Entrepreneurs Are Made NOT BORN

SECRETS FROM 200 SUCCESSFUL ENTREPRENEURS

LLOYD E. SHEFSKY

Small Business

Entrepreneurs Are Made NOT BORN

Advance praise for this unique inside look at the winning secrets of successful entrepreneurship:

A great reference guide that I wish had been available when I started my business back in 1951!

— **LILLIAN VERNON**, Founder and Chief Executive Officer
Lillian Vernon Corporation

What a boost to the entrepreneurial spirit! After reading Entrepreneurs Are Made Not Born, *those who have hesitated will be inspired to make their dream a reality.*

— **JAY PRITZKER**, Hyatt Hotels

Excellent book ... a must read.

— **PETER J. SHEA**, CEO, *Entrepreneur Magazine*

Shefsky really understands entrepreneurs. ... Must reading for anyone who wants to be an entrepreneur, and especially for those who finance, work with, or study entrepreneurs.

— **DON JACOBS**, Dean, Kellogg School of Management, Northwestern University

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1. You must believe in the dream itself.
2. You must believe that you are capable of pulling it off.

Entrepreneurs don't have to start out with perfect dreams, but they must believe they can make them perfect. Notice that you only need to believe in your dream and capability, not be 100 percent certain of the outcome. Don't wait for certainty. There are no sure things in this field. No one issues insurance policies on entrepreneurial ventures. But do be sold on your dream. When it comes to your dream, you are your most important customer.

Though all entrepreneurs must take these two steps, each entrepreneur takes the steps in his or her own way. Some are very deliberate—analyzing all the pros and cons. Others negotiate the steps without a second thought, in a seemingly instinctive way. Both ways work. You must determine which is more comfortable for you.

Thurman Rodgers typifies the extreme of taking the deliberative approach. Upon graduating from Dartmouth, he headed to Stanford, never having heard of the Silicon Valley. He unloaded his U-Haul and suddenly found himself in the middle of the breeding ground for high-tech entrepreneurs. Rodgers caught the fever. He decided early that he needed to run his own business (escape). He also had the requisite dream (destination), which I refer to as a better silicon "mousetrap." But he lacked practical experience in the industry. He gave a lot of thought to how to gain that experience in a time frame that didn't snuff out his flame. In his case, the pros were readily apparent: he knew that in the long term he wasn't suited to working for someone else. The cons required greater deliberation. His conclusion was that the cons were only a function of timing. As a result of his deliberative process, he put off his dream and, after receiving his Ph.D., worked at American Microsystems and, later, Advanced Micro Devices, in order to gain the experience he would need to run his own business.

Mary Anne Jackson, a highly energetic processed foods entrepreneur who runs her own newly formed company, is another example of the deliberative approach. Before starting her own business, she had been employed by Beatrice Foods, where she gained experience in strategic planning, turnarounds, project management, new product development, and operations. During those years she studied what it takes to be a boss, and she concluded that she could be one as well as anyone else. When Beatrice let her go, she studied the marketplace to find a product and a business. She followed the course Richie Melman suggests—stick to an area you know and love—and concentrated her search in the food business. As a mother of three, she knew there was a need for foods especially prepared for kids, and so, after more market research, she launched My Own Meals.

As a model of the instinctive process, let me tell you about someone I met years ago. The man, who owned, created, and built the largest west coast marina south of Tampa with his own hands, was an 80-something-year-old man called "Pop." During negotiations to buy the marina, Pop and I stood surveying its massive structure, and I asked Pop how he did it all. After all, he wasn't an architect, an engineer, a landscaper, or a marine biologist; in fact, he had never attended high school. How did he manage to create this phenomenal marina which he conceived and built all on his own?

I'll never forget Pop saying to me, "Well, I just looked out and saw how it should be, and it was." It was that simple: He saw his dream, it was very real to him, and he believed he could pull it off. He may not have said all those things to himself at the time. He certainly didn't go through all the investigative, analytical, and deliberative thought processes that Thurman Rodgers and Mary Anne Jackson did, but Pop took the same two key steps all the same. He bought his dream, and believed he could pull it off, and by buying the dream he owned it.

Profile

Pop: The Twilight Years of a Blue-Collar Visionary

It isn't often that someone retires before becoming an entrepreneur, but it does happen. Colonel Sanders financed his first restaurant with his social security check, and, as you know, he went on to build the Kentucky Fried Chicken chain. Like Colonel Sanders, Pop was old enough that he didn't have to fire a boss. Pop was retired when he began staring at his ocean

Make your employees sign nondisclosure agreements, too. Explain that you trust them but that you have obligations to your investors, bankers, suppliers, customers, and other employees to safeguard your business opportunities. Tell each reluctant employee that you can't ask other workers to sign nondisclosures if he or she refuses to do so. That would imply you trust them less than you do him or her.

Thomas Edison was so proud of his work, he sometimes showed competitors how he did things. All too frequently, they would then steal his ideas. There's an old saying, a patent is a license to sue. Edison's patents were also must reading for rivals who then looked for ways around them. You should keep in mind that, whenever you patent something or secure a trademark or a copyright, you are revealing your secret—disclosing it to the entire world. Registration exclusivity and protection is the quid pro quo for moving that knowledge into the public domain. Before registration, be sure to treat your confidential ideas like the secrets they are.

The rules are quite different when it comes to investors. The securities laws require full disclosure of all material facts to potential investors. But nothing prevents you from obtaining a nondisclosure agreement from your investors. That's what I advise my clients in appropriate circumstances, and that's what Mary Anne Jackson of My Own Meals did, "Everyone I talked with signed one, or I didn't talk with them. In fact, only one person refused to sign."

Here is a caution regarding your boss's trade secrets: Some people start new businesses while they are still employed. If you are going to do that, you may need professional advice. You must be careful not to breach your employment agreement or your fiduciary obligations to your employer or *wrongfully make use of his or her trade secrets.* You can't afford to risk everything and then discover that your boss not only continues to own you but your new business as well.

polishing Phil's track, there was no need to even contemplate alternatives to such smooth sailing.

Each company change and many title changes had required a relocation. Phil's wife, daughter, and son had had enough when Dart's offer meant another move to California. Phil promised them that it would be their last move. Then Dart merged with Chicago-based Kraft. Phil was now a top dog at a gigantic company, so for a year or so, Phil commuted from Chicago to California. Finally, to ensure control over his choice of domicile, he jumped from his attractive track and bought Bell Helmet Co., where he has prospered and stayed put.

Mary Anne Jackson had been a consultant at accounting firms before she got a fast-track job at Beatrice Foods. In relatively few years and at a lower management level, she gained valuable experience in strategic planning, turnarounds, project management, new product development, and operations. It didn't matter to Mary Anne whether the business belonged to Beatrice, belonged to another company, or belonged to her, so long as she would be running it. Her only goal was to run a business. She was so new on the attractive track that she never thought about leaving that track or even changing vehicles.

One day, Mary Anne Jackson's track didn't just get slippery, it downright fell out from under her. When Beatrice gave her notice, she had to make a change. She could have just changed employers, but the forced change awakened her and prompted her to look at other alternatives. Mary Anne decided to become her new employer.

Profile

Mary Anne Jackson: Networking for Fun and Profit

Even though Mary Anne Jackson was in an attractive track groove prior to Kohlberg Kravis Roberts & Co. buying the company, in reality, she was already bumping up against the glass ceiling at Beatrice Foods. A driven and talented executive, Mary Anne stepped on toes and bruised some male egos. When KKR took over Beatrice, Mary Anne was an obvious target of its downsizing campaign, and she got the axe.

But Mary Anne was not concerned. She weighed her next move deliberately. She'd always wanted to run a company and figured now was the time. Before she was fired, she says she had a sudden epiphany when she realized that she wanted to develop her own product and use it to build a company. She then began weighing many possible ideas and finally came up with one that made sense.

As a working mother, she had worried about leaving her youngsters with a baby-sitter. Some baby-sitters fed the children cookies and even catsup sandwiches. Mary Anne tried to overcome this problem by cooking ahead and preparing a week's worth of meals for the freezer.

With millions of other mothers working to add to family income, she figured they'd welcome wholesome, quick-serve meals for their kids. She targeted children left with baby-sitters as well as latch key kids who had to fend for themselves. Her ambitious plan called for national distribution of ready-to-eat dinners. She realized that inevitably she'd be asking for competition from some of the most competitive concerns in the world: Hormel, Chef Boyardee, and Kraft Foods.

Mary Anne tested the concept first with a careful survey of 2000 parents in the Chicago area. (She distributed the survey through a diaper service that would do it for far less cost than a mailing.) Recruiting one of her out-placement colleagues to tabulate the results electronically, Mary Anne's survey showed that about 15 percent of the parents responded positively to the product concept. They also indicated what they wanted in the product—turkey and chicken over beef. No hot dogs, no MSG. The survey suggested the meals would sell at under $3 each at the supermarket.

Mary Anne then contacted friends, former associates, and food industry acquaintances. She also turned to the out-placement office, milking it for lots of free advice, willingly offered. Even more advice was wangled through barter deals with a number of sympathetic top industry pros, many of whom had been laid off too. With their help and with the project knowledge she gained at Beatrice, she set up and organized My Own Meals—acronym *MOM*.

Though Mary Anne ran the show, dozens of people were involved. Obviously, big company managers aren't experts in every stage of new-product creation. Mary Anne was no exception. Start-up entrepreneurs develop hands-on expertise as they go along. Mary Anne found herself suddenly wearing the hats of planner, conceptualizer, expediter, critic, cheerleader, and decision maker. Rather than go it alone, she used outside specialists to shore up her expertise during each step of the endeavor. Unpaid creative pros, for instance, designed the product and the packaging. She called on marketing and packaging experts still at Beatrice and other professionals she knew at Kraft. She also called specialists she'd met at trade shows. She used her corporate connections to find a job for another unpaid professional.

Entrepreneurs who do not come from the corporate culture are usually less willing to ask for help. But Mary Anne had the self-confidence to use outsiders and to believe that she could sort the good advice from the bad. She accepted the fact that someone else could have an idea worth pursuing or a technique worth trying. Also, she returned the favor. For example, she named one unpaid woman assistant a vice president to spruce up the woman's résumé.

With all the free help, she managed to limit expenses to a remarkable degree. Package design cost her $37,000; product development cost $60,000; office expenses and travel another $40,000; and her assistant's salary was roughly $30,000. Mary Anne did not collect a salary for her own services during the start-up phase.

Very few executives are as versatile and well-connected as Mary Anne Jackson. She financed her venture with private offerings of stock, and she sold her investors *personally.* Her first offering was completed in May of 1987. With it, she raised $365,000. Most of the 22 investors were former food industry executives, including people from Beatrice, Kraft, and Quaker Oats—along with a few doctors.

Mary Anne did so well with My Own Meals that the major food processors soon designed similar products of their own. She lost a major distributor in Jewel Food Stores and has suffered a number of other setbacks. She told me that if for some reason she couldn't go on with MOM, she would simply start another business. Why? "Because I have another idea. Once you get started, you have all these ideas. There are so many things that need to be accomplished in this world." If and when she does begin another business, there is one thing you can count on. Mary Anne will use her contacts very effectively.

Mary Anne Jackson's Secret Weapon: Down-to-Earth Practicality

While Mary Anne Jackson was still at Beatrice Foods, the company hired a former partner in a consulting firm. Several colleagues said, "Wow. Isn't she smart!" Mary Anne said, "Why do you think she's so smart? What has she accomplished?" And they said, "Well, she's a Harvard MBA." Mary Anne, a pragmatist at heart, came back with, "That just means she can study and afford it. That doesn't mean that she can accomplish anything. Wait until she accomplishes something, and then you can come back to me and tell me how smart she is."

Mary Anne remembered a Beatrice turnaround she worked on where only one salesperson actually showed rising sales. He was getting new accounts, too. And his yearly sales were up even without the new business. He had also improved his margins.

Mary Anne asked the salesperson to take someone with him on sales calls so that in case he left the company, the apprentice could take up the slack.

The man did something that no one had ever done to Mary Anne before:

> He looked me straight in the eye and said, "Babe, let me tell you something. That's my insurance. I'm not going to give you all my secrets."
>
> After we both finally calmed down, he got me on his wavelength and I got him on my wavelength, we sat down and we talked. What I learned from him was phenomenal. Sales were a function of helping other people solve their problems.
>
> What he did with me was show me how he was able to accomplish the kinds of things he could do. Now this guy

had a high school education at best. Yet, he was very successful within his own environment and in the business where he operated.

If I put him side by side with this woman who had a Harvard MBA, she would fail miserably because she did not know how to get things done by working in a business environment. She could sit back and analyze the company like I did and evaluate what was wrong, but she would not necessarily know how to go fix it.

That's because she wouldn't find a guy like this and say, "All right, you are probably better than I am. You tell me how we should fix it." Without the advantage of his experience, she'd do it wrong.

Profile

Phillip Matthews Goes for Broke

If you are thinking about setting up a business but hate to give up your secretary, free photocopies, the rest of the corporate services, and your medical and other employee benefits, imagine what it would be like to give up the corporate jet and the other lush perks of high office and then put your house and your life savings on the line.

No one I've met has been more cozily situated than Phillip Matthews. Corporate America was Phillip Matthews's natural haunt. After getting his MBA at Harvard Business School, Phillip went to Detroit, first to get his hands dirty in a factory job at Chrysler and eventually to become controller of a major division at age 27. Early power, authority, and responsibility were intoxicating. He "grabbed the brass ring," leaving to be vice president of finance at a $200 million unit of conglomerate Gulf & Western Industries. Expanded power of position satisfied his ego and his economic needs. He left Gulf & Western to join Pepsico's Wilson Sporting Goods unit. He was put in charge of operations—manufacturing, purchasing, and the rest—and was later tapped to do the same thing for Pepsi's Frito Lay, as senior vice president of operations, where he commanded 40 factories. By now, the corner office carried with it the perks and trappings of corporate power.