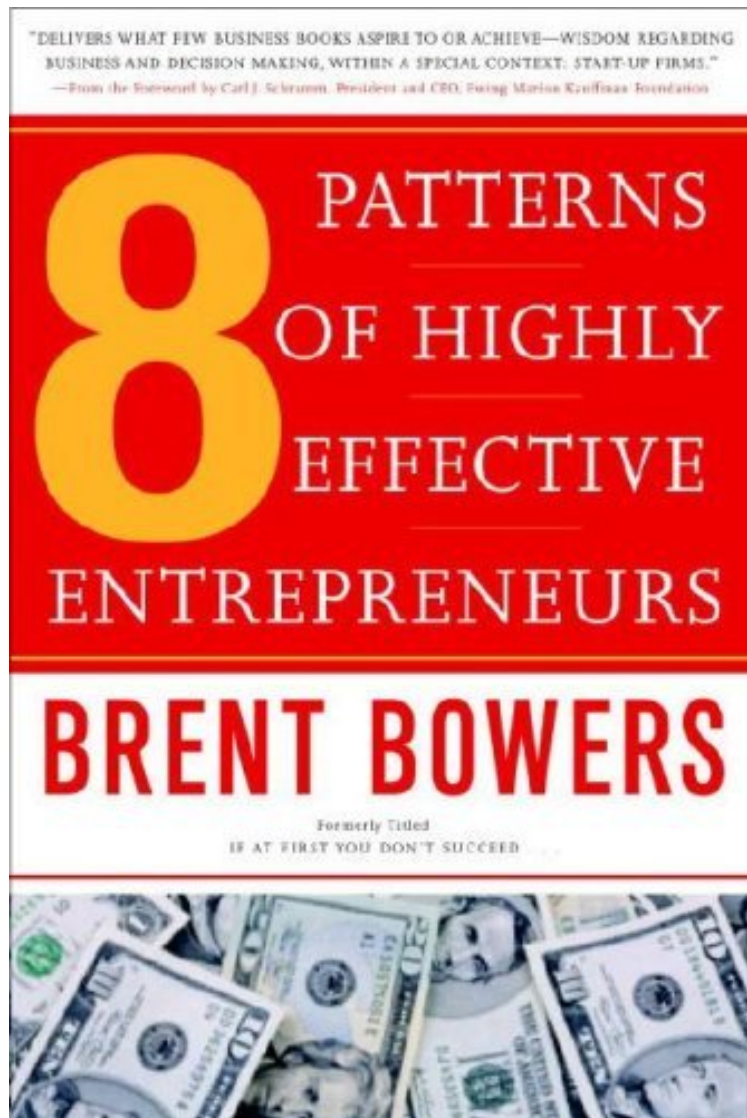


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8 Patterns of Highly Effective Entrepreneurs

Brent Bowers

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Brent Bowers : 8 Patterns of Highly Effective Entrepreneurs before purchasing it in order to gauge whether or not it would be worth my time, and all praised 8 Patterns of Highly Effective Entrepreneurs:

2 of 2 people found the following review helpful. Too many stories not enough substance
By Ryan Kerry
The 8 patterns are nice, and logical, but the book is really short story after short story of successful entrepreneurs. There are some good ones in there, but the author uses the same people over and over again, and the typical story is about 3 paragraphs then on to the next story.

Idquo;As unique as it is valuable, [8 Patterns of Highly Effective Entrepreneurs] achieves where so many business

books fail. It provides practical advice for individuals . . . [I]t delivers what few business books ever aspire to achieve—wisdom regarding business and decision making, within a special context: start-up firms. From the Foreword by Carl Schramm, president and CEO, Ewing Marion Kauffman Foundation At age seven, Cameron Johnson sold tomatoes door-to-door from his family's farm. Pete Amico quit his job on his first day because he didn't feel like taking orders from his boss. Greg Herro built a successful business selling diamonds made from the carbon extracted from ashes. If any of these people remind you of yourself, you just might have the kind of personality to take the small business world by storm. In *8 Patterns of Highly Effective Entrepreneurs*, Brent Bowers reveals the eight patterns that highly successful entrepreneurs share—and what we can learn from them. In covering small business for decades at the *Wall Street Journal* and the *New York Times*, Bowers has chronicled the rise and fall of hundreds of start-ups. In this book, he draws on extensive interviews and research, as well as on the experiences and expertise of business consultants, venture capitalists, academia, and the entrepreneurs themselves, to describe the key characteristics shared by dozens of successful small-business owners and their companies. Among them: The ability to spot and seize opportunities An overwhelming urge to be in charge coupled with a gift for leadership The flexibility to come up with creative, out-of-the-box solutions to problems or obstacles Incredible energy and tenacity in the pursuit of their goals Unwavering faith in their business The ability to take smart risks The ability to bounce back from setbacks and see failure as just one step on the path to ultimate success This book offers invaluable lessons and insights for anyone thinking about starting a business or attempting a start-up a second or third time. From the Trade Paperback edition.

About the Author BRENT BOWERS was a business editor for *The New York Times* for ten years, and before that a reporter and editor for *The Wall Street Journal*. He lives in Brewster, Massachusetts. Excerpt. copy; Reprinted by permission. All rights reserved. CHAPTER 1 Seizing Opportunities Entrepreneurs notice things. They spot opportunities nobody else has seen and seize them. It sounds simple enough, but it is an aptitude most people lack. Ask yourself: Would you have figured out how to make a windfall out of an aging laundry plant during a construction moratorium in Princeton, New Jersey? J. Robert Hillier did. Hillier, the founder of Hillier Architecture, the fifth-largest architectural firm in the United States, is always on the lookout for arcane property deals. Successful as his architecture business is, it accounts for only 10 percent of his income. The rest comes from real estate. His first big venture was his purchase a quarter century ago of a beat-up cinderblock building that housed a dry cleaning and laundry establishment. The company was going out of business, and Hillier saw right away that once it was fixed up, it might be converted into apartments. Trouble was, Princeton's sewer system had reached its limit, and the city had imposed a moratorium on real-estate construction until a new system could be built. Hillier, however, came up with a way around that. "I found out that the laundry pumped out 9,000 gallons of wash water a day," he recounts. "So I went to the health board and asked, 'If I buy the building and close it down permanently, could I build eleven townhouses that collectively would release only 2,200 gallons?'" They readily agreed, so he took the proposal to the zoning board, which approved it. "I sold all eleven townhouses before we broke ground, for \$97,000 apiece," he says. (He can't help adding ruefully that today, they are selling for about \$1 million each.) Hillier is always keeping an eye out for angles. Not long ago, he learned that the guy who ran a repair shop for the town's garbage trucks was retiring. Hillier knew there was a lot of demand for singles housing in downtown Princeton. He also knew the building in question had big iron trusses seventeen feet high, meaning you could fit two floors in it. He bought the building, got zoning approval to turn it into tiny loft apartments, and built sixteen of them. He rented them for \$2,000 a month (an average of \$48 a square foot, 50 percent higher than the most expensive office space in Princeton). "That's how entrepreneurs make money, doing little things like that, leveraging them by the multiplier effect," Hillier says. "Maybe the important attribute of the entrepreneur is working at things in an unconventional way and seeing opportunity in doing so." You want unconventional? Greg Herro has found a business opportunity in cremated human remains that has to rate high on anybody's list of creative thinking. Herro and his buddies found a gold mine in them. Or, more accurately, a diamond mine. Literally. Herro's company, LifeGem, in Elk Grove Village, Illinois, extracts the carbon from the ashes of corpses and turns it into diamond jewelry. Macabre? Herro doesn't think so, and neither, clearly, do his customers. The way he sees it, LifeGem's concept is a cosmic breakthrough in the way society disposes of corpses. In the million years or so that our species has walked the planet, humans have mostly either buried or burned their dead. Herro believes his company has come up with another alternative: bejewel your body with them. Looking for unconventional solutions is an old habit with Herro. In high school, for example, he discovered that one of his teachers always asked questions based solely on captions under pictures. Thenceforth, he always got an A in her class. In 2000, after selling a computer consulting company he had started seven years earlier, Herro was looking for something else to do. Then a friend, Rusty VandenBiesen, came to him with an interesting proposal. VandenBiesen had been watching a TV show about diamonds and had learned two important facts: Carbon is the building block of life, and diamonds are made out of carbon. So why, he wanted to know, couldn't they create diamonds from human carbon? Herro bought into the idea at once. "As Einstein once said, 'If an idea does not at first seem insane, it has no hope,'" he says.

Herro points out. Each of the four partners sank \$25,000 into the venture, but it was Herro who did most of the legwork in the beginning—doing research into the technology of turning human carbon into diamonds, putting together a business plan, raising money, and recruiting a Russian-speaking associate as a contact to Russia's diamond industry—while the other three continued holding down their jobs. Today, he holds the CEO title at LifeGem (he is seen as the guy who can get things done), while his three co-founders—Rusty VandenBiesen, Rusty's brother Dean, and Herro's brother Mike—report to him.***The gift for detecting—and grabbing—unique moneymaking opportunities that have somehow eluded everybody else lies at the center of entrepreneurs' mental universe, according to academics and other experts. It is the most basic test of anyone's entrepreneurial mettle. If you lack it, all the drive, passion, quick-footedness, and smarts in the world won't bail you out of a life of professional servitude. The defining trait of entrepreneurs is that they notice things," says William J. Dennis, senior research fellow at the National Federation of Independent Business's NFIB Research Foundation in Washington, D.C. "They see opportunity. They smell it. Take the guy who came up with the absolutely simple idea of cargo containers for ships. He had been driving products to the dock and dumping them off. Somebody else would have to load them onto the ship. And he thought, 'Why not just leave the container?' Other examples Dennis cites include the paint roller, invented by Norman Breakey of Toronto in 1940; the Jersey barrier, the concrete separator used in narrow highway medians; and the marketing genius behind the Vermont Teddy Bear Company, who realized that you don't have to sell teddy bears as toys, you can sell them as alternatives to candy and flowers. Tim Faley, managing director of the Samuel Zell Robert H. Lurie Institute for Entrepreneurial Studies at the University of Michigan's Ross School of Business, has his own favorite examples. One is Henry Ford's famous inspiration to adapt the assembly line to automobiles. Another, lesser-known example is a Japanese company's development of a technology that reduced the range of its golf balls by half. This meant that people could give the ball the same energetic whacking on small courses as on large ones—a winner in a country with a dearth of real estate. It is important to note that the process of exploiting untapped opportunity comes in two parts: perception and action. How many times have you come up with brilliant ideas that never went anywhere beyond dinner-table conversation or idle late-evening fantasies? "A friend of mine coined the phrase 'Entrepreneurs are dreamers who do,' and I think that is what sets them apart," says Judith Cone of the Ewing Marion Kauffman Foundation. "Simple desire, or some catalytic event, puts them on this journey of tremendous work that requires commitment, stubbornness, perseverance, and the ability to live within paradoxes." Guy Kawasaki, the managing director of Garage Technology Ventures in Palo Alto, California, an early-stage venture capital firm for high-tech companies, has listened to hundreds of pitches over the years. He says it is not uncommon to meet Ph.D.s "who've been thinking and thinking and thinking for years but never actually starting doing anything." The trick, he says, is to stop thinking and start doing. Tom Peters, the bestselling business writer, he notes, called this "a predisposition for action." Like Dennis and Faley, Kawasaki says business innovators often hit pay dirt just by taking a fresh approach to the obvious. "Take Apple's iPod," he says. "It had a better industrial design than earlier model MP3 players, but that isn't rocket science. The product was tightly integrated with online sales, and that wasn't anything new. Anybody could have done both things at once, but no one did." Opportunities like this aren't always out of reach for the general public. In the early days of the Internet, how many people had the bright idea of starting an online auction house? Quite a few, probably—and Cone was one of them. She and a girlfriend used to sit around and talk about creating an Internet marketplace that resembled today's eBay. But while they were talking, Pierre Omidyar and his collaborators were out doing: raising money, getting licenses, hiring people, and building a business model. Faley has witnessed the same distinction between cafe chatterers and down-to-earth trenches doers. "I think of entrepreneurs as gladiators," he remarks. "They don't want to talk about the theory of sword wielding. They want to do battle. They want to be down in the arena and making the mistakes and getting dirty." Before he came to the Zell Lurie Institute, Faley started the University of Michigan's technology-transfer office in engineering. Over the course of three years, this office produced ten companies, including an Internet security company called Arbor Networks that was launched right at the tail end of the dot-com revolution but before anybody really cared much about security. "The founder, Farnam Jahanian, was a researcher in computer networking who could not quit worrying about the issue once he had written his paper," Faley recalls. "He was like, 'I can't walk away from this. I know what the answer is. I have to move it forward.' He persevered, and the company is flourishing today. William D. Bygrave, the Frederic C. Hamilton Professor of Free Enterprise at Babson College, outside Boston, argues that older people, like older companies, are less likely to spot and seize opportunities than younger people or start-ups. "If you know too much, the liability of sameness, the liability of staleness, the liability of knowing too much can blind you," he says. "Someone with the optimism of youth knows enough to know what can be done, but not enough to know that it can't be done." "I did raise venture capital in the late sixties," he says. "The innocence of youth! The optimism of youth! Had I known then what I know now about venture capital, I would never ever have tried to get it. Finding VC funding is rarer than

becoming a professional athlete. Lucky I didn't know that." Bottom line: Let your imagination run a little wild. Entertain nutty ideas. Look for business angles wherever you go. Frank Landsberger, a onetime business owner, venture capitalist, and university professor whose latest gig is investment banking (as managing director at CRT Capital, the largest privately held investment bank in the United States), considers entrepreneurs asocial, in the sense that they reject conventional wisdom. For example, conventional wisdom said the U.S. Postal Service worked just fine, but the founders of FedEx undercut that notion and built a huge business on doing something the post office never thought of trying: guaranteeing next-day delivery. The wonderful thing is that entrepreneurs don't have to come up with a brand-new technology, Landsberger says, just a different approach. "Look at the iPod," he comments. "Apple just packaged existing technology in a clever way. The MP3 player here was something the younger generation could really get into, and it was packaged in a way that made it a status symbol." People can have a breakthrough vision in low-tech areas, too. If you start a bridal shop, Landsberger says, you are buying yourself a job. If you plan to launch a nationwide chain of bridal shops, you are buying yourself a vision. (Funny he should say that—two of the people featured in this book are sisters who plan to launch the first nationwide chain of bridal shops.) "Or look at Toys 'R Us," Landsberger adds. "Same old toys, but it was a breakout idea to sell only toys and almost every toy you can think of at a discount and at high volume." "But let's face it—high-tech is usually better. At least it was for Peter Amico, who spotted an opportunity to introduce sophisticated naval technology to the commercial market. Amico is the founder of Airtrax, a company in Blackwood, New Jersey, that makes one of the weirdest, most innovative contraptions you've probably never heard of: omnidirectional vehicles. These machines roll along on four independently operated wheels, controlled by a joystick. By controlling wheel speed and rotation, either forward or reverse, the operator can move the vehicle laterally or diagonally, instead of swinging it around the way you would with a car. The vehicle simply stops going forward and moves sideways. You can even make them rotate full circle without leaving their spot. Amico loves showing off his first progeny, a forklift called the Sidewinder, to hot-shot executives at giant corporations, then watching them behave like boys in an amusement park. When he showed it to the vice president of Timken Company, a \$4.4 billion maker of bearings and specialty steels in Canton, Ohio, the executive whizzed around the factory floor before pronouncing the vehicle a "disruptive technology" because it was so innovative it was going to redefine the market. "About forty other executives were lined up to take their turn," Amico recalls. "I joked I was going to charge them 25 cents a ride." Amico didn't invent the technology; it was just hanging out there, waiting to be plucked by the first risk-taking opportunist who happened along. The U.S. Navy had bought it from a Swedish inventor and experimented with it for fifteen years, using five direct-current servo motors that cost \$4,500 apiece, or \$22,500 per vehicle. Not worth the price, the Navy concluded. Since the technology was declassified, the Navy opened it to commercial exploitation. Several companies took a look but gave it a pass, for the same reason: too expensive. If only much cheaper alternating-current motors did the trick. It was that "if only" that Amico bet his future on. The Navy sold the technology to Airtrax for \$2,500 as part of a so-called Cooperative Research and Development Agreement. (Just knowing how to dip into the federal government's CRADA pie is in itself a manifestation of the knack for spotting and seizing opportunity.) That could have been money down the tube, of course. Amico was aware the DC motors were too costly for a commercial vehicle and knew he'd have to find a less-expensive solution. "I got into a big fight with one of my electrical engineers over this, who said it couldn't be done," he says. "But we had no other choice. You can buy an AC motor for \$294. It was a major decision to get into the commercial market that I had to make." Sure enough, as computers became more powerful and sophisticated, Amico was able to use AC motors to run his vehicles. It took longer than he thought—nearly four years instead of just one or two. But it happened, and in March 2005, Airtrax produced its first ten commercial Sidewinders, the first of hundreds on order, with its Cobra omnidirectional scissors lifts not far behind. To enable Airtrax stock to trade publicly, Amico spotted yet another opportunity that nobody had noticed, this one veiled in U.S. securities law. In 1999, he did a reverse merger into a shell company, MAS Acquisitions, sidestepping the cumbersome and high-priced initial public offering route. It's an old trick, but he did it with a new twist: He had MAS merge into Airtrax, rather than the other way around. It was so unusual, he says, that the Securities and Exchange Commission signed off on the deal without asking any questions. Well, entrepreneurs do unusual things. The element of surprise is part of their secret. Omnidirectional vehicles—what would you think? Or diamonds from corpses—how can you top that? If anybody can, it is probably Mark Hughes, founder of Buzzmarketing, a consulting firm that teaches how to use word of mouth as a marketing tool. In itself, that is not all that novel a business concept. It is how he got there that makes Hughes stand out. Hughes kicked around in corporate America for a while with marketing stints at places such as Pepsico and America Mobile Satellite. An early hint of his creative potential was a commercial he made for Pep Boys Auto that showed a car screeching to a halt to avoid hitting a moose. The moose looked up and asked, "Did you buy those brakes at Pep Boys?" The driver said yes, to which the moose replied, "I appreciate it." Hughes made up buttons for employees at the company's 600 stores that pictured a moose and the words "Ask me about the brakes." Then came the Internet

explosion. Wanting a piece of the action, he surfed for unheralded ventures to which he could offer his services. He soon located a live wire named Josh Kopelman who was planning to launch a company called Half.com that would sell used books, CDs, and DVDs for half or less of their list prices. Not knowing how to contact Kopelman, Hughes sent endash;mails to scores of possible addresses, until two finally got through.Hughes talked himself into a partnership with five other condash;founders and was given the official title of ldquo;marketing gururdquo;mdash;the equivalent of vice president of marketing. ldquo;One day Josh told me, lsquo;I hired you for your persistence and your reacute;sumeacute; but now you might as well throw them out the window," Hughes recalls. ldquo;He said, lsquo;We need a huge idea to break through the clutter. We gotta launch our brand and prove to the venture capitalists that we are outndash;ofndash;thendash;box guys.rsquo;rdquo;Hughes scoured the Internet. He pored over lists of famous monuments. He thought up and rejected endless gimmicks, such as using the image of the Boulder Dam for an advertising campaign to ldquo;damn the high prices.rdquo; Then, inspiration: Somewhere in the United States, there must exist a town called Half or some derivation thereof. Why not pay the residents to change the name to Half.com?MapQuest showed forty towns with names that contained the word half, and he selected Halfway, Oregon, population 350. He got an appointment with the mayor to discuss what he called ldquo;joint marketing opportunities,rdquo; flew to Boise, Idaho, and rented a rig to make the four-hour drive through two feet of snow.Hughes sat down with the mayor for two hours and had a great conversation, but with one serious gap. Half.com was in a ldquo;quiet periodrdquo; mandated by securities laws for companies that plan initial public offerings of stock, so he couldnrst say what Half.com did unless the mayor signed a confidentiality agreement. And Hughes had forgotten to bring one along.Even so, he pitched the idea to a town meeting that night. Even without knowing what the company did, the people who showed up seemed interested.ldquo;I felt like the moon and stars were about to align,rdquo; Hughes says. But then, ldquo;a headline came out prematurely announcing the town was going to change its name. It was triage control. Factions were developing that came out against it. There were public hearings.rdquo;Finally, the town voted to rename itself Half.com for one year in return for \$100,000. Even then, most of the residents had no clue what the company they were renaming themselves after did. But the national publicity was instantaneous and massive. Half.com decided not to bother with a press release. And the idea was planted for a future company with the word buzz in the name.Largely as a result of all the fanfare, eBay called to inquire about Half.comrsquo;s plans and ask about its financial numbers. In 2000, five months after the IPO, eBay bought the company for \$300 million. ldquo;And this was after the Nasdaq crash,rdquo; Hughes says. ldquo;I did well.rdquo;He stayed at Half.com for another couple of years. In that period, Half.com put ads in 21 million fortune cookies a month. It made rubberized urinal screens with the message ldquo;Don't piss away half of your money. Head to Half.com.rdquo; When nightclubs said he couldnrst put the screens in their rest rooms, Hughes says, ldquo;We learned a good lesson: Donrsquo;t ask. We sent interns into the ninety hottest nightclubs in Manhattan to do it anyway. We got tons of publicitymdash;Fortune, 60 Minutes, the Wall Street Journal. It was all buzz. And it worked.rdquo;While still at Half.com, Hughes bought the Buzzmarketing Internet domain name for \$600. He figured he would soon tire of the corporate life, and he was right. In 2002, he started Buzzmarketing, a consulting firm that specializes in consumer marketing. Then he wrote the book Buzzmarketing: Get People to Talk About Your Stuff, which was published in 2005.***A common reaction to stories of those who have stumbled on treasure chests such as these is ldquo;How come nobody thought of this before?rdquo; Sig Anderman, who condash;founded and today is the chief executive of Ellie Mae, a provider of online connectivity to the mortgage industry in Pleasanton, California, was a young lawyer in New York in the early 1970s when he read a newspaper article about a group of firefighters and cops on Long Island, New York. They had started a business that offered discounted handyman services to home owners. Because they often had stretches of time off during the week, this was a good way for them to moonlight for extra money.ldquo;I thought the idea was intriguing,rdquo; Anderman says. ldquo;I thought about it, talked about it with one of my clients. It was a James Joycean process. Very detailed, very meandering.rdquo;Eventually, the two came up with the idea of offering homendash;maintenance contracts to home owners. Customers would pay a flat annual fee, and the company would handle all repairs, from plumbing to roofing to furnaces. They invested a few thousand dollars of their savings and created American Home Shield.ldquo;All you had to do was pay \$250 a year and somebody would take care of your house,rdquo;Anderman says. ldquo;You wouldnrst have to go chasing after a plumber at 3 a.m. on a Sunday anymore. It all seemed obvious. Yet nobody else was doing it. Or rather, they were doing it in pieces. Sears offered a contract to repair your refrigerator, General Electric to repair your stove, and so on. But nobody was doing the whole house."