



10 TOUGH QUANDARIES THAT LEAD ENTREPRENEURS ASTRAY

By Martin Zwilling

Most entrepreneurs struggle with many startup Founders dilemmas in building their business, and these key dilemmas are probably the biggest source of pain and failure for the entrepreneur lifestyle. People may jump into the lifestyle to be their own boss, achieve great wealth, start a new trend, or all the above. The dilemma is that these goals are usually mutually exclusive.

For example, is the person who starts a new trend likely to be the one who controls it through the growth phase? In a famous study of 212 new ventures a few years ago, Harvard professor [Noam Wasserman](#) found that half the Founders were no longer at the helm after three years, and over time 80% were forced out. That's not an attractive statistic if you crave control and power.



Don't wait for the harsh reality of the demanding business world to start thinking about these tradeoffs. The research from Wasserman and others outlines the following top ten dilemmas that every Founder needs to deal with sooner or later in their career as an entrepreneur:

- 1. THE MAKE MONEY OR SERVE HUMANITY DILEMMA.** Your great idea for the next Facebook may make you wealthy, but it probably won't help the hungry. The answer is to look hard inside yourself, to see what makes you happy and satisfied. If living on Raman noodles while you make the world a better place is fine, skip the investors and growth race.

- 2. THE RIGHT TIME TO START DILEMMA.** The right time to jump is a function of favorable career, personal, and market circumstances. While it's unlikely that all three of these will ever be true at the same time, most experts don't recommend jumping at the first opportunity, but first gaining some skill, financial, and business experience first.
- 3. THE FOUNDING TEAM SIZE DILEMMA.** Should you start a company solo or find co-Founders to help you? With one or more co-Founders, you gain complementary skills, spread the workload and responsibilities, and reduce the risk. The downside is loss of control and financial dilution. In my view, two heads are always better than one.
- 4. THE CO-FOUNDER RELATIONSHIP DILEMMA.** While long-time social friends and family may seem like the natural choice for co-Founders and team members, these relationships often get in the way of hard business decisions or necessary business adjustments. Old co-workers or new friends with complementary skills usually make the best partners.
- 5. THE FOUNDER'S TITLE AND ROLE DILEMMA.** Usually co-Founders expect to get a C-level title associated with their area of interest, like CFO for the financial expert. Make sure these titles are handed out only to people who are willing and able to accept the responsibility and workload of the associated role. It's tough to downgrade titles and roles later.
- 6. THE COMPENSATION MODEL DILEMMA.** Every founding member wants to be compensated richly for the risk and the unknown. You have very little money, and you don't want to give away your equity. Recognize that the best people don't work for free. Giving equity is realistic, but base it on contribution and role, with vesting after time and milestones.
- 7. THE RIGHT INVESTORS AND RIGHT TIME DILEMMA.** You don't want to take money from friends and family, but it's too early for Angel investors and VCs. No one wants to put in money until you have a product, and you need money to build the product. Bootstrap if you can, otherwise climb the pyramid of family, friends, Angels, and VCs.
- 8. THE RIGHT MOTIVATED EMPLOYEES DILEMMA.** Very early, you need generalists who can cover multiple areas, but you can't pay for experience. Later you need specialists and managers. Offer low cash early, with bonuses or stock options for milestones, to people in your personal network. Later use LinkedIn and other job sources for professionals.
- 9. THE FOUNDER SUCCESSION DILEMMA.** Startups are usually founded by product or service experts who don't enjoy the various growth phases. Should the Founder keep the company small, try to adapt, or step aside in favor of a seasoned business executive? Transition to a specialist role, plan to exit, be prepared to be pushed out, or plan to fail.
- 10. THE CONTROL AND GROWTH DILEMMA.** If you take investor money, expect a push for hockey-stick growth and a liquidity event, like going public (IPO) or sale (M&A), to get the payback. If you prefer a private company with organic growth, keep control within friends and family, and prepare for the long haul. Otherwise exit and startup with another idea.

Not facing these dilemmas squarely and honestly is one of the biggest pitfalls facing every entrepreneur. You can't have it all, just like your startup can't be all things to all customers. You have to focus on the things you can do and love to do, and do them better than anyone else. Turn these top ten dilemmas into your strengths, and you will have a competitive advantage, as well as the fun and satisfaction you sought to find in the entrepreneur lifestyle.

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