

THE NEW GOLDRUSH

A Quick Guide to Startups

DOMINIC TARN



Foreword: CEO of Buffer, Joel Gascoigne

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Foreword by Joel Gascoigne

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The New Goldrush: A Quick Guide to Startups

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Dedicated to the memory of my mother,

Christine Tarn, with all my love.

(17.07.1960 - 07.03.2014)

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I am grateful to Paul Smith, who set this in motion by giving me access to the Ignite100 Accelerator in Newcastle upon Tyne, England.

I have also had the privilege of working with several startup founders and executives during the last three years, all of which have shaped my experiences. I must therefore thank Andy Stephenson - CEO of Weekend Box Club, Ross Linnett - CEO of Recite Me, Peter Chang - CEO of GoPixel, Christine Bird - Co-founder of Plum.

Working with dozens of startups and being involved in several communities around the world; I have met some great people, and this book is a result of their support.

A lot of personal experience went into the creation of this book. But that pales in comparison to the collection of experiences of those who have contributed through interviews and articles I have sourced in the creation of this humble testament to their efforts and hard learned lessons.

I also have to thank Katlin Sandvik for the cover design, Liz Hardy for her invaluable early input, and all the hard work of my long-suffering, dedicated friend, Douglas Ackerman. I am also forever grateful for the support and encouragement I received from Jenny Howe. Her meticulous care ensured this, my first book, emerged out of the darkness and into the light.

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Last but not least, without the love and support of my family and friends this book would not have happened.

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Preface to the Revised Edition

This revised edition of *The New Goldrush* is a completely different animal to the first version, originally published as a Kindle eBook on Amazon in February 2014, after two long years in the making.

During those two years this book was my life raft. Researching it, writing it and countless edits gave me a singular clear goal, a purpose behind all the other work I did during that period. During those same two years we - my family - were fighting cancer. My mother, Christine Tarn, had been diagnosed with cancer a couple months after I started gathering the material for this book. Only weeks after the first edition was published she sadly passed away.

I was relieved I finished the first version in time to show her when she was still with us. By that point all she could do was smile and give me two thumbs up, which was all the praise I needed.

Nothing can prepare you for the experience of losing a loved one, especially a parent. Under such circumstances it was foolish of me to think that life would go on as normal. It didn't. I moved back home, to the Tees Valley, receiving a friendly welcome in Digital House, a new startup community space in the region.

During this time of recuperation I decided the book I had worked so long and hard on could be better. In the language of startups; that first edition was my beta. It was a learning experience.

Learning is what Startups are all about. From that experience I found that I wanted the readers to have more information, more up to date facts and figures, more that they/you can take away and put into practice. I hope, with this revised edition, I have accomplished that aim.

Dominic Tarn

Saturday 18 April, 2015, Stockton on Tees, England.

Foreword: Joel Gascoigne, CEO of Buffer

In 2010 I created Buffer, a social media management tool. Businesses and individuals use Buffer to make sharing content on social media easier to manage.

Now we have 2.3 million users, who've shared over 326 million social media updates since we launched.

I began my startup journey not really expecting Buffer to turn into a company. It started, like most things, just as a passing thought: *How could people Tweet the recommended five times a day, in a smarter way than during the average 20 minute break?* I figured, since this was a problem I was having, maybe others were having it too.

My aim was to create a useful tool to solve this problem. I could not get it out of my head, and other services did not offer what I wanted. The only solution was to build it myself.

Having tried and failed with a previous startup – an experience I learned a great deal from - I was determined to do things differently. I started by validating my idea – getting feedback from potential users on features and pricing options. Customer's needs are what I built Buffer around, and it's why we continue to develop new features, like Feeds, which allows users to share content from their favourite websites within Buffer. Making it easier for people to publish updates on social networks.

At the time I was starting to build this there was a 'Startup Sprint' taking place, which got quite a few people excited on *Hacker News*. I was determined to get Buffer ready in time to announce the launch of my Minimum Viable Product (MVP) at the end of the Sprint. I figured it was a great way to get a few early adopters to use it, or tell me it was rubbish. Either way, getting a rough version ready is the only way to find out if something is worth pursuing.

I built it during evenings and weekends. It took me seven weeks. It wasn't perfect, but it worked.

Four days after launching I had my first paying customer. Someone paying for something you have created is a fantastic feeling. In the first month there were 100 sign-ups and another three paying customers. It wasn't much, but it was a start.

It became obvious that although Buffer's service would not be to everyone's tastes, there were enough people willing to pay for it.

I'm a fan of this quote by US President Theodore Roosevelt: 'Do what you can, with what you have, where you are.' To me, that means accepting and acknowledging whatever practical limitations are restricting you at any one time. I was fortunate in two ways: I had a product people were using and paying for, and I had various restrictions. Restrictions are necessary, in my view, to generate forward momentum.

I had no funding. I could only grow using revenue. The only money I had to put into Buffer was out of my own pocket from my day job. All we had was a Web application and Chrome browser extension. At this point users could only post to Twitter.

For anyone currently building their first startup product, I suggest keeping your wish list of features short. Validation is crucial. Feedback essential. Paying customers, in the early days, are just the icing on the cake.

Working with my Co-founder, Leo Widrich, we kept building and bringing in customers. Blogging proved hugely important at this stage. Over the course of six months using content marketing – during which Leo tirelessly wrote over 150 guest blogs - we generated enough revenue for us both to work full time on Buffer.

Everything happened for us in 2011. Following our initial validation we dropped everything and went to San Francisco.

We turned bootstrapping into an art form, couch surfing whilst coding, even taking bread with us from one Airbnb apartment so we could eat the next day. It was a year when we both found that we had to make ourselves very uncomfortable at times, in order to make this work.

We had to network like crazy, since we didn't know anyone. That paid off, since many of those we met ended up helping us in some way, and some even invested in Buffer.

I admit that we were fortunate. We were also persistent. Off the boat we had a product and some traction, but in no way were we investable. The people we met changed that. Investment enabled us to build a better product, iterate quicker, hire a team, and accelerate our growth. We had come a long way from surviving on bread and Airbnb couch surfing. It was the end of the beginning and the start of an exciting

new chapter when TechCrunch announced our \$450,000 seed round in December 2011.

As Dominic mentions later in this book – company culture is incredibly important. It is essential for us that this early culture that evolved from our founding is carried throughout the growing company. Our culture and brand values have stayed consistently one and the same, and we have worked hard to keep it that way.

Fast forward to the present day: we raised an additional \$3.5 million in 2014, our customer-base has increased from a few hundred to over 36,000, we are a team of 30 working remotely (and we're still hiring!), we have iOS and Android apps, we have money in the bank, and we are currently generating \$5.5 million in annual revenues.¹

It would be impossible, in the space of this foreword, to cover all the lessons I've learned from my experiences. There's literally too many and they're not just mine. My whole team have learned a lot.

Not only that, but I would be the first to tell you, which I know the author agrees with; as an entrepreneur, you never stop learning. The only mindset you should approach anything with is: I don't know, *but I'm going to find out*.

I have only known Dominic a short time, but I know he has been actively involved in the global startup community for over three years. He has a wealth of knowledge in all areas of the startup world – he could have written about any number of topics – but I am pleased he has focused on one of the biggest challenges for first-time entrepreneurs: getting started, which is the hardest step, for everyone.

The New Goldrush consists of the authors personal experiences, interwoven with thousands of hours of research, over a dozen first hand case studies and interviews, which includes over 200 resources, from the likes of Mark Cuban, Paul Graham, Sean Parker, and many others. This revised edition comes with even more information, more useful advice, more case studies, more interviews and has already been described as recommended reading in reviews.

Since founding Buffer I went through all the stages described in these pages - idea to product, product to company, accelerators, mentors, fundraising, hiring, firing, growth, sales, marketing, managing the unexpected, and even failure.

¹ Buffer has taken radical transparency to new heights with the Buffer Revenue Dashboard, where anyone can see all of their metrics in real-time: <https://buffer.baremetrics.com/dashboard>

I offered to write this Foreword because I agree with the authors hope that if this book helps a few more people start to live their dreams, I would consider my contribution a good day's work.

There is no 'typical' startup experience. However there are many common factors, and a lot you can learn from others. During my own startup journey I continue to find the advice of others, those who have experienced similar challenges, valuable when faced with hard choices, difficult decisions, or when I just need a sounding board for ideas. Buffer would not be what it is without the guidance of others who have been there and done that.

I hope after you have read *The New Goldrush* you are armed with enough knowledge to walk a bit further down your own startup journey, whether that means launching your own, or working for one. There really is no experience like it. Best of luck!

Joel Gascoigne, Founder & CEO of Buffer.

Saturday 14 March, 2015, San Francisco, California.

Author's Note

The New Goldrush is the result of over two years' worth of research, analysis and experience in the international startup community. The result is this revised edition of a book, which I am putting out into the world as a practical guide for anyone wanting to launch their own startup, or work for one. Since the challenges faced by founders and early employees are very similar it is worth covering topics which apply to both in a single book.

Before proceeding, let's clarify what, exactly, a startup is? Who better to ask than three leading minds in the startup community?

Eric Ries, best-selling author of *The Lean Startup* describes startups as 'a human institution designed to deliver a new product or service under conditions of extreme uncertainty.'

Paul Graham, formerly President of Y Combinator, the world's leading startup accelerator (Airbnb, Dropbox, reddit are amongst YC alumni), defines startups as 'a company designed to grow fast.'

Steve Blank, serial entrepreneur, investor, academic and founder of the movement that Ries made popular defines a startup as 'an organisation formed to search for a repeatable and scalable business model.'

A company is a human institution, which needs recurring revenue in order to grow and generate profits, which comes from the consistent delivery of products or services which customers pay for. Figuring out how to generate revenue from a new product or service is the role startup founders play in our economy.

It is not so long ago that I found myself in the same position as you are now, looking to get into the startup community, but not knowing the best way forward. At the time I couldn't find a single collection of resources which would help, so I did what I could, picking up advice as I went along.

I was in a similar situation to Joel Gascoigne, who said in his Foreword that since he couldn't find what he needed, he went ahead and created it. The result is this revised edition of *The New Goldrush*, which is the book I would have found useful when I started down this particular road. Whether you are a graduate, student, dissatisfied

young professional or someone looking to start over, use this as your go-to guide to the mysteries, delights and hazards of entrepreneurship.

There And Back Again

My story starts over five years ago, when I had a vague notion that I wanted to start my own business, or work for an entrepreneur. Vague being the operative word. I didn't have a clue, really.

I was in the midst of picking myself up off the mat from the charred ruins of a love gone wrong, which culminated in an abandoned attempt to emigrate to Canada. I dusted myself down, finished my stalled History degree and got a customer service job in a call centre. This vague attraction towards entrepreneurship didn't disappear. Instead it evolved into a course of action.

I picked up experience where I could, utilising my skills as a blogger to get an unpaid internship with a small web development firm.

My interest in startups increased leading me to blog about my experiences, which got noticed by TechLi, a Chicago-based tech media outlet. They asked me to be their first European Columnist. Another unpaid position, however it was a valuable introduction to the British startup scene.

An article I wrote for TechLi caught the attention of an education startup, where I was asked to join as a Co-founder at what is called the 'sweat equity' level (a.k.a. lots of work for no money, unless things go well). I was brought onboard to spearhead a desperate resuscitation attempt which ultimately failed.

In the space of a few short months I had taken a crash course through the various stages of startup life, from birth – or in my case a re-birth to death. It ended after meeting with a potential angel investor, who had made millions from a management buyout of his own IT firm, of which he is now the CEO with over 140 staff.

I met him for coffee one day and without meaning to, pitched him the startup I was working on. He just wanted an update. I gave him one.

The following week I was in his boardroom with my Co-founder, asking for a wildly unrealistic investment of £125,000 (about \$203,000), praying for an exit route from

the call centre I still worked at. At the end of the meeting he was still interested, despite what seemed like carefully cultivated indifference. He would invest, if we could get Venture Capitalists onboard as well.

The VC's and a hastily prepared cash-flow forecast squashed that dream. What I later learned about investment made it obvious as to why we weren't a viable candidate to get funding. Most startup deaths are tragedies, this was a mercy killing.

This eventful beginning to my startup career breathed new life into my personal resolution to explore the industry further. My time in a corporate cubicle however, was over. Fed up, and wanting to avoid getting fired, I preemptively quit. It was a Thursday. My last shift was that Saturday. I felt relieved when I bounded down the stairs, two at a time, as I left behind a life that just wasn't for me.

At. Long. Last!

But now what?

Unfortunately, when you quit the grind to live the dream, the world doesn't offer you a brief hiatus. Bills still needed paying.

Luckily, I found work as a freelance copywriter in a matter of days. I was finally writing for a living. I had been writing for over seven years for fun, but now I was getting paid for it! The lessons I learned from my father about doing something I loved for a career had finally started making sense. A lot of the practical lessons, about how to *actually* run a business, I got from my mother - they took longer to figure out, but life is much easier now that side of things is organised. Suffice to say, with me no longer stuck in that call centre, my parents were delighted, but it wasn't a happy ending exactly. It would have been great, but I was working for the wrong sort of client.

Lesson One: Do what you love, with the caveat being - for the right kind of client, whether self-employed or running a well-staffed business.

Surely any client that pays the bills is great, right?

Not so much.

Business is never *just business*; in reality it's about people. It is about giving people what they want and getting what you want in return. It helps and is in fact often necessary to like those you do business with on some level.

While I was busy hunting for new clients, the one I had had lost their main contract. I was once again out of work.

Lesson Two: Never put all your eggs in one basket

My options were unemployment, or a return to customer service, if that was even possible. So I fired off an email to the CEO of a software startup I had met thanks to that angel investor who had taken a momentary interest in my career. Did he want a content marketing strategy? Basically blogging for businesses.

Soon after that chance email I was managing his entire marketing strategy, on staff for them and another venture-backed startup. Building on this, I set up a marketing agency so I could work with a wide range of high-growth clients, which also failed.

Some startups, like some relationships, simply aren't meant to be. We - me and my two Co-founders - called it Starticulate. We got some investment, I quit one of my marketing jobs, put my Co-founder on payroll, with the hope of us all being full time in three to six months. Once we had enough revenue. Want to make God laugh?

Share with him your well thought out plans.

Three to six months later, struggling under the weight of debt funding which was keeping us alive and with the terminal reoccurrence of my mother's cancer, my plans seemed terribly naive. Clients weren't happy, my colleagues weren't and I sure as hell wasn't.

I called time on Starticulate in January 2014, after securing new employment for my team. It is a testament to how much I learned that I can now write openly about these experiences.

It was an invaluable series of lessons.

The most important lesson is to do what you love. I had come full circle. Gone there and back again. Writing is my main passion, more a vocation than a career.

It has been consistently essential to my career for the past three years and an important part of my life for nearly a decade. For the past year I've worked as a freelance content crafter, for startups, small businesses and agencies.

I'm now taking the lessons from the failure of Starticulte and my passion for writing to build a new creative agency, House of Content.

Just three years ago I was an underemployed graduate living at home, working for minimum wage at a call centre. An all too familiar story for many millennial graduates.

Three years later, I'm doing what I love, for the right sort of clients, earning what I want, with the freedom to live and work anywhere. I wrote *The New Goldrush* with the hope that a few more people will gain the confidence and knowledge to go ahead and do the same for themselves.

Introduction

What does it really mean to be an entrepreneur? Does it mean you should aspire to be the next Mark Zuckerberg, founder of the Next Next Big Thing, Inc?

Or rather, look at that question another way: what does being an entrepreneur mean to you? Becoming a millionaire after selling your startup to a big player with deep pockets? Disrupting whole sectors and industries with some new game changing technology? Creating cool new products or services? Making a difference on a global scale? It can mean all of those things and so much more.

You might have seen Aaron Sorkin's depiction of the early days of Facebook in the popular movie *The Social Network*, which paints an interesting picture of entrepreneurs in the Internet age. Sorkin is a serious screenwriter dealing with a big subject, adapted to what a movie going audience expects - drama, intrigue, and the lonely, difficult journey of the self-made man.²

In many respects he accurately portrays startup culture. However in many ways the image he creates is miles apart from reality. The same can be said of the HBO series, *Silicon Valley*, which takes a more comedic view on the startup community.

Compared to the real origins of Facebook, currently used by 1.3 billion people, how accurate is the film's portrayal of startup life?

Facebook was founded in 2004, in a Harvard dorm with a little seed money and a small group of supporters. A wealth of input from experienced mentors including Sean Parker of Napster and Donald Graham, then chairman of *The Washington Post*. The drama of law suits and co-founder disputes. Then eventually the serious Venture Capitalists; Accel Partners, Greylock Partners, Founders Fund, Microsoft and more put some serious money behind them, paving the way for unprecedented global expansion and an eventual IPO.³

² He is also the writer of *The West Wing* (1999-2006), *The Newsroom* (2012 - current), and movies such as *Charlie Wilson's War* (2007) and *Moneyball* (2011).

³ IPO: Initial Public Offering - when a company sells shares on the stock market. This is one way founders, like Zuckerberg, earn real wealth from their ideas and is a viable route for entrepreneurs to 'exit' their startup and start afresh with a new idea, or become investors.

Fast forward a few years and Facebook is a public company now worth around \$195 billion, whose original investors and Co-founders are billionaires.⁴ They are even building a community just for staff in Menlo Park, California, to the tune of \$120 million.

Facebook is one of those once in a generation, gravity defying companies. They are classed as a rare 'super unicorn' - having exceeded a \$100 billion dollar valuation, according to venture capital data about technology investment trends during the past decade.⁵ Zuckerberg himself is now sitting on an estimated net worth of \$33 billion.⁶ The film is relevant to Facebook, but how about an example that is a bit more relatable for aspiring entrepreneurs?

Instagram & Other Inspiring Startup Superstars

Within 18 months Instagram CEO Kevin Systrom and his Co-founder Mike Krieger had taken an idea - a location based check-in app called Burbn (like Foursquare), which had few users, and turned it into one of the hottest new apps on the planet.

They started with a small amount of funding (\$250,000) which based on its growing success, snowballed into \$50 million worth of investment. More than 200 million people worldwide now use Instagram, sharing 60 million images per day.⁷

Viral growth is rare, but when it happens everyone sits up and takes note. Flappy Bird, a game developed by Dong Nguyen in Vietnam in 2013 and Yo a messaging app created by Or Arbel in 2014 are two other examples of ideas which, accidentally or not, cracked growths secret code.

Instagram's wild ride started with their immediate popularity on launch day 6th October 2010, when 25,000 people signed up, in a single day. This put them on an exponential growth path, culminating in Instagram's sale to Facebook for \$1.13

⁴ Facebook market capitalisation, a strong indication of the overall value of the company, is based on the share price as traded on the Nasdaq (at time of writing, August 2014: \$75): <http://www.nasdaq.com/symbol/fb>

⁵ Aileen Lee, "Welcome To The Unicorn Club: Learning From Billion-Dollar Startups," 2 Nov. 2013, TechCrunch: <http://techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/>

⁶ Forbes: <http://www.forbes.com/profile/mark-zuckerberg/>

⁷ Instagram statistics, Press page: <http://instagram.com/press/>

billion, in April 2012, in a deal that was done in less than 48 hours, less than two years after they launched.

Zuckerberg made Systrom and his team one of those rare headline-grabbing rags to riches stories.

Dreaming of this MVP to exit journey is what keeps startup founders and employees working late, through weekends; it is what makes them go without sleep or social lives, and at times, salaries. Everyone wants the team, the product, the investors and the growth trajectory which will see them soon living their wildest dreams.

Even those who dare to dream, however, were shocked by the largest purchase in history of a company with venture capital funding, which happened on 19 February 2014, when Facebook acquired WhatsApp, a popular messaging app, for \$19 billion. The deal included \$4 billion cash, \$12 billion in Facebook shares, and a further \$3 billion in restricted shares, given to the team and founders, Jan Koum and Brian Acton.⁸ There is seemingly no limits in the Internet age of innovation; the very act of reaching for the impossible is what startups are all about.

The Macro-Metrics of Startups

Google for Entrepreneurs states that there are approximately 400 million people building 69 million startups across 54 countries.⁹ There's big money being made (the Tumblr sale to Yahoo for \$1.1 billion is another example) and huge amounts are being invested.

The first goldrush started in 1849 in California (there have been others, in New Zealand and South Africa) but as the largest it is estimated to have resulted in \$60 billion worth of gold being extracted in the first forty years since it was discovered. It also led to the formal creation of the State of California, under the Compromise of 1850, which helped it deal with an influx of 300,000 settlers all seeking new found wealth. We can also thank this period of discovery for the jeans many of us wear, and Levi Strauss in particular, who started selling denim overalls in 1853.

⁸ Adam Satariano, "WhatsApp's Founder Goes From Food Stamps to Billionaire," 20 Feb 2014, Bloomberg: <http://www.bloomberg.com/news/2014-02-20/whatsapp-s-founder-goes-from-food-stamps-to-billionaire.html>

⁹ Really useful site for all kinds of facts <http://www.google.com/entrepreneurs/>

Both of these periods of wealth creation have required large capital investments to make them possible. Large scale wealth creation can only truly happen with investment from those who made their money during previous eras of prosperity. Gold prospectors had investors and backers, the same as modern entrepreneurs.

In the US \$48 billion was invested in 4,356 Venture Capital deals during 2014, according to the annual MoneyTree™ survey conducted by PricewaterhouseCoopers LLC (PwC), the National Venture Capital Association (NVCA), and data from Thomson Reuters.¹⁰ This was a 61 percent increase on 2013 amounts, the highest levels of VC investment in a decade.¹¹

According to the data, ‘Internet-specific companies captured \$11.9 billion in 2014, marking the highest level of Internet-specific investments since 2000.’ Software (aka. ‘Internet-specific companies’) is the largest group of high-growth companies supported by venture capital during the last decade, so if you are looking to raise funds, think software, and specifically consider building a Software as a Service (SaaS) product.

Accelerators & Angels: Key Supporters of Startups

Accelerators, like TechStars, founded by David Cohen – who is featured later on - are a cornerstone in the architecture of support put in place for early-stage startups. Accelerators (also known as incubators) are organisations which guide high-potential startup teams during their earliest stages, putting them through a rigorous program of development, giving them access to experienced entrepreneurs who act as mentors, concluding with a graduation which normally comes with follow-on investment.

Jed Christiansen, founder of Seed-DB, an accelerator database, estimates that graduates of US investment-backed accelerators (of which there are around 170

¹⁰ PwC, NVCA MoneyTree™ Report 2013: <http://nvca.org/pressreleases/annual-venture-capital-investment-tops-48-billion-2014-reaching-highest-level-decade-according-moneytree-report/>

¹¹ PwC, NVCA MoneyTree™ Report 2013: http://www.pwc.com/en_US/us/technology/assets/pwc-moneytree-q4-and-full-year-2013-summary-report.pdf

worldwide) have already raised \$1.8 billion and created over 7,000 jobs.¹² Scott Case, CEO of the Startup America Partnership, referring to Kauffman Foundation research, credits startups with the creation of '40 million jobs over the past 25 years.'¹³

Incubators which don't come with investment are more common, but equally useful for providing cover under which new businesses can shelter until they are ready to spread their wings (not unlike accelerators, but they generally lack the prestige). Companies who go through incubators are 87 percent more likely to survive for more than 4 years. It is estimated that they have revenues of over \$17 billion, employing around 100,000 staff.

The number of accelerators continues to grow, with corporate giants, like O2-Telefonica, Pearson, Kaplan, Unilever, Intel, AT&T, even Disney, getting in on the game.

However not every startup can get a place at what is an Ivy League education for entrepreneurs. At arguably the world's most successful accelerator, Y Combinator, the rejection rate is between 96.5 - 97.5%, according to Harjeet Taggar, a former partner. On average that means only 3% of all applicants are accepted. Even during a record year Harvard has a lower rejection rate with 5.8% of 35,023 applicants to the 2017 class offered places.¹⁴

Many therefore need to secure seed stage funding and mentoring from other sources, such as angel investors. These are high net worth individuals who put their own money into businesses in return for equity (a percentage of the company). The popular TV show, *Dragons Den*, is an example of angel investment in practice. In the US alone there are 258,000 active angel investors who invest \$20 billion per year into around 60,000 companies (normally \$10,000 - \$100,000 per deal). They remain one of the best sources for working capital and practical advice.

According to research by MIT, Harvard Business School and Startups.co (a seed-funding platform), involving angel investors makes your business 'significantly more

¹² Rip Empson, "Economic Impact Of Startup Accelerators," 27 Nov. 2012, TechCrunch: <http://techcrunch.com/2012/11/27/economic-impact-of-startup-accelerators-1-6b-raised-4800-jobs-created-2000-startups-funded/>

¹³ Startup America Partnership Press Release: <http://s.co/press-release/april20commitments>. Kauffman Foundation research, "The Importance of Startups in Job Creation and Job Destruction," 9 Sept. 2010: <http://www.kauffman.org/what-we-do/research/firm-formation-and-growth-series/the-importance-of-startups-in-job-creation-and-job-destruction>

¹⁴ The Crimson, "Harvard College Accepts Record Low of 5.8 Percent to the Class of 2017," 28 March 2013: <http://www.thecrimson.com/article/2013/3/28/class-of-2017-admissions/>

likely to survive at least four years.’ In startup terms, that’s huge. Every quarter of survival is a victory.

We mustn’t ignore, of course, that family, friends and various forms of crowd-funding are equally useful when it comes to funding. Each option has its pros and cons, which will be covered in more detail in chapter three.

The Celebrity Factor

Celebrities, like Ashton Kutcher have also started putting their Hollywood fortunes into web and software startups.¹⁵ Leonardo DiCaprio, Selena Gomez, and Tobey Maguire are all active investors, while Jessica Alba is the founder of The Honest Company, which provides monthly deliveries of diapers and cleaning products to busy mothers.¹⁶ So why are the stars investing in tech startups?

As an asset class, software/web startups are riskier than corporate (blue-chip stocks), but the returns, on occasion - like with WhatsApp, Tumblr, Instagram, eBay, PayPal, YouTube, Twitter, Facebook - and thousands of other companies which have been sold, or have gone public can be astronomical. This is called an ‘exit.’¹⁷ As a pure financial motivation, this is what most who launch startups want to achieve. With enough equity, a high valuation at exit can set you up for life.

The world I have just described – of startups, entrepreneurs, companies with phone-number-length valuations, investors and celebrities, understandably appears to be a daunting one to break into.

¹⁵ Ashton Kutcher has invested in over 30 startups to date – including Airbnb, Fab.com and Path, either as an angel investor or through his venture firm, A-Grade Investments.

¹⁶ As of August 2014, The Honest Company is gearing towards an IPO, with \$70 million in additional funding at a valuation ‘just shy of \$1 billion,’ having previously raised \$52 million. They are growing fast, with \$150 million in revenue and plans to expand into China. Source: <http://blogs.wsj.com/venturecapital/2014/08/26/jessica-albas-the-honest-co-raises-70m-preps-for-ipo/>

¹⁷ The term ‘exit’ means founders give up some or all of their equity - either due to an initial public offering (IPO) or another company buys them - in return for payment, usually at a high valuation. This is how entrepreneurs become rich from their ideas, but the company has to be worth buying before an entrepreneur can walk away like this.

The Gateway to Entrepreneurship

Scott Gerber, author of *Never Get a 'Real' Job*, also couldn't see himself being happy stuck in a corporate cubicle. In only a few years he went from being an entrepreneurs intern to CEO of the Young Entrepreneurs Council (the minimum requirements for membership is \$1 million in funding or revenue, described in Forbes as 'America's most elite entrepreneur organisation'). Both the NASDAQ and The White House have recognised his contribution to entrepreneurship.

Scott sets a great example. So does Reid Hoffman, LinkedIn Co-founder, investor and author of *The Start-up of You* (one of the PayPal mafia, branded the 'startup whisperer' by The New York Times).

But herein lies the problem I encountered when I was seeking advice I could *actually use*.

It's natural that we seek to emulate those who have achieved what many of us only dream about, but how far can we get trying to walk in someone else footsteps? Not far. And what's more, we shouldn't. We can only tread our own path. Which is not to say we won't achieve great things, or build multi-million or billion dollar startups. Or step outside our comfort zones and create careers for ourselves which we could only dream about a few years ago. We all can. But the journey is our own to make, and so who better to ask for advice about where to tread than those who are doing similar things, instead of those who have gone on so far ahead it is difficult to discern a path?

Some lessons, like Hoffman's; 'If you are not embarrassed by the first version of your product, you've launched too late' are useful, of course.

The most valuable lessons, for the everyday aspiring entrepreneur, come from those who, like themselves, are still learning. The case studies in this revised edition have been updated, to account for the fact that since the original interviews were done more lessons have been learned.

Since I started the research for this book, two interview subjects, Katherine Hague, Co-founder of ShopLocket and Kieron Donoghue of Playlists.net achieved an exit; which in startup terms is winning the race.

The Economic Necessity of Entrepreneurship

During more challenging economic times, control of our own incomes has never been more desirable, possible and for many - necessary.

The recession narrowed people's options. From skilled middle aged management professionals who suddenly found themselves out of work, to the graduates who were expecting high paying jobs, but ended up in Burger King, living at their parent's house.

For Millennial graduates' (also known as Gen Y: those born between 1982 and 2004), moving back in with the parents, has become normal for many. According to the *New York Times*, twenty percent of people in their twenties and early thirties have moved back home. Ten years ago it was only ten percent. Gen Y is now the Boomerang generation which won't leave.¹⁸

Even those living independently aren't necessarily living the dream, since 'more than half of recent college graduates are unemployed or underemployed, meaning they make substandard wages in jobs that don't require a college degree.' Which leaves us with two choices: suck it up and accept that we may never have the same standard of living as our parents, or figure out a way to earn the income we want and live how we want.

Former First Lady and Secretary of State, Hillary Clinton, in her most recent book, *Hard Choices*, talks about her faith in the American Dream, that 'No matter who you are or where you come from, if you work hard and play by the rules, you should have the opportunity to build a good life for yourself and your family.'¹⁹

Is that still true for millennials?

Surely working at Burger King or a call centre isn't what our parents hoped for us when we went off to university. Selling skinny jeans on a Saturday morning is a depressing use of the skills acquired during three or four years of education. But at the same time, if being underemployed and living at home gives people the time and

¹⁸ Adam Davidson, 'It's Official: The Boomerang Kids Won't Leave,' 20 June 2014, The New York Times Magazine: http://www.nytimes.com/2014/06/22/magazine/its-official-the-boomerang-kids-wont-leave.html?_r=0

¹⁹ Hillary Clinton, *Hard Choices: A Memoir* (Simon & Schuster, 2014)

space to work things out for themselves, to try and fail, re-invent themselves and try again, then isn't that the dream in action?

We can't just expect to walk into high flying jobs anymore, but we can demand, not of society, but of ourselves, that we work hard, take risks and not settle for anything less than the fulfilment of our own dream. This sometimes means making hard choices, like do I rent my own place, or save money back home? As Adam Davidson said in the above article: 'Sleeping in a twin bed under some old Avril Lavigne posters is not a sign of giving up; it's an economic plan.'

For some this means self-employment is the best option. In the US self-employment rose between 2008 - 2013 to 17.7 million people (representing a 5% annual increase during the last few years), which indicates that the 'shift to independent white-collar work' is here to stay.²⁰ In the UK self-employment increased to 15% of the overall workforce since 2008, which means 4.5 million - an additional 650,000 people - are working for themselves.²¹ And in Canada self-employment has been on the rise since before the recession, currently at 2.7 million people.²²

Whether you aspire to be self-employed, or want to be the CEO of a venture-backed startup, you are embarking on a bold journey.

This book is for everyone who wants to create a life for themselves which reflects who they are and what they want. This might be the first time you've fully taken the reins of your career, income and lives. Once you take this step it puts you in charge. Embrace that responsibility, it is far more liberating than continuing to give that control to an employer. It is the only way you can own and shape every aspect of your life according to your vision, dreams and goals.

²⁰ Justin Fox, "Where Are All the Self-Employed Workers?," 7 Feb. 2014, Harvard Business Review: <http://blogs.hbr.org/2014/02/where-are-all-the-self-employed-workers/>

²¹ Resolution Foundation white paper, "Just the Job or a Working Compromise? The changing nature of self-employment." 6 May 2014: <http://www.resolutionfoundation.org/publications/just-job-or-working-compromise-changing-nature-sel/>

²² Self-employment, historical summary, 10 Jan. 2014. Statistics Canada: <http://www.statcan.gc.ca/tables-tableaux/sum-som/lo1/cst01/labor64-eng.htm>

Chapter I - Entrepreneur?

Entrepreneurship in The New Goldrush

Some call themselves ‘visionary’, ‘disruptive’, or ‘lean.’²³ The best label for an entrepreneur is one you are given, as Sir Alan Sugar once told a contestant in the British version of *The Apprentice*. Anyone can be a self-proclaimed ‘entrepreneur,’ and indeed many claim the title, but only once you’ve been *given* that label can you truly claim ownership of the word and what it means.

There are countless definitions and adjectives surrounding the cover-all label of ‘Entrepreneur.’ For the purpose of this book, however, I am using the term in its broadest sense: anyone who has taken the initiative to start their own business, either alone or with a Co-founder(s).

Within the wider term of ‘Entrepreneur’ this book will focus on three of the largest segments: solo-entrepreneurs, startup Founder-CEOs (working within the definition outlined earlier: a company designed to grow fast, under conditions of extreme uncertainty), and I will also touch upon the subject of social entrepreneurs.

Although this book is primarily focused on startups, the lessons, resources and case studies contained within are of value to those, like myself (who has also been a self-employed writer) on other entrepreneurial career paths.

Solo-entrepreneurs

(Also known as Self-employed, Freelancers, Sole-proprietors, or Lifestyle business owners):

²³ ‘Visionaries’ see themselves as working towards a future which will impact a large group of people, as Bill Gates has been doing since he founded Microsoft. ‘Disruptive’ entrepreneurs are so called because they aim to change the status quo of an industry or how people live, work and play, like Sean Parker, of Napster, Facebook and Spotify. ‘Lean’ entrepreneurs are usually ‘bootstrapping’ – meaning they achieve results on very low budgets, and have subscribed to the ideas of the Lean Startup movement, founded by Eric Ries (read more about this: <http://www.startuplessonslearned.com/>)

This is the most common category of entrepreneur the world over. As the name suggests, solo-entrepreneurs usually work alone.

In the US the number of people registered as self-employed (either incorporated, as a business, or unincorporated, like a freelancer) has risen dramatically in recent years, partly as a response to the economic climate. Over seventeen million people are registered as self-employed in America, 4.5 million in Britain and 2.7 million in Canada, all of whom fall under this 'solo' category.

With the current low barriers to entry (a basic website: free, email account: free, laptop, internet, smartphone, and you're sorted) most entrepreneurs can work out of a Starbucks these days.²⁴ In fact some of the investors who are bank rolling this new goldrush are the same people who made the Internet the most democratic and accessible communication channel the world has ever known, which makes it the perfect tool for almost anyone starting a business.

Becoming self-employed is often driven by several common motivations. If you have already taken the plunge, or are considering it, some of these should sound familiar:

A desire for personal freedom that allows for a career to fit in with your lifestyle preferences.

A wish to be successful in a chosen field or profession, without being stuck in a corporate cubicle.

A yearning for fewer limitations on income potential, the ability to build a business around what you want / need to earn. (Very few careers give you the potential to say, "I need to earn x amount," and the means to achieve that as quickly as self-employment).

The one subtle illusion of freelance work is that you are "the Boss." It is, at the end of the day, another form of employment. You still have to answer to people, usually your clients. However the gulf between employment and self-employment is huge.

The freedom, for a start, is noticeable the longer you are self-employed; until one day you wake up and can't remember life being any different. You set the hours. You set how much you charge. You make a choice about the type of work you do, and who for. No sense being stuck with a client you can't stand, not getting paid enough. You may as well just get a job.

²⁴ Though, if you can – avoid holding important business meetings from, especially those conducted on Skype in Starbucks - there are loads of ways to hire or borrow a meeting room.

These seemingly simple choices are the result of a considerable amount of effort. Perhaps you are going into self-employment out of a lack of choices, or maybe it is a lifetime's ambition realised. But once you've made that decision, the rest is up to you.

Although freelancers normally don't need external funding or employees, the rest of this book (particularly sections on growth, marketing, sales, and - unfortunately - failing; because you may fail a few times before you hit your stride) is just as applicable to those wanting a life of self-employment. Speaking as someone who has walked both roads I know that we are all in the arena together, regardless of whether you are building a business with one employee - you - or one thousand.

Startup Founder-CEOs / Co-Founders

This is a category of entrepreneur which popular culture has done a lot to turn into myth and legend; startup Founder-CEOs now get the same kind of treatment in public as Captains of Industry, Robber Barons, Bootleggers, Gangsters and Pirates.

There is a certain amount of perceived romanticism around the idea of the startup founder. They are thought of as:

Mavericks

Visionaries

Dreamers

Turned millionaires and billionaires, who were once mere mortals, like us, with college loans, regular jobs and paycheques.

Now they are living legends.

We know their names - Steve Jobs, Mark Zuckerberg, Bill Gates - we think we know their stories. They all started out as all founders do with an idea which they hoped one day would after years of hard work turn into an overnight success. Making them very rich in the process.

This is the new American Dream. *The Social Network*, based on the book *The Accidental Billionaires* by Ben Mezric, represents to millennials what the movie *Wall Street* did to the same age group in the mid-1980s. Much of the story is fictionalised

– if you're interested in a more accurate version of Facebook's history, take a look at Sarah Lacy's more accurate, *The Facebook Story*. Yet even that account acknowledges that some truths have already been lost in the mythology and lore of Silicon Valley.

Whether of these stories are true or exaggerated, there's no escaping the fact that it has become representative of The Dream of the new Millennium. A dream made possible through the Internet, faster broadband, low barriers to entry, even lower startup costs, billions in venture funding, technological advances, financial necessity and opportunity.

Entrepreneurs who seek to create businesses centred around products and services built specifically for the internet generally fall into two categories:

Technical Co-founders: These are people with coding skills, who have learned one or more computer languages, such as C, C++, PHP, Python, and Ruby (to name but a few). To put it simply, these skills are used to create 'products' for the Internet. These can be anything from a game like Flappy Birds to a platform, like Twitter.

Operations Co-founders / Executives: The logistics people, big-picture thinkers, see how technical innovations can make money. They are usually the ones who turn these ideas and products into profitable businesses.

As a general rule it is useful to have both skills present in a startup team. Technical Co-founders are more like artists. It is those with business skills, who market and sell these products. Which is not to say that technical Co-founders normally lack business skills, or aren't hands on - believe me, they are - everyone is in a startup, but it normally helps to define job roles early on, to stay efficient and save confusion from wearing too many hats.

One decision has to be made early on. Within any startup team, someone has to assume the role of Founder-CEO. Don't take this decision lightly. Ben Horowitz, a world-class VC, who made his bones surviving the dot-com bubble, now a Managing

Partner of Andreessen Horowitz,²⁵ has this advice: ‘If you don't like choosing between horrible and cataclysmic, don't become a CEO.’²⁶

This is also to draw attention to the fact that no matter how much we might want to romanticise the startup lifestyle, it is a lot of hard work. I will cover this in more detail later, but I thought it useful to point out the reality, sooner rather than later.

As a founder, you should remember that a man with a vision can harness the will of twenty who lack vision. A truly great leader helps those he serves - his team - achieve their personal vision of success, which comes with the unofficial job description of being a startup Founder-CEO.

Social Entrepreneurs

Being an entrepreneur isn't only about creating personal wealth. Society still has more problems than solutions. As a result many refuse to accept the world as it is, preferring to do what they can to create the world they want to live in. They either directly create a product or company, Web-based or physical, to solve a problem, or others, like Gates and Zuckerberg use their wealth to support charitable efforts.

Ethan Austin, founder of GiveForward, decided to create a platform, which would raise money for good causes. It all started with a banana costume. ‘My best friend Ned Algeo convinced me to run the Chicago Marathon in my last year of law school. I ran for a cancer organisation and they gave me an online fundraising page,’ Ethan explained in an email.

‘I started doing my training runs in a banana costume and promised my friends and family if I hit my \$5000 goal, I'd run the marathon in a banana costume. Pretty soon, dozens (and then hundreds) of \$10 and \$20 donations were coming in from friends, family and complete strangers around the country . . . I thought to myself, that if one

²⁵ Andreessen Horowitz, known as A16Z was founded by Ben Horowitz and Marc Andreessen in 2009, now has \$4 billion in assets under management. Investments include Facebook, Pinterest, Twitter, Skype, Jawbone, amongst others. They are one of the world's leading VC firms. For further information: <http://a16z.com/> and Ben's Blog is well worth reading for aspiring entrepreneurs: <http://www.bhorowitz.com/>

²⁶ Ben Horowitz, The Hard Thing About Hard Things: Building a Business When There Are No Easy Answers (HarperBusiness, 2014): http://www.amazon.com/dp/0062273205/ref=cm_sw_su_dp?tag=harpercollinsus-20

idiot in a banana costumer could raise \$5000 imagine how much others could raise for the cause they care about if they have a similar tool?’

Shortly afterwards, he founded GiveForward, a web startup which helps families raise money for coping with medical expenses. Since it was founded in 2008 a total of \$157,090,000 has been raised on the platform.

There are thousands more like Ethan working hard to tackle similar big problems: giving farmers access to microcredit (Muhammad Yunus, Nobel Peace Prize recipient, 2006), providing millions with clean drinking water (Scott Harrison, Charity: Water) and connecting remote villages in developing nations to doctors (Josh Nesbit, Medic Mobile). There are many more like them, all of whom at some point faced similar challenges to the startup founders covered further in this book.

Looking again at the big numbers - the 400 million people around the world launching startups, the tens of billions invested every quarter, I was drawn to ask why and why now?

Economics, Politics, Fools and the Ultimate American Dream

The economic climate, since 2007, has directly contributed to the rise of startups around the world.

The world has gone through unprecedented financial insecurity during the last seven years. Not since the Wall Street Crash of 1929, which plunged the world into the Great Depression, a recession longer than any previously, has humanity suffered from this much financial destruction.

Things are gradually getting better. Almost consistently, every month, employment, consumer and business confidence, house prices, retail figures, manufacturing, construction, and other economic indicators are moving in a positive direction. However, the recession which brought the world to its knees will not be forgotten in a long time.

This isn't unusual, of course. Recessions happen - the market is designed to go up and down, because business decisions depend on human nature. When things are good, we double down, with our fingers crossed, hoping they continue to improve.

Eventually growth slows, sometimes gradually, sometimes with a thud. Businesses are born, businesses die.

This is comparable to the effects of a tropical storm in a rainforest. Older, unhealthier trees snap and fall, like the investment bank, Lehman Brothers in 2008. New companies take their place, taking advantage of the access to more sunlight. The strongest become the new forest canopy.

During this recession, government backing of entrepreneurs became a standard feature of political campaigns across the spectrum. This is both practical (the more people earning an income the more tax revenues generated) and aspirational. Political support for entrepreneurs comes from the concept of the greater fool.

Western Liberal economies are built on free market capitalism. This demands people, particularly 'entrepreneurs' take risks where others have failed, in order to create sustainable economic growth. This results in job creation. Always a good thing to support when trying to win elections. From the early American colonies to the settlement of the West, countless pioneers have tried, failed, even died, trying to create something from nothing. This didn't stop countless others from trying again.

The result, is an entrepreneurial spirit which is as ingrained in Western culture as free speech, justice and Starbucks.

The law of large numbers dictates that some startups will evolve into the next Apple, Google or Microsoft.

Aileen Lee, a VC with Cowboy Ventures (formerly with Kleiner, Perkins, Caufield & Byers) undertook a study of the greatest of the greater fools. The Billion-Plus Dollar Club. Since 2003 there has been 39 US-based venture backed software company's worth over \$1 billion (known as the 'Unicorn Club'). This accounts for 0.7% of all funded software and consumer startups from the past decade, which is 1 in every 1,538.²⁷

Startups don't all turn into job creators, of course. In fact too many fail before they can start hiring, whereas the generally more cautious solo-entrepreneurs don't always work alone. Some expand, which means recruiting, normally funded using banked revenue. At this point a solo-entrepreneur evolves into a small business owner.

²⁷ Aileen Lee, "Welcome To The Unicorn Club: Learning From Billion-Dollar Startups," Nov 2, 2013, TechCrunch, (www.techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/). Funding patterns since then has likely increased the number in this club, but no further study has been done to confirm new figures.

Over 60 million people are employed by 28 million small firms in America, which is half of the workforce. The economy as we know it wouldn't exist without small business owners. That's why governments everywhere now support entrepreneurs.

In America, the Obama administration has been supportive through organisations like the Startup America Partnership. Canada and the UK are equally invested in this movement with similar grass-roots organisations (Startup Canada and Startup Britain). The White House also threw its support behind the bipartisan JOBS - Jumpstart Our Business Startups - Act, as a way of making it possible for anybody to benefit from the economic prosperity created by startups.

Most countries have enacted similar legislation in recent decades. Entrepreneurs appreciate that, just as much as they value simplified bureaucracy. Herb Kim, Founder of the 'UK's answer to TED', The Thinking Digital Conference, said that, 'at the end of the day, [governments] really don't have to do a lot. Frankly, the best thing government can do is just get out the way.'

It is perhaps understandable that Silicon Valley and San Francisco are envied the world over. The impact of multiple IPOs on the southern Californian real estate market is just one example of the economic ripple effect other cities and countries are trying to replicate. Facebook Co-founders, like Chris Hughes have gone onto invest in companies like The New Republic, and early employees, like Chief Operating Officer (COO) Sheryl Sandberg, are now billionaires. For them, the Ultimate American Dream has become a reality.

But what if you don't want to be CEO of The Next Big Thing, Inc? What if you don't want to worry about Wall Street, intrusive media coverage, and have a staff like an army? What if, quite simply, you aren't the next Mark Zuckerberg? Because, let's face it, people like Zuckerberg, Jobs, Gates, are incredibly rare.

Making the Dream Accessible For All

Have a good idea, turn it into a company, make it big, go public and make a nice profit for your shareholders, team and yourself.

That is what the Ultimate American Dream is all about. This book wasn't written for those who only dream big dreams.

This book is for you; for people like Hayley Catton.

Hayley is a fashion designer and model in New York, who emailed me about her own journey into entrepreneurship: 'I am in school for Product Development for fashion merchandising. I wasn't exactly sure what I wanted to 'be' after that,' she wrote.

'Somewhere along the way I met my boyfriend, who is entrepreneurial himself; he made me realise that I don't have to follow the norm of graduating and finding a job, and from that realisation on, I have been doing as much as possible to balance still finishing school with styling, sourcing, and dreaming of all the things they could never teach me.'

Hayley started down this road with a realisation: her own Damascus moment. It is what happens after which counts.

Entrepreneurship may seem a daunting concept. It can sound aspirational and unobtainable, even intimidating, but it isn't. Sir Richard Branson, Founder of Virgin Group (which consists of more than 400 companies), explains what it means to him:

'I think entrepreneurship is our natural state - a big adult world that probably boils down to something much more obvious like playfulness.'

If everyone who has ever thought to themselves, "I'd love to start a business, one day," actually made that one day, *this day* – today, not tomorrow, or someday – imagine the impact on society from hundreds millions of people making an income from what they are passionate about. Imagine the benefits to our happiness, health and families, not just our bank balances.

Chapter II – Support

Wherever You Are: Build Networks, Find Mentors & Co-founders

Starting a business, any kind of business, is a brave act. Should you make this career choice you should expect congratulations as well as a healthy amount of doubt, fear and skepticism from friends and family.

After all, it takes a certain amount of courage. Which is why startup founders, unlike solo-entrepreneurs (who kind of have no choice - although they, like founders, need all the support they can get, which is what this chapter is all about) should not travel alone, or on a whim, or because they've had a great idea! Ideas are practically worthless. You can't pay rent with an idea. Retailers are yet to accept ideas as a payment option. Execution is everything.

Finding help is what this chapter is about. This covers looking for Co-founders, mentors, and potential investors, whilst also looking at the landscape of support you can access. This is on a local, national and international scale. From dedicated organisations, like accelerators, to the support governments provide at various levels.

Before we begin all that – we should address the issue of how to get started in the first place. Though an idea without execution is worthless, we can't execute a non-existent idea. So, let's start at the beginning. Turning an idea - known in startup language as 'the ideation stage' - into something you can work with.

Startups exist to solve problems, so spend time identifying problems that you have experienced, or want to examine in more detail. It helps, when building a startup, if you are a quick study: you will sometimes feel like you are drinking from a fire hose of new knowledge.

Don't worry if the problem you've uncovered seems impossible to solve - that's the beauty of startups: bigger problems need a more fundamental approach, which in turn makes support more likely to come forward.

Working 80 Hours to Avoid Working 40

Life gets in the way of achieving our dreams; education, love, family, bills, and a hundred other reasons why we convince ourselves not to take control of our lives and pursue our dreams. 'Next month', we say, or 'Next year', perhaps. It is a bold move to step off the socially accepted yellow brick road and find your own way to Oz.

We are afraid of the unknown. We naturally seek security and safety.

Most of us work to live. This trade-off pays for our weekends, holidays, new cars, nice clothes and shiny toys.

Most entrepreneurs live to work, not work to live. Neil Stephenson, CEO of Onyx Group, a British data centre and cloud computing firm, said in an interview: 'When I was young and thinking about my career I knew that if I could find a job which I was passionate about and enjoyed doing, I would never have to work another day in my life.'

Onyx Group has over a dozen offices, tens of thousands of clients, hundreds of employees, and tens of millions in turnover. Onyx is making a profit too, which as Stephenson once said is 'sanity' for a CEO. He's working 80 hours a week for himself in order to avoid working 40 for someone else.

When you love what you do, getting up for work work isn't a hardship. Hustling is a way of life.

Over the years I have worked with and interviewed countless people whose passion and natural hustle keeps them running in the face of adversity. One key thing to remember, with any entrepreneurial pursuit, is things always go wrong. Which is why you need a solid group of supporters and friends behind you. Support is everywhere. You just have to reach out to find it.

Five Steps to Build a Supportive Network

1. Share
2. Build a support base

3. Ask
4. Network
5. Keep learning.

1. First Things First: Share

Tell people about your idea. It doesn't matter whether or not everything is quite figured out, or you think people might want to steal it (as a general rule, no one in the startup community has time to steal anyone else's idea - they're too busy on their own). An idea in a vacuum is like a seed without sunlight and water.

The more support you have, the greater chance of success your idea will have. You'll also avoid being left with the empty regret of 'if only.' Ain't nobody got time for that.

Thanks to social media, many of us are used to constantly sharing our lives in real time. From a record of every meal on Instagram, or reactions to sporting events and TV shows on Twitter, to a photo documentary of children, pets, romances and weddings, holidays on Facebook. When it comes to our hopes and dreams, most of us stay quiet.

If you want to see your idea grow you need to add water first.

Entrepreneurs are typically supportive in nature, and support flows back and forth when groups of them get together. There is a reason the word 'community' is often heard in conjunction with the term 'startup.' Perhaps you have got a great idea for a tech startup, but no technical skills. Networking with a purpose could result in you finding a developer who could help turn an idea into an MVP. If you are ready to launch, but have no marketing experience, you could find someone with the right skills who could help win you customers and cultivate an audience.

We need to be willing, even eager, to talk to anyone who will listen. Being secretive with our ideas gets no one very far. Steve Baldwin, founder of Earsoft, a British audio startup, got his first offer of £100,000 investment from a stranger on a train. His enthusiasm and desire to make the world sound better brought about that opportunity, which wouldn't have happened if he'd been unwilling to talk about his vision. Enthusiasm goes a long way in the startup community.

2. Build A Support Base

We now know we need to share – apart from networking and chance encounters, we should begin to build a support base which we can depend on. This means looking beyond your immediate circle. Find organisations that support startups in your local area. It won't take long.

During the last few decades most countries have established these kinds of organisations, at national and regional levels. In America, Canada, Britain and across the world there are numerous government-supported agencies in place, designed to carefully cultivate innovation.

Governments, like fund managers, are placing a bet on the mavericks, dreamers and visionaries in the hope that one of them is a Steve Jobs who will build the next Apple. It might happen, might not. No harm in placing the bet, right? Governments have supported the idea of the greater fool in society for generations, but only in recent decades have the barriers to entry been so low that entrepreneurship is now accessible to everyone.

Serial entrepreneurs (those who have had at least one exit already) are often brought onboard as mentors, providing practical advice, access to networks, and even investment.

Accessing this kind of assistance is often just an email or a phone call away. No matter where you are. It is invaluable. And normally, free.

This naturally benefits local economies. Cities with high levels of unemployment like Detroit, New Orleans and Newark all experienced a surge in new business ownership. It is one of the side effects of economic struggle. Necessity drives creativity.

3. Ask

Never be afraid to ask questions. Those who have been there, done that and have got the trash can full of empty Red Bull cans to prove it, are usually quite generous with their advice. Within startup communities you will find mentors, serial entrepreneurs, journalists, bloggers, and countless others who can help. Always pay forward practical support when you are in a position to do so in the future.

There are also countless websites and forums devoted to providing online support, which are worth referring to as well: OnStartups, Quora, Lean Startup Circle, and Startup Collective are amongst some of the most lively online communities. All useful, all free. As always use some judgment when selecting what advice to follow – the internet is a noisy place.

4. Network

Network, network, and go network some more. Katherine Hague, of ShopLocket (now a PCH International company) suggests that you should ‘Build your network before you need it. Go to startup events. Talk to startup founders. Network with media.’

Networking events are available almost everywhere, so don’t let your location be an excuse to not take part.²⁸ (This Revised Edition was edited in Ubud, Bali - a tourist town in Indonesia of 30,000 - where thanks to the startup community of Hubud there were networking events every other day).

Tell people about your idea. It might seem a little awkward at first to talk to strangers about your hopes and dreams, but there’s no need to be afraid – everyone is in the same boat. These conversations may not lead anywhere, but if you take an interest, and showcase your own knowledge and enthusiasm, then people will remember you. Katherine points out that ‘Anything that gets your name remembered certainly makes that follow-up email a whole lot easier!’

Though we are more easily contactable online, the chance to make a personal connection is gold dust in a digital world. Emails and Tweets are easy to send and even easier to ignore. The average startup founder receives hundreds of emails daily. The average investor or mentor gets thousands. You are much more likely to be noticed in person. Talking to someone for five minutes will open doors that could otherwise remain shut.

If you can’t meet in person, your next best option is to pick up the phone, arrange a meeting by Skype, GoToMeeting, or Google Hangouts. Experience matters more than location: don’t let geography stop you from making a valuable connection.

²⁸ An excellent place to start is with Startup Digest – an email newsletter service which will let you know about events taking place anywhere in the world. <https://www.startupdigest.com/>

There are many ways to build your network locally, nationally and globally. It can all start by sticking on your shoes, coat, and best smile, and getting yourself out there.

5. Learn and Keep Learning

Read about the sector. Focus on others in your space. Reach out to experts, bloggers; people who are active in your area of interest. Everyone is always learning; everyone is graded on a steep curve. Whether you have startup battle scars or nothing but an idea, those who succeed are always hunting for new knowledge.

Some leading members of the community who are well worth reading include: Michael Arrington (Founder of TechCrunch and UnCrunched, a VC firm), Reid Hoffman (Chairman of LinkedIn, formerly of PayPal), Paul Graham (founder of Y Combinator), Dave McClure (500 Startups), David Cohen (TechStars), Mark Suster (VC, Both Sides of the Table Blog), Ben Horowitz (VC - Andreessen Horowitz), Brad Feld (VC - Foundry Group), and Eric Ries (*Lean Startup* author).

That list is by no means exhaustive, but a useful starting place. The amount of advice online is enormous. For any one question there are hundreds of articles in response. It's impossible to keep up to date with this flood of knowledge. After all, you've got a vision to build. The best thing to do is be selective about what and who we spend our time reading.

The largest media outlets covering the tech sector are TechCrunch, Mashable, Re/code, and The Next Web. For entrepreneurs in general, check out Inc. Magazine, Forbes and Fast Company. But these are just a handful of useful outlets. There are hundreds. Every niche has its own army of journalists and bloggers covering what's going on.

It can take a bit of time to figure out which bloggers or media outlets write about subjects you are interested in. As you are consuming all this new knowledge, you should engage in Twitter conversations, blog or attend networking events. Learning means taking part, getting involved and sharing.

Summary: Five Steps to Build a Supportive Network

- Share. The more you share, the more you will learn.
- Build a support base. Look for government support and you shall find.
- Network, network, network, and if you can, do so in person.
- Ask. The only stupid questions are the ones you don't ask
- Learn and keep learning. Read, follow, engage, share, contribute and repeat.

Find a Mentor

Next on the to-do list - find a mentor. Better yet, several mentors. Sir Richard Branson, Founder of Virgin Group, says 'Mentoring was very important for me personally. If you are determined and enthusiastic then people will support you.' He still consults five at any one time.

A relationship with a mentor is best compared to a relationship with an older sibling or relative, or a (good) teacher. You need to pick carefully. A mentor could be your biggest ally, especially if they are someone who has already built a successful business. Finding a mentor is a useful career goal in its own right.

One of Branson's early mentors was Sir Freddy Laker, a 'no frills' airline pioneer, who advised Branson to 'sue the bastards' in Virgin Atlantic's fight against British Airways (BA) in the 1990's. He was determined that BA wasn't going to win this time. Laker had lost to BA once before. This was his chance to help another young upstart. BA was trying to put Virgin out of business, using a 'dirty tricks' smear campaign against them in the media. Branson sued and won. It saved Virgin and helped make Branson the entrepreneurial leader he is today.

Mentor Quest, Step 1: Define what you need

Clearly define exactly what you want from the outset. This will help you assess the type of mentor you need and how to find them. Friends can be great mentors, if they

are further down a similar career path. There is a lot to be said from learning from our peers, since chances are they have already been there, done that.

However, you may need to look further afield. Lois Zachary, author of *The Mentee's Guide: Making Mentoring Work for You*, suggests listing exactly what kind of advice you are looking for. Writing these goals down will help you clarify your next steps.

Mentor Quest, Step 2: Reach out beyond your immediate network

Chances are your network of friends, colleagues, classmates or alumni, may know people who can offer the support you need. Whether you do this through LinkedIn, alumni networks, or personal contacts, this is an effective way to find a mentor. It's easier too, since you come recommended through a connection, which should make them more likely to offer assistance.

Mentor Quest, Step 3: Talk to strangers

Look back over your list of objectives, then read up about successful people in your area of interest, or a complimentary sector (for example - marketing and advertising is a good one, if you want to work in the media), and shortlist prospects. For startup founders this process is good practice for selecting a board of advisors.

Once you have a shortlist you are ready to proceed. Do your homework. Make sure you have read up on them before getting in touch, by email initially, and then on the phone or Skype, if they are happy to talk.

Mentor Quest, Step 4: Test the waters

Three things matter in a mentor/mentee relationship: trust, chemistry, and timing (are they exactly what you need right now?) With any luck your pre-screening work means they could be suitable.

Once you've agreed to talk, you are effectively interviewing them for trust and chemistry. This is someone whom you should be confident in talking openly about the inner workings of your business.

The flip side is they have to want to support you; they have to like you, personally.

With mentors and investors: they always invest in people first, ideas a long way second. You are both investors in this relationship. This means the first five steps of building a support base are even more important. After that first meeting, ask yourself: 'Is this someone I'd like to count as a friend?' If the chemistry is along those lines, then you've found the right one.

Mentor Quest, Step 5: Formalise the relationship

You've found the right mentor, or ideally, several mentors, who can advise you on different aspects of starting a business. Trust is crucial. You're happy with the chemistry. Excellent! Now, time to change your relationship status.

You'll be able to judge whether your new mentor/mentee relationship is working out if your mentor has the time. 'I would say if you're having a hard time getting fifteen minutes, that's a heads up because a lack of time, or perceived lack of time, can upend a relationship' says Zachary, author of *The Mentee's Guide*. There's little point in having a mentor you can never reach. To avoid this situation, set up a schedule for when you will be in contact, and establish parameters, so that you agree to achieve something by a fixed date, and they provide feedback.

Interestingly, the Startup Genome Project has found that founders 'with mentors to provide benchmarks are 7 times more likely to be successful than those who lack such critical reference points.'²⁹

In *The Hard Thing About Hard Things*, Ben Horowitz talks about his mentor, Bill Campbell, previously CEO of Intuit, who often gave him much needed advice when he was CEO of Opsware.³⁰ Horowitz successfully sold it to HP in 2007 for \$1.65 billion.

²⁹ You can download the Startup Genome Project report here: https://s3.amazonaws.com/startupcompass-public/StartupGenomeReport1_Why_Startups_Succeed_v2.pdf

³⁰ Horowitz, *The Hard Thing About Hard Things*, (HarperBusiness, 2014)

Summary: How to Find A Mentor

- Firstly, look within your network.
- Determine what you need, and if you can't find a mentor within your network, ask friends and contacts to help connect you with someone they know who might be interested.
- Talk to strangers. Test against a list of criteria, like a job description (but also, trust fate - you never know who you might meet, if you are actively networking)
- Once you have met a suitable candidate, or candidates, test the waters.
- Formalise the relationship. Make sure they are right for you and you for them. And lastly, if they have time for you, then it's a good sign you could have a productive long term mentoring relationship. One day, for an aspiring entrepreneur, you'll be able to pay back your experiences into the startup community.

The Geography of Innovation

Big cities, like New York, London, Boston, Chicago and countless other metropolises around the world have and always will be thriving hubs of innovation. However, we mustn't forget the role of random chance in the life of an entrepreneur.

Living and working in one of these cities unquestionably increases our chances of meeting a greater number of people than in smaller towns, cities and rural areas. The law of large numbers at work. But, regardless of location we still have excellent chances with a focused approach to networking, as covered in the previous pages. Innovation doesn't depend on geography anymore.

Startups Without Borders

Of the 400 million active entrepreneurs not all will be successful. Many will fail at least once. A statistically insignificant percentage will be success stories, like Kevin Systrom of Instagram, Jan Koum of WhatsApp, or Travis Kalanick, CEO of Uber.³¹ All of them, however, will develop new products or services and aim to generate revenue and employment.

That's what really counts. In order for that to happen, founders need all the support they can get. Cities like Boulder, Colorado (home of TechStars), far from the glitz of Silicon Valley, high up in the Rocky Mountains, serve as a great example of a well constructed, nurturing ecosystem. A model which has supported the creation of companies like SendGrid, a popular cloud-based email service (\$27.4 million raised, 13 billions of emails sent for 150,000 customers³²), used by the likes of Pinterest, Spotify and Uber.

In numerous developing countries, which Silicon Valley reporter, Sarah Lacy visited when writing *Brilliant, Crazy, Cocky*, the work of Non Profit Organisations (NPO's); such as The Bill & Melinda Gates Foundation, Kauffman Foundation and Endeavor Global, exist because natural ecosystems aren't as strong as they could be.³³

Even Zuckerberg no longer believes in the importance of Silicon Valley.

In an interview with Y Combinator Partner Jessica Livingston, he said: 'If I were starting now I would do things very differently. I didn't know anything. In Silicon Valley, you get this feeling that you have to be out here. But it's not the only place to be. If I were starting now, I would have stayed in Boston. Silicon Valley is a little short-term focused and that bothers me.'

Continuing the theme, in a conversation with Amazon CEO, Jeff Bezos, he noted that the average time someone stays in job at Seattle is twice as long as in Silicon Valley: 'There's a culture out here where people don't commit to doing things, I feel like a lot of companies built outside of Silicon Valley seem to be focused on a longer-term ... You don't have to move out here to do this.'

³¹ Uber is a peer-to-peer (P2P) ride-sharing and taxi company, founded in 2009, based in San Francisco. They have \$5.9 billion in venture funding and is currently worth \$40 billion. Find out more here: <https://www.uber.com/>

³² Find out more about SendGrid here: <http://sendgrid.com/>

³³ Sarah Lacy, *Brilliant, Crazy, Cocky: How the Top 1% of Entrepreneurs Profit from Global Chaos* (Wiley, 2011)

One caveat to remember - mentoring and support doesn't guarantee success, but it does make a big difference. Ideally, find someone who challenges you. This could mean the difference between an exhausting but hopeless venture or ending up on the cover of *Vanity Fair*.³⁴

Solve Big Problems

Box is a cloud storage platform with more than 25 million users, which raised \$559 million in venture funding, before their IPO in 2015, ten years after they launched.

One key factor contributing to their success, is an unwavering focus on solving a big problem: making sharing, accessing and managing content (files, documents, images) easier. With Box, the value for enterprise customers is they can centralise cloud services, making operational functions more cost effective. The founders, CEO Aaron Levie and CFO Dylan Smith, took an interest in this problem and built a revenue generating Software as a Service (SaaS) business around it.

Solo-entrepreneurs should measure success by when they are doing what they love and getting paid for it. Not saying it won't, at times, feel like having a real job still, or that it won't be hard, because trust me, it will. But unless your previous jobs include sun lounge minder it will still feel a thousand times better than working for someone else.

Startup founders should measure success not around the amount of funding raised, valuations or press mentions, but whether you are solving a real world problem. Whether you can build a sustainable business around the solution. It might not be a problem you personally experience, but it should be a problem which you can solve. Using Lean principles (test a solution against the *actual* needs of potential customers) is the best way to take an idea forward.

³⁴ Well worth a read: <http://www.vanityfair.com/business/2013/06/kara-swisher-instagram>

In order to take those first steps you need a supportive network, which means stepping outside your comfort zone, taking a few risks, meeting new people, telling them about your idea, and playing a part in this global community of innovators.³⁵

Herb Kim is a man who understands the value of working within a supportive ecosystem. Born to South Korean parents in Brooklyn, he looks like he should be an Ivy League economics professor in New York. Despite appearances, he's an entrepreneur working in Newcastle upon Tyne, England. He founded the Thinking Digital Conference – one of the biggest and best tech conferences in Europe, described as 'The UK's Answer to TED.'

The Thinking Digital Conference: Connecting Problem Solvers

Herb moved to the UK in 1997, following 15 years in management roles at blue chip corporations in the US. He has an MBA from the Wharton School of Business and a Princeton degree. His contribution to the British startup community earned him a place in the 2011 *Wired Magazine's* top 100 list of digital influencers. Thinking Digital has been running 6 years, each event selling all 650 tickets, with 30 speakers presenting across the 3 days of the conference.

The 2013 Thinking Digital Conference attracted speakers from around the world, including Jack Andraka (a 16 year old who created a new test for pancreatic cancer, 168 times faster, 26,000 times cheaper than current methods, and virtually 100% accurate), Aza Raskin (founder of Massive Health, acquired by Jawbone) and Ed Parsons (Google's Geospatial Technologist, who is working to organise the world's information using geography).

Respected freelancers, founders and senior executives from some of the world's most innovative companies, including Facebook, Microsoft and Apple, often speak at Thinking Digital.

I interviewed Herb shortly before the 2013 conference, which I attended. I spoke with Herb for a while about his background and the work it took to create Thinking

³⁵ Although the the tech sector is digital, and therefore conducted online, the community is now large enough that there are frequent chances to get together in person at conferences and events. The two largest and most popular conferences are South by Southwest (SXSW), held in Austin, Texas every March (www.sxsw.com/), and Web Summit, held every year in October, in Dublin, Ireland (www.websummit.net/). There are thousands more.

Digital. Back in 2002 he was employed by Codeworks, a government-backed organisation designed to support entrepreneurs in the North East of England.

‘I always had the feeling I wanted to do something big. A small team of us within Codeworks talked about doing some kind of conference, kind of like TED’ (which at the time hadn’t launched TEDx). ‘Seeing one for the first time was a transformative experience for me.’

It was this experience that launched Herb into unfamiliar territory: an entrepreneur within a larger organisation. Also known as being an ‘Intrapreneur.’ Characteristics of intrapreneurs include constantly learning, incubating ideas before presenting them to managers, not being afraid to say they’re wrong and the desire for influence with freedom. Some stay quite happy in corporate cubicles, if they are in a supportive culture. Others launch businesses whilst working a day job, or can spin a startup or consultancy out of their existing roles.

Like many Intrapreneurs, Herb wanted to have a bigger impact on the world around him.

‘We had a lot to organise, from sponsors to speakers, booking a venue, selling tickets, ensuring all our costs were covered, promoting it to ensure we did sell enough tickets, all while juggling our other responsibilities.’

The first Thinking Digital was held in May 2007 at The Sage Gateshead, an impressive and beautiful music venue overlooking the Newcastle Quayside district.³⁶

‘Since then we have had all kinds of great speakers from all the big names, including Google, Microsoft, the BBC, New York Times, and numerous serial entrepreneurs and academics.’

Thinking Digital is now a private company, self-funded and wholly owned by Herb Kim. ‘In one respect I don’t have the same challenges startup founders face. I don’t have to worry about investors. Although, we did have to sell our house to buy the Thinking Digital brand off Codeworks.’

This is not unlike the risks other entrepreneurs take, including what is known as the opportunity-cost risk of leaving a job in order to work for a startup. Thinking Digital

³⁶ The venue is sponsored by Sage PLC, another startup success story; an accountancy software company, which began life as a startup in 1981. Sage is now traded on the FTSE100 (SGE) with £1.3 billion in revenues (about \$2.29 billion), over 6 million customers, 12,700 staff and offices in 24 countries.

has been running successfully for seven years, with tickets for the eighth - in May 2015 - already on sale.³⁷

Conclusion: Support

You are never alone as an entrepreneur. I can't and won't sugar coat it: this will be one of the hardest things you'll ever do. For freelancers, getting established is the hardest part. Which is why building a strong support base is an act of practical necessity.

It is important to remember that startup success doesn't depend on living in Silicon Valley or San Francisco. It can't be denied that there are some fantastic companies in that region, but there are now thousands of healthy, well established communities around the world.

Cultivate a network of supporters, advocates, friends and fans - whether you want a job in a startup or to go public one day. The stronger and deeper your network, the more likely you will succeed. Focus on finding the right people who will support your vision, and once you can, pay this forward in your own community.

For startup Co-founders, CEO's in particular, once you get beyond ideation, beyond MVP and beta, maybe pick up some funding or start generating revenue, many go through what Ben Horowitz describes as The Struggle. There's also the much feared Valley of Despair, which some of you might travel through as well, but all, at some point, will face The Struggle (the former is more internal and commonly experienced, the latter is a combination of internal and external and often only experienced by those at a certain stage of growth).

As a frequent visitor to this barren wasteland, Horowitz describes it as: 'A land of broken promises and crushed dreams. The struggle is a cold sweat.'³⁸ It has no mercy, takes no prisoners, it is a constant battle fought in public and in your own mind all at the same time.

Hence the value of finding mentors, supporters, friends and guides before embarking on this journey. You'll need them.

³⁷ Find out more here: <http://www.thinkingdigital.co.uk/>

³⁸ Horowitz, The Hard Thing About Hard Things (HarperBusiness, 2014)

You don't even have to be the outsider, the hacker or the maverick; you can be an Intrapreneur, like Herb Kim was in Codeworks, with the desire to innovate on the inside.

As a Founder-CEO, solving bigger problems, and facing bigger challenges increases your chances of finding supporters, mentors and raising enough funds to pursue your vision.

Investment is a very useful validator, and often necessary, but the best validation is and always will be customers. An even better validator, and one you should rank above all others, is revenue. Your highest practical goal should be recurring revenue from happy customers.

In the next chapter we look at how you raise funding, and the options available to you in this seemingly friendly financial climate.

Chapter III - Funding

Finding and Securing Investment

Whether you are a Founder-CEO, or an employee, investors are always going to have a prominent place on your mental radar. Maybe you've already received investment, maybe you want it, maybe you've never raised funds and have bootstrapped all the way (funded your growth out of revenue or savings or both). Either way, through their presence or lack thereof, get used to the fact that in the startup community you are never far from people who frequently throw large sums of money at people just like you.

This applies less so for lifestyle entrepreneurs, but with a good product and paying customers, don't rule it out.

Startups are often defined by their investment. Valuations and funding raised, resulting in positive press can appear like a victory. In reality this is a false signal. Yes, it's validation. But it isn't a victory. Securing finance doesn't ensure success (which isn't to negate the fact that it gives you more time with more manpower to make your dream a self-sustaining, profitable business), it just means the expectations on you are higher.

On March 24, 2011, an app called Color, created by Bill Nguyen and Peter Pham, raised \$41 million. Not excessive, exactly, until you factor in that this was before they had any users or any clue how they'd generate revenue. They had several previous multi-million dollar exits between them. Which are the only reasons investors had so much confidence in their vision.

Less than two years later, after attempting at least two pivots, both Co-founders quit, one was the defendant in a law suit, and Apple quietly bought what was left of their talent and intellectual property.³⁹ TechCrunch described Color as 'the poster child of Silicon Valley hype.' The only upside to this cautionary tale is that most of the

³⁹ Pivot: A term often used within the startup industry to describe when a company alters their target market or re-defines exactly what it is they are doing/providing. It is also a kind way of saying, 'we got this wrong, but give us a moment, we're figuring out our next move.' This is perfectly acceptable, even normal, amongst startups. However, you can only do as many as possible within the amount of time funding will allow, as the more you pivot, the less financial runway you have (amount in the bank / monthly costs = number of months: runway). Which is why validation, based on actual customer data and revenue is the safest indicator to investors you are worth banking on.

original amount was returned to investors. That doesn't always happen in these cases.

All investment carries an inherent and understood level of risk. Startups, rightly so, are considered a more risky investment than other more traditional options.

US legislation known as the JOBS Act (Jumpstart Our Business Startups Act), has made it possible for anyone to invest in startups in return for equity.

Title II of the Act (passed into law on September 23, 2013) has opened up crowd-funding to the man on the street, making startups a viable asset class for every kind of investor. Previously, crowd-funding was similar to receiving donations. Now those who put money in can expect, or at the very least hope, to get more money back.

CofoundersLab (a Match.com style platform for entrepreneurs) was the first to raise funding this way, securing \$680,000 through RockThePost, an equity based crowd-funding website.

Prior to the JOBS Act crowd-funding was largely only undertaken by artists, publishers, hardware creators, game and indie movie developers, and other creative professionals (generally solo-entrepreneurs). There are many popular platforms, the largest of which is Kickstarter. In 2014 Kickstarter enabled over 3.3 million people to support 22,252 projects with over \$500 million in funding. In 2013, this included 20 feature films at the 2014 Sundance Film Festival, an opera at the Kennedy Center, and the launch of GoldieBlox, a construction toy and book series designed to encourage young girls to become engineers.

Angels, 'Friend-tors' and Spotify Playlists: Kieron Donoghue

Investments in tech startups can result in massive pay-outs, if a company is bought (like Tumblr) or goes public (like Twitter). Angel investors (people with either \$200,000 income or over \$1m net worth) typically spread out their investments in order to minimise the risk in what can be an uncertain environment.

The relationship between Angel Investor and startup is an unusual one, and one where a great deal of trust comes into play. Young companies need working capital, which often means they're also inexperienced, potentially risky and need to manage growth and investor expectations carefully.

Sarah Lacy, founder of PandoDaily and author of *The Facebook Story*, gave a name to a special class of angel investors: 'friend-tors', a friend/mentor/investor hybrid.⁴⁰ Facebook, LinkedIn, Twitter - none of these would exist without wealthy 'friend-tors' who survived and prospered from the likes of eBay, PayPal and Google. The first generation of Internet billionaires has bankrolled the next, in much the same way that the Renaissance wouldn't have happened without the funding artists received from wealthy financiers, merchants and nobles.

Investments between 'friend-tors' and aspiring entrepreneurs happen all the time. And quickly, compared to the slower pace of venture capital investment. The creation of the most popular app on Spotify, Playlists.net (formerly ShareMyPlaylist) was funded this way.

In a red crushed velvet booth of a Las Vegas casino a group of five middle aged British men were toasting their successes. A couple of weeks earlier Buy.at (an affiliate marketing network) was sold to AOL, giving four of the men in that booth a comfortable exit and Kieron Donoghue the chance to start afresh.

Kieron is known as the 'Godfather of Affiliate Marketing' - a marketing tool where brands sell products direct through adverts on websites, usually blogs, and the website owner receive a percentage of the sale as commission.

Kieron started in the Wild West days, pre-dotcom bubble era, just trying to earn some extra money. At the same time he was holding down a day job as a regional sales manager for a consumer goods company.

'I was working sixteen, eighteen hour days. Sometimes longer, so it didn't exactly give me much time for a social life' – a familiar lament from anyone who's tried to start a business. 'The longer I stayed in the game, the harder it got. I was able to quit my job, which was great. But the market got tougher.'

In the end he was spending £750,000 (about \$1.21 million) a month on Google AdWords just to make a profit. For his network of blogs to generate money it meant pouring a lot of money into advertising at one end to drive traffic to them in the first place. 'I should have got out sooner... That was where I went wrong.' He really didn't want to give up, unless it was to do something better.

⁴⁰ PandoDaily was founded by Sarah Lacy, an author and former TechCrunch editor in 2012, has \$4.7 million investment, and is well worth reading if you want the inside scoop on the Valley / San Francisco tech scene. In many ways it has replaced TechCrunch as the media outlet of record for that region: <http://pando.com/>

Thankfully, he was thrown a lifeline from his main competitor, Buy.at, who bought his network. Relieved he took it. Shortly after, AOL bought them for an undisclosed amount (rumoured to be in the region of \$150 million). Their acquisition of his network helped give them a higher valuation, so it worked out well for them too.

In our interview, he thought back to that night in Vegas, when his life took another interesting turn.

‘You’re looking thoughtful all of a sudden, mate’ Mark said, looking across the Vegas booth at Kieron.

‘Hmm, yeah. Been thinking about this app of mine.’

‘Go on then, tell us about it.’

So he laid it out for them, between Manhattans and inside jokes.

‘You like it, then?’ Kieron asked, his best poker face hiding his inner excitement.

‘You bet we do’ Paul chipped in, his eyes gleaming, despite the jet-lag.

Kieron looked around, noticing the high ceilings, the sounds of thousands of machines churning through the hard earned money of all the casino visitors. Vegas - a city built on a dream. On fate, luck, and the sweat of everyone who had tried and failed to beat the house. And on those rare few big winners. The perfect metaphor for the relationship between investors and startups.

‘Go on, then.’

‘Go on, what?’ Mark asked.

‘Put your money where your mouth is,’ Kieron said with a cheeky grin.

Six months later ShareMyPlaylist (now Playlists.net), was pulling in new users every day from Spotify - a music streaming service with over 40 million users, of which 10 million pay a monthly subscription.⁴¹ As Spotify grew, so did Playlists.net. Now it has over 2 million unique visitors per month and is still growing, making it one of the most popular apps on Spotify. He later went onto raise £400,000 in 2013 from VC’s (about \$660,000), in order to keep up the momentum.

⁴¹ Yinka Adegoke, ‘Spotify Now Has 10 Million Paid Subscribers, 3 Million in U.S. (Exclusive)’, 21 May 2014. Billboard: <http://www.billboard.com/biz/articles/news/digital-and-mobile/6092226/spotify-now-has-10-million-paid-subscribers-3-million>

Kieron wouldn't have progressed so quickly without the support of his 'friend-tors.' A little money goes a long way in the early days, and really can make all the difference.

Postscript: During the final edits of the Revised Edition, Kieron sold Playliststs.net to WEA, a division of Warner Music Group in November 2014, for an undisclosed amount.⁴²

Raising Venture Capital: ShopLocket

Katherine Hague is another entrepreneur, like Kieron, who benefitted from 'friend-tor' support. While she was a student at the Schulich School of Business in Ontario, Canada, Katherine started doing consulting work to put her lessons from school to the test. She had some T-shirts made, to promote her new consultancy.

'I wanted to sell them online, but considering I didn't know if I could sell even one t-shirt, I couldn't commit to the \$29 monthly fee to set up an online store.' This didn't put her off. She looked around for a solution, and upon realising there wasn't one, 'I knew I had found a problem worth solving.' In November 2011 a 'friend-tor' investor, Heather Payne, founder of Ladies Learning Code, gave Katherine the seed money to get her idea off the ground.⁴³

She built an MVP, with help from her Co-founders, and then took her young startup - ShopLocket - through Extreme Startups, a Toronto-based accelerator in the Spring of 2012. That early investment gave her the breathing room to get the idea off the ground and apply to an accelerator. Publicity and a pro-active marketing campaign won Katherine her first paying customers.

Unlike other e-commerce sites, ShopLocket makes use of what people already have: 'the average person has their own distribution channels through their social media networks. It's not a big leap to now start leveraging those channels to sell online.'

⁴² Source: www.entrepreneurhandbook.co.uk/warner-music-group-doubles-down-on-streaming-with-purchase-of-playlists-net/

⁴³ Ladies Learning Code is a Toronto-based non-profit organisation that runs workshops for women who want to learn beginner-friendly computer programming. Find out more here: <http://ladieslearningcode.com/>

Customers began to sign up from across America, Canada and further afield, even Japan. As a result, articles appeared in the tech media. This brought ShopLocket to the attention of Peter Thiel, a veteran investor and another one of the PayPal mafia.

Before we continue, it's worth pointing out that who you get funding from matters to a certain extent. It can help in some situations. But money is still money. The best validator is and always will be, paying customers. Anyone who has ever raised investment will know, given the choice, between term sheets and due diligence or talking to customers, they'll pick customers every time. One reason Katherine was able to get investment from Thiel is ShopLocket already had revenue.

Peter Thiel, Co-founder and former CEO of PayPal, made his money when eBay bought PayPal in 2002 for \$1.5 billion. Thiel and his fellow alumni, which includes Reid Hoffman (LinkedIn), Elon Musk (Tesla Motors, SpaceX), Dave McClure (500 Startups), Max Levchin (Yelp, Slide), amongst others, are credited with the renewal of Silicon Valley following the dot-com bust. Some now work for the most respected venture capital firms in the world, including Clarium Capital, Founders Fund, Greylock Partners and Sequoia Capital. They have bankrolled the likes of YouTube, Facebook, Twitter, reddit, Yammer and many more.

Katherine and her small team never expected to raise investment so soon, 'But once we knew they were interested, we decided now was the time to do it so we could move faster. So at that point we started driving the process forward with the goal of getting something closed as soon as possible'.

Less than three months after leaving Extreme Startups they had raised an additional \$1 million. Aged just 21, Katherine was amazed at how fast things got real, especially when one million dollars hit her business bank account.

Early in 2014, less than two years later, Katherine paid back her investors. ShopLocket was purchased by PCH International, for an undisclosed amount.

A pre-exit pivot moved ShopLocket into the hardware entrepreneurs market, which they are rapidly dominating. They are now the go-to-platform for hardware makers, providing the e-commerce tools and resources (in the form of The Blueprint⁴⁴) while their parent company has manufacturing and multi-national retail distribution capabilities.

⁴⁴ Well worth a read, for hardware entrepreneurs: <http://theblueprint.com/>

First rule of investor relations: Have Patience

Have patience. When it comes to investors you are going to need it. This is why those who've been-there-done-that, got the term sheets, will always pick customers over investors.⁴⁵ Most investment requires a lot of meetings, a lot of waiting, sleepless nights and stomach churning amounts of uncertainty.

Raising funds can take months. Even after a formal, 'Yes, we will invest in you' - the legalities slow down the normal pace of startup life to road rage inducing levels of frustration, the kind only gridlock can cause when you are late for a meeting you *absolutely cannot miss*.

The less revenue you have, the harder it is to raise money. If you are already interested in startups then you'll be reading, probably on a daily basis, about countless twenty-something's raising tens of millions of dollars. Don't sweat what you can't control. Not everyone needs tens of millions, and neither does it ensure success. Color raised \$41 million. It didn't help them.

The Ignite100 Accelerator, in Newcastle, England, is backed by Northstar Ventures, a local VC firm and a consortium of angels. They have launched three cohorts so far.⁴⁶ Since being founded by Jon Bradford (now Managing Director of TechStars London) they have created Campus North as a home for startups in the North East and thanks to new investment will be running a year round accelerator in Newcastle, plus another in Manchester.⁴⁷ In 2013 I worked as CMO for one of the 2012 graduating teams, GoPixel (formerly Pinster), a Pinterest analytics and publishing company.

The 2012 teams officially graduated early December. After the seasonal break it was a further seven weeks before funds hit the teams' accounts. Many people had already moved to Newcastle from across the UK and Europe.

⁴⁵Term Sheets. A handy explanation from Founders Fund: http://www.foundersfund.com/uploads/term_sheet_explained.pdf

⁴⁶ A cohort can also be referred to as a 'class'. Accelerators take groups of startups through their intense program together, meaning they all 'graduate' together, too. A cohort launch is the completion of the program by the group of startups, which usually results in most securing follow-on funding. In most cases it isn't guaranteed because they still have to meet certain standards the venture capitalists will require.

⁴⁷ Find out more here (for startups they offer \$30,000 [£18,000] per team, for an 18 week program, in return for 6 - 9% equity, with the chance of following VC funding): <http://ignite100.com/>. They also run the Community Fund, to improve the quality of tech meet-ups in the region, and are responsible for delivering CodeClub locally, a national education charity.

Whilst we waited, everyone did their best to get by on limited funds, some on student loans and credit cards.

I remember how it felt to be in the room when the money arrived. The lawyers, of course, needed one final round of meetings with each of the teams before the transfers were made. Maybe they didn't know most of us now considered noodles and Coke a decent meal. Even tomato ketchup was becoming a luxury.

Everyone waited. Tension crackled like static.

No one dared breathe, afraid they would scare the money away.

Founders kept checking their online bank accounts. Surely it would land soon, right?

There was a loud cheer from one of the teams. Quick, login. A positive balance. Exhale. Another cheer. Then another, then another.

The money had arrived, at last!

Within the hour, all the teams were staring at impossibly large looking bank balances, conversation was buzzing and the tensions of the past few months and years, for some, melted out of the room.

'I've never seen so many zeros in a bank account before,' one founder-CEO remarked. Him and me both, I thought.

For most around the city, it was just another Wednesday afternoon. For some people in the room this was the realisation of a journey that had taken years. 'Now the real work begins', commented a founder who had already been-there-done-that.

The next day everyone was back in the office, albeit nursing a few hangovers, and discovering a whole new world of expectations that's attached to securing investment. The real work had just started.

Those startups had now shared two life changing experiences: applying for, going through and graduating from an accelerator and securing investment.

Two significant milestones on the journey which starts with an idea and ends, hopefully, in a successful exit like ShopLocket. Not all make it across that glorious finish line, but even those who don't learn a lot from the experience.

However, for those who take this route, like the people in that attic room of the ignite loft that icy Spring of 2013, with its dark wood beams, ping pong table, small kitchen

crowded with people making teas and coffee, they weren't thinking of Zuckerberg or Jobs. No, they knew that now they had the funds, it was back to the hustle.

Startup life isn't all TechCrunch and term sheets; it's talking with friends over a warm cup of coffee, it's spending time with colleagues you like being around, sharing the burdens of daily challenges, coping with unexpected dramas and doing work you enjoy. Maybe what you do will make a difference, or make you rich, or both. Maybe it won't, but you'll learn a lot regardless.

Making The Future Sound Better: Earsoft

Steve Baldwin is working hard to make our future to sound better, today.

Steve is the founder of Earsoft. You won't have heard of them yet (they don't do much marketing), but as the BBC and British newspaper, *The Observer* have both noted, they are one to watch.

'The future sounds better' is our tagline' Steve said, as he started his Ignite100 Demo Day pitch.⁴⁸

His pitch was supported by a clip from Will Smith's 2007 movie, *I Am Legend*. The sound quality was poor, helicopter rotor blades were too loud, the beeping of an alarm was too quiet. Then he switched on Voluma, their first product, and everything changed. The sound levels balanced out, the alarm sounded like it would stand a chance of really waking someone up, the helicopter blades were no longer obtrusively loud. The audience was captivated as the peaks and troughs of the audio quality were balanced and harmonised for clear listening.

I asked him how it all started.

'The original concept for this was something I came up with in my first year at University. I was sick of background music either being too loud, therefore obtrusive, or too quiet and I found the same when I was watching movies on my laptop.'

⁴⁸ A Demo Day is when startups graduating from accelerator get the first chance to pitch themselves to prospective investors, the media and the public. Oddly enough, ignite100 is now leading the charge against this practice: https://medium.com/@paul_a_smith/death-to-the-demo-day-4b81932a5c7b

Steve studied Physics at Bath University, in Somerset, England. It started as a dorm room idea, knocked together by his Co-founders, Mark Willcox (a developer) and Dan Halliday (a graphic designer). Six years later it's backed by VC's eager to see it succeed.

At University Steve met Charles Branch, a guy who had developed a way to combine the earliest version of Voluma (which was already an MVP) with hardware. Steve now had something he could sell to retailers.

'I was on a train one day', Steve said, 'just talking to a fellow passenger about what I was doing.' Steve can talk with such passion that people are quickly drawn into his enthusiastic vision for a better sounding world. 'And this guy, who I'd been talking to for all of twenty minutes said, "I'll invest. I would be happy to back you with £100,000."'

Better still, this random passenger was a managing partner of one of the largest marketing agencies in London, which meant he had cash and useful connections.

'So when I got off the train, I called [my Co-founder] Charles. I was floored by his response. He quit. He was doing a PhD at the time and just couldn't handle the added pressure.' Back to square one. Without Charles he couldn't accept the offer, and wasn't able to continue.

Startup life is not for everyone. Some compare it to the equivalent of an MBA, with none of the career security. But a lot more fun.

After a six month placement working on audio software for fighter pilots he had come full circle. Instead of combining hardware and software he decided to focus on software, 'which was the idea I developed into a product back in first year.' Sometimes that happens. He had also gone there and back again. Opportunities which divert your path often serve a purpose.

Bath University supported the new Earsoft team with one year's free membership to a business incubator. Steve lived off his savings and what was left of his student loans. The University could only help so much, so the hunt for real investors was on.

Steve landed meetings with potential investors on a regular basis. 'The problem was, they all wanted to see revenue models and cash-flow projections. It was hard for me to place a price on revolutionising sound, and in some ways it still is. We live in a world of sound. How do you put a price on making it better?'

'Then I was told about the Ignite100 Accelerator.'

In 2012 there were over 140 applicants, competing for 10 places on 13 week program. Finally, his chance to make the world sound better had arrived.

Having completed the program, follow-on investment was never in doubt. When the funds finally hit the bank account he was in shock: 'Two years - I've been waiting two years for this!'

The main lesson from Earsoft is the importance of sticking to the fundamentals: 'Loudness is the main problem in sound, which is fixable.' The second lesson is to be persistent. Steve had spent the last two years talking to investors, who no matter how interested they seemed, just didn't get it.

Investment isn't just about securing working capital. Investors can be your biggest supporters, or your biggest headache. Investors who don't properly understand your vision or space you are working in will make it harder for you to overcome challenges. That's the third lesson: get investors who aren't in it *just* for the money. You need an advocate, a champion who will fight your corner, not just a fund manager.

In 2014, just over a year later, Earsoft raised half a million extra in funding.

They are now taking their products direct to the public, with Voluma as a Mac download and Level, an Apple iOS app, currently in beta. Raising finance requires patience, can often be exhausting, daunting and bring with it numerous stresses. Steve had more hair when I first met him. It does however give startups two luxuries, or necessities, depending how you see them: time and options.

Fundraising is an Ongoing Campaign: Plum

Raising funds gives startups time and options. But what happens when you are short on both?

You can either give up, or turn your fundraising into an ongoing campaign.

Politicians are always raising money. Even when an election isn't looming, they need money in the bank. As a war chest against unexpected attacks, to promote issues, to ensure they stay on the radar of an easily distracted electorate.

Startups can learn a lot from the way political machines, particularly the political action committees (PACs) and their well funded cousins, the Super PACs; never stop raising money for candidates, parties and legislative issues.

One founder who is running her own one woman fundraising campaign is Caitlin MacGregor, CEO of Plum, an employment assessment SaaS startup in Waterloo, Ontario.

Four years ago Caitlin was responsible for a hiring decision which could have cost her employer, a US-based education software firm, \$300,000 if she picked the wrong candidate. Naturally she did not want to make a mistake.

She was faced with a choice between 'a real golden boy', with a fantastic resume, who was very charismatic in the interview; 'my boss was practically drooling over him.' Or Christine Bird who was a waitress of seven years with a BA in fine arts. Not a great choice on paper.

Caitlin picked Christine. The golden boy didn't get the job thanks to a pre-employment assessment she was trying out, based on the work of Neil D. Christiansen, Ph.D., a Professor of Psychology at Central Michigan University and a world leading expert in the areas of employment testing and psychological measurement.⁴⁹

Five months later Christine had exceeded all expectations. Caitlin was so impressed that she handed over management responsibility to her when she went on maternity leave. 'The moral of the story is,' she said, 'if we had relied on resumes and interviews we never would have found this amazing diamond in the rough.'

They went on to make similar hiring decisions based again on test results, not gut feelings, which is what most hiring decisions normally are. All the other people Caitlin recruited during this time proved equally capable, whereas most would not have even got an interview based on resumes alone. The main problem with current hiring practices is '89% of failed hires [are] due to attitude not skill, and yet attitude is never tested,' Caitlin said in an interview.

⁴⁹ Find out more about the science behind Plum here: <http://plum.io/science>

She and Christine knew this was something they had to bring to market, so in January 2012 they worked with Caitlin's husband, Neil, to turn this idea into a viable MVP.

The first year they ran lean, testing the theory with real customers. Friends and family supported them financially in the early days, until January 2013, when they were accepted onto the Communitelch HYPERDRIVE accelerator in Waterloo, Ontario.⁵⁰

At that point they got \$40,000 funding and were able to relocate the team to Kitchener-Waterloo, the heart of the east coast Canadian startup community.

Afterwards 'what really bridged the gap for us and allow us to grow' was a \$150,000 convertible loan note from BDC Capital, the investment arm the Business Development Bank of Canada, a \$1 billion fund. Caitlin then raised another \$300,000 from government grants, which enabled them to keep growing at a decent pace.

Once this pre-seed money runs out, it's game over. Unless Caitlin can raise more.

That's the pressure all founder face: *How much is in the bank? How do we get more? How long will it last?*

Caitlin emphasises that, you should 'squeeze out every single dollar you have available first,' before raising money. Show investors that you have a product, customers, revenue and are cost conscious. It is a massive credibility boost: which gives them confidence.

Plum is now raising their first seed round, which is an ongoing campaign. A fight she expected to wage alone until some champions came to lend a hand. Political candidates rely on bundlers, wealthy donors who wrangle other wealthy donors into backing them. Champions are the equivalent amongst angel investors.

'The biggest thing I've learned is you don't do the fundraising, your champions do,' she told me.

So far they have raised \$350,000, but the round is open until January 2015. Caitlin is aiming to raise a total of \$1.25 million, which will add a decent amount of length to

⁵⁰ Learn more about Communitelch HYPERDRIVE <http://hyperdrive.communitech.ca/>

their runway. Being accepted onto Black Box Connect, an immersion program for international startups in Silicon Valley, gives Caitlin the chance to meet potential US investors, where she is hoping to pick up the rest of the funding Plum needs.

Her advice for founders looking to do the same is to 'have as much validation as possible,' ideally revenue and customers, and that 'everything takes twice as long as you expect,' so use your resources wisely.

Want Funding? Put People First. The TechStars Formula

David Cohen knows more about startups than almost anyone else in the world. He is the founder and CEO of the global accelerator program, TechStars.

A total of 502 startups have went through TechStars's 18 accelerators (including those 'powered by TechStars' - in partnership with brands like Nike and Disney), 64 of which have already achieved an exit.

Between them they have raised \$1,183,930,000 in funding (the average investment is around \$2,358,426) and created thousands of jobs.⁵¹

For David there are a number of crucial factors to consider when choosing where to locate a program. It comes down to quality over quantity:

'We could be in 100 cities by now, but have no desire to do so. We are focused on small class sizes, funding only 1% of applicants and working with only top 1% of mentors. We are all about quality and helping every company we fund.'

TechStars startups each receive \$486,500 worth of perks, including a \$100,000 convertible debt note, in return for 7 - 10% equity. The teams also receive intensive mentoring for three months so it is important that those picked will be worth the investment and committed to the process.

'We look at 6 things in order. They are: team, team, team, market, progress, idea - in that order. We are heavily focused on a great team with the ability to execute, who does stuff. We know the ideas will change. The market has to be interesting'

⁵¹ Find out more about TechStars here: <http://www.techstars.com/companies/stats/>

Paying customers or at least a clear roadmap for getting them, are essential for any startup. But one fact that might surprise you, if you are seeking investment, is that it is always the *people* investors look at first, before balance sheets and financial projections.

His advice to anyone considering founding a startup: ‘Just do it. Too many people talk about it and never do it. Start doing stuff. Surround yourself with amazing people. Talk to customers.’

He also strongly advises that you ‘Make balance in life a priority. There may be times you need to work 100 hours a week. But not every week. Nor is work for its own sake a goal to aspire to. Have time off. I work hard to make sure my life is balanced’.

Getting accepted into an accelerator and securing funding is only the first phase of the challenge, after having an idea and pulling together a team. Growing, once you have a fully formed product or service, with paying customers, is the next and more essential challenge. This is when things can get real interesting real quick.

Conclusion: Funding

Getting rich quick, either from founding a startup or working for one, won't work. It's also not possible - there is no quick route to millionaire status in the startup world.

Aim to find a solution to a problem, validate your idea, get real customers and encourage some to pay for your solution, *then* seek investment. If you need it. Buffer did this and it worked for them, they are now at \$5.5 million revenue with only \$3.9 million in funding (the bulk of which they only raised after they were already profitable).

If you can't bootstrap, then you need investment early on. Best way to start is with friends, family and friend-tors (if possible), then crowd or angel funding. Venture capital is usually the next step, if you are trying to build something to scale.

In order to scale you need a company worth investing in. You should be able to point to a few key metrics:

- 1) The size of the market
- 2) The investment needed to get certain growth outputs (e.g. \$500 advertising = 2 customers worth \$2000 per year)
- 3) The size of similar companies to yours which have been sold, and the value of those sales, if such data is available.

From those three key metrics, two are outside of your control, but will mean a great deal to a potential investor. With this in mind, there are a few steps you can take as a Founder-CEO to increase your chances of securing investment:

- **Know your potential buyers.** Do your homework before you take funding.
- **Be on the buyers radar.** If you can, talk to them as you grow. It is likely you can learn a lot from them, impress them and stay in regular contact so they know of you when you are looking for a buyer.
- **Add constant value.** Consistently run your engine of growth to its maximum capacity, add value to customers and continue to innovate.
- **Find hidden value.** Whether its product innovation, key hires or new markets, find ways to increase your valuation when you are seriously looking for a buyer.

Even more essential in the immediate sense: know that your potential investors are right for *you*.

The more of your idea you can validate, the more funding you are likely to secure, the more control you will have of your company. Something Sean Parker learned the hard way; a lesson he passed onto Mark Zuckerberg, which is why Zuckerberg is Facebook's largest shareholder, currently worth \$33 billion.

Chapter IV - Growth

Stay Alive, Delight Customers, Create a Strong Culture & Generate Revenue

Building a any kind of business is a long and interesting journey. It consists of several stages, which for founder-CEOs and employees alike is as much an external journey as it is internal and personal in nature. No one walks away from a startup without having learned from the experience, whether it fails or exits. Which is why, some like Buffer make self improvement part of their culture.

This journey begins with an idea, which needs to be tested. The tricky part is asking the right questions of your idea. In the startup community help is always close at hand, so before you create a website and put 'Founder' on your LinkedIn profile, you need to find Co-founder(s), supporters and mentors. Build an MVP, some easy way to demonstrate what you want to create. It doesn't have to be perfect, but it does have to work and show clearly why people should use it.

Then you need 'beta' users, even a few real customers, ideally, because that's the most realistic test of a theory.⁵² Hopefully your tests prove that your idea has legs and the next step is to raise funding - if necessary.

With these way-markers on the road disappearing into the distance, the next part of the journey is scaling the company. 'Scaling' is a word startups use to describe growth, expanding. What you do for 10 customers or users should be identical to the service the next 100 or 100,000 receive. It means increasing your capacity to deliver your service to more customers, while increasing the number of customers you have, usually achieved through marketing and sales.

Here's an example of what growth means. Say, for fictional arguments sake, you are the founder-CEO of a SaaS productivity startup. You currently have one product, available on a web browser and iOS app. You have 1000 users. Sixty percent are active, using your tool at least once per-day. Ten percent are on a subscription plan, paying \$9.99 per-month for premium features. You picked the 'Freemium' model,

⁵² 'Beta' is a common phrase in startup circles. These are the people who want to test out new products or services first. Without such people, also known as 'early adopters', it would be very difficult for any startup idea to get off the ground. Geoffrey A. Moore's, *Crossing The Chasm*, is all about how technology companies move from having beta users to a mainstream, profitable customer base.

which is popular and makes sense from a revenue generation perspective.⁵³ You are currently achieving a ten percent monthly subscription growth rate.

In this month, which in this example we are counting as month one, you have 60 paying customers, resulting in a Monthly Recurring Revenue (MRR) of \$599.40. Growth, remember, is ten percent, month on month. Which means in month two you have 1100 users, 66 paying customers, an MRR of \$659.34.⁵⁴

Assuming, in this example, you are consistent in this ten percent growth rate, after 12 months you will have 2850 users, 1210 active users and 171 premium subscribers. Giving you an MRR of \$1708.29. Say these all stick with you, for another year, and it originally cost \$50 per-subscriber in marketing to get them to pay, then the annual value of every premium user is \$69.88; resulting in an annual revenue run rate of \$11,949.48 after costs.

This is, of course, purely hypothetical. A fantasy football fiction of startups. But you get the idea. Also, in its crude fashion, this illustrates the input - throughput - output model (being able to put a price on every marketing or sales activity gives you a cost per customer acquisition) which helps to put prospective investors at ease. This is what makes software, in many respects, a dream for investors, and therefore the largest single recipient of VC funding in the past decade.⁵⁵

This fiction was meant to illustrate what growth looks like for startups, which is what happens during the scaling part of the journey.

Early stage and later stage growth are very different from one another. Later stage growth affects only a handful of companies - so in this chapter we'll focus on early stage growth, which all startups experience.

⁵³ 'Freemium' is a word which combines "Free" and "Premium." It 'describes a business model in which you give a core product away for free to a large group of users and sell premium products to a smaller fraction of this user base.' A commonly used method for marketing and generating revenue for everything from apps to games and SaaS products. Find out more: <http://www.freemium.org/what-is-freemium-2/>

⁵⁴ This is, the author appreciates, a simplified way of measuring MRR. Here is an example, from Buffer, about the difficulties involved in trying to accurately measure and understand all the figures involved in a recurring revenue generating SaaS business: <http://open.bufferapp.com/mistake-made-measuring-revenue-confusing-bookings-revenue-mrr/>

⁵⁵ PWC, NVCA MoneyTree™ Report 2013: http://www.pwc.com/en_US/us/technology/assets/pwc-moneytree-q4-and-full-year-2013-summary-report.pdf

This is also the most critical phase of a startup's lifecycle. Grow too slow - you die, grow too fast - you die.⁵⁶

Growth is a constant, it never ends, but it has to be managed carefully. Scaling is all about charting a path which plays to a founders personal strengths as well as the skills and abilities of the whole team, which means having the right people in the right roles.

There are many pitfalls on this journey. One of the biggest killers is the barren wasteland Horowitz describes as The Struggle. A land of cold sweats, crushed dreams and broken promises. Premature scaling, lack of funding, not enough revenue, too many costs (known as having a high burn rate); all kill startups. Many fall victim to The Struggle. Founders simply give up, broken and defeated.

When startups succeed, the opposite happens. The founders were stubbornly persistent, despite how difficult it was. As Paul Graham has said: 'startups take off because the founders make them take off. There may be a handful that just grew by themselves, but usually it takes some sort of push to get them going.'

Graham knows a lot about growth. With 716 Y Combinator companies funded since 2005, they now have a combined value of over \$30 billion.⁵⁷ Three of these are worth over \$1 billion, with a further 20 worth over \$100 million, each.

Question: How do you grow a startup?

Here are five of the most common factors all startups experience in the early phases of growth, which mirrors, in many ways, the experience of solo-entrepreneurs (except for recruitment, usually):

- Customer Acquisition
- Fragile

⁵⁶ The Startup Genome Project did a study about why startups die. Based on data from 3200 startups, the result was: "74% of high growth internet startups fail due to premature scaling." It was the number one cause of death. The report can be found here: <http://blog.startupcompass.co/pages/startup-genome-report-1>

⁵⁷ Find out more and apply for YC here: <http://www.ycombinator.com/>. Latest information on the YC portfolio: <http://blog.ycombinator.com/yc-portfolio-stats>

- Delight Your Customers
- Recruitment
- Branding / Culture

Customer Acquisition

The 'build it and they will come' mentality doesn't work. Not if you want revenue, anyway.

Wishing for that magic hockey stick growth curve or hoping for a silver bullet will get you nowhere.⁵⁸ The only bullets any startup team has in their gun are made of lead; you keep firing them till you run out of ammo, then if all else fails, throw the gun too.⁵⁹

'You can't wait for users to come to you. You have to go out and get them,' Graham said. The more aggressively you pursue customer acquisition (the pitch deck language for saying signing new users / customers) the greater your chance of success. This doesn't mean desperately trying every marketing tactic available or wasting tens of thousands on Google AdWords.

It means testing various methods; growth hacking, content, PR, social media, video, advertising, or any number of tools and tactics which are right for your startup, measuring the results and then doubling down on what works. Early on it is all hustle.

All customer acquisition at this stage is 'pull' work - which means actively pulling in new customers. In 2008 the founders of Airbnb went door to door in New York,

⁵⁸ 'Hockey stick' growth curve is: 'A chart with a slow initial growth rate that suddenly increases to a much faster growth rate that continues indefinitely. The resulting chart takes the shape of a hockey stick. Source: <http://www.startupdefinition.com/>

⁵⁹ Horowitz, The Hard Thing About Hard Things (HarperBusiness, 2014)

signing up new hosts, helping existing users improve their listing with professional quality photos of their apartments.⁶⁰ Airbnb is now worth over \$10 billion.

Ben Silbermann, the founder of Pinterest, with 70 million users, now valued at \$5 billion, was in personal contact with his first 5000 users.⁶¹

John and Patrick Collison, founders of payments startup, Stripe, currently worth \$1.75 billion, signed up new users on the spot whenever they met them in person. Graham was impressed with their persistence, executed with a fair amount of Irish charm.

Spend enough time pulling in customers and new ones will start coming to you, which makes the next phases of growth not only possible, but somewhat easier.

Fragile

Startups tread a perilous line of fragility, especially in their infancy. Avoid the temptation to compare early stage to more established startups (those which have been operational for three or more years). First time founder-CEOs, employees, investors and advisors, always underestimate the fragility of young startups. Even those who have been-there-done-that can forget how hard it was, which is easier to do when you have had an exit and the mortgage has been cleared.

Instead, companies should be judged on their own strengths, whatever they are. Early Pinterest users displayed a passion for design, so Silbermann built a good relationship with design bloggers, which kick-started Pinterest's work with the blogging community.

It helps to identify groups who influence your target customer base. Approach them with open and sincere intentions, not like a used car salesman. Weekend Box Club sells regular fun activity boxes, for parents to do with their kids. Like Pinterest, they also needed to spend time working with influencers in the target community:

⁶⁰ Airbnb is peer-to-peer community marketplace for people who want to rent anything from their sofa for a night to their castle for a year. There are currently over 600,000 listings across 34,000 cities and 192 countries. Over fifteen million people, including the author, have been guests to Airbnb listed hosts. A Y Combinator, they have raised \$776.4 million to date, currently valued at \$10 billion. Find out more: www.airbnb.com

⁶¹ Lauren Orsini, 'Pinterest Raises A \$200 Million Warchest To Do Battle With Google,' 15 May 2014, Readwrite: <http://readwrite.com/2014/05/15/pinterest-funding-5-billion-valuation>

mothers who are active on social media and parenting forums. Bloggers are the gatekeepers.

They guard their audiences with care, they *know* they have valuable influence. Piss off too many influencers and you might never reach your audience.

Andy Stephenson, the founder of Weekend Box Club, pitched each and every 'mommy blogger' with care and sincerity. In less than a year this got them an endorsement from Netmums, the UK's largest parenting website, and many other online communities for parents, resulting in over 15,000 boxes shipped to date.

Strength normally rests within the core foundations of the company, etched into the reason for its existence, and within the team. It may require completing many small tasks, like emailing bloggers or making dozens of bug fixes, but each adds up. Each makes a startup just a little less fragile and grow just a bit more every day.

Delight Your Customers

Delight your customers. It is the most important thing you can do once you have them. Fail to do that and they won't stay. Some young companies will chase after revenue, sacrificing long-term gain for short term income. Not a smart move and a great way to fail at delighting your customers. Worse case, you'll fail. Best case, you might stay alive, but you'll need to pivot.

Instead, focus on delighting a small group of your first customers. This will naturally lead to enough growth where personal contact is no longer feasible. This is a good problem to have.

Steve Blank, founding father of the Lean Movement, reminded entrepreneurs in the *Harvard Business Review* that too many 'fail to understand what customers want.' The way to avoid that is to 'build a customer-centric business', as Graham has long since advocated. Reward them with exceptional service for taking a risk trusting you to provide a service. Put them first - the customers are the ones who are paying your salary.

Recruitment

Scaling means hiring the right people to do the work needed to keep growing. This requires assessment of the following criteria for candidates:

- 1) Cultural fit;
- 2) Skills;
- 3) Enthusiasm.

Early stage startups in this group face the same hiring challenges as most small businesses. Only the well known consumer brands and those who recruit graduates en-masse have the luxury of name recognition comparable to celebrities and politicians. Naturally graduates flock to brands they know. Options for startups are limited to their reach, which is determined by the marketing strategy and how long it has been operational. This means a comparatively small talent pool for potential hires, no matter what the job role.

Any hire is a significant investment. It's a two-way process which demands that candidates must bring new value to the company, and the company should, in return, be a learning environment for the candidate. Cultural fit is essential.

Startups look for people who show a genuine belief in their vision, as well as meeting the criteria of the job description. Recruitment will be covered in more detail later in this chapter.

Brand and Culture are Indivisible; and Bigger than Beanbags

Startups are noted as having a special 'culture' compared to most workplaces. Some mistake this for plastering the wall with cheap posters; 'Move Fast And Break Things.' Some think this is about ping pong, beanbags, beer on tap, endless coffee refills, workathons, hackathons, free Kindles, MacBook Pro's, company retreats and flexi-vacations. All of which can be a *part of* the 'culture' of a startup, especially those with venture funding.

But in reality, culture is fundamental to how you, as a founder, build a company.

The culture of a startup is a product of the founder's and early employee's values, actions, words, thoughts, feelings, efforts and failings.

As it evolves, these become amplified, both in the working practices and the work produced. How you interact with customers, investors and other stakeholders will also influence how a culture emerges within the company. Horowitz encourages this thinking in all A16Z portfolio companies, urging them to remember that, 'If your company is a good place to work, you too may live long enough to find your glory.'⁶²

The more a startup grows, the more cultural values will be reinforced. Your creation - this new company - will develop a personality.

I appreciate that this is sounding a bit fluffy, hard to quantify. It isn't the kind of thing you can put into a pitch deck for an investor: 'Our values are AAA+ rated and culture has been defined as 'smooth with a hint of spiced chocolate, like a rich Kenyan roast coffee.' There's no quantifiable way to measure this.

Allow me to break it down further.

A startup is all about making decisions.

Big ones. Small ones.

Every day decisions, like which coffee to buy, to huge strategic ones, like do we target enterprise clients or small businesses?

There is a term product managers are familiar with: technical debt. When shortcuts are made, technical errors creep in. The code, the very basis of a web product or app, can become messy, cluttered, easy to break and hard to fix. Horowitz coined the term 'management debt.' Making bad management decisions which hurt you in the long-term. Overload your startup with too much management, technical or financial debt and it will certainly fail.

But how can you know which decisions are the right ones? Surely, if first-time founders are all learning, they are going to make mistakes, right? That's right. Expect to make mistakes. Lots of them. Every founder struggles, every day, with the decisions they have to make.

Decision making, empowering, training staff, and strengthening the culture should be the primary functions of a startup founder in the early stages of growth.

Making decisions means looking at all the possible outcomes. Assessing the angles. Thinking through the consequences. Weighing the assets you need to throw at a

⁶² 'Glory' is another way of saying 'exit.' Horowitz, *The Hard Thing About Hard Thing* (HarperBusiness, 2014)

decision and picking what's best, then calling the play. Some decisions will have unknown consequences. Others will be easier to measure and the risks minimal. If you aren't comfortable with decision making, when people's careers and potentially a whole lot of money is at risk, then the Founder-CEO role may not be right for you.

The result of too many bad decisions will be a toxic level of management debt, which could easily kill a young company. But the impact on culture alone will be damaging, long before a startup fails. When executives leave and founders fight, it is a sign that the culture is falling apart. Working under external pressures and investor expectations just makes all that so much harder.

If the death of a startup was a crime drama, an autopsy might show that the victim died from blunt force trauma, resulting in the inevitable search for a killer. But a forensic analysis would later reveal that, in fact, it was self inflicted; they tripped and fell. The small details always reveal the larger truths.

Make your decisions carefully so you might avoid tripping over your own feet.

Executing the right ones, not only means assessing the situation from all angles, but seeking advice. From friends, family, mentors, trusted staffers, investors and even customers. For the benefit of the culture, whenever you can, build a consensus. Ensure people know why decisions are being made. Cultivate an open, questioning, almost academic culture. Smart employees feel much more empowered in that kind of environment.

The result will be a company which has a likeable personality. A strong culture. This personality will resonate externally, into the voice, message and communications you deploy to pull in customers, thereby forming your brand. Your 'brand' and 'culture' must reflect and relate to one another in a way that accurately conveys your values.

Key Takeaways:

Startups = Growth. This is all about winning new customers. No growth, no revenue, no business. Winning new customers is all about bringing them to you: go get them.

You are **fragile**. Count on being fragile for at least the first 6 to 18 months. One reason behind the popular maxim of failing fast is to reduce how long you spend in The Struggle, a land without water, where only buzzards circle. Surviving with little

money for too long isn't a pleasant experience. Either succeed or fail, but do so quickly.

Once you have won customers you need to **delight** them. Let your lack of size be your advantage: you can treat them with a more personal form of customer service. Take good care of them. Keep them happy, they'll tell others, you'll grow quicker.

Hire well. Making hiring mistakes are very costly. The first ten people who work for any small company are essential. Look for those who demonstrate a track record, useful transferable skills, enthusiasm and a willingness to learn. As a candidate working for any startup is a massive opportunity. Treat it with respect. This isn't a job for the timid or lazy.

Brand and Culture are indivisible. Bean bags and beer pong don't mean you have a strong culture. They aren't dry sections of your business plan either; they are the living embodiment of how a startup behaves and how it is perceived. Horowitz goes so far to say that 'being a good company is an end in itself.'

Fixing Recruitment: Internships

In recent years, almost every country has experienced a rise in unemployment and nearly as damaging, 'underemployment' amongst graduates. Research by the Federal Reserve Bank of New York shows that 9 percent of college graduates earned less than \$25,000 during 2012. The economy has created numerous uncertainties, which is why, more than ever we are responsible for our own career paths.

This applies to anyone in the corporate world as much as it does to freelancers, founders and startup employees. The odds are in your favour when applying for a startup job. The talent pool is smaller. In the right environment you could have a big, long-term impact. The right hire can make all the difference. Recruits should be prepared for a steep learning curve.

Large corporations can afford to be pickier than ever when hiring. For many young people it is a frustrating and demoralising experience. For graduates today, the corporate career path is no longer the fast track to a middle class lifestyle – it is a long and agonising search for employment.

Despite improving employment numbers, recruitment is still broken. Rajeeb Dey, CEO of Enternships wants to fix it. Rajeeb, at age 28, a graduate of the University of Oxford, is already one to watch, having picked up a long list of awards. His latest is being recognised as a Young Global Leader, resulting in him making a speech at the Davos World Economic Forum 2012, the topic of which was 'It's Time to Rethink Recruitment.'

He founded Enternships when he was President of Oxford Entrepreneurs, the largest entrepreneur society in the UK. Enternships was the first platform designed to connect students and graduates with internships and jobs in startups and small businesses. Not finding a solution for smaller businesses, compared to the hundreds for graduate programs, he went ahead and built one.

'I was understandably honoured when I was asked to speak at Davos,' Rajeeb said when I interviewed him. 'I was happy to have such a big stage to put across what I think is a necessary view, especially amongst a backdrop of 75 million young people being unemployed around the world.'

On stage at Davos, Rajeeb laid out his vision for how to fix recruitment:

'For every person hired, an average of 80 are rejected. The Head of Recruitment is actually the Head of Rejection. Every rejection chips away at a candidate's confidence, leaving them downtrodden and often depressed - not the best attitude with which to approach the next interview. This vicious circle has to be broken.

What we need to develop is a process that removes the innate structure of rejection seen in traditional recruitment and gives every applicant powerful development opportunities, regardless of whether they get a job. I call it UnRecruitment; the removal of our current employment single-mindedness, in favour of exciting training possibilities for all.

In between unemployment and employment there is a gap, and it's one that should be filled with self-improvement, self-empowerment and genuine learning. Though only one person can get any given job, everyone applying for it should be able to benefit from the process.

Together, we can create systems of training, insight and feedback that ensure every candidate that applies for a position gains value from it, and that every employer has access to brilliant, ever-improving talent.'

A few weeks later we spoke again, he was keen to discuss turning his vision to reality. We talked about the demoralising affect the current system has on graduates, as well as the dangers and costs of a good 'on paper' candidate damaging a company culture. 'Our solution flips all that on its head,' Rajeeb said. 'Instead of just having a series of interviews and assessments, which narrows it down to the final candidate, we have developed, through a select group of training providers, a range of development opportunities for every candidate,' he said.

'That way they get a much clearer picture of what the job entails, what the company is like, the culture.' Rajeeb agrees that cultural fit is a hugely important factor when hiring. It's also one of the main reasons for high staff turnover and reduced productivity.

'These development opportunities involve the client setting short tasks for the candidate, which gives them both a much clearer idea of what to expect', he said. 'Not all will get through these tasks - some will decide it's not for them, whereas others will excel, and clearly enjoy the work. What's more, we save clients money. The current model costs about £5000 - £6000 per candidate.' Whilst not able to give an exact figure at the time, he said their solution represented a significant saving.

'And how are you testing this model?' I asked.

'Through our partners and a few trial clients we are putting this theory to the test. The feedback we have received has been very positive to date, and we get the chance to tweak our processes as we go.' The model was successfully tested on several large clients. One candidate who had gone through a trial UnRecruitment session with a digital agency described it as an 'unforgettable experience', which is positive compared to most nerve wracking interviews.

Recruit the A-Team: Advice for Those Hiring

The 'build it and they will come' attitude is no more true of customers than it is employees. Even in a buyer's market, finding good people is hard. For those who have never had hiring responsibilities before, this is a unique learning experience. Welcome to the other side of the table! It's a totally different ball game.

Want to recruit an A-Team? You need to establish a culture people want to be a part of. Jack Welch, former CEO of GE has said that ‘You build the best team, you win.’ Here is how you do this.

Make your company a place people want to work. This is not a separate activity in itself: it is *everything*. In the early days your personality, ideas, character and energy sets the pace. Naturally, as the company grows, you grow into your role as a leader.

No one is born ‘CEO material’; the job itself is all about learning how to do the unnatural, like give feedback, fire people, give more feedback, and worry about intangibles which actually add a lot to the bottom line, such as culture.⁶³

There are many types of leaders, but the best model is not the Sean Parker ‘big ass visionary’ style, but that of an effective manager.⁶⁴ As a founder-CEO consider it a key part of your job description to build a culture which attracts people. The litmus test is the answer to the question: Would I want to work here?

Love what you do. Aim to employ others who love what they do just as much. So long as their skills fits what you need. Find the perfectionists - the people for whom it’s a vocation. These are your A-Team. An enticing culture and mission will attract them. Alongside the next factor: personal development. Welch argues that is ‘your number one job.’ Buffer have made it an important part of their culture, which hasn’t hurt their bottom line. Horowitz also strongly argues for training as a necessary, but often forgotten management tool in startups.

You won’t be able to pay top dollar. You have a ‘runway’ to consider - the amount of time you have until you either run out of investment and need more, or generate enough revenue to cover all your costs. Remember also, who you employ can directly influence how much investment you get. David Cohen labels ‘team’ his first three of six criteria for how they chose startups for TechStars. So to compensate for not being able to pay top dollar, a strong, supportive, empowering culture goes along way. As does hiring people early in their careers.

⁶³ Horowitz, *The Hard Thing About Hard Things* (HarperBusiness, 2014)

⁶⁴ In *The Lean Startup*, Eric Ries talks about the difference between the ‘visionary founder’ model of leadership and the lean, agile approach, based on scientific management principles which date as far back as the early twentieth century, made popular by Henry Ford. Ries advocates a management-centric approach as a founder, finally doing away with the notion that being an ‘entrepreneur’ is a job without rules, discipline or structure. Being a modern entrepreneur is all about being a resource efficient manager.

Enthusiasm is invaluable. It should be obvious and genuine. If a potential hire knows nothing about what you do, don't hire them. Skills on paper, especially relevant experience or qualifications are great, but you need employees who care as much as any founder. Enthusiasm, like professionalism, can't be faked.

Sell yourself well. Coming back to the point about culture, you should expect the best candidates to have done their homework. But don't expect them to have swallowed the company brochure, because chances are they'll be writing it. Hiring in a startup environment is a two way street. It's your job to sell them on the culture, team, product or service, customers, vision, and role they could have in a workplace which values personal ownership and innovation.

But be genuine. Even admit you don't know when you genuinely don't. They want to work for a real entrepreneur, someone they can follow into battle, someone they will believe in, not a cardboard cut-out imitation of a leader. Give them a reason to believe in you personally, as well as your vision, and strong, reliable, hard working people will want to join your team.

Stand Out as a Candidate: Advice for Future Startup Rock Stars

If you are looking for a job, or want a change in careers, then you ought to consider startups.

When it comes to this particular jobs market the odds are in your favour. There are billions being poured into startups, which results in a rapid recruitment every time one raises funds. Not all survive, of course, which is why a candidate ought to look at any job, whether it's an internship, employment or a Co-founder position as a career investment.

On the off chance that you are involved in a company which exits, then providing you have equity, it could be the best investment decision of your life. That's the nature of a gold rush. However joining a startup purely for that reason is not advisable.

With the numbers in your favour, as a candidate, you need to be *exactly* what your prospective employer is looking for. Sounds straightforward. Surely that's what every employer is looking for?

Kind of. Except with larger companies you are stepping into a clearly defined job role. In early-stage startups, you normally define the job. This is like jumping out of a plane and building a new one on the way down.

What do startups look for in their employees?

The following is not role specific: it is about common character traits and skills necessary to survive and thrive in a startup environment.

Problem solvers: Founder-CEOs usually have a dozen problems and challenges to confront on a daily basis and that's on a quiet day. Try and anticipate what challenges they could face and how you will - emphasis on *you* - solve them? Come prepared with potential solutions.

Genuine enthusiasm: Startup founders sweat blood and work all hours to make it possible to hire staff in the first place. Realistically they can't expect *quite* the same level of commitment, but this is their baby after all. They do expect a higher than average level of commitment. If you are genuinely enthusiastic, it will be noticed.

When I put that same question to Kathy Ver Eecke, a startup consultant who blogs by the name of Working For Wonka (who has worked with and for numerous startups in her career), she said ‘Ask any entrepreneur and they’ll tell you the same, the most important thing you can do to get a startup job is be enthusiastic.’

Experience isn’t everything: Don’t worry if you have only clocked a certain amount of miles so far. It’s more about potential. Founders understand that better than most. Their whole strategy is built on potential. Look closely at what experience you have; voluntary, travel, sports, running student organisations. All of it has value. Demonstrate your transferable skills, combined with your enthusiasm and solutions to their problems, then support everything with examples.

Read about startups: In particular read around the space the company you are applying for is in (e.g. look into other analytics firms, or consumer web, or hardware startups who are doing similar things), and learn about their influencers, stakeholders and investors. The better you understand their working environment the more you will stand out.

Formal qualifications are unnecessary: But don’t drop out of school. Mark Cuban, billionaire owner of the Dallas Mavericks, doesn’t believe an MBA is of any use. Neither does Sir Richard Branson or the dozens of founders and investors interviewed for this book.

The ‘university drop out’ myth is a statistical anomaly. The data, relating to the ‘unicorn club’ of billion plus (valuation) companies, doesn’t indicate there is value in dropping out or not attending college. According to Aileen Lee: ‘The majority of founding CEOs and 90 percent of enterprise CEOs have technical degrees from college.’ Only ‘eight companies had a college dropout as a Co-founder.’⁶⁵

Most entrepreneurs will tell you that University has enormous benefits, regardless of what you study or they myth that you only become a billionaire if you drop out.

⁶⁵ Source. TechCrunch: <http://techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/>

Stay Alive in the Startup Hunger Games

In most startup deaths the official cause is they ran out of funds. Which normally means they tried but failed to raise more.

Paul Graham therefore asks, 'Why couldn't they get more funding? Probably because the product was a dog, or never seemed likely to be done, or both.' Well executed ideas usually get more money. Bad ones, for the good of the ecosystem, shouldn't be allowed to keep chasing the squirrels. There's a nice farm upstate for them.

What is it then that can make the difference between staying alive or ending up in the Deadpool?⁶⁶

Revenue is Everything; Profit is Sanity

Geoffrey A. Moore, author of the popular technology marketing book *Crossing The Chasm* (from 1991, revised in 1998, with an updated third edition published in 2014⁶⁷) talks about sales like a military campaign.

Pick a route into the target territory (a highly focused sector or vertical; the best kind is one where customers know of each other), encourage 'early adopters' to start using your service. They encourage others, you dominate that market, then move into adjacent verticals, and use that experience to 'cross the chasm'; reach a large mainstream customer base.

The early adopters are your beach head, your niche market is conquered territory, which must be easily defensible (you must at all costs delight this group of customers) allowing you to move into bordering countries until you lead in several markets. This way you can grow without further investment.

⁶⁶ The 'Deadpool' is like Valhalla - the Viking Heaven for slain warriors - for startups: the place where startups go when they die usually followed up with a TechCrunch mention, if they had previously received coverage when they lived. Find a list of the dearly departed here: <http://techcrunch.com/tag/deadpool/>

⁶⁷ Geoffrey A. Moore, [Crossing the Chasm, 3rd Edition: Marketing and Selling Disruptive Products to Mainstream Customers](#) (Harper Collins, Third Edition, 2014)

Every funding round is a runway. Influential VC, Mark Suster, knows that for most, no matter the size of the round, that runway is about nine months. The quicker you achieve revenue, the less funding is needed, the higher your valuation, the more likely you could achieve a comfortable exit.

Paying customers are the true shibboleth of your idea.⁶⁸

Graham says that, ‘No matter what kind of startup you start, it will probably be a stretch for you, the founders, to understand what users want.’ This is where Lean principles come in. Every interaction with customers is a learning experience, so the sooner they can try out your idea, even in its most basic format - like Buffer did with a simple two page MVP - the faster you learn.

In order to understand the tools you ought to deploy to grow, you need to understand the nature of growth. Paul Graham explains this as:

‘If you want to understand startups, understand growth. Growth drives everything in this world. Growth is why startups usually work on technology—because ideas for fast growing companies are so rare that the best way to find new ones is to discover those recently made viable by change, and technology is the best source of rapid change.’

‘Growth is why it’s a rational choice economically for so many founders to try starting a startup: growth makes the successful companies so valuable that the expected value is high even though the risk is too. Growth is why VC’s want to invest in startups: not just because the returns are high but also because generating returns from capital gains is easier to manage than generating returns from dividends.’

No Sales, No Growth

Marketing for startups can feel like being in *The Hunger Games*. There is a reason this movie has achieved something of cult status in the startup world. You don’t get many second chances to make a sale. One too many missed shots and you won’t eat. You are more likely to die from lack of resources, or executing a poorly thought out plan, than a deadly blow from another contestant.

⁶⁸ A Hebrew word from the Bible, Judges 12:5–6, dating back to around 1370–1070 BC. It was used as a test and password by the Gileadites tribe, who restricted the tribe of Ephraimite from crossing the Jordan River back into their home territory. Those who spoke the Ephraimite dialect couldn’t pronounce the word, so were put to death on the spot.

Everyone will take notice if you shoot an arrow at a roast pig in a crowded room (in other words: do the unexpected). All you have to do is impress enough people to ensure a few people give you money. Some will, most won't, but you'll get enough sponsors to keep fighting.

Once a few do, you will have enough 'social proof' to convince a few more people to give you money. This process is repeated time and time again until you have sufficient recurring revenue to stay alive, you can start thinking long term. In essence, that's sales and marketing for startups.

In the early days all you can do is hustle, which is why phrases like 'growth hacking' and 'guerrilla marketing' are now commonplace in startup vocabulary.

Every startup must adopt tactics suitable for them and their target customer base, but the following principles are a good place to start, based on a framework I have seen time and again in startups of all sizes.

1. Craft Your Message. For most startups this is often an afterthought, behind a long list of other concerns. Crafting the message is too important to be left till the night before Demo Day. Your message is your voice. It stands behind every press releases, every piece of web copy, email, blog and Tweet.

Tell a story, tell *your* story, within this message strategy. Stories tap into authentic human experiences, which will help your audience see through the eyes of your target customer. It is equally essential for managing internal communications. Horowitz believes that, 'A company without a story is usually a company without a strategy.'⁶⁹

2. Know Your Customers. Test your message on your intended audience. If it doesn't resonate, refine it until it does. Put together different versions based around one core strategy and test it until you have something which resonates with your audience. Make sure it communicates what your product does, the problem you are solving and *why* they need it.

3. Stay niche. Keep your aims realistic. Only go after clients (if you are B2B) or a consumer user-base that is achievable (for B2C products). Gain successful validation within this niche, and then expand. If you are following Lean principles you should have tested and iterated within a small group already, thereby using early validation as the fuel to move forward.

⁶⁹ Horowitz, *The Hard Thing About Hard Things* (HarperBusiness, 2014)

4. The SBP Approach to Startup PR.⁷⁰

Another way to gain traction is through press mentions. Problem is, most startups think every new feature, funding round or rebranding is worthy of an article in TechCrunch. Some are, but unfortunately most are not.

How many times have you stumbled across press releases online? Dry corporate memo's of developments that only impact you and your profit margin are of little value to readers. Prospective customers don't notice or care. Journalists normally ignore them.

Journalists only care about stories. If those getting your pitches are sufficiently interested in what they read (you have maybe 30 seconds at most to get their attention) then they, as digital gatekeepers, will write about you. Here's the SBP of how to avoid receiving only inbox white noise from your PR efforts:

S - Do you have a Story? This is the hardest part to validate. Conrad Egusa, a former VentureBeat journalist, has said that: 'With PR, a story needs to exist before an article is written. Therefore, if you are looking for coverage, it's important that you propose a story line to a journalist.'

The first line is the hook, but a hook can only exist if you have a story in the first place. A story might be a product/company launch, fundraising, an acquisition or a milestone (e.g. first 100,000 users or 10,000th box shipped, in the case of Weekend Box Club).

B - Pitch the right beat. Your only customer in this situation is the journalist. And you only have one shot at this. Most have their own niche, a market, vertical, or area of the tech industry they prefer to cover. Before sending a well-crafted email, ensure you have read enough of their work, so you know whether there's a good chance they'll be interested in what you are selling.

P - Make it Personal. Dull copy and paste press releases, complete with facts, statistics and quotes, won't get you anywhere. Articles are crafted inside inboxes. The most important sentence is the story line; tell a journalist what the story is. Then why it matters to their readers. Then go into the details. A press release is worth writing for reference material, but what you write in an email can quickly become what you

⁷⁰ I must thank my friend Douglas Ackerman, a journalism Masters graduate and skilled startup marketing executive for his contribution to this section: 'The SBP Approach' is a phrase attributable to him.

read in the press. So take care with emails and responses and be prompt when replying.

With your first successful announcement under your belt it becomes easier to get future coverage, as well as coverage in other media outlets.

Every startup has its own unique requirements. These are just a few suggestions about how you can market on a budget.

There is no quick and easy way to gain and sustain growth. Only lots of ways people attempt it and either succeed or fail.

Sales Skills for Startups

Throughout this book I have talked about the importance of revenue, of picking it over investors, of the need to generate a sustainable income. Over and above press mentions, vanity metrics, the apparent 'glamour' of startup life, those who are truly winning are making real money.

Despite banging the revenue drum there was nothing about sales in the first edition of this book. A glaring oversight on my part. One reason for its absence is selling now comes naturally to me, like writing.

This section applies to startups selling to other businesses (B2B), generally small and medium sized firms. However, enterprise startups and freelancers will find value in this section too.⁷¹

When I started trying to make a living as a freelance copywriter selling was necessary, but didn't feel natural. I persevered out of necessity. Then later when trying to win clients for Starticulate, I was hopeless. I desperately tried to win customers, selling services we weren't properly skilled to deliver. We were flailing around trying to find market fit and recurring revenue, not realising how hard it actually is. This is one of many reasons for its ultimate failure.

⁷¹ Enterprise startups, described in *Bloomberg Businessweek* as 'the largely unseen equipment and software that companies use to do everything from keep the books to run their websites', generally sell to larger corporations. As MobileIron CEO, Bob Tinker explained, 'We sell software to people who give us money. It's a pretty traditional model.' Source: <http://www.businessweek.com/articles/2012-08-30/enterprise-startups-come-of-age>

Which is to say, I can sell when I am confident in what I'm selling. Coming at a sale from a position of weakness - either in yourself or what you are selling is a recipe for failure.

Now I'm selling House of Content services, with ample customer validation, I've stopped thinking about how I sell. I just do. As a result, I've quadrupled my income in three years.

That's my sales background, and from this - and the experience of others - I have broken down sales into a nine step process.

As for who implements this: Freelancers sell their own services. In startups, ideally it should be the Founder-CEO to begin with. Although naturally if one of the founders is better at sales than the CEO then it should be their job. Only once a startup has sufficient revenue should that role be delegated to sales executives.

Both founders and freelancers should be backed by a website which, as far as possible, sells the service to a customer, before a demo or pitch is needed. Even the most perfect high converting SaaS websites still need some personal interaction, which is what sales is really about. It comes down to how well two people interact.

A potential customer is asking: Does this solve my problem and do I like / trust this person / company? As the seller, you should be asking: Do I want to work with them?

After you have followed these nine steps you should have an answer to those questions, and hopefully a paying customer, too.

Step #1: Define the Target Market

At first you are going to want a market so well defined that you only have a few hundred prospects. That might sound counter-intuitive, especially if you are in a huge (\$100 million plus) market with tens of thousands of possible customers. But the narrower the initial field of operation the higher chances of success.

This will also help your customers reference one another; making it easier to win more. Zero in on customers in the same region. Being able to easily meet them in person can be useful. For although the web has made the world smaller, trade, like charity, usually starts at home. Only after building a strong reputation in one geography or sector should you consider new regions or international expansion.

Decide what types of customers you want. Where they are located. What sector or industry. The result of this homework should be a table of prospects, which you will grow over time.

Step #2: Tailor the Message

Your 'message' is your startups brand, which should be the outward embodiment of the culture you are carefully cultivating.

This will percolate through into the web copy, sales emails, content, press releases and social media updates. Does your language resonate well with your target list of prospects? Think about the problem you are solving, as a basis for how to express why they need it. Achieving what's known as 'product - market fit' means opening a market to your service, which happens when there is demand, a clear need, for what you are selling.⁷²

How you communicate this depends on what will work best with the target audience. Too many software websites talk about how great it is to be cloud based, or what this or that feature does. Customers really don't care if you are cloud or lunar based. They care what you can do *for them*.

Once you can explain that, succinctly, on a website, in an email, even a video, and you are doing this using language which will resonate with the target audience, then you are ready for step three.

Step #3: Find Your Prospects

This is the most boring part of the process. Sales development doesn't work without data. You have to go out and find it, or buy it. In the early days no one comes to you, which means you are going to be making a lot of cold calls - or usually, emails. For that, you need contact details.

⁷² Product - Market Fit: 'Means being in a good market with a product that can satisfy that market,' which is a term often attributed to Marc Andreessen. More information: <http://www.startup-marketing.com/the-startup-pyramid/>

It doesn't matter if they come in an envelope in exchange for a brown paper bag of used bank notes, you have to go get them. Usually this means doing internet research. Lots of it: Search, copy, paste and repeat. Another good reason to start with a smaller list.

Depending on your level of technical skills there is now software you can use to speed up the process, like import.io. As one Twitter user put it, they finally addressed 'the elephant in the technology industry's room.'⁷³ Most people, who don't have an inbound email database, scrape data from the web, or pay for lists of prospects. Once you have them, it's time to make first contact.

Step #4: Make Contact

Cold calling in the internet age is normally done by email. But sometimes a phone call works just as well, or better in fact. It depends on your prospects. As a general rule, younger companies with younger staff prefer email. Older and larger companies will give you a quicker response over the phone. Emails are too easy to ignore.

Anything you can do to make this cold contact a bit warmer will be useful. Maybe you know someone who can get you a personal introduction. If you know who will be responsible for purchasing, then find them on LinkedIn. Personalise the emails as much as you can.

A cautionary disclaimer: the chances of getting any kind of response initially is slim. Generally open and click through rates for sales emails are low. Anything above ten percent is great. So keep at it. And don't be discouraged. Keep tweaking the message until you have something which gets a better reaction.

The more active your marketing is the better your sales efforts will be supported, since that increases the chance your prospects will have at least heard of you before they get an unsolicited email. Once you've got a prospect interested it is time to press home the advantage.

⁷³ Find out more here: <https://import.io/>

Step #5: Pitching Time

This is the most important part in this process. You win or lose a client usually in the space of a conversation. J. C. Carelson, a CIA officer turned author, found her previous career had a lot more in common with getting ahead in the business world than she expected.

Human intelligence depends on sources (those inside terrorist cells, rogue governments, drugs cartels) giving spy agencies information, usually for money. This is contingent on officers, like Carelson, winning pitches:

'The money moment for an agent is when you try to recruit a spy. When you make it black and white: will you provide me information on an ongoing basis? It's a scary question, even for targets that have been letting information slip and you never know how people will react. Sometimes they say, Of course, and you're cementing the obvious.'⁷⁴

That should be the aim of every sales call, to cement an obviously mutually beneficial relationship. Although it might sound a bit gimmicky, like posters which used to adorn office walls shouting about the value of teamwork, leadership and positive thinking, it really does come down to relationships.

This comes back to the potential customer asking themselves, Does this solve my problem and do I like this person? And you asking: Do I want to work with them?

One sure-fire way to make a client want to say yes to that question is to listen more than you speak. No prospect becomes a client after having your sales pitch shoved down their throats for thirty minutes. Most don't have thirty minutes to waste; but you give them thirty minutes to talk about their business, their goals, what they want to achieve, and then you might find that they've already bought what you are selling.

So, before you step up and pitch like you've just graduated to the big leagues, take a breath, shut up and listen more than you speak.

⁷⁴ C. J. Carelson, *Work Like a Spy: Business Tips from a Former CIA Officer* (Portfolio Hardcover, 2013): <http://www.amazon.com/Work-Like-Spy-Business-Officer/dp/1591843537>

Step #6: Follow up Action

A client's decision usually isn't made in the first call. But you must finish that call with an agreed upon follow up action. You send them a more detailed proposal, for example. They will let you know within a certain timescale.

Depending on your product or service, you might be able to give them a rough cost estimate. After giving them a figure, try and gauge whether the price seems acceptable.

It should be possible to assess how likely you will win the client, too. No one responds to a cold email if they aren't interested. Likewise, when a prospect asks for a price, it is a positive sign. Now you need to follow up as quickly as possible. Don't let a warm lead go cold through inaction.

Step #7: Close the Sale

Sales is about short bursts of activity, followed by insufferable days of waiting for an answer. For although its about relationships, sales is also a numbers game. Within your market, which should be small initially, keep shooting lead bullets until you hit a target. There are no silver bullets in sales. Just persistence and repetition.

Stay in contact until you get an answer, or they get so sick of you they take out a restraining order. Once you are in the following up stage each contact is an extension of the pitch, so don't miss an opportunity to keep building that relationship. Once you have got an answer, either ask for feedback or get terms agreed.

Step #8: Post Game Analysis

An often overlooked step. Spend some time going over the game highlights. Especially the sales call and pre-call preparation. Analyse what went wrong, what went right and make corrective steps for the next time.

Step #9: And Repeat (Steps 1 - 8)

Repeat until you've either got clients in a niche sector or region, or you have made sufficient changes to your product, service, pitch or approach - based on feedback and experience – which means you start winning clients.

For Founder-CEOs, Co-founders, sales and marketing teams, as well as freelancers, this should be your number one goal until you are too busy looking after clients to win new ones. Then, if you are a startup, you scale and automate the process.

There is another, seemingly magical step, after all that work. Once you are established enough. When you have a solid reputation, a strong list of happy customers, often when your marketing is working smoothly too, you will start getting inbound queries.

That's right, customers will start coming to you! Normally ready and willing to part with their cash. Even eager to work with you.

Winning customers is still ongoing 'pull' work, going out and getting them, which is what these nine steps are all about. But do this long enough and there will come a time when you will have more revenue from inbound customers than those you get from outbound tactics. Once that happens, you really are winning, crushing it, in fact.

Delight the customers you have and that day may come sooner than you expect.

Sales without Sex Appeal: Wagepoint

We've all heard the marketing phrase sex sells. Make your customers think about sex when your product is shampoo, or chocolate, deodorant, or hybrid cars. But what if you don't have a sexy product?

Take Wagepoint for example, a payroll software startup from Canada.

Payroll software: two words which are about as sexy as a cold shower.

Founded by Shrad Rao, who moved from Dubai for university and liked the country so much he stayed, took a job, got a visa, and then launched Wagepoint in 2012. So

far over \$120 million of their 700 customers salaries have flown through their software, currently averaging \$18 million per-month for 6000 employees.

They have raised \$2 million seed funding, and are currently taking part in the Communitech HYPERDRIVE accelerator in Waterloo, Ontario (*Disclaimer: Wagepoint is a client of House of Content*).

Payroll is serious business. Customers need to have a high level of trust in those responsible for this function.

Shrad takes that responsibility very seriously. He also knows, as far as selling his product is concerned, it doesn't have the advantage of being 'sexy,' and the market is dominated, both in Canada and America with large incumbents.

With 700 customers they have been doing something right, so I asked Shrad about how he built this customer base.

It started, he said, with getting the messaging right, which means talking to potential 'customers who don't realise that they can use software to take care of everything they need around the payroll function.'

They have positioned their message around three key points: a simple, easy to use product ('we often say it's like using Facebook to run payroll because you don't need any training'), a friendly, personal approach to customer service, and an all-inclusive, transparent pricing structure.

The market is mainly dominated by big players, except when it comes to small and medium sized businesses and startups. Many just manage payroll themselves. This can be a complicated and time-consuming headache, especially in North America where there is often taxes to pay at city, state / provincial and federal level. Wagepoint is aiming to take the headache away for business owners, thus filling a gap in the market.

They are sticking closely to the principle of delighting their customers in order to achieve this. Shrad told me that, 'we make sure every customer feels like they can ask us for favours or introductions. Treating each customer with a VIP experience makes them feel like they are part of something larger and they become super-fans!'

He talked about the early days of their sales campaign, when as Paul Graham explained previously, is all about the 'pure startup hustle.' It takes time to get web traffic and conversions.

Winning each customer is a strategic part of the wider campaign.

All sales campaigns involve numerous short-term losses, setbacks and bad decisions. Shrad is no exception to these rules.

'We made all kinds of mistakes,' he said. Positioning themselves as a 'Canadian' app, wasting money on banner adverts, picking the wrong vendors for SEO services. All useful lessons. Now when they engage a vendor they work with them on a discounted pilot basis, to make sure they can deliver.

The hustle doesn't end with 700 customers. Now it's about getting the next 1000.

How are they going to do it?

Shrad said, 'It's all about scaling up. It's about doing more of the things that work but also finding a way to improve visibility and momentum.' Recent national press coverage in Canada around their US launch and Bitcoin payment option should help on that front.⁷⁵

However, you can't build a customer-centric brand talking about your own achievements.

Which is why they are focused on 'getting more attention directed at our customers success. We are just a tool that helps them do a better job at running their business so once we realised that, we started put them front and centre.'

In order to win more customers they need to direct more prospects to the latter stages of the journey all buyers make from considering a product to using it. Which means doubling down on tactics which generate conversions.

He told me that, 'Luckily, that is a something we can solve with funding. If we didn't have happy customers that indicated product-market fit, it would have been a different story. '

⁷⁵ Source: <http://www.ctvnews.ca/sci-tech/growing-number-of-workers-choosing-to-be-paid-with-bitcoin-payroll-firm-says-1.1985660>

Conclusion: Growth

Whether you are a Co-founder of a startup, an employee, or your own boss, no business survives for long without revenue. Sure, some very well funded venture-backed consumer startups, like Pinterest (worth \$5 billion) or Snapchat (\$10 billion) seem to tick over for years without so much as a cent, but those are the exceptions to the rule.

During the early stages of growth, especially for startups, there are several pitfalls to watch out for:

Scaling too fast.

Growing too slow: underestimating how long it will take to break even.

Failing to manage The Struggle as a first-time Founder. Surround yourself with good support, friends, advice, and don't stay silent.

Assuming too much debt: whether financial, technical or management.

Praying for a silver bullet solution, spending time on bad decisions, or chasing after the wrong clients, revenue sources, product iterations, pivots or partnerships.

The end result of any of the above is you writing a fatigue laden post-mortem in Startups Anonymous or Medium. Figuring out what to do next. Licking your wounds, wondering how it all went wrong. Failure however is the next chapter, so if any of those things do happen, hopefully you will be prepared.

Failure is a realistic expectation, but all of those fates are avoidable.

Win & Delight Customers

Most crucially - stressed time and again throughout this book - go out and get customers, then spend all your energy making sure they are delighted with your new product or service. Then go get some more. Keep repeating this until you can't manage the workload personally anymore.

The tactics available to you are as numerous as they are varied: sales, marketing, PR, social media, content, using re-sellers, or a mix of everything. Find what works for you. Measure everything. Providing investors with a cost-per acquisition can prove useful if you do need additional funding.

Build a Strong Culture

At the same time, you are building a company culture, which will be the foundation of all your marketing and sales efforts. People do business with those they get along with. Employees want to work somewhere they feel at home.

A strong culture is the source of employee satisfaction and happy clients. As Horowitz said, 'If your company is a good place to work, you too may live long enough to find your glory.'

Recruit Rockstars

Jack Welch was right on the money when he said, 'You build the best team, you win.' Look for capable, self motivated, driven people, with either a track record in startups, or transferable skills from previous roles, extra-curricular activities while at school, or other proven examples of a talent just waiting to be unleashed.

In startups personalities matter. Politics must be kept to a minimum. The result of personality or political clashes can be just as deadly in a startup as they can in Game of Thrones. Usually minus the bloodshed, But still potentially damaging in a growing organisation.

Pick your team carefully.

At the end of the day, they help you grow, they win and delight your customers, they shape the very culture which others - if you stay alive and keep growing - will want to join. Your greatest assets are those you surround yourself with.

Next we will examine the ever-growing body of proof that failure shouldn't be feared. Respected, definitely. Simply understood and accepted, as a necessary and ever present companion on this journey.

Chapter V - Failure

The Importance of Knowing How to Fail⁷⁶

We all fail from time to time. Things do not always go our way. Normally we get to deal with these situations in private, within our trusted social circle.

However, failure as an entrepreneur is often public. Failure as well as success are two fears which can be equally debilitating. Generally, if and when you fail, the best thing to do is to be open about what happened. Learn the lessons, and put things in place so you can avoid repeating history.

Paul Smith of Ignite100, wrote a great article on Medium about the value of the lessons we can gain from failure:⁷⁷

‘It’s not the act of failing we should celebrate, but our exploitation of the potential it creates. If we don’t build upon the knowledge of why we failed, then all the effort it took to fail is squandered. If we don’t step up to take another shot then we waste the beating we took, we waste the potential our failure presents.’

After all, what would be the point of failure if - to paraphrase Alfred in the movie *Batman Begins* - it didn’t teach us how to get back up?

Lesson 1: Don’t Stay Knocked Down. Get Back Up Again

Wahooly wanted to connect influential people on social networks with startups, with the idea that if enough ‘socially influential’ people promoted a new company, their client would grow. This would have made Wahooly the home of crowd-sourced

⁷⁶ A phrase borrowed from Joel Dicker, *The Truth About the Harry Quebert Affair: A Novel* (Penguin, 2014): <http://www.amazon.com/Truth-About-Harry-Quebert-Affair/dp/0143126687/>

⁷⁷ Well worth reading: <https://medium.com/p/74c8fe8daa94>

marketing, measured using Klout scores, providing small companies with a big audience.⁷⁸

They experienced a rather public fail in 2012. Wahooly aimed to leverage the power of 26,000 ‘socially influential’ people to promote their clients in return for equity (shares), which can be cashed out if a startup achieves an ‘exit event’ – an IPO, sale, or share buyback - anything resulting in a big cash windfall, basically.

Much to everyone’s surprise, including the founders, they got a lot of press coverage. Hype can sometimes be fuelled as much with unfounded excitement as proven metrics and can spread like wildfire. Wahooly CEO, Dana Severson said ‘I heard second-hand that we were one of the most hyped startups at the time.’ In the blink of an eye they had gone from being a few former marketing executives with a startup, to trending on Twitter.

When the much-anticipated launch came, they crashed and burned. Emails and phone calls went unanswered. Everyone, especially their 26,000 users and a few hundred clients, wondered what happened. Detractors fired off articles dripping with schadenfreude.⁷⁹ Then they slipped under the radar. Offline. For good? What a waste of good hype!

They could have quietly vanished. In a week no one would have remembered. Wahooly however, came back swinging. They dusted themselves down, got up off the mat and got back in the saddle. The Wahooly team didn’t quit. Instead they pivoted, re-launched as Chasm.io (which combines content marketing with influencers on social networks) and raised an additional \$750,000 allowing them to start over.

Severson then dealt with everything that happened in an open and honest blog post: ‘Somewhere between our own hype, raising money, and launching our product, I lost touch,’ Severson admitted.

‘Most importantly, however, I found myself slipping into the rose-petal garden where all the duckies and bunnies go to play.’

It is worth asking: how do people end up in rose covered fluffy bunny land? His answer:

⁷⁸ Klout (www.klout.com): A service which rates how influential people are on social networks, scoring them out of 100.

⁷⁹ A German word, meaning: to take pleasure from the misfortune of others.

‘I’ll tell you why it happens — fear. Fear that people will lose faith in your ability. Fear that investors will run for the hills. Fear that if your challenges leak, they’ll be viewed as catastrophic. Fear that if you say the wrong thing, you’ll be chastised. Fear is debilitating and often leads to the fluffy bunny syndrome. Everything is comforting there — you play it safe and you can avoid fear. But that place is crap and it gets you nowhere.’⁸⁰

Honesty like that, along the lines of the ‘Radical Transparency’ of Buffer is a positive move for the community as a whole. More entrepreneurs, thanks to Severson (who later founded Startups Anonymous⁸¹), Medium and Mark Suster, are writing their own startup post-mortems. Suster reminds us of that we are all naked in the mirror. In a blog written in the early hours, after five days on the road raising money for his venture capital firm, he talks about the reason founder-CEOs so often take the exit on the success highway and end in fluffy bunny land:

‘My biggest fear as an entrepreneur? I was worried that I was going to get married and be on the altar unemployed. “There’s my son. He should have been a doctor like his father!” Truthfully, that’s one of the things that kept me going. I didn’t want to disappoint.’

‘I didn’t want to disappoint my parents. My wife. My employees. The press who trusted me enough to report on our successes.’

‘I didn’t want to disappoint my customers.’

Failure unfortunately still has a stigma, even more so in Europe and Asia than North America. With a more open attitude to failure we should be able to remove the stigma, making it easier for first-time founders and freelancers to seek more help and support sooner.

Failure is only ever truly failure when you give up. And even then - no matter how much it hurts (and it does) - it serves as a valuable lesson.

No one should worry about how something *appears*, because only those in the arena, as US President Theodore Roosevelt said in his Paris speech in 1910, can truly pass judgment on their own actions:

⁸⁰ Unfortunately, the original blog can no longer be found online.

⁸¹ A great online community to share fears, doubts and concerns: <https://startupsanonymous.com/>. Some stories are now published weekly in PandoDaily.

‘It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.’⁸²

It isn't about who has the best idea, it is about who is still standing at the end of the day.

Lesson 2: Practice Acceptance. Fear Leads to the Dark Side

As an entrepreneur, it ought to be your default expectation. Research by Shikhar Ghosh, a senior lecturer at Harvard Business School, published in the *Wall Street Journal*, points to the fact that three out of four venture-backed startups fail. Only 60% survive to age three and only 35% survive to age ten, according to Mr. Ghosh.

His findings were based on data collected on over 2000 startups that raised over \$1 million in funding from 2004 to 2010, alongside data from the Bureau of Labor Statistics and the Ewing Marion Kauffman Foundation.

‘People are embarrassed to talk about their failures, but the truth is that if you don't have a lot of failures, then you're just not doing it right,’ said Mr. Ghosh.

The success rates of trying to find a scalable, profitable business model, built around solving a problem, are punishingly low. When it all comes down to decision making when those making them have little experience or frame of reference, we can start to understand why failure is the default outcome.

⁸² Source: US President Theodore Roosevelt, ‘Citizenship in a Republic,’ delivered to the Sorbonne, Paris, April 23, 1910: <http://www.leadershipnow.com/tr-citizenship.html>

As Paul Smith said on Medium, ‘Only the tiniest fraction of founders stumble onto the right path from the beginning, and fewer still make the hundreds of right decisions at the right time in the right order that ensure they stay the course.’⁸³

We should all acknowledge that we are all afraid to fail. New companies fail every day - when one idea is born, another dies. The circle of life. Expect to fail. Celebrate if you don’t. But don’t fear it.

What we should fear is not the stinging sensation of failing, like a child falling in a playground.

Instead we should fear not learning from our mistakes, thus repeating them. Worst still, the regret of not trying, not even getting into the arena. In comparison, the fear of failure is like fearing the rain; the best thing you can do is, as the saying goes, is to learn how to keep dancing whilst it pours.

Lesson 3: Success and Failure on a Grand Scale: Sean Parker of Napster, Facebook, Spotify

Sean Parker is no stranger to failure. In *The Social Network* we meet Parker in the bed of a Stanford student named Amy. She asks Parker what he does:

‘Well, I founded an Internet company that let folks download and share music for free.’

‘Kind of like Napster?’ Amy asks.

‘Exactly like Napster.’

‘What do you mean?’

‘I founded Napster.’

‘Sean Parker founded Napster.’

‘Nice to meet you.’

⁸³ Paul Smith, ‘Choose your own adventure, but don’t make the journey alone,’ 20 August 2014, Medium: https://medium.com/@paul_a_smith/choose-you-own-adventure-a4bbf6ee23f9

Parker's notoriety is a sign of the public scale of his failure with Napster, a platform for sharing music and files online. And yet, would he have been one of the early Co-founders of Facebook without it? Almost certainly not. At 35, he now has a net worth of around \$2.7 billion, and plays an active role as an investor through The Founders Fund.⁸⁴

Parker put his self-taught coding and hacking skills to use when he met his Co-founder, Shawn Fanning, who built Napster with him. The problem is, sharing music without paying record labels was - and still is - illegal. This was the Napster roller coaster in Parker's own words (from a Financial Times interview after *The Social Network* hit the cinemas in 2010):

'We founded the company, launched the product, moved to California, got on my hands and knees and installed all the servers for six weeks, got introduced to my first business people and hired them and fired them, and was sued by the record labels and suddenly I'm on MTV and now we're sponsoring raves and going to crazy parties, and then bigger and bigger and bigger.'

'And then the company's dead and I'm in a beach house in North Carolina getting the call, 'Sean it doesn't look good. I don't think you'll have a job when you get back.' And then it's over.'

'And one day Fanning and I woke up from this dream. It felt like we'd lived through an entire lifetime of experiences.'

What did Parker learn from all this? Stealing is wrong? Record labels get pretty pissed when you give their music away for free to millions of consumers? That record labels armies of high-paid lawyers are eager to fight to safeguard intellectual property? But he already knew all that. Parker's a pretty smart guy. So what did he really learn?

If you use Spotify or Facebook, both in some way have been positively influenced by his hard-earned lessons. LinkedIn Founder, Reid Hoffman calls him a 'big-ass visionary entrepreneur.' Forbes calls him the agent of disruption: 'Boiled down, Sean Parker is a human accelerant, an idea catalyst who, when combined with the right people, has fuelled some of the most disruptive companies of the last two decades.'

Viewing Napster from this perspective, was it really a failure?

⁸⁴ Forbes: <http://www.forbes.com/profile/sean-parker/>

Napster still exists, as a subscription music service. The concept and brand name was bought by Roxio in the bankruptcy proceedings, which then merged with Rhapsody in 2011, with over 70 million customers. So no, technically not a failure in one sense. But Sean Parker's prototype was a failure. It lacked a business model, revenue, and *even* if it had survived, it would have been burned to the ground by an army of lawyers.

From the smouldering ruins of Napster, Parker learned how to tackle big challenges, to disrupt on a large scale. 'I find a lot of things relevant that aren't necessarily relevant to the world when I'm thinking about them' Parker said in an interview with Forbes. 'Most of us kind of agree on the thrust of history. The key is to understand how we get there.'

It helps that he is a natural perfectionist, except when it comes to time management. His character turning up late to meet Zuckerberg in *The Social Network* is accurate. Whilst he does categorise his time at Napster as 'a crash course in intellectual property law, corporate finance, entrepreneurship and law school' - he also admits, 'So much of what I learned at Napster was learning what not to do.'

Many early startup experiences turn out like that. Some emails Parker wrote in the Quixotic defence of his idea were later used as evidence *against* Napster.

Plaxo, an early attempt at building a social networking tool, was his next learning experience. Despite gaining 20 million users, it didn't end well. On behalf of the investors, Sequoia Capital and Ram Shriram, his board stripped him of his shares, his job, and kicked him out the door, for alleged misbehaviour.⁸⁵

Plaxo was eventually sold to Comcast in 2008 for an undisclosed amount.

He considered suing them - after going through a particularly low point in his life - but thought better of it when he discovered his next project: Facebook.

'Sean was pivotal in helping Facebook transform from a college project into a real company', Mark Zuckerberg said in an interview. Parker is also the reason why Zuckerberg owns around 20% of the company (including 29.8% Class A shares), thanks to his Plaxo experience.

After making a fortune with Facebook, ten years after Napster failed, Parker found his chance to once again disrupt the music industry.

⁸⁵ David Kirkpatrick, *The Facebook Effect: The Inside Story of the Company That Is Connecting the World*. (Simon and Schuster, 2011)

Only this time, it worked.

That opportunity came in the form of Spotify, an online music-streaming service from Sweden. While a chance meeting in a Californian suburb led to his involvement in Facebook, the team behind Spotify, Daniel Ek and Martin Lorentzon, wanted Parker to prove himself first. So he did.

He introduced them to Zuckerberg, who was equally impressed, and opened doors to Warner Music Group and Universal. This won over the Spotify founders, and he was able to invest \$30 million in a previously closed funding round. Parker's enthusiasm in a 2009 email to the founders is almost fanlike:

'Until now, no digital music service has met, let alone exceeded the bar set by Napster. In order to create the next revolution in digital music I believe that you must BOTH meet and exceed the bar set by Napster a decade ago.'

'You guys have finally done it.'

As of March 2015 Spotify has over 60 million users, with 15 million paying subscribers.⁸⁶ They have raised \$537.8 million, and are now valued at \$5.3 billion. Music streaming services, of which Spotify is the market leader, has now exceeded downloads (streaming up 42%, downloads down 12%, as of the first half of 2014, based on Nielsen data from 2013).⁸⁷

Had Parker quit after the Napster episode, or gone to college and ended up doing a regular job, it is possible that many aspects of the modern Internet we now take for granted would be a lot less interesting.

His failures with Napster and Plaxo were all necessary lessons. Not everyone is a big-ass visionary, and most entrepreneurs haven't tried and failed to disrupt whole industries as teenagers from their bedrooms. But all of us will fail at something. It is what we do with these lessons which matters.

⁸⁶ Source: <https://press.spotify.com/uk/information/>

⁸⁷ Josh Constine, 'Music Streaming Eats Downloads With On-Demand Up 42% Over 2013, Digital Sales Down 12%', 3 July 2014, TechCrunch: <http://techcrunch.com/2014/07/03/streaming-is-killing-downloads/>

Lesson 4: Apply Lean Startup Principles: Fail Fast

Failure fucking sucks.

Yet few talk about how it feels. Even less people talk about the full extent of their daily struggles as first-time entrepreneurs. Nikki Durkin, formerly of 99dresses, said on in an article on Medium: ‘Ask any founder how they’re doing and you’ll hear something positive. Whether that’s the truth or not, that’s what we’re trained to say.’⁸⁸

No one has *trained* founders to say one thing or another, exactly - not investors or the media, even mentors and board members don’t encourage founders to put on a brave face. Founders do this to themselves. It’s self taught. Part of the unspoken crash course of becoming a Founder-CEO is internalising everything, especially The Struggle.

The fear is that if you share one doubt or concern it will all spill out, like emotional vomit, and no one wants to get that all over a friend’s carpet! Better to stay quiet and spend quality time with your fears alone, in the dark, so those you love can enjoy trouble free nights.

It doesn’t have to be this way. You don’t have to drive through fluffy bunny land in a cold sweat of sleepless panic.

Horowitz urges founders to ‘tell it like it is’, which is happening more often, thanks to Medium and Startups Anonymous. Perhaps one day Buffer’s ‘radical transparency’ policy won’t seem so radical. Telling it like it is means admitting that failure, ‘fucking sucks’, as does spending any amount of time in the Valley of Despair, which conjures up images of the frozen land Beyond the Wall.⁸⁹

Joanna Montgomery, creator of wearable product, Pillow Talk, who is a current resident of this Valley, said all you can do is get on with it:

‘That’s all you can do. There is no glory here. There are no status symbols. The late nights are real and never-ending, and no one cares when you’re still working at 4am.

⁸⁸ Source: <https://medium.com/@nikkidurkin99/my-startup-failed-and-this-is-what-it-feels-like-c5d64b3ae96b>

⁸⁹ Source: <https://medium.com/@nikkidurkin99/my-startup-failed-and-this-is-what-it-feels-like-c5d64b3ae96b>

Being broke isn't something you can laugh about when your debit card is being declined in the supermarket.⁹⁰

Dave McClure, investor and founder of 500 Startups, therefore favours the fail fast principle:

'Getting used to that, bouncing back from that, being able to figure out what people hate and turn that into what people love . . . if you're not willing to take the risk of failing and not experience failure, you're never going to figure out what the right path is to success.'

Ned Staebler, vice president for economic development at Wayne State University, feels that the way people perceive failure is changing: 'This shift hasn't occurred out of some transcendental revelation. Rather, investors have seen numerous resilient entrepreneurs learn from their mistakes and have a big success after one or more failures. As rational actors, investors want to be a part of that success.'

A lot of founders recover and do well in their next venture, like Joel Gascoigne (Buffer), David Cohen (TechStars), Sean Parker (Facebook, Spotify), Eric Reis (*Lean Startup* author), and thousands of others.

Trevor Owens, Founder & CEO of Lean Startup Machine (LSM), has lived the lessons he is selling every day. He failed at 'a bunch of startups,' he said in a TechLi interview, which is why he now works to help others fail less often. In the three-day workshops they smack those attending with a reality stick and, in Owens words, 'crush people's dreams, but in an empowering way.'

In another interview with The Next Web, Owens said, 'I gave myself a year to make it, which meant doing 50 workshops in one year. Every company has a limited time spend and if you don't get there fast enough, it's time to move on.'

LSM is now generating over \$1 million in revenue, from 96 workshops, in 40 cities, with 7200 attendees to date. LSM is now one of four revenue sources for Owen and his team, with his company, Javelin, offering a QuickMVP platform, an Experiment Board, and lean training for corporates, like GE, ESPN and American Express.⁹¹

That's putting lean lessons from failure into practice, which now benefits thousands of entrepreneurs worldwide.

⁹⁰ Source: <https://medium.com/@joanna/in-between-success-and-failure-39e4b9e7a00c>

⁹¹ Find out more here: www.javelin.com

Five Ways To Learn From Failure

Failure, like success, often creeps up slowly, then hits all at once.

There is no such thing as an overnight success, or sudden failure. It should never be a surprise. Actions, inactions, missed opportunities, external factors outside of your control, and sometimes just plain bad luck often layer themselves on top of one another, until finally the future doesn't look so bright. Failure hurts, but there is much we can and should learn from the experience.

Experience in startups is comparable to evolution in nature. Founders are constantly learning. This is the evolution of ideas at work, in real time, playing out across whole sectors and inside millions of young companies globally. Evolution is about survival.

The author Elizabeth Gilbert in her most recent book, *The Signature of All Things* explains that, 'The trick at every turn was to endure the test of living for as long as possible. The odds of survival were punishingly slim, for the world was naught but a calamity and an endless burning furnace of tribulation.'

In the words of her character, Alma Whittaker, surviving this doesn't mean being 'most beautiful, brilliant, original, or graceful,' sometimes it means being 'the most ruthless, or the most lucky, or maybe just the most stubborn.'⁹²

Survival means learning from your mistakes, and from the examples of others, and avoiding common causes of startup death, like those listed below. If you want your startup to live like you want oxygen, then maybe you can keep playing for long enough to evolve, stay alive and thrive.

Failure to Focus

If you have dozens of ideas everyday it can be easy to get distracted. This is a common affliction of entrepreneurs: too many ideas, not enough time. The main things you need to focus on - like generating revenue, building your product, delivering services - can get rushed, or worse - done badly. The mental discipline and the ability to trim to-do lists to manageable goals is essential.

⁹² Elizabeth Gilbert, *The Signature of All Things* (Bloomsbury Publishing, 2013)

The popular lifestyle blog, Zenhabits, as well as books and courses by Leo Babauta are great resources for entrepreneurs wanting more balance in their life.⁹³

Meditation, Yoga, and Mindfulness, are a few great ways to assert better control of our minds and emotions.

Get Fired

One way to experience failure is to get fired. Or if you're self employed, lose a big client - perhaps your only client. You will literally have no option but to secure new work, or give up. It's a scary position to be in, but it could be the very catalyst you need. Also known as the fear, from the popular TV show, *Friends*. There are times when you need the fear.

Fail to Learn

Every entrepreneurial experience is a learning one. If you accept failure as a default position then it will make it easier to accept the lessons from those experiences. If you have failed, or made a mistake at some point - and you will - the best way forward is go back over the game highlights. Work out what went wrong, why, and how to avoid making similar mistakes in the future.

The caveat to the acceptance of failure is that it is a privilege which shouldn't be exploited. Better to do something else than keep trying for too long. Jon Evens wrote in TechCrunch, 'you're afforded two or three more kicks of the can before people start forgetting to return your emails.'⁹⁴

The same applies for when you achieve a hit. Go over the highlights, work out how to replicate that success in the future. Two of the Co-founders of Twitter, Biz Stone and Evan Williams are currently shooting for another, despite their massive success

⁹³ Zenhabits blog: <http://zenhabits.net/>, books and courses: <http://zenhabits.net/books/>

⁹⁴ Jon Evens, 'Failure Modes,' 25 January 2014, TechCrunch: <http://techcrunch.com/2014/01/25/failure-modes/>

(worth around \$27 billion⁹⁵), in the form of Medium (referenced several times throughout this book due to its popularity with founders as a replacement for the traditional blog).⁹⁶

Failure to Launch

If you have an idea for a business, don't just sit on it. Chances are it will leave you feeling frustrated, especially if you have a day job you are eager to quit. Kieron Donoghue once met a couple of aspiring entrepreneurs in that position.

'They had walls covered in Post-it notes, note pads and books everywhere,' he said.

'So I asked them when they were going to launch.'

'They replied, 'We are just doing a bit more research.'

'And how long have you been doing this research already?' I asked them.'

He told me, clearly unimpressed, 'They had been "researching" a good 6 months already.'

'I told them to just get on with it.'

It was fear which took those aspiring entrepreneurs to fluffy bunny land, which is a nice name for a bad neighbourhood; hence the research, attending seminars, and "looking busy" instead of launching a product.

No startup has a perfect launch. All go through phases - MVP, soft or private beta, public beta, and then you "launch", after already gaining validation, traction, and making improvements as you move forward. The only bad launch is none at all.

Failure to Balance

⁹⁵ This figure reflects the market capitalisation of the share price (TWTR on the NYSE) at time of writing - late August 2014. At the IPO share were initially priced at \$26, which gave the company a valuation of \$18.3 billion

⁹⁶ Find out more about Medium (www.medium.com): <http://techcrunch.com/2013/10/25/twitter-co-founder-evan-williams-blogging-platform-medium-opens-signups-to-all/>

Work-life balance is very important, and too often a neglected fact of life amongst first-time entrepreneurs. It is one of the easiest ways to unintentionally damage your new venture. Stress, exhaustion, a lack of perspective, not enough time, neglecting family, friends and relationships, all makes the hard things harder, The Struggle feel more painful, the Valley of Despair even more cold and lonely.

So make time for the things you enjoy: spend time with friends, family, and partners, enjoy hobbies, spend time away from your laptop. Whether you are working at your business full time, or working a job and setting up a business on the side - *make* the time. No one ever dies regretting not spending enough time at the office.

You will feel refreshed and achieve more by giving yourself the time off. Being an entrepreneur means placing your career in your own hands - to the greatest possible extent. It is a fantastic experience, which carries as much potential reward as it does risk. This means accepting the risks, doing all you can to reduce them, and having a parachute handy. Know what your options are if it fails, so that you are prepared.

No one wants to fail, but no one should jump out of a plane unprepared.

Conclusion: Failure

Beware of false signals. Such as: hype, lots of users but not enough paying customers, plenty of support but not enough tangible validation. Partnerships, or offers of partnerships (especially when you seemingly have nothing to lose) are a great waste of time. None of them have much real value, except maybe an ego massage.

Don't be ashamed or scared of failure. It will hurt, only you'll know the full extent of the sacrifices you made to earn your battle scars, but never be ashamed of them. Increasingly, startup post-mortems aren't being written by the media, but by founders themselves.⁹⁷

Make your lessons known. It helps. It's also a form of paying it forward, as it could serve as a guide which keeps others safe. Take ownership of everything you did and learn from what went wrong.

Grieve. Take a breath, move on.

No revenue, No business. It is easy to look to investors once you've got some evidence people want to pay for your idea. But always, always go for revenue over investors, and ideally secure revenue *before* investment. Investors can give you far more than customers ever could in a single transaction. But revenue is your oxygen, profits your sanity.

Fail hard, Fail fast. Something of a mantra for startups, but a valuable one. Dragging a dead horse around for months, or even years, won't bring it back to life. It can be all too easy to forget that you – whether you're a founder, self employed or an employee - are a stakeholder in that business too. If you aren't happy, what are the chances the business will be in a good place either?

And finally: **Accept and 'Learn to love your failures . . .** it is your failures that will make you who you are. It is your failures that will give meaning to your victories.⁹⁸

⁹⁷ Here's a great collection of 14 startup post-mortems, written by the founders themselves, from Ryan Hoover, Founder of Product Hunt: <http://ryanhoover.me/post/74229429351/14-startup-postmortems>

⁹⁸ Joel Dicker, *The Truth About the Harry Quebert Affair*, p.389

Conclusion

Founding or working for a startup, or becoming a freelancer (self-employed) isn't easy, with no guarantee of success. So why do it?

I can't say for the money, because so few achieve an exit, or earn much in the meantime to make that a good enough reason. There may be other financial gains further down the road, but it's a long journey to get there.

This is a bit different for solo-entrepreneurs. You may not earn much at first, but most at least try to earn as much or more than they did in salaried jobs. Startup founders, however, normally earn less than they could in a corporate cubicle.

There are other, more satisfying reasons for joining this community of brave, smart and hard working innovators.

Advantage 1: Working on or for a startup means having a chance to make an impact, both on the world, or in your chosen industry or sector. Certainly more so than in any corporate position. You are afforded more influence over your daily life, which brings us to the second advantage of startups: more control.

Advantage 2: By taking control of your career, you'll be able to positively affect your long-term earning potential. You'll be able to choose to develop your skills and gain more professional experience, which is a career investment worth making.

Advantage 3: The third advantage intersects the previous two. Remember the phrase: 'Do what you love, you'll never work again'. Startups give us the opportunity to live this way. Do what you love, earn what you want, make a difference. There has never been a better time in recent history to found or work for a startup.

Katherine Hague founded ShopLocket while at business school, and with her successful sale to PCH International in January 2014 - she has travelled all the way - from an idea, to \$1 million in funding, to a successful exit.

Shrad Rao had the idea for Wagepoint whilst he was working a job in the finance sector. After finding a mentor and investor he was able to test product/market fit with real customers, before raising \$2 million and winning over 700 customers, since Wagepoint was launched less than two years ago.

Rajeeb Dey was also still a student when he launched Enternships, which led him all the way to speaking at the Davos World Economic Forum.

There is no secret formula for success, unfortunately. There are only the decisions you make, the risks you take, and the application of some generally accepted methodologies, like lean principles. Pop culture has done a lot to make entrepreneurship seem an enviable career choice. From movies like *The Social Network* to *Dragons Den*, *Silicon Valley* and *The Apprentice* - there is enough drama, bitching and back stabbing to entertain us for hours. Not all of it is made up, either.

Zuckerberg talks about focusing on 'fundamental' problems, which you might think is easy for him to say. But his advice is to people in your position - so that you too can build a company of real value. Startups are all about solving problems. Finding solutions where others only see difficulties.

Solving a problem starts with asking the right questions. Asking the right questions begins with understanding the problem. To find questions that will give us useful answers, we must, in the words of Eric Ries, 'get out the building' and talk to customers. Building solutions which will win customers is not an academic exercise - it is a practical one. The trick is to get validation as easy as possible.

In the days before the dot-com bubble imploded, it was possible for tens of millions of investor dollars to be spent on product development, long before customers had interacted with the idea. Silicon Valley has changed a lot since Michael Lewis wrote *The New New Thing*, about the 'frontiers of economic life.'

Validation, not years doing research and development, is the way forward – and it can be very simple. Buffer is generating \$5.5 million revenue on the back of an idea which first gained validation through a two page website. Internet entrepreneurship has redefined risk for investors. At one end of the scale vast amounts - hundreds of millions of dollars in some cases - are put into ideas that, on the face of it, might seem unlikely to generate a return.

An online pin board for images: Pinterest, now with 70 million users, is currently worth \$5 billion.

Sharing images and short videos that disappear: Snapchat. Now worth almost \$10 billion, with 100 million users sending over 700 million messages every day.⁹⁹

⁹⁹ Source: <http://venturebeat.com/2014/08/26/report-snapchat-could-take-up-to-20-million-investment-from-kleiner-perkins/>

Taking filtered pictures of everything from cocktails to finger nail art: Instagram.
Bought by Facebook for \$1.13 billion in 2012.

For consumer-facing products to succeed they need to have nailed user experience and growth rates. Business customers need services which improve efficiencies, save money, or improve the function of a business area. This is the approach that sparked the successful growth of Box, Sage and Stripe. Both categories of startups (B2C and B2B) are well represented in the 'unicorn club.'

Most exist due to the lessons learned, and in some cases, investment decisions of the first generation of Internet billionaires. Those who survived and prospered on the economic frontiers.

While those mentioned above are working for the benefit of consumers or businesses, other startups focus on tackling the issues facing humanity. In almost all areas of life where there are serious problems: healthcare, energy, water, there are entrepreneurs challenging the status quo.

During the course of writing this book I've witnessed more emerging trends and innovative new products, services and companies born than I can count. The digital peer-to-peer currency known as Bitcoin is enjoying more mainstream use.¹⁰⁰ The 'Internet of Things' and 'connected home' devices are becoming more commonplace. Google's \$3.2 billion purchase of Nest is a sign this will continue.¹⁰¹ You can now replace body parts, like arms on people and legs on ducks, thanks to 3D printing.

Successful exits, like that of Facebook, Twitter and Tumblr have resulted in what some have described as a 'frothy' investment environment. Froth is a natural result of a buoyant investment culture, which results in an excess supply of cheap money for early-stage startups. Former TechCrunch Editor in Chief, Erick Schonfeld, talked about a 'Cambrian explosion' taking place, which is reference to the period in Earth's history when evolution exploded, resulting in the vast diversity of species we see today, including Humans.¹⁰²

¹⁰⁰ Find out more about Bitcoin here: <http://bitcoin.org/en/>

¹⁰¹ Read more about the Google purchase of Nest here: <https://nest.com/blog/2014/01/13/nest-google-and-you/>

¹⁰² The article (first of several on this subject): <http://techcrunch.com/2011/11/28/cambrian-explosion-startups/>. The actual Cambrian explosion took place 542 million years ago and lasted for about 70-80 million years. Once evolution settled down again the diversity of life on this planet more closely resembles what we see today.

The barriers to entry are lower than they have ever been. Ever. At the same time, there is more money available than ever before.¹⁰³

The result is that, with every high valuation, seemingly excessive funding round, massive exit (WhatsApp: \$19 billion) there is an editorial piece in which it has become *de rigueur* to use the phrase ‘bubble’ at least once. These drum beats can’t be brushed aside anymore. They are getting louder, are heard more frequently.

Even the media which fear to use the phrase are now reporting the portents of doom. Most recently, an excess of competition between VC’s and accelerators to work with startups has caused TechCrunch to ask, ‘aren’t we looking at something of a bubble here?’¹⁰⁴

Several of the most respected investors in the startup community agree. Benchmark General Partner, Bill Gurley (an investor in Uber, eBay and Snapchat) and Union Square Ventures’ Fred Wilson (an investor in Twitter, Tumblr and Soundcloud), who’s issued similar warnings in the past, both strongly believe startups are operating in bubble conditions.

Gurley argues that the amounts being raised, high burn rates, excess money supply, all point to conditions similar to 1999: ‘No one’s fearful, everyone’s greedy, and it will eventually end.’¹⁰⁵

Wilson is in full agreement. Going against the Valley mindset of high burn rates and operating at a loss, he said startups need to go back to the fundamentals: ‘At some point you have to build a real business, generate real profits, sustain the company without the largess of investor’s capital, and start producing value the old fashioned way.’

Venture capitalists depend on money markets (institutional investors, pensions, high net worth individuals, family trusts) to raise the funds they need to support entrepreneurs. Money markets are smoke and mirrors. Perception shapes the reality of how investors make decisions. If it looks like a bubble, walks and talks like a

¹⁰³ The Economist is in agreement as to the current state of the startup community. Read the report here: [http://media.economist.com/sites/default/files/sponsorships/\[KY56b\]Huawei/180114_SR.pdf](http://media.economist.com/sites/default/files/sponsorships/[KY56b]Huawei/180114_SR.pdf)

¹⁰⁴ Danny Crichton, ‘It’s Time For VCs To Run To Their Bubble Bunkers,’ 6 September 2014, TechCrunch: <http://techcrunch.com/2014/09/05/its-time-for-vcs-to-run-to-their-bubble-bunkers/>

¹⁰⁵ Source: Bill Gurley comments: <http://www.businessinsider.co.id/bill-gurley-silicon-valley-is-taking-on-too-much-risk-2014-9/>

bubble, then once enough people add their voices to this chorus, it will be too late to run for cover.

PandoDaily concurs, that the time to sit up and take notice, is now.¹⁰⁶

Since those initial articles came out numerous others have joined in, lending their voices to the shrill warnings now bouncing around the media. This includes Marc Andreessen, Co-founder of A16Z with Ben Horowitz, one of the worlds most respected VC firms, who Tweeted that, 'When the market turns, and it will turn, we will find out who has been swimming without trunks on.'¹⁰⁷

Bill Gurley once again warned the startup community about 'a complete absence of fear,' whilst giving a talk at SXSW in 2015. He predicts 'dead unicorns' in Silicon Valley this year, noting that more people are working at loss-making companies than ever before.¹⁰⁸

The most supportive, well funded environment which entrepreneurs have ever enjoyed in history is now looking increasingly fragile.

Bubbles happen. Such is the nature of money markets. In the Dutch Golden Age, in the 1630's, you could buy a house in an affluent part of Amsterdam for the price of one tulip bulb. The average salary of a craftsman at the time was about 300 florins. A single bulb, during what was known as Tulip Mania, could be worth as much as 3,000 to 4,150 florins in 1637. Naturally, this speculative bubble didn't last long.

Neither will the one startups are currently operating in.

Certainly, it cannot last forever.

Besides the impending fear of the bubble bursting, there's another reason the flow of money into startups looks likely to decrease. The economy is recovering from the recession. As the economy improves, the amount of funding for startups will reduce. As investment levels decline, the amount startups can raise will also decline. This is

¹⁰⁶ Michael Carney, West Coast Editor, 'Gurley and Wilson point to sky high burn rates, not valuations as the red flag in Silicon Valley,' 16 September 2014, PandoDaily: <http://pando.com/2014/09/16/gurley-and-wilson-zero-in-on-sky-high-burn-rates-not-valuations-as-the-red-flag-in-silicon-valley/>

¹⁰⁷ Michelle Quinn, 'Listening to the VC dog whistle,' San Jose Mercury News, 29 September 2014: http://www.mercurynews.com/michelle-quinn/ci_26630302/quinn-listening-vc-dog-whistle

¹⁰⁸ Source: <http://fortune.com/2015/03/15/bill-gurley-predicts-dead-unicorns-in-startup-land-this-year/>

because everyone, from institutional investors to the man on the street will get better returns from more traditional, safer asset classes. These economic conditions mean that startups will become a less attractive investment option when blue chips are generating better, safer returns.

This isn't to say that good ideas will not attract funding. It means there will be less funding available, thereby increasing the competition for cash. Which means more dependable forms of validation (already having customers and revenue) will be necessary just to get the attention of investors. Ideas alone won't cut it anymore.

Startups such as Buffer, which had around \$13,000 monthly revenue before picking up \$450,000 investment from 19 angels, will be more commonplace. The future will not be a kind place for the likes of Color, which got \$41 million without revenue or users.

In other words, Winter is Coming.

Now, not later, is the time. There will never be a better time to join the global startup community.

We still appear to be in the middle of a Cambrian explosion for startups (but of course, who can say where the middle was, until history records the end?), but as the economy improves and concerns over bubble economics intensify there will be less fuel for the fire.

Now is the time, because the 'downside risk' has never been so low.¹⁰⁹

If you fail, as chapter 5 covers, you bounce back and move on. Even corporate employers are unlikely to look down on you. Most Universities will accept you back. Taking risks, in the hope of making a difference, is a perfectly acceptable career choice. There is no experience like it. If you have the audacity to demand more from life, to live up to your aspirations, then entrepreneurship is for you.

Change always happens one step at a time, gradually. Building a startup is one decision at a time. Make your first decision to want to change, to want to achieve your dreams, to want to win control of your income and career. Putting this into practice is a careful, painstaking process, but the end result should be a life which reflects who you are which will give you the ability to live how you want.

¹⁰⁹ Downside risk is something which should always been considered when considering starting a business. Ask yourself: how can I reduce or limit the risks in this venture? It is something you will always have to factor in, at every stage of any business, including if you work for a startup compared to working in the corporate world.

The only person holding you back is you. You have a choice, to start living your dreams, or keep dreaming. That choice is your gift; the gift of living in an age when these kinds of choices are ours to make and the barriers between thoughts and actions are gossamer thin.

Resources

Chapter I

- Google for Entrepreneurs (www.google.com/entrepreneurs/) - and for those looking for investment, Google Ventures (www.gv.com/)
- Ben Mezrich, The Accidental Billionaires, Anchor, 2010 (www.amazon.com/Accidental-Billionaires)
- TechStars (www.techstars.com/) - an elite incubator in 13 locations, backed by 75 venture capital firms, responsible for 234 companies and 1,536 jobs, founded by [David Cohen](#).
- Young Entrepreneurs Council (www.yec.co/), founded by [Scott Gerber](#), and [Startup Collective](#), for early-stage entrepreneurs.
- Scott Gerber, Never Get A 'Real' Job, Wiley, 2010 (www.amazon.com/Never-Get-Real-Job)
- Reid Hoffman, The Start-Up of You, Crown Business, 2012, (www.amazon.com/Start-up-You) New York Times, '[start-up whisperer](#)' article.
- Aileen Lee, Welcome To The Unicorn Club: Learning From Billion-Dollar Startups, Nov 2, 2013, TechCrunch, (www.techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/)
- Ben Horowitz, The Hard Thing About Hard Things: Building a Business When There Are No Easy Answers (HarperBusiness, 2014): http://www.amazon.com/dp/0062273205/ref=cm_sw_su_dp?tag=harpercollinsus-20
- Ben Horowitz's Blog: <http://www.bhorowitz.com/>
- Startup America Partnership (www.s.co)
- Startup Canada (www.startupcan.ca/)
- Startup Britain (www.startupbritain.co/)

- Entrepreneur Meet Up Groups - connect with over 2 million people across 1,201 cities across 71 countries. If you can't find a group in your city, create your own (www.entrepreneur.meetup.com/)
- Need to make low cost / free international calls? Skype (www.skype.com/), GoToMeeting (www.gotomeeting.com/), Google Hangouts (www.google.com/+learnmore/hangouts/)
- [Michael Arrington](#), TechCrunch (www.techcrunch.com/) - now owned by AOL Inc., and the highly useful startup resources: CrunchBase (www.crunchbase.com/), Uncrunched (www.uncrunched.com/) - his personal blog and name of the venture capital, of which he is a Managing Partner
- [Paul Graham](#), Y Combinator (www.ycombinator.com/) - described as 'the most prestigious program for budding digital entrepreneurs', responsible for 630 startups since 2005, including Dropbox, Airbnb, Songkick and reddit
- [Dave McClure](#), 500 Startups (www.500.co/) - the 500 Accelerator Program is responsible for building a community of 1000 founders, 200 mentors, and 500 companies in 40 countries.
- [Eric Ries](#), *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (Crown Business, 2011): (www.amazon.com/Lean-Startup-Entrepreneurs)
- Mashable (www.mashable.com/)
- Under30CEO (www.under30ceo.com/)
- The Next Web (www.thenextweb.com/)
- Inc. Magazine (www.inc.com/)
- Forbes (www.forbes.com/)
- PandoDaily (www.pando.com/) - [Sarah Lacy](#) (Founder & Editor)
- Tech City News (UK) (www.techcitynews.com/)
- BetaKit (Canada) www.betakit.com/
- Re/code (www.recode.net/)
- OnStartups (www.onstartups.com/)

- Quora (www.quora.com/)
- Lean Startup Circle (www.leanstartupcircle.com/)
- Startup Collective (www.startupcollective.com/subscribe/).

Chapter III

- JOBS Act: White House remarks (www.whitehouse.gov/the-press-office/2012/04/05/remarks-president-jobs-act-bill-signing), information from the US Securities and Exchange Commission (SEC), and an assessment from Forbes (www.forbes.com/sites/jjcolao/2012/03/21/jobs-act/) and TechCrunch (www.techcrunch.com/2012/03/16/crowdfundingstartups/).

The following are the most popular crowd-funding websites (this list isn't exhaustive):

- Kickstarter (www.kickstarter.com/), Indiegogo (www.indiegogo.com/) - both contributory / donation and pre-order, not equity, based platforms.
- AngelList (www.angel.co/), Crowdfunder (UK) (www.crowdfunder.co.uk/), RocketHub (www.rockethub.com/), Crowdrise (www.crowdrise.com/) - great for social enterprises and charities, Invested.in (www.invested.in/), RockThePost (www.rockthepost.com/), Crowdcube (UK) (www.crowdcube.com/) and Seedrs (UK & Europe) (www.seedrs.com/) - are some of the 400 tools you can use to raise funding for your startup without an investor.
- The Global Accelerator Network (www.gan.co/), which ignite100 (www.ignite100.com/), TechStars (www.techstars.com/) and 48 others are a part, helps set the international standard for accelerators (and between the 50 they are responsible for \$548 million investment and 3,125 jobs).
- Another great way to discover programs and events for startups (there are currently 4,044 listed worldwide) is the F6S website (www.f6s.com/). Also a useful source for deals and offers.

Learn more about the companies in this section:

- ShopLocket (www.shoplocket.com/)

- Earsoft (www.web.earsoft.co.uk/)
- Playlists.net (www.playlists.net/)
- Plum (www.plum.io)

Chapter IV

- [Steve Blank](#), author of *The Four Steps to the Epiphany*, described as the the book that launched the Lean Startup movement. Also the author of *The Startup Owners Manual*. A Steve Blank, [Harvard Business Review article](#) about the Lean Startup philosophy, from May 2013 - well worth a read.

- [Mark Suster](#) and his Both Sides of the Table blog (www.bothsidesofthetable.com/). He is a self-described '2x entrepreneur who has gone to the Dark Side of VC', a General Partner at Upfront Ventures. He is a regular publisher of articles on [entrepreneurship](#), [sales & marketing](#), [PR](#), [startup advice](#) and fundraising (from [angels](#) and [VC investors](#)).

[Paul Graham](#) has copious amounts of useful information for startup founders, including advice for those [wanting a place on Y Combinator](#). Here is [his CV](#) and his [collection of essays](#). Some well worth reading:

- Startups in [13 sentences](#) (key: 'Understand your users');
- [Startups = growth](#);
- [How to raise money](#);
- [Don't scale](#);
- [Frighteningly ambitious](#) startup ideas;
- [Determination](#);
- Why there aren't more [Googles](#);
- How to [not die](#);

- A [student's guide to startups](#);
- How to [start a startup](#).
- Geoffrey A. Moore, [*Crossing the Chasm, 3rd Edition: Marketing and Selling Disruptive Products to Mainstream Customers*](#) (Harper Collins, Third Edition, 2014)
- C. J. Carelson, *Work Like a Spy: Business Tips from a Former CIA Officer* (Portfolio Hardcover, 2013): <http://www.amazon.com/Work-Like-Spy-Business-Officer/dp/1591843537>
- George Deeb, a VC at Red Rocket Ventures, writing in Forbes about startup marketing (www.forbes.com/sites/georgedeeb/2013/11/06/if-you-build-it-they-may-not-come-budget-ahead-for-startup-marketing/).
- Andréa Mallard, guest mentor at HackFwd (www.hackfwd.com/hello) talking about [Brand Strategy](#) is well worth watching.
- Want to learn more about Growth Hacking? Check out Growth Hackers (www.growthhackers.com/).
- The Startup Marketing blog (www.startup-marketing.com/), by leading Lean experts, like [Sean Ellis](#), is also worth browsing.
- Enternships (www.enternships.com/)
- Work in Startups (www.workinstartups.com/)
- Working for Wonka (www.workingforwonka.com/) - which includes a handy e-book about how to get a job in a startup.
- A good article on working for a startup by Elli Sharef, Co-founder of HireArt (www.hireart.com/) in VentureBeat (www.venturebeat.com/2013/01/20/5-things-you-need-to-know-before-working-at-a-startup/).

More information about startups and company culture from The Next Web (www.thenextweb.com/insider/2013/10/27/startup-hiring-isnt-just-qualifications-finding-cultural-fits/).

Additional Resources

A special mention must be made for **Product Hunt**, which didn't exist when the author started working on this book. It has become one of the most valuable go-to resources in the startup community when new products / services and books are launched: <http://www.producthunt.com/>

Books

- Sarah Lacy, *The Facebook Story* (Crimson Publishing, 2009): www.amazon.com/The-Facebook-Story-Sarah-Lacy/dp/185458488X/
- Sarah Lacy, *Once You're Lucky, Twice You're Good: The Rebirth of Silicon Valley and the Rise of Web 2.0* (Gotham; reprint, 2009): www.amazon.com/Once-Youre-Lucky-Twice-Good/dp/1592404278/
- Jessica Livingston, *Founders at Work: Stories of Startups' Early Days* (Apress, 2008): www.amazon.com/Founders-Work-Stories-Startups-Early/dp/1430210788/
- Noam Wasserman, *The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup*. Kauffman Foundation Series on Innovation and Entrepreneurship (Princeton University Press, 2013): www.amazon.com/The-Founders-Dilemmas-Anticipating-Entrepreneurship/dp/0691158304/
- Steve Blank, *The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company* (K & S Ranch, 2012): www.amazon.com/The-Startup-Owners-Manual-Step-By-Step/dp/0984999302/
- Michael Lewis, *The New New Thing: A Silicon Valley Story* (Houder & Stoughton, 1999). Amazon: www.amazon.com/The-New-Thing-Silicon-Valley/dp/0140296468
- David Taylor, *The Naked Leader: The True Paths to Success are Finally Revealed* (Bantam Books, 2003): www.amazon.com/Naked-Leader-Success-Finally-Revealed/dp/0553815652/
- Chris Guillebeau, *The \$100 Startup: Reinvent the Way You Make a Living, Do What You Love, and Create a New Future* (Crown Business, 2012): www.amazon.com/The-100-Startup-Reinvent-Living/dp/0307951529/

- Tim Ferriss, *The 4-Hour Workweek: Escape 9-5, Live Anywhere, and Join the New Rich* (Harmony; expanded updated edition, 2009): www.amazon.com/The-4-Hour-Workweek-Anywhere-Expanded/dp/0307465357/
- Seth Godin, *Permission Marketing : Turning Strangers Into Friends And Friends Into Customers* (Simon & Schuster, 1999): www.amazon.com/Permission-Marketing-Turning-Strangers-Customers/dp/0684856360/
- Guy Kawasaki, *Enchantment: The Art of Changing Hearts, Minds, and Actions* (Portfolio Trade, reprint, 2012): www.amazon.com/Enchantment-Changing-Hearts-Minds-Actions/dp/1591845831/
- Guy Kawasaki, *APE: Author, Publisher, Entrepreneur-How to Publish a Book* (Nononina Press, 2013): www.amazon.com/APE-Author-Publisher-Entrepreneur-How-Publish/dp/0988523108/
- Brad Stone, *The Everything Store: Jeff Bezos and the Age of Amazon* (Little, Brown and Company, 2013): www.amazon.com/The-Everything-Store-Bezos-Amazon/dp/0316219266/
- Richard Branson, *Losing My Virginity: How I Survived, Had Fun, and Made a Fortune Doing Business My Way* (Crown Business, updated, 2011): www.amazon.com/Losing-My-Virginity-Survived-Business/dp/0307720748/
- Richard Branson, *Business Stripped Bare: Adventures of a Global Entrepreneur* (Portfolio Trade, reprint, 2011): www.amazon.com/Business-Stripped-Bare-Adventures-Entrepreneur/dp/1591844061/
- Natalie Sisson, *The Suitcase Entrepreneur: Create freedom in business and adventure in life* (Tonawhai Press, 2013): www.amazon.com/Suitcase-Entrepreneur-freedom-business-adventure/dp/0473251248/
- Geoffrey A. Moore, *Crossing the Chasm, 3rd Edition: Marketing and Selling Disruptive Products to Mainstream Customers* (Harper Collins, Third Edition, 2014)
- C. J. Carelson, *Work Like a Spy: Business Tips from a Former CIA Officer* (Portfolio Hardcover, 2013): <http://www.amazon.com/Work-Like-Spy-Business-Officer/dp/1591843537>
- Ben Horowitz, *The Hard Thing About Hard Things: Building a Business When There Are No Easy Answers* (HarperBusiness, 2014): <http://www.amazon.com/Hard-Thing-About-Things-Building/dp/0062273205/>

- Nick Bilton, *Hatching Twitter: A True Story of Money, Power, Friendship, and Betrayal* (Portfolio Hardcover, 2013): <http://www.amazon.com/Hatching-Twitter-Story-Friendship-Betrayal/dp/1591846013/>

Video

HackFwd was a European pre-seed investment company, founded by Lars Hinrichs, which closed down in September 2013. They have kindly left a collection of very [useful resources](#) online, including the following:

- Roman Stanek, CEO of GoodData about the best ways to [fail faster](#).
- Tom Hulme, IDEO Design Director, talks about the [science of entrepreneurship](#).
- Stephanie Kaiser & Torsten Reil talk about the metrics (key performance indicators - KPI's) behind the [growth of startups](#).
- Mike Butcher of TechCrunch talks about how to [pitch to the media](#).
- Marco Börries talks about how to lead in a [stressful startup environment](#).

Disclaimer: None of the links in this section are affiliate links, and although all Amazon links go to Amazon.com, all of these books can be found on Amazon stores worldwide, as well as other book stores. Other resources are scattered throughout this book, in the resource sections and in the footnotes, so this collection is by no means comprehensive, but the author has sought to collate and collect what he feels is the most useful collection of startup and entrepreneurship focused resources currently available.

About the Author: Dominic Tarn

Blessed with a thirst for knowledge, a love of books, and a storyteller's gifts, Dominic was raised with the confidence to pursue any career that reflected his passions and values.

Writing is the career that found him, after he got involved in student journalism in 2005.

Since he studied History at University College London (currently ranked fifth in world league tables), Dominic has been a Columnist, Editor in Chief, Content Crafter, CMO and a startup CEO. He has crafted a voice and content for entrepreneurs, startups, video production firms, agencies, and small and medium businesses across America, Canada, Britain and Europe.

Making his debut as an author with *The New Goldrush: A Quick Guide to Startups (Revised Edition)* he blends personal experience, dozens of interviews and hundreds of useful resources, which he hopes will motivate other millennial's to live their dreams.

Dominic is Managing Director of the House of Content, a content marketing agency, which provides businesses with a reliable source of high-quality content and gives writers the freedom to work on their craft in front of an audience.

Dominic currently lives in Stockton on Tees, England.