#213 - How to Build a Successful Cybersecurity Startup (with Ross Haleliuk)

[00:00:00] **G Mark Hardy:** Hey, on today's episode, I've got the author of an amazing book that I've got right here in my hand, Cyber for Builders. And if you've ever thought about starting a cybersecurity company, you've got to listen to this episode. It's going to be awesome.

[00:00:23] **G Mark Hardy:** Hello, and welcome to another episode of CISO Tradecraft, the podcast that provides you with the information, knowledge, and wisdom to be a more effective cybersecurity leader. My name is G Mark Hardy, and today I've got a special guest who's going to talk to me about a book that I found absolutely fascinating.

Cyber for Builders, The Essential Guide to Building a Cybersecurity Startup. I have the author with me here, Ross Haleliuk, whom I'm really excited to discuss the contents with it. So if you've ever thought about doing a cybersecurity business, or if you're in a startup, or you've tried to start up and it didn't work, you might find some words of wisdom here.

So Ross, welcome to the [00:01:00] show.

[00:01:00] **Ross Haleliuk:** Thank you so much, I'm super happy to be here.

[00:01:03] **G Mark Hardy:** I'm glad to have you here too. Hey, before we get going, a real quick note. CISO Tradecraft is partnering with CruiseCon. For what I think is going to be a great idea. It's a cybersecurity conference. It's going to be on a luxury cruise and events like this are usually only for Fortune 100 CISOs.

I think a few of them will be there, but we've worked a deal for CISO Tradecraft listeners, so you can join us on the Royal Caribbean Voyager of the Seas from the February 8th to the 13th of 2025. Admiral Mike Rogers, the former director of the NSA, is going to be there. So I'm not going to be the senior officer present, but if you want to beat the cold, do some amazing networking with some security professionals.

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[00:02:26] **G Mark Hardy:** Ross, back to the show here. So you actually had a very fascinating background that I, sometimes people don't like to talk about where they came from, but I think in this case, I would love for you to share that.

Could you tell people about where you started out and then how you got to where you're at?

[00:02:40] **Ross Haleliuk:** Ah, this is a fantastic question, and honestly, I feel if I worked in any other industry, and not cyber security, I would have felt that my story is somewhat unique or different. That said, man, I have not met a single person in cyber that would not have a fascinating story to tell. And, I, [00:03:00] the other day I was talking to somebody and they said, Oh, I don't come to security from a traditional background.

And my answer was, nobody does. So in my case, I studied history and political science, primarily history. I did a thesis in the history of Freemasonry in Russia. So not exactly the kind of background that you would expect, translate into something in cybersecurity. over a decade later, I was born and raised in Ukraine, the age of 22, moved to Canada, learned the language, got into the technology space, started in product management, worked across several industries, e-commerce, retail, wholesale, financial technology for a number of years, and then became quite interested in cyber security, up joining a security startup as the head of product.

Fell in love with the industry, fell in love with the community and the passion that people in the, cyber security industry have. Started a blog about the security space, the business side of the [00:04:00] industry, that grew, quite a bit. Ended up writing a book about building cyber security startups. And in general, have been trying to stay active, have been trying to be helpful whenever I can and, add value to the community that has helped me so, much.

[00:04:16] **G Mark Hardy:** the way that your background sounds, I'm expecting you to be about 90 years old, but obviously you've done that in a lot less time. And so my admiration for your contributions and, what you're doing in the community. let's talk a little bit about your book. Let's talk a lot about your book.

We'll talk a little bit more about you later, because I'm always fascinated by the people who have stories like that. And you're quite right. None of us really have a traditional approach. and if you're old like me, there really, there was no approach. There was no cybersecurity degree. There wasn't even a course that was offered in the university anywhere on the planet.

[00:04:51] **Ross Haleliuk:** There probably wasn't, there probably wasn't even a word, cybersecurity

[00:04:55] **G Mark Hardy:** No, it was InfoSec. in fact, that was my very first domain that I [00:05:00] registered in, mid 1990s InfoSec. net because someone else had the com and I never let go of it, but we were all InfoSec professionals. And I was going to have InfoSec. net with a network of everybody. You pay a 1 fee and we'll give you a card with a number on it.

And you'd be probably number one, number two. And by now we'd be up in the hundreds of thousands. And, who knows? It would have been a nice idea, but I can't roll the clock back. Having done a few startups myself. I find your book quite fascinating. So what brought you to the concept of I'm going to write a book about how to build a cybersecurity company?

it's almost like you're giving away the secrets of how to be successful. Are you competing against yourself or is this what you had said, your contribution to the community?

[00:05:41] **Ross Haleliuk:** Or maybe I'm sharing the kind of things that I know will never work, so that I'm setting up either for,

[00:05:46] **G Mark Hardy:** Wow.

[00:05:47] **Ross Haleliuk:** for a failure. Exactly. No, me, the story of this book is quite organic. would say, it has emerged than it was [00:06:00] conceived and written as a result of that conception.

Several years ago, when I ended up in the cyber security space, I came to realize very quickly was that cyber security as an industry has so many brilliant technical people, like brilliant security technologists, people who understand, the threat, landscape, people who understand, the technical side of things.

What I was surprised, however, about is that very few people, or relatively few people, have a good understanding of the business side of security, right? So when you're talking to people about controls, about, the right way to build detections, or about an effective way You know, to, achieve, some kind of, outcome that, technical outcome, that people are trying to achieve.

There is, there's plenty of materials. When you're talking to people about go to market, about venture capital, about fundraising, about angel investing, you usually get very few people in the room who have an [00:07:00] opinion. and more so who have an educated opinion or who have experience in that space. And over time, as I was, to untangle a lot of the questions and a lot of the problems on my own, I built up a, a decent knowledge base about the business side of And on one day I was like, you know what? I'm going to share some of that because maybe somebody else is going to find it useful, right? If it's taken me, a long time to, to build that understanding and to, piece things together, maybe I can make it easier and shortcut some of that time and investment for somebody else.

And so I did, I wrote an article and, maybe five to 10 people reached out saying, Hey, that was super useful. Thank you so much for doing it. And I was like, Oh, that's odd. here I am just sharing some thoughts and a number of people say that's actually useful. you know what? I'm going to do another one then another one.

And, lo and behold and one day I woke up and I had over [00:08:00] or 15 thousand email subscribers, to my newsletter. And I was like, you know what? There is definitely something here. Probably some of that is useful. And as I was working on that newsletter, Every single week, I would push an article about some aspect of the, industry, primarily focused on startups, industry analysts, I want to say resellers, channel partners, like all kinds of different aspects of the industry that are more on the business side rather than the technical side.

And eventually I realized that, I probably have about 25 percent of the book already written, so all I need to do is to get all of that together, summarize it and present it in a way that people would find, find readable and, appealing and, easy to navigate. And so that's what I did. So I started writing the book, by essentially looking at this, the work that I would [00:09:00] already have done prior to, to, to the point when I started on the book.

And that made the journey just so much easier. I wasn't staring at the blank screen. I was just building upon the work that I've done.

[00:09:13] **G Mark Hardy:** Excellent. Yeah. I kind of like your little note, you said you put some of the ideas in here. So there's probably a secret appendix that, for friends of CISO Tradecraft, maybe we can say, Hey, let us know. And, Ross will share a couple of special ideas, but one of the ways that I like to read books and in particular, I did that with yours is I'll go through.

And when I see something that looks. profound or some great insight. I will highlight it. And then as I go through the book, I end up with a whole series of highlights. And then at that point I have not necessarily a top level summary of the book. But the key stuff that floats through there. And of course I do them in order.

And so this is the order in which they appear in the book. And I don't have time to go through all a hundred and some odd insights that I thought, because I know when you write a book, one of the things I had found, if you [00:10:00] ever, saying attributed, I believe it was to Mark Twain, we said, if I had more time, I would have written you a shorter letter.

And it's just easy to write and throw lots of words at something, but when you condense it down, that represents some degree of skill and effort because what you're doing is you're making it work well for your audience. I used to have a monthly column where I had 850 words and I had to get as many ideas into 850 words.

And I learned the discipline of succinct writing and your writing doesn't have a lot of fluff, which I appreciate. Some people will take a 25 page book and make it 225 pages. So the publisher will put it out the door and you're going through it and you're going through it. come on. So let me share with our audience here, just a couple of thoughts that I came up with, or things that I've read.

These are your words, or I paraphrase them slightly. And let me get your response to that. If I may. On page one, you say, cybersecurity is a horizontal, not a vertical. What do you mean by that?[00:11:00]

[00:11:01] **Ross Haleliuk:** cybersecurity indeed is a horizontal. when you think about it, cybersecurity is one of those areas that underpins all other technologies and all other areas. which industry you're looking at. you will find some aspects of security that need to be managed, to be navigated, need to be configured, need to be taken care of, regardless what underlying technology you're building, right?

Whether we are talking about AI, which is such a, hot topic today, whether we are talking about blockchain, whether we are talking about SaaS, whether we are talking about cloud, we are talking about, data literally data warehouses. matter what aspect of technology, hardware or software you're looking at, security is a fundamental component for each of those aspects.

And that is why I say that it is a horizontal, right? If you're looking at, for example, financial technology, if you're looking at fintech, it's, a very important building block, [00:12:00] but it is just one slice. of technology, right? If you're not looking to build somebody, to charge somebody money, you probably don't really need to worry about payment processing.

You don't need to worry about transaction processing. However, it doesn't matter what you do. It doesn't matter what you build. Security is a fundamental core aspect of that work.

[00:12:21] **G Mark Hardy:** And that makes very good sense. And I think for those who are aspiring to build a business, a lot of times we think of, Oh, I'm going to build a security tool set, or we're going to go ahead and we're going to create something for analysis, a deep dive onto this, it'll be a red team tool, maybe a defense tool, and that has its applicability because red teamers are not necessarily going to go throughout the organization horizontally, but the need for security does do that.

And as a result, I think that as we put together a vision. In our sales deck of why a customer might want to buy it. If we have a product that just. Turbocharges the red team. Okay, that can work. But if it's [00:13:00] something that on the defense side can help work across an enterprise, I think you've got a much better sales pitch.

And so that's great insight. Now you continue on the next page. You say, unlike security teams, which get paid salaries. Attackers only make money when they accomplish their goals. I always thought that metaphorically speaking, hunger is a very good motivator. And for me, who I've always had a small business for most of my entire career, then what happens is that if you don't sell, you don't get work.

You don't get work. You don't get paid. You don't get paid. You don't buy food. You don't buy food. You don't eat. You don't eat. You get hungry. You get hungry enough. You go find work. And so that's a virtuous cycle. Is that actually working against us? Are we sitting fat, dumb, and happy saying, Oh, my paycheck will clear every Friday, no matter what.

And there's a lot of motivation behind the attackers. How do we level that out a little bit?

[00:13:55] **Ross Haleliuk:** That is frankly how I think about it as well. And I don't know if I have good answers. [00:14:00] I do believe that At the very fundamental level, yes, hunger is a very good motivator and attackers are positioned, attackers are in the position where they know they have to succeed or else they don't get paid. Now, for security teams, there are systems and processes.

And there are business priorities. And there are just general aspects of being a business function. So what does that mean? it means that the vast majority of the time, cybersecurity teams do not spend on, configuring security tools and configuring the right controls for their specific environment.

They spend in meetings. They spend writing reports, they spend talking to other employees. They spend the kind of work that is being done by every other department as well, by the software engineering teams, by the QA teams, by customer support teams, by, by, sales teams. [00:15:00] There is not that focus on the outcome. There is a lot of focus on the process and going through the right motions and adhering to the right framework. an attacker doesn't care if you're, if you aligned yourself with NIST or if you got a SOC 2 attestation. They're looking for a specific technical gap in your environment, and they're looking for ways to exploit that gap.

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[00:15:22] **G Mark Hardy:** they don't have to follow the rules either. They don't have to say, Hey, I'm not allowed to disclose certain things. I'm going to go

ahead. For example, if we're on the defense, we can't share PHI or PII or other information with other. Defenders from other entities without getting in trouble, but they can certainly go ahead and share stuff.

So for those of us who are out building something a lot of us said, hey, I got a brilliant idea. I want to turn this into perhaps a product or a service and then take it into the world as a startup, but you have a little caution in there. You mentioned that a startup that initially pioneers a new approach has to educate the [00:16:00] market.

which is a disadvantage. Can you explain a little bit more about your thoughts on that one?

[00:16:06] **Ross Haleliuk:** Yes, it is rather interesting that every time we think about something innovative, the assumption, the core assumption is that if we can just come up with a new way of doing XYZ, or if we can come up with a solution to a problem that not everybody understands, we can, we will get ahead of the market, we will get ahead of everybody else, and that will allow us to succeed.

But when you look at the history I think it is very fascinating that the markets like the core security markets have largely stayed the same over the past decade or two, right? You still have endpoint security, you have network security, you have, identity, you have email security. So you have the security information and event management, the SIEM space.

So you have some of those like big, markets where. Companies are, [00:17:00] companies that succeed are often an evolutionary approach rather than a revolutionary approach, right? When the, EDR came, it was an evolution of the previous generation of endpoint tooling. So an EDR essentially said that, hey, signature based detection is no longer enough.

We need to start looking at the behavior. And then the foundational layer is still pretty much the antivirus. But then on top of that, you're now looking at, different types of behaviors and different types of technologies and aspects of endpoint security that the previous generation of tools haven't looked at.

But you're not coming up with an entirely new market. Now, if you are trying to come up with something that's absolutely new and nobody has heard about, means that there is no budget for it. is no awareness on the market and every single prospect, every single potential customer you will be talking to will be asking you, Hey, is that the real problem?

And then now you have to spend, [00:18:00] time. You have to spend marketing dollars trying to convince everybody else that yes, indeed, that is something that you should be paying attention to. I am a big believer that Unless there are four, five, or potentially even 10 companies working on the same problem, it is practically impossible to educate the market to the point where it would actually understand that they, that it needs to look at something.

So startups think of competition from the lenses of hey, I want to have fewer of, companies doing the similar thing. I look at competition and I say, hey, you actually want to have at least a few companies doing the same thing, or else nobody is going to listen to you.

[00:18:42] **G Mark Hardy:** Interesting. So really the first mover disadvantage seems to be a feature of, if you will, of cyber security startups. And the other thing you mentioned is that everything, In cybersecurity relies on trust and this will result in longer sales cycles, [00:19:00] comprehensive trials, and even small scale initial deployments.

And so from that perspective, even if we do have a great idea and we can bring it to market, as you had mentioned, if it's too revolutionary, there's no budget for it. And even if the. Potential buyers say, I love it. I want it. it's going to be a slow rollout, isn't it?

[00:19:19] **Ross Haleliuk:** that is correct. And also the other aspect of it, do people love it or do people need it? There is a big difference between those two, right? And what I have noticed is that quite often talk to security leaders, you talk to CISOs, and genuinely see the value in some of the, in a new approach or a new tool that somebody, is building.

Now, the fact that the CISO says, you know what, this is interesting, I think we need something like this in the market, or maybe I would like to have something like this for my company. The fact that they make that statement does not actually mean that they themselves will be able to find the budget, or find support, on [00:20:00] the business side, for them to be able to make it happen.

yes. Essentially, yes to all of the above.

[00:20:07] **G Mark Hardy:** And now you also pointed out that in cybersecurity, no single leader has a double digit market share. So we look at other industries where you end up with almost with antitrust Oh, you've got too big of a browser. You've got too big of an operating system, too big of what grocery stores even facing antitrust airlines.

But you don't see that ever happening in cybersecurity. Is that a symptom of the, what's the cause for that? Why can't someone just get big?

[00:20:38] **Ross Haleliuk:** So I do, think that has been changing. That has been changing dramatically over the past, several years. one of the fundamental aspects why it is so hard to consolidate the market and to get people to use the same solution is because everybody's environment is different. Everybody's needs are different.

And Sadly, it is very hard to build this one [00:21:00] fits all approach and one fits all solution that you can then just hire, an army of salespeople and sell to all kinds of different companies. is one reason why it is hard to centralize and become a leader in security. But that said, we have started to see, those platform approaches essentially subsuming a lot of the other markets.

So while it is still. Fairly hard to find companies that own a like a high double digit, market or high double digit percentage of the same sort of market segment, it is very easy now to find. Several security companies or several companies in general, several platform companies that own more than double digit if you look at everything that they offer and bring it all together into one suite.

[00:21:53] **G Mark Hardy:** Got it. So it's still an opportunity then for some potential great [00:22:00] success. It's just that founders need to understand that first to market is a potential disadvantage. You need to educate. A budget's not there unless it's already out there. And then you're going to be looking for a number of other companies to be there to be able to help define the market.

And then the next would be to be able to say, Okay, fine. I've got a market. I've got some competition out there. that's a good thing. And now I may not be able to get to 60 percent, but I can do okay. And it turns out that a lot of these companies do okay. you may not be buying your own island in Hawaii, but you still could buy it.

Do all right.

[00:22:39] **Ross Haleliuk:** And I do think, that at the end of the day, people have to pick their poison, right? If you're looking at a new market, if you're looking at the net new need or net new technology, that means that the type of company you would be building and the things that you would need to be doing for you to succeed are going to be very different.

You will have to focus a lot on market [00:23:00] education. You will have to spend a lot of time, a lot of time and resources on marketing or on attending events or on sending your leadership to different talks and panels doing everything imaginable for you to educate the industry. Now, if on the other hand, you're trying to enter the market, that is already. well established, where there are existing players, where there are existing well understood approaches, then on the bright side, you have an existing budget. So there is a budget line item, where there's somebody who is willing to spend money on wherever it is that you would be building. On the downside, however, you're also going to have not only a number of competitors, but a number of solid entrenched players that people are very much not interested in replacing.

Because in security A lot of the tools are just good enough, right? If you, that is another aspect about our industry that I don't think we're discussing enough. And it is that, if you're, for example, [00:24:00] if you're a marketer, or if you're a salesperson, you have one or two core metrics that you need to drive.

you are incentivized to do anything possible and impossible for you to drive those metrics. If you're a marketer, Any new tool that's out there that can help you to get, more eyeballs on your company's website, that is the tool that you're compelled to try. That is the tool that you will give.

You will give a shot if there is the slightest chance that it can work. In security, however, once you already have a tool that is good enough, that checks the compliance boxes, that kind of works and doesn't cause a lot of issues in terms of the number of incidents, or is not. Overly hard to maintain.

There are much fewer incentives for you to switch. And so that is why legacy vendors are, so entrenched. And that is why in some markets you look at, you look at email security for example. Proofpoint and Mimecast are still the dominant player players [00:25:00] or over a decade later. And there have been multiple attempts and some startups are slowly chipping away at their market share.

But it is very hard to displace those, entrenched incumbents.

[00:25:11] **G Mark Hardy:** Yeah. Back in the day of the old mainframe, what it turned out is that if you had an established product, what would happen is this little company would come along called CA, Computer Associates. And we used to joke that CA was where products went to die. And what they would do is they would buy the revenue stream.

And then they would go ahead and lay off all the programmers and lay off all the support. They said, okay, fine. We're just going to milk this thing because the cost of changing from that solution for a customer to something else was enough of a barrier that they're going to keep two, three, four, five years.

You're going to drag it out until there's the last user standing, at which point they just fold the company and move on, but they were able to pull the value out. So if there is a well entrenched good sized player or set of players in a market, as you had said, [00:26:00] and you'd have to pry them out, maybe you look for those who've gotten lazy, those who have not kept their product up to date.

Those who have. If you look at the customer forums, there's a lot of complaints and things just aren't getting fixed. That's an opportunity to move in and say, you're frustrated with this stuff. Try mine. And oh, by the way, if anything you can do to lower that barrier to change. Okay, we, we learn about things in business school, like the Porter Five Forces model, and one of those is the ability to substitute.

If I could easily substitute one product to another, for example, a gas station on one side of the street is brand A, and this is brand B. it's fuel. You're going to put that into your vehicle, and you're going to base it on price. And as a result, price becomes a big differential. And to a large extent, cybersecurity is differentiated enough, or either we just had to remarket it well, that we try to tell people there is a barrier to entry.

And I think one of the organizations that have done extraordinarily well at creating [00:27:00] barriers to exit anyway, would be like the cloud companies. Oh, you want your data back out? Oh, I'm sorry. It's going to cost a whole lot. Wouldn't you just like rather leave it in there? So if we're a founder and we're thinking, okay, I'm going to go after something.

I've got this technical knowledge. I got a deep understanding of the potential flaws of my potential competition. You then suggest that founders are really be better off focusing on their customers, solving problems they get paid for. and designing business models and raising growth capital. And none of those sound like anything you would have learned at a keyboard.

And so could you talk a little bit more about why the role of a founder has to be different than the role of the most brilliant programmer or operator out there?

[00:27:46] **Ross Haleliuk:** the way I think about it, the way I think about this is, it's rather interesting. When you look, like when you talk to a security practitioner, you very quickly realize that security practitioners learn, get [00:28:00] exposure to different companies, get exposure to different businesses, through interacting with their products.

for example, a security practitioner, When you ask them, hey, what do you think about CrowdStrike? They will say, it is a company that has this great agent. And then I deployed an agent and it gives me this kind of capabilities and blah, blah, blah. And that is certainly one aspect of CrowdStrike.

However, there are many other aspects. you think about, when you actually think about CrowdStrike holistically, there is certainly this agent that does something, but then there is also a team of software engineers that somebody had to hire and coach and train and provide them with the tools they need to succeed.

There is the operations aspect of running the business. There is the sales aspect. There is the business development aspect. There is branding and marketing and on. And I think that it is a mistake for people to only think about. the agent when they look at CrowdStrike. The same logic applies [00:29:00] to basically everything else, right?

When you're thinking about building a company, there is that most definitely you have to pick the right problem. that's where it really starts. And for many people, the assumption is that, because I've experienced this problem myself, it has to be a problem that is worth solving. And sometimes it is.

And at other times it isn't. for example, what I see quite often is that a person would work one of those, tech forward, venture backed enterprises in the Bay Area, and they would run into some challenge. And they would say, Okay, that sounds strange. Why has it not yet been solved?

And then they will look for a new job, and they'll join another company that is, similar. Again, another tech forward company, like another venture backed startup, and they will run into the exact same problem. And then they will say, you know what, like somebody has to solve it. So they will go on their own and they will [00:30:00] decide to solve that problem.

here are the questions. How big is that market? how many companies actually have that problem? Is it just so happens that for some reason you've worked at two companies that happen to have this, that problem, but no other company on

the planet runs into the same challenge? Or maybe it is indeed every second company that runs into the challenge.

Like how big is that market? Many people think about it. Many people don't ask those questions. Now, the other aspect of the same sort of problem, is, how do you solve this problem in different types of companies? The kind of solution that will work for, or Dropbox or Uber is probably going to look very differently than the kind of solution that is going to work for a Kentucky school district, like the type of talent that those two, types of customers are able to attract is going to be very different.

So [00:31:00] people have to think about it. People have to think about the market. People have to think about the problem space before going on to build. Now, when the time comes to build, how often do you get that continuous feedback from customers, from prospects? Do you just sit down in a dark room with a few of your friends?

And then just go all in for two years to build the perfect solution and then launch it. Or do you find design partners? Do you find companies that are willing to say, you know what, I will work with you today because this is such a painful problem for me that I actually want somebody to solve it. And I'm willing to work with you, ideate the different features, give you feedback, deploy a test version in my own environment and, go through that process.

Go through the emotion of helping you. to build a solution to my own problems. The latter approach, in my view, is the right approach, if you have an opinion, if you have a perspective, the chances are very high that your opinion is not going to be universally applicable to every single [00:32:00] enterprise out there.

[00:32:01] **G Mark Hardy:** Yeah, very good point. Now we've got this concept. We've validated with a potential customer base. we know that the market is there, that there's a budget there. And then everybody looks around and they look in their wallet and they go, wait a minute, how am I going to get off the ground? How am I going to start this thing?

Cause businesses take money. And a lot of people may not have enough money in the bank to be able to go six months without a paycheck while they go ahead and invent. And so from that perspective, what are the sources that are available out there? What's the difference between an angel? and a venture capitalist.

And what types of angels are there and what should somebody be looking for? And then what should somebody be looking out for?

[00:32:42] **Ross Haleliuk:** Ah, that is a fantastic question. I feel like we could spend 10

[00:32:46] **G Mark Hardy:** And we've only got about 10 minutes left in the show. So let's go ahead and, I

have

to get you back on perhaps. Yeah. Let's see what the

listeners say.

[00:32:54] **Ross Haleliuk:** Yeah, there are. So I think that the very first question that people will have to ask themselves is do they want to [00:33:00] build a services company or a product company? because the types of, the types of funding available and the ways people can get those started are going to be very different.

If you're starting a services company, that means that you can start offering services today and you can start getting paid today. And if you can find potential buyers, you can then slowly grow over time. If you're trying to think about a product company, that means that you do have to take a year, or however long it takes, half a year, two years, and build something.

And that building for several years or for a year, with a team of people, ideally, is going to cost money. And you have to find a way to, to, find, for you to be able to do it. If the goal is to if the idea is that, we can just sell fund and we can bootstrap, then the question becomes, okay, how long can you do it for?

And is that the best idea? you are, no company [00:34:00] operates in the market in isolation from the rest of the market, right? If you're trying to sell fund, it is going to take a long time for you to get something. if it's going to take you three years to build the same product that somebody else, is going to build in six months because they were able to raise capital, then you're two and a half years late to the market.

By the time your product is ready, the market would have changed. The kind of companies that you were hoping you will be able to approach would have maybe already adopted a different tool. So you have to think about the time to market and how does that compare for your company versus other companies and where do you want to be in that space?

You also have to think about the ownership. How much of my company am I willing to give away? in order for me to attract capital, to think about the amount of capital you need. So the way I think about it is that if you're starting out something new, you probably don't need a lot of money.

What you do need is a network of peers, a [00:35:00] network of supporters, the kind of people who are going to get their hands dirty, the kind of people who are going to help you shape the product you're building, the kind of people who are going to help you with introductions to prospects and potential customers, the kind of people who are going to mentor you, and help you through that early stage foundational steps of starting something new.

And that is where angel investors come in, right? Angels investors are individuals who happen to have enough of their own capital that they're willing to invest, in early stage founders, primarily early stage founders.

[00:35:39] **G Mark Hardy:** And

you I'm sorry. I thought you were done, the angels are looking for the team, the timing and the traction, the three T's as you say, and there's a couple of types of angels that are out there. And there's some angels that just are active and they'll get involved and they'll help you out.

And then there's the dentist who has a whole lot of extra money sitting in a savings account, and that's passive. [00:36:00] is there any advantage or disadvantage to an active versus a passive angel?

[00:36:04] **Ross Haleliuk:** oh, 100%. The way I think about it is that if you know 100 percent what it is that you're trying to build, if you think, I don't need any help whatsoever, all I need is money, then yes, you can raise from passive angels. But frankly, my argument would be, if that's the case, just go and raise from venture funds.

is probably a better idea. I do believe in the value add, in the tremendous value add of the early stage active investors, the kind of investors who are maybe previous or exited founders. The kind of investors who are maybe ex CISOs or current CISOs. The kind of investors who are security practitioners or who happen to have a good network in some slice of the industry or maybe a good network.

that brings you some other aspect of knowledge or experience. For example, maybe you are talking to an ex [00:37:00] chief revenue officer from a

successful security company that does not have a great network of VCs, but they might have a fantastic network of salespeople that they can help you with, and maybe they have a fantastic experience and fantastic, and knowledge around sales and establishing the go-to market motion, that can be incredibly useful as well.

So active angels. are the kind of angels that security founders and aspiring security founders, in my view, should be trying to get on board because there is no person on the planet that would not benefit from some kind of help. And this is a very easy way for you to get that

[00:37:39] **G Mark Hardy:** And what you had said is a couple of things is the single most important job of an angel investor is to help the company get to the next stage and raise growth funding from the VCs, venture capitalists, and the real value add of angels doesn't come from the capital itself. It's the resources and the help.

And I would add. The contacts is that I noticed you [00:38:00] had a quote in here from Rick Gordon. I did a startup with Mach 37 a number of years ago when Rick ran that and they're a accelerator, not an incubator. And of course you'll get in, we won't get into the details too much about that, but it was a great opportunity to find somebody who had some really good connections.

And I now serve as the star as a mentor to help out these other startups. companies and say, Hey, let me connect you here. Let me connect you there. And so to a certain extent, I think that finding those connectors are going to help just as much because the money's good, but the money spends the same anywhere you go, but somebody who can introduce you to the right person or a, let me show you my buddy who is a potential customer who has an existing business need and he has a budget and he's dissatisfied with their current solution, could be worth all the money in the world to be able to help get you off the ground like that.

[00:38:52] **Ross Haleliuk:** 100%. all in life, not just in the startup life, but also in life in general, people are shortcuts. [00:39:00] People are shortcuts. So if you can find the right person that can help you shortcut some of the learnings, if you can find somebody that may have already made the kind of mistakes that you, would be, would be making if you didn't, if you didn't know better.

then they just, learn from other people's experiences, ask for help, and that pays off a big time.

[00:39:22] **G Mark Hardy:** Now I see we're never going to get into on this call all the details in terms of how do we get big and then how do we go on the next layers and things such as that. So we'll keep this focused on really getting up and out the door and getting stabilized. So the one question I think a lot of people ask is potential founders.

They go out there, they hang out their shingle, they got a box of business cards, and then they say, who's my first hire? How do I decide? The first time I actually add an employee, should it be technical, sales, marketing, [00:40:00] administrative, management? What, where do I start? Because most people have a hard time getting started.

Once you get rolling, it's easy to figure out who your 99th employee is. But how about. The first.

[00:40:13] **Ross Haleliuk:** Yeah, I don't think I will have an answer here. I don't think anybody will have an answer here because it is highly contextual. There, will come down to the gaps that are seen on the founding team and the best ways to address those gaps. Now, I do believe that although there are not right answers, There are most certainly some well established wrong answers and in my view the number one wrong answer is let's hire a salesperson The number one wrong answer, because I am a firm believer that have to be able to sell their stuff first.

And it doesn't matter how technical you are, it doesn't matter how, oh, I'm not a salesperson, I don't have experience. None of that matters. If the founder [00:41:00] cannot sell their product or service, nobody else can. Period. You have to establish a trust. the sales process yourself, you have to understand the problems, you have to understand what it is that this customer is actually willing to pay for, how much are they willing to pay for it, and then go through several of those on your own, understand what the repeatability looks like, understand what the patterns look like, and only then can you bring and somebody else that you can start slowly offloading some of the sales works to.

But the reason I'm emphasizing this is because I have met a great number of brilliant technologists in cyber security who look at the startup space and say, you know what, I'm just going to go into my room, hide from everybody else for a year, I'm going to build this amazing product that solves this very important problem, and then I'm going to hire somebody and then we'll start selling.

That has. Never, ever in the history of humanity work, and it never [00:42:00] will work. if founders have to be in touch with the market, they have to be in tune with the customer needs and the best way to do it. And the best way to, to have that reality check is to sell it.

[00:42:11] **G Mark Hardy:** Yeah. And I absolutely agree with you as a small businessman, myself, I do a hundred percent of my sales. And if you're the most motivated person to do that, cause if you will, it's your baby and nobody wants to admit they have an ugly baby, but if you're out there and people won't buy, sometimes you need to confront the fact that what I'm selling doesn't work.

And some of the most valuable feedback you can get in an early stage is that It's from a customer who chooses not to buy, but is willing to spend the time and share with you what the gap was between their expectation of a solution and what you're offering. And you decide, can I bridge that gap? And if the answer is yes, then you go build it.

And if the answer is, it's just too far away. Maybe you go someplace else and it'll save you a lot of months, if not a year or [00:43:00] two of beating your head against the wall, trying to come up with a solution that just isn't there.

[00:43:06] **Ross Haleliuk:** indeed. And if you do not do what you just described, and instead, if you introduce a layer, a shield between you and the market, you and the customer, that too early, then you are losing the opportunity to learn, you're losing the opportunity to pivot, the opportunity to evolve, and therefore you're losing an opportunity to grow.

[00:43:28] **G Mark Hardy:** Got it. I'll tell you what, we're pretty much close to the end of the show. So I'm going to tell our listeners and watchers, if you like this, give me an answer in the comments to say, tell me more. And if we get enough people to say that, because I'm checking with my customer base to make sure we're delivering what they want, we'll do a second episode.

I'm pretty sure you'd love to come back. For those who are tuned into this episode, Cyber for Builders, the Essential Guide to Building a Cyber Security Startup by Ross Haleliuk, I will have a link to this in our show notes, so you can go ahead and get it for yourself. And I think that if you [00:44:00] are starting a business, Have started a business and want to see what might not have worked out well, or even thinking about joining one.

This is a great way to go ahead and get some wonderful insights. I found a tremendous amount of wisdom in this particular book and I loved it. And I read

a lot, you can see a lot of books behind me. And this is the one that I think has an opportunity for me to go back over and over again and look for insights because quite honestly, I think that you've summarized very nicely.

And my thought was, is that, wow, why don't you find the time to put all this together when you're already doing everything else you're doing and, but you did, and so thank you so very much on behalf. of the cybersecurity community. And I would say that yes, you definitely have done some service.

I think there were some recent recognition that you received as well.

[00:44:47] **Ross Haleliuk:** yes, SANS, SANS Difference Makers

[00:44:50] **G Mark Hardy:** Difference Maker Yes, exactly. I had the privilege to teach for SANS for 10 years and their Difference Maker awards are actually meaningful. Those are a lot of smart people. A lot [00:45:00] of folks have looked out and said, Hey, these are the people that are making a difference. That is to say, it's in an award name, but they're doing more than just serving themselves or serving the community.

So I want to thank you. for that as well. So for our listeners out there, thank you for listening in to CISO Tradecraft. I hope you found this to be an exceptionally valuable episode. If you want to hear more, let me know, and we'll go ahead and we'll bring Ross back on another show. If you're not following us already on LinkedIn, please do We have a whole lot more than just podcasts. We also have a Substack newsletter you can subscribe to. If you're listening to us on your favorite podcast channel. You can subscribe to us on YouTube and see our smiling faces. Please give us a thumbs up or five star that helps us reach others that are out there in the community.

Until next time, this is your host, G Mark Hardy. Thank you for listening or watching and stay safe out there.