

18 mistakes killing start-ups from founder Y Combinator (the last part)

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The last part of the series lists the common causes of startup failures that bring about six causes. All 18 reasons given in this series are things you can fully control. You may not notice or recognize them when you are too focused on your work, so taking the time to review the whole process is also a way to avoid failure to start a business.

13. Call too much capital
14. Poor investor management
15. Sacrificing users to take profits (assumed)
16. Not ready to start working
17. Conflict between the founders
18. Try half-hearted

13. Call too much capital

Too little money would obviously kill you, but wouldn't that be too much money? The answer is both yes and no. The problem is not really money, but what is with it. As a venture capitalist (VC) once told me at Y Combinator " **If you get a few million dollars from me, the clock is counting down .**" If a VC provides funds for you, they don't expect you to deposit money into the bank and run the business like the guys who live on instant noodles. They want money to do the job. ⁽⁶⁾ At least, you move the office to a more suitable place and hire more people. That can change the atmosphere even though not entirely in the better direction. Now most people are employees, not founders. They are not forced to commit, they need you to tell them what to do, they start to partake in the office lifestyle. When you call for more money, your company "starts moving to the suburbs and there will be more kids".

Perhaps the most dangerous thing to call a lot of money is that **the navigation will become more difficult .** Suppose your original plan was to sell something to companies. After acquiring VC capital, you start hiring a sales team. What happens if you realize that you should sell to a personal customer instead of a business? That is a completely different form of sales. In fact, what happens after that is that you can't recognize that. Because the more people there is, the higher your chances of going in one direction.

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Another obstacle when using large capital is **the time to call capital is proportional to the level of capital .** When the level of capital reaches millions of dollars, investors must be very cautious. ⁽⁷⁾ The VC rarely speaks

"yes" or "no" but will drag you into seemingly endless discussions. Calling capital is time-consuming, sometimes even more than start-up work itself. **You certainly do not want to spend all your time with investors while your competitors are spending their time building their startups .**



We recommend that founders looking to make money from VC should **accept the first moderate level they get** . If you receive capital from a place with a reputation for acceptable money, the terms are not too difficult, then accept and start building your company. ⁽⁸⁾ Who cares if you get more than 30% of capital somewhere else? Startup is a game that is eaten all the way down. **The bargain or search between investors is a waste of time .**

14. Poor investor management

As a founder, you must know how to manage your investors. **Do not ignore them because they can bring many useful things but it is impossible for them to run the company because that is your job** . If investors have enough vision to run a business that they provide capital, why don't they build themselves?

Ignoring investors is probably less dangerous than letting them take over. However, our startups are also very cautious when ignoring them. Arguing with investors instead of spending time developing products takes a lot of energy, but the cost is still less than the other option - the choice may even ruin your business. **Managing how difficult investors usually depend on the amount of capital you can call.** If capital is large, investors will have more control and will be your boss literally. Often when founders and investors are equal, the right to decide is within the **outside director** (the director is outsourced, not a company employee or the owner) and all What investors need to do is convince the director to have control.



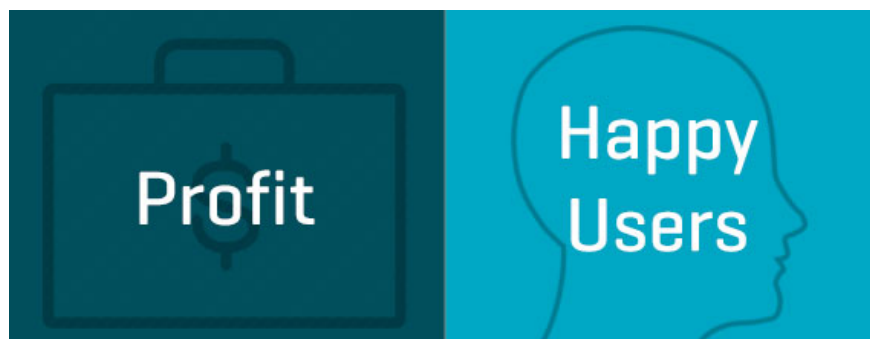
If all goes well, there will be no problem. As long as the job is still growing steadily, investors will leave you alone. But in startup, it's not always smooth. Investors can cause many problems, even among the most successful companies. A well-known example is Apple when they make a deadly blunder of firing Steve Jobs. Even Google has many difficulties from investors.

15. Sacrificing users to take profits (assumed)

When I say from the beginning that if you can create something that the user wants then you will survive, maybe you realize that I have not mentioned anything with having the right business model. Not making money is not important and I do not encourage the founder to open a company without taking any money opportunity. **The reason I advise them not to worry about the business model from the beginning is that creating products that users need is a much more difficult task .**

I don't know why it is so difficult to create what people want, but you can see how few startups do it to understand.

It is because of creating what people want to make it harder to make money from it, you should leave the business model problem for later, as well as leaving a less important and complicated feature to version 2. **In version 1, solve the core problem .** The core issue in startup is how to create value (calculated by the number of people who want your product multiplied by their desired level), rather than turning that value into money.



The most successful companies are those who put users first. Google is an example. They create effective search engines and then think about making money from it. There are also founders who believe that not focusing on the business model from the outset is irresponsible, these people are often encouraged by experienced investors from less flexible industries than startup environments. .

Do not think about the business model is the lack of challenges but do not think about the product is much more irresponsible .

See more: Understanding the business model in just 2 minutes - Business Model Canvas

16. Not ready to start working

Nearly all programmers spend time writing code and letting others handle business and make money from the products they create, not just lazy people. Larry and Sergey obviously knew this from the beginning. After developing their search algorithm, the first thing they did was find a company to sell it.

How to open a company yourself? Most hackers have only ideas, but like Larry and Sergey have realized, there are not many markets for ideas. **Nobody believes in an idea until you put it into the product and use it to develop a user base (user base)** . Maybe this will change but I doubt it will change much. Wanting to persuade buyers to the company is not equal to the user. Not only is the risk falling but because the collector is also human and they can hardly spend millions of dollars on young men just because they are smart. When an idea is put into use and brought to many users, they can tell themselves that they have bought users, not intelligence. That makes them much easier to decide. ⁽⁹⁾

If you want to attract users, you should probably stand up, leave the computer and go looking. It is not easy, but if you can do it yourself, you will have more chances of success. Among the first startups we funded, in the summer of 2005, most of the founders spent their time building applications. Only 1 person spends half the time talking directly to the company's phone operators and trying to arrange deals. You can imagine how difficult it is for a hacker. But it is worth it because this startup seems to be the most successful startup in that group in terms of size.

If you want to start a business, you have to face the fact that you can't just hack it . At least 1 hacker must take the time to do business.

17. Conflict between the founders

Surprisingly, the conflict between the founders is quite common. About 20% of the startups we funded have founders leaving the startup. **This happens so often that we have to change our attitude about the issue of "vest"** (agreement to buy back shares if the founder leaves - note by ND). We are not obligated but encourage our founders to do so to make it more disciplined for everyone to leave.

However, the departure of a founder does not necessarily kill the startup. Many successful startups also experienced this ⁽¹⁰⁾ but luckily, those who left were often the least engaged. If there are 3 founders and those who leave are the faintest, then it doesn't matter. If there are only 2 founders and 1 person leaves or a person with very high skills leaves, the problem is a little bigger. But even then you can still survive.



I find **most disputes between founders can be avoided if people carefully choose who they will work with** . Most controversies are not due to a specific situation but the cause comes from people, which means you can avoid them. And most of the founders who encountered this situation probably had the feeling that something was not right from the start, and they tried to get rid of it.

Don't try to get rid of such feelings. **Trying to fix problems before starting a business is much easier** . So don't bring your housemate into your startup just because you don't want him to feel marginalized. Don't start a business with someone you don't like because he has the skills you need or you worry that you can't find others. People are the most important factor in startup, so don't give in.

18. Try half-hearted

The failed startups you know are mostly prominent ones. Those people are actually the best people in the group that failed. **The most common type is not the ones who make the big mistake, but the ones who do not go to work** - the friends who never hear the name because it is just a project of a few people, do it in parallel with the work. some of them, often go nowhere and gradually dropped.

The data shows that if you want to avoid failure, the most important thing is to abandon your main job. Most founders of startups fail to give up their daily work, and successful people do. Does that mean you have to give up your job? Not necessarily. But I guess many of the founders of the future aren't strong enough to start their businesses. **The reason they do not invest more time in their startup is because they know that it is not worth the investment** . (11)



I also guess that there are many people who can succeed if they accept to pass and start a full-time startup, but they didn't. I don't know how much this number is but if this winning / crossing / hopeless process can be arranged in the way you want, then perhaps the number of people who succeed, if they quit their daily work I will be bigger than the number that actually succeeded.^(twelfth)

If that is true, almost every startup fails because the founder does not devote his entire efforts. This is the same as what I see in the real world. **Most startups fail because they don't create what people need, and the reason is that they don't try hard enough.**

In other words, start a business as well as anything else. The biggest mistake you can make is not trying your best. Talking about the secret to success is nothing to deny that.

(6) Because sometimes people call us VC, I have to add that it is not true. VC invests large sums of money on others and we invest small amounts in our own money, like angel investors.

(7) Not really, of course or really forever, you can never call \$ 5 million. In fact, it just feels like it will last forever. If you include a case where VC does not fund, it is literally "forever". Perhaps we should also consider that case because the danger of pursuing a large investment is not only time consuming. The real danger is that you spend a lot of time but you don't get anything.

(8) Some VCs offer little money to see if you ask for more. It was quite picky to do so, but some VCs still did. If you have to work with such VCs, you should put the money down a bit.

(9) Suppose YouTube's founder came to Google in 2005 and said "Google Video's design is too bad. Give me \$ 10 million and I tell him what mistake he made." They actually got the secret. 18 months later, Google paid \$ 1.6 billion in part because they could tell themselves that they bought a phenomenon, a community or something similarly vague.

(10) This happens more than people know because companies don't advertise it. Do you know that Apple had 3 founders initially?

(11) I don't mean to disrespect these people. I myself do not have the resolve. Ever since Viaweb, I have almost 2 times started to start a business but both times I give up because I realized that if I was not driven by poverty, I was not willing to accept the stress that the startup brought .

(12) How to know if you are the one who should give up daily work. I think it will be difficult to judge yourself, you should seek advice from others. We consider ourselves investors but from a different perspective, Y Combinator is a service that provides advice to everyone, whether they should give up their daily work or not. We can also make mistakes, and there's no doubt that mistakes are quite frequent, but we at least bet the decision with our money.

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