The nine facets of the successful startup - polishing the diamond
Discussion topic for Enterprise and the Entrepreneur
Prepared by Professor Gary Evans

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 whippersnapper 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.

I want to know how qualified the aspiring entrepreneur is to build a business structure.

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.
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 if the aspiring entrepreneur has respect for business and general business principles.

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.

Even when the aspiring entrepreneur begins to grasp the complexity of the business side - after all, Mudders aren't idiots and they figure out quickly that a business perspective is essential and it is hard to run a business properly - I still see examples of where over time a startup run by tech people gets unbalanced. More and more time 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 to do (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 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 Christmas. 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. Now it has nine.

Below is the list of nine. Each facet must be daily polished for you to succeed. This is not sufficient, but it is necessary. Each of these nine 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 list relatively little under the technology category. I am so afraid that if I emphasize the technology facet, young engineer, that facet will be the only one you polish! So if you want to talk about that facet, talk to your engineering, science, or CS professor.

Under the main facet titles are sub-categories. The selection is arbitrary and specific selections might depend upon the type of business in question. This semester we will address most of those subcategories. The order does not indicate relative importance.

So 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 Nine Facets of the Diamond

1. Management
   
   (a) The CEO issue – character, aptitude, ability  
   (b) Relationships between investors, Directors, the CEO, and senior management  
   (c) Recruiting a balanced and capable management team  
   (d) Relations with employees, motivation, fairness, team leadership  
   (e) Communication  

2. Company design and strategy
   
   (a) Development of strategic plan and vision  
   (b) The business plan  
   (c) Promotion of tactical plans for contingencies  
   (d) Timelines and their execution  
   (e) Exit strategies  
   (f) Strategy discussions and communicating strategy to everyone  

3. Financing
   
   (a) Budgeting resources and controlling spending  
   (b) Controlling personnel  
   (c) Planning resource needs for funding requests  
   (d) Relentless financial communications  
   (e) Knowing the legal environment.  
   (f) Pitching to investors (strategy and tactics)  
   (g) Meeting investor expectations  

4. Sales
   
   (a) Sales personnel  
   (b) Support material  
   (c) Metrics, targets, quotas, timelines  
   (d) Direct sales strategies  
   (e) Indirect sales strategies: alliances, partnerships, agencies, distributors  
   (f) Sales contracts and other legal documents  
   (g) Pricing  

5. Cashflow
   
   (a) Budgeting (again)  
   (b) The critical triad: outlays, revenues, and financing  
   (c) Controlling the burn-rate
(d) Accounting and reporting responsibility and the role of Directors
(e) The role of the CEO and the CFO
(f) The business as a pure cashflow engine.

6. Marketing

(a) Understanding the market for the products
(b) Understanding the competition and positioning
(c) Price awareness
(d) Client sensitivity to key variables (price, support, etc.)
(e) Means of customer attraction and branding
(f) Advertising and branding cost controls and effectiveness

7. Personnel

(a) Hiring procedures and standards
(b) Employee management and review
(c) Employee motivation
(d) Team building and being fair to employees
(e) Non-salary incentives (ISOPS etc.)
(f) Consultants, paid advisers, and outsourced work
(g) Legal requirements, employment contracts, employee rules, consulting contracts

8. Technology - product design and development

(a) Engineering control, management, and supervision
(b) Dynamic planning and steady rollouts
(c) etc. etc. - what any well-educated Mudd undergraduate should know

9. Legal

(a) IP - patents, trademarks, copyrights
(b) Personnel
(c) Preparing to be sued
(d) Working with attorneys
(e) Budgeting for legal

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