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## Five Biggest Mistakes That Entrepreneurs Make

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Jerry Kaplan, serial entrepreneur, executive, technical innovator, and author, elaborates on the five biggest mistakes that entrepreneurs make: 1) Having unclear goals and an unclear mission. 2) Trying to prove that they are smart. 3) Greed - doing it for money. 4) Hiring people that they like rather than people that they need. 5) Not knowing when to let go.

**Transcript**

So let me start with the five biggest mistakes that entrepreneurs make. The first is having unclear goals and an unclear mission. Now, I know it sounds like something you might read in a textbook, but I really find it very valuable when I founded a company with co-founders, to literally sit down and write out what are our goals, what do we intend to do, and in particular, what is our measure of success. When do we say, "Yup. That's a successful company." I'll think of anecdotes while I'm doing this. The last time I did this was for the online auction company Onsale which was the first online auction company on the web. I remember I sat down with my co-founder and we said, "Geez, among the other goals that we had, one of them was, if we can ever build a company up to be worth $20 million and we can sell it, that's a terrific success. We're really happy about it." He brought that to me and reminded me of that the day our market cap hit $2 billion. So sometimes you don't meet your goals. But it's very important to understand that because you'll find that even though you think everybody has the same goals and they're in it for the same things, sometimes they're not.

And you just write it down, you can always bring it out, read it often. It's very valuable. The biggest mistake is not being clear on what your goals are. The second, a very common error that I've seen particularly young entrepreneurs make is trying to prove that you're smart. You're really doing it for ego gratification, not because you want to build a company, or you want to do something great or you want to solve some particular problem or bring technology to a needy world, or whatever it might be. And trying to prove you're smart is a really bad reason to start a company or to undertake some project. One of the problems that occurs under those circumstances is typically you don't want to share the credit with other people. Other people will very definitely be due credit under all circumstances. By not sharing that credit, you don't get their help and you don't get their support. The third element is greed.

Doing it for money. This leads to a couple of key mistakes that I've seen people make. Probably one of the most common is not raising enough money. "Oh, we can do it on the cheap. We don't really need that much capital." The reason people try to do that is they're trying to keep their equity. "My God, I'm working so hard, I should have 100% of this pie." But the truth is, the question you should ask whenever you go out to raise money is, "Is my company or my organization, my venture, going to be worth more after I raise the money? Is my share going to be worth more than it's worth before I raise the money?" Because a company is really kind of a little engine. It takes in resources and it puts out value. If you can take in a million dollars, and you can convert that into 2 million dollars in value, everybody wins, regardless of how much of the company you had to give up to get that million dollars. So not raising enough capital is very important. And the second is not distributing the equity as widely as possible.

The truth is that if you're successful at all in your company, you will do just fine. There's an old joke in the valley, I don't know if this is circulated around here, that equity is like shit. If you pile it up, it just smells bad. But if you spread it around, lots of wonderful things grow. So hoarding the equity and being stingy about giving it out is a big mistake. If you focus on success in your organization, then the money will come. That was three. The fourth mistake that I've seen people make is that they hire people that they like rather than people that they need. Now, many companies have started right here at Stanford by people who are graduating from whatever program they're in. They have some friends that they really like and say, "Let's go start a company so we can stay together.

So we can work together. We had a great time these past few years, we want to continue to do it." I got news for you. A company and a venture is not a social club. The problem is that if you hire only people you like, you will not be hiring the critical skills that are needed to build a venture. You will tend to hire people who are like you and don't bring to the table different skills and different points of view which are so critical to being able to integrate into the activity that you're involved in. One of my greatest accomplishments, I think, over the past, it's going to be a long time, 20 years or so, since I've sat in these lights. The building wasn't here, but I sat there anyway. I've worked with people that I truly detest and have done so successfully for long periods of time. And it's been great. You have to learn to respect people that you don't like.

I think that's the key message. The fifth biggest mistake that I've seen entrepreneurs make is not knowing when to let go. Now, building a company is very much like raising children. Anybody here have children? Oh my God! That's terrible. We used to have a class on contraception. You have children and you're students, damn, that's really rough. That's rough. When I had kids I couldn't work anymore. That was it. Anyway, children, as you learn, if you raise children, which I hope you never do.

The thing about children is that they change as they get older. And your relationship with them changes. The way that you relate to them changes, the value you can add to them also changes. The same thing is true about companies. Companies are like children. The fact that you may be the perfect start-up CEO usually does not mean that you're even a good CEO of a hundred million dollar revenue company. The things you have to do and the skills that you need are very very different. And so one of the most important characteristics that you need to have is a realistic self-assessment, what are you good at, what are you not good at. Fill in the things that you're not good at by bringing on people who have those skills, whether you like them or not. You know, you may detest marketing people, but you need a good one.

OK. Well, go get one. You have to have realistic self-assessment so that you know when to step aside. One of the finest comments I've ever heard here in the Silicon Valley was talking to somebody who seriously said, "My ambition in life is to be a vice president in my own company." I think that says it all. Wanting the company to grow big enough so that his skills be best applied in one particular role and the other roles would get filled in by other people. So those are the five biggest mistakes that I've seen entrepreneurs make.