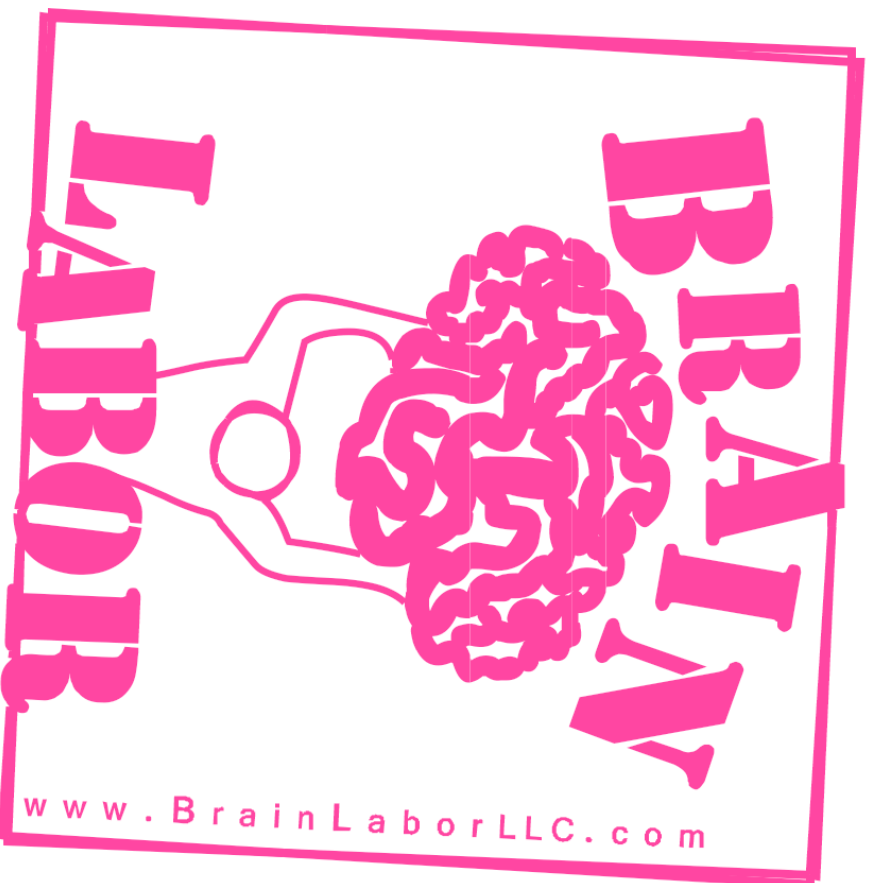


Enhanced by



Go it Alone!

A potent new class of business has emerged, the Go it Alone business. What does it mean to Go it Alone?

Characteristics of a GIA Business

- Started with **minimal investment**
- Run entirely by a **few people** (at most 6)
- **Not-small mentality**
- Created by **wide range of people**
- **Wide range of possible products/services**

What Makes GIA Possible?

- **Personal leverage** lets you magnify your talents
- **Extreme outsourcing** lets you focus on your core skill
- **Relentless repeatability** lets you develop a business system that will continue to deliver

Start Up Myths

- **Go it Alone is impossible**, I'd have seen it in the news
- **Extraordinary risk** is essential for success
- **More employees** = better
- Real businesses are funded by **venture capital**

Advantages of Having Limited Funds

- **Too much funding** can reduce creativity, innovation, and determination
- Will make you **resilient** during economic downturns
- Encourages **flexibility** to handle changes in the marketplace
- Entrepreneur **not dependent** on anyone for additional funds



Good Ideas are Everywhere!

There are so many good ideas out there that you'll need to **choose** among them. Start by identifying your core competence.

Identify Your Core Competence

Play to your strengths! What can you do best, better than anyone else? This is your **core competence**. Finding it will help you focus your efforts. Two ways to find it:

Method 1: Find your greatest strength

Method 2: Find your energy source

Choose Your Idea

To choose an idea, consider the following.

- **Experience.** Think of things that would be useful to you. One of them might be useful to others!
- Where else would it work? Can you **adapt an idea** that has succeeded elsewhere?
- **Where can unbundling occur?**

Can you offer services for functions that are today performed together, in-house, in other firms?

- I can do it better. Do you have a **better mousetrap?**
- Focus on a **dysfunctional industry**. Health care, for instance.
- Look for **unrecognized value**, like the blank space on credit card statements. It's now sold as ad space.
- Look for **pricing innovations**. For instance, offer a service for a no-surprises fixed cost, rather than charging by the hour.
- Look for opportunities that are **too small for the big guys**.
- Find ways to turn a **product into a service**. An ASP, for instance, puts software on the web then charges a subscription fee

instead of selling it as a product.

- **Provide an outsourcing function** for another business.
- See the **Go it Alone web site:** www.BruceJudson.com

Evaluate Your Idea

Here are some ways to pre-test your new idea.

- **The Elevator Test.** Can you explain your idea in just the time it takes to ride the elevator?
- **The Three Rules Maximum Test.** Can you distill your hopeful success down to one to three factors?
- **The You are the Customer Test.** Try to think like your customer. Make sure that enough people would really want your offering.
- **The Differentiation and Market Hegemony Test.** You must be distinctive and dominant in at

least one segment.



Good Ideas are Everywhere!

- **The Can I be Circumvented? Test.** Can a customer or supplier enter your business, leaving you out in the cold?
- **The Double-Your-Costs Test.** Things go wrong. Would your business still make sense with double the costs? With half the revenues? With both?
- **The Dependency Test.** Are you overly dependent on any one link in the supply chain? On a particular retailer, for instance?
- **The Can it Survive Without Me? Test.** In time, your business should be saleable. Therefore it must exist apart from you as a separate asset that isn't tied to your time.
- **The Multiple Streams of Income Test.** Can you find ways to bring in income from multiple customer groups? For instance, cable TV charges customers (one customer group) and advertisers (another).
- **The Vulnerability Test.** Once your business is running, what environmental changes could kill it instantly? Is this likely?
- **The More than One Trick Pony test.** Could you grow your business in other directions?



Developing Your Business System

A go-it-alone **business system** allows you to amplify your core skill to achieve business suc-

- Leverage your core competency through **relentless repeatability**. Even traditionally open-ended processes like graphic design can be routinized.
- Identify important **metrics**. Bottom-line metrics like profitability cannot detect problems in time. You must identify and monitor the metrics that matter most for your specific business.
- **Make time work for you.** Once you are profitable, time is an ally. So shoot for early profitability! And set aside time to work on your core competence/continually reinvent your business. Administrative maintenance should get at most one hour a day.
- Take advantage of **scale**. As you grow you can benefit from economies of scale. And your supply chain will take you more seriously.
- Follow the **60% Rule**. If an outsourced function like an ASP application can do 60% of what you'd like it to do, go with it. In time it will do more than 100%.
- **Build for flexibility.** Develop an infrastructure that is flexible so that you can adjust to the unexpected.
- **Make your own luck.** Plan for multiple contingencies. For instance, be ready to alter your offering on the fly once you bring it to market and find out what customers really think of it.

Success Principles

- Reduce **Risks**
- Develop **Action Bias**
- **Relentless Repeatability**
- Use Only **Off-the-Shelf** Products & Services
- Maintain an **Experimental Attitude**
- Commit to **Flexibility & Innovation**
- Maximize Personal **Leverage**
- Take Yourself **Off the Clock**
- Extreme **Outsourcing**
- **Find a Way**
- Create Ability to **Scale**
- Don't Get **Too Far Ahead** of Customers

Outsourcing 101

No business should try to do everything. Do what you do best, and outsource the rest. If a function is not part of your core competence, it should be outsourced to a firm that does have that core competence. Otherwise, you'll take time away from doing what you're supposed to be doing!

Analogy

You: the brain. The brain stays in-house
Arms and legs: the parts you'll outsource

Unbundling and Specialization

Lower interaction costs, due to technology like the Internet, have made it possible to split out or **unbundle** functions that were previously done under one roof. Unbundling leads naturally to **specialization** as each business concentrates on what it does best.

How to Plan Outsourcing

Define it broadly

It may be based on technology (an ASP), based on people (a call center), or both (logistics support).

Map your business

Make a conceptual map of your business showing processes, inputs, and outputs. This will help you decide what parts you should outsource.

Ask three central questions

- What should be outsourced, and what should be handled in-house?
- How can I operate to realize the greatest possible benefits of outsourcing?
- Are there strategies or innovations that are particularly effective when combined with extreme outsourcing?

Acid Test

Would outsourcing this function make it easier for you to coordinate your overall business system?

When to Outsource a Function

- When you fully understand it, and
- When volume is high enough to make outsourcing worthwhile



Making the Leap to Go it Alone

How to Fund your Go it Alone Business

- **Keep your job** until you don't have time to sleep
- Rely on **severance** and **savings**
- **Husband and wife** (one keeps current job)
- **Seniors.** Opportunity for those who are already retired

Easing the Transition

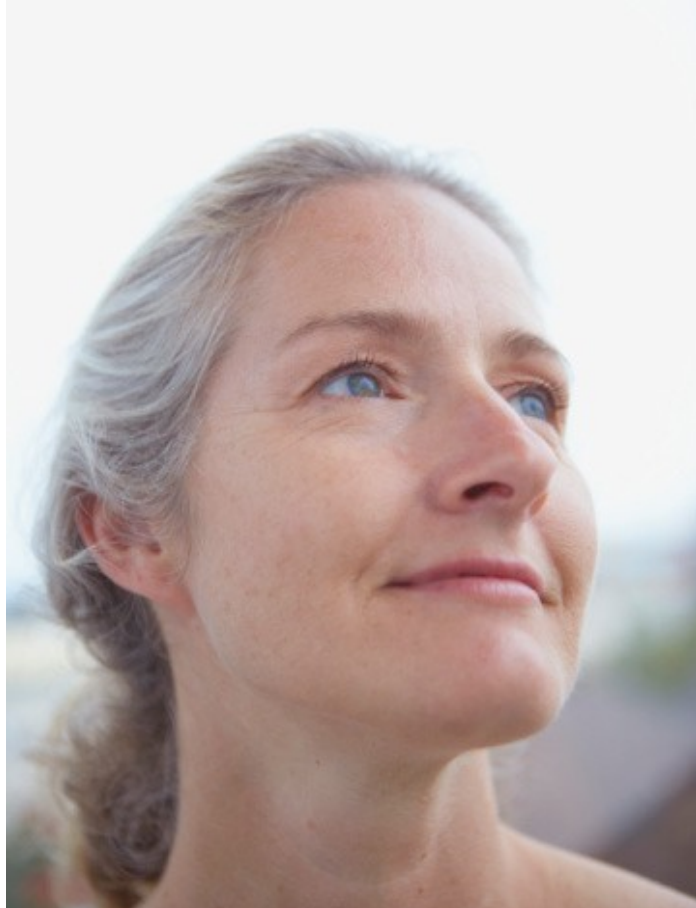
- Nothing happens until you **make it happen**
- There is **no A for effort.** Take responsibility for everything
- Be prepared to **demonstrate credibility**
- Focus on **getting paid**
- Consider your need for contact with **other people**
- Don't be afraid to **ask for help**

Disclosure

Tell your boss about your business (**disclosure**), but after that don't talk about it on the job.



Final Words



Manage Fear

Fear is a barrier to entrepreneurial activity. Some amount of fear is healthy but it must be managed. Here's how:

- Build **positive energy**
- Let **passion** empower you
- Use **guided imagery**
- Feel the fear but **do it anyway**
- **Believe** in yourself
- Associate with **confident people**
- Keep **busy**

Manage Time and Energy

You need to manage both time and energy. This won't happen by accident.

- **Design** your business so that you have the time and energy you need to focus
- Consider your **personal energy level**
- **Burnout** is not necessary

Keep it Simple

Simplicity is a great way to do business.

- **Simplicity** outperforms complexity
- Don't try to address **every angle**
- Remember that complexity increases with time (**drift**)
- You should be able to say of your business, "**It's really simple. What I do is...**"

Outsourcing 101

Application Service Providers

Application Service Providers offer plug-and-play solutions, allowing their customers to outsource business functions through the Internet.

Some ASP applications

- Credit-card processing services
- Online sales force management
- Fulfillment processing
- Services that help you find suppliers online

ASP Benefits

- Faster return on investment
- No required infrastructure
- Unbeatable affordability

ASP Providers

Amazon, eBay, Google, and Yahoo! Each offer a variety of ASP services.

Rule of Decreasing Support Costs

Rule of Decreasing Support Costs = today's expensive, exclusive business services will be widely available on an outsourced basis in the next 12-18 months. This applies especially to ASPs.

Use the rule to plan your business. Avoid developing custom in-house capabilities. They'll be readily available

from someone else before you know it.

General Outsourcing Tips

- Extreme outsourcing requires the ability to **delegate**. Avoid the control trap
- If you've found the right outsourcer you'll be able to **trust** them with your outsourced function
- To achieve success you need to focus on a few **high-leverage activities**
- Outsourcing only works if you maintain **discipline**



Traditional Alternatives

How does Go it Alone compare to traditional alternatives?

Venture Capital

Venture capital = fund that invests in a new business, taking high risk in exchange for a fast, high ROI. Venture capital is the opposite of GIA.

Venture Capital

- Need high **ROI**, soon
- Breakneck **growth**
- Many **employees**
- **Share control** of company
- Rapid **liquidity event**
- Investors only pick **rapid growth industries**

Go it Alone

- Focus on **positive cash flow**
- **Growth as merited** by cash coming in
- Founders **retain control** of company
- **Limited management**
- **Few employees** (specialists)

Free Agents

Free agent = a skilled person who works for others on a series of assignments.

Free Agents

- **Can't get off the clock.** Time is tied to income
- **Very sensitive to boom/bust cycles.** Free agents are the first to go. Plus, can't develop the business during bust times because the job is the business

Go it Alone

- Builds a business **apart from the entrepreneur**
- **Captures full value** of the business. Today's work is relevant to and improves the business
- **Builds capital.** The value of the business increases as you work
- **Resilient.** In boom/bust cycles, you can work on the business itself. You don't have to wait for the phone to ring

Franchising

Franchise = small business that uses proven business model and the franchiser's brand name.

Franchise

- **Proven business model** = lower risks
- **Repeatable system** has been captured in the operating manual
- Existing **brand**
- Lower cost **suppliers**
- **Training** and **support** systems
- Hard to leverage you **unique skills**
- Not really your own **boss**
- Lack of **creativity/flexibility**
- Requires up-front **capital**
- Requires long hours at a **specific location**

Go it Alone

- Leverage your **core skills**
- Constant opportunity to be **creative**
- Little up-front **capital**
- **Flexible hours and location**