



Commentary

BY STEVE WEINTZ

Fine Line Between Genius and Insanity

AFTER MORE THAN A DECADE of working with start-up and early-stage companies, I've concluded that, often, only two degrees of separation exist between ingenious and crazy business ideas.

Contestants on "American Idol" have Simon Cowell to tell them, "You sing like a squealing pig. You look like a squealing pig. I can't believe you think you have any talent. Go home." But there is no Simon Cowell telling would-be entrepreneurs, "Your idea really stinks. Your business plan stinks. You stink. Now pick up your nondisclosure agreement and get out of here."

A song that is sung off-key is easily detected even by an audience without any formal musical training. A flat note is painfully self evident. A flawed marketing strategy or financial pro-forma with inconstant data is another story.

The real world vetting of off-key

business plans is usually done in conference rooms or in conjunction with events such as the Arkansas Venture Forum. Constructive criticism and suggestions are usually offered in thoughtful, measured tones with "contestants" and "judges" dressed in suits and concluding with handshakes all around regardless of the outcome. Due diligence would make for boring television. There are exceptions and I have a few stories as proof.

One example: the gentleman who came to me some years ago with an idea for a new serving fixture that would save time and money in the hospitality industry. It seemed like a good idea. I set up introductory meetings between the entrepreneur and hotel managers who could use the new invention. Unfortunately, the unanimous verdict was the invention was four times as heavy as the current fixture and cost

five times as much. It was substantially overweight and over-priced.

The inventor, who had sunk his entire savings and six years of his life into the development of the prototype, did not take the market feedback kindly. He flew into a Simon Cowell-like rage directed at me. "This is a set-up. You're trying to steal my idea. These people don't know anything. You don't know anything."

I apologized and handed the gentleman back his business plan at the same time reminding him I had not charged for my time or considerable effort in setting up the demonstration interviews on his behalf. I gave him the name and phone number of a competitor of mine (I'm always happy to refer business) with more apologies and earnest wishes for future success. But that was not the end of it.

I received a series of late-night phone calls, which I did not answer. I did save some of the profane messages on my voice mailbox. I had a growing sense of concern but figured that, when the entrepreneur sobered up the next morning, that would be the last of it. I was wrong.

The next day the distraught entrepreneur, who looked and talked like Danny DeVito, showed up at my home office and pounded on the front door. When I did not answer, he stapled a 15-page letter to the door.

A visit to the police station and subsequent restraining order finally put an

end to the strange ordeal.

By contrast, a local former investment banker, now retired, chuckles when he tells the story of a polite gentleman who came to him, many years ago, with a crazy idea of delivering packages for business clients overnight. Nobody would pay \$10 or \$15 to have a package delivered overnight. What a silly idea. The investment banker sent the entrepreneur packing. When last we checked, Fred Smith was still the chairman, president and CEO of the \$35 billion FedEx Corp.

Sometimes there are only two degrees of separation between genius and insanity. Determining what is genius and what is crazy is sometimes easy, sometimes not.

For that reason, I suggest that those of us in the investment community who get the opportunity to preview new ideas from budding entrepreneurs keep an open mind. Personally, I'm always open to meeting with entrepreneurs with new ideas, though I've bought a can of pepper spray for self-defense, and I tend to panic when approached by anyone who has even the slightest resemblance to Danny DeVito. ■

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