12 Mistakes Start-Ups Make the First Year

From going out too much to having too many founders, here's what you've been doing wrong.

When you write and read about start-ups all day long, you see founders make a lot of mistakes.

As an observer of and dabbler in start-ups, I've kept track of all the things I'd try to avoid as an entrepreneur.

Here are the most common mistakes early stage start-ups and new founders make:

1. Getting press too early or just because.

If you're a start-up looking for press, the first question you need to ask yourself is "Why?" Why do you need press? Are you really ready for press? What will an article help you achieve?

If you want press to make yourself look cooler to friends or employees, you probably shouldn't be seeking it. If you're doing it to gain users, the bump will likely be temporary. Just look at Turntable.fm, Airtime or Brewster.

In some cases, press can be good. It can attract investors if you're seeking financing. An article in Ad Age could attract advertising dollars.

But if you haven't nailed your business model or product (and chances are in the first year you haven't done either of those things), do you really want your name out there only to fail a year later? That'd be more embarrassing than never having press in the first place.

2. Raising too much money too early.

Bootstrapping a start-up is scary. No one likes seeing their savings dwindle away. But when you rely on outside investors to take all the risk, it can make founders frivolous with their spending. It also can dilute them so a future exit becomes much less rewarding.

If you pursue a start-up on your own first, you can work on proving the business model and gaining traction without the pressure of board meetings or investors looming over your head. Once you are self sustaining, you can secure better terms from investors. And, if no one outside is controlling your company, you can exit whenever you want and never worry that someone else with a vested interest in your start-up will fire you.

If you don't have at least $50,000 saved up and you're not at a stage in life where you're able to take a risk, you shouldn't be doing a start-up.

3. Trying to do a start-up alone.

Start-ups are stressful and no one is good at everything. To avoid burn out, you need a co-founder and/or advisors to split the work load and confide in. You'll also be more productive with other people helping you, plus there will be more money to bootstrap with.

Startups take up a lot of time, so it's normal to feel chained to your desk. But you need to interact with people and take productive meetings to move your business forward. No one can do a start-up alone.

4. Having too many co-founders.

It can seem like a great idea to start a business with your four best friends. But that means you're starting out with just 25 percent of the company before ever raising a round. Plus, it's hard to have four people calling the shots and it's frustrating if everyone isn't pulling equal weight. Most start-ups with multiple founders dwindle down to one lead founder anyhow. Think Facebook, Quora, Path and Foursquare.

Do a start-up yourself (like David Karp) or with one other person you know you can work with. Otherwise, it could be a messy and expensive breakup.

5. Going out too much.

There are a lot of networking events and parties in the start-up world. It's possible to network too much, and not work enough.

Strike a balance. If you're a well-known face in the start-up community you should probably be spending more time at your desk. Otherwise it sends a bad message to your employees and investors.

6. Trying to force a business that isn't working.

You quit your job because you have a brilliant idea you're sure will work.

Only ... it doesn't. Now what?

First, you should never quit your job until you've had a chance to test your concept and there's a legitimate chance it will work. But even then, it's hard to predict your start-up's future.

You may not have accurately predicted the way people would use your product, or customers may hate a new feature you love.

Move fast, break things, and kill things. Don't hold onto a start-up idea just because you're enamored with it. Pull out a kernel of the idea that's working and blow it up into a full-fledged business, or pivot altogether. Some of the biggest companies today arose from the ashes of failed start-ups.

7. Communicating poorly and ignoring critics.

When you have a start-up roadmap in your head, it can be difficult to properly communicate it to others.

Keep lines of communication open constantly and force yourself to listen to critics. Learning how to manage people takes work. But if you don't learn how to communicate, you'll destroy your relationships with customers and employees.

8. Being greedy.

Being a smart entrepreneur means knowing when to leave the table.

A lot of buzzy start-ups have gotten $100 million acquisition offers and decided to walk away. Usually that's an admirable but stupid decision.

Foursquare could have sold for $150 million when it had only raised $5 million. Video startup Qwiki had an offer to sell for over $100 million and now it may be selling to Yahoo for $50 million. Path was offered big bucks by Google but its founder Dave Morin turned it down and has had a bumpy road since.

For first time founders especially, seize a life-changing opportunity when it's offered to you. Save going all in for your next start-up.

It can be better to sell for a smaller amount of money than for hundreds of millions of dollars. A $20 to $30 million exit takes less time to reach and less outside capital to fuel than a $200 million exit.

9. Telling white lies.

Since start-ups are private companies, they can lie to journalists and investors who don't perform due diligence. If you're desperate to raise capital or keep your start-up alive, you may be tempted to tell a white lie about how quickly you're growing or how much money you're making.

If your start-up is failing, the truth will come out eventually. Lies just delay death and keep you from founding something worthwhile.

10. Being impatient.

Investors say 10 million users are the new one million users, which has start-ups scrambling to scale quickly. But if you're only focused on growth your product will suffer.

Different types of start-ups grow at different rates. Set growth goals based on the trajectory of similar start-ups and manage your expectations accordingly.

If you're running a media company, you're going to have to wait until you're big enough to hire a direct sales team before you make money. That could take years. If you're running a transaction-based business, know what margins you need to sustain a lasting business.

11. Underestimating how difficult a start-up really is.

Most of the start-up stories we read are about successes. But founders don't often win the lottery.

500Startups' ~~Dave McClure recently explained~~ how difficult startups really are:

It was a hell of a lot of work for not a hell of a lot of return. And then there are days when you sit in a corner and cry. You can't really do anything else. You don't have a social life. You don't really want to interact with family and friends because there's just not much context for them. Your world revolves around your start-up and it's all about trying to survive and not look like an idiot in front of employees.

There's still recognition that it's a set of first-world problems that don't get to the level of war, starvation, or something like that. But when your whole world is about trying to show everyone else you're successful and hold it together, and maintaining that psychic dissonance of externally everything is going great while the internal side you're freaking out and trying to make payroll ... it gets fucking stressful.

12. Not dreaming big enough.

There are people who are practical and there are people who are dreamers. The best start-up teams employ both types to keep them grounded while working toward a massive achievement.

If you think too small, you're limiting yourself and what you're capable of. When you're creating something from scratch, you can create anything of any size you want.