



THE ENTREPRENEUR'S GUIDE TO RISK AND DECISIONS

**Building Successful
Early-Stage Ventures**

THOMAS G. PITTZ



ERIC W. LIGUORI

**"Entrepreneurship is a marathon, not a sprint, so use this
book to play the long game the smart way."**

KEVIN HARRINGTON, ORIGINAL SHARK ON "SHARK TANK"

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“There are few resources that effectively help entrepreneur’s navigate the black box of risk and decision-making along their tumultuous journey. Every aspect of that journey - whether it be marketing, financing, partnerships, HR, networking, or actually launching has unlimited landmines that can put an end to a dream. This book is a critical how-to guide for any entrepreneur at any stage to spot and disarm those landmines with expert precision.”

—Doan Winkel, Senior Vice President of Programming,
United States Association for Small Business and Entrepreneurship

“In their new book, *The Entrepreneur’s Guide...* Thom Pittz and Eric Liguori have identified all of the key issues that entrepreneurs face in developing and growing businesses and provide critical and detailed guidance for success. I am pleased to see a major section of the book devoted to networks and networking as an entrepreneur’s network of support is the foundation for entrepreneurial innovation and growth.”

—William B. Gartner, The Bertarelli Foundation Distinguished
Professor Family Entrepreneurship, Babson College

“This book is an essential tool for every entrepreneur during his startup journey. It provides a handy reference which can be reverted to based on real life experiences. An essential companion for all aspiring entrepreneurs or small business owners.”

—Ahmed Osman, President,
International Council for Small Business

“Thom Pittz and Eric Liguori have provided a no-nonsense, incredibly insightful and practical guide for entrepreneurs looking to launch and/or grown their businesses. Great insights on guerrilla marketing, the power and pitfalls of crowd funding, and understanding failure and rejection. Recognizing the massive amount of work and stress necessary to build a successful venture, Pittz and Liguori have masterfully distilled wisdom gained from working with hundreds of startups around the globe to help entrepreneurs avoid landmines and gear up for success. Great reading for anyone immersed in the entrepreneurial process!”

—Tim Mescon, Executive VP and Chief Officer,
Europe, Middle East and Africa, AACSB International

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Building Successful Early-Stage
Ventures

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INVESTOR IN PEOPLE

CONTENTS

<i>Prologue</i>	vii
<i>Foreword</i>	xi
1. Process	1
1. Ideas Versus Execution	1
2. Business Plans Versus Business Models	4
3. Prototyping and MVPs	8
4. Market Segmentation and Pivoting	12
5. The Pitch	14
2. People	17
1. Selecting Partners	17
2. Determining Equity and Vesting	20
3. Building Culture	25
4. Hiring Employees	28
5. Choosing Mentors	31
3. Networks	33
1. Networking Fundamentals	33
2. Navigating Networks	36
3. Building Networks	39
4. Exploiting Networks	44
5. Maintaining Networks	48
4. Sales & Marketing	51
1. Learning to Sell	51
2. Sales Pipeline and Metrics	54
3. Failure, Rejection, and Learning	57
4. Pricing Models	60

5. Guerilla Marketing	63
6. Branding	68
5. Financing	71
1. Financial Literacy	71
2. Bootstrapping	77
3. Crowdfunding	80
4. Equity Financing	83
5. Debt Financing	88
6. Nuts & Bolts	91
1. Rudimentary Legal Considerations	91
2. Human Resources Basics	95
3. Compliance and Business Systems	97
4. Tax Considerations	99
5. Exit Strategies	102
6. Conclusion	107
<i>References</i>	109
<i>Index</i>	111

PROLOGUE

Entrepreneurs and small business owners are ruthless pragmatists, effectuators, and exploiters of resources. They are nimble, quick to eliminate what does not add value, and are not afraid to make bold decisions and even cut corners. Managers are deliberate, patient, and stewards of resources. They assess risk, perfect operations, dive deeply into processes, and keep a company humming along. This is not a book for managers. This book is designed for founders of early-stage ventures and would-be entrepreneurs. In our view, these are the business leaders most in need of pragmatic advice and most open to receiving it.

In this book, we will not be delving into each and every aspect of starting and growing a business as that would require an exhaustive treatise that no entrepreneur would have time to read. You will find that there are aspects of the entrepreneurial journey where we have only scratched the surface (e.g., social media marketing, accounting, legal compliance, etc.) or have ignored altogether (e.g., creativity, exit strategies, site selection, etc.). These decisions were made, in part, for parsimony but mostly because this book prioritizes bold action over second-guessing and risk-aversion. And there are also plenty of other resources available on these topics. Diving too deeply into areas of risk for entrepreneurs has alarming potential to derail an entire venture, no matter its potential. As a result, our goal for this book is to cut to the quick of the lessons that we have learned over years of working in early-stage entrepreneurial ventures, discuss some topics that have not been adequately addressed before, and to encourage readers to continue their entrepreneurial journeys.

This book builds from the lean startup approach to launching a business (Ries, 2011), which aims to shorten development cycles and rapidly discover whether a business model is viable in the

marketplace. The assumption of lean startup is that when entrepreneurs use an iterative process to building their business and focus on quickly gaining and responding to customer feedback, they reduce resource requirements, time, and risk. Following the lean startup logic, this book has been designed to help entrepreneurs move quickly while providing guideposts for managing the risks of business startup. It presumes a rudimentary level of business concepts and jargon or the willingness to pick up the nomenclature as you digest the book.

Becoming a successful entrepreneur is impossible without accepting risk – the question is which risk to take and at what time. It is not a challenge to find published work on entrepreneurship that can help determine whether it is the path for you. There are textbooks that cover the process of business startup from an academic perspective, there are articles that dive more deeply into particular aspects of the entrepreneur’s journey, and there are plenty of unicorn stories that lionize the entrepreneurs who have found success. Very few, however, focus on providing guidance for founders of early-stage ventures regarding what risks to take and when to take them. We hope that this book can help to provide a roadmap for making those incredibly important early decisions.

Startups Versus Small Businesses

There are distinct differences between a startup and small business and most resources for entrepreneurs focus on the former. Startup companies are intended to create something new and innovative or to radically improve what already exists. Small businesses, conversely, do not make any claims to uniqueness and prefer to follow turn-key business approaches (e.g., restaurants, lawyers, digital marketers, etc.). Startup companies are most often founded with technology as their bedrock, whereas small businesses use technology as an important but not mission-critical tool. Startup companies typically run for as long as possible without hiring employees, while small businesses often require employees from the outset. Startup companies generally view numerous options for exit strategies while small businesses either plan to sell the company or make it a family business.

Educator and entrepreneur Steve Blank offers a concise definition of a business startup as a temporary organization that is in search of a repeatable and scalable business model. Put differently, a startup company is merely a stage in an evolving business. A small business, on the other hand, is a self-sustaining company that does not require major investment to scale, has a smaller base of sales and employees, and typically enters a local or regional market. Most books and articles focus exclusively on either startups or small businesses but not both, and usually with a predisposition to the former. According to data gathered from the Census Bureau in 2016, however, companies with fewer than 100 workers account for 98.2% of all US employer firms (Small Business and Entrepreneurship Council, 2019). Suffice it to say that very, very few of these companies ever achieve large company status, which suggests that it is vital to discuss the entrepreneurial process for *both* startup companies and small businesses as much of the challenges of business formation and growth are equally relevant.

While many of the challenges inherent in the launch of a new venture are the same for small businesses and startups, it is nevertheless important to consider what type of entrepreneur you want to be. That decision will frame many of your early-stage business decisions and how you will define success in the end. A small business owner measures success within a small market and how well their business efficiently meets customer needs within it. Most people can name many successful local restaurants, electricians, or coffee shops. A startup founder intends to disrupt and take over a large market as fast as possible. A startup positions itself to give up ownership to take in major investments to scale the business, whereas a small business will often choose debt financing to retain full control of their company.

The obligation to properly identify and respond to customer needs is the critical aspect of business formation and growth that is held in common by both startup companies and small businesses. The goal of any entrepreneur should be to identify a customer problem and innovate a solution. Both types of companies need to quickly ascertain product/market fit, or whether their proposed product or service fits the needs of the targeted consumer marketplace. This can only be achieved by gathering information from

customers, which is perhaps the most valuable skill that an entrepreneur can practice. This book will outline numerous methods for achieving product/market fit in as quickly, inexpensively, and efficiently a manner as possible. Through the course of this book, we will offer practical, no nonsense advice for marketing and financing your business, bringing on partners and employees, networking with key connectors, and launching your business as inexpensively and aggressively as possible.

FOREWORD BY KEVIN HARRINGTON: ORIGINAL SHARK ON "SHARK TANK"

The biggest risk that an entrepreneur faces is becoming so bogged down by details and beset by fears of failure that their business never gets off the ground. In "The Entrepreneur's Guide to Risk and Decisions: Building Successful Early-Stage Ventures," Thomas Pittz and Eric Liguori offer practical advice for making the key early decisions that will keep your business moving forward. Many of the lessons I have learned the hard way through many of my own successes and failures are synthesized in this book to let you start and scale your company while sidestepping landmines along the way.

The process of entrepreneurship is all about managing risk: leveraging personal assets, deciding when and how to protect intellectual property, spending cash to bring a new product to market, taking on investments, partners and employees, and many more. *The Entrepreneur's Guide to Risk and Decisions* provides advice for all of these decisions in an approachable style that demystifies the entrepreneurial process and motivates the hard work necessary to become successful. Hard work and perseverance have been the most critical aspects of my success, especially during the hard times, so I wish this book had been around when I started out!

While this book is geared toward entrepreneurs in the early stages of their business venture, the insights provided are immediately relevant and valuable at any stage of entrepreneurial journey. *The Entrepreneur's Guide to Risk and Decisions* goes into detail about the entrepreneurial process, with a focus on launching lean and gathering prompt feedback from the marketplace – greatly improving your chances for success. It also discusses the human component of entrepreneurship and how to properly structure partnerships

that will help grow your business rapidly. Pittz and Liguori offer a lot of pragmatic advice for early-stage entrepreneurs on the nuts and bolts of marketing, sales, financing, legal, and human resource considerations for their growing business – they’ve done a masterful job capturing what I spent years learning the hard way.

In my favorite section of the book, Pittz and Liguori discuss the power of networks and join a conversation I began in my own book titled *Key Person of Influence*. In my experience, building networks is of vital importance for entrepreneurs and becoming successful means both leveraging your network and becoming a valuable player within it. I have shown how a ‘key person of influence’ enjoys a special status in their field because they are well known and highly regarded. They are the people that make things happen with a phone call. They attract opportunities and can make a project successful simply by being involved. By following the practical advice provided in *The Entrepreneur’s Guide to Risk and Decisions*, you will have started down the path towards joining that illustrious group.

The best advice I can give you is to take the content in this book seriously, work hard, surround yourself with the right people, and always try to remain positive and to persevere! Entrepreneurship is a marathon, not a sprint, so use this book to play the long game the smart way.

–Kevin Harrington 