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It's difficult to build a successful startup but even more difficult if you make avoidable mistakes.

Self-inflicted wounds are usually well-intentioned actions that end poorly: Champagne that ends with a hangover.

Here are a few common errors startups should avoid: 🧵



Funding at too high a price

Champagne: The press that surrounds an equity raise can feel really good. Big headline prices make Founders, Employees and Investors happy in the moment.

Hangover: A Founder who funds his/her company based on a convincing Investors to "assume everything goes right" have put themselves and their teams in a pressure cooker situation.

The day after money is wired Employees have to deliver against a Founder's aggressive promises.

Any market correction or miss in forecast makes the next funding round more difficult. And many Founders don't realize that if the last round was funded at a really high valuation, their company could enter a "no bid situation".

Investors would rather say no than suggest a flat or down round to a Founder. Even pricing a company up by 20% is challenging because a new Investor will have to convince his/her Partnership about the company and a small markup implies that the company isn't a rocket ship.

Hiring people very quickly post fund raise

Champagne: Startups love to hire people because it provides relief overworked teams ask for and it allows progress to be made on projects that are deemed critical to the startup's roadmap.

Hangover: If a startup hires too quickly it will inevitably make hiring mistakes and have to undo the damage. Onboarding talent is one of the most important drivers of a startup's success, but it takes time and effort to recruit and train so this isn't a tick-the-box exercise.

The best judges of talent and fit within an organization are usually busy executing against the startup's core mission.

If they can carve out 25%+ of their time for recruiting and training, the rest of the team only has to spend 10% of its time managing mistakes.

But the opposite is also true. If your best people only spend 10% of their time recruiting, it means the rest of the team will spend 50% of its time undoing the damage the "mistakes" end up making.

There's a governor on "good hiring" which shouldn't be overlooked.

Resourcing too many initiatives post fund raise

Champagne: It feels great to accelerate a roadmap by resourcing major new initiatives. After a raise, a startup has money to fund new projects and is expected to accelerate growth, so on paper "doing more" is a good answer.

Hangover: When a startup chases too many initiatives, it's highly likely that at least one of them will turn into a dumpster fire that will require the entire company's attention to put out. Fire fighting sucks time and energy from the team and consumes valuable resources.

Dumpster fires also become anti-proof about a startup's trajectory and operational competencies. Future Investors will look at how successful past decisions have been when evaluating a startup's plans. Overcoming anti-proof isn't easy and can set a startup back years.

Assuming repeatability of results

Champagne: It feels really good when a startup finds early PMF and figures out a go-to-market-motion that delivers double digit monthly growth. Doubling and tripling down on growth seems like an easy decision when things are working.

Hangover: Turning up a growth machine too quickly increases the odds that something is going to break. Knowing what results are repeatable is important because putting on "bad growth" or "expensive growth" can be very damaging to a young startup.

Scaling quickly can come with a deterioration in the efficacy of marketing dollars and many times brings in marginally worse customers (who might not stick around). Adding lots of bad customers is worse than slow and steady good customer growth when it's time to raise capital.

Founder led sales aren't the same as sales made by an inside sales force. Doubling spend in a channel that's working doesn't mean the incremental spend will produce solid results. A company's 10,000th customer might not perform like a company's 1st customer.

Falling in love with the solution instead of the problem

Champagne: It feels good for a Founder to tell the world about how his/her startup has a magical solution to a profound problem. Storytelling is a tool that Founders use to help important stakeholders build conviction.

Hangover: Falling in love with a problem is more important than falling in love with a solution because it might take a few tries to get the solution right. It's a mistake for a Founder to stand behind their solution when the market tells them it isn't right.

This also means that overbuilding functionality before getting a market read can be dangerous. It's a sign that a team believes they know what the market wants. In extreme cases it amounts to making a "bet your company bet" that your solution is right.

Every day in denial is another day's worth of work that might need to be undone as well as another day's worth of money that's been spent chasing the wrong solution. Founders should only tether themselves to their solution when it's clearly working.

Blindly Following Advice

Champagne: It's comforting for a Founder to act on advice when it comes from trusted Advisors. Founders have to make difficult decisions every day and Advisors can help them make good choices when faced with incomplete and imperfect data.

Hangover: Advice isn't 100% reliable and if followed blindly can end in tears. When it comes to solving a startup's problems, a Founder needs to digest the recommendations coming from all directions and ultimately be his/her own Advisor.

Great Advisors can provide valuable guidance when it comes to navigating tricky situations and/or making tough decisions. But they aren't on the battlefield and they aren't accountable for delivering results. Founders need to listen and digest but then choose their own path.

TL;DR: We need to learn from mistakes and become smarter and wiser as a result. But why make avoidable mistakes when there are plenty of other mistakes you'll end up making on your journey!

"A person who never made a mistake never tried anything new" – Albert Einstein