



Success Tips For New Entrepreneurs

Sramana Mitra, 01.16.09, 03:00 AM EST

My last column, "[Advice For Laid-off Engineers](#)," led to a "Webinar" in which 130 first-time/aspiring entrepreneurs asked me questions about making the transition to entrepreneurship and turning adversity to opportunity. Here is an excerpt of their questions and my responses.

Is this really a good time to start a company in the midst of a deep recession?

Yes, because the opportunity cost right now is low. Talent is easy to attract, and there is a precedent of great companies being started during recessions. Eight out of 12 case studies in my book, *Entrepreneur Journeys (Volume One)*, were companies started during the dot-com bust and the last recession.

How do you know if you have a good business idea?

Before you build anything, you must speak with potential customers. You need to validate your assumptions. You can cold-call, or use relationships. And validate, don't rationalize. Don't be afraid to face the truth. Don't fool yourself.

How do you fund an early venture?

You don't, preferably. You should try to bootstrap. If you take money too soon, you lose control of the company. For \$100,000, investors can take majority control of your company if you don't bootstrap the early phases of company building.

Instead, you could follow the example of Jerry Rawls and Frank Levinson of Finisar, a maker of fiber-optic components and the first case study in my book, and do consulting services for your customers in the beginning. That way, you support yourself while staying close to the customers and learning their problems. At the same time, you figure out what product or service you need to create based on your intimate understanding of your customers' needs.

I am editing volume two of the book series as we speak, in which all 12 case studies are dedicated to bootstrapping.

How do you raise external funding in this economic environment?

You bootstrap for as long as possible, then let the VCs come to you. Take Sridhar Vembu, founder of software maker AdventNet and the second case study in the book. Vembu developed something of value, generated sales and got enough PR around his business. Then investors started coming to him. You get much better valuations once you have developed some critical mass for your business.

How do you generate traffic for your Web site without breaking the bank?

Start your own blog. Become known as an expert in your category. Develop relationships with other bloggers in your category and get them to link to your content or site. Another important point: You have to produce strong content to be able to do that, and offer value to the community you are trying to attract. For instance, my blog is on technology, business and entrepreneurship. I have relationships with many of the top bloggers in my category. Whether you are doing fashion or cars, you need to develop a similar influencer network. They then help drive traffic your way. This is 21st-century PR, effectively.

What industry segments have the biggest growth potential in the next five years?

Look for the big problems. They will give you indicators to the biggest opportunities. Clean tech, education and [health care](#) come to mind. In my book, there is a section called "Planet Scale Problems." There, you can read case studies on HotChalk (education), Energy Recovery Inc. (water desalination) and Obopay (mobile microfinance).

Water crisis. Energy crisis. Education crisis. Poverty. These are all big problems. You can address some of them. You can also look for gaps in the defenses of the big companies in your sector. If you look at the book, I have a section called "Taking on Giants." That section has three case studies of companies that are all going after Google. In every industry, there are these giants, and inevitably the giants have holes in their offerings or places where they're weak. You can look for those gaps within your expertise domain.

Another area of opportunity is creating a business that disrupts existing business models. In the book, I have two case studies of Software-as-a-Service companies that disrupted the old enterprise-software business model. Every industry has a business model, and there are often opportunities to disrupt an industry by changing the business model fundamentally.

How do you overcome your fear of failure?

You need a philosophy. I take inspiration from Ayn Rand's *The Fountainhead* and *Atlas Shrugged*. Have you read them? If not, I highly recommend that you do. The Hank Rearden character in *Atlas Shrugged* has incredible resilience against all odds. I know many entrepreneurs who have used Rearden as their inspiration.

How do you recruit mentors?

Look around you. Whom do you respect who also believes in you and respects your work? That's one type of person who has the potential to become a great mentor. The mentor-mentee relationship is a personal one. It should not be a "How can I use you?" type of relationship. Therefore, it needs to be based on human elements, chemistry--not just business synergy. It takes the investment of personal time and some emotional energy.

I have mentored several people, and typically, I would enter into a mentoring relationship by agreeing to some sort of a working framework. Often, I take interns on who are effectively mentees, but they also do some work for me. This gives me a working framework in which I can coach them, they can add value and learn from me, and I can see them in action and get a feel for their work ethic. And the mentee then sets up a currency of exchange to get access to my time.

We discussed a lot more, from options for laid-off auto workers to intellectual [property protection](#). You can listen to the Webinar [here](#) and join a Facebook group to continue the discussion [here](#). The Webinar was sponsored by SimplyHired, a job search engine, and DimDim, a free Web conferencing service.

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