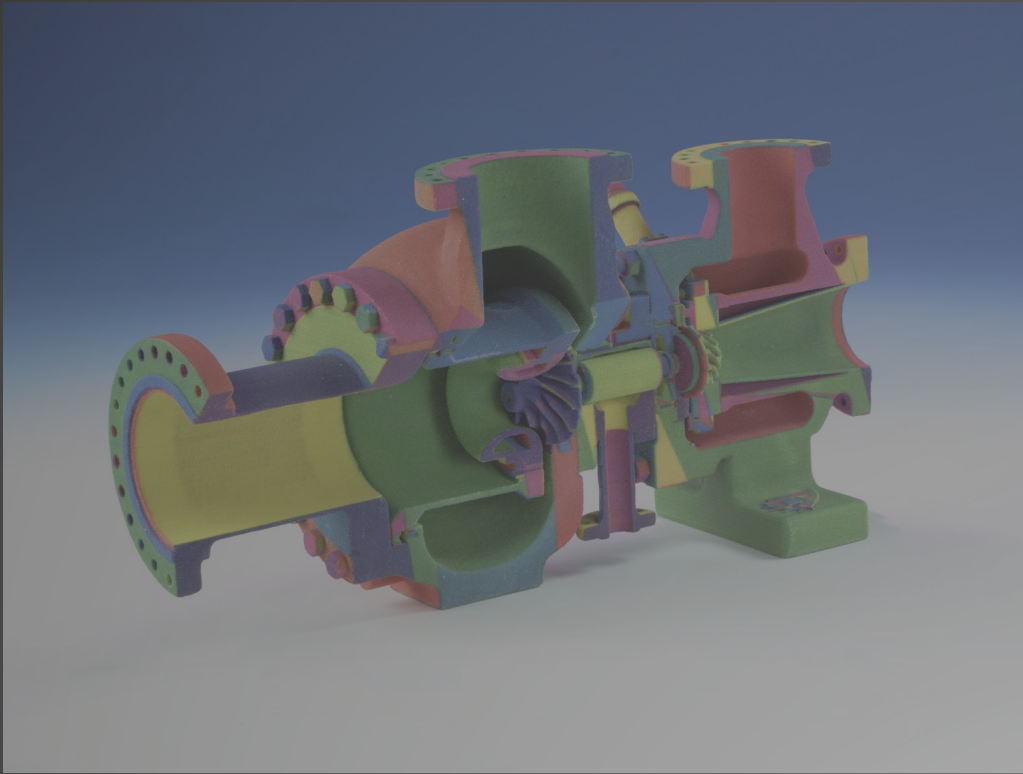


Common Startup Mistakes

Marina Hatsopoulos
Co-Founder, Z Corporation
Board Chair, Levitronix Technologies
windystreet.com

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- My Story
- Common Startup Mistakes
- Conclusions

AGENDA

My Story

My Story

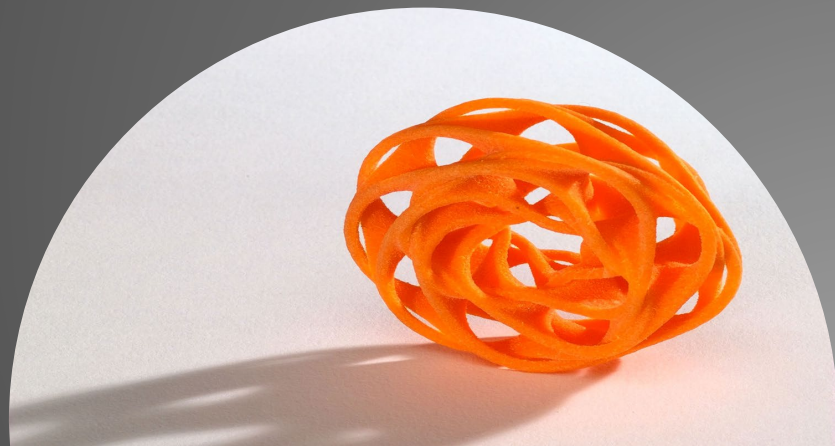
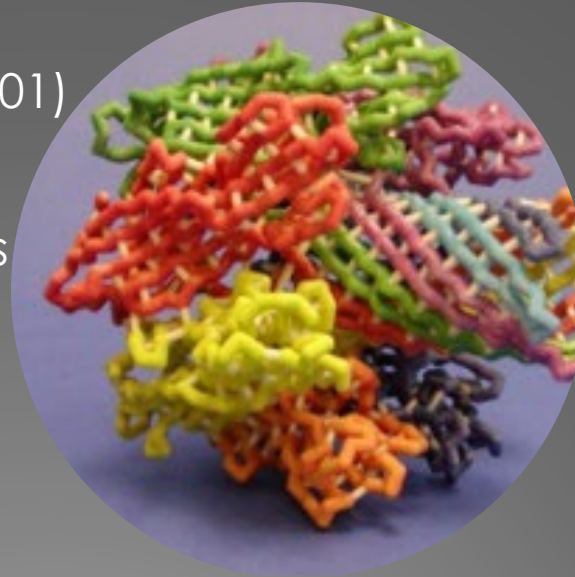
Background

- Brown: Math and Music
- Chase Manhattan Bank: Corporate Finance, Oil & Gas
- Thermo Electron: Mergers & Acquisitions
- MIT: Masters of Science, Mechanical Engineering
- Search for technology to commercialize

My Story

Z Corporation

- 3D Printing Technology invented at MIT
- Founded in 1994 in Kendall Square, Cambridge
- Delivered product within 2 years
- Fastest-growing business in New England (2001)
- No venture capital
- Over 10 years, grew to \$30M, 125 employees
- Market leader with #2 in market share



My Story

Post-Sale

- Corporate Board Director
- Angel investor
- Advisor
- Greek startup ecosystem
- Writer: Business Articles, Essays & Short Stories at **windystreet.com**

Common Startup Mistakes

>>Stay stealth!

- People might try to steal your idea
- Don't bog down development with customer input. You know better.
- It's difficult and time-consuming to find customers
- Hard to parse different opinions

>> Stay stealth!

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INSTEAD: Get feedback

- More to gain than lose by talking with customers
- People can steal your idea as soon as you hit the market
- Is problem painful enough?
- How big is the market?
- What is the beachhead/niche to get off the ground?

-



>>Strive for Perfection!

- Prototypes are ugly; make it PERFECT before showing it to customers
- Negative feedback means they don't get it
- Judge your product based on stellar evaluations from friends and family

>> Strive for Perfection!

- Prototypes are ugly; make it PERFECT before showing it to customers
- Poor feedback means they don't get it
- Judge your product based on evaluations from friends and family

INSTEAD: Strive for feedback

- Speak with customers every day
- Get something into their hands to try out
- Try to sell product, before it even exists
 - Early prospects help guide development
 - Customers may fund research and development
- 80/20 Rule: Perfection is your enemy
 - By the time you get it perfect, you'll miss the market
- Don't try to please everyone; start with niche

>>Create Buzz!

- Focus on awards instead of customers
- Invest in expensive marketing (eg, videos) with hope of going viral
- Track social media numbers and press coverage instead of customers
- In the face of all the rejection, this all feels so validating

>>Create Buzz!

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INSTEAD: Focus

- Stay focused on your mission
- Ignore distractions
- Disregard awards, press coverage and other accolades
- Your value is in your startup's REVENUE, GROWTH and PROFITS
- Awards don't build a strong, sustainable business. Customers do.



>> Hire people you trust!

- Loyal teams are made with friends and family, even if irrelevant experience
- Famous board chair who is on many boards



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- [Bob]

INSTEAD: Create the best Team

- Diversity of education, experience, talents, interests
- Find missing areas of expertise and fill those roles
- Leverage network but don't hire someone you can't fire
- Work with people before hiring when possible
- Empower people & capitalize on the stars, even if holes
- Salesperson on Founding Team => 3x chance of success
- Senior executives may be out of touch
- Very busy board members may be disengaged

>>Be nice!

- Avoid conflict so people will like you
- Never upset anyone
- Negotiating is unseemly and unnecessary; people are fair

>>Be nice!

- Avoid conflict so people will like you
- Never upset anyone
- Negotiating is unseemly and unnecessary; people are fair

INSTEAD: Embrace conflict

- Encourage a diverse set of opinions
- Make tough decisions
- Be transparent & direct-don't hide things
- Not facing tough decisions makes problem worse in the long run
- Learn to negotiate; not how it's depicted on TV (eg, blackmail!)

>>Work hard!

- Frenetic office culture
- Sweat and slog 14 hours per day
- Use TV and movies as models (abusive bosses, lingering liquid lunches...)
- Check off all the tasks on your To Do list instead of strategic contemplation

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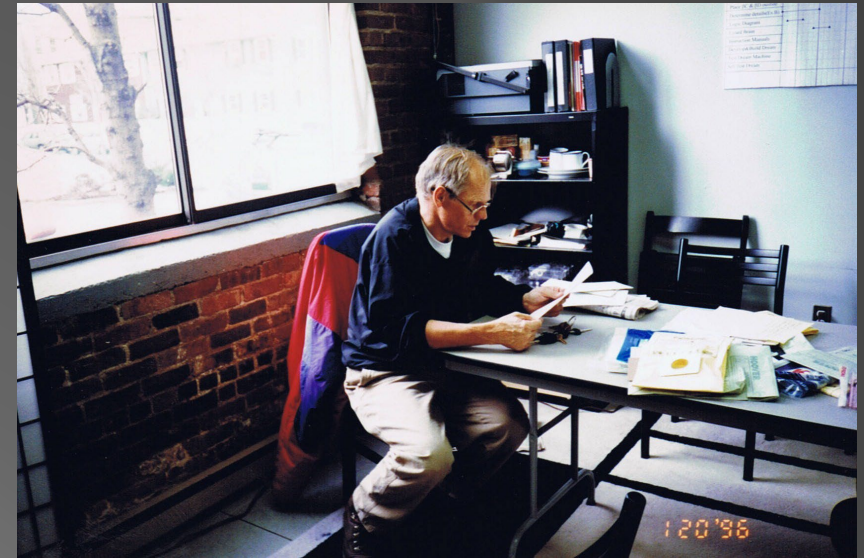
INSTEAD: Healthy Corporate Culture

- Focus; can't do everything. Prioritize!
- All that matters is results, not face time
- Deliver on milestones
- Time to market is critical
- Contemplate strategic decisions



Strategic Decision-Making

- Business: What business to go into
- Team: Who to hire
- Product Development: What to build
- Pricing
- Information is always incomplete
 - Re-make decisions when new information
- Be aware of which decisions matter most
 - Delegate to lowest reasonable level where they often have most direct information



Strategic Decision-Making

Examples of Strategic Decisions

- No venture capital: used only \$2.5M to build Z Corporation
- Focus on profitability: Revenues in Year 2, Profits in Year 4
- Product pricing: Expensive to make and sell innovations
- Re-make decisions when new information



Strategic Decision-Making

Examples of NON-strategic decisions



- Who gets which office
- Furniture
- What accounting software to use
- Number of conference rooms
- Color for the logo
- These are important only insofar as they can help establish the culture

Strategic Decision-Making

“In the Muck”

- Too many decisions to make
- Too many directions to take
- Not enough information
- Conflicting opinions
- Where to go for answers??
 - Your North Star is your product differentiation, as confirmed by discussions with your customers

[eg Z Corp.]

>>Competition is great!

- There's room for Pepsi and Coke
- A crowded market must be promising
- Incumbents are slow and stupid
- Product differentiation is not critical
- Nobody has ever considered lowering the price

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INSTEAD: Differentiate

- Price is always being reconsidered
- Simply lowering price can be a losing proposition: commodity businesses are a race to the bottom
- Do something different
- Learn what's out there and do better
- State-of-the-Art is the starting point, not the endpoint
- No playbook to follow



Differentiate

- Competition can be OK
 - They educate the market
 - Easier to have a benchmark to sell against
- Competition from huge incumbents is bad
 - They have talent, manufacturing, distribution, market knowledge & millions to invest. They are slow to shift but they are NOT stupid.

Differentiate

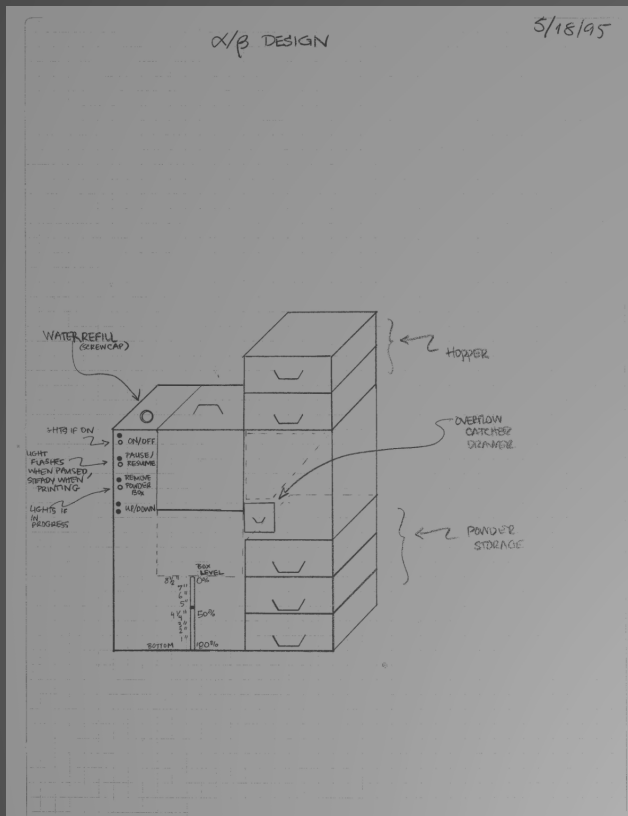


- Who is perfectly positioned (market/tech) to do this?
- Why haven't they done this already?
 - New enabling technology didn't exist
 - Regulatory environment wasn't conducive
 - NOT: We're smarter than the rest of the world
- What will keep them from competing if you're successful?
 - Will they have an unfair advantage or will you?
 - What makes you uniquely positioned to do this? (hint: IP!)

Intellectual Property

- IP creates product differentiation
- IP blocks competition
- Solution looking for a problem
 - Start with IP which then defines product differentiation
 - Example: Z Corp. 3D printing technology
- Problem looking for a solution
 - Can work on a technical challenge in order to develop IP
 - Ventilator shortage during Covid crisis-3D printed valve solution

Intellectual Property



- Patents
 - Difficult to invent, Easy to copy
- Trade Secrets
 - Not patentable, Difficult to copy
- Know-how
 - Processes, Ingredients, etc.

Intellectual Property

- What makes your business totally unique and special, in a way that can not be easily copied?
- Why would the customer care about this?
(ie, better/faster/cheaper?)
- What are the big questions you need answered to validate the market opportunity?
- How can you find answers? What tests can you run?

>>Stay positive!

- Put bad news out of your mind
- Believe the engineers' forecasts on time and cost, regardless of history. This time will be different.

~~>> Stay positive!~~

- ~~• Put bad news out of your mind~~
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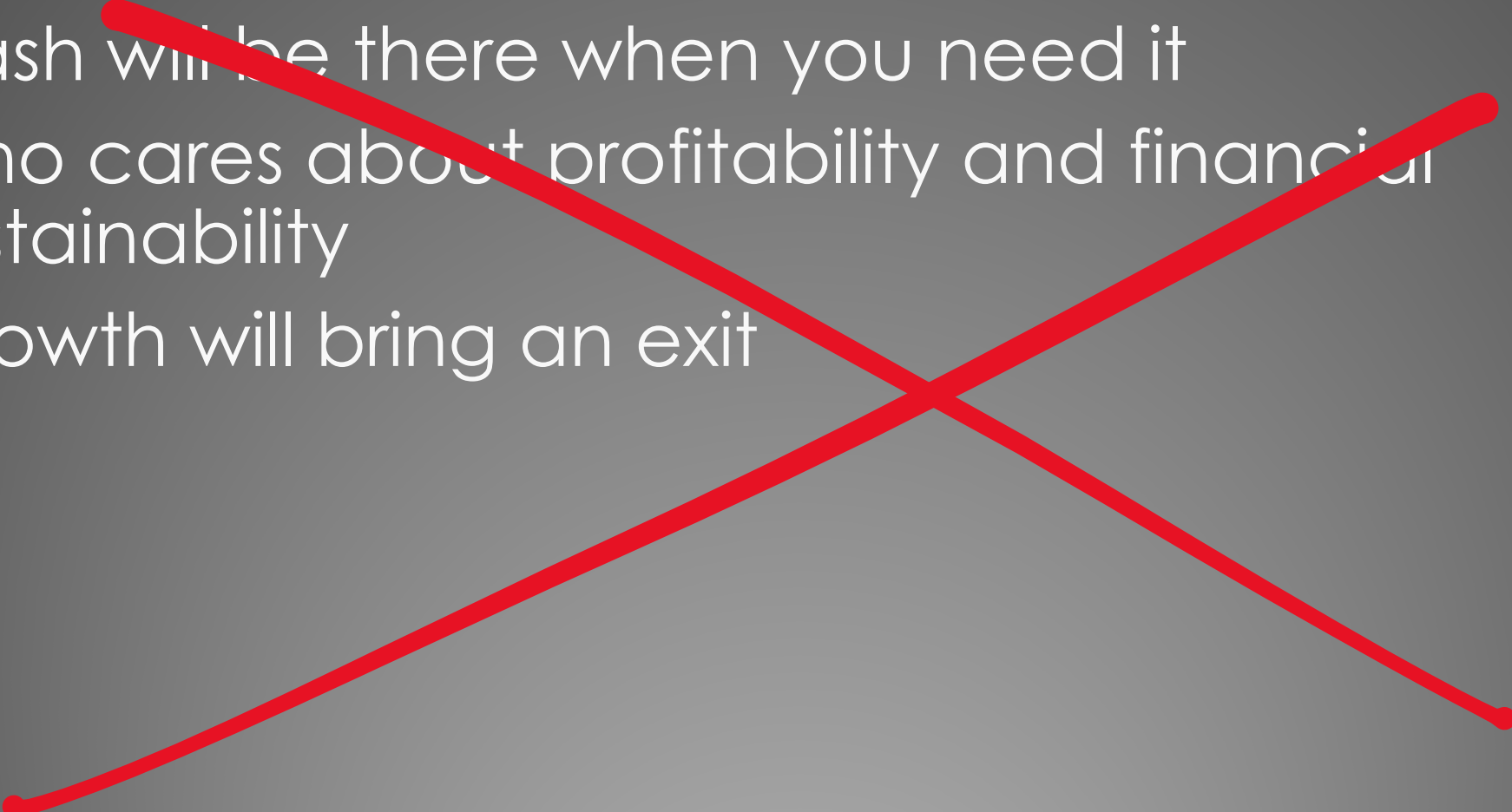
INSTEAD: Look at history & reassess

- Rejection and failure offer information. What can you learn?
- Use failure and rejection to do things differently
- Who reliably delivers?
- What factor should you use (eg, 2x cost, 2x time)?
- Use new information to reconsider past decisions

>>Focus only on growth!

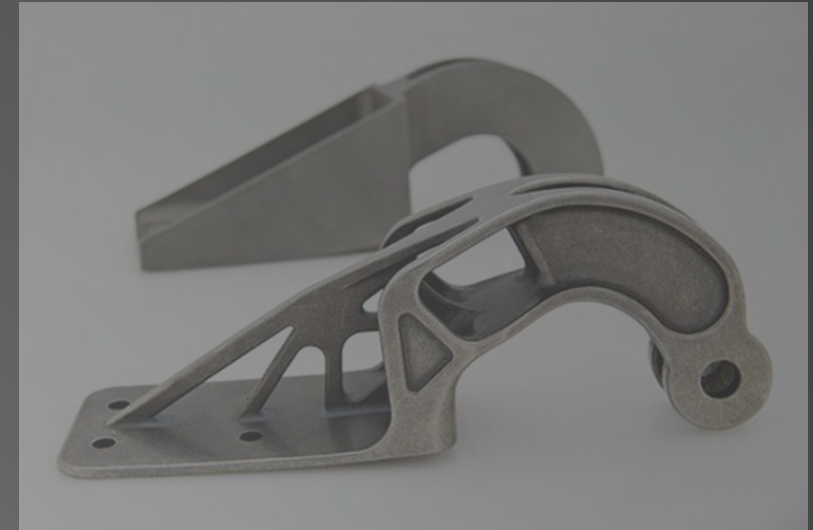
- Cash will be there when you need it
- Who cares about profitability and financial sustainability
- Growth will bring an exit

>>Focus only on growth!

- Cash will be there when you need it
 - Who cares about profitability and financial sustainability
 - Growth will bring an exit
- 

INSTEAD: Watch your finances

- Talk with 20 prospective customers
 - Are they in pain?
 - How much would they pay?
- # Units
- Revenues
- Time & investment to get to Revenues & Profitability
- Find something you believe in-it's a long road



Watch your Finances

- Track cash and # months left
 - Deduct last payroll & rent when calculating
- Have plan for reaching profitability
- Invest-worthy milestones to reach before cash runs out
- Stay in touch with investors



>>Put on a great show for investors!

- Use industry acronyms that investors won't know that make you sound technically savvy
- Complicated diagrams
- Entire paragraphs in tiny fonts on each slide
- Projections with revenues skyrocketing
- Talk about exit
- Demand a confidentiality agreement
- Add AI regardless of your business

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INSTEAD: Simplify your pitch

- What is the problem you're solving?
- What is your solution?
- Remove all acronyms & jargon
- Remove diagrams which don't add information
- Limit # words to about 10-20 per slide
- Explain & quantify customer value proposition
- Practice your pitch
- If no interest, reconsider business and pitch deck

Conclusions

Conclusions

- Talk with customers & get prototype in their hands ASAP
- Focus on Revenues and Profitability within beachhead
- Create a strong, diverse team
- Encourage debate & healthy culture
- Create strong product differentiation
- Make decisions again with new information
- Create simple, clear pitch



Conclusions

- Startups are risky
- Persevere. It's hard. No "life balance."
- Controlling your destiny is enriching
- Everything is murky; inadequate information



Conclusions

Check out “Ten Steps to a Unicorn Exit”

by Marina Hatsopoulos in VentureBeat and the Observer

Thank you

Marina Hatsopoulos

Co-Founder, Z Corporation

Chairperson, Levitronix Technologies

windystreet.com



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