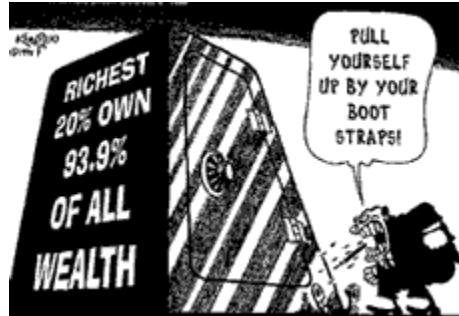


A Speech to the First Annual Explorim.org Symposium by [Dr. Bruce M. Firestone](#), July 17th, 2003 at the Brookstreet Hotel, Ottawa, Canada.

The Bootstrap Entrepreneur



*Entrepreneurship and Intrapreneurship—
A Key to Wealth in Developed Nations and LDCs too*

Introduction—Start with Nothing

I have been involved in at least 70 startups over the last 21 years—either as a principle or as an advisor. I am happy to say that most of them are still in operation today.

One of the questions that seem to come up every time we seek a bank loan to help the business get started is: “How much collateral will you be able to pledge to the Bank?” Every Banker asks that question.

I find this a funny question (as in the hilarious not peculiar sense) because by definition (or at least my definition of what an entrepreneur is), an entrepreneur has no money (or very little).

If an entrepreneur had money they wouldn’t be coming to a Bank for a loan or, more importantly, they wouldn’t be starting a business. People with money are called Investors not Entrepreneurs, and nothing is more cautious than an Investor.

An acquaintance of mine, a Southam heir, someone I grew up with, I call him ‘Bill’, not his real name, was donating some shirts to charity. He had more than 30 fine shirts, all neatly laundered in their rectangular wrappings ready to go. I was in my late 20s at that time and I had just started out in business on my own and, frankly, could have used those shirts. So I asked Bill if I could have them instead and he agreed. Thank you, Bill.

He was a few years older than me and we got to talking: “Why haven’t you married, Bill?” I’ll never forget his answer: “Oh, I couldn’t do that. I have my dogs and my house and my trust fund from Granddad—if I got married, I would be expected to share all that.”

Bill remains unmarried and childless in his 50s.

Nothing is more conservative than old money investors.

So you can see where I am going with this. You want to be wealthy, you want to make a difference, you want to do your own thing. You need some capital to start. Where are you going to go to get it?

In all likelihood, it won't be from a Bank and it won't be from a rich investor.

I am sure that 95%+ of all business startups start with nothing or next to nothing. That is why we started Explorim.org—our networking group for professional entrepreneurs and intrapreneurs—we are talking to the great majority of people who start things with no money down (or little money down). These are what we call Bootstrap Entrepreneurs and Intrapreneurs.

Bootstrap Startups

When we talk about by-the-bootstrap startups we don't usually think about names like the Disney Company or Blockbuster Video but ironically, large companies understand the bootstrap idea better than most entrepreneurs and bankers. They have a nicer, more professional sounding name for it, they call it accretive deal making or accretive financing.

That means that they have more cash after the deal/acquisition/startup than before they started.

Think it sounds fanciful? Not really.

Some of you may know that I served on the National Hockey League's Expansion Committee at the time that Michael Eisner and Wayne Huizinga applied for expansion franchises for Anaheim and South Florida, both of which were successful applicants.



Ducks, Pucks and Bucks

In the case of the Disney Company, their franchise fee was the same as the one we had paid the year before: \$50m USD. However, the Disney Company, in founding the Mighty Ducks of Anaheim, had just slightly more leverage with the NHL than the Ottawa Senators. Not only did both the Ducks and Panthers get a better entry draft than the Sens and the Tampa Bay Lightning had the year before (sorry, Espo*), but they could do creative things with their financings too.

(* Phil Esposito, Hall of Famer, led the Tampa expansion delegation.)

Disney made a deal with Bruce McNall, the then LA Kings owner, to pay half of the franchise fee to the Kings as part of their territorial infringement fee. So \$25m of the \$50m did not go to the NHL partners but went to the Kings; and they didn't pay it holus bolus (i.e., in one lump sum)—they paid it \$5m a year for 5 years. Now every entrepreneur and intrapreneur knows that *cash is king*—collect early and pay late is part of the code of the entrepreneur, right?

But Disney wasn't finished yet. Ogden Corporation, had built the new arena in Anaheim without a major (anchor) tenant, a big no-no. So they gave Disney a \$20m inducement to sign a long term lease and they gave them the naming rights to the arena to boot (so to speak). The naming rights for the Corel Centre in Ottawa were worth \$26m for a 20 year deal so you have to figure that the rights in Anaheim were worth more. And at the end of the day, Disney can pledge the \$50m asset for a commercial loan of at least \$25m further adding to the cash-on-hand.

So it isn't hard to figure out that the Disney Company could have ended up with more cash on hand after they paid their expansion fee than before they became Members in the National League. Blockbuster took a different tack but ended up with the same result—ask me about it sometime.

Well, OK, that's all well and good to tell a story about Disney and Blockbuster but what about the typical entrepreneur and intrapreneur—how can they do it?

The Role of the Intrapreneur

By the way, let me clarify for you the reason I keep mentioning the role of the Intrapreneur in all this.

Most employers today do not want an employee that needs to be told half a dozen times a day what to do. Someone who sits there and does nothing until told to, then does what he or she is told to do even if subsequent events uncover reasons why these things should be changed.

That is an old-style management system that is usually referred to as a military top-down hierarchical system of decision making. I can tell you that this comparison is incredibly inaccurate—if you look at the US military today, they put an enormous emphasis on training *and* initiative. The whole idea is to create units capable of changing the plan as events unfold rapidly in the field. Marines are good examples of creative thinking—they are intrapreneurs in a big way and it will save their lives.

So intrapreneurs are important because you unlock their creativity, because they are capable of autonomous action and because a business organism is much more effective if it mirrors successful biological entities—it is capable of adapting to changes in its environment.

If something isn't working, entrepreneurs are capable of changing it or stopping it, quickly. Intrapreneurs, working within existing organizations, bring these important skills into the organization.

But they do more than this—intrapreneurs not only take control of their day-to-day workflow, they understand that in order to get their new projects/service offerings accepted by their organizations and off the ground, they have to adapt some of the By-The-Bootstrap approaches of an entrepreneur.

I mean if you go to your boss or to your BOD (Board of Directors) and say: “Here is a great project for us, which will make us a lot of money and, btw, I need \$1m in cash to start it up,” you’ll get a different response most likely than if you said: “Here is a great project for us, which will make us a lot of money and, btw, I have lined up \$1m in seed money from three launch clients to start it up.”

You’ll not only probably get your project approved but you’ll get to manage it and promoted too.

So Intrapreneurs* need to learn these skills too.

(* In fact, I have been surprised that at least 40% of the students, who are enrolled in our entrepreneurship track at Carleton University’s Sprott School of Business that John Callahan and I and others have established over the last few years, are not interested in starting their own businesses at all. They are future Intrapreneurs.

Students are coming from all over—from journalism, so they can better understand entrepreneurs and better report on them, from architecture and arts, because writers, artists, poets, painters, actors, architects and other creative folks need to be successful entrepreneurs too, from computer science, because they want to not only write code but understand the ‘DNA’ of business too. I mean the arts world is the only industry where death is a career move and I teach my architect students that it doesn’t have to be that way.)



*Vincent Died Broke—
Don't let this Happen to You*

More Examples of Bootstrap Financing

Mark McCormack, who wrote *What They don't Teach you at the Harvard Business School* and *What They **Still** Don't Teach you at the Harvard Business School*, started

IMG, an internationally known and powerful talent agency, with \$500 (and a launch client named Arnold Palmer, not a bad way to start). (Mark's books, published in the 1980s, still remain a good read for would-be entrepreneurs and intrapreneurs. He emphasizes the art of selling and the art of pricing, two key skills entrepreneurs need. After all, the three most important things in starting a new venture are: *sales, sale, sales*. Right?)

A former student of mine, Darcy McRae, started Gondolas.ca with \$1,500 of his own cash and \$40k in leftover student debt.

One of our speakers today, Rob Hall saw the commercial potential of the Internet before almost anyone else in Ottawa and started Momentous.ca by cabling buildings and using inexpensive modems to hook up people to the Internet later going on to great success in higher value added services and products.

Mitel was started by Terry Matthews and Mike Cowpland with very little money down but with a solid product offering and many launch clients.

The Ottawa Senators were supposed to be an accretive arrangement too. (Not all good plans work out I am sorry to say. Oh well.)

Cyril Leeder, Randy Sexton and I dreamed up the idea of bringing back the Ottawa Senators in 1988, after a pick up hockey game at the old Lyons Arena. Cyril, in true CA-style, after hearing the idea, asked: "How much is an expansion franchise likely to cost?" We all wrote down our guesses, which ranged from \$25m to a high of \$34m (the latter being the number for a NBA expansion franchise the year before.)

Our idea was simple—private money would buy the team and build the arena (this would not be another SkyDome, which cost the Ontario taxpayers at least \$450m), the Province would build us an interchange (at a cost of \$30m) and the City of Ottawa would use a Magic Wand to make sure it all happened.



Jimmy Durrell's and Andy Haydon's Magic Wand

Jim Durrell was Mayor of the City of Ottawa and Andy Haydon was Chair of the RMOC (Regional Municipality of Ottawa-Carleton) at that time. Our concept was that: a) we would buy 600 acres of land for an average of \$12,500 an acres (which we did), b) we would keep 100 acres for construction of the Palladium (aka the Corel Centre, which we

did) and c) we would ask the RMOC and the City of Kanata for a rezoning of all the lands causing the value of the additional lands to increase from \$12,500 to \$112,500 per acre and we would sell the additional, surplus lands (500 acres) for a profit of \$100,000 per acre or, hmm, \$50m in total, which would then be shipped in a couple of Brinks Security trucks to John Ziegler in NHL head office in NYC to pay for the franchise. Ah, it was *a simple plan*.

From the POV of the City, it wouldn't actually cost them anything—they just waive their magic wand, et voila, the lands are rezoned. We make a \$50m profit, which we don't get to keep, but instead we give it to Ziegler and he gives us (a fairly ratty-looking) piece of paper for a NHL franchise* for Ottawa.

(* There has been a lot of air and ink about what the City gets from the franchise being here but one thing I can tell you, when I traveled in the US in the 1980s, no one knew *anything* about Ottawa and now everyone does. Some VCs have told me that by having a world-class sports team here, we got on their radar. Without it, they would question whether the ideas coming out of Ottawa were also world-class. Hundreds of millions, billions, in fact, of investment money came here, at least in part because of the Sens. Fair? No. But then life isn't fair at all.)

Well, many of you know the story—Liberal Premier David Peterson who had approved much of our plan called an election two and a half years early, lost to NDP Premier Bob Rae, whose government opposed the Palladium. We won the battle to rezone the Palladium lands (100 acres) at the OMB but lost the war (the other 500 acres remained unzoned for another ten years). We had an \$80m hole in our capitalization plan (yes, Mr. Rae declined to have the Province build the public infrastructure (aka, the \$30m interchange)) and I sold control of the team to new owner Rod Bryden within two years. C'est la vie.

Large or small, there are thousands upon thousands of examples of Bootstrap Startups. This is the way most businesses get started. And one can argue that Bootstrap Startups are often 'better' than VC-funded startups

Better in the sense that: a) they have to put an enormous emphasis on sales from the moment they begin; b) they have to have real customers and real cashflow otherwise they are dead in a few months; c) they need to be more creative and more adaptable to changes in their environment; d) they need to be more efficient with what money they do have.

"Simply put, an entrepreneur is someone who can (creatively) do with a dollar, what any fool can do with two," Dr. Bruce M. Firestone, Ottawa, Canada.

Sources of Bootstrap Capital

I always get this question from one student when I lecture on this subject: "Well, it's nice to hear about how people have started businesses with no money down but it isn't real, is it?"

There's always one ... but actually, there are a lot of students who are thinking the same thought.

People are not very good, generally, about hearing something that someone else has done and then applying it to their own situation. This is called lateral thinking.

Creativity is very important in this space—not only in coming up with new products and services (which is what most folks think I mean when I talk about creativity) but also creativity in marketing (creative marketing is called Guerrilla Marketing, where you substitute brains for money), selling, deal making and financing.

So here is my laundry list of things you can do to be more creative in the realm of financing your business startup:

1. Soft Capital: Mom, Dad and rich Uncle Buck: a friends and family round either formally or informally organized (they want you to be successful and don't feel guilty about taking some of their money—this is how many immigrant families got started on the ladder to success—every member of the extended family contributes what they can every week, say, to a family investment fund, which is then used to start up family businesses.)
2. Home equity loan
3. Government Loans and Grants—e.g., SBL (Small Business Loan): a nicely run GOC Program (there are many other government sponsored sources of start-up capital like the Ottawa Community Loan Fund)
4. Future customers, clients or launch clients (e.g., homebuyers in Ontario can be asked for up to \$20k in advance—again future clients want you to be successful and are often willing to help.)
5. Future suppliers (people often forget that your suppliers want you to be successful and want to help you stay in business so ask for their help, upfront.)
6. Strategic partners (like Ogden was for the Ottawa Senators.)
7. Micro capital lending and borrowing circles (more relevant in LDCs.)
8. Rights fees and sales (for example, Molson's purchase of pouring rights for the Corel Centre or the Civic Centre after the City of Ottawa was awarded a franchise by the NHL in December 1990 but before they commenced play in October of 1992 or selling PRNs (Priority Registration Numbers) during the Bring Back the Senators campaign of 1990 for \$25 each, which gave each PRN holder the right to purchase a season ticket in their preferred location in numerical order, if the team was awarded to the City of Ottawa in the NHL expansion round of December 1990. Note, however, that there were no refunds

if they were not successful. For \$25 you got the right to purchase a season ticket and a bumper sticker and a cool looking certificate too.)

9. Patent or other IP licensing fees (e.g., Noma Industries and LED Xmas light strings).

10. Consulting Contracts (not only a good source of revenues but also contacts too.)

11. Partners (there are still two chairs in heaven waiting for the first two partners to get there who still like each other—you need to be careful here because partners can slow you down and cause conflict.)

12. Debentures (small investors and family investors often prefer debentures, which can be structured as debt with equity participation.)

13. Fixed asset financial leasing (usually expensive but good for needed equipment like PCs, photocopiers, printers, etc.)

14. Receivables factoring (again, usually expensive but selling your receivable for fast cash often is the only way to go.)

15. Vendor financing (get 30, 60, 90 days or more, *in advance*)

16. Sponsors (see the example of 15,000 PRNs, 500 Corporate Sponsors and 31 Original Corporate Sponsors for the Ottawa Senators.)

17. Trading activity: buying low and selling high, speculation (like Ian MacDonald who bought Cyril and Dorothy Bennett's farm, where the Corel Centre is now, for practically no money down and sold it to us before he even had to close with the Bennetts—he made a \$1.5m profit in less than 18 months with very little risk; Ian told me that he measured his success by counting the number of new Jaguars he and his wife could buy with their profits from his deals—15 new Jags in this case); taking advantage of arbitrage opportunities (like finding out what percentage of dot-CA holders do *not* have their dot-COM equivalents and the dot-COM equivalents *are* available and then selling them the dot-COM extensions), building-businesses-to-sell, buying and selling and trading *up*, ...

18. Credit cards (I am amazed at how many startups start this way.)

19. Business Plan Competitions like the Wes Nicol Competition or the Celtic House Competition (not only can you win some money, you can get some credibility and contacts from your participation in these.)

20. Extracting upfront value from your lease for office space-- an example of a services company that got \$800,000 upfront.

21. Negative Pledging of Assets (e.g., what O & Y used to do)

22. Co-guarantor: borrowing someone else's stronger credit rating (e.g., Corel Centre Suite Leases pledged for construction financing, Mom or Dad or rich Uncle Buck co-signing a loan ...)

23. Accretive buying: buying another company with the target company's balance sheet as collateral where you end up with more cash than before (e.g., the Mighty Ducks.)

24. Accretive Selling: sell products or services with financing in place where you end up with more cash after the sale than before (e.g., Leon's don't pay a cent until (OAC). Leon's then turns around and sells the sales contract for cash; also EnvisonOnline.ca's PAYG (Pay-As-You-Grow) strategy where they sell a SME company a \$5k or \$10k web site for a few hundred dollars a month over a couple of years and then sell the contract to a finance company for cash.)

25. Employee ESOPs (Employee Stock Ownership Plans—MLG (Maple Leaf Gardens) was built by Conn Smythe in the Depression of the 1930s and folks who worked on the building were paid in script—worthless unless the Carlton Street Cash Box works out, which happily it did and everyone got paid.)

26. Pre-sold services (for example, here is an example from Craig deSchneider, a former student of mine in *Entrepreneurialist Culture* (2003): "In looking for some start-up capital for our automotive related business, myself and my partner offered potential investors future discounts through our business. In selling automotive parts, we had accounts set up with distributors, accounts which could only be set up through having a business license, tax numbers, and some negotiating, so the average person off the street did not have access to these discounts. We set no specific investment amounts, simply the most the person could afford. We kept these contributed amounts private.

Therefore, in return for a reasonable investment, we extended to our investors, cost prices for all of their future purchases through our company. The only limit we set on this agreement was that the investors' annual purchases could not exceed our company's sales revenue from our average monthly sales figure (not including cost purchases made from investors). The overall idea was to provide our investors a very fair return on their investment, and at the same time, these investors would promote our company. Why you may ask, well the greater our monthly sales were, the greater the amount of goods they could buy for themselves at a cost price." Ed.: Basically, Craig and his partner turned their investors into customers and their customers into investors. Nice going.)

27. Collectibles Auction. Here is a new one. Michael Moshier put the original version of his SoloTrek flyer up for auction on eBay, hoping a museum would pick it up. It didn't even fly but by January 12th, 2003, the bidding on eBay had already reached \$6.5 million USD: money he plans to use to fund his Trek Aerospace startup. Cool.



Gosh, if Michael Can Sell this Non-Working Prototype as a Collectible, Anything can be Used as a Source of Bootstrap Capital

There are as many strategies for Bootstrap Financing as there are grains of sand on a beach; you just need to understand the principle, after that, you just implement effectively.

Probably the most important thing I do as a business coach is make sure that they have the right business model, which has a good shot at success. After that, it is giving the new entrepreneur or intrapreneur the confidence that they can indeed do it.

Guerrilla Marketing: Brains for Money

Guerrilla Marketing (GM) is used by SMEs (Small and Medium Size Enterprises) because they are in the business of substituting brains for cash in the marketing wars: they want a place at the economic table but can not afford to purchase the type of mass marketing available to larger firms. So they resort to GM. GM is not limited to SMEs; larger firms have been known to engage in this type of promotional marketing.

Taco Bell's brilliant coup of floating a target in the South Pacific for Mir to hit comes to mind. Taco Bell stationed a floating rubber target off the coast of Australia which, if any pieces of the decommissioned Mir Space Station were to hit it, would entitle everyone in the continental US to a free taco. (Taco Bell took out insurance on this, by the way.)

A photo of their floating target was carried by major news outlets across the planet.

Also, I noticed that Taco Bell's NYSE symbol is 'YUM'. This is more guerrilla marketing. Most companies would perhaps have used 'TBC' for Taco Bell Corporation. YUM is so much better for a food company, don't you think?

GM is often in a grey legal area, which needs careful consideration before attempting any of these types of things. One should never do anything that is illegal or unethical or place

any persons or property in danger.

Entrepreneurs and Intrapreneurs almost always need to use some type of smart guerrilla marketing, guerrilla marketing research and guerrilla marketing sales.

There is a lot dumb guerrilla marketing e too, which ends up being called reverse marketing. You don't want to d this, trust me.

A great example of this, was Coca Cola's announcement that they had invented drink machine that raised the prices of their sodas when the temperature soared. They got a ton of press, all of it negative and never implemented the program.

It probably is smart to use a pricing mechanism to ration sodas; I mean that is the whole idea behind a market economy—we use price signals to make good use of scarce resources and dollars don't discriminate. If you have the money, the transaction can occur.

But imagine how much better their reception if Coke had said in stead that they had invented a machine that would lower the price of a soda when the weather gets cold?

**How about some Guerrilla Marketing *Research!*?
In the 1980s, when trying to determine if there was a market and *real* demand for mini offices in Ottawa, TCCL (Terrace Corporate Centres Limited) ran ads in local newspapers.**

When people responded, they got a telephone answering machine (actually located in a cupboard in one of the buildings we owned) where they were asked to leave their names and phone numbers and someone would get back to them shortly, which they did.

Sure, they were selling 'vaporware' but they got a real sense of market demand-- a better type of data than perhaps just another marketing survey. (p.s., they found out that there was, in fact, a pent up demand for this type of service and went on to establish the largest corporate centre business in Eastern Ontario.)

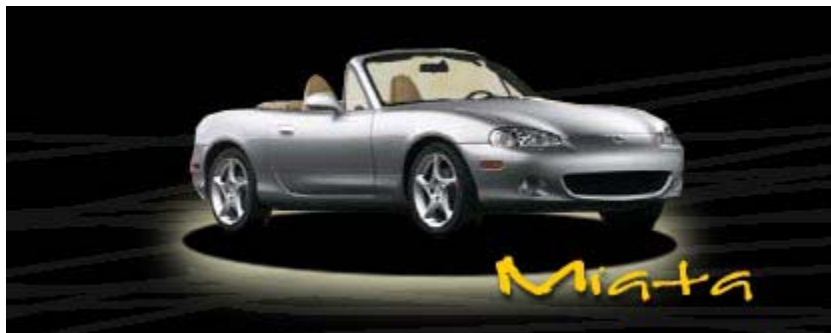
Here are some examples of GM for your perusal:

How Billy Crystal Finds an Apartment in Manhattan

In *When Harry Met Sally*, Billy Crystal's character tells Meg Ryan that finding an apartment in Manhattan is easy: "Read the obits and tip the Bellman". Creating your own clients is like that too: follow the trail of bad marketing upstream to the source and *solve* their problem with your products and services.

Goodwill Ambassadors

The Ottawa Senators and the Corel Centre use retired persons as Goodwill Ambassadors- they are the volunteers who greet guests at every home game. They give out free promotional material (bobble head dolls of players being all the rage in 2002) to fans, answer questions, help people find lost children and generally charm folks in the arena. It costs the team practically nothing but is a heck of a marketing tool in terms of making the event a safe, enjoyable night out. For the Goodwill Ambassadors, it is a chance to get out and be part of the community and, btw, watch a pretty good team too (at least in 2002/03).



Mazda Miata

Over a urinal at Carleton University in Ottawa, Canada, there is a poster of a fine automobile- the Mazda Miata. The byline is "Miata Here." pronounced: "Me ... A ... Outta Here!" Now that has to appeal to students in their last year.

The Mazda.ca web site allows you to select English or French. They don't just use "Enter" or "Click Here". Instead they say: "*Move me*" in English. For a car company, that is pretty cool- a triple meaning.

Truly Guerrilla Marketing 1

A local high tech company doesn't have the marketing budget to put inserts into the local newspaper for distribution to their target market. Early one morning, the founders go out with abundant pocket change and they open the paper boxes* and insert their marketing brochure; then close up the boxes and wait for the phone to ring.

(* Student note: this is probably illegal. Don't do this but it is an example of clever thinking nonetheless.)

Truly Guerrilla Marketing 2

In the early days of a local business publication, they dress up an employee in an outrageous costume and he goes about town putting money into parking meters before the parking police can ticket the vehicle. They call up the local radio and TV stations and get blanket coverage. The Mayor denounces the practice but citizens feel good about the new good Samaritan in town and the paper presumably too.

Truly Guerrilla Marketing 3

A local tech company puts up hundreds of \$2 placards along the main drag where techies tend to go advertising their web site and for recruitment purposes too. They put them up on a Friday night after the city workers go home and they remain up for five days before the City has the (illegal) signs removed. The campaign is cheap, cheerful and successful.

Truly Guerrilla Marketing 4

A local Subway franchisee takes over a loser of a location. Every day at 10:30 am he sneaks over to the mega mall parking lot and puts \$1 off sub coupons under the windshield of 500 cars. He runs back to his shop and waits for the traffic to come in the door. He also visits every local office within three kilometres between 11:00 am and noon weekdays over an 18 month period. He brings in a huge platter of finely cut subs and a bunch of \$1 off coupons. He talks his way past the receptionists and gets into even highly secure buildings and hands out free food and coupons by the bucket load. Within two years that location alone is making over 100 grand for him and his family.

How to Collect Email Addresses With the Permission of and Indeed the Willing Participation of Your Target Market

Here is an email that a lot of people have been getting from their friends. Not only does Labatt look good and direct people to their beer.com site, they get to collect e-mail and contact information, plus friends spam one another with the email. All at almost no cost.

"Subject: Another Long Weekend!

Labatt Blue Light is petitioning the Ontario government for a new long weekend in June. This is serious...they're really doing it.

The petition comes on the heels of a national survey that says about HALF of Canadians don't have enough free time and that they have less free time than they did five years ago.

Make your voice heard now. Go to <http://www.enlist.com/cgi-bin/re/freeyourtime> and sign the petition. And pass this along!"

Canadian Taxpayers Federation

The Canadian Taxpayers Federation put 82 lawn signs (pig figures, one for each member presumably) on the lawn outside the Alberta Legislature to protest against the 'obscene'

increases in Alberta politicians' pay. The cost for this stunt is about four bucks a lawn sign. They got national exposure for their story, as a result.



A Hundred Thousand Dollars Worth of Advertising for less than 400 Bucks

GradeAStudent.com

GradeAStudent.com went to the home of the Ottawa Senators and unveiled a huge banner saying "Go Sens Go". In smaller type, "Grade [A] Student". Things to note: 1. "Go Sens Go" is political cover. 2. The management might think that "Grade [A] Student" are a bunch of students (they are) and not a real business (they are- they do on-site computer service). 3. They also hand out their business cards at the exits. 4. They pay nothing for the evening (even their tickets were donated). 5. Prices for signs at the Corel Centre go from \$20,000 to \$375,000 per season.



Go Grade A, Go

GM Techniques

Like Bootstrap Financing, students are always asking me if GM can really work. Well it does. An example that I like to look at with them couldn't be any simpler—it's the Students design Clinic operated every summer by Carleton University School of Architecture students. They spend between \$2,000 and \$4,000 every summer on marketing and produce more than \$125k in work for their student designers.

In the summer of 2003, they have so much work that they have a waiting list of more than 17 projects at the time of this writing (less than half way through the summer vacation). They have tens of thousands of dollars in cash on deposit from previous years too. How do they do it? Brains for money GM, that's how.

Here is their program based on some work that I did with them a few years ago and their own experimentation.

Memo to: the Manager, Students Design Clinic, CU School Of Architecture

1. Use lawn signs at all job sites: "Students Design Clinic" with tel. # and web address. Lawn signs should cost no more than \$3.50 each. Leave them up forever or until your client takes it down. Add "Free One Hour Consultation" to your lawn signs (they are or can be two sided!) Put your tag line and your logo on your lawn signs. You are a design clinic so your marketing stuff has to look sharp otherwise it is reverse marketing (don't do this!)
2. Create a second web address that points to existing Carleton address (www.arch.carleton.ca/clinic) which is a bit clumsy. Note: check out www.domainsatcost.ca which is Canada's largest domain name registrar and one of the least expensive. www.studentsdesignclinic.ca and www.designclinic.ca are both currently available.
3. Create both private and public spaces on the web site. The private password protected space is and will become your institutional memory of what works and doesn't work over a period of years. (The same thing was done for www.kosmic.ca so that the students

- aren't starting from scratch every year for goodness sake.) Put in things like how to hire and fire; what to pay people; how to monitor performance; how to interview and select team members, what marketing worked and what didn't- all the hidden keys to success...
4. Use PSAs (Public Service Announcements) addressed to print, TV and radio outlets. Your PSAs should go to the local publications too such as the Kanata Kourier Standard not just the Ottawa Citizen and the Ottawa Sun. Give them visuals too. Buy some ads in the local newspapers and put in a call to action, like a coupon for \$20 worth of design services or better yet, a one hour free consultation.
 5. Get testimonials for your web site and your flyer.
 6. Create a logo for the Clinic and a tag line that is on everything. Terrace Corporation was in the real estate business; they used "Great Space for Great People". You'll want something classier than this- it is much too commercial but you need something that speaks to the core competencies of the clinic and your mission.
 7. Keep a customer data base- tel. #s, fax #s and especially emails.
 8. Every year you should email your past client base with the "news"- what's up with the clinic this year. The best place to find new clients is from your old ones.
 9. Do a flyer drop not just around the Uni but also in Kanata, Nepean and Orleans. Use a handbill too—go to where your clients are gathered like the BluesFest, Dragonboat Festival, Tulip Festival, Winterlude, etc. and get your handbills into the hands of prospective clients. This is even cheaper than flyers (handbills can be printed for less than 3 cents a copy).
 10. Do a customer satisfaction survey and this is where you get testimonials and references and permission to use them. Put them on the web site and on your flyers, even in your PSAs.
 11. Avoid expensive advertising and promotions like the Home Show and major media like radio and newspapers. Use word of mouth, flyer drops, PSAs, handbills and lawn signs. Your web site is just a support tool but an important one.
 12. Put photos of finished work on your web site- create a Design Clinic portfolio.
 13. Everyone is in sales- Manager, Assistant Manager, Senior Table Leaders, Table Leaders, Senior Designers and Designers. Make sure you have 24/7 telephone messaging and design clinic email accounts.
 14. DON'T call your Junior Designers "Junior Designers"; just call them "Designers". Your next level up is Senior Designer. And so forth- it's title inflation but it works well in marketing your services. I mean you can't get a small drink anymore at the movies—they have Regular, Large and Jumbo sizes.
 15. Put "Free One Hour Consultation" everywhere- on your web site, on your brochure and on your lawn signs! People love FS (Free Stuff).
 16. Put on your web site a few simple to understand reasons why people should choose the Clinic.
 17. Your flyer should use colour- it is more costly but you are in the design business. Last year 1000s of good quality colour flyers (8.5 x 11) were printed (one side) for less than 25 cents each. Put a copy on bulletin boards in stores like IGAs, Loblaws, Canadian Tires, Wal-Mart's, Home Depots, building supply stores, etc.
 18. Chloroplast signs are very inexpensive (about a \$1.25 each). With the SDC web address, logo and tag line, they make good posters that can be put up with a stapler on hydro poles and on city owned fences. (Note you should probably ask for permission

from the municipality but in guerrilla marketing people often don't.) If you put them up high (use a ladder), your signs tend to stay up longer.

19. You can offer to do a few free design jobs using your trainees and the local media can be invited to review the work.

20. You can offer to let people buy 'gift certificates' for design services for friends and family.

21. You can run a contest* on your web site. The winner receives, say, \$200 of design services with first, second and third runners up receiving \$75, \$50 and \$25. The winners always end up spending more.

22. You can set up a referral system- for each client referred to the Clinic that signs a contract; you can offer a premium like a really fantastic SDC t-shirt. This is more promotion for the Clinic- people walking around with your logo (and web address)!

23. You can develop a \$20 coupon program and give out the coupons to clients and to others to give to their friends. Many architecture firms don't have time for the gazebos and decks, fencing and small additions- they can be a ready source of referrals for the SDC and they can give out the coupons to their clients who need SDC type services. You can also print the \$20 coupons in SDC local newspaper ads and folks can clip it out and bring it to the clinic.

ps. Faces are very important in guerrilla marketing. You need to put a picture of yourself and your team on your marketing materials (web, flyer, maybe even lawn signs). Because this is a design studio, you should probably also have a watermark in addition to your logo. The watermark reflects the underlying principles of your work and is used as a half tone (usually a sidebar) on all your drawings, contracts, marketing materials.

pps. Can you accept Visa? You should probably ask your bank for that service- folks love paying by Visa, MasterCard and Amex and even though you have to actually pay a fee (probably 2.75 to 3.25%) it will save you a huge amount of time and frustration actually getting paid and the amounts people will spend on design services will also go up! This is a double whammy on your bottom line- collect faster and collect more. In any event, get at least 30% upfront as a retainer to manage your cashflow better.

(* Contests can be like: a) put a piece of a famous structure (the Roman Coliseum, the Acropolis, the Corel Centre, for example) on your web site, add to it every day or so and the first person to email you with the correct identity, wins; b) have clients or potential clients email photos of the worst designs *ever* seen, and the *very* worst, wins.)

So this is what the SDC has done over the years. You might be surprised at how much of this stuff you can do for yourself and your business too.

25 Steps to Business Success

I am often asked: "What are the keys to success?" I have developed some ideas on this over the years and, like any list in this area, mine is incomplete. Worse than this, many of my ideas for success are contradictory. Things that I learned from my Dad, Professor O. J. Firestone, like "Never take 'No' for an answer" tend to contradict things like "Know when to quit."

I have stressed to you today that you need great mental flexibility to be a successful entrepreneur or intrapreneur. When something isn't working (we call this knowing when your own a Zombie Company), STOP DOING IT, PLEASE. Otherwise you can waste a huge amount of energy and a good part of your life.

I remember in the early 1980s, working on a cool project called the Starflyer. It was a heck of a product—a flying disc with a patented aerodynamic surface that flew incredibly well. It had a Superstar's endorsement by Wayne Gretzky, the greatest hockey player of all time in my view. It had two teensy (as my daughter Jessica would say) LED lights and a tiny camera battery underneath. When turned on, the LEDs created (using the persistence of vision effect) a terrific looking red halo of light so that the one could play at night. We had a good crew working in our assembly plant here in Ottawa. We made 10,000s of these great toys.



*The Starflyer: Great Product, Bruce
(Except for the Fact that No One Wants to Buy One)*

There was only one problem—NO ONE WANTS TO PLAY FRISBEE* AT NIGHT. I had 10,000s of these things in my barn for a decade and a half before finally giving them away to charity.

(* 'Frisbee' is a Trademark of the Wham-O Corporation.)

The market is always right, even when it is wrong. If you get out in front of the market or you miss it as we did with the Starflyer—you're done.

So, guess what? You need to be able to deal with ambiguity to be a successful entrepreneur or intrapreneur. You need to use 'fuzzy' logic to sort through all the conflicting advice and signals you are getting and you never have complete information, so get used to making decisions on the fly.

I won't have time here to go over all [25 Steps to Business Success](#) but here are a few for you to peruse:

Cashflow is King. *"To me, in order to run a business, you have to be profitable from day one. I never learned this business of, 'Hey, here' \$10 million. Go and hire some people and lose money for three years'," Omur Sezerman, Oz Optics.*

Build a real business with real cashflow, profits, customers, clients with discipline and focus. Stick to the business model if it is working. If it isn't, change it or dump it.

If you are profitable from Day One, you'll never get bullied by the Golden Rule (He or She who has the Gold, Rules.)

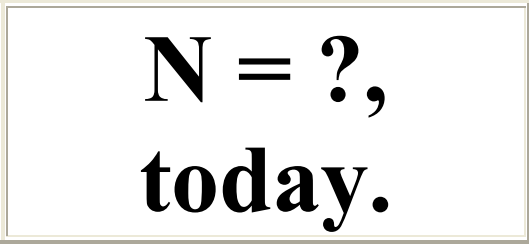
Your startup cashflow **plan** should be: a) as accurate as you can make it, b) conservative (under promise and over deliver), c) once you've set it down, work very hard to deliver. Meet your cashflow goals every month- don't expect to do it all in the last month of each quarter or the last quarter of each fiscal year. If you have cashflow, you will attract capital, not the other way around. If you're looking for financing, demonstrating that your business model makes sense even on a micro scale helps a lot. Do you have any advance orders, made any sales?

Upon seeing his very first web page, Lou Gerstner, former CEO of IBM asked: "***Where's the 'buy' button?***"

If you have cashflow, you'll live to fight another day. Most startups take twice as long and three times as much money before they get to the point of take-off. Their revenue versus time curve looks a lot like a biological growth curve- negligible at first, slow through the early years, then, at some point, they take-off, practically a geometric progression for a while. Sales eventually plateau; this should be a period of consolidation- secure your 'base camp' for the next assault on the 'peak'.

If you have a solid base, even if your next initiative fails, you'll always have somewhere to retreat to.

Every startup should have a sales chart on the wall, on the door, on every desktop and on everybody's computer which uses simple tools to prompt folks to be thinking sales, cashflow, clients and customers. Everywhere people look there should be a large graph of 'N', where **N** = the total number of clients, customers, deals, dollars, lots, downloads, whatever simply measures the business at its most fundamental- where the rubber meets the road- its DNA. *Focus on 'N'; make 'N' grow every day.*



**N = ?,
today.**

Keep your overheads down. No matter how successful you are as an entrepreneur (and that usually means that you spend most of your time on the revenue or technical side of your business), your costs *always* rise to exceed your revenues if you do not exercise restraint and have proper controls in place. (You will find the same thing is true on the personal income side even if you are the CEO of a Fortune 100 company, for example.)

Startups that invest in luxuries like triple A office space, leather couches, great company cars, will not be around long.

ABC: "Always Be Selling" or "Always Be Closing" (from the film, *Boiler Room*, Ben Affleck's character). 'You want attenuators, I've got attenuators. You want connectors, I've got connectors,' Jozef Straus is reputed to have said at a trade show in the early days of JDS Uniphase.

Sales are all about face time (face-to-face time). Emails, telephone calls, brochures, web sites, faxes, snail mail, yadda, yadda, nothing outsells interpersonal contact. (If you can't do a F2F, then choose to sell by telephone next, then email, then fax, then snail mail then by third party, in that order of preference and effectiveness.) Remember, don't push on a string: get in front of the decision makers, 1 on 1, and sell, sell, sell.

"Selling is persuasion. Marketing is persuasion. Every business meeting is based on persuasion.... You can do all of them better if you understand how the mind works, how people think," Scott Adams, Creator of Dilbert, BizEd, November/December 2002, p.19.

Everyone in your organization is in sales. Nothing is worse than calling a receptionist and asking him or her to direct your call to the right person or department and they answer: "Huh?" Your front line staff are just that- they are the point of first contact for many future and existing clients. Your receptionist is really your CIO (Chief Information Officer) in a way, even if you don't think so. Staff training is essential.

Your accounting and finance staff are selling too. Where do you find new customers? Firstly, you can find new clients from your existing client list (your accounts receivable list). Secondly, you can find them in your accounts payable list too. This is called reverse selling. If someone is fixing the plumbing at the Corel Centre, don't you think they should be a season ticket holder too?

You can you sell to people who you buy from. Don't treat your accounting and finance staff as glorified bookkeepers; they are a crucial source of leads and cashflow (remember to collect early and pay late too).

"Selling isn't about taking advantage of people, it is about communicating and informing them," Mark Cuban, Owner, Dallas Mavericks, November 7, 2002 on The Score.

"Selling is telling," Mark Gencher, Executive Vice-President, Brymark.com, June 2003.

Never confuse marketing and sales. Marketers get to wear nice suits and make \$35k per year. Top salespersons make six figures and almost never get laid off. Marketing is part of the tail of an organization; sales are part of its teeth. Market studies are nice to have but can never replace real world experience. A NHL marketing study once indicated that

it was possible to sell 100,000 season tickets in that marketplace (Ottawa btw) when even the very elite teams struggle to sell 15,000.

In assessing the market, remember that you are *not* the market. Your views, your likes and dislikes are essentially irrelevant. As I said above, the market is always right, even when it is wrong. People are often irrational and markets can be as well. Sometimes you get more demand by raising prices not less (snob appeal, for example).

Probably less than 3% of all people are leaders and less than 1% are still leaders after age 30 because they get burned and quit. One young person I know, after two business failures, quit to take a J.O.B. He wouldn't take on any more debt (he had \$35k in debt at the time) or any more risk because of his recent failures. But what is Entrepreneurialist Culture if not risk and reward- a balance of probabilities; careful use of resources including OPM (Other People's Money)? This guy was beaten before he started. He should have learned from his failures and gotten on the horse again.

"Whether you believe you can, or whether you believe you can't, you're absolutely right," Henry Ford.

Goal Setting: *"We (the Ottawa Senators) have a 7 to 12 year plan to win the Cup; we want to make the playoffs within five years and, in our first year, we'll get 22 points or better."* Results were: 24 points in Year One, the team qualified for the playoffs in Year Five on the last day of the season by beating the Buffalo Sabres and the world's best goalie at the time, Dominik Hasek 1 - nil in a win-and-in or lose-and-go-home situation and achieved 103 points and 95 points in Years Seven and Eight. The Stanley Cup remains at bay but in 2002/03, the team came within 2 minutes and 14 seconds of the Stanley Cup final in a Third Round 7th game showdown with the New Jersey Devils, the eventual Cup winners.

Goal setting is an amazing force for change and achievement. It is almost always better to go somewhat later in a downhill ski race, for example, after you know what your main competitors have already done. That way, you can set your split times and race to win.

Visualize and verbalize. If you can also *visualize* yourself completing your race and achieving your goals, you will greatly enhance your chances for success.

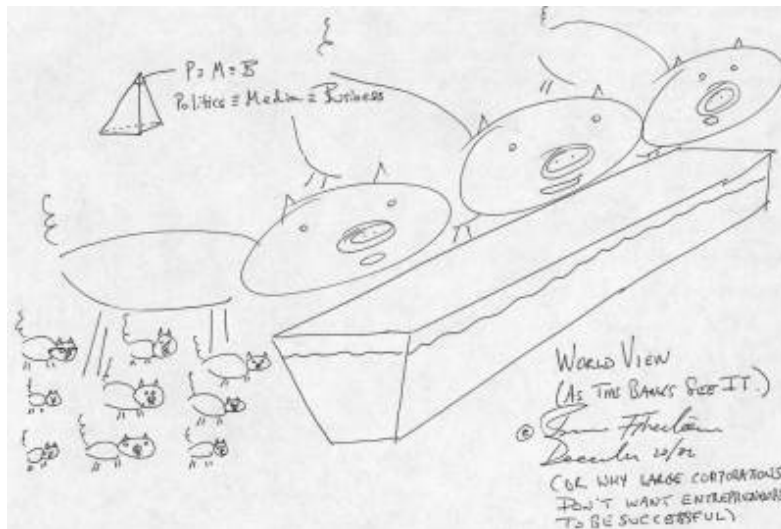
There is a saying in Japan: *"You fall down seven times, you get up eight times."*

If you verbalize your ideas with a trusted confidante, you can sort through the really bad ideas and get at the good ones much more reliably. Remember the example of Tom Hanks' friend "Wilson" in *Castaway*; as soon as Tom had someone to talk to and someone he could bounce ideas off of (even if it was a volleyball), he started to make better decisions.



Meet Wilson

Make Room for Yourself. Every entrepreneur faces obstacles; every society has an elite that takes the preservation of their position and power seriously. They *don't* want you to succeed. The top levels of politics, media and business in most countries form an identity- like the pigs in George Orwell's *Animal Farm*, at the end, the plebian animals can't tell the difference between their pig 'brothers' and their former human master. So it's your job to never take "No" for an answer.



Every Nation has an Elite—They Don't want Any Competition, Thank you very much

Hope. You need to also give some thought to the role of 'hope' in human endeavours. Hope is a central requirement to survival- survival of human life and human businesses and organizations too. You need to engender hope in your employees and your suppliers and customers and clients too. If they are hopeful about the future and about your future, it will help you achieve your goals.

Conclusion

One day in the mid 1990s, I was walking around the Carleton University Campus in and I ‘discovered’ a train tunnel running under Dow’s Lake, which is adjacent to the University. Curiosity got the better of me and I scrambled down the embankment. The foundation stone circa 1960 was impressive to read.

Later on, a few minutes of research uncovered an interesting story—Canadian National Railways had needed a new cross-Ottawa line and the only way that the then Chair of the National Capital Commission (NCC) would agree to it was if the CNR would *bury* it under the lake. The NCC apparently wanted to protect views in the National Capital Region. Now I realize this is kind of frivolous when compared with the enormous challenges that say LDCs are facing but I was struck by the courage it took on the part of the NCC to take this position. This got me to thinking about an earlier trip to Calgary, Alberta and the foothills of the Rocky Mountains.

If you have ever looked at the Rockies from the eastern side and thought about the *idea* of running a rail line over those mountains as Van Horne did beginning in January 1882 and completing the crossing just three years later in 1885... what courage these people had.



William Van Horne, 1843-1915

While it is true that Government concessions helped Van Horne, it was heroic efforts on his part that made this possible:

“Van Horne worked himself harder than his crews, arranging steamship service to distribute materials and supplies, seeing to the opening of stone quarries and three dynamite factories, which supported the building of the transcontinental. ... He managed to continue the building of the railway when there was no money left for payment. He himself went without pay for months. Directors used their personal fortunes, businessmen advanced credit and supplies and construction forces went without pay,” North America Railway Hall of Fame.

Courage and leadership. Van Horne had it is spades.

But you know, there are things that governments can do too to help the private sector. They may not be as good as the private sector at the *doing* of a thing but they can provide the right conditions or environment for it to be accomplished. To my mind, this is the true mission of government—providing for the right conditions to allow the private sector to achieve desired social, economic and environmental goals.

Adam Smith's 'invisible hand' is still the most fundamental motivator for human behaviour based on motivated self-interest. Smith realized that the basic morality of his position was that a citizen's first duty to his or her society was to *not* become a burden on it. Private ownership of a 'thing' can be viewed as private stewardship of that thing.

As a former owner of a National Hockey league franchise, I never felt like I owned it and, frankly, I was always uncomfortable with the notion that hockey players under contract to the team were like indentured workers, albeit, highly paid ones, that could be traded like pork bellies. I always felt that I held the franchise in trust for the fans and the City.

When watching Star Trek, TNG, I was always struck by Captain Picard's view of the Ferengi* as something of a sub species because of their clearly established commercial avarice. Starfleet and the Federation no longer felt the need to be guided by the individual pursuit of personal enrichment—I guess they are something like Commune-ists.



The Invisible Hand of the Ferengis

(* "I read your piece about commune-ism and Starfleet's view about the Ferengis in ST - interesting, especially knowing how they ended up on Deep Space Nine, the spin-off series. Quark was a regular Ferengi character there, so they explored the culture more. It ended up that Quark's brother, a kind, caring (socialist) person was initiated as "Grand Nagus", leader of Ferenginar. Apparently the writers felt the need to show that even this pro-capitalism society was wrong and needed some socialism too - a weak way out that undermines the culture, in my opinion. Another thing about the Ferengis is that, originally, the powers that be planned for them to be the new nemesis of the Federation. With that in mind, it's interesting to note how capitalist

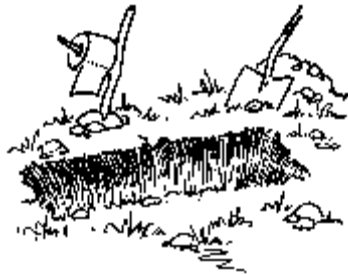
they are. Of course, they flopped completely as an enemy, leaving the other big new threat, the (money-agnostic) Borg, to take that position,” Ryan North, Computer Scientist, February 2003.)

As someone who has lived in communes, I can tell you that communes are organized in a hierarchical manner, no matter what they may say. As Orwell said: “Everyone is equal, except some are more equal than others.”

What worries me is how to decide who is more equal than others without using the scorecard of dollars and achievement—after all, dollars are democrats. Are we better off with a benevolent dictatorship like Starfleet making decisions on who gets what rather than using money, which does not discriminate and is blind to gender, race, religion or any other form of segregating humans except merit? Perhaps it is the worst system, except for all the others.

I read today an interesting article in the Globe and Mail (by Luke Harding of the Guardian News Service, February 10, 2003) about micro entrepreneurship in Kalmandhai, India.

There, slum dwellers erected two latrines—one for men and one for women and a third for children only. Charging just one cent per use, they built a profitable business using just \$900 USD in capital advanced to them by UK based WaterAid.



We Can Do Better Than This

Who would have thought that you could make a successful business out of a latrine but this is apparently what the women of this village did. I was intrigued so I sat down and did a spreadsheet on it this morning and here is what I conjectured:

10-Feb-03

**Development Economics and Entrepreneurship--
Sanitation**

Village of Kalmandhai, India with assistance from WaterAid, UK

**Cost of Construction of New
Latrine**

Men's	\$450	USD
Women's	\$450	
Children	\$0	
Total	\$900	

Revenues	Per Use		\$0.01	USD
	Daily Use	Men	300	
		Women	375	
		Children	400	free
	Total Use		1,075	
	Total Paid Use		675	
	Total Daily Revenue		\$6.75	USD
	Annual Revenue		\$2,463.75	
	Maintenance	10%	\$90	
	Night Watchman	\$450	\$450	
Cleaning Staff	3	\$1,350		
Net Revenues		\$573.75		

Return on Investment **64% p.a.**

Other Revenue Sources

Herb Garden with Gourds	Use of excrement as fertilizer
New Shower Block	6 cents USD per use
Purchase of red worms from State of Kerala	Making Compost for sale
Money Lending to women in Neighboring Communities	Other revenue generating Latrines

DesignEconomics\HernandoDesoto\DevelopmentEconomicsLatrineConstruction

Wow, a (possible) 64% p.a. rate of return on this investment is impressive. Just as importantly, there are huge health benefits that accrue to these people from proper disposal of human wastes. Plus they have generated additional activity including:

- a. the construction of a shower block (and more fees);
- b. the use of their ‘product’ in their herb garden (for self use and third party sales);
- c. startup of a composting business;
- d. money lending to women in other villages to start similar enterprises.

Think about the number of jobs they have also created—from a latrine!

“Give a human a fishing rod, not a fish.”

This is the power of entrepreneurship and intrapreneurship: to lift human spirits, to improve the social and economic human condition and to create new, interesting and exciting opportunities and options for people.

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www.DramatisPersonae.org

www.Exploriem.org