

# 10 MISTAKES IN STARTING COMPANIES IN US

*Yuayuan Zhou (周源源)*  
*Chair Professor, UCSD &*  
*Co-Founder, Whova*

# My Double Career



## Academia



- Ph.D thesis (Princeton), 2000
  - Memory and storage systems
- UIUC, 2002-2009
  - Software reliability and quality
- UCSD, 2009-Now
  - Data center management
  - Computer system reliability & security

## Startups



### Emphora, 2000-2002, Princeton, NJ

- Database storage
- Acquired by a public company



### Pattern Insight 2007-2012, Mountain View

- Software quality & Data center monitoring
- Acquired by VmWare in 2012



### Whova: 2014-Now, San Diego



- Event engagement and management
- 15000 conferences, 92 countries
- Currently break-even with >60 employees in San Diego

# Double Benefits

- Faculty job
  - **Intellectually satisfying:** Giving us excuses to think deeper to find better solutions
- Startups
  - **Keep us grounded:** the problem is real
  - Exposed to a sea of real world problems

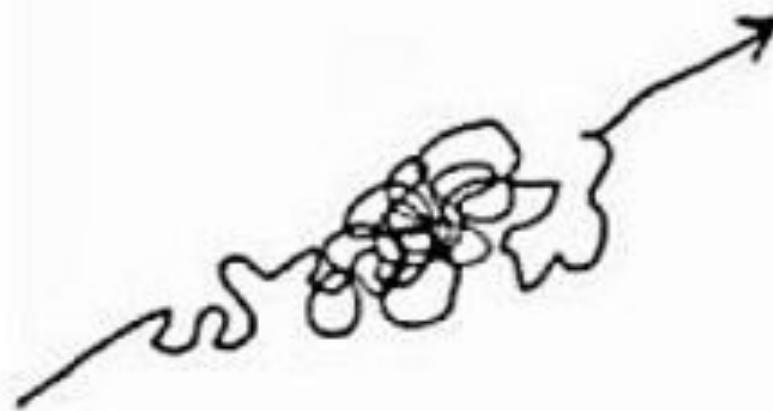


Success



what people think  
it looks like

Success



what it really  
looks like

# Now I am sharing 10 of my mistakes

Learn from the  
mistakes of others.

You can't live long  
enough to make  
them all yourself.



~ Eleanor Roosevelt

# Mistake 1: “I know more than the customers”

- Ph.D: Permanent head damage
- Story: Emphora, My first startup in NJ
  - “Once I built it, customers will buy it”
    - NO, NO, NO!
- Correct way: find customers first
  - Understand their requirements and how much they suffer the pain
  - First don’t tell them your solution



## Mistake 2: Delay talking with customers

- “We want to build the perfect product!”



- Story: Emphora's initial customer traction
- A recent article: <http://www.entrepreneur.com/article/269554>

## Mistake 3: Over-emphasize Technology Advantages

- How about go to market strategy?
  - Fitbit story
- How about time to see value?
  - Pattern Insight's code analysis
- How about cost of product and service?
- You are no longer playing in the technical world
  - 入乡随俗 **Startup is in the business world. Play the game of business (that includes many things)**

“It is in Apple’s DNA that technology alone is not enough it’s technology married with liberal arts, married with the humanities, that yields the results that make our heart sing.”

- Steve Jobs



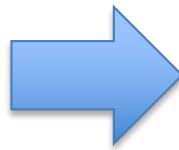
## Mistake 4: Over-emphasize novelty

- Yes, there is some first mover advantage
- But have you heard of **second/last mover advantage?**
  - Example: Both Pattern Insight and Whova are “second” movers
  - Why?
    - Early players have already educated the customers/users
    - They also have made many mistakes that you can learn
- What investors like the most typically
  - Existing market, Not a new market
  - but with a unique approach



# Mistake 5: Recruit people similar to me 😊

Diverse **background, perspective** and **thinking** helps perfecting the product, the business process



Story: **Whova's diversity in thinking/perspectives**

- The “artsy”, the “social conscious”, the “bold”, the “conservatives”, the “competitive”, the “empathetic”, the “glu”, ...
- Building a company is like building a “house”, you need different kinds of materials

# Mistake 6: Not focused during the first 5 years

Yes, your technology can have many applications. But pick one to focus

- Building a product is not as easy and quick as doing a research paper
  - May take 2-3 years to be ready for prime time
- “**Sacrifice is a form of an investment**” ---- from my Ph.D Advisor, Dr. Kai Li



Story: Pattern Insight's semi structure analysis (Series B)

# Mistake 7: Over-emphasize Fund raising

## Fund Raising is a Means Not an End

Posted on **June 11, 2013** by steveblank

Not all that glitters is gold

*William Shakespeare*

For many entrepreneurs “raising money” has replaced “building a sustainable business” as their goal. That’s a big mistake. When you take money from investors their business model becomes yours.

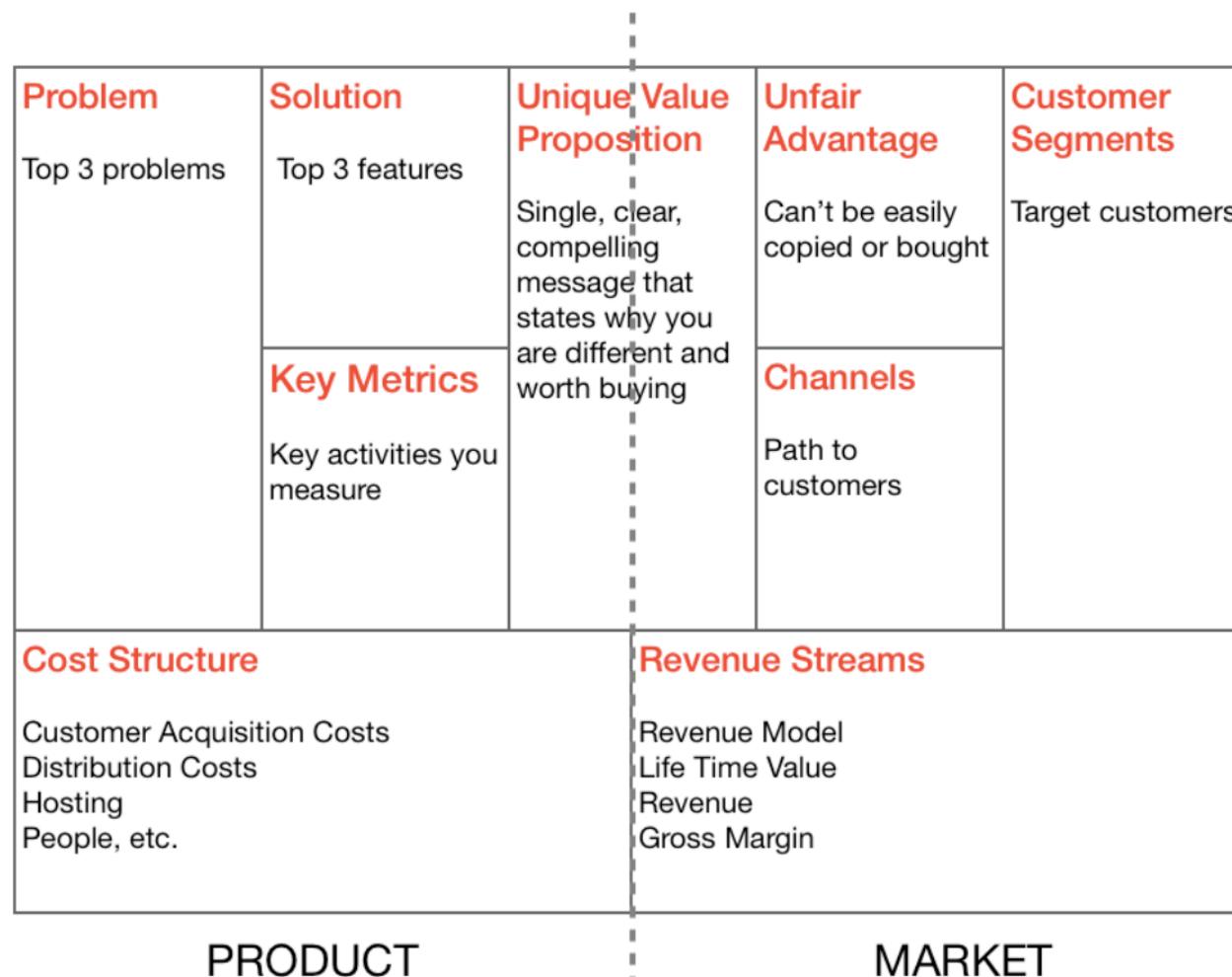
---

One of my ex students came out to the ranch to give me an update on his startup. When I asked, “What are you working on?” the first words out of his mouth was his fund raising progress. Sigh... What I should have been hearing is the search for the business model, specifically the progress on product/market fit, but I hear the fund raising story first at least 90% of the time. It never makes me happy.

- Story: Pattern Insight Series B

# Mistake 8: Confuse Product Idea with Business Model

- Building a product is NOT “the product” of your startup. Your business model is “the product”
  - Whova product can have many business model



**TRUST YOURSELF.  
YOU KNOW MORE  
THAN YOU THINK  
YOU DO.**

POSITIVELEADERS.COM

## Mistake 9: Over-Rely on Business People

- **No, business people will NOT be your savior**
  - Is your company good enough to attract top notch business people?
    - If not, why did he/she want to join you? What other opportunities does he/she have?
  - He/she is not as committed as you are
    - For them, it is just a job. For you, it is your baby
  - The business people you hire are not as exploratory as you
    - They will not help you find the business model
- **In the first 2-3 years you have to trust and rely on yourself!**

# Mistake 10: Too optimistic

- Yes, investors (customers) are very interested....
  - But from interest to money in the bank, it can still take 6-24 months
- Yes, we still have enough money to run for 1 year
  - Is 1 year enough?
- Once our product is ready, our investors will put in more money?
  - Really? Is it guaranteed?
- Once we hire sales people, we will get revenue from customers?
  - Really? How long your sales people need training? How long is your product's sales cycle?
- **90% companies fail because**
  - They run out of money
  - So be **paranoid** and be **conservative**

# Now the boring but important part

- **Co-founder or early employee visa issues**
  - Yes, you can get H1 for them
    - You need to provide some evidence as a legitimate business such as investments, customer purchase/license, SBIR grants, etc.
  - Yes, you can get green card for them, and sometimes even faster than big companies
    - You can possibly apply EB-1 for them, green card in just 6-12 months



# IP License from University

- Yes, if your startup is based on your research from university
  - The IP belongs to university and you have to license it
- Get to know the OTM (Office of Technology Management) earlier
  - Do not wait until you need to license the IP
  - Get to know their policies
  - Get to know them personally
- Ask other professors who have dealt with OTM before
  - What has been any lessons or pitfalls you need to watch out
- University owning equity in your startup has a good side too
  - Think win-win ☺

# Fund Raising

- Talk with investors earlier
  - More as an advisor not for investment in the first 2-4 meetings (meet them once every 3-4 months to update them with progress)
- Keep in touch with them and have investors to observe your progress over 6-12 months period-----**build trust**
  - you are coachable (you took the advice and implemented it)
  - You can execute, not just talk
- You want them to “convince” you that you should raise some money
  - Then you know you are ready to raise money from them
- You need to meet more people