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THE JOURNAL REPORT: SMALL BUSINESS

The Secrets of Serial Success

How some entrepreneurs manage to score big again and again and...

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Five years ago, Tom Scott and Tom First realized they would never have to work again. Friends from college, the pair had launched a juice brand called Nantucket Nectars from the back of their island boat and catapulted themselves—the self-dubbed “juice guys”—into the stuff of entrepreneurial legend as their beverage took off nationwide. They sold a majority of their company to Ocean Spray Cranberries Inc., and when Cadbury Schweppes PLC later bought the entire business for an estimated \$100 million in March of 2002, both men were set for retirement—and they were only in their mid-30s.

But there was no retiring in their futures. Today Messrs. Scott and First are both deep into new ventures that, for now at least, appear headed for success. Mr. Scott leads **Plum TV**, a New York-based company that operates local television channels in historic, affluent markets such as Aspen, Nantucket and Martha's Vineyard, and has had notable investors including Starwood Capital Group CEO Barry Sternlicht, singer Jimmy Buffett and former Viacom CEO Tom Freston. Mr. First is in the midst of a new start-up: **O Beverages LLC**, in Cambridge, Mass., which markets a line of naturally flavored waters already sold in nearly 20 states through Safeway, Balducci's and Bristol Farms, among other stores. In between Nantucket Nectars and their current ventures, the two men started a beverage-distribution-software company that was sold to a publicly traded technology company.

“I'm a crazy competitive person, so there's no way I'm stopping,” Mr. First says. “I like being in the trenches.”



Stephen Webster

Call them serial-preneurs. While some entrepreneurs struggle their whole lives to bring one idea or product to market, there's another breed: those who do it once, twice or three times more, disproving the notion of beginner's luck. In some cases, the brands and people are household names, such as Steve Jobs with Apple, Pixar and NeXT. But the ranks also are populated with lesser-known entrepreneurs who fly under the radar, hitting one start-up home run after the other.

“I really believe that some people are kind of entrepreneurial adrenaline freaks,” says Wayne Stewart, a management professor at Clemson University in Clemson, S.C. “They really get their kicks by starting businesses.”

In 2000, Mr. Stewart published a study with two other researchers looking for common traits among serial entrepreneurs—which he defined as those who had owned and operated three or more businesses. Of the 664 entrepreneurs studied, only 12% fit the bill. But those who did scored higher in all three categories examined: They had a higher propensity for risk, innovation and achievement. They were less scared of failure. And they were more able to recover when they did fail.

Beyond that, many serial-preneurs bring tactical advantages from their first venture to apply the second and third time around. For instance, they recruit top talent from their original companies to subsequent ventures. They double-dip financially, getting money—and connections—from people who backed their earlier brainstorm. Several lean heavily on a trusted partner for financial, professional and emotional support in whatever endeavor they undertake.

More than anything, however, the greatest, and more crucial, challenge among repeat entrepreneurs is figuring out how to rekindle for future ventures the innocence, love and hunger that fueled their first enterprise. Despite hitting it big early with Nantucket Nectars, Messrs. First and Scott both struggled after the sale to find a business that inspired them as much as being the juice guys.

“A lot of the drive early on was the drive to not have to leave Nantucket, or write the résumé, or go do anything else. We were hustlers,” says Mr. First. Adds Mr. Scott: “What happened was that while approaching the things we love—boats, water, weather—we stumbled on juice. I’ve learned from this that it doesn’t matter what I’m good at. It matters what I like.”

What’s the Motivation?

So why do some entrepreneurs who strike gold once continue to start over? A general contractor might launch a business because he has certain skills, and then stick with it until retirement. Or a banker will work her way up the corporate ladder, happy with the security of a paycheck and benefits, and retire once she has saved enough. By contrast, serial entrepreneurs’ main job is the act of creation—and thus they keep creating new businesses, often after they no longer need the paycheck.

“Most people can’t understand why someone who made \$10 million would do it again,” says Seth Godin, who founded Yoyodyne, an interactive direct-marketing company bought by Yahoo in late 1998. He’s now running a new online venture called Squidoo, a free tool that lets users build Web pages about any topic within a searchable community. “That’s because most people don’t like working, and they think it’s irrational to keep working,” he says. “But most entrepreneurs don’t care about money; it’s a tool.”

For instance, Scott Jones was a multimillionaire by age 30, having co-founded the company Boston Technology, maker of a voice-mail system now used by many

telephone companies world-wide. He retired, and learned how to fly planes and perform aerobatics, but was quickly bored. So he went back to work and has since co-founded Gracenote Inc., an Internet-accessible music database used by iTunes, as well as a robotic-lawn-mower company and a search engine that uses human guides in real time. Those years not creating, he says, were “the most unhappy years of my life.”

Moreover, serial entrepreneurs harbor an unusual appetite for risk—something they can inherit from their parents. Dan Bricklin, 56, has started four companies in his lifetime; his first Software Arts, was sold to Lotus Development Corp. in the mid-1980s. Mr. Bricklin’s father was a small-business owner who ran a printing business, as did his grandfather. Mr. Bricklin, who now runs **Software Garden** Inc. in Newton Highlands, Mass., says he feeds on the thrill of starting something new and untested. “It’s like that sense of walking across a stream on the rocks—sort of knowing where you’re going, but sort of not.” As for risk? “If you actually seen the ups and downs of a business, and your family isn’t terrified, that makes it a lot easier to do yourself.”

Likewise, Tim Miller caught the entrepreneurial bug at age 18 when he received about \$500,000 after his father sold a company. Mr. Miller stashed that money away, planning to invest in his own company one day. Fifteen years later, he dipped into the fund to start a software firm called Avitek Inc. based on an idea his then-employer didn’t want to explore. Mr. Miller recalls how family members fretted about the danger of going it alone, with his brother specifically questioning his judgment after he hired his fourth employee: How could he possibly put other people’s livelihoods on the line?

“But it never truly occurred to me that I would potentially need to let any of them go at any point,” Mr. Miller says, adding that he believes successful entrepreneurs “see opportunities where other see risk.” He sold Avitek in 1999 for about \$13.5 million, without layoffs, and is now running a venture called **Rally Software Development** Corp., based in Boulder, Colo.

The Value of Teamwork

Mr. Miller didn’t succeed alone; he had a partner, Ryan Martens, who now works with him at Rally Software. Their compatibility is an asset whose value Mr. Miller finds hard to quantify. While Mr. Martens as the chief technology officer is deeply invested in software development, Mr. Miller is the business guy. “I think great lead-

ers build teams,” Mr. Miller says, “and those teams have some glue and they tend to stick together.”

Whether by design or not, on second and third ventures, serials often surround themselves with familiar faces. Partly it’s about familiarity and trust. Messrs. Scott and First both tapped ex-Nantucket Nectar employees for their newest ventures. They typically talk to each other several times a week, and Mr. Scott is an investor in O Beverages. “We’ve never doubted the other’s total respect and having the other person’s good interest at heart,” Mr. First says.

Repeat relationships are also about expediency. Elizabeth Cogswell Baskin has run four companies, including two advertising agencies and a book-packaging operation. Now 46, she’s the CEO of **Tribe** Inc., a \$3 million Atlanta advertising agency that works with brands including Porsche, Home Depot and UPS, and peppered throughout Tribe’s ranks are faces from her previous companies. “I think it is a huge shortcut to hire someone you already have a relationship with,” Ms. Baskin says.

At age 77, Jack Goeken lays claim to having helped start a string of well-known enterprises: MCI, InFlight Phone, Airfone and several others. Now, he’s deeply involved in a new start-up, **Polybrite International** Inc., a Naperville, Ill., company that produces a screw-in LED light bulb that will fit in normal lamps. His daughter Sandra, 49, has worked with him on every venture since MCI, and says one of her father’s greatest strengths is “herding tigers”—that is, finding entrepreneurial, and sometimes difficult to manage, individuals who can make a project happen, but then making sure they don’t stick around too long.

“A team can come in and do a great start-up and make history, but the team that does that isn’t the team to run it for 10 years,” Ms. Goeken says. The key, she says, is to let those people know they’ll be taken care of after a sale, so they don’t hold a company’s progress back worrying about a job. Bringing them on in the next venture is one inducement. Plus, she says, “they are a known entity and you take the risk out of the equation.”

There are drawbacks to repeat employees. Mr. Godin, for one, believes the strategy can inhibit a fresh start. “One good thing is ‘beginner’s mind’—people looking at something for the first time often have a fresh insight,” he says. Plus, new businesses have different needs. At his first start-up, Yoyodyne, he says his team worked 21 hours a day in “emergency mode”—a pattern he didn’t want to

repeat. “If I put the whole team together again, I don’t know if we could have worked in anything but emergency mode.”

More Money, Please

By contrast, hitting up the same investors, Mr. Godin believes, is almost always smart—particularly if you made them money the first go-around. “They are doing everything on trust,” he says.

David Neeleman, the founder of **JetBlue Airways** Corp., says treating investors fairly and staying close to them between ventures is critical—as is giving them an opportunity to invest in subsequent ventures. In fact, he says, all of JetBlue’s investors, except George Soros, had been investors in his first airline, Morris Air. “I just went back to the investors of Morris Air and said, ‘Do you want to do it again?’ ” He raised \$90 million for JetBlue from his old investors and \$40 million from Mr. Soros. Mr. Neeleman stepped down as JetBlue’s CEO earlier this year after a series of high-profile flight cancellations, though he remains chairman.

What’s more, serial entrepreneurs find many of the contacts, and information, they pick up with early ventures can pay off down the road. They court vendors, customers, trade groups, chambers of commerce—even if they don’t need them right away. While working in earlier ventures for her father, Ms. Goeken often spent weekends in foreign countries instead of going home, inviting business contacts to dinner. For many years, she mailed 1,400 Christmas cards all over the world, learned about different religions and picked the brains of partners’ low-level employees about their country’s customs.

“It may not be that important to you right now, but they might have something to teach you,” she says. “I’d invest more than just getting the deal done. And time and time again, I went back to the same people in new ventures.”

A Question of Desire

One of the hardest tasks serial entrepreneurs face is recapturing the drive and direction that fueled their first venture, without letting the first success overshadow or dictate what they do next. Sometimes, it’s as simple as learning to let go. Says Ms. Goeken: “Walking out of Airfone was the saddest day of my life. When I finally pulled myself together, I never looked back. I don’t miss a single company now.”

Other times, it isn't so clear-cut. After Nantucket Nectars was sold, the founders started a beverage-distribution-software company because it seemed a natural evolution from being the juice guys. Trouble was, both men hated software, and left before the company was sold.

"I felt like I was turning into a sheep," says Mr. Scott. "I started wondering what I'd do about the rest of my life and was insecure, afraid and slightly depressed." Finally he pushed himself to understand what got him to Nantucket Nectars, and arrived at a rather amorphous answer: passion.

"We were passionate about ice, and pumping out sewage systems on boats; juice was just one of 50 things that we liked," Mr. Scott says. With Plum TV, he loves the civic nature of local TV—even though it's about as far from juice as you can get. "I think the best entrepreneurs are like artists and painters," Mr. Scott says. "It's about creating. It's not about business."

Likewise, his partner, Mr. First, also fumbled at different enterprises, including starting a grocery store, until his wife said to him, "You're bored stiff, aren't you?" That set off a period of his own soul-searching—eventually, leading him full circle. What he loved most, it turned out, was what he had

already done: building a consumer-products company. So in early 2005, he launched O, and the first bottles hit the Boston market that spring.

Mr. First concedes that he sometimes feels the burden of re-entering a field he once dominated. Consumers don't pick up O and want to drink it just because Nantucket Nectars was a big hit; he doesn't have the "Tom and Tom" story—he doesn't even have the other Tom.

"I constantly think about how I was the cool guy at Nantucket Nectars, a juice guy," Mr. First says. "I'm risking going back into the same industry and being a loser."

Still, Mr. First says, he's slowly learning to use the previous success to grease wheels where he can: Grocery chains, for instance, believe if he can do it once, he can do it again. The same is true with investors. "It gives me credibility," he says, "and the fight is too tough to leave a weapon in the bag." ■

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Voices of Experience

Perspectives on starting multiple companies from people who have been there as founders or co-founders

STUART SKORMAN



CURRENT COMPANY: Stuart Skorman & Associates, management consultants in San Francisco

PREVIOUS COMPANIES: Empire Video, retail chain in Vermont; Reel.com, online video rental store; Bread & Circus, organic grocer in Boston; Elephant Pharmacy, Berkeley, Calif.

"The key word for serial entrepreneurs is the word 'crazy.'"

"Always question yourself. Don't drink your own Kool-Aid."

"Perseverance is No. 1. Perseverance is No. 2."

BRISCOE RODGERS



CURRENT COMPANY: Meal Details Inc., a Boston-based online food ordering service for pharmaceutical sales reps

PREVIOUS COMPANIES: Buzzpad, an instant messenger for businesses; Preferred Time Inc., an appointment scheduler for drug sales reps

"It does get easier [being a serial entrepreneur]. There's definitely a skill to starting companies.... I

think you can get faster at it. You can start with more capital, grow the company faster, execute different stages of the process and understand the financial dynamics better."

ELIZABETH COGSWELL BASKIN



CURRENT COMPANY: Tribe Inc., an Atlanta advertising and marketing agency

PREVIOUS COMPANIES: Cogswell Wellness, provided wellness materials for company HR departments; Match Inc., an ad agency; Airplane Books, a book-packaging company

Ms. Baskin recommends hiring from your previous companies because you'll know the people and their work and they'll know how to deal with you. "I think it is a huge shortcut to hire someone you already have a relationship with."

DAVID NEELEMAN



CURRENT COMPANY: JetBlue Airways Corp.

PREVIOUS COMPANIES: IFS Travel, a Hawaii vacation packager; Morris Air, a charter airline; Open Skies, an electronic reservations company

"A lot of these ideas were evolutions. I tried them or thought about them while I was at Morris or Southwest, but I didn't fully implement them until JetBlue."

"To raise \$130 million for JetBlue was very simple, because all of the investors at JetBlue, except George Soros, were investors at Morris Air."

TIM MILLER



CURRENT COMPANY: Rally Software Development Corp., Boulder, Colo.

PREVIOUS COMPANY: Avitek, a custom software development firm

"The ability to manage a much more complex business with investors and partnerships requires some seasoning in order to be successful."

"For me, it was nice to have a \$10 million...business under my belt. I think I probably would have failed in the second company if I had not had that prior experience."

ANOUSHEH ANSARI



CURRENT COMPANY: Prodea Systems Inc., a Plano, Texas, a technology provider in the digital home marketplace

PREVIOUS COMPANY: Telecom Technologies Inc., Richardson, Texas, a telecom consulting firm and software developer; also the first woman space tourist, spent more than a week on the International Space Station last September

"Make sure you bring the right people to the table and that they know what they're doing, that they're the master of their domain. In whatever area, having the right team with you will increase your chances of success several-fold."