OPEN Forum
Powering small business success

6 “Shark Tank” Lessons for Entrepreneurs

Angela Stringfellow, Business Writer
April 8, 2013

In its fourth season, the reality TV show Shark Tank serves a greater purpose beyond mere entertainment—it also offers some valuable lessons for business owners. Here are six key factors that differentiate a pitch that has the sharks swarming and one that has the entrepreneurs exiting the tank without a bite.

1. Shift your focus to attracting other owners. Bruce Bachenheimer, director of the Entrepreneurship Lab at Pace University, says too many entrepreneurs pitch their business with the mindset of getting investors to help them. But investors want to know what’s in it for them, not what’s in it for you. Your focus should be on attracting other owners “by demonstrating real value creation and an acceptable level of risk and return.”

2. Don’t be afraid to give up equity. Norm Bour, who works in media and PR for OpisNetwork, is writing a book on Shark Tank and has auditioned for the show. Bour notes the number of entrepreneurs who are faced with giving up equity in their companies in exchange for an investment. Many entrepreneurs are hesitant to give up a stake of their enterprises, but it’s not a bad thing. “The value of having a partner or mentor can be worth more than any dollar amount,” Bour explains.

3. Leave your emotions at the door. Entrepreneurs tend to be passionate about their ventures. After all, they’re pouring all their blood, sweat and tears into their dreams, along with their life savings and loans from family and friends in many cases. But that emotional factor isn’t what sways potential investors. What does? Cold, hard facts—and lots of them.

4. Arm yourself with real data. Not only do you need to focus your pitch on facts, but you must be prepared with ample data and realistic projections. Never try to guesstimate your company’s worth or future projections without having analyzed real-world numbers first. Walking into a pitch without knowing your profit margins, revenues, growth metrics, cost per acquisition and other figures is a big mistake.

5. Focus on what you’re good at. Beyond learning how to pitch your venture to investors, there are valuable lessons to be gained from the way the Sharks handle their personal investment portfolios. Chris Miles, founder and cash flow expert of Money Ripples, points out that Kevin O’Leary consistently invests in businesses in line with his own expertise. “Even he will pass on opportunities he doesn’t understand,” Miles says. As a small-business owner, you can take a cue from O’Leary by focusing your efforts in what you’re good at and what you know best. If you don’t know much about the stock market, don’t try to play in that playground. Instead, invest your time and money in your own company—it’s what you know best.

6. Have a plan for scaling your company. You also need to know precisely how you’ll grow your business—both for yourself and potential investors. If you’re stuck running in a hamster wheel with no real way to move forward, your profit potential is limited. Some ventures are more scalable than others. If you’re making a product from your garage, how will you handle increased demand? What resources do you need to make that happen? A larger-scale operation often means increased costs for facilities, labor and materials. In some cases, this cuts into your profit margins, making your business less viable for the long haul and less appealing to investors.