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9 MISTAKES TO AVOID IN YOUR STARTUP BUSINESS

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I have been fortunate enough to be employee number 1 in a tech startup that successfully raised a 7 figure seed round of investment. This in itself was invaluable learning, but what followed was a massive self-education experience, full of incredible highs and frustrating lows. In hindsight, I, and we, made hugely naïve mistakes and had some pretty hard hitting failures. We also ended up with some decent successes by turning some of the failures into positive wins. As part of Nuvem9's advice to the startup community we endeavour to pass on these learnings so others can avoid the same pitfalls in the future, if at all possible. The following comprises the Top 9 Naive Startup Mistakes we made that Nuvem9 want you to avoid.

1. Don't fail to do due diligence on your Investors

We made the ultimate mistake at the outset. We focused too much on our lead investors as the solution to one isolated problem – the need for capital to fund development pre-revenue generation. If we were able to receive capital from them, that was great right? Wrong! What we failed to do was ask what other startups they had invested in (the answer was none, all other investments had been in existing, revenue generating businesses). In addition, they had no background in the actual industry we were operating in. Ultimately we proved to be a much riskier proposition against their desired profile simply due to the stage the business was at, which led to tensions from the outset. Doing sufficient due diligence would have enabled us to raise these concerns with them prior to signing terms. Key learning:

Due diligence is always a two way process for a startup.

2. Don't recruit staff unsuited to work in a Startup

It is our clear opinion that you are either suited to work in a startup or you aren't. In a startup your role isn't clearly defined as the Company is continually changing but more importantly you must roll your sleeves up and get stuck in when new

tasks need done. Nine to Fivers aren't suited nor are people who sit back and say, "that's not my role to do that". Put simply, if you want to work in a Company with its own IT Support, HR function and cleaning staff don't work in a Startup. I learnt this the hard way. We recruited the wrong people – people with undoubted industry experience, but when stripped of an extensive support department and large budget, simply weren't effective. Key learning: **recruit based on general startup attitude as well as industry experience.**

3. Don't operate from multiple sites

Quite why we thought we could successfully launch with teams split across two completely separate offices in different cities without ever really putting a plan on how that would work is now beyond me! This didn't work, and was one of the major reasons for a sluggish deployment of our strategy. Operations were sitting in a different location to our Developers; Sales and Finance were also split. Whilst remote working is now much more prevalent with the multiple cloud applications in operation, it can't work unless the Company cultures embraces it and manages it from the outset. Key learning: **Ensure your core team meet each other regularly, even if that means video meetings.**

4. Don't allow your VC to take on executive duties

As noted in point 1 above our venture capital investors did not have direct experience in deploying a similar technology business or connections within the market we were targeting. Their higher risk aversion led to them trying to control the situation by taking more and more executive duties on board, particularly in recruitment, strategy, technology roadmapping and pricing. I was naïve and made the assumption that VC's would get these decisions right. I was horribly wrong, and by the time we realised, it was too late to try and wrestle control back into the executive team. Key learning: **A good VC will offer connections, advice and support but always ensure decisions taken in the business are your own and that you take accountability for these decisions.**

5. Don't neglect to speak to your Customers

We had a really exciting product and one that could have been seriously disruptive in the industry. The problem was we believed that to be the case without validation. By the time we spoke to the market months had been spent creating features and functionality that there wasn't demand for. In addition, the clear market feedback was that our pricing proposition wasn't going to wash. We were fortunate that, by incorporating revised and new features and amending the pricing structure, we gained early traction, but many wasted hours of development time could have been saved by having these conversations way earlier. Key learning: **Always speak to your market to ensure the product you are developing meets a market demand.**

6. Don't take on costs you don't need at the outset and do spend money when it is essential

With a 7 figure seed investment in the bank we quickly started spending the money on all the important things. Every startup must spend a fortune on week 1 in getting a fancy logo designed, right?! Within a few months we had tied ourselves into 3-5 year leases, retainers for all manner of services and everything was geared for the massive scale we promised ourselves was only weeks away. In the meantime, however, we had a real aversion to spending money where it should have been spent; as an example, I found myself doing trademarks applications and writing the complicated commercial contracts myself rather than employing the services of a specialised solicitor. The major lesson I took away is that unless the money is actually improving your ability to go to market quicker and earn revenues, don't spend it. Do spend when it improves your product, improves your market presence and awareness or when it creates time within the business by outsourcing repetitive tasks. Everything else isn't important and turns out to be expensive fluff. Key learning: **Always keep your burn rate to a minimum regardless of the bank balance and do spend it wisely in areas that benefit the business.**

7. Don't ignore the importance of internal reporting systems

When you take on VC funding you automatically take on a massive responsibility to report back what is happening in the business to your Board and shareholders. More importantly you have a responsibility yourself to understand how the business is performing and to manage that accordingly. We had a data plentiful business but simply didn't spend enough time in developing systems to report this to the keys stakeholders, including ourselves. By the time we realised we would need this for analysis purposes we were all too busy running the business. As a result we had to spend massive amounts of time at the end of each week collating, crunching, formatting and summarising the data before we ourselves could even analyse it, never mind before reporting it upwards. Key learning: **You must have an efficient way to generate your key metrics to understand how the business is performing.**

8. Don't chase follow on funding at the expense of the actual business

As you will have guessed in this list so far we burned through our money before the 6 figure a month revenues materialised and needed to take on follow-on funding. Whilst we were ultimately successful in doing so, it came at the expense of the actual business for a good 3-4 months. Most importantly, I learnt that short term gains designed to make the business more "investable" weren't really worth spending time on in the long run. Beware of the temptation to window dress your company's metrics for a short term gain. As an example we ended up beefing up our revenues by targeting sales via a completely different model; one that was successful but essentially no different than the rest of the market we were trying to disrupt. Ultimately, this very nearly damaged our market credibility in the long term. Key learning: **You are not in business to raise money; never compromise the actual business to take on money, no matter how desperate things may appear.**

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9. Don't be anything but totally clear on your strategy before starting

This is by far and away the most important learning. We had identified that our software could disrupt the market in a number of ways. The problem was that the market opportunities were endless. Our strategy amounted to trying to tackle them all. It is impossible to try and take on a global market with a small team, a partially developed product and a tiny marketing budget. What we should have done was rank the potential markets in terms of accessibility, size, applicability to our product as it stood and our overall ability to access via the team's network. Then we should have matched our entire strategy within the business to how to crack that market.

Key learning: **without a clearly defined and deployed strategy consistently adopted throughout the business you will fail.**

There are many more naive startup mistakes being made every day. Given our hands on experience in setting up and working in startups, Nuvem9 specialise in working with early stage businesses in strategy development, financial systems integration and investment readiness. Talk to us today for a consultation on how we can assist your startup.

A blue banner with the nuvem 9 logo on the left, the text "Experts in working with growing tech startups" in the center, and a yellow button with a right-pointing arrow and the text "Call Us Today" on the right.

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