

Getting it Done

Management & Financial Insights for Business Professionals

SEPTEMBER 2026



Dear Friend,

As a long-time advisor to troubled companies, I've had the opportunity to observe, as up close and personal as it could be, numerous start-ups that didn't end well. What's really interesting to me is that across the board, the critical mistakes of the entrepreneurs were so consistent, glaring and damaging.

For the purpose of clarity, I want you to know that my goals in writing this newsletter are limited by the realities: about 50% of new businesses fail within 5 years of their inception according to U.S. Bureau of Labor Statistics data. No set of tips can materially change that arithmetic. Nonetheless, I'm confident that the tips I'm offering can be of value for every professional who provides advisory services to start-up and early-stage companies. Needless to say, every success matters!

As always, your comments are invited.

Best regards,

Gerry

MITIGATING START-UP RISKS –
Six Tips for Advisors



MY FUNDAMENTAL PREMISES

Here are the thoughts and observations that have shaped the tips I'll be offering.

1. My comments are based on the client experiences I've had. In their totality, they've provided the core insights I want to share. I've read quite a bit about various aspects of entrepreneurship, nonetheless; my day-to-day work has really been, by far, my best teacher for learning about failed entrepreneurs.
2. For purposes of this newsletter, I'm defining business "failure" as the complete closure of a business, or alternatively, a sale of the business, in whole or in part, at a price which represents a loss of all or a portion of the company's "Initial Capitalization." "Initial Capitalization" is defined as the total of equity or subordinated debt provided to the company at, or subsequent to its inception.
3. My focus is on companies that *could* have succeeded. Some companies just don't have a reason to exist but that's another subject altogether.
4. My experience is that entrepreneurs who fail almost always fit a classic "Profile" with four components:

A resistance to outside advice – especially the advice they most need to hear

My experience with resistance to advice is that it's helpful to think about it from the standpoint of a spectrum. At one end, it's basic hubris. At the other end, it's genuine dysfunction. As an advisor, I've found that thoughtful strategies can sometimes really help with a difficult entrepreneur. But I've also found that there are times when the smart thing to do is just walk away.

A limited interest in the "nuts and bolts" of running a business day-to-day

As to a limited interest in "nuts and bolts" I've never heard of an entrepreneur whose dream was to put together a great org chart. And I'm also of the opinion that a business degree or two doesn't really do the trick either. When all is said and done, though, the fact is that most failed entrepreneurs just don't have nuts and bolts management in their DNA.

A limited appreciation for maintaining an adequate capital base

Companies fail because they don't have enough cash to operate. It's not complicated.

Most entrepreneurs just haven't internalized that they have to plan for maintaining capital strength every bit as much as they have to plan for growing sales and profitability.

A limited interest in continuous management education

Continuous training is crucial for two key reasons. First, there is the knowledge itself. Second, and even more importantly, it helps an entrepreneur to remember that the world is always changing and it's crucial to keep evolving!

5. Advisors, as a group, have more specialties than I could possibly list: Finance, management practices, team building, CPAs, lawyers, peer group members, board members, etc. Some of the tips I'll provide will apply to all categories of advisors; many others, however, will only fit certain specialties.

AN INSTRUCTIVE VIGNETTE

I have dozens and dozens of vignettes I could offer to illustrate the issues. For the sake of brevity, I'll offer just one that was particularly memorable for me.

Karen held MBA and DBA degrees from a "prestige" business school. A true visionary with a "human growth potential" orientation, in the mid-1980s she started up a health and wellness facility. In retrospect, it was at least 20 years ahead of its time. As to her flaws, she checked all the boxes I've mentioned. Besides riding roughshod over her team, to the extent she had one, there were no budgets or financial controls, limited staff development and poor internal communications. Most significantly, though, her focus on growth kept the company chronically short on cash.

She was also so focused on total control that she refused to consider having a board or even taking on outside investors despite her crying need for capital. By the time she had opened six locations things were out of control. I was hired as a work-out advisor – and fired within weeks. My head-on approach just didn't work. Despite that, she later rehired me as her bankruptcy advisor. In retrospect, during my first engagement I had the right ideas. At that stage of my career though, I didn't fully appreciate that good ideas don't mean anything if you can't sell them.

NOTE: Names, dates and the company's industry have been altered for confidentiality purposes. But, yes, I really was fired and then rehired.

SIX TIPS FOR ADVISORS

1. Do a lot of listening. Entrepreneurs want to be heard – and understood. Listening and understanding also help to build trust and an advisor can't succeed without it.
2. Don't try to sell just one solution. Talk in terms of options and consequences and help the entrepreneur embrace the right decision as their own. (This approach may have kept Karen from firing me the first time around.)

3. Make sure key decisions get framed in terms of both short and long-term implications. Just keep asking about the long term – at the right time. My experience is that entrepreneurs focus a lot more on the short-term – but don't realize it.
4. Work hard to make sure that financial planning encompasses building sales, profitability AND *financial strength*. Not only is financial strength essential – it's very frequently the key driver for the tough decisions that can get a company past the five-year mark.
5. Emphasize the benefit of continuous education. It's where book knowledge and experience can coalesce powerfully. Karen had great book knowledge: it helped get her where she was but not where she wanted to go.
6. Emphasize the benefit of building an organization that leaves them free to apply their most valuable skills. It's some version of "If you have these people do this, then you can do that." More concretely, it can be as simple as saying "Look, it's time to hire a real CFO."

FINAL COMMENT

Entrepreneurs are born dreamers. It's the advisor's job to help make those dreams come true – or help transform them into an achievable vision. That's not an easy task but just like entrepreneurs have to keep learning how to do their job, so do advisors. Forty years of experience has taught me that time and again. If you'd like some feedback on a specific situation you're involved with, just shoot me an email, gsherman@pathway-advisors.com, and we can go from there.

Pathway Advisors LLC is a boutique financial and management advisory firm. We specialize in helping the owners of undercapitalized, privately held companies achieve their short and long-term goals. Our primary services include:

- ***The arrangement of new and replacement financing***
- ***Financial and organizational restructuring***
- ***A sale to a synergistic buyer that has the capital and skill sets that allow our client to better achieve their business and personal goals***

Gerry Sherman 617-699-2756
gsherman@pathway-advisors.com



Try email marketing for free today!