

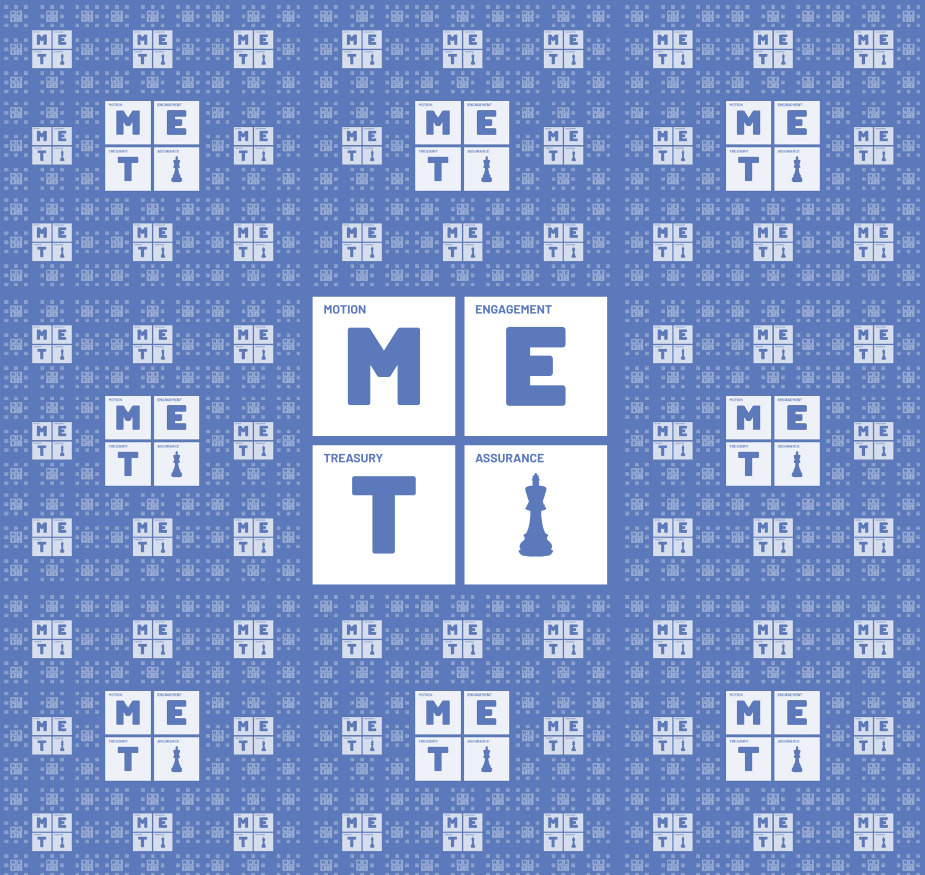
PIERRE BONNET

PRESENTS

# META ENTREPRENEUR

HOW TO ACHIEVE SUSTAINABLE BUSINESS  
SUCCESS AND AVOID GETTING TRAPPED IN A  
TRIAL AND ERROR APPROACH

*ACCUMULATE KNOWLEDGE TO WIN*



MOTION TREASURY  
**META**  
ENGAGEMENT ASSURANCE  
**ENTREPRENEUR**

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# TESTIMONIAL

*By Ngo Tu Lap  
Poet, researcher, director of the  
International Francophone Institute (Vietnam)  
<http://www.ifi.edu.vn/en/>*

I had just been appointed director of the International Francophone Institute (IFI) of Vietnam when I met Pierre Bonnet for the very first time in 2017. Good friends do not always remember that which led them to meet and then become close. Indeed, in our case, everything separated us: our jobs, our social status; Pierre is an engineer, a businessman, and multimillionaire, whereas I am a teacher, an artist-poet, and a university researcher paid by the state. It was probably IT that brought us together and enabled us to get to know each other properly. When we first met, Pierre was one of the co-founders and main directors of Orchestra Networks, a well-known multinational in the field of data processing. On our side, the IFI in Vietnam is a pioneer in delivering IT courses. I do not remember in detail what we talked about during our initial discussions, but they contributed to build up the esteem in which Pierre holds our organization. That he saw potential recruitment opportunities for Orchestra Networks is certain, but it was also and above all a socially responsible endeavor that he undertook by supporting us and offering scholarships to students at the IFI. It did not take us long to realize that we had a lot in common in our views on business and life. Even if our journeys seem to be heading in completely different directions, they are punctuated by acts that draw us together in a certain vision of life and of the future. Different paths: an artist-poet loyal to his art, responsible for managing in an entrepreneurial manner an educational organization that is run on a self-financing principle; an employee who became an entrepreneur then multimillionaire from the suburbs - a pawn that managed to reach the other side the chessboard and take on the mantle of the queen, as he describes in his book - thanks to perseverance, courage and luck, but above all thanks to his ability to analyze, make decisions and change to see the bigger picture and to look to the future.

Each time Pierre comes to Hanoi, we try to meet up. We naturally talk about entrepreneurship (objectives, principles, strategies, skills) but our conversations always go far beyond that and spill over into “meta-entrepreneurial” topics.

Pierre continually asks questions about the goal, meaning and value of the life of business professionals and of human life in general. He has finished by becoming both writer and thinker. Everything is said in his book. He brings a philosophical and humanist touch to the reader through his enlightened vision of starting a business and enables the reader to better apprehend the technicity and art of entrepreneurship.



*My story*



## PREFACE

*By Nga Nguyen, scientific data analyst,  
PhD student in cognitive science, and artist.*

Meta-entrepreneur is a special book, not because I am its illustrator and one of its critics, but because it is the honest retelling of a 30-year journey in the life of an entrepreneur. The book tells the personal story of a student from a French suburb who became a multimillionaire entrepreneur. It presents sound financial and legal advice that are important for success. I initially started working with Pierre to illustrate the book, with the idea of translating it into a visual language, but what I saw was far more than a few principles and inspiring quotations. I learned how to look beyond the short term and to ask myself: “what is the next step?”. I learned to take stock and re-evaluate my understanding of business to ask myself: “do I really know what I think I know?”. This is the META concept. To be meta is to be able to judge our limits while keeping in mind the fact that they are not definitive. To be a meta-entrepreneur is to be able to objectively evaluate ourselves to go further and build a business with long-term sustainability.

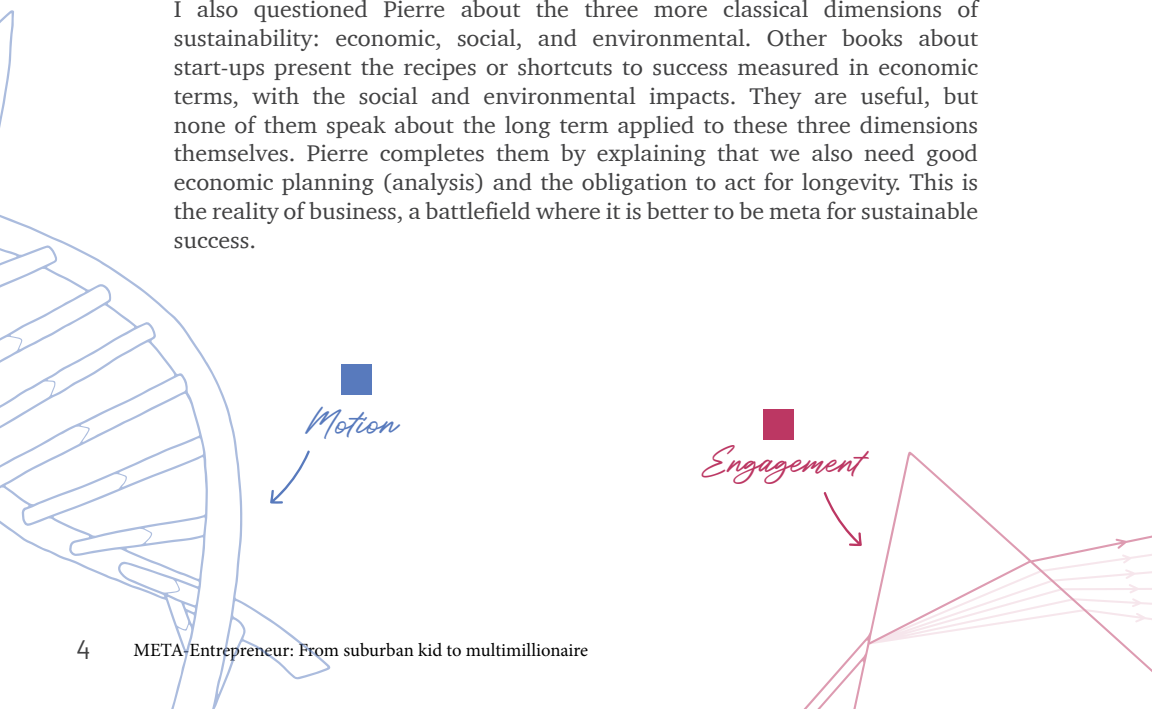
I also questioned Pierre about the three more classical dimensions of sustainability: economic, social, and environmental. Other books about start-ups present the recipes or shortcuts to success measured in economic terms, with the social and environmental impacts. They are useful, but none of them speak about the long term applied to these three dimensions themselves. Pierre completes them by explaining that we also need good economic planning (analysis) and the obligation to act for longevity. This is the reality of business, a battlefield where it is better to be meta for sustainable success.



*Motion*



*Engagement*





## WHY THIS BOOK?

Most entrepreneurs complain about the stress and standard of living that is no better than that of the middle classes. Worn out, many go back to being an employee hoping to find a better work-life balance. With such an assessment, it is normal to hesitate before starting a venture. It took time before I became a happy entrepreneur and made my fortune. But success remains fragile and can disappear in an instant. For me, today's success is not tomorrow's success. Writing this book helped me to analyze the reasons behind my successful career. I wanted to better understand my journey and the mistakes that could have been avoided.

I have been interested in entrepreneurship and financial freedom for thirty-odd years. I have met many people who have not been able to start up their business and who will remain frustrated; others who have passed the milestone of the first few years of their business without knowing real success; and others who are not satisfied, despite having had more success than I have. I have learned a lot at their sides and from my own entrepreneurial journey. I decided to formalize my knowledge about business management in this guide, in the form of a universe that I have called "META." It is based on the four elements that make up the foundation of entrepreneurship: Motion (move), Engagement (act), Treasury (finance), and Assurance (protect). Reading the book will help you to progress in an efficient, meaningful, and positive manner. You will see that having a good idea and executing your business plan well is not enough to succeed. The key to success can be found in the ability to analyze better and more quickly than the others.

A lot of books on entrepreneurship are biographies of successful entrepreneurs<sup>1</sup> or best practices on how to make a fortune<sup>2</sup>. The former recount inspiring journeys but ones which are difficult to reproduce; the latter are often too academic. Some propose original methods for business management<sup>3</sup>, but the practices are more targeted to specific entrepreneur profiles like start-ups. These points of view are complementary, and I wanted to collate them in a single guide. To do so, I have had to step back from my own entrepreneur story to be able to derive a sufficiently universal framework from it that is not limited to my individual experience. As I like to formalize my knowledge, it was a good challenge to put pen to paper.

If you are interested in entrepreneurship, you will find inspiring ideas and elements to increase your chances of success in this book. Whether you are a junior employee or have more experience, a solopreneur, the founder of a start-up, at the head of a traditional company or indeed an investor, you will find a framework that will help you to organize your knowledge about entrepreneurship better so that you can become more efficient in business. Even if no book can avoid the uncertainty surrounding setting up a business, this book will light the way and help you to avoid a good many mistakes.



<sup>1</sup> "The Life Lessons & Rules for Success," Elon Musk, Influential Individuals, 2017.

<sup>2</sup> "Rich Dad, Poor Dad," Robert T. Kiyosaki, 2017.

<sup>3</sup> "The 4-hour Workweek," Timothy Ferriss, Pearson, 2010.

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# META

## THE ORIGIN OF META

Even if it is true that we learn from our failures, the accumulation of mistakes ends up exhausting most entrepreneurs. Making a success of an entrepreneurial adventure is not laboratory work based on a process of trial and error. You cannot make do with a succession of such processes. Yet entrepreneurial practices favor action to the detriment of thinking. People will advise you to be concrete and not waste time on the preparation steps. As the future is uncertain, you might as well rush headlong into things and learn from your mistakes. Unfortunately, these often transform into a blind alley where success depends more on a stroke of luck than on rational analysis.

I wrote this book to explain that I do not agree with this way of thinking. I prefer to act a little more slowly and to spend more time building a long-term, global vision. This vision will change under the impact of this uncertain future, but I will adapt accordingly. By being better prepared, I can reduce my mistakes and move forwards in steps, more slowly but more surely and without exhausting myself. To make sure that I am not hampered by this liking for analysis, I have learned to think faster by organizing my knowledge better. This then provides me with mind maps of my knowledge that help me to move quickly to action. This book presents my mind map on entrepreneurship. It will enable you to think more effectively before you act in your entrepreneurial journey and in your work more generally. You will be able to move from thought to implementation more quickly. This way of thinking is supported by an abstraction of knowledge, in other words, a meta level. You can now understand why I have called my universe for entrepreneurship “META.”

The prefix -meta expresses the idea of being outside and beyond the object being observed. Thus, meta-knowledge describes the piece of knowledge itself. For example, you know that planets are round, but why are they round? It is the result of the gravitational force (meta-knowledge). You can follow this train of thought to understand how this force works. By pulling this strand of knowledge, intelligence grows and your capacity for analysis improves.

This meta way of thinking has accompanied my experience as an entrepreneur. At every important stage of my journey, I sought to understand the meaning by putting myself outside and beyond my own story. This meta-knowledge has enabled me to describe a universe of entrepreneurship that I have called “META.” In it, you will find some fundamental practices to increase your chances of success in the business world.

As an IT engineer, I founded a start-up in 2000 specialized in managing metadata, in other words, data that describes other data<sup>1</sup>. I made my fortune through this company. From the very beginning of my career, I already had the “META” spirit. It was therefore quite natural for me to apply it to my entrepreneurial adventure to be more successful. This is what this book is all about: giving you a global and structured vision on how to start and grow a company.

**Join the META-Entrepreneur community: [www.engage-meta.com](http://www.engage-meta.com).**

<sup>1</sup> Orchestra Networks.

**META**  
ENTREPRENEUR

# I.

## MY STORY

In this first part of the book, you will discover who I am. It is not a biography as such, but a presentation of stages in my life that have been key to reaching my objectives. They will enable you to better understand the origin of the principles that I put forward in this book.

One metaphor illustrates my path in life. It is a quotation from Eugène A. Znosko-Borovsky<sup>2</sup>, on playing chess. He describes how to play as follows: “It is not a move, even the best move, that you must seek, but a realizable plan.” This quotation is applicable to my mindset as a meta-entrepreneur: prepare before you act, without getting lost in unrealizable objectives. To illustrate this metaphor, each chess piece represents an aspect of my journey. The pawn is the starting point of my career, and the queen guides me on my way to conquering the king, the chess piece that represents the meta-entrepreneur. Changing course in my career is symbolized by the moves of the knight. The rook represents my character limitations and the bishop my inspirations.



<sup>2</sup> Russian author (1884 - 1954).



## LEAVING THE SUBURBS (the pawn and the queen)

My career path should have been that of an employee. In the 1970's working class, I had the role of the pawn, starting the game, and yet I managed to reach the other side of the chessboard and assume the mantle of the queen. The queen represents the path I took to go from pawn to king and symbolizes the META universe.

I was born in 1967 in a working-class French suburb. My mother was a concierge for three 16-story apartment buildings and my father worked in the textile industry. They never had any money and had no contact with the world of entrepreneurship. After their divorce, my mother found herself alone to manage the difficult job of maintaining the apartment buildings. She became chronically depressed due to serious back problems that were increasingly incompatible with her professional activity. I fell asleep listening to her complain and woke up worrying about the future. I was worried to see her give up and to be both spectator and powerless collateral victim of her fall.

With stronger paternal support and a happier childhood, my journey would doubtless have been different. I not only felt the need to leave this anxiety-inducing context but to never again have to go back. School was my only option to break free. I thought that having a good degree would allow me to escape from it all. Becoming an engineer was my first victory and one that would start me on my journey as an entrepreneur.

### Move forwards with a routine

After my baccalaureate, I did a two-year university course (known as a *Brevet de Technicien Supérieur*) to become an IT technician. Few working-class children embark on long studies, and I did not avoid going down this short-study route. Besides, my brother and sister are still both workers. In this way, my intellect had not been formatted by the scientific classes dispensed by the elite preparatory schools in France. I graduated top of my class which enabled me to go to an engineering school. The social ladder works if you are the best, otherwise you remain stuck at the short-study stage. You cannot count on any external help. Only your perseverance will enable you to climb up this social

#### *Remember*

Follow a routine to help you raise your game to the next level

ladder and you have to be strong enough to get off at the right level. I worked a lot to get to the engineering-school level, but it was not easy. I had to catch up with my fellow students who had followed the long-study route. To manage this, I studied from morning to night. My routine was my way of getting through it. I had no free time, no friends, and no girlfriend. I learned how to lock myself away to remain fully focused on my objective. I will come back to this in the book, but this propensity to make sacrifices for a future benefit is an important quality in business. I took a lot of notes during the lessons without understanding a great deal. I admired the teachers' rhetoric and their way of teaching. Their vision and vocabulary were different to those passed on from my parents and circle of friends in the suburb where I lived. At home, I needed time to assimilate everything myself, which also helped me to reinforce my tenacity.

## Psychological preparation

I devoted time to helping my mother with the building maintenance work. Without being able to say why, this activity saw the idea of becoming rich as a way out, grow in me. I moved the garbage carts from the garbage chutes to where the garbagemen collected them. While pushing the carts, I told myself: *"I will leave this suburb and make my fortune."* I repeated this sentence hundreds of times without thinking about entrepreneurship or what sum of financial wealth to reach. I just wanted to succeed in my studies to leave the suburb and working-class world behind. As I had no knowledge of entrepreneurship, I simply forged the idea of becoming rich. If I had thought about becoming a doctor, my career would have been different. For me, my mental conditioning crystallized on the field of money. The more garbage I moved, the more I imagined the power of financial wealth. The day I became a multimillionaire, I had an unexpected flashback to this cart. I had forgotten all about it over the years and there it was back in my mind once again. In hindsight, I understood that it was a psychological tool to prepare me for action as an entrepreneur. I had transformed this garbage collection routine into a means of mental training for success.

*Remember*

Train yourself  
mentally to  
reach your  
objective

### *Remember*

Work more  
to increase your  
chances  
of success

### **Financial independence**

Armed with my engineering degree, I left the miles walked emptying the garbage behind me. I began my career as an IT engineer. I already had the mindset of a meta-entrepreneur as I did not settle for just selling my time for a salary. I wrote technical guides to help companies use the internet. At the beginning of the 90s, the web was a new, up-and-coming universe and I sold a lot. With the commission made on sales, my salary quickly increased. After ten years with a salaried status, I had become financially independent through several studio apartments that I rented out. I was not yet rich enough to stop working and fully take advantage of life, but enough to guarantee a minimum standard of living.

### **Financial freedom**

Around my thirties, I decided to change my life to start my own company. I left my very well-paid job and sold my apartments to invest in my business. With this change of course, I accepted to lose my financial independence with the aim of breaking through the financial ceiling and making my fortune. It was the transition to the year 2000 and the first start-ups. I set up a business with two associates, in the enterprise software domain. Unfortunately, one year after we had started, the 9/11 terror attacks in 2001 in the United States plunged the world economy into crisis. We entered entrepreneurial hell which lasted for several years. By dint of courage and tenacity however, in eighteen years, we had created an international group, which we then sold to an American company. This made our fortune and made us multimillionaires, financially free. Even if I no longer need to work today to live, I still carry on doing business. I need it to feel alive.

This long entrepreneurial journey is what provides the substance to this book. Between when I left the suburbs to when I made my fortune, thirty-odd years passed. This is the life that I will lay out, with some key dates, in the next chapter.

### *Remember*

Be able to  
leave everything  
to go up to  
the next level

# MY KEY DATES

## (the knight)

It is difficult to leave a project that we like because it no longer has a future or to leave a job that is well paid. Yet we sometimes have to do it to move forwards. We do not have to erase the past when we leave our comfort zone, but rather use it to improve our future. I tried to leverage all my experiences by weaving links between them, like stitches in a garment that has been worn over time. In the game of chess, the knight symbolizes my moves as tight turns, always with the goal of reaching my objectives.

A short step back in time with the eleven most important years of my journey.

### 1991 (at 24) - Employee

I started my career as an IT engineer for a services company. I rapidly convinced my employer to launch a new offering based on my internet skills. It represented a lot of work: I wrote some technical guides that were hugely successful, and my salary saw double-digit growth each year. I had already understood the interest in formalizing my knowledge to sell it, as an efficient and quick means of becoming successful. You will see that this is an important point for the mindset of a meta-entrepreneur.

### 1994 (at 27) - Employee with a commission plan

By accumulating annual salary increases, my salary had reached a ceiling and my boss told me: *“You always want to make more money, so let’s put a commission plan in place.”* The sale of my guides generated an attractive income, and I found myself in a position to resign to start my own company. To retain me, my employer therefore proposed a bonus based on the sales. It was rare for a young engineer to have a commission plan. Salaries with a variable compensation part were rather reserved for sales and experienced managers. With this agreement, my salary would increase even more quickly. There was no longer a ceiling and it increased in line with the revenue from the sale of my guides. I had become a “golden boy” of IT with considerable bonuses. I earned three or four times more than the normal salary of an engineer of my age.



“If you don’t take change by the hand, it will take you by the throat.”  
Winston Churchill<sup>3</sup>

<sup>3</sup> Writer and former UK Prime Minister (1874-1965).

### 1997 (at 30) - Intrapreneur

Over the years, I realized that I needed to wield more power to fulfil my potential. So, I negotiated to transform my activity into a profit center, with a team of consultants that I was responsible for. I became an intrapreneur<sup>4</sup> at the head of a strategic business for my employer. I earned a sufficiently good living to invest in buy-to-let properties and reach my financial independence. It had been ten or so years since I had left my working-class suburb.

### 1999 (at 32) - Entrepreneur of a start-up

Despite the success of my profit center, I could see that my market was evolving and that my offering around guides was starting to become outdated. I was not sufficiently motivated to rebuild it while remaining an employee. I therefore resigned to launch my start-up in the software industry<sup>5</sup>. I had enough experience to set about doing business by myself and I no longer wanted to come under the control of an employer. I sold my apartments to reinvest everything in this entrepreneurial adventure. I lost my financial independence and raised funds with two associates.

### 2001 (at 34) - First doubts with the start-up

During a board meeting, our investor criticized the management of our start-up in its seed phase: *“Gentlemen, this is old-school management.”* With a few months’ advance funds, he reproached us for not investing more quickly. If revenues took longer to arrive, he would guarantee an extra injection of cash. In investor vocabulary, they call it a financial bridge. It is often the way for them to take control of a company more cheaply. We turned down his offer and followed a strategy of organic growth based only on our revenues. When we left that board meeting my co-founders and I said to each other that maybe this investor was a talented financier but that he had not understood a single thing about our business.

### 2002 (at 35) - Receivership of the start-up

Annoyed at our way of doing things and using the economic crisis as a pretext, our investor canceled the second tranche of investment. It would seem that

<sup>4</sup>Employee who is responsible for an activity for their employer. I will come back to this point later in the book.

<sup>5</sup>Orchestra Networks.

we were really not made to get along. As this cash contribution had been planned in our fundraising contract, he finished by selling his shares to us to avoid litigation. We declared ourselves to be insolvent under the protection of the Commercial Court. In a mad panic, we gathered sales orders together to demonstrate our viability in front of the judges. Their decision was announced: “*The receivership plan is accepted,*” and the company was provisionally saved. We held all the capital of the start-up but did not have any money to pay all the salaries. We had to make lay-offs and cut our co-founder salaries to turn the situation around.

At the same time, my landlord in Paris decided to sell the apartment I was living in. I did not have the means to buy it and I had to find somewhere else to live immediately. With pay slips close to zero and the insecure status of an entrepreneur, landlords had no confidence in my creditworthiness. I managed to convince an institutional landlord to let me rent a small apartment in the suburbs, but without telling him that I had founded a start-up in receivership.

Despite our delicate situation, we were in control of our destiny because the company’s capital was in our hands. With my co-founders, we celebrated our freedom from this investor over a pizza. That evening, I found it hard to sleep, visualizing the battlefield that stood before us. I was right to be worried as it would take us several years to get the company back on its feet.

## 2008 (at 41) - Entrepreneur of an innovative SME

I met the founder of a Silicon Valley start-up who had raised several tens of millions of dollars. He was proud of his company’s value and depicted a bright future for what would what happen next. However, the reality was different. After a few drinks, he finished by explaining that the revenue of the company was still low and that his investors had taken control of his company. As a minority shareholder, he was no more than a simple employee, with no decision-making power. He was not sure that he would still be in his company in a few months’ time. On my side, I told him about the experience we had had with our investor in 2002. He was surprised that we had managed to recover all the capital of the company. We had passed the fifty-employee mark and we were preparing to grow our business in the United States. We would soon be an innovative SME<sup>6</sup>. You do not have to be

<sup>6</sup> Start-up whose revenue exceeds 15 to 20 million euros.

in Silicon Valley to start a technology business with strong growth. Our “old-school” management, heavily criticized by our investor in 2001, turned out to be not so bad.

### 2015 (at 48) - Process of selling the business

We did a small fundraising round in 2008 with a new investor who was more suited to our way of running the company and who was then a minority shareholder. As the investment horizon for funds is around ten years, our investor asked us to draw up a plan to sell the company in three years’ time. An appendix to the shareholders’ agreement gave him the right to force the sale of the business, on condition that there was a price floor. The latter had been fixed when he entered the capital, but our activity had grown a lot since then and this price penalized the co-founders. With his preference shares (preferred stock)<sup>7</sup>, our investor would make a significant capital gain in the event the business was sold and there would only be a little money left over for us. He could even sign an agreement with another investor to impose the sale at the price floor. Fortunately, he was accommodating and gave us time to find a buyer at the best price. I realized that you have to plan for the future when writing the shareholders’ agreement. What was reasonable in 2008 was no longer reasonable in 2015.

### 2017 (at 50) - Sale called off

After several months of negotiations, we were almost at the point of concluding the sale of our start-up, but the buyer tried to add an earn-out clause. He demanded that 10% of the total value of the sale should depend on the future performance of the company. As any seller would no longer be in control of the sales strategy, this type of agreement is unpredictable. Even if accepting would have made us rich, we turned down this last-minute change. It was not the sign of a well-meaning collaboration. The operation was called off and I visualized mentally the cheque for several million euros that I had just turned down. I had wanted it for so long that I would never have imagined myself turning it down. I realized then that the money was less important than my company. I also wanted our software to leave a lasting mark on the history of IT.

<sup>7</sup>I will explain how they work in the “Assurance” section of the book.

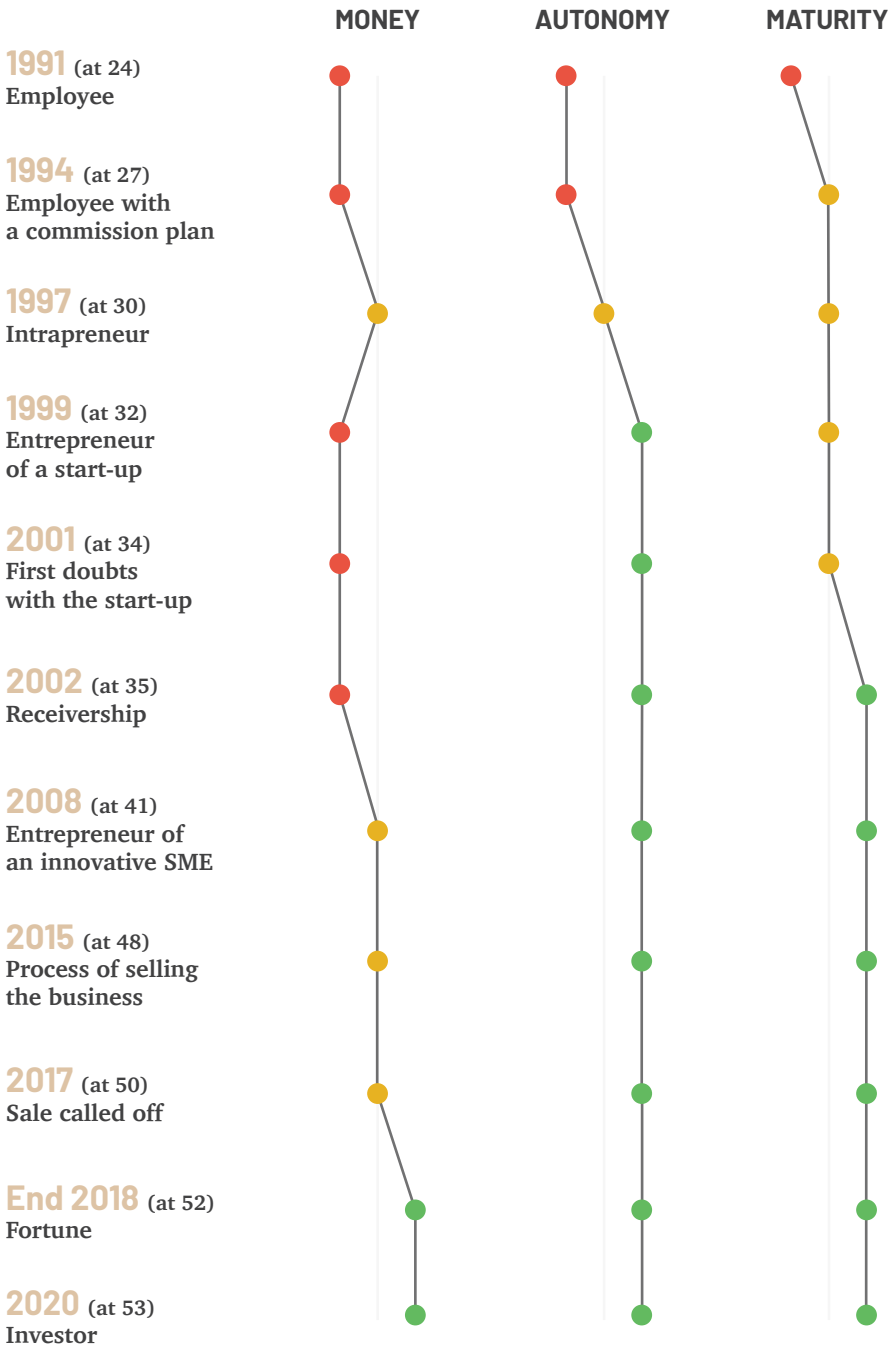
## **End 2018** (at 52) - **Fortune**

We reached a new and more favorable sales agreement with another buyer. He was determined to support the growth of the company and the continuing development of our software. I became a multimillionaire overnight, but I also had my role as an entrepreneur taken away.

## **2020** (at 53) - **Investor**

I had spent the previous year investing the money from the sale. I diversified my investments in France, Switzerland, Luxembourg, and Singapore. I also financed a new start-up. I saw just how far I had come since leaving the suburbs. I am still the same person, but with far greater knowledge and means. I learned that the apartment building I grew up in was being renovated. I thought to myself that was just like me. I did not deconstruct myself but renovated myself over the years. Just like the apartment building, I would stay standing and keep working. Only the Covid-19 virus had the power to immobilize me in the south-west of France. I found myself locked away, just as I had been during my engineering studies. I used this time to my advantage and began writing this book, working from morning to night. Thirty years apart, things have come full circle with these two periods of lockdown.

# THE 11 DATES AT A GLANCE



# MY CHARACTER

## (the rook)

We all have our unique character that makes us who we are, and we all act with varying degrees of luck in a specific economic and family environment. With so many different cases, it becomes impossible to copy someone else's success to succeed and I am no exception to this rule. Even if the scope of my experience is limited, by taking a step back as I have done in this book, it has a certain universality. In other words, if I were twenty in today's world, the steps in my journey would be different, but the fundamental practices that are explained in this book would be the same. This is the advantage of having formalized my knowledge in this guide, in the form of the META universe and not in the form of an entrepreneur's biography.


In the game of chess, the rook illustrates the outline of my character. Its long-range movements are restricted to its vertical and horizontal corridors. To navigate around my entrepreneurship universe, it is important to understand some of my character traits regarding my vision, my ego, and my level of resistance to effort, my relationship with money, my permanent dissatisfaction, my luck, and my mistakes. They make up corridors that you will also have to follow as best you can, to get closer to me. Let's look at them now.

### My vision

You will have understood. I am neither an autodidact nor a salesperson. I am an IT engineer. I have a liking for analysis and concepts. If you are drawn to experimentation alone, without sufficient appetite for theory and serious thought, you may have difficulty in following me.

### My ego and my level of resistance to effort

I have enough self-confidence to act despite criticism and to remain determined faced with difficulties. If you do not have this type of ego and resistance, my entrepreneurial universe will not suit you. I am not going to advise you to desperately try to succeed, but even so, you will have to doggedly persevere to increase your chances of success.



“If you are not willing to own a stock for ten years, do not even think about owning it for ten minutes.”  
Warren Buffet<sup>8</sup>

<sup>8</sup> American business magnate (1930)

## My relationship with money

If you do not like money, this book might make you feel uncomfortable. I do not have any issue with the goal of making money, on condition that one is honest. When it comes, it is important to transform it to support activities that have a social impact, recruit teams or else finance project owners. Of course, you do not have to be rich to be altruistic, so much the better for humanity. But money does not make you a malicious person. Everyone agrees that rather it reveals who we are. The lyrics of the song, “*Life teaches me nothing*” by Daniel Balavoine<sup>9</sup>, express my relationship to money very well: “*To those who think that my money numbs my mind, I say it is not because you are poor that you are honest.*” I understand this song, having witnessed a lot of malicious intent in the poor districts of the working-class suburbs from where I came.

## My permanent dissatisfaction

I do not believe in personal development methods that try to get everyone to be the best version of themselves. Not everybody aspires to excellence. If you do not have the willpower to be an entrepreneur, you will find something else to do. A life without business can be a happy one too, with a big enough salary to cover the day-to-day expenses, a loving family, and good health. Even if I understand that some may desire this type of life, it would not be enough to satisfy me. I need to be faced with complex situations and challenges to take up. The business world gives me this excitement. Admittedly, this way of seeing things distances me from life’s simple pleasures. I cannot spend more than two minutes sitting on a riverbank watching the river flow. I feel like I am wasting my time. Finally, the entrepreneur that I am is never satisfied and is always looking to take a risk. Entrepreneurship provides this adrenaline and not a life where you are free during the weekends and holidays. Nevertheless, by doing things that you have prepared well, you will be able to sleep soundly, most of the time.

<sup>9</sup>French singer (1952 - 1986). Original lyrics: “*La vie ne m’apprend rien*” and “*A ceux qui croient que mon argent endort ma tête, je dis qu’il ne suffit pas d’être pauvre pour être honnête.*”

<sup>10</sup> Born in South Africa in 1935, he is one of the greatest golfers of all time (nine times world champion).

## Luck

The famous golfer Gary Player<sup>10</sup> was likely annoyed when people talked to him about luck to explain his success, which led him to declare: “The harder I practice, the luckier I get.” I experienced this reality several times in my career, notably in 2002. As I mentioned previously, my start-up was, at this time, in the seed phase and our operations were going well. Yet

our investor suddenly threw the second tranche of his financing into doubt. It was not luck, but this forecast bankruptcy turned into an opportunity.

We worked hard to sign several sales orders as a matter of urgency and begin a recovery plan. Our will to cope was so strong that we had the backing of many of our clients. At the same time, we managed to buy out our investor by freeing him from his legal responsibilities. It took a lot of effort, but we managed to do it. We were “lucky” to take back full control of the capital of the company and to involve our clients in a lasting manner in our success. It was an exceptional situation for a start-up whose activity was already well underway.

## **My mistakes**

I did not write this book to list down all my mistakes. As Warren Buffet, the famous financier said, I learned more from the mistakes of others than my own: *“It’s good to learn from your mistakes. It is better to learn from other people’s mistakes.”* I prefer to turn my mistakes inside out, like a glove, to show how to avoid them. This is what this book is all about.

## MY INSPIRATIONS

### (the bishop)

The bishop makes me think of the “king’s fool.” I imagine it as the entertainer of the powerful, the mirror of their own existence. I too have a few “mad fools” who have inspired me.

#### Those who start with nothing

I admire those entrepreneurs who started out with nothing. Between Steve Jobs and Bill Gates, I am drawn more to the former. His social background meant he was not predestined for such a powerful path. It was more likely for Bill Gates, coming from the upper-middle classes of Seattle. Concerning those entrepreneurs that I know personally, I admire those who made their first dollars by themselves. I am less drawn to those who take over existing businesses. I might add that I have never said yes to acquiring a company. I imagine that I would miss the adrenaline of billing my first dollar. Behind every first sales order is the first client who has given us their trust. To me, this is a powerful founding act.

#### Those who are more successful than me

I have met many entrepreneurs who have been more successful than me. I do not feel any jealousy or a sense of injustice when I compare myself to them. On the other hand, I am saddened to see people criticize other people’s wealth, complaining that they were not lucky enough to get started. Others, sometimes worse off, will be motivated by successful people to improve their lives. Their mentality is akin to that of the entrepreneur. There is no embarrassment in wanting to rise socially and financially.

In the IT industry, I admire the path taken by Criteo<sup>11</sup>. This company develops a software platform to manage advertising on the internet. It saw the light of day in 2005, five years after the founding of my start-up. We had an investor in common in our capital. In 2013, it was listed on the Nasdaq<sup>12</sup>. At the same period, my company was continuing to grow organically in the United States. We were wary of raising money with the risk of losing governance of our company. Criteo’s rapid growth required major investment and a far greater equity dilution for the management than for us.

<sup>11</sup> [www.criteo.com](http://www.criteo.com)

<sup>12</sup> You have to go back to 1994 for the previous listing of a French company on this market, with Business Objects (business intelligence).

The founder, Jean-Baptiste Rudelle, explained in his manifesto<sup>13</sup>: “Of course, the more funds you raise, the more diluted you become. After several years, we, the founders, finished with significantly less capital than if we had played it tighter.” He went on to say that they raised more money than needed to guarantee a better independence vis-à-vis the investors: “Because the only moment that the VCs<sup>14</sup> can really bother you, even attempt to impose their vision of things on you, is when you begin to need fresh money. Sadly, I saw it in some start-ups around me. And it’s not a good thing. In general, experience has shown that the shareholder who plays at being the manager a little too much, does the start-up a great disservice.” I will come back to the role of investment funds, but this point about co-founder independence is crucial.

## Sport

Without sport, I would no longer have any inspiration in my work. Physical activity makes me think about something different and reinforces my patience and tenacity. I spend time in the gym every day. It is also a way to meditate by becoming better aware of your body as it changes over time. You need to be smart to adapt your exercise regime to your fitness level, injuries, and age. Arnold Schwarzenegger<sup>15</sup> described how exercise is an integral part of his life. He considers it as a natural and essential routine, just like sleeping or eating meals: “My body is like breakfast, lunch, and dinner. I don’t think about it. I just have it.” He says clearly that he will do sport, in one form or another, until the day he dies. I like this mentality that is built on having a long-term sports routine.

<sup>13</sup> Original title in French: “On m’avait dit que c’était impossible” (“They told me it was impossible”), Jean-Baptiste Rudelle, *Le Livre de Poche*.

<sup>14</sup> VC: Venture Capital, in other words, the investors.

<sup>15</sup> Bodybuilder, actor, and politician (born in 1947).

## BEING A META- ENTREPRENEUR (the king)



In the game of chess, the king represents the meta-entrepreneur and winning the game depends on its protection. This position gives it a huge influence, it is the “meta” chess piece.

Pondering my own success, I analyzed why my journey had been guided by a global and long-term vision. I discovered that I needed to build something solid that I could permanently rely on. I did not need to shine with intermediary success or show others that I was on the right path. I endeavored simply to progressively strengthen my business. I also understood that I had a strong mental representation of my objectives and of the path to follow. If everything had been disorganized in my mind, I would have got lost on the way. Thanks to my scientific training, I organized a corpus of knowledge about the business world so that I could analyze situations better and more quickly. They take the form of a mind map in my brain that deals with all the dimensions of entrepreneurship. You will discover them in this guide.

I meet a lot of entrepreneurs that start without asking the right questions, thinking that they will succeed in the end. Thus, an idea and an initial investment are enough to start a business. However, they lack the global vision needed to map out a path to sustainable success. Most of them will experience the excitement that surrounds the launch, but only a minority will survive the ups and downs of the early years. The others will be trapped in largely unprofitable businesses with no prospect of growth, with a status no more desirable than that of an employee without any responsibility.

You must not wait to go through an air pocket to take an interest in the global vision of your choices and your actions. Now is the time to start building your own mind map of your knowledge on entrepreneurship. I am sharing mine with you in this book with the META universe. You will see that it is not a theoretical approach, but a set of fundamental practices organized around four elements that I referred to earlier: Motion (move), Engagement (act), Treasury (finance), and Assurance (protect). They are not steps to be taken one after the other but form a universe that you will

### *Remember*

Find what makes you act and manage your knowledge in an organized way

be immersed in throughout your whole adventure. You will experience several phases where you start and act during your career, where you will need to update things depending on events in your business and in your life. These cycles will reinforce your mindset to become a meta-entrepreneur.

MOTION

**META**

**ENTREPRENEUR**

## II. MOTION

With the “Motion”<sup>16</sup> element (move) of META, you will clarify the reasons that push you to start a business. It is about exposing your entrepreneurial DNA. You will find out that motivation alone is not enough to succeed, but that you need a reason to act. If you are wondering in vain how to go about starting your business, read this section carefully. In it you should be able to find the concrete actions to unlock your situation. If you are already convinced about starting or are already an entrepreneur, read it too to have a better understanding of where you are. You may find points to be corrected to avoid certain pitfalls.

<sup>16</sup> “An act, process or instance of changing place” (Merriam-Webster).





# THE JOURNEY TO ENTREPRENEURSHIP

Before starting out on your journey as an entrepreneur, it would be better to have some concrete experience of the business world to reduce the risks. A good way to achieve this is as an employee, on condition that you go the right way about it. I will show you how in this chapter. School will not help you forge a mindset to start a business from scratch. At best, it will help you understand the fundamentals of managing a company. In other words, most teaching curricula prepare students to be employees. Some will become company directors, but as employees. Few will start their own business.

The entrepreneur that I am taking an interest in here is the one that corresponds to this definition from the *Cambridge Dictionary*: ***“A person who attempts to make a profit by starting a company or by operating alone in the business world, especially when it involves taking risks.”***

In other words, the entrepreneur who takes risks to make a success from nothing. It is not the case with business leaders or executives who manage a business they have not started.

### *Remember*

Leave the rat-race mindset behind, even if you remain an employee

## Employee

I began my career as a salaried engineer, and I was lucky enough to work with exceptional people who taught me a great deal. Before starting my business, I had already built a solid address book and gained business know-how. I am aware that less-skilled jobs do not necessarily favor this type of personal fulfilment. Many employees go to work just to provide for their daily needs. They are trapped in a bad routine that we refer to as the “rat race.” This term is used to describe a job that does not let you improve your skills or start saving. This metaphor is that of the hamster that gets lost in a maze or that runs round and round inside a wheel in its cage. The whole salary is swallowed up by day-to-day expenses and this cycle repeats itself month after month, with no hope of things improving. The salaried status is a dead end that does not enable you to build a growing and passive income. There is no leverage to get rich: the hours worked are transformed into money quickly spent, not into a product or asset that makes the worker rich.

If you are in this rat race, you will have to get out of it as quickly as possible. By staying, you will damage your entrepreneurial mindset. You do not have to resign overnight to start your own business. Not everyone can act so quickly, but everyone can change their attitude faced with a boring job.

Indeed, rat race is above all a state of mind, not an inevitability. Every employee can take a step back from their job to enhance their knowledge. To get out of the rat race, make the effort to describe your tasks and your relationships with your colleagues, clients, or indeed suppliers and partners. Imagine that you are an investigative journalist gathering information to write a book. Take notes during your working day and ask questions around you to know more about things. At home, study the stand-out moments of your day and do some research to enhance your knowledge. The internet gives you access to data about your employer's business, its competitors, and the future of its industry. If you are a manager, you will have enough autonomy to enhance your job by yourself. You can use your time to draw up a business project. Whatever your level, do not be afraid of taking initiatives. When I was an employee, I had this motto: *"It's easier to say sorry than to obtain permission."*<sup>17</sup> With this determined mindset, you will be stronger to leave the rat race and find a better job or start your business. After all, before being a meta-entrepreneur, you can progress as a "meta-employee." To do so, you will have to take a step back to observe your job and formalize your knowledge better.

## Talent employee in a start-up

A start-up provides an employee with a good springboard for entrepreneurship, providing that you are hired as one of the first employees. In a small team, you will be close to the co-founders and be involved in making strategic decisions. This type of job is not just for highly skilled engineers, but also for administrative positions. On several occasions, I saw employees with a two-year university degree or who were self-taught, in operational jobs, evolving as the company grew. Some became managers and learned a lot about how to manage a business.

It is a more interesting position to learn about entrepreneurship than in a more-structured company with heavy management processes. You will thus be in a more favorable context to experience business, without having to shoulder the responsibilities that come with it. In the event of the successful sale of the

*Remember*

**Join a start-up  
as one of the  
first employees**

<sup>17</sup> It would appear that this phrase comes from a quotation by Grace Hopper, computer scientist and United States Navy rear admiral (1906 – 1992): *"Go ahead and do it. You can always apologize later."*

start-up, your shares in the capital will be valued. If the business does not develop enough, you can leave it. It is an advantage that the co-founders do not have. They are less mobile than the employees because of their patrimonial and emotional attachment to the company. Certain talent employees work for different start-ups during their career and so are involved in the sale of several companies. They may even hope to become richer than certain co-founders. However, if you are really serious about becoming an entrepreneur, do not stay for too long in the start-up where you work. A successful sale happens after several years. Good for you if you are lucky enough to accompany the company to this point, otherwise leave it to focus on your own business.

### Intrapreneur

If you already have an idea for your business but are not able to start by yourself, intrapreneurship may provide you with a means of acting in another way. If you do not know this term, you will have noticed that the prefix -intra indicates the interior or the inside. It means being an entrepreneur inside an existing company.

You are going to convince a company to take an interest in your project to implement it within its organization. You will provide it with concrete assets that will be used to get the project underway more quickly. It could be a technical specification, a marketing plan, a prototype, a team that is up and running, or even the first clients. As you will have understood, it is not a side business to your employer's, but an offer made to the company currently employing you.

At the beginning of my career, I was an intrapreneur. Rather than starting my own company, I started a business on my employer's behalf. During my job interview, I explained that my decision to join the company was dependent on being able to create a new offering around my area of expertise. After a trial period, my employment contract made a provision for remuneration with a percentage on the revenue. Progressively, my business grew. I was an intrapreneur at the head of a profit center. I had my own profit and loss account and autonomy to manage the day-to-day operations. During this period, I had the pleasure of implementing my business idea. I also learned the essentials of business management while benefitting from the protection of an already mature company.

On the organizational front, the profit center does not

#### *Remember*

**Undertake a project on your employer's behalf**

have a legal existence. It is a work group or a department within the company. The employer can therefore set up and dismantle this type of organization without taking too many risks. It can test out some approaches and give stronger support to the ideas and teams that work the best. When the profit center shows a lasting value creation, the employer can decide to make it into a legal entity so that it can be valued financially. This is what we call a *spin-off*, in other words an independent company whose majority shareholder is the company at the origin of the project, with the rest of the capital held by the intrapreneur, the project team, and potential investors who are involved in the growth of the business.

## Employee with a side business

You do not have to leave your job to try your hand at entrepreneurship, on condition that you do it on a small scale. You must not devote all your savings to it or even expect to make enough money to live off. Without any constraints, you can enjoy yourself while learning. A side business is a business alongside and in addition to your job. To limit the investment needed to start, it is often an offering of a dematerialized service online. For example, you can share knowledge in a blog, write a book, or else start a YouTube channel. Even if you do not have a large audience, you will make the effort to write content and learn how to use some web tools. If digitalization<sup>18</sup> does not tempt you, you can find a small business in the physical world, but it is more difficult as you will need to commit a little more money. With a side business, you can experiment new practices and become more confident about the idea of leaving your job. You will have to devote yourself to it by gaining time from your current schedule. If you spend hours watching television programs or videos on social media, you will have to cut down the time you spend doing this. You can transform some of this time into productive actions. It is a first step to reinforce your mindset of an entrepreneur.

*Remember*

**Start a small  
business  
alongside  
your job as an  
employee**

<sup>18</sup> See the technical note about digitalization at the end of this book.

### *My advice*

Your entrepreneurial adventure depends a lot on the early years of your career. If you start with an attitude of an employee in a rat-race mode, it will be difficult for you to head down the path of starting a business. On the other hand, if you rush headlong into entrepreneurship with no knowledge of the business world, it will be difficult to know how to go about it. In my case, I was able to convince my first employer to start a new business. I mastered a technical domain to deploy an innovative value-creation strategy and play the role of an intrapreneur. Even if you do not have this type of opportunity, use being an employee as a laboratory to try your hand at business management. Finally, the best moment to start entrepreneurship is in your thirties, hoping for success before your fifties. At this age, you will be mature enough to start your company, with the strength to continually act to achieve success.



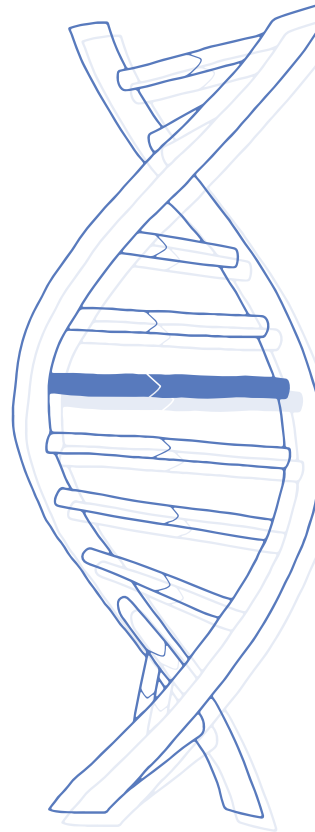
# GROWTH AND TYPES OF BUSINESS

The choice of what type of business depends on whether you want to work alone or with associates. Whatever this choice, you will not succeed without growth. Understanding this key point is essential to maintaining your chances of success. If you start your company without wanting to develop it enough, your mindset is likely to be closer to that of an employee rather than an entrepreneur. You will not achieve a better status than that of an employee with, in addition, the weight of responsibility. In other words, depending on the type of business you choose, you will need to work out in advance how you will manage the growth. If you start without preparing yourself for it, you are probably not ready to start your entrepreneurial adventure. In this chapter, I will describe the different types of business and in particular their development potential. Beforehand, it is important to understand why growth plays a decisive role in an entrepreneur's success.

But, before we start, bear in mind the possibility of learning about the business world as an active employee or an intrapreneur (previous chapter). Then, with the type of business chosen, you will be able to make the jump from employee to entrepreneur.

## Growth

Your success does not only depend on the quality of your offering or even on a well-executed business plan. Above all, you will have to grow your business. A business with a stable turnover will not last. It will end by generating frustrations for the entrepreneur and will worsen over time. When you are starting out, this is a difficult assertion to grasp, but it becomes obvious when you know more about the relationship between an entrepreneur and their business. At the beginning of the adventure, the founder is carried along by the euphoria of having started the business. It is the best moment of the project, where stress is still quite limited. The available energy masks any worries and everything seems possible. If the entrepreneur fails at this early stage, the loss will still be acceptable. It becomes less and less so as time passes. It requires more attentive management, which leaves less room for creativity. A balance must be found between the



“Without continual growth and progress, such words as improvement, achievement, and success have no meaning.”  
Benjamin Franklin<sup>19</sup>

<sup>19</sup> American writer, inventor, and politician (1706 - 1790).

meticulous management of the business and the flexibility needed to be creative. In an instable context, inherent to young companies, this is not easy to achieve. In the same day, the entrepreneur may sign a significant contract and discover a risk that casts doubt on the business. These swings from good news to bad news give the impression that the company is bipolar. So that this does not rub off on the entrepreneur's state of mind, it is important to step back from the events. It requires a great deal of maturity to celebrate success in moderation and to deal with difficulties in a rational manner. Thus, the relationship is complex between an entrepreneur just starting out and the immature company that has been founded. To reduce stress, many seek to neutralize growth to avoid management problems. With such an attitude, the routine aspect of work is reinforced, and the business ends up going round in circles. Without growth, the slow death of the business is guaranteed. Albert Einstein<sup>20</sup> sums this up well with his famous quotation: *"Life is like riding a bicycle. To keep your balance, you must keep moving."* To succeed, growth cannot be ignored, otherwise the business will be monotonous, and the work accomplished will not be put to advantage. The entrepreneur must therefore be like the conductor of an orchestra, coordinating all aspects of the business, from finance to human resources, via marketing, sales, or else technology. If one of these domains lags behind, or goes too quickly, the value creation grinds to a halt and the business will fail. Many entrepreneurs are unhappy about dealing with problems regarding growth. They would prefer to deal with projects in their launch phase. Many of them find themselves trapped managing their company with no idea of how to get out of the situation they find themselves in. Others give up faced with this new burden and go back to being an employee. The most reckless set up new businesses to relive the pleasure of starting afresh. Unfortunately for them, there is no alternative to well-managed growth if you want sustainable success, no matter what type of business you have chosen.

### Solopreneur

By choosing to become a solopreneur (or solo-entrepreneur)<sup>21</sup> you hold all the decision-making power in your hands. You have no associate nor investor in the capital of your company. You may have employees, but here I am only considering the case of the solopreneur with no employees. It is a freelance job. The initial investment is limited to a personal

<sup>20</sup> Physicist (1879 - 1955).

<sup>21</sup> The list of alternative terms is long: self-employed, single founder, solo founder, freelance, and maker.

contribution and potentially a contribution from your friends and family. With no assets available as a guarantee, bank debt is rare, and its sum remains modest. Investors will not want to bet on an isolated entrepreneur. As a result, the business relies on the entrepreneur's work effort alone. Solopreneurs have to find clients, manage the administrative tasks, and do the work. If they are prevented from providing their services, the income will stop. It is a serious risk of precarity. The entrepreneur may try to reduce this risk by having a product to sell, but you need a particular skillset to manage to do so. To limit the investment, this will often be a dematerialized offering and you will therefore need to be able to use digitalization. It can be selling software, an online training course, digital books, study reports, or else an online resale store<sup>22</sup>. When the solopreneur can sell such a product, they are at the head of a Muse<sup>23</sup>, according to the term introduced by Timothy Ferriss in his book "The 4-Hour workweek."<sup>24</sup> If the management processes are automated properly, a solopreneur can quickly control that their product sales are going well and manage their administrative obligations. In theory, a few hours a week should be enough. In reality, the Muse is never perfect and must be regularly enhanced, before one day being renewed.

## Microenterprise solopreneur

Microenterprise solopreneurs<sup>25</sup> retain full control of their companies as they have neither associate nor investor. Unlike the solopreneur, they recruit employees to increase their production capacity and reduce their risk of precarity. At best, if something stops them from working, the operations will be able to continue thanks to their team, at least for a while. However, the weak point remains the access to sources of funding. The bank debt is likely to be modest and investors will not take the risk to support an entrepreneur if they do not have an associate. Without any financial contribution, the business will have little prospect of growth. Should the entrepreneur no longer want to continue, the decision to end the business will be a difficult one, not wanting to harm the company's employees. If family members work in the business too, it is even more delicate. This type of entrepreneur is thus less free to stop than the solopreneur.

To develop, microenterprise solopreneurs will have to open their capital to a co-founder to reassure potential investors. However, the late arrival of an associate is even more difficult when the business has already

*Remember*

Without a product to sell, you may risk precarity

*Remember*

Be prepared to open the capital to a co-founder

<sup>22</sup> See the technical note on digitalization (dropshipping) at the end of the book.

<sup>23</sup> "A low-maintenance business that generates significant income," Timothy Ferriss.

<sup>24</sup> <https://tim.blog>

<sup>25</sup> Fewer than ten employees.

created value. You have to fix a price for the co-founder's shares, which comes down to considering them as an investor too. The higher the value of the business, the greater the financial contribution in return for their shares will be. Most of the time it does not work, and the potential co-founder will justify their equity investment through the knowledge or time that they bring. They are not going to want, in addition, to play the role of an investor. Microenterprise solopreneurs should not go too far in developing the business without opening the capital up to an associate. If, at the end, they are unable to find a co-founder, they will not interest the investors and the risk is a status quo that will signal their failure. There remains the possibility that they will be able to sell the business to another company, better structured, and potentially to stay on as a minority-shareholder employee.

### *Remember*

**Strong growth is accompanied by scalability**

### **Micro/SME entrepreneur**

Micro/SME<sup>26</sup> entrepreneurs share their control with associates, and the capital structure allows them to welcome investors. It is now possible to finance a plan for growth. From the fifty-employee mark, the micro/small business becomes a medium business. When it raises funds, it is often wrongly compared to a start-up. The distinction between both types of business lies in the control of the business model. The micro/small business has preliminary knowledge of its market, and its growth comes from successive stages requiring repeated investment efforts. It is the opposite of the start-up that takes the risk of creating a new market, with heavy investment at the start, in the hope of future exponential growth. I will talk about start-ups in the following paragraph.

For the micro/small business, its means of production are not therefore easily adaptable to its sales volumes. The entrepreneur is faced with successive stages of growth, each on its own a mountain to climb. To increase the turnover, machine-tools must be bought regularly, investments made in the means of production, sales outlets opened, or else teams recruited. This repeated risk-taking is unavoidable, otherwise the micro/SME business will eventually go into decline due to a lack of growth. The entrepreneur is then obliged to put their gains back into play to not be trapped in a business with no future. This lack of scalability<sup>27</sup> of the micro/SME business is a structural weakness. Most entrepreneurs are unable to overcome it, remaining stuck at a level of development that is closer to the small business than the medium size one. It takes many years, sometimes

<sup>26</sup> Small and medium-sized enterprises (fewer than 250 employees).

<sup>27</sup> The terms scalability and scalable are used in IT to refer to an element that is easily extendable with no additional cost. They are also used in the business world to refer to a scale effect.

even generations, to reach a revenue of several tens or hundreds of millions of euros. Thus, in most cases, the value of the company will not increase rapidly. It is a frustrating observation for the entrepreneur. On the other hand, with a business model known in advance and better stabilized than that of the start-up, the small business generates a revenue more quickly. If it manages to use part of its profits to finance innovative projects, it will be able to scale up to accelerate its value creation. However, transforming the micro/SME business into a start-up model is difficult to do. The DNA of innovation and a liking for risk-taking do not fall from the sky. It is not just about having the financial means to transform into a start-up overnight. It is above all the mindset of the managers that will make the difference between classic businesses and those that innovate like start-ups.

## Start-up entrepreneur

When you launch a start-up, your objective is to start a company with associates on a new, strong-growth market. To succeed, you will have to create a dominant position where competitors will not be able to catch you<sup>28</sup>. This strategy requires quick development, supported by double-digit growth. To sustain such a rhythm, the company often operates across several geographic zones to reach a larger number of clients. Moreover, should there be a slowdown in its operations in one territory, it has the advantage of possible relays for growth in other countries. As a result, most start-ups operate worldwide, which complexifies their financing needs and their management. It is not a question of investing heavily in each country. In other words, the marginal cost of each new sale should tend toward zero. The software industry is well suited to this requirement. The sale of an IT solution does not engender a significant cost to make copies or make it available on servers. Scalability is common with dematerialized offerings, like an online training course, a digital publication, or else music, films, and video games. Some physical products are also scalable when the marginal cost of manufacturing drops sharply with increased volumes.

Coming up with a scalable offer is complex and requires time. During the initial research and development phase, the young company does not make any revenue. Its survival depends on fundraising. To attract investors, the return on investment must be good. It will materialize when the company is sold, with an objective around ten times the initial contribution.

*Remember*

**Innovation  
alone will not  
make a start-up  
successful**

<sup>28</sup> A strategy of “The winner takes it all.”

The start-up is positioned as an acquisition target and its business plan shows how it will get there.

### *The probability your start-up is successful*

The success rate given for start-ups is around 10%<sup>29</sup>, but it hides a reality that is even less favorable that needs to be explained. This figure takes the projects that have passed the pre-seed phase as a reference, that is to say those that have been formed from a legal point of view. The other project owners will have spent time working on their idea, without managing to start a business. The statistics do not include these initiatives that die prematurely. However, the probability of success from the birth of the project is a more interesting indicator. In my experience, only one out of ten will pass the pre-seed phase. The starting statistic thus applies to the 10% of projects which see the light of day from a legal standpoint. Consequently, it is not 10%, but 1% of start-ups that succeed. And the creaming off does not stop there. Without a shareholders' agreement that protects the co-founders' interests, the 1% of companies that make it will first make their investors wealthy and leave little to their creators. I think that less than 10% of agreements secure an equitable distribution of wealth between investors and co-founders. Thus, for one thousand start-up ideas that get off the ground, only one hundred will arrive in the seed phase and only 10 will succeed in favorably selling their company. Of these 10, only one will have a shareholders' agreement that will secure a good distribution of wealth between investors and co-founders. Finally, the probability that those project owners of a start-up become rich is one in a thousand.

<sup>29</sup> Source: start-up Genome Report - premature scaling v 1.1, 2011: *“More than 90 % of start-ups fail, due primarily to self-destruction rather than competition. For the less than 10 % of start-ups that do succeed, most encounter several near-death experiences along the way.”*

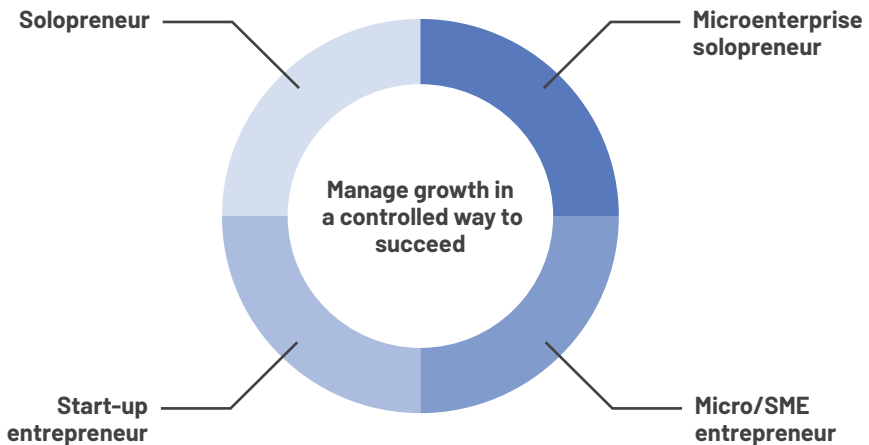
## Summary

The following table summarizes the characteristics of business types.

	Solopreneur	Micro-enterprise solopreneur	Micro/SME entrepreneur	Start-up entrepreneur
Associate(s) to not be alone	No	No	Yes	Yes
Employee(s) to increase value creation with a team	No	Yes	Yes	Yes
Investor(s) to finance growth	No	No	Yes	Yes
Scalability to benefit from a scale effect of growth	Possible with a Muse	Possible with a Muse	No	Yes
Innovation to create value	Possible with a Muse	Possible with a Muse	Possible	Yes
Growth to keep the business going	Nonexistent except with a Muse	Weak except if evolution to Micro/SME or start-up	Slow by investment stage	Yes
Risk of precarity if the entrepreneur can temporarily no longer work	High	Medium	Low	High during Seed
Probability of success	Low	Medium	Medium	Very low
Personal financial wealth for the entrepreneur after a 10-to-15-year period: <ul style="list-style-type: none"> <li>• Low: less than one hundred thousand euros</li> <li>• Medium: less than one million euros</li> <li>• High: at least 10 million euros</li> <li>• Very high: more than 10 million euros</li> </ul>	Low except if Muse	Low to medium	Medium to high	Very high

### *My advice*

I have met a lot of entrepreneurs who have hit the growth wall. They share the same disappointment about the lack of value creation of their company, with revenues that stagnate or decline over time. Whatever your type of business, do not block out the question of growth. You should take an interest in it as soon as you start your company. Otherwise, you will take pleasure from starting the company, but you will waste time in the long run. Indeed, having a business that runs smoothly is no guarantee of lasting success. The worst thing for an entrepreneur is to be at the head of a business that no longer has any prospect of developing. It is the sign of a partial and frustrating success, and one which often leads to failure.



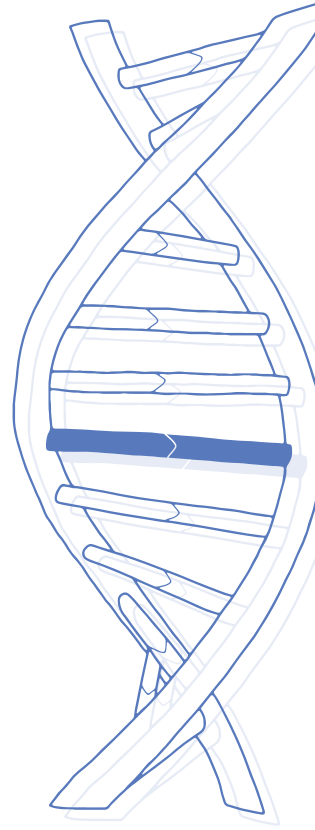
# MONEY

By starting your company, you will take risks and it is normal to expect a financial return from it. But at what level? Do you want to provide for your daily needs, live in a minimalist way, build up a nest egg for your retirement, become a person of independent means, leave something to your heirs, or make a fortune to change your life? Perhaps you do not yet know how you will use this money? To clarify your objective, the simplest solution is to answer this question: “*What level of personal wealth do you want to reach?*”. Do not try to avoid this question. In every case, you cannot ignore the objective of making money that is needed to finance the growth of your business, that is to say its long-term survival.

## Look ahead

If money does not matter to you, your entrepreneurial adventure will probably be carried out alone and end in failure due to a lack of value creation. If you start your business with co-founders, even if they share your detachment to money at the start, some of them may change their mind with life’s pressures. The financial criterion will become important again and your philosophy of entrepreneurship will not resist. Anyway, alone or with associates, you will have to deal with the question of growth. I have already mentioned this before, a business that does not grow is doomed to failure. Without money, you will be unable to improve your offering, recruit colleagues, or pay service providers. If, in the end, you decide to call on investors, you will have to make a profit to guarantee their return on investment. Thus, starting your entrepreneurial adventure thinking that money is not important will lead you to a dead end.

You will also need to be perceptive about your personal financial needs. You may have some difficulties during your career, with the risk of a low-paid job or unemployment. Moreover, with the deterioration in social protection systems, your retirement rights will decrease. If money is not important to you now, ask the person you will be later, in a few years’ or even a few decades’ time. In other words, your actions today will condition your lifestyle tomorrow. If you neglect the question of money now, you will probably remain poor all your life. I would invite you therefore to think carefully about the question raised here: “*What level of*



*Remember*

**Start your company with a personal financial objective**

*Remember*

**Think about tomorrow’s money today**

*personal wealth do you want to reach?*". The following paragraphs will give you some ideas to think about to help you answer the question.

### *Remember*

Start your venture aiming for a personal fortune of at least €2M

### The richest 1% of people

Being in the richest 1% of people will enable you to achieve your financial freedom. If you have a lower ambition, do not stop reading this paragraph. Indeed, between the objective of belonging to the richest 1% and having a certain financial security, there is room for you to position your own cursor where you want. The important thing is that you fix a minimum financial objective that you believe to be legitimate considering the work required and risks you have accepted to start your business.

Thus, being in the richest 1%, you can stop working with a private income that will reward your efforts made in entrepreneurship. Its amount depends on your needs, but if you are happy with the standard of living of a middle-class employee, you will not financially justify your risk-taking in the entrepreneurial adventure. In other words, you should not hope for less than the financial assets of senior executives at the end of their career. On average, senior executives have at least one million euros. With the right investments and by making strict savings, this might even reach two to five million euros. Depending on your country, you will certainly be part of the richest 1% of people<sup>30</sup>. With five million euros, your financial freedom will be comfortable. You can allocate one million euros to your main residence and the rest to financial investments. With an average long-term profitability of 3% per year, your annual income will reach 120,000 euros before tax. If this sum seems too high, your objective should still be no less than twice the minimum assets of a senior executive, that is to say two million euros, giving you a monthly income of five thousand euros. If you are content with less, your efforts in entrepreneurship are perhaps not worth it financially, and you would perhaps be better staying as an employee.

### The richest 0.1 % of people

By joining the richest 0.1% of people, you do not just want to be free financially, you also want to change your life. You hope to experience extraordinary things and have the financial means to invest in new projects. The amount of your personal wealth will have to reach at least ten million euros. This level of personal fortune is exceptional. Depending on your country, it probably only concerns 0.1% of the population. To get an idea

<sup>30</sup> See: "Knight Frank, *The Wealth Report 2021* (page 12)". In France, you need minimum assets of \$2.1M to be in the richest 1%. In the United States, this minimum amount is \$4.4M.

of its impact, here is an example of its allocation: three to five million euros for investments in tangible assets like real estate, gold bullion, and art; three to five million euros to invest in early-stage companies, and the rest to experience extraordinary things and make financial investments.

## Build and protect your fortune

In my vision of entrepreneurship, entrepreneurs continue to work as long as their personal wealth objective has not been reached. Along the journey, they will stick to reasonable, even frugal, living standards. It is a radical approach that requires a lot of patience and tenacity. Rather than spending their money as and when the intermediary gains come, they save and reinvest in their business to become rich overnight. Thus, the last few thousand euros that they are missing will be added to the capital already built up or they will get their money back in one go when the business is sold. Reread this last sentence, it will have serious consequences on your life. You have understood correctly, meta-entrepreneurs live a very simple life until they reach their personal wealth objective, no matter how many years are needed to get there. The journey is difficult, but once you have achieved your level of wealth, you will feel immense satisfaction.

With this new-found wealth, the entrepreneur could spend money excessively. The pleasure would be intense but would not last. It is not uncommon for the nouveau riche to buy supercars or other luxury products to live like a millionaire, without giving any thought to the future. If they are too frivolous, they will lose everything. Of course, you can do things that make you happy, but by protecting your financial wealth using a safe withdrawal rate to control what you spend.

### *Safe withdrawal rate*

The safe withdrawal rate or SWR is a maximum percentage of money that you can withdraw from your personal fortune each year, limiting the risk of seeing it decrease. It depends on the interest rate of your investments, minus inflation and tax. Before the Covid-19 crisis, wealth managers recommended an SWR of 4%<sup>31</sup>. This rate is reasonable in a world where inflation is low and yields fairly regular. At the time of writing this book, price increases are setting in and are accompanied by a higher volatility of the markets (inflation). Although it is likely that the

*Remember*

Target a personal fortune of €10M to change your life

*Remember*

Maintain a reasonable standard of living

<sup>31</sup> This rule was formulated for the first time in 1994 by Bill Bengen (1947), financial advisor. (<https://www.retailinvestor.org/pdf/Bengen1.pdf>).

long-term average yields remain similar to those seen in the past, it would be better to reduce the SWR by one or two points to take into account the new, more difficult financial context. As there is no consensus on its value, everyone must determine their own course of action<sup>32</sup>. Today, I have fixed my average SWR to 2.5%. I adapt it depending on the previous year's performance. For example, it can go as low as 1% should markets fall, stay at 2.5% in a normal year, and rise to 4% again when the yields are better.

In addition to your financial assets, you also need to have other value reserves. They are the last line of protection should the markets crash, so that you can wait for them to recover. As the investor Warren Buffett said: *"Only when the tide goes out do you discover who's been swimming naked."* In other words, it is better to have alternative assets when the financial markets fall sharply. These are investments in real estate, equity investments in non-listed companies (private equity), and other physical goods like gold and art, and liquid assets. They represent 30% of my assets. Thus, even with the theoretical complete loss of my financial investments, I should still have enough money to be financially free.

Let's take the example of assets of 10 million euros. A 30% share is reserved for real estate and gold bullion. That leaves us with seven million euros allocated to financial investments. With an SWR of 2.5%, 175,000 euros are paid in the form of an annual private income, which equates to a little over 14,000 euros per month before tax. To this we can add the profits generated by stores of value. If market yields are less good, the SWR is reduced to 1%, giving us a private monthly income that plunges to 5,800 euros. On the other hand, if yields are better, the SWR goes back to 4% and the private monthly income is 23,300 euros. If the objective of the average private income is 2,000 euros a month, the financial asset share will fall to 960,000 euros to which is added 411,000 euros in stores of value. In total, the assets are 1,371,000 euros. The following formulae are used for the calculations:

- FA: Financial assets
- SoV: Stores of value
- Income: Annual private income

This gives us:

- FA = (Annual income/0.025) with SWR = 2.5%
- SoV = (FA/0.7) - FA

Depending on your life expectancy, the sum of your

<sup>32</sup> Bill Bengen recently updated the rate of 4% to 3.3% to take into account the increase in inflation and the higher volatility of the Stock Exchange. Besides, the classic portfolio of 50% shares and 50% bonds has changed too toward a more diversified allocation that aims to provide better income stability over time, without losing capital: 25% shares, 25% bonds, 25% gold, and 25% cash.

initial assets, and your desire to leave something to your heirs, you can pay yourself a higher income than that of the SWR, but you will have to accept that your wealth will decrease over time.

## Easy money?

With social media, too many reality TV stars and influencers showcase their multimillionaire lifestyles, making success look easy. They lead us to believe that making a quick fortune is within reach. Some even propose methods to get rich quick. Those that believe them will struggle to recover from their failure. And if some manage to do it, they will often squander their gains well before reaching any significant results. When money is made quickly, the fall that often accompanies it is just as quick. As Milton Friedman<sup>33</sup> said, *“There is no free lunch.”* For sustainable success in business, you have to pay the price of effort. Success is never easy, even for those who have talent. The famous footballer Cristiano Ronaldo summed it up well saying: “Talent without working hard is nothing.” You have understood me, I do not believe in a quick path to wealth. The meta-entrepreneur mentally prepares to work hard and for a long period before achieving financial wealth and success. They are in no hurry to show the external trappings of success and focus on building a solid and sustainable business.

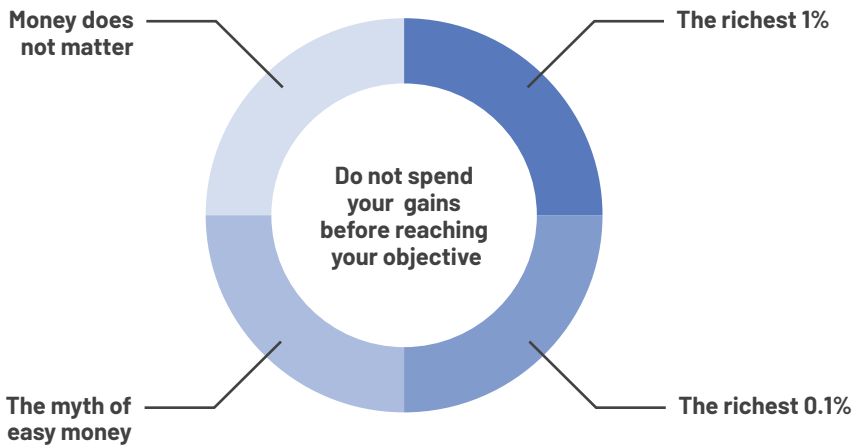
*Remember*

**Earning money  
takes a lot of  
effort**

<sup>33</sup> Milton Friedman, Nobel prize in Economics in 1976.

### *My advice*

In the working class, people often have more ideas on how to save money than on how to make money. Among them, a minority seek to increase their income. These are potential entrepreneurs. In the middle to upper class, the comfort of having a well-paid job reduces the desire to start your own company. These employees allow themselves to be carried along by their career progressions. They even forget the risk of precarity for the employee, and do not plan ahead for the fall in their standard of living when they retire. Among them, only a minority have the desire to do better. These are also potential entrepreneurs. In other words, as long as your mindset is a prisoner of your social class, you will not be able to start a business with enough force to succeed. It is not a question of turning your back on where you came from but pulling yourself up to the next level. This attraction to upward mobility is a decisive factor for entrepreneurial success. It is therefore important not to be afraid of wanting to earn more and more money by starting your company.



# THE INTRINSIC RISKS

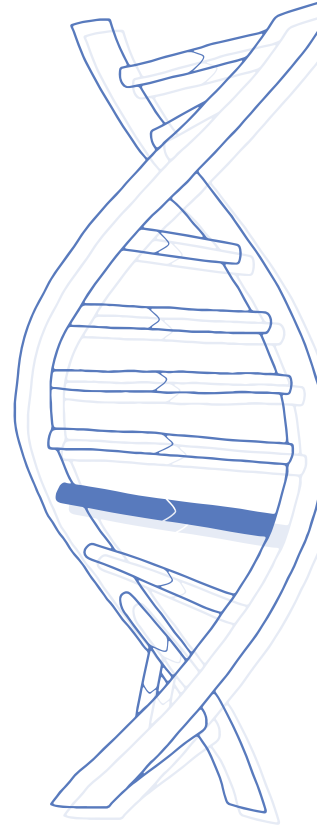
During my career, I have had the opportunity of experiencing a lot of risks and observing the damage that they can cause to entrepreneurs. Among them, I have identified eight that are particularly dangerous. They can arise in any entrepreneurial adventure, and you must protect yourself from them. I go over them in this chapter. They are the intrinsic risks of entrepreneurship.

## Health

You will not be able to get rid of the stress that goes with managing a business. To avoid a burnout, you will have to adopt an exemplary healthy lifestyle with healthy food and good sleep. To this, you will need to add a daily dose of sport. It is the best way of making yourself more resilient and lowering anxiety. At the start of my career, I was suddenly reminded of the meaning of life when my mentor died.

It was in 1995. I was still a junior engineer, and I did not pay much attention to my state of health. When we are young and full of energy, we do not always feel directly concerned by this question. I had developed a training offering as mentioned previously on the new tools of the internet. It was at this time that I met my mentor. He was an IT entrepreneur and almost in his fifties. He helped me to develop my business and we became friends.

In 2000, when I began my start-up, he accompanied the fundraising process. With his help, we finalized an agreement with an investment fund. Everything was ready to be signed, but he died a few days before the scheduled date, struck down by a heart attack in the middle of summer. I remember my last meeting with him, in a café in the business district of La Défense, in Paris. He had agreed to join the board and had already started to plan some sales appointments to help us with our first sales. We had set a date in a good restaurant to celebrate our fundraising. He worked a lot, liked good wine a little too much, and never did any sport. Following his death, I understood that success remains fragile in a person's life. You need to bear it in mind and take care of your health, and of those closest to you. If you are young and in full possession of your means, do not think you can ignore this risk. Your



*Remember*

**Do sport  
to build a  
long-term,  
sustainable  
business**

health tomorrow depends on your lifestyle today. If you had to choose between sport and entrepreneurial success, it is without doubt the former that will give you the most solid and long-lasting happiness in life. To have a truly successful business career, sport and entrepreneurship go hand-in-hand with the mindset of a meta-entrepreneur.

### Tax

If you make any mistakes with your tax, your whole entrepreneurial adventure will turn into a nightmare. The most common one is that of the misuse of corporate assets. Too many entrepreneurs think that their company's money is directly their own property, whereas this is not the case. Some deliberately ignore it and consciously flout the law. Withdrawals of money from the company that are authorized on a personal level are limited to salaries, professional expenses, dividends, and the reimbursement of advances on an associate's current account. When funds are used for needs not directly linked to the business, it is misuse of corporate assets. It is considered as theft regarding the company and it may also be accompanied by a failure to declare taxes in the event of undeclared wage payments. The most classic examples are that of the purchase of a luxury car by the entrepreneur for their personal use or the renovation of a main home on the pretext of creating an office there. The tax penalties are serious and can lead to convictions, like losing your right to run a business, or even prison.

During my career, I once committed a misuse of corporate assets that I quickly rectified. When I was opening a subsidiary abroad, I had my company pay for a gym membership. In my mind, it was normal for the subsidiary to provide its executive manager with the means to carry on with his fitness routine. My certified public accountant quickly set me straight and I reimbursed the several hundred euros to avoid any problem. And yet, my group was already worth several tens of millions of euros, and I was one of the main shareholders. In other words, there is no little misuse of corporate assets and you must not make the company pay for services that are destined for personal use.

#### *Expatriation for tax purposes*

By emigrating, you will be subject to a tax treaty between your country of origin and that of your destination. The rules are often complex, with conditions to meet to benefit from the best regime.

#### *Remember*

Respect tax rules so that you do not lose everything overnight

Depending on the number of days that you spend in a country<sup>34</sup>, your citizenship, the existence of financial interests in your country of origin, and other clauses in the treaty, you will have to respect certain obligations. For example, if you are a French citizen with an income from real estate in France, you will probably have to pay tax to the French tax authorities even if you work in another country. They will also add any other real estate you own across the world to your tax base. In other words, owning apartments and houses in France may call into question the legitimacy of a tax home abroad. To remove this risk, you will need to sell everything before emigrating.

There is no point either hoping to avoid paying taxes with the life of a perpetual traveler in several countries. With no known tax home abroad, it falls to the country where you hold citizenship to act as reference. Your Internal Revenue Service may take several years to find you, but the accumulated penalties will be heavy to bear. You would be mistaken in thinking that you just have to liquidate everything to reset the clock to zero. Even in this case, a tax adjustment is possible.

## Procrastination

If you put off for tomorrow what you should do today, you will never succeed. There is always a good reason to delay doing something: tiredness, family reasons, or else the feeling that there is no urgency. The accumulation of these postponements leads to procrastination, then tips into failure. In his film “*An Inconvenient Truth*,” Al Gore uses the fable of the frog to alert public opinion to the risk of procrastinating about ecology<sup>35</sup>. If you plunge a frog into water that has been heated up slowly, it does not sense the danger. It will remain calm until the tipping point when it will have a heart attack. On the other hand, if you suddenly throw it into boiling water, the pain will provoke a survival reflex and it will leap out of the water<sup>36</sup>. Procrastination is insidious like this water that heats up gradually. It leads you into a lethargic state that ruins your life. Having a routine will help you to get out of it. I am going to show you one now, the one that I follow myself.

### *My anti-procrastination routine*

Spend one hour a day on this routine, five days a week, for a minimum of five consecutive weeks. This hour of work will be given over one day to learning, the next to writing. If you already have an idea for a business, make it the topic of this routine. On the other hand,

*Remember*

**Choose  
action over  
procrastination**

<sup>34</sup> Your passport with visas is proof.

<sup>35</sup> *An Inconvenient Truth*, Al Gore, 2006.

<sup>36</sup> It is just a fable and obviously not something that you should try out in real life.

if you are an employee in the rat-race mode, without any specific idea to implement, put into practice the advice that I gave you earlier in this book: observe and analyze your job to describe it.

During the writing session, your objective will be to write a page, that is to say about four hundred words. Every three or four pages, spend your hour of work rereading and improving your texts. During the sessions focused on learning, the objective is to gain knowledge to feed into your writing. Using this routine is an excellent way of reducing procrastination. Moreover, by putting what you learn down in writing, you are working on your body of knowledge in keeping with the philosophy of the meta-entrepreneur.

### Learning

To progress in your entrepreneurial adventure, you will have to learn things by yourself. There is no teaching adapted to entrepreneurship. Indeed, as teachers are rarely entrepreneurs, they cannot replicate the mindset of people who carry out a business project. Stress and risk-taking in business have to be lived to be taught. In addition, school should teach you about financial freedom and not consider money to be a taboo subject. In the same way, it should do a better job of explaining the importance of growth to keep systems alive, notably the company. This guilt-free discourse about money as a lever to create sustainable growth remains all too rare or limited. Of course, not everyone will become an entrepreneur, but everyone should be aware of the business world with the aim of giving it a go one day. It would also be useful for employees. With a good understanding of entrepreneurship, their involvement in the business would be better, notably as an intrapreneur. This school, more open towards the business world and money may one day see the light of day or perhaps it already exists. While waiting to follow an efficient training course, you will have to move forwards by yourself. If self-learning is not your thing, you will not succeed in the business world.

#### *Remember*

Learn things  
by yourself  
throughout  
your life

### Decision-making

The right decision is the one made at the right time. The same decision made too early or too late may turn out to be the wrong decision. To be in the right *tempo*, you need a lot of experience. Arnold Schwarzenegger put it well saying: *“The more knowledge you have, the more you are free to rely on your instincts.”* By using your knowledge in a pertinent way, you will be better

able to judge the consequences of your decisions. Thus, entrepreneurs will decide all the more quickly if they know that they are able to change their mind, while taking more time for decisions that stop a situation in its tracks. For the young entrepreneur, this distinction is not an easy one to grasp. There may be many consequences resulting from a decision due to the rebound effects. Only an overall vision of managing the business will limit a series of mistakes. You need to build a mind map of your entrepreneurial knowledge. This is what this book is all about. Even if mistakes are opportunities to learn, you do not have an unlimited right to failure. This mind map will help you to make the right decisions to keep all your chances of success.

*Remember*

Think about the big picture to reduce decision-making mistakes

## Personal bankruptcy

No entrepreneur is safe from a default on payment of their company following an unexpected event, like an unpaid invoice, a claim that is not covered by the insurance company, or else the withdrawal of an investor. You cannot therefore totally remove the possibility of the bankruptcy of your business, but you can ensure that it will not lead to your personal ruin. To guarantee this, you must separate your company (legal person or entity) from your legal existence (natural person). If one goes bankrupt, the other is not responsible. In other words, the company's debts are not merged with your own assets. The company can take out a loan, pledge an asset, or else take risky financial positions, but never in your name. On the other hand, if you are negligent regarding this separation, your professional bankruptcy may lead to your personal ruin. This protection is also true in the other direction. The company's cash flow does not belong to you directly, even if you are the only shareholder. I have already mentioned it, if you use it for your personal benefit, you will be misusing corporate assets. You must therefore not confuse your personal fortune with your professional assets. I spent a long time living in a minimalist way, even though my company was already worth several million euros. This fortune was not directly mine. It was only when the company was sold that it become money available in my personal bank account.

*Remember*

Differentiate between your personal fortune and your professional assets

## Limited responsibility

The distinction between natural and legal person is obtained through a legal status for your company that guarantees its "limited responsibility." Depending on the countries, the name given is different: *Limited*

*Liability Company – LLC* (US) or *Private Limited Company – Ltd* (UK). In France, you will find SA, SARL, EURL, etc. Your personal responsibility is limited to your financial contributions in the company. Whatever the size of your business, you need to choose a legal status that gives you this limited responsibility. If you are self-employed, do not sidestep protection. It is not because you are a solopreneur that the risks disappear. You should have the status of a legal person (*One Person Company – OPC*) and reject the natural person status (*sole proprietorship*) that does not offer this legal distinction between founder and company.

Limited responsibility requires certain administrative rules to be respected. They force you, with the help of a certified public accountant, to make sure you are carefully following your business to limit the risks of poor management. Some entrepreneurs are reluctant to follow these requirements and prefer a less restrictive status. In reality, it is better to apply a few strict rules of management to remove the risk of personal ruin.

Let's take the example of a limited responsibility company, with a contribution of five thousand euros. After operating for several years, its debts reach 100,000 euros with no assets to sell. In the case of a liquidation, the personal loss for its founder is limited to the initial contribution of five thousand euros. To honor the debt, the entrepreneur's own assets will not be seized. It will be written off with the liquidation of the company, under two conditions:

1. When your company foresees or notices its incapacity to honor a debt, even if the invoice is for a low amount, you must immediately declare this situation to the competent authorities. It is a potential or confirmed default on payment (suspension of payments). You then put yourself under the legal protection of a safeguard procedure or you file for bankruptcy. The debts will be frozen with a gradual plan to pay off your liabilities or they will be written off with the liquidation of the company. If you do not do it within the period provided for by law, this protection will disappear. In this case, you will be personally responsible for the debts.
2. In the case of mismanagement, you lose the right to this protection. Even if you do not misuse corporate assets, prepare bogus invoices, or fraudulent accounting reports, with a growing business and an organization that is becoming

complex, you are not safe from an involuntary fault. To counter this risk, you can take out a company director insurance policy. It will protect you should you be personally implicated.

Even when being careful, there is no guarantee that you will not make an accidental management mistake, risking a possible seizure of your personal assets. It is therefore worth protecting your partner's assets properly, with a marriage contract with a matrimonial division of property. The classic community regime would see your partner carry the responsibility of your debts. You would be well-advised to draw up this contract before you start your company, with the help of your lawyer. This will give you the certainty that your partner's protection cannot be called into question by management actions made prior to the signature of the said contract.

## Standard of living

By starting your company, your income will be nonexistent or lower than the one you had before. You will need to adopt a minimalist way of life to reduce your outgoings. To judge how able you are to withstand the shock, you need to know the amount of money below which you can no longer live. You will have to last for two years with these spending restrictions. Many events can compromise the launch of your operations, like legal difficulties, a delay in sales, a health problem, or else unexpected costs. After six months with no income, if you have less than six months of reserve left, you will no longer be able to focus on your business. Part of your mind will be on matters other than your business, drawing up a plan B, which will penalize how you get out of the situation. With a two-year reserve, you will increase your chances of success. To get there, you may have to reduce your outgoings still further to last longer. Will you be capable of doing it? If it seems mission impossible, you are not ready for entrepreneurship. You should put more money aside before starting. Do not rush into starting your business without this two-year reserve. Even with a good idea, you may fail prematurely due to a lack of money.

With the initial profits, do not increase your remuneration too quickly. Be content to gradually come back to the spending level you had before starting your company. By this time, you will already have achieved a first, remarkable success. When the profits are higher, you can improve your salary little by little, and later pay yourself dividends. Nevertheless, your

*Remember*

**Start with  
a financial  
reserve of at  
least two years**

priority should be the self-financing of the business to increase the value of your professional assets in the long term.

### *Remember*

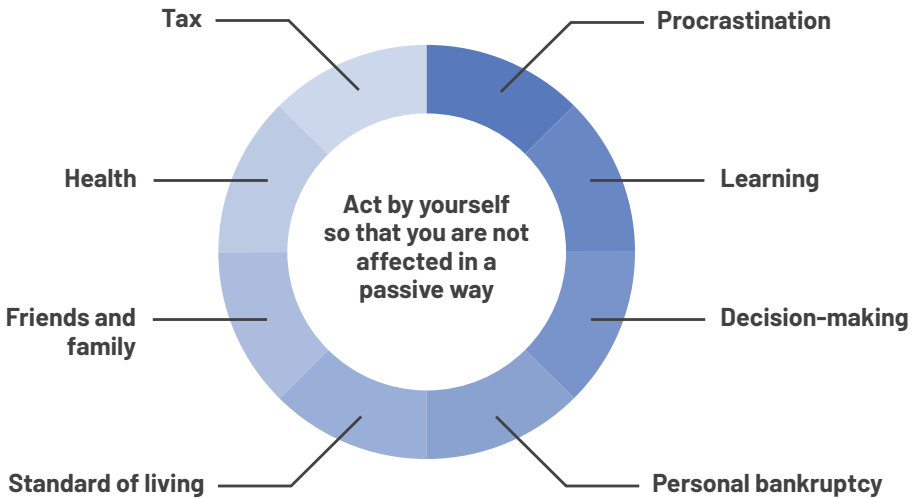
**The entrepreneur  
is a worker like  
another**

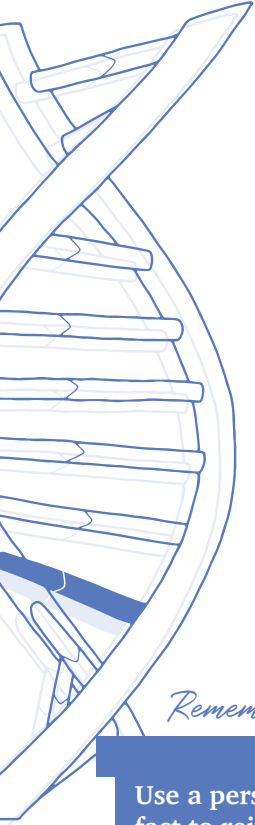
### **Friends and family**

Certain members of your circle of friends and family will be enthusiastic, worried, jealous, or perhaps opposed to your business project, while others will be indifferent. You will remain benevolent with everybody, sorting out the useful advice from the uninvited criticism. If the pressure from your friends and family increases, you might waste too much energy talking to them, and you will get sidetracked from your objective to succeed. So that you do not fall into this trap, adopt the motto of the British royal family: “*Never complain, never explain.*” Thus, by remaining discreet about your business, your friends and family will finish by forgetting that you are an entrepreneur. You will once again be seen as a worker like everyone else, and the pressure should disappear.

## *My advice*

It took me several years to establish the list of these eight intrinsic risks to entrepreneurship. There are others like the choice of your co-founders, the pertinence of your offering, the existence of a market, the ability to find funding, etc. This book deals with them too in the other parts. However, these eight will see you rapidly fail if you do not deal with them definitively. They are the risks that you cannot afford to get wrong: health, tax, procrastination, learning, decision-making, personal bankruptcy, standard of living, and friends and family. I would advise you to write down how you are going to deal with them.





*Remember*

Use a personal fact to reinforce your chance of success

*Remember*

Money is a necessary objective, not an end in itself

# OBLIGATION

In the previous chapters, we saw the first four strands of the entrepreneur's DNA: the journey towards entrepreneurship, growth and types of business, money, and the intrinsic risks. There is one more that is your obligation to act. This one is particular as it will support your mindset throughout the whole of your entrepreneurial adventure.

## A personal fact

We all have frustrations and worries that hinder us. To be a tenacious entrepreneur, you need to transform one of them into your obligation to act throughout your entrepreneurial adventure. It will be sustainable and will not change throughout your life. It is the opposite of a motivation that changes over time. To succeed, needing to do something is better than simply being motivated to do so. For myself, entrepreneurship is a way of allaying a worry that goes back to my childhood. As I mentioned, it comes from my working-class suburb where I felt my mother's fragility, my father's distant presence, and the harsh reality of life. I felt that I needed to do something to avoid my life coming tumbling down around me. It was not just a simple motivation, but an obligation to get out of the situation I was in. I therefore had to build a solid, sustainable success. Nothing could divert me from this objective.

It is up to you to find your obligation to act to be a tenacious entrepreneur. Do not rely on money or the goal of leaving something to your descendants. I will explain why now.

## Money

In a previous chapter, I dealt with the question of your personal wealth, without necessarily making it an obligation to act. Indeed, although financial success is fair compensation for your efforts to succeed, you will not go the distance if you only have money in your sights. You doubtless know the quotation by John D. Rockefeller<sup>37</sup>: "If your only goal is to become rich, you will never achieve it." Actually, you need a lot of time before becoming rich, and if you only have this objective, you will lose patience before you get there. In addition, if money is the entrepreneur's only goal, what will they do after making their fortune? With no other centers of interest in life, they will be drained spiritually, and the emptiness of life could overwhelm them. Finally, to be a happy entrepreneur, money should not be your

<sup>37</sup> American businessman (1839-1937).

obligation to act. It remains a necessary objective to finance growth, perhaps even a personal motivation, but one among others.

## Inheritance

Leaving something to your heirs is a legitimate objective. However, if it becomes your obligation to act, your friends and family will sense that you are sacrificing yourself for them. The money could have a bitter taste, and your fortune risk being prejudicial to their own lives. Why should they make any effort to succeed in life when you are doing it for them? In other words, inheritance should not be your obligation to act, but it can be a healthy motivation. Set yourself a reasonable objective to leave something that will not disrupt the personal story of your heirs. The rest can be left to associations or used to set up a foundation that will outlive you. The investor Warren Buffet sums up the question of inheritance well, stating: *“I believe in giving my kids enough so they can do anything, but not so much that they can do nothing.”*

*Remember*

**Leaving an inheritance is a motivation, not a sacrifice**

## *My advice*

In contrast to most other people, successful entrepreneurs do not let their worries get the better of them. They turn them to their advantage to reinforce their mindset. Where others would sink, they find their reason to act to achieve success. In other words, those who have no internal woes will have greater difficulty in finding a profound reason to succeed. On the contrary, those whose frustrations are too great will lack the confidence needed to start out. To resist as an entrepreneur, it is better to have a well-identified internal pain with the energy to escape from it. I would invite you to think long and hard about what you want to do, what you are looking for on a personal level, by starting your company. It is no good starting just to earn money or to be free, without understanding that you will have to go through some difficult years before getting there. The entrepreneurial adventure is not a game, it will mark you for life in a positive way in the event of your success and scar you for life if you have not been straight with yourself.



ENGAGEMENT

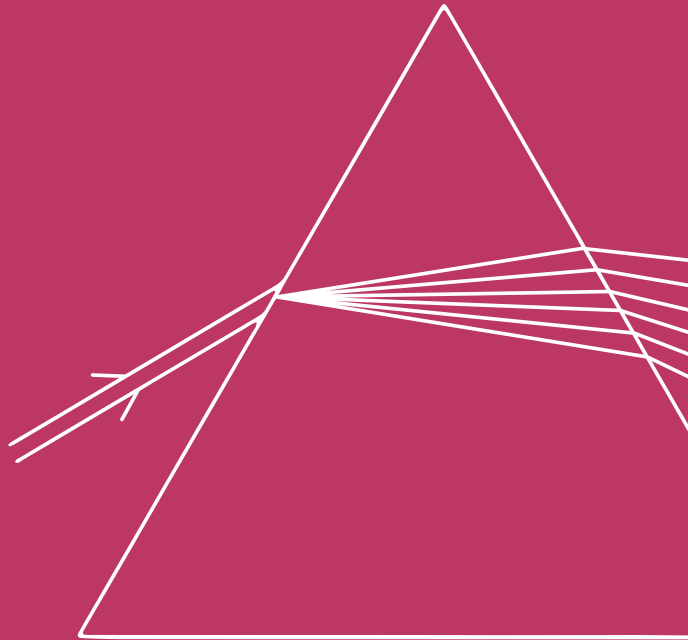
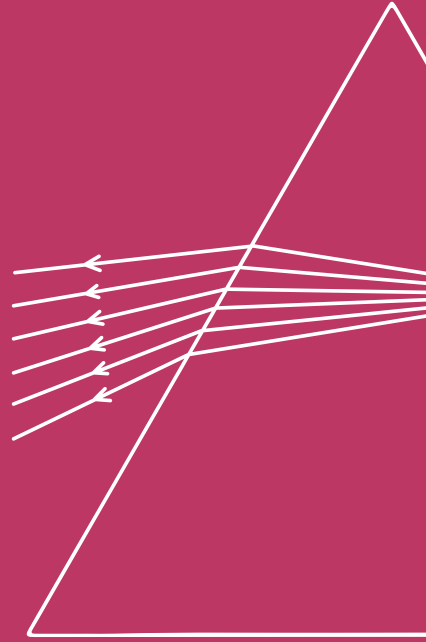
**META**

**ENTREPRENEUR**

# III.

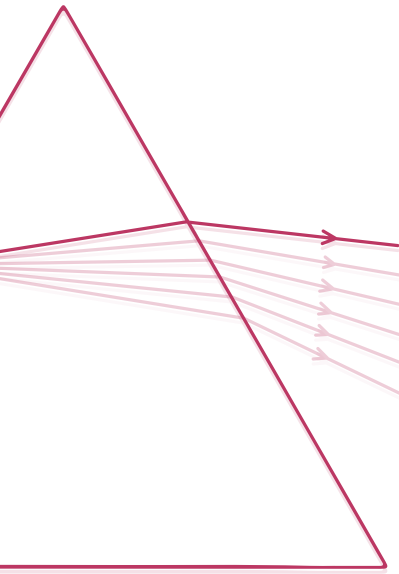
# ENGAGEMENT

With the previous element of the META universe, “Motion” (move), you have lit up the entrance hall that gives you access to your entrepreneurial adventure. You are now going to direct your flashlight onto the prism of the element “Engagement”<sup>38</sup> (act). It is made up of six beams of light and as many fundamental practices to increase your chances of success: the idea, a second source of revenue, outcompete the competition, the co-founders, support, and the sale of the business.



<sup>38</sup> “To begin and carry on an enterprise or activity” (Merriam-Webster).

## THE IDEA



You can see that the topic of the idea is not covered in the “Motion” element of the META universe. Indeed, your preparation for entrepreneurship is not dependent on it. Your entrepreneur DNA stays the same, whatever ideas you implement during your entrepreneurial adventure. In other words, I do not believe that we become an entrepreneur because of an idea that we have one day. Entrepreneurs exist even before their idea comes to them. They are then able to use it.

### The intrinsic value

Whatever domain your business is in, the value of your idea will depend on the existence of a need and of your ability to implement it. Once you meet these conditions, you need to be able to explain it clearly to your clients. Even if it is not fair, a bad idea with good marketing is often more effective than a better idea poorly understood by the market. As Nicolas Boileau-Despréaux<sup>39</sup> put it: *“Whatever is well conceived is clearly said, and the words to say it flow with ease.”* To reach this level of clarity, you need a lot of talent. Most of the time, the idea is based on multiple features, the detailed explanation of which becomes quickly confused. In a jumble of information, you have to find your tagline that condenses it down to the essential point. The more precise it is, the more clients will remember you. It makes up its intrinsic value. When I study a business plan, I expect to find it so I can better understand the strength of the project. With my start-up in the software domain, we took several years to stabilize our intrinsic value. During the seed phase, the presentation of our offering was complicated and changed according to the contexts of use. In time, we identified a common feature put forward by all our clients. Our software allowed them to manage data, but more specifically the most shared data in a company. Our signature was obvious: *“Manage your most important data.”* During our development, we adapted our strategy several times, but always kept the intrinsic value of the offering. Our success owes a lot to this tagline. Thanks to it, our clients never lost sight of our positioning. Thus, a good idea is one that is understood by the market and whose business plan remains loyal to its intrinsic value. You will be able to modify the plan during the development of your company, but always turning around this fixed point of reference, without calling it into question.

#### *Remember*

**Find the key point of your idea**

<sup>39</sup> French man of letters (1636-1711). Original quotation in French: *“Ce que l’on conçoit bien s’énonce clairement. Et les mots pour le dire arrivent aisément.”*

## Scaling

When the idea is represented by a single offering for all clients, the profitability of investments is optimized. Just one offering is built and marketed an unlimited number of times. To guarantee this scale effect in the long term, the offering should remain the same for everyone over time, by resisting the request for specific developments from certain clients. If you are not careful, the scale effect will be undermined. Thus, you need to maintain just one offering while taking into account the needs most shared by clients. It falls to the product manager (PM) to do this analytical work. The PM will collect client needs and determine the development priorities using a roadmap. The objective is not to satisfy all needs, but to maintain a sufficiently common offering to meet the expectations of as many clients as possible. It is sometimes possible to customize the offering, but always on a common basis to protect the intrinsic value. Without a good product manager, you will not be able to maintain growth that takes advantage of a scale effect.

*Remember*

**Do not seek to answer all your clients' needs**

## Research and development

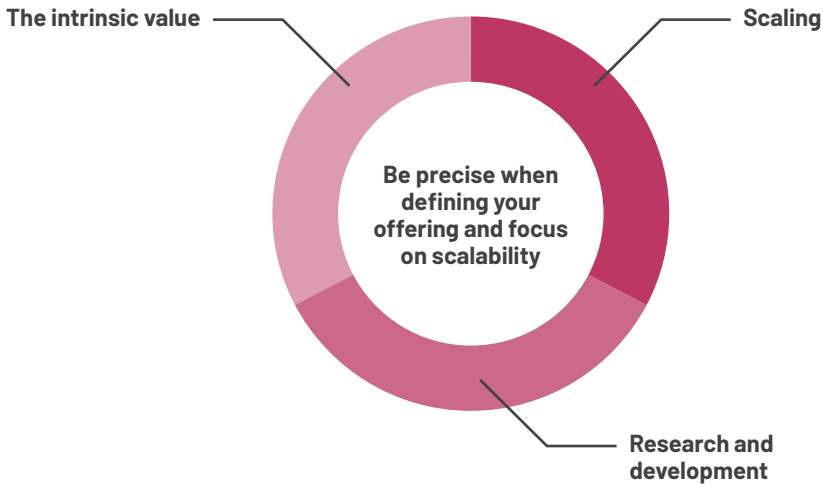
Developing the offering comes under the remit of the “Research and Development” activity (R&D) with a chief technical officer (CTO). The product manager provides the roadmap. The more innovative the offering, the more its perfecting may take time. To avoid a tunnel effect that will delay bringing it to market, it is wise to follow short development cycles, around six to eight weeks. At the beginning of each cycle, the PM and the CTO agree on what functionalities will be developed. However, in the seed phase of the company, this velocity is not always possible. You need more time to develop the first version of a minimum viable product (MVP), with sufficient functionalities. If the financial means are exhausted before you get to this point, it will mean bankruptcy for the company. To avoid this disaster, you often have to speed up the development of the MVP, sometimes to the detriment of its quality. You will then have to redevelop it at a later stage in a cleaner manner. This double development must be budgeted for and taken into account in the R&D planning.

*Remember*

**Avoid the tunnel effect of developing the offering**

## *My advice*

To support sustainable and profitable growth, the offering should enable a scale effect. In other words, its development potential will be all the better if it is the same for all clients. For example, Apple does not make different iPhones depending on their users' preference for a physical, virtual, or hybrid keyboard. When it was launched in 2007, the intrinsic value of the iPhone lay in its universal touchscreen.



# A SECOND SOURCE OF REVENUE

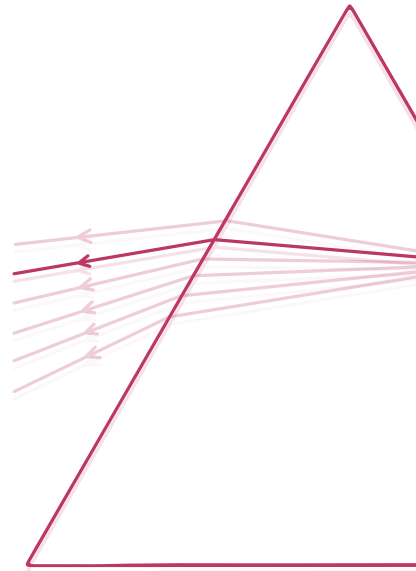
## The tactical offering

When the company starts, the project owners work on their offering to see it succeed as quickly as possible. Even if this concentration of resources on the heart of the business is understandable, it leads them to bet everything on a single source of revenue. If the offering is not marketed in time, the business will find itself short of money. To reduce this risk, the co-founders should also focus on how to monetize their know-how. This is the meta level of their offering, which will enable them to have a second revenue stream.

For example, a company develops an intelligent robot to do the weeding. It has on-board software that enables it to learn the characteristics of the plots of land that it moves around on. The algorithms used may interest a sizeable community of IT engineers, without going as far as revealing company secrets. You can market this knowledge as a tactical offering. Its objective is to generate an alternative source of revenue to the main offering while waiting for it to start being marketed. Before the internet, selling training meant high costs to prospect for clients and logistics in the physical world. Today, monetizing knowledge has been made easier with training and coaching online. It is an interesting sales weapon on condition that you master the basics of digitalization. To take advantage of it, the project owners need to appoint someone to manage the tactical offering from the very beginning of the company's existence. This person will be responsible for its development and bringing it to market. The other members of the team remain focused on the main offering. When it is built well, the tactical offering is not only a source of revenue, but also a means of educating the market more quickly about the main offering. In other words, the synergy between both offerings increases the value creation. It is not about creating another activity in the company and spreading its means too thinly, but giving it an extra lever to develop its main offering.

## Cross-marketing

Although the tactical offering is aimed at the same target clients as the main offering, its marketing positioning is different. Its focus is on knowledge management,



*Remember*

**Monetize your  
knowledge**

#### *Remember*

Create synergy between the main and tactical offerings

and it answers an educational expectation whereas the main offering solves a more immediate and operational need. Thus, they each have their own brand, website, and deployment strategy. The marketing plan of the main offering is synchronized with its stages of development. Until it is finalized to enable the first sales, the communication remains partial. On the other hand, the marketing plan of the tactical offering is deployed more quickly, from the very launch of the company. The know-how is formalized quickly, and it can start to be marketed. You just need a website, a few publications, some support services, and a social media presence. On the legal front, it is not necessary to start another company because both offerings belong to the same legal structure.

#### *Example from the IT sector*

My first experience of a tactical offering dates back to the beginning of the nineties when I was a consultant in an IT company. The main offering was the sale of engineering services. To increase revenue, we had to take the risk of hiring new employees. With no client projects, the engineers found themselves intercontract. They were no longer generating any revenue which led to a financial loss for the company. I had the idea of writing IT guides. This offering formalized our know-how in writing. Their sales guaranteed a regular revenue without the risk of being intercontract. At the same time, the profit margin of the main offering had improved. Indeed, the clients were ready to pay for more expensive services, on condition that the engineers were trained on the practices recommended in the guides. This coupling of both offerings was a goldmine. Our business profited from a scale effect and better profitability.

#### *Example with my start-up*

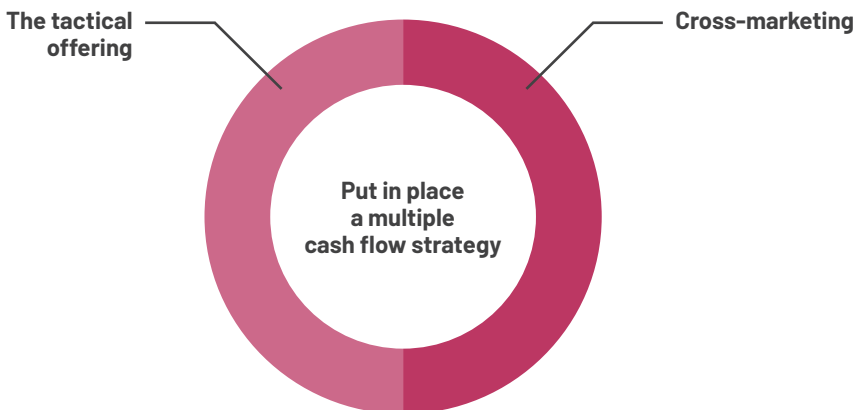
At the beginning of the 2000s, I began my start-up in the software industry. The development of the initial version of our offering required a budget of several million euros. To limit our fundraising, I started writing guides again to use them for a tactical offering. Rather than keeping our know-how secret, we shared it with the market to create an ecosystem around us. The clients subscribed to our vision even before the software itself was available. This alternative revenue strengthened our cash flow, and we kept a better independence vis-à-vis our investors.

In certain businesses, the tactical offering is not limited

to the sale of knowledge. For example, its objective may be to create value from production waste or to collaborate with another company to extend the value chain. Implementing this type of business model requires significant entrepreneurial expertise. The complexity is greater here than simply selling online training. For the entrepreneur who is just starting out, it is not easy to embark on this type of growth model. However, when these opportunities arise, they should not be neglected. They provide an intelligent way of diversifying sources of revenue.

## *My advice*

The strategy of multiple cash flows is well known to mature companies that are looking to diversify their offering. On the other hand, its implementation is rarer for companies that are just starting out. As it is already difficult to successfully launch an offering, undertaking a second seems out of reach. Yet, my experience shows that it is possible but under two conditions. First, the tactical offering must not require any significant financial means. It is therefore intangible and leverages the co-founders' knowledge. Then, it must ensure strong synergy with the main offering to increase the value creation, and not spread the company resources too thinly. I had the opportunity of implementing this strategy, even before digitalization<sup>40</sup>. Today, with the internet, not taking an interest in it is a considerable loss of value creation.



<sup>40</sup> If you want to know more about digitalization, please see the note on this topic at the end of the book.

## OUTCOMPETE THE COMPETITION

Market penetration will be even better if your offering outcompetes the competition. To manage this, there are four well-known deployment approaches that you can use: reduced offering, niche marketing, partnership, and disruption.

### Reduced offering

The offering is initially marketed in a way that seems complementary to those of your competitors. It acts as a Trojan horse for a larger deployment later. Let's take the example of a new company that makes smart suitcases. Instead of launching its target product immediately, it invents a universal electric cart that clips onto its competitors' suitcases. Thus enhanced, they become smart. Sensors give their location, distance traveled, their weight, or else their temperature. Each suitcase has a unique identification coupled with an application to access the data. To go through airport security, the cart's battery is removable and recharging services are available upon arrival. It is therefore a smart offering that relies on technological innovation and services. It outcompetes the competition and is not a direct competitor of suitcase manufacturers. Thanks to this offering, the company's reputation grows, and its sales begin. Later, a new version of the offering is launched. This time, the cart only works with the company's own suitcases. The data management software is more user-friendly and links to promotional offers are included, for example to shops in the airports. The company is now in competition with other manufacturers, but already has a recognized position on the market.

*Remember*

Use a Trojan horse

### Niche marketing

The offering is progressively marketed to customer segments or niche markets. Let's take the example of an electric bike that can transform into a cargo vehicle. In bike mode, the user pedals to stay balanced and weaves their way through the streets. In cargo mode, it is not as easy for the user to get around, but the bike is more stable when stationary and has a trunk to transport goods. To penetrate the market, the first segment targeted is golfers. In bike mode, the golfer can easily transport their equipment in a well-organized manner. On the golf course, the vehicle can

*Remember*

Penetrate the market using niches

be used like a mini golf cart. The mini trunk contains all the equipment ready to be used. This niche marketing strategy is repeated with other customer segments.

## Partnership

The offering is deployed with support from a partner capable of competing with existing players. Continuing with the example of the electric bike, it would mean signing a partnership with sellers of golfing equipment. The golf clubs would fit into clips on the bike and the sellers would have a new source of revenue. To reduce the risks of being too dependent on the partners, you will need to sign several partnership agreements. These partnerships can be enhanced with reduced offerings and niche marketing.

*Remember*

**Find Partners**

## Disruption

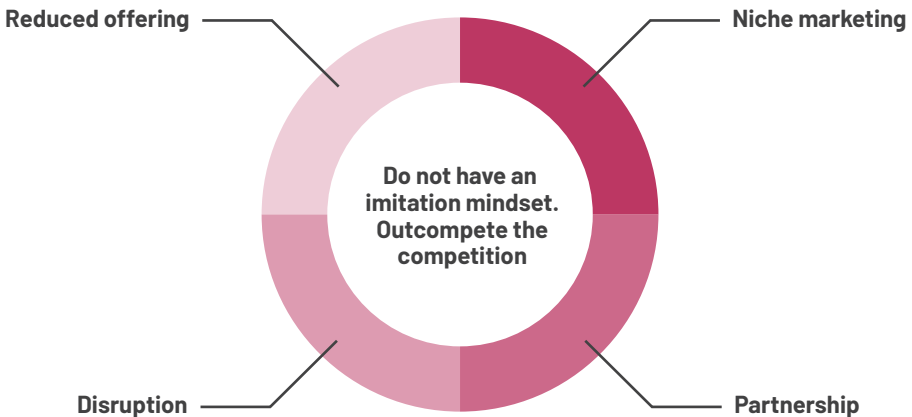
The objective is not to create a new market out of nothing which would be costly and risky. Instead, it is to launch an offering with a positive impact that aims to destabilize the competitors in a monopoly situation. When only a few companies have captured an entire market, weak points finish by appearing. In particular, there may be doubts about how benevolent they are to consumers with prices that are too high, and quality that is falling. These weaknesses provide favorable conditions to launch a disruption offering. For example, in the middle of the nineties, the search engine Yahoo was the internet leader. You had to pay for advertising space on its home page. The omnipresence of advertising banners made the user experience an unpleasant one. At the beginning of the 2000s, Google surprised everyone with a search page limited to a single field. There were no advertising banners. It seemed to be a free business model. In reality, the form of advertising was changing. The ads had been replaced with the purchase of listings in the search results. With this disruption offering, Google deposed the leader of the time.

*Remember*

**Disrupt a monopoly**

## *My advice*

Finding an original idea with an outcompete positioning is not an easy thing to do. Most entrepreneurs chose the easier route of copying an offering that already exists. In this case, you reproduce someone else's business with some more or less intelligent improvements. It is not the best mindset to start and grow a business, and the copy will end up being copied too. Let's take the example of a downtown bakery that is faced with the arrival of a competitor in the same street. As the business volume in this location is stable, the revenue of each bakery will decline. Setting up next to a store to do the same thing is akin to value destruction. All store owners will lose out. The newly opened store will instead have to innovate to attract new customers (different products, original sales processes, new services...), and increase the overall turnover in the business zone. Most of the time, this imitation strategy drags the whole ecosystem down. On the opposite, with a positioning out of reach of the competition, you provide something that is different to the others. Even if it is a more difficult challenge than imitating an existing business, it is the right path to follow for sustainable success.



# THE CO-FOUNDERS

## A relationship of trust

If you start out with co-founders that you have not known for a long time, your probability of failure will skyrocket. To avoid relationship problems, it would be better to take the time to share experiences with your future associates. If you are an employee or a solopreneur, take advantage to build relationships with your colleagues, managers, clients, or partners. In this way, you will be attentive to the idea of a future association. Take your time, it generally requires two to three years to build up trust. However, even when you know your potential co-founders well, you need to check that everyone shares the same personal stake as you do before starting out. In other words, if one is investing their future but the other taking a gamble, your collaboration will not work. As the trader Nassim Nicholas Taleb<sup>41</sup> said: you need to have “*skin in the game*,” that is to say each person has to have the same intensity of vested interest in the adventure. To make sure of this, ask yourselves collectively this question: “*What are we doing here?*”. If the answers you get back are too different, it is the sign that you are not ready.

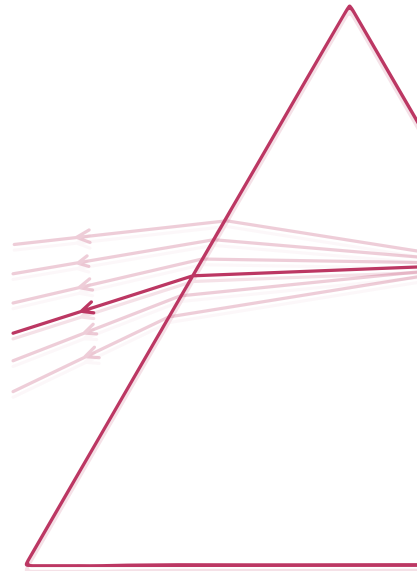
Finally, friendship between co-founders is possible, but it does not always withstand the pressure of the business world. You therefore need to find a balance so that feelings do not get in the way of good management.

## Roles and sales skills

When all the co-founders have the same level of involvement in the company, it is normal that they share the capital equally. Their decision-making power is then balanced. The ideal team is made up of three associates to facilitate arbitration. In this organization, when two of them disagree, the third will play the role of mediator, then of decider. With this trio, each co-founder will cover one of these domains<sup>42</sup>:

1. CEO – Marketing and communication, finance, sales, administration, and PM;
2. CTO – Development of the main offering;
3. COO – Organization of the company, consultancy, evangelization of the market, and development of the tactical offering.

If you do not have the opportunity to start like this, you will find another way to allocate the responsibilities.



*Remember*

**Find your  
co-founders  
in your  
professional  
network**

*Remember*

**Specify each  
co-founder's area  
of responsibility**

<sup>41</sup> Nassim Nicholas Taleb, “Skin in the game,” Random House, 2018.

<sup>42</sup> CEO (Chief Executive Officer), PM (Product Manager), CTO (Chief Technical Officer), COO (Chief Operation Officer).

However, make sure you speak about your roles to your future associates before starting the company. You need an organization with clearly defined responsibilities to keep all your chances of success.

As you can see, the co-founders need to bring together a wide range of skills. At the same time, they need to manage innovation, development, human resources, finance, etc. Among these skills, there are two particularly important ones that you must not get wrong. First, you need a specific aptitude in sales to close the first deals of the main offering. It requires high-level know-how to sign the first sales agreements, even if the offering is not yet perfect. Before you even start to think about hiring your sales staff, one of the co-founders needs to take on the task of demonstrating the ability to sell and perfecting the sales processes. In this way, it will be the example to follow for the future salespeople that you hire. The second sales skill is the one required to sell the tactical offering. It is more directed towards the marketing of training and consulting. It also falls to one of the co-founders to bring this fortitude to close the first deals, and thus show the path to follow for future salespeople. Do not forget that you need to generate sales as quickly as possible to survive and keep your autonomy when facing the investors. For both the main and tactical offerings, the co-founders need to show their ability to rapidly close the first sales contracts, even if the offerings are not yet perfect. If this point is not well understood and accepted by the group of co-founders, the chances of success decrease.

### Remuneration

To avoid money problems, define from the very start of your company the co-founders' remuneration and rules for salary increases. For the allocation of profits, you will have to decide between consolidating the cash flow, investing to support growth, and distributing dividends. Some shareholders will want to invest in the company and others will prefer an income. When the objective is to develop the business, you need to hold off from distributing dividends with the rules that govern them. For example, a maximum amount of 15% of the profits is distributed, on condition that the break-even point is reached and that you have a cash reserve of at least one year's business. Sometimes, the dividends are used to optimize salary taxation. As their distribution is attached to the status of shareholder, you need to avoid this practice. Indeed, every investor receives them and, in the event of a

#### *Remember*

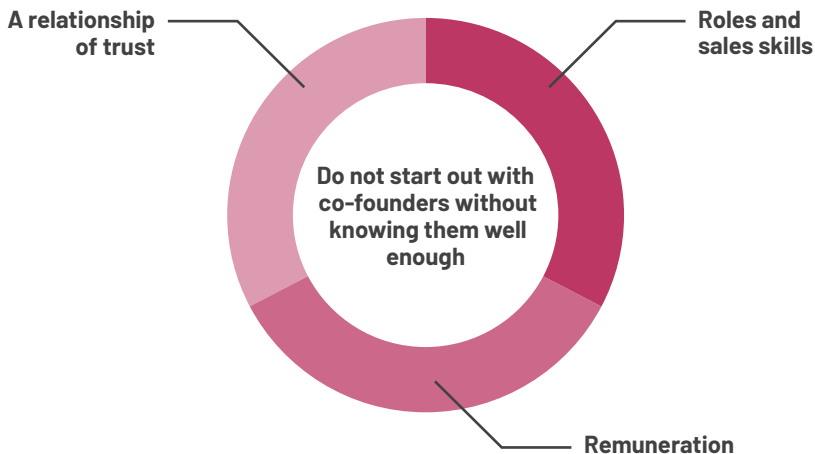
**Favor  
self-financing  
rather than your  
remuneration**

co-founder resigning, except if there are specific rules in the shareholders' agreement, the latter will still have rights to dividends<sup>43</sup>.

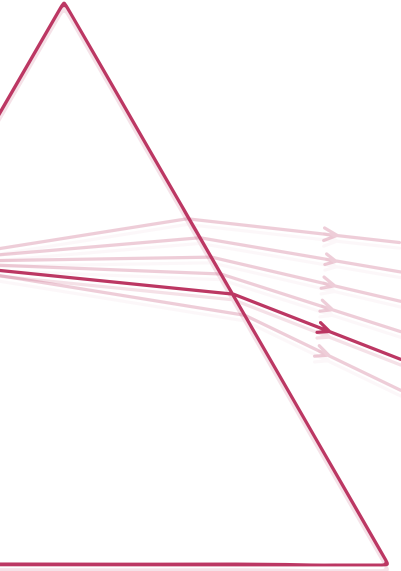
<sup>43</sup> A clause to repurchase shares from a co-founder who resigns avoids the flight of dividends. I will come back to this protection in the chapter dealing with the shareholders' agreement (see the part on "Assurance," section "Transfer of securities, Founders' loyalty clause").

## My advice

The choice of your co-founders is a strategic one. It is a one-way ticket towards another country. Before emigrating, it is in your interest to live there for a few months to be sure that it suits you. In other words, you need to work with your future co-founders to learn to get to know them. Once you have evaluated their qualities and flaws, you will be able to embark on your journey. Starting out as an employee gave me time to build relationships at work and to find potential associates there. I had the chance to work with talented and trustworthy co-founders. One day, however, I was a whisker away from committing to work with an associate who was not the right one. He was a consultant with whom I had established an excellent working relationship over several years. He could help me with a new start-up project. Unfortunately, when we were thinking about the business plan, he turned out to be authoritarian and wanted to impose his decisions. As he was no longer in his role of consultant, his true personality came through. In this type of situation, you must not dither. I decided therefore to end our possible association. If you have any doubts about your future co-founders, do not go any further with them.



## SUPPORT



### The incubator

The incubator is a service provider. How efficient their support is depends on how experienced their consultants are. Unfortunately, it is not uncommon for their team to be composed of consultants who have never been entrepreneurs themselves. They are often young graduates with little experience and more senior profiles who have theoretical knowledge about the business world. In this case, you should not expect to get a lot out of their support. Nevertheless, when the managers of the incubator have an extensive address book, their ecosystem can be of interest, but you have no guarantee that you will have access to it. It is often a closed club. To belong to it, the incubator will probably ask to have an equity stake in your company, in return for sharing their address book. Obviously, with no financial contribution from them, you must refuse. You will not know in advance the quality of their work or that of their contacts. It is therefore dangerous to give away shares so easily. More often than not, the incubator's contribution is reduced to using their premises, classic enterprise management services, and support to raise funds. You can do without all this by learning by yourself, with experience as an employee or as a solopreneur. In doing so, you will build up your own address book. Despite the weak points of incubators, there is a need for real support for young project owners. It is fertile ground to invent other forms of help. This book should inspire a new, smarter generation of incubators. They will take advantage of the META universe for more sustainable support. They will use the meta-entrepreneur principles themselves to digitalize their knowledge to provide an offering that is more accessible to a larger number of entrepreneurs.

#### *Remember*

**Demand a lot from your incubator**

### The mentor

Mentors are experienced entrepreneurs who share their knowledge with project owners. The ideal profile is someone who has already managed to exit a business and who has gained their financial freedom. Thus, they act more by passion than by financial interest. When they accompany a business over a long period, they participate in its advisory board that can bring together several experts from financial, legal, and industrial domains. Depending on the relationship you will have with your mentor and the maturity of your company,

you will determine together the remuneration for the services provided. However, for those businesses just starting up, and when driven by passion, the mentor may decide to support you for free during your initial stages.

After a conclusive period of collaboration, you can offer your mentor a 1% or 2% participation in your company's capital. With the mentor's concrete experience of entrepreneurship, you will have genuine strategic and operational support. The mentor may also be an investor, able to participate in an increase of your capital. When trust is high enough, you can offer your mentor a seat on your board of directors. With a mentor by your side on the board, you will strengthen the corporate governance.

*Remember*

**Finding a good mentor is as important as choosing your co-founders**

## *My advice*

In the investment domain, Warren Buffet follows a commonsense rule: *"I want to be able to explain my mistakes. This means I only do the things I completely understand."* This rule also applies to entrepreneurship. Before throwing yourself into the arms of an incubator or a mentor, you first need to learn by yourself. The META universe for entrepreneurship should help you to do so.



## SALE OF THE BUSINESS

The exit will transform your professional assets into a sum of money in your personal possession through the sale of your company to a third party. It is also the most common way for investors to get their stake back.

### The trigger conditions

For self-employed workers or solopreneurs, the decision to exit the business depends on them alone. On the other hand, with shareholders, everyone must agree for the transaction to happen. Let's take the example of a restaurant manager who decides to sell the business. The manager finds a buyer on condition that the whole business is sold (100% of the share capital), but the manager's business associates are opposed. With no prior legal framework, the entrepreneur cannot force the sale and the exit is aborted. To avoid this situation, the exit conditions must be determined in advance. Thus, as soon as you start a company, the shareholders must agree on a date after which the sale of the business will be authorized for a price floor. Unfortunately, these rules are rarely discussed by co-founders even though they are fundamental to their collective success. I will come back to this point in the legal part of the book (Assurance).

### *Remember*

**Plan the exit conditions from the very start of your business**

### The right tempo to sell

To maximize the amount of the exit (valuation of the company being sold), you have to sell at the right tempo. Most of the time, it is when the turnover approaches a level that would be difficult to exceed in the future. To situate this moment, you need to compare the changes in turnover with a bell curve (or Gaussian curve). Most businesses follow a similar development: birth, growth, maturity, fall in growth, and decline until death. Short-term variations in turnover may give the impression of divergence, but a longer-term analysis generally shows a return to following the curve. Obviously, potential buyers also know how to situate themselves on this trajectory. As the negotiations for the exit will take place over several months, sometimes years, they will also be able to evaluate the maturity of your development. If your turnover slows during the process of selling your company, the valuation of your exit will fall rapidly. Thus, you must sell when

your turnover is still increasing. For shareholders, it is frustrating to sell the company when it has not finished growing. However, it is the best moment to do it. If you miss the tempo, you will need to invest to reach a new level of turnover or overhaul your offering to prompt a new growth cycle. Otherwise, you will sell the company at a reduced price.

## Peace of mind

You have to pay attention to the legal conditions surrounding the sale of your company. The buyer will ask for guarantees on your business, on the absence of hidden defects, tax risks, or else conflicts with clients and employees. When you sell your business, you transfer all its history, from its very first day, to your buyer. If you are not sure to have correctly managed certain legal points, it is important to notify your buyer even if this reduces your ability to sell. For example, in the software domain, if an algorithm or functionality is the subject of intellectual property litigation by a competitor, the company's whole valuation could be affected, and the company could collapse. In this case, the seller will have to meet the penalties of a potential lost court case, even reimburse the buyer for all or part of the value of the sale.

Finally, be careful with a deferred payment of part of the sale amount (an earn-out). Earn-outs are often conditioned by the need to achieve results no longer under the seller's control, like a sales objective. I have always refused this type of clause, and preferred a slightly lower exit amount, but paid in full on the day of the sale (full cash). This does not stop you from planning retention bonuses to ensure that the management team remains at the helm of the company during a transition period for a few months or years after the sale.

*Remember*

**Sell the business when growth has not yet reached its peak**

*Remember*

**Do not sell your company if you are not certain of your legal protection**

## *My advice*

When you start your company, you do not know how long you will stay there. It is a different position from being an employee when you can resign at any moment. Entrepreneurs lose this freedom. When they want to leave their business, they will have no choice other than to sell or to liquidate it. Whatever the size of the company, the exit is therefore in their genes. However, you cannot consider it as an objective with an action plan. Indeed, you do not know how many years will be needed to become an acquisition target. On the other hand, you need to position your business straightaway so that one day it can become such a target. Thus, you need to prepare the conditions for a possible triggering of the sale and be constantly on the lookout for your future potential buyers to be ready.





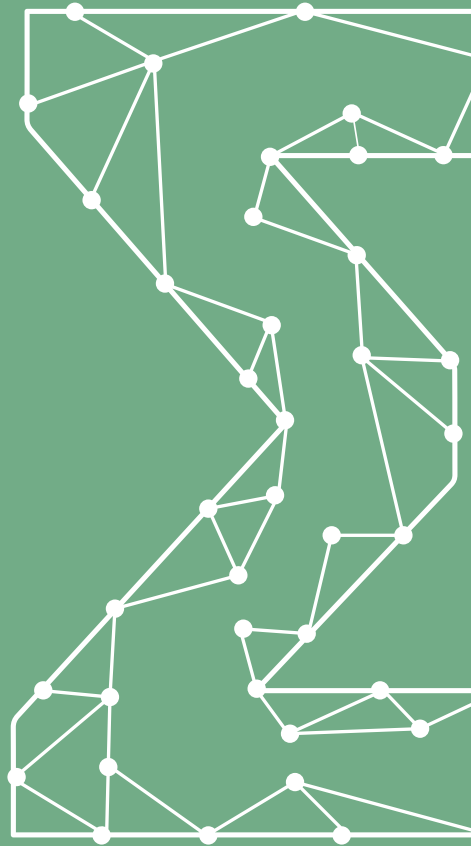
TREASURY  
**META**  
ENTREPRENEUR

# IV. TREASURY

With the “Treasury”<sup>44</sup> (finance) element of META, you drive the financing of your business. This is where your freedom vis-à-vis the investors is played out.

## **Note to the reader**

If you have not yet had the opportunity to learn about how investment rounds work, some of the notions covered in this part of the guide may seem complex. I would invite you to join the META-entrepreneur community website for more information, and to contact me with your questions: [www.engage-meta.com](http://www.engage-meta.com)



<sup>44</sup> “The place of deposit and disbursement of collected funds” (Merriam-Webster).

## TYPES OF FINANCING

### Support from friends and family

To launch their business, the founder brings a personal financial contribution. At this stage, it is not generally possible to approach investors due to the early stage of operations, and bank debt requires that you pledge assets that the company does not have. Using your personal assets as collateral to raise money is not the right approach. I have already mentioned this earlier on, you need to keep the barriers closed between your professional and personal assets, to avoid the risk of personal bankruptcy. There remains the option of potential financial support from friends and family. From a legal standpoint, the most common is a donation from the family or a debt on the company<sup>45</sup>. Less common is the acquisition of a stake in the company<sup>46</sup>, but you must not relinquish shares for modest contributions or services provided. This would lead to a break-up of capital in favor of small, non-professional shareholders. Investors do not like this type of situation and may see it as too great a constraint for future fundraising. It is preferable that the capital structure<sup>47</sup> be only in the hands of the co-founders, professional investors, and key players in the company (talent employee, mentor, etc.).

#### *Remember*

**Do not dilute your capital prematurely**

### Debt convertible into shares

When an investor is ready to contribute funds, but you do not wish to open the capital, it is possible to postpone the acquisition of a stake in the business to a later date. This system is based on either a convertible bond (can be converted into a predetermined number of common stock shares) or a rapid investment deal based on a Simple Agreement for Future Equity (SAFE). For the convertible bonds, the debt will be repaid through a potential future equity stake according to the conditions agreed in advance. For the SAFE, the stock purchase warrant is exercised during the next capital increase, generally at a discounted price, to take into account the early investment in the company's life. At the beginning, the investment is non-dilutive but becomes dilutive when the remaining balance is transformed (convertible bonds) or the stock warrants are exercised to formally record the equity stake. This is a good means of financing at the

<sup>45</sup> You need to declare them for fiscal purposes.

<sup>46</sup> Love money.

<sup>47</sup> Capitalization table, cap table.

start of the business. It is particularly useful when the valuation of the company is too low or too difficult to determine to complete a successful fundraising round. It delays the investor's equity stake to a time when the rise in valuation will be more pertinent. Let's take the example of a business that starts out needing funds of 10,000 euros. The valuation of the company after the contribution is estimated at 20,000 euros. With classic fundraising, you would have to grant 50% of the shares to the investor. The co-founders would be too diluted, and the next investment round would likely fail. It is not in the shareholders' interest. Convertible debt could unlock this situation. The contribution will transform into an equity stake when the valuation of the company reaches a more significant amount or at a time set in advance. If the company does not reach its planned objectives, adjustments would be made. For example, an increase in the number of shares to reach the valuation initially hoped for or a postponement of the debt to a later period in return for a greater participation.

*Remember*

**Delay the  
dilution**

## **Business angels and investment funds**

When acquiring an investment stake, the investor makes an equity investment and becomes a shareholder. During the early years of the company's development, venture capital (VC) players are involved. They are wealthy investors (business angels)<sup>48</sup> and investment funds specialized in the seed phase (seed funds). Their objective is to acquire an equity stake as early as possible in the company's life to secure maximum value. After the seed phase, private equity funds (PE) become involved. The contributions here are far greater with more mature companies. Other types of investors are specialized in still later stages of development, like growth capital funds. They finance those companies that are already well developed.

*Remember*

**Do not raise  
money with a  
fund without  
understanding  
its strategy**

### ***How funds work***

An investment fund is a company that must also raise money. Depending on the size of the fund, it may collect several hundred million euros. It approaches institutional investors, such as insurance companies, investment banks, pension funds, and wealthy families. The fund's *raison d'être* is to manage equity stakes in non-listed companies to resell them on for capital gains. The duration of these investments is around eight to twelve years. A team of portfolio managers is responsible for the choice of companies and their follow-up. They sit on their boards and their

<sup>48</sup> Also called: Angel Investor, Private Investor, Seed Investor.

decision-making power depends on the rules stated in the shareholders' agreements. To understand what influences their decisions, you have to know how their remuneration is structured. When it is based on a fixed salary alone, the future of the companies that they oversee does not change their personal life in any way. In this case, you may be confronted with a portfolio manager who makes decisions that are too risky for your business. To avoid this problem, you should pay attention to these two points:

1. The shareholders' agreement controls the portfolio managers' decisions. The best way of guaranteeing your power is to keep control of the company.
2. It is better to work with portfolio managers who have a vested interest in the fund's success. You can check this by consulting their legal status which must mention a profit-sharing scheme in the section on the portfolio managers' remuneration. This is "carried interest," and is not a simple bonus on files handled, but actual profit-sharing. This part of the remuneration impacts the portfolio managers' personal success. It can reach up to half of their earnings. Thus, the portfolio manager who sits on your board has a vested interest in your company's success. When decisions are made, part of the portfolio manager's personal assets are in play.

### *The profitability model*

To pay for the risk-taking and illiquidity of the investment over several years, the funds promise higher levels of profitability compared to more classic investors. Let's take the example of a risk capital fund with 400 million euros to invest over a ten-year period. On the low-risk financial markets, the average profitability might be around 1.5% per year<sup>49</sup>. With the compound interest formula, the profit would be more than 64 million euros<sup>50</sup>. In other words, the theoretical capital after 10 years would be 464,216,330 euros: €400M \* (1.015)<sup>10 years</sup>. If you gave this money to an investment fund, the average annual profitability objective might be in the region of 5% to 10%. Taking the best-case scenario, this would therefore represent, using the compound interest formula, a profit of 635 million euros in our example. To understand how to reach this result, you need to look at the fund strategy. The explanation that follows does not claim to describe reality, but to be not far from it for educational purposes.

<sup>49</sup> This is the performance after tax and adjusted for inflation.

<sup>50</sup> With this formula, the interests from each period are included in the capital. The capital at the end of the investment period is calculated thus:

$$\text{Capital at end of period} = \text{Capital at start of period} * (1 + \text{interest rate} / 100)^{\text{period}}$$

First, the fund has management fees. It has to pay its team, pay expenses, its communication, expert reports, and its premises. Let's take an average of 2% management fees per year. Thus, over ten years, this represents 80 million euros. The remaining balance of 320 million euros is devoted to buying equity stakes. Even with a high-performing management team, it is likely that 40% of these equity stakes will not amount to much. Using this scenario, there would be a likely loss of 128 million euros. With an objective of 635 million euros to reach, the 192 million euros of healthy equity stakes (320-128) should generate profits of 443 million euros (635-192). As a result, the fund will not be able to take an interest in companies with slow growth. Its interest is to quickly identify the most promising companies in its portfolio to support them first and foremost. The others will vegetate with no additional contributions and will leave the portfolio at knockdown prices. You need to be aware of this type of strategy. Most portfolio managers will push you towards hyper-growth or let you die. This is at odds with the vision of the entrepreneur who decides to follow reasoned and sustainable growth. Some investors do adapt their strategy according to the co-founders' wishes, but they are few and far between.

### *The term sheet*

During negotiations with the investor, an audit of your company will be carried out, as well as the drafting of legal documents. This preparatory work (due diligence) represents a huge workload for both the investor and the entrepreneur. It is better to start it with a pre-agreement in place that sets the important conditions of the investment. This is what the term sheet endeavors to do. It outlines the key points of the future agreement such as the amount of investment, the value of the company, the number and type of shares of capital granted, or else the number of seats on the board. The term sheet is a non-binding agreement, and the investor can change the conditions of the agreement at any time. You must remain vigilant until everything is finalized. Once signed, you will start a process of working with the investor for a set period, during which you will not be permitted to talk to other investors. Be careful not to commit to too long a period. During the due diligence, if you finally decide that the operation is not possible, you can leave the negotiations. However, you must wait until the end of the exclusivity period to negotiate with other investors. If you need to act quickly, this lost time will

penalize you. For a first investment round, and if the negotiation has been well prepared, one month of audit and legal work should be enough to finalize the transaction.

### Crowdfunding

Crowdfunding calls on the public to collect funds. When you need to raise debt, it is fairly simple to put in place. On the other hand, to acquire an equity stake, it poses the problem of equity dilution with many small shareholders, with a governance that quickly becomes complex. To get around this problem, an ad hoc legal structure can be established. It will gather all the small shareholders under a single legal entity, easier to integrate into the corporate governance. In practice, it is uncommon to put this legal system in place as it proves to be heavy. It is incompatible with the sought-after simplicity of crowdfunding.

*Remember*

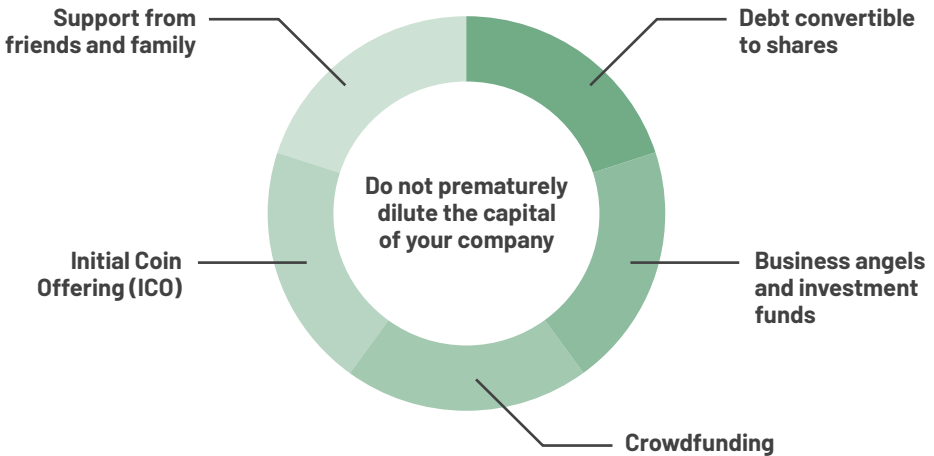
Only use  
crowdfunding to  
raise debt

### Initial coin offering

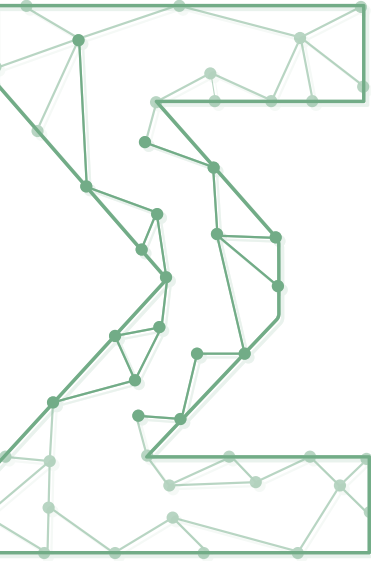
This book does not cover the new blockchain business models. However, we do need to mention a form of crowdfunding that comes with them. The principle consists in creating a cryptoasset attached to the offering marketed on the blockchain. It is a token whose value has an equivalent in other cryptoassets of reference, like Bitcoin or Ethereum. The quantity and use of these tokens are governed by smart contracts. The company can call on the public to sell part of its tokens. This is the ICO (Initial Coin Offering). The token holder is not a shareholder and so the equity of the company is not diluted. In other words, there is no link between tokens and shares. At the time of writing, the legal context that would enable this to happen does not exist. The registration of the token holder is stored on the blockchain, whereas the shareholder is listed in a centralized shareholders' register. This does not stop the token holder from having a right to vote on changes to the offering and on the governance of the project. These rules are also described in the smart contracts.

## *My advice*

At the start of my career, I thought that the fund portfolio managers were experts in entrepreneurship. I was wrong. The job of the investor is completely different to that of the entrepreneur. Both are needed to be successful in business, on condition that they both stay in their rightful place. When entrepreneurs spend too much time raising money, they neglect the operational management. If they do not have solid co-founders who handle the day-to-day life of the company, it is a fundamental risk to the business. And when investors seek to be too involved in the operational management side of things, inevitable conflicts with managers arise. In this case, the very survival of the business could be in doubt.



# FUNDRAISING



## Valuing the company and number of shares

To determine the shares of the capital to be sold in return for a financial contribution, you first need to estimate the company's valuation. Then, the calculation follows a simple rule of three. That is  $x$  being the percentage of shares to sell in return for a financial contribution:

$$\begin{array}{l} \text{Pre-money valuation + contribution} \rightarrow 100\% \\ \text{Contribution} \rightarrow x\% \\ x = (100 \times \text{contribution}) \div (\text{Pre-money valuation} \\ + \text{contribution}) \end{array}$$

The valuation of the company before investment is called *pre-money*. The valuation obtained afterwards is called *post-money*, that is to say: pre-money valuation + contribution. For example, for a company with an estimated valuation of one million euros (pre-money), an investment of 100,000 euros (contribution) gives you the right to 9.09% of the shares ( $x$ ):

*Remember*

Raise funds with an accurate valuation

$$\begin{array}{l} \text{Pre-money valuation + contribution} = \text{€}1.1\text{M} \rightarrow 100\% \\ \text{Contribution} = \text{€}0.1\text{M} \rightarrow x\% \\ x = (100 \times 0.1) \div 1.1 = 9.09\% \end{array}$$

If the company valuation falls to 500,000 euros, you will need to grant 16.66% of shares:

$$\begin{array}{l} \text{Pre-money valuation + contribution} = \text{€}0.6\text{M} \rightarrow 100\% \\ \text{Contribution} = \text{€}0.1\text{M} \rightarrow x\% \\ x = (100 \times 0.1) \div 0.6 = 16.66\% \end{array}$$

## Dilution

The amount of investment is not the only indicator of a successful fundraising round. The co-founders' dilution should also be reasonable. When it is too great, it can lead to them losing control of the company. You must ensure that the valuation is consistent with the amount of money raised. You also need to consider the fully diluted capital structure of convertible securities, that is to say after all existing bonds and stock options have been exercised. In other words, dilution brought about by exercising these securities should not be supported by the co-founders alone, but also by the investors.

## ***The company valuation***

The estimation of the company's valuation relies on analyzing its accounts, but it also has intangible assets that are not known by the accounts department. We are referring to its human capital, know-how, patents, brand, partnerships, or else IT tools. Depending on their quality, they increase the company's valuation (goodwill) or decrease it (badwill). It is not uncommon for the goodwill to represent up to 80% of the valuation of a start-up in the seed phase. In this case, it is a highly speculative estimation. For more mature companies, the valuation is completed by exit valuations already made for similar businesses, referenced in a database that provides ratios by industry (benchmarking)<sup>51</sup>.

On the legal front, the company valuation is accompanied by liability guarantee clauses that protect the investor or buyer against risks that have been deliberately concealed or that arise due to events or actions prior to the transaction. Thus, it is not possible to conceal facts to artificially push up a valuation. For example, if the company has been the subject of a tax adjustment for a period prior to the valuation date, a readjustment of the investment conditions or exit valuation may occur.

## ***Arbitrary valuation***

When the business starts, you do not yet have any significant revenue and your assets are in the making. The valuation is too low to enable fundraising with a reasonable dilution. However, if investors insist on entering the capital at this stage, it is possible to attempt an arbitrary valuation. Let's imagine that the valuation of your new company is estimated at 50,000 euros. It is made up of 10,000 euros of financial contribution and 40,000 euros of goodwill. The latter is justified by the co-founders' profiles and the audience of a blog. This value is credible for investors. However, for the financing of 100,000 euros, you will have to grant 66.66% of the company shares (rule of three presented at the beginning of this chapter). The dilution is too great for an early first round. To get around this problem, you will have to set the parameters of the investment in an arbitrary manner. Considering the initial state of development, you must not grant more than 5% of the shares. You need to keep a healthy capital structure for future fundraising rounds. You could offer the investor a contribution of 80,000 euros for a 5% stake. The investor will have to accept a valuation of 1.6 million euros that is a bet on the

<sup>51</sup> Business valuation registers per industry sector exist. See the chambers of commerce, corporate lawyers, and M&A (mergers and acquisitions) consulting firms.

future. This scenario can only be attempted at the start of the business. Afterwards, you will have a balance sheet over several months that will require a more precise estimation. Nevertheless, do not overvalue the company as it risks jeopardizing the next investment round. We will discuss this in the following paragraph.

### Risk of overvaluation

When the valuation of the company is too low for the funds raised, the share dilution penalizes the shareholders. On the other hand, when it is overvalued, the value creation objective by the next investment round may be impossible to achieve. For the latter, the consequences will likely not be good for the co-founders. I will explain why now. Let's take the example of a company that needs to do two consecutive fundraising rounds, depending on two scenarios. The first shows an overvaluation that leads to the co-founders losing control; the second relies on a more accurate valuation.

*Remember*

**Beware of the  
down round**

### Overvaluation

The company's valuation is set at 3.5 million euros. As the business is in the making, the balance sheet does not provide much information and the valuation is rather speculative. A more accurate valuation would have been 1.5 million euros. However, the co-founders manage to convince the investor to accept the higher valuation. They think that this fundraising round has been a success with an optimized capital dilution. They get one million euros by selling 22.22% of the business:

**Pre-money valuation + contribution = €4.5M → 100%**

**Contribution = €1M → x%**

**$x = (100 \times 1) \div 4.5 = 22.22\%$**

The investor thus holds 22.22% of the capital and the group of co-founders 77.78%. With a capital made up of 10,000 shares, they hold respectively 2,222 and 7,778 shares. Without this overvaluation, they would have granted far more shares. The co-founders are satisfied with their tour de force. However, they do not know that they have just signed away their independence. Indeed, eighteen months later, the company needs an urgent injection of cash. It has to go through a second fundraising round similar to a financial bridge. The amount is for 400,000 euros, a reasonable sum with regard to the first round. Unfortunately, the balance sheet shows a valuation that is not as good as it was at

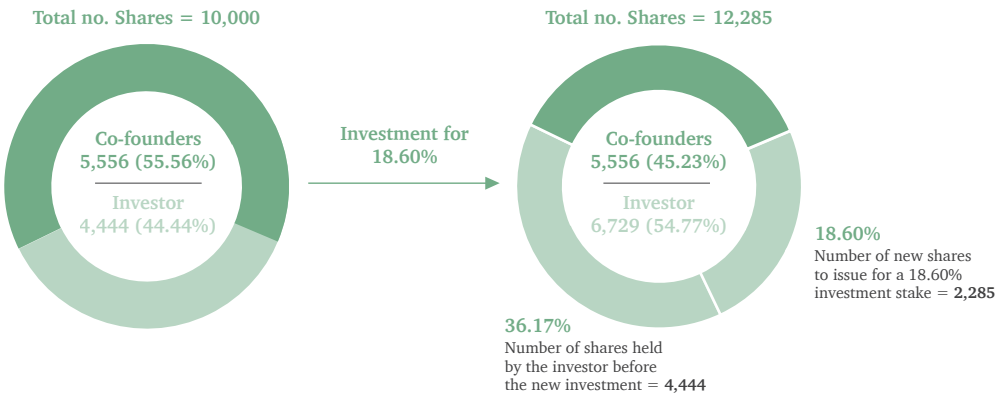
the beginning. It is no longer a question of speculating on goodwill. The penalty falls and the investor imposes that a valuation lower than that of the previous round is taken into account. It is halved to 1.75 million euros. If the co-founders refuse, the cash contribution will not happen, and the company will be bankrupt. Moreover, during the first round of financing, they had not paid attention to the investor's legal ratchet clause<sup>52</sup>. Should the valuation be lower in the next investment round (*down round*), this clause enables the investor to automatically put the capital up again. In our example, the investor's stake doubles. It goes from 22.22% to 44.44%. As a result, the group of co-founders only hold 5,556 shares and the investor 4,444 shares. Thus, for a contribution of 400,000 euros, the new stake for the investor is as follows:

Pre-money valuation + contribution = €2.15M → 100%  
 Contribution = €0.4M → x%  
 $x = (100 \times 0.4) \div 2.15 = 18.60 \%$

The number of new shares to be issued for this stake is 2,285<sup>53</sup>:  $(10,000 / (100\% - 18.60\%)) - 10,000$ . Thus, the total number of shares held by the investor rises to 6,729 (4,444 + 2,285). The percentage of capital held by the investor is 54.77% (6,729 / 12,285). The group of co-founders have lost control of the corporate governance with 45.23% of the shares.

<sup>52</sup> The “ratchet” clause is the increase in the stake of the business by a shareholder when there is an increase in capital. For more details, see the chapter on the shareholders’ agreement (section “Assurance”).

<sup>53</sup> Total number of shares = (No. existing shares / (100% - x%)).



### *More accurate valuation*

In this scenario, the co-founders accept an accurate valuation of the company at 1.5 million euros. They do not expect to raise a million euros and want to keep control of the company. Their business plan allows for an investment of 500,000 euros. Thus, they grant 25% of the shares to the investor.

**Pre-money valuation + contribution = €2M → 100%**

**Contribution = €0.5M → x%**

$$x = (100 \times 0.5) \div 2 = 25\%$$

The capital of the company is still made up of 10,000 shares, that is to say 2,500 shares held by the investor and 7,500 shares held by the group of co-founders. After 18 months, the cash flow need is the same as for the first scenario, that is to say 400,000 euros. This time, the valuation of the company has increased. It is estimated at 3 million euros and is justified by elements in the balance sheet. Thus, the investor's new stake in the business is as follows:

**Pre-money valuation + contribution = €3.4M → 100%**

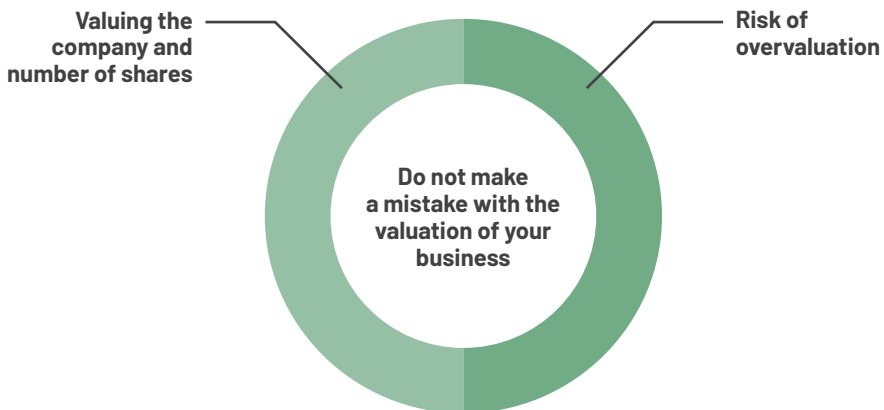
**Contribution = €0.4M → x%**

$$x = (100 \times 0.4) \div 3.4 = 11.76\%$$

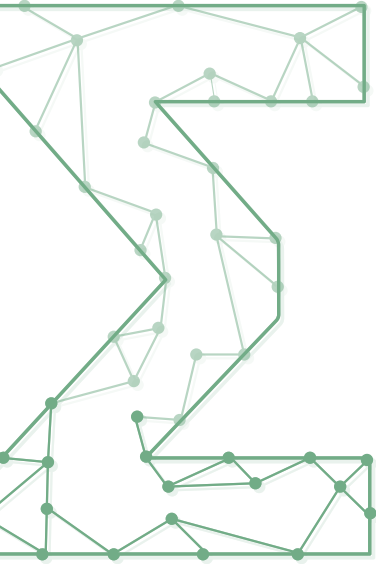
The number of new shares to be issued for this stake is 1,332 shares:  $(11.76\% * 10,000) / (1 - 11.76\%)$ . The total number of shares held by the investor rises to 3,832 (2,500 + 1,332). The percentage of capital held by the investor is thus 33.81% (3,832/11,332). The group of co-founders keeps the absolute majority with 66.18% of the shares, but still gives away a blocking minority against themselves.

## *My advice*

The relationship between entrepreneurs and their investors changes a lot according to the character of each stakeholder. However, we can identify three, very distinct entrepreneur profiles. First, the entrepreneur who does not know the world of finance and who will be exposed to the risk of successive dilutions, until the control of their business is lost. Conversely, the entrepreneur who is experienced in the world of finance will be able to convince investors to commit significant capital up to the point of no return. In other words, the entrepreneur leads them to inject more money than required, without necessarily worrying about losing control of the company. Indeed, the entrepreneur's hold over the board will be strong enough for shareholders to envisage with difficulty the entrepreneur's departure. In this case, the entrepreneur becomes a sort of major debtor, at risk of making their creditor bankrupt. The entrepreneur's chance of success is low, but if they manage to succeed, the return will generally be high. In the case of a successful exit of the company, the entrepreneur's financial wealth will be equal to the significant amounts that the investors will have injected. Finally, the third entrepreneur profile is also experienced in the world of finance. However, their objective is to ensure sustainable growth, by keeping control of their business and limiting the amounts raised. The entrepreneur's chance of success is higher than that of the entrepreneur who forces their investors, but their expected return will be more limited. This profile is the one that is closest to the meta-entrepreneur.



## FINANCING CYCLE



To analyze a complete financing cycle, you need to look at the one for start-ups. It consumes a lot of money over a fairly short period of around ten years. When everything goes well, it ends with an exit or an initial public offering (IPO) on a stock exchange. The stages are then known: pre-seed, seed, acceleration (Series A), and consolidation (Series B, C). In the classic approach, the start-up follows an accelerated growth strategy that pushes it to use its money quickly. From then on, the revenue that it generates is often lower than its costs. The co-founders are then under significant pressure to carry out the successive funding rounds successfully at the right pace. Often caught in the trap of an imminent cash flow problem, they find themselves in a position of weakness confronted with the investors, having to accept conditions that are not in their best interests. In the META universe, the objective is to reduce this pressure by carrying out better synchronized fundraising rounds with break-even points for the company.

“Financial independence is about having more choices.”  
Robert Kiyosaki<sup>54</sup>

### Break-even points

In theory, when the turnover of the company covers its costs (burn rate), a break-even point (BEP) is reached. In practice, you have to maintain this balance for at least one year for it to be confirmed. It will be thrown into doubt when there is a new investment or a drop in revenue. In the META universe, two BEPs are used. The first one is reached with the contribution from the revenue from the tactical offering. It plays a role in self-financing the business while waiting for a first version of the main offering to become available. It is crucial in the company’s launch phase but also later should the business slow down. The second BEP is the one from the revenue of the main offering, which marks a certain perennity of the company’s core business.

### Pre-seed

In the pre-seed phase, the company is legally formed with the contributions from the co-founders. The objective is to develop a prototype of the main offering and to successfully make the first sales thanks to the tactical offering<sup>55</sup>. At this stage, investor involvement is rare. The company does not yet have any significant revenue or stabilized assets. However, I have already mentioned this, certain business angels may hope

<sup>54</sup> American businessman and writer (1947).

<sup>55</sup> Most often by monetizing the co-founders’ know-how with a training and consulting offering.

to enter into the capital despite the early stage of development. As acquiring a stake would require a premature valuation, you either have to postpone it to a later date with a debt convertible into shares or set it in an arbitrary manner<sup>56</sup>. Thanks to the revenue from the tactical offering, the fundraising required at the seed phase will not be carried out under the pressure of an imminent cash flow problem.

*Remember*

**Drive your plan  
by targeting  
the break-even  
points**

<sup>56</sup> See the previous chapter.

Pre-seed funding			
Classic approach	Meta-entrepreneur approach		
	Objective	Investment	Amount
<p>The money built up at the start of the business is mainly used to develop a prototype of the offering. During this stage, the company generates no revenue, and its survival depends on its cash reserves. The first fundraising round to finance the following seed phase is carried out under the pressure of an imminent lack of money.</p>	<p>In addition to preparing the main offering, a tactical offering is developed to generate an alternative revenue stream as quickly as possible. The fundraising round to finance the following seed phase is delayed until there is sufficient alternative revenue to secure the cash flow. The tactical offering leverages digitalization to monetize knowledge. It is also a way of educating the market to prepare for the sale of the main offering.</p>	<p>Investor:</p> <ul style="list-style-type: none"> <li>• Personal contributions.</li> <li>• Help from friends and family (<i>love money</i>).</li> <li>• Business angel (rare at this stage).</li> </ul> <p>Debt:</p> <ul style="list-style-type: none"> <li>• Help from the state and local government.</li> <li>• Debt convertible into shares, SAFE.</li> </ul>	<p>Company valuation before investment (pre-money): too early to value the company. Possibility of an arbitrary valuation for a business angel to enter the capital.</p> <p>Amount to initiate this stage: several thousand euros to 100,000 euros, and more with business angels.</p>

### Seed

Seed funding enables you to accelerate the development of the main offering. The objective is to obtain its first viable version to start marketing it (Minimum Viable Product - MVP). The seed phase can last for two or three years. Beyond that, doubt may be cast on the project's viability. At this stage, the investors' acquisition of a stake is generally around 20%. You must not go beyond 33% to not give away a blocking minority. It is only the beginning of the entrepreneurial adventure, and it is too early to leave the governance to investors. In other words, the co-founders' block keeps control of the company. The investors will wait for the MVP to be a success before becoming more involved in the operational management.

#### *Remember*

Be careful with the hyper-growth risks imposed by investors

Once the fundraising round has taken place, you need to optimize how you will use the cash to create value at the same time as securing your operations. In other words, if you spend your cash more quickly than your revenue increases, you will find yourself in difficulty with a probable lack of cash. To reduce this risk, you need to maintain a financial buffer to cover six months' worth of expenses. You will then need to regularly adjust your expenses depending on the state of your finances. If the cash flow falls too quickly, you will need to reduce your expenditure to come back to the right level of cash. If your sales have stopped, this financial buffer will give you time to find a solution. To get to this point, you will need to take this security into account when calculating the amount to be raised, without necessarily revealing your strategy to your investor. The latter might not understand your precautionary principle for using the cash. In the seed phase, your objective is to get closer to the second break-even point, which relies on the main offering. The revenue from the tactical offering should then decrease progressively, but do not stop it prematurely. In case of difficulty, you should reactivate this offering without wasting any time. Generally, investors prefer that the money is used as quickly as possible to accelerate wealth creation with the main offering alone. Growth will be pursued at an accelerated rate, seemingly with a strategy of double or quits<sup>57</sup>. It is not in your interest to follow this type of growth, except if you have the mindset of a poker player. By adopting a more reasonable development, your potential gains will not be as high as those of the entrepreneur who accepts hyper-growth, but your likelihood of success will be greater. In other words, be careful with investors who push you to go too quickly and do not be afraid

<sup>57</sup> See the chapter "Types of financing" for the reasons that push funds to use a hyper-growth strategy.

of following your own rhythm. The worst situation is to need a financial contribution when you have an imminent lack of cash, that is to say a financial bridge. It will cost you dearly in share capital.

At the end of the seed period, the pre-money valuation of the company should be around 10 to 15 million euros. You will then be ready to raise the money you need for the following acceleration stage.

Seed funding			
Classic approach	Meta-entrepreneur approach		
	Objective	Investment	Amount
<p>The funds are used to develop a first, viable version of the offering. During this stage, the objective is not to break even, but to specify and confirm the business model. Most often, after the seed phase, the company does not have enough cash to continue its business. It finds itself then needing urgent refinancing, and the investors are in a strong position to negotiate the following “Series A” round.</p>	<p>The funds are used to reach a break-even point through the combined revenues from the tactical and main offerings. The operational plan is more progressive than that of the classic approach. The seed phase is therefore longer. The next round will not be conducted with the constraint of an imminent lack of cash. The objective is to maintain the co-founders’ ability to negotiate. At the end of the seed phase, there is a stable business model, and the company controls the calendar for the Series A fundraising round.</p>	<p>Investor: venture capital (VC): business angel, seed funds.</p> <p>Debt:</p> <ul style="list-style-type: none"> <li>• Debt convertible into shares.</li> <li>• Bank debt when the business allows it.</li> </ul>	<p>Valuation of the company before investment (pre-money): between €2M and €6M.</p> <p>Amount raised for this stage: between €0.2M and €2M.</p>

### Acceleration (Series A)

The Series A fundraising round allows you to accelerate the marketing of your main offering. It will enable you to invest in the marketing operations, the recruitment of salespeople, or else opening offices in new countries. It is the last fundraising round where the co-founders can still hope to keep control of the corporate governance. As with the seed phase, you will need to have a cash buffer. With an increasingly heavy organization, you will need a cash advance of twelve months. Here too, it is likely that the investors will push you to spend money more quickly, even if this leads to a cashflow problem. You need to oppose this to protect your strategy.

*Remember*

**Raise funds for the last time without losing control**

#### Acceleration (Series A funding)

Classic Approach	Meta-entrepreneur approach		
	Objective	Investment	Amount
Should this investment round fail, the company will be unable to continue its business. Most start-ups stop at this stage. For those that succeed in this round, they will need to put in place an organization that is able to support significant growth. The business model is endorsed. Reaching a break-even point is not the main objective. The company's organization is oversized to prepare for the coming growth. Costs increase more rapidly than the revenue, which requires an additional "Series B" fundraising round. The co-founders risk losing control of the company.	The funds are used to accelerate the business. The objective is to reach a break-even point only through revenue from the main offering. The company's costs vary according to revenue. The tactical offering is progressively put on ice. It is not obligatory to launch a "Series B" fundraising round. The co-founders keep control of the company	Investor: <ul style="list-style-type: none"> <li>• Venture capital (VC): business angel, seed funds.</li> <li>• Private Equity.</li> </ul> Debt: <ul style="list-style-type: none"> <li>• Bank debt.</li> <li>• Corporate debt.</li> </ul>	Valuation of the company before investment (pre-money): between €10M and €15M.  Amount raised for this stage: between €2M and €5M.

## Consolidation (Series B, C)

At this stage of the development, success is within touching distance. The valuation of your company should be in the range of 50 million euros minimum. If you still have enough share capital and a shareholders' agreement that protects you, an exit will make you a multimillionaire. But, if you prefer to continue growing your business, two possibilities are open to you: self-financing and debt, or an additional fundraising round.

### *Self-financing and debt*

You do not want to dilute the capital any further. There will therefore be no additional fundraising rounds. To finance your growth, you will have to use self-financing and debt. If your financial means are insufficient, you will not be able to take advantage of the full development potential that the market offers, which would lead to a fall in the company's value. I have already mentioned this, a business that is no longer growing loses money. This rule applies to all businesses, irrespective of size. On the other hand, if you succeed in continuing to grow, the existing shareholders will be the ones that derive full benefit from this.

### *New fundraising round*

If you accept to lose control of the company with one or several more fundraising rounds, they will support accelerated growth. The objective is to continue growing to reach a valuation of around one billion euros or more.

*Remember*

**Prepare yourself to lose control or take the risk to go it alone**

### Consolidation (Series B funding)

Classic approach	Meta-entrepreneur approach		
	Objective	Investment	Amount
<p>This investment round enables the company to reach its first break-even point, but the co-founders are very diluted. A listing on the stock exchange on the small capitalization market is possible. As the volume of transactions on this market is small, the shares are not liquid, and their value can quickly fall. In this case, you will need to bet on a public takeover bid led by a larger company to see a rise in share value.</p>	<p>This fundraising round is not advised. Self-financing is preferable so that the co-founders keep control of the company. Nevertheless, it may be necessary to accelerate an international deployment. The sale of the company at this stage is an interesting option for the co-founders, on condition that they have a shareholders' agreement that protects them.</p>	<p>Investor: Private equity.</p> <p>Debt:</p> <ul style="list-style-type: none"> <li>• Bank debt.</li> <li>• Corporate debt.</li> </ul>	<p>Valuation of the company before investment (pre-money): between €50M and €150M.</p> <p>Amount raised for this stage: depending on the context, from around 10 to several hundred million euros.</p>

### Consolidation - IPO (Series C funding)

Classic approach	Meta-entrepreneur approach		
	Objective	Investment	Amount
<p>The funds are used to increase the valuation of the company before its IPO on the mid-capitalization or big-capitalization market (a valuation of several billion euros). Funds are used for acquisitions or the launch of new offerings.</p>	<p>A final fundraising round is generally unavoidable to prepare for the IPO.</p>	<p>Investor: Private equity, Growth capital funds.</p> <p>Debt:</p> <ul style="list-style-type: none"> <li>• Bank debt.</li> <li>• Corporate debt.</li> </ul>	<p>Valuation of the company before investment (pre-money): hundreds of millions, even billions of euros (in this case, the company is known as a "Unicorn").</p> <p>Amount raised for this stage: several tens of millions of euros.</p>

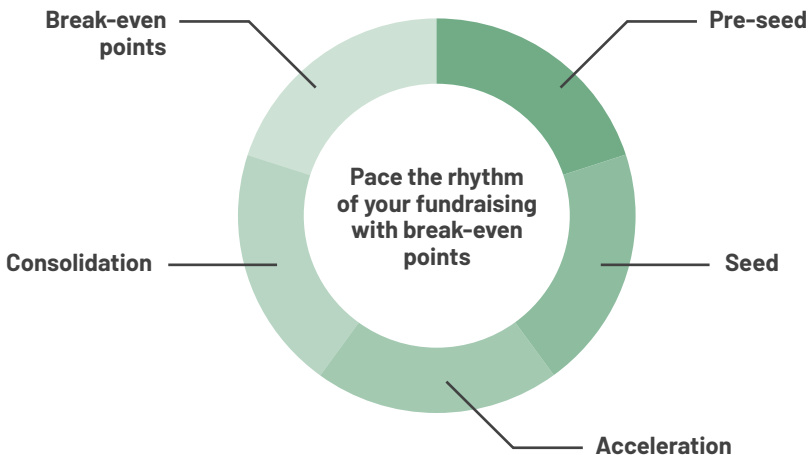
## Summary

The following table summarizes the main fundraising parameters.

	Pre-seed	Seed	Acceleration (Series A)	Consolidation (Series B)
Level of maturity of the offering	Concept	Minimum viable product	Full product	Consolidation
Amount of funding	< €100K	[€200K – €2M]	[€2M – €5M]	> €10M
Company valuation (pre-money)	NA	[€2M – €6M]	[€10M – €15M]	[€50M – €150M]

## *My advice*

The multiple cash flow approach enables the entrepreneur to drive the funding cycle more soundly. In other words, the revenue from the tactical offering reduces the risk of an imminent lack of cash. Even if financial stability is not reached, generating turnover is a reassuring sign that shows that the business has potential. The entrepreneur stays in control of the timing of the fundraising rounds. The worst situation is to go looking for money when you are soon going to run out of cash. In this case, the balance of power is in the investors' favor, and they will use it to their advantage to take more control. In the META universe, the objective is not to invest more quickly than the turnover generated, but on the contrary to synchronize the different growth stages with break-even points. Even if it is not always entirely possible, this strategy helps the entrepreneur to better negotiate with the investors. This mode of funding is prioritized in the META universe.



ASSURANCE

**META**

**ENTREPRENEUR**

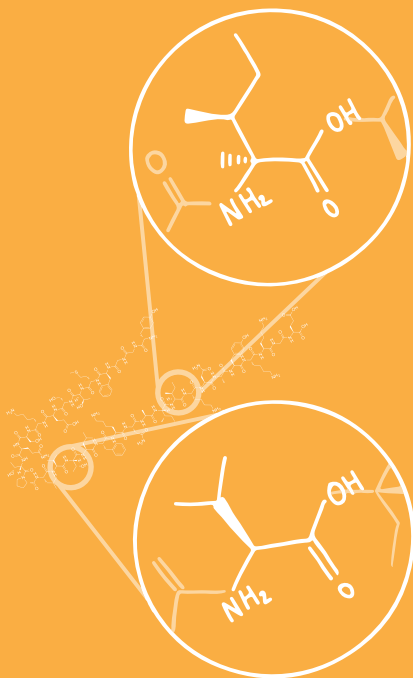
# V.

# ASSURANCE

With the “Assurance”<sup>58</sup> (protect) element of META, you put in place the legal protection of the company<sup>59</sup>. You need to devote yourself to this task as soon as you start your business. Not doing it would be like jumping out of a plane without a parachute. The legal domain is not always a motivating topic for the entrepreneur, but you need to deal with it as you would a sporting challenge. After having suffered through the exercise, you will feel the pain-relieving effects of endorphins generated by your legal protection. In other words, you will be more serene and sleep more soundly, knowing that you have protected your business. You can see that the chemical symbol used to illustrate this chapter is part of the endorphin one. More precisely, they are the chemical symbols of valine and isoleucine. They represent respectively the shareholders’ agreement and the share subscription agreement.

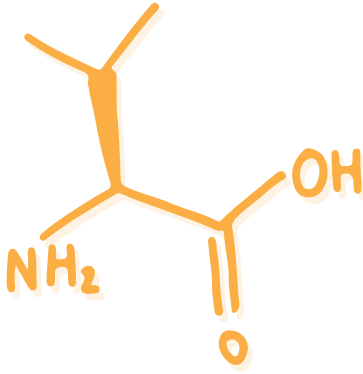
## Note to the reader

If you have not yet had the opportunity to be involved in writing a shareholders’ agreement, some of the notions covered in this chapter may seem a little complex. I would invite you to join the META-entrepreneur community website for more information, and to contact me with your questions: [www.engage-meta.com](http://www.engage-meta.com).



<sup>58</sup> “To make safe” (Merriam-Webster).

<sup>59</sup> To write your legal documents properly, a lawyer needs to be involved.



## THE SHAREHOLDERS' AGREEMENT

The Shareholders' Agreement (SHA) describes the corporate governance. It defines the shareholders' rights and obligations. It protects their collective interest and makes provision for conflict resolution rules. In this chapter, I will detail those SHA clauses that have been important for me in my career. If you are a solopreneur, you do not need an agreement as you have sole control of your company. I would still recommend that you read the clauses to enhance your general culture of entrepreneurship. Perhaps you will be able to use them to help you at some point in the future if you evolve your business. This chapter's chemical symbol is valine. It helps the body to recover after physical effort. Symbolically, the work you do for the shareholders' agreement will bring you a dose of valine to support the energy you use up in the business world.

### When to write the agreement

When you start the company, it is mandatory to write its statutes. They are public and filed with the administration. They describe the purpose of the business and the general governance rules. On the other hand, the shareholders' agreement is optional and confidential to its signatories. It is thus extra-statutory. It concerns first and foremost the major shareholders, that is to say the co-founders and investors. Other secondary or mini agreements may exist, in particular for employees who hold stock options. As it is not public, the agreement sets out the private governance rules between shareholders.

It provides answers to these types of questions:

What happens to the shares of a co-founder who wants to resign? How do you protect the business if a co-founder has interests with a competitor? How do you stop the isolated sale of shares in favor of a single shareholder?

The longer you put off writing the agreement, the less ready your co-founders will be to make concessions in the collective interest. It is when you first start the company that the project owners have the best mindset to agree to common rules. You need to write the agreement at the same time as the company

#### *Remember*

Write the shareholders' agreement from the very beginning

statutes<sup>60</sup>. Let's take the example of a co-founder who resigns a few weeks after starting the company. As the co-founder will still be a shareholder, they will benefit from the value created by the others, which is not fair. The remaining co-founders will want to get the shares back from this former associate, but without a prior legal clause, it is impossible to do so. The mechanism to get shares back in the event of a co-founder's resignation would have been agreed upon in advance with an agreement.

## Issuing new shares

To raise funds, the company issues new shares that are given to investors. The shareholders' agreement does not specify the calculation mode for these shares, but you need to understand it to check that the number of shares issued is correct. You need to know these basic elements of information: share capital, nominal value of the share, and economic value.

### *Share capital*

At the beginning, it corresponds to the financial contributions mobilized to start the company. For example, for a French limited liability company, it is a minimum of 37,000 euros. To demonstrate better financial stability, the share capital can be increased. Indeed, the company's equity<sup>61</sup> must not be lower than half the share capital. For example, if the share capital is 100,000 euros, the equity cannot be lower than 50,000 euros. When this minimum amount is no longer guaranteed, a legal procedure is triggered to increase it, otherwise the company faces possible liquidation.

### *Nominal value of the share*

It is calculated by dividing the share capital with the number of shares. Thus, for a share capital of 7,000 euros and 2,000 shares, the nominal value of the share is 3.5 euros. It is a statutory value.

### *Economic value of the share*

It is the company valuation divided by the number of shares. In the previous section of the book, we saw that this valuation is based on an analysis of its assets and comparable exit values (benchmarking).

<sup>60</sup> Depending on the complexity of your situation, it will cost you between 5,000 and 20,000 euros in lawyers' fees. If you do not have the financial means to pay for this service, you can request a simplified agreement from your certified public accountant, making sure that it includes the points covered in this chapter.

<sup>61</sup> The company's financial resources.

### Example

Let's take the example of a company whose share capital is 10,000 euros, made up of 5,000 shares held by the group of co-founders. The nominal value of the share is 2 euros. An investor offers to bring in 150,000 euros for 20% of the capital. The post-money valuation of the company is therefore 750,000 euros. We now need to determine the number of shares to be issued to the investor in return for the contribution made. The calculation rules are as follows:

**Total no. of shares = (No. existing shares / (100% - x%))**

**x% = stake to be transferred to the investor**

If there are any share warrants, you need to integrate them into the calculation to get the total number of shares after they have been exercised (fully-diluted). This is a particularly important point in the case of capital that already includes investors for they too will have to be diluted after the warrants have been exercised.

In our example, the number of shares issued is  $1,250 = (5,000 / (100\% - 20\%)) - 5,000$ . The total number of shares therefore increases to 6,250 with the investor holding 1,250 of them, that is 20%. If the transaction were done only on the nominal value of the share, the cash contribution would not be possible. Here, it would only be 1,250 shares at 2 euros, that is 2,500 euros. To make up the difference between the nominal price and the economic value of the investment, an issue premium is added. In our example, it is:  $150,000 - (1,250 * 2) = 147,500$  euros. On an accounting level, there are therefore two appropriations: 2,500 euros in capital through the issue of 1,250 new shares and 147,500 euros in issue premium. Finally, 20% of all 6,250 shares does indeed correspond to 1,250 shares. The original shareholders now own 80% of the capital, that is 5,000 shares. The shares keep their nominal value at two euros. The company valuation divided by the number of shares gives the economic value of the share, that is 120 euros ( $750,000 / 6,250$  shares).

### Transfer of securities

The term "security" refers to the different ownership securities of the company, that is to say shares, share warrants, or else bonds. The transfer of a security involves a change of ownership when there is a sale, repurchase by a holding company, exchange, merger, or else succession. The transfer of securities should

not be to the detriment of existing shareholders. The company is a shared asset and solidarity between its owners must be guaranteed. In the absence of rules, a securities holder could impose a new shareholder without the agreement of the others, by proceeding with a partial or total sale of shares held. The shareholders' agreement makes provision for a preemptive right allowing shareholders to subscribe to the transfer proposed. However, that does not stop several shareholders from agreeing to a change in majority to the detriment of the others. It is better to make provision for approval rights that require the majority of the shareholders or all of them to agree to the transfer.

*Remember*

**Protect yourself  
against the  
transfer of  
securities**

### ***In the event of death or bankruptcy***

In the event of a shareholder's death (natural person) or its bankruptcy (legal person), the agreement makes provision for a maximum period for the transfer of securities to the beneficiaries. They are then bound by the agreement. This rule aims to prevent securities remaining without an owner.

### ***Case of a stock pledge agreement***

Shareholders could use their shares to guarantee a debt toward a third party. If they do not make their repayments on time, the lender would then become the owner of the shares. The person would then impose themselves as a new shareholder without the agreement of the others. The existence of this type of pledge agreement could also be of concern to a future buyer and compromise a complete sale of the company. Indeed, a future buyer will demand that all guarantees on the securities are lifted before finalizing the acquisition. Following this operation, the new shareholders could also oppose the sale of the company. To remove this risk, the shareholders' agreement prohibits the pledging of shares.

### ***Founders' loyalty clause***

In the event of co-founders resigning before a certain period, the agreement requires that they sell their shares to the other shareholders. A calculation rule for the repurchase value is decided in advance, low enough to be dissuasive. This clause promotes co-founder involvement in the company, at least during the early years.

### *Case of bringing shares into a personal holding company*

Shareholders could bring their shares into a personal holding company and then sell them by going around the joint-exit rules for the sale (see the following paragraph). The other shareholders would not be able to block the transaction. The agreement prohibits this maneuver.

#### *Remember*

Make provision for the conditions for a complete sale

### **Drag-along rights**

When 100% of the company is sold, the buyer must get all the shares back. If some shareholders refuse to sell their shares, the project to sell the business will fall through. To avoid being blocked, the shareholders' agreement makes provision for a joint-exit obligation that forces each securities holder to sell. This is known as the "drag-along" clause, literally being dragged along with everyone else. The agreement specifies the conditions to be met for the drag-along rights to be triggered. It is not advisable to specify the floor price for the sale in the agreement. The future buyer will consult the shareholders' agreement during the audit, and it should not be disclosed. It is preferable to plan to have another document, separate from the shareholders' agreement that will detail certain conditions for the drag-along rights. For example, the group of major shareholders decide that a sale for a minimum of 50 million euros will trigger the drag-along clause. The other shareholders will be forced to sell their shares at this price, even if they are not signatories to the additional document. In the shareholders' agreement, they will have signed the drag-along clause without the floor price for the sale having been specified.

#### *Remember*

Protect yourself against a partial sale that is to your disadvantage

### **Tag-along rights**

If the agreement allows for a partial sale of securities, all shareholders must benefit from the same exit rights. When the potential buyer is not able to satisfy all the shareholders' requests, the sale is aborted. This is the tag-along right. Without this clause, a buyer would be able to take control of the company by buying the major shareholders' securities, while at the same time refusing to buy those of the minority shareholders. The latter would remain in the capital without being able to make money on their shares.

### **Non-compete clause**

A non-compete clause forces its signatories to

demonstrate loyalty toward the company. It concerns the shareholders and applies to a specific business, identified geographic markets, and a limited period after the exit of the shareholder from the capital. Thus, signatories cannot start or finance a competing company. They cannot propose or provide a service or be hired there. They cannot approach the company's clients, suppliers, and partners with a view to drawing them away for their benefit. Finally, they cannot hire the company's employees.

## Intellectual property

When contributions are the result of work done prior to the start of the business or outside of its existence, the transfer of their intellectual property to the company is essential. If you are not vigilant on this point, you will threaten the very survival of the business in case of conflict with one of the authors. For example, an engineer develops some software before starting their company. If they do not sign the transfer of copyright over to the company, the turnover generated from this software will not belong to it. Should a conflict arise with the author, the value of the business will collapse. The author could oppose the transfer of their rights and block the business. It is not uncommon for a start-up to fail during its seed phase due to an intellectual property conflict between co-founders. One associate may claim authorship of a product and consider that the others did not contribute enough. If the company does not hold the intellectual property of the product, the co-founder can resign and start another business to use it or sell it. The non-compete clause will be able to restrict the co-founder for a certain period, but then they will be free.

## Employee stock ownership

Part of the equity can be reserved for employees in the form of stock options. They are distributed at the start of the business to attract key people, as an accelerator to talent employees' remuneration. A stock option is the right to buy a future share in the company at its current price. For example, if a stock option is worth 1 euro when issued and the sale of the company takes place when a share is worth 10 euros, the beneficiary will gain the difference between the two values. That is 9 euros. The share will be bought at 1 euro instead of 10 euros.

*Remember*

Make sure of  
the co-founders'  
loyalty

*Remember*

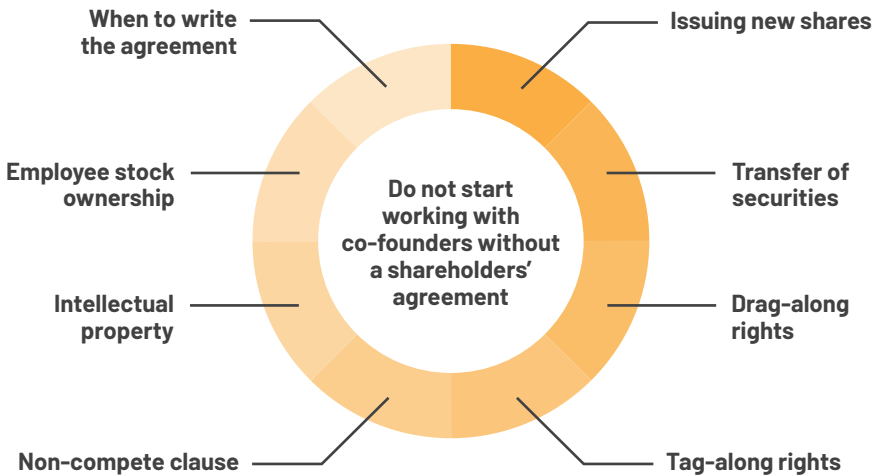
Do not use  
anything until  
you have ensured  
it is owned by  
the company

*Remember*

Offer your  
employees an  
equity stake

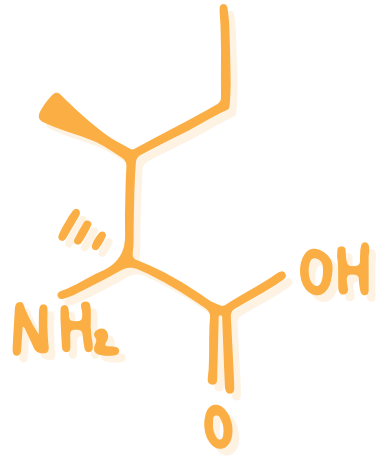
## My advice

When you have associates, you would be well advised to plan to have a shareholders' agreement to avoid conflicts. Even if you think that it is not a priority when you start your company, you need to do it. From day one, your business is going to create value. If, later, a disagreement arises with your co-founders, not having an agreement could mean the end of your business and the destruction of the value created. If you do not have a lawyer to assist you, you will have to write it yourself in a simplified manner with the help of your certified public accountant, who will give you a model to follow. Make sure that the points covered in this chapter are included. In this way, you will increase your chances of success, and your credibility in front of the investors. Indeed, instead of them imposing their own agreement with their governance rules, you will be able to set yours against theirs during the negotiation.



# SUBSCRIPTION OF SHARES

In addition to the shareholders' agreement is the Share Subscription Agreement (SSA) that specifies the conditions to buy shares. Its signature is conditioned by that of the shareholders' agreement. Investors usually ask for preference shares<sup>62</sup> that give them specific rights. The subscription agreement details how they work. The chemical symbol used to illustrate this chapter of the guide is the one for isoleucine. It stimulates growth and regenerates tissue. Symbolically, the share subscription agreement provides isoleucine to your entrepreneurial adventure.



## Protection of the investor

Professional investors hope for a return on investment of between five to ten times their initial contribution<sup>63</sup>. For example, for an investment of 100,000 euros, they would expect to recover at least 500,000 euros after eight to 12 years. Even if the business has developed well, this result is difficult to achieve. Moreover, the company may go ahead with more fundraising rounds that will dilute the investors should they not participate. To cash in the hoped-for gain, they cannot content themselves with the progression of the company's valuation alone. They will ask to benefit from an accelerator of their gain. Their investment will then be conditioned by the addition of clauses in their favor exercised at the exit. For example, they will insist on recovering two (or more) times their initial stake before the distribution to other shareholders begins. When the exit value is not good, it is a disaster for the co-founders who no longer have enough to distribute between themselves. Another mechanism to accelerate the gain relies on preference shares. This type of share has specific rights that are favorable to investors.

Let's take the example of a company that is sold for a value of 10 million euros. An investor brought in a 500,000 euro stake in return for 20% of preference shares. The investor has two accelerators at their disposal. First, when the sale takes place, they will receive three times their initial stake before the distribution between the shareholders starts. Then, each preference share will give them the right to two ordinary shares when the valuation does not reach a certain amount, which is the case in our example

### *Remember*

Carefully check the behavior of the investors' preference shares

<sup>62</sup> Convertible Preference Share (CPS) and Seed CPS for shares allotted during the first seed investment round.

<sup>63</sup> It is a profitability objective on a company. In the investor's portfolio, most of the other stakes will not provide as much.

(see also the following paragraph on anti-dilution or ratchet). During other fundraising rounds, their equity stake fell, finally reaching 15%. The consequences of these rules for the co-founders are serious. From the 10 million euros at the exit, the investor will receive:

- Three times their initial stake: 1.5 million euros.
- With the conversion of the preference shares, their participation of 15% is doubled and rises to 30% for the calculation of its distribution. From the remaining sum of 8.5 million euros, they then receive 2,550,000 euros.

Finally, for a 15% equity stake, the investor recovers 40.5% of the exit value (4,050,000), that is 8.1 times their initial stake (4,050,000 / 500,000). There is still 5.8 million euros left for the co-founders, but if the exit value falls to five million euros, the acceleration rules are more penalizing. In this case, the investor would earn:

- Three times their initial stake: 1.5 million euros.
- With the 30% of their preference shares and the remaining sum of 3.5 million euros: 1,050,000 euros.

This time the investor will recover 51% of the exit value (2,550,000 / 5,000,000), instead of 40.5% in the previous scenario. The co-founders share 2.45 million euros between them.

Project owners often realize too late the impact of this type of clause. They are written when the investor enters the capital, and in the excitement of finalizing the fundraising. Without meticulous legal support, the co-founders do not realize the risk. It is only several years later, at the exit, that they will find out the importance of these conditions. The protection of the investor is legitimate, but it must remain fair to also protect the co-founders' interest.

### Distribution of dividends

From the investor's point of view, the profits should instead be used to support growth. Indeed, the return on investment takes place when the company is sold, and not during its development. The co-founders must also follow this logic, at least during the initial years. To limit their desire to distribute dividends, the preference shares give the investor a dissuasive accelerator. For example, a preference share pays twice the amount of the dividend paid out for an ordinary share. Let's imagine an investor who has 30% of preference shares. With a dividend of 100,000 euros to distribute, the

#### *Remember*

Prefer self-financing to distributing dividends

investor will receive 60,000 euros (2 x 30,000 euros). Only 40,000 euros will therefore remain for the co-founders. In a general assembly, the investor may also have a veto right over their distribution.

## Anti-dilution (ratchet)

During an investment round, if the economic value of the new shares is lower than that agreed upon in the previous round, there is a dilution risk for the shareholders (a down round). The agreement must allow them to subscribe to the increase of capital in a preferential manner to force the investor to raise the offer made. However, if the shareholders do not have the means to increase the price, this right no longer works. It is therefore in their interest to receive preference shares with a revaluation rule. The investors have this rule at their disposal to protect themselves from an investment round at a reduced valuation.

For example, during an initial fundraising round, the economic value of the ordinary share is 100 euros. This value is used as the reference for the preference shares. Later, a second fundraising round reduces the economic value of the ordinary share to 50 euros. In this situation, the shareholders who do not have preference shares are diluted. The value of their equity stake drops by 50%. On the other hand, the holders of preference shares benefit from a conversion rule into new preference shares (or ordinary shares) to reduce their dilution. For example, by giving two shares for one preference share, compensating the dilution up to a 50% drop in the valuation. The conversion rule is negotiated when the subscription agreement is drawn up and can make provision for an adjustment mechanism that is more or less favorable. Generally, the conversion of preference shares entitles you to other preference shares. Investors are then always protected against other future drops in valuation and retain their specific rights. It is only when they exit the capital of the company that they will transform their preference shares into ordinary shares one last time.

Pay attention to these anti-dilution rules known as ratchet clauses. They are also present in the shareholders' agreement and need to be reread by a lawyer. If they are not well written for the co-founders, the latter may lose a great deal of value when they refinance. Depending on whether you are the project owner or the investor, the ratchet clauses do not have the same interest. For example, some investors impose revaluation rules should sales objectives not be reached. For the project owner, it is too dangerous to

*Remember*

Pay attention to  
ratchet clauses

lose equity shares because the sales are behind. This type of clause is not legitimate. The tolerable case for the ratchet is the one when shares are adjusted according to a drop in the company's valuation.

### Liquidation preference

This clause protects investors in the event of the liquidation or sale of the company at a lower valuation than at the time of their investment. In this situation, they would like to get their contribution back on a priority basis over the other shareholders. Let's take the example of an investor who brings in one million euros. Some years later, the company is in compulsory liquidation and the net residual value is 100,000 euros<sup>64</sup>. With the preferential liquidation, the investor will recover the whole sum and there will be nothing left over for the other shareholders. As investors collect a gain in the event of success, they should also accept a share of the losses in the event of failure. A fair solution would be to limit the preference liquidation in time, for example to five years after investment. After this period, all the shareholders will find themselves equal.

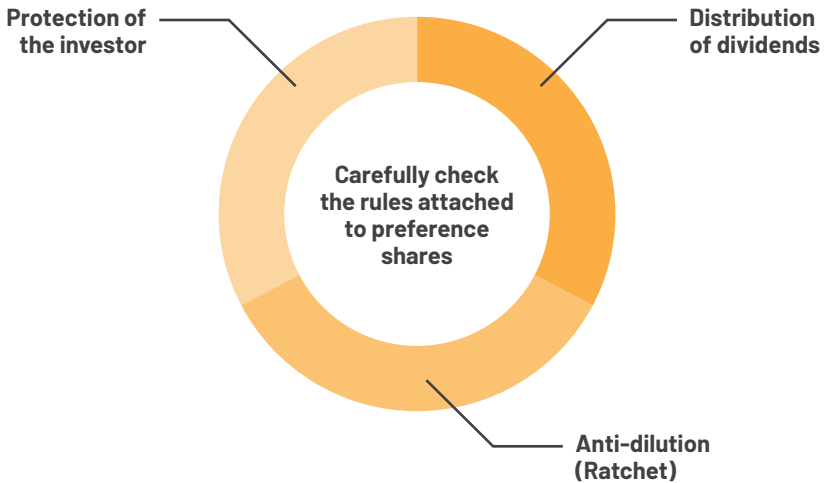
#### *Remember*

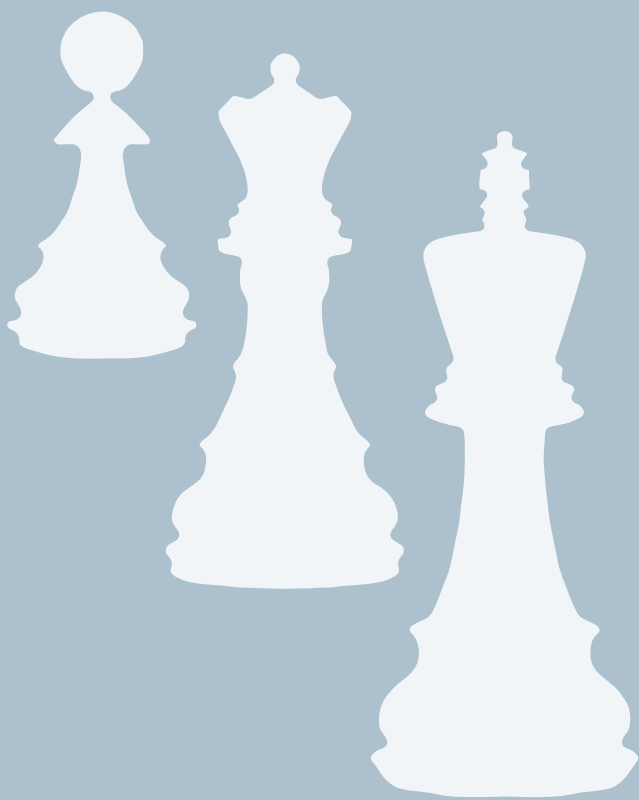
**Limit the liquidation preference in time**

<sup>64</sup> It is the amount available after having paid the employees and the creditors.

## *My advice*

Pay attention to the behavior of preference shares. They have a considerable impact on corporate governance and how the exit value is distributed. They are also the means of activating anti-dilution (ratchet) clauses that are not in the co-founders' interest.



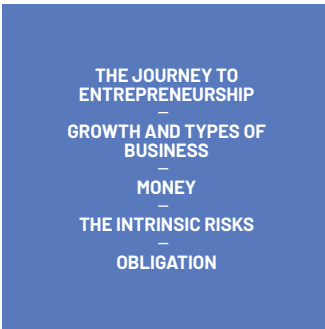


# VI.

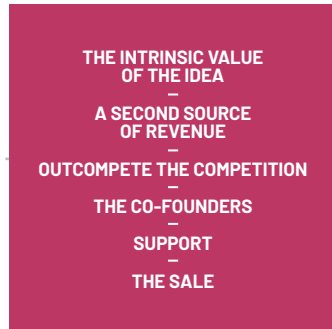
# CONCLUSION

Most entrepreneurial approaches favor action and overly neglect analysis. It is true that study reports rarely generate revenue. Entrepreneurs act, aware that they will make mistakes that they will then have to correct. Unfortunately, not everyone has the strength to recover from repeated failures nor the time to redo things properly. The lack of success in early-stage companies has a lot to do with insufficient analysis. Entrepreneurs become exhausted modifying their strategies and correcting their mistakes, until the moment when the very vocation of the business becomes blurred. In fact, analysis is greatly lacking. This book shows how to give it a more pertinent place once again, through a mind map of your knowledge about entrepreneurship. This meta level allows you to organize what you know better so you can analyze things more quickly and keep the momentum going at the right pace. The mind map that I revealed in this book is made up of the four elements that form the META universe: Motion (move), Engagement (act), Treasury (finance), and Assurance (protect).

**MOTION (Move)**



**ENGAGEMENT (Act)**



**META  
ENTREPRENEUR**



**ASSURANCE (Protect)**

**TREASURY (Finance)**

For each of these elements, you have to ask yourself the right questions. This guide will help you do so with some fundamental practices. Every time you make a decision, be careful to think globally, considering the whole mind map. In an increasingly complex and rapidly changing world, being able to manage what you know is a decisive weapon for success. But more than that, you need to make the effort to enhance your own mind map from elements in this guide, and throughout the whole of your entrepreneurial adventure. So that you are not alone in this exercise, I would invite you to join the META-entrepreneur community: [www.engage-meta.com](http://www.engage-meta.com).

With this more global vision of the business world, you will not find yourself stuck answering questions that are the common lot of every successful entrepreneur: do you have an obligation to act? Are you ready to make sacrifices now for rewards in the future? How will you parry each of the eight intrinsic risks of entrepreneurship? Why do you want to launch a start-up rather than another type of business? Are you ready to leave behind what you have today to build another future? How will you protect your business? What should your relationship to money be to achieve a certain harmony in your life? Even if you will not always have the answers to these questions, analyzing them will help you to sort through your thoughts. By doing so, you will increase your chances of business success.

## Example of a meta-entrepreneur

To perfect his famous vacuum cleaner, James Dyson<sup>65</sup> explained that he had to build 5,126 prototypes before the 5,127th was a success. In 1992, he started his company that would make him a multibillionaire. He sums up the tenacity driving him with this quotation: “Enjoy failure and learn from it. You can never learn from success.” However, what would he have become had he not succeeded after a 10,000th prototype? He would have doubtless stayed in the shadows, like all the other entrepreneurs who improve their invention throughout their whole life, without ever knowing success. Those that manage to make it have something extra than just the force to learn from their mistakes. I imagine that James Dyson had, in particular, a long-term vision and was mentally prepared to succeed. His entrepreneurial DNA was doubtless exposed so that success was not simply a motivation, but an obligation. I believe more in this character trait than just in learning from your failures. Of course, mistakes

<sup>65</sup> British entrepreneur, famous inventor of the Dyson brand of vacuum cleaner (1947).

are opportunities to grow our knowledge, but it is not enough to succeed. If it were the case, there would be far more happy entrepreneurs. I am convinced that James Dyson is a meta-entrepreneur. To make it as long as he has done with his company and manage to build an empire from nothing, you need a lot of preparation before you act, with a long-term vision, financial independence to maintain your course, and a legal protection of the business to support growth. They are the pillars of the META universe.

### **A final word**

By discovering my journey in this book, perhaps you told yourself that I have a great ability to make sacrifices over a long period. Of course, I would have liked to go more quickly, but the wealth of the journey is sometimes more intense than that of the result. My story is an example of the case in point. I have no regrets from these thirty years of entrepreneurship, punctuated with exciting steps and carried out with people who taught me a lot. I was lucky enough to accumulate sufficient experience to formalize the META universe. Taking your time is also one of the keys to sustainable success. My route is far from over. Today, I accompany project owners as a mentor and business angel. I am also taking the time to write my next book about the world of money. It will explain how I became a “meta-investor.” Indeed, I have not yet told you everything about my relationship with money and my way of investing over the long term, and beyond my own lifetime.

*Now it's over to you...  
Have a good entrepreneurial  
adventure in the META universe!*

*Pierre Bonnet*

Join the META-entrepreneur community: [www.engage-meta.com](http://www.engage-meta.com)



**VII.**  
**SUPPLEMENTARY**  
**MATERIAL**

# NOTE ON DIGITALIZATION

In today's world, being able to use the internet well is a question of social and professional survival. If you are not yet convinced about it, this technical note should change your mind. Fortunately, you are lucky enough to be starting out at a time when tools for website creation, setting up databases, and even application development do not systematically require programming. We are in the age of "Do it yourself." Solutions under the umbrella term "No Code" allow you to digitalize certain processes without learning how to code. The first notable tool of this new generation was the Bubble<sup>66</sup> platform that began in 2012. No-Code tools work on demand on the cloud (remote infrastructures). You therefore do not have to configure computers or buy expensive software licenses to start<sup>67</sup>. The cost of using these solutions increases as your business grows. At the start of your business, it should not cost you more than a few dozen euros a month.

## Example of a 100% physical business

Before going through the different digitalization tools, I am going to take a fictional example of a business which, at the beginning, operated 100% in the physical world. Let's imagine that you are the owner of a hairdressing salon with loyal customers, but that you are not able to renew this clientele quickly enough. When you started your salon, you were the only one in the street. Since then, some big brand names in hairdressing have arrived in your district and their online communication is putting you in the shade. Without an online presence, you think that it will be difficult to attract a new clientele. With stagnating revenues and no new customers, the future looks bleak. Let's imagine what your digitalization could be like. The measures that I am going to describe here are not simple to implement in terms of communication and mastering your business. You need to have a lot of conviction and talent to build up an online audience and transform it into customers. However, even if you do not manage to do everything that I describe, a more modest result will already be a success to go further. Your customers will be interested in your online adventure and word-of-mouth will help you to

<sup>66</sup> [www.bubble.io](http://www.bubble.io) - Tool used to create applications on the web.

<sup>67</sup> In this technical note, I refer to the names of some software tools. These are not recommendations, simply examples. All rights relating to these tools remain the full property of their respective owners. Between the publication date of this book and when you read it, it is possible that some of these tools will have changed name or no longer exist. You will have to update them yourself.

increase your sales. You will be the hairdresser who goes digital.

### *Create your audience*

First, start a website and a blog to share your best practices about hairdressing. You need an original editorial line to attract an audience and a regular publishing rhythm. The tools you need to do this are available at a modest cost. You need to have sufficient flair to write your blog posts and to include videos that add value. They can be short mood sequences on how you feel about your job, hairdressing tips and tricks, but also any promotional offers you are running. As there are no borders on the internet, most members of your blog will therefore not be from your town. Only a minority will come through your salon doors. If you do not market anything else, the return on investment for your digital strategy will be low. You therefore have to go one step further in your efforts with a strategy to monetize the audience.

### *Monetization strategy*

Now start a YouTube channel to broadcast free haircare tutorials. Once you have got a few hundred members, you will be ready to launch an online training course, several hours long, on the theme “The art of hairdressing at home,” for example. Obviously, you need to have the right knowledge and know-how that is likely to interest your audience. Your members will discover your best haircare practices that they can do by themselves and your tips and tricks that can be found nowhere else. You will increase your visibility with a social media presence to relay your promotional offers and publish customer testimonials. After a few months’ experience in the digital world, you will have learned some interesting things. You need to formalize them in an e-book. The book will retrace your entrepreneurial journey in hairdressing and the way you feel about your digital journey. Even if you have not yet done that much, this experience will be of value to entrepreneurs who are just starting out. With social media, the blog, an e-book, the online training, and your physical salon, you will capture more and more data about your customers. To use this data better, you will then be able to store it in a database with tools that are quite easy to use<sup>68</sup>, far more efficient for management than spreadsheets such as Excel or Google Sheets, while being almost as easy to implement.

<sup>68</sup> [www.knack.com](http://www.knack.com),  
[www.airtable.com](http://www.airtable.com),  
[www.notion.com](http://www.notion.com)

### *Revenue from sponsorship*

With a YouTube channel with several thousand subscribers, you should be able to publish videos that generate hundreds of views. Your audience will be too small to benefit from significant advertising revenue, but you will be able to establish business partnerships. With 10,000 qualified subscribers involved in your community, a sponsor should pay between 3,000 and 10,000 euros for a few appearances in your videos. With a rhythm of two partners per month, you could generate a monthly revenue of around 10,000 euros. Of course, it is very difficult to build such an audience base and to keep it alive. You need heart, conviction, and talent to manage to do so. The more you share what you know in a benevolent manner, the more likely you are to secure the loyalty of your members.

### *Sales*

From a database with 20,000 members, your online training course should generate significant sales. With a qualified audience, you can hope for a customer conversion rate of about 2%. An email campaign using this file should therefore enable you to get 400 customers. For a training course at 20 euros, that is a potential revenue of 8,000 euros. To increase the audience, you can advertise with the search engines. Let's imagine that you grow by 1,000 new members a month. Therefore, with the conversion rate of 2%, you will transform 20 customers per month for a revenue of 400 euros. It is not yet enough to be wealthy, but it could be a regular income stream. Of course, for word-of-mouth to work (viral marketing), the quality of your services must be irreproachable. With new training modules, you will make additional sales to half of your customers. Over the course of a year, assuming you have 30,000 members and a 2% conversion rate, that represents 600 potential customers. Half may buy a more expensive training course from you, for example at 50 euros. The revenue would then be 15,000 euros (600 customers \* 50 euros). The annual turnover would be close to 27,800 euros:

- 8,000 euros from the 20,000-member audience;
- 4,800 euros with a monthly growth in audience of 1,000 members;
- 15,000 euros with the help of an additional sale to half of your customers.

With a larger audience and other training modules for which you have to pay, these figures could soar.

You will also be able to sell partner products and get paid commission on the turnover generated by your members (affiliation and dropshipping).

### *The intermediation platform*

Buoyed by your success in the previous steps, you will be able to go one step further by launching your own start-up in the hairdressing domain. You can offer a web storage space to your customers so that they can keep their “before and after” photos from each visit and the list of beauty products used. This will be the “My hairdressing space” application. Customers will find their most recent haircuts easily and the haircare treatments they had done. They can keep a record of their needs and follow the changes during their lifetime. This is an ideal way for parents to put together hairdressing albums for their children. To carry out this project, you will need to develop software helped by IT engineers. For this type of application, the No-Code tools will probably no longer be able to do everything.

You will not limit the use of this digital service just to your own customers. You can make an offer to other hairdressing salons to join you on your platform in return for a subscription. The partner salon will provide its customers with the possibility of connecting to your platform to take advantage of the service too. This service is then customized for its brand. With a few hundred salons, your monthly income will be several thousand euros. Thanks to this money, you will be able to invest in your software, but also in physical hairdressing salons that will take advantage of your digital fame.

Let’s come back now to a more general presentation of the different digitalization tools, starting with the simplest of them all, the website.

### **The website**

At first, the website is institutional and limited to presenting your business through a few static pages. There is no database yet and no visitor interactivity. You will use No-Code web creation tools that provide similar functionalities to word-processing software<sup>69</sup>. They are available from servers that also provide the IT environment and services. You will have to buy your domain name and then you can publish your site. In a few clicks, you will have an online presence on the internet. When your needs can no longer be handled by the No-Code tool, you will have to modify your pages yourself using the HTML programming language. If

<sup>69</sup> [www.weebly.com](http://www.weebly.com),  
[www.wix.com](http://www.wix.com)

you do not wish to learn this technology, you will have to work with developers.

### ***Catalog of offerings***

The next step consists in presenting your offering as a catalog of products and services. Instead of writing static pages, you would be well advised to use a more structured data format to be able to update the content better. For example, a spreadsheet can be automatically converted into web pages by a No-Code tool<sup>70</sup>. When your catalog changes, you will not need to modify your pages: simply update the data in the spreadsheet and regenerate the page. At this stage, you will not yet have an online shop to take orders. Your customers will still have to contact you or go to a physical point of sale to buy your offerings. You can also use spreadsheets to generate all kinds of web pages, notably data entry forms. Other No-Code tools will do this for you<sup>71</sup>.

### ***Can we do without a website?***

Instead of directly creating your website, you can use the services of a social network. Your page will then be published on these platforms. However, it will not give you as much freedom as having your own website for the following reasons:

- The social network's graphic charter will hide your brand.
- It will not be easy to add your own services, like a link to your blog or another online shop.
- Even if a social network's audience is important, not everyone is there. You will therefore not be able to reach all your target.

The same constraints exist with marketplaces like Amazon or Alibaba. When you start your business, using these platforms acts as an accelerator. However, you would be well advised to supplement them with your own website to provide more value-added content, strengthen your brand, and increase your potential audience.

### **The online shop**

On a technical level, setting up an online shop can be done without programming. You can also use No-Code tools<sup>72</sup> to:

- Describe the catalog of offerings with the products and services sold;
- Define the pricing policy with the discounts and

<sup>70</sup> [www.sheet2site.com](http://www.sheet2site.com),  
[www.glideapps.com](http://www.glideapps.com)

<sup>71</sup> [www.molnify.com](http://www.molnify.com),  
[www.plecto.com/lp/excel-dashboard](http://www.plecto.com/lp/excel-dashboard),  
[www.appizy.com](http://www.appizy.com)

<sup>72</sup> [www.shopify.com](http://www.shopify.com),  
[www.woocommerce.com](http://www.woocommerce.com)

taxes to be applied;

- Manage customer accounts;
- Manage stocks;
- Choose the delivery options and terms for returns;
- Combine the sale of products and services;
- Manage invoices;
- Manage online payment<sup>73</sup>.

These tools behave like a simplified software package to manage online orders. But, beyond the deployment functions for the web, you also need to handle order management in real life. For the sale of physical products, you have to solve a logistics headache that includes managing stocks, deliveries, and returns. You need to put in place logistics processes that remain profitable and provide good quality for your customers. You will be more easily operational if you sell digital goods with no supply chain constraints. It can be done with software, an e-book, other creative works, or else a service. The following table draws up an overall vision of the possible business models. I have taken Amazon as an example of marketplace, but others exist like AliExpress (Alibaba)<sup>74</sup>.

The following abbreviations are used to identify the entity responsible for logistics: “You” (action you manage directly), “Mfr” (the manufacturer), “Mktp” (the marketplace).

<sup>73</sup> [www.stripe.com](http://www.stripe.com)

<sup>74</sup> AliExpress is involved in retailing (for individuals) whereas Alibaba is focused more on wholesale (for companies). Both belong to the Alibaba group.

<sup>75</sup> You will find some on the freelance services site [www.fiverr.com](http://www.fiverr.com)

Logistics			Sale		Explanation
Stock	Delivery	Sourcing agent <sup>75</sup>	Web site	Market-place	
You	You	No	Yes	No	You manage the whole business by yourself. You have full control of your audience and your supply chain.
You	Click & collect	No	Yes	No	You manage the whole business, except for delivery. It is an interesting model for a local business that has a physical point of sale. Customers come to you to collect their goods.
You	You	No	No	Yes	You sell on the marketplace, and you manage the stock and customer deliveries yourself. This is Amazon's FBM (Fulfillment By Merchant) model.
Mfr	Mfr	No	Yes	No	This is "dropshipping" without a sourcing agent. You act as intermediary. You do not manage the supply chain. The service quality depends on the manufacturer, notably their delivery times and after-sales service.
Mfr	Mfr	Yes	Yes	No	This is "dropshipping" with support from a sourcing agent. You act as intermediary with the help of a sourcing agent that improves the manufacturer's service quality: customized packaging of parcels, faster delivery, and better after-sales service.
Mfr	Mfr	No	No	Yes	This is "dropshipping" via a marketplace. You act as intermediary taking advantage of the marketplace's audience. Generally, marketplaces do not accept this model because of the poor service quality provided by the manufacturer (delivery times and after-sales management). If you try it anyway and your customers complain, your account will probably be closed by the marketplace.
Mktp	Mktp	No	No	Yes	The whole business is managed by the marketplace. Your products are put in its warehouses. This is Amazon's FBA (Fulfillment By Amazon) model.
Mfr / Mktp	Mfr / Mktp	No	Yes	No	This is "affiliation." Your role is limited to a go-between. You are not responsible for the supply chain. You monetize your audience by promoting products sold by manufacturers either directly or via a marketplace. The latter may have an affiliation program that gives you access to a catalog of offerings.

To choose among these business models, you also need to consider the following:

- Logistics intermediaries and marketplaces are paid through commission on your sales and other expenses. You need to control all the parameters in the economic equation to check the profitability of your processes, notably storage costs for unsold goods and order cancellations when goods are returned. With Amazon, you will have to give up between 7% and 20% of your revenue depending on the category of your products.
- If you do not have your own website, it will be difficult for you to keep your brand alive. You will not stand out in the marketplace, just another seller among many.
- When you do dropshipping on your own website, do not limit yourself to a simple product presentation in the form of a plain catalog. To develop your audience's loyalty, it is in your interest to publish value-added content to create an atmosphere that does not exist anywhere else.
- When you go through marketplaces, be careful about the service quality you deliver to your customers. If it is not good, your account may be blocked. With Amazon, sellers who use FBM (Fulfillment by Merchant) are generally less well considered than those with FBA (Fulfillment by Amazon). They will be ranked lower in the search engine results. Amazon considers that its own logistics system (FBA) is of better quality than that of the manufacturers (FBM). This disadvantage disappears for important sellers that also have powerful logistics platforms and whose brands stand out better with Amazon. To be at the top of the marketplace's search engine results, even finding the holy grail with the button "Add to basket," it is better to be in FBA with a high-quality service.
- Do not sell your products on other websites or platforms at a lower cost than those displayed on the marketplace. If Amazon finds out that your prices are better elsewhere, your account will be blocked. Moreover, Amazon's algorithm favors sellers who offer better prices.

### *Dropshipping*

In recent years, dropshipping has been widely used by solopreneurs, but all too often in an artisanal way.

It is quite easy to open a dropshipping shop without worrying about product quality, delivery times, or else after-sales service. Today, consumers can more easily identify shops opened in a hurry and dropshipping does not have a good reputation, with an economic model that is delicate to balance. The heart of the problem is the difficulty finding reliable manufacturers. They are often industrial companies looking to diversify their distribution channels taking advantage of the internet, without caring much about customer relationships. They do not have a direct sales strategy and rely on dropshippers. Most of the time, these are suppliers in low-cost countries, notably in China. They offer attractive ex-factory prices, but often for a mediocre quality. Finally, dropshipping resembles a business importing cheap products for customers seeking a good deal. As the entry cost to start a dropshipping business is low, competition between dropshippers is aggressive. There are even platforms like AliShark that collect data to automatically find the best products sold by dropshipping. If you have a successful offering, it will probably be quickly copied by others. To survive in this environment, you must regularly renew the products and find niches that have not yet been exploited by other sellers. Instead of contacting suppliers directly, you can go via central purchasing agencies like AliExpress or BigBuy. Unfortunately, you will be standardized in the mass of dropshippers, without being able to negotiate your own terms with the suppliers. You will have to pay commission and expenses to the agency. Your revenue, already under pressure from strong competition, will again be cut drastically. To estimate your profit margin with dropshipping, you also need to take into account transport costs and taxes, including customs tax if your processes are spread across several countries. You will also have to include a cancelled-order rate that will depend on the speed of the delivery process and the product quality. Dissatisfied customers will cancel their order, resulting in costs and a loss of value.

There are also No-Code tools for dropshipping<sup>76</sup>. They enable you to configure management processes with your suppliers, like the integration of their product catalogs in your shop, price management, or else automatic order shipping. This technical implementation is not complicated, and your success will depend more on your business know-how. It is difficult to find interesting products to sell, control the supplier relationship, follow customer complaints, and ensure proper accounting. It is a business in its own right and it requires skills and time being devoted to it.

<sup>76</sup> [www.woocommerce.com/products/woocommerce-dropshipping](http://www.woocommerce.com/products/woocommerce-dropshipping)

### *Sponsorship and affiliation*

You can generate revenue without necessarily selling products. The easiest way is through sponsorship. A supplier will pay to be present on your site, for example in a blog post, a white paper, a video, or a podcast. It is not an advertisement, but a presence backed by content over which you have full control. Sponsorship must not shock your audience. Less direct than an advertisement, it needs to be scripted in an intelligent way with the mindset of an influencer. You can also go down the affiliation route. Your site includes links to a supplier's offering, in return for commission depending on the number of clicks, contacts captured, or else revenue generated. As you are not responsible for order management, affiliation is simpler than dropshipping. The supplier will give you an affiliation link that you can include on your website for the technical implementation. This will give you access to the company's click-tracking tool between your site and its offering. For affiliation to work, there needs to be total transparency between both stakeholders. If your supplier uses a No-Code affiliate tool recognized by the market, it will be easier to establish trust<sup>77</sup>. To avoid having to contact suppliers yourself, you can go through a marketplace's affiliate program. This will give you access to a vendor panel interested in this type of partnership. For example, with Amazon's Associates Club, the marketplace is responsible for providing you with a standard integration code on your website, as well as access to its returns management platform. In just a few clicks, you will have your online affiliate shop.

### *Tax*

Before starting an online business, it is important to work out the tax rules with your certified public accountant. They can be complex and depend on your country of residence but also on those of your suppliers, customers, and marketplace. If you neglect this aspect, you run the risk of being subject to a tax adjustment and having to close your business.

### **Online training**

We have already mentioned that monetizing your knowledge is an excellent tactical offering. Its revenues will support the financing of the main offering and its educational contribution will improve the company's reputation. As each company is built on a mine of know-how, why not leverage it? It is all the more

<sup>77</sup> [www.woocommerce.com/products/affiliate-for-woocommerce](http://www.woocommerce.com/products/affiliate-for-woocommerce)

interesting knowing that you do not need heavy technical investment to implement online training. Once your course is available, you can sell it an unlimited number of times at no extra cost. If you do not have time to put in place your own online training site, you can join an e-learning platform<sup>78</sup>. You can publish your material there and it will manage the administration and distribution processes with your students. You will have to pay fees and commission on your turnover. As you will be buried in the mass of other trainers, you need to be at the top of the customer satisfaction rankings to be visible. The e-learning platform is more suited to the solopreneur or to manage a side business with the idea of generating an additional income. If you want to get better sales traction, you will have to create your own e-learning platform. You can sell your training courses directly on your website, keeping full control of your communication, and your students will be potential clients for your main offering. From a technical point of view, you need to integrate a Learning Management System with your website. It will handle the services needed for online training, like:

- Loading training material;
- Online shop to purchase courses;
- Secure personal space for each student where they can track course progress;
- Invoicing and payment tracking.

You will not need to develop these functionalities. Here too, No-Code tools are available<sup>79</sup>. They work like a simplified software package for e-learning. You will get your online training space in a few clicks.

## The blog

Despite the weight of social media, the blog remains essential to create a qualified audience. The format of a social media post is brief, and its lifespan is short-lived. They are not well referenced by search engines. On the other hand, a blog post can be written over several lines and will last. With a word count of at least 2,000 words, it will be well referenced in search engines and easier to find. Moreover, you have full control over the publication of your posts. You are not dependent on an algorithm that decides how visible your posts should be. Finally, the blog enables you to capture emails when members subscribe, which is not the case with social media. This is a key advantage. In other words, social media is useful to create background noise on

<sup>78</sup> [www.udemy.com](http://www.udemy.com),  
[www.thinkific.com](http://www.thinkific.com)

<sup>79</sup> [www.learndash.com](http://www.learndash.com),  
[www.thinkific.com](http://www.thinkific.com)

the market, and the blog to share high value-added content to a qualified audience. They both complement each other, with the shared goal of transforming social media subscribers into members of your blog. To put in place the blog, you do not need to be an IT engineer. You can add it as a new page to your website. You need to use a No-Code content management tool, or else an integrated functionality in website building tools<sup>80</sup>. The blog needs to follow an effective editorial line and provide quality content. It is organized around posts, but also short videos (vlogs) and podcasts. A rhythm of two publications per month is probably enough to maintain a good relationship with the audience. From a single post, you can broadcast several mood posts on your social media. They will contain a link to bring the audience to your blog and capture emails.

### Search Engine Optimization

For your website to be better positioned in the search results, you not only have to publish quality content, but also respect some best practices listed together under “Search Engine Optimization” (SEO). You will find lots of advice on this topic on the web:

- How quickly the pages load influences the quality of SEO. The ergonomic model of the site must be optimized (template, header, footer). The quicker your site responds, the higher up the search engine will rank it.
- The purpose of the site appears clearly in its title.
- The main page contains a static text of around 2,000 words with content that helps SEO. You need to clearly explain the interest of your website with its added value, target audience, the questions tackled, or else the services that you provide.
- Most blog posts are about 2,000 words long.
- There is no duplication of content. A piece of information is published only once on the site and in the blog. Links enable its access from different places.
- Using the “robots.txt” technical file, you can exclude certain pages that are not useful for SEO, such as forms, maintenance pages, or else pages that are too old.
- The “sitemap.xml” file guides the search engine for SEO. This makes any orphan pages visible for SEO.
- Implementing pertinent keywords and reusing them in content helps with SEO.

<sup>80</sup> [www.wordpress.com](http://www.wordpress.com)

- You need to build partnerships with other sites and blogs to multiply the links back to your site. However, do not do this too quickly, otherwise the search engines may think that they are fake links and exclude them from SEO. Implementing a progressive partnership plan over several months is preferable.
- You need to try to contribute content to a Wikipedia article, with a link to your site.
- You can publish an extract of your e-book to improve SEO. Search engines do not always handle the PDF format well. It would be better to publish an extract or an introduction in a text format of 6,000 words. SEO will then work in an optimal way.

The performance of SEO does not only rely on these best practices. The way search engines work remains opaque and changes over time. The companies that are responsible for them control your position in the list of search results and can even delist you at any time. To improve your visibility, you need to budget for advertising, which raises the question of free SEO.

### *Is it free?*

SEO is free and you do not pay to be listed in a search engine. However, to get better results, you will have to spend money on advertising all the same. This is the domain of “Search Engine Advertising” (SEA). By buying an advertising presence, your site will appear on the first page of the results that correspond to the search criteria you will have chosen in advance. Your link will have the prefix “Ad” (advertising), indicating that it is an advertisement. Thus, the number of clicks on your website should increase, which will improve your performance for SEO. Moreover, SEA lets you have access to the search criteria used by internet users in your domain of interest. This is precious data to improve the keywords included on your website. In other words, SEO is free, but in practice, it requires you to allocate money to SEA.

### **Email management**

When contacts give you their email, it is a mark of trust. They share part of their identity with you. You will need to take care not to send them too many sales propositions and not to sell their addresses to third parties. When they ask you to remove them from your list, you need to do it straight away. Email is a

privileged means for personalized relationships with your contacts. You therefore need to define strategies to capture them. You can do it, for example, by asking internet users for their email in return for access to value-added content. Your website will then display an online form with just a few fields to fill out, like last name, first name, and the email of course.

The form will be presented on multiple occasions:

- Subscription to a newsletter;
- Downloading an e-book, accessing a video, or a podcast;
- Automatic opening of a pop-up after navigating for a set period on the website.

You will also be able to activate this form outside the website. In this case, it will act as a landing page launched from advertising links or from a social media message. No-Code tools manage this type of form and handle storing the emails you get back. They also enable them to be used in email campaigns<sup>81</sup>.

### *Leverage the emails*

If you send emails without the recipients' authorization, your messages will end up in their trash (spam). If you abuse this type of action, the internet operators may even blacklist your domain. Your next mailings would then be blocked. To be removed from this list, you will have to follow a specific process with your internet provider, causing you to lose time. To avoid this situation, you must not email contacts without their agreement. The purchase of mailing lists is therefore questionable, not only from a deontological point of view when recipients have not requested anything, but also an operational one, as your mailings will end up in the trash. The copy of emails retrieved from the internet is not any better. It is a misappropriation of personal data, and you will still have the problem of spam. Even if it is more laborious, building your own email list in an organic way from your own audience is the clever option. To counter the risk that your emails will be discarded, having your contacts' agreement to use them will not be enough. As long as they have not sent you any information from your email, the internet provider will not see the well-meaning nature of your exchanges. To make the relationship with your contacts secure, you need to implement a two-step confirmation process known as a "double opt-in." This has three advantages: you will reinforce your

<sup>81</sup> [www.mailchimp.com](http://www.mailchimp.com),  
[www.sendinblue.com](http://www.sendinblue.com)

professionalism vis-à-vis the internet provider that should not blacklist you; you can check that the emails are correctly spelt; you will have proof that your users are happy to receive your emails (useful in case of a complaint for spam). It works like this:

- When visitors enter their email in a contact form, you let them know that they will receive a confirmation email. You can then invite them to check they have received the message, including in their spam folder;
- This email contains a link that lets them confirm that they agree to be in a relationship with you. At the same time, they will gain access to value-added content like an e-book, the subscription to newsletters, or else to a promotional voucher.

As your contacts opened your email and clicked on one of your links, your next emails should not end up in the trash. Other best practices to consider that you will also find on the web to improve email management are:

- Segment your email list by group, with personalized messages and different frequencies for the mailings. The more you customize your mailings, the less likely it is that they will end up in the trash;
- Remove the emails from your list that have not been in contact with you for several months. You should delete them permanently or approach them in a personalized manner to reactivate their consent. If you leave too many inactive emails in your list, you risk being blacklisted.
- Check with your internet provider how to declare your email domains. This will stop you from being hacked and finding yourself blacklisted when it is not your fault.

### ***Managing a members' area***

Your website will be more pleasant with a members' area. Your visitors will be able to log in once to access all your content. This can be implemented using Account management No-Code tools<sup>82</sup>.

### **The e-book**

The e-book is a book distributed in a digital format, for example a PDF file. There is nothing stopping you from printing a paperback version of it for a reasonable cost. Well written, it will have a positive impact on your

<sup>82</sup> [www.memberstack.com](http://www.memberstack.com).

Another solution is to use the Single Sign-On (SSO) standard between the different No-Code tools. For example, the sign-on for the online shop is reused to access the members' area of the blog.

audience. On the other hand, if it is sloppily written, your reputation will suffer. An e-book has about a hundred pages and each page is about 400 words long (word-processor format, standard font, size 14). That is around 40,000 words in total. If it seems too heavy to produce this number of words, you can publish a shorter version as a white paper, about 20 pages long, that is 8,000 words. It is easier to write than an e-book, but its impact on the market will not be as powerful. The e-book is not a business description of your offering, but a top-level educational tool. It aims to share your knowledge and expertise with your audience. The transformation from reader to customer will come later. To avoid your book becoming outdated too quickly, it would be interesting to provide a section that explains where your know-how comes from. You can take a few pages to describe your pathway and philosophy of life. The other sections are focused on practical experience with the aim of helping your readers solve concrete problems. Take particular care over the foreword and contents. Potential buyers will glance at them before they decide. You can add your email or link to your blog.

### *Distributing the book*

The simplest is to publish your book on your website, as a PDF file to download. However, you will face two limitations:

1. You will not be listed on e-commerce platforms. Your visibility will therefore be limited to just your audience.
2. You will not be able to easily obtain a paper version of the book. You will have to self-publish it with printing and storage costs. Some readers will prefer a paperback book which is also a better format for your promotional activities. It is more elegant to give someone a physical book than a PDF file. You will be able to add a handwritten dedication to make each copy unique.

To solve these difficulties, Amazon's Kindle Direct Publishing (KDP) is an interesting solution. It allows you to publish your book in an electronic format while taking advantage of Amazon's audience and its search engine<sup>83</sup>. A paperback version of the book is also available. Amazon prints the book on demand when the purchase is made. The printing costs are then included in the retail price. You have to select options to share the profit margin between you and Amazon. Even if the financial concession is big, do not forget

<sup>83</sup> Carefully choose the keywords that will be used by Amazon's search engine to promote your book according to customer searches. You can use tools to help you analyze their performance like [www.kdspys.com](http://www.kdspys.com)

that your objective is to create an audience through your e-book, and not necessarily to become rich from the turnover it generates.

### *Writing schedule, my experience*

To write my books, I need about 6 hours of work to finalize a page of 400 words. Thus, a 150-page book takes me about 900 hours of work. I cannot devote all my time to writing and spend about 4 hours a day on it. In theory, I therefore need about 225 days (seven to eight months) to finish a book. Sometimes, I do not work on the book for several weeks and I need another two months for the layout. Finally, the schedule is spread over at least twelve to eighteen months.

## **Automate the business**

In the previous sections, I named several No-Code tools, each specialized in a domain. To start out with digitalization, you will first need a website with an email management system, a shared storage space, and a blog. Then, you can add an online shop, a database, or else a simplified accounting software package<sup>84</sup>. Others will appear as your business evolves. All this software handles individual parts of your management processes. You will have to go from one to the other to perform your tasks. As you do this, you will have to enter the same data several times, perform calculations or checks that take time and risk causing mistakes. Automation is the means of reducing these manual actions to increase your efficiency. With No-Code integration tools, you can do this without programming.

### *Example of automation*

Let's imagine that you receive purchase orders by email as PDF file attachments. Each time you receive one, you put the file in a repository shared with the team that handles the orders. At the same time, you add a line in an Excel file with the time the email was received and the link to the file in the repository. This spreadsheet is used for tracking. You spend about four minutes managing each order. If you deal with 30 per day, it will already take you two hours. This is a lot for a task with no added value. With 100 purchase orders per day, the management time is close to seven hours. It is unbearable and you need to automate this process. With classic software, an IT engineer would develop some integration layers between the email management system, the shared repository, and the

<sup>84</sup> [www.quickbooks.intuit.com](http://www.quickbooks.intuit.com), [www.freshbooks.com](http://www.freshbooks.com)

spreadsheet. It would take several days of work to get the solution. Then, any maintenance would require the engineer's involvement. As you will have other automation needs, you will always have to pay IT engineers.

This way of doing things is expensive and not particularly flexible. Only mature companies can afford to do this. With No-Code integration tools, you do not need as much programming to automate processes. It is quick to implement and less expensive. These tools are specialized in integrating different software products on the market<sup>85</sup>. In a few clicks, you can integrate Gmail, Google Drive, and Excel to automate the purchase orders received and save several hours of work. When you need to modify this integration, you can do it without calling on an IT engineer. You will find that you have a range of automation needs and being able to manage them yourself is an advantage for a young company. Using No Code, you do not need a huge IT budget to ensure good process management. A small company can use automation that rivals that of big companies.

### Data management

I cannot end this note on digitalization without stressing the importance of efficiently managing your data. I have already mentioned it, using simple spreadsheets will not enable you to optimize your processes or to make your business grow. You need a solution that is far more structured that enables you to create semantic links between the data (database).

This book does not allow me to share my advice on data management, but you will find more information on the community's website: [www.engage-meta.com](http://www.engage-meta.com). In particular, you will need to carefully design the business objects and create them in a database. You will be able to do this in No Code, to go more quickly and optimize costs. You will also have to take into account personal data protection and compliance with regulations. For this, you will need some notions on data security and governance. At the end, the more quality data about your business you have, the more able you will be to use it to better understand your market and your customers' needs. You will be better equipped to optimize your processes and improve your offerings. Here too, integrated tools will let you perform statistical analyses and use artificial intelligence without necessarily being a data expert (data scientist)<sup>86</sup>.

<sup>85</sup> [www.zapier.com](http://www.zapier.com),  
[www.make.com](http://www.make.com),  
[www.beehexa.com](http://www.beehexa.com)

<sup>86</sup> [www.aiacademy.edu.vn/  
products](http://www.aiacademy.edu.vn/products)

# TESTIMONIALS

*Dominique VAUQUIER,  
Praxeme Institute, Praxademia SAS.*

If you have this book in front of you, it is certainly because you are interested in enterprise and, more broadly, that you belong to those people willing to take initiative.

With an author like Pierre Bonnet, we could not be in better hands!

Not only will you find, in these pages, practical advice and recommendations, you will also discover the reflexive approach that Pierre has called “META.” This unbreakable combination between thought and action will equip you to go into battle with a far greater chance of winning.

Action and thought, action and meaning, returning to the Greek roots “praxis” and “semion,” the contraction of which gave its name to the “Praxeme” open method. If I take the liberty of mentioning this reference, it is because Pierre has been one of the key players and, I must admit, a driving force that enabled us to launch the initiative for an open method. Even if, among his many commitments, this one seems supplemental, it illustrates perfectly both temperament and strategy. We met on the occasion of an information system overhaul, at the beginning of the 2000s. He managed the technical architecture team - as you would expect, with an iron fist. I was responsible for methodology and logical architecture. I do not have to remind you that the collaboration between technical architecture and logical architecture, in information system design, is not a path strewn with roses. And then, one day, he came into my office, sat down, and said to me: “Dominique, I have understood what you want to do...” and he continued, giving me his reasons to support the initiative for an open method. In fact, he would do far more: he would launch it, help bring other people on board, mobilize key players, and ensure the initiative’s success.

This episode demonstrates his manner quite well, I think: a clear objective, continuity of inspiration, and unfailing willpower. It also shows the level of involvement and energy that any enterprise requires. Another important fact, to be credited to strategic thinking, is that the solution he was proposing was a win-win for all parties involved, even when they were somewhat shaken up by it:

- himself, of course;
- the players already involved, who had the ideas, desire... but who lacked the help to get things off the ground - or a real tap on the back, sometimes a kick in the backside;
- our common client who did very well out of it, both from an operational point of view and in terms of image and communication.

Another key player in this initiative is Philippe Desfray. He is also a founder and has sold his company. However, his profile is very different, and he would be able to tell you a different story. And that is just it, to be successful, big adventures mobilize skills and dissimilar personalities. They almost always rely on harnessing complementary profiles, as much on a technical level as a psychological one. Thus, it is better to have a thousand millionaires rather than a single billionaire!

You will find a lot of technical and tactical details here that will help you in your

preparation or in the way you do business. Everything is gathered in a personal approach, centered around the author's experience. The narration brings a very human touch that makes the reading of it particularly effective.

In opposition, an approach that was looking to be more "scientific" would have added figures - deadly boring -, statistics - despairing - and would raise questions such as: "How many start-ups would you need on the market to succeed? What happens, economically and psychologically, to entrepreneurs that fail? Is having a good idea enough to start out? Besides, what is a good idea if the aim is to make a fortune?"

Keeping these questions in mind would greatly increase the effects of reading this book. Pierre gives you a unique insight through his sincerity and radicalism. Let his story be your guiding light!

### *Philippe DESFRAY*

*Co-founder of Softeam, Author of the "Class Relation" method,  
Contributor to the UML standard, Creator of the modeling tools  
Objecteering and Modelio.*

When I knew Pierre, his company was in its early stages but growing quickly and recognized on its market for providing innovative and credible solutions. Pierre's meeting with Dominique Vauquier contributed to convincing him of the added value of a method to guide the implementation of innovative solutions. Thus, together, the three of us headed down the path of building global solutions, seeking and convincing prospects, and implementing the broadest solution where appropriate.

To convince a prospect, - a company and its executives -, to implement innovative solutions for their information systems, is an arduous and passionate task.

You also need unflinching tenacity and perseverance to successfully start a company and then ensure its continued growth. Driven by an unshakable belief, Pierre brought a communicative energy that pulled partners and prospects with him.

We combined our ideas, pooled our strengths to provide original solutions to our prospects, organized seminars, articulated and evolved our offerings and technologies. I have intense memories of these moments of creativity and collective initiatives.

But our journeys as innovators and entrepreneurs cannot be repeated in an identical manner as everything has changed: the context, assistance, offerings of venture capitalists, legislation, distribution method, competition, technologies, etc.

This is why having a "meta" approach is important. A domain's "meta" is a universe that allows you to describe, define, and consider the domain.

Thus, Pierre has taken stock of his experience to give us the keys to successful entrepreneurship. He has summarized the rules, guides, and useful practices. He also speaks about the challenges you will go through and the personal qualities you will need for success. It brings tremendous added value to management and economics lessons.

I hope that this book will be read by a lot of future entrepreneurs who want to bring new solutions. A book for entrepreneurs to keep on their bedside table for every stage of their journey.

**Jean BAUDRIN**  
*Retired IT engineer.*

I never had an entrepreneurial spirit nor the courage either, and you do need courage: courage to confront the fear of economic risk, to work relentlessly, to fail, or else to be rejected by your family.

I knew several entrepreneurs during my career. I observed them with curiosity, with a lot of interest, but never with desire. One question kept coming back: what drives them to spend their whole life starting their company, showing what they know how to do, showing that their ideas are good, even the best? The answers are many and my friend Pierre has given his in this book. They all share one point in common though: the strength of their ego.

Today, I am retired after a busy career, having changed company twelve times, from the industrial SME in the north of France to a big mutual insurance company in the Paris region, via a few software vendors, a retirement fund, a large construction equipment distributor, and an American company that makes and distributes many of the products that you use.

All these changes were motivated by my curiosity on the technical, methodological, and applicative level, as well as on the way companies and people function. I did not tell you that I was an IT engineer, but perhaps you had already guessed. From the punch card in 1977 until the blockchain in 2017 (my last year of employment), I surfed on the main waves of change in IT, whatever the type of wave: networks, vendors, databases, teleprocessing, 4GL, Case, Merise, Object, internet, etc.

Finally, as Pierre told me, I also took risks during my career as a very active employee. Without doubt, but also measured, controlled by a transparent relationship with my employers. I chose my own assignments by putting myself on the market, I clearly stated what I knew how to do and what I wanted to discover. This was a form of intrapreneurship, and Pierre comes back to this in the book. He opened my mind to different ways of having a successful career. Each person can ask themselves about their own criteria for success, notably at the end of their career when they assess several decades of work. Some seek glory and fortune, or the mastery of an art or technique, and others yet to care for people or animals. All paths are good to prove one's worth and I am convinced that this is the main motivation: to prove to yourself that you can reach an important goal, even if it means having to prove your worth to others.



# GLOSSARY OF TERMS

## A

**Advisory board** Consultative board to a company, with no operational decision-making power. It is made up of experts, for example an entrepreneurship mentor, a financier, a lawyer, an industry specialist from the company's sector, a communication specialist, etc. Not to be confused with the board of directors that is the decision-making body of the shareholder representatives.

## B

**Badwill** Value of an asset that reduces the company's valuation. For example, an old information system lowers the company's valuation because there is a risk of poor data management. (See Goodwill).

**Board of directors** The members of a company's board of directors represent the shareholders. It is a strategic and operational decision-making body whose management mandate is governed by the shareholders' general assembly. Not to be confused with the Advisory board which is a group of advisors with no decision-making power.

**Benchmarking** Analysis approach that is based on comparison of data. For example, to calculate a company's valuation, benchmarking consists in looking at the sale price of similar companies in the past.

**Bond convertible into shares** Convertible bonds. A bond is a debt. A bond is converted into shares if it is not reimbursed in cash. It allows you to delay an investor's acquisition of a stake.

**Break-even point** The break-even point occurs when the turnover covers the expenditure.

**Bridge (financial)** The financial bridge occurs when the company is facing an imminent lack of cash. It must then exceptionally raise funds without delay, while waiting for a more structured fundraising round. This is generally when investors take full control of the corporate governance.

**Burn rate** Amount of expenditure over a given period. For example, the monthly burn rate of a company is 100,000 euros. Each month, this means that you need this amount to pay salaries and other expenses.

**Business angel** Private investor who acquires stakes in non-listed companies, like start-ups or innovative SMEs.

## C

**Capitalization table, cap table** The company's capital structure, in the form of securities (shares, stocks) distributed among different shareholders.

## VII. SUPPLEMENTARY MATERIAL

<b>Carried interest</b>	Profit sharing for a fund's portfolio managers so that their personal interest is aligned with the success of the stakes that they manage.
<b>Collateral</b>	An asset in return for a debt. If the debt is not paid back at the maturity date or if the collateral's value falls below a certain price floor, it is then totally or partially sold to pay back or put an end to the debt.
<b>Convertible Preference Share</b>	This type of share has additional rights compared to ordinary shares. Preference shares are generally given to investors to increase their potential gains when a company is sold and to protect them should the company's valuation fall (see Ratchet). They can be converted into ordinary shares, mainly when the company is sold.
<b>Crowdfunding</b>	An online platform that allows project owners and individual investors to meet each other to successfully raise debt or acquire stakes.

### D

<b>Drag Along</b>	A mutual legal clause which sees all shareholders dragged along to force the company's complete sale, that is to say the sale of 100% of the shares. This clause allows you to avoid shareholders opposing that the whole company be sold. It is generally accompanied by a more secret agreement between major shareholders to agree in advance on a minimum sale valuation of the company (see Price floor).
<b>Due diligence</b>	This "obligation of vigilance" reflects the mindset in which the due diligence work is carried out to audit a company with a view to an investment agreement being prepared or the sale of a company.
<b>Down round</b>	A down round happens when the company's valuation is lower than its value at the previous round. There is therefore a fall in valuation between both rounds. In this situation, the co-founders' equity stakes in the company generally fall a lot, and the investors' equity is protected by the anti-dilution clause (see Ratchet).

### E

<b>Earn-out</b>	Differed payment of part of the sale valuation of the company, on condition that certain results are reached. For example, 20% of the company's sale price is paid to shareholders eighteen months later, on condition that the turnover has increased by 15%.
<b>Equity investment</b>	Investment in the form of an acquisition of a stake in a non-listed company.
<b>Exit</b>	Term used to describe the sale of a company to a buyer. It is the "exit" of existing shareholders in favor of new shareholders.

## F

<b>Friends and family</b>	Financial contribution from the co-founders' friends and family. They are therefore not professional investors.
<b>Full cash</b>	Transaction entirely paid in cash, with no differed payment (see Earn-out). When a sale of a company is paid entirely in cash, we speak about a "full-cash exit."
<b>Fully diluted</b>	Capital structure after the stock options have been exercised. Until they have not been exercised, the existing shareholders are not diluted.

## G

<b>Goodwill</b>	Value of an asset that increases the company's valuation. For example, the company's brand is very well known and can be monetized. (See Badwill).
<b>Growth-Capital</b>	Type of investor that is involved in supporting the growth of companies which are already well structured, generally from the Series C fundraising round and beyond.

## L

<b>Love money</b>	Financial contribution from friends and family to start a company in return for an equity stake.
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## M

<b>Minimum Viable Product (MVP)</b>	First minimum, viable version of an offering to start marketing it on a small scale.
<b>Multiple cash flows</b>	"Multiple revenue flow" strategy that consists in adding a tactical offering to the main offering from the very beginning of the company. This strategy can also be found in companies that have already been structured so that they can diversify their sources of value creation.

## O

<b>Outcompete</b>	Positioning in the market of an offering that is "outside the competition," that is to say one whose value proposition or way of being marketed does not appear in competition with the existing market.
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## P

<b>Pre-money</b>	A company's pre-money valuation is its valuation before investment. For example, a company is valued at 10 million euros (pre-money) and an investor considers injecting 3 million euros into the company.
<b>Post-money</b>	A company's post-money valuation is its valuation after investment. For example, a company is valued at 13 million euros (post-money) on the basis of an initial valuation at 10 million euros (pre-money) and an investment of 3 million euros. The calculation of the investor's equity stake is based on the company's post-money valuation.

## VII. SUPPLEMENTARY MATERIAL

<b>Price floor</b>	Price floor for a sales transaction. For example, the sale of a company cannot take place at a price below 50 million euros.
<b>Private equity</b>	Investment fund that gets involved at the end of the company's seed phase. A private equity investment corresponds to an equity stake in a non-listed company.

### R

<b>Rat race</b>	This is the race of a rat or hamster in a maze, vainly seeking a reward or the exit. This expression is used in the employee world as a metaphor for a job that does not let you generate passive income or improve your employability.
<b>Ratchet</b>	Legal clause that allows shareholders (often investors) to see their equity stake readjusted upwards in the event of the company's valuation falling between two investment rounds (see Down round). This principle is generally attached to preference shares (see Convertible Preference Share).

### S

<b>Seed funds</b>	Investment funds specialized in the seed phase of companies, that is to say the round prior to the Series A fundraising round.
<b>Shareholders' Agreement</b>	This legal document is important to describe the rights and obligations between the major shareholders. There are also mini-agreements for those who hold stock options. The shareholders' agreement must be written when the company is started. It is extra-statutory and remains entirely private to the signatories
<b>Side business</b>	Small entrepreneurial business conducted in parallel to a job as an employee.
<b>Share Subscription Agreement</b>	This legal document completes the shareholders' agreement by specifying the terms to buy shares, notably preference shares and their specific rights.
<b>Simple Agreement for Future Equity (SAFE)</b>	SAFE allows you to postpone the company's valuation to the moment the warrant will have actually been issued. Generally, this valuation is then subjected to a reduction to remunerate the investor's risk-taking over the period when the warrant has not yet been materialized.
<b>Spin-off</b>	Company set up by the headquarters that legally transfers one of its businesses to a specific legal structure. This principle is particularly adapted to an intrapreneurial approach that leads to a profit center and finds a financial valuation as a spin-off.

## T

<b>Tag Along</b>	Legal clause that gives each shareholder wanting to participate in the partial sale of the company the right to do so. In other words, a buyer cannot buy shares from certain shareholders while refusing to buy them from others. The latter would have then risked being trapped in the company's capital without being able to exit.
<b>Tagline</b>	Business signature of an offering or company in the form of a short expression. It is a type of slogan.
<b>Term sheet</b>	A letter of intent in the context of a business agreement, like the sale of a company. Before starting the legal work and a heavy audit, the stakeholders agree on the main parameters of the transaction to better frame the rest of the negotiations.

## V

<b>Venture Capital (VC)</b>	Investment fund that finances non-listed companies in the seed phase and during their early years of growth.
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## Quotations

Authors	Quotations
Daniel Balavoine, French singer (1952 – 1986)	<p>“To those who think that my money numbs my mind, I say it is not because you are poor that you are honest.”</p> <p><i>“À ceux qui croient que mon argent endort ma tête, je dis qu’il ne suffit pas d’être pauvre pour être honnête.”</i></p>
Nicolas Boileau-Despréaux, French man of letters (1636 – 1711)	<p>“Whatever is well conceived is clearly said, and the words to say it flow with ease.”</p> <p><i>“Ce que l’on conçoit bien s’énonce clairement. Et les mots pour le dire arrivent aisément.”</i></p>
James Dyson, British entrepreneur, famous inventor of the Dyson brand of vacuum cleaner (1947)	<p>“Enjoy failure and learn from it. You can never learn from success.”</p>
Warren Buffet, financier (1930)	<p>“It’s good to learn from your mistakes. It is better to learn from other people’s mistakes.”</p>
	<p>“Only when the tide goes out do you discover who’s been swimming naked.”</p>
	<p>“I believe in giving my kids enough so they can do anything, but not so much that they can do nothing.”</p>
	<p>“I want to be able to explain my mistakes. This means I do only the things I completely understand.”</p>
Winston Churchill, writer and former UK prime minister (1874 – 1965)	<p>“If you don’t take change by the hand, it will take you by the throat.”</p>
Albert Einstein, physicist (1879 – 1955)	<p>“Life is like riding a bicycle. To keep your balance, you must keep moving.”</p>
Benjamin Franklin, American writer, innovator, and politician (1706 – 1790)	<p>“Without continual growth and progress, such words as improvement, achievement, and success have no meaning.”</p>
Milton Friedman, Nobel prize in Economics, 1976	<p>“There is no free lunch.”</p>

Authors	Quotations
Grace Hopper, computer scientist and United States Navy rear admiral (1906 – 1992)	“Go ahead and do it. You can always apologize later.”
Gary Player, South African golfer (1935)	“The harder I practice, the luckier I get.”
Robert Kiyosaki, American businessman and writer (1947)	“Financial independence is about having more choices.”
John D. Rockefeller, American businessman (1839 – 1937)	“If your only goal is to become rich, you will never achieve it.”
Cristiano Ronaldo, football player (1985)	“Talent without working hard is nothing.”
Arnold Schwarzenegger, bodybuilder, actor, and politician (1947)	“My body is like breakfast, lunch, and dinner. I don’t think about it, I just have it.”
	“The more knowledge you have, the more you are free to rely on your instincts.”
Anatoly Yevgenyevich Karpov, Russian chess player, former world champion (1951)	“Chess is everything: art, science, and sport.”
Eugène A. Znosko-Borovsky, Russian author (1884 – 1954)	“It is not a move, even the best move, that you must seek, but a realizable plan.”

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