

Common Startup Mistakes

According to Startup Gurus





INTRODUCTION

In the context of startups, failure can mean different things to different people. For some, it's about losing funding, while for others, it can mean the inability to attract enough customers to build a sustainable business.

Most of the time, failure can simply be about not being able to materialize an idea for it to thrive and become a successful venture.

Some failures can help improve companies by failing forward and chalking it up to experience. However, some failures can be catastrophic enough to cost you and your whole company.

You don't have to experience all mistakes yourself just to learn new lessons. Learn from the most common mistakes committed by entrepreneurs according to experts.

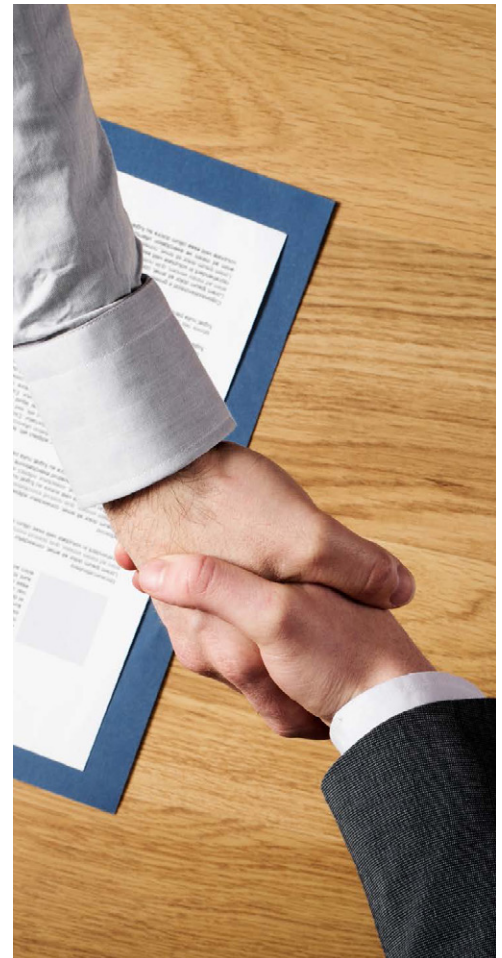
1 Hiring bad programmers

According to Paul Graham, if you're not a programmer yourself, it can be hard to distinguish the good ones from the bad. When it comes to software development for startups, it's important to find a good programmer that you trust.

That person should have a good grasp of what you want to achieve so they can hire dedicated developers with the right qualifications and competence to implement your vision.

Paul Graham

- Co-founder of Viaweb and startup incubator, Y Combinator
- Author of "On Lisp" and "Hackers & Painters"



2 Failing to get customer input

"On day one, a start-up is a faith-based initiative built on guesses. To succeed, founders need to turn these guesses into facts as soon as possible by getting out of the building, asking customers if the hypotheses are correct, and quickly changing those that are wrong."

Steve Blank

- Founder of Convergent Technologies
- Consultant for Pixar
- Sought-after speaker on Silicon Valley Entrepreneurship

3 Offering something that already exists

"In the real world outside economic theory, every business is successful exactly to the extent that it does something others cannot. Monopoly is therefore not a pathology or an exception. Monopoly is the condition of every successful business."

Peter Thiel

- Co-founder of Paypal and Palantir
- Facebook Angel Investor
- Co-author of "Zero to One: Notes on Startups, or How to Build the Future,"



4 Failing to create a competitive environment with investors

"When you have a good competitive environment the leverage shifts to you - you will be astonished at how much things change. Firms that previously couldn't meet you for three weeks will suddenly be able to schedule full partner meetings on a Sunday. And when multiple bidders really want to invest, a lot of the "non-negotiable" terms like 20% ownership and board seats go away."

Sam Altman

- CEO and co-founder of Loopt
- President of Y Combinator

5 Not making an effort to get the first customers

Getting customers as quickly as possible is critical according to David Cummings. Focus on unaffiliated customers or those that don't come from your immediate social circle, because they can provide direct feedback, aren't worried about hurting your feelings, and will be more demanding. By getting to "no go" as soon as possible, it provides more time to pivot/iterate and try the next direction.

David Cummings

- Pardot co-founder
- Atlanta Tech Village founder
- Board member of Buckhead Coalition



6 Failing to think about the culture fit when hiring

"Recognize that you can't motivate people, you can only create an environment in which people are motivated. Understanding what you want your culture to be is critical – if you don't own it, it will own you. Once you start missing on culture fit, things spin out of control quickly."

Brad Feld

- Co-founder of Foundry Group, Mobiles Venture Capital, and TechStars



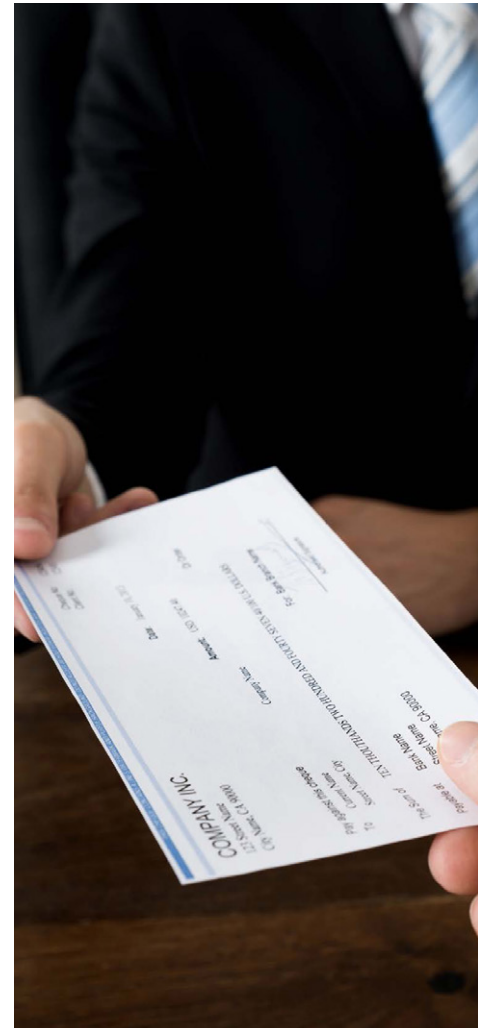
7 Spending too much to grow the business when it's not ready for such growth

"No one can predict how long it will take to find product/market fit. To give yourself the greatest chance of success, set your burn rate for a marathon, not a sprint; in other words, you need to set your burn rate as low as possible.

The ideal startup team should be the founders, the product development team, and one or two sales people to get the founders in front of customers. That's it."

David Skok

- Founder of Skok Systems, Corporate Software Europe, Watermark Software, and SilverStream Software
- Venture capital partner at Matrix Partners
- Venture Capitalist for HubSpot, ApplQ, Diligent Technologies, and CloudSwitch



8 Misunderstanding the importance of an ecosystem

Don't rely on determination and persistence alone when starting out according to Reid Hoffman. Working from a startup hub like Silicon Valley allows you to exchange ideas and mingle with smart people who can provide insights to keep you ahead of the curve.

Reid Hoffman

- LinkedIn Co-founder and executive chairman
- Former executive vice president at PayPal

9 Having too many board members

"Keep your board to seven members or less... Two insiders, one to three VCs, and one to two industry people is ideal once the company gets to a certain scale. The number of VCs on the board is in inverse proportion to the success of the deal."

Fred Wilson

- Co-founder of Union Square Ventures and Flatiron Partners



10 Messing up the budgeting process

Startups should implement a number of constraints from the outset by following a budgetary process. For Ben Horowitz, doing so will prevent businesses from getting so big to the point where it will "bloat companies to the brink of bankruptcy and create a culture of chaos."

Ben Horowitz

- Co-founder of Andreessen Horowitz and Loudcloud



11 Not studying the legal aspects of creating startup businesses

"You can't outsource the understanding of key financing and other legal documents to lawyers," Chris Dixon explains that as a business owner, you need to be discerning on legal issues because you're the best person to decide which terms matter, which ones don't, and how different scenarios could affect the founders personally.

Chris Dixon

- Uber, Pinterest and Skype Angel Investor
- Co-founder of SiteAdvisor



12 Not planning how to acquire bigger customers

Follow the "land and expand" strategy Christoph Janz advises. Instead of trying to start with a large customer deal, it's better to start with a minor commitment and then work your way up towards a bigger contract. Another way to acquire bigger customers over time is by targeting startups and growing with your customers.

Christoph Janz

- Point Nine Capital Managing Partner
- Co-founder of DealPilot



13 Choosing the wrong co-founder

"Typically, people choose cofounders too fast... You need to spend time finding the right people, and you need to be aware that if you choose your best friend from uni or your brother, you're statistically more likely to choose the wrong person."

Fred Destin

- Partner at Access Partners VC firm, which was an investor for Kayak, QlikTech, and Supercell



14 Not planning the pricing model of your product

"A good pricing model appears simple and logical to the customer. It may be complex behind the scenes, with different prices for varying customer sizes, product complexity, and add-ons, but the tax aligns itself to the customer's perception of ROI clearly."

Tomas Tunguz

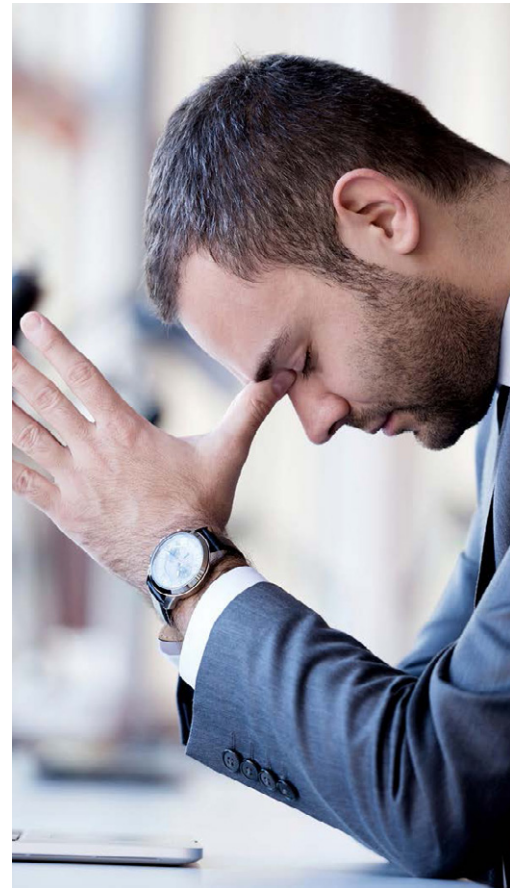
- Redpoint VC partner
- Co-author "Winning with Data"
- Former product manager, Google's AdSense social-media products
- Entrepreneurship

15 Being too afraid to commit mistakes

"Accept the inevitable, steady yourself now for the oncoming blow, and just hope it doesn't hurt too much or cause too much damage. Having been burned once, you'll be much more careful in the future about compromising your principles or allowing yourself to do business with people who may take advantage of you later on."

Dharmesh Shah

- Co-founder and CTO for HubSpot
- Founder and CEO of Pyramid Digital



16 Relying on mistakes for learning and growth

"Learning from failure is overrated. I've found that if you're going to spend your time pondering the past, focus on the wins, not the losses. The lessons learned from doing well give you a better chance at continuing your success."

Jason Fried

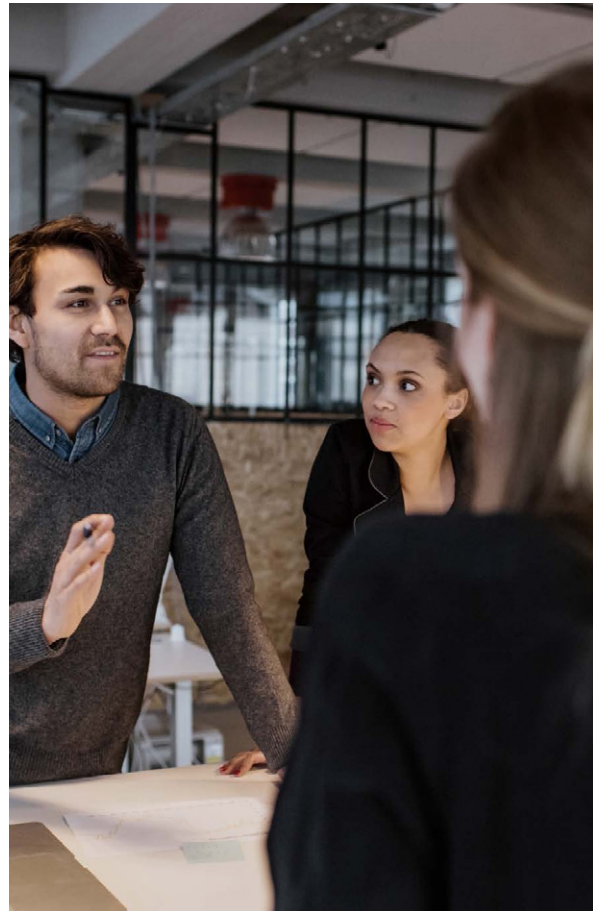
- Basecamp co-founder
- "Rework" co-author

17 Not focusing on what's working

"Double down on what's working. Get from \$2m to \$10m ARR (Accounting Rate of Return) on the path of least resistance. Nine times out of ten the path of least resistance, the fastest way to \$10m ARR, is just what you're already doing. But better, with higher ACVs, and a more practiced sales and marketing engine."

Jason Lemkin

- Founder VC of SaaStr & SaaStr Fund
- CEO/Co-founder of EchoSign



18 Not Focusing on Security

Joel Gascoigne acknowledged that the main reason, why Buffer was hacked in 2013, was because they did not focus enough on security. Since then, they've taken key security measures by adding encryption on OAuth access and changing API calls as an added security parameter.

Joel Gascoigne

- Co-founder & CEO of Buffer

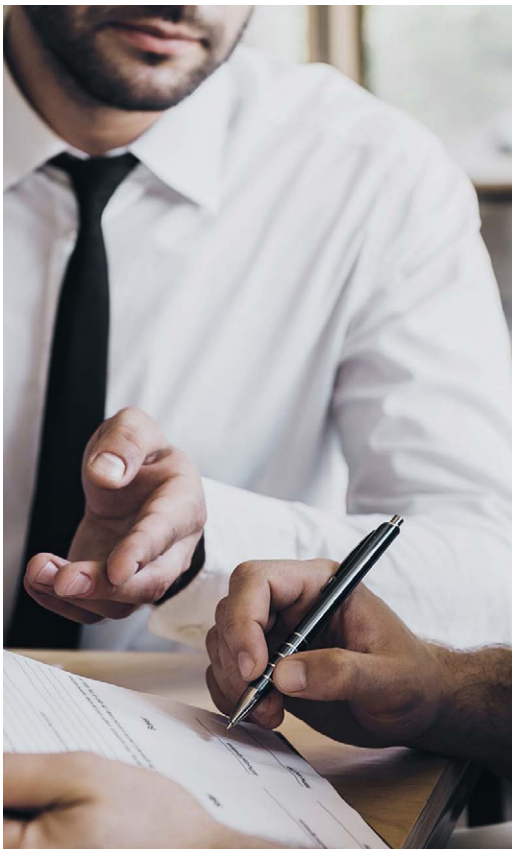


19 Ignoring SEO

Implementing a good SEO strategy to your startup increases your search traffic and boosts your chances of getting top positions on Google search ranking. This gives you a higher chance of connecting with your target audience, which in turn, helps increase conversions and sales figures. That's why ignoring SEO is a no-no for Rand Fishkin.

Rand Fishkin

- Co-founder of Moz



20 Dismissing the need to register any intellectual property

"Some entrepreneurs believe that being first to market will keep them ahead of competitors. They forget that big companies with many more resources do wake up when they see your traction and can easily overrun your efforts. You need patents and trademarks as a barrier to entry."

Martin Zwilling

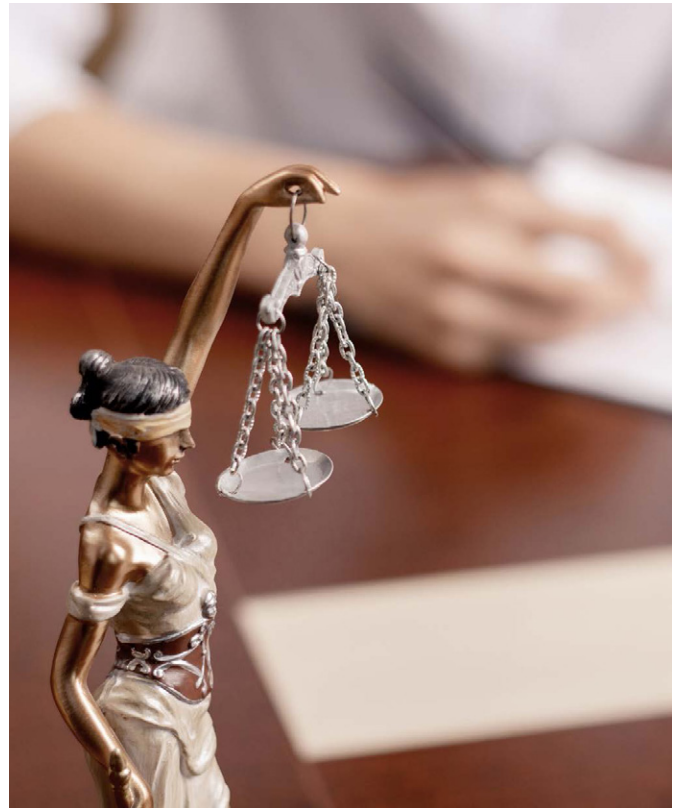
- Founder and CEO of Startup Professionals
- Author of "Do You Have What It Takes to Be an Entrepreneur?" and "Attracting an Angel"

21 Not hiring a lawyer

"The second your word is questionable it's worth very little. With lawyers and most of the world, if it's not in writing... It's worth nothing."

Ben Milnet

- CEO and founder of Dwolla



22 Not learning basic accounting

Examining and understanding at least the balance sheet, P&L, and cash flow of your accounting ledgers will help you make better financial decisions for your company according to Ryan Carson. For example, when you sell your business, you could time the sale more effectively to maximize the purchase price.

Ryan Carson

- CEO and co-founder of Treehouse

23 Taking shortcuts

According to Danielle Morrill, you can't short-circuit the hard work of figuring out what your next business decision should be. Implementing an idea that worked well for another company does not guarantee it will work just as well for you. More often than not, borrowing someone else's success story will only get you second rate results.

Danielle Morrill

- Mattermark CEO



24 Being too attached to your ideas

"Be ruthless about killing off the medium performing ideas and just keep the absolute best. Because if you don't make it a practice to kill off your ideas, your ideas will end up killing off your startup."

Ethan Austin

- Co-founder of GiveForward

25 Focusing on just one aspect of the business

"We spent so much time on this one thing - focus on revenue and growth - that we didn't ask ourselves, 'what's the long term plan and how do we build out the products?'," says Dan Martell on his blog.

Pouring all of your resources into a single aspect of the business, like a product feature, is dangerous because it's like putting all of your eggs in one basket. When it doesn't work out, you can lose out in potential compounded growth and value.

Dan Martell

- Family First CEO
- Founder of Clarity



26 Relying so much on the best-case market scenarios

"To be a great business person, you can't just be a peace-time general. You need to be a wartime general too," says Gary Vaynerchuck.

"...only the true entrepreneurs with the grit and ability to build businesses will rise to the top," even during trying times when market conditions are unstable, and money is not flowing.

Gary Vaynerchuck

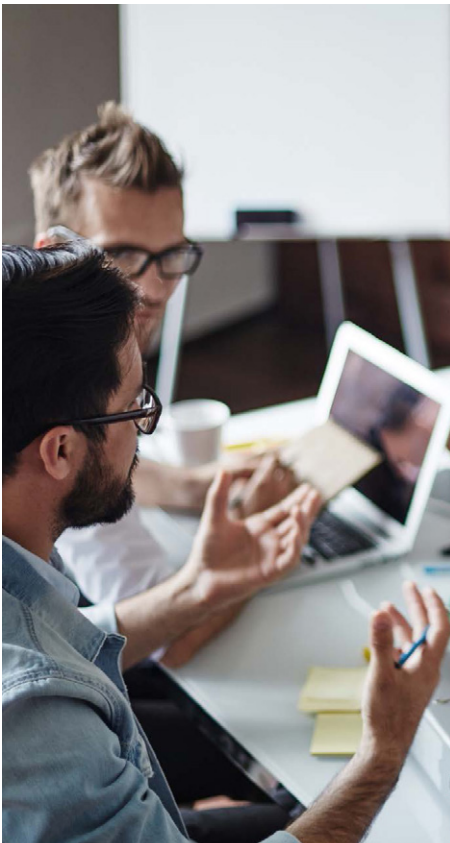
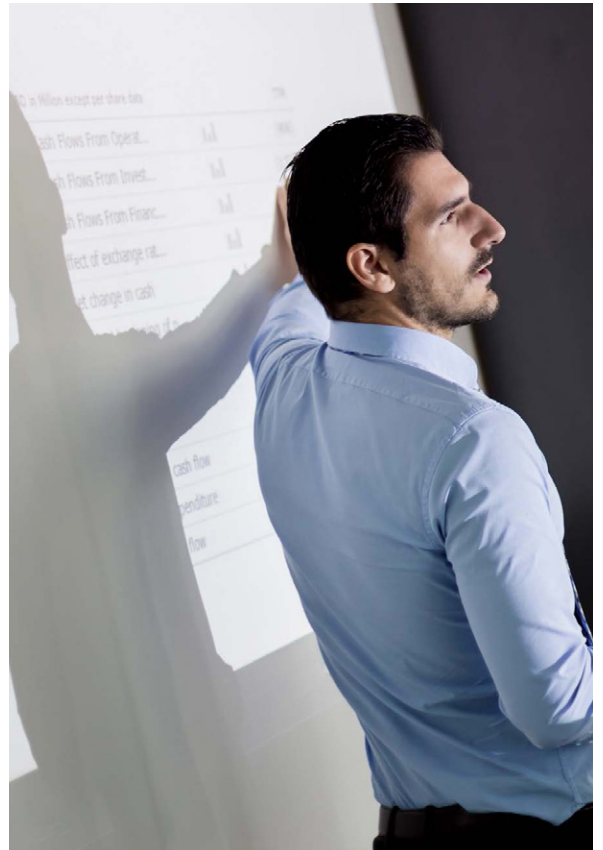
- VaynerMedia founder
- VaynerRSE co-founder
- Angel Investor of Facebook, Twitter, Tumblr, and Uber

27 Focusing too much on raising money and not enough on getting customers

"Most entrepreneurs are so focused on the pitch that they think the most important tool is PowerPoint. The reason for your company is not to raise money. The end goal is to create customers."

Guy Kawasaki

- Apple chief evangelist
- Author of 13 books including "The Art of the Start 2.0" and "Enchantment"



28 Envisioning grand and magical events property

"...you'll need to work hard to create something magical, and a big part of that hard work is relentlessly eliminating all magical thinking from your projections and your expectations of how the market will react."

Only count on things that have happened before, a funnel you can buy and time you can afford to invest. Anything more than that is a nice bonus."

Seth Godin

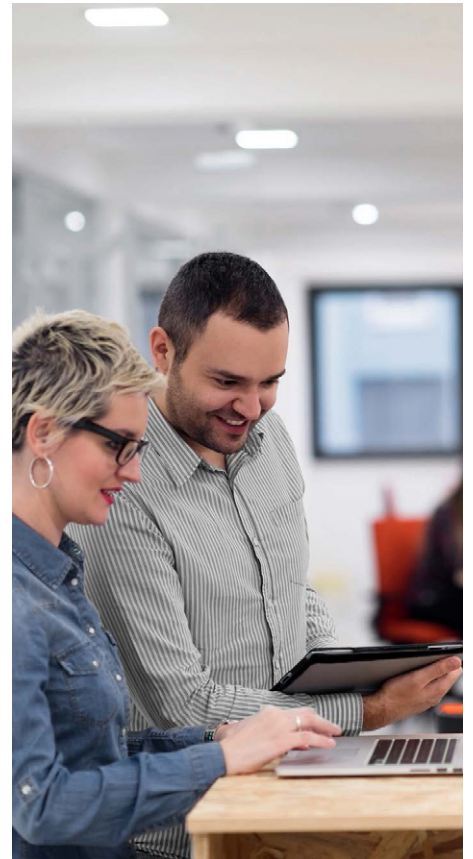
- Author of "Tribes", "The Dip", and "Purple Cow"
- 2013 Direct Marketing Hall of Fame awardee

29 Building for users instead of buyers

"The next time you review your product roadmap, do not discard features out of hand just because they do not enhance the user's experience. Such product improvements must also be viewed through the eyes of the buyer. If they will accelerate the velocity of your market penetration, judiciously add them to your roadmap – your salespeople (and investors) will thank you."

John Greathouse

- Partner at Rincon Venture Partners
- RevUpNet co-founder
- Faculty at University of California Santa Barbara



30 Not getting personal and business advisers

For Jeff Hillimire, advisers provide valuable insights that will help you navigate your business decisions. Having someone with experience to stand by your side and get advice from is priceless.

Jeff Hillimire

- Dragon Army founder
- Former President and Chief Digital Officer at Engauge



Personal Advice to Startup Founders

As a startup founder, I spend a lot of time talking to others like me—people who own businesses or building from the ground up.

If you're an entrepreneur, the best thing for you to do to learn the ropes is to get as much advice as you can from people who have done it before.

But, don't implement their ideas blindly. Try to discern which pieces of advice applies to you or your situation.

As the person who knows the ins and outs of your startup, you have the best vantage point. You're in a position to know what will work and what won't. Listen to your inner voice, and trust your gut instincts.



ABOUT ARCANYS

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Our core business is to help our clients from the design of the specifications to the release of a software project. We provide and manage teams of full-time software developers collaborating with offshore IT teams who are primarily based in North America, Europe, and Australia. We are dedicated to helping clients spot areas for improvements in their innovation process, from solid specifications to limiting errors and bugs, with a keen interest in delivering projects on time; just as you expect it.

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