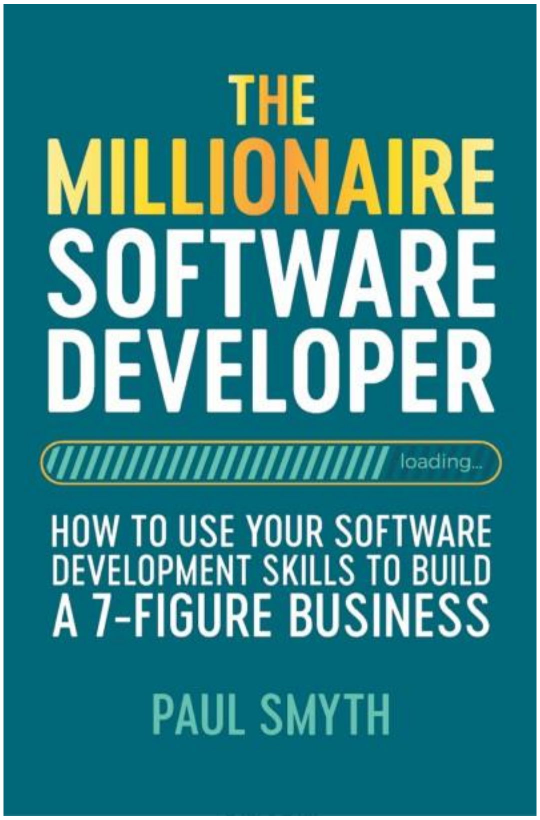

This book contains a blueprint for how to bootstrap a software development business and grow it profitably from one customer to multiple customers generating a million dollars, and more, in annual revenues.

The Millionaire Software Developer

By Paul Smyth

THE MILLIONAIRE SOFTWARE DEVELOPER

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HOW TO USE YOUR SOFTWARE DEVELOPMENT SKILLS TO BUILD A 7-FIGURE BUSINESS

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TABLE OF CONTENTS

GO SOLO OR WITH A PARTNER?

MY EXPERIENCE OF PARTNERING

I always knew that I wanted a partner when I started my business. I had no solid basis for knowing why this would be a good thing but intuitively I knew it would be better for the business.

After 20 years of partnership, I can say that I'm glad I partnered, as we built a very successful business together.

That isn't meant to dissuade you from starting a business on your own. Thousands of people choose to do exactly that every year and many will go on to become a success. However, it is much easier to bootstrap a business with a good partner because a good partnership can bring a broader mix of skills to the table that will enable you to accelerate your growth.

When I started my business I had many years of technical skills and management and board-level skills with some sales skills thrown in. My partner brought some sales skills along with excellent customer relationship skills. Together we formed a strong team that worked well in front of customers. We had different but complementary personalities, which meant that we slipped naturally into our roles: me as CEO and my partner as the business development director.

The advantage this gave us was that in the early days, when I was the breadwinner doing most of the billable technical work, he was able to continue looking for more customers. This enabled us to grow much quicker than if I had started on my own.

WHY PARTNER?

Over the years I have seen a number of reports[1] showing that companies are more likely to grow bigger and faster when started by more than one person. Of course, the big issue with a partnership is deciding who to partner with.

Most successful partnerships are started by friends or colleagues, i.e., people who knew each other before going into business together. Partnerships such as Paul Allen and Bill Gates at Microsoft, Steve Jobs and Steve Wozniak at Apple and Larry Page and Sergey Brin at Google are good examples of this.

It might be stating the obvious, but if you're going to start a business with a partner then you need to be quite sure that you can work together through both good and bad times.

MAKING A PARTNERSHIP WORK

Trust is paramount in any partnership. Do you know your partner well enough to have full trust in them? Without mutual trust, you are doomed from the get-go. Is their integrity unquestioned? Is their character representative of the brand you plan to have?

If you have any misgivings about them, trust your gut. If someone seems slippery, or bogus, or a jerk, don't ignore it.

You also need to ensure that you have a shared vision for the business because no partnership will survive if you have fundamental differences. Make sure that you understand each other's financial goals, life goals, and that you mutually agree on the aims.

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[1]Shailendra Vyakarnam, "Management: Breaking the myth of the one-man band," *The Independent*, April 6 1994, https://www.independent.co.uk/news/business/management-breaking-the-myth-of-the-one-man-band-1368257.html

A key decision in any partnership is how to split the equity. Are you all going to have an equal split?

Who's contributing the most startup capital? Should they get more/less equity?

Is it your vision and they are coming on as minority shareholders?

A two-person partnership is the one I favor.

In my experience, a two-person 50/50 partnership is quite a stable split—but only if the two of you get on well together. The result is that it means you are both equally committed.

Obviously, if you can retain 51% or more of the equity then this gives you majority control, which can work to your advantage in the future, particularly when it comes to selling the business.

As a rule, I would advise against having too many founding partners. Two is good and is very common in business. More than three can lead to problems.

If you have too many people with an equal say in matters, then it becomes much harder to achieve consensus and to make quick decisions. It also increases the chances that there will be more disputes as the company grows.

If you do decide to go into business with one or more partners, then make sure that you establish clear roles for everybody right from the get-go.

Somebody must be CEO and the boss. Who is that? Do *not*, I repeat, do *not*, have joint CEOs. That just doesn't work. If you have difficulty agreeing who should be the CEO then that's an early warning sign that the partnership might not be a good one. Everybody should also be clear about what's expected of them.

The work equity expectations should be set from the beginning. If these are not set correctly, this will quickly lead to a breakdown in the partnership. One of you will feel that the other isn't pulling his or her weight, and it will eventually create a lot of problems.

If your partner wants to go to the beach or play golf every day while you want to work seven days a week to grow the business, things aren't going to work out.

The best time to go into a partnership is right at the beginning of the journey because all partners become equally invested in the business. It's certainly much harder, but not impossible, to bring in a partner at a later stage in the business.

I've got two friends who each started their own separate businesses. After running their businesses for some years, they thought that they would be able to grow the business faster if they had a partner.

They each took on a partner but, in both cases, the partnership failed, and they ended up working on their own again.

Both owners found it very difficult to operate with less than the 100% control of the business they had become used to, and relations with their partners slowly but surely went sour.

PARTNERSHIPS CAN GO WRONG

One note of caution about partnerships.

You might start off in a good partnership but as time passes you could find that life and business circumstances will cause you to drift apart.

If there's a big age difference between partners, then over time this will begin to create different needs for both sides, and cracks in the relationship can begin to appear.

Partnerships can last a long time but eventually changing circumstances can lead to differences.

Life events, such as the arrival of children or divorce, can change people's outlook. The partner you started the business with, and with whom you had shared goals, may no longer have the same vision as you.

I would certainly recommend that you get a partnership or shareholder's agreement put in place at an early stage to provide some protection against disputes and disagreements, but this is can only deal with some of the issues that could arise.

Many partnership disputes are resolved by one partner buying out the other. Reaching agreement on this can be tricky as each side's valuation of the deal is often widely different.

In such cases, it pays to bring in a third-party mediator to help reach agreement.

Ultimately, the potential partnership problems that you might encounter down the road shouldn't put you off having a partner.

You are far more likely to build a bigger company if you don't try to do it on your own.

GOING SOLO IS OK TOO

So, what happens if you don't have an ideal partner or if you don't like the sound of partnering?

Then just start the business yourself. You can still build a seven-figure company on your own. Plenty of people have done it.

As you grow, you can start building an executive team to work with you while still retaining majority control of the business.

It's far better to retain full control than to end up with a bad partner.

To help you make the right choice for you, here is a list of advantages and disadvantages of partnering versus going solo.

ADVANTAGES OF GOING SOLO

1) You can follow *your* vision. As the sole owner, your vision for your company will be completely uncompromised. You can set the direction, the culture, the branding, etc. This is important when first starting up, as the strength of your

vision and your commitment to it will be crucial to your success.

2) You get to be your own boss. As the sole owner, you don't have to ask anybody else if you want to do something. You can be spontaneous. You can just go ahead and do it when you want. You also don't have to answer to somebody who doesn't respect you.

3) You make all the key decisions. As the sole owner, you get to choose the company name, the office location, the technology you want to work with, the customers you want to work with, etc. You have unquestioned control of the operation. You'll make all the important decisions on pricing, marketing, staffing, expansion, etc.

4) The profits are all yours. As the sole owner, you don't have to share the proceeds from your business. You get to decide what to do with the profits: keep them in the business as reserves, reinvest them, or take them out as dividends.

5) You can sell the company when *you* want to. As the sole owner, if you get an offer for the business, you can choose to sell or keep the company without needing other shareholders to agree. And if you sell the business one day, then the full payout is yours.

DISADVANTAGES OF GOING SOLO

1) You have to fund the business on your own. As the sole owner, you have to find the capital to start and operate the business. It can be harder to raise startup capital if you don't have access to your own resources.

2) It can get lonely. As the sole owner, you have nobody to brainstorm with or bounce ideas off. When it gets tough it's easy to get down when you have nobody to share it with.

3) You have no checks and balances. As the sole owner, you get to make the decisions but what if they're not good decisions? It's easier to make mistakes if you don't have somebody offering a balanced counterview.

4) Lack of skills. As the sole owner, you might not have some skills that are needed in the business. You can learn these skills over time, but initially, this might hold you back.

5) It's harder to grow. As the sole owner, the business relies on you for so much. It's easy to spread yourself too thin and constrain growth. Statistically fewer one-man businesses get to seven figures than multi-owner businesses. Yes, it's possible but harder.

ADVANTAGES OF PARTNERING

1) Greater access to funding. Funding the business is no longer entirely down to you. A partner should also bring capital into the business.

2) More skills in the business. Very few individuals have all the skills and knowledge needed in a business. A partner can bring additional skills, knowledge, and experience that you might not have. They can undertake tasks that you might not be good at.

3) Sharing the burden. Partners offer mutual support and companionship, and they can also be there to share your start-up problems. It can be stressful and lonely at times

running a business alone. With someone else, you can feel like you are in it together.

4) You can get more done, faster. Partners share the workload and help get things done faster than if everything fell on one person to do. You can split responsibilities so that each partner focuses on different areas of the business.

5) Better, more effective decision-making. A partner will bring different perspectives on problems. It often helps to be able to see different points of view. Being able to look at problems from many angles can help to achieve better and/or more creative solutions: more people means more perspectives.

6) You can grow bigger, faster. Statistically, more partnerships will reach seven figures than sole proprietorships. You can also generate bigger profits.

DISADVANTAGES OF PARTNERING

1) Less control and autonomy. You won't have full control over the company and the decisions made. You won't be able to do your own thing and you won't always get your own way.

2) More scope for disputes. You won't always agree with your partner(s). Are you willing to accept this? Are you able to disagree without throwing the towel in?

3) Conflicting goals. You may end up with different ambitions and goals for the business. You may have differences in personal aims. You may have different views on personal rewards versus investment in the business.

4) Conflicting views on work equity. You may disagree about how much work each partner should put in. A partner might only be willing to work a certain number of hours per week. There may be resentment when the reward is not seen as fairly matched by effort.

5) Slower decision making. Decision-making can be slower, as you have to win consensus. Some things may never happen because the partner(s) can't agree.

BUSINESS PLANNING

WHY YOU NEED A PLAN

Here's a bold statement that I regularly make:

> *"Most business plans are a waste of time, but business planning is essential."*

Over the years I've spent countless hours, days, and weeks working on business plans. I've learned two key things during that time:

1. A business plan is an essential tool to help you to grow your business
2. Your business will grow in ways that you never planned for. No business plan I wrote ever worked out according to the plan.

But there's no getting around it. You must have a plan. Without a plan, you won't know where you're heading.

You won't be able to communicate your direction to those around you.

You won't be able to get funding or raise debt if you plan to go that route.

You won't even be able to tell whether your business is going to be viable.

Writing a business plan is daunting for most entrepreneurs. Many people who start businesses have never been involved in writing business plans before and many will also never have seen a formal business plan.

Even though I've been involved in numerous business plans over the years it is still an activity that I struggle to get enthusiastic about.

It can be a real slog to get all your thoughts and ideas down and to wrap them in a meaningful plan that stands up to scrutiny.

My natural instinct is to plow straight ahead and just get working and to solve the problems we encounter along the way.

But I also know that this is not always the right approach. No matter how much I dislike the planning process I know it has to be done.

Despite this, I still caution people about getting so bogged down in writing a plan that it stops them from launching their business.

Spending months and months writing a business plan is not the way to go. If you take this route, then you will likely end up with paralysis through analysis.

THE BEST PLAN IS A SIMPLE PLAN

If you are trying to raise finance from an institution, then you will be expected to provide an in-depth plan for the investors. But for bootstrappers, my advice is to focus on writing a simple business plan that captures all the key elements that will drive your business over the coming 18–24 months. My recommendation is to follow the process outlined by Kraig Kramers in his book "CEO Tools" (https://ceotools.com).

I'm a big fan of the One-Page Business Plan concept. If you can capture the key elements required for this, then you will have a good basis for launching.

The reason I like the One-Page Business Plan is that it focuses your mind on the key elements of the plan and stops you from getting bogged down in the minutiae. It is far less daunting than trying to write a 50-page plan with loads of details that you can only guess at right now.

DETAILED PLANS ARE A WASTE OF TIME

You're a bootstrapper. You're starting something from nothing. You're building a software development startup.

You can't accurately predict how many customers you will find and what services they'll require or how much they will buy from you.

You need to be adaptable and agile in the startup phase. You can't plan for this with any accuracy.

Many people get caught up in trying to execute their business plan when the fact of the matter is the market doesn't care about your business plan.

The only thing that matters is what you discover and apply out there in the real world beyond your office. Most successful startups end up doing something different than they originally intended or envisioned because they adapt to the market.

A business plan is not a business. Every day spent writing a business plan is a day wasted trying to generate revenue.

Unless you're pitching for funding the only person who needs to see the plan is you (and your partner, if you have one).

People spend weeks and months building a plan and never look at them once the business gets going. This is what happens in real life.

THE ONE-PAGE BUSINESS PLAN

The key elements you'll need to capture in the One-Page Business Plan are:

1) Your vision for the business

2) The services you will offer

3) The customers you will serve
4) Your value proposition
5) Your route to market
6) How you will earn revenue

To be able to write your One-Page Business Plan you have to define each of these elements in more detail.

At this stage, it's more important to get through these steps relatively quickly and to get into the market to test your ideas.

As stated above, your plan will change as you begin to win customers. You'll have to adapt to market feedback.

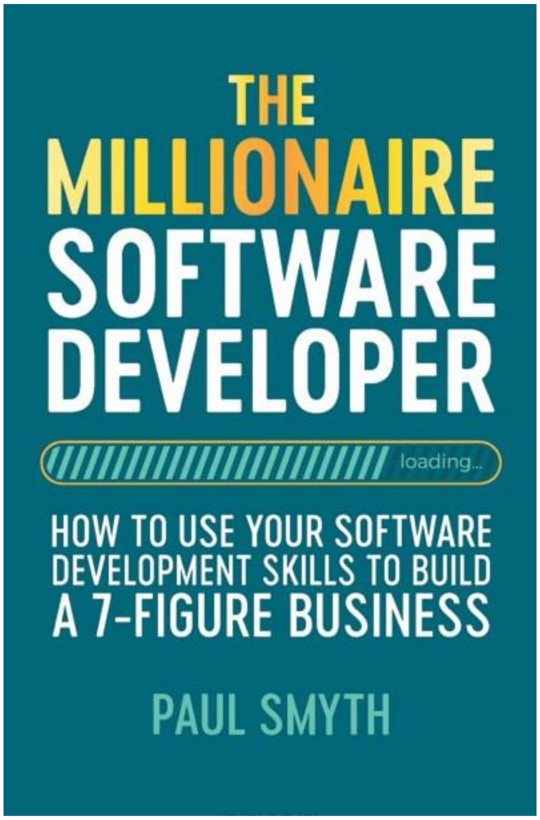
Once you're up and running with some customers then you can come back and expand the plan.

In the next chapters, we'll look at each of these elements.

I made a point of going to at least one major event each year. These were invaluable for keeping me in touch with our market and for spotting upcoming trends.

We also brought in consultants and advisors when we felt we needed additional skills or knowledge.

The bottom line is this: Investing in yourself is a big investment in your business. The better the leader you become the more successful your business will be.



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