



As an Entrepreneur, you are in a position to make a significant impact on the world, but you are also faced with intense challenges in doing so. Over the course of working with and observing countless start-ups, many roadblocks have been revealed in an entrepreneur's path and concurrently, having become engaged in learning about them and revealing how they might be avoided.

Here are some of the more common obstacles that may be encountered on a start-up journey, especially if your exit strategy is eventual acquisition:

Startup Secret #1: Don't Be Afraid To Say "No" More Than "Yes."

As a startup, you will be defined as much (or more) by what you say "No" to as what you say "Yes" to. Perhaps *the* single most important Startup Secret is to find your focal point. As an entrepreneur, you are naturally inclined to be ambitious, and to want to tackle any and all challenges. However, as you build your company, focus in on domains, segments, problems and other areas where you can specifically and uniquely differentiate yourself from the competition and gain repeatable traction. Don't fall into the trap of being all things to all people: doing so can delay, distract or even lead to failure for your enterprise.

Startup Secret #2: Recognize what is right "4U"

As you work to position your startup, focus on addressing the 4U's your start-up will provide to the sector:

- ***Is the problem Unworkable?*** Does your solution fix a broken business process where there are real, measurable consequences to inaction? Will someone get fired if the issue is not addressed?
- ***Is fixing the problem Unavoidable?*** For example, is it driven by a mandate with implications associated with governance or regulatory control?
- ***Is the problem Urgent?*** Is it one of the top three priorities for eventual revenue generation?
- ***Is the problem Underserved?*** Is there a conspicuous absence of valid solutions to the problem you're looking to solve?

A real-world example is a start-up moving and storage company whose ability to address the 4U's has propelled them to the top of their industry at a record pace. This is how they addressed each of the 4U's:

- *Unworkable* – There was no way to solve the problem with conventional storage architectures
- *Unavoidable* – Every enterprise with data to be accessed and protected creates the problem
- *Urgent* – Consuming the majority of storage budgets in an environment of constrained IT resources
- *Underserved* – Big players have a concrete dis-incentive to tackle in a way that serves the customer

Startup Secret #3: Think in 3D

Once you have determined the problem your venture is solving, define your solution. The most immediate question to ask is: “What is your compelling breakthrough?” A useful approach is to think of 3Ds: What unique combination of Discontinuous innovation, Defensible technology, and Disruptive business model are you bringing to bear, and what makes it truly compelling?

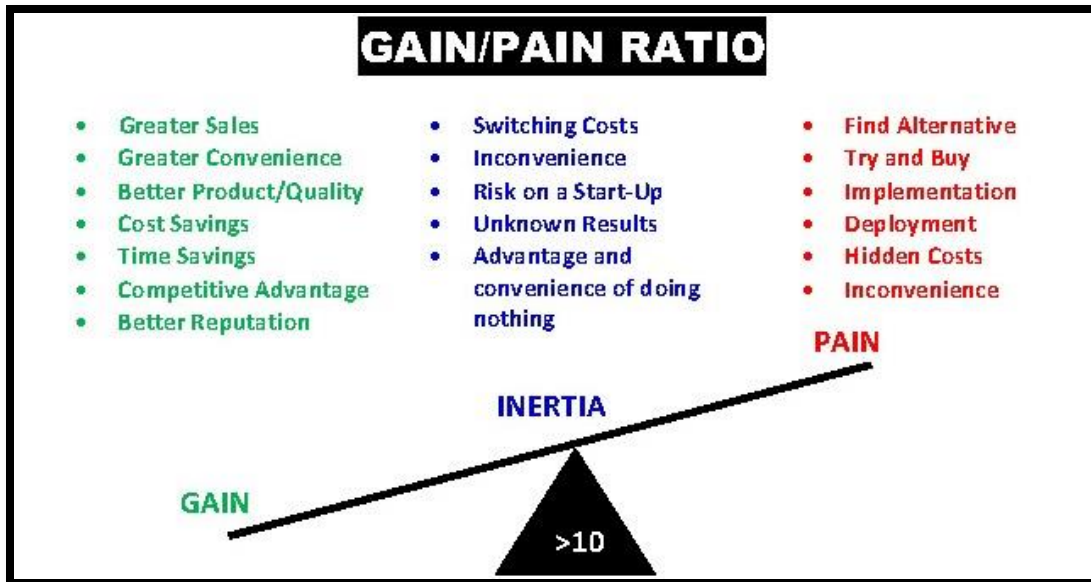
- ***Discontinuous innovations*** offer transformative benefits over the status quo by looking at a problem differently.
- ***Defensible technology*** offers intellectual property, for example, that can be protected to create a barrier to entry and an unfair competitive advantage.
- ***Disruptive business models*** cause an “innovators’ dilemma” and/or yield value and cost rewards that help catalyze the growth of a business.

A fascinating example of 3D impact is around Google and how it changed the game for Microsoft. Years ago, Microsoft was dominant. However, through a disruptive business model, simple (defensible) technology and innovative applications, Google has (and continues to) significantly cut into Microsoft's business. Examples of Google's 3D impact in action include Google Docs versus Microsoft Office and the disruptions of the phone business from Blackberry to iPhone to Android.

”Faster, cheaper and better” is likely a temporary advantage that is easily overcome by a competitor with deep pockets, but building an innovative business model can be a game changer.

Startup Secret #4: Look for non-disruptive disruptions

Evaluate the potential for success using the **Gain/Pain Ratio** which involves measuring the gain you deliver a customer versus the pain and cost for a customer to adopt. An investor will look for non-disruptive disruptions: technologies that offer game-changing benefits without requiring major modifications to existing processes or environments. Simply put: disruptive innovation should not be disruptive to adopt.



Non-disruptive is critical because whatever gain you deliver will be discounted by the pain of adopting your solution PLUS the inertia of vendor risk that every startup levies by the virtue of being small and unknown. A successful venture delivers an order of magnitude improvement over the status quo. If you can't deliver a 10x promise, customers will typically default to "do nothing" rather than risk working with a startup or risk changing their current configurations.

Startup Secret #5: Focus on a Blatant, Critical Need. Ask: "Is it BLAC and White?"

Ideally, you want to be in the position of addressing problems that are BLAtant and Critical (especially for B2B), as those problems are far more acute than ones that are latent and aspirational. Blatant and critical problems stand in the way of business. They put careers and reputations at risk. Latent problems are unacknowledged, which means they often require costly missionary selling. Aspirational problems are optional, which is often the hardest place for a startup to sell.

Companies that view their value proposition through a "BLAC and White" lens are able to accelerate growth considerably.

Startup Secret #6: If you are going to pick a fight, pick a BIG fight

Big problems can lead to big opportunities. It often requires just as much work to go after a small market. Significantly painful problems are the source of great opportunity for entrepreneurs and have the potential to turn into really valuable solutions. They may not be easy to solve but often lead to true innovation.

The key is to look around, get in front of a mega-trend and then look to solve a related major problem or issue in order to fully leverage that trend.

Startup Secret #7: Focus on your Minimum Viable Segment (MVS)

Supporting Startup Secret #1, don't be afraid to say no, MVS is about focusing on a market segment of potential customers that have the same needs into which you can repeatedly sell. In other words, particularly early on, don't try to be all things to all peoples. Defining and focusing on your MVS is vital because without it, potential users who have divergent needs will quickly pull your MVP in many different directions. In addition, since securing strong reference customers is critical in the early days of your market activities, you want them to reference each other, and they can't if they don't have the same needs.

What would you rather do? Deliver a distinctive \$100 product to 10 super satisfied customers or deliver a mediocre \$10 product to 50 non-dazzled customers? The workload may arguably be the same but grosses are higher and the positive feedback is immeasurable.

Startup Secret #8: Hire for CQ (Cultural Quality)... do QC (Quality Control)

Ideas are worth very little without people to execute them, a culture to guide the selection of talent and a big, bold vision to attract and unify the team. Human capital is what separates good companies from great ones – which is why establishing a strong culture to attract and retain the right people, while unifying them behind an inspiring vision, is essential to any significant venture.

When evaluating a potential new hire for CQ, you need to ask yourself: does this person naturally align with your cultural values, work ethic and style of working? As part of this process, you should feel comfortable with (or better yet, inspired by) their passions, beliefs and aspirations.

There are specific interview questions designed to help you assess CQ. The result of being mindful of CQ? A hire who will be additive to the culture you've worked hard to establish and who will have a positive impact on company morale and success.

Startup Secret #9: Hire 3As (Attitude, Aptitude and Ability) and 3+s (+Aware, +Authentic, +Athlete)

Although hiring usually comes a little further down the timeline of a start-up, it is arguably one of, if not THE most important. Unless you are making widgets in your garage on the weekends and selling them yourself during the week, any start-up will need employees. Even more critical than financing, the act of advertising, recruiting, vetting, training, compensating, managing and evaluating human capital, what we call "Human Resources", should be, at a minimum, a collaborative effort between the start-up principals and a qualified human resources consultant.

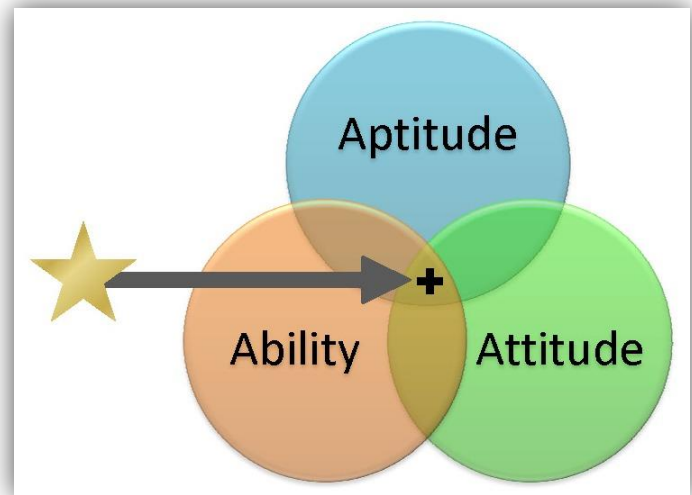
Everyone wants to hire "A" players and can be accomplished by looking at three important 'A's:

- **Ability** – Does the person have the right balance of IQ and Experience, Knowledge and Skills (EKS) required for the job? And this doesn't necessarily mean an academic pedigree!

- **Aptitude** – Being able to rapidly adapt and learn new skills and knowledge.
- **Attitude** – Pursuing breakout opportunities requires the right attitude toward things like problem solving, persistence, and participation in a team.

Referencing high-optic college degrees, one tech CEO remarked that his absolute best network troubleshooter could never rub his degree on a server to get it fixed. Resist the temptation to hire a Harvard MBA over a self-made, seasoned individual with a proven record of success.

Innovative interview techniques trump any resume, cover letter, published article or professional reference. A skilled recruiter is a mix of interrogator, psychologist, body language expert and persuader. He or she pays equal attention to what is said and not said during an interview. This successful marriage tips the scales in the favor of the principal to achieve an equitable marriage of ability, aptitude and attitude resulting in what one hopes to be, the gold-star employee.



Startup Secret #10: Incomplete stand outs are better than complete stand ups!

Many entrepreneurs think they have all the answers, when, in fact, they don't – especially when they seek funding and launching their start-up. The nature of venture capital is high-risk. Part of that risk is not knowing the answers before you start. Most VC's are fine with the unknown, as long as people have the self-awareness and conviction to work through challenges as they arise. In fact, encountering gaps in awareness of areas ranging from team strategy to business model, to business process and human resources during a company's early stages is expected. How those gaps are to be addressed becomes paramount. No one person can be an expert in every area. Successful business people know this and are relentless in their quest for knowledge. Surrounding themselves with experts is one way to gain such knowledge.

Overall, it's easy to start a company, but hard to build a business. From capital constraints to sales challenges and managing human capital, one needs to be able to accept that not having all of the pieces at the onset is okay, and these elements can be built out as you grow, as long as you have a clear roadmap and unifying culture.

Just remember, you're not alone and you don't have to reinvent the wheel. A seasoned consultant will help you realize money doesn't talk, it screams! You have to listen.