

BOOK REVIEW

**LOW RISK, HIGH REWARD: STARTING AND
GROWING YOUR BUSINESS WITH MINIMAL RISK**

**By Bob Reiss with Jeffrey L. Cruikshank
New York: The Free Press, 2000**

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Many small businesses fail within the first few years of their existence. Bob Reiss' objective in *Low Risk High Reward: Starting and Growing Your Business with Minimal Risk* is to improve the success rate of small businesses by passing on "real world" wisdom gained through many years of operating successful small businesses. Writing in an approachable, conversational style, the author discusses some of the key elements involved in starting and running a small business that can weigh heavily on the ultimate success or failure of the firm. The perspectives, insights and guidance provided in the book will be helpful to anyone currently operating a small business, but will prove especially helpful to individuals who are evaluating small business ownership as a potential career choice.

Although targeted primarily at entrepreneurs, *High Risk, Low Reward* will also prove useful for members of the academic and consulting communities. The concepts emphasized by Reiss, and his frequent anecdotes illustrating the concepts in action, help to connect theory with reality by providing valuable insights into how successful entrepreneurs modify, adapt and implement various small business management theories. These insights should prove helpful to consultants working with struggling clients, if only as a means for providing evidence that sound adaptation and implementation of key business practices can contribute to success. Similarly, teachers of small business management or entrepreneurship courses may find that their students benefit from the perspectives of a successful entrepreneur as they seek examples of classroom learning applied to actual business practices.

The first four chapters provide important attitudinal considerations for those thinking about, or currently running, a small business. Chapter 1 provides a description of ten personal attributes the author believes are important for individuals considering entrepreneurship, followed by a discussion of four key skill sets that the entrepreneur needs to possess or to develop. Chapter 2 introduces the importance of "numeracy," defined as the numerical equivalent of literacy and requiring a deep understanding of the ratios and financial statements used to monitor the health of a business. Chapter 3 begins a discussion of risk and methods to manage risk by finding ways to reduce it to a level that is comfortable for the business owner. Finally, Chapter 4 provides a brief discussion of the types of product ideas a small businessperson can reasonably expect to pursue, where to find these ideas, and how to test ideas to minimize the

risk of failure. Reflecting the practical nature of the book, the author emphasizes that most successful small businesses are built on an ordinary, mundane idea and not a flash of brilliance.

The following five chapters are devoted to the challenges of establishing a small business and the activities required to ensure the long term success of the enterprise. Chapter 5 discusses the basics of starting a company, including how to get into business (start a new venture, buy an existing company, buy a franchise, etc.), legal forms of organization, sources of funding, staffing, location, and the like. Chapter 6 covers topics relating to building the company, including advice on planning for the future, managing attorneys and other professionals associated with the firm, and gaining credibility. Chapters 7 through 9 conclude the heart of the book by considering key aspects of designing and producing total products, guidance on how best to sell products, and, most importantly, how to obtain reorders to ensure the long-term viability of the firm.

The book concludes with a chapter entitled "Reassessment: What's Next?" and four Appendices. "What's Next?" explores the importance of evaluating what the future may hold for the entrepreneur and the business, such as maintaining the company on the same course of growth, shrinking or growing the company, going public, selling, or closing the firm. Two of the more useful Appendices include an example of applied "numeracy" and a Harvard Business School Case (386-019) developed around the author's experiences that provides applied, "real-life" examples of the themes presented in the book.

The dominant theme throughout the book and uniting the various topics is stated plainly in the subtitle: *Starting and Growing your Business with Minimal Risk*. As any business owner knows, risk is an everyday reality, and the consequences of risk gone bad can be catastrophic. Perhaps for this reason, successful entrepreneurs tend not to be high-rolling risk takers, but skillful managers of risk in all aspects of their business operations. Throughout the book, the author provides insightful guidance and advice on how to evaluate, manage and reduce risk in various forms, and illustrates how to apply these ideas in a business setting by using personal anecdotes and the experiences of other successful entrepreneurs. While some readers may find much of the advice on risk-reduction to be familiar territory, even experienced entrepreneurs are likely to discover one or two valuable ideas that they had not previously considered. Individuals launching a small business and those contemplating an entrepreneurial endeavor, in contrast, will likely find the risk-reducing strategies to be extremely beneficial.

While the themes of risk reduction and risk management touch most aspects of starting and running a business venture, many readers will find the author's insights in three areas to be particularly useful. The first of these involves the personal attributes and skills that tend to be found in successful entrepreneurs. Many entrepreneurs are predisposed to failure because they unknowingly lack the internal resources required for success, and fail to consider the importance of these internal characteristics. Serious consideration of the attributes and skills highlighted by the author will help prospective entrepreneurs minimize their risk of failure by inducing the self-evaluation necessary to determine personal readiness for launching a business. Importantly, the author emphasizes that the lack of any particular attribute or skill does not mean that an individual cannot become a successful entrepreneur. Rather, a critical assessment of personal attributes and skills can help to minimize the risk of failure by provoking consideration of how weaknesses may be overcome. Perhaps other personal attributes can help compensate for those that are weak or lacking. Or, perhaps, skills that are lacking might be acquired or honed through training or education to enhance the likelihood of success.

The critical skills listed by the author contain few surprises, and include creativity, the ability to communicate effectively, the ability to sell (yourself, your company, your products), and the ability to make decisions. The personal attributes the author uses to describe successful entrepreneurs include familiar characteristics such as passion, curiosity, energy, work ethic and mental toughness, but also include balance, egotism, and greed, which may be overlooked by many current and prospective entrepreneurs. Balance can be important in helping an entrepreneur keep the venture in its proper perspective, thereby helping to prevent burn-out. Egotism is an attribute that is often considered to be a liability for the entrepreneur, and can be just that if taken to an extreme. However, when defined by the author as a belief that not only *can* you succeed, but that you *deserve* to succeed, a measured amount of egotism can help the entrepreneur overcome what might be a paralyzing fear of failure. Similarly, greed is a harmful attribute for a business owner when taken to an extreme. When defined as a state of "wanting more money than you currently have," however, a controlled level of greed can be a powerful source of motivation.

The second area in which the author's risk reduction techniques will be helpful to small business owners is cash flow. Many entrepreneurs focus their attention on market share or sales revenue, but cash flow is the life-blood of a small business. The author avoids a dry, textbook approach to financial statements and accounting practices by providing a number of practical suggestions for managing this key aspect of a business. These ideas can be found not only in the chapter on "numeracy," which presents a more formal discussion of measuring a company's financial performance, but throughout the book. Many of these ideas relate to the notion of finding creative ways to convert fixed costs into variable costs to better match or control cash outflows with cash inflows. The use of manufacturer's representatives rather than an in-house sales force, using a public relations firm to gain valuable "free advertising," using factors, and building relationships with suppliers to receive good payment terms (and as potential sources of capital) are just a few examples of techniques suggested by the author to maintain a healthy cash flow.

A final area of risk-reducing advice involves what many entrepreneurs may consider to be the most threatening aspect of running a business: selling. The author draws heavily from his extensive selling experience to present useful insights and techniques that help de-mystify sales and improve the business-owner's chance of selling successfully. While too extensive to adequately capture in a brief review, the author's advice includes suggestions to help maximize effectiveness by focusing on particular segments or channels of distribution, building and maintaining relationships with buyers, managing manufacturing representatives to maximize performance, focusing on obtaining reorders as well as initial orders, and actively managing inventories to prevent stock-outs or large close-outs. An important distinction made by the author that should be helpful to many business owners is the notion of "selling in" vs. "selling through." Selling-in is defined as the process of selling to middlemen or buyers during the launch stage of a product, which is critical to the initial success of a product. Selling-through, however, may be more critical to the long-term viability of the company and involves a focus on creating consumer demand that will pull the product through the distribution channel and drive reorders. Unfortunately, many small business owners lose sight of the importance of selling-through in their excitement to "get the product out there."

Overall, *Low Risk, High Reward: Starting and Growing Your Business with Minimal Risk* is a well written and informative book containing practical, experience-based advice for anyone thinking about starting a small business, as well as for current small business owners wondering "where to from here?" While the book does not attempt to provide a detailed road map of every activity required to launch a business, it will help the entrepreneur consider, evaluate and find ways to reduce the risks inherent at each stage of the process. Perhaps the one weakness of the book is its almost exclusive focus on product-based companies, although

much of the advice it contains can be applied to the growing number of small service providers. Overall, entrepreneurs who adopt at least some of Bob Reiss' ideas and suggestions are likely to find that they can minimize the risks in their venture, and increase their probability of enjoying long term success.

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