Startup Maturity Checklist

Sean Murphy (www.skmurphy.com)

Silicon Valley Code Camp

October 4, 2009

SKMurphy

Who's In The Audience?

- ☐ Employed: But I Have an Idea?
- ☐ Between Jobs: Should I Start a Company?
- ☐ Consultant: Want to Sell Products Not Time
- ☐ In a Team: Want to Pick Best Opportunity

Early Stages For a Software Startup

1. Ideas & Team Formation
2. Open For Business
3. Early Customers
4. Finding Your Niche
5. Scaling Up

Ongoing Activities

- ☐ Teamwork
- ☐ Product Development
- ☐ Customer Development
- ☐ Formalizing Business & Processes

SKMurphy

Ideas & Team Formation

- ☐ You Have a Vision
  - ■ That You Can Communicate
  - ■ That Can Attract a Team
- ☐ To Become a Team, Agree On
  - ■ Goals
  - ■ Roles – Who Will Do What
  - ■ Course of Action – Next Steps

Idea & Team Formation

- ☐ **Focus Less On Technology Feasibility**
- ☐ **Focus More on Who Is the Customer?**
  - ■ What is Their Pain?
- ☐ **Avoid "Gnome Underpants Model"**
  1. Steal Underpants
  2. ???
  3. Profit

Ideas & Team Formation Ready for Next Stage

- ☐ **Mapped Business Ownership Structure**
  - ■ Understand How To "Divide The Pie"
- ☐ **Have Defined A Product Concept**
- ☐ **Ready To Test The Market Theory**
  - ■ Target Customer / Problem / Pain
  - ■ Product Architecture / Feature Set
  - ■ Message / Benefits / Value Proposition

Open For Business

- [ ] Infrastructure To Transact Business
- [ ] Often Little Or No Income
  - Cost Containment Increases "Runway"
  - Consider Short Term Income Generation
  - Break Full Vision Into Steps/Phases
- [ ] Primary Risk: Who Is Paying Customer?
  - *Can We Live Long Enough to Find Them?*
  - **Not** "Can We Get Technology Working"

SKMurphy

Open For Business

- ☐ **Key Issues For Founders**
  - ■ What Value Do We Bring?
  - ■ How Do We Make Money?
  - ■ How Much Do We Charge?
- ☐ **To Able To Have a Customer (Next Stage):**
  - ■ Have A "Minimum Feature Product" To Sell.
  - ■ Corporate Structure That Can "Do Business"

SKMurphy

Early Customers Stage: Acquiring First Customers

- ☐ **The Founders Are The Business**
  - ■ Buying Process Looks Like A Hiring Decision.
  - ■ First Customers Often Already Know You
- ☐ **Product Driven By Customer Opportunities**
  - ■ Manage Risk Of Devolution Into Consulting
- ☐ **Customer Development Often Ad Hoc**
  - ■ Challenge: Technology Adoption / Insertion
  - ■ You Need References More Than Revenue

Early Customers

- ☐ Key Issues For Founders
  - ■ How Do We Find Smarter Customers?
  - ■ Who Else Do We Target?
  - ■ How To Insert Into Our Customer's Business?
- ☐ Ready For Next Stage:
  - ■ Handful Of Satisfied & Paying Customers
  - ■ Note: Customers Are Who Pays You

Finding Your Niche

- ☐ **Developing A Core Set Of Customers**
    - ■ Who Reference Each Other's Buy Decisions
    - ■ With Different Needs Than Mainstream Market
    - ■ This Is A Market Niche
- ☐ **Product Distinct From Founders.**
    - ■ New Customers Rely On Product References
    - ■ Features Driven By Market Niche Needs

SKMurphy

Finding Your Niche

- ☐ Key Issues for Founders
  - ■ We Have A Handful Of Customers, But Who Do We Sell To Next?
  - ■ How Do We Insert Into Our Customers Process?
- ☐ Ready for Next Stage:
  - ■ Repeatable Sales Process For One Niche Market

SKMurphy

Scaling Up

- ☐ **Continue Growing a Sustainable Business**
  - ■ Expand Customer Base Into New Niche(s).
  - ■ Product Features Driven by New Niches.
- ☐ **Cash Flow More Stable and Predicable.**
- ☐ **Customer Development More Traditional**
  - ■ Sales, Marketing, Business Development.
- ☐ **Team Adds Specialists Not Generalists**

SKMurphy

Scaling Up

- ☐ Key Issues For Founders
  - ■ We Cannot Do Everything
  - ■ We Need To Add Specialists
  - ■ How Do We Expand Our Customer Base?
- ☐ Ready For Next Stage: "Real Business"
  - ■ Sustainable Business
  - ■ Vision For Growth & Identified Next Niche

SKMurphy

Startup Stages Recap

- Show of Hands, How Many Are In:
  - Formation
  - Open For Business
  - Early Customers
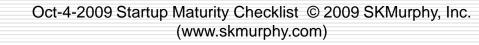 - Finding Your Niche
  - Scaling Up
  - Real Business

Recap: Ongoing Activities

- ☐ Have Many Have Devoted 10% + Effort to:
  - ■ Teamwork
  - ■ Product Development
  - ■ Customer Development
  - ■ Formalizing Business & Processes

Startup Maturity Checklist

- ☐ **Product Development**
  - ■ Team: Intellectual Capital
  - ■ Product Development Maturity Checklist
- ☐ **Customer Development**
  - ■ Team: Social Capital
  - ■ Customer Development Maturity Checklist
- ☐ **Business Operations**
  - ■ Team: Financial Capital
  - ■ Business Operations Maturity Checklist

Team: Intellectual Capital

- ☐ Know-How, Experience, Methodology
- ☐ Enables Execution with Distinction
- ☐ Individual Skill Not Enough
  - ■ Demonstrated Ability to Deliver Projects
  - ■ Best: Carried an Idea to Revenue/Profit
- ☐ Unique Knowledge Drives Differentiation

Where Are You Today
A Guided Assessment

- ☐ Let's Fill Out Startup Maturity Checklist
  - ■ *Raise Your Hand If You Need a Handout*
- ☐ Check Off An Item = Have Done

The First Step Toward Getting Somewhere Is To Decide That You Are Not Going To Stay Where You Are. J. Pierpoint Morgan

Startup Maturity Checklist
Product Development

1. We Have Demonstrated Expertise And Experience In Prior Relevant Projects.
2. We Have Working Code And Test Data.
3. We Have Results From Customer Data.
4. We Have An Engagement And Installation Checklist: We Know How To Get Started With A New Customer.
5. We Have Documentation And Training Materials.

SKMurphy

Startup Maturity Checklist
Product Development

6. We have a one page spec for the product.

7. We have a version control system (e.g. RCS, CVS, Subversion) for our source.

8. We Have A Defect Tracking System To Report And Manage Defects In Product.

9. We Have A Planning Process To Manage Both Changes To Current Specification And Evolution Of New Features.

SKMurphy

Team: Social Capital

- ☐ Relationships & "People Skills"
  - ■ Prior Shared Success that You can Reactivate
- ☐ Social Navigation: Networking With a Goal
  - ■ Understand Cost and Transactions
- ☐ Founders Will Spend Social Capital On
  - ■ Trusted Feedback
  - ■ Early Sales
  - ■ Sourcing Advisors and Early Employees

SKMurphy

Team: Social Capital
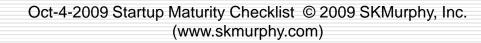# Early Sales Are a Chain of Credibility

- ☐ Connected: Friends / Shared Success
- ☐ One Step Away "Friends of Friends"
  - ■ Friends Give Credibility (to Both Parties)
- ☐ Two Steps Away: Strangers Buy
  - ■ References Give Credibility
- ☐ Prospect's Primary Concerns are Intangible
  - ■ Performance Risks Require Substantiation

SKMurphy

Startup Maturity Checklist Customer Development

1. We Have A Presentation That Outlines Product Benefits.

2. We Have Both A Presentation And A Working Demo.

3. We Know What Questions To Ask To Identify Pain The Product Can Address.

4. At Least One Customer Is Evaluating or Using The Product.

SKMurphy

Startup Maturity Checklist Customer Development

5. Customer Has Achieved A Satisfactory Outcome Using Product.

6. Customer Has Paid For The Product And Is Using It.

7. Customer is Using The Product Now, Has Paid For It, and Plans to Use Our Next Release / Version When It Comes Out.
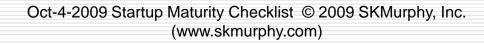
8. We Have Made a Sale to a Friend.

Startup Maturity Checklist Customer Development

9. We Have Made A Sale To A Friend Of A Friend.
10. We Have Identified Ways To Reach Target Rich Environments Of Strangers.
11. We Have Made A Sale To A Stranger.
12. Two To Four Customers Have Paid For The Product.
13. Five To Ten Customers Have Purchased The Product, And **We Know Why**.

Startup Maturity Checklist Customer Development

14. Ten To Twenty Customers Have Purchased The Product And We Have A **Repeatable Sales Process We Can Scale.**

15. We Have Trained A Salesperson Or Channel Partner And They Have Sold The Product.

16. We Have A One Page Spec For The Features Needed For The Next Release.

SKMurphy

Startup Maturity Checklist
Customer Development

17. We Have An Incident Tracking System That Both Development And Customer Facing Employees Use To Report Customer Issues.

18. We Have A Product Roadmap That Has Been Reviewed And Approved By Key Customers For Bug Fixes And Major Enhancements.

SKMurphy

Team: Financial Capital

- ☐ Sources of Financial Capital
  - ■ Self-Funded
  - ■ Friends & Family
  - ■ Qualified Investors: Angels, VC, & Corporate
  - ■ Revenue
- ☐ Revenue is the Best Form of Financing
- ☐ Early Market is About Low Cost Exploration

SKMurphy

Startup Maturity Checklist
Business Operations

1. All Founders, Employees, And Contractors Have Signed A Patent, Invention, And Intellectual Property Assignment Agreement.

2. We Have A License Agreement That We Can Include In A Sales Proposal.

3. We Have Successfully Completed A Sale And Processed Payment.

4. We Have Signed License Agreements For Our Customers And Understand What Terms Are Acceptable To The Majority Of Our Prospects.

Startup Maturity Checklist
Business Operations

5. We Have Outside Advisors For Legal, Accounting, and Other Key Issues .

6. We Are Incorporated And Have The Relevant Permits And Documentation (E.G. Federal Tax ID).

7. We Have An Accounting System (e.g. QuickBooks) And A Process To Plan, Review, And Approve Expenses.

SKMurphy

Startup Maturity Checklist
Business Operations

8. We Formally Review Financial And Personnel Issues At Least Monthly, And Base Decisions On Data Available From Our Internal Systems And Procedures.

9. We Have A Process In Place For Hiring And Firing Employees.

About SKMurphy, Inc.
What We Do

- ☐ We Offer Customer Development Services
  - ■ New Technology Introduction
  - ■ Focus: Early Customers & Early Revenue
- ☐ We Assist On Strategic Decisions
  - ■ Niche Identification and Selection
  - ■ Pricing
  - ■ Negotiation Sequence and Framework

Upcoming Workshops

- www.skmurphy.com/services/workshops/
- Getting More Customers Sat-Oct-24-2009
- Engineering Your Sales Process Tue-Nov-10-2009
- Idea to Revenue Jan 2010 TBD

Also Six Bootstrapper Breakfasts A Month
www.bootstrapperbreakfast.com

SKMurphy

Please Let Us Know How The Session Was For you

- ☐ Feedback Card

Thanks For Your Time

In The Beginning…

The Founders Are The Business

To Keep The Business Viable,

Learn Faster Than the Competition

Successful Entrepreneurship

is a Self-Improvement Project