



Stanford eCorner

Common Problems Facing Startups

Fern Mandelbaum, *Monitor Venture Partners*

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A common problem Mandelbaum sees in new companies is an unwillingness of the founder to let go. The mark of a great entrepreneur is the ability to recognize what skills you have and what tasks would better be left up to someone else, she says. Choosing the best people and board members is essential to the future of the company.



Transcript

So I'm going to guess that with all of these startups, there are probably some problems that they have that repeat themselves again in different ventures. One of the most common things that these startups face that you say, "Oh, yeah, I've seen this before." It is hard to let go. When you're the CEO, I get called by all my venture buddies all the time, "What do I do? We need to get rid of John. He won't let go." First of all, it's not "get rid of." There's a place somewhere else in the company for the great CEO. It's just he might be not the guy to run the company right now. And so I spend a lot of time upfront talking through that, that we're all good at some things and not good at others and the best thing is to realize what we're great at and bring in other people for what you're not good at. I think figuring out what market to go after is a really tough problem. So many people, even super-experienced, and I could name a lot of examples. K Central, when they came to me, they had 50 of the top 100 law firms as clients. Great, incredible list, worked well in the venture community, people loved it.

But when you really dug in, you realize in law firms, if one partner decides to do something, it doesn't mean that every other partner is going to decide to do the same thing. So shouldn't we look at big companies? What about Boeing, Lockheed? They have giant legal departments. What about insurance companies, State Farm, the biggest property and casualty insurer in the world? But they never looked at it because they knew law firms. They didn't even want to think about banks. What about investment banks? What about doing deal rooms online? So I think what happens more often than not in a startup is you know a certain area, either it's a need you have, "Gosh, I really love soda I really want sugar-free soda. And the next thing you know, you come up with something you like the taste and you want that." But you never really look at, "Does the world need it, or who needs it?" Or you came from an industry where you know so well and you know the key players. And you just don't consider that it could be right for an entirely different market. The other one that always amazes me is how little time people spend finding the right team. You will spend so much time with your management team. When you get married, you spend years getting to know someone, "Wow, this going to be my partner for life," and four years later, your friends are still asking, "Well, you're getting married."

What's going on? You seemed like a good team. No, no, no, no." But I'm amazed at how many people would hire someone after an hour meeting, "Oh, he's great. They're awesome. They have all the right experience." Oh, my gosh, you're going to spend so much more time with that person. I mean so much more time with that person than the person you marry. So I think figuring out who that team is, really thinking about who that team is, getting the A team. Half the companies I worked with are what I call super-startups, totally new idea, just sort of "brave new world, here we go." Whereas the other half is kind of "take it to the next level," great company but might not have the right team. And so often, that team kind of just came in willy-nilly. That, especially if you're trying to raise venture money, find the A team. Take the time.

Get the best advisers. Get the best board members. People are always thinking about how to manage their board. Don't think about managing your board. Think about getting a great board that's going to help you become a super-company.