

Building

BILLION-DOLLAR Enterprises

The new frontier for minority and women entrepreneurs.

By Robert Wallace



The year was 1982. Ronald Reagan was president; China and India were just beginning to accelerate their industrialization; the Internet was still years from being developed; and gasoline was less than a dollar per gallon. I was a graduate student at the Amos Tuck School of Business at Dartmouth College, just beginning the research for my first book on minority and women's entrepreneurship, when

a respected businessman and Native American, Earl Chavis, shared this prediction for minority- and woman-owned businesses with me: "The key to success for minority-

and woman-owned businesses is to build multimillion-dollar businesses so that they can truly be competitive in America."

Fast forward to today and it

boggles the mind how much our world has changed. My research has spanned more than 25 years; the United States has its first non-white presidential candidate leading a major political party; China, India, and much of the emerging world are confidently flexing their global economic muscle; the Internet is now a way of life for the developed world; and gasoline might soon exceed \$5.00 a gallon.

Not only has the global and economic reality for minority and women businesses changed, but the criteria for national and global business success have morphed from what they used to be, so much that Mr. Chavis' comment to me a quarter of a century ago, while appropriate for the time, would now be viewed as naive. In fact, given this new environment where human knowledge is doubling every seven years, cutthroat competition for fewer and fewer natural resources is squeezing out the small players, and a global abundance of capital makes it equally likely that our competition for industry dominance will emerge from somewhere outside of the United States. It is imperative that minority and women business owners rethink their success paradigm.

In this exciting, yet unpredictable global economic environment, what will it take for minority- and woman-owned businesses to build competitive and sustainable business models? I tried to answer that question years ago when I penned my first book; "Black Wealth Through Black Entrepreneurship." In that book, I suggested that there were three types of minority entrepreneurs—Blood and Guts Entrepreneurs, Brown Bomber Entrepreneurs, and Daring Dashing Dands and Dianes.

I suggested then that the third group, the Daring Dashing Dands and Dianes (DDD's) were empire

builders who would someday lead the way in building billion-dollar enterprises. What sets the DDD group apart from the others is their global vision, their comfort operating with high levels of uncertainty, and their aggressive embrace of highly intelligent people who would be essential when building business empires. To complete my review of this special group, I am expanding this framework in my new book, "The Color of a Billion: Women and Minorities Who Are Building Billion Dollar Enterprises."

When I began my work for this latest book, I set out the following objectives:

- ✓ Identify minority- and woman-owned businesses that are rapidly approaching or who have already exceeded the \$1 billion mark in annual revenues.

- ✓ Help decrease the time it takes for these businesses to reach the \$1 billion mark.

- ✓ Provide discipline guidelines for entrepreneurs who, while not actively seeking to build their businesses into billion-dollar enterprises, could benefit from adopting the "billion-dollar mentality" of this class of entrepreneurs.

Billion-Dollar Businesses: The New Frontier

Although my research for this book is ongoing, there are many observations that have already emerged. While I am not suggesting that all businesses have to pass the \$1 billion mark to remain competitive and successful, I am suggesting that those who do will be in a stronger position to compete at the global level and concurrently sustain that competitive posture. Just developing a billion-dollar mentality about how you manage and grow your business will prove beneficial.

So what do you need to do as

a business owner to move yourself into the billion-dollar mind-set? There are three characteristics that most billion-dollar business owners share:

(1) An Empire Paradigm.

I have identified what I call the "empire paradigm," which suggests that the most successful entrepreneur views all facets of his life through the lens of building his empire. For example, an empire builder will be careful about where he lives, what kind of car he drives, and with whom he associates because he understands that such decisions can either enhance or diminish the empire.

The empire paradigm that I've observed usually does not exist from day one of the entrepreneur's business journey. None of the entrepreneurs I've talked to claimed that they initially desired to build a billion-dollar enterprise. Instead, this view of oneself and the world seems to emerge over time, as one begins to realize his value and potential in the marketplace. This paradigm shift is also agitated by the strategic successes that one achieves, which awaken him to his own potential greatness.

Once the transition to the empire paradigm occurs, the entrepreneur quickly begins to visualize and articulate the parameters of his empire:

- The Empire Ruler: The entrepreneur recognizes that he is ultimately responsible for the success or failure of the enterprise, and he is comfortable with building an executive team of smart, aggressive, and talented individuals, which is necessary to build a billion-dollar enterprise.

- Empire Subjects: These are the people who make up the empire and work to support it on a day-to-day basis.

- Empire Rules of Engagement:

These rules determine how he plans to retain order and control of the empire, once its growth begins to accelerate.

•**Empire Domain:** This is the geographic and/or industry turf he will begin to carve out as his territory. It will define an area in which he is confident he can compete for a predictable period of time. While it is possible to build a billion-dollar enterprise in a single geographic or national territory, today's empire builders almost always reach into global markets.

(2) Aggressive Infrastructure Build-Out.

The next pervasive trend is the entrepreneur's obsession with infrastructure build-out. Infrastructure build-out represents the propagation of people, processes, procedures, and resources, from the core of the entrepreneur's initial development or enterprise, to a larger scale business universe.

In my earlier studies of women and minority entrepreneurs, I discovered that one of the fatal weaknesses of those businesses was the lack of attention to infrastructure build-out. In fact, the root cause of those failures could be linked to the failure to build infrastructure. If this observation is true and so pervasive, then why does it go unrecognized?

The answer is simple. These businesses tend to constantly do battle with the "tyranny of the immediate." They become so overwhelmed by the day-to-day business requirements that they fail to work on strategies for long-term growth.

Billion-dollar builders seldom make this mistake. Depending on the type of business, the infrastructure issues will vary. However, there are some common elements that warrant further attention. They include:

•**Executive Infrastructure:** Attracting and retaining executive leadership that "sees" the empire opportunity and is committed to achieving it.

•**Technical Infrastructure:** All the requirements necessary for the company to "technically" compete in its chosen industry. This might include manufacturing capability, engineering know-how, trade secrets, or the development of technical human capital.

•**Physical Infrastructure:** Ensuring that the company has the physical assets and "footprint" that will allow it to grow aggressively and not be consumed by that growth. Examples of this type of infrastructure include office buildings, manufacturing and assembly facilities, telecommunications systems, equipment, and supply-chain pipelines.

•**Financial Infrastructure:** Paying attention to the continuous expansion of the cash access pipeline and recognizing early on that as the business grows and as the speed of growth accelerates, significant amounts of cash will be required. Unless the entrepreneur personally has deep pockets or maintains access to external sources of money, infrastructure build-out will almost always require a trip to Wall Street.

•**Process Infrastructure:** Focusing on the "what" of building the empire. What are the business processes that are critical to long-term success? Of all the "stuff" that the company does, which processes must be flawlessly performed so that the enterprise stays on track?

•**Procedural Infrastructure:** Perfecting "how" the business does what it does. Continuous improvement is a must in this area. Examples of these tasks may include recruiting new talent and managing the company's supply chain.

•**Relationship Infrastructure:**

The old adage that business is the process of converting relationships into dollars holds true, even in this global economy.

•**Political Infrastructure:** As much as we hate to admit it, the decisions that our government makes will have a direct and an indirect impact on how fast a minority- or woman-owned, or any growing company, becomes a billion-dollar enterprise.

(3) Capture the Future

In my research, I have found that he who captures the future, or correctly predicts future developments, will have greater control over the distribution of global wealth. In my fourth book, "Strategic Partnerships: An Entrepreneur's Guide to Joint Ventures and Alliances," I suggested that global entrepreneurs need to maintain a constant gaze into the future.

As best they are able, empire builders constantly and consistently make judgments about what the future will hold for their industry, their business, and their business model. Since the future is multi-dimensional, their gaze into the future must remain multi-dimensional—touching on technology, society, and political ramifications. Put more succinctly, societal, technological, and political trends often determine what the future needs of our clients will be. To capture the future, we must perfect our ability to anticipate the needs of our customers, and concurrently marshal our resources today to meet those needs tomorrow.

For example, the developers of the new "Smart Cars" have been working on this miniature, futuristic, gas-efficient automobile for years, anticipating that the cost of gasoline in the United States would eventually increase to levels in line with prices throughout the world. Now that global fuel prices are rapidly

converging, the manufacturers of this automobile are well positioned to capitalize on the accelerating need for such vehicles in the United States and, in the process, grow fast and enjoy rapid wealth accumulation.

Does size really matter? There are many small businesses that are quite successful. In fact, some business people will read this article and wrongfully conclude that it is not for them, because they have neither the interest in nor the intention of building a billion-dollar business.

Yes, it is true that the pool of minority and women entrepreneurs who have mastered such an accomplishment is quite small. However, I believe that it would be foolish to allow the current paucity of minority- and woman-owned businesses in this billion-dollar sphere to lure one into thinking that it is not attainable.

As I have traveled around the world and met with business people from Asia, Latin America, and Africa, I have come to understand that they are taking business very seriously and, while most are not yet at the billion-dollar level, many aspire to it. The old business adage still applies—you either grow your business or it dies.

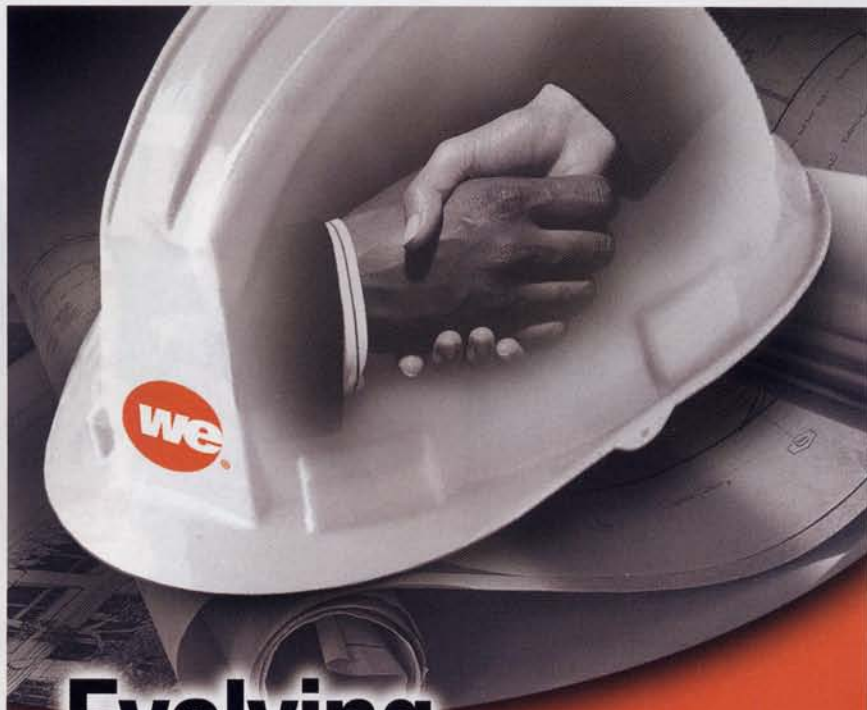
Welcome to the new world order. ♦

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Evolving Together

Diverse business relationships are an important part of an evolving community. That is why we are dedicated to the success and the advancement of minority- and women-owned businesses. Diverse businesses not only contribute to our supply chain and business strategy, but also to the communities we serve. Visit www.wisconsinenergy.com/supplier to learn more about the We Energies Supplier Diversity Initiative.



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