

Money Management Transcript

Episode 8 – Startup Survival Podcast

By Peter Harrington

July 2020



Speaker 1 ([00:04](#)):

Hello, and welcome to this Startup Survival Podcast. All about money management. My name's Peter Harrington. And in this episode, I am joined by two special guests who will be sharing their money expertise and insightful startup experience. By listening, I know you will be better equipped to make sound financial decisions that will help your venture to survive and preferably thrive. If anything, this crisis emphasizes fundamental financial advice for startups. Cash is King paying interest on payday loans and even credit cards is toxic and reviewing budgets plans and forecasts should be a regular task. But if you are expecting me to explain budgeting, make software recommendations, share thoughts on how to read accounts or write a cashflow forecast, you should probably stop listening right now because you'll find all of that stuff all over the internet and to go over it again, would be lazy and a bit dull.

Speaker 1 ([01:09](#)):

However, if you want to better understand your relationship with money, how to make more informed financial decisions, how your sense of money impacts key disciplines like negotiation and pitching then, stay tuned. Still with me? Great. Let's crack on. Okay. Upfront out on the table, let's be clear about the true purpose of money in business. Two years ago, almost to the day, renowned speaker and author Simon Sinek put forward the idea that money is simply fuel. And if money is fuel, a company is the car. But the purpose of a car is not to buy petrol or gas. As Simon says, the purpose of a car is to go somewhere and fuel helps you get there. The purpose of a company therefore is to accomplish something and money makes the journey possible. Money is not the goal. Money is not the destination. Money is not the purpose. All startups do well to define their cause, their calling, their purpose. At the outset, such thinking provides direction, clarity, and motivation. So if making money is currently your cause I suggest you think further. Whilst some may ponder, let me again, show my gratitude to more cheerleaders corresponders and well-wishers whose catalytic chemistry continues to spark and spur this production onwards. So grateful recognition goes to Russell Manfield, Robert 'Firebreath', Vaishali Pagaria, Patricia Bradshaw, Erwin Schwella, Ramesh Ranjan, David Venter, Shopa Thapa Karki, Farah Fauzi, Jennifer Campbell, Abe Oliver, Justin Souter, Meg Pagani, Anne-Marie Walton and Mat Hughes.

Speaker 1 ([03:12](#)):

Throughout this series, it's been really important for me to talk with entrepreneurs and people in the startup space who offer rich and fresh perspectives. And this episode is no exception. So you'll be hearing from my two guests who kept their social distance from the studio, and Duncan, the producer was absent again too. Later, I'll be chatting with Dr Vaughn Tan, former Google employee, startup consultant and academic. Dr. Tan has uncertainty on his mind and rare insight to share too.

But first let me introduce you to Olga Miller. Olga is a global innovation expert and TEDx speaker who has been recognized for her transformational achievements to change the financial services industry for women. The global mainstream media often seek her views and she's won numerous awards, including inspirational woman of the year, 2019. Following her career at UBS bank, she co founded her own startup, 'SmartPurse', a financial toolkit for women. Preparing for our meeting, Olga talked to me about the significance of people's relationship with money. The term relationship with money intrigued me and to gem up, I got stuck into further research and amongst other things read 'Your money or your life' by Vicky, Robin and Joe Dominquez.

Speaker 1 ([04:32](#)):

Whilst not aimed at startups the book shares some ground-breaking thinking like the fulfilment curve and asks some fundamental questions like, 'How much is enough'? But enough of theory for now. Curious to know more about Olga's take on people's relationship with money. I got our discussion started.

Speaker 2 ([04:49](#)):

All of us have a relationship with money. And it's quite funny because it's such an everyday subject and, you know is something that we don't learn that well at school. I mean, research shows that from roughly the age of 10 things that people in Britain would have loved to learn the most, six relate to money, basic budgeting being at the forefront. And it is such a subject that is deeply emotional. Even talking about money, causes, anxiety, fear. Some people find it more difficult than talking about politics or even religion. And I think I read one statistics in the U S where six out of 10 women said they would rather love to talk about their own death than talking about money. So I think we have this funny relationship to something that's actually meant to be an everyday good. Now that is very deeply rooted in our childhood. So quite frankly, Cambridge University has found out that our money relationships are very much inherited. Number one from our upbringing, number two, from societal norms. And I think it is very important to realize that Peter, money messages you carry with you actually have been formed as early as the age of five or seven.

Speaker 1 ([06:03](#)):

So how relevant is this relationship issue to startups?

Speaker 3 ([06:08](#)):

Now? Why is that relevant? When you are a startup? It is relevant because understanding your own relationship to money will help you to understand how much risk you are willing to take, how well you are negotiating in the business. How and what funding structure you might want to adopt as well as how resilient you are to crisis. So before even going into giant VC funding models or big PowerPoints or whatever, have you understanding as a founder, what your personal relationship with money is might be really, really good practice.

Speaker 1 ([06:45](#)):

So if people take time out and look back at themselves before getting too deeply involved in, start at finances, can they find clues to their own future behaviour?

Speaker 2 ([06:56](#)):

If you understand the money messages you carry with you then it explains a lot of behaviour that you might display going forward. For instance, I meet a lot of people, women in particular, in this case, let's say I am so crap at negotiating. I give half of the products and services in my startup out for free, because I'm too afraid to ask for a pay in return. And if you know that this might be born in the societal norms or how you can strengthen your negotiation skills, it explains a lot for you. And then you can do something about it. Understanding your professional relationship with this money subject is kind of the first step to really be able to be good with money, which is what every startup founders should be doing, going forward,

Speaker 1 ([07:43](#)):

Taking your example of negotiation, how do our early year influences affect this kind of behaviour?

Speaker 3 ([07:51](#)):

It can be that, you know, in a world, again, taking the woman as an example in Britain, women had access or were allowed to open a bank account as late as 19 1971, I think is if I'm not mistaken. And that basically means that, you know, there is an inherited feeling that you always need to ask for permission. Now that said, you could say that is my generation's problem, right? I'm 44 now. So you know, it doesn't concern. Maybe all of the younger listeners listening to this. Don't be fooled. Research has shown that six out of 10 millennial women voluntarily give away control over their money to their partners. So there's a relationship to money that runs very deep.

Speaker 1 ([08:34](#)):

So how does a better personal understanding of money help startups in other ways?

Speaker 2 ([08:40](#)):

I just think that understanding where you stand with the subject as a startup founder will help you to then develop critical skills. There are for you as, as a startup, be it in negotiation, be it in being able to make a sound financial model, be it in understanding the risk you might be willing to take as a founder, EG on decisions. How much of my own money do I put in there versus how much do I ask others to put it? It will help you to guide strategic decisions. For instance, do I bootstrap it all and just work through, or do I embark on a growth trajectory through VC funding? These are two very different strategic decisions that can take you start up to all kinds of different levels. And ultimately also understanding how do you engineer that you are able and successful in asking for what you work is worth. I always observed that startups do a lot of work for free because they are new. They are new to the market. They want to prove themselves. And I think one has to be very careful in, you know, balancing out how much do you give out for free versus how much do you actually make an ask?

Speaker 1 ([09:55](#)):

How do start ups decide when to give for free?

Speaker 2 ([09:58](#)):

Prioritization is one of the biggest difficulties every startup has because they are 5 million things every day that you could be doing. Being really rigid about where you invest your time and being really rigid about what is it that you are getting in return. This can be money. It can be exposure. It

can be the opportunity to win a new client. It also can be that you decide that you give your time for free because you love what you are doing. I think as long as it is a conscious decision, it's all fine. But in my point of view, it should be a conscious decision because otherwise you are not advancing your business.

Speaker 1 ([10:38](#)):

We discussed negotiation briefly a bit earlier. I'm getting the sense that good money managers learn how to become good negotiators

Speaker 2 ([10:48](#)):

Absolutely. I think everybody should. And as, as a, as a startup, it's absolutely pivotal. All you do is negotiate at the beginning, right? Whether it is that, you know, you have a small shop and you start, you negotiate, your rent. If you need to run something, you are negotiating contracts, you are negotiating support. You might be negotiating with future clients. So having good negotiation skills and an understanding of where your strengths and weaknesses are in this process, I think is absolutely crucial. And that then brings us back again to these money messages that you might carry with you. Because of course, if, until you have never been trained to negotiate, or you have been told that this is something, money is something dirty not to be spoken about. Then at least you will understand that maybe you need to do a little bit of training to beef up your skills there.

Speaker 1 ([11:42](#)):

I believe your organization, SmartPurse involves negotiation coaches as part of the wider service, but what in your opinion is the best way for startups to develop their negotiation skills?

Speaker 2 ([11:54](#)):

I think the best and utmost recipe is to go out and practice and try it out. So trying out can be in a safe space environment. The first time I had to do a pitch, I pitched to my mother. Okay, because she will give me honest feedback and she will tell me how I look and how I feel and how I sound. The second best thing was to pitch to your partners or to your friends. The third thing is to go and pitch to some people that will give you good feedback, but also can be very critical. And the fourth thing then is, and I think we will come to that in the next point around asking for money in general, but go out and practice and embrace the feedback. It will make you a stellar negotiator.

Speaker 1 ([12:37](#)):

You've shown that being an effective money manager means developing other skills, but are you saying startups regardless of size and ambition should learn how to pitch for money?

Speaker 2 ([12:47](#)):

I think my opinion is very clear on that. Asking for money is probably one of the biggest asset tests, whether your product is valid or whether your service is valid and it gives you a lot of feedback. It takes an enormous amount of courage because of course you get the feedback and you need to be ready to embrace it. But in my experience also from all the different accelerators, I have been to more as a mentor now than as a, as my own startup. And from my personal experience on failing also with, with one venture, the biggest reason is that you fall so much in love with what you are developing and with your idea that you completely neglect that they might be nobody wanting to

buy it. And that over the long term is the test of every great venture. Unless you have a billionaire supporter that just has very deep pockets, right?

Speaker 2 ([13:40](#)):

So to go out and ask for money, I think is a very, very healthy process. And I think I would kind of apply the following points to this number one, pitching yes. Most people think the big stage in the startup competition and they see the decks floating around then the three minute things and the founders on display and all of that. Yes, that can be one way, but actually pitching, I said also can happen on a very small scale, ask somebody who is friendly to you, whether they would give you a loan, ask a friend, whether they would recommend you further ask a potential customer, whether they would really buy the product. Right. This also can be a form of pitching, which is far less threatening than going out and entering a startup competition. Secondly, I think that pitching has the following benefits in whatever form you do, it helps you to make your idea clear because if your idea is not clear, you will feel it in the pitch.

Speaker 2 ([14:44](#)):

You will see yourself stumbling or whatever is you will see how the other person reacts by the nature of their questions. You will be able to judge and say, this wasn't really clear. Or, hey, this person understood something completely different than I was actually telling them. So you will get a much, much better idea of the pitching process. You get a lot of feedback on your business model, on your pricing structure. The third benefit is it's a risk mitigation strategy because if you are somebody thinking about going independent or funding a startup, but if you can't find one single person to buy you your idea or give you money, you might ask yourself why that is, right? So it's a very good way to risk mitigate your, your approach before you put in your pension funds. For instance the fourth benefit is it gives you feedback on you as a person because people, especially in the early stages, don't only fund your brilliant idea. They fund you as a person, how credible you are. Do you have the right skillset? Do they believe you have the stamina to be an entrepreneur? Will you be able to battle through the next three or five years? Are you really in it? So there is a huge personal component involved in that as well on you as the founder, it boosts your skillset.

Speaker 1 ([16:12](#)):

I can see, we have come full circle by pitching for money and witnessing first-hand how others tune in. You're saying people better understand the strength of what they offer and the integral relationship with money. Is that fair? Yeah,

Speaker 2 ([16:27](#)):

Absolutely. And I mean, you see how this resonates and the worst thing that can happen is that they say no, but they can never say yes, if you never ask. The second worst thing that can happen is that they don't give you money, but they might recommend you further or they give you a new business. So it's also a very effective way of marketing. Actually, I find, because you get your thing known, you get yourself known also for a thing. So that can be very beneficial to know. But of course, don't be mistaken. I'm not recommending that all you do as a startup is pitching, but I just think it is a very healthy process. If you are ready to embrace the feedback and work with the feedback that you are getting.

Speaker 1 ([17:16](#)):

So Olga, when money is in the conversation, truth comes out as does learning value. Especially I imagine if people say no,

Speaker 2 ([17:25](#)):

That is absolutely a key message. If people say no, understand why and what would make them say yes, that was my question. I always ask. Okay. the first thing is that people put kind of death by silence. They don't give you any feedback and they never report back. That is a very unfortunate situation. And then you just shouldn't be discouraged, go to the next person. Then remember at the start, it only takes one solid believer. The hardest part is to get the first one, the one person that is preferably not your mum, your brother, or your sister that actually backs you and says, I believe this is worth my time or my reputation. And in addition my money and once you have that very first fan or person, you will see how all of the other things start to fall into place.

Speaker 1 ([18:20](#)):

Olga I've thoroughly enjoyed talking with and learning from you. And whilst I acknowledge financial numbers are important, I'm so glad we've not spent our time together discussing the blinding merits of bookkeeping, budgeting, and balance sheets, et cetera. But you might surprise me yet before we close. Is there any last point you'd like to share?

Speaker 2 ([18:42](#)):

My absolute final encouragement is that I would love to invite everybody to go and take the strength and do it get on with things. You can have the best model. You can have the best pitch deck. You can have an army of advisors. In the end it depends on you to get to action. So if you fear your product is not good enough, go test it, fail fast, learn from it, do it again, but start acting because a majority of the success is in the action. Not necessarily in the papers.

Speaker 1 ([19:20](#)):

A rousing call to action from Olga, but during a crisis, you might be thinking it's not that easy for startups to simply get out and do things. The world has changed. But as I said, in episode one, since the world has changed, you have to adapt and change too, or if your startup is changing markets or products, you have to pivot and pivoting typically involves making bigger decisions. But it's very easy when making decisions that impact finance, especially in the early startup days to be overly reliant on the devilish triplets, named hope guesswork and makeitupasyougoalong. Choosing to work with any one of the troublesome triplets typically leads to disappointment or disaster later down the road. So as part of my research for this episode, I was delighted when I came across Dr Vaughn Tan or rather Vaughn's free Pandemic Pivot. This online self-guided resource developed by Dr Tan helps startups to plan and make informed decisions about any pivot they are thinking of making. So when Vaughn agreed to an interview, I started by asking why he had created the free resource.

Speaker 3 ([20:18](#)):

I think, especially right now, given all the uncertainty in the business environment entrepreneurs really need to rethink their business models so that they can adapt to rapid and unpredictable changes in the environment that they work in. Right? So a lot, my work as a researcher, as an advisor, as a consultant has been with small entrepreneurial companies. And I find again and again, that founders or managers of small entrepreneurial companies, they end up making excuses for

themselves to not be rigorous when they're being imaginative about their business. You know, when they're trying to rethink the business model that they're working with the key I think is to imagine new possibilities, but to also make sure that you're including in your imagination, realistic information that you already have about the constraints that you face, right? So the pandemic pivot is a tool. It's a really, really simple spreadsheet that is designed to really structure your thinking, whether you're a founder or you're a manager of one of these companies to structure your thinking about what your business model could be. And it's designed to take away most of the excuses that I've heard from people, you know, you don't know how to use the spreadsheet it's done for you. You don't have a budget for it. It's free. You don't have time. It takes 30 minutes or less. There's really in a sense, nothing to lose from having this initial way of thinking about business model innovation, constrained by realistic constraints that you know, already exist for your business and for anyone using it.

Speaker 1 ([22:02](#)):

The Pivot Vaughn, what are the key benefits?

Speaker 3 ([22:05](#)):

So the key benefits, I think, are it gives you a framework inside which to think about how to do things differently. And so in a sense, this tool is useful. Not only if you are a startup that already exists, that has a business model and a product offering, it also works. I think if you're trying to figure out what your business, your product offering will be and what the, what the tool does is it forces discipline when imagining how your business might respond to the situation as it changes. So I work a lot with restaurants. So I'll just use them as an example because they make and sell products just like everyone else does. So we might be talking about a restaurant that has been severely limited, might be limited a lot more in the future. We don't know. And they think I'll just switch to doing takeaways right now. What this restaurant does in thinking about this new product offering like every other business does, is to think rigorously about viability of this new idea, how much will it cost to set it up?

Speaker 3 ([23:08](#)):

Who will it target? How much is this new customer base willing to pay? Whether they're enough customers that they can sell enough units and actually very fundamentally whether the unit economics makes sense. So this rigorous thinking is what normally happens when you start to like, actually produce this new product offering. It's often not done when you're imagining what this could be, and certainly not done. If you don't have a framework that forces you to do it, because what that happens, what happens then is it allows for this magical thinking, this idea that this new idea definitely will work. So the benefit of this tool is that it provides this framework, right? Like it gives you the ability to say, I can be imaginative. I can imagine these new product offerings, these new lines of business, but it also forces you to have some discipline around that imagination. It forces you to think about many of the fundamentals that determine whether or not the product offering is viable for the business, given what you know, or can find out about the business environment at that time.

Speaker 1 ([24:07](#)):

Looking at Vaughn's wider work portfolio, I found he had spent much time researching startup behaviour, especially in the areas of uncertainty and risk. Indeed. He's about to have a new book

published, entitled 'The Uncertainty Mindset'. Doubtless. This book will help people understand themselves and manage their own startup better. But I was curious to ask Vaughn one more question: Risk and uncertainty can be viewed as one and the same thing, but are they different, risk and uncertainty?

Speaker 3 ([24:37](#)):

The terms are often used as you say interchangeably with each other. And I think they absolutely should not. So risk to me and actually risk very technically means not knowing exactly what's going to happen in the future, but having nonetheless a really clear idea of all the possibilities that could result and how probable each possibility is. That's really the only way you can think in a kind of a risk oriented sense where you can act so that your expected outcomes are optimized. Now, this kind of clarity about the future. I mean, you may not know exactly what's gonna happen, but you know enough about it to be clear like that this kind of clarity about the future almost never exists. It especially does not exist for entrepreneurs whose main business is in trying to create things that don't yet exist. And especially not for entrepreneurs in a time of great uncertainty like we're facing right now.

Speaker 3 ([25:29](#)):

So right now we don't know when physical distancing can be fully suspended and when life will go back to normal, which obviously is a key consideration in thinking about any business, no matter what kind of business it is. We don't know if a vaccine is even possible. We don't know who will make it, how much it'll cost, how effective it will be, how long it'll take. Without even these very basic pieces of knowledge, how can we say that the future is in any way knowable to the extent that we can start to predict how long it will take for things to become normal. Again, we can't, I think we need to be thinking differently about how to be ready for not knowing what the future will be, right? So how to build businesses frames of mind so that the businesses and the people who work within them are inherently more flexible and adaptable so that they can respond no matter what happens and be less likely to be discombobulated when that comes down to the pipe.

Speaker 1 ([26:25](#)):

So your advice to startups right now is to be flexible and agile, I guess?

Speaker 4 ([26:30](#)):

Yes, absolutely. My advice to startups is to be very clear that in a time of great uncertainty, what is probably going to be long term, the best solution or the best strategic approach.

Speaker 1 ([26:44](#)):

Is not to aim for efficiency and optimization upfront, but instead to accept a hit on efficiency optimization so that you can be more flexible and more adaptable, and this affects everything from who you choose to hire and how much you pay them to how you set goals for yourself and your organization to how you motivate the people inside your organization. I think that the advice overall to entrepreneurs is be really clear about how being flexible and adaptable always involves being less profitable, but if you are less profitable and you are flexible and adaptable, you might be able to survive. So that at some point in the future, you are able to optimize and become more profitable again. Right? So right now, given the high uncertainty that we're facing, the priorities need to shift,

like we, can't all be thinking about maximum optimization. We can all be thinking about maximum profitability because that's what makes fragile non robust companies.

Speaker 1 ([27:43](#)):

Like my meeting with Olga, Vaughn's thinking and subject understanding provided much food for thought. Not so long ago, unicorns were the celebrated party piece in the global startup world. And now here we are questioning profitability. It gets you thinking, doesn't it? Having listened to Olga and Vaughn, I realized good money management. Isn't simply about money. Good management of money for startups involves other key skills and behaviors we develop. How we negotiate, how we pitch and present how we research, how we communicate. These are all examples. And this brings us back to Olga's point. That to be effective, startups need to get out and do things. Over the years, I have met quite a few startups who possess real financial expertise, many enjoyed spending hours alone, creating and reviewing their forecasts and financial reports only for that business to fail because knowledge and analysis of figures doesn't drive a business. And I've also met many startup leaders who have had little financial talent, but when it came to bookkeeping, financial advisor, accountancy, they knew who to hire.

Speaker 1 ([29:14](#)):

So all of this brings me to the point where I once again share a book recommendation for the episode. Part of me wanted to refer you to a blog post I wrote some time ago because it contains all the materials and information you need for a meaningful negotiation exercise. I'll tell you what, I'll put that blog post in the reference notes for this episode. No, the book I want to recommend to you is written by a very generous author, who worked at the biggest ad agency in the world, and even included his email address in the text. So readers could correspond with him. I read Jon Steele's book cover to cover some years ago, and I emailed him and Jon very kindly responded to every email I sent perfect pitch by Jon steel is a super book all about the art of standing up and presenting.

Speaker 1 ([30:06](#)):

And Jon Steel was an incredibly successful pitcher and presenter whose clarity of communication leaves you in no doubt about how to follow in his footsteps. You may well have some time now. Invest in this book today. The dividends will delight you. Well, that wraps up money management. I need a holiday. So the next episode that's episode nine is published in four weeks' time on Monday, the 17th of August. And I'll be taking a look at International Startup Perspectives. And after that, we move on to the final episode. What startup success really means? Through all this mayhem, your feedback is not just welcomed, it's needed. Like you, this is the first time I've ever dealt with a pandemic whilst in business. So please let me know your thoughts and questions via the Hitchhiker's guide to entrepreneurship blog or LinkedIn. I love to hear your views, whether it's good, get better. And finally, before we close, let's hear it for Olga Miller and Dr Vaughn Tan, whose details are referenced on the blog page. Olga, thank you so much for sharing your experience. My name's Peter Harrington, and this has been your startup survival podcast. Go well, stay safe and thank you.