

The book of blunders

The most common mistakes entrepreneurs make

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There's hardly a worker on Earth who hasn't mused of running his own company, calling his own shots and freeing himself from the yoke of his middling, Celine Dion-loving immediate supervisor.

For most, it's just a fantasy. But for some — those brave folk we call entrepreneurs — starting a business stops being a pipe dream and turns into a full-time reality.

The risks are grave, and there's little room for error. Though statistics vary, they all indicate it's better than even money an entrepreneurial enterprise will go belly up within a year.

And while some of those ill-fated dreamers may be finding innovative ways to blow it, many are making mistakes straight from the Book of Common Blunders. So before you punt your old life away to pursue the dream of selling a solar flashlight, you need to know what they are.

To that end, we polled experts and city entrepreneurs on the most common blunders that doom start-up businesses. Let these be a lesson.

Be confident, not blind:

Successful entrepreneurs need to understand the difference between being persistent and being mulish — and flexible enough to adjust to ever-changing circumstances.

Many entrepreneurs have trouble “mixing up stubbornness and arrogance with passion and persistence,” says Pace University professor of management Bruce Bachenheimer.

You can't throw in the towel every time things don't go your way, but you also can't ignore circumstances that call for a change in your business plan, no matter how ingenious you may think it is.

“One of the hardest things to do as an entrepreneur is be honest with yourself,” says Josh Green, CEO of Panjiva, an NYC-based firm that helps companies evaluate potential suppliers. If you're not, “you're sunk.”

Only fools rush in: Karen Robinovitz, the “creatix” at the NYC cosmetics company Purple Lab, thought she had a clear winner with a “Huge Lips Skinny Hips” lip gloss, which includes an appetite suppressant in its formula. So she went from zero to Max Factor in 5.2 seconds, ordering 30,000 tubes for the gloss after making only a few prototypes.

Trouble is, she didn't cross her T's with her vendor and wound up stuck with micro-fractured tubes that leaked lip gloss like a sieve. Disaster was ultimately averted, but not without the angina of missed orders.

Lesson: “The biggest mistake is rushing into something,” says Robinovitz. “When you don't research and don't do the proper amount of due diligence, something can turn around and bite you.”

Burton Goldfield, the CEO of TriNet, a human resources firm, advises entrepreneurs to keep things simple at the git-go.

“Start small, and prove the idea out,” he says. “Do it on a shoestring.”

Don't be unrealistic with your expectations: It's OK to dream, just don't dream grandiosely.

There's a tendency to expect success overnight and success on a Richard Branson-like scale, notes Robinovitz — particularly in New York. It's just not going to happen, so don't get hung up on it.

Entrepreneurs “just overestimate everything,” says Bachenheimer, citing customer appeal and investor enthusiasm as two areas new business owners typically exaggerate.

“They can't put themselves in other people's shoes and separate themselves from their own optimism.”

Have enough money (and remember that “enough” is more than you think): The road to new business perdition is paved with the corpses of folks who didn't have enough money tucked away before they launched their enterprises.

“People underestimate virtually every expense associated with starting and running the business,” says Bachenheimer.

He adds that this is particularly true of Web entrepreneurs, who often think a new site can be started with nothing more than a laptop and a \$20 domain registration. Actual expenses are exponentially larger.

Pay attention to customers: “There's no organization that has no customers,” notes Patrick Raymond, the founder of the New York City-based Web site Myinventionscore.com.

And the fact is they're always right — even if they don't cotton to your fabulous idea. Many entrepreneurs fail to learn that lesson.

“The first and most important thing is that you must focus on your users,” says Alexa von Tobel, founder of the Learnvest.com, a financial information site catering to women. “Get your product out there, and talk to your users all day long.”

Green of Panjiva learned the hard way, spending more than two years convinced that his start-up idea was right and his customers were wrong. He saw the light when an investor suggested he try to solve a customer's problem using his own service — and found that it didn't measure up.

“There's a temptation to say the customer doesn't get it,” says Green. But, “You've got to ask, ‘Why are customers saying no? What is it we're doing wrong in their eyes?’”

Don't DIY your legal issues: Lawyers are expensive. Plenty of people don't like them. A smart entrepreneur won't make the unforced error of letting those considerations get in the way of having a lawyer draw up agreements between partners and between investors, says Ira Halperin, an attorney at Meltzer Lippe law firm in Mineola.

Halperin has seen DIY law up close, and it isn't pretty. He recalls one partnership buyout that turned into an 18-month-long ordeal costing a half-million dollars simply because the business owners let a nephew fresh out of law school draw up their shareholder's agreement when they started the company almost two decades earlier.

“It was a disaster,” he says.

Similar care must be taken with investor agreements. To wit: An initial 10 percent investment could be diluted by other investors throwing money in down the road, so an agreement must spell out that and other considerations, says Halperin.

Work hard — but don't kill yourself: While running a startup will require plenty of 16-hour days, a smart entrepreneur will strive for a semblance of the proverbial work/life balance.

“I was burning every candle at every end, and ended up in the hospital, super sick,” says von Tobel of Learnvest.

She recovered and dialed back her all-work ethic.

“It was an epiphany,” she says. “This is a marathon, not a sprint, and in order to survive I’ve got to get some sleep.”

Make sure there’s a market: “The biggest single mistake entrepreneurs make is that someone gets excited about an idea but they haven’t identified if there’s a market and whether people will pay for it,” says Burton Goldfield of TriNet.

A business is over before it starts if an honest calculation of the market isn’t done. And it’s important to be as specific as possible. “Everyone” isn’t a potential customer, so you have to pinpoint your potential market as specifically as possible to understand who your real customers might be. It’s foolish to open an haute haberdashery in a Fruit of the Loom neighborhood.

Sell, sell, sell: Too many business newbies are so enamored of their product or service that they think it sells itself. It doesn’t.

“We all fall in love with our ideas,” says Louis Foreman, founder of product design firm Enventys and host of the PBS show “Everyday Edisons.” “We just need people to fall in love with them, too.”

And part of making them swoon is salesmanship. Being your own Ron Popeil is a part of the job all too many entrepreneurs avoid.

“You have no choice,” says Raymond of Myinventionscore.com. Not selling is “a huge cop-out. Pack your bags, and go back to your day job. You can’t not be good at it.”

If selling isn’t second nature to you, rehearse!

“Practice like crazy. And practice on someone other than your brother-in-law or your wife,” Raymond says.

Get a partner, but find the right one: Flying solo is a common mistake. An entrepreneur may consider herself a Lone Ranger type, but she forgets that even the masked man had his partner, Tonto.

“The power of two or three is always going to be better than the power of one,” says Jared Gurfein, CEO of Veridian Spirits, the maker of Lucid Absinthe.

You want a partner who can make up for your flaws rather than mirror your personality, but too often entrepreneurs team with people who are just like themselves, says Green of Panjiva.

So while your wingman buddy from college may be the ultimate guy to cruise chicks and do shooters with, you don’t want to learn the hard way that he’s a serious clown during work hours. Better to partner with someone you’ve had some business experience with. And since there will be dark days in any entrepreneurial venture, make sure you’ve seen your potential partner under duress.

“You learn about people in the tough times, not the good times,” Goldfield says.