



AN ENTREPRENEUR ACADEMY WORKBOOK

# AVOIDING MISTAKES

## **Lesson 11: Avoiding Common Mistakes**

**“There are no mistakes or failures, only lessons.”  
- Denis Waitley**

**Failure is a natural pathway to success and is inevitable as you strike out on your own as an entrepreneur and small business owner. This workbook walks you through the life lessons of someone who has been in your shoes and shows you how to avoid some of the setbacks and struggles along the way.**

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**By: Leigh Felton**

Hopefully, you're getting lots of great advice on how to put the right thought processes into your new business. There is so much you have to do to get a new business successful and get it off the ground, it can feel a bit overwhelming.

Believe it or not, there's actually very little you have to do to fail at a new startup. Trust me, I know. Between my husband and I, we have collectively and individually started up and failed at about 11 new business adventures. I've started and stopped eight of these on my own, including self-publishing two books and becoming a spokesperson after I participated in a successful TV show. And regardless of what I started or tried to do, I just couldn't get any of these – I mean just awesome, terrific ideas – launched into society. But why?

That's why I'm here today, to hopefully give you some insights into why new startup businesses fail.

Let's start with a few stats. According to the Bureau of Labor Statistics, about 20% of small businesses fail in their first year and about 50% of small businesses fail in their fifth year. So, let me share with you the mistakes I've made as a would-be serial entrepreneur.

Now, don't get me wrong. I've tried to start so many businesses because, in my heart of hearts, I am an entrepreneur who enjoys creating an idea and then working through all the little details to turn that idea into something tangible, meaningful, and ultimately, something people will want to purchase.

However, I have been far more successful in corporate America, and even in public service, than any of the businesses I've tried to start.

As some of you may know, I am a former Assistant Director of the Business Services Division for the Washington State Department of Commerce. My time in Commerce spanned from 2011 to 2013. During that time, I had the great fortune to take my skills from my many years of working in corporate America, combined with my enthusiasm for entrepreneur success, and use them to support economic development and growth throughout the state.

Even with all my experience in Corporate America and the public sector, I would say that this experience only led to very minor success as an entrepreneur. My latest venture has been in business consulting. The reason I did well in that space is because I went back to my roots and just focused on what I am good at. I did what I loved and helped many small, medium and corporate businesses with their strategy, operations and communications efforts.

So, why didn't some of my other businesses succeed? I tried to have a limousine business, a quality goods resale business and attempted to transform the way schools captured yearbooks – that was over 20 years ago. I tried to establish an all-in-one baby's first year-in-a-box-business. Now, you may laugh at some of these ideas, but in my head, they were million-dollar ideas if I ever heard one.

In business, I come from the entrepreneurship side while my husband approached it from the technical side. As a successful Solutions Architect in the finance sector of Corporate America, he has launched several analytics and business intelligence products and figured, why should he do this in Corporate America when he has the skills and knowhow to launch his product ideas on his own?!

He attempted four times to turn, what is still operational today in some aspects, his product idea into a business. You would think with the expertise that both my husband and I bring to this world of commerce and product development, that of course, we could make it. But we didn't. Why?

I don't have all of the answers, but I can share 10 of the reasons we didn't make it, so it can serve as food for thought to you as you go out there and succeed where so many of us have come up short.

## The top 10 Grains of Sand

Let's call these gems my Top Ten Grains of Sand, those seemingly tiny things that can cause so much trouble.

**Grain of Sand #1:** Just because you think it's a good idea doesn't mean others will. There are many examples of "great ideas" that weren't that great. That goes for some of my own ventures. I also did a quick search online and found a couple of other examples: Odor-emitting Computer – an entrepreneur raised \$20 million to create a USB stick that emits a scent (think perfume or a pizza) when you receive promotional email. Cool tech, but really? Another example is the Chocolate Sausage on a Stick. Yes, it really was a product for a very short time.

Clearly, the people behind these ideas were dedicated to them. But there was no market. Just because YOU think it is the best idea ever doesn't mean others will. Test your idea on friends, of course, but more important, test it on "experts" – conduct focus groups. Hear from the audience that you are trying to sell it to. Come away with an honest answer to the critical question, "Is this really a good idea?" Sure, it solves a problem you've identified in your own life, but your market has to span well beyond just a few people.

**Grain of Sand #2:** You determined it's a great idea; you are going for it. You clearly know what you're doing and you've tested the

waters. It will work. That's what my husband did. There was no doubt that he understood the customers he was going to serve and there was no doubt that his offerings (software and services) would solve significant problems for these customers. Lesson learned: Just because you have a great idea, doesn't make it a business.

There are many building blocks and hurdles you need to get through to transform an idea into a product and then a business. If you are catering your products or services to a very niche audience, then your ability to grow the business will be limited by the target market who can use your product. If you've created a great product, but it takes a degree in quantum physics for someone to use it or understand, then you have a minimal audience who can deploy your product. If you have a service that solves a problem for many but does it in a specific way that only can help a few, then you are limiting your market. Failure to think broadly about your business model in a way that can reach the greatest audience without being too generic can cause your product or service, even if it's a great idea, to fail as there is not enough demand.

**Grain of Sand #3.** Times change, technologies change, and people's priorities change, too. How are you going to keep up with the change? Here's just one example: Blockbuster. You may not know even what that is these days. They closed in September 2010, but "back in the day," that's where all the movies came from. Then Netflix came along, mailing DVDs to you; now they stream them. I wouldn't be surprised if everyone changed their business model to an on-demand, streamed model. Blockbuster either never saw this coming or they pivoted too late. If your business idea is based on dying technologies or habits and patterns that are changing, how can you ensure that your offerings keep up and change with the times and technology? Given what's going on with the Covid-19 pandemic, the world is changing dramatically; more and more business will be done remotely and

online. Keeping up with changing times and ensuring that your offerings remain relevant will be a challenge for the foreseeable future.

**Grain of Sand #4.** Knowing how to run your business is just as important as being able to get your product or service out the door. There are many examples here that are important to list out, but for the sake of time, I'll just name just a few. If you're taking investment, make sure you allocate the funds to the agreed purpose. Money earmarked by an investor to cover product development should not be spent to pay yourself or your partner's back pay. Yes, you have to eat, you need to have a place to live and keep the lights on. But, if you're pocketing the money that was meant to get the actual product off the ground, then there's something wrong with the way you're running the business. You may be struggling financially and it may be tempting to take this money out to cover your bases instead of developing products, but doing that is not a good sign. You have a business strategy and budget outlined for a reason. Stick with your plan or proactively update it to move finances around to cover critical or unexpected needs. Do this as part of a strategy, not as a kneejerk reaction to an unforeseen problem. On this one, I'm speaking from an investor's perspective.

Additionally, you must stay on top of legal filings and payments, regardless of how you set your business up structurally. You can't forget about things like taxes. These things really matter. In the end, you could get stuck with a significant personal tax burden if your company was either not set up correctly or you didn't pay payroll taxes on time. This can be the case even if you feel you're not bringing in enough money or you think your company is not big enough for Uncle Sam to notice. This is one area where you will likely want to find help from professionals who can give you guidance on how to get it right.

**Grain of Sand #5.** Don't purchase all your inventory before your business gets off the ground. I wish I had known this. I still have boxes of baby supplies in my garage that I may never be able to get rid of. It is critical to invest your time and money in the right places at the right time. In the early days of a startup, you wear many hats, many at the same time. There are more needs than time, so you're often in the moment. Find the time to think strategically and plan long term. Even if you are 150% focused on getting the product right, finding the right suppliers or securing the first customer success, you need to find the time and energy to focus on other aspects of the business such as building more pipeline, talking to investors, hiring the right employees and paying taxes.

**Grain of Sand #6.** Teamwork and collaboration are essential regardless of whether you're in a small, medium or enterprise-level business. This is even more critical when you are doing a startup. If you're a one person operation, that's not as big a challenge. But once you bring in other people, it is vital to get organized. Ensure everybody understands the direction the business is headed in. Just because the founders of the company know exactly where it's going doesn't mean that everybody else does. It is crucial for your growth that you keep up with informing the stakeholders, partners and employees. If everybody understands the direction and why decisions are made, there will be great teamwork and collaboration. If not, negative thoughts can creep in and they can become very destructive.

**Grain of Sand #7.** Don't undervalue sales and marketing. You can be the best techie in the world with the most innovative product on the market, but you still need to market it and sell it. It isn't necessarily the best product that sells, but the product that is recognized in a way that makes it compelling to the right customer at the right time. Do

not underestimate the value of a qualified sales channel and business development specialists. Bring the right people onto your team, find a well-rounded person who can position the story that needs to be told, and determine who can open doors and get in front of the people who can make the purchasing decision.

**Grain of Sand #8.** Put in the time. Eighty percent of my businesses failed because they were a side gig, something that I would do full-time once the idea took off and grew to be successful. I didn't have the bandwidth to do my day job and give the attention needed to start a successful business at the same time. Sometimes, you have to take a chance and choose between something you already have – the stability you've become accustomed to – and the passion and calling that you want to pursue.

**Grain of Sand #9.** Passion alone isn't enough, but it is an essential ingredient. If you're not putting your all into a business that you love, are passionate about, and have experience and expertise in, then why waste your time? Most of the people I have spoken with who've decided to pursue entrepreneur adventures started with their idea as merely a hobby. Unlike me, who thought that business could be a hobby unto itself, these individuals decided to give their hobby – their passion – all the focus and attention it deserved to make it a real business.

If you're not having fun, you might be in the wrong space. Starting a business is going to be hard work. But, at the end of the day, if this is the space you want to be in, you have to love what you do. I tried to start a limousine business once because I love people. I love socializing with people, talking to people, meeting random people. However, I didn't love driving, and I could barely find my way around a town that I've lived in most of my life. My focus, my energy was in the wrong place. Although I got to meet some fantastic people

during my short time as a limousine business owner, I had to convert my passion for people into an all-around passion that I could build a business on.

**Grain of Sand #10.** In some of our startups, we partnered with friends or colleagues that we knew would bring a lot of great expertise to the table. We set up the business with all of us as shareholders and built the business together. After some time, a couple of the partners wanted to take other paths and left the company; we either bought them out or they simply stayed on as 'passive partners.'

Fast forward a couple of years – we had a \$1 million investment coming our way, a very lucrative deal. We were golden. Except, two of the passive partners didn't think it was the right investor. They were passive partners, but when they left the business, we didn't pay attention to the ownership structure of the company. The passive partners still had equal votes, so they could rightfully veto the investment and they did. We didn't get the investment and ended up having to restructure the company through Chapter 11. This took time and effort that created missed opportunities and lost revenue. Make sure you think through how the business makes strategic decisions. If your company has more than one shareholder, then it is essential to set up a shareholder agreement. If the ownership structure changes, make sure the agreement is updated. And do it while you are still "friends." When you need to enforce the agreement it is likely too late. My husband lost his first venture because of this.

So, there you have it—my 10 grains of sand.

I say all of this not to discourage you, or make you feel as though you can't make it in this world of entrepreneurship. My goodness, we need more people to start businesses, not less. People like you, people like my husband and I who have the passion to be entrepreneurs.

## Finishing up

Hopefully these lessons learned – these grains of sand – will help you avoid the mistakes many people make in the beginning. You can learn a lot from someone you view as a failure, so don't take those people off of your list of individuals to consult with as you formulate your business idea. It's okay to learn from other's mistakes, even if you think you are smarter than they are or have more resources. None of that will matter if you don't take necessary precautions to put energy in the right places and build a business from the ground up to have a strong foundation.

I hope something I shared helps you become the successful business person that you are meant to be. Whatever that definition of success may mean to you. Good luck. Stay healthy. Stay safe.

# Assignments

1. Check your aptitude for starting a business. Many first-time entrepreneurs aren't ready to start a business. Take this brief test to see if you have what it takes at this point in your life to start and build a business.
2. Read through these helpful tips. Someone has already been in your shoes and can show you the way. Take some time to read through these helpful tips so you can avoid common mistakes as you start a business.
3. Find your passion. Think about what you are passionate about and list it down. Are there several that have something in common? Is there one that really stands out? This should become a guidepost for your business idea. If you're not passionate about what you do you will give up too easily, especially when things get a little tough.
4. Talk to fellow entrepreneurs. If you know someone who has started a business, make a date for coffee or a beer and talk about their experiences, what they've learned along the way and ask them to share any secrets they have for creating and running a successful business.
5. Read the Playbook. The Startup Playbook is your guide to a successful business. Read through the online version and use the lessons-learned to create your business while avoiding the usual landmines.



