

T O M P A N A G G I O

The

RISK

ADVANTAGE

EMBRACING *the* ENTREPRENEUR'S
UNEXPECTED EDGE



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INTRODUCTION

When I first decided to write this book, I felt it was a risk worth embracing, even though I had never written a book. I knew that my experience in building a business success story contained valuable information and needed to be shared with others: a classic case of “If I can do it, so can you.”

Too often business books, journals, and other publications focus on how the leaders of huge corporations did it. In the bestsellers written by top CEOs, including Jack Welch, Warren Buffett, and others, they tell you how they managed multibillion-dollar companies, and you are expected to extract ideas, systems, strategies, and management clues to make them relevant to your small businesses. But when you run a small start-up on a shoestring budget for a few thousand dollars, it's hard to draw parallels with someone who has millions or billions of dollars to invest in people, product development, advertising, promotion, and asset purchases.

What impresses me more is when I learn or read about an entrepreneur who develops an innovative product or service and builds a successful business around it, and the business

thrives for twenty-five to thirty years as a private company. If you can create a sustainable business with nothing but sweat and ingenuity, then I'm a disciple. Such stories are relevant to a small business entrepreneur. I've been just such an entrepreneur, and that's why I've written this book for you. Once your product or service company has grown, the lessons and experiences of those CEO bestsellers become relevant to you.

Academics, CEOs, and advisers say that the key to building a successful business is through working hard, being dedicated to your vision, having a great product, and managing resources effectively. While all of these are important characteristics, they are not traits that provide a small business entrepreneur and his or her company with a definitive competitive edge. Some entrepreneurs who work very hard and are singularly focused on their vision still fail. Great products released in the wrong business environment become past footnotes.

In my opinion—based on decades of experience—these theoretical concepts lack one key element: risk. Risk is the unwavering, self-motivating willingness to gamble that separates leaders from the rank and file. An entrepreneurial spirit of risk is the power generator for every business, when it's just starting out and even when it's fifty years old. Lose the spirit of risk, and the business begins to decay.

My position that risk is essential for success doesn't diminish the importance of the entrepreneurial requirements of a solid work ethic, commitment, and a well-grounded business strategy. Such factors are definitely necessary for success. However, risk is what provides you with an edge over your

competition, and it keeps you from falling prey to your own obsolescence.

Through my own entrepreneurial experience, I have learned that by embracing risk we get the benefit we really want and the opportunities that lead to success. I have discovered that risk is eternally linked to opportunity; the only way to take advantage of an opportunity is to accept the associated risks. Although we typically associate risk with an initial leap of faith that goes into the decision to start a business, I say entrepreneurship is *all about* risk. To achieve real success, one must consistently embrace risk every day, not just on the business's first day.

American entrepreneurship reflects the individual's desire for self-actualization and is what sustains our country's economic sovereignty. American entrepreneurs, through their creativity, innovation, and willingness to embrace risk, act as beacons that guide the worldwide economy. Entrepreneurial spirit is more than the drive for success; it's a powerful motivating force enabling regular people to do extraordinary things.

This book is designed to encourage you to take risks while growing your business and to guide you in taking the risks that are most likely to pay off. I purposely avoided writing a how-to book; due to the variety of businesses, management styles, and market conditions, it would be impossible for a one-size-fits-all book to maintain relevance. You will face many situations, predicaments, and crises as your entrepreneurial life proceeds. Use this book to help you formulate your leadership style and business strategy. Take notes and reflect on your own journey as

you read. And remember, in any business, events and situations take time to unfold. Some of the things you will encounter along your journey can happen months, even years, down the road. Yet in each case, my message will reinforce the principle that the unexpected entrepreneurial edge comes from embracing risk—over and over again. Treat risk as your unexpected ally. Use it to gain an edge over those who are accustomed to avoiding risk.

How I Got Here

RME is a classic American business success story in which none of the founders had an MBA or advanced degree. Phil Turk had a degree in fine arts. Mike Panaggio and I graduated from very average schools with basic business degrees. Instead of finishing his college degree, Jorge Villar began a career in advertising sales. And Kathy Wise earned a degree in education and had to be “sold” on the idea of moving from San Diego to Florida to start a business. (To this day I still consider this my most difficult sale ever.) There were no Ivy Leaguers. We were just a group of people with a shared desire to succeed and a clear focus on our objectives. What we did have was sound ideas, unflagging dedication, and a belief in what we wanted to accomplish.

RME isn't a Microsoft or Google, an IBM or Apple. Those behemoths are aberrations of the American business world. RME, just like over 95 percent of businesses in the USA, is a small business started and run by regular people. We are very proud of the fact that many people who came to work at RME

were able to improve their lives, purchase their first home, and establish a career, not just a job. And this is, I believe, how you measure a company's success.

In 1983, my brother Mike Panaggio, my sister Kathy Wise, and I created a company called Direct Mail Express (DME) in Daytona Beach, Florida, which specializes in data-intensive variable marketing programs. This was the platform upon which we built our empire. In the early 1990s, we created an automotive marketing division. Partner Mike Walther joined our team, and he still leads that automotive division today. In 1995, we expanded again by creating Response Mail Express (RME) in Tampa, Florida. We added two more partners, Phil Turk and Jorge Villar. Phil retired in 2004 to pursue life as an artist (his unique photographic artwork is carried by major retail stores). Jorge is still active in RME management today. Together, we built a small direct marketing company into a company with more than six hundred employees and revenues close to \$100 million.

In 2007, we sold 50 percent interest in our automotive marketing division to JM Family Enterprises, the company that distributes Toyotas in the Southeast. In 2008, we sold RME to an equity fund, Huron Capital Partners, while retaining a minority ownership position.