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THE RICHEST ROAD

Have a compelling vision? Leadership skills? An understanding spouse? You just might be a visionary founder.

This is the richest road. Founding your own firm can create astounding wealth. Eight of the 10 richest Americans did this, including **Bill Gates** (net worth $81 billion), Amazon maestro **Jeff Bezos** ($67 billion), Facebook titan **Mark Zuckerberg** ($55.5 billion), Oracle CEO **Larry Ellison** ($49.3 billion), info magnate and former New York City mayor **Michael Bloomberg** ($45 billion), and Google wunderkinds **Sergey Brin** and **Larry Page** (around $38 billion each).[1] Close behind are gambling magnate **Sheldon Adelson** ($31.8 billion), Nike's **Phil Knight** ($25.5 billion), financier **George Soros** ($24.9 billion), **Dell's eponymous founder, Michael** ($20 billion), Tesla visionary **Elon Musk** ($11.6 billion), and many of the richest Americans from nearly every industry and angle.[2] Even better? These folks get wealthy and spawn rich ride-alongs, too. (See Chapter 3.)

This road works with scant restriction by industry, education, or pedigree—PhDs and college dropouts are equally welcome. Continental Resources founder and CEO **Harold Hamm** ($13.1 billion) was the son of Oklahoma sharecroppers, grew up dirt-poor, and never went past high school.[3] Instead he pumped gas, drove trucks, and learned the oil industry ropes. Now he's known as the "world's richest truck driver" and the titan of the Bakken shale.

Be warned: This road isn't for the fainthearted. It requires courage, discipline, Teflon skin, strategic vision, a talented supporting cast, and maybe luck. Those lacking entrepreneurial spirit needn't apply—nor fear-driven folks.

Make no mistake, it's tough. Few new businesses survive more than four years.[4] But starting a business *is* the American Dream. Succeeding is the realm of supermen and superwomen. The key to success is a novel twist making what you do different—the difference that works.

Are you a person who can't be stopped? Can you, as Phil Knight would say, "Just do it"? You must be great at your core business and the *business* of business. Vision alone won't do! You need acumen, charisma, tactical thinking, and leadership skills. I've never met a successful founder whom folks didn't want to follow. They're just super. They know their product cold. They're skilled at sales and marketing. They become great delegators. They also build a common culture into repeated waves of new employees so their firm takes on a life of its own beyond the CEO. This is a tall order.

Before you start down this road, you must answer five critical questions:

1. What part of the world can you change?
2. Will you create a new product or innovate an existing one?
3. Will you build a firm to sell or one to last?
4. Will you need outside funding, or can you bootstrap?
5. Will you stay private or go IPO?

PICKING A PATH

First question—what part of the world can you change? Make no mistake, founders create change, be it little or big. Ideally, you can create change where you're passionate. Change creates value even in lousy industries. Changing lousy to not-lousy is huge! Or if you aren't really passionate about something, it might be OK just to follow the money—focus on high-value areas. For this, flip to our Chapter 7 exercise on how to determine what fields are most valuable.

You can also focus on sectors likely to become more relevant—in the United States and globally. For example, service industries have grown tremendously—indeed, America's economy is almost 80 percent services.[5] Technology will become more critical, not less—count on it—and with it cybersecurity. Same with health care—good or bad economy, we still want ever more medication. Financials took it on the chin in 2008, but folks always need to invest and borrow—particularly entrepreneurs starting firms. These are all areas likely to become more relevant.

Pick a field that will only become more relevant.

Or flip this concept a bit and focus on industries likely to become less relevant. Now, I'm not forecasting what happens to any industry in the next few years, but long-term, firms in unionized fields (like autos and airlines) die a slow and painful death, have lousy stock returns, and ultimately get replaced by something—somehow, some way—that sidesteps unions. Maybe you want to start the firm that creates the change and does the replacement. Think: Which industries need an Uber?

Start Small, Get Bigger—Always Think Scalability

Starting small is best. Few set out to found the next Microsoft—they start tinkering with computers in Mom's garage. When I started my business, I started small. If you had asked me then if I'd be running a firm as big as it is today, I'd laugh. Start small, get bigger—always think about scalability. If your business is a hit, will it be foiled by its own success?

For example, a dry-cleaning facility is small. Demand is fairly inelastic—folks always need clean clothes, even in bad times. And it's easy entry. But for these same reasons, it's unlikely to grow into a massive national business—it lacks scalability. Dry-cleaning chains basically don't exist. How rich can you get owning one or a handful of local stores? Then again, maybe you become the person who cracks the scalability issue and figures how to create a huge dry-cleaning chain—sort of the Sam Walton of dry cleaning.

Start small—think huge.

Taco stands are tiny, like dry cleaners. Easy entry, too—just tortillas and a cart—but massively scalable. You wouldn't pull off the highway to visit your favorite dry cleaner, but you would to grab lunch at your favorite taco joint. For example, Chipotle was a tiny regional burrito joint in Denver. McDonald's invested, and Chipotle went national, then public in 2006. It did this by focusing on scalability and taking every advantage it could from centralized buying, mass advertising, and, yes, technology. Tiny into huge.

NEWER OR BETTER?

Next question. Entrepreneurs change the world in two basic ways: Creating something entirely new—filling a product or service hole—or making existing products better, more efficient. Which is for you? The entirely new crowd is like **Bill Gates** and late Apple founder **Steve Jobs**.[6] Or **Will Keith Kellogg**—creator of corn flakes and the cold breakfast cereal genre. Or **John Deere**, an iron-smith who invented the steel plow and one of America's oldest firms. Entirely new!

Your initial motivation can be more personal—maybe changing a small slice of your world. That can pay big. My friend Mike

Wood was an intellectual property lawyer frustrated by the lack of good electronic games to help his son learn phonics. Inspired by this product hole, he founded Leapfrog in 1995. When he stepped down nine years later, his stake was worth about $53.4 million.[7] When Mike isn't serious, he shows his creative side, doing a heck of a job playing guitar and singing cowboy songs. You may think you need an MIT degree to discern the next great product. The truth is, sometimes all it takes is having a need you believe others have, too—and maybe some creativity and cowboy songs.

If you can't visualize new products, try improving existing ones. Many of today's wealthiest entrepreneurs simply did a fresh take on something existing—improving performance, productivity, or profit margins—making it better.

Charles Schwab ($6.6 billion)[8] didn't create discount brokerage, but he made it widely accessible. The late Bose CEO **Amar Bose** didn't invent stereo speakers. He made them sound awesome. WhatsApp cofounders **Brian Acton** ($5.4 billion) and **Jan Koum** ($8.8 billion) didn't dream up mobile messaging—they made it easy, secure, and international.[9] The Crocs cofounders didn't invent boating shoes—they made them insanely ugly and inexplicably popular. With a market cap over $620 million,[10] the Crocs founders are laughing all the way to the bank (wearing ugly shoes). These folks found new, more profitable ways to deliver old functions—which generated wealth, created jobs, and aided our nation's growth. Simply stupendous.

Efficiency and lower costs through building proprietary distribution is another way to innovate. That was Walmart founder **Sam Walton's** way—the low-cost provider. His vision left his three surviving children a legacy of over $35 billion each.[11]

You could try the reverse of Walton's way—intentionally make something simple really, really expensive. Like **Ralph Lauren** (net worth $5.9 billion),[12] founder and CEO of Polo, with his pricey, profitable eponymous clothing line. He's branched into outdoor wear (he regularly designs US Olympic gear and at one point outfitted Aspen Skiing Company's ski patrol[13]—how upscale can you get?), as well as home furnishings, fragrance, and even something as simple as house paint. Lauren discovered a great branding strategy could persuade rational people to pay huge premiums for the most basic men's pants. Go figure! **Vera Wang** is another fashion innovator who built a fortune taking traditional white wedding dresses to extremes. Some gowns run more than $20,000, with huge profit margins. This takes a convincing, innovative brand—tough to do!

You must choose—fill a product hole or innovate on an older theme?

BUILT TO SELL OR BUILT TO LAST?

Third key question—what are your future plans? Is this firm one you'd like to make last for generations? Or is it one you want to build, grow, sell, and walk away from? Either is fine. There's nothing wrong with building a business you don't want to run forever. Some folks want a legacy. Others just want to cash in. The average founder won't want to do what it takes to create a legacy. But lots of founders have the stuff to build a business and sell it for $5 million, $20 million, even $500 million, and move on. Up to you!

Built to Sell

Building to sell is easier. Succession management is less of an issue. You find some enticing product hole or improvement. Then you think like a buyer—"What would make someone want to buy me out?" Answer: profits or profit potential. Also, your business must be transferable—which means you must be replaceable. Building to sell may make you wealthy but generally doesn't create mega-wealth—and that's fine. Remember those Nantucket Nectars commercials? "Hi, I'm Tom. And I'm Tom. We're juice guys." The "two Toms" started serving homemade juice to tourists from their little boat in Nantucket in 1989. In 2002, Cadbury Schweppes envisioned huge profit potential, selling a burgeoning brand through their already-huge existing distribution channels. It bought them out for $100 million.[14] Neither Tom is on the *Forbes* 400, but they're likely satisfied with their lot.

Build a firm to sell or to endure. Both are lucrative.

Californians recall H. Salt Fish & Chips—a British-style fish-and-chips joint that was huge in the 1960s. H. Salt was and is a guy—Haddon Salt. He and his wife moved to California from Britain and brought their fondness and recipe for deep-fried cod with them. This small, deep-fried firm was eventually built into something regionally huge. When Salt sold to Kentucky Fried Chicken in 1969, there were 93 franchises.[15] Today, only 17 remain.[16] What does Salt care? He took his money and retired long before that. Now he spends his spare time playing the most wickedly wonderful electric violin you'll ever hear. Founder CEOs tend to blend creativity and passion. (The violin Salt plays comes from Chapter 9's Grover Wickersham, who ran Zeta Music.)

Businesses often get sold and then implode or disappear. Starbucks bought Bay Area bakery chain La Boulange for a cool $100 million in 2012, closed all 23 locations in 2015, but kept their tasty treats in Starbucks' pastry displays.[17] That doesn't diminish the founder's accomplishments. If the buyers blow it up, that's their fault—not the founder's. Sometimes, all the buyer wants is the intellectual property. Still a fine legacy! If you build a business to sell, don't fret afterward. (Speaking of afterward, many start, build, sell, and retire only to discover—too late—it was the challenge of working that kept them happy. Just ask Minecraft creator Markus "Notch" Persson, who sold to Microsoft for $2.5 billion, only to realize going to work every morning was more fulfilling than kicking it with the glitterati in Ibiza.[18])

Built to Last

If you'll forever fret your business's fate and want a lasting legacy, build it to last—the very pinnacle of success. Problem is, you may never live to see it. Herbert H. Dow was long dead by the time Dow Chemical became America's third, second, and finally largest chemical company. But his legacy enriched generations of his family, Dow employees, and their families.

When I was a kid, my father idolized Herbert Dow. I grew up hearing Dow quoted endlessly. To me, Dow was bigger than life. Early on, Dow made inorganic chemicals, originally bleach—efficiently making basic commodity building blocks cheaper than others, underpricing and gaining market share year-to-year. Dow's focus was still alive when I was young. Dow was number one in inorganics and number five in US chemicals. Today, Dow is number one in America and number two in the world. If you can be satisfied in your grave, surely Herbert Dow must be. That's legacy!

I've tried to build much of what I learned from my father about Dow into my own firm, despite my firm not being in commodities or manufacturing. If I were writing a book solely on how to build an enduring firm, Dow's philosophy and life lessons would be central to it. For example, Dow emphasized investing heavily during your industry's down-cycle because he knew his competitors didn't have the courage to do it. The benefit? On the next up-cycle, Dow had new, modern, low-cost, efficient capacity to take business away from the less courageous.

Another Dow-ism was hiring young people, straight from school, and leading them to become part of Dow's culture permanently by building lifelong career paths. The benefit? Loyalty, commitment, and corporate culture you can't otherwise have. One of his great quotes was (and my father repeated this endlessly), "Never promote a man who hasn't made some bad mistakes; you would be promoting someone who hasn't done much."

In an era before today's social nonsense (where "ideal" boards of directors are dictated by government agencies and law), Dow was committed to a board of former insiders. Share-owning retired Dow executives who could no longer be fired were fiercely loyal yet free from the CEO's power. They also knew where the bodies were buried and who had buried them, so they could find out anything fast. That basic board structure was still mostly intact when I was young five decades ago. The benefit? No future CEO could pull the wool over the board's eyes. Internal problems couldn't be hidden. If Enron had been like that, it wouldn't have rotted as it did. Dow knew 80 years ago that an outside board (today's required norm for a public stock) is largely useless.

If our society had the sense Dow had, we'd all be better off. Skip outside directors if you can. It's better. Outside board members like it, but the value they add is really zero. You can hire or befriend all the advisers you may ever need—you don't need them on your board.

To build to sell, think like a buyer. To build to last, think like an owner.

Culture or Cult-Sure

Among the most important tasks you as a founder have in building to last is creating an enduring culture that maintains your strategic vision long after you're gone. Fail and your successor may fold and sell to the first viable buyer or morph your firm into some bastardization.

My firm started in the woods where few would suspect—on a mountaintop above San Francisco's peninsula. I've lived my life in forests and see them as a benign and peaceful work environment. Years back, as we started growing into a larger firm with more employees, industry locals would refer to us derogatorily as "the cult on the hill." I don't know if I'll get my way or not, but if I do, long after I'm dead they'll refer to us as "the cult-sure," because if you're trying to build something lasting you must have a culture so "sure" that no person, event, economic cycle, or social trend can knock it off course. That's what Dow did.

BOOTSTRAP OR FINANCE?

Fourth question: Capital intensive or not? Another way to think about that: Will you require equity financing from outsiders that dilutes your ownership, or will you largely be able to bootstrap—financing growth from recycled profits plus bank borrowing?

Capital-intensive businesses tend to be in categories like industrials, manufacturing, materials, mining, pharmaceuticals, technology, and biotech. Noncapital-intensive ones tend toward providing services—financial firms, Chapter 7's money managers, consulting, and maybe software. But even noncapital-intensive industries may want to start with big bucks. The advantage is that you start bigger, faster. Bootstrapping requires patience and can be a long game, starting small and pouring profits back into the firm to self-finance growth—requiring patience plus.

Don't be beholden to venture capitalists. Bootstrap all you can.

It sounds grand to "start big," but be warned: Venture capitalists know the startup game far better than you ever will. They fund endless deals. You'll do one or a few in your life. They aren't funding your firm for charity, but for ownership and more than their share of profits. They can create a game plan, so by your firm's second or third financing round, they own much more of your firm than you ever imagined possible. Analysts value Uber at over $62 billion but peg founder **Travis Kalanick's** share at just 10 percent.[19] *Forbes* puts his net worth at $6.3 billion.[20] Not chump change! But not $62 billion.

Bootstrappers can do whatever they wish with cash flow and needn't kowtow to outsiders' wishes. If you can avoid venture capitalists, do it. (Should you decide to go the VC route, I needn't waste your time telling you how. There are myriad books already available.)

PUBLIC OR PRIVATE?

Finally, do you want to build a publicly traded firm or a private one? When folks think of a CEO, they usually think of heads of public firms like Bill Gates or the late Steve Jobs—mega-names, mondo firms. But the vast majority of firms are private. That's better, in my view. This is like choosing between outside funding or bootstrapping. Generally, firms go public to raise capital—selling their souls to the public. But like getting VC funding, you must wrangle with owners besides yourself—now maybe millions of them! Unless you're Mark Zuckerberg, who negotiated a special share class leaving him with full control of Facebook as minority owner, but he's the exception that proves the rule.

Folks idealize the initial public offering (IPO), imagining endless riches. While a tiny percentage of IPOs have been spectacular—like Google, Microsoft, and Oracle—overwhelmingly most are losers. As detailed in my 1987 book, *The Wall Street Waltz*, IPO usually stands for "It's Probably Overpriced." Most IPOs disappoint afterward. And as the founder-CEO, for you, headaches have just begun. From then on as a public stock, you are beholden to strangers and public rules, forever and ever, amen. You share control with them, regulators, and courts—all sometimes fickle mistresses. Now they even vote on your pay!

Less so if you're private! **Fred Koch** founded Koch Industries in 1940. Huge and awesomely successful, Koch is possibly the world's largest private company, with estimated annual sales of $100 billion.[21] Besides having smarts and sharp business acumen, Koch loathed commies—another trait making him dear to my heart. Before founding his firm, Koch built refineries in the Soviet Union, where he fired most all the Soviet engineers, replacing them with non-commies.[22] Love it!

Despite a terribly tough industry with global competitors of massive scale and clout and annoying governments everywhere, Koch thrived. His sons David and Charles now run Koch—each worth $42 billion.[23] They are successes in their own right. Surprisingly, they're about the nicest guys you could ever meet. And they have no need to go public. **Charles Koch** has said Koch will go public, "literally over my dead body."[24] Hopefully, his son Chase, who stands to inherit significant ownership, feels likewise.

I share Charles's views. Shopping in my local supermarket, sometimes I'll see local clients. They expect I'll give them time—and should. I'll chat as long as they want because we both willingly entered and remain in a business relationship—a 50/50 deal. They didn't have to hire us, and my firm never had to accept them as clients. It was a mutual choice. We made a deal. They get my time.

Not so with public shareholders. As CEO of a publicly traded firm, you have no control over who owns your stock. Anyone—the nastiest little snark from Rip-offsville with an online brokerage account and an urge to pester you in the frozen food section before suing (see Chapter 6 on pirates)—becomes your owner. You can't talk to them. Their interests are often harmful to your longer-term vision and your firm's health. They may only care about the stock next week.

Who runs your firm? You, or John Q. Public, courts, and regulators?

Sometimes to do the right thing for your firm's future, you must make costly decisions that could hurt earnings and stock prices in the here and now. Today's public is often short-term oriented. And you can't tell anyone anything in the supermarket you don't tell everyone, or you and your firm are in legal trouble. So in the dairy aisle you smile, shake hands, shut up, run like hell, and hide.

If you can, it's best to remain private and see only customers and vendors at the supermarket. That doesn't mean I don't like public stocks. I do—my business is built on investing in them—I just never want to run one. You shouldn't, either.

THE BIG BULL'S-EYE

There's great satisfaction in building an empire and employing others. But there are downsides—the bigger you get, the more people attack you. The truly successful develop sharkskin and an ego requiring scant maintenance.

You're ridiculed from the start. Since your novelty is new or different, it isn't from the established order. Most folks can't envision it as you do, and will think you're a bit crazy—until after your firm is seen as a success. Then you'll be hailed as a visionary. This is true of almost every radically successful founder. The bigger the success, the more they were ridiculed early on. Steve Jobs called them "the crazy ones" for a reason.

On this road, you will be seen as crazy, too. When my firm started doing direct-mail marketing (which I prefer to call *Junk Mail*) for high-net-worth investors, industry experts said we were nuts. Ditto when we started Internet direct marketing—wouldn't, couldn't work! No one would respond to advertising like that and become clients! Next came radio, print ads, and TV. We launched a webzine, MarketMinder.com, that didn't pitch our services, simply to educate and empower investors. They all worked, which is a part of how we built my firm. But most everyone "in the know" thought we were daft. When we started doing it in other countries, their pundits said, "Maybe it will work in America, but never here." Now it works all over Western Europe. Just examples. Whatever you do, if it really works, everyone will think you're crazy until you're a proven success.

Later, success attracts attackers who are increasingly vicious and often dishonest for their own self-interested reasons. This starts for you somewhere between 100 and 600 employees, depending on what you're doing—but probably long before you have mega-wealth. And you must be tough in response, taking on your attackers and beating them into submission. I promise—guarantee—the bigger your firm, the more you succeed, the more you'll be attacked by petty, snarky parasites. Some want money. (Why not? They can't create their own.) Some sue for slights, real or imagined, personal or social. Others attack to steal customers.

This isn't the Coke versus Pepsi wars, or those cute Apple computer ads where the Mac is a young, energetic kid and the PC is bespectacled and portly. That's normal competition. No, this is ill-intended, slanderous, and duplicitous lies aimed at siphoning a sliver of customers and keeping you from getting more. A different kind of normal! They're small and petty, so to make it pay, they need only convince a gullible few who can't see they're being duped with lies. You must deal with it. Or you will lose. Real founder-CEOs don't lose.

Hackers, Mobsters, and Embezzlers

My firm, like everyone else's, has had to thwart covert attacks from every slimy angle—I've seen it firsthand, including small-scale competitors and rogue operators at large firms, wannabe embezzlers, securities criminals, and even the Russian mafia—all normal and all wanting to get our clients' money. Former employees, too! And they all work with the media, trying to create stories that slam your firm's reputation to shake some of your fruit off your tree. Then, too, every major firm today suffers dozens to hundreds of daily attempts by computer hackers trying to break through the firm's external firewalls to snatch customer information for the purpose of account or identity theft or embezzlement. These aren't nice guys. You, as founder-CEO, must be tougher than they are.

You will be sued, attacked, and sued again. It comes with the territory.

Employee and customer class-action lawsuits are standard. Any firm, once big enough (more than $30 million in payroll), will start getting these. The plaintiff's lawyer usually is just a pirate—a shakedown artist—wanting to be paid to go away (see Chapter 6). The lawyers are the big beneficiaries, not the employees or customers. They never accept that your employees didn't have to come work for you—but did by choice, relative to less favorable alternatives. They never accept that customers didn't have to buy your product, but did so because they found it the best alternative. The parasites always—always—act self-righteously. A founder-CEO must harden himself or herself to simultaneously keep focused on customers, employees, and product superiority while finding some good bug spray. For this, I recommend hiring plaintiff's lawyers for legal defense work. They know the tricks of the pirate trade better than nonpirates. I'd hire the very best pirates around, make it worth their while, and buy them endless rum. Arrr, matey!

Keep "Just Doing It"

Nike's **Phil Knight** is a perfect example. First, no one believed he could do it. He built a huge, successful multinational firm and offered great, cutting-edge products—creating thousands of jobs globally.

In the 1960s, Japan was to the United States what China is now—a source of cheaper goods. (Then, we griped about Japanese outsourcing like we do now about China.) Then, American running shoes were heavy and uncomfortable. Germans had light, comfortable, but expensive designs—about $30 a pair (which, with inflation, would be $242 today).[25]

A garden-variety track runner with a passion for Japanese culture, Knight wrote a business school paper titled "Can Japanese Sports Shoes Do to German Sports Shoes What Japanese Cameras Did to German Cameras?" Or, could Japan produce a superior design far cheaper?[26]

Knight cut a deal to import Japanese knock-offs of great German shoes, selling them from the back of his run-down car.[27] That valiant little firm (start small, dream big—and scale it up) became Nike. No one believed his cheap shoes were any good, except customers, who are all that really matters. If others in the industry could have figured this out, they would have already done it. But since they didn't, they didn't see why it would work for Nike.

Early on, Nike targeted serious athletes. But few of us are serious athletes. We just have feet. Millions of weekend-warrior feet! Millions more couch surfers—all potential Nike feet. How to get them to want Nikes? Knight got a talented young Michael Jordan to agree to wear Nikes. Suddenly, everyone wanted to "be like Mike." Celebrity marketing hadn't really caught on yet on a big scale—taking an athlete's personality and making it the face of a brand. From there, Nike became a branding machine. Suddenly, it was cool to sport the Swoosh.

But, naturally, with success, Knight was attacked. To keep Nike's designs inexpensive, Knight used factories in emerging markets. Classic Adam Smith! Classic target of anti-capitalist **Michael Moore**. In his crockumentary *Downsize This!*, Moore complained that conditions were harsh in Nike's overseas factories. Journalists piled on, calling for a Nike boycott for "outsourcing" and its alleged factory worker abuse. Knight's attackers wanted a sensational story—plus, they had a social agenda to advance.

They had their viewpoint. Knight had his. His was: Though working conditions in his overseas plants might not be up to middle-class American standards, those workers didn't have to take those jobs. They did so out of free will. And, in general, Nike's factory workers earned far more than their compatriots[28] and had better benefits—on-site clinics, schooling for employees' children, and more. They took those jobs because they were better than alternatives. None of that, of course, slowed the attackers. He got attacked from myriad sources, including his alma mater. Knight remained resolute that he was right—that the overseas plants were necessary to deliver good-quality, inexpensive shoes.

Here's my point: Knight could have fatigued and sold out—tiring from getting attacked. After signing Jordan, he could have stayed solely in sneakers and been an attractive takeover target.

Selling out then, he wouldn't have hit the *Forbes* 400, but he'd be plenty wealthy and wouldn't get annoyingly attacked anymore. He wouldn't have shareholders to answer to. He could shop in peace. But he didn't cave—luckily for Nike's employees, shareholders, and anyone who likes buying competitively priced sneakers. He toughed it out and kept building, adding products beyond sneakers, overcoming his attackers eventually. Knight built Nike to last. Few have his grit and enduring quality. Do you?

FOUNDERS ARE QUITTERS—JUST DO IT

So you want to be a founder. Then don't be stopped. Quit everything else. Founders are quitters first. If you've got a job, quit. Find a way to sustain yourself and just do it. If you're in college, drop out. If you're president of the United States, resign to make something useful of yourself and hand the front-door key to that little VP twit you picked because you had to pick someone. Just do it. Quit. Founders quit before they found.

Once you quit, it's quiet. No one to bug you but your spouse and kids. Find a quiet place to work. If you live in a studio apartment, wall off a corner with blankets to keep your spouse at bay. Find space—doesn't matter where. You'll work more out of your briefcase and laptop than anywhere else at first.

I only offer certain suggestions about how to be a founder because lots have been written on entrepreneurialism. My first suggestion, if you haven't done so, is read a few books. Good ones to start with are:

- *Innovation and Entrepreneurship* by Peter Drucker. A great overview of what every entrepreneur needs to know to succeed.
- *Entrepreneurship for Dummies* by Kathleen Allen. A good introductory how-to on everything tactical you must know to start a business, particularly when and where you need a lawyer.

- *Beyond Entrepreneurship* by James C. Collins and William C. Lazier. This covers how to take your relatively new business to the next level and move toward building a great firm.

Take your books and go to your blanketed-off quiet space. I assume—if you haven't been stagnating in the upper Amazon basin, rapidly fleeing humanity—you've got, and are comfortable with, a laptop. Get a boxy, functional, nonfancy briefcase. Now sit in your quiet space a while. Notice how quiet it is? That's because there's nothing going on there. So put the laptop in the briefcase with one of those books. Now get out of your quiet space. Go.

Gene Watson founded myriad laser companies, including, in the 1960s, industry pioneers Coherent Radiation and Spectra-Physics. During a laser deal we did together in the 1970s, he drummed into my head: "The problems are in here; the opportunities are out there." Get out of your quiet space and go where you think the opportunities are. If you don't know where to go, stop at a park somewhere. Get out your laptop and figure out 20 likely customers. Rank them in order of importance. If you can't fathom 20 likely customers, something is off and you need to go back and start this chapter over again—or take another road.

Now take the three lowest-ranked of your 20—not the highest—and go talk to them about your idea. While you're there, ask them for money in exchange for some future interest in using the results of your idea. Why will they see you? Because you're *Just You*, founder and CEO of *Whatever-You-Call-It*, which has novel ideas that could help *Whoever-They-Are*—because those ideas will change their world.

Don't see your most important prospects first. You're not ready—you don't have your strategy down enough yet. Better still to think up prospects number 21 through 40 and see them first, rather than blow up with your most important prospects. But go. Talk. Ask. Listen. Do it. The next steps of your initial business plan will come to you as you keep making such calls. Don't register with your state business licensing officer yet. Don't hire a lawyer or incorporate *Whatever-You-Call-It* yet. Don't rent office space. Or raise money—yet. Get customer interest first.

Why did I tell you to put one of the books in the briefcase? Because you can't fill all your time with customer appointments, so spend the time in between booking more appointments and reading the book. Reading the book will make you think more and more about what you're doing—founding a company. The appointments will tell you what to do next. If you can get a customer to commit money in exchange for a future interest in the results of your idea, you can fathom what's next.

Once a Quitter, Always a Quitter

Now is the time to remember, once again, you're a founder and hence a quitter. So quit again. Since your basic idea is novel and useful, the customer interest you discovered is just an indication of greater interest for your novel approach to solving their problem. So quit calling prospects and delegate. Hire a salesperson to approach your prospects. Doing so makes huge sense. First, you need someone to generate sales. Second, you pay your sales rep a commission, which means no up-front cash (which you don't have). Third, if he or she sells, you can focus on other things (all of which you want to quit, except being CEO—until you're ready to quit that, too, and become CEO emeritus).

Many salespeople want base pay. Forget it—and them. You want someone who gets your enthusiasm, vision, and hopes to be ground-flooring onto something big, so someday, he or she is national sales manager of a vast enterprise. The right salesperson is only a little less entrepreneurial than you are and is otherwise a ride-along (see Chapter 3), hoping to get wealthy on your coattails.

Remember, "The problems are in here; the opportunities are out there." Now that you have a sales rep, go back to your quiet space and notice . . . still not much is happening there. So quit that and hire someone to sit in your quiet space in case anything does happen there. Someday you hope lots will, and you'll call your quiet space "headquarters" and it won't be quiet anymore. Hire someone to be there. It shouldn't be you. Stay out where the opportunities are. Keep seeing prospects and customers. That keeps you close to your market.

The trials and triumphs of quitting.

Quitting won't be easy. Your company is your baby, your passion, your net worth, your life's work. You'll want control, especially as you grow and hire more people who think working for you is "just a job" and can't fathom why you live and breathe your business.

Not all your employees will be as into your firm as you are. That's OK! Accept it. But a few will feel just as invested as you do. You want to find them, nurture them, keep them—they're the ones you will hire to backfill you whenever you quit Role X.

I've been blessed with several such folks at my firm, and they've let me quit many roles since I started out. Hardworking, loyal, trustworthy ladies and gents who just "get it." My three-star generals. The more loyal generals you can cultivate, the more you can quit—and you'll be more successful and happier for it. I just quit being CEO and couldn't be more thrilled. Someone else gets the hassle of running the business, and I get to do what I always loved most—overseeing portfolios and blue-sky strategy, interacting with clients, and writing. I'll never quit that.

To fully enjoy being a founder, quit whatever you find humdrum. Quit whatever someone else could do better. Focus on the parts you love. You'll be happier. Your employees will be happier. Your happier employees will serve your clients better. Everyone wins.

Just a Walk in the Park

There's lots to do out there. Go back to that park bench and pull out your laptop. Make a list of all the functions you think you'll need to have back at headquarters once it isn't quiet anymore. The *Entrepreneurship for Dummies* book helps you with this list if it's in your briefcase. Think of one person who can handle maybe half those functions, even if imperfectly—hire that person with a title like operations VP. It's ideal if this person has skills that might regularly crank out your novelty (whatever it is). This person's job is to take orders your sales rep gets and turn them into noise so your quiet space isn't quiet.

When you wake up in the morning, ask, "How do I get out of my not-so-quiet space?" Then turn to your sales rep and operations VP and say, "What can I do to help you today?" Then call 15 prospects and say, "What can I do to help you today?" This is all so simple, it's hardly justifiable to put in a book.

One day you wake up and do everything from the previous paragraph. Then you turn to your sales rep and say, "It's time we hire another sales rep—one you could train and manage so we could have more noise for our operations VP." So do it. Of course, that day you also call 15 prospects, as always, just to do it.

Maybe you're a faster quitter. If so, hire folks to do all the other functions on the list you made that second day on the park bench. Marketing, post-sales service, product development, recruiting—whatever—every function on your list. And each time you hire someone, you quit that function. Then ask those people every morning, "What can I do to help you today?" If they actually want you to do something, fine, do it. But the next day, quit and hire someone to do that thing.

This is what an entrepreneur does. It isn't rocket science. If you do what I've described, you're a founder-CEO—just one of a small firm. If you want to become a bigger-company CEO, read Chapter 2—about the road to riches as a CEO—which is about building a company into more than what it was—because as founder, that's where this road ends. So quit this chapter and on to the next.

The Guide to **Being a Founder**

Starting a business is the American dream. But most new firms fail within four years. How do you succeed instead? Follow this guide.

1. *Pick the right road.* Which part of the world can you change? Select an area that will remain relevant or one you can fathom steering out of irrelevancy.
2. *Start small, dream big.* Don't dream of being like Nike. Find an area that needs changing or improving, no matter how small. But think in terms of scalability.
3. *Innovate or improve.* Create something novel or improve something, or do both. Novel is a marvel, but it's OK just to be a better, faster, cheaper, more profitable version of an old version.
4. *Build to sell or build to last.* These are two different mindsets and are done differently, so decide early if you can. Each option has separate considerations. And you can build an empire and later decide to sell. But building to last means thinking like an owner. To sell, think like a buyer.
5. *Bootstrap or find financing.* If your business is capital-intensive, you need outside funding, but if not, you have a choice. Venture capital is for "building to sell," because your investors like liquidity. Bootstrapping is better if you want to build to last and allows more freedom. But you can go either way.
6. *Go public or stay private.* Going public has prestige but is a pain. Try to stay private. Again, staying private offers more freedom, control, and free time at the deli counter.
7. *Ignore naysayers.* The bigger you are, the more you'll be attacked. So build up your toughness.
8. *Be a quitter.* Founders are quitters, so just quit. Find a quiet space and notice there's nothing going on there and quit it. Keep quitting until it isn't quiet in your quiet space. Find a vital function and quit it.
9. *But never quit your clients.* Stay with your prospects and customers even when you have great sales representatives. You never, ever get to quit clients or potential clients, or your business goes poof.