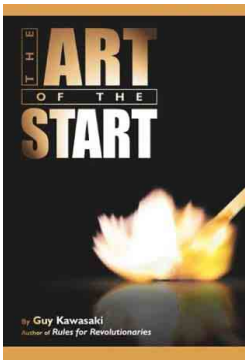

The Art of the Start

The Time-Tested, Battle-Hardened Guide for Anyone Starting Anything

by Guy Kawasaki

240 pages

Focus

- Leadership & Mgt.
- Strategy
- Sales & Marketing
- Corporate Finance
- Human Resources
- Technology & Production
- **Small Business**
- Economics & Politics
- Industries & Regions
- Career Development
- Personal Finance
- Concepts & Trends

Take-Aways

- Like religion, entrepreneurship is about "making meaning."
- Success does not necessarily depend on your ability to work long hours or your desire to get rich; instead, you must be a true believer, willing to proselytize.
- Short is beautiful: you need a "mantra," not a mission statement.
- A PowerPoint pitch should have ten slides in 30-point type and take 20 minutes.
- The usefulness of a business plan resides mostly in the process of creating it.
- Businesses with little capital must initially "manage for cash flow," not long-term profits, heretical as that sounds.
- Get your product to market at the earliest possible time, even if it is not perfected.
- Encourage "evangelists," pleased buyers who encourage others to adopt your product.
- "Suck down" to the employees who make purchasing decisions. These are not the top managers, but people with titles like "data base administrator III."
- Because people and organizations exist in a social context, entrepreneurs must be "mensches" – ethical, smart, solid citizens who produce beneficial products.

Rating (10 is best)

Overall	Applicability	Innovation	Style
8	**8**	**7**	**9**

Relevance

What You Will Learn

In this Abstract, you will learn 1) How to position and pitch a new business; 2) How to get the most benefit from branding and staffing; and 3) Why starting a business is akin to a spiritual undertaking, requiring belief in the project's worth and its benefit to society.

Recommendation

This is not a manual, but rather a collection of mostly useful tips for people who wish to start businesses, or even, as author Guy Kawasaki claims, other sorts of projects, including nonprofit organizations. Kawasaki may over-use business-babble such as "bootstrapping" or "rainmaking" (in fact, he recommends coming up with a brand name that can enter the language as a verb, such as Google or Xerox) – but his style is good-natured and humorous. The chapters are divided accessibly with subheads, charts, bullet points, "minichapters," answers to "Frequently Avoided Questions" and reading lists, making it easy to find important points. Many of Kawasaki's "exercises" are tongue-in-cheek, like, "Go to eBay and search for used Aeron chairs." He got his start working at Apple Computer, marketing early MacIntoshes, and he now runs a venture capital firm, Garage Technology Ventures. He refers to both frequently, and most of the book's examples come from these venues, not from inside knowledge of others start-ups, even though the author has been involved in several. This isn't the only book you'll need to read when you decide to start a business, but *getAbstract.com* finds that its iconoclastic pointers are useful and fun, and its sections on pitching, recruiting and branding, in particular, apply to businesses of any size.

Abstract

"The only thing worse than a paranoid entrepreneur is a paranoid entrepreneur who talks to his dog. There is much more to gain – feedback, connections, opened doors – by freely discussing your idea than there is to lose."

"If you fail, at least you failed doing something worthwhile."

The Arts of Entrepreneurship

The 11 entrepreneurial art forms are: "starting, positioning, pitching, writing a business plan, bootstrapping, recruiting, raising capital, partnering, branding, rainmaking and being a mensch."

1. "Starting"

Starting a business encompasses many activities and attitudes. Although entrepreneurship books tell you to think about how many hours you can work, how much money you need and whether you can handle "rejection after rejection," it's impossible to know these things in advance. If you're at all realistic, you will have many doubts and fears. Ask yourself one pivotal question: "Do I want to make *meaning*?" – in other words, are you doing this to make life better, easier or more equitable. Craft a "mantra," a three-to-five word "chant" that will inspire you and your team. For example, a mantra for an airline might be, "better than driving." A mantra, designed for internal use, is different from an ad "tagline," like Nike's "Just do it." Nike's mantra is "authentic athletic performance."

Once you articulate the meaning of your enterprise, creating business plans, financial projections or sales messages is procrastination. First, develop your product or service, and issue a prototype. You can't build a customer base – or start earning – unless people are using your product. Figuring out your "business model" – who your customers are, how to reach them, how to charge them – comes after you have a product to sell. Finally,

create a road map of "milestones," or key goals, of your "assumptions" and of the "tasks," or concrete jobs that lie ahead. Not all entrepreneurs strike out independently. Some "internal entrepreneurs" develop new products within existing firms; however, the skills and challenges are the same.

"Don't wait to develop the perfect product or service. Good enough is good enough."

2. Positioning

Positioning answers the question "What do you do?" Phrase your position statement positively, explaining what you are, rather than what you are not. Tell customers – in the most personal terms possible – what your product can do for them. Your position statement also tells your employees how their work, "makes the world a better place." It must be easy to understand, specific and targeted. It should help you find your niche, because the best way to grow is to start with a "beachhead," a small segment of the market that you serve well, and expand from there. Defining your niche does not limit your future – even Microsoft started small, with "a programming language called BASIC, for an operating system called CPM."

"The art of branding requires creating something contagious that infects people with enthusiasm, making it easy for them to try it, asking them for help in spreading the word, and building a community around it."

3. Pitching

Entrepreneurs need to "pitch" constantly to investors, customers, and potential partners or employees. These audiences have been subjected to innumerable pitches, so be short and to the point. Since you've established your position, include it in your pitch to explain what your company does. Do not waste time "warming up" your audience with anecdotes or jokes. A good pitch presentation for investors includes these 10 slides:

1. Title – Your name and contact information.
2. The problem – What issue did you develop your product or service to solve?
3. Solution – How does your product or service solve a problem?
4. Business model – This covers your costs, distribution channels and how you'll charge.
5. The product's special charm – Explain what makes your offering unique.
6. Marketing and sales strategy – How you will reach customers for a reasonable cost.
7. Competition – A realistic assessment of the marketplace you are entering.
8. Management team – Outline their backgrounds and skills.
9. Financial projections – Include other pertinent fiscal information.
10. Current status, next steps – How you will use any money you raise.

"Positioning really comes down to nothing more than answering that one simple question: 'What do you do?'"

Pitches to prospective clients or partners are similar. If possible, include a product demonstration. Prepare exhaustively for any pitch by researching your audience, practicing and arranging for backup equipment in case of any technical glitches.

4. Business Plan

Former president Dwight Eisenhower said, "In preparing for battle I have always found that plans are useless, but planning is indispensable." Similarly, the process itself is the reason to write a business plan (and, of course, investors believe they need to see one). This process "forces the founding team to work together." Your pitch should not come from your business plan; instead, perfect your pitch and use it as the outline for your plan. The crucial part of your plan (maximum 20 pages) is the initial, four-paragraph "executive summary," which tells potential investors about "the problem you solve, how you solve it, your business model and the underlying magic of your product or service." Include financial projections and other key statistics, such as the number of potential users of your product.

"I've never heard a pitch that was too short."

"Like the Holy Grail, the business plan remains largely unattainable and mythological."

Explaining the assumptions behind your statistics matters more than the actual numbers, which are rarely accurate. Make your plan sound as if your strategy is "deliberate," based on analysis and projections. However, successful businesses are "emergent," always responding to unforeseen developments and new realities, instead of rigidly adhering to a plan.

5. "Bootstrapping"

This means expanding your business in the absence of capital investment, which may require shortening the time between selling and getting paid. You may even need to pass up sales that don't pay immediately. To keep your overhead low, forget fancy offices and top-name accounting firms, hold off creditors and hire staffers who are smart and energetic even if they lack experience. Use realistic sales projections from the "bottom up," not the "top down." A "top down" projection looks at the total population, estimates the percentage of potential customers and then the percentage you hope to capture. Using a large population, you can always make it look like you'll sell a huge number of units. Instead, begin from the bottom, with the number of salespeople you have, the number of calls they can make and the percentage of those prospects who will buy.

"Organizations are successful because of good implementation, not good business plans."

Other bootstrapping tactics include using consultants to introduce customers to your product; outsourcing as many supplies and services as possible to focus on what you do uniquely and well; selling directly to customers rather than through a distributor; and "positioning against the leader." This means using your competition's brand to promote yours, like the Avis rental car slogan, "We try harder," which compares the firm to Hertz, the industry leader.

6. Recruiting

Steve Jobs has a saying, "A players hire A players; B players hire C players; and C players hire D players." In other words, good people are not threatened by employees who are as good or better than they are, but mediocre people are. Hire people with skills that equal or surpass yours. Beware that poor hiring can spread incompetence quickly throughout a company. Like you, your hires must be true believers – faith in the company is even more important than experience.

"There are few tasks that face an entrepreneur that are more enjoyable than recruiting employees to a hot start-up."

Using intuition in hiring is tricky. Your likes and dislikes are important; don't hire someone you would avoid in a shopping mall. Yet, "intuition is often wrong" – your impulse not to hire someone with demonstrated competence and interest may stem from a faulty hiring process. To avoid hiring mistakes, prepare specific interview questions in advance and do not deviate from that script. Take notes, since your recollection of each candidate may become clouded after numerous interviews. Check references early in the process to weed out unsuitable candidates. A reference that is not stellar is, in fact, negative – legally, a manager must not give a reference that will curtail someone's employability.

7. Finding Investors

"If you don't terminate people who aren't working out, you increase the probability of having to lay off people who are."

Rather than focusing on getting investors, focus on building a good business. That is the minimum requirement for finding investors – although it isn't a guarantee. Having references will help when you approach investors. Once you get your foot in the door, demonstrate that you have a good product or service. If you have any legal problem or organizational weakness, fix it or disclose it at the outset. Paint a realistic picture of the competition and what you can do that your competitors cannot do. Make all your interactions with potential investors like your sales pitch: short, easy to understand, comprehensive and honest.

8. Partnerships

A partnership should benefit and enhance both parties. But too often, companies form partnerships without sound business reasons. Successful partnering requires defining "deliverables" and "milestones" – what each partner will do and when. If you can't list specifics, the partnership is probably not viable. Make sure your corporate cultures are compatible and that the people in the middle, not just the CEOs, are receptive. Build a partnership that has "internal champions" in both companies. After socializing, bring in lawyers and draw up contracts. Make sure yours includes an exit clause.

"Every person and organization exists in the larger context of society. Doing things that benefit you and your organization to the detriment of the rest of society doesn't scale."

9. Branding

Products with distinctive brands seem attractive and unique. Customers talk them up and enjoy feeling part of a community of users. Take advantage of such "evangelists." Give them tasks and the means to help you. For example, Bose, a provider of quality radios, loudspeakers and music systems, includes "courtesy cards" with its noise-canceling headphones. The card explains the product and tells customers' friends where to buy it. Use premiums, such as T-shirts, to reward your evangelists, create community and advertise your product. To publicize your brand, be nice to reporters. Provide comments when asked, even for articles that are not about you. Send press releases only to relevant people and be honest, even when you have to admit mistakes.

10. Rainmaking

Some companies are unhappy when they discover that customers are using their products in ways other than originally intended. Just follow the market. Observe who uses your product and how – your customers will "tell" you how to sell to them. Traditional methods like advertising and direct mail are effective, but may be too expensive for many start-ups. Cheaper, but still powerful, ways of reaching prospective customers include "conducting small-scale seminars to introduce the product," as well as "giving speeches, getting published, networking…and participating in industry organizations."

"If you ever want to understand what God thinks of money, look at who He gives it to."

You will find that CEOs don't make purchasing decisions. Instead, the "reference account… the big, prestigious account that provides wheelbarrows of money plus credibility" is often controlled by mid-level "key influencers." To find the "key influencer" in a particular company, you'll probably have to *schmooze* — that is, socialize warmly – with the receptionists, clerks and aides. Their titles may not be impressive, but they hold a lot of decision-making power. Landing big accounts is difficult, because such companies succeed by doing what they have always done; they may not want to change or to try new products. To achieve sales, listen to your prospects' comments and questions, allow them to sample or "test drive" your product, and make it possible for them to adopt your product in stages.

11. Being a Good Person, or a "Mensch"

"Mensch" is Yiddish for "a good person." Since you start a business because you believe it will improve the world in some way, success includes "helping lots of people, doing what's right and paying back society" – whether or not such good acts are profitable or easy.

About The Author

Guy Kawasaki got his start in marketing at Apple Computer and went on to found several high tech businesses. He currently runs the venture capital firm Garage Technology Ventures. He is the author of seven books including *Rules for Revolutionaries* and *How to Drive Your Competition Crazy*. He also writes a column for *Forbes* magazine.