FOUNDATION

CHAPTER 1:

FOUNDATION

It's been said that nothing worth having comes easy. Feel however you want about this - there's certainly a fair amount of truth to the statement but remember one thing: Just because something worth having isn't easy doesn't mean it has to be complicated. When you're working to get your idea for a company off the ground, one of the most important things you can remember is to simplify whenever possible. Every aspect of your company: development, sales, branding, hiring, etc all of these things will present fewer challenges if you approach the problem in the simplest way possible. Of course, the ability to approach these challenges at all is contingent upon what we're going to call foundation.

Before you begin working towards establishing your dream startup, you're going to need to have a rock solid foundation. With that in mind, let's go ahead and establish a working definition for foundation, shall we?

> **Foundation**: The bedrock of your idea. Effectively, your foundation will be the simplest form of the idea that you're trying to build.

Before you get into the thick of establishing your company, you need to be sure that your foundational idea is solid, simple and sustainable. Without establishing this first, any work that you do in the future, regardless of it's quality, will be easily compromised. Build with the future in mind Consider the following (albeit somewhat obvious) metaphor. You could build the world's most beautiful beach house. 5 bedrooms, two pools, a Heffner-esque grotto and a bar Jack Daniels himself would be proud of. If, however, you don't first survey the land on which you're building with a meticulous eye, your house may just fall into the ocean a few years after you build it. That saltwater pool is a lot less cool when it's just part of the Pacific. Understand? The foundation is key, because firmly establishing it prevents us from getting ahead of ourselves in a way that could be detrimental later on.

wYour company is the beach house, your foundation is the ocean front lot. Understanding how to establish a firm and solid foundation is a process you absolutely must be sure of before taking your idea forward in order to minimize risk. With that in mind, this chapter will focus on three primary questions you can ask yourself in order to check the validity of your foundation:

WHAT DO YOU WANT TO BUILD?

WHY DO YOU WANT TO BUILD THAT?

WHAT PROBLEM IS THAT GOING TO SOLVE?

Once you can comfortably answer these questions, you're going to be ready to move forward with your idea. With that in mind, let's get started by determining what exactly it is that you want to build.

"So, what exactly is it that you want to build?"

Read this question. Become unreasonably familiar with it, because you're going to be hearing it a lot over the course of developing your company. What many people fail to realize when attempting to build their startup is that an exceptional amount of the work that they'll have to do comes before the company

is even launched. And, believe it or not, almost all of that work can be traced back to this simple question. So, simply put, you're going to want to get really, really, really good at answering this.

The key to answering this question in a way that is both proper and beneficial is realizing that your understanding of something is never going to be the same as any other individual's understanding of that same thing. We all have our own unique perception of the world, based on our experiences and predispositions, so developing a crystal clear definition of what you want to build is key. You need to be able to communicate your idea in its simplest form, so that you can minimize the disparities between what you're saying and what your audience is hearing.

Effectively, the main takeaway here can be reduced to the following sentence:

DEFINE YOUR IDEA CLEARLY, OR YOU'RE ALREADY LOST.

An immediate turnoff to anyone who you're trying to involve in the growth of your company, whether they're an investor, technologist or entrepreneur, will be any ambiguity in your explanation of what your idea exactly is. In order to understand this, we need look no further than some of today's most successful startups. For the sake of something that we're all familiar with, let's consider the popular ridesharing application, Uber.

We all know that Uber is nothing short of revolutionary. In less than 6 years, the small Silicon Valley startup surpassed the valuation of General Motors, a company with nearly 11 decades of experience under it's belt . That kind of thing simply doesn't happen without a clearly 1 defined foundational idea.

So imagine that you're Travis Kalanick or Garrett Camp back in 2008, and you're gearing up to launch Uber. You've decided what you want to build, and now your biggest challenge is communicating your idea to anyone who will listen. You know that you want to revolutionize the transportation industry, but you haven't actually spoken to anyone outside of yourselves at length about it yet. Naturally, you're bursting with excitement when someone approaches you and asks you about your idea. You proceed:

> ***"Well, uh, so it's likecabs, man, are ineffective. And what I want do is build this app where you can just call a guy on your phone to pick you up."***
>
> ***"Oh. Well, I can already call a cab on my phone, so what's the difference?"***
>
> ***"No, no, like through an application. Not with a phone call."***
>
> ***"Well what if I need to talk to the guy on the phone? To give him specific instructions or something?"***
>
> ***"Well you can call him, too."***
>
> ***"Than why do I need the app? I already call cabs."***
>
> ***"Well the pricing model is going to be based on both distance and time."***

> ***"Isn't that how cabs work?"***
>
> *****Walks away with head hung low*****
>
> ***Of course, this isn't how that conversation went at all. Or at least I'd bet that it went quite differently. In all likelihood, the two founders of Uber would have said something to the tune of:***
>
> ***"We want to build a onetouch ridesharing app that allows private contractors to pick up civilians in safe, modern vehicles, ondemand, 24/7, in every city in the world."***

Now that's a convincing foundational statement, isn't it? Take time to analyze that sentence. Even if ridesharing weren't yet a thing and you were reading this back in 2008, you'd be able to garner a very clear sense of the company's vision just from that sentence. A solid foundation allows growth at scale That clarity is a big piece of the reason that Uber has been so wildly successful in such a short time. Being able to clearly define their foundational statement and express what they want to build has allowed them to expand rapidly while staying true to their roots. When they began, Uber likely had no idea that one day their app would allow passengers to call three kinds of cars, select music on their phone, share promo codes or even call a glorified carpool to save money. But due to their extremely clear foundational statement, they had a simple scaling model. Every time they wanted to add something new, they had to merely determine if it fit into their foundational statement in order to get a rough sense of that feature plausibility.

You should be starting, now, to get a sense of exactly what it means to have a clearly defined idea and foundational statement, and why this is so important. Of course, understanding the importance of something and understanding how to arrive at that very thing are entirely different actions. So, our next natural question to answer is:

HOW DO WE DEFINE OUR IDEA CLEARLY?

Can you feel that? That air of anticipation? We're starting to get into the fun stuff, here.

Defining your idea clearly doesn't have to be a dry process, but it might not be what you expect, either. Building a foundational statement in the real worldAnyone who's seen The Social Network or a few episodes of Silicon Valley is probably imagining the same scene right now: a bunch of wiry dudes in flannels sitting in a tech incubator somewhere, knowing that they're on the last month of their lease and rueing imminent failure when, all of a sudden, the eureka moment comes, and their foundational statement becomes clearly defined.

Huzzah! PBR and popular girls for everyone!

It's not like that. Settle down.

First of all, if you've gone ahead and rented space in an incubator before you're able to concisely and clearly define your idea, you've got bigger problems than we thought. But let's assume that you aren't shooting from the hip and spending money wildly.

You should be able to break your foundational statement, the core idea of your business, down into just a few sentences. These

words should be something that you imagine you'll be willing to stand by for the duration of the business, but also something that allows for some flexibility. Down the line you may need to slightly pivot your general business idea to fill a market need that you hadn't previously considered, so you aren't going to want this statement to be extremely rigid.

In order to develop your foundational statement, start by engaging in the following exercise: write it down, over and over again, and never in exactly the same way. While this might seem like a Bart Simpsonstyled penance, it's anything but. The reality of the situation is that throughout the course of starting your business, you're going to need to talk to people from many different walks of life. You need to be able to develop an effective way to communicate your foundational idea that speaks to the three main groups of people involved in launching a startup: technologists, entrepreneurs and investors.

Writing your foundational statement down over and over in different ways allows you to develop a versatile statement, one that will assist you in communicating the same information in different ways to the aforementioned three groups of people. In order to do this, however, you need to know what individuals from each of these three groups are going to want to hear, and what makes them tick. With that in mind, let's go through a brief overview of each of these groups, beginning with technologists.

> **Technologists**: Coders, architects, engineers and technical project managers. More or less anyone who's going to be involved in the actual headdown development of your application or startup.

There's a certain stigma in the startup community - an inaccurate one - that says that technologists and engineers are the most difficult people in the industry to work with. This is staunchly untrue. In reality, everyone you deal with when launching your company, regardless of role, can be difficult to work with if you don't approach the situation in the right way.

Largely technologists are going to respond well to your foundational idea if you present it in a way that speaks to their experience and interests. They want to understand the meat and potatoes of what you're building or trying to build. In keeping with that, let's return to the Uber example. You might remember the foundational sentence that we crafted for Uber - if not, here it is once more:

> ***"We want to build a onetouch ridesharing app that allows private contractors to pick up civilians in safe, modern vehicles, ondemand, 24/7, in every city in the world."***

Again, this is a great foundational statement, and you could still use it in speaking with technologists as a conversational entry point. What you need when dealing with any of these three groups though, as we said before, is a secondary foundational statement catered to their potential role in your company. So how might we alter this to be more properly suited for technologists? Good question.

First and foremost, you're going to need to change the statement to focus more on the aspects of the business the group at hand will be primarily involved in. For technologists, that's very obviously the technology your business will use. You don't want to overdo this if you're nontechnical because you'll run the risk

of saying something technically incorrect, at which point you'll lose the interest of the technologist. Keep in mind, these guys get called by recruiters every single day who don't know the difference between Java and Javascript. The last thing they want is to hear you use the wrong term. Keep it general, define your product, offer some light technical acumen, and you'll be left with a foundational statement that reads something like this:

> ***"We want to build a mobile application, primarily optimized for the Android and iOS platforms, that would allow a user to hail a ride, ondemand, at the touch of a button. We're assuming our drivers would navigate through an existing API for Google Maps or Apple Maps."***

There are a few things to notice about this version of the foundational statement. It leans much further towards the technologist end of the spectrum than the primary foundation statement did, but it still describes the same general business model. It simply focuses more intently on the technology behind the application. Perhaps more importantly, take note that few specific technologies are noted here. If you're going to be speaking to a technologist in the early stages of developing your company, this is key.

Leaving out specific technologies not only allows technologists to begin thinking about what they'd use (and believe us, they know better) to build your business, but it also shows respect for their expertise. Best of all, this statement sets you up to ask them explicitly how they'd go about building such a thing. They now have a clear idea of your company's primary goals, have potentially begun thinking about how they would build it, and understand that you're looking to them for their expertise instead of lording your great idea over them. Congratulations, your technologist-specific foundational statement just set you up to have a very productive conversation.

As a final note, here, it's worth considering that if you or your cofounders are already technical, you may not need to follow these stringent guidelines when speaking with technologists. Of course, if you're already technical, you may not need to hire or onboard many technologists during your prelaunch phase to begin with. Moving right along, let's consider investors:

> **Investors**: Individuals who can either fund your business from the outset or help you find supplemental funds along the way, traditionally through using their connections to organize a funding series event.

Investors are a different breed entirely. These individuals may have a day job and invest casually on the side in young businesses, or they may make their entire living by funding new businesses in exchange for pieces of that company's future equity.

It goes without saying that you want to be careful when picking investors. It's important, though, to understand exactly what you need to be careful about. The shorter, simpler issue is being prudent about who you choose to invest in your company. You want to pick someone that you trust, but who you simultaneously have more of a professional relationship than a personal one. Establishing this dynamic early on can help you avoid anyone's toes getting stepped on later in terms of who has how much say in the company.

Second, but perhaps more importantly, you need to be careful

about how you choose to speak to and present yourself to investors. Yes, these guys are likely always looking for the next big thing to invest in, but their ambitious nature can't help you if you don't know how to play their game. Once again, let's take a look at our original foundational statement for the Uber example.

> ***"We want to build a onetouch ridesharing app that allows private contractors to pick up civilians in safe, modern vehicles, ondemand, 24/7, in every city in the world."***

Again, this is a great foundational statement, but it isn't how we would present ourselves to investors. In delivering a secondary foundational statement specifically for investors, we need to consider their interests in the business, which might include projected profits, fundraising techniques, valuations, IPOs and the like.

Simply put, investors are going to be looking for you to seem steady in your footing. After all, they're the people assuming some of the highest risk for this new venture (right along with you scary, huh?). Take a look at the following investorspecific foundational statement:

> ***"We want to build a 24/7, ondemand ridesharing app for use on mobile devices. We currently have $50,000 in bootstrapped capital, and we're hoping to raise close to $1.5M in a SeriesA funding round with your guidance. We hope to keep the company private, but the idea is globally scalable and we could in theory offer an IPO within 20 quarters."***

See what we did there? Just like the example we drew up for technologists, this sentence still explains the same company and leaves little to be desired, but it's geared towards the investor demographic. Right off the bat, the investor you're speaking with will not only know that you're serious, but will also have a sense of your financial position, goals and strategy.

This brings us to entrepreneurs, perhaps the hardest bunch to nail down:

> **Entrepreneurs**: Individuals who bring a unique skill set to a diverse range of ventures, often moving across industries instead of locking themselves into one line of work forever. More often than not, these are cofounders.

Pat yourself on the back, you're an entrepreneur. We just met, but it's obvious. Seriously, though, if you're trying to start a business, you're likely the entrepreneur in this equation. It's important to note that an investor or a technologist can also be an entrepreneur, but these aren't necessarily mutually inclusive.

Even though you've decided to go the entrepreneur route, you're going to need to speak to more entrepreneurs, in all likelihood, than technologists or investors combined. This is where your branding starts to come into play, and where you begin to make a name for yourself.

If you read that last paragraph and immediately thought of Leo Dicaprio saying "we're trying to make a name for ourselves" in The Wolf of Wall Street, then you need a different book, and may already have way more than $50,000 to start your company.

The correct way to present your foundational statement to an entrepreneur is going to depend almost exclusively on the end goal you have in mind. If you're just trying to get your name out there, then the basic foundational statement we developed

should be fine. Hypothetically, though, you may have another goal in mind. Entrepreneurs can become investors, partners, acquaintances or competition. We'll forgo an example here, as there's no one right way to speak to entrepreneurs - and, again, because you already are one.

Once you're able to lay out your foundational statement and have practiced presenting it different ways for technologists, investors and entrepreneurs, you've answered the first primary question in establishing your foundation. Which brings us to question two: Why do you want to build that?

"SO, WHY DO YOU WANT TO BUILD THAT?"

Admittedly, this question might seem like a slap in the face after we spent all that time establishing what you wanted to build. But, truth be told, this may be the most important question that you ask yourself during the prelaunch phase of your business. If there was ever a time to be brutally, uncomfortably honest with yourself, it's before the money is spent and while this whole thing we call a start up is still just an idea.

Really, what drove you to want to start this company? To build this business. Don't allow yourself to give the answer that you'd deliver to you family on Thanksgiving, and please, please don't accept the answer you gave your girlfriend's dad (though we'd love to hear it another time). Are you doing this because you hate your boss? Are you bored with the day to day? Do you want a CSuite LinkedIn title before next year's high school reunion?

Honestly, none of those are bad reasons, but even all of them added together aren't a good reason to start a company. Instead, you need to be sure that you intelligently consider a few prerequisite thoughts, and that this still seems like a good idea afterwards. Don't worry, and don't get discouraged, but seriously consider the contents of this section. Moving right along:

IS OUR TARGET AUDIENCE CLEARLY DEFINED?:

For your sakes, we certainly hope so. But the good news is that even if your target audience isn't clearly defined, it's not too late to make this thing happen. On the off chance that you're sitting there asking yourself what a target audience is, let's go ahead and get a working definition for one.

Target audience: a demographic or group of individuals that you feel will comprise the majority of your initial users or customer base. These are the individuals who are going to use your service regularly, so your whole business should be more or less built with their interests in mind.

One of the quickest way to familiarize yourself with the concept of target audiences is to determine what target audience you yourself are a part of. Not you the entrepreneur, not you the business starter, but you the individual. There are a lot of ways to do this, but the simplest one is to scroll through the applications on your phone. If you see ESPN, Barstool Sports and three separate fantasy sports applications, you know that you're part of a target demographic that includes those interested at sports. The proof is in the pudding - even if you didn't pay for those apps, you're still benefiting the individuals who designed and marketed

them by proving their thesis correct. They thought people like you would download their applications and use them, you did, and now they get paid.

Of course, this is a rather broad way to approach the issue at hand. And, ideally, when we're determining a target audience, we want to be a little more specific than that. We don't want to be so rigid in our definition that we exclude potential customers, but we don't want to overdo it and account for a bunch of potential users or customers who end up never showing up to the party.

In keeping with our example at hand, let's return to Uber in their early days of 2008. Imagine that you're one of the two co-founders, and you need to define your target audience. What would you say? Here's a hint this is wrong:

> ***"Our target audience is people who need to get rides somewhere."***

Obviously, this is way too broad, and even in an Uberdominant world, not everyone who needs a ride somewhere calls Uber. Of course, going too narrow is also detrimental, so this probably wasn't what the Uber cofounders would have said, either:

> ***"Our target audience is young people between the ages of 18-35 with disposable income who do not own cars and need to leave their house at least five times a week and can't walk to most of their destinations."***

As you can see, this statement of a target audience eliminates a great deal of potential customers right off of the bat. People over 35 use Uber. People under 18 use Uber. People who own cars use Uber. Honestly, even people without much or any disposable income probably use Uber.

A more accurate description of a target audience would fall somewhere in the middle. While we can't know exactly what uber thought of their target audience at their starting point, it was probably something like this:

> ***"Our target audience is anyone with a smartphone and discretionary income looking for a more userfriendly ride hailing experience, with a particular focus on those residing in urban areas."***

What you should be seeing, as you read through these three examples of target audience descriptions, is that the ideal ones are descriptive and specific without being limiting. A good way to determine whether or not your target audience is practically and completely defined is to imagine that you're in the middle of an investor pitch (because, honestly, you probably will be soon - unless you're made of money but, again, there's probably a different book for you).

As we mentioned earlier when discussing the three primary groups of people you'll need to interact with to launch your startup, investors are going to be assuming some of the highest risk in launching a new company, so you want to make sure that you wow them off the bat. A well defined target audience is part of this. Imagine, for a moment, that you're on their end of the table, and you're hearing someone present a great idea, (or even one that's just ok) - but they can't tell you who they're planning to sell it to. That would send up some major red flags, wouldn't it?

Like most steps you'll be involved with when starting a company, defining a target audience takes time and patience.

While you'll want to spend time practicing explaining your target audience before you get to the investor pitch level, it's important to represent the opportunity to hone your target audience description through investor pitches.

In simple terms, keep in mind that this isn't Shark Tank. You're not going to be in a highly intimidating environment staring down some glossy millionaire from across a long oak table. An investor pitch, in all likelihood, will be more of a conversation than anything else. You'll have the opportunity to consider investor feedback as you describe your target audience and, if you're being prudent, you'll respond by incorporating it into your target audience description. For example, dealing again with the hypothetical uber situation, imagine the following investor pitch, beginning with our foundational statement and target audience and then moving on to incorporate investor feedback.

> ***"We want to build a onetouch ridesharing app that allows private contractors to pick up civilians in safe, modern vehicles, on-demand, 24/7, in every city in the world.***
> ***Our target audience is anyone with a smartphone and discretionary income looking for a more user-friendly ride hailing experience, with a particular focus on those residing in urban areas."***

> ***"That's fantastic, and sounds like something we'd be interested in investing in. You mentioned an urban focus, can you give me a sense of what cities you plan to launch the business in when you go live?"***

> ***"Of course, We're planning on beginning with the 10 largest metropolitan areas in the United States and scaling out from***

there so - to be clear - our initial audience will be focused in New York, Houston, Chicago, Los Angeles, etc...."

In short, you should be able to clearly define your target audience conversationally before you ever reach the investor pitch stage, but it's important to remain open to change throughout not only this prelaunch phase but also through the early stages of your business. In this example, the company representative uses the feedback gained during the investor pitch to seamlessly arrive at a conclusion regarding where exactly he should launch his business when it goes live. Whether or not that information had occurred to him beforehand, we don't know, and neither does the investor. But everybody wins, nonetheless.

As you reach the initial definition of your target audience, you should be beginning to develop a heightened understanding of your product and company as a whole. Naturally, this leads us to another important question regarding why you want to build this company:

IS THIS INVENTION OR REINVENTION?

There's a huge difference in that two-letter prefix, and it's best to determine what side of it your startup is on before you get very far into your launch or, ideally, before you launch at all. With that in mind, let's begin by establishing a few definitions here.

> **Invention**: If your startup falls on the invention side of things, you're creating a product or service that, as of yet, isn't available to customers in your target market. If you'd consider your company to be disruptive, this is likely where you sit.

> **Reinvention**: If your startup is trying to take an existing product or service and refine it or improve upon it, then reinvention is where your company sits. A company whose product or service is based in reinvention can still be disruptive, but it's somewhat less likely.

Here's another instance where the ability to be honest with yourself is deeply important. It makes sense, if you think about it, that most people want their company to fall on the invention end of this spectrum. It's just sexier in most people's eyes to make something that the world hasn't seen before.

It's important, though, to not fall into the trap where you begin seeing your company as something it's not, because it can affect your branding.

If you want your startup to be classified as invention, but fear that it might be reinvention, consider the following line of thought. Some of the most revolutionary inventions of all time have really been reinventions. Calculators could be framed as a revolutionary, but still reinventive take on slide rules, just as contact lenses could be seen in that light when compared to glasses. Honestly, considering that some taxi companies were already operating mobile applications at the time of Uber's release, even our proverbial example is effectively classifiable as reinvention.

The companies, ideas and products that fall on the side of invention can be sexier, but they're often once in a generation. Things like the Internet or the light bulb, these are inventions. Don't try to hold yourself to this standard if your product is a reinvention, and don't think any less of it either. Of course - if you're 100 percent positive that you have something that the world has never seen before, stop reading right now and call the patent office.

Once you begin thinking about the difference between invention and reinvention, you're already set up to determine exactly how it is that your branding will manifest during the early stages of your company. Having a brand and advertising strategy handy before you actually launch your company will not only simplify your initial months (particularly when it comes to customer or user generation), but will also allow you to begin advertising before you even launch.

Since we've determined that your company is more than likely going to fall on the side of reinvention, let's briefly discuss how you can use that to your advantage from a branding perspective. To begin, take a look at uber ads.

If the first things that you noticed about their ads were that it's sleek, visually simple and appeals to the sustainable and eco-friendly crowds, you're not wrong. All of these things are true, and could be cited as strengths of the ad itself. But it's greatest strength is something much subtler than that. Without ever making a direct attack on the taxi industry, it manages to present its product as superior.

Whoever designed this advertisement recognized two crucial things about the product and service at hand. First, they were aware of the fact that Uber, even from it's early days, has always fallen on the side of reinvention. They developed a superior product to taxi cabs, an industry that had existed for a long time - but the product is still effectively based on the same concept

(paying someone for semiprivate transit).

Secondly, they were keenly tuned in to the notion that, by and large, people don't care for negative sentiments in advertisements.

This is actually a well-researched phenomenon, particularly in politics. As the Sydney Morning Herald recently pointed out, the longheld belief that attack ads work in any arena has been found in many studies to be false. Simply put, telling someone that a rival product is worse than yours doesn't necessarily endear them to you, it just makes them wary of your advertising technique. Here, Uber manages to bring to light the negative aspects of using their competitors services (hailing a cab), without ever saying "Hey, cabs suck." They don't present themselves as a brilliant, entirely new thing, they present themselves as a brilliant, reinvented thing, and slyly mention why the former version of their industry might not be ideal. Of course, a lot more than a wellstyled ad went into Uber's unprecedented rise to their current, massive valuation, but the company's willingness to be aware of their reinventive state probably didn't hurt. Right?

In the interest of not getting ahead of ourselves, though, this next question comes into play:

DOES THIS FILL A MARKET NEED?:

What's a market need, you ask? Definition time.

> **Market need**: A space within the current economy where consumers could be better served by a new product or service.

If you feel that your company would provide a better option to consumers than the one that already exists, you fill a market need. Of course, the very market for your product may not even exist yet, but this is only really the case in instances of genuine invention.

You'll remember from the past few pages that a big theme here has been honesty with oneself. While that's going to hold true for more or less everything that we talk about throughout the duration of this chapter (and, for better or for worse, this entire book), it isn't necessarily completely true here. Don't take that to mean that you shouldn't turn a fair but critical eye to your company plan before you sink $50,000 into your startup, but consider that there are effectively two ways to determine the level of market need your company is moving towards.

The first way is simple: talk to people. Talk to investors, consumers, strangers, entrepreneurs, your weird cousin, anyone who will listen. If, in speaking with these people, you notice a consistent pattern in which people seem convinced they'd use (or at least try) your product or service, then there is a defined market need for you to fill.

The second method (and by far the more difficult one) is where a small amount of dishonesty with oneself can be a good thing. Let's say, hypothetically, that you have a magnificent idea for a business. You know that you can gather the manpower and resources to get it up and running, but you simply can't see a true market need for it. This is often the case when companies are trying to enter a sector that's already crowded.

A firm example (albeit a nontechnical one) of this is the

restaurant industry as a whole. There simply isn't really a market need for more restaurants anywhere - unless, of course, you're in a food desert or a largely rural area. But people still start them all the time and are occasionally successful in creating a sustainable business out of one.

The bottom line is this. Just because a market is saturated doesn't mean that you can't start a great business within that market. If you really believe in what you're trying to do, don't let the fact that a market is crowded dissuade you. Be just a little dishonest with yourself if you have to in order to get started, and be prepared to work yourself to the bone to beat your preexisting competitors. Of course, if your startup or business idea leans towards a much less saturated market, you'll probably have an easier time gaining customers. Just make sure you aren't building a coffee shop next to Starbucks.

As a final note on market need, whether you can see a gaping hole in the market or are building your startup in a less disruptable market, be sure that you can point to a demonstrable potential for return on investment. You're going to need this in every single one of your investor pitches, without question. It may even come in handy during the hiring process in your early months and years, because you may find yourself trying to convince a coder to take a $20,000 salary hit in exchange for equity that *might* be worth a lot of money someday.

If you foresee your startup entering that beautiful, elusive, disruptable market, than it shouldn't be too hard to demonstrate the potential for ROI to the necessary parties. Simply generate a few years worth of reasonable mock financials and calculate what you imagine your profit could realistically be. If you find yourself in the - perhaps more likely - scenario that you're entering a more crowded market, you'll want to do the same thing, but keep your initial overhead costs extremely low. Remember - the less money it takes you to fill that market need, the less revenue and time it will take you to become profitable. And, of course, the second that you are in fact profitable, you've established real ROI for your investors, employees and yourself.

Now, more or less everything that we've discussed in this section regarding why you want to build this has been tied to your potential startup's finances. Of course, the questions we've asked in this section are critically important, and not to be taken lightly. We're going to move away from hard numbers in the final section of this chapter, but before we do, there's one more question that you need to be asking yourself to determine whether or not you have a good answer as to why you want to build this company.

Would you do it if it were all of your money?

And here we are. If that question makes you nervous, you aren't alone. This is the coming to god moment for most young entrepreneurs, and it's a question that can be very hard to ask oneself openly and honestly (we're back on the honesty kick now, guys, self delusion ended in the last section).

Let's make a few things clear that might not be yet. $50,000 is a lot of money. So is $10,000. If we're speaking in terms of the potential value of a dollar, $10 is a lot of money. If you want to start a company, you probably know that already.

Further, you've probably had some apprehensions about making this happen. We can't blame you, it's scary, plain and

simple. In all likelihood, you haven't gone to investors yet, so that $50,000 that you and your partners have raised may represent your life's savings...but does it?

The point we're trying to get across here is this. Many people who become entrepreneurs are also the kind of people who have probably been prudent enough to provide themselves with a safety net. Sure that $50,000 might be all your liquid capital, but you'll still have your investments if your company goes belly up a year in, right? And even if you don't have investments, you'll still have decent credit as long as that $50,000 was legitimately bootstrapped and not borrowed from a highAPR fund. Hey, worst case scenario, your Aunt probably still sends you a $20 in the mail on your birthday every year, and you're confident that you could use your former professional experience to slide back into a nine to five. Right?

It can be scary to spend the money necessary to start a business, but entrepreneurs are often bolstered onward by the voice in the back of their mind that tells them that everything is going to be OK. That voice is good, it keeps you level, but it can also be detrimental. So take a deep breath, drink some water, sit down and ask yourself the following question:

> ***"If this was everything, every dollar in my checking, savings, retirement and investment accounts, everything I've saved and the total sum that my credit cards would afford me in cash advances, would I still do it? If this had the potential to actually leave me destitute, would I still do it?"***

Honestly, for all the buildup we've given this question, asking yourself it is a lot like getting a shot as a little kid. It seems like an enormous hurdle until you clear it, and then you realize it's probably fine and that you still want to do it. If you can sit down and ask yourself that question and come out smiling, then congratulations, you're ready to really begin this process. Just be sure that you aren't basing your entire sense of confidence on the fact that your mom and your girlfriend think you're the next Elon Musk. Though, we'll admit, it's nice when people think of you that way.

If you've made it this far without developing any massive reservations, you're most of the way to having a solid foundation for your startup fleshed out. We've discussed what you want to build, and why you want to build it - and we've paid particular attention to the ways in which exploring these questions and preparing properly to answer them can affect your potential bottom line. However, there's one question left to ask before you can be sure that your metaphorical waterfront lot is ready for your fictitious beach house (remember??):

What change does this bring for everyone involved?

Let's make one thing clear, so that you don't think we're going totally soft on you. Money is good, great even. We recognize that one of the most fundamental reasons that someone starts a business, especially an entrepreneurial one, is to sustain themselves and make a decent living. That's why we've spoken at great length in this chapter regarding how to

Now, with that said, here's a quick reality check for you. This may seem, initially, like something that you don't want to hear, but we're actually getting into one of the most enjoyable sentiments of starting a business. Take a deep breath, here it is.

It's not enough to be in this for the money. It will never be enough to be in this for the money.

Again, don't get this wrong. You're starting a business at least partially to try to turn a profit. If that isn't your mindset going in, then you're much more likely to fail because - let's face it you need to turn a profit to survive. But, at the end of the day, money isn't the most rewarding thing that you can get out of this process. When you start to get the wheels turning on actually launching your startup, make sure that you can answer the following questions. If you can find meaningful internal dialogue between your partners and yourself when discussing these questions, then you're in this for all the right reasons, and your foundation will be that much stronger. First and foremost:

ARE YOU SOLVING A PROBLEM?

We know, we know, another meta, overly insightful question that you would have studied philosophy if you really wanted to answer. But genuinely, can you look at your business model and tell yourself with complete confidence that you're solving a problem?

The good news is that if you've taken the time to develop strong foundational statements that you can use when dealing with investors, technologists and entrepreneurs, then you likely already know that the answer to this question is a resounding yes. To make this clear, let's once again look at the foundational statement that we drew up for our Uber example:

> ***"We want to build a onetouch ridesharing app that allows private contractors to pick up civilians in safe, modern***

vehicles, ondemand, 24/7, in every city in the world."

When we observe this statement, we can make clear that the good folks at Uber were solving a problem, or at the very least improving a situation, when they drew up their initial foundational statements. They could very easily take their foundational statement and answer this question through a short, nonchallenging conversation that, one would imagine, looked something like this.

"Well, are we solving a problem?"

"Of course."

"And what problem is it that we're solving?"

"People need easy, accessible and affordable transit opportunities that remove the perils and difficulties of hailing a cab or navigating the extremely varied public transit system."

"Oh, of course you're right. Wow, we are solving a problem. I feel good about this."

Whatever your business model is, you need to be able to answer this question in a positive and affirmative sense before you get into the thick of actually launching your business. If you can't, then you may want to carefully reconsider your positioning prior to hitting the actual launch phase. As we said before, though, if you've made it this far and developed a strong foundational statement, you'll have no trouble at all answering this question in a

meaningful manner. Which brings us to our next question.

Can we present what we're doing as mission critical?

This might seem like a simple rephrasing of the same question, but it actually serves as a gut check for an entirely different aspect that your business needs to have in order to be successful. To flesh out this idea, let's take a page out of the recruiting industry for a minute.

In recruiting, salesmen recruit skilled professionals to fill vacancies at companies that they have preestablished relationships with. Their entire business model is contingent on need existing on both sides of their model. That is, their model is contingent on both skilled professionals needing jobs and companies needing skilled professionals. They play matchmaker.

Among recruiters, there's a very common and simple mantra:

"You can create anything except urgency."

The fact of the matter is, these recruiters can have the best vacancies in the world to fill, but they won't be able to fill them unless the skilled professionals that they work with feel a need to move from their current employment to a new opportunity. Inversely, they can have the most skilled candidates in the world, but they won't be able to place them at companies unless these companies have a mission critical need. Believe it or not, this notion holds extremely true in other lines of business, as well.

Throughout the process of defining your foundational statements and your target audience, you likely had a great deal of time to consider how exactly you would present your business idea to people to make it seem important (or, for lack of a more polished term, worth those individuals time, at all).

In practicing this method of presenting your business as important, you've developed a specific narrative about your platform. This narrative should allow you to explain why your business is mission critical. So, as you hit the final stages of foundational development and the prelaunch era of your business, take time to make sure you can present your platform as necessary, as something that absolutely has to happen.

Simply put, make sure that you can speak about your business in a way that convinces others that if it doesn't happen, and that if it doesn't happen now, that the world itself will be missing out on something.

Practice applying this narrative not only to your business, but also to yourself, your product and your employees. If you can do this effectively, then you've answered the question at hand and are more or less prepared to speak to anyone relevant to your launch in a manner that will be mutually productive.

In keeping with this line of thought, you need to be prepared to ask yourself one final question, and answer it as meaningfully as you've answered the first two:

How does your business create opportunity?

Honestly, this is likely the most important question you can ask yourself during the prelaunch phase of your startup, because it's the most dynamic question. By that we simply mean that the answer to this question will differ radically depending on who's opportunity you're describing the creation of.

For example, imagine that you have to answer this question with regards to the opportunity that the business will create for

you and your partners or cofounders. This should be easy. You could give a description of how it will create an opportunity for you to become a thought leader in an industry you care about by taking action. You could discuss the ways that your business, if successful, will provide you with financial freedoms that you may not have had before. You could even explain that starting and sustaining a successful business will allow you to gain the respect of your friends, peers or family in a way that you hadn't yet done. While that last one may seem a bit shallow, it's still opportunity.

The answer to the question changes, however, when you change the individual whose opportunity creation you are describing. Imagine that you're interviewing a coder, one of the first ones that you'll be hiring to build out your business and one whose skill set you find perfectly suited to the company you're trying to launch. This individual, based on their qualifications, will likely have the opportunity to take a job with any number of companies, so why should they come work with you?

Well, the answer depends on what you're trying to build, but it needs to be something that you can shape to apply to their demographic specifically. All of the opportunities we mentioned two paragraphs ago that apply to you are great, but they may not be what this specific individual is looking for. Going back to this chapter's Uber example, an effective conversation with a technologist might go something like this:

> ***"Well the platform certainly sounds interesting, but what can you tell me about my specific role and why I should take it? If you were me, why would you work here instead of***

somewhere else?"

"Well, as one of our first technology hires, you'll have the opportunity to shape the direction of the technological culture at our company. That's a kind of autonomy that you might not find working at a more established company with a legacy platform, the opportunity to be a driving force in the direction we take from the beginning."

"That's appealing, and certainly something I'm interested in. But obviously I'm not going to be your only technical hire, so how do you see that opportunity changing for other coders as you move throughout your growth and scaling process?"

"Well, we're glad you asked. You'll have an opportunity not only to shape our direction, but also to serve as a mentor to later hires in your department. If things go well, there's the opportunity for you to manage some of these other coders, should you see fit. Of course, those individuals would be receiving a host of opportunities here as well, not the least of which would be learning from someone with your expertise."

Those are selling statements, but you get the point. You need to be able to present your company, yourself, your product and every aspect of your business as something that creates opportunity, not just money, at every level. If you can do this, then you're ready to get moving past the prelaunch phase.

We've talked a lot in this chapter, and we know it can be a bit overwhelming. The fact of the matter is that starting a business is never going to be something that's easy, but it can be something that's simultaneously extremely meaningful, profitable and sustainable. Before you read on, we'd encourage you to go back

and revisit some of the points that we made in these 20 pages.

Practice defining your target audience or laying out a solid foundational statement for your business. Practice speaking to different groups of people in varied ways regarding the same issues. Think critically about how you'd present one issue to a technologist versus an entrepreneur or an investor.

More than anything, make sure that you're able to think critically and speak clearly about the three primary questions we addressed here. Once again, those are:

What do you want to build?
Why do you want to build that?
What change does this bring for everyone involved?

Once you feel comfortable with those three salient points, you're ready to move on to chapter 2: Innovation. Buckle up.