Tuesday, July 18. 2006

Life At The Margins

The elevator in my office building hasn't been working since last week. I meant to do this yesterday but today I finally called building management to report it. It turned out nobody else had done so. I overheard a lot of people in the halls complaining about it, but none of them actually did anything about it, even if it only required the most innocuous of actions to set a remedy in motion. So eventually, I did something about it. What's the difference between me and everybody else? About Â±10% I figure.

That means most of the time I'll go an extra 10% over the crowd, one extra mile out of ten, or maybe my exasperation threshold is 10% lower than everyone else's.

Over a lifetime, this not only adds up, it compounds. The Daily Reckoning crew often point out that "Life is won or lost at the margins". What separates successful people from the mob isn't one or two mind blowing qualities nobody can compete with, like an IQ of 192 or a trust fund the size of a third-world GDP. It's the margins, consistantly going just a little bit further, being a little bit more thorough, acting just a little bit sooner, most of the time, over time.

These little differences feedback into each other and as I said, compound. After a few years you notice the person who goes the extra 10% is a little ahead of his peers. He may be self-employed while the others are working up the corporate ladder. She may own her condo outright while the rest are chisling away at 10% down mortgages. At this point it still looks like little things and subtle differences.

Fast forward a decade, or more. The picture changes dramatically and the consistant margin player (not to be confused with the consistantly marginal player) seems light-years ahead of the pack. "Why are they so lucky?" People around them wonder. "Goddamn horseshoe shoved up his ass I tell ya. What's on TV? Pass me the cheesies, why is the remote way over there?"

I probably didn't invent this expression, so I apologize to whomever I picked it up from

Overnight Sensations are often 20 years in the making.

What makes it seem "overnight" are those margin plays, compounding for decades, 5% more dilligence here, 10% more elbow grease there, 7% more perserverance over there and a dash of extra tenacity all got together and exploded past critical mass at some point.

And the nice thing about it is anybody can put in an extra 10% anytime, anywhere. Do it all the time and you will come out ahead of the pack.

So the next time you ask you yourself "Why are they so lucky?", the answer is "Because you haven't built up a big balance of 'luck' in your own life".

But you can start now. The sooner you realize that you are the "somebody" in "somebody should...", your luck in life will abound.

Posted by Mark Jeftovic in Life, the Universe and Everything at 11:42

Monday, July 10. 2006

Enhanced DNS resolution using OpenDNS

OpenDNS is an enhanced DNS resolver open to the public (as of today) and free to use. It contains a number of enhancements such as typo correction and phishing protection.
It is also fully configurable for the end users, so individual features can be turned off at the users' discretion.
I've also posted a comment on CircleId explaining why OpenDNS is not Sitefinder 2.0
(By way of quick explanation to the layman, there are three kinds of nameservers that affect your life:Root nameservers: which top level domain registries operate, such as the root nameservers for .com or .caAuthoritative nameservers: for individual domains. This is the business easyDNS is in: answering DNS queries authoritatively for its member domains. Recursive nameservers or resolvers: these nameservers find out DNS info on behalf of its users. Usually these are transparent to end-users and supplied by ISPs, often via DHCP. OpenDNS is now in this business.)

Posted by easyDNS: Domain Industry Watch in via easyDNS blog at 17:04

Tuesday, July 4. 2006

When are "exit plans" necessary?

My last post led me to think about "exit plans". When we started easyDNS back in the late 90's, I thought "exit plans were for wimps". It made no sense. "Before you even get started, you're supposed to have an exit plan". It smacked of dotcom bubble thinking and that was something we were all hoping to avoid.

Over the years, the lack of an exit plan came back to haunt us. As it turns out, I think I now know when exit plans are necessary:

When there is more than one shareholder
When any kind of external investment occurs or is sought
When you're actually executing against a business plan

We never did have a unified exit strategy and whenever opportunities, offers or traps presented themselves, the lack of a unified plan amongst the partners pretty well derailed "liquidation events" before they ever got rolling. I think that overall we came out ahead as a result and this lack of planning ended up saving us from what were probably company-ending blunders. We got lucky in that respect.

But when the time finally came for the partners to really evaluate our life paths with respect to the business, we probably would have been better served to have agreed on an exit strategy going in and revised it over the years as our circumstances changed.

Now that I'm the sole shareholder in the business, there is no exit strategy, and I don't foresee one in the future. I'm grateful to be where I am today and wouldn't want to live my life any other way. The business for me isn't a job, it's a lifestyle (that dreaded L-word VCs despise) and I'm not executing against a rigid plan that calls for targets, milestones and an eventual liquidation event.

While I don't exactly expect to my daughter to take over the business (she is after all, only four months old and may want to do something else with her life) I like to think I may likely still be running easyDNS in 20 years, even though we may not be in the DNS business anymore (by then who knows what things will look like, computers may use some sort of quantum foam to find each other).

When you're fortunate enough to be able to write your own ticket, you don't need an exit plan and I think if you dwell on one you run the risk of "building to sell" or trying for a "quick flip" and even hardcore veteran investors and VCs think that is an unsound approach.

When multiple stakeholders are involved, part of playing nice with others is coming to an agreement over a unified exit strategy. Again, while you don't want to get too distracted over it (arguing over whether "the buyout number" should be 20 million versus 50 million is pointless if you haven't earned a dime yet), it should probably be done sooner than later.

One way to get it done early, without wasting too much time over it, is to create some basic "shape of deal" criterea and a formula to serve as a simple screen going forward.

Example exit strategy formula: Any buyout has to be a share sale versus an asset sale, be all cash and be a minimum 2X revenues or 7X earnings.

If your business gets anywhere off the ground, offers of some shape or form will come. Most of them will be distracting snipe hunts and a waste of time. Without a basic screening formula you and your partners may waste precious time and energy arguing over it, but with the formula you can quickly evaluate it and if it comes up short simply dismiss it and get on with running the business.

Posted by Mark Jeftovic in Venture Crapital at 23:13

Sunday, July 2. 2006

Better Living through Private World Domination

After reading Seth Godin's So What's Wrong With Small Business, it occurs to me that my blog's subtitle, describing myself as a "serial entrepreneur" may have been somewhat inaccurate.

"The distinction I've always made is that an entrepreneur is trying to make money while she sleeps, and does it with someone else's money! That she builds a business bigger than herself, that scales for a long time, that is about processes and markets. A small businessperson, on the other hand, is largely a freelancer with support, someone who understands the natural size of her business and wants to enjoy the craft of doing it every day."

I didn't quite know where he was going with this, but I realized that if that's what an entrepreneur is, if Other People's Money (OPM) is essential to the definition, then that's not me. The problem with OPM, I've personally found, is the "Other People" part. Not to sound like a misanthrope. Other People's Money comes with other people's expectations and the expectations of VC's, and external shareholders crimp my own objectives which are more about total personal freedom than leveraging OPM.

My "lifestyle" is important to me, and I've found over the years that "lifestyle" is a type of "L-word" to venture capitalists and other investors. They don't like to hear it from their prospects and if any of the founders cite their "lifestyle" as important to their future plans, that in itself can earn them an earmark as one of the founders who's gonna get fired down the road (in the inevitable purge that occurs after the VC's get the thin edge of the wedge into your company).

He continues:

"The more I see both, the happier it appears that small business people are. They often make more money, take fewer risks, sleep better and build something for the ages, something they believe in and can polish and be proud of."

This resonated with me and felt like a more accurate description of my circumstances. I've read some of the "Rich Dad" book series and having made the transition from the self-employed quadrant to the business owner quadrant during the course of easyDNS, I feel like I'm on the beam and living exactly the type of life I've always wanted.

The prospect of being some celebrity entrepreneur a la serial bankrupt Donald Trump does not excite me. And when I look at CEO's of public or VC funded companies, it seems like most of them have maybe 2 to 5% equity, and a Board of Directors who have the power to fire them, perhaps from the very company they founded. That doesn't sound like freedom to me, it sounds like servitude. It seems closer to Kiyosaki's first quadrant (that of being an employee). When and if that "liquidation event" finally comes, I think the above mentioned CEO, after all the special share prefs of the VC's get converted out, etc, they may wind up pocketing the same amount of money I'd walk away with if I sold out my 100% stake in the business now.

What does excites me is the idea of the Sovereign Individual. Having your affairs setup in manner where you are independent from the whims and pitfalls of OPS (Other People's Stupidity). This is accomplished by owning income producing businesses, assets and investments. One of my role models in this respect has always been my friend and mentor, the Atavist, who has owned a medium sized regional courier company for 35 years. When I met him he was piggy-backing a self-funded financial software company on his setup and today he's developing a property in Panama. The only people he's had to answer to are his customers and himself for decades, and that is a laudable state of affairs.

So while Seth summed saying in effect "Don't worry, I'm still an entrepreneur", I will sum up by saying that after thinking about it, maybe I'm not. So I've changed the subtitle of my blog from "Mark Jeftovic's blog for serial entrepreneurs and loose canons" to Better Living through Private World Domination.

"Private World" is an archetypical concept for me. Back in the early 90's when I was playing in a heavy metal, glam rock band called Landslide, our indie label was called "Private World Entertainment", so later on in the mid-90's my friend and I founded a technology company called "Private World Communications". The ideal of being fiercely independent, beholden to nobody was always my guiding vision. Today, one of my holding companies (and parent company of easyDNS) is Private World Domination Inc.

Thanks to Seth Godin for helping discover something about myself. No wonder he's a net.guru.

Posted by Mark Jeftovic in Living off the net at 18:49