

A large iceberg is shown floating in the ocean. The tip of the iceberg is above the water, while the much larger, jagged base is submerged. The text 'THE TITANIC EFFECT' is overlaid on the image. 'THE' is in small white capital letters. 'TITANIC' and 'EFFECT' are in large, bold, white capital letters with a slight blue gradient and a drop shadow effect.

THE TITANIC EFFECT



A Stitch in Time? Hidden Debts and Startup Failure

Todd Saxton
Associate Professor
Indiana Venture Faculty Fellow

M. Kim Saxton
Clinical Professor, Marketing

THE TITANIC EFFECT

New ventures face major constraints

- Time
- Resources
- Uncertainty (vs risk)





THE TITANIC EFFECT

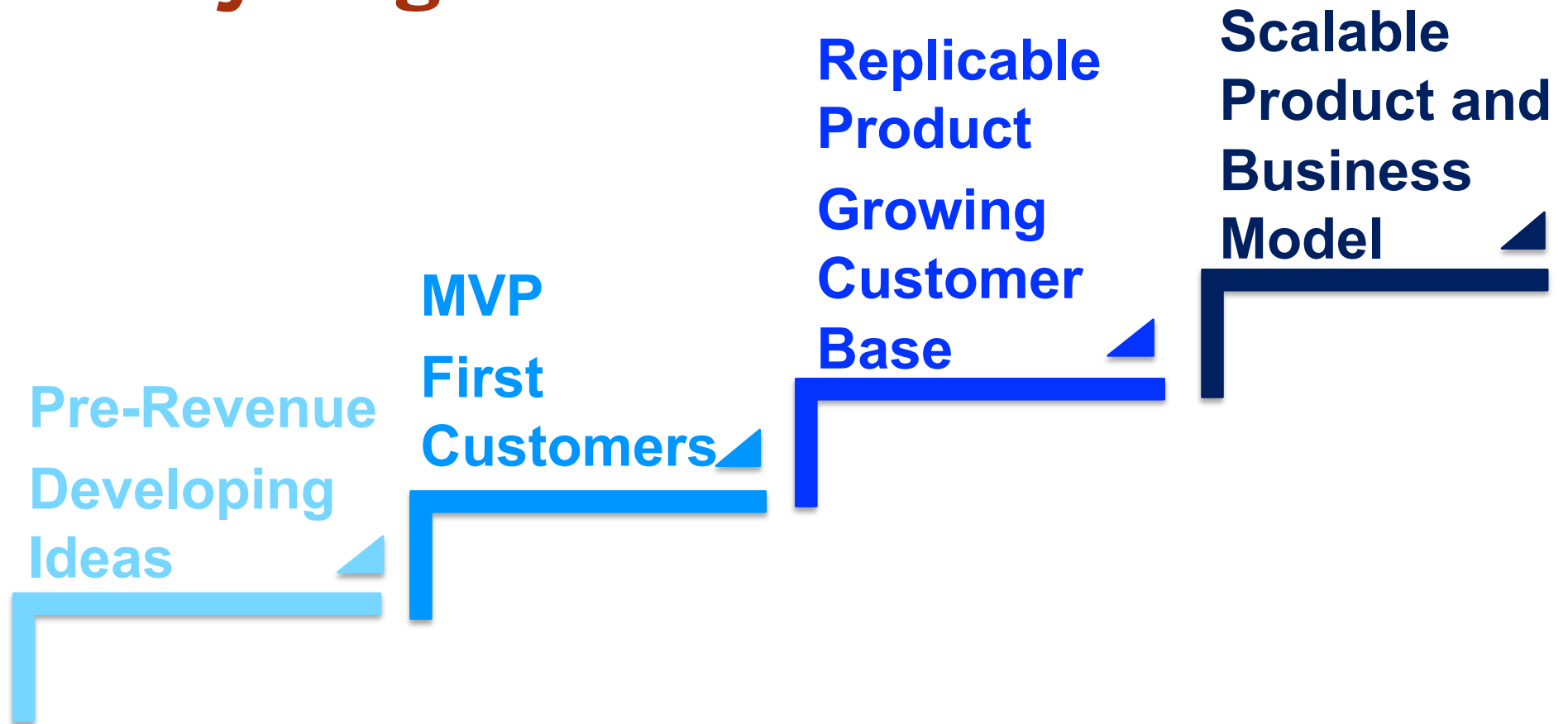
The essential task of entrepreneurship is making decisions under uncertainty

- The process of Navigating **Uncertainty**
- Leads to **Unexpected Consequences** for Startups
- That Manifest as “**Hidden Debts**”
- Resulting in Startup Failure



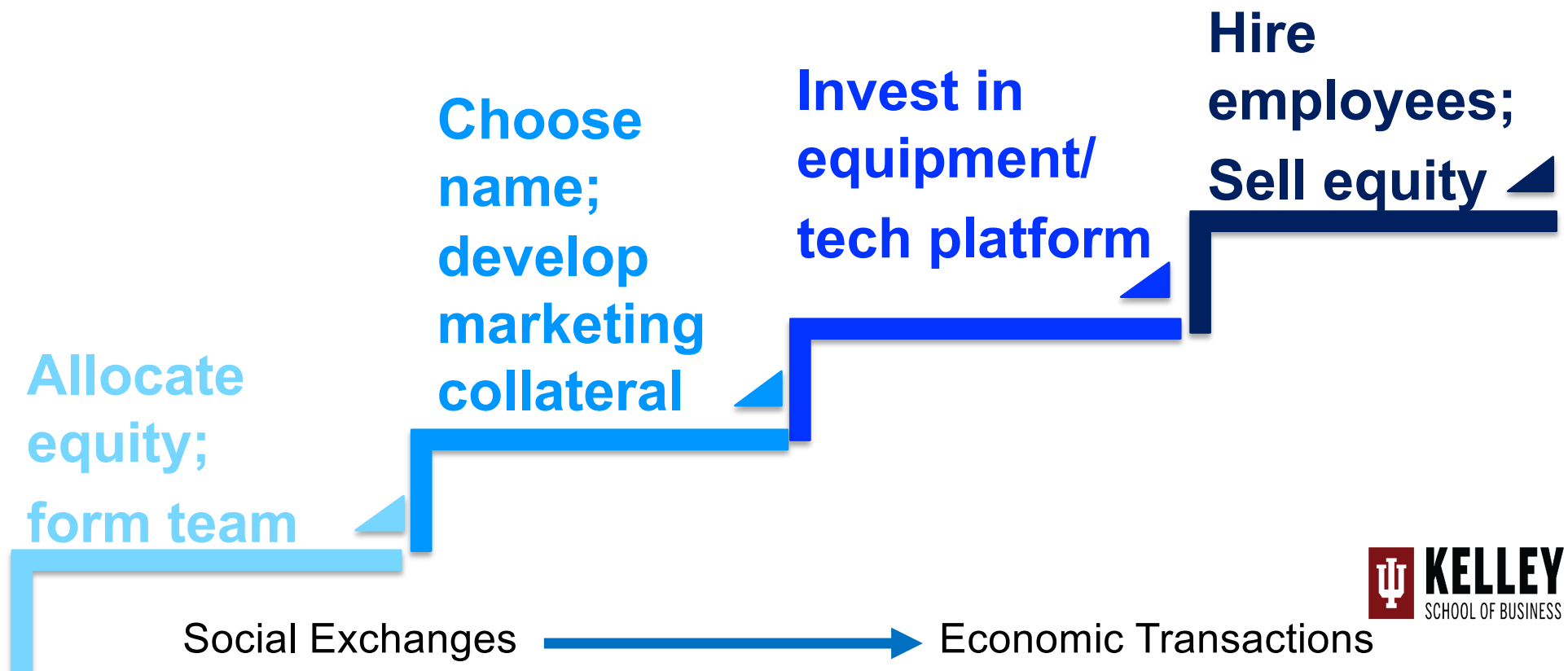
THE TITANIC EFFECT

Startups build resources over time and by stage



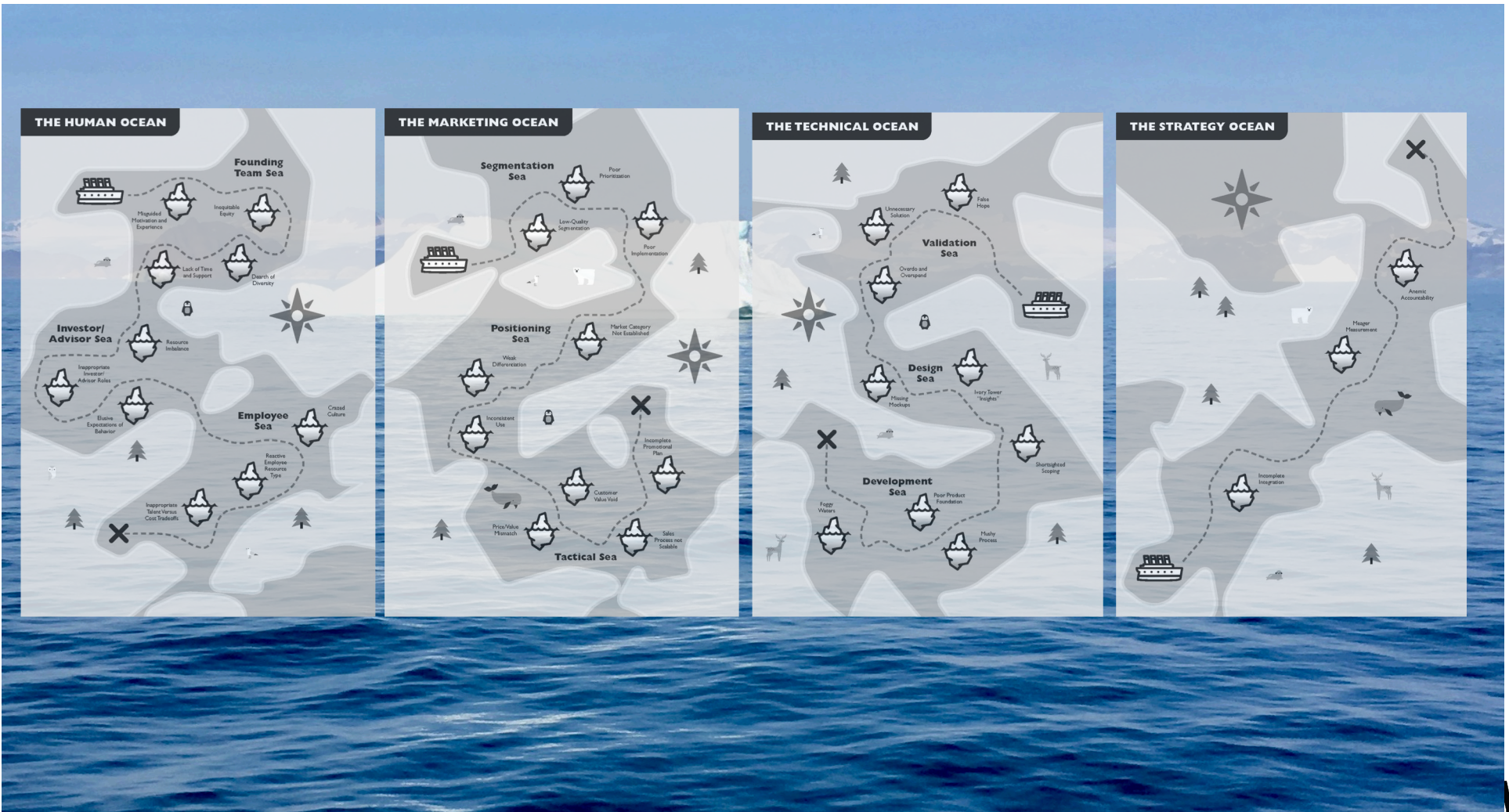
THE TITANIC EFFECT

“Hidden Debts” are the constraints, obligations, perceptions, and expectations generated by making decisions under uncertainty. They are **intangible**, but created by investment in **tangible** resources



THE TITANIC EFFECT

Four arenas of hidden debts...



A large, jagged iceberg floats on a calm blue sea under a clear sky. The iceberg's reflection is visible in the water.

THE TITANIC EFFECT

RQ: How do decisions regarding investments in tangible resources such as people, operations, marketing, and strategy under conditions of scarce resources and time constraints manifest in intangible or hidden debts? How do we help startup teams make decisions that limit the damage of these hidden debts?