Take an Entrepreneur to Dinner MGMT 652 Spring 2010

By Glen Bradford

This all began with an email in December 2009. It's below:

I have been following and have invested in several of the companies you had written about since March when I first came across your stories. I very much like your ideas and strategy that you have outlined.

If it would be possible, to give me a call at your convenience, as I am a stock investor, with my own funds and would be interested to speak with you in regard to placement of some money with yourself.

Name (Mike)
Miami Beach, FL

So, I find myself thinking Miami sounds like a good place to make a note of. Last time this happened, I found myself fighting for my life trying to surf Hawaii. A few months later, I find that my friends want to go on a cruise out of Miami for Spring Break. Great, I think, and I throw plans together. I ended up flying down to the Tampa area, kickstarting a business, meeting up with Zack Buckley, who had driven up from Miami to meet my business partners and I, and sailing along alligator alley around 10pm on a Friday dead set for Miami's famous South Beach.

We arrive, and are ushered into a yacht club, where we ride up the elevator and wander into his condo, which is encased on model trains and has a custom track running around the ceiling. Really, you wouldn't believe it if I showed you.

For the record, I never really took this entrepreneur out to dinner. I was taken out, several times, and we talked about a lot of interesting things. For the sake of being able to use the same name over and over, we'll call this private investor Mike. Mike is a good name.

Mike dropped out of college immediately after starting it. It wasn't for him. To be honest, I don't know how I've made it so far here. I came to college to learn how to make the most money in the least amount of time and in retrospect, I took the scenic route. Mike dropped out and moved to Ft. Lauderdale, because he liked boats. He lived on his parent's small dingy and politely hung out with the patrons of one of the bigger Yacht Brokers as often as they would let him. After building rapport, they asked him to show a client a boat because they were out of the office. He did such a good job that they asked him to do it again, and again. This is truly a story of rags to riches. Mike is beyond neat. He cautioned me that he always made sure not to trek any sand into some of the Yachts he was invited onto and was as courteous as ever.

What was his secret? Most of the time when you call a Yacht broker, you tell them what you want, they have to look it up and call you back. Not Mike, he knew the prices, the locations, and the specifics of mostly every boat, because he was interested in them himself. As such, he got referral after referral and I'll refrain from name dropping by illustrating a few stories he's told me; but I will drop one name. Apparently Tiger Woods is jealous of Mike's current boat and tried to buy it off him.

Mike received a phone call once from a frustrated customer on a satellite telephone that was vacationing in his yacht and was having a problem. Apparently the helicopter's capacity was 6 and there were 7 people on the yacht and it was uncomfortable for the yacht owner to have to pick one person to stay behind to catch the next ride. He demanded that Mike immediately rectify this problem by locating a yacht that could support a larger aircraft with a larger capacity. And Mike did.

So, I figure I'll run through the questions (below in the appendix for outside reference) and see if I can come up with any insight. Well, for the first one, Mike refused to do anything outside of what interests him. This is why he dropped out of school. In fact, after meeting millionaires who are buying these yachts from him, he diligently paid attention to them and did everything he could for them. They took a liking to Mike and revealed to him some details of the companies that they own in their stock portfolios. Needless to say, Mike rolled some of his Yacht brokering money into their ideas and was lucky enough to score some home runs. He figured that if the people were rich enough to be purchasing huge boats, they had to be doing something right.

Who wants to be a millionaire? It is true that it is easier to become a millionaire if you have a good mentor than if you have a good "education," in the practical sense of an education." The Millionaire Next Door" has several fundamental logic flaws, as evidenced in the book, "Fooled by Randomness." The benchmark of $1,000,000 is too low and is biased to finding communities of oversavers. Set the mark at $15,000,000, which is inflation adjusted for when being a millionaire was simply more than enough and you'll write an entirely different book. That said, illustrating this points to the incredible value of being able to understand incentives. The educational system is designed to provide people that fit well in institutions. The incentive of an institution is to pay workers just enough that they work a long time. Uncommon sense indicates that this is a way to make a living and that this mentality would not contribute to making a fortune. The key difference here isn't how you've made the money. The key difference is as follows: What do you do with the money once you've made it?

In Mike's case, find something that interests you, surround yourself with millionaires that are interested in the same thing and be polite, kind, cheerful, and available. Over time, you'll get your shot to impress them and you will. Take a lot of time to determine who you learn from. Seek to learn from the best. Offer to help them for free. Their time is more important than yours. If you can absorb some knowledge from multimillionaires, maybe you'll figure out enough to make yourself a millionaire. Mike was able to make a living brokering yachts and turned it into a fortune investing in the companies that the millionaires recommended.

In my case, I was lucky enough to have an internet connection, time to read books, a library card, and a government that was willing to loan me more tuition money than I needed. Was I going to spend the excess on clothes? Nah, stocks were way more interesting. After struggling for years trying to figure out what made the stock market work and getting lost in the gutters of most authors I figured that Warren Buffett was probably worth following. Around this same time, my programming prowess attracted a mentor that has annualized 25% through rigorous implementation of the Ben Graham formula and engineering time series applied to company fundamentals. I figuratively surrounded myself with some of greatest thinkers that were obviously successful, Warren Buffett, George Soros, Sun Tzu, Dale Carnegie, Joel Greenblatt, etc. So, I sat down one summer and decided to sort 100 companies a day; and I did. This was on top of working 40 hours a week as an engineer. Using these principles, I was catching the radar of celebrities like Jim Cramer, who promoted me into the minor leagues of financial journalism. My personal projections have me hitting mainstream media outlets within the next month. You won't achieve success unless you set yourself up for it. If you don't know how, try to find someone who is successful and start copying them or offering to help them do anything for free. That said, you must believe in yourself. As Thomas Jefferson puts it bluntly, "Nothing on earth can help the man with the wrong mental attitude." So, go forth and believe in yourself.

3. Take an Entrepreneur to Dinner (10%)

You are expected to arrange and conduct an interview of an entrepreneur (you are not really required to take him/her to dinner, although that would be more fun!). The entrepreneur's business should be less than 7 years old. You should avoid doing your interview on your family's business or that of a close friend. You may work in two-person teams. You will be expected to turn in a typed report summarizing not only your interviewee's answers to your questions, but most importantly your ―take aways‖ (i.e., your interpretation of what the entrepreneur had to say, and what you learned and did not learn). These write-ups will be graded according to the system of ―check‖ (85%), ―check-minus‖ (75%), and ―check-plus‖ (95%). Submissions should be 3-5 pages double-spaced, 12 point font.

Questions you might consider include the following:

 To what extent has the owner chosen the business to increase his/her earnings potential versus choosing an occupation that interests him/her?

 How did the individual identify the opportunity?

 How did he/she assess the value, timeliness and durability of the opportunity?

 How did he/she assess his/her fit to the opportunity?

 How did he/she evaluate the market?

 What were the major uncertainties at the time the venture started and how were they overcome?

 How did the entrepreneur go about starting the business? What problems were encountered?

 What motivated the person? What were his/her primary goals?

 Who did the entrepreneur work with in getting started? To what extent did others provide help?

 What are the major problems confronting the business at this time?

 How does the entrepreneur feel about starting and managing a business? Would he/she do it again? Would they do anything differently the next time?