

The Way of the Entrepreneur

By Norman M. Goldfarb

Starting and growing a company or other organization can be the most challenging and rewarding experience of your life. However, new companies are fragile; you can make only so many mistakes without disabling or killing them. The following insights were learned the hard way. They do not all apply in all situations, but some of them probably apply in yours.

Management & Leadership

1. The best thing about starting a company is that you can create your own environment.
Define the culture and hire copacetic employees, or the environment will create itself.
2. Keep your head in the sky and your feet on the ground.
An exciting vision provides direction and inspiration, but somebody has to do the work.
3. Nobody ever caught a touchdown pass looking at the scoreboard.
Start a plausible business, take care of your customers, employees and vendors, make sensible business decisions, and the profits will come.
4. If you can't write it, you can't think it.
Develop your thinking through both writing and speaking. Speaking is a relatively forgiving communications medium. Writing exposes the gaps and contradictions in your argument.
5. Nobody works for the CEO.
Your job is to solve everybody else's problems.
6. Start-ups can absorb only so much leadership.
Let your people do their jobs. Startup CEOs should spend most of their time as individual contributors. Talk to customers; torture the product; train someone; ask questions; make yourself useful.
7. Soon enough, the customer becomes the visionary.
Once you have customers, simply ask them what they want. Of course, you have to listen carefully and winnow the good ideas from the bad.
8. Everything takes longer than it should.
Don't bet the business on "reasonable" schedules. Unrealistic deadlines can be deadly.
9. Learn to negotiate from weakness.
It's not you saying no; it's the facts, and there is nothing you can do about them.
10. Entrepreneurs are resourceful by definition.
If you can't find a way over, under or around, you are not an entrepreneur.

Marketing and Sales

11. Whatever you are is a strength.

Small companies offer personalized service. Big companies offer broad resources. Target potential customers that appreciate your strengths.

12. Be the customer.

Create a product that you completely understand from the customer's perspective and desperately wanted in your former life.

13. They're not customers until they buy something.

Nobody wants to tell you your baby is ugly, and they probably won't pay for its education.

14. Sell first; then build.

Once you know you can sell it, invest in development and production.

15. If you can't give your product away, you probably can't sell it.

Your initial sales objective is to find customers who will take the risk to use your product, give you feedback, and serve as references. Revenue is a secondary issue. This strategy works better with software than tractors.

16. Real entrepreneurs guarantee satisfaction.

A satisfaction guarantee communicates to your customers and employees that you are serious about customer satisfaction. It conveys strength and confidence. However, set expectations correctly. If you are sincere, you will be surprised how forgiving customers can be.

Finance

17. When in doubt, take the money.

If you are sure you can do better, go ahead and roll the dice.

18. If you want to raise money for a bicycle company, find investors who ride bicycles.

At least they will understand your product, a huge hurdle for other investors. If they get excited as a customer, it is a short step to investing.

19. Venture capitalists prefer to invest in the first company in large, fast-growing, well-established market with no competition.

Too bad those opportunities are long gone. How close can you get?

20. The last one in gets the best deal.

This rule is not always true, but if one final "yes" is the only thing holding things up, you can be surprisingly flexible.

21. Money makes you stupid.

A fat wallet lets you throw money at perceived problems without much thought. A skinny wallet makes you think through the problem to find the best solution, which may be free. In fact, there may be no problem at all.

Human Resources

22. All the hard problems are people problems.

Their nonsense is important to them. If you are not good with people, find someone who is.

23. You can train people; you can provide them with a productive work environment; but you can't fix them.

Hire carefully, give them a fair chance or three, and then give them the opportunity to find happiness elsewhere.

24. The perfect business has no employees.

Contractor relationships are much simpler than employee relationships. The more employees, the more training, the more supervision, the more meetings, etc.

25. Psychic dollars go a long way.

Impressive job titles, compliments, awards and personal attention attract, motivate and retain employees, especially if you can't afford cash. Even if you have the cash, keep spending those psychic dollars.

26. The leaks appear after the storm passes.

During a crisis, employees know you have bigger problems than them. After the crisis passes, they ask for raises, demand better equipment, complain about other employees, and generally start trouble.

General

27. Successful companies are all ugly on the inside.

If everything is going smoothly, you're not pushing hard enough.

28. Build first, then optimize.

It's a lot easier to understand and demonstrate a product that exists, even if it is only a cardboard mockup. However, a prototype is not the same as a first edition, so toss it out and make the minimal product your customers can use. Then make it better.

29. Start-ups are just one disaster after another.

In a small, fast-changing company, most problems look like disasters. Deal with them.

30. It can always get worse.

But, if you hang in there, it can get better too. Real entrepreneurs are persistent and resilient.

31. When God smiles, you may be on the right track.

If everything seems to be going right, enjoy yourself and keep going. If everything seems to be going wrong, there may be a deeper problem.

32. It's easy to create the illusion of a company, for awhile.

Cutting corners and overselling can fool some of the people some of the time, but eventually someone will notice and tell everyone else.

33. Build for your exit strategy.

If you want to go public, build a complete company. If you want to sell your business to another company, focus on the pieces they will want.

34. Reality always wins.

How long can you juggle smoke?

Author

Norman M. Goldfarb admits to starting 10 companies and four non-profit organizations. He is Managing Director of First Clinical Research LLC, a provider of clinical research best practices information, consulting and training services. Contact him at 1.650.465.0119 or ngoldfarb@firstclinical.com.