

# Phase One

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## Start-Up

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## Lesson #1: To Successfully Launch a Start-Up, There Must Be a Benevolent Dictator

THE TERM “DICTATOR” conjures up thoughts of the world’s most despicable evildoers, from Idi Amin to Saddam Hussein, and many even worse. However, this designation is not always a pejorative when combined with the modifier “benevolent.” In fact, the case could be made that being a *benevolent* dictator can make the difference when starting a business from scratch and with a scarcity of time and money.

Entrepreneurs fantasize, ponder, and calculate how to come up with that next big idea and translate it into fame and fortune, thereby fulfilling their own version of the American Dream. However, more often than not, people spend too much time dreaming and not enough time doing. The difference between

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success and failure is often simply a matter of getting started, fleshing out an idea, and then creating the building blocks to get from point A to point B—and from point B all the way to Z.

Doing this is certainly easier said than done. As business history has taught us, success comes from a combination of focus, determination, diligence, pure grit, a good dose of luck, and a touch of chutzpah. The successful entrepreneurs I've known possessed all of these qualities and one other characteristic that is seldom discussed—that of being an autocrat.

The reality of business today is that there are countless minefields along the climb to success. A seemingly innocent misstep in the wrong direction can spell not only disaster but also obliteration. Many a great idea has begun only to be stopped dead in its tracks by a miscalculation, lack of diligence, pure bad luck or timing—and typically a combination thereof. Many great companies that made it to the top began the start-up phase with a singular idea and one individual who knew that it was he or she who had to take the chance and pull the trigger. In nearly every case, deep down inside that person was a benevolent dictator.

On the surface, much of this may sound a bit nefarious. But in reality, navigating the path of a start-up venture is about as close as you can get to a 24/7 ride on the world's scariest roller coaster. Every morning, when the entrepreneur gets out of bed, it's show time. And every evening, when that same would-be tycoon restlessly drifts off to sleep, he or she says a silent prayer giving thanks for having survived the preceding 18 hours or so, and asking to be granted the strength to fight another day.

So what exactly is a benevolent dictator?

Well, the “benevolent” component means that the person always puts the entity, the employees, and, most important, the customer first—way ahead of him- or herself. Somebody has to

take control in a start-up, and the trick is to ensure that this somebody can also be benevolent by doing the right thing for the right reasons, for all stakeholders.

The “dictator” piece of this designation simply means that—just as it is in a fast-tracked giant corporation—somebody in a new venture has to know when to say enough is enough. Debate, conversation, and analysis can take an organization only so far. The job of the entrepreneur, manager, or CEO is to say, “We’re taking this fork in the road, for better or worse, and it’s on my head.” He or she is the one person who makes the important decisions when it counts—while others vacillate, the clock is ticking and resources are dwindling.

Most people cannot deal with this type of immense, almost constant pressure, and the monumental decisions that need to be made day in and day out. That’s why so many companies often suffer from “analysis paralysis”: the persistent indecision that usually leads to failure or plain old-fashioned inertia. It’s a lot like treading water in the middle of a beautiful lake. You’re doing fine until exhaustion sets in, and then you begin to sink like a rock. When you spend too much time trying to build consensus, you quite simply fail to accomplish anything that moves the venture forward, which will inevitably lead to a one-way trip to the bottom of a dark body of water.

My experience has been that although many individuals claim to want—and be able—to be a leader and make the big decisions, these claims usually fall short when push comes to shove. Indeed, most people just want to follow or be a bystander, because it’s easier and much safer—and some simply want to get out of the way. I respect those people who know what they are and what they are not. It’s the people who claim to be one thing and are another when put in a leadership position who cause the serious damage.

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My management style is theatrical at times: It's intended to make the big point. It may even be hard-hearted and unrelenting when necessary for the greater good—but this is just another aspect of being a benevolent dictator. The real benefit of leading in this way is that it allows me to move faster than the competition and save time, money, and energy to capitalize on the opportunity. I know that I've made the decision, and the time for talking is done. One of the most important factors in business today is the ability to move from mind to market measured in hours and days instead of the usual weeks, months, and years.

I learned this trait growing up in Columbus, Ohio, when I was around 9 or 10 years old. I didn't go to camp in the summer like many other kids, because my family couldn't afford it. So instead, I played a lot of baseball in the streets. I learned early on that if I brought the ball and bat, the game started and ended when *I* decided. The same applies in business. Though I'm not a traditional consensus-builder type, that's not to say I don't try or that I'm not a team player. Building a consensus has its place—after the start-up process is a distant memory, when every dollar won't mean the difference between staying in the game and folding the tent. But when it's time for an “all-in” move, one person has to say “yes” to get things going.

Keep in mind that being a benevolent dictator doesn't mean being a jerk. You still need to sell people on your ideas and build champions who will follow you to the ends of the earth—not because they have to, but because they want to. Part of the trick is getting people to think that your idea is really their idea. However, that type of management style unfortunately doesn't work when you work for someone else and aren't making the final call.

Yet one of the best ways to hone your style is to work in a larger organization that you don't—and won't—own. It's a great

way to gain the requisite experience on someone else's dime. Following this path has served me well while fueling my desire to lead rather than follow. With both OfficeMax and Max-Wellness—my most recent venture—being the benevolent dictator provided the critical leadership necessary to take an idea and transform it into reality as fast as possible, which is a huge competitive advantage.

Before co-founding OfficeMax, I spent about 15 years at Jo-Ann Fabrics now known as Jo-Ann Stores—the country's largest craft and fabric retailer. I started in a marketing position, and as I rose through the ranks during those 15 years, I moved up quickly to number two or three in the organization. Although I enjoyed my time there, I always felt that I could make a huge difference—and create a company that could better serve the customer—if I could do things my way. That is why, midway through 1985, I decided to take one shot to try to change the trajectory of Jo-Ann Stores and its leadership.

Over the years I had developed many good contacts and made many friends on Wall Street. One was the group at Drexel Burnham Lambert in Los Angeles, the then “go-go bankers du jour.” I recruited a few Jo-Ann comrades to join me in California so that we could meet with a Drexel team and explore the possibility of taking Jo-Ann—at the time, a public company operating under the name Fabri-Centers of America— private through a leveraged buyout (LBO). After a series of discussions, Drexel gave me a nonbinding commitment, subject to full due diligence, for about \$50 million to lead a buyout of the company.

That was all I needed to take the leap. We then went to the owners, explained the potential deal, and told them, “We can make you a lot of money.”

The CEO thought it was a great idea and told me I could work with his son to take the company to the next level.

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That wasn't exactly what I had been thinking. I wanted to run the show myself—make it a solo performance. Fortunately, I had gone into this proposed offer with a degree of confidence and from a position of strength. The first year that their son came into the company, I went to the owners—the Roskamm family—and received a guaranteed payout contract. It provided that whenever I wanted to leave—or they wanted to fire me—I would receive several years' salary and benefits as though I had retired from the company. This gave me the cushion to make my move, knowing my family wouldn't starve to death (at least for a couple of years), no matter how my hand played out.

After my LBO offer fell on deaf ears and failed, I knew I'd have to do something different with my life. In reality, I suffered from a syndrome I call "too cushy too soon." By age 27 or 28, I was a senior vice president making a respectable six-figure annual income. As with any job, one gets good at it and can do it quickly after a while. As a result, I got bored my last couple of years at this fabric retailer, which had grown to more than 600 stores during my tenure. When I realized I'd never be CEO or own a big piece of the place, I started making plans to do something else. I needed to be my own boss. I also subscribed to the great singer Frank Sinatra's management style that teaches us to accomplish objectives using our own methods, as explained in the famous song "My Way."

In 1987 I started putting out feelers to Wall Street friends and business acquaintances that I was interested in an entrepreneurial challenge. I talked to people in New York and California, as well as Chicago and Cleveland. I decided that enough was enough and made a deal with the fabric company owners that called for me to leave the company on March 31, 1988. I gave the family almost six months' notice so that they could prepare for my departure. To this day, I like to say that OfficeMax was my April Fools' joke on the naysayers who said I couldn't do it—because

April 1, 1988, was the date on which we formally started OfficeMax.

It was in the fall of 1987 that I actually started making decisions about what I would do in my life after Jo-Ann. The most interesting opportunity that came my way was from the then-high-powered, certainly non-white-shoed street-fighter investment banking firm Bear Stearns. I had met Ace (Alan) Greenberg and a number of his managing partners over the years, which had led to discussions about my moving to New York City. Bear Stearns proposed to teach me investment banking and suggested that I could ultimately become a mergers and acquisitions banker focusing on the retail-chain sector based on my many years of experience.

Under normal circumstances, and if it had happened a few years earlier, that probably would have been the path I would have taken. But an important event had occurred a year earlier in 1986; I had married Ellen. She is very close to her family in Cleveland and, at that time, had her own professional career there. When I started talking about the attributes of the Big Apple and maybe moving to New York, Ellen was less than enthusiastic.

After leaving Jo-Ann, I maintained a close relationship with the entire Roskamm family because of a lesson my late father, Lou Feuer, taught me—and that was to never burn a bridge. It's a lesson that I still not only preach, but also promote with my team. We can all have differences of opinion, but that does not mean we can't move on and still treasure past relationships. We should always value what we learned during our time in an association—which in my case provided building blocks for many of the ways I conduct business today.

I have also learned that in order to focus on building *anything*, you need a strong and supportive partner. For that reason, I knew that “peace in the family” must be a top priority—which caused

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me to look at other alternatives than moving to New York. The one that interested me most was figuring out how to become CEO of another retail chain in the Midwest.

I had offers to become president of several retail chains where, if I produced, I would be named CEO. But every company I spoke with left me stuck on the same issue—bureaucracy. There was no place for a benevolent dictator in the position of president of a traditional company; there was no feeling of entrepreneurship. And so, around the fall of 1987, I started thinking about starting my own retail chain. As luck would have it, a longtime acquaintance heard through the grapevine what I wanted to do and got in touch with me.

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