

**The seven facets of the successful startup - polishing the diamond**  
**Discussion topic for Enterprise and the Entrepreneur**  
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**Rule Number 1: Startups fail because they are unbalanced.**

Being a professor at a place like Harvey Mudd College (and the founder of the Harvey Mudd College Entrepreneurial Network), I am often approached by students and young alumni with new business ideas asking for advice about starting a company and, as often as not, finding funding.

These aspiring entrepreneurs, being from Harvey Mudd, often have very strong backgrounds in engineering or computer science or some scientific discipline, like chemistry, but tend to have a limited background in management, finance, accounting, and other facets of business that one needs to know in order to succeed as a startup.

Consequently, many of the pitches that I hear and proposals that I read are lop-sided in their emphasis - extremely strong on the technical side and weak on the sales, finance, personnel and even strategic side.

But entrepreneurship is about building a *business*, not promoting a technology. In a technology startup surely the technology must be robust and once you take a technology to the market, you *are* at that point promoting a technology. Who could argue, for example, that *Apple* is not promoting the technology of the *iPhone* and the *iPad*? *Apple* is radically changing the way the world communicates through these technologies. But *Apple* is *only* able to do this because it is a *successful business* (in fact, at the time of this composition, the largest in the world as measured by market capitalization). Otherwise you never would have heard of the *iPhone*.

A good, robust technology is a *necessary* but *not sufficient* condition for a technology to be embraced by the world.

This is why when these young students and alumni approach me to ask for guidance on their business, I pay little attention to the technology. I want to know about what kind of organization this young entrepreneur wants to build around his or her technology.

I assume the technology will be pretty good, if not downright revolutionary. After all, we are talking about Mudders here.

Businesses don't fail because of their technology. They fail because their technology is not a part of a comprehensive, balanced, and well-executed business strategy.

I want to know whether the aspiring entrepreneur *understands* about the requirement to build a business structure, understands how important it is to build a proper business structure and grasps how difficult that is to do.

I want to know if the aspiring entrepreneur has *respect* for business and general business principles. I want to know if the entrepreneur has respect for people who sell things and can do accounting.

If not, I advise the aspiring entrepreneur to go speak to someone else. I don't have the time to participate in naive failure. I've already done enough of that.

Fortunately Mudders quickly figure out that a business perspective is essential and it is hard to run a business properly. Nonetheless I still see examples of where, over time, a startup run by tech people gets unbalanced. More and more time and other resources get dedicated to what the young entrepreneurs understand and love (like coding day and night if the business is based upon software) and less and less to the other facets of business that are equally important but not as fun or interesting (such as managing personnel properly or writing reports and other documents to your investors and directors). It is a lot more fun to engineer than it is to take care of legal or personnel problems.

To promote this notion of *necessary balance* years ago I developed *the x-facets of the successful startup* diamond metaphor. I declared that a business can be thought of as a diamond with multiple facets, and to run a successful business you have to make sure that you are polishing all of the facets every day. Not just for special holidays. Every day.

Over the years the number of facets have changed. My first diamond from around 1990 had only five facets. A few years back it had eleven facets. For a decade it had nine. Now it has seven.

Below is the list of the seven. Each facet must be polished daily for you to succeed. This is not sufficient, but it is necessary. Each of these seven facets must be successfully built and nurtured for a startup to succeed.

**Failure in any one of these categories may result in full business failure.**

One of the facets is labeled **Technology**. But I don't emphasize the technology category. I am so afraid that if I emphasize the technology facet to the young engineer, that facet will be the only one that shines! So if you want to talk about *that* facet, talk to your engineering, science, or CS professor.

Under the main facet titles are many sub-categories. The selection is arbitrary and specific selections might depend upon the type of business in question.

Before we look at the list, let us not forget

**Rule Number 1: Polish every facet of your diamond, every day, rain or shine**

## The Seven Facets of the Diamond



### 1. Management

This is you. Or it could be. Along with a group of really talented, driven people. Do you have what it takes? The resilience, persistence, drive? The depth of character? The training (or willingness to get it)? Really? Frankly, I doubt it. Most don't.

### 2. Sales and Marketing

This is the most important facet listed here. You aren't going to get very far unless you can sell your technology embodied as a product or service or both. This really takes skill. And sales is much more important than marketing. Sales is what generates the cash. Marketing is part of the strategy to help sales. Sales is work. Marketing is (so often) hiding behind a computer to avoid work.

### **3. Financing and Cashflow**

Startups fail because they run out of cash. That is probably why your startup is going to fail. So sad. So predictable. What's cashflow? That is cash that is flowing, presumably out of your startup like blood leaving a wounded body, but maybe into your startup because you took Facet 2 seriously. This facet requires you to budget resources and plan your financing needs, not to mention explaining them to others so that they might actually offer you money to keep your business alive. Do you think this is easy? Ask any seasoned entrepreneur how easy this is.

### **4. Strategy, Design, Vision**

It's called having a plan. Thinking it through. Having a sense of where you are going and what resources you will need to get there. Maybe a timeline? And maybe writing it down. You need a story that you can tell your investors, your employees, your customers, and more than anyone else, your parents. If you can't convince them, good Lord, who can you convince!

### **5. People (personnel)**

What, did you think you were going to do this alone? And do you think that California doesn't have labor laws? Do you think that just anybody can do any job you happen to have? Good luck on that. Do you think that the people you hire will do exactly what you tell them to do in the way that you want them to do it? Do you think they have no personal concerns other than making you rich? Do you think your friends will make great frictionless employees? Did you just get off the Banana Boat today? Or did it bring you to our country yesterday?

### **6. Technology**

This actually doesn't matter. I don't know why it is even here.

### **7. Legal and IP**

If you fail no one will care. If you succeed you will get sued. Guaranteed. Your lawyer will become your best friend. You had better hire a lawyer, budget a lawyer, and listen to your lawyer. This may be the least fun but most important part of your business outside of sales. Number 6, technology? This may be the only protection for that technology. Don't be naive. It is an ugly world out there.