

Silicon Valley
NEXT EXIT

Seven tips for budding entrepreneurs

90% of technology
start-ups fail

Thinking of starting a business? **Kurt Hands** uses his entrepreneurial expertise to highlight what you need to consider before you start

By far the most enjoyable thing I have ever done is start and run my own company. In parallel to this, I have worked with or for a number of other technology entrepreneurs and have spent a lot of time in corporate positions, mostly involved in generating commercial results from websites.

One recent corporate project required me to interview several entrepreneurs over the course of a couple of months. In doing so, I found that many of the challenges that my business partner and I had faced and the solutions we had developed were reflected in the experiences of the people I spoke to.

I cannot encourage you strongly enough to get out there and start your own business.

This article goes through some hurdles I and other entrepreneurs face. I hope that the lessons I've learned will help you tackle them in future.

1 Don't underestimate the commitment

Silicon Valley entrepreneur Rob De Pinto, who is on his third internet start-up, sums up the attitude entrepreneurs need:

‘They're not going to eat, they're not going to sleep, and they're just going to get it done.’

Everyone has tough times when they're starting a business but Rob's passion keeps him striving to succeed every day.

What to do about it

Look in to your heart. Is this something you are sufficiently passionate about to dedicate your life to? Entrepreneurs succeed despite the circumstances. Their endeavours, with limited resources and tough challenges, require a huge amount of energy and resilience. You can't fake it.

2 Don't overestimate your ability

Entrepreneurs always have an idea. They almost always lack at least one of the skills it takes to bring it to life. If they're great with the technology, they might not be so good with the finances. If they're good with the numbers, they might not know the marketing.

What to do about it

'Always have an advisory board,' says Rob De Pinto, 'It'll help you avoid an overly stressful life.' Build a network of mentors. I have been amazed by the amount of time, effort, encouragement and wisdom that successful business owners have invested in me when I've asked them for help and advice. Even people who run companies that might be considered competitors have gone out of their way to assist.

3 Be clear on your ultimate goal

You need to set your goals before you start, and these will depend on the market you are entering. For example, in the technology industry there is an arguement

that, because technology moves so quickly, the only intention you should have with a technology start-up is to sell out and cash in as quickly as you can. With technology markets changing constantly, every endeavour becomes extremely risky in the long run. Whether you want to build a company so you can sell it to Facebook, save the planet or generate a passive income, all of your actions will flow from the goal you set.

What to do about it

Make sure you and your business partners are clear on the nature of the company you want to establish. This means writing down all the goals and agreeing on them. You might need to review them again later.

There is no substitute for getting the basics right. As well as the goals you are striving for, you need to make sure the fundamentals of your agreements with your partners are also documented in every regard. Clear goals can save a lot of arguing later.

4 Build customer value

Minimise the amount of time you spend on administration and maximise the time you devote to generating value for your customers. Your product or idea is based on helping customers do something. Peter Hyunh, who manages one of the largest start-up investment funds in Australia, says:

“We’re looking for products that solve problems. We want to find anything that removes friction from the customer journey by a significant amount.”

What to do about it

Start a log of ideas you could implement to improve your product or service. Prioritise what you do according to the value you build. Use outsourcing services like oDesk or Freelance.com to find affordable and reliable contractor staff to do the bulk of the work, then finish it off yourself (that’s the high value bit).

5 Articulate your value

Be absolutely clear on what customer problem you are solving and make sure that you can express it in one powerful sentence backed with a customer benefit. Customer value propositions (CVPs) are vital, so learn what they are and use them. When I spoke to the head of innovation at Optus about multinationals supporting internal start-ups, he pointed out that:

“Just because they have a good idea doesn’t mean they know how to articulate it.”

What to do about it

Hone your ‘pitch’ on family and friends. Aim to make people say ‘Wow’ rather than ask you to explain what you do again. Consider looking for start-up support. For example, Optus runs a ‘pitch workshop’ for the start-up community.

6 Validate your assumptions early

You will have a business case built on assumptions about how you can charge for solving your customer problem — that’s the value you are building. Validate each of the assumptions in the business case as quickly and cheaply as you can, starting with the ones that will have most impact on your success.

What to do about it

Find a cheap, easy, quick way to initiate an exchange with potential customers. If you

think 20% of people will buy your book for \$20, try selling the first chapter for \$1 to a room full of people. Who bought and why? What proportion bought and why? Who didn’t buy and why? Get out and talk to real people. Find ways to test what you think is true.

7 Don’t get hung up on the dream

If you start to build on your idea and find out that the money you’re making is coming from some place other than you thought it would, consider adapting your goal. The market will tell you when you’re getting it right. When we founded WhatPhone.com.au, we targeted customers who were buying full phone contracts. Since then, the market has moved towards sim-only contracts. When we noticed our revenue was coming from sim-only sales, we changed our focus and reinvented the site to address that need.

What to do about it

Focus on where your money is coming from, and design your product around it. It is better to take advantage of a bigger opportunity than stick to a potentially flawed strategy built on faulty assumptions.

If at first you don’t succeed...

Even if you follow every one of these steps, there is no guarantee of success. Despite this, the journey itself can be incredibly rewarding. Whatever happens, what you learn from running your own business will give you the experience you will need later in life, whether you decide to work for others or for yourself. Austin Bryan, who has spent years overseeing start-ups, sums up the value of giving it a go as a young entrepreneur:

“90% of tech start-ups fail. But if I interviewed someone who had started their own company and failed, or a person with an MBA, I’d hire the start-up veteran any day of the week. You just learn so much from the experience of running and failing that you won’t get in any classroom.”

Kurt Hands is one of the founders of WhatPhone, a comparison site for selecting the best mobile phones in the Australian market, and has worked in the telecommunications industry for 20 years.

