

SALES

Entrepreneurs of the Year BY JAY FINEGAN

Introduction to the 1994 EOY issue that presents the judges and process behind the award.

Atop the Boston Harbor hotel, in a spacious, loft-like room, the national judges have gathered. It's 9 a.m., July 25. The six judges deposit their thick stacks of finalists' files on the conference table and mingle with a dozen observers from Ernst & Young, Merrill Lynch, and *Inc.*, sponsors of the Entrepreneur of the Year program. Amid the light chatter and the clinking of coffee cups, the atmosphere is heavy with anticipation. The national judging is the Superbowl of entrepreneurship, if you will. The play-offs are over. What started in April as a field of 4,351 companies has been strained through progressively tighter filters. Only 20 have made it to the finals.

Moderator George Gendron, *Inc.*'s editor-in-chief, calls the session to order. The first vote is for the Overall Entrepreneur of the Year. There are five contenders. Gendron takes a quick poll to see if there's a consensus for any one candidate.

All hope of an early decision soon vanishes. One judge after another backs a different candidate; each has a unique perspective on why one stands out. Five minutes into the process, the very definition of *entrepreneur* seems unsettled. There are six other categories to debate. "It's going to be a long day," says one judge, Bank of Boston senior economist Diane Fulman, with a smile.

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This is a banner year for the Entrepreneur of the Year competition, which recognizes those men and women whose toil contributes so powerfully to America's economic vitality. Started nine years ago as a local event run by one Ernst & Young office, it has become a national showcase for the country's leading company builders.

Since its inception some 2,300 companies have won regional awards. As a group they represent 2 million employees and more than \$200 billion in revenues. This year's field was the largest ever -- 4,764 nominees from 4,351 companies. The companies that won regional awards in the key categories average 745 employees and \$77.7 million in sales each, another

record high.

As the program has grown in stature so has the caliber of the nominees. The sheer quality of the finalists is part of the quandary facing the judges here this morning. But beyond that, each judge views the candidates through a different prism. The diffraction is most complex in the debate over the overall winner, who will be held up as a model of entrepreneurial excellence.

For Diane Fulman, a key criterion is social impact. Which candidate, 10 years from now, will have left a lasting impression on society and the economy? She has no doubt that it's Work/Family Directions -- an innovative consulting company that helps corporate America deal with employees' social issues -- and its founder, Fran Sussner Rodgers. Moreover, Fulman says, "this is the only company in this category that has almost single-handedly created an industry."

Judge Thomas Golisano, chairman of payroll processor Paychex, likes public companies. "That might not be fair to people who don't run public companies and never set out to do so," he admits. "But I think it's the ultimate way of bringing your people along with you, so I give extra credit for that." He's also unabashedly partial to pure financial achievement. He casts his ballot for Ted Waitt of Gateway 2000, a mail-order computer retailer. "He's put up some big numbers -- from \$1 million to \$1.7 billion in sales in eight years," Golisano argues. "And when everything was revolving around retail stores, Waitt went into direct marketing."

Venture capitalist Patricia Cloherty, president of Patricof & Co. Ventures Inc., favors companies that are positioned for strong growth in revenues and profits, especially if they're in tough industries. Her choice is Allen Chao, founder of Watson Pharmaceuticals. "He's in the generic-drug sector, which has relatively low margins," she says. "I thought this was a classic entrepreneurial story of this Taiwanese fellow who comes here and really builds something."

Golisano quickly challenges Cloherty. "Doesn't it bother you," he asks, "that Chao's family gave him \$1 million to start with, compared to Gateway, where the founder started with his grandmother's pledge?" "Not at all," she replies. "In my view, when you're not born rich you get it where you can."

Harry Quadracci, president of printer Quad/Graphics, stresses innovation. He throws his support behind \$40-million America Online, a popular on-line computer service. The most persuasive arguments, however, come from Rick Inatome, chairman of computer reseller Inacom Information Systems. He likes the notion of entrepreneurship as a team effort. "What you hear about are these swashbuckling, one-of-a-kind Ted Turner types," he says. "But that's not inspirational to 99% of the people who might want to leave a General Motors to start a business."

Inatome also values innovation, gauging it against opportunity. It's harder to innovate in a mature, highly competitive industry, he argues. He says, "If you're judging a surfing contest and you see a guy riding a beautiful wave and a guy on a marginal wave, and they both have equal rides, who should win? To me, it's the guy with the more difficult wave. The computer business is like a powerful, perfect wave. The restaurant business isn't." The three cofounders of Outback Steakhouse get his vote.

Gradually, other judges swing behind Inatome. Babson College business professor Jeffrey Timmons warms to the tortured surfing analogy. "These Outback guys pulled off a beautiful ride on a surfboard in Boston Harbor at low tide," he says. "You could almost say they were going against the tide. Who in their right mind would recommend that you start a steak house in this day and age?" Quadracci also finds Outback inspiring. "Outback shows that no industry is too crowded if you've got the right idea and you work hard at it."

In the end, it's 4 to 2, Outback over Gateway. Work/Family, with \$44 million in revenues, is simply too small to compete in the overall category. But the judges think Rodgers's achievements too impressive to ignore. Exercising their prerogatives, they move her to the category for Socially Responsible Entrepreneur, where she later prevails. Coffee cups get refills, and the judges begin to tangle over the Master Entrepreneur category.

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The Boston judging is the culmination of a selection cycle that began in mid-April, when nominations were due to the 42 participating Ernst & Young offices around the country. They made the initial cuts, leaving 1,000 companies as contestants. A nominee from a private company must be the owner or the manager responsible for the business's recent performance. If the company is public, the founder must still be in top management. The company must be at least two years old, and the three most recent years of financials are verified by Ernst & Young accountants, who interview every nominee.

The first round of judging, in May, was regional. By Memorial Day judging panels comprising local business leaders had let through only 349 companies. Each region caps its competition with a black-tie banquet that's highlighted by the announcement of its winners. (Regional judges usually give awards by industry sector, such as retail, electronics, and manufacturing.)

By early June files on the regional winners began piling up at *Inc.*'s offices. An in-house project team condensed the field to about 200 companies, eliminating those losing money or posting slow sales growth. *Inc.* writers then dug even deeper. They called industry analysts, searched for signs of outstanding creativity, and grilled the most promising candidates. About 60 companies cleared the hurdle.

Inc.'s internal judges -- a panel of senior editors -- then weighed in, winnowing out the final

20.

And at the end of the final adjudication at the Boston Harbor Hotel, seven winners were declared. For them, it was on to Palm Springs, Calif., where on a Saturday night last month, amid the black-tie glitter of an awards ceremony, they received the recognition they richly deserved. They were named "the best entrepreneurs under the sun."

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