

# The Ultimate Cheat Sheet For Starting And Running A Business

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No joke. This is going to be a bullet FAQ on starting a business. If you're a lawyer, feel free to disagree with me so you can charge someone your BS fees to give the same advice.

If you can think of anything to add, please do so. I might be missing things. If you want to argue with me, feel free. I might be wrong on any of the items below.

There are many types of business. Depending on your business, some of these won't apply. All of these questions come from questions I've been asked.

The rules are: I'm going to give no explanations. Just listen to me.

- 1) C Corp or S Corp or LLC? C-Corp.
- 2) What state should you incorporate in? Delaware.
- 3) Should founders vest? Yes, over a period of four years. On any change of control the vesting speeds up.

4) Should you go for venture capital money? First build a product, then get a customer, then get friends and family money (or money from revenues which is cheapest of all) and then think about raising money, But only then. Don't be an amateur.

5) Should you patent your idea? Get customers first. Patent later. Don't talk to lawyers until the last possible moment.

6) Should you require venture capitalists to sign NDAs? No. Nobody is going to steal your idea.

7) How much equity should you give a partner?

Divide things up into these categories: manage the company, raise the money, had the idea, brings in the revenues, built the product (or performs the services). Divide up in equal portions.

8) Should you have a technical co-founder if you are not technical? No. If you don't already have a technical cofounder you can always outsource technology and not give up equity.

9) Should you barter equity for services? No. You get what you pay for.

10) How do you market your app? Friends and then word of mouth.

11) Should you build a product? Maybe. But first see if manually your product works. Then think about providing it as a service. Then productize the commonly used services. Too many people do this in reverse and then fail.

12) How much dilution is too much dilution? If someone wants to give you money, then take it. The old saying, 100% of nothing is worth less than 1% of something.

13) Do you listen to venture capitalist? Yes, of course they gave you money. But then don't do anything they ask you to do.

14) What if nobody seems to be buying your product? Then change to a service and do whatever anyone is willing to pay for.

15) If a client wants you to hire their friend or they won't give you the business (e.g. like a bribe) what should you do? Always do the ethical thing – hire the friend and get the client's business.

16) What do you do when a customer rejects you in a B2B business? Stay in touch once a month. Never be angry.

17) In a B2C business: release fast. Add new features every week.

18) How do you get new clients? The best new clients are old clients. Always offer new services.

19) What's the best thing do for a new client? Over deliver for the first 100 days. Then you will never lose them.

20) What if your client asks you to do something not in your business plan? Do it, or find someone who can do it, even if it's a competitor.

21) Should I ever focus on SEO? No.

22) Should I do social media marketing? No.

23) Should I ever talk badly about a partner of an employee even though they are awful? Never gossip. Always be straight with the culprit.

24) I have lots of ideas. How do I pick the right one?

Do as many ideas possible. The right idea will pick you.

25) What is the sign of an amateur? Any of these things:

- asking for an NDA
- trying to raise VC money before product or customers
- having fights with partners in the first year. Fire them or split before anything gets out of control
- Worrying about dilution
- Trying to get Mark Cuban to invest because "this would be great for the Dallas Mavericks"
- Asking people you barely know to introduce you to Mark Cuban
- Asking people for five minutes of their time. It's never five minutes so you are establishing yourself as a liar.
- Having a powerpoint that doesn't show me arbitrage. I need to know that there is a small chance there is a 100x return on money.
- Catch 22: showing people there's a small chance there's 100x return on their money. The secret of salesmanship is getting through the Catch 22.
- rejecting a cash offer for your company when you have almost no revenues. Hello friendster and foursquare.

26) What is the sign of a professional:

- going from bullshit product to services to product to SaaS product. (Corollary: the reverse is amateur hour)

- cutting costs every day
- selling every day, every minute
- When you have a billion in revenues, staying focused. When you have zero revenues, staying unfocused and coming up with new ideas every day.
- Saying “no” to people who are obvious losers.
- Saying “yes” to any meeting at all with someone who is an obvious winner.
- knowing how to distinguish between winners and losers (subject of an entire other post but in your gut you know, trust me).

27) When should I hire people fulltime? When you have revenues

28) How long does it take to raise money? In a GREAT business, six months. In a mediocre business: infinity.

29) Should I get an office? No, not unless you have revenues.

30) Should I do market research? Yes, find one customer who DEFINITELY, without a doubt, will buy a service from you. Note, I don't say buy your product because your initial product is always not what the customer wanted.

31) Should I pay taxes? No. You should always reinvest your money and operate at a loss.

32) Should I pay dividends? See above

33) What should the CEO salary be? No more than 2x your lowest employee if you are not profitable. This even assumes you are funded. If you are not funded your salary should be zero until your revenues can pay your salary last. Important RULE: the CEO salary is the last expense paid in every business.

34) When should I fire employees? When you have less than six months burn in the bank and you aren't getting revenues growing fast enough.

35) When should you have sex with an employee? When you love her and the feeling is mutual.

36) What other reasons should one fire an employee?

- when they gossip
- when they don't over-deliver constantly
- when they ask for a raise because they think they are making below industry standard
- when they talk badly about a client
- when they have an attitude

37) When should you give a raise? Rarely

38) How big should the employee option pool be? 15-20%

39) How much do advisers get? 1/4 of 1%. Advisers are useless. Don't even have an advisory board.

40) How much do board members get? Nothing. They should all be investors. If they aren't an investor, then 1/2 of 1%

50) Should you take the offer to buy your company? Yes . in cash.

51) What is the only effective email marketing? Highly targeted email marketing written by professional copywriters and the email list is made up of people who have bought similar services in past six months.

51A) Corollary: If you have zero skills as a copywriter then everything you write will be boring.

52) Should I give stuff for free? Maybe. But don't expect free customers to turn into paying customers. Your free customers actually hate you and want everything from you for nothing so you better have a different business model.

53) Should I have schwag? No.

54) Should I go to SXSW? No.

55) Should I go to industry parties and meetups? No.

56) Should I blog? Yes. You must. Blog about everything going wrong in your industry. Blog personal stories that you think will scare away customers. They won't. Customers will be attracted to honesty.

57) Should I care about margins? No. Care about revenues.

58) Should I spin off this unrelated idea into a separate business? No. Make one business GREAT. Throw everything in it. Do DBAs to identify different ideas.

59) Should I hire people because I can travel on a seven hour plane ride with them? Don't be an idiot. If anything, hire people the opposite of you. Else who will you delegate to.

60) When should I say "no" to a client? When they approach you.

61) When should I say “yes” to a client? Every other conversation you ever have with them after that initial “no”.

62) Should I have sex with an employee? Stop asking that.

63) Should I negotiate the best terms with a VC? No. Pick the VC you like. Times are going to get tough at some point and you need to be able to have a heart to heart with them.

64) Should I even start a business? No. Make money. Build shit. Then start a business.

65) Should I give employees bonuses for a job well done? No. Give them gifts but not bonuses.

66) What should I do at Christmas? Send everyone you know a gift basket.

67) If my customer just got divorced what should I say to him? “I can introduce you to lot’s of women/men”.

68) When should I give up on my idea? When you can’t generate revenues, customers, interest, for TWO MONTHS.

69) Why didn’t the VC or customer call back after we met yesterday and it was great? They hate you.

70) Why didn’t the above call back after we met yesterday and it was great? “Yesterday” was like a split-second ago for them and a lifetime for you. There’s the law of entrepreneurial relativity. Figure out what that means and live by it.

71) Should I hire a professional CEO? No. Never.

71) Should I hire a head of sales? No. The founder is the head of sales until at least ten million in sales.

72) My client called at 3am. Should I tell him to respect boundaries? No. You no longer have any boundaries.

73) I made a mistake. Should I tell the client? Yes. Tell him everything that happened. You’re his partner. Not the guy that hides things and then lies about them.

74) My investors want me to focus. Should I listen to them? No. Diversify in every way you can.

75) I personally need money. Should I borrow from the business? Only if the business can survive for another six months no matter what.

76) I just bought two companies. Should I put them under the same roof and start consolidating? No. Not for at least two years.

77) Should I quit my job? No. Only if you have salary that can pay you for six months at your startup. Aim to quit your job but don't quit your job.

78) What do I do when I have doubts? Ask your customers if your doubts are trustworthy.

79) I have too much competition. What should I do? Competition is good. It shows you have a decent business model. Now simply outperform them.

80) My wife/husband thinks I spend too much time on my startup? Divorce them or stop your business.

81) I'm starting my business but I have relationship problems. What should I do? Get rid of your relationship.

82) Should I expand geographically as quickly as possible? No. Get all the business you can in your local area. Travel is too expensive time-wise.

83) How do I keep clients from yelling at me? Document line by line every meeting and send your document to the client right after the meeting.

84) I undercharged. What should I do about it? Nothing. Charge the next client more.

85) I have an idea for an app but don't know how to execute. What should I do? Draw every screen and function. Then outsource someone to make the drawings look like they come from a real app. Then outsource the development of the app. Get a specific schedule. Micromanage the schedule.

86) I want to buy a franchise in X. Is that a good idea? Only buy a franchise if it's underperforming and you can see how to improve it. Don't buy on future hopes, only buy on past mistakes.

87) I want to buy a franchise in X. Is that a good idea? Rely on the three Ds: Death, Debt, Divorce. When someone dies, the heirs will sell a business cheap. When someone is in debt, they will sell a business cheap. When someone divorces, the couple usually have to sell a business cheap. **IMPORTANT:** even if the trends in the industry are in your favor, you CANNOT predict the future. But you can use the past to help you get a deal. Always get a deal.

88) I have a lot of traffic but no revenues. What should I do? Sell your business. There's only one Google. (well, there's two or three Googles: Facebook and Twitter).

89) I have no traffic. How do I get traffic? Shut down your business.

90) Should I hire a PR firm?

No. Do guerilla marketing. Read "Newsjacking" and "Trust me I'm Lying". PR firms screw up from beginning to the end. The first time I hired a PR firm, instead of sending me my contract they accidentally sent me their contract for "Terry Bradshaw". He was paying \$12,000 a month. Was it worth it for him?

91) My competition is doing better than me across every metric. What should I do?

Don't be afraid to instantly shut down your business and start over if you can't sell the business. Time is a horrible thing to waste.

92) I'm in business now for 6 years and my business doesn't seem to be growing. It's even slowing down. What should I do?

Come up with 10 ideas a day about new services your business can offer. Try to get a customer for each new service. I know one business in this situation that refuses to do this because their VCs are telling them to focus more. You're going to go out of business otherwise.

93) Is it unethical to run my business from the side while still at my job? I don't know. Did God tell you that in a dream?

94) My customer called me at 5pm on a Friday and said, "We have to talk" and now I can't talk to him until Monday. What does it mean? It means you're fired.

95) XYZ just sold for a \$100 million. Should I be valued at that? I'm better!

No, you should shut up.

96) Investors want to meet me and customers want to meet me. Who do I meet if I need money? You should know the answer to that by now.

97) If an acquirer asks me why I want to sell, what should I say? That you feel it would be easier for you to grow in the context of a bigger company that has experienced the growing pains you are just starting to go through. That  $1+1 = 45$ .

98) I just started my business. What should I do? Sell it as fast as possible (applies in 99% of situations)

99) I can change the world with my technology. No you can't.

99A) Corollary: Don't smoke crack.



100) If you're so smart why aren't you a billionaire? Because I sold my businesses early, lost everything, started new businesses, sold them, and got lucky every now and then.

You create your luck by being healthy and not regretting the past or being anxious about the future. 