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AVOIDABLE GOTCHAS

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Quick Summary: Once aware, there are several pitfalls that an entrepreneur can easily avoid.

Abstract:

Entrepreneurs' visionary and optimistic nature makes them susceptible to stumbling over issues that could have been easily avoided. In hindsight, most of the issues are obvious. Being aware of them by regularly reviewing a list of these issues will save time and money and even help avoid business failure.

This article was written as a stream-of-consciousness about "gotchas" or pitfalls that I have seen trap many entrepreneurs. The list has been divided into five categories:

1. Idea/Vision
2. Execution (Initial Actions)
3. Focus
4. Validation (Revenue)
5. Finance (Cash)

The first four categories occur roughly in time sequence. Financial issues (cash) appear throughout. The items are not necessarily listed in order of importance within each category. However, the top five most common and severe issues are marked with [brackets].

Probably the fundamental reason most gotchas occur is the very nature of an entrepreneur: they are visionaries, focused on their idea and on envisioning their future success. Without that mindset, they probably would have never started on the new business journey. Also, if they objectively examined the odds of success for startups, they would likely be discouraged enough not to take the plunge. Thankfully, most are not "burdened" with reality, and DO take the plunge. Perhaps it would be best for a would-be entrepreneur not to read this article until they make the commitment, but to read it immediately after they have started! As another recommendation, entrepreneurs should read this article every Monday morning to help remind them of what NOT to do!

In general, companies stumble for one of two general reasons: External events or their own decisions. External events such as the 9/11 Terrorist Attacks, COVID-19, politics, the economy, or accidents (to name a few) are beyond an entrepreneur's control. However, the entrepreneur can choose how they will respond to those events. Their decisions need to be based on thoughtful responses and not quick reactions.

The list of items is based on an entrepreneur's almost daily decisions. It is, by no means complete; each entrepreneur will discover their own set of issues that become clear only in hindsight. The previous article, 3.010005 "*Do Differently,*" captures many of the issues I and others I have worked with have experienced. Many of the items listed in that article are a direct result of the gotchas listed below. I have found that the majority of items listed apply to all businesses, whether they are product or service companies, focused on business-to-business or business-to-consumer, or one-shot or recurring revenue models. Interestingly, most also apply to non-profit organizations as well, substituting donations for revenue and target recipients for customers.

Idea/Vision

1. They do not know what they don't know and are too optimistic about their business to ask and listen.

2. Do not understand what they plan to offer: A feature, a product, or the basis of a company.

3. Rely on the opinions of friends who want to be supportive and do not provide honest feedback.

4. Do not rely on or listen to objective advisors/mentors who have applicable experience.

5. Have not developed short (12-word) and memorable elevator pitches and messages that resonate.

6. **[2]** Not willing to pivot quickly enough based on others' feedback.

7. Hiring their clone (to help with their workload), instead of hiring their opposite (to compliment themselves).

Execution

1. Does not understand the difference between Problem, Prospect, and Customer Discovery.

2. Does not think through whether their business can ever scale, whether it should, and what will be required.

3. Hire their friends and relatives, who often do not work out, making family gatherings tough.

4. Creates presentations that are too long, too wordy, and not focused on a particular audience.

5. Does not spend adequate time with outsource groups (developers or marketing companies) to guide their efforts.

6. Reach the wrong conclusions based on their initial "Rolodex" customers instead of "anonymous" customers.

Focus

1. Does not focus on a single market or application for fear of missing a market segment.

2. **[1]** Does not differentiate between what they "could" do and what they "should" do.

3. Reacting instead of responding to issues (focuses on apparently urgent instead of important tasks).

4. Jumps from task to task without thinking about how they can leverage others to help them.

5. Focuses on what they want to say instead of what their audience wants to hear.

6. Focuses too much on creating their website and not enough on driving people to it.

7. Focuses on developing their product or service while neglecting other business elements.

Validation

1. **[4]** Grossly underestimates the effort to find valid prospects.

2. Does not realize that if a prospect "doesn't get it" it's because they "didn't give it."

3. **[5]** Grossly underestimates the time and effort required for the sales cycle.

4. Underestimates the power of incumbency and the prospect's unwillingness to change.

5. Discounts competitors' capabilities, neglecting to plan for what they might do next.

6. Does not understand that their timing and urgency are not necessarily the same as their prospect's.

7. Attempts to generate profitable revenue before they have referenceable, scalable revenue.

8. Hires sales reps before they have the necessary tools and materials available to support them.

Finance

1. Thinks they can raise money based solely on their idea.

2. **[3]** Focused on trying to raise money instead of building their business.

3. Worries about spending money, but not their time (which is their most limiting resource).

4. Grossly underestimates the time and effort to raise money.

5. Does not understand that they want investors to put money INTO the company, while investors want to know how they will get their money OUT and when.

6. Fixated on valuation without understanding other terms and their impacts on future funding.

7. Does not focus on all three of the investor 3Rs: Risk, Reward, and Relationship.

8. Does not understand the true cost of building and placing their product or service with customers.

9. Does not realize that revenue is always delayed, but expenses occur right on time.

10. Tries to raise money as a single entrepreneur (no team).

The length of the list may be scary, but it's probably best captured by distinguishing between what "should" be done and what "could" be done. Following that simple statement will avoid most of the gotchas listed. As one final thought, every entrepreneur needs to keep in mind is that there will be obstacles directly in front of them every step of the way. They need to keep their vision clearly in mind, but do not forget to look at the ground along the path. Finding and relying on objective advice from an experienced mentor will help you travel down the path to success.

A presentation by the same name as this article, can be downloaded through article 8.040303. That article also contains links to a narrative set of presentation notes that describe each of the gotchas in more detail. A list of twenty-four related articles and a simple Excel™ tool can also be downloaded. The tool is a checklist that an entrepreneur can use to evaluate their position on each of the gotchas.