

Hermanisms

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Edited by Carmen Walsh

HSB Press

2007

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Edited and designed by Carmen Walsh

ISBN-13: 978-0-9790204-1-4

ISBN-10: 0-9790204-1-7

Library of Congress Control Number: 2007921657

HSB Press

11615 Greenspring Avenue
Lutherville, MD 21093 USA
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Distribution by Itasca Books
www.itascabooks.com

Printed in the United States of America

ACKNOWLEDGMENTS

After *The Innkeeper Tales* was published, people kept asking me how I came to write a book. As a storyteller, my need to share had extended from gabbing with the closest person who would listen to producing a beautiful hardcover book that anyone could read. And the readers told me they liked what I had to say. So I would like to thank all of the people who encouraged my first work, for without them, this second book would not have happened.

I would also like to acknowledge the owners of independent bookstores who opened their doors to a new author and offered a small publisher the opportunity to showcase a book—because I’ve found out that writing a book is one thing and selling a book is another matter. In particular, I want to acknowledge the people at Greetings & Readings for their help in launching the *Tales*.

And then there are Carmen Walsh and Clarinda Harriss, two wonderful women of talent who are blessed with a work ethic and a dedication to help others achieve. They have been the backbone of my getting two books out in less than a year. Clarinda edited the first project with some assistance from Carmen. For this book, Carmen took the editing lead, but we still had Clarinda’s guiding hand. And Carmen’s design work gives me hope that even more people will pick up the books to learn what they are about.

Finally, I want to acknowledge the wonderful encouragement of my wife, Maggie, and my children, Kelly, Colleen, Shannon, Julie, and Sonny, who bring me positive energy and loving support.

INTRODUCTION

We all love the stories about entrepreneurs that started with little or nothing, working from their homes, and then just a few years later found themselves trading on Wall Street. Reality check: the odds of this happening are about the same as getting rich by buying a lottery ticket. (Many people try both approaches—and still stay poor.)

In the United States, there are about six million small businesses.¹ Each year, more than half a million people decide to throw their hats in the ring and start their own companies. But in that same year, roughly the same number of companies give up and close their doors.²

Why? Here's one reason: **approximately 60% of businesses never make a profit.**³

Statistics say that if money is the driving force behind starting your company, you will lose. If money is your primary goal, you can work for someone else and get a paycheck every week. You won't risk losing any money, or your home, or the time you would need to spend trying to succeed when the odds say you will never make a cent.

So why do hundreds of thousands of people start a company every year?

Because they want the chance to succeed and are willing to pay the price? No.

They do it because they want the chance to succeed and can't believe they will fail. It never enters their minds.

If a high diver thinks he will hit the board, he probably will. If an athlete thinks he will fumble the ball, or miss the next pitch, or get tired near the end of the race, he probably will. So these individuals focus on thinking positively. Entrepreneurs are already programmed for a positive outcome: it's a character trait. And so many of them wake up a few years later, wondering why they made the leap.

This book is intended to make you think. It's not intended to discourage you from starting a new venture. It is intended to make you realize issues you may want to ignore, but shouldn't—at least not if you want to be in the 40% that might actually make a profit.

And this book has another goal: to make you understand that playing the game gives you more than just money. There are other “profits” to be derived from being your own boss. While your company may not make you rich, or last a lifetime, it will enhance your being—if you choose to let it.

1,000 Business Failures and I'm Still Standing

I'm a business failure expert. Not many people know as much about business failure as I do. And I'm eager to share what I have learned. But why should you listen?

In thirty-five years, I have owned more than twenty companies. One of them was a brokerage firm that engaged me to consult with over a thousand owners of financially troubled businesses. And in more than three hundred cases, we sold them, even though not one was making money.

That's right. **A thousand times I have sat in an office with a business owner and his lawyer or his banker to determine what, if anything, could be done to salvage the business or get the greatest return on the assets for the creditors.** And in all of those situations, the businesses were failing.

Each year, Dorsey Trailers sold trucks, flatbeds, and box trailers worth over \$280 million. They had dealers all over the country. And they were millions of dollars in debt. My company, the brokerage firm that sold the assets in bankruptcy court, managed to sell a shut-down plant, with workers laid off, to investors who then reopened the plant. And other

factories Dorsey owned were sold and continued their operations as well.

Thomaston Mills employed close to two thousand workers in five plants south of Atlanta and had worldwide annual sales of almost \$300 million. They were going under. We sold their assets in bankruptcy court.

How about Superior Toy Company? They made the Mickey Mouse gumball machines that lived in seemingly every other house in America. And electric football and the hockey games with the moving metal rods to slide the players around. These were some of the most popular products in the country, but the company was losing money. It was sold in bankruptcy court. And my brokerage firm did the deal.

Mattison Technology too. And hotels and marinas and auto parts chains and metal stamping companies. Gun manufacturers turned into aerospace companies. Furniture makers, a mini-blind company, kitchen cabinet manufacturers... even Excalibur Automobile, a symbol of the excesses of the 1980s.

All of these companies at one time had made money and no longer did. Who would want these “dogs with fleas”? My brokerage firm must have had good

salesmen, because we sold over three hundred of those dogs. All the sales were confirmed, in or out of a bankruptcy court, and settled transactions on which we collected a fee. We completed deals like this in forty-one different states.

With all the companies that I have owned and all those that I have consulted with and all those that my firm sold, I know something about business failure. The fact that I have built many successful enterprises to balance out the losers means I have received quite an education at the school of hard knocks. In fact, **I refer to the knowledge gained over all these years as my degree from the Herman School of Business.**

It's a degree that cost me a great deal of money, time, and pain to obtain. I value the knowledge from this degree more than if I had earned it at Harvard Business School. No disrespect to Harvard; it's a great school. If my grandchildren want to go there, I will help pay the tuition. My degree just happens to be one that I earned the really hard way. It cost more than Harvard's tuition. And it took many more "classes" than I would have had to attend at the Boston campus.

By reading this book, you can benefit from my years of experience in the real world of business.

The truths contained in these pages are not something you can learn in any college classroom that I know of—at least, not yet.

If you want to take the conversation past these pages, e-mail me at Herman@hsbpress.com. I'd love to hear from you.



The following pages contain axioms
born out of what was formed in my head
over many years.

Hence we have ...

HERMANISMS

Some are original ideas;
some express commonly known thoughts.
All are presented with anecdotal evidence of
their accuracy, drawn from my experience.



HERMANISM #1

**IF OWNERS CALCULATED THE TIME
IT WOULD TAKE THEM TO SUCCEED,
MOST WOULD NEVER EVEN TRY.**

If someone told you to walk across the park and one million dollars would be waiting for you on the other side, you would start putting one foot in front of the other. Half a million and you'd still start walking. One dollar and you might shrug and say no thanks. When you know what is on the other side of your effort, you make a conscious decision of whether it's worth it. Go or no go.

But what if I told you that the amount on the other side of the park was unknown, somewhere between one dollar and a million dollars? Every damn one of you would start hoofing it across the park. We make the effort only when we believe it will be worth it. But if we are unsure of the return, we tend to believe it will be the highest amount possible. Why is that?

As Americans, we are wired to believe we will always win. We'll always hit the game-winning home run. Always achieve the highest goals we set for ourselves. At least, that is what entrepreneurs

believe. Like Pavlov's dog, we do what we are "supposed to do," believing there will be a treat at the end. And once we are programmed as entrepreneurs, even an occasional failure doesn't stop us from salivating at another chance.

That's why it is so important to let children experience both success and failure. Letting them win at a game just because winning makes them feel good—that's bullshit. Playing the game well enough to win is what makes us feel good. Knowing that they will not win every time is a healthy lesson. Too many kids are deprived of the opportunities to try and fail. Then, in adulthood, they flounder when they encounter their first real-life failure.

Now let's apply this Hermanism to your business.

What if you knew that working a hundred hours a week for about a hundred weeks in a row would result in your having bad health, problems at home, and a financial disaster on your hands? It happens to more than half of all businesses in America. Every other company started fails. In fact, 60% fail or close within six years.⁴ That's right. Over half of all entrepreneurs will work endless hours and still fail. Remember, owning a business is not a walk in the park—where the million dollars might (or might not) be waiting on the other side.

Business is more of a workout. You wear out your body and mind, working endless hours under stressful conditions, sometimes without much support. When you do get to the other side, less than you expected may be waiting. In fact, sometimes at the other side is a little piece of paper that says “Pay up, sucker. You not only lost money; you owe money.”

So why in the hell do we do it?

Because we can't imagine we will fail. We are confident that we will be in the minority that not only survive but thrive. **And for that chance, we'd walk through the park even if it was on fire.**

I have never spoken to a business owner who realized at the start how hard it would be. Or how much time it would take. And for many owners, it is one and done. Never again. Back to a job where someone else has the headaches of ownership and the responsibility for others.

The true entrepreneurs shake the dust of failure off, wipe their hands clean on their pants, and look for what to get into next. Somehow, to the true entrepreneurs, failing doesn't mean the game is over. It's just halftime, and they've got another chance to win as soon as the gun sounds.

HERMANISM #2

STUDY AND YOU SHALL LEARN.

My brother-in-law repeated this phrase to me countless times when I was young.

You can't experience everything yourself. It's a simple fact. You just won't live long enough to accomplish it all.

So you need to read and educate yourself about some things without actually experiencing them.

Learn sales techniques from a successful salesman. Learn bookkeeping from a CPA. Don't waste time trying to reinvent the wheel. Benefit from someone else's years of experience.

Go to a bookstore or library. Pick up any damn book you can find and study.

The simple effort of reading will put you ahead of those that don't read. For one thing, it allows you to learn from the mistakes of others before you make them yourself.

When I was young, there was a street saying among the inner city kids: “Stay in school and get a million bucks free.” Even those little kids knew that what they could learn by reading and studying would get them further in life than those kids who never cracked a book.

HERMANISM #3

**BUSINESS IS A CONTINUUM.
SUCCESS IS THE CUMULATIVE GOOD
RESULT OF RIDING OUT THE
WAVES CRASHING AGAINST YOU.**

One of the perplexities in business is figuring out what caused something to be successful. After all, it's only natural that we would like to do just what it takes to win—and cut out all of the unnecessary steps. So how do we figure out what those unnecessary steps are?

Let's look at my brokerage firm. We signed up companies in trouble and sold them, or their assets, to get the secured creditors their money back. For the deal to close, the creditors would sometimes have to take a loss. If they didn't take the loss, there was no closing. And no payday for us.

In my best year doing these types of deals, I made thousands of telephone calls and had about three hundred face-to-face meetings. I traveled four days a week and visited eighty new clients. But from those eighty new looks came only twenty-eight closings (i.e., paychecks). So why did I “waste” the other fifty-two visits?

Maybe I should have qualified some clients better over the telephone and saved myself some trips.

At the time, I was one of the best in the country at what I was doing. And I could not tell which trip was going to be successful and which one wasn't. Or which company we would want to work with and which one was a waste of time. If I couldn't tell and I was one of the best, surely the other less experienced partners at the firm couldn't accurately pre-judge which trips to make. But they certainly tried. They were always trying to figure out before the race was over what the outcome was going to be. Their thought process was this: Let's do only the sure things and always cash a check.

I, on the other hand, always traveled to get face to face with the bankers, so they could get to know me during a deal. That way, when I told them at the end of the day that they were going to have to take a loss, they would trust me that it was the right thing to do. It cost me about \$800 to make some of those trips, and all I did was tell the banker something I could have said on the phone. So, thinking they were smart, some of my partners decided to call rather than fly. My closing rate on deals was 95%. Their closing rate was 50%.

Which trips should I have skipped?

You can't tell me with certainty which action in a string of actions that lead to a payday you can skip without sabotaging your success. Did the plane trip to introduce myself to the banker waste money? When I sent him a weekly report and then told him the same thing on the phone, was I wasting efforts? When I had bad news and went in person to deliver it, did it really matter that I made the trip?

How much work is enough to win the race? If you swim a hundred practice laps and win, should you cut down to ninety and see if you can still win? Or should you keep doing a hundred?

My philosophy was that shortcuts that might in fact work also might not—and therefore might not feed my kids. So I kept doing what had worked in the past; I never messed with success by trying to eliminate the “unnecessary” steps. And during my career with the brokerage firm, I had a higher closing rate than anyone else.

Let's talk about that constant wave against you. It can be a tough struggle, but sometimes you need the pressure against you to stay afloat. Try to fly a kite without the pressure from the wind against it; the kite will fall to the ground. You need something pushing you to keep working or you may just fall flat.

While it's hard work to fight that constant wave, fortunately, it is predictable to some degree. Payroll is due every other Friday. Supply bills have to be paid by the fifteenth. Rent is due on the first. This customer always pays his bill by the tenth. Some things we know and can plan on. And then some things just pop up and we have to deal with them.

We are told that, over time, good will overcome evil. Do what the Good Book says, and we'll land safely. Follow the tenets of good business, and profits will flow to our coffers.

I worked as hard in my failed ventures as I did in my successful ones. My failures were not for lack of trying. I was just as stupid in a win as in a loss. And just as smart in a loss as in a win.

There isn't one person I would trust to tell me what will fail and what will succeed. Cancer patients are told every day that they will die within a certain time period. Some die more quickly than predicted, while others live for many years. **There is a will in some human beings that cannot be measured.** And a force in the universe that we do not control.

We can't control all the outcomes, no matter what we do. But we can make the best cumulative effort of smart thinking, careful planning, great marketing, and recruiting the appropriate helpers—and then

hope those efforts translate into a steady slow gain against the wave of reality pushing against us.

You can't see one step in the process and predict the outcome with certainty. So you better not skip any steps if you want the cumulative good to win the struggle.

And then, once in a while, things may come easy. You might step outside your car in the parking lot and find a hundred dollar bill. You might find yourself sitting in the plane seat next to a bigwig in your industry. You shouldn't expect it to happen, you don't deserve it to happen, but sometimes it does.

At a very young age, Eddie Murphy was working in clubs, making audiences laugh with his brash act. Rodney Dangerfield, another comic genius, was an old-timer by then. I read somewhere that Rodney saw Eddie perform early on, when Eddie was still an unknown. Not long thereafter, they ran into each other. Eddie had already become the biggest thing in the country. It had taken Rodney years to "get respect" and be a star. Rodney shrugged when he saw Eddie and said simply, "Who knew?"

NOW GO MAKE SOMETHING HAPPEN!

Reading this book should have jarred something inside of you. A desire to move forward with your idea. A belief that you can overcome the obstacles that will appear. That you won't allow failure to destroy you.

If you're unsure about what to do next, write about your situation. Writing can help you gain a better perspective and will often jog thoughts free to help you figure out your next move.

You can also **e-mail me at Herman@hsbpress.com**. Tell me about your idea and what you plan to do next. I would love to dialogue with you. Throughout this book, I have said that you can learn something from people who have had different experiences than you. I do not have all the answers. But I will gladly offer my point of view and challenge you with some blunt input.

If your college, book club, or business organization needs a speaker, **give me a call at 410-453-0280**. I love sharing the stuff life has taught me. Lessons often learned the hard way. Lessons from bankers, lawyers, and business leaders that helped me succeed—and can help you too.

And by the way, if you haven't already done so, read *The Innkeeper Tales* to get the full Herman story.

HERMANISMS

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