Business Mistakes Serial Entrepreneurs Never Make (Twice)

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"Learn from the mistakes of others. You can't live long enough to make them all yourself."

Eleanor Roosevelt - US Diplomat & Wife of President Franklin Roosevelt

As an entrepreneur, I helped create companies which achieved two IPOs and two trade sales totaling $385 million. During those same 15-years, I made innumerable mistakes.

Entrepreneurship is best learned **experientially**, both directly and through the experiences of others. Hopefully this article will help you avoid learning these mission-critical lessons the hard way.

So lets take a look at some business mistakes serial entrepreneurs never make twice. These are summarised below.

Disclaimer: The opinions expressed in this article are the personal thoughts of John Greathouse and may not reflect the views of his employer or their associates or those of WMJ Kelleher & Associates.

1. Attempt To License An Idea

Rationale: My idea is so mind-blowingly fantastic, I can sit back and collect licensing fees while someone else does all the work required to turn my idea into a successful business.

Fallacy: Ideas are worthless, while skillful execution is priceless. Value is created through diligent hard work. Commercializing an idea involves defining and validating an economically viable value proposition. Once you prove that a substantial number of people are willing to pay more for your solution than it costs you to provide it, you can then consider licensing your underlying technology.

2. Secure Your Intellectual Property Too Early

Rationale: My idea is so mind-blowingly fantastic that I must immediately spend some of my precious capital to protect it.

Fallacy: Startup ventures tend to evolve, especially after you begin speaking with customers and demanding partners. Thus, only spend significant time, effort and money protecting your intellectual property when it is clear *what* you should protect.

3. Perform China Syndrome Market Analysis

Rationale: If I can sell my solution to just 1% of all the people in China, I will have a hugely successful venture.

Fallacy: Such abstract extrapolations are meaningless. In order to reasonably assess the size of your addressable market, you must perform a bottoms-up analysis which is based on a number of elemental assumptions.

For instance, if you are operating a subscription-based web service, you might estimate the reach of your proposed marketing budget by approximating the various points of friction in your customer acquisition funnel, such as: the percent of users who will click on your ads, the percent who will then complete a lead form, the percent who will download your solution and the percent of trial users who ultimately convert to paying customers.

4. Rely On A Public Relations Agency

Rationale: I am not an expert in public relations (PR). Thus, I will hire a firm which has the appropriate expertise and industry contacts.

Fallacy: The sad reality is that PR Firms value their relationships with media and industry gatekeepers more than their relationship with any single client. This causes even the most earnest third-party PR professional to champion your message in a measured, pedestrian manner. As soon as they encounter resistance from a trusted media compatriot, they will invariably relent, in order to protect their long-term relationships.

Conversely, if you conduct PR in-house, you will not be so easily deterred. Public relations at a startup is a sales process. No one has heard of you, your company or your solutions. When you are unknown, creating marketing awareness requires passion and persistence, two attributes which are in short supply at most PR firms.

5. Hire A Consultant To Execute My Core Competency

Rationale: I am busy and do not have time to accomplish all of my mission-critical tasks. Thus, I will hire a consultant to act as an adjunct member of my core team.

Fallacy: **A**n entrepreneur's two most precious assets are time and money. Unfortunately, consultants typically cost you both. In addition to paying the consultant, you must invest time to educate them. In many instances, it is difficult to gain an adequate return on this time investment, as the knowledge transferred is lost once the consultant moves on to their next client.

Cash at a startup should always be spent as if it is in short supply, no matter how much money you have in the bank. When a consultant attempts to earn your business, they will tell you that they adamantly believe in you and your venture. Evaluate their sincerity by asking them to accept equity in exchange for all or a portion of their overall compensation. If they *really* believe in your business, you might be able to craft a deal in which you gain valuable, incremental bandwidth while mitigating your cash outflows.

Note: There are clearly routine tasks which can be effectively outsourced at a startup, including those which: (i) do not require a significant time investment on the part of the entrepreneur to educate the outsourcer or, (ii) no institutional knowledge is gained by the outsourcer which could be critical to the venture's success.

6. Grant Exclusivity

Rationale: A cooperative relationship with a big company will significantly enhance my startup's chances of success. Thus, it is prudent to grant exclusivity, in order to secure such a partnership.

Fallacy: Most large organizations are driven by the fear of loss, rather than hope of gain. Their motivation to work with you will typically be heightened when they know that your unique and compelling technology could be used against them by a competitor. Thus, you have negotiating leverage as long as a legitimate, competitive threat exists.

If you are forced into an exclusive relationship, there are several tactics you can use to minimize its impact, including: limiting the length of the exclusive term, tying exclusivity to a minimum sales threshold or conscribing it to a specific geography.

7. Over-promise And Under-deliver

Rationale: In order to gain the attention of investors, recruit all-star employees and strike meaningful partnership deals, I have to make my startup appear larger than life. Puffery works in marketing, so I will deploy it when I promote my startup.

Fallacy: Yes. Your commitments to investors must be significant enough to compel them to write you a check. However, keep in mind that investors are inundated by people who routinely overpromise and then apologize for not achieving their milestones.

Strive to always maintain a positive slope in your stakeholder relationships. For example, if you indicate that you will generate $1 million in sales and actually deliver $750,000, you will be viewed as having failed. However, if you forecast $500,000, your $750,000 outcome will be considered an outsized victory. Maintaining a positive slope requires sound judgment, as overly conservative prognostications will fail to enchant anyone.

To Err Is To Learn A Lot

The next time you err, consider what Mrs. Roosevelt's cousin-in-law Theodore Roosevelt once said on the subject, *"The only man who never makes a mistake is the man who never does anything."* Theodore and Eleanor both knew that mistakes are part of the human condition; the number you make over a lifetime is not important. What matters is how effectively you change course after each mishap.

*Follow John on Twitter: **@johngreathouse**. He promises he will never Tweet about celebrities, reality TV or that killer burrito he just ate.*