When Jimmy Wales was struck by the idea of a Web-based encyclopedia built by volunteers, he thought he had stumbled on something that could change the world.

He called his invention Nupedia. Articles would be provided free by specialists. And content would go through a seven-step editorial process to ensure the highest quality.

It was, in Mr Wales’ words, “a complete and total failure”.

Since those days, Nupedia has evolved into Wikipedia, a name familiar to most of us. Unlike Nupedia, Wikipedia’s articles are written and edited by volunteers.

The website is one of the 10 most popular on the Internet, with visitor traffic that surpasses that of the New York Times website.

At a session organised by NUS Enterprise and the Global Brand Forum, Mr Wales spoke to 200 young entrepreneurs, professionals and students on how to succeed as an Internet start-up.

Recognise a good idea

The first step is to identify your product’s potential. “The way I define a good idea for an Internet start-up is if I would want to use the website myself,” said Mr Wales. “That’s the real litmus test for me.”

But at the same time, it is necessary to accept failure. “You can’t beat your head against the wall forever,” said Mr Wales, who revamped his idea using the Wiki model of Web pages after realising that Nupedia would not take off. “I’ve had tonnes of ideas that I started and abandoned because they didn’t work.”

Take a step back

“When I started Nupedia I was in an absolute panic for two weeks,” said Mr Wales. “I thought it was such an obvious idea that we would have massive competition instantly.”

Now he realises that time spent panicking over imitators or competitors is usually time wasted.

“You might think someone’s going to take your idea really quickly,” he said. “But chances are they aren’t. Don’t worry — just start working.”

Be patient

Investment is important to the growth of any business. But it’s especially essential for smaller businesses that need both funding and endorsement.

However, Mr Wales advised young entrepreneurs against being too hasty when accepting investment, especially when it involves taking advice that violates what the project is really about.

“Try to be a little picky,” he said. “If you have a real vision, stick to it. Don’t just grab the first investor who comes along.”

Know your role in the business

A good entrepreneur does not a leader make. Mr Wales realized this, appointing Gill Penchina as chief executive officer of Wikia, his web-hosting service.

“I’m good at going out and doing press covers and promoting our product,” said Mr Wales. “I don’t want to be in the office dealing with legal issues and hiring people.”

Many businesses crash when their founders cannot accept their limitations in running the business, he said. Instead, founders must support their CEOs, acknowledging their control over certain issues.

“Never undercut your CEO in front of the employees,” said Mr Wales. “That would be a disaster. It’s important that you learn to work together as a team.”

Towards the end of the session, Mr Wales had a final word of advice for his audience.

“In a small Internet business, you’ve got to make your product viral,” he said. “You’re never going to get a huge advertising budget to promote your product with. Create something that people believe in and care about, so they will go out and sell it for you. This is incredibly important.”