



Stanford eCorner

Importance of Cash Flow

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January 18, 2006

Video URL: <http://ecorner.stanford.edu/videos/1373/Importance-of-Cash-Flow>

Byers explains that smaller companies need to pay extra attention on how they spend their cash because if they run out of cash, it is game over for them. Byers uses the example of Palm Inc. to show how well the company managed their cash flow.



Transcript

Look, when you're managing a small company, or when somebody's managing a small company, that's just really different than managing a big company in a lot of ways. But one thing is, you can't. You have to be concerned about cash. If you're running a big company, yes, your performance and getting it done, all that, yes, it makes sense, but the big company is not going to run out of cash because of you. But if you're running a small company, you just may run out of cash. And since it is the heart pressure, to coin a medical phrase, or the heartbeat, it's the blood pressure of the company, when you're out, it is game over. And that is just such a different feeling than working in a big company. And that's why sometimes big company executives who have tried to go and run and be part of the team in a young company have a difficult transition, not realizing that. What an entrepreneur spend it on is really telling. And I hope I convince you that during the rest of the winter and spring-- I'm not doing any favors for the future speakers here, but I hope I convince you to ask questions like, "OK, what are you spending your money on right now?" Because cash is your blood pressure.

It's so precious. It's one thing you can't run out of. It's the only financial parameter that matters in a start-up. What are you spending it on? Because that will be interesting to watch just how crisp the answer is. "Oh, we're spending it on reducing the risk in our technology." Or "We're spending it on reducing the risk of our marketplace to get to know our customers." "Oh, we're spending it on the risk of the fact that we don't really have a full team right now." I mean, our team is only half-baked, maybe in terms of the kind of talent we have. And we need to change that. You know, I think of people who did this. I mean, Palm did this really well. We've had Jeff Hawkins here who, along with Donna Dubinsky, really created the whole field of Palm computing by creating the first personal digital assistant. And I happened to know a little bit about all that, knew Jeff at the time and Donna, because we were in that same sort of space.

I had started a company after Symantec called Slate, and we didn't do so well. And we just spent too much money. I didn't follow my own advice. And I was just amazed how Donna and Jeff--and Jeff, you've seen him up here. This guy is just amazing, smart. One thing he and Donna were really good smart is they-- 'cocooned' is the word they used to use, and really, really, really careful and were super frugal as that market, we had a chasm problem, the whole notion of writing on small handheld devices, from writing with a pen, all of that. That just took a long time to get going. Battery life and handwriting recognition took a long time. But they were able to cocoon to do that.