter to your idea? What should the experience be like and why? Have you created rough sketches to show UIs, flows, ecosystem interactions, etc.?

On the intangible side, I find it instructive to observe how founding teams communicate, prepare, follow-up and conduct other aspects of their personal style.

*Do they arrive on-time or are they always late?*

*If late, do they let you know in advance?*

*Do they take notes in meetings?*

*How quickly do they follow-up with you on the notes?*

*What's their eye contact and how do they convey that they are listening?*

Sports analyst and former Dallas Cowboys Head Coach Jimmy Johnson used to get asked why he required his players to hold hands in the huddle.

The reason, he said, was because he believed that the "little things" were good indications for how the "bigger things" would turn out on the field.

In the case of his players' huddles, having them hold hands – even if only each other's pinky fingers – was a little way of reinforcing the big theme of "team over individuals" before each and every play. The same "little things" thinking goes for startup founders.

**T(EAM)**

Lastly, if the investor has nothing else to go on – no product, no research results, no track record of interaction with the founders – then they are only left with the **team**.

Some would say (and I'm one of them) that, taking all other things into consideration, the most important element of a startup is the team.

As an investor, after you've met with hundreds of startup founders and prospective entrepreneurs, you begin to get a sense of what you're looking for in the person across the table from you. You get a sense, right away, if they have the "it" factor – the "it" being the total sum of what it takes to go through the startup process and emerge with a product or services that has the potential to be truly meaningful.

In my experience, the more resilient you are, the more "it" you have. (See "When You Hire, Hire for Resilience More than Skill" for a refresher on the elements of resilience.)



## CONNECT TO VALUE

At the end of the day, every organization must possess a persistent ability to sustain itself.

As a practical reality, this means it must make at least as much money as it spends. Otherwise, at some point (when either investor funds or company credit or personal savings run out), the organization will have to close.

Easy enough. However, too often, employees and contractors lose sight of this practical reality. They identify their job by the tasks that they perform.

Or they define their success by the deliverables they produce – be they reports, emails, advertisements, financial statements, research findings, www.salesforce.com records, social media posts, call center resolutions, on and on.

It's your job to make sure that every person understands how their job is connected to value creation in the business.

Value is primarily driven in 3 ways:

1. *Generating revenues*
2. *Managing expenses*
3. *Building "goodwill"*

Balance sheet goodwill is represented by things like the strength of brand equity, the sum of intellectual property (patents, copyrights, service & trademarks, etc.), human capital (employment agreements, unique policies & processes, etc.).

Every person in your organization should know (1) the targets for these value drivers and (2) what their personal connection is to influencing one or more of those drivers.

If they can't explain or don't have a personal connection to value, then the reason for their job should be in question. It's as simple as that.

## FIT

Culture is king. Or, as management pioneer Peter Drucker was attributed to have said, "Culture eats strategy for breakfast."

Either way, it's critically important that every person in an organization fit the culture.

This doesn't mean that you have to fill your offices with robots that walk, talk, look and act the same.

Quite the opposite: diversity of race, gender, childhood up-bringing, and other life experiences provide a richness of background that can be of tremendous benefit to an organization.

However, if there are underlying practices, expectations, styles, values, and other cultural elements that you value in your organization, then there should be zero compromise on making sure that every person working in it fits the culture.



Not only does a tight fit with company culture help build your customer and other stakeholder expectations about what their experiences will be when they come into contact with anyone from the company.

But, research has shown that strong culture yields quantifiable business benefits as well. A classic study by Kotter and Heskett in the book ***Culture and Performance*** totaled the following results over an 11-year period:

- *682% revenue increase for organizations with strong cultures vs. 166% increase for those with weak cultures*
- *282% workforce expansion vs. 36%*
- *901% increase in stock price vs. 74%*
- *756% net income growth vs. 1%*

Best-selling author and business strategy icon Gary Hamel explained the power of culture another way. Culture isn't just the adherence to a set of business policies and practices.

Hamel asserted *"Remarkable contributions are typically spawned by a passionate commitment to transcendent values such as **beauty, truth, wisdom, justice, charity, fidelity, joy, courage** and **honor**."*

## CHANGE IS MULTI-DIMENSIONAL

While culture is deeply ingrained, it's possible to successfully implement changes in an organization.

My two favorite books on the subject of change are each based on extensive research about people and organizations under-going change.


And, in both cases, their conclusions are that the most successful change initiatives are the result of people who possess multiple, valuable qualities and change programs that are comprised of multiple dimensions.

The first book is ***Influencer*** by the consulting firm VitalSmarts. In it, the authors put forth a research-based model that I've found is a terrific planner for architecting a successful change program.

By using four or more components of this model, their research has shown you are 10 times more likely to be successful in a change program. Components of the program are easy to understand.

The two columns represent answers to the questions "Am I able to accomplish a task?" (Ability) and "Is it worth it to me?" (Motivation).

The three rows represent the answers to these questions at the personal level, the social (or group) level, and the structural (or organization-wide) level.

What I like about this model is that it is an antidote for the typical change program which usually only harnesses actions in cells 1 (a big CEO-led announcement) and 5 (a bonus or incentive program, based upon the targeted change), occasionally with actions in cell 2 (some modest training) included.

Such under-resourced programs regularly fail, with no lasting change taking hold. Long-term, systemic change requires a commitment to four or more. I'm an advocate of the Influencer model. Buy the book; it's well-worth the investment!

## IF NONPROFIT, TRY COLLABORATING INSTEAD OF COMPETING

If you believe your idea could impact important social issues and, thus, exist as a social enterprise or possibly even a nonprofit enterprise, then I urge you to consider collaborating before competing. There are three reasons.

First, the U.S. is unique as a wealthy nation in its large reliance on a 3rd category of organizational entity – the nonprofit – to fill the gap between the other two categories: governmental institutions and for-profit corporations (the latter, being public-traded or private).

On the positive, the relatively low barriers for forming a nonprofit have permitted speedier time-to-market for innovative solutions to social problems.

On the negative, the U.S. is nonprofit-rich – some would say overabundant – resulting in far too many organizations competing for a limited pool of funds.

Take my hometown, Austin, Texas, for example. Research by Greenlights (www.greenlights.org) determined that the Austin area is home to nearly 6,000 nonprofits. Yet 72% (nearly 3 out of 4) have less than $100,000 in annual income and less than 15% have any paid staff.

As a nonprofit or socially oriented enterprise appealing to philanthropists and the civic-minded, this is the funding environment you will find yourself in...dozens, if not hundreds, of nonprofits vying for the grants, donations, and charitable gifts from the vast majority of the same funders.

Second, CEOs of the big nonprofits aren't dummies. They are savvy businesswomen and men, often on



the lookout for a really good idea to grow their mission, as well as their top and bottom lines.

Jerry Davis, CEO of Goodwill Industries in Central Texas, has grown that organization over the past 15-plus years into a $75M a year retail and employment juggernaut.

A friend from the time we were both new Austin-area CEOs (I had just accepted the CEO role for Easter Seals of Central Texas), Jerry is a compassionate, mission-driven leader and outstanding manager.

Men and women like Jerry are open to new ideas and interested in growing their service offerings, just like for-profit organizations.

However, where they differ is that nonprofits rarely have a department or even point-person for corporate development – the function in industry that typically oversees merger and acquisition activity.

Therein lies your opportunity. Make a pitch to Jerry, or whoever the CEO is of the leading regional nonprofit in your field of passion – education, healthcare, environment, youth development, etc.

Chances are – if the fit is right – you might be able to accomplish everything you feel urgently compelled to do just as well (or even better!) by operating as a division within a larger nonprofit, than as a standalone, startup venture.

Third, there is often a tremendous amount of overlap (if you want to be negative, "waste") in social services and other nonprofit sectors.

Foundations, charitable trusts, and other philanthropic funders, that are the mainstays of large grants and impact investments for nonprofits and social ventures want a good return on their investment (ROI), just like any other investor.

Thus, there has been a dramatic shift by funders in recent years to encourage collaborations of all kinds, influenced directly by their grant-making requirements.

Collaborations are "in" – from funding loose community collaborations among multiple nonprofits that pool their resources and complement each other's expertise, all the way to funding a merger or acquisition between highly compatible nonprofits.

Of course, after evaluating these three reasons to collaborate rather than compete, you may still end up with the same strategic conclusion – which is that you **must** launch as your own venture to truly achieve your singular vision.

And, if that's the case, then I wish you well – go for it, and don't look back!

# MARKETING


## MARKETING IS MORE THAN COLORFUL BROCHURES AND WEBSITES

"We need better marketing!" Have you ever heard that phrase? Perhaps, you've even said it.

Nearly always, what that marketing-distressed person means is that they need better promotion. Because that is what brochures and websites do: they promote your company, product, or service.

Promotion, while highly visible and tangible, is just one tiny, albeit important piece of marketing.

But, marketing, in general, is a vast field of many different components requiring different skills, for different interlocking purposes, producing different (hopefully, aligned) deliverables, for the benefit of a business.

In the world of high tech, the Pragmatic Marketing framework (http://pragmaticmarketing.com/) has long been a standard that I reference. As you can see from the figure on the next page, there are many different components in marketing, from strategic, planning-oriented ones to tactical, execution-oriented ones.

So, the next time someone says "We need better marketing!" ask them "Do you mean better promotion? Or are you referring to our 'Distribution Strategy,' 'Pricing,' or perhaps something else entirely?" Because, as you now know, they are all components of marketing.

STRATEGIC

| | | | | | | |
|---|---|---|---|---|---|---|
| | | Business Plan | Positioning | Marketing Plan | | |
| Market Problems | Market Definition | Pricing | Buying Process | Customer Acquisition | | |
| Win/Loss Analysis | Distribution Strategy | Buy, Build, or Partner | Buying Process | Customer Retention | | |
| Distinctive Competence | Product Portfolio | Product Profitability | User Personas | Program Effectiveness | | |
| **MARKET** | **STRATEGY** | **BUSINESS** | **PLANNING** | **PROGRAMS** | **READINESS** | **SUPPORT** |
| Competitive Landscape | Product Roadmap | Innovation | Requirements | Launch Plan | Sales Process | Presentations & Demos |
| Technology Assessment | | | Use Scenarios | Thought Leadership | Collateral | “Special Calls” |
| | | | Status Dashboard | Lead Generation | Sales Tools | Event Support |
| | | | | Referrals & References | Channel Training | Channel Support |

TACTICAL

## PROMOTION IS EASY TO UNDERSTAND, BUT HARD TO DO

Promotion, also known as sales-marketing promotion, is what most people in the general public mean when they talk about marketing.

Their mental model recalls Youtube pre-roll advertisements, “sponsored by” branding on cable TV movies, junk “snail mail” in their postal box, and so on.

In general, there are four main categories of promotion:

- *Advertising*
- *Public Relations*
- *Direct Demand Generation*
- *Direct Sales Support*

**Advertising** is any paid form of direct media coverage. Advertising includes print and broadcast advertisements in magazines and on TV. It also includes sponsorship fees for conferences or local charity events. And, of course, it includes the staple of Google’s and other search providers’ massive revenues – paid search results.

**Public relations** (or PR) is any unpaid form of direct media coverage. PR includes articles by newspapers and magazines written about your company or broadcasts by radio and TV stations about your new product. It also includes Facebook posts, Instagram photos, and tweets on Twitter about your company products and services by your fans or others.

**Direct Demand Generation** is direct appeals to targeted buyers. It includes emails sent directly to you by brands whose products you’ve bought, phone calls you receive from telemarketers, and those wonderful solicitations you receive every year in the mailbox from your college alma mater, enclosed with another year’s worth of personalized, return address mailing labels.

**Direct Sales Support** is promotional tools provided to sales people whose job it is to contact prospective buyers and close sales. Think “brochures, pens and pencils” with your laser-engraved company logo on them, and the like.

## MARKETING IS LIKE FISHING

What’s the most important thing you must decide when you wake up on a beautiful, sunny, early weekend morning and decide you’re in the mood to go fishing?

Is it the lake/stream you want to enjoy that day?

Is it the rod or tackle you need to take with you?

Is it the snacks or drinks you pack in the cooler?

Yes, all of those decisions are important, but they all hinge on a fundamental decision that must be made before all others, which is: "what kind of fish do you want to catch?"

Everything else (yes, right down to the beer selection!), hinges on that first, most essential decision.

And, likewise, as my colleague Laura Patterson of VisionEdge Marketing has so effectively reminded me and many other business professionals through the years: Marketing is like fishing.

Before you make any other decisions about marketing, you must decide – or better said, you must deeply understand – who your customer is…the person or persons making the decision to buy your product or service.



## WHAT IS THE DIFFERENCE BETWEEN MARKETING AND SALES?

Marketing gets the leads.

Sales closes the leads.

That's it.

The "getting" of the leads, i.e., prospective customers, is where there is a great combination of art and skill involved. Not only are there multiple categories of promotion to wield, as explained earlier, e.g., advertising or PR, but there are multiple levels of control over those categories.

Here's what I mean by control: In recent years, with the rise and popularity of social media, the "Paid-Earned-Owned" concept of promotion has taken hold. The concept is relatively straightforward.

Every company has some amount of promotional resources that it "owns." These resources range from the company's website to its office building(s) to the vehicles its employees drive.

The company has the **greatest amount of control** over these resources; hence, it has the greatest potential to deliver its key messages and the potential experience of its products or services to prospective customers via these owned channels.

At the other end of owned promotion is "**paid**." These are resources that third parties own – mobile ad networks, outdoor advertising companies, industry tradeshows – which your company can pay to use.

While paid promotion can easily be the most expensive, it can also be the most precise in targeting and reaching prospective customers, especially when your company is relatively new or small. And, while most paid promotional providers have some set of rules or specifications that must be met, you have the **next greatest amount of control** over these resources, after owned promotion, since YOU are the customer!

Last, but certainly not least, is "**earned**" promotion. Earned promotional channels are the "land of social media" – these are mostly digital resources, like Facebook, Instagram, Twitter, and Snapchat.

In earned resources, your company has the **least amount of control**. This may seem counter-intuitive, since you are the host, convener, and administrator. However, since the community of participants frequently shapes the content in earned promotions, they can launch or "take



control" of topics that may or, more likely, may not be what you planned.

What you get in return for this loss of control is something of potentially great value – <u>the most dedicated and often most profitable advocates</u> for your company. This is where a product or service's **brand ambassadors** emerge. Since earned promotion is a more personalized pathway for converting prospects into customers, it is most likely to produce your most loyal fans.

# SALES




## WHEN DO YOU STOP SELLING?

This is a trick question.

It's a trick, because the marketing-sales cycle should never stop. However, there are moments in the cycle that deserve a pause – a brief, punctuated moment of peace when you allow the buyer to feel satisfied that they have made their decision to purchase and that it was the right one.

When is that moment? While every situation is different, a good rule of thumb is it is immediately after the buyer says "yes."

Once they have said "yes," you should stop (or rather, pause) selling.

Continuing in "sales mode" can only risk doing more harm. Why? Any number of reasons.

You may accidentally introduce something you believe is appealing, but that is actually unappealing to them.

Or, you may appear overzealous, mildly annoying them to the point "second thinking" whether or not they want to deal with you again in the future.

Or...you get the idea. Just. Stop. Selling.

Instead, let them absorb the satisfaction of the sale. Affirm their decision. Capture the moment and close the deal. And – most importantly – book the revenue and collect the payment.

Do you never market or sell to them again? Of course not! In fact, buyers are frequently the best customers for most companies, for several reasons:

- *Once they are a customer, your cost to convert them to repeat a purchase is much less than the cost of acquiring a new customer for a first-time purchase*
- *They are far more likely to purchase additional products and services from you over time, many of which can frequently deliver higher gross margins, making them more profitable to you*
- *And, they can be a relatively inexpensive source of other prospective buyers who are their friends, family, and colleagues*

## KNOW YOUR PERCENTAGES WHEN NEGOTIATING

There are a number of great resources for negotiating strategies and tactics. If pressed for a single one, I still recommend the business classic **Getting to Yes**.



But, on top of textbook learning, experience has taught me the following rules of thumb:

100% - of the time: know what it is you want out of the negotiation before you go in.

99% - of negotiations is persistence. Don't give up. But, be prepared to walk away from the negotiation, if you are unable to achieve your objectives, ideally with the option to reconvene at another time and continue the process.

80% - of your attention should be active listening. Only 20% should be focused on talking about what you want from the negotiation.

50% - each party to a negotiation should be equally satisfied (or dissatisfied) with the outcome of the negotiation. A 50/50, win-win result is more of a perceptual, qualitative outcome than objectively quantifiable.

10% - of a successful negotiation is the technical correctness (the facts and figures) or superior authority (the moral justification or historical validity) of your position. The other 90% is understanding the other party. You can only gain this understanding through spending time together and building a relationship.

0% – the negotiation is complete when you get agreement in the meeting. Nothing is complete until you memorialize it and, **very importantly**, each party takes at least the first steps performing according to what was agreed.

That's why it is so important to immediately move into the execution phase of an agreement. The more time you allow between the moment when initial, verbal agreement is reached and when it is memorialized, the greater chance for it to unravel before implementation.

## ALWAYS CHANGE THE SALES PLAN

Nothing in sales is constant. Other, that is, than for the best sales people to never stop trying to get the most value for the least amount of effort.

That's not a criticism, by the way. Good salespeople work hard, deserve what they earn, and are committed to the success of both their customers and their employer.

But, good sales people are also the very best at learning how to meet their sales goals.

They know which products or services are the easiest to sell and what combination of results is required to maximize their financial and other sales incentives.



They know how long it will take them to reach their targets with a level of confidence and they are not shy about using that knowledge to time the close of a sale – especially when they have met quota – from one incentive period to the next, in order to give them a "running start."

That's why, when it comes to sales plans, nothing is sacred.

Your sales plan should change in order to meet the changes in the economic environment, the performance of your sales team, growth targets for the business, and many other factors.

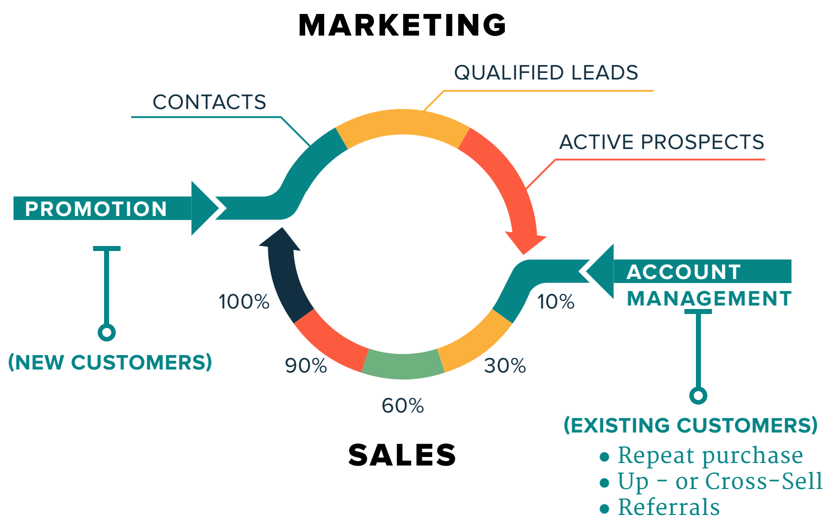
## THE MARKETING-SALES CYCLE: PROCESS, NOT LUCK OR BLACK MAGIC

Because so much of the Marketing-Sales Cycle depends on human emotions and relationships among people and brands, there is a tendency for some to think of marketing or sales success as the result of good luck, charming personality, or some other unpredictable, intangible gift.

But the truth is much simpler and far less exotic.

The Marketing-Sales Cycle can be modeled, planned, and executed with an increasing degree of precision over time, so that organizations can reasonably forecast what they can expect.

# MARKETING / SALES CYCLE




The figure illustrates a generic, summary Marketing-Sales Cycle that can be adapted as needed.

Just because it can be modeled doesn't make it easy. Nor does it mean that it should be off-limits from experimentation.

The opposite is true: good organizations continuously test every dimension of their Marketing-Sales Cycle.

# COMMUNICATIONS


## PROOFREAD

In the era of grammar and spellcheck, old fashioned proofreading by hand might seem out of step.

Ironically, spellcheck and the infamous autocorrect are exactly among the reasons why proofreading is more important than ever. If you want proof, just do an online search for “autocorrect fails.”

The ideal case is to have another person with good grammar skills read your document. When no one else is available, however, a good technique is to read the document in reverse.



This “reverse reading” technique forces your brain to look at the words and sentences in an unconventional way. It helps the brain to spot “assumed-but-missing” words and “spelling-substitution” mistakes, when a word is technically correct, but different than intended.

A perfect example of the latter is accidentally describing your new barber shop as a “pubic hair salon” rather than a “public hair salon.” Spell- and grammar-check consider the two options equally correct, but only one of them is intentional!

Of course, besides getting the content grammatically correct, the other reason for proofreading is to improve the meaning and efficiency of the copy.

When you are reading – start to finish – in proofread mode, you’ll find there are better ways to transition sentences, state meaning, and otherwise construct your thoughts.

Proofreading goes hand-in-glove with testing mass content before distributing. Examples of mass content are e-newsletters, direct email campaigns, and other mass-personalized communications.

It is **extremely important** to test and proofread these forms of communications before sending en masse. I generally prefer to test by sending a "live" version of the finished content to a small test group that includes me and a small number (3 to 5) of others.

Trust me: with testing, you can avoid a lot of embarrassment, wasted money, "unsubscribes," and dings to your brand equity.

## WRITE SMART

When you write anything in this age of Wikileaks, do it with the understanding that it could be front-page news tomorrow.

As long as you are willing to stand behind the substance of the item you wrote, then you have nothing to fear, no matter how critical, negative, or damaging it might be.

Unfortunately, texting and chat apps – with their expressive emoticons – have made it almost too easy to write something that has unintended consequences, when speaking would have been the better option.

Certain communications are still better done in person and verbally. Examples are



negative employee feedback, complaints about the quality of your agency's or contractor's work, or disagreements with your supervisor or teammates.

In person, the value of nonverbal communications becomes evident. Things like body language, tone of voice, the surroundings (for example, sitting on the same side of a desk) help keep the focus on a person's behavior or differences of opinion, not on them personally.

In the worst case, when you have to lay off or fire someone, or you have to discuss some other serious issue, for example, that has the potential for a harsh reaction, then the more verbal and less written you it is (as a practical matter) the better.

So, write smart, or don't write at all.

## ALWAYS TAKE A BACK-UP

Have you had a demo or presentation fail because something didn't work? Not yet, you say?

Trust me: you will. It's only a matter of time. It's the tech version of Murphy's Law…"Anything that can go wrong, will go wrong."

To mitigate the downside, the following are tactics I've adopted over the years, for presentation:

- *Put a copy of the presentation on a USB stick and carry it in your pocket or purse.*
- *Print a copy of the presentation and take it with you.*
- *Make sure that you have a copy on the USB stick of any online content you consider essential to the presentation – videos, website home pages, whatever…I've been in situations, too many to count, when something about the internet wasn't working right. If that awesome video you wanted to play was the linchpin to your sales pitch or keynote speech, then you better have it with you!*
- *Depending on what kind of connectors are available on our laptop, make sure to take an adapter that converts VGA (the little 4 over 5 pin connector) to USB or HDMI.*
- *Take the power cord for your laptop.*
- *Take an extension cord (and a 2-prong adapter for the wall socket) or a battery charger.*

Now, if this is the baseline of preparation for your typical presentations, just imagine the lengths that Steve Jobs went to prepare – the



person who many consider the greatest tech presenter of all time.

If you prepare for these kinds of contingencies, then inevitably you'll rarely encounter them – if ever!

## GO DEEP AND WIDE WITH RELATIONSHIPS

The cliché "it's not what you know, it's who" is especially true in entrepreneurship.

Just building "weak ties" networks, like casual connections on LinkedIn, won't cut it. To steel you through the challenges of a startup launch or pivotal cash crunch, you need much "stronger ties" networks.

This means investing time and care in building longer-term personal relationships. Don't just call people up when you need them. Investors, media, and CxOs of target customers are people, just like you – they all have friends & families, interests & hobbies, and enjoy a good lunch or cup of coffee.

The time to deepen these relationships is when you don't need them for any reason other than to renew the common bond you share in your personal interests, e.g., kids, favorite wines, or stock market picks.

At the same time you are deepening your core relationships, it's important that you be deliberate about going outside of your current network.

Too many times, I've seen first-time founders unintentionally insulate themselves by thinking that they have access to all they need, through their existing staff and mentor networks.

It's kind of like falling into the rut of always going to the same neighborhood eating places. After a while, you're not even seeing where others are eating.

Doing that causes you to miss the long lines of hungry people coming out of unfamiliar locations. So widen your network by being intentional, watching for the "long lines," and then following them to build new relationships!

# PEOPLE

## TRY, THEN HIRE

I never understood probationary periods of employment. I mean, yes, intellectually I understood there was value to have them, from the perspective of employment policies and procedures.



But, why would you go to all of the effort to hire someone, only to discover that they aren't a good fit in the first few weeks or days of working for you?!

I've had a great many outstanding hires over the years. But, I've also made some bad hires.

And, in every case, when I made a bad hire, it was because I hadn't had the opportunity to see the candidate in action, working in close proximity to me.

That's why I favor working with candidates on a consulting or contracting basis before offering them a job with the company.

In most situations, candidates are happy for the chance to show that they can do the job, so they are willing to come to an agreement on a project scope and fee that is reasonable.

Even if they ask for a slight premium, it's likely worth it to you for the chance to "try before you buy."

Make sure to agree on a project that provides a good test of future job expectations, to the extent you can, for things like quality of work, timeliness, communications, personnel interaction, and other span of responsibility or authority.

## WHEN YOU HIRE, HIRE FOR RESILIENCE MORE THAN SKILL

In addition to the book ***Influencer***, which I discussed in the Strategy section, my other favorite book on the subject of change is ***Managing at the Speed of Change*** by Daryl Conner.

In it, Conner concluded that the people who are most successful at coping with change are what he termed "resilient."

Resilience is something that can be increased, through learning, practice, and habit. The qualities of resilient people are that they are:

- *Positive;*
- *Proactive;*
- *Organized;*
- *Focused; and,*
- *Flexible.*

To those, I add the personal dimension of a moral code that I've found is a differentiator for resilient people. A moral code is represented by a person's allegiance to some system that guides them beyond themselves, whether it's



the pursuit of a higher level of consciousness, the belief in a higher power, or aspiring to a servant-leadership calling.

## ACCEPT CRITICISM

The ability to accept criticism is an absolutely fundamental quality for success.

Even better is creating an atmosphere where soliciting and encouraging criticism is a standard operating practice.

Criticism can be delivered in a manner that is clearly understood but yet avoids coming across as personal.

A technique I always appreciated for modeling this caring-but-critical culture was one that a mentor, Neal Kocurek, put into practice at the company he co-founded, Radian International.

Neal called the technique "muscle building." Just like the process of building your body's muscles by exercising to tear them down, then giving them time to recover stronger, Neal viewed the critique sessions of his managers as a form of organizational muscle building.

No leader or department was exempt. Everyone had to be the focus of a muscle building session.

When paired with other practices that clearly reinforce an egalitarian culture of "we are all in this together," this acceptance of critical input only makes organizations better prepared and stronger than their competitors.

## YOU CAN CHANGE ATTITUDES

There are those who believe that people's attitudes "are-what-they-are" and can't be changed.

Then, there are those, like me, that believe attitudes can be changed. I'm not claiming it's easy.

But, I'm a big believer in the proposition that we are products of the combined influences of nature and nurture. And, with the proper tweaking of both, a person's previously-held attitudes may be revised.

A simple model that under-girds the way I think about these nature and nurture influences, when put into action, is the one in the figure.

You *can* change attitudes!


**Attitudes** are reflected by the outward actions and personal remarks we express in a situation. Attitudes can be highly beneficial, when



positive, or incredibly toxic and destructive, when negative.

Attitudes are most often formed and reinforced by **Behaviors**. Call them habits, daily routines, spiritual or work practices...whatever.

Behaviors, in turn, are formed and reinforced by **Structures**. Call these the incentives, group norms, and other environmental factors, e.g., geographic location, architecture, apparel, and the like.

So, if you want to change the attitudes in an organization, take an intense look at how, when, and where to change the structures.

## FEEDBACK

Annual reviews are important, but they are insufficient on their own.

Give feedback **frequently**.

Some sort of routine for monthly, weekly, and even daily feedback is useful. It can be verbal as well as written. Tie it back to skills, expectations, and the company.

Give feedback **consistently**.

Every kind of feedback is important: negative, positive, and critical or open-ended, meaning neither good nor bad, but inviting discussion for improvement and/or change. Use specific examples; avoid generalities.

Give feedback **fairly**.

Don't just focus on giving feedback to 1 or 2 people. Give feedback to everyone on your team. And give it to your peers and supervisors. In most cases, they appreciate it and wish they got more.

Organizations with frequent, consistent, fair feedback have stronger teams and move faster. Make sure your organization is one of them.

## USE HR

Your Human Resources (HR) resource is an important resource to be consulted.

It doesn't matter if your HR is a person, a giant team, or a 3rd party service that you use on a fractional basis. Just have an HR resource.

Because, if you are like the majority of organizations of any size or industry, more than likely your people cost is one of your largest, if not THE largest, categories of expense.

In addition to consuming such a large portion of your planned operational expense, your people



are also the greatest source of unplanned expense, frequently in the form of legal costs.

There are two forms of legal costs that are most common:

1. *Employee actions; claims of wrongful termination, unlawful practices, etc.*
2. *3$^{rd}$ party actions; claims of mismanaged projects, faulty products, broken commitments, etc.*

Your HR team is an essential partner in helping you effectively and efficiently manage your people, as well as mitigate litigation or avoid it altogether.

A good HR team can provide advice in advance about terminations. It can help you design practices that protect you from having employment laws, which are appropriately weighted to protect workers, from being twisted against your company.

A good HR team can also help you ensure that you have a well-trained staff that is prepared and capable of building products and delivering projects according to spec.

A good HR team is a high-value business partner; use them early and often.

# MANAGEMENT


## ANYTHING MEASURED IMPROVES

As we all know, nothing about life is constant.

Opinions, ideas, trends, values, norms, fashions, memes...all of these are morphing, all the time, with the potential to introduce underlying changes in the assumptions upon which your company and its offerings are based.

That's why you want to approach the relationship with team members from your organization with the understanding that you intend to trust them, but that everyone and everything must be measured.

Measurement has many positives.

It requires transparency. In order for outputs to be measured, inputs must be known. Measurement discourages secrets.

It promotes individual and team commitment to processes.

It creates opportunities for learning.

It provides early warning indicators of potential problems as well as unexpected successes, both of which can help marshal immediate effort towards fixing (or, in the case of success, doubling-down on) the source triggering the indicators.

For these and many other reasons, make measurement an essential part of the DNA of your organization. Anything – and everything – measured, improves!

## HONESTY. DON'T FOOL YOURSELF

When you are passionate about what you are doing, it can be easy to think you have some special knowledge or advantage.

When you are promoting a new product or venture, for which you are strongly advocating, it can be even easier to begin believing the infallibility of your arguments.

Don't fool yourself. Encourage enthusiastic debate and ask others to be honest with you.

Rather than seeking to persuade at every point, take a moment to reflect upon what others say. Ask yourself why they are saying it. What do you know that they don't know, or vice versa?

Get honest input from multiple sources: advisors, employees, customers, mentors.

Many people, even those at the highest levels of success, like Microsoft Chairman Bill Gates and Google Chairman Eric Schmidt, use business coaches to provide them honest input.

The moment you start to discourage honest input, by disregarding every objection and countering every opposing view, is the moment you've begun to become more vulnerable.

Honesty isn't the best policy, it's the only policy.

## SLEEP ON IT

I try to give every important decision the benefit of at least one night sleep, before taking action.



Our brains are amazing processors. And, more than once, I know mine has churned up valuable considerations during sleep that I find illuminating to the decision at hand.

Of course, in addition to the actual, beneficial act of sleep, the passage of time provides other benefits.

Waiting until the next day gives you the chance to reflect on alternatives, test your decision by bounding it off of other trusted parties, and, finally, affirm with confidence that your decision is the right one.

Oh, and occasionally, more information comes to light during the evening about the situation you were needing to render a decision about – in fact, every once in a while, the situation even takes care of itself and goes away by morning.

## WORK QUICKLY

The one thing that is the same for everyone is the amount of time we have. Those that use it best are usually rewarded.

In most cases, this means that the party that is quicker is the one that has the better chance of succeeding.

There are cautions, however. An old Scottish saying - "more speed, less haste" - is instructive: high velocity is good; rushing about is bad. Taking unnecessary risks can be counterproductive, for example, "leaping before you look" or working yourself and team members into a frenzy.

The wasted time from false starts and poor coordination in such moments can actually slow the pace, rather than quicken it.

"If you think it's expensive to use a professional, wait until you hire an amateur" is another famed saying, this by the firefighter Red Adair, that is similarly instructive.

It's instructive because often, in the interest of cutting costs, it is tempting to hire inexperienced agencies or contractors. Or, for the same reason, hire them to do only a portion of the work necessary to get the job done.

In both situations, pace can suffer, because of the extra time required to recover from missteps or wait out delayed responses from time-constrained team members.

## DON'T LIE

One of the smartest businessmen I know is Bob Smith. Bob was the managing partner of the



PwC office when I moved to Austin more than 20 years ago. He later co-founded Bridgepoint Consulting, one of the most successful regional finance, accounting & IT consulting services firms in Texas.

Reflecting on a difficult client situation earlier in his career, Bob once said to me, in his understated, almost-folksy way, "you know Steve, I learned a long time ago to never lie...I'm just not smart enough to keep track of it all. The truth's just a whole lot easier to remember."

Self-deprecating humor aside, Bob's message is crystal clear: lying is the doorway to doom. More than ever, trust is the most valuable currency a person can have. And, if you are caught in a lie, then your currency is gone.

But (you may be thinking) shouldn't you highlight the parts of your company's story that put it in the best light? Of course!

In addition to highlighting the positives, it's entirely acceptable for you to answer "I don't know" to a question, rather than make up an answer.

Or, likewise, you may say, "we're a private company and our policy is to not answer that question" if there is information that is internal or that, for competitive or privacy reasons, you want to keep out of the public.

But, whatever you do, don't lie.

## WHEN YOU FAIL, DO MORE THAN LEARN FROM IT

You will fail.

You might fail small. You might fail big. But, if you're an entrepreneur, failure is inevitable.

A lot has been written about failure to provide encouragement about the benefits of taking risks and failing.

But, no matter what the benefits, failure still hurts. Just like when you were a kid and you scraped your knee falling off your first bicycle or skateboard.

Too often, the response to failure is to "learn from it." And, that's fine as a first step. But, learning shouldn't stop at remembering the conditions that triggered the failure.

More than learning, do something about it. Fully harness the experience to your advantage. Put preventive measures in place to avoid repeating the failure.



This can be difficult. For example, if you are reviewing the failure to win a big sale, the customer that chose your competitor's solution over yours may be reluctant to participate in an honest "loss review" with you.

Be persistent. Use third parties that are friendly to you to help you gather and give honest feedback. Dig deeper, beyond the symptoms of the failure to get to the root cause(s).

Then do something. Add new metrics and reporting. Counsel a person out. Turn your failure into a competitive advantage.

## ADVISORS INFORM, YOU DECIDE

Advisors are critically important to your success.

Ash Maurya says in his book ***Running Lean*** that "The right advisors can help you identify risks on the total plan and help you further refine and/or outright eliminate some models."

But, he goes on to say, "Be wary of the Advisor Paradox."

> *Hire advisors for good advice but don't follow it, apply it. – via Venture Hacks*

The key is to absorb your advisor feedback as data, not decisions. Use it as a means to help you identify and prioritize your venture's risks.

First-time founders (and confident advisors) can accidentally allow themselves to take the advice further, as absolute judgment or validation of a model or strategy.

Out of respect or inexperience, the founder may find themselves in a deferential position. This can get even more confusing when there is more than one advisor and there is a disagreement among them.

For these reasons, it's important to set the tone early. Select advisors who offer specific expertise or domain experience to the venture, as well as with whom you have a good fit.

Don't be shy about making sure they aren't pretenders. (See the Appendix for a list of questions from Guy Kawasaki to separate contenders from pretenders.)

## "THERE'S ONE MORE THING WE CAN TRY..."

Not long ago, I strolled over to the desk of a colleague, who has a stronger background in network and IT administration than me.

I was having trouble accessing a file on the network, due to some issue that I couldn't figure out how to overcome.



Since my colleague had supervisor rights to the network, he said he'd be happy to take a look at the file to help resolve the problem.

The first thing he did was unsuccessful in gaining me access to the file. So, after a moment, he said "there is one more thing we can try."

He proceeded to attempt a different means of accessing the file. When that didn't work, he thought another moment and then said "there is one more thing we can try."

You know what's coming.

After 14 more unsuccessful attempts, on the 17th attempt to access the file, he finally got it – success!

As I stood there - watching, listening - I couldn't help but think what a perfect model our little problem-solving exercise was for the larger canvas that is the entrepreneur's life.

Persistence, determination, the absolute refusal to quit, the choice to instead say "there is one more thing we can try" – these are the hallmarks of any successful entrepreneur.

# FINANCE




## PRESERVE CASH

After your time, the next scarcest resource is your cash.

In fact, when operating a business – especially a new venture – the quintessential challenge is to use as little time as possible to build and begin selling your minimally viable product (or service) before you run out of cash.

No matter how much cash you have, you'll always want more. So, the more ways that you can preserve your cash, the better off you are.

There are a thousand ways to preserve cash. Here are a few:

- *Bartering for services*
- *Borrowing, as in: "Hey, if you're not using that _____, may I borrow it for a while…?"*
- *Shopping at second-hand locations, e.g., Goodwill's computing center, through student & academic discount programs, etc.*
- *Using free apps, trial or evaluation copies of software tools, open source, royalty-free graphics/art/photos, public domain content, etc.*
- *Working from home offices or your garage*
- *Staying two-people-to-a-room when traveling*
- *And on and on…*

Imagine you're Mad Max, the Road Warrior. Cash is your fuel.

In order to get where you need to go, you'll need to use it. But, it's your job to preserve every drop of fuel until you need it – because when you do, it's got to get you all the way to the end of the road!

## ALWAYS HAVE A 2ND OPTION

When you are funding a project, a product, or a company – anything really – always have a $2^{nd}$ option.

Ideally, have a $3^{rd}$, $4^{th}$, $5^{th}$ or more options, for that matter!

But, at least have a $2^{nd}$ option.

A $2^{nd}$ option provides you leverage – whether it's real or perceived – in your negotiation process. It introduces the potential for scarcity of supply to the other party. ("Someone else might steal the deal from under us?!")

The more you can demonstrate demand from a 2nd option for your offering, i.e., your company or product, then the stronger your position will be to get a favorable value for it.



## KEEP YOUR JOB

It is extremely tempting to quit your job to pursue a startup full-time. The passion and enthusiasm grow so great that it becomes nearly all you can think about during the day.

You talk about it with your spouse or boy/girlfriend.

Everything you read seems to amplify the need for your idea.

Spare moments at work, between projects or at breaks become franticly filled with research or follow-ups tasks for your startup.

You dream about it.

But, the reality is that you probably have some number of financial responsibilities: an apartment, a mortgage, a family, or some combination of these, plus more.

And, no matter how much cash you preserve, startups cost money. So, the longer you can go keeping your current job to pursue your startup dreams on nights and weekends, the better off you are.

This is especially true for first-time founders and/or concepts that are new. Because no matter how exciting your vision and infectious your enthusiasm, you are at your least fundable when you lack a working prototype or repeat customers.

The only way to get those, in most situations, is for you and your co-founder(s) to do the initial funding yourselves. Your current job is your best, most immediate source of funding, besides whatever savings you may have.

While the amount of free cash available might be minimal, at least you've got some when you're employed!

There are other benefits to keeping your job, as well. Your current employer might turn out to be a good first customer or test subject.

And, worst case, if your startup runs into significant barriers or never gains customer traction, you'll have an income to support yourself while you re-group, do an honest assessment of what did & didn't work, and then look ahead to the next idea.

## LOOK FOR CAPITAL THAT IS HIDDEN IN PLAIN VIEW

A great deal has been written on the basics of new venture formation, product ideation, and start-up finance. However, one of the more



elusive areas is new venture funding, especially for first-time founders.

Most people know about the range of risk capital options for new ventures, running the continuum from earlier-stage Angel investors (Angels) to later stage, conventional Venture Capital firms (VCs).

In addition, a layer of seed-stage programs has dramatically grown over the past decade that includes Accelerators, Incubators, Hackathons, and other Pitch Events.

Generally, these are all publicly known, their models understood, and the process for participation well-documented.

But, there also exists a "dark web" of capital -- not unlike the vast "dark web" on the internet – that is less well-known. Some examples are Venture Builders, Affinity Groups, and Event-Based Investor Networks.

In some respects, I think of this dark web of capital as a being "hidden in plain view."

The phenomenon reminds me of the concept of the port-key in the ***Harry Potter*** series. In the books, a port-key was a common, every-day item, like a work boot, that when touched would transport you to an entirely different location.

Just like port-keys, dark sources of capital surround first-time founders, in and all around their community. However, without direct knowledge of it, the dark web of capital is largely unrecognized, because it is rarely discussed in the open.

The good news is, once you know how and where to look, it's quite possible that one of these sources may in fact be an even better fit for getting your new venture funded than the other better-known, conventional alternatives.

Here's a quick run-down of dark web capital categories, with examples.

**Venture builders** - also called tech studios, startup factories, or venture production studios, venture builders are organizations that build companies using their own ideas and resources. Venturebeat (www.venturebeat.com) did a nice job of profiling the category in January 2015, citing a handful of examples like Obvious Corp., which spun off Twitter and Medium.

Closer to home, some Austin examples are my own firm, Powershift Group (www.powershift.com),



the Source Spring (www.thesourcespring.com), and Thinktiv (www.thinktiv.com).

**Affinity groups** - these are groups that typically have a shared core, which might be an industry sector, a thematic ideal, or some other area for which they share a passion. They have characteristics of angel investor groups but are less formal and place more emphasis on relationship building among the participants.

Examples in Austin include what is affectionately known as "the real estate mafia" and the Conscious Capitalism (www.consciouscapitalism.org) dinner group.

**Event-based investor networks** - these are programs specifically organized for investors, often who travel from other regions or countries, that include a curated agenda and lots of time and space for deal-making.

A great example is the China-US Private Investment Summit (www.china-usinvest.com) held in Austin in late March/early April. Over 100 Chinese business men and women, each paying a registration fee of $25,000 to attend, come to do serious business; Chinese investment in the US will exceed $500B in 2015. Definitely a formidable capital source.

**Strategic partners** – better known, but still under-accessed are the corporate development groups for large firms, like Intel, Cisco, Qualcomm, and many others… even more common in Big Pharma, for new life sciences ventures.

These groups are using their funds as leverage to reduce their R&D expense and get early looks at technologies they may want to acquire (or neutralize). If you have a taste for "dancing with elephants" then a strategic partner investment could be ideal.

**Vendor partners** – many service provider vendors, like accounting & financial services firms, attorneys, contract design & dev shops, and benefits providers have fee deferral programs to assist cash-poor new ventures.

Increasingly, more of these firms are open to making debt & equity investments in their clients. Among the reasons is the age-old motivation to diversify and find ways to gain leverage above-and-beyond the fee-for-services model, which has limitations for scaling and profitability. An Austin example that has played the vendor-investor card well in the past is Chaotic Moon (www.chaoticmoon.com).



**Foundations** – once upon a time, Foundations were considered sources of capital for nonprofit and community initiatives only – no longer! Foundations like the Austin-based Michael & Susan Dell Foundation, or MSDF (www.msdf.org) and many others have evolved to a very mission-driven, solutions-oriented, evidence- & metrics-based world view, which means they are just as open to investments in for-profit ventures as they are non-profit.

Non-bank lenders – most first-time founders eschew traditional banks because of their collateral and other lending requirements. However, in many communities, there are lower-collateral/higher-risk, non-bank lenders – and, I'm not talking about the neighborhood loan shark.

A great example is Austin-based Peoplefund (www.peoplefund.org). Often overlooked because of their strong association with "small business" lending and finance, lenders like Peoplefund can be incredibly savvy partners, providing sizable financing and assistance that meets the seed funding needs of many new ventures.

There are many, many others sources of capital hidden in plain view. A few more examples include:

- *non-traditional syndicates, like Enable Impact* (www.enableimpact.com),
- *contests & challenges, like Xprize* (www.xprize.org)*, and*
- *global entrepreneurship networks, like the Aspen Institute's Network of Development Entrepreneurs, or ANDE* (www.aspeninstitute.org)

If nothing else, after reviewing this list, you have renewed hope with the knowledge that there is a whole universe of possible funding sources that exist for your venture, beyond the textbook ones. You just have to spend some time researching them or, if you will, locating the port-keys!

## ALWAYS BE PITCHING

The best founders are like the best salespeople. They are always pitching, but are so good at it, you don't even feel like you're being pitched, even if you know you are.

This is ***Blink*** territory, wherein the author Malcolm Gladwell speaks about the minimum requirement of 10,000 hours of practice to achieve a basic level of mastery over an area.



Need a safe place to work on your skills? Try (or start!) The 1 Million Cups (www.1millioncups.com) group in your community.

So, practice. Over-prepare. And, **never regret** missing an opportunity to pitch.

# APPENDIX

## QUESTIONS TO SEPARATE CONTENDERS FROM PRETENDERS

Guy Kawasaki is one of my startup heroes. It seems like he's been in the biz since before telegraph disrupted the pony express, yet he has the enthusiasm and looks of someone who is barely in his 30s.

I almost went to work for him during the dot-com boom, when I interviewed with Garage.com to take a role in Austin. I ended up going a different direction, but have always



enjoyed following Guy's speaking and writing, occasionally bumping into him at a conference or on social media.

The list of questions below, to help you judge the entrepreneurial basics of a prospective advisor, is a tiny part of his book ***The Art of the Start 2.0***.

1. What kind of corporation should we form? Answer you're looking for: "C corporation" assuming the goal is to create the next Google.
2. In what state should we incorporate? Answer you're looking for: "Delaware."
3. Do our investors have to be accredited investors? Answer you're looking for: "Yes." Answer that should scare you: "No."
4. Should two founders split the company right down the middle? Answer you're looking for: "No, you should allocate 25 percent to future employees and 35 percent to the first two rounds of investments. That leaves 40 percent for the founders to split amongst themselves."
5. Should we sell common or preferred stock to investors? Answer you're looking for: "Preferred." Should all employees, including founders, go through a vesting process?

Answer you're looking for: "Yes, everyone should vest because you don't want a founder to leave with a significant percentage of the company after a few months."

6. Should we pay consultants with stock options? Answer you're looking for: "No, stock options are for long-term employees, not short-term consultants. If you can't afford consultants, do the work yourself."
7. Can we get a bank loan to start our business? Answer you're looking for: assuming it's a tech business, "No." Tech businesses don't have liquid assets to use as collateral.
8. Should we use an investment bank, broker, or finder to raise seed capital? Answer you're looking for: "No, angel and venture-capital investors view early-stage entrepreneurs who use a banker, broker, or finder as clueless."
9. What do we need our revenue projections to look like in five years to attract investors? Answer you're looking for: "No investor will believe them anyway, but they should be as good as the closest comparable successful company that has already gone public." Also, you don't want money from investors who do believe your projections because they are clueless.



10. How long should our business plan be? Answer you're looking for: "You shouldn't write a business plan. You should get customers."
11. Is there someone else you would also recommend who could be a good advisor? Answer you're looking for: "Sure, my expertise is narrow, but let me come up with a list of other possibilities." Answer you're not looking for: "No, you don't need anyone else; I know everything you need to know."
12. Do you think we need a real CEO? Answer you're looking for: "Maybe, someday. But probably not right now. What you really need right now is a great product."
13. Should we use a headhunter to recruit people? Answer you're looking for: "No, at this stage, you don't have the money and can't afford to spend what little you have on headhunting fees."
14. What should we tell investors when they ask us for the valuation of the company? Answer you're looking for: "Find out what three or four investors think is fair, and then get more market traction to push it up." Wrong answers: "Price it high and negotiate down." "Price it low and negotiate up."

# AUTHOR BIOGRAPHY

Steve Guengerich is an experienced marketing and program management executive, a life-long entrepreneur, and an award-winning author.

He is the Managing Director of BroadBrush Ventures LLC, a Principal with Powershift Group, and a Co-founder of Appconomy, Inc. In addition, he is an Adjunct Professor at St. Edward's University and a Mentor with Capital Factory.

Guengerich is the author or producer of 10 books on information technology, business innovation, and new venture topics, including ***Client/Server Computing***, ***Rightsizing Information Systems***, and ***Building the Corporate Intranet***.

Guengerich is a 1998 recipient of the Austin Under 40 awards, alongside other celebrity Austin recipients from the inaugural year that included Dell founder Michael Dell and filmmaker/ producer Mike Judge.

He is the 2011 IT Community Leadership Award recipient by the Austin AITP/Austin IT Executives of the Year program. And, he is proudly a 2005 Dewey Winburne Community Service Award Finalist, by SXSW Interactive.

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