



SUCCESS IN BUSINESS MAXIM 16

ALWAYS START YOUR BUSINESS ON A SHOESTRING.



Yeah, that's right. Always start your business on a shoestring. Even if you have lots of money. Here's why:



Money is no substitute for brain power and imagination. So if you start your business with a lot of money, you'll

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think you can use it to solve just about any problem. You can't. As a result, (1) you'll waste a good deal of it and (2) your mental "muscles" will atrophy in the process.



In my judgment, this was one of the major reasons for the dot-com company debacle of the 90s.



Just as thin, lean people tend to be healthier than fat, bulky folks, a business enterprise that's light on capital and, therefore, has to mix it up at fighting weight is a lot tougher and more competitive than the company that's financially flabby and grossly overweight with dough.



When you start a business on a shoestring, there's no retreating; it's either sink or swim. A good analogy would be the decision of Hernando Cortéz to burn all the ships that he and his men had come in. And so it was either conquer Mexico or die in the attempt; there was no going back.



Money can be like a crutch in the sense that if you think you can't walk without one, you won't; but if you think you *can* walk without one, you will.

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Now if you don't have lots of money to begin with, it's obvious that you'll either have to start on a shoestring — you'll have no choice — or you'll have to find investors or go to a banker or make a deal with a venture capitalist. But as that old saying goes, I wouldn't wish any one of those “solutions” on my worst enemy.

The investor is either going to be someone you know — say a friend or relative — or a total stranger.

If he's a friend or relative, the chances are that he decided to invest with you out of sheer friendship or loyalty. Either way, you'll find that the pressure of not losing his money will be more than the money itself will be worth.

And if he's a complete stranger, you'd better have two hearts, because he's going to cut out one of them in making the deal.

As for venture capitalists and bankers, I think Michael Bloomberg put it much better than I ever could (in *The Book of Entrepreneurs' Wisdom*. Please see Bibliography for the full citation.):

“Consider banks and venture capitalists your worst enemies. They create doubt in entrepreneurs' minds with their insistence on detailed game plans before they lend. They want five-year projections in a world that makes six-month forward planning difficult, even for stable and mature businesses, and they insist on ‘revenue budgeting’ when no one knows what the new product will look like or who'll buy how much. And worst of all, they think that an originator will be helped by their oh-so-insightful views on how he or she should run the new business. Often, they kill off what's different, special, and full of potential.”

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For whatever it's worth, in advising you as I have, I first made the assumption that you're honest. If you're not — and I don't recommend that if you *are* honest you immediately allow yourself to fall off the honesty wagon because of what follows — investors, bankers, and venture capitalists can be had, if they're greedy. I won't say how, because I don't want you to learn bad habits. ■

