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Learning to fail

Losing can be humbling, but don't let it knock you out of the entrepreneurial game

"No pain, no gain." I heard it playing sports growing up. I hear it — or its variation, "what doesn't kill you makes you stronger" — in all kinds of contexts today. In the world of startups and entrepreneurship, however, it's especially applicable. Since statistics tell us that some eight out of 10 startups fail, then it's the vast majority of principals in these companies that have some gain to talk about. What's the gain?

A new business — whether restaurant or nanotech — is a lot tougher than those who start them think. Startups are unlike anything you've done in corporate life or working for someone else. The good in this is what brought you to do it in the first place — the desire to control your destiny, get control over your economic life and build something amazing. The bad... well, where to begin?

RESPONSIBILITY

No one's going to empty the trash, fill the copy machine with new paper, order staples or make morning coffee if it isn't you. The new entrepreneur figures out pretty quickly that nothing gets done unless she does it — or hires someone to do it for her.

MONEY

Start with savings, then credit cards, then home equity, then onto family and friends — money in a new venture will be a source of stress as well as a motivation for financial independence. Remember, it takes time to generate more money than you spend.

PEOPLE

It all seemed so easy when you came into work and found that others were already hired and present as your co-workers, bosses, underlings and service providers. Sure, you might have made a hire or two yourself in your prior life, but now you're figuring out that every early hire is key, both in getting specific jobs done and cultivating the office culture. It's up to you to make the call on every important position.

CUSTOMERS

These are the folks that pay money to buy what you have to sell. They're great when they're happy, and a pain when they're not. Love 'em or hate 'em, they're putting food on your table. Some of them are great, but many will keep you up at night with their endless requests for changes, complaints about what you're not doing for them, your pricing, your inattention — the list goes on.

TIME

Startups are all-consuming, especially as you work those early years

of low or no pay. Nothing drives one to work into the wee hours more than the fear of poverty co-mingled with the opportunity for financial security. Whether they know it or not when they start, entrepreneurs — and their families — know sooner than later that it's more than a full time job.

With a list like this, it's no wonder the small-business failure rate is so high. But failure can be a good thing: It can serve as a cautionary lesson ("I'm never doing another startup") or as a motivator ("I'm going to get it right next time"). And whether due to their resilient, never-give-up personality or to the fact they've washed their friends and families' money down the drain, many entrepreneurs find the drive to push the reset button and try again.

Many venture capital investors, including this one, value failure as much as success. That's because failure is a harsh, but effective, teacher — if you're prepared to learn. Lose your savings, your families' money, possibly your home and you may become a very good student of "what not to do." Investors appreciate entrepreneurs who've been through this process and are willing to step into the ring and go another few rounds.

Why is that?

To understand why we value that experience, you need to know what we see for opportunities day in and day out. Most are first-time entrepreneurs who believe their idea is what matters, not their experience. First-timers tend not to know much about the path ahead: They usually research how big and fast-growing the market is and who their competitors are, but often don't recognize that a market won't beat a path to your door. Their spreadsheets show that they will hire sales people as they need them, but learn only later about how long it takes a new sales person to be effective.

Those who've been there and learned the hard way know, if they are paying attention, what went wrong, why it went wrong and what they'd do differently. They're humbled by their experience, in stark contrast to their overconfidence in starting their prior venture.

Fact is, I'm a fan of both successful and unsuccessful entrepreneurs, so long as they were paying attention, are realistic and are good partners to work with. I've got a soft spot for folks who've failed, as I've had my own experience with failures. It's a great teacher.

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