

Most common mistakes in the life of entrepreneurs



CONCEPTION



MODELLING



PLANNING



IMPLEMENTATION



Ajuntament de
Barcelona



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01

Introduction

In business, it is common to hear **success stories** from entrepreneurs in various areas that inspire us to follow in their footsteps. Some of these have almost become legends, starring heroic figures whose genius led them to be where they are today; as if they had never put a foot wrong. Therefore, it is usual for entrepreneurs to study the steps and strategies that led them to consolidate these highly influential companies.

Analysing what other ventures have done correctly before is extremely valuable and inspiring in making our own way. However, we pay much less attention to studying and understanding the **mistakes that other entrepreneurs also make**, why they are considered mistakes and how we can avoid repeating them. Although it may seem counter-intuitive, analysing other people's failures is as important as studying their success stories because it is one of the best ways to avoid making the same mistakes and to correct them if we find ourselves doing something similar.

The reality is that many companies survive and prosper more as a result of avoiding making common mistakes than through great acts of genius or innovation, especially in the early stages. Unfortunately, it is common to hear of companies closing soon after they open as a result of a mistake that could have been relatively easily avoided. That is why at Barcelona Activa we have written this report in which we briefly describe twelve of the most common mistakes made by entrepreneurs focussing on the earliest stages of a company's maturity. In addition, we accompany each one of the errors with some **advice and resources to avoid making them**.

02

Starting out optimistically: assuming the commercial viability of the business

Very often entrepreneurs think that a good idea is enough to develop a business. However, a good idea or an original idea does not always translate into a viable business.

WAYS TO AVOID THIS

- Start by taking the test that we at Barcelona Activa have designed to assess the state of maturity of your business idea.
- Use our guide to generating business ideas.
- Learn about the most cutting-edge methodologies for business development and apply different creativity tools with the resources we offer you.
- Create a suitable business plan. This document aims, among other things, to examine and give shape to the viability of the business idea. At Barcelona Activa we tell you how to do it.
- Test your idea in the real world before starting the venture. At Barcelona Activa we have a specialist laboratory to analyse the experiences of users in the more mature stages of product and service development.
- All the resources and training mentioned above can be consulted in the area: **The Profile of the Entrepreneur.**
- If you already have a business, you have a lot of contact with customers. Take an interest in their problems to get feedback. If you do this, you will have more information to validate the adequacy of the product or service you are offering them and, where applicable, make any necessary adjustments.
- We also recommend that you take a look at this book: *100 ways to fail in a venture* (2008), Leo Socolovsky. Publisher: Galerna.

03

Not being clear about what to buy from us How does the general public (our customers) view our product?

It is important to consider the product or service from the point of view of our potential customers, to see how to approach the commercial strategy; in other words, you must really understand what your customers are like.

To begin with, you should focus on customers who see the world as you do and who might be interested in your story. By story, we mean the story that accompanies your product or service (if you want to go deeper into the importance of stories, we recommend reading *All Marketers are Liars* (2012), Seth Godin. Publisher: Penguin). In short, you will have to know perfectly well how customers think and feel, what problems they have and how they are currently solving them.

WAYS TO AVOID THIS

- Carry out a market study. This document will help you find out what consumers know and think about your product, the market it belongs to and your competition. We recommend these training courses:

→ How and why to do a market study.

→ Customer Discovery.

Consult our schedule in the **Marketing and Sales area**.

- If you would like a free tool to work on how your value proposal can best be adapted to the needs of your customers, try using the **Value Proposition Canvas**.
- We also recommend that you take a look at this book: *Value Proposition Design: How to Create Products and Services Customers Want (Strategyzer)* (2014) by Alexander Osterwalder *et al.* Publisher: Wiley.

04

Opting for something that is already being successfully sold without considering whether we could sell it equally as well

Imitation is not always successful. Sometimes it is essential to have credibility in the market, something that can only be achieved with years of experience and good work.

Bringing a copycat to your local market, that is, a business model that works elsewhere, may work in theory, but the reality may be different for various reasons. It is important to identify whether that business model is applicable to your market. Most likely you will need to make changes to the purchasing habits and trends of the market you are targeting.

WAYS TO AVOID THIS

- In a decent business plan, on top of a detailed version of the business model, a competitive analysis and a SWOT matrix should be included. At Barcelona Activa we can help you make yours with the **Online business plan**: <https://pol.barcelonactiva.cat/>
- Receive tailored advice from the Barcelona Activa experts. Consult our agenda of related activities in different areas: **The profile of the entrepreneur, Business management, Marketing and sales, and Legal forms and taxation.**
- We also recommend that you take a look at this book: *Testing Business Ideas: A Field Guide for Rapid Experimentation (Strategyzer)* (2019) by David J. Bland et al. Publisher: Wiley.

05

Not clear who to sell to: products are not always of equal interest to everyone

Carrying out a market segmentation is fundamental to identifying who would be interested in our product or service. However, carrying it out can be complicated. This mistake is one of the most common among entrepreneurs, who often do not carry out this **market research** or do it incorrectly. Correctly identifying our target audience will save time and, above all, money.

WAYS TO AVOID THIS

- Carry out a market study to find the right segmentation in terms of age, gender, interests, location, etc. At Barcelona Activa we offer a specialised tool. Consult all the information in our **Marketing and Sales area**.
- We also recommend that you take a look at this book: *Creation of market studies in the formulation of projects* (2019), Fernando Torres Granadillo and Deibi Hernández Reverol. Publisher: EDILUZ.

06

Trusting that our customers will come to us: it is not enough to have an interesting product or service

One simple starting step is to make a financial outlay so that people know we are here. We cannot wait for the customers to come to us without doing anything to achieve this. To do so, we can combine many strategies: advertisements, flyers, mailings, press releases, SEO, SEM, ASO (in case of making an application), etc.

All businesses must have their own **marketing and communication strategy**. We must identify the best touchpoints (time and place, both physical and digital, where potential customers can be contacted) and the best channels to establish our communication. In addition, you must be able to explain in an interesting way what you do. Therefore, in order to be heard, you must choose your content territories and adapt your communication to the public you are addressing.

WAYS TO AVOID THIS

- Designing a good marketing and sales campaign is essential to start, boost and consolidate a business. At Barcelona Activa, we have different courses for all types of entrepreneurs at different stages related to these topics. Consult all the information in our **Marketing and Sales area**.
- We also recommend that you take a look at this book: *Finanzas para el marketing y las ventas. Cómo planificar y controlar la gestión comercial* [Funding for marketing and sales. How to plan and control commercial management] (2013), José de Jaime Eslava. Publisher: ESIC.

07

Ignoring the need to be different

Differentiation is the strategy that makes it possible not to 'be just another company' in the market and not have to compete solely on price. You must show that your product or service is different from others and provides some added value that the rest do not. You must not ignore the competition, which also wants to be different. So it will not be so easy to find a niche.

Try not to copy for the sake of copying; you must come up with something different, whether it is in the form of delivery (faster or more efficient), in the provision of the service, in the configuration of the product or in some other aspect. Remember that it must be an offering with added value that solves a need detected for our customer segment.

WAYS TO AVOID THIS

- Learn about and use various business creativity methodologies to create a more innovative product. We have designed various guides, activities and training for entrepreneurs at different stages. Consult the resources and training in our **The profile of the entrepreneur** area.

- At Barcelona Activa, we have created a specialised laboratory that you can use in the different creation phases of your product to analyse the user experience with the proposed products. Consult our website for all the information related to **UXLAB**.
- You can also benefit from the different workshops, training, prototyping services and tailored advice that we have for you at Barcelona Activa. Consult our agenda of related activities in different areas: **The profile of the entrepreneur, Business management, Marketing and sales, and Legal forms and taxation**.
- We also recommend that you take a look at this book: *The Design Thinking Toolbox: A Guide to Mastering the Most Popular and Valuable Innovation Methods* (2020) by Michael Lewrick. Ed. Wiley.

08

Not realising that customers have little faith in ‘beginners’

Particularly when it comes to services, it is very complicated for an entrepreneur without a business background in a certain sector to gain the trust of potential customers. And that is the keyword: **trust**. How do you generate trust in a new brand?

It is impossible for everyone to trust you from the start, but you can target certain sectors, market niches, where you can gain trust and from there move on to a larger market. When addressing an initial market, it is not a sales approach that is recommended, but rather starting conversations with the market. This will help you gain the trust of your customers. If you want to go deeper into the importance of having ‘conversations with the market’, we recommend the now classic *Cluetrain Manifesto* (2000) de Rick Levine, Christopher Locke, Doc Searls and David Weinberger. Publisher: Perseus Books.

WAYS TO AVOID THIS

- A good business plan serves, among other things, to anticipate this type of risk and to consider whether and under what conditions it is feasible to move forward.

- Perhaps your business idea requires some adjustments to better adapt to the market and increase its viability. At Barcelona Activa, we have the necessary tools to help you analyse your business ideas or come up with other creative ideas. Find the resources and training related to these areas: **The profile of the entrepreneur and Marketing and sales.**
- Specifically, you can take the business idea test to find out more about the state of maturity and receive tailored support. You can find related information in our area: **The profile of the entrepreneur.**
- We also recommend that you take a look at this book: *Cómo hacer un plan de empresa: Guía práctica para su elaboración y puesta en marcha* [How to make a business plan: A practical guide for creation and implementation] (2019), José Manuel Martí Ramos. Publisher: Profit Editorial.

09

Thinking only about the requirements to get financial investment

Often, entrepreneurs only focus on investments and forget about the working capital, which is at the core of the business. It is important to very carefully draw up a funding plan that reflects the company's cash flow movements.

It is essential to understand that while economic and financial viability may seem the same, they are not. If, for example, I sell a car for 10,000 €, I have made a sale of 10,000 euros. But is selling the same as receiving payment? Not necessarily. Sometimes in large sales, or if we work for large companies, the payment is made in 20 days or more. This implies that, even if you have sold a product/service, the money is not yet in your account. And if it is not in your account you will find you are unable to pay salaries, rent, taxes, the SEM campaign, etc., and you might have to close down. If you are going to start a business, it is just as important to know how much you need to invest to open the business, as the type and frequency of financial flows in and out.

WAYS TO AVOID THIS

- Their timely and accurate assessment, as well as the knowledge of and access to different sources of funding, are central to a business' success. At Barcelona Activa, we have designed the **Business Management** area to support you with the monitoring and daily financial management of your business. We have a wide range of resources, guides, training and activities to support you on these topics.
- Take advantage of our specialised advice. At Barcelona Activa, we offer you specialised training on how to draw up your economic plan. You can find it in the aforementioned business management area.
- We also recommend that you take a look at this book: *Contabilidad para numerofóbicos: Una guía de supervivencia para propietarios de pequeñas empresas* [Accounting for numberphobes: A survival guide for small business owners](2018), Dawn Fotopulos. Publisher: Nelson Group.

10

Assuming there will be outside funding

It is true that banks normally require guarantees when giving out loans. However, increasingly they try to ensure that the project they have to fund is viable and successful. Government aid is not the solution to funding.

When a person has a project, they think everyone will want to fund it because it is a very good project. But to avoid frustration, you have to ask yourself: What kind of project do I have? Is the business model innovative? Can I protect my value proposition? What do I need the money for? How much do I need? Do I only need monetary contributions or can I get contributions in kind?

Based on these questions and with your project, you can start developing your **financial strategy**. We can resort to financing from the 3 'Fs' (Family, Friends & Fools), microfinance entities, crowdfunding platforms, banks, private investment, etc. Depending on the moment, you will resort to one, to another, or a combination. But in any case, you must understand that any funding has its upsides and downsides. You have to look for the one that maximises the upsides for your project.

WAYS TO AVOID THIS

- In order to obtain external funding, it is normal to be asked for a well-integrated business plan, with high viability, which will be attractive to investors.
- As we mentioned in the previous section, one of the main reasons why a company fails is the lack or incorrect management of funding. At Barcelona Activa, we have specialised tools for the design of a good financial plan and access to different sources according to your profile. Find everything related to this in our **Business Management area**.
- Take advantage of our specialised training. Is your business investable? Consult the agenda in the previously mentioned business management area.
- With regard to collective investment (crowdfunding), in this area you can also consult the resources we have designed to learn how to use this form of funding.
- We also recommend that you take a look at this book: *Financiación del proceso emprendedor* [Financing the business process] (2014), Jon Hoyos Iruarrizaga. Publisher: Pirámide.

11

Not being ready for success

Contrary to how it may seem, one great success does not solve all problems. We must consider the possibility of what is known as 'dying of success'. If the business is doing well, we must analyse what we are capable of and commit ourselves only to what we can achieve. Otherwise, the effects of the loss of credibility due to not meeting agreed deadlines may outweigh the very product or service we offer.

Many businesses are unable to maintain their value proposal when they grow or are unable to generate a differentiated offering from the competitors who want to copy them. When a business is successful, as we said before, we must be prepared to manage it and make decisions, however difficult, that allow us to provide it with the competitive tools to maintain its differentiated value proposal.

WAYS TO AVOID THIS

- Keep yourself constantly updated. Never stop innovating and reformulating. To do this, take advantage of different resources such as books, magazines, activities, workshops and conferences.
- In particular, we recommend you take a look at this book: *Misión emprendedor: Los 70 hábitos de los emprendedores de éxito* [Mission entrepreneur: The 70 habits of successful business owners] (2017), Sergio Fernández and Raimon Samsó. Publisher: CONECTA.

12

Underestimating the promotional cost

We must believe in actions aimed at making ourselves known, even though they often have a very high cost. In the beginning, it is either get known or die. We must not be tempted to think that if we have a great product, it will sell itself. In reality, these cases are really rare, like unicorns.

What you must always remember is to develop a content strategy that is coherent with your values. This content strategy must work on content territories that interest our target audience and allow us to generate contacts of people interested in our business/product/service.

They are not going to make a purchase with you for what you have; they are going to be interested in 'how you talk about what you have'. This does not mean that you are lying. Customers are increasingly demanding and will not forget a marketing lie. It is important that you are clear about what commercial, communication and marketing actions you are going to take and work coherently in the different communication channels and formats.

WAYS TO AVOID THIS

- Especially when starting a business, the marketing plan and sales strategy are fundamental aspects for the survival of the venture. In order to design a suitable programme, we offer support via guides, tools, activities and advice. Consult all the related information in the **Marketing and Sales** area.
- We also recommend that you take a look at this book: *Objetivo: vender más: 365 claves, ideas y reflexiones para incrementar las ventas en tu tienda* [Objective: sell more: 365 core ideas and reflections to increase sales in your store] (2014), Jacinto Llorca Mayol. Publisher: Gestión 2000

13

Forgetting about aspects of operating the business

Business is based on sales. However, sales are not everything for a company: we have to take care of aspects such as customer service, quality, etc., often linked to the business' internal organisation.

We must bear in mind that operations can make the difference between success and failure. For this reason, we need to think about all the operational areas that a company has and identify what we can take on internally (we recommend that within the business you have the core or essential operations) and which we can subcontract (for example, legal/accounting).

WAYS TO AVOID THIS

- To keep your business in the best possible organisational shape, you will need the right human resources. Take advantage of the Barcelona Activa Treball platform to find the right profiles for your business needs:
<https://treball.barcelonactiva.cat/>
- We also recommend that you take a look at this book: *La rentabilidad: Análisis de costes y resultados* [Profitability: Cost analysis and results] (2016), José de Jaime Eslava. Publisher: ESIC Editorial.

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- <https://www.barcelona.cat/es/>

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