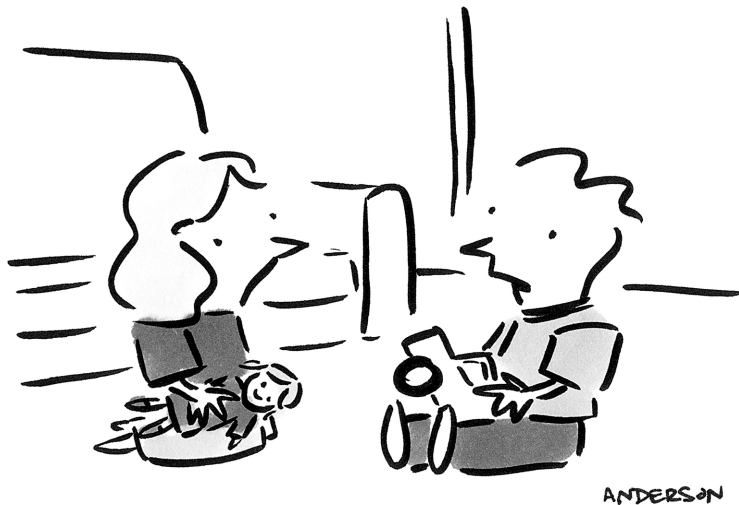


## Startup Exercise: What can't be solved with money?

*Solved with money · Now therefore...*



credit<sup>1</sup>

"Mom & Dad are my primary funding, but I get plenty of soft money from my grandparents."

When pitching an investor, one of the key things you need to communicate is how **the important problems facing your business can be solved with money**, because money is what they are providing.

Even if you're not raising money this is a useful exercise, because if you're good at the things money *can't* buy, you'll remain competitive even when confronted by a well-funded competitor.<sup>2</sup>

So, it's useful to separate the aspects of your business that could be improved with money alone, from what instead requires time, attention, intelligence, and even luck.<sup>3</sup>

### Team

Finding good people is almost impossible. I have this blog, a nice Twitter following, attention in my local community, and social "favors" I can call in, and it's still almost impossible. And the thing about great people is they always have options: Existing job, other excellent offers, the freedom to not work for a while, etc..

If someone handed me a million dollars it wouldn't help me find an awesome person; they're just scarce.

Once I find someone, however, then money helps a lot, because I could satisfy large salary requirements, handle relocation, provide a signing bonus, lease a car, or whatever else is necessary to make money "not the issue."

So if you're raising money and you don't have your team assembled, the investor knows that handing you \$200,000 won't fix that. Whereas if you have the team, but they're working only in their spare time because day jobs pay the mortgages, that's a good reason to raise money.

### Marketing

Marketing of most sorts can be solved with money. Money means you can spray ads everywhere.<sup>4</sup> Money means you can try 20 campaigns<sup>5</sup> even if most utterly fail.<sup>6</sup> Money means you can try 50 titles/descriptions/landing

pages through AdWords until you find one that converts decently. Money means you can fund a Freemium offering.<sup>7</sup>

One big exception is anything that requires authority,<sup>8</sup> like blogging and social media. You can't buy authority. You can't buy that *kind* of attention, where people listen because they want to listen, not because they're interrupted, where they interact with you because they respect your opinion and enjoy your style.

Social media marketers have already beat this point to death. But if your business requires the modern "tell-your-friends" social-media-style punditry, you'll have to do that without money.<sup>9</sup> If it's just a matter of pouring more marketing dollars in the top so you can crank out more revenue in the bottom, that's a machine investors like to invest in.

### And so forth

You see the pattern, so **let's accelerate**; what can money solve?

- Writing more code, faster, yes. Knowing<sup>10</sup> *what* to write, no.
- Acquiring more leads, yes. Know how to convert them, no.
- A prettier website,<sup>11</sup> yes. What text to put on the website, no.
- Leeway to make mistakes, yes. Philosophy of learning and using mistakes<sup>12</sup> to improve, no.
- A QA team to improve quality, yes. Knowing when a bug isn't important enough to prevent shipping, no.
- Time to outlive a recession,<sup>13</sup> yes. Making something people want to buy<sup>14</sup> even during a recession, no.

The pattern: Concepts, behaviors, knowledge, and process cannot be fabricated with money, and possibly cannot even be accelerated. Once you know what to do or, more likely, you know how to learn quickly, then money becomes an accelerant.

Even more briefly using the Explore vs Execute modalities:<sup>15</sup> Execution can be solved with money; exploration cannot.



"You know, for just a small increase in my allowance, I could make bedtime a lot easier."

credit: 16

### NOW THEREFORE...

How can you use this principle to raise money?

1. Emphasize how spending money will improve specific things which, today, are broken or missing *only* because money is lacking.
2. Show proof of your ability to master the things money cannot buy—your ability to learn, change, and improve.
3. For those things money can accelerate, and for which you've spent a teeny amount of money, show how well you've done with that. It's easy to imagine more money bringing more results.
4. For those things money can't solve and which you haven't mastered, bring it up before the investors do. And have a plan, proving you're

self-aware and thorough. If you don't have a clear, plausible plan, don't raise money yet.

5. Specifically, don't raise money if you haven't assembled the core team.

Let me make point #2 tangible.

I cannot count the times I've heard someone proclaim how adaptable they are. "I'm in love with A/B testing." "I'm not afraid to admit when I'm wrong." "I listen to my customers." "I'm a big fan of Eric Ries."

Yeah, you and 60,000 other people.<sup>17</sup> I'm supposed to be impressed?

Since everyone and their dog is now an expert in Lean Startup, you need to *demonstrate*, not regurgitate platitudes. Tell me about how and why your pitch changed when you vetted your idea with potential customers.<sup>18</sup> Walk me through a screenshot<sup>19</sup> of your app, explaining the customer feedback that lead to each part. Show me your company dashboard with the numbers that matter,<sup>20</sup> explaining why each number is there, what you expect those numbers to do, and what you do when they don't go as expected. Tell me about your first idea which turned out to be wrong but lead you to the second,<sup>21</sup> and how much easier it was to sell the second. Tell me what happened when you tried different price points,<sup>22</sup> and why you settled on the current one. Show me which part of your landing pages improved with A/B testing<sup>4</sup> and which required old-fashioned creative thought. Tell me in your customers' own words why they're willing to pay<sup>23</sup> you for any of this.

When you demonstrate that you can do these things, what you're really saying is that you know how to think, how to overcome roadblocks, how to figure out what to do.

All things money can't buy, but exactly the things which, when combined with money, make companies most likely to succeed.<sup>24</sup>

If you're not raising money, you still need these skills, exactly because you don't have the money to waste!

Things money cannot buy are still the most valuable things.

*Current version of this article:*

<https://longform.asmartbear.com/startup-money/>

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