8 Critical Things Entrepreneurs Often Overlook When Starting a Company



Opinions expressed by Entrepreneur contributors are their own.

The very definition of entrepreneurship implies many twists and turns. Founders start companies based on an idea, form a business plan around what they believe that concept's future to be, press their foot down on the gas pedal and off they go. Along the journey, founders are forced to make many quick but impactful decisions with limited resources and foggy knowledge about how their outcomes will play out. Essentially, they are building the base of a house, having no idea what its roof will eventually look like.

Many of these early-stage decisions are foundational and become even more significant as the company itself matures.

Due to arbitrary and self-imposed goals and timelines, founders may overlook critical components to building a lasting business. Haste can be met with regret later on in the company lifecycle, costing time, human and financial resources and, potentially, the company. In fact, according to the United States Bureau of Labor Statistics, approximately 10% of startups fail within the first year. However, that percentage increases over time, with an eventual long-term failure rate of 90%. Ultimately, the choices we make today could take years to manifest, and the results could prove detrimental.

Related: I Made These 3 Big Mistakes When Starting a Business — Here's What I Learned From Them

Here are eight critical actions that founders overlook when starting their companies:

1. Properly forming their company under the right structure

There are multiple structures that companies can take early on, including an LLC, C-Corp and S-Corp. Each has its own advantages and limitations, and it is important that founders match their company structure with their financing and tax goals. For example, an LLC would be a structure amenable to a convertible note and consisting of private investors. To properly determine the best structure for their enterprise, founders should outline their investment strategy and consult an attorney versed in company formation.

2. Protecting their IP

Intellectual property should be protected at the onset of company formation and certainly before a product is launched in market. Companies should solicit an IP attorney to trademark the company and product names, logo designs and any defensible product designs. In addition, especially for

technology companies, patents should be filed prior to product launch. While the costs may seem expensive, especially early on, IP can end up being the primary source of value for a company later on.

3. Creating a proper board of advisors

While the foundation stage may seem premature to acquire a board of advisors, it could actually prove advantageous and even critical. The reality is founders alone cannot cover all of the skill sets and experience bases needed to ensure a positive future outcome. Even at the earliest funding stages, "team" is a core component to investors betting on a company's success. Advisors can fill in the skill gaps that are initially missing and serve as an important determinant of an investor's choice to invest. Therefore, founders should assess their teams' competencies and deficiencies and officially onboard advisors to fill in those experiences/skill gaps.

1. **Determining the right financing strategy.** It's commonly assumed that venture capital is the holy grail of investment and that the most successful companies build themselves by securing VC money. VC money is great for certain companies, but there are also restrictions – once a company secures VC money, it then has external entities owning a good portion of its equity, and those entities subsequently have a strong say in the decision-making process going forward. Some companies may want to grow at a different pace than VCs would demand, resulting in a mismatch. As a founder, it is important to properly identify how success is determined for the company – asking yourself what growth looks like and how much of the company you are willing to part with in the long term.
2. **Evaluating founding team dynamics and identifying the**

gaps. While advisors may fill in certain near-term skill gaps, the reality is they are not working full-time at the company. Therefore, it is important to identify current and future skill gaps among the founding/executive team, outline the roles that are needed to fill them and create a timeline to hire. Some may not be necessary until the next round of financing, and others may be immediate.

3. **Assessing the current macro environment**. While a founder may have the most innovative idea on the planet, the current macroeconomic environment may not be amenable to supporting it. It is important to review the broader macro environment with regard to receptivity to your product or service and the environment in general. For example, the market may be ripe for an offering, but the funding environment as a whole may have dried up. A realistic assessment will enable a founder to create a more realistic growth plan.
4. **Paving their path to market.** Founders can become so enamored with their product or service that they forget to assess how they will let others know about it. It is important for a new business to clearly identify its core customer target and its total addressable market to understand how much it will cost and how much time it will take to acquire those customers.
5. **Determining their long-term commitment/investment.** Jeff Bezos stated, "All overnight success takes about 10 years." This could not be more accurate. Entrepreneurs read the shiny social media accounts of the companies that immediately skyrocket and experience a rapid hockey stick growth curve and expect that success, but success takes time. So early on, founders need to assess their own personal time horizons and determine how long they are committed to their endeavors. Part of this may be their own personal commitment, especially if they have a family. Part of it may be financial —as a founder, knowing your personal financial runway is critical.

Hiring an outside executive coach and even a therapist can help to better navigate these life waters.

Related: Don’t Overlook This Crucial Business Function If You Want Your Startup to Succeed

John Wooden, coach of the UCLA Bruins basketball team, who is considered the greatest coach in NCAA history, taught his players how to put their shoes and socks on in a very specific manner. When asked why, he stated, “The little things matter. All I need is one little wrinkle in one sock to put a blister on one foot and it could ruin my whole season.” Winning the entrepreneurship game starts with intention, founders doing everything they can to purposefully put themselves in the best position for success. Beyond that comes a bit of luck and a lot of fortitude, but it starts with proper preparation.

https://www.entrepreneur.com/growing-a-business/8-critical-things-entrepreneurs-often-overlook-when/479682