The 3 Fundamental Mistakes I Made Founding a Startup

Actually, it's not a great idea to quit your day job

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at Contemporary Analysis, Cory Scott at LiveBy, and the three founders of Buildertrend: Jeff Dugger, Steve Dugger, and Dan Houghton.

Learning from these people and many others has drastically changed my views on what's important in an early-stage business. In hindsight, I think my mistakes as a founder were caused in part by core beliefs that were fundamentally wrong.

False Belief 1: 'VC is evil'

One of the biggest mistakes I made when starting companies was delaying raising capital for as long as possible. Mind you, I wasn't pushing it off because I didn't need it, but because I despised the idea of it.

Asking others to fund your company always seemed backward to me. If it's a viable business model then it should fund itself, or at least be on its way toward doing so. And if that's the case, why raise money at all? Why spend time formulating a pitch deck when you could be formulating your actual product?

I also found it easy to question the authority of VCs on any given topic, since most are successful founders and most successful founders would admit to luck being heavily involved.

This then draws into question the "success metrics" by which a VC can claim their authority or point to past success. There seems to be very little agreement on which metrics should be used, and many of the ones in use were clearly chosen because that particular VC had good results on that particular metric.

However, despite all this, I now believe investment (VC or otherwise) is crucial to the success of any startup. It's purely about timing and the investment style. My problem was

Unfortunately, neither of these things make money, and if you mean to build a business, you must at some level follow the money.

Product quality is only as useful as the sales it creates. If the quality is causing your ideal customers to say “No,” then work on the specific area of quality they complained about. Make those potential customers give you feedback during the development of the fix, and continually ask them what their barriers to buying are.

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Development “progress” is things like features launched, integrations created, lines of code written, pages of your app created, etc. and it’s easy to get attached to building these out. Development can be very abstract, so performance-driven individuals (or developers who report to them) will grasp for some way to measure progress or success.

This is a lose-lose situation for everyone because you’ll focus on the wrong things and also gain false confidence in your product. Using potential sales to inform what you develop and measuring success based on sales impact will force you to focus on what your potential customers are focused on.

False Belief 3: ’Quit your job’

In the introduction to the book *Originals*, Adam Grant makes a point about common misconceptions. His prime example is when he didn’t invest in the earliest stages of Airbnb because the co-founders held full-time jobs.

time job, you should spend time getting one.

Ideally, you should get a job at another startup with founders you look up to. You'll learn from their mistakes, your own mistakes, and learn a lot from general experience, all of which benefit your company.

In addition, by getting a stable job you're actually decreasing the burn rate of your startup and increasing its runway. Which is why I believe (again, if you can't pay yourself at your startup and you don't have a full-time job) getting a job is actually what's best for your company, not just you.

Avoiding investment before sales might sound like the slow lane, but if you put sales first then you're on the fast track to either paying yourself or being appealing to investors (whose money you can use to pay yourself). This, in turn, will allow you to quit that job and focus all efforts on your business.

I believe early-stage founders having or getting full-time jobs is not a bad thing. In fact, it's actually in the company's best interest. It's also the key to getting the right timing for investment.