

# Business for Geeks

Should I start my own company?  
-from a mostly Dutch/European IT perspective-

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<https://berthub.eu/nlnog-business/>

<https://www.youtube.com/watch?v=JVOS0BQeFlk&t=2340s>

(A follow-up to <http://tinyurl.com/nlnog2015> and <https://tinyurl.com/next40>)

**NOTES!**



This presentation has a lot of notes!

## Third part of NLNOG work Trilogy

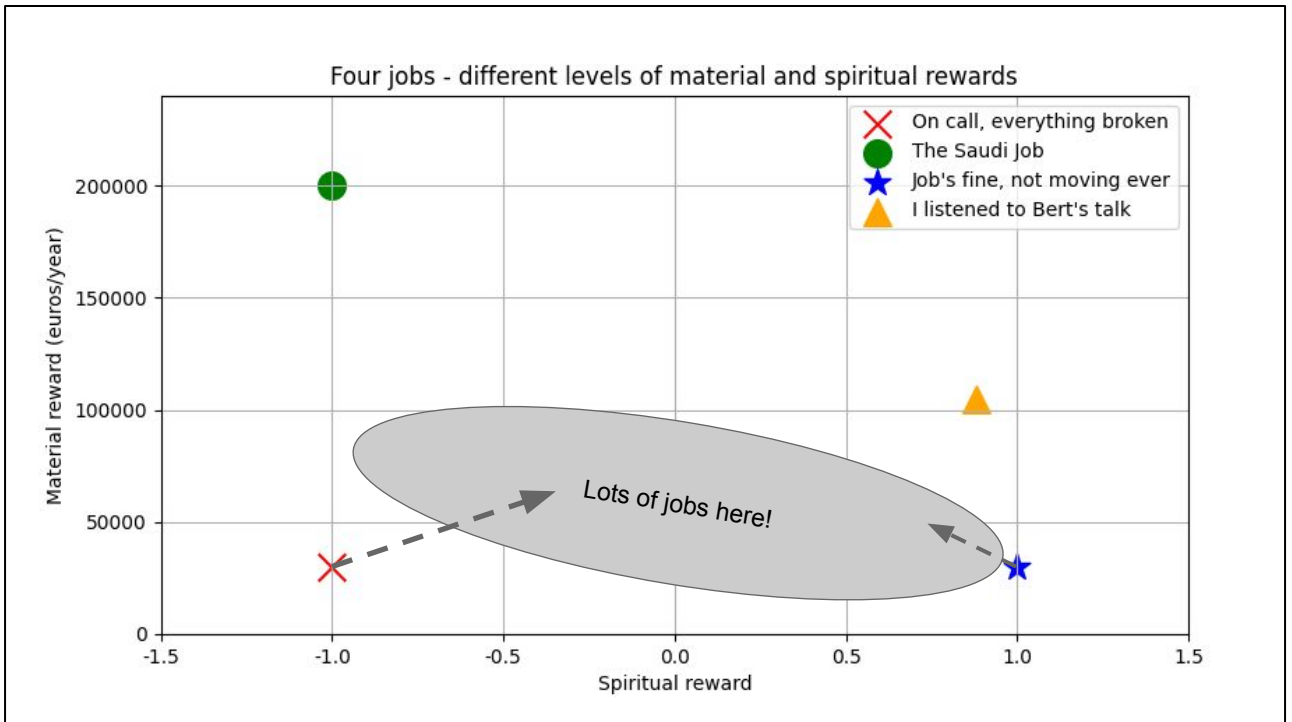
1. Escape from the data center, or, how can it be that my stupid manager makes so much more money than I do & has a better life
2. How do I get a better job?
3. **Business for geeks: should I even have a job?**

<http://tinyurl.com/nlnog2015> and <https://tinyurl.com/next40>  
for the previous two episodes in this series

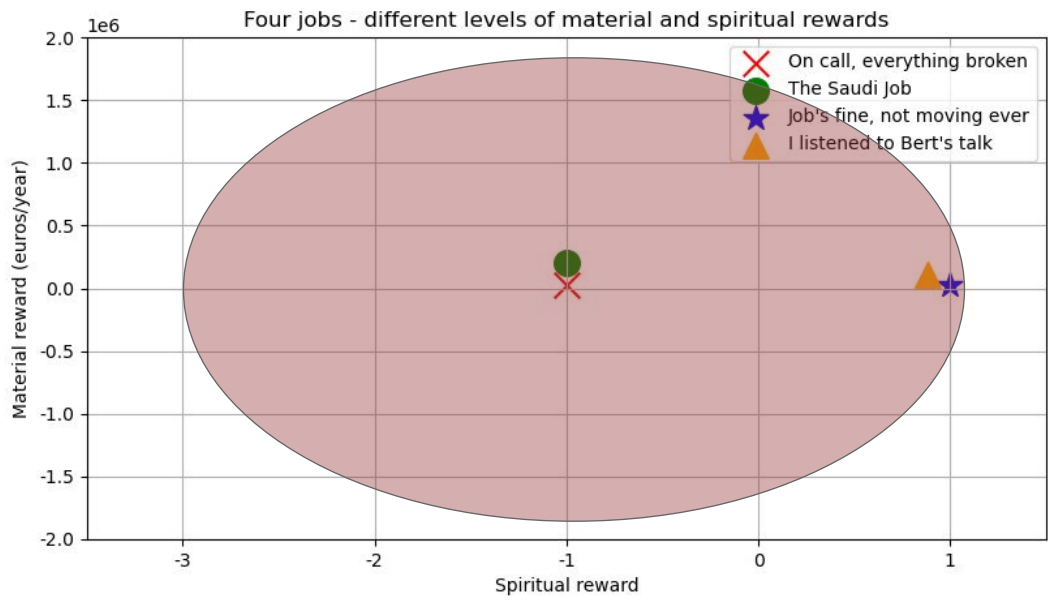
# What is good work?

- Supportive colleagues, **safe environment**
- Sense of purpose (“it **matters** what I do”)
  - **Achieve** something from time to time
- **Enjoying** the thing you **actually** do (“automate routers”)
- Feeling that you are part of something nice (“**community**”), being **trusted**
- **Learn something new** once in a while
- Tolerable amount of **bullshit** (meetings, procedures)
- Practical things: **commute**, flexible working hours

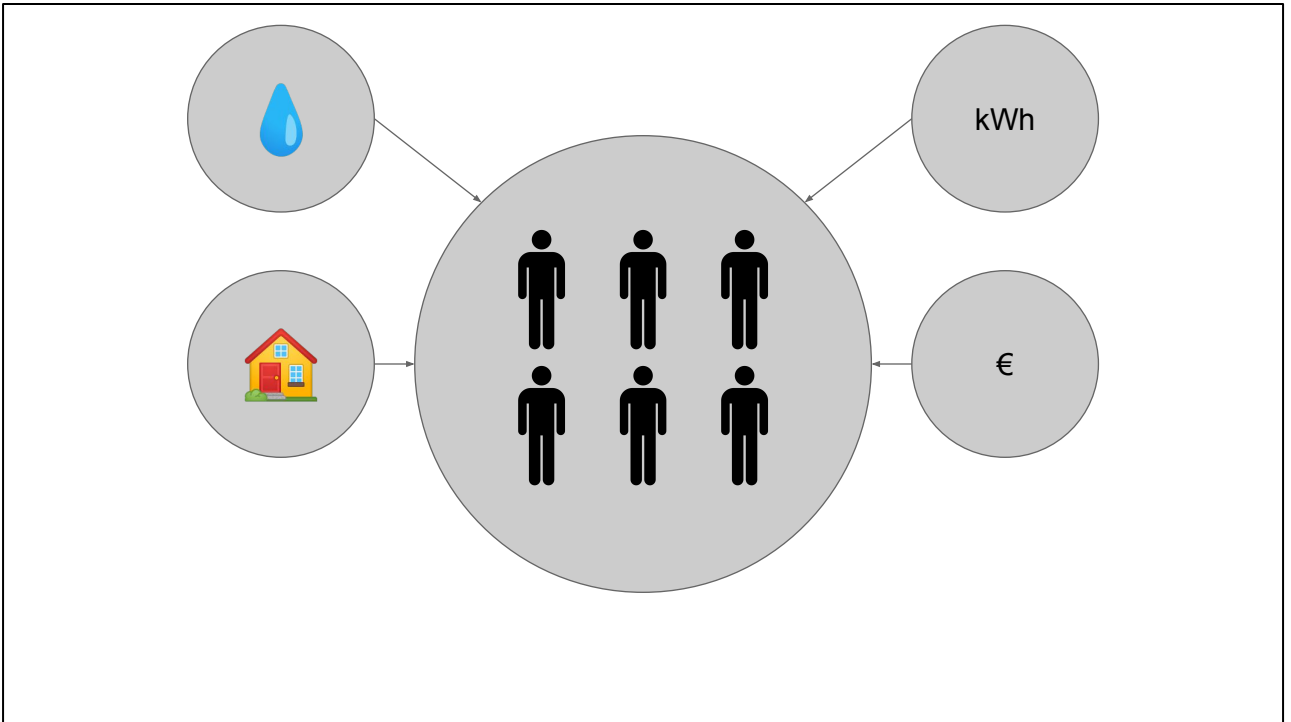
I write this out in long form because some people have not ever experienced “good work”, or by now it is a long time ago. Trust me, it exists! But perhaps you might have to start your own company to create a good working environment.



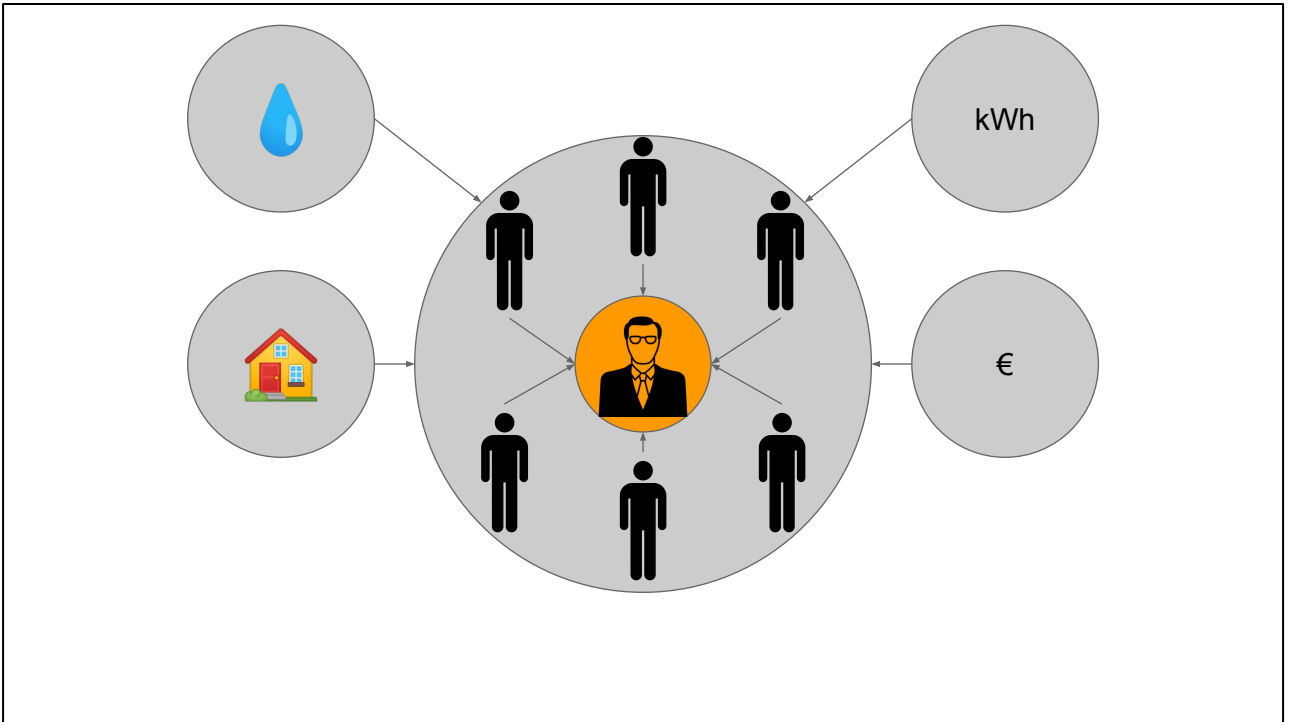
You can have work that is very good for your soul, or work that is very good for the size of your house/car. If you have a super nice job but end up not being able to pay for electricity, that also sucks. But no amount of money will compensate for a shitty job.



Extensive scientific studies have shown that launching your own company can make you very rich or poor, and can make you very very unhappy or moderately happy. Note that you won't be any happier than during a regular 'good job'.



Mental model of “a standard company” - regular employees and completely distinct, four vendors (selling water, office, power and providing banking services). Turns out, this model is not very correct



This is a more accurate model. The owners/operators of the company buy things from vendors AND employees. From employees they buy “hours”. The difference between employees and vendors is one of ‘influence costs’ and different rules. Employees can exert a lot of influence over your company, much more so than vendors.

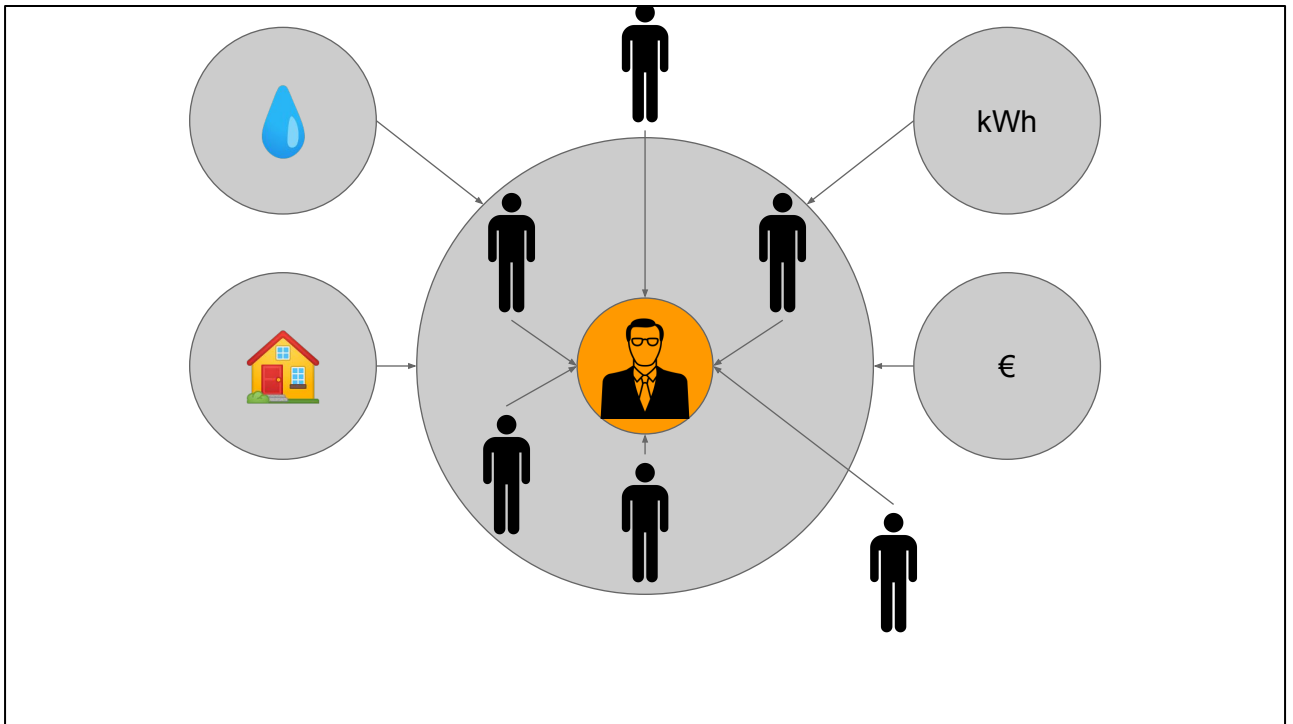
## “Employee is a very weird vendor”

- Must pay even if they don't show up
- Must agree up front how long you pay them
  - Potentially infinitely long
- If you hurt them, you are responsible
- Must even pay them if they retire (!!)
  - And continue to pay their partner if they die!
- **Cheap though**
  - **Minimum and maximum pay**
- And they actually store knowledge & maybe... are your company?



# Employee is a very weird vendor

- If the employee messes up... it is your fault!
  - You hired them, idiot
- Negotiating with your own employees is no fun at all
  - They never offer you a fun job
  - Or try to bribe you
  - Also no trips to exotic conferences
- If you hired the wrong people for your new challenge, good luck
- **Shareholders worry about your personnel costs**

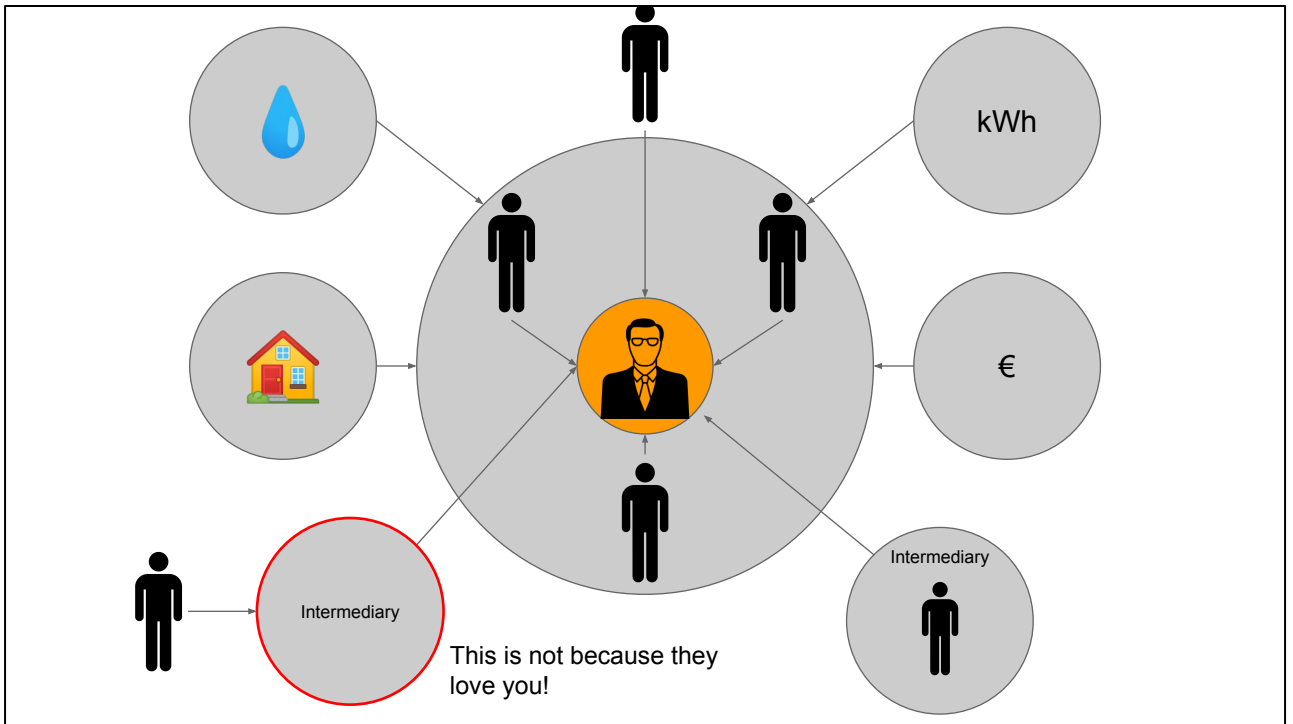


You can also move employees to the outside of the circle and make them 'contractors' or ZZP-ers in Dutch. Technically speaking, contractors are entrepreneurs running their own single-person company. However, they aren't really. Their pay arrangements are different, and it may look like they get more money

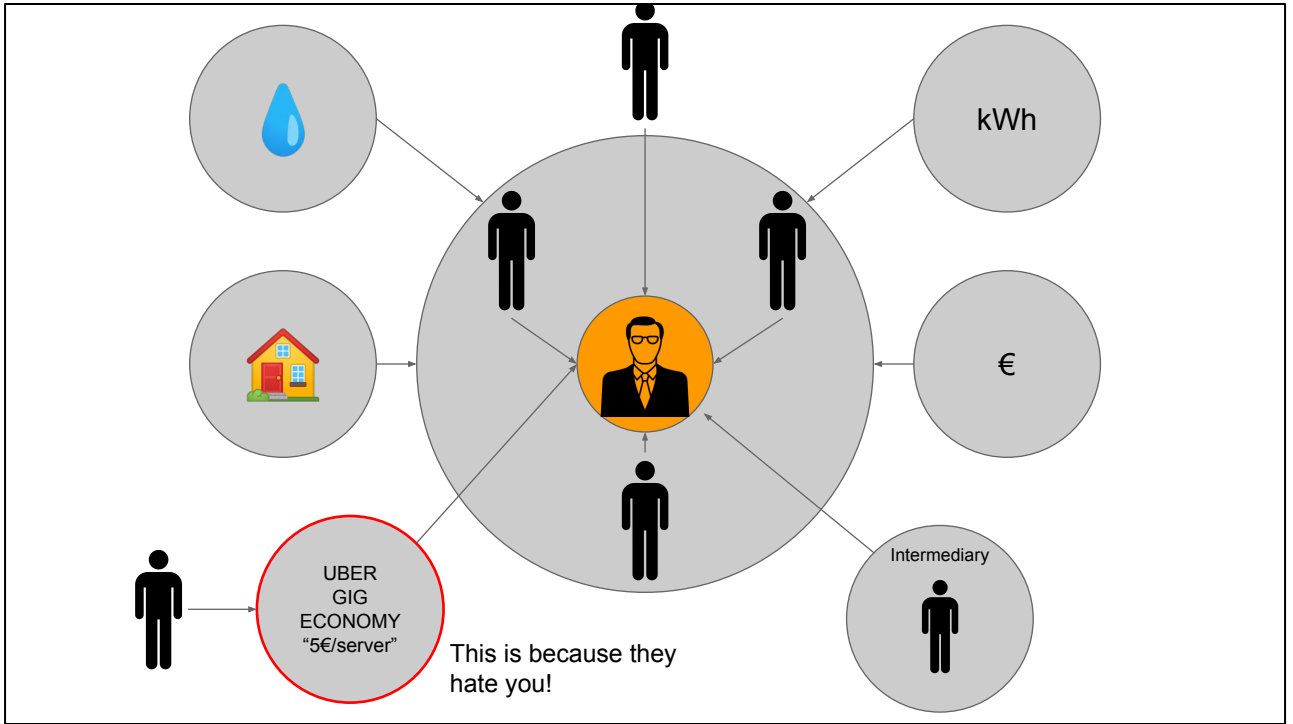
# The contractor (ZZP-er)

- Can be all kinds of things:
  - Professional lawyer, plumber, electrician, marketing person
  - A way to get around payment restrictions
  - Personnel that can easily be fired / leave
  - Accounting trick
- Risk of being a contractor: downsides of entrepreneur, none of the upsides

If you are doing this, try figuring out which type you are



Quite popular today is the contractor that contracts with an intermediary that contracts with the actual company - two layers of separation. Compare the intermediary on the right, the “detacheerbureau”. The one on the right actually hires staff as employees and rents them out. But the intermediary on the left is only a legal firewall so it is truly easy to get rid of you.



Some contractors are now paid "per job done", specifically mechanics connecting devices in homes. This is even worse.

# Being a real entrepreneur

- If you innovate and do things more cheaply, you keep (or reinvest) the profits
- (Relative) freedom to operate
  - Try new things, new pricing, new business models
  - No/very limited non-compete
- If you invent something, you can sell it to loads more people
- Customer doesn't care (that much) \*how\* you do it
- **Losses are also all yours**
- Note how different this is from being a contractor!

## **Risks**

- You can really really lose it all
  - BV/Corporate shield won't (really) protect you
- And by all I mean your house and all your savings and really go bankrupt
  - 3+ years of hell
- Easy to end up in a 'head just above water' situation
  - "Selling hours"
- Might work yourself to death

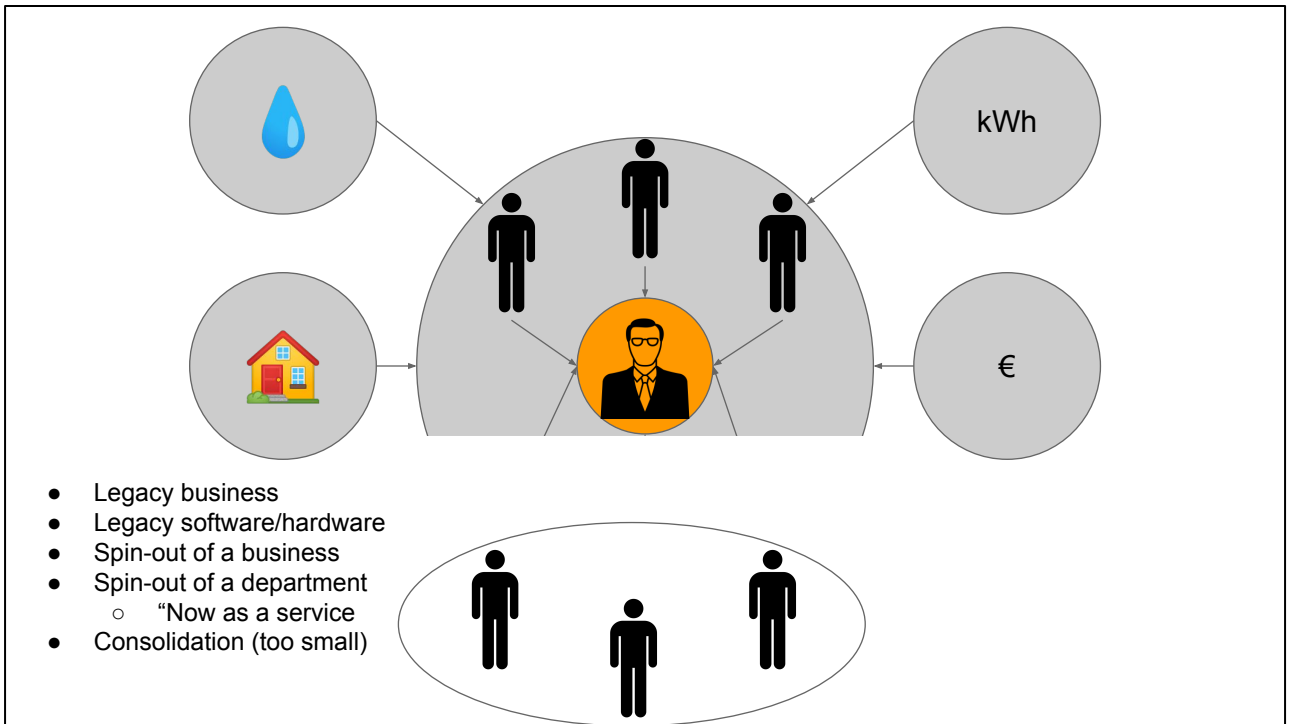
# So why do it?

- **You may have no choice!**
  - Regular job might disappear to country far away
  - Regular job might become terrible
  - Your legacy department is dying
  - Employer wants “everything as a service”
  - Getting too old (!)
- Chance to do something useful
- Lots and lots of freedom
- You can create a wonderful place to work for your people!
- Possibility of becoming (really) rich



# Scenarios

- Big bold idea, needs a lot of **upfront** work:  
Tailscale, Thinkst, FastNetMon
- Big bold idea, needs a lot of work **& money**:  
European AWS, European GMail
- Cooperative launch with a first customer
  - Much easier



"my employer still needs X but is losing the skill to do so. I know 5 other companies with the same problem".

Perhaps some legacy thing

"I can solve problem x badly at my current employer, but I could solve it really well if I had 2 more customers, and this would make 3 companies happy"

"employer wants to get rid of thing X they are selling"

"several companies keep hiring a bunch of contractors to keep x alive / fix x"

## Your new customer:



- Your customer is not your (former) coworkers or technical friends
  - Technical people do not typically pick vendors
- Big management people LOVE vendors
- YOU SHOULD BE ONE
  - LOOK THE PART
- Whatever you do, it has to make sense to



Really understand how your customers make choices. PowerDNS “1.0” failed because we aimed our promotion at system administrators, who liked us, but had no purchasing power. Also, they’d lose their BIND job if they worked with us. You need to understand who is buying!

# Credibility

- Number #1 problem is always credibility
  - Existing vendors just have that (undeserved!)
- "it takes 13 months to become a two year old company"
- There are ways to speed up credibility
  - Ironport example, Thinkst
- Or you need to find a customer with no choice
  - Worked for me \*twice\*
  - May be a lesson in there

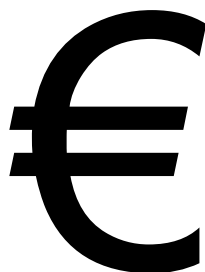
<https://a16z.com/2011/10/05/looking-bigger-2/> the IronPort story

A customer might have no choice if they exhausted all other vendors, or if they want to get something-as-a-service that no one is selling-as-a-service.

# The big plan

- This really is key. Don't worry about marketing, sales, legal stuff at first
- Do you **really** understand your market/customer/dynamic
  - And why anyone would want to do business with you?
- THINK, THINK, THINK. Book: Good Strategy, Bad Strategy (Rumelt)
- Some people get lucky by accident (maybe most)
- Your plan won't happen but you still need it

Really really read the Good Strategy Bad Strategy book.



How to get money? First read these two posts:

<https://bert-hubert.blogspot.com/2014/05/will-your-startup-idea-be-successful-i.html>

and <https://berthub.eu/tmp/investor.html>

And then maybe approach an investor. But first have a “big plan” as outlined a few slides ago

# Should you start your own company?

- You may have no choice
- Know the options: don't be a fake entrepreneur with all the risks and no rewards
- Spin out/off/some kind of deal might be good start
  - It is not just 'series A'
- **THINK REAL REAL HARD**

You may have to do it.

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