



THE ART OF DOING IT yourself

WHAT advice would I give to new entrepreneurs who need funding? Forget about your business plan and buy a lottery ticket – your chances are better. My point is that when you need venture funding no one will give you any money until you already have a marketable product. In other words, funding comes just when you don't need it.

A myth spread by business schools is that the way to start a venture is to create a great business plan, perfect your pitch, and then present this to investors, starting with venture capitalists. If that doesn't work, you knock on the door of angel investors.

But ask any entrepreneur who has called on venture capitalists and they will probably tell you that it is almost impossible to even get calls returned. If venture capitalists do respond and you are invited to present your idea, the process will drag on for many months while you borrow more and survive on hope. If you do hit the jackpot, you are required to let the investors make many of the business decisions in exchange for an investment.

To be fair, most business plans don't deserve funding. Venture capitalists

receive hundreds of plans every week, and few are worth the paper they are printed on. Everyone jumps on the same new trend, or the ideas are so far out that they have no chance of success. And great ideas aren't enough: it takes experienced management, excellent execution, and a receptive market. It's hard for even the best venture capitalists to identify the potential successes.

So what should an entrepreneur do? What all new entrepreneurs should understand is that, even if you have a realistic business plan for a great idea that can change the world, you need to develop it yourself until you can prove it. Focus on validating your idea and building it up. Raise money to get started by begging and borrowing from family and friends. And be prepared to dip into your savings and credit cards, obtain second mortgages, and perhaps look for consulting work or customer advances. There is no single recipe for developing your business idea yourself, but there are some essential ingredients. Here are some pointers:

1

Share your ideas with those who have done it before. You can learn a

lot from the experiences of seasoned entrepreneurs, and they are much more approachable than you think. If you can't find anyone who is excited about your idea, the chances are it isn't worth being excited about. This may be time to reflect deeply and come up with another.

2

Speak to anyone who can help you understand your target customers. If you can sell your concept, some customers may help you fund it or agree to be a test site or a valuable reference. Customers don't usually know what they want, but they always know what they don't need. Make sure that there is a real need for your product.

3

Your idea may be grand and have the potential to change the world, but you are only going to do this one step at a time. Look for simple solutions, test them and learn from the feedback. If you're starting a restaurant, work for someone else first. If you're creating a software product, learn by doing some consulting assignments or create some utilities. You don't have to start with the ultimate product.

4

Focus on revenue and profitability from the start. Find creative ways to earn cash by selling tactical products, prepaid licenses or royalties. Pay employees partially in stock. Look for access to free hardware or premises. And sweep the floors yourself. In short, use any method to avoid costs.

5

It's going to take longer than you think. There will likely be product problems, unhappy customers, employee turnover, and lots of financial challenges. You may even fail a number of times before you achieve your goals. By learning from each success and failure alike, you increase the odds that you eventually make it.

6

Never forget the importance of business ethics and your own values. Ethics need to be carefully sewn into the fabric of any start-up. And the only way to reach long-term success is by achieving outstanding customer satisfaction.

With a lot of luck and hard work you may build a successful company that markets products customers really want. It is very likely that by this stage, you receive the phone calls from venture capitalists. This is the time to think of exit strategies and decide if you want to own a small piece of a big pie or a large piece of a small pie.