



Stanford eCorner

Make a Plan

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Video URL: <http://ecorner.stanford.edu/videos/1202/Make-a-Plan>

Adams talks about how the creation of a plan with a logical set of steps is essential to creating a successful business. Within this plan are attainable milestones and the knowledge that as a small company, flexibility is still an option.



Transcript

Secondly, you need to have a plan. You need to know what you are doing. You need to have a step-by-step go back; it doesn't have to be complicated. It can just be like "Ok, well first we are going to go down to the business office and we're going to apply for permit to do business in this town." That's the first step. And then we're going to incorporate. That is the second step. And little steps: we're going to figure out what our marketing plan is, we're going to figure what our market is, we're going to do market research, and we're going to end up building the revenue model, and so on and so on. And they are steps that you have to go through; they don't have to be complicated. And then you have to create milestones. If you don't create measurable milestones in your plan you won't know where you are.

By September, 2005 we are going to have 15 employees and we are going to have revenues as such and such and we are going to have accomplished this that and the other. And this is really important to getting funded. Because when you first get funded and you're doing a startup just a seed level start, people are just listening to you and they base their decision on what they're going to value at or even whether they are going to give you money based on the team you put together and listen to the viability of the idea. But good venture capital people know that they can't figure out whether an idea is viable or not. They have seen enough and they have been fooled enough to know that this one you have to let it brew a little bit and they have to look at the market and they have to look at the people. But if you say, "Ok, I'm going to get to this milestone and I'm going to need more money," you start a low valuation to your little bit of money. You get to a milestone which I call fundable milestone. And then you get more money and higher valuation that you build with company along fundable milestones. What you don't want to do is you have to go out for money when you haven't reached a milestone because then you have this nasty down round where you lose equity, you lose control and you lose, it isn't good. It isn't good.

The good part about small company is you can turn on a dime. And Elizabeth is here, she works with me in AuctionDrop, will tell you that we have changed directions like 87 times in the last week. We change because "Hey, it doesn't work I'll give you something else!" Big companies can't do that. We've got six-month plan and we're going to execute on it for six months and at the end of six months we're going to evaluate it. Yeah, we may have wasted \$10 or \$15 million but we've got plenty. As a small company you can't do that. You have to evaluate as you go and if you find yourself going down in dark alley, you've got to turn around and fix it. And because you can do that because if you keep yourself agile and flexible and they can do that, you can beat the companies at their game day after day after day after day! They can't maneuver.