

*Fortune & Freedom: The Entrepreneur's Guide to Success* breaks down all of the essential steps of becoming a successful entrepreneur, using great anecdotes and insight. The book definitely helped me look in the mirror and see ways I can be more efficient and successful.

—CRAIG BAERWALDT, PRESIDENT  
ALLSTATE INSURANCE  
CASCADIA AGENCY

My first business, while successful, would have been so much easier had I had the incredible insights provided in *Fortune & Freedom*. Jim Hirshfield outlines a perfect model for success in both business and family life.

—ERIC DOBSON, FORMER CEO, ETD INVESTMENTS

The book helped take the “largeness” out of my new business and showed me how to simply focus on the basic, most important aspects of getting it up and running.

—JODIE REINERTSON, MD

James Hirshfield shares his strategic insights as well as his practical tips on being an entrepreneur and creating the good life.

—BOYD WATKINS, PRESIDENT  
REALTY WEST PROPERTIES

I'm not an entrepreneur. I joined an entrepreneur, Bill Moog, when his company had a thousand employees and sales of \$25 million. Twenty-two years later, at \$300 million, Bill retired and I became CEO. Moog Inc. is now close to \$2 billion.

Jim Hirshfield's advice wasn't available for us at the time — but it resonates now. Jim is adamant that you've got to have a plan. Jim talks about the C-word, commitment. Our plans would not have succeeded without our relentless commitment. And, as Jim suggests, when you get your company started, you're responsible for the culture. Bill took ownership for developing a company culture that my management team has embraced and elaborated. All the way along, we have made time for our personal lives and commitments. The career plan that Jim presents worked for Bill Moog and for me.

I hope it works for you.

—ROBERT T. BRADY, CEO, MOOG INC.

I'm pretty blown away by the breadth of the material you cover in such a short book.

—RICHARD CHEN, MAJOR, USA (RET)

Your book really impacted my decision making.

—NIKESH PAREKH, VICE PRESIDENT  
HOUSEVALUES, INC.

## SOLID ADVICE YOU CAN USE FROM A GUY WHO'S BEEN THERE

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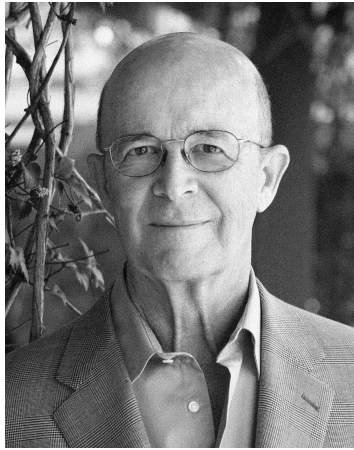
If you are considering pursuing an entrepreneurial enterprise or already stand at the helm of one, here is information that will help you reach your goals with ease and confidence. *Fortune & Freedom: The Entrepreneur's Guide to Success*, starts with ideas for people just beginning their business life and ends with tips on how to prepare for life after the company is sold. In between is a veritable gold mine of practical wisdom — keys to prospering in the entrepreneurial world.

*Fortune & Freedom: The Entrepreneur's Guide to Success* presents complex points with crystal clarity and simplicity. Each chapter ends with a review and suggestions for next steps. At every stage you know what to look for and what to do when you find it.

You will learn:

- It is not how much you earn but how much you spend that determines your financial situation.
- Investors need to invest somewhere. They need you as much as you need them. They want to put their money with someone who will respect their investment.
- Controlling the deal is controlling your future.
- It's not just about profit. What's important is building value.
- When you are young, time seems a plentiful asset. On the other side of the middle of life, time is *the* non-replaceable asset.

Gems like these are what this book delivers. Use it as a hands-on resource, and keep it within easy reach.



**A** successful entrepreneur for more than thirty years, Jim Hirshfield stands on a bedrock of experience. In 1973 he founded Summit Communications, Inc., a cable company that grew to employ 130 people. He was the CEO for twenty-six years until he sold the prospering company he had built. Jim chose the entrepreneur's path so he could engage in a challenging business career, spend quality time with his family, and do philanthropic work as well. He has been eminently effective at all three. Jim and his wife, Mary, have been married for almost forty years and have three adult children. Jim writes, consults, speaks, sails, and generally has a great life. He divides his time between his homes in Washington State and Hawaii.

# FORTUNE & FREEDOM

The Entrepreneur's Guide to Success

# **FORTUNE** & **FREEDOM**

The Entrepreneur's Guide to Success

**JIM HIRSHFIELD**



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For Mary

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## FOREWORD

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At Harvard Business School our mission is to educate leaders who make a difference in the world. We draw bright young men and women together and ask them to study a wide range of problems. Within this rich soup of talent, brains, and experience our students become more educated in the application of leadership through a broad range of situations. While going through this intense program we remind students not to lose sight of the forest for the trees — this book reinforces that.

Jim Hirshfield went through the program at HBS. He maintained his focus and further honed it during the decades of his very successful entrepreneurial career. Now he has written a simple book that focuses on the key issues of entrepreneurship. This book is written for the entrepreneur as a person, rather than the entrepreneurial business being created. Success is something which is achieved both in business and with family, Jim says. It is not measured by a specific business venture but over a lifetime.

Jim first sets out the importance of planning, noting that “if you don’t know where you are going, any road is the right road.” He then discusses skills which an entrepreneur will require. But where should you spend your time? Which skills are most important? Jim suggests a short list for consideration.

The main factors in doing a deal to get into business are discussed, starting with the quote “If your ship doesn’t come in, should you swim out to it?” And then, when you are in business,

what are the issues in successfully operating your venture? Jim gives you keys to successful execution of your business plan. Finally, Jim notes that an exit plan will exist for your business, and it will be a better plan if you craft it yourself versus just letting it happen.

With the goal of addressing just key issues, Jim has purposefully kept this book short. You will find it difficult to get lost in the detail here. The main points stand out and are well illustrated by stories from Jim's career. This book is practical, powerful, and to the point.

WILLIAM A. SAHLMAN  
SENIOR ASSOCIATE DEAN, EXTERNAL RELATIONS  
PROFESSOR, ENTREPRENEURIAL FINANCE  
HARVARD GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

## PREFACE

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**W***ebster's Dictionary* says an entrepreneur is “a person who organizes and manages an enterprise, esp. a business, usu. with considerable initiative and risk.”

I used to tell people that an entrepreneur is someone who pays wages to others on a regular basis and always makes the payroll. If you can make a payroll, you get to make a lot of the decisions affecting how you run your business and your life. You get to be free. I was an entrepreneur for over thirty years, and enjoyed the freedom it brought me in my business and in my personal life.

Why am I qualified to write this guide? Here is my story:

My father was a career military officer, and growing up I had little knowledge or understanding of business. After completing college and serving in the Navy, I decided to go into business. I worked for a year, went back to Harvard Business School, then launched my career in business. In 1966, when I entered the cable television industry at age twenty-seven, I had never earned over \$3,000 in a year. In 1999, when I retired and sold Summit Communications, the company I had founded twenty-six years earlier, we had over 40,000 customers and were a significant player in the cable television industry. As more fully detailed in my biography at the back of this book, I had been a “success.” During those thirty-three years, I had employed as many as 130 people, operated businesses in seven Western states, and had built, purchased, and sold over fifty businesses in several communications-related industries. At age sixty-one I asked for my Social Security statement. It came with earnings noted for

each of the previous forty-five years. That is a lot of years spent developing approaches to the problems encountered in business and in life. In this book I share those approaches with you.

This book is also about how I achieved freedom. In relating what worked for me in mapping my road to success, I wanted to give you new approaches to consider when you find you are up against new problems. It is not intended to be an all-inclusive primer. Rather, think of this book as a weekend “clinic.” It concentrates on the key issues that seemed to be the primary determinants of my success, and gives you my approach to those issues.

One of my life goals was to be successful both financially and in my family life. I am particularly pleased that our three children each completed college in four years, picked up a couple of master’s degrees, and are all gainfully employed in fields that excite and motivate them. I know a lot of people who have been successful financially, and I know a lot of people who have fine families. I know fewer people who have done both. I used to schedule school conferences, Boy Scout meetings, and similar events on the same calendar where I scheduled my business meetings. Coming home after a day at work, I felt there was nothing finer than getting down on the floor to play with my kids. You can be highly successful in both your business and in your family life. But it does not come automatically. It is a choice.

My father, a career U.S. Coast Guard officer, used to say, “Different ships, different long splices.” He was referring to splicing lines—joining together two ropes at their ends—and saying that there are many different ways to complete a task effectively or to

## PREFACE

produce a desired result. For that matter, there is always a diverse range of desired results. There is no single “right” way.

In this book I talk about the ways that worked for me. I lay out the rules, guidelines, and principles that helped me to successfully execute my life. They worked for me as an entrepreneur, and I believe they will be useful to you as well.

## INTRODUCTION

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**M**y objective is to help you achieve the freedom you seek as an entrepreneur while living a balanced life. You will find this guide useful whether you have not yet embarked on your entrepreneurial career or are right in the middle of it. Problems arise every day. This book is a place you can go in search of answers.

To be an entrepreneur you need to function at a consistent, steady level amid the stress of business deals, day-to-day operations, and your personal life. As you do this, you will enhance your freedom to act on your own timetable, both in business and in life.

In 1968, at age thirty, I had an opportunity to buy a small cable TV company. I felt ready. I quit my job as chief financial officer of a medium-sized company and went to work full time in my own cable TV business. My wife, Mary, and I signed a contract to buy this cable TV business, using a note of \$30,000 for the down payment. My annual salary was less than half that amount. Immediately after the signing, Mary drove me to the airport. I was headed to Boston to raise the money to complete the purchase.

“If you do not raise the money,” she said slowly, “how will we pay off the note? We don’t have \$30,000.”

“Don’t worry,” I replied, and got out of the car to catch my plane.

Of course, we had reason to worry, but she supported me, we executed well in a stressful situation, we got the financial commitment, and I closed the deal. I left my job and started in as a full-time small businessman. I owned 20 percent of the company

(later reduced to 17 percent through dilution). My venture capital partners in Boston owned the balance. I raised a million dollars of institutional debt in New York and started to build my cable TV business.

Four years later the company had grown significantly and my venture capital partners wanted to liquidate. As a good steward of their financial interests, I sold the company. I shook hands with the senior vice president of Teleprompter Corporation on a stock swap at \$41 a share. We closed the sale two months later in New York, right after Christmas. Teleprompter stock was \$36 a share. The next summer, the stock was selling at \$1.50 per share. The chairman was going to jail, top management had turned over, and everything was in turmoil. My nest egg was gone. I had just turned thirty-four, had two children and a mortgage, and was starting again. I decided I would never do another stock deal.

This lesson and others shaped my experience as an entrepreneur. In *Fortune & Freedom*, I lay out approaches to important issues you will encounter as an entrepreneur. My approach to these issues is a result of my own experience.



## **PART I: SUCCESS**

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***If you do not know where you are going,  
you will get there.***

**W**e all want to be “successful.” In our early years we often do not know what that means. It is easy to go to work in an organization and accept that organization’s definition of success: Do this project for two years, do it well, and you will move up to the next grade, and so forth. We look to our parents, mentors, and other older people we believe “did well” and use them to define success (which is a moving target if the older person does not have a thoughtful definition on which he or she relies). Or we just wander through life without letting this definitional problem worry us.

## CHAPTER 1

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### WHERE IS THE END OF THE RAINBOW?

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**T**wenty-nine years ago, having recently bought our present home, I was out in the front yard one hot summer evening wrapping up my day's work. I was installing a sprinkler system prior to putting in the lawn. I had spent the day running the rented trenching machine, cutting plastic pipe, and laying out fittings at the necessary places. I was gluing the last of the lot as daylight faded. Needless to say, I was pretty grimy, the dust and dirt mixing with my perspiration throughout the day.

A late-model, expensive car pulled up to the curb, and a fellow perhaps ten years younger than I jumped out. He was of medium height, with a boyish face and blond hair, and he was wearing a shirt and tie, but no jacket. Sort of the John Kennedy campaign look. Holding a clipboard in his hand, he came over to where I was working.

"Could I ask you some questions?" he said. He explained that he was taking a course on how to be a success. I said I would be pleased to answer his survey questions, as long as I could keep working while doing so. I asked why he had chosen me to interview.

“This neighborhood has nice homes,” he said, “and I chose it because the people living in these homes must be successful.” I pointed out that his car was about ten years newer than the one in the driveway belonging to me, that he was certainly dressed better than I, and that someone driving by would likely assume he was the homeowner and I was the hired help.

I do not know if he got the message I was trying to deliver. We did his survey. I do not remember anything in particular about the survey, but I clearly remember the incident. What constitutes success? How did this guy define success? He was taking a course. I was covered in dirt, working. His approach to success was certainly different than mine! But I was the guy who was free.

### **Defining Success for Yourself**

In our early married years Mary and I used to go to the occasional neighborhood party, attended by people pretty much like us, living in similar circumstances. They dressed well (better than I) and presented themselves as being very successful in their careers. A few years later many of these families were in disarray as a result of things such as career problems, money problems, midlife crises, drinking and other addictions, and divorce. Simply said, the people so affected were largely drifting along without considering where they wanted to end up. For many, the trip through life became a journey from hell.

Some years ago I was at a meeting when a fellow a few years younger than I, with whom I used to work, approached. His family had a number of businesses, and he had done quite well with them since he had taken over as CEO a number of years earlier. He came

over to thank me for saying something to him years earlier when we had worked together.

“You told me,” he said, “that if you don’t know where you are going, any road is the right road. That comment stuck with me and has made a big difference in my life.” Needless to say, I was flattered. People generally do not thank you for offering advice. I did not remember the earlier discussion but thought I probably had made the comment to try to help him over a rough patch at the company.

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*. . . if you don't  
know where  
you are going,  
any road is the  
right road.*

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The principle I expressed in that bit of advice is very important. If you have your long-term goals in mind and you are progressing toward them, then the other day-to-day stuff is an irritant with which you can deal.

Defining success is crucial in almost anything you do, including business deals, working with people, and the many day-to-day decisions involved in business. How can you be free if you do not define what that means?

### **Setting Goals**

My goal was to be a financial success without sacrificing family or community service. My financial goal was to create value over the long term. My personal goal was to develop a fine family over the long term. While doing these things, I also wanted to provide service to my community.

As I thought about how to achieve my goals, I believed that when faced with a choice, a good tactic was to try to opt for the

alternative that created options rather than foreclosed them. That is, I tried to do work and other activities that opened up further options for work and activities, as opposed to taking the choice that did not lead to anything further.

Like all things, goals are relative. No family is perfect, and someone will always be richer than you. So be realistic, and forgive yourself if you notice a few people who seem to be doing better. You will find that in the short run things are not always what they seem, and in the long run we all end up the same.

### **Mapping Out Your Plan**

How do you go about laying out a plan for success? Again, “different ships, different long splices.” Just as there are many ways to define success, there are also many ways to seek it. What worked for me was a process I undertook for several years in my mid-twenties. Twice a year I sat down to put in writing my definition of success, my assets and liabilities in pursuing it, and the skills I would require in order to get there.

At first this was a real helter-skelter process. Over time, however, I found that certain things remained in my document, while other things came and went. These core items that persisted became my definition, my goal.

My structure for this process involved listing categories such as the following and using them as an outline for my document:

#### ***Personal Assets:***

- What are my personal strengths and weaknesses?
- What do I do well, what do I do poorly? Which of the latter must I improve?

## WHERE IS THE END OF THE RAINBOW?

### ***Personal Desires:***

- What would I most enjoy spending my waking hours doing?
- How much money do I want to make in the future?
- Do I want to manage people or not?

### ***Family Desires:***

- How do I want my family life to develop?
- Where do I want to live?

### ***Future Images***

- What is the mental picture of a day in my life ten years hence? Twenty years?

## **KEY POINTS**

- *Define what you will consider as success, your definition of the freedom you seek.*
- *Do not allow others to define success for you.*
- *Define your goals.*
- *Prepare a detailed “how-to” list for mapping out your plan for success.*

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## **WHAT TO DO**

Sit down and write out your plan for success. Six months later, do it again. Compare the two. Six months later, write another. Keep it up until the changes you make are small.

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