8 Ways To Ruin Your Early-Stage Start-up

By Sebastien Eckersley-Maslin

Having seen a few thousand pitches, mentored hundreds of founders through incubators and accelerators, invested in over 50 start-ups, both through BlueChilli and privately, and having my on failures on my belt, here are eight ways one can ruin up his/her early stage start-up. The good news is they're all preventable!

1. ***Forget to Sell***: This may sound obvious, but the number one way to kill your start-up is to forget to sell your service or product! Too often, I see start-ups that work on the philosophy 'build it and they will come'. Unfortunately, this isn't the case. You need to sell them to customers! You need to be working on your sales from day one.

2. ***Build Too Much Tech***: I call this the "developer's dilemma." When sales aren't forthcoming, the first reaction is to build more features. Wrong! You need to be selling more and building those features which are actually useful. Keeping things simple is the best way to test your market. Focus on your "Minimum Viable Product".

3. ***Take Too Long to Launch***: By all means you shouldn't rush your development but the longer you wait to launch the product, the longer it will take you to learn from your customers, and the greater the risk of having an invalid product market fit.

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5. ***Focus on Only One Customer***: I've seen a start-up make itself un-investible and ultimately collapse when it focused all the attention on its first customer. Each time the customer asked for a feature or something, the company obliged, to keep him happy – ultimately thinking it would be good for the market as a whole. Focusing all its attention on that one customer, effectively built a product which was perfect for him but unattractive to everyone else.

6. ***Fail to Take Responsibility***: At the end of the day, if you're the founder of a start-up and you're the CEO, the responsibility for the success or failure is on your shoulders. You need to accept this. Blaming others, be it employees, your co-founder(s), investors, for a failed contract or not connecting you with the right person, is ultimately your responsibility.

7. ***Be Too Greedy***: I've seen a situation where a start-up founder was part of a well-known US accelerator program that gets remunerated with a minority stake in each company through their program. The founder received all the benefits of the program and, on completion, they shut down their company and re-registered a new shell company just to avoid giving equity! Whilst there's nothing strictly illegal with that, it isn't acting ethically.

4. ***Run out of Cash***: A mentor of mine who was also a senior executive at one of Australia's largest private banks told me, "Cash is more important than your mother." Now, I love my Mum, but the importance of cash can not be underestimated and it must be managed super carefully. If you're not good with money, the first step is to admit it and then put controls or people in place to protect the company from you, get a part-time chief financial officer to help you, do monthly reconciled accounts, or use an online platform like Xero. Also, if you raise capital, don't go and spend one-fifth of it on a party when you close the round!

8. ***Let Your Ego Get in the Way***: Finally, you need to be humble. This was an important lesson I learned with one of my first start-ups more than a decade ago. I thought our brand was everything and arrogantly started expanding into other territories. I believed that our product was right and that people would buy it because we had success in a limited geographic area. How wrong I was. Ⓔ

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