

Great Business Comebacks

By RICHARD MINITER

"He who has never failed somewhere, that man cannot be great," Herman Melville once wrote. Melville knew something special about the national character: Americans are willing to persevere, to meet failure many times and learn its lessons in order to realize their dreams. Every year tens of thousands of American entrepreneurs face adversity, overcome great odds, and find success. Here are three such stories.

The Software Designer

DAYS BEFORE Christmas, 1991, Earl W. Stafford pulled off the Beltway circling Washington, D. C., overcome by emotion. A year earlier, it had seemed the sky was the limit for him. Now he was unable even to buy presents for his three children.

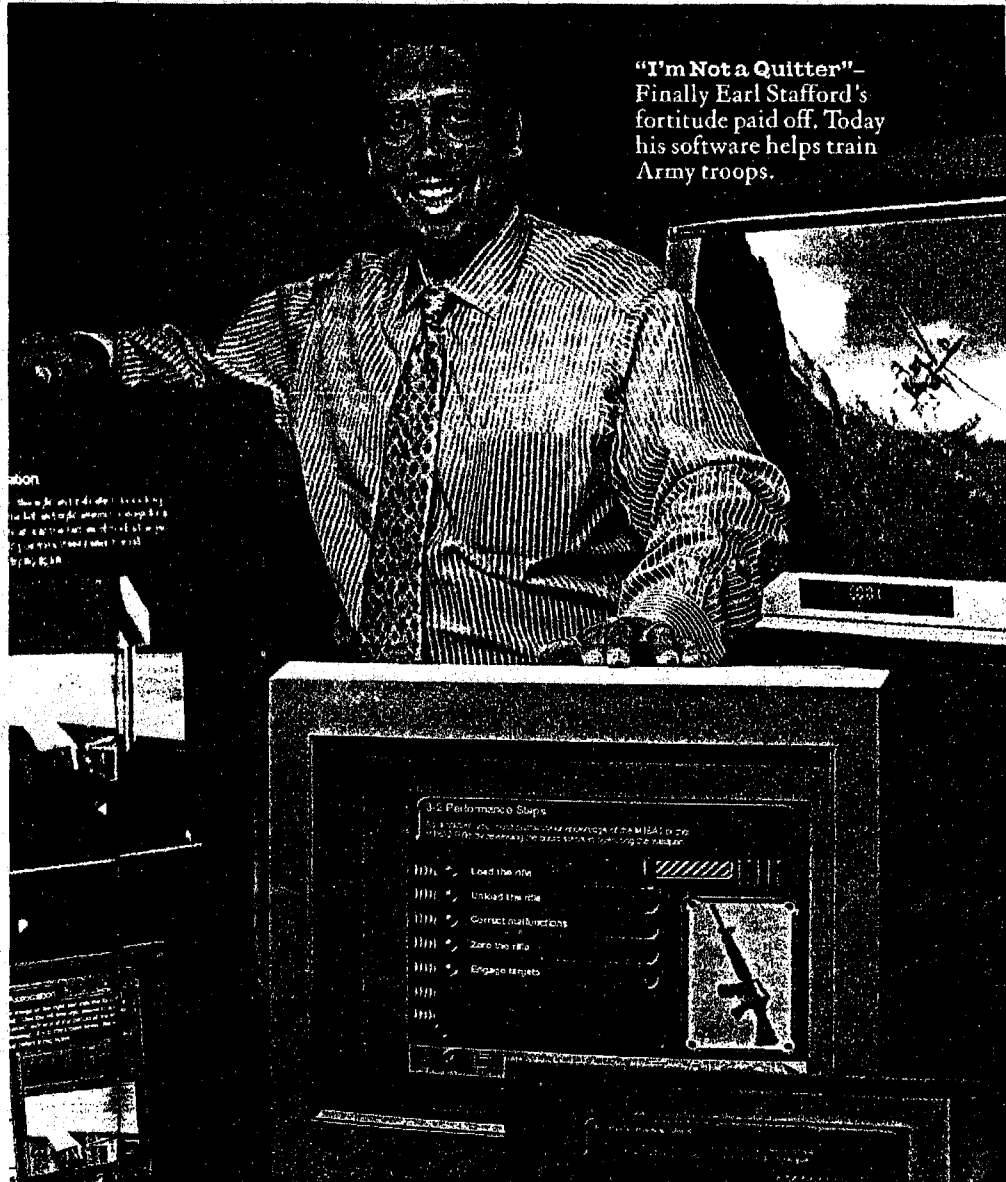
On paper, he was the CEO of Unitech, Inc. In reality, he couldn't pay the office rent, he'd laid off all 14 employees, and bill collectors were calling.

Stafford had always made good moves, beginning soon after his May 1966 high school graduation, when a draft notice arrived. Instead of waiting to be conscripted, the former dashiki-wearing Black Power enthusiast enlisted in the Air Force.

Trained as an air-traffic controller, Stafford directed combat aircraft to Vietnam. He returned to the United States in 1970, married and re-enlisted, eventually earning B.S. and M.B.A. degrees. By 1987 Stafford was a captain, and his military future looked bright. But he longed to start his own business, so he left the Air Force.

To get experience, he went

"I'm Not a Quitter"—Finally Earl Stafford's fortitude paid off. Today his software helps train Army troops.



PHOTOGRAPHED BY BRET LITTEWHALES

to work for RVA, Inc., a small contractor that provided training for the Federal Aviation Administration. Several months later, when he announced he was leaving to start his own business, RVA hired him as a consultant.

Soon he was asked to become a subcontractor for NYMA, Inc., a company working on NASA's Hubble Space Telescope. It wasn't a high-tech job. Stafford's company would supply support staff—a receptionist, messengers and janitors—for a team of scientists. But the \$300,000 annual contract meant Stafford could finally pay himself a salary, and rent and furnish his own office.

Then it all unraveled. The telescope malfunctioned. The NYMA contract expired. By coincidence, RVA canceled Stafford's consulting deal the same week.

Stafford had gambled his family's future by leaving the Air Force. Now, for the first time in his life, he felt like a failure.

Refusing to give up, he told himself repeatedly, "I'm not a quitter." He scoured trade publications looking for contracts, but none of his bids were accepted. He called everyone in his phone book, but no one could help. When the power company turned off the lights at the Stafford home, the family lived by candlelight. Then the phone was turned off.

Three months later, Stafford earned that NYMA had won a contract with the Resolution Trust Corporation (RTC), the federal agency charged with protecting depositors

in failed S&Ls. NYMA needed a subcontractor to provide management consulting and janitorial and moving services. He bid on and won the job.

The RTC may have thought it was getting Unitech, but in reality it was getting only Stafford. By day, he attended high-level meetings in a business suit. By night, he cleaned the same conference rooms, moved heavy boxes, copied documents—anything that needed to be done. Eventually his fortitude paid off.

Early in 1992 the RTC awarded Stafford a three-year, \$2.5-million contract. With some of that money, he developed computer-training software for all branches of government. Now his simulation programs help the Army train troops to fix jeeps and to drive tanks. Today, Unitech, based in Fairfax County, Virginia, has more than 320 employees and is projected to earn about \$50 million in 1999. Though Stafford is now on top, he'll never forget being on the bottom. "You just can't give up."

The Widow

PAT BIEDAR met her future husband, Bruce, at Chicago's Steinmetz High School. Within a year of her graduation in 1960, they married and moved to the suburbs. While Bruce worked at a sheet-metal plant, Pat proudly stayed home with their three children.

After nearly 20 years of working for someone else, Bruce wanted to

start his own business, fabricating parts for heavy industry. But in September 1980, inflation and unemployment were at daunting levels. Still, Bruce was determined. "Okay, let's do it," Pat said, and Priority Manufacturing, Inc., was born.

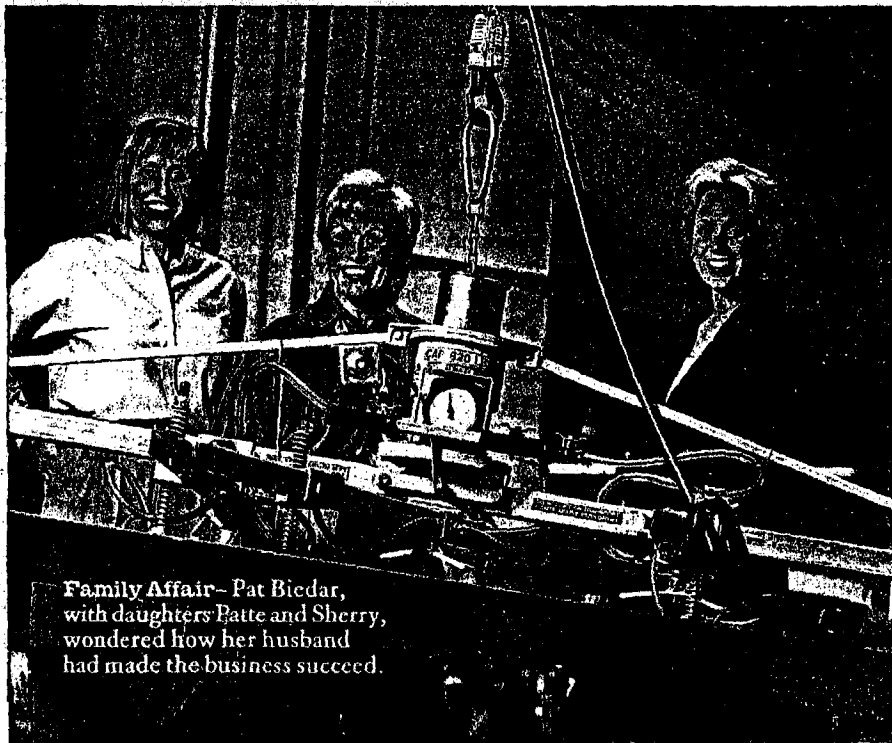
The Biedars put everything on the line, using their home and life savings as collateral. Bruce couldn't afford office staff, so Pat became manager, bookkeeper and assistant.

They worked long hours side by side, but she learned only what he did, not why he did it. Bruce kept

much of the business in his head. One morning in September 1986, Bruce said he wasn't feeling well. Minutes later, he was dead of a heart attack at age 46.

Pat announced that she was going to run the company. Her older daughter was in law school and her son was in high school, so daughter Patte, a 21-year-old pastry chef, became her partner. While Pat tried to drum up sales, Patte ran the plant.

They were determined to succeed, but it was slow going. Unsure about the new management, longtime cus-



PHOTOGRAPHED BY MICHAEL L. ABRAMSON

Family Affair—Pat Biedar, with daughters Patte and Sherry, wondered how her husband had made the business succeed.

tomers stayed away. Many of the men working on the shop floor were hostile, snickering as Pat and Patte made beginners' blunders. After trying to work with them, Patte reluctantly fired the malcontents.

Still, Priority Manufacturing was barely staying afloat. The life-insurance money had run out, and everything the family had was already collateral for other loans. Then one day Pat called a local businessman. When he asked how she was doing, she blurted out: "Terrible. We're losing money, and I don't even know what I'm doing wrong."

The businessman sent over a neighbor, Tom Purky. The retired executive was shrewd at diagnosing ailing companies. He enlisted a group of local business owners to teach Pat and Patte lessons they don't put in textbooks. For example, through a series of accounting gaffes and production glitches, Pat and Patte had underestimated their real costs and taken orders that weren't profitable.

Another key mistake: the company was manufacturing items in highly competitive markets where larger rivals were able to keep profit margins low. When Priority diversified into other larger venues, such as agriculture and trucking parts, sales at their Chicago and Denver plants surged—from \$1 million in 1986 to more than \$5 million in 1997. Pat's older daughter Sherry now works for the company, while son Bruce handles its investments.

Pat Biedar is quick to share what she's learned: "Never quit, always look to others for help, profit from your mistakes, and remember that failure is not the end of the world."

The Auctioneer

ONE FEBRUARY DAY in 1987 at an airport near Boston, Jerry Kaplan watched his colleague Mitchell Kapor lug a 27-pound computer aboard Kapor's private jet. Once airborne, Kapor, co-creator of the Lotus 1-2-3 spreadsheet program, typed in notes from stray pieces of paper, even a napkin.

"This is the pits," Kapor said. "I wish there was some way for me to get this stuff into the computer and skip the paper."

Kaplan, Lotus's principal technologist, was always looking for ways to make computers smaller. "Suppose you used a pen instead of keyboard?" he asked Kapor. They had just hit on what could be the biggest breakthrough since the personal computer—pen-based computing, eliminating the need for a bulky keyboard.

Kapor encouraged Kaplan to pursue the idea. Kaplan left Lotus, got a venture-capital firm to fund him, and called his new company GO. His plan: to build a prototype and write the software to make it work.

Microsoft's Bill Gates visited GO's offices in July 1988 to discuss the possibility of working together. Kaplan outlined his vision, and

Gates agreed to send a technical team. However, the talks between Microsoft and GO were unsuccessful. In June 1991 Microsoft launched



PHOTOGRAPHED BY JOHN HARDING

Going Once— Jerry Kaplan's big venture died after six years and \$75 million.

Pen Windows, a software product that they had been developing independently.

Time and money—a total of \$75 million had been invested in GO—were running out. By 1994 Jerry Kaplan's project was dead.

He was demoralized, but that didn't last. When a friend, Alan Fisher, suggested he and Kaplan start a company to sell products over the Internet, Kaplan had a different idea: an on-line auction house. He even had the name: Onsale, Inc.

Kaplan dipped into his savings and with help from Fisher and the same venture-capital firm that backed GO, they launched their on-line service in 1995. Onsale would buy or take on consignment products made by companies like IBM and Sony, and put them up for auction. Bidders could post offers at Onsale.com any time, day or night, over a two-day period.

Working from cramped offices, newly hired assistant Michelle Pettigrew put in long hours finding products to auction, while Kaplan drummed up customers. Over the next year, the two drew closer. They married in April 1998.

When Onsale.com went on-line, sales were \$800 the first week. Today they are nearly a million dollars a day. The stock Kaplan owns is worth around \$100 million—and he believes this achievement would not have been possible without his humbling failure at GO.

"Personal success can grow out of the ashes of business failure," he says, "if you're willing to take the experience in stride."

Sign on a Pittsburgh plumbing contractor's truck: "You Don't Have to Sleep With That Drip Tonight."

—Contributed by CARL C. WURST