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Shades of Business

Be aware and Strike back!
or

Lessons learned: Recommendations,
low kicks and more for start-ups

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Introduction to this code of practice

Business life has so many facets - they are definitely more grey than white, especially for young and inexperienced entrepreneurs

In opposite to „Work hard“, Never give up“ or „Dress for success“ e.g., which are true, but too general, is this a practical approach with a lot of statements, recommendations, hints and rules - very concrete (what is really going on) and very compressed like an abstract

Based on and derived from so many situations in business we advised

Depending on the start-up (service or product) and circumstances of course

Divided into groups of relations, because having a start-up means having a lot of relations to different people and authorities

Most recommendations include negative statements, but preventing negative impact on your start-up is positive - keeping negative points back is a crime

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A. Co-founder, shareholder and business partner (if applicable)

#01

Define the partnership with your co-founder in a very detailed manner – many business relationships fail when it comes to money, especially fragile seem to be co-operations consisting of independent professions

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A. Co-founder, shareholder and business partner (if applicable)

#02

You may think that non-disclosure agreements (NDA) are very useful, nevertheless your business partner or someone else could just copy your whole idea and it cannot be proven – according to German law there is no provision which can protect a business idea itself, just 1-to-1 copycats are critical

A. Co-founder, shareholder and business partner (if applicable)

#03

If possible do not offer more than 25% of the shares when you need money from a venture capitalist, accelerator or whoever – keep the control even of the basic business decisions and therefor 75% are usually necessary. It is not necessary to have a mind-blowing invention to find investors, the scalability of a business is what attracts those people most

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A. Co-founder, shareholder and business partner (if applicable)

#04

Never forget: Everything is about money! Your business partner is not nice and merely interested in making their own money - not in your revenue! One man's advantage is other man's disadvantage. Very often there is nothing in between

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A. Co-founder, shareholder and business partner (if applicable)

#05

Talking to a senior manager or even a manager on c-level of larger companies is not as extraordinary an experience as you might think, but those people are very intelligent, experienced and short-spoken. Consider that and be well prepared: greeting, facts and a request, which is also beneficial for the enterprise he or she represents

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B. Start-up

#06

There is time pressure even when you don't feel it because it is important that you have the advantage of the first mover, in your region at least. When you start right after finishing your studies you might have no money, no experience and no customers, but so much energy. Entrepreneurs who start after gaining professional experience might have more money, more experience and know potential customers, but maybe not that energy which young people have

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B. Start-up

#07

Do not save money regarding the look of your start-up: logo and company name, writing paper, website, business cards, etc. requires a professional designer. No, you are not a designer and word is not a program made for presentation. We live more and more in a visual world. High quality pictures are very important for presenting products and services today

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B. Start-up

#08

Be critical: Would you become your own customer? – There is always something to be optimised. And write it down! Then there is a greater chance that things will be done by you - this is what experience and statistics tell. Frequently reflect upon what you have done and check what is still to be done

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B. Start-up

#09

Doing, doing, doing! – It always produces a lot of energy and you may not get what you want, but you do get something else for your business („doing“ is the main difference between most millionaires and the other people on the planet who are smart and have good ideas, too)

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B. Start-up

#10

And doing something is the best way to gain the professional experience you need – call René Obermann and ask him (former CEO of Deutsche Telekom AG)

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B. Start-up



Focus on marketing because perception is reality these days: Even established undertakings simply give consumers the idea that they have superior products and services – for the consumer, ideas are more important than facts. And your company should be known as well!

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B. Start-up

#12

Be well informed: Know your products, prices, the market and the competitors by heart - and the products and services of the competitors and their clients, too. Go online and in doubt: order and test it. What is state of the art?
Look at the market leader

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B. Start-up

#13

Feel inspired by all the things around you: the world, including foreign countries, is full of ideas you may adapt to your business - so many ideas in the area of business, music and politics have origins other than you may think, someone else has realised them or interpreted them in a new and often much more successful way – and this can be surely accepted as an achievement, too

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B. Start-up

#14

Your start-up first! Have you really adjusted every screw in your scope, including your general terms and conditions? What is best for your company? When do you get most money or lose least money? Decide that way because you don't want to win a business ethic contest – others don't want it either

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C. Service provider

#15

Is it really necessary to have a separate office right from the beginning? There are offices for start-ups for lower rents and there is a lot of exchange with other founders, e.g. information about advisors who offer start-ups special conditions

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C. Service provider

#16

Be careful when you rent an office - landlords like long-term contracts. In case of 5 years you have a factor, namely 60! The monthly rent multiplied by 60 can be equal to 80k for instance plus running costs

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C. Service provider

#17

Be careful with craftspeople as well. Do not pay the bill until everything is done and done well. Material for which you have paid should be in your scope. And you need a time buffer, because there is such a big difference between spoken words and reality. Please talk about costs before assignment and ask for an estimate of costs in important matters – last is true for every professional category

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C. Service provider

#18

Negotiate as much as you can with providers - do not accept any prices, try to get reductions, suggest prices because you are a start-up with a lot of demand in the future. But do not compare many prices for weeks and months before starting, you don't have this time

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C. Service provider

#19

Have insurance just in case, but do not be naive - they compensate damages slowly, just partly and with a lot of limitations

C. Service provider

#20

Avoid personal liability with legal entities like GmbH or UG if your start-up includes risks. In spite of this fact: Fault tolerance should converge towards zero. Prevent any mistakes and correct any mistakes as fast as possible. Make sure that everything will be done correctly. Standards and defined processes are therefore good friends. Business decisions are something different

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D. Customer

#21

Note: The most important thing is the most difficult one: gaining (enough) customers in a certain time period. Value every single customer in the best case because without customers your business is nothing ... and it is easier to sell something else to existing customer than winning new ones

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D. Customer

#22

Without a doubt, nobody knows that you have started a business - with the possible exception of your parents, your best friends and involved service providers. It will take a long time to have a client base and to be known for products and services: not just months, even years and decades

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D. Customer

#23

Speaking directly with prospective customers is a real cost of effort for young entrepreneurs, but is possibly the most effective way to win them. Nevertheless do not tell them or anybody else that you have hard times - that brings you and your business into question

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D. Customer

#24

Do not expect a lot of customers because you have a lot of friends. And friends are difficult to handle in a business context: They tend to ask for discounts or to get something for free, but you have nothing to give away

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D. Customer

#25

Do not spurn little orders because you will never know how customer relations develop – from 100 Euro per year to a turnover of 100k per year is possible

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D. Customer

#26

Be contactable: You should be able to sell your products and provide your service in the usual business hours at least. If you have missed a client, a quick call-back and an appointment as soon as possible is a must, otherwise your potential customers could find someone else or they resolve it in another way

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D. Customer

#27

Your assumptions are not relevant, only the view of your customers – why should they become a customer of yours shall be the leading question for everything you do. To be fast, good and inexpensive is great, however sometimes not enough, especially when your customers cannot find you

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E. Employee

#28

Appreciate your employees and their performance, but do not pay them well – save the money for more important things to your start-up like marketing, see #11

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E. Employee

#29

There are likely more than 100 reasons for low wages for employees from the perspective of the employer, find and name just 3 (-:

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E. Employee

#30

Work as long as you can on your own or employ just a few by using fixed-time work contracts to be flexible – wage costs is the greatest cost factor in most balances

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F. Money

#31

Have a separate online bank account for your business - and check it frequently to stay informed about incoming and outgoing payments to maintain liquidity. Intended liquidity is the key! Make plans! Do you know the opposite of liquidity? -Insomnia!

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F. Money

#32

You can only count on the money when the amount is already transferred / booked (to the credit of your bank account) – it is the same with contracts, you can only rely on a signed one

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F. Money

#33

Consider: Especially huge enterprises pay invoices very late, often 2-3 months after getting the invoice and you can do nothing against this. And do not expect that many people pay a bill when the sum is due – 3 up to 6 weeks are normal. The best way to sleep well: Up-front payments. In case of periodic payments: up-front and direct debit. Best combination ever!

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F. Money

#34

Especially when you have a permanent service try to conclude long-term agreements with monthly payments, a reduction in comparison to a short-term agreement can make those offers more attractive, you can also reduce the price, when customers pay up-front. This is what we call pricing

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F. Money

#35

This is not such an exception: Do not forget to charge the products and services – customers won't remind you in general. And do not be too modest - unusually low prices causes reactances and the assumption that you offer less quality or you are a house husband or housewife with a side job

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F. Money

#36

The business account suggests that you are quite rich, but the amount includes money for taxes like value-added tax (VAT) and income tax you already have to pay and other business related spending. And always try to build a reserve for unpredictable spending, taxes and marketing / advertisement. And, by the way, you earn no money when you are ill or on vacation. Good to know, but hard to reach

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F. Money

#37

Please do not make a big expenditure for a fancy car or a lot of designer fashion and furniture because someday you will miss the money – money is especially lost for „marketing-driven“ growth

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F. Money

#38

Distinguish turnover from earned money: There's a such big difference between 10k turnover and 10k in the wallet: 10k turnover minus VAT minus costs minus income tax can be just a fifth at the end of the day – otherwise you are lost

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F. Money

#39

Do not be surprised by making 80% of turnover with just 20% of your customers and 20% of your current customers can be just 2 or 3 by the way - your start-up can even be completely dependent on just 1 customer like an employee from an employer. Search for other (key) customers as long as you can ...

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F. Money

#40

Be aware that you have almost no turnover in some months and in some months you may get a really big sum in total – the same with business years: turnover and profit can vary extremely. The average of several years should be the reference for your living standard

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G force. Fiscal authorities

#41

Taxes to be paid are always delayed because for the calculation they have to know your profit first - even your tax advisor does not alert you to additional payments for past years

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G force. Fiscal authorities

#42

Progressive taxes! They do not tax the first 10k of profit, the next 10k are also moderate, but be careful with profits over 50-60k, especially when your profit jumps up from one year to another. Yes, my friend, you are allowed to drive Porsche, but you have to sell two – one for you and „one“ for the finance office respectively later on. Forget about the Double Irish Dutch Sandwich

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G force. Fiscal authorities

#43

Fiscal authorities will never call you to thank you for the paid taxes and have many possibilities to enforce the debts quickly – so you may reinvest the money of the company or you can raise your salary as employed managing director, last should be plausible

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H. Yourself

#44

Be self-confident, but not arrogant, especially with regard to your products and services – who else should believe in your offer when you even don't. But do not be disappointed when you realise that many people just want to sell something to you, because of all the calls you get

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H. Yourself

#45

Have a strong relationship to a person who gets money on a regular base as an employed person - someone has to pay the rent and must hold your hand. Joking apart, you need mental support and discussion about your start-up with someone who really knows you

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H. Yourself

#46

Take comfort:

(1) It is difficult to be successfully self-employed otherwise most people would be self-employed - only one of 10 start-ups will exist past the 5-year mark

(2) When you are able to succeed in self-employment you are able to succeed as employed person as well, because pretty similar traits are needed – but as an employed person you will never get the money your work is worth, because the difference is the profit of the employer – that is part of the game. Besides that you almost never get shares of the business you work for

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H. Yourself

#46

#46 (II)

(3) Success is always hard work and does not happen by accident: Think of all the famous business people, athletes, musician, etc. – most of them are so extremely passionate about their work and work 10-12 hours a day and often for decades, but they do not emphasise that in public

(4) Getting the customer firstly and serving the customer secondly takes a lot effort, but being careless and not having enough customers and money is even more stressful and can lead to worse feelings. Effort pays off – always, sometimes directly, sometimes retrospectively

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H. Yourself

#46

#46 (III)

(5) Everything takes long and so many things go wrong. This is a fact. For all people, not just for you. But people don't speak about it

(6) A failure of your start- up does not mean that you have personally flopped - very often circumstances like market, luck and available money you have or don't have, decide failure or success

(7) People who are dying very often just regret things they never did in life, but they obviously don't remember failures

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H. Yourself

#47

Friendliness means nothing in professional life – people are mostly friendly because there are more reasons for being friendly than for being unfriendly - it produces a good atmosphere most people prefer

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H. Yourself

#48

Be result-oriented, concentrated, structured, reflected, patient, polite and interested in everything, but only proud when there is a particular reason – like many celebrities are. You can be proud of your start-up when you have started it, but be prouder when you reach the break-even or when you get enough money to finance your life – keep pride away from business decisions unless you have other great options because it is a bad advisor and responsible for many miseries

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H. Yourself

#49

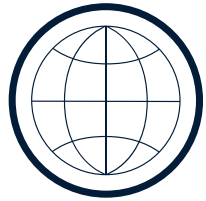
Do not wait for the respect, honour or recognition of your friends, relatives or family even when your success is very obvious – envy is hidden and very present at the same time. For congratulations you often need people who are still more successful than you

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H. Yourself

#50

Greatest motivation ever: If you are the shareholder you earn more than twice, the salary you get from your company and the increasing value of your shares - as a founder of an undertaking which is interesting for big enterprises like Deutsche Bahn AG you can become a really rich man or woman after selling the shares



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