

# How I Did It

10 Entrepreneurs, 10 Stories:  
Success, Failure, and Lessons Learned



**Inc.**





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# EDITOR'S LETTER

**First, a little history.** How I Did It was conceived in 2003 by John Koten, a former *Inc.* editor in chief who saw the need for a short, as-told-to article about an entrepreneur who had made big things happen. In choosing subjects for this feature, industry didn't matter, location didn't matter, gender or race didn't matter. What mattered was the story of an entrepreneur's journey, often from humble beginnings and almost always to national prominence.

Overnight, How I Did It became one of *Inc.*'s most beloved and durable features, ranking high on subscriber surveys and on Inc.com. Now in its ninth year, it continues to draw readers to its simple format and personal tales of entrepreneurship. For those readers in the throes of starting or running a company, it offers dramatic proof that though every entrepreneur has a distinctive style and way of seeing the world, success comes to those whose focus is on quality and execution.

How I Did It has been much imitated by other publications, which we take as a compliment. But it began with *Inc.*, and with *Inc.* it stays.

We hope you enjoy this introduction to the magazine. Our aim, always, is to be the premier source for inspiration, information, and strategic advice about starting and running an entrepreneurial venture.

Welcome to the *Inc.* community of readers. We wish you great success.



**Jane Berentson**  
Editor



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COVER AND THIS PAGE (CLOCKWISE FROM TOP, LEFT): CHRIS CRISMAN; ALLAN PENN; MEREDITH JENKS; JOHN KEATLEY; JEFF MINTON; JESSE CHEIMAR; ROBBIE ACCAGNAN; JEN SISKI; TONY BORDITTI; JEFFREY SALLER

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## The Real Deal

His restaurants are Spartan. And Jerry Murrell never advertises. Instead, he prefers to spend on worker bonuses and fresh ingredients.



# JERRY MURRELL

## FIVE GUYS BURGERS AND FRIES

### THE SECRET RECIPE: KEEP IT SIMPLE

Sell a really good, juicy burger on a fresh bun. Make perfect French fries. Don't cut corners. That's been the business plan since Jerry Murrell and his sons opened their first burger joint in 1986. When they began selling franchises in 2002, the family had just five stores in northern Virginia. Today, there are 570 stores across the U.S. and Canada, with 2009 sales of \$483 million. Overseeing the opening of about four new restaurants a week, the Murrells are proof that flipping burgers doesn't have to be a dead-end job.

#### AS TOLD TO LIZ WELCH

PHOTOGRAPH BY CHRIS CRISMAN

*This article originally appeared in the April 2010 issue.*

**There was this little** hamburger place where I grew up in northern Michigan. Almost everyone in our town, except the uppity uppities, ate the burgers. Even though the owner had a cat, which he'd pet while cooking. People called them fur burgers, but they still ate them because they were good.

**I studied economics** at Michigan State. I had no money and needed a place to stay, so I ran a fraternity house's kitchen. I got the cook a raise and let her do the ordering. We started making money, because she knew what she was doing.

**My parents died** my last year in college. I married, had three kids, divorced, then

remarried. I moved to northern Virginia and was selling stocks and bonds. My two eldest sons, Matt and Jim, said they did not want to go to college. I supported them 100 percent.

**Instead, we used** their college tuition to open a burger joint. Ocean City had 50 places selling boardwalk fries, but only one place always has a 150-foot line—Thrashers. They serve nothing but fries, but they cook them right. That impressed me. I thought a good hamburger-and-fry place could make it, so we started with a takeout shop in Arlington, Virginia.

**Our lawyer said,** "You need a name." I had four sons—Matt, Jim, Chad are from

my first marriage, and Ben from my second to Janie, who has run our books from Day One. So I said, “How about Five Guys?” Then we had Tyler, our youngest son, so I’m out! Matt and Jim travel the country visiting stores, Chad oversees training, Ben selects the franchisees, and Tyler runs the bakery.

**Three days before** we opened, I was still working as a trader in stocks and bonds and was in a hotel for a meeting in Pittsburgh. I found a book in the nightstand, next to the Bible, about JW Marriott—he had an A&W stand that he converted and built into the Hot Shoppes chain. He said, Anyone can make money in the food business as long as you have a good product, reasonable price, and a clean place. That made sense to me.

**We figure our best** salesman is our customer. Treat that person right, he’ll walk out the door and sell for you. From the beginning, I wanted people to know that we put all our money into the food. That’s why the décor is so simple—red and white tiles. We don’t spend our money on décor. Or on guys in chicken suits. But we’ll go overboard on food.

**Most of our potatoes** come from Idaho—about 8 percent of the Idaho baking potato crop. We try to get our potatoes grown north of the 42nd parallel, which is a pain in the neck. Potatoes are like oak trees—the slower they grow, the more solid they are. We like northern



COURTESY COMPANY

**Burger University** Jim Murrell, left, put his tuition money into the business.

potatoes, because they grow in the daytime when it is warm, but then they stop at night when it cools down. It would be a lot easier and cheaper if we got a California or Florida potato.

**Most fast-food** restaurants serve dehydrated frozen fries—that’s because if there’s water in the potato, it splashes when it hits the oil. We actually soak our fries in water. When we pre-fry them, the water boils, forcing steam out of the fry, and a seal is formed so that when they get fried a second time, they don’t absorb any oil—and they’re not greasy.



**“We had a sign: ‘If you’re in a hurry, there are a lot of really good hamburger places within a short distance from here.’ People thought I was nuts.”**

**The magic to** our hamburgers is quality control. We toast our buns on a grill—a bun toaster is faster, cheaper, and toasts more evenly, but it doesn’t give you that caramelized taste. Our beef is 80 percent lean, never frozen, and our plants are so clean, you could eat off the floor. The burgers are made to order—you can choose from 17 toppings. That’s why we can’t do drive-throughs—it takes too long. We had a sign: “If you’re in a hurry, there are a lot of really good hamburger places within a short distance from here.” People thought I was nuts. But the customers appreciated it.

**We have never** solicited reviews. That’s a policy. Yet we have hundreds of them. If we put one frozen thing in our restaurant, we’d be done. That’s why we won’t do milk shakes. For years, people have been asking for them! But we’d have to do real ice cream and real milk.

**When we first** opened, the Pentagon called and said, “We want 15 hamburgers; what time can you deliver?” I said, “What time can you pick them up? We don’t deliver.” There was an admiral running the place. So he called me up personally and said, “Mr. Murrell, everyone delivers

food to the Pentagon.” Matt and I got a 22-foot-long banner that said ABSOLUTELY NO DELIVERY and hung it in front of our store. And then our business from the Pentagon picked up.

**When we first** started, people asked for coffee. We thought, Why not? This was our first lesson in humility. We served coffee, but the problem was that the young kids working for us don’t know anything about coffee. It was terrible! So we stopped serving coffee. We tried a chicken sandwich once, but that did not work, either. We do have hot dogs on our menu, and that works. But other than that, all you are going to get from Five Guys is hamburgers and fries.

**Our food prices** fluctuate. We do not base our price on anything but margins. We raise our prices to reflect whatever our food costs are. So if the mayonnaise guy triples his price, we pay triple for the mayonnaise! And then we’ll increase the price of our product. About five years ago, hurricanes killed the tomato crop in Florida, and prices went from \$17 to \$50 a case. So a few of my franchisees called and said, “We’re not using tomatoes. The

prices are too high.” I suggested using one slice instead of two. My kids were furious: “It should be two! Always!” They were right—it’s too easy to start slipping down that slope. We stuck with two slices, and so did our franchisees.

**My kids wanted** to franchise from the start, because we couldn’t get the money to expand on our own. Opening a store costs \$300,000 to \$400,000. Banks won’t help. They thought we were crazy going up against Burger King, McDonald’s.

**I was dead set** against franchising. I didn’t think we’d be able to control the quality. That worried the heck out of me. They pulled me into it kicking and screaming. At that point, we had five stores in the northern Virginia region.

**When we started** to sell franchises in 2002, Virginia went in three days. We accept only financially sound franchisees who can weather the storms without the help of banks.

**We make 6 percent** of sales on the franchises. All franchises work the same way: People say they want to sell your product. So you give them a Franchise Development Agreement that explains all the ways we can beat them down. I don’t know if I would ever sign it. We can get out of the deal a million ways, but they are stuck.

**Still, we have never** had a franchisee go legal on us. I think that’s because we

have an independent franchise committee that meets once a quarter. People said, “Don’t do it! They’ll form a union!” But we thought, If someone comes in with a wacky idea, instead of the Murrells putting it down, the other franchisees would say, “That’s a dumb idea.”

**Franchisees** are opening four new stores a week. But we always wanted to run more than our franchisees, so we can say, “Look, we are doing it.” We own 90 stores—Chicago, San Diego, Phoenix, a bunch in North Carolina and Virginia. We don’t do any less than five stores per franchisee. We have one in California that just signed up for 400 stores.

**Before we agree** to work with a franchisee, Ben and I sit down and talk about our marketing plan. A lot of companies put 3 percent of their revenue toward marketing or advertising—we collect 1.5 percent from all our franchisees and give bonuses to the crews that score the highest on our weekly audits.

**We have two** third-party audits in each store every week. One is called a secret shopper—folks pretend they’re customers and rate the crews on bathroom cleanliness, courtesy, and food preparation. Then we have safety audits—they identify themselves and check all the kitchen equipment. The crews make about \$8 or \$9 an hour. If they get a good score, they will split another \$1,000 among them, usually five or six people per crew. A press release goes out to every store announc-

# “I was dead set against franchising. I didn’t think we’d be able to control the quality. They pulled me into it kicking and screaming.”

ing the winners. Right now, it’s the top 200 stores. Last year, we paid out between \$7 million and \$8 million; this year, it will be \$11 million or \$12 million.

**We try to make** the kids feel ownership in the company. Boys hate to smile. It’s not macho. And it’s definitely not macho to clean a bathroom. But if the auditor walks in and the bathroom isn’t clean, that crew just lost money. Next thing he knows, the guy who was supposed to clean the bathroom has toilet paper all over his car and a potato in his tailpipe.

**To grow this fast,** we had to come up with some big bucks—we got a \$30 million loan from GE and used that to move into a 20,000-square-foot office space in Lorton, Virginia. That’s where 80 of our 200 corporate employees work.

**We’ve had many** of the same vendors since 1986. And they’re not the cheapest by a long shot. We stick with what we like. One day, our purchasing guy said he wanted us to switch to a frozen burger product. But we all picked the fresh one in a blind test and stuck with that. We taste-tested 16 different types of mayonnaise to find the right one.

**We make the same** bun we started with. We hired the old guy who used to bake our bread for the first store, and one of his partners. They work in the Virginia bakery. We have 10 bakeries scattered around the nation. Our bread is baked daily, picked up by 3 p.m., and put on truck or plane so every store gets fresh bread every morning, even if they are 400 miles away from the nearest bakery.

**When** we got pulled to Florida, I didn’t want to go! Too far. I didn’t want to go to Canada—we’re there now. Two princes came from the Middle East. They want us to go over there. We have another group that says, “Anywhere you want to go, we’ll fund it.” We’ve also had a few companies that want to come in and buy us. They say they would let us run it, but I don’t think they would. Why would they put up with fresh bread and taste-testing 16 different mayonnaises? 🍞



# ROXANNE QUIMBY

## BURT'S BEES

### BUILDING A COMPANY HAS BEEN A LESSON IN BALANCING AMBITION AND COMPROMISE FOR THE CO-FOUNDER OF BURT'S BEES

The story of Roxanne Quimby is the stuff of entrepreneurial legend. A divorced mother living without electricity, she teamed up with Burt Shavitz, a reclusive beekeeper, and in 1984 began selling items made from beeswax. Over the years she built that crafts business into Burt's Bees, a leading natural personal-care brand. Last fall Quimby, who'd bought out Shavitz when he retired, struck a deal to sell 80% of the company to AEA Investors, a private-equity firm, for more than \$175 million. She plans to donate half the proceeds to a land trust to establish a national park in northern Maine and is now even weighing a run for that state's governorship.

#### AS TOLD TO SUSAN DONOVAN

PHOTOGRAPH BY ALLAN PENN

*This article originally appeared in the January 2004 issue.*

**Burt's Bees was a result of having** my kids. I'd been an artist, part of a generation that was very critical of capitalism. When I was 25, my husband and I bought 30 acres of land and built a cabin in the Maine woods. I washed diapers in water heated on the wood stove. I lived that way because I didn't want to compromise; I didn't want to be part of the problem. It was difficult—there was an amazing amount of hauling things—yet I loved it, because it was a chosen challenge. But after my marriage broke up, I

realized my informal vow of poverty was limiting my children's choices. I had traveled; my parents had given us a great education—my sisters are both M.B.A.'s. To give my kids opportunities I had to start a business.

**At 36, I met Burt.** He was selling honey on the side of the road. I stopped to buy some on my way to my waitress job. We became romantically involved, and I started helping him with the bees.

**Immediately, I saw a business opportunity.** Burt was selling honey in gallon jars for 12 bucks. You could get more money by selling it in smaller containers to tourists. So I took over the business end. I put honey up in cute little beehive-shaped jars. I made pretty hand-

**In the early years, I had some mid-night-of-your-soul** type of times. Once, I came home from a fair and found the window in my cabin blown in. Snow was all over. It was 20 below and 3 in the morning. I hadn't made any money and the car had just barely made

## “Success doesn't come from one brilliant idea, but from a bunch of small decisions.”

made labels and started making candles out of the beeswax. Then I took them to the little craft fairs in the little towns. I'd make \$200 a day. It gave me such a sense of accomplishment. Nobody told me what to do, when to be there, and how long I had to stay. That wonderful sense of independence was just intoxicating. And I thought, *This is for me.*

**At the fairs, I focused closely on what sold the most** and tried to figure out why. I didn't know it then, but it was like having one focus group after another. I learned, for instance, that when people pick up a candle, they turn it over. For some reason they want to see the bottom, so I made sure the candles were nicely finished with a sharp knife to smooth the mold.

it there. I really believe that success is just getting up one more time than you fall. It doesn't come from one brilliant idea, but from a bunch of small decisions that accumulate over the years. And you shouldn't underestimate the amount of work that's involved, the amount of fear that's involved.

**I'm not sentimental about products**—they perform or they don't. We tried lots of different things. One was beeswax lip balm. It was clear, very early, that people bought lip balm 10 times faster than they bought beeswax furniture polish. Next was a moisturizing cream. It sold better than the polish too.

**By 1993, we reached \$3 million in sales.** That's when I realized I had to leave Maine. The disappointing thing was

leaving my employees, mostly moms who'd been on welfare. But I never lost sight of the fact that the business needs were most important, that we needed to go to somewhere more business-friendly.


**I think Maine has a chip on its shoulder** when it comes to businesses. Once we were investigated by the Department of Labor. The investigator visited all the home workers. He went to see this lady who had a preschooler. She was rolling up sheets of wax into candles, and in between each sheet was a piece of tissue paper. He goes, "Does your child help you with this?" She says, "Well, I have her take the tissue out." She did that to keep the little girl busy while she rolled candles. We got fined \$10,000 for a child labor infraction. Though I won on appeal, these things take an enormous amount of time and mental energy. I thought, *This is ridiculous, and I'm not going to stand for it.*

**We looked at a lot of states.** We chose North Carolina, which had an aggressive business-recruiting machine. In Maine we paid 8% unemployment tax. In North Carolina, it's 1%. But I didn't anticipate one big difference. In Maine, I'd start people at \$5 an hour. In North Carolina, nobody would work for less than \$10 an hour. Immediately, I had to get rid of any item that was handmade, including candles, which were half our sales. It was like lopping off your arm. I didn't know if we would survive it, but it was the right thing to do.

**I tend to be very uncompromising.** My dad was a despot, and I got that from him. Though I used to see it as an attribute, I'm trying to modify this "my way or the highway" attitude. For instance, we put our product in cases of six, and Target wanted them in two. We'd be using three cardboard boxes instead of one, which I opposed. I kind of said, "Screw you, I'm not using three boxes." I felt I was right because we were drowning in waste on this planet. Now I think there was probably a way to have worked through that. Many times there's a solution buried in there if you just take away the layers and keep after it.

**I always knew I'd sell the company.** I took on all comers. Some were more serious than others, but they all wanted to play the game. The negotiation would always break down over price, so we hired an adviser who has her own company. She was entrepreneurial, and we figured we'd be more important to her than to a big investment bank. After we brought her in, it took a year to make the sale. I'll continue on as CEO because I don't think the company would survive my leaving right now.

**What motivates me to keep building** the company is not money. I live a simple lifestyle; rice and beans and the little Maine town I live in is fine. I'm in it for the challenge; it's about the game. The money is just kind of the score. I'm still very curious about how far I can push this. **3**

A photograph of William Wang, CEO of Vizio, sitting in a black leather chair. He is wearing a light blue and white striped button-down shirt and dark trousers. He is smiling and looking towards the camera. Behind him is a large flat-screen television displaying a vibrant image of a tropical beach with blue water and palm trees. The background wall is a dark, neutral color.

### **A Sense of Clarity**

When William Wang says it's not really about the money, believe it. That said, Vizio will sell \$2 billion worth of TVs this year.



# WILLIAM WANG

VIZIO

## TALK ABOUT NEW BEGINNINGS

William Wang knows about keeping things in perspective. As one of 96 survivors aboard a Singapore Airlines 747 that took off on the wrong runway in Taiwan, struck a construction site, and broke in two, Wang instantly realized that the difficulties of his various technology businesses weren't such a big deal—not when 83 passengers and crew members were killed that day in 2000. Wang shut down all his businesses after the crash, and in 2003 got into the flat-screen TV business by launching Vizio. His idea was to combine low prices (now around \$1,499 at retail for a 50-inch plasma) with high quality and exceptional customer support, and to make this approach profitable through extremely lean operations. Wang, 43, started the company with \$600,000, and this year Vizio will generate more than \$2 billion in sales. Yet it still employs just 80 people, most of them handling tech support out of the company's Irvine, California, headquarters.

### AS TOLD TO MARK LACTER

PHOTOGRAPH BY MEREDITH JENKS

*This article originally appeared in the June 2007 issue.*

#### **I was born and raised in Taiwan.**

I came to California with my parents when I was 14. It was a difficult adjustment because of language problems, cultural problems. I came to the U.S. without any knowledge of English. I originally wanted to be an architect, but being an architect doesn't pay that much, so I got into electrical engineering. I went to USC, graduated from the engineering school in 1986, and answered a newspaper ad from a Chinese company that sold computer monitors. I was in tech sup-

port, answering customers' calls. I worked there until 1990. After a while, I thought I could build a better computer monitor than the IBM standard. So I started a company called MAG Innovision, just like that. I was 26—fearless, young, and foolish. My boss gave me \$150,000. I borrowed some money from my parents. I had some money myself, and I found another shareholder from Asia who gave me \$150,000. I founded the company on \$350,000.

**Those were the good old days** after the computer boom. We grew to \$600 million in six years. We started with two or three people and got to about 400. The manufacturing was done overseas, very similar to what we now have. Everything just happened. I had no experience, but looking back, there were not a lot of problems because the market was growing so fast. Then the industry took a different turn. By 1998, our revenue was around \$470 million. The computer business had gone from a technology-driven industry to a commodity industry. Operations-wise, we spent too much money and I didn't have the right people in place. We lost a lot of money because I didn't change. We sold the company to our manufacturer.

**I started another** computer monitor company called Princeton Graphic Systems. I started an R&D facility in Asia that worked on high-definition TVs. I tried doing custom video displays for slot machines, Internet-enabled high-definition TV sets, and a few other businesses, but none of them really worked out. I was still looking for the next big thing. It was probably the most difficult time in my life. Financially, it was a disaster. When everything was collapsing on me—all my businesses—I was in an airplane crash. It was November of 2000. I had finished meeting some of my creditors about my cash-flow problems and was coming back to Los Angeles.

**The captain took the wrong runway.** Instead of 5-L, he took 5-R. The runway

was under construction. So we took off and half the plane was in the air, 180 miles per hour, and on its way to lifting off when it hit some of the construction equipment and the plane blew up. It was a 747 ready for a transpacific flight, so it was full of fuel. The plane came back down on the unfinished runway and it kept on going because of the speed at which it was traveling. I was in the front. Fortunately, it went straight forward and just skidded. It was just the front of the plane—the back was gone already. It was like a silent movie. I don't even remember any noise. I assume people were screaming. When the plane stopped moving, I just got out. I couldn't breathe anymore because of the fumes. I was running for air, I was running for an exit. Half the passengers died. I wasn't really injured physically—I did have carbon monoxide poisoning. I guess several things went through my mind when the plane blew up. One thing was my family. The second thing was that all my headaches were suddenly gone. I was still stuck with all these bad businesses, but I had a better attitude. I mean, at the end of the day, we're all going to die, right? So after the plane crash, it took a year or two to clean everything up.

**In 2001, Gateway asked me** to help them put together a TV plan. Gateway had been one of my customers since my days at MAG. I got to know Ted Waitt [Gateway's then chairman]. He was like a mentor to me. Ted wanted to sell additional products for his retail stores besides personal computers. We helped

them put together the entire plan, starting with a \$2,999, 42-inch plasma TV. Up until then, plasma TVs were just for rich people. They had stayed expensive because not many of them were sold. We helped them locate the key vendors and key manufacturers overseas, and marketed the TV under the Gateway brand. It was pretty successful, but when Gateway got out of the retail stores, it also got out of the TV business. It's pretty difficult to sell televisions without a retail force. People want to see the picture quality and everything else. So we decided to get into the business ourselves.

**Vizio started off really small**—just two employees and me. We started the company with \$600,000. I borrowed some money from my parents, mortgaged my house, and had a couple of friends who helped me. Basically, friends and family. Later we got venture financing. And a couple of manufacturers have ownership. I'm still the majority holder of the company.

**Our first retailer was Costco.** We had pretty good success with them from my years selling computer monitors. Today the majority of our business still comes from them. After that is Sam's Club. We sell both plasma and LCD screens. I personally think plasma is better technology and picture quality, but LCD has better resolution and doesn't reflect light, so a lot of people like that. About 60 percent of our manufacturing is done in China, about 40 percent in Taiwan, but we're

in the process of moving some manufacturing to Mexico. The biggest cost remains the components—the plasma module and LCD module. Prices are going down. But to give you an idea, the U.S. duty for TVs from Asia is 5 percent. So the duty is a little higher than the labor cost. There is no duty from Mexico.

**We're here to make innovative technology a commodity.** Anything that's popular will become a commodity. We're not here to build a cheap product; we're here to make the product affordable. It's hard to build a big company. You have to be a lot better than the competition. We also have to be careful how we spend our money. There's a difference between being lean and being cheap. Being cheap is when you don't want to spend any money and just keep it yourself. Lean is keeping costs really low—our overhead is just 0.7 percent of sales. At the really big consumer electronics companies, overhead is usually 10 percent of sales, or more.

**Our revenue in 2006** was about \$700 million. We'll be over \$2 billion in 2007. I'm so fortunate that I've been able to do this one more time. When I started, I worked 14 hours a day. I've cut down on that. I work eight hours a day. The company is not me, it's many people's efforts. And it's not just all about work—it's being able to appreciate one another. **1**



### **Hands On**

John Vehey and his team spent three years perfecting PopCap's popular Plants Vs. Zombies game.

# JOHN VECHEY

## POPCAP

### MAKING BIG BUCKS OUT OF LITTLE GAMES

It's a geek's dream come true. John Vehey dropped out of college in 1997 to work on a computer game with his pal Brian Fiete. This year, their Seattle-based game company, PopCap, which they founded in 2000 with Jason Kapalka, is on track to bring in \$100 million. PopCap employs more than 300 and has offices in Shanghai, Seoul, and Dublin, with studios in San Francisco; Chicago; and Vancouver, British Columbia. The company's first of 35 games, Bejeweled, has sold more than 50 million units. PopCap's secret: Build games so accessible that anyone can play.

#### AS TOLD TO LIZ WELCH

PHOTOGRAPH BY JOHN KEATLEY

*This article originally appeared in the October 2010 issue.*

**I grew up in Wisconsin.** My dad's family worked in steel, but my parents were hippies. My dad taught me that it's not worth doing things you don't want to do—he never worked more than a part-time job. For him, spending time with his friends, family, and women was more important than making money. He had priorities.

**My parents got divorced** when I was young. I lived with my mom and then moved to Indiana to live with my dad. I've had seven stepdads. My two half-siblings, though, are on my dad's side from his second marriage. He divorced again, and moved into my building in Seattle with

my 16-year-old half-brother, who is at my place playing Xbox all the time. He plays all of our games before they're released.

**I grew up pretty poor.** I bond with anyone who has ever eaten government cheese. I never did extracurricular activities, because I always had a job. When I went to Purdue University, I met Brian Fiete in a programming class. I never had a computer growing up, but I wanted to be a computer engineer. Brian was always the first person done in class, and I was always second. I suggested we make a game together. It evolved into an online game we named ARC, based on an arcade

version of paintball. At the time, my GPA was 1.67. I had to choose between working on this game or failing out of college. So I put all my energy into the game.

**That was in 1997.** People started playing our game online, and then someone named Warpig logged on and said, “Let’s chat.” That was Jason Kapalka, our third co-founder. He worked at a game company and wanted to license ARC.

**We made \$45,000,** which, when you’re 19 and from Indiana, feels like a million bucks. Meanwhile, some friends of the family were next-door neighbors with the founders of Sierra, a gaming company in Seattle. Someone at Sierra called us for an interview, and next thing we knew, Brian and I both left Indiana to work on games for Sierra. After we sold ARC to Sierra for \$100,000, we left the company and used the money to start our own business with Jason.

**It was not well thought out;** more like, Let’s live off ramen noodles, play games, and see what happens. We called our company Sexy Action Cool because we thought it was funny; plus, we thought we were going to develop games, not sell directly to the public. Jason and I were working on an animated PG-13 strip-poker game called Foxy Poker that had no nudity but was a really good game. We approached Strip-Poker.com, a porn site, and said, “Why don’t you give us a bunch of money and sell our game?” They laughed and said no.

**Then we created Bejeweled.** I was in Indiana visiting family when I saw this simple solitaire game online—no animation or graphics, but I thought it was cool. So I sent an e-mail to Brian and Jason with an idea for a game, which Brian created the next day using different colored circles. Jason sent a bunch of gem graphics on Day Three, and by Day Four, Bejeweled—a really simple game where you match gems—was done.

**We tried to sell it to Pogo,** the online gaming site. Yahoo didn’t want it, either. We wound up making a flat-rate deal with Microsoft. It became phenomenally successful for MSN, with 60,000 users a day. But we were making only \$1,500 a month.

**Back then, in 2000,** fans started asking for a downloadable version, because everyone was still using dial-up modems and didn’t want to tie up their phone lines. So we made one, with better graphics and sound—and charged for it. I had to convince Yahoo, MSN, and so on that people would play the free version on their sites and then download a better version for \$20. And then we’d split the sale 50-50 with the host site. It was a new business model.

**We launched in 2001** and made \$35,000 the first month. The next month, we made \$40,000. We were like, Holy crap! We’re finally making money, but it won’t last. So Brian and I hang out in Argentina and drink wine for four months. When Yahoo signed on, we moved back.

**We didn't know** anything about business, so we hired consultants who said, "We'll fix all your problems—just pay us \$100,000 and give us 3 percent of your company." That pissed us off—if you don't play games, don't give advice on how to make games. They did get us to hire a comptroller. Before that, my aunt was doing the bookkeeping.

**We decided from the start** to make our games incredibly fun and easy so that they appeal to everyone. We currently have 35. We never think we have the magic formula or assume a hit. And yet every game we've done has made money. It took us three years to perfect *Plants Vs. Zombies*. We don't track the resources that go into each game. If it's a great game, it's worth a lot of money. If it's a B+ game, it's essentially worth zero.

**In 2004**, we had 15 employees and turned down a \$60 million offer to buy our company. We knew we had to start taking the business side more seriously. So we hired David Roberts, our CEO. He had worked for Apple and Adobe, and he understood we wanted him to grow the business but leave the creative side alone.

**When Dave started**, we were focused on creating new games instead of supporting revenue streams from each game. Dave changed that. More than 30 percent of our annual revenue comes from *Bejeweled*, because it can be played on all these different platforms: PC/Mac, Xbox,



COURTESY COMPANY

**The Power of Three** PopCap co-founders, from left, John Vechev, Jason Kapalka, and Brian Fieta in 2009. They essentially created the market for casual gaming.

PlayStation, Wii, DS, PalmPilot, iPhone, iPad, in-flight entertainment.

**Jason and I interact a lot**, and Jason and Brian interact a lot. Brian's working on a game with Jason, and Jason is also involved with the creative direction of the company. There's a power to three—there's a constant rejiggering and shifting of opinions.

**Facebook didn't even exist** when we started the company. The iPhone didn't exist. We've adapted and changed and rolled with everything that's come our way. We've constantly integrated our approach to games. We're never perfect. We're always pretty good, but we're always trying to be better. **3**

## Negotiating 101

"You have to understand what the other side wants," says R. Donahue Peebles. "And you should try to give it to them."





# R. DONAHUE PEEBLES

## ATLANTIC DEVELOPMENT CORP.

### THE FINE ART OF TAKING RISK— BUT NOT TOO MUCH RISK

In the early '90s, R. Donahue Peebles was a powerful player in real estate development in Washington, D.C., but hardly a national figure. Then, on a family vacation in Miami, he decided to bid on the redevelopment of the grand but tired Royal Palms, a 417-room resort at the end of South Beach's wealthy Ocean Drive. It was an arduous project that would take six years to complete, but it was also one in which Peebles would break new ground—the Royal Palm Crowne Plaza became the first African American-owned resort in the U.S. It's now the second largest hotel on South Beach and brought in \$16.4 million in revenue in 2003. Equally important, the project solidified Peebles' reputation as an aggressive and politically savvy businessman and one of the most powerful players in the ranks of South Florida developers.

Today, Peebles' Atlantic Development Corp. is the largest African American-owned development firm in the U.S., with real estate holdings valued at approximately \$500 million. His Residences at the Bath Club, a condo project that has transformed the oldest social club on Miami Beach's Millionaire's Row, is set to open this month, offering 112 units valued at up to \$10 million each. He's also negotiating new projects in Las Vegas and the San Francisco Bay Area.

**BY JOHN FRIED**

PHOTOGRAPH BY JEFFERY SALTER

*This article originally appeared in the March 2005 issue.*

**I was inducted into the real estate business** as a child. My mother was a secretary, but she went to night school to get her brokerage license and worked as a sales agent. Later, she opened her own real estate brokerage firm. During the

summer of my senior year of high school, I worked with her appraising homes, learning the business. I also worked on Capitol Hill as a page and as an intern for two congressmen, Rep. John Conyers of Michigan and Rep. Ron

Dellums of California. I had a pretty grueling schedule, but I got to see how politics and business interacted.

**Going to college** was a letdown for me. I went to Rutgers for a year because I wanted to be a physician. I wanted to help people and make a nice living, but I

when I was 23. It gave me the kind of knowledge that would have taken years to acquire in the private sector. By the time I was 24, I was chairman of the board.

**A real estate broker** I knew from the tax appeal board told me about a client who had a property in Anacostia, a

## “I learned a critical lesson in this first deal—you have to understand what the other side wants, and you should try to give it to them.”

had already been working for years, making money. Real estate had low barriers of entry, so I left college after one year and took courses on appraising and real estate transactions. In 1979, I worked as a sales agent and appraiser at a particularly sluggish time in real estate—interest rates were around 18%—but I was getting experience.

**I developed some relationships** working on Capitol Hill that I maintained as I went into the business world. In 1982, there was an opening on the city property tax appeal board, an influential group that reviewed assessment values of D.C. real estate and had the authority to give out \$50 million to \$60 million in tax rebates annually. I knew Marion Barry, then mayor of Washington, D.C., who got me the opportunity to submit my qualifications to the board. I was appointed

depressed commercial district in D.C. The client and developer were unable to agree on a price. The seller wanted \$900,000; the developer was willing to pay \$750,000. I had been working on another project that hadn't gotten off the ground, but I thought my investors might be interested in Anacostia. This led to the purchase of my first building, a 100,000-square-foot property.

**I learned a critical lesson** in this first deal—you have to understand what the other side wants, and you should try to give it to them. I was able to get the deal because I paid full price. My partners and I have made over \$10 million on that property, and it's still throwing off cash. Your margins shouldn't be so tight that you have to count pennies.

**The Royal Palm deal taught me to**

**focus** on competitive environments where other developers are pursuing the same thing. It's got to be competitive. And in the mid-'90s, the real estate market in Miami was hot. The Royal Palm was an endurance test. The site had contaminated soil. One of the buildings was structurally deficient because it had been exposed to the elements too long. The city ended up condemning it. We had to tear it down and build an exact replica. We initially envisioned a \$64 million hotel, but it ended up costing \$80 million. Until then, I had never had to go back to my lenders to ask for more money for a project. And we opened right after 9/11. Many developers would have walked, but we were going to finish it, even if we lost money, not only because of the financial responsibility, but because of the moral responsibility as well.

**We're known as a** conservative development company, but I think we're big risk takers. When we consider a project, we assign it a dollar amount, forecast the rewards if we are successful, and decide what financial risk we are willing to take up front. If we do it, we don't look back. We don't go out into the capital markets to finance our projects until after the expiration of that risk, which allows us to own a far greater percentage of our buildings.

**The Bath Club**, for instance, was in financial trouble. Its loan was maturing and it was delinquent on its property

taxes. The owners were asking for \$25 million to \$30 million, but no one was willing to pay because it wasn't going to make money unless it got rezoned—the building couldn't be taller than 40 feet. The rezoning would take two years. I found a loophole that would allow us to go up to 200 feet in height and offered \$10 million, contingent on the rezoning. So I was able to quantify my risk as a dollar amount. Large companies aren't willing to do that, but our philosophy is to take the early risk as long as we think we will get rewarded for it. After the Bath Club got rezoned, a brokerage firm offered me \$42 million for the property.

**I take being a minority businessperson** as a responsibility. My grandfather was a doorman for 40 years at a Marriott in D.C. And I'm going to give opportunities to minorities and women, both of whom are underrepresented in my industry. But all too frequently people come up with excuses as to why they can't succeed. They say it's too difficult. They can't get a job. They end up giving up their goals before they have a chance to fulfill them. I could have made a lot of excuses in my career, but the No. 1 ingredient to success is to not accept failure. **3**

**Plugged In**

Reid Hoffman has 1,600  
LinkedIn contacts.



# REID HOFFMAN

## LINKEDIN

### A GLOBAL COMMUNITY FOR THE WORK WORLD

Every second, someone joins LinkedIn, a sort of six degrees of separation for professionals and the brainchild of social-networking pioneer Reid Hoffman. He launched LinkedIn in 2002 with money he made from the sale of PayPal, which he helped build. LinkedIn has 38 million members in about 200 countries, but in Hoffman's mind, that's merely a good start: He expects a quarter of the planet's population to sign up eventually. The company has been profitable since 2006 and has attracted more than \$100 million in VC funding. Last year, Hoffman brought on Google star Dipchand Nishar as vice president of products; this freed up Hoffman to focus on the big picture.

#### AS TOLD TO MARK LACTER

PHOTOGRAPH BY TOBY BURDITT

*This article originally appeared in the May 2009 issue.*

**I grew up in Berkeley** but went to high school at the Putney School in Vermont. Putney seemed cool, because it was a place where you would drive oxen through the woods, build stone walls, do cross-country skiing.

**At Stanford, I majored in symbolic systems**, which is a combination of artificial intelligence and cognitive science. That got me deeply involved in technology. Cognitive science and artificial intelligence are all about understanding people. How do we structure our thoughts; how do we communicate?

**I got a scholarship to Oxford University** to study philosophy, but after about a year, I decided I didn't want academics. So I went to some venture capitalists and told them that I'd like to start a company. I had a couple of ideas that I was playing with. A better PIM (personal information manager for hand-held devices), a few others. They said, Go ship a product and then come back. So I got a job at Apple Computer in '93. After that, Fujitsu Software. I had a plan. What's the minimum amount of time I can work for companies before starting out on my own? I had a check-off list: need experi-

# “The trick to doing well with these things is to be in a place where people are saying, Hey, that’s a crazy idea.”

ence designing, need experience in product management, need experience in shipping product, need experience in building a team. I wanted to make sure I learned everything I needed.

**My first start-up** was a networking site called Socialnet. It was based on the theory that you have this new medium in which everyone is a publisher. So what are the ways in which people can live quality lives? Well, people have particular kinds of relationships. I’m looking to be dating somebody, I’m looking for a roommate, tennis partners. The idea was that you can actually be put electronically nearby to the people you’d be interested in, say, playing golf with. Maybe they’re in the next building over, but you’d never know it.

**I realized the only way** I was going to do this was just start. So in July 1997, I quit my job at Fujitsu, started seeking financing, and by November it was, OK, let’s find the people to start the company with me.

**The trick to doing well with these things** is to be in a place where people are saying, Hey, that’s a crazy idea. If you’re right, there’s the opportunity to

produce something really big. You want to be one to three years early. You want to start before others think it’s an easy idea. It’s much harder to be successful when 10 similar things are all being financed.

**At first**, I thought all you had to do was build a high-quality product. Who has the best matching algorithm to enable the right kind of people to find the right kind of other people? That’s useful stuff, but the valuable thing is getting it in front of millions of people. Our strategy at Socialnet had been to partner with magazines and newspapers, and that didn’t work at all. I had a difference of opinion with the board, and when you can’t resolve your differences, it’s generally better if you leave.

**In November of '99**, I told Peter Thiel, who was the co-founder and CEO of PayPal, that I was leaving Socialnet and wanted to do another start-up. I had been on the board of PayPal since it was started. Peter said don’t do another start-up, come join us. So I resigned from Socialnet and started at PayPal the next day. I was in charge of external relations: corporate development, banking, international. This is one of the things I love about entrepreneurship.

You're encountering new challenges, and you have to learn at a very fast rate.

**I realized that the world** was transforming every individual into a small business. But how do you positively influence your brand on the Net? How do you assemble a team fast? Who has the expertise to guide you? The power of the Internet is to accelerate the way you do business. I was very interested in this whole notion of each of us as individual professionals who are on the Internet and how that changes the way we do business, our careers, our brand identity.

**You have to think of yourself** as an organism competing with other organisms in an ecosystem. It's about how you fit into the world around you. The modern world is moving fast, and you have to move at that speed. This is true even for a restaurant owner. How do you get customer flow? How do you compete with the other restaurants? How do you run your restaurant? The world is accelerating not just for the Microsofts and Googles; it's accelerating for individuals and their careers, and in that acceleration, how do you adapt quickly?

**It wasn't until we sold PayPal** to eBay that some friends of mine and I decided to pursue these ideas, which turned into LinkedIn. This was 2002, when most venture capital guys thought the consumer Internet was dead. But this was just the beginning. Raising the early money was easy, because it was my own.

**I pulled together a team of people** I had worked with before, and we started in late November of '02. Today, we have about 38 million users, and we're adding about one new member per second. For the first three quarters of 2008, we were hiring with the thought that we would be doubling our staff in 2009. We hired a little bit too much on some projects and decided to cut the staff by about 9 percent late in the year. Essentially, it was kind of rebalancing the organization. We're still on track to have another good, strong growth year.

**I've never really aspired** to be an operational executive. With Deep's (Dipchand Nishar's) hire, I'm freed up from the day-to-day operations of the product team. I felt like the time was right to drive the vision from the CEO's chair.

**I want to be able to** sink my mind around a couple of problems and work through them. For example, many professionals still don't understand how LinkedIn can be valuable on a daily or weekly basis. In a boom, employers are really hunting for a good person, and they're using LinkedIn. And during a bust, people on the other side are looking for a good opportunity. Part of the way you stay current as a professional is sharing information and tips on what's going on in your industry, current best practices. That's how you learn. **3**



**Color Coordinated**

Leslie Blodgett at home in Tiburon, California. She uses similar shades and materials for the interiors of her boutiques.



# LESLIE BLODGETT

## BARE ESSENTUALS

### A COSMETICS QUEEN AND HER LOYAL FANS

When Leslie Blodgett became CEO of Bare Escentuals in 1994—the company was then a tiny maker of bath and body products—she saw a huge opportunity selling healthy mineral-based makeup. But she didn't quite realize how many women she could reach until she made a pitch on late-night TV. The company's rapid growth led to a 2006 IPO, followed by the sale of the company this year for \$1.7 billion to Shiseido, the Japanese beauty giant. Today, Bare Escentuals, based in San Francisco, has 130 boutiques in the U.S. and one in the U.K., and employees 2,200.

#### AS TOLD TO LIZ WELCH

PHOTOGRAPH BY JEN SISKA

*This article originally appeared in the July/August 2010 issue.*

**I've been working** since I was 10. My parents got divorced when I was 9, and my mother raised me, my brother, and my sister on a teacher's salary. She was tough. I probably would have been very lazy if she weren't always on my ass.

**My first real job** was at McDonald's. There was a girl there who taught me how to apply double shades of eye shadow, which I still do today. I always loved makeup, even though my mother didn't approve. She was into the women's-lib movement. She never remarried, loved her independence, and always told me to have my own career. Whenever I went out with a guy, I'd always pay for

myself. I didn't want men to think that they had anything on me.

**I spent my first** two years at Oswego State partying. My mom read about a new program in cosmetics marketing at the Fashion Institute of Technology in New York City, but I needed experience to even apply. My first interview was at the Christian Dior counter at Gimbel's, on 86th Street, but I wasn't their type. Bloomingdale's wouldn't hire me, either, so I waited outside the buying-office door every day until they gave me a commission job selling hair sticks. I made 21 percent of all sales and ate a lot of popcorn and ramen noodles.

**By then, I'd** been accepted to FIT. I took on part-time jobs, including one at the Ultima II counter at Macy's. That's where I learned about makeup application—and that the makeup counter is a terrible place. The saleswomen were angry and mean. Then I met Keith. He was the first guy who insisted on paying for dinner. We got married very quickly. I think I was looking for a guy who could take care of me emotionally.

**I got a job** at Max Factor in product development and discovered I had a really good eye for color. I moved quickly from assistant to manager. The company was sold to Revlon, which was then bought by Procter & Gamble. I was surrounded by younger M.B.A.'s who were making more than me and had attitudes. I resented that. As a result, I didn't hire M.B.A.'s for years—I wanted passionate people coming up through the industry. I've since learned that you need balance.

**Keith worked in** film production, and we agreed that whoever was making more money would keep working when we started a family. Our son, Trent, was 3 months old when I took a job with Neutrogena. Keith has been a stay-at-home dad ever since. He does everything around the house. I don't even know how to turn on the dishwasher.

**In 1994, John Hansen,** part of an investor group that owned Bare Escentuals, called me. I'd never heard of the company, which made the first

mineral-based makeup line and had six stores in Northern California. Back then, everyone used liquid foundation, which seeped into your pores and gave you zits. A powder foundation that was good for your skin made great sense, but the shades Bare Escentuals had created weren't working. They were gross. I knew complexions and how to match skin tones—and I saw a huge opportunity. John hired me, and I became CEO within a few months.

**I relaunched the** line as bareMinerals, with six eye shadows, six blushes, five foundations, and brushes. There were seven of us in the office just winging it.

**By the fourth** quarter of 1996, I thought we weren't going to make it. I spent many sleepless nights worrying. There was not much on TV at 2 a.m., so I found myself watching a smiling woman on QVC selling jewelry and thinking, I could do that. I bought a white suit and a \$29 fake 5-carat diamond ring and decided to give it my best shot.

**I went on air** August 30, 1997—the day Princess Diana died. I said things like, “Do you want to make your skin break out even more? Then don't try my product. But if you're interested in something pure that you can actually sleep in, then let's talk.” That day, we sold \$45,000 worth of product. My heart was pounding when I walked off the set. I started screaming, “You rock!” to the host, Lisa Robertson, who's now my best friend.

# “That day, we sold \$45,000 worth of product. My heart was pounding when I walked off the set.”

**Women liked the** product but had questions. I went online daily to respond but couldn't keep up. And then I noticed other women were answering for me. That inspired me to start hosting events at our boutiques. I invited people to come share ideas and tips. I started naming new products after loyal fans.

**I was scheduled** every six weeks on QVC but realized I needed more time to talk about the application process. Infomercials seemed a great way to do that. Suddenly, we had the ability to get our message out daily if we wanted to.

**The infomercials were** a success, but people couldn't find the product. So I focused on distribution. Sephora was an especially hard sell. I sent a white limo to Sephora's headquarters, which is right down the street, and brought the buyers to our boutique. It worked. A few years later, Nordstrom called.

**Big bashes get** a lot of notice. So we had a cruise for customers to the Bahamas and then one to Mexico. It was like a giant slumber party: We dressed up and danced and had fun. Then, I took a bus tour of our boutiques and we hosted events. I'd talk about our products as well as my thighs. And my Spanx.

**In the mid-2000s,** we started growing too fast and couldn't keep up with demand, so there were a lot of lost sales. We hired Myles McCormick as our chief financial officer in 2004: He's an M.B.A., and so I've learned to love M.B.A.'s. He's now the CEO, and I've become executive chairman. Myles has always done the hard math and business analysis. I make decisions from the gut.

**I've received** thousands of letters. One woman wrote: “Dearest Leslie, I've always been overweight. I've never felt pretty. I lived without cosmetics for 15 years. In 2008, my younger sister convinced me to try bareMinerals. I did—and then I cried. Finally, at 49 years old, I was pretty.” She's one of my angels now, part of my volunteer ambassador program. We send these women samples, and they talk about the product to friends, strangers, and colleagues.

**Why am I here?** Because women want to feel pretty. If I have a bad day, I read these letters before I go to sleep at night. They remind me of what we do. It's powerful. I don't want to be a business. I want to be a community. 📌



### **Curious Man**

A book about an 18th-century gristmill inspired Bob Moore to launch his second career.

# BOB MOORE

## BOB'S RED MILL

### INTEGRITY IS BAKED IN

Bob's Red Mill Natural Foods, based in Milwaukie, Oregon, started 32 years ago as a gleam in the eye of a middle-aged retiree. By 2009, Bob Moore had built a company with sales of \$70 million a year in whole-grain flours and cereals, with annual growth rates of 20 percent to 30 percent. In February, Moore celebrated his 81st birthday by instituting an employee stock ownership plan, or ESOP, and ceding ownership of Bob's Red Mill to its 200-plus workers. Moore's decision was a product of years of planning—and of a lifelong commitment to ethical conduct.

#### AS TOLD TO JOHN BRANT

PHOTOGRAPH BY ROBBIE McCLARAN

*This article originally appeared in the May 2010 issue.*

**I grew up in Los Angeles** in the 1930s, when it was a wonderful place to be a child. I got out of the Army in 1950 and went to work for U.S. Electrical Motors—they're still in business. I had a bright future with them; plus, I was married with three little boys. But I'd always dreamed about going into business for myself.

**To put a few extras** on my family's table, I'd been working weekends at a Shell station. A sign went up on one corner saying a new Mobil station would be opening. I called, and pretty soon we had a deal. I sold our house and put the \$4,500 down on the gas station. I quit my job and went into business.

**In those days**, you didn't just take care of cars; you took care of people. I would wipe windows, check the tires and underneath the hood. I cleared 4 and a half cents a gallon, 5 cents for high test. My bookkeeper would laugh at me. But I wore a freshly washed uniform every day, and the sun was always shining.

**Then the smog** started to get bad. Charlee, my wife, and I felt that getting out of L.A. would be good for the boys' health. I drove around the state looking at gas stations for sale and ended up buying one in Mammoth Lakes, California, in September 1959.

**I had a pocketful of cash** from selling our house and station in Los Angeles. We bought a big mobile home. We took trips with the boys. We bought a lot of things we didn't need. Mammoth Lakes was a ski town. But Thanksgiving and Christmas went by with no snow. Then we got 14 feet of snow in January! The roads were impassable. The snow was still deep in July, and that kept away the summer tourists. One year after leaving Los Angeles, I was broke.

**Charlee and I saw** an ad for a five-acre dairy farm for rent outside of Sacramento. I got a job at a Firestone tire store. It was about this time that Charlee got into baking bread. We started going to Elliott's Natural Foods in Sacramento to buy whole-grain flour. It's still in business today—it's one of our customers. Whole grains opened up a whole different life for us.

**One of my customers** was an executive for Penney's. He told me I should come to work for his company. I drove up to Redding and got a job at the Penney's auto center, and soon we moved the family there. One day in the public library, I came across a book titled *John Goffe's Mill*, by George Woodbury.

**It was about** an archaeologist who had inherited an old gristmill in New Hampshire and fixed it up and turned it into a livelihood. That book inspired me. George Woodbury took that mill from a disaster to where everything worked. He

had no experience with machinery or business. I knew a lot about both. If this guy could do it, so could I.

**I put in 10 years** at Penney's. Charlee and I saved enough to retire. We decided to move up to Portland so I could attend seminary. I wasn't thinking about the ministry. My ambition was to learn to read the Bible in its original Greek and Hebrew. I get interested in a subject and can't rest until I've learned everything possible about it. I drive people crazy.

**Shortly after we moved** to Portland, Charlee and I decided to take a walk. We happened across this abandoned old mill. Its paint was fading, but you could still make out the red color. I realized that this was our mill. It was a providential moment.

**Over the next 10 years**, we built Bob's Red Mill into a successful small company, supplying natural food stores in the Northwest. We were known for our quality and attention to detail; I had traveled all over the U.S. to find the highest-grade old stones to use in our mill. We were doing about \$3 million a year in sales. And then, on the night of June 15, 1988, a deranged woman set fire to the mill and burned it to the ground. I was 59 years old and faced with the prospect of starting again from scratch. Fortunately, we were able to recover our two old-world millstones.

**In 1990, we stepped** out of our small-business category at the annual natural



COURTESY SUBJECT

**Full Service** Bob Moore, right, sold his house for \$4,500 in 1955 to set himself up in the gas station business. A few years later, he lost it all.

foods trade show in Anaheim. Our booth got flooded with visitors. Bob's Red Mill was the only company that had gone for the production of deep-down, fundamental whole grains.

**When you're in business**, there are two doors you can walk through. You can walk through the door where you treat the customer like your guest, operating by the rule that the customer is always right. Or you can be cutthroat. The first door is the door of kindness. That's the one I decided to walk through.

**I field a lot** of offers from corporations wanting to buy us, but I've never considered that option. If you visit our mill, you'll notice a strong family feeling. A lot

of our employees have been with us a long time, some as long as 30 years. One of our electricians put four kids through college while working for Bob's Red Mill. I never plan on retiring, but the day will come when I'm not around anymore. I've done a lot of thinking about that day.

**I just can't** envision the company in any better hands than those of the workers and management we have now. That's where the ESOP idea comes from. In an ESOP, I'm selling them Bob's Red Mill, but at the same time, as individuals, they don't have to pay for it. The idea might not work for a company with a different philosophy toward its customers and the people who have built the business, but I think it will work for us. **1**

**Born to Franchise**

From his early days, George Naddaff has had a nose for finding little businesses with huge potential.





# GEORGE NADDAFF

## UFOOD GRILL

### FROM SPIT 'N' SHINE BOY TO BOSTON CHICKEN AND BEYOND

"No business, no problems. No problems, no business. Problems are opportunities for solutions." With that mantra, George A. Naddaff punctuates virtually every one of his stories. And there are so many stories. Now 77, Naddaff has run, launched, or taken national more than half a dozen companies. He's best known for Boston Chicken, whose shares soared 143 percent in a record-breaking IPO in 1993, the year after he sold it. (The company filed Chapter 11 in 1998 and changed hands twice more.) Naddaff's other ventures have included two day care companies, a business brokerage franchise, and, his latest baby, UFood Grill, a restaurant chain for the health conscious. "Cut my veins and salesmanship pops out," says Naddaff. "I love to sell what I believe in."

#### AS TOLD TO LEIGH BUCHANAN

PHOTOGRAPH BY JESSE CHEHAK

*This article originally appeared in the February 2008 issue.*

**I was born in Boston, in 1930.** My father came here from Lebanon and owned a grocery store. He gave people credit. The Depression came; they couldn't pay, and he went out of business. Then my dad worked in a shoe factory. The glue from the shoes did something to his skin that made him look like the Elephant Man. His hands enlarged. His face enlarged. He was out of work.

**To earn money, my brothers and I shined shoes.** My dad built me a shine

kit. I'd wander to downtown Boston—the Combat Zone back then. It was full of sailors. I'd give them a spit shine and charge a dime. They'd give me 25 cents. I'd rummage around in my pockets pretending to look for change: "Gee, I knew I had some." The customer would get frustrated and say, "Keep the change." That was my first business technique.

**My mother would give me a quarter from my earnings,** and I'd go to the movies. My friends saw I had money and

asked, “George, can you teach me how to shine?” I showed them the spit shine and the change trick. I didn’t make any money—I was just helping my friends. Little did I know I was starting to think like a franchiser.

**I found out you could make more money** selling newspapers. Every morning an orange truck would appear on one corner of Tremont Street. Thirty kids would be waiting. The guy would hand out papers, and they’d all run down the street to the barrooms. A trolley line ran the length of Tremont. I would jump on and hang off the back with the newspapers under one arm—very dangerous, but I didn’t have to pay. The trolley would take me to the end of the line, and I’d work my way backward, selling at bars the other kids hadn’t been to yet.

**At 13, I worked as a baker’s helper** in a restaurant. I mopped floors, washed pots. One day the manager—Red Litkoff—said, “One of the soda jerks didn’t show up. You’re working the counter today.” Working the soda fountain meant engaging with customers. Old ladies would come from Beacon Hill for tea and crumpets. I’d take special care of them, and they’d leave 10 cents under the plate. It was a license to steal. I said, “From now on, this is my turf. Front of the house.” At age 16 and a half, I became fountain manager. I was magnificent. Red used me wherever he needed me. I filled in for the short order cook. I worked with the waitresses. I learned about the mealtime rush; how to

deal with customers; how to work for a tip. I was learning the food business.

**School and I did not work out.** So at age 17 and a half, I joined the Army. I got out in 1950. The first week home, my father says, “You’d better start thinking about college.” I said, “Dad, I’m not going to college.” He said, “Your brothers went to college, and your sister went to college.” I still said no. “Then you’ll get a job,” he said. It was Sunday. I got *The Boston Globe* classifieds. I saw an ad that was made for me. “Wanted—Man With Car.” I had a 1936 Pontiac. Man. Car. Boom.

**Monday morning, I put on my tie** and slicked back my hair. The address was a storefront no bigger than this office. There was a guy behind the desk. Hymie Braverman. He had a cigar in his mouth with the juice running down the side. He showed me baby furniture. A highchair that turned into a carriage that turned into a stroller that turned into a bassinet. Manufactured by a Jewish family that was chased out of Austria by the Nazis. The company was called Stroll-O-Chair, and Hymie had the Boston dealership. He said, “What do you think?” I said, “It’s incredible. I want the job.” He said, “You’ve got to put down \$75 as a deposit.” I said, “I’ll come back tomorrow with the money.” I told my father I needed \$75 for a job. He said, “Why should you pay for a job?” I said, “You sell, you get a commission.” He didn’t understand “commission.” I explained. His face got so red. When he first came to this country, my father sold imported handmade lace door-to-door. He

# “I trained thousands of people in the art of walk-knock-talk-sell. I taught people not to listen to the word *no*.”

had to lug these two big black cases from the South End to Beacon Street. He said, “No son of mine is going to sell door-to-door.” I conned my mother out of the \$75.

**The next day, I gave Hymie the money.** I said, “What do I do now?” He gave me the equipment and an order pad. Then he said, “Get the hell out of here. Go and find babies.” I put the stuff in my 1936 Pontiac. Then I sat in the car for a half hour, sweating. I thought, “What did I do? I took money from my mother. Find babies. Oh, God. Babies.” I’m sweating and looking at this stuff in the back seat. “Babies... Diapers!” I came back the next day with a bunch of sales. Hymie said, “How did you do that?” I said, “I went to the South End where we used to play. I remembered there were diapers hanging from lines in the alleys behind the houses. I figured out where those lines were from the end of the street: third house, top floor. Fourth house, second floor. I went around the front, rang the doorbell, and yelled up, ‘Hi. Are you the lady who just had the baby?’ And she would say, ‘Yes.’ And I would say, ‘I’ve got something for the baby!’” A great pitch! “And she’d say, ‘Come on up.’ And that was it.”

**I became national sales manager** for Stroll-O-Chair, together with Aaron

Spencer, now the chairman emeritus of Uno’s. I trained thousands of salespeople in the art of walk-knock-talk-sell. I taught people not to listen to the word *no* but also never to interrupt. You need to know the objections so you can counteract them. Objections are like stepping-stones across a brook. You have to step on each one to get to the other side.

**Aaron and I were promised** a piece of that company. But after 17 years, it became painfully clear they wouldn’t give it to us. So we left. One of our dearest friends was an attorney who owned three Kentucky Fried Chicken units in western Massachusetts. He said, “You guys could make more money selling chicken.” So we went down to Louisville and came back with a master license for greater Boston.

**I’ll never forget the day** we graduated from Kentucky Fried Chicken University. [CEO] John Y. Brown came into the room and said, “Just imagine I’m taking a paintbrush and making a line right down here on the floor. Never go off that white line. We’re teaching you a format. The formula for doing Kentucky Fried Chicken. If you stick to that formula, you will not fail. If you step off the line and do different things, you will fail.” That was where I learned franchising.

**In 1971, I was looking for a school** for my 3-year-old son. My neighbor said, “Enroll him in Green Acres.” I went to see Green Acres: 22 beautiful acres with a pond. All the teachers had master’s degrees. They taught kids they could do anything. I was salivating. But here was a waiting list of 357 people. I looked everywhere but couldn’t find anything equivalent. The more I looked, the more upset I got. I went to see the school’s founder. I said to her, “Why couldn’t you be like Maria Montessori and spread your philosophy around? I’ll find a facility, and we’ll turn it into a school and put those 357 people into that school.” She said, “Can I have your card?”

**I sold the chicken company** and started Living and Learning Schools. We had 48 schools in greater New England. These were the most gorgeous schools you ever saw. We were the first in the country to offer day care on corporate campuses. Union Mutual. Aetna. KLH. Polaroid. But when interest rates shot up to 22 percent, we had no way to build more schools. We finally sold to Kindercare. I spent eight years at Living and Learning, and I’ve never been happier or prouder. If I kick the bucket tomorrow, put on my tombstone, “This little Arab kid built schools.”

**After that I retired.** I was visiting the West Coast, and in the local paper I saw an ad for a company called UBI—United Business Investments. I thought, Oh, my God. Someone is franchising business brokerages! I bet I could get the master license for

New England. The next day I drive to UBI’s office in Paramount, California, and ask to speak to the president, Tom West. I was told he had just sold the business.

**Tom had 44 locations,** all company owned. They sold bike shops. Pizza shops. Tom was getting ready to move to Concord, Massachusetts, where his wife came from. I said, “How about you and I start a company on the East Coast to franchise business brokerages?” We came back here and started VR Business Brokers. It was the fastest-growing little franchise you ever did see—walking down Main Street, knocking on the door of a business, and saying, “Hi. We may have a buyer for you. Is this of any interest?”

**But we had more demand than supply.** So I went to franchise companies. And I said, “Such a deal I have for you!” In every VR office, I put a franchise desk with VHS tapes featuring the chairmen of companies hawking their franchises. Fantastic Sam’s. UPS. Mailbox USA. AlphaGraphix. Sylvan Learning Centers. We became a franchise to sell other franchises. Eventually, an outfit out of England called Christy and Company acquired VR. It went public in 1986.

**One day my bride,** Martha, called me and said, “Honey, when you come home, please bring a rotisserie chicken, steamed vegetables, and some corn bread.” I said, “Where is this place?” She said, “Right around the corner from your office.” I said, “There’s a Kentucky Fried Chicken around the corner.

I'll pick up a bucket." She said, "I don't want that fried stuff. I want rotisserie. Steamed vegetables. Corn bread." I don't argue with my wife. The line was out the door. Ninety percent women. The same women that had gone to work in the '70s and used my day care centers. Now they needed food to take home to their families. It was like a lightning bolt. Day care. Chicken. Unbelievable.

**I spent months negotiating** with the two owners. They wouldn't let me in the back of the house. They thought I was after their marinade recipe. I said, "No, I want your concept." They were doing \$1.4 million in 700 square feet. The average check was \$13.75. I finally bought the rights to take it national. The year I started, 16 competitors opened. I had two stores. I said, "Damn. I'm going to get lost among these Chicken Outs, Chicken A-Go-Gos, Chicken Expresses." I decided to push the franchise button, quick. It was like putting a match to lighter fluid.

**In 1992, we had 48 units open** and 200 sold. Revenue was about \$42 million. Some guys from Blockbuster approached me about buying the company. They asked me to stay on as chairman, but I don't work for people. I stayed until they went public, in 1993. It was the highest IPO in Wall Street's history at the time.

**Not everything I touch turns to gold.** In the mid-'90s, I did Coffee by George: a bakery and a drive-through. Today you see Dunkin' Donuts opening them up; some Starbucks have drive-throughs. But I was

too early. I also went against one of my cardinal rules—give me one of something that works and I'll see if I can franchise it. Coffee by George was my own idea. After about two years, I shut it down.

**In 2003, I came across** Low Fat No Fat Life Style Grill in Watertown, Massachusetts. I always look for lines: This place was in a terrible location but had a line out the door. Inside, I see a menu printed with nutritional values. Who is in this line? Gym rats. Girls in spandex. Guys with shirts and ties. What are they buying? Bison burgers. Turkey bacon on whole-wheat buns. Chicken meatball wraps. The potatoes are air-fried. Average check: \$8.50. Not bad. What's in that other room? Supplements. Like a GNC. How many people leave the restaurant and walk over to pick up some supplements? Convenience. Symbiosis. What an idea! Again, negotiations. I gave the three owners a piece of the action. We have nine stores now in places like Boston, Sacramento, and Naples, Florida. By 2011, we plan to have 800 units nationwide. We're changing the name to UFood Grill. George Foreman is our spokesperson.

**When I saw this concept,** I remembered the women who used to write me letters at Boston Chicken: "Thank you for your healthy product. Thank you for giving my family an alternative to fried foods." We're all products of our life's experiences. **❶**



**Another Day at the Office**

Stan Lee has spent seven decades focused on a single task: inventing superheroes.

# STAN LEE

## MARVEL COMICS

### ALWAYS SEARCHING FOR A NEW STORY

Mention Marvel Comics, and the first thing that comes to mind is superheroes like Spider-Man and the Hulk. The next thing, probably, is Stan Lee—who helped create those iconic characters and has been the public face of Marvel for decades. So it's not surprising that Lee is pleased about Disney's proposed \$4 billion acquisition of Marvel. What is surprising is that Lee doesn't stand to make a dime from it. Lee drifted away from Marvel in the mid-1990s—indeed, he spent years in litigation with the company—and now is chairman of another business, POW! Entertainment. Still, Lee never really left Marvel. At 86, he serves as its chairman emeritus, and though the position is largely ceremonial, it acknowledges Lee's role in building one of America's most enduring brands.

#### AS TOLD TO MARK LACTER

PHOTOGRAPH BY JEFF MINTON

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**I grew up in New York City** during the Depression. My earliest recollections were of my parents talking about what they would do if they didn't have the rent money. Luckily, we were never evicted. But my father was unemployed most of the time. He had been a dress cutter, and during the Depression, there wasn't much need for dress cutters. So I started working when I was still in high school. I was an office boy, I was an usher, I wrote obituaries for celebrities while they were still alive. Lots of jobs.

**My mother was the greatest mother** in the world. She thought I was the greatest thing on two feet. I'd come home with a little composition I had written at school and she'd look at it and say, "It's wonderful! You're another Shakespeare!" I always assumed I could do anything. It really is amazing how much that has to do with your attitude.

**My cousin's husband**, Martin Goodman, had a company called Timely Publications, and they were looking for an

assistant. I figured, Why not? When I got there, I found out that the opening was in the comic book department. Apparently, I was the only guy who had applied for the job. I figured it might be fun. So I became a gofer—there were only two guys, Joe Simon, the editor, and Jack

had to hope your cover would compel somebody to buy the book. And everything depended on the name. A character like Hurricane was a guy who ran very fast. Later on, when I was looking for new superheroes, it occurred to me that somebody crawling on walls would

## “It occurred to me that somebody crawling on walls would be interesting. I thought, Mosquito Man? It didn’t sound very glamorous. Fly Man?”

Kirby, the artist. They were the creators of Captain America, and that’s what they were working on at the time. I would fill the inkwells, go down and buy lunch, and erase pages and proofread. Then they were fired for some reason. Martin had no one to run the department. He said to me, “Can you do it?” I was 17. When you’re 17, what do you know? I said, “Sure, I can do it.”

**Martin must have forgotten** about me, because he just left me there. I loved it. I was so young, it was sometimes embarrassing. Someone would come into the office and see me there and say, “Hey, kid, can I see the editor?”

**By the time I got the job**, Superman had been created. We had the Human Torch, the Sub-Mariner, Father Time, Hurricane. The most important thing in those days was the cover. All these books were on the newsstand, and you

be interesting. I thought, Mosquito Man? It didn’t sound very glamorous. Fly Man? I went down the list and came to Spider-Man. That was it.

**Martin was one of the great imitators** of all time. If he found that a company had Western magazines that were selling, he would say, “Stan, come up with some Westerns.” Horror stories, war stories, crime stories, whatever. Whatever other people were selling, we would do the same thing. I would have liked to come up with my own stuff, but I was getting paid.

**After about 20 years on the job**, I said to my wife, “I don’t think I’m getting anywhere. I think I’d like to quit.” She gave me the best piece of advice in the world. She said, “Why not write one book the way you’d like to, instead of the way Martin wants you to? Get it out of your system. The worst thing that will happen is he’ll fire you—but you want to quit anyway.”



At the time, DC Comics had a book called *The Justice League*, about a group of superheroes, that was selling very well. So in 1961 we did *The Fantastic Four*. I tried to make the characters different in the sense that they had real emotions and problems. And it caught on. After that, Martin asked me to come up with some other superheroes. That's when I did the *X-Men* and *The Hulk*. And we stopped being a company that imitated.

**In the 1960s**, we realized we were onto something. I figured we needed a new name, because we were not the same company we had been. I remembered the first book Martin published when I started there was called *Marvel Comics*. It had the Human Torch and the Sub-Mariner, and it was very successful. Why don't we call the company Marvel? There are so many ways you can use that word in advertising. I came up with catch phrases like "Make mine Marvel" and "Marvel marches on!"

**Martin was good at what he did** and made a lot of money, but he wasn't ambitious. He wanted things to stay the way they were. He hired a good friend of his to be his business manager, and they would spend two or three hours a day in Martin's office playing Scrabble. I didn't understand it. I was always frustrated.

**In the late '60s**, Martin sold the company to an outfit called Perfect Film and Chemical. Everything changed. Martin had hoped that his son Chip would

become publisher; instead, the new owners made me publisher. Later, they made me the president and even chairman. But I was never a businessman. I remember when the board asked me to come up with a three-year plan for the company. I said, "Guys, I don't know how to predict where we'll be in three years. I don't even know what I'm going to have for breakfast tomorrow." I resigned as president after about a year. I mean, I can add and subtract, but I hate to read sheets of numbers. I like to write stories.

**All of the characters** at Marvel were my ideas, but the ideas meant nothing unless I had somebody who could illustrate it. For Spider-Man, I called Jack Kirby, and he did a few pages that weren't right. Jack drew everything so heroically, and I wanted Peter Parker to look more like an average, schlumpy kid. So I got Steve Ditko to do it. Whenever I would discuss the strip, I would say that Steve Ditko and I created Spider-Man. I certainly don't own the Marvel characters. I've never owned them. If I did, I'd be too wealthy to be talking to you.

**New World Pictures** bought Marvel in 1986. At last, we were owned by a big, rich company. But everybody was nervous. I was invited to a meeting of the New World executives. I figured I was going to be fired. I'll never forget: I walked in to the boardroom, maybe a dozen people sitting around the table, and the first thing one of the executives said was, "Stan, would you mind autographing

some of these comic books?” So I figured that was a good start.

**Ron Perelman got** the company in 1989. But at a certain point, Marvel was forced into bankruptcy.

**They let everybody go.** I don't like to be idle, so I moved on to Stan Lee Media. We started out doing well. We were doing a lot of different projects. Everybody was coming to us. I had no idea there were problems, but one day there was a meeting called of the executives and I was told that we had to close down, because we couldn't meet payroll.

**When Stan Lee Media went bankrupt,** we decided to form another company, POW! Entertainment. It's been a lot of fun. A couple of years ago, we made a first-look deal with Disney, where anything I create I have to show them first. If they don't want it, I'm free to take it elsewhere. We're doing a couple of television things, and we have a couple of deals with other film companies and some publishing companies. My name does open doors. The most important thing in Hollywood is to get people to take your calls. At least people take our calls.

**When I was a kid,** Disney was one of my gods. I just loved movies like *Snow White* and *Pinocchio*. I remember telling Martin Goodman, “Our books and characters are so popular; if only we could do a movie...we could be another Disney!”

He totally ignored it. I never dreamed that years later I would have a first-look deal with Disney. That in itself is so gratifying. And then, when Disney bought Marvel, it was almost like completing the circle. I just wish it had happened when I was active with Marvel.

**Being Marvel's chairman emeritus** is strictly honorary. Occasionally, they'll ask me to write a story for a special issue, and I go to their booth at the comic book conventions and sign autographs. I do whatever I can for them. Even when I sued them in 2002, I used to say it was the friendliest lawsuit there ever was. [Lee alleged that Marvel failed to pay him a share of profits from the first Spider-Man movie. The suit has since been settled.]

**At POW!, my partners** Gill Champion and Arthur Lieberman do all of the business. All I do is write the stories and come up with the ideas. If Gill says to me, “Stan, we need another thing to submit to Disney,” I sit down with a pencil and paper at my desk, and I think about what I can do that hasn't been done before. If I can't think of a new superpower, I try to think of a new quality that a character might have. Maybe this character has a certain ability that's given him nothing but grief. Thinking up stories is easy. Thinking up the characters is easy. It's finding a way to make it something that people have never seen before—that's what's difficult. It's also what's the most fun. 🍌





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