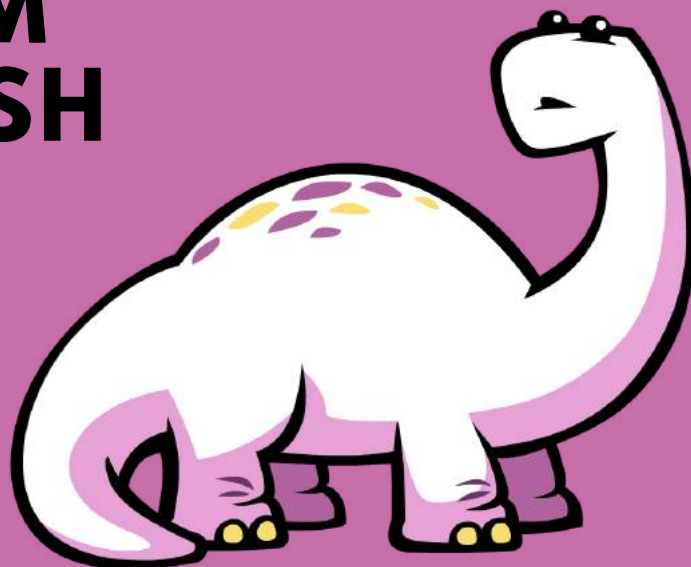


# LESSONS FROM THE LAST CRASH

## 10 Tips to Thrive in Cataclysm...

From Founders Who Sold Their Start-Up in Q4 '08 - Then Turned around and Did It Again at the Market's Height

by Melanie Rosenthal, Burak Sezen, & Josh Rosenthal, PhD



## WHY PAY ATTENTION?

You're doing a startup or thinking about it? Congrats, everything may magically work out for you. It does happen to people, but this is a guide for not counting on it. These tips don't touch startup details - like how to pitch, who to hire, or what software to use - they're about the core skills you'll need as a founder to drive your startup to success. Following these tips won't guarantee a successful startup; you have to pick and choose what is right for you, but making progress on the them will put you on a good path.

These tips are biased but here's why you should pay attention - because the authors have repeatedly succeeded with them - during cataclysm. We sold our first start up in Q4 of '08 at the last crash - and the next one to a public company at the height of the market. If you're a founder, only listen to people who have taken their company to a successful exit - not those who invest in them, not who acquires them, not who buys products from them, not who hangs around them, services them, or networks with them, and really listen to founders who have succeeded more than once. Doing a startup, your goal is to make it through a funnel of failure: 1% of ideas see a prototype, 1% of prototypes become a product, 1% of products become a company, 1% of companies make a real profit, 1% of profits turn into an exit, 1% of exits are meaningful for the founders. The startup industry profits from each stage of drop out but you, as a founder, don't - your only metric is a successful exit. You can make it through the funnel once on luck, but not again and again so actively find the people who have done it, and ignore anyone who hasn't done it at least once, no matter their reputation, media coverage or money.

**1**

### YOU CAN EITHER HAVE A HAPPY LIFE OR AN INTERESTING ONE.

Stop and pick one. If you choose happy: take a desk job, work as an early stage employee, but don't do a start up -save yourself, your clients, and investors the pain and grief.

**2**

### YOUR STARTUP CAN EITHER BE FAMOUS OR SUCCESSFUL.

Most famous startups flame out, and you've never heard of most successful ones (for founders). The largest winners benefit investors and get PR, but the best exits for founders tend to be dark horses for the press. Pick either media coverage or generating revenue - both can get an exit, but only the latter disproportionately benefits founders.

**3**

### GIVE YOURSELF FINANCIAL BREATHING ROOM.

Be super frugal once in your life. Stay at Motel 6 while your friends party at the Marriott, and let them laugh about it - make it a game. Every dollar you save is worth 10 dollars later, and each dollar disproportionately raises your odds of success. For example, take your seed money to fly-over-country to run your company out of a barn - congrats, you just turned 18 months of runway into 36 months.

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## INVEST IN YOUR LAWYERS, TAX ACCOUNTANTS, AND BANKERS.

When \$hit hits the fan - and I promise you it will - you want people to answer the phone. You need to make your wins, their wins, so build a personal relationship with them directly.

5

## WORK BACKWARDS FROM YOUR EXIT.

Who will buy your company and why? If you can answer this, you can sell to them as a client. Literally, write their names out and contact them as early adopters. Market and advertise to your exit audience and use corp dev as an entrance to sales. This increases your revenue and moves you closer to exit.

6

## TAKE YOUR CUSTOMERS FROM UPSTREAM.

When your acquisition targets lose sales, you become a preemptive M&A target. Pro Tip: don't just counter-sell them, erase their profit and ideally their market. Sell a different/complementary product that does not directly compete but shrinks their market, and better yet, sell their clients a solution upstream from them that renders their service less/not needed.

7

## BUILD YOUR PRODUCT THEN FIND THE SECOND LEVEL BENEFIT.

A product or service is the price to play, but ultimately it is just the means to something bigger and better. Once you find that second-order thing, rebrand your company around it, then rewrite all your collateral to feature that thing first with your solution as a means to accomplishing it.

8

## MAKE THAT SECOND LEVEL BENEFIT SOMETHING MORAL.

Make doing good not only your mission statement but the way you create value in the market. It is possible to make money and do the right thing: use this to rally your team, clients, and acquirers.

9

## NO ONE IS LOOKING FOR YOU.

You will have to go out and find everyone - recruit your team, win your clients, target your acquirers. No one - not your board, not your investors, not your family, friends, alumni, or network is going to do this for you. Never accept "No", and never believe "Yes." Do it yourself.

10

## YOUR FRIENDS AREN'T FOUNDERS, BUT FOUNDERS ARE FRIENDS.

Don't build a team based on who you like, instead find the right mix of people to make your business successful. You'll need a mix of skills including technical and market-facing and a mix personalities including someone who is calm, cool, and unflappable and someone who is wired, neurotic, and smashes bricks with their head. These might not be the people you initially like but done well they will become your best friends.

