Make a List, Check it Twice

Fine-tune your business launching skills with this insider checklist from startup guru Guy Kawasaki.

By Guy Kawasaki

Guy Kawasaki is the legendary founder of Garage Technology Ventures, a VC firm in Silicon Valley, and the former chief evangelist of Apple Computer. He has founded two software companies and has helped more than 100 companies raise venture capital.

His current best-selling book, The Art of the Start: The Time-Tested, Battle-Hardened Guide for Anyone Starting Anything, reflects his experience as an evangelist, entrepreneur, investment banker and venture capitalist. Given his expertise, we asked Kawasaki to provide you with the ultimate startup checklist.

This list is for entrepreneurs who want to avoid getting bogged down in theory and unnecessary details. My assumption is that your goal is to change the world—not study it. If your attitude is "Cut the crap and just tell me what I need to do," then this checklist is for you.

The Art of Starting

- **Do you make meaning?** Great companies change the world by fighting the status quo, inertia and ignorance. They make people’s lives better, fix the bad and perpetuate the good. Mediocre and unsuccessful companies start out only to make money. Here's the acid test: If your company never existed, would it matter to the world?

- **Do you have a company mantra?** Forget a mission statement. Think mantra--three words, tops. What three words capture the essence of what you do and why you exist? Great example: Mary Kay’s mantra is "Enriching women’s lives."

- **Are you typing or prototyping?** You're spending too much time with Excel, PowerPoint and Word. Prototype and prospect instead. Don't have the funds to do this? There's no magical solution for this Catch-22, but the lack of funds never prevents a true entrepreneur from starting.

- **Have you defined a business model that is credible, simple and specific?** This is a question that the entire high-tech sector skipped during the dotcom days. The salient questions are: Who's got your money in his or her pocket? And how will you get it?

The Art of Positioning

- **Can you describe your product or service without using acronyms or jargon?** If it takes five years of industry experience to begin to understand what you do, you've got a problem. Your parents should be able to explain your product or service. Your grandparents should be able to use it.

- **Are you occupying the high ground?** Focus on what you can do for your customers, not on what your competition can't. Nobody buys anything to help a company kill its competition, so resist the temptation to trash other companies.

- **Are you seizing a niche for your product or service?** The ultimate business position is to provide a unique product or service that customers really need. This is called filling a niche. You can be unique in terms of features, service, pricing or location, but don't try to be all things to all people.
• Does your positioning pass the "opposite test"? You claim your product is fast, secure and easy to use. Does the competition say its product is slow, dangerous and hard to use? If not, your positioning will only work in a vacuum--and a vacuum, no pun intended, sucks.

The Art of Pitching

• Can you explain what your product or service does in 60 seconds? Buildings are getting taller, but elevators are getting faster. Most investors have a short attention span for elevator pitches, so the longer it takes to explain, the less likely your pitch will succeed.

• Are you answering the little man? Imagine there's a little man sitting on your shoulder. Every time you say something in a pitch, he asks, "So what?" For example: You spew out a line about your "open-source, client-server, Java-based technology." You think you've shocked and awed, but your audience is wondering, "So what?"

• Have you practiced so many times that you're not embarrassed to watch a video of yourself? You need to give a pitch approximately 25 times to get good at it. Don't think you'll "rise to the occasion" when you're in front of investors, because you won't.

• When you're making a pitch, have you distilled your presentation to just 10 slides? Trust me: Your curve-jumping, paradigm-shifting, patent-pending way to sell dog food online doesn't merit 50 slides. The crucial topics are the problem you're solving, your solution, the business model, the underlying magic, marketing and sales, the competition, the management team, projections and key metrics, and current status.

• Is the smallest font you use 30 points? Divide the age of the oldest person in the audience by two to get the optimal font size. The number you'll come up with is approximately 30 points. Can't fit everything on the slides in 30-point font? Then you're using too much text.

The Art of Writing a Business Plan

• If you threw away page three and beyond of your business plan, would it still attract investors? The executive summary, which is the first two pages of your business plan, is the most important part of the document. If you do this well, investors will read the rest. If you don't, then nothing in the next 18 pages will pull them in.

• Is your business plan longer than 20 pages? The optimal length of a business plan is 20 pages. You're mistaken if you think investors care that your 50-page financial model shows you'll spend $65.25 on pencils in the fifth month of the fourth year.

• Do you provide key metrics as well as numbers? Let's face it: You picked revenue numbers out of the air. The key metrics of your business—for example, the number of customers, installations and locations—are just as important to investors. Hint: If you indicate that you're going to close 50 percent of the Fortune 500 companies as your customers in the first year, you're hallucinating.

• Did you build your financial projections from the bottom up or the top down? Top-down projections are easy because 1 percent of a huge market is always an exciting number. But you're building a business from the bottom up, so forecast that way: How many sales reps will you have? How many sales calls can they make? What percentage will be successful?

The Art of Recruiting

• Are the people you're hiring infected with a love of your product or service? I believe this is at least as important as a candidate's educational background and work experience. Heck, my work experience was counting diamonds for a jewelry manufacturer when I went to work for Apple Computer as its software evangelist. But I did love Macintosh.
• Have you crossed the psychological barrier of hiring people who are better than yourself? A players hire A+ players. By contrast, B players hire C players. C players hire D players. Pretty soon, you're surrounded by Z players, and this is called "The Bozo Explosion." If candidates can't do their prospective jobs better than you can, don't hire them.

• Does the candidate pass the "shopping-center test"? If you happened to see a job candidate at a shopping center, would you rush over and say hello? Or would you jump in your car and go to another shopping center to avoid him or her? In a startup, you're going to be working many long hours with employees, so you'd better enjoy their company.

The Art of Raising Capital
• Are you building a real business? Call me a romantic, but businesses that fill needs get funded. Those that don't, don't. This goes back to the first question on this checklist: Are you making meaning? Because if all you're trying to do is make money, you'll probably fail to raise money, make money and make meaning.

• Have you been introduced to the source of capital? The process of raising capital isn't a level playing field. You need to tilt the field in your direction--first of all, by getting an introduction to the firm by a trusted source. This is where your lawyer, accountant and vendors can earn their keep. No investor ever funds a plan with a cover letter that begins with "Dear Sir."

• Is your act together? In times of irrational exuberance, investors look for reasons to do a deal. In times of irrational depression, investors look for reasons not to do a deal. This is a depressed time, so clean up your act. For example, if your employer thinks it owns the technology you invented in your garage, resolve this issue before looking for money.

• Can you demonstrate revenue? These days, investors will tell you they're looking for proven teams, proven technology or proven markets. There's one factor, however, that cuts through the hype, and that's good, old-fashioned revenue. A company that has significant revenue is always interesting, so focus on finishing your product, and start selling. Maybe you won't have to raise capital.

• Do you acknowledge your competition? "We have no competition" means you're either serving an unattractive market or you're clueless--and neither is conducive to raising money. A complete and insightful analysis of your competition builds credibility. The best way to present a competitive analysis is with a three-column chart listing your competitor's name, what you can do that it can't, and what it can do that you can't.

The Art of Partnering
• How will the partnership affect your spreadsheet? As a rule of thumb, if a partnership doesn't enable you to increase sales or decrease costs, you shouldn't do it.

• Is your partnership a win-win deal? Are both parties truly going to benefit, or did you pull a fast one? Because if you did, rest assured that the partnership won't last.

• Is there an "out" clause in the deal? At the beginning of a partnership, you hope that it will last forever. Forever is a long time, and if the terms of the partnership are too ironclad, claustrophobia will develop. Include an easily exercisable out clause to prevent this condition. It will help everyone relax and focus on making the partnership work.

The Art of Branding
• Have you created a contagious product or service? The foundation of all great brands is a great reality. Think cool, effective, distinctive, disruptive, emotive, deep, indulgent and supported. This is a long list, but the point is that branding is easy when you sell something great. Branding is hard when you sell crap.
• **Can a mere mortal get your product up and running right out of the box?** The best and cheapest form of branding is word-of-mouth. To achieve this, customers must be able to use your product or service without reading a manual—much less having a Ph.D. in applied physics. Think of setting the clock on a VCR, and make sure what you sell is easier to do.

• **Are you taking care of your evangelists?** Customers who spread the word for you are called evangelists. Their compensation is the satisfaction of making the world a better place. Embrace evangelists with inside information, gifts and seminars because they will carry the battle forward for you.

• **Can your employees "talk the walk"?** Let's assume you have a meaningful product or service, and that you are "walking the talk." Don't assume your employees can talk the walk. Ensure that they can tell your story as well as you can, because a brand is built one conversation at a time.

**The Art of Rainmaking**

• **Are you "letting a hundred flowers blossom"?** This is stolen from Mao Zedong, but it's not clear that he walked the ideology. Startups often see that people who were unintended customers use their products and services in unintended ways. Embrace this—don't freak out. These flowers are lighthouses that illuminate the markets where you can achieve success. Flow with the go.

• **Are you going after agnostics instead of atheists?** Selling to big, well-known firms supposedly yields eye-opening numbers and credibility. However, big companies seldom believe in the products and services of startups. Spend some time on atheists, but focus on believers and agnostics instead.

• **Are you sucking down and sucking across?** To make sales, most entrepreneurs suck up to people with impressive titles like CEO, CIO, vice president and director. Unfortunately, the higher you go in most organizations, the thinner the air, and therefore the harder it is to support intelligent life. Focus instead on the people who do the real work: secretaries, administrative aides, customer service people and technical support people. Suck down and suck across, and you'll reach the real decision-makers—and differentiate yourself from the clueless companies that only suck up.

• **Have you enabled people to test drive your product or service?** Instead of bludgeoning people into becoming your customers, enable them to test drive your product or service with demo versions or samples—whatever it takes for them to try before they buy.

• **Have you provided a safe, easy first step?** Or are you trying to force prospective customers to do something risky to try your product or service? Provide a slippery adoption curve so you can suck people in. Don't force them to throw out everything they've done in the past or change a lot of infrastructure if you want them to convert.

For even more information about the various "arts" of entrepreneurship, refer to my book *The Art of the Start*. At the very least, tear out this article, discuss it with your co-founders and determine how you're doing, because doing—not wanting to do, learning to do or planning to do—is the essence of entrepreneurship.