

# THE ART OF THE START

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

“Guy has done it again—  
evangelized something  
useful and meaningful.  
This time, it’s a bottom-  
up business approach  
profound in its simplic-  
ity: Focus on what’s real  
and forget the fluff.  
And, please, read the  
last chapter first.”

—**Pierre Omidyar**,  
founder of eBay,  
co-founder of  
Omidyar Network

**Guy Kawasaki**

Author of *Rules for Revolutionaries*





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*A friend is one to whom you can pour out the contents of your heart, chaff and grain alike. Knowing that the gentlest of hands will take and sift it, keep what is worth keeping, and with a breath of kindness, blow the rest away.*

—anonymous

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# The Art of Starting

*Everyone should carefully observe which way his heart draws him, and then choose that way with all his strength.*

—Hasidic saying

## GIST (GREAT IDEAS FOR STARTING THINGS)

I use a top-ten list format for all my speeches, and I would love to begin this book with a top-ten list of the most important things an entrepreneur must accomplish. However, there aren't ten—there are only five:

1. **MAKE MEANING.** The best reason to start an organization is to make meaning—to create a product or service that makes the world a better place. So your first task is to decide how you can make meaning.
2. **MAKE MANTRA.** Forget mission statements; they're long, boring, and irrelevant. No one can ever remember them—much less implement them. Instead, take your meaning and make a mantra out of it. This will set your entire team on the right course.
3. **GET GOING.** Start creating and delivering your product or service. Think soldering irons, compilers, hammers, saws, and AutoCAD—

whatever tools you use to build products and services. Don't focus on pitching, writing, and planning.

4. **DEFINE YOUR BUSINESS MODEL.** No matter what kind of organization you're starting, you have to figure out a way to make money. The greatest idea, technology, product, or service is short-lived without a sustainable business model.
5. **WEAVE A MAT (MILESTONES, ASSUMPTIONS, AND TASKS).** The final step is to compile three lists: (a) major milestones you need to meet; (b) assumptions that are built into your business model; and (c) tasks you need to accomplish to create an organization. This will enforce discipline and keep your organization on track when all hell breaks loose—and all hell will break loose.

## MAKE MEANING

*I have never thought of writing for reputation and honor. What I have in my heart must come out; that is the reason why I compose.*

—Ludwig van Beethoven

Many books about entrepreneurship begin with a rigorous process of self-examination, asking you to determine if you are truly up to the task of starting an organization. Some typical examples are

- Can you work long hours at low wages?
- Can you deal with rejection after rejection?
- Can you handle the responsibility of dozens of employees?

The truth is, it is impossible to answer questions like this in advance, and they ultimately serve no purpose. On the one hand, talk and bravado are cheap. Saying you're willing to do something doesn't mean that you will do it.

On the other hand, realizing that you have doubt and trepidation doesn't mean you won't build a great organization. How you answer these questions now has little predictive power regarding what you'll actually do when you get caught up in a great idea.

The truth is that no one really *knows* if he\* is an entrepreneur until he becomes one—and sometimes not even then. There really is only one question you should ask yourself before starting any new venture:

Do I want to make *meaning*?

Meaning is not about money, power, or prestige. It's not even about creating a fun place to work. Among the meanings of "meaning" are to

- Make the world a better place.
- Increase the quality of life.
- Right a terrible wrong.
- Prevent the end of something good.

Goals such as these are a tremendous advantage as you travel down the difficult path ahead. If you answer this question in the negative, you may still be successful, but it will be harder to become so because making meaning is the most powerful motivator there is.

It's taken me twenty years to come to this understanding.

In 1983, when I started in the Macintosh Division of Apple Computer, beating IBM was our reason for existence. We wanted to send IBM back to the typewriter business holding its Selectric typewriter balls.

In 1987, our reason for existence became beating Windows and Microsoft. We wanted to crush Microsoft and force Bill Gates to get a job flipping fish at the Pike Place Market.

In 2004, I am a managing director in an early-stage venture capital firm called Garage Technology Ventures. I want to enable people to create great products, build great companies, and change the world.

The causation of great organizations is the desire to make meaning. Having that desire doesn't guarantee that you'll succeed, but it does mean that if you fail, at least you failed doing something worthwhile.

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\*If only defeating sexism were as simple as throwing in an occasional *he/she, she, her, or hers*. I use the masculine pronouns merely as a shortcut. Successful entrepreneurship is blind to gender. Don't look for sexism where none exists.

**EXERCISE**

Complete this sentence: If your organization never existed, the world would be worse off because \_\_\_\_\_.

**MAKE MANTRA**

Close your eyes and think about how you will serve your customers. What kind of meaning do you see your organization making? Most people refer to this as the “Why” or mission statement of an organization.

Crafting a mission statement is usually one of the first steps entrepreneurs undertake. Unfortunately, this process is usually a painful and frustrating experience that results in exceptional mediocrity. This is almost inevitable when a large number of people are commissioned to craft something designed to make an even larger number of people (employees, shareholders, customers, and partners) happy.

The fundamental shortcoming of most mission statements is that everyone expects them to be highfalutin and all-encompassing. The result is a long, boring, commonplace, and pointless joke.\* In *The Mission Statement Book*, Jeffrey Abrams provides 301 examples of mission statements, which demonstrate that companies are all writing the same mediocre stuff. To wit, this is a partial list of the frequency with which mission statements in Abrams’s sample contained the same words:

- Best—94
- Communities—97
- Customers—211

\*If you insist on creating a mission statement, go to [www.artofthestart.com](http://www.artofthestart.com) and click on the mission statement generator link (<http://www.unitedmedia.com/comics/dilbert/career/bin/ms2.cgi>). This will take you to the Dilbert mission statement generator and save you thousands of dollars.



- Excellence—77
- Leader—106
- Quality—169\*

Fortune (or *Forbes*, in my case) favors the bold, so I'll give you some advice that will make life easy for you: Postpone writing your mission statement. You can come up with it later when you're successful and have lots of time and money to waste. (If you're not successful, it won't matter that you didn't develop one.)

Instead of a mission statement and all the baggage that comes with it, craft a mantra for your organization. The definition of *mantra* is

A sacred verbal formula repeated in prayer, meditation, or incantation, such as an invocation of a god, a magic spell, or a syllable or portion of scripture containing mystical potentialities.<sup>†</sup>

What a great thing a mantra is! How many mission statements evoke such power and emotion?

The beauty of a mantra is that everyone expects it to be short and sweet. (Arguably, the world's shortest mantra is the single Hindi word *Om*.) You may never have to write your mantra down, publish it in your annual report, or print it on posters. Indeed, if you do have to "enforce" your mantra in these ways, it's not the right mantra.

Following are five examples that illustrate the power of a good mantra:

- Authentic athletic performance (Nike).<sup>‡</sup>
- Fun family entertainment (Disney).<sup>§</sup>
- Rewarding everyday moments (Starbucks).<sup>||</sup>
- Think (IBM).
- Winning is everything (Vince Lombardi's Green Bay Packers).

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\*Jeffrey Abrams, *The Mission Statement Book* (Berkeley: Ten Speed Press, 1999), 25–26.

†*The American Heritage Dictionary of the English Language*, 4th ed., s.v. *mantra*.

‡Scott Bedbury, *A New Brand World: 8 Principles for Achieving Brand Leadership in the 21st Century* (New York: Viking, 2002), 51.

§*Ibid.*, 52.

||*Ibid.*, 53.

Compare the Starbucks mantra, “Rewarding everyday moments,” to the company’s mission statement, “Establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.” Which is more memorable?

Imagine that someone asks your parents or your organization’s receptionist what you do. Can it get any better than a three-word mantra such as “Authentic athletic performance”?\*

**EXERCISE**

In only the space provided, write your organization’s mantra:

\_\_\_\_\_

A final thought on mantras: Don’t confuse mantras and tag lines. A mantra is for your employees; it’s a guideline for what they do in their jobs. A tag line is for your customers; it’s a guideline for how to use your product or service. For example, Nike’s mantra is “Authentic athletic performance.” Its tag line is “Just do it.”

**EXERCISE**

The following chart contains the real mission statements of several organizations, and hypothetical mantras that I made up for them. Which do you think is more powerful?

<b>ORGANIZATION</b>	<b>REAL MISSION STATEMENT</b>	<b>HYPOTHETICAL MANTRA</b>
<b>Southwest Airlines</b>	“The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.”	Better than driving.

\*Actually, it could. Back in the early days, we toyed with “We take the FU out of funding” for Garage’s mantra, but we rejected it because it was too long. :-)

<b>ORGANIZATION</b>	<b>REAL MISSION STATEMENT</b>	<b>HYPOTHETICAL MANTRA</b>
<b>Coca-Cola</b>	“The Coca-Cola Company exists to benefit and refresh everyone it touches.”	Refresh the world.
<b>Wendy's</b>	“The mission of Wendy's is to deliver superior quality products and services for our customers and communities through leadership innovation and partnerships.”	Healthy fast food.
<b>Red Cross</b>	“To help people prevent, prepare for and respond to emergencies.”	Stop suffering.
<b>United States Air Force</b>	“To defend the United States and protect its interests through aerospace power.”	Kick butt in air and space.
<b>United Way (Hawaii)</b>	“The purpose of Aloha United Way is to provide leadership to bring people together to create a healthier, more compassionate community.”	Bring people together.
<b>March of Dimes</b>	“March of Dimes researchers, volunteers, educators, outreach workers and advocates work together to give all babies a fighting chance against the threats to their health: prematurity, birth defects, low birthweight.”	Save babies.

## GET GOING

The third step is not to fire up Word to write a business plan, launch PowerPoint to craft a pitch, or boot Excel to build a financial projection. Wrong, wrong, wrong!

My goal in giving you this advice is not to reduce the sales of Microsoft Office—remember, I'm off the anti-Microsoft podium. There's a time for using all three applications, but it's not now. What you should do is (a) rein in your anal tendency to craft a document and (b) implement.

This means building a prototype, writing software, launching your Web site, or offering your services. The hardest thing about getting started is getting started. (This is as true for a writer as it is for an entrepreneur.) Remember: No one ever achieved success by *planning* for gold.

You should always be selling—not strategizing about selling. Don’t test, test, test—that’s a game for big companies. Don’t worry about being embarrassed. Don’t wait to develop the perfect product or service. Good enough is good enough. There will be plenty of time for refinement later. It’s not how great you start—it’s how great you end up.

The enemy of activation is cogitation, and at this stage, cogitating the “strategic” issues of research and development is a problem. Questions like, *How far can we leap ahead? What if everyone doesn’t like what we do?* and *Should we design for a target customer or make what we would want to use?* are beside the point when you’re getting a new venture off the ground.

Instead, observe these key principles of getting going:

- **THINK BIG.** Set your sights high and strive for something grand. If you’re going to change the world, you can’t do it with milquetoast and boring products or services. Shoot for doing things at least ten times better than the status quo. When Jeff Bezos started Amazon.com, he didn’t build a bookstore with a paltry 25,000 more titles than the 250,000-title brick-and-mortar bookstores. He went to 3,000,000 titles in an online bookstore.
- **FIND A FEW SOULMATES.** History loves the notion of the sole innovator: Thomas Edison (light bulb), Steve Jobs (Macintosh), Henry Ford (Model T), Anita Roddick (The Body Shop), Richard Branson (Virgin Airlines). History is wrong. Successful companies are started, and made successful, by at least two, and usually more, soulmates. After the fact, one person may come to be recognized as “the innovator,” but it always takes a team of good people to make any venture work.
- **POLARIZE PEOPLE.** When you create a product or service that some people love, don’t be surprised when others hate you. Your

goal is to catalyze passion—pro or anti. Don't be offended if people take issue with what you've done; the only result that should offend (and scare) you is lack of interest.

Car design is a good example of the love-versus-hate reaction; consider the bifurcation of people's reactions to cars like such as the Mini Cooper, Infiniti Fx 45, and Toyota Scion xB. People are either devoted fans or relentless critics, and that's good.



Mini Cooper

Photo credit: Photo courtesy MINI USA

Infiniti Fx45  
Photo credit: c Nissan  
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the Infiniti logo are  
registered trademarks  
of Nissan North  
America, Inc.



Toyota Scion xB

Photo credit: Toyota Motor Sales, USA, Inc.

- **DESIGN DIFFERENT.** Depending on what management fad is hot, you might be tempted to believe that there is only one ideal way to design products and services. This isn't true. There is no single best way. Here are four different and valid approaches—and I am sure there are more.

**“I WANT ONE.”** This is the best kind of market research—the customer and the designer are the same person. Therefore, the customer's voice can reach the designer's mind uncorrupted by corporate politics, reliance on the status quo, and market researchers. Example: Ferdinand Porsche said, “In the beginning I looked around and, not finding the automobile of my dreams, decided to build it myself.”\*

**“MY EMPLOYER COULDN'T (OR WOULDN'T) DO IT.”** Not as romantic as “I want one,” but this is a credible path. You already understand the customer base, competition, supply sources, and industry contacts because of your background. You still need to build the product or service and get customers, but many questions are already answered. For example, alumni of Unit 8200 of the Israeli Defense Forces went on to create companies such as Checkpoint after developing security software for the military.

**“WHAT THE HELL—IT'S POSSIBLE!”** This theory isn't popular when times are tough, and microscopes are flourishing. At these times, the world has turned conservative and demands that every market be “proven.” Markets for curve-jumping, paradigm-shifting leaps are seldom proven in advance. For example, when Motorola invented cellular telephones, no one leaped to buy them. At that time, *portable phone* was an oxymoron because phones were always attached to places. There was no market for phones that customers could move.

\**Forbes FYI* (Winter 2003): 21.

**“THERE MUST BE A BETTER WAY.”** The organization born of this philosophy is based on the idealistic notion that you can make the world a better place by doing something new. In many cases, the founders had backgrounds with no logical connection to the business. They simply got an idea and decided to do it. Example: eBay. Pierre Omidyar, the founder, wanted to implement a system for a “perfect market” for the sale of goods. (The story of his girlfriend wanting to sell Pez dispensers was an after-the-fact PR tale.)

- **USE PROTOTYPES AS MARKET RESEARCH.** In the early days of an organization, there is high uncertainty about exactly what you should create and exactly what customers want. In these times, traditional market research is useless—there is no survey or focus group that can predict customer acceptance for a product or service that you may barely be able to describe. Would you buy a new computer with no software, no hard disk, and no color that simulates the real world—including a trash can?\*

The wisest course of action is to take your best shot with a prototype, immediately get it to market, and iterate quickly. If you wait for ideal circumstances in which you have all the information you need (which is impossible), the market will pass you by.

The expected outcome of the “get going” principle is a first release of a product or service. Remember: it won’t be perfect.

But don’t revise your product to get prospective customers to love it. Instead, revise it because customers already love it. Let me put it in religious terms: Some people believe that if they change, God will love them. Others believe that since God loves them, they should change. The latter theory is the prototype to keep in mind for how to get going and keep going for startups.

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\*This isn’t how we positioned the first Macintosh, but it’s a pretty accurate description of what we had.

## DEFINE YOUR BUSINESS MODEL

You want to make meaning. You've come up with a mantra. You've started prototyping your product or service. The fourth step is to define a business model. To do this you need to answer two questions:

- Who has your money in their pockets?
- How are you going to get it into your pocket?

These questions lack subtlety, but they are a useful way to consider the reality of starting an organization—even, and perhaps especially, not-for-profits, which have to fight for money just to stay alive. You can't change the world if you're dead, and when you're out of money you're dead.

More elegantly stated, the first question involves defining your customer and the pain that he feels. The second question centers around creating a sales mechanism to ensure that your revenues exceed your costs. Here are some tips to help you develop your business model:

- **BE SPECIFIC.** The more precisely you can describe your customer, the better. Many entrepreneurs are afraid of being “niched” to death and then not achieving ubiquity. However, most successful companies started off targeting specific markets and grew (often unexpectedly) to great size by addressing other segments. Few started off with grandiose goals and achieved them.
- **KEEP IT SIMPLE.** If you can't describe your business model in ten words or less, you don't have a business model. You should use approximately ten words—and employ them wisely by using simple, everyday terminology. Avoid whatever business jargon is currently hip (*strategic, mission-critical, world-class, synergistic, first-mover, scalable, enterprise-class*, etc.). Business language does not make a business model.\* Think of eBay's business model: It charges a listing fee plus a commission. End of story.

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\*Inspired by Michael Shermer, *Why People Believe Weird Things* (New York: A.W.H. Freeman, 2002), 49.



- **COPY SOMEBODY.** Commerce has been around a long time, and by now clever people have pretty much invented every business model that's possible. You can innovate in technology, markets, and customers, but inventing a new business model is a bad bet. Try to relate your business model to one that's already successful and understood. You have plenty of other battles to fight.

My final tip is that you ask women—and only women. My theory is that deep in the DNA of men is a “killer” gene. This gene expresses itself by making men want to kill people, animals, and plants. To a large degree, society has repressed this gene; however, starting an organization whose purpose is to kill another organization is still socially acceptable.

Hence, asking a man about a business model is useless because every business model looks good to someone with the Y chromosome. For example, Sun Microsystems wants to kill Microsoft. When is the last time you bought a computer based on whom the manufacturer wanted to kill?

Women, by contrast, don't have this killer gene. Thus, they are much better judges of the viability of a business model than men are. Don't agree with me? The book *The Darwin Awards* provides irrefutable proof of women's greater common sense. These awards commemorate “those individuals who have removed themselves from the gene pool in a sublimely idiotic fashion.”\*

For example, in 1998 two construction workers fell to their demise after cutting a circular hole in the floor while they were standing in the middle of the circle.† *The Darwin Awards* contains nine chapters about the stupidity of men, and one chapter about the stupidity of women. I rest my case.

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\*Wendy Northcutt, *The Darwin Awards II* (New York: Dutton, 2001), 2.

†Ibid., 70.

**EXERCISE**

**Step 1:** Calculate your monthly costs to operate your organization.

**Step 2:** Calculate the gross profit of each unit of your product.

**Step 3:** Divide the results of Step 1 by the results of Step 2.

**Step 4:** Ask a few women if they think you have a chance of selling that many units. If they don't, you don't have a business model.

**WEAVE A MAT (MILESTONES, ASSUMPTIONS, AND TASKS)**

One definition of *mat* is “a heavy woven net of rope or wire cable placed over a blasting site to keep debris from scattering.”\* Preventing scattering is exactly what you need to do as the fifth, and final, step of launching your enterprise. In this case, MAT stands for milestones, assumptions, and tasks.†

The purpose of compiling the MAT is to understand the scope of what you're undertaking, test assumptions quickly, and provide a method to find and fix the large flaws in your thinking.

**Milestones**

For most people a startup looks as if it must achieve a seemingly unlimited number of goals. However, out of these goals are some that stand head and shoulders above the others. These are the organization's milestones—they mark significant progress along the road to success. There are seven milestones that every startup must focus on. If you miss any of them, your organization might die.

- Prove your concept.
- Complete design specifications.

\**The American Heritage Dictionary of the English Language*, 4th ed., s.v. *mat*.

†Inspired by Rita Gunther McGrath and Ian C. MacMillan, “Discovery-Driven Planning,” *Harvard Business Review* (July–August 1995).

- Finish a prototype.
- Raise capital.
- Ship a testable version to customers.
- Ship the final version to customers.
- Achieve breakeven.

These milestones apply to every kind of business. For example, a new school can prove its concept by seeing if two teachers, working as a team, using a new curriculum, can provide more individualized instruction and improve learning in a test classroom. With this proof of concept, the school can then complete the design of its curriculum, raise funds, roll out the prototype, and start teaching classes.

There are other tasks (we'll come to them soon) that are also important to the survival of the organization, but none are as important as these milestones. The timing of these milestones will drive the timing of just about everything else you need to do, so spend 80 percent of your effort on them.

### **EXERCISE**

Take down the corny framed mission statement in your lobby and replace it with a printout of target dates for completion of the seven milestones listed above. Make sure that employees and guests can read it.

### **Extra Credit**

Repeat this procedure for every new product or service. Create a wall of fame to track the history of your organization.

## **Assumptions**

Second, create a comprehensive list of the major assumptions that you are making about the business. These include factors such as

- product or service performance metrics
- market size
- gross margin

- sales calls per salesperson
- conversion rate of prospects to customers
- length of sales cycle
- return on investment for the customer
- technical support calls per unit shipped
- payment cycle for receivables and payables
- compensation requirements
- prices of parts and supplies
- customer return on investment

Continuously track these assumptions, and when they prove false, react to them quickly. Ideally, you can link these assumptions to one of the seven milestones discussed above. Thus, as you reach a milestone, you can test an assumption.

### Tasks

Third, create another comprehensive list—this time of the major tasks that are necessary to design, manufacture, sell, ship, and support your product or service. These are necessary to build an organization, though they are not as critical as the seven milestones. They include

- renting office space
- finding key vendors
- setting up accounting and payroll systems
- filing legal documents
- purchasing insurance policies

The point of the list of tasks is to understand and appreciate the totality of what your organization has to accomplish, and to not let anything slip through the cracks in the early, often euphoric days.

## MINICHAPTER: THE ART OF INTERNAL ENTREPRENEURING

*Innovation often originates outside existing organizations, in part because successful organizations acquire a commitment to the status quo and a resistance to ideas that might change it.*

—Nathan Rosenberg

A large number of aspiring entrepreneurs currently work for big companies. Like all entrepreneurs, they dream of creating innovative products or services and wonder if this can be done internally. The answer is yes. The purpose of this minichapter is to explain how.

The “arts” that this book describes are equally appropriate for internal entrepreneurs—they, too, must innovate, position, pitch, write business plans, bootstrap, recruit, raise capital, partner, establish brands, make rain, and be mensches. But there are special recommendations that apply in this case.

Ironically, many independent entrepreneurs envy the employees of big companies—they think that these lucky souls have humongous financial resources, large sales forces, fully equipped labs, scalable factories, and established brands, plus medical and dental benefits, at their disposal. How wonderful it would be, guys in garages muse, to invent a new product or service with the luxury of such an infrastructure already in place.

Guess again. Creating a new product or service inside such a beast is not necessarily easier; the challenges are just different. I happen to have been part of a “best-case” scenario: the Macintosh Division of Apple. I can explain the success of this internal entrepreneurial effort in two words: *Steve Jobs*. His off-the-scale design talents, maniacal attention to detail, and reality-distorting personality (plus co-founder status) made Macintosh successful. Were it not for Steve Jobs, Macintosh would not exist—or it would have taken the form of an Apple II with a trash can.

*But if it takes a Steve Jobs to innovate within large companies, you are undoubtedly thinking, we might as well give up right now.* While that kind of visionary is in short supply in any business, anyone with guts, vision, and political savvy should be able to set up an en-

trepreneurial outpost in an established business. I collaborated on this minichapter with Bill Meade, a close friend who helped Hewlett-Packard organize its substantial vault of intellectual property. We came up with this list of recommendations for internal entrepreneurs.

- **PUT THE COMPANY FIRST.** The internal entrepreneur's primary, if not sole, motivation should remain the betterment of the company. Internal entrepreneurship isn't about grabbing attention, building an empire, or setting up a way to catapult out of the company. When you have a good idea for a product or service, it will attract a large number of employees, from the bottom up. They will support you if you're doing it for the company, but not if it's for your personal gain. If you can attract a large number of rank-and-file supporters, you might not be totally dependent on what the "vice presidents" say.
- **KILL THE CASH COWS.** Don't announce this widely, but your charter is often to create the product or service that would put an end to existing products or services. Still, it's better that it's you who's killing your company's cash cows than a competitor or two guys in a garage. Macintosh killed Apple II. Would it have been better for Apple if a competitor had created Macintosh? No way. This recommendation is another reason why it's so important that you've put the company first: What you're doing is bound to be controversial. But if you don't kill the cash cows, someone external will.
- **STAY UNDER THE RADAR.** Two guys in a garage should try to get as much attention as they can. Awareness of their efforts makes it easier to raise money, establish partnerships, close sales, and recruit employees. However, the opposite holds true for internal entrepreneurs. You want to be left alone until either your project is too far along to ignore or the rest of the company realizes that it's needed. The higher you go in a company, the fewer people are going to understand what you're trying to do. This is because the higher you go, the more people want to maintain the status quo and protect their positions.
- **FIND A GODFATHER.** In many companies, there are godfather figures. These are people who have paid their dues and are safe from everyday petty politics. They are relatively untouchable and usually

have the attention and respect of top management. Internal entrepreneurs should find a godfather to support their projects by providing advice, technical and marketing insights, and protection—if it comes to the point where you need protection.

- **GET A SEPARATE BUILDING.** An internal entrepreneur, sitting in the main flow of a big company, will die by a thousand cuts as each department manager explains why this new project is a bad idea. “The new always looks so puny—so unpromising—next to the reality of the massive, ongoing business.”\* The Macintosh Division started in a building that was far enough away from the rest of Apple that it stayed out of the daily grind, but was close enough to obtain corporate resources. A separate building will keep your efforts under the radar and foster *esprit de corps* among your merry band of pirates. The ideal distance from the corporate pukes is between one-quarter mile and two miles—that is, close enough to get to, but far enough to discourage overly frequent visits.
- **GIVE HOPE TO THE HOPEFUL.** Inside every corporate cynic who thinks that “this company is too big to innovate” is an idealist who would like to see it happen. Good people in big companies are tired of being ignored, forgotten, humiliated, and forced into submission. They may be trampled, but they are not dead. When you show them that you’re driving a stake in the heart of the status quo, you will attract support and resources. Then your goal is to advance these people from wanting to see innovation happen to helping you make it happen.
- **ANTICIPATE, THEN JUMP ON, TECTONIC SHIFTS.** Structural deformations in a company are a good thing for internal entrepreneurs. Whether caused by external factors such as changes in the marketplace or internal factors such as a new CEO, tectonic shifts signal changes and may create an opportunity for your efforts. Effective internal entrepreneurs anticipate these shifts and are ready to unveil new products or services when they occur: “Look what we’ve been working on.” By contrast, corporate pukes say, “Now I

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\*Peter F. Drucker, *Innovation and Entrepreneurship: Practice and Principles* (New York: Harper & Row, 1985), 162.

see the shift. If you give me permission, six months, and a team of analysts, I can come up with a new product strategy.”

- **BUILD ON WHAT EXISTS.** The downside of trying to innovate within a big company is clear and well documented, but there are also benefits to doing so. Don't hesitate to utilize the existing infrastructure to make innovation easier—start by stealing, if you have to. You'll not only garner resources, but also make friends as other employees begin to feel as if they are part of your team. If you try to roll your own solutions (as an extreme example, building your own factory), you'll only make enemies. The last thing a startup inside a big company needs is internal enemies—there will be enough enemies in the marketplace.
- **COLLECT AND SHARE DATA.** The day will inevitably arrive when a bean counter or lawyer is suddenly going to take notice of you and question the reasons for your project's existence. If you're lucky, this will happen later rather than sooner, but it will happen. Prepare for that day by (1) collecting data about how much you've spent and how much you've accomplished and (2) then sharing it openly. In big companies, data suppresses antibodies, but it might be too late to get the data once the antibodies appear.
- **LET THE VICE PRESIDENTS COME TO YOU.** Quick question: Do you think that your first step should be to get your vice president to sign off on your project? It shouldn't be. This is one of the last steps. A vice president will “own” your idea and support it more if he “discovers” it and then approaches you about sponsoring it. You may have to ensure that a vice president “accidentally” makes that discovery when the time is right, but this is not the same as seeking permission to get started.
- **DISMANTLE WHEN DONE.** The beauty of an internal entrepreneurial group is that it can rapidly develop new products and services. Unfortunately, the very cohesiveness that makes it so effective can lead to its downfall later if it remains separate (and usually aloof) from the rest of the organization. Its effectiveness declines further as its members come to believe that only they “know” what to do, and the entrepreneurial group creates its own, new bureau-



cracy.\* If the product or service is successful, consider dismantling the group and integrating it into the larger organization. Then create a new group to jump ahead again.

- **REBOOT YOUR BRAIN.** Many internal entrepreneurs will find that the rest of this book prescribes actions that are contrary to what they've experienced, learned, and maybe even taught in big companies. The reality is that starting something within an existing company requires adopting new patterns of behavior—essentially, rebooting your brain. The following table will prepare you for what's to come:

TOPIC	BIG COMPANY	STARTUP
<b>Positioning</b>	Being all things to all people	Finding a niche and dominating it
<b>Pitching</b>	Sixty slides, 120 minutes, and fourteen-point font	Ten slides, twenty minutes, and thirty-point font
<b>Writing a Business Plan</b>	Two hundred pages of extrapolation from historical data	Twenty pages of wishful thinking
<b>Bootstrapping</b>	Staying in a Hyatt Regency instead of a Ritz Carlton	Staying with a college buddy instead of a Motel Six
<b>Recruiting</b>	Corporate headhunters screening candidates with <i>Fortune</i> 500 or Big Four track records	Sucking in people who “get it” and are willing to risk their careers for stock options
<b>Partnering</b>	Negotiating I-win/you-lose deals that the press will like	Finding a way to increase sales by piggybacking on others
<b>Branding</b>	Advertising during the Super Bowl	Evangelizing in the trenches
<b>Rainmaking</b>	Spiffs for resellers and commissions for sales reps	Sucking up, down, and across
<b>Being a mensch</b>	Calling the legal department	Helping people who can't help you

\*Andrew Hargadon, *How Breakthroughs Happen: The Surprising Truth About How Companies Innovate* (Boston: Harvard Business School Press, 2003), 116–17.

## FAQ (FREQUENTLY AVOIDED QUESTIONS)

**Q. I admit it: I'm scared. I can't afford to quit my current job. Is this a sign that I don't have what it takes to succeed? Am I not truly committed?**

**A.** You should be scared. If you aren't scared, something is wrong with you. Your fears are not a sign that you don't have the right stuff. In the beginning, every entrepreneur is scared. It's just that some deceive themselves about it, and others don't.

You can reduce these fears by diving into the business and making a little progress every day. One day you'll wake up and you won't be afraid anymore—or at least you'll have a whole new set of fears.

No matter what, never admit that you're scared to other employees. A CEO can never have a bad day. But don't go overboard, either, and act as if you have no concerns, because then they will know you're scared stiff.

**Q. Should I share my secret ideas with anybody other than my dog?**

**A.** The only thing worse than a paranoid entrepreneur is a paranoid entrepreneur who talks to his dog. There is much more to gain—feedback, connections, opened doors—by freely discussing your idea than there is to lose. If simply discussing your idea makes it indefensible, you don't have much of an idea in the first place. (See the FAQ section of Chapter 7, “The Art of Raising Capital,” for a detailed discussion of nondisclosure agreements.)

**Q. How far along should I be before I start talking to people about what I'm doing?**

**A.** Start right away. By doing so you'll be constantly mulling over your idea—as both a foreground and background task. The more people you talk to, the richer your thoughts will be. If it's just you staring at your navel, all you'll see is lint building up.

**Q. How do you know if it's time to give up rather than continuing to pursue a doomed venture?**

**A.** The old platitude is that good entrepreneurs never give up. This is fine for books and speeches, but not for the real world. If three close friends tell you to give up, you should listen. As the saying goes, when three people tell you you're drunk, you should take a cab home. It's okay to fail as long as you try again.

**Q. I think that I have a great idea, but I don't have a business background.**

**What should I do now?**

**A.** First, if all you've done is come up with a great idea—for example, “a new computer operating system that's fast, elegant, and bug free”—but you can't implement it, then you have nothing. In this case, don't waste anyone's time until you've found other people who can do the engineering.

Assuming that you can implement, there are two kinds of people you can recruit. First, you can get a mentor. This would be an older person who is willing to coach you from time to time but never actually do any work. Second, you could get a business partner. This is someone who's willing to work side by side with you—even on a part-time basis—whose skill set complements yours. Either kind of person can make a big difference in your business.

**Q. When should I worry about looking like a real business, with business cards, letterhead, and an office?**

**A.** Make business cards and letterhead immediately. Spend a few bucks and get them designed by a professional or don't do them at all. Ensure that the smallest type size is twelve points. An office isn't necessary until customers are coming to see you, or you run out of space for the team.

**Q. Do I need a Web site?**

**A.** Yes, particularly if you're going to raise money, serve lots of customers, change the world in a big way, and achieve liquidity. Customers, partners, and investors will look for your Web site from the very start.

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*Invariably, the best scholarly indexes are made by authors who have the ability to be objective about their work, who understand what a good index is, and who have mastered the mechanics of the indexing craft.*  
—*The Chicago Manual of Style*

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