# IT'S BUSINESS— YOU'RE GOING TO SCREW UP! THE QUESTION IS:

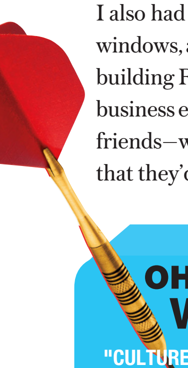

**EVERYONE HAS HAD THAT "OH, CRAP" MOMENT. HERE, NINE ENTREPRENEURS EXPLAIN HOW THEY BLEW IT—AND WHY IT MADE THEM STRONGER.**

# "HOW I OVERCAME FIVE YEARS OF ERRORS"

## CYRUS SCHENCK FOUNDED AN INNOVATIVE SKI COMPANY CALLED RENOUN IN 2011. AND AFTER SURVIVING MANY OBSTACLES, HE'S FINALLY POISED TO MAKE MONEY.

**IN 2011, MY FIVE PALS AND I WERE** driving home from one of our weekend ski trips in Vermont. We were engineering students at the time and used to throw out all kinds of ideas during those three-hour drives. On this one day, my friend Donny suggested building skis that were based on engineering principles and thus unequivocally better. We loved the challenge. Surely we could build a better ski.

During my material sciences class, I learned about a rare class of soft materials that harden the instant you apply force, which meant we could produce a ski that was soft in powder but stiff in icy conditions. We made a sample and ran some tests, and the numbers were astonishing: Because of the variability of their dampness (a ski's ability to adapt to conditions), our skis were 300 percent better than anything on the market. The other guys stayed in school, but I quit and took the lead on product development. I also had a side business washing residential windows, and every dime I earned went toward building Renoun. One of my clients had some business experience and was curious about my friends—what do they do, exactly? I explained that they'd launched the brand with me. "But what do they do now?" he asked.



The truth is, I was doing all the work. They were still in class while I was trying to get a product to market. It didn't bother me until I realized investors saw them as liabilities. That was the first really difficult decision. I called each guy individually and said I would quit Renoun if they didn't sign over their shares. Some guys were hurt—and understandably so. But in time, every one of them relented. It's a testament to how awesome they are. By handing over their stakes, they allowed me to keep going.

I set out on sales missions, but they were disastrous. I visited Japan, the second-biggest ski market in the world, and my translator never showed, so I tried, and failed, to sell skis with hand gestures. I flew out West to visit every ski shop I could, and left with nothing. Everything I'd learned about the industry started eating away at my confidence: The market was saturated, and to make a profit through retail stores, I'd need to sell about 20,000 skis. I'd sold zero.

If I was going to flame out, I thought, I'd flame out hard. I spent the last $300 in my bank account driving to Denver for a trade show. And on the way, a string of good news rolled in: An investor I'd been working with wired me money. Then test results on our latest skis came in: They showed the best dampness numbers yet. And then the ski industry's most prestigious show, called ISPO, gave Renoun a gold medal for innovation. I reached Denver on a high and hung a banner over our booth: ISPO GOLD MEDAL WINNER. We earned some publicity in a couple of ski publications, and *The New York Times* wrote about us. Even so, I received exactly zero orders at that trade show.

Soon after, I nearly lost the business because a design firm played me for a chump. I'd put a 75 percent deposit down on some graphic work for the skis, and I'm pretty sure they saw me as an easy paycheck and handed the work to an intern. After they failed a few revisions, I enlisted a second firm to advise me on how to handle the problem. I was throwing good money at bad, and I overshot my marketing budget by 300 percent—and the delays meant I didn't have skis ready for the start of ski season. I had to continue washing windows to keep the company afloat.

The 2015-2016 ski season was Renoun's first real one on the market. I landed in a couple of ski shops, which seemed great—but after visiting one undercover, I realized the sales reps had no clue how to explain our technology. So I decided to sell exclusively through our own website. That would change the economics entirely: With retail, I needed to sell 20,000 units just to break even. Now my margins would be much higher, and I didn't have to spend money educating in-store salespeople.

I'm discovering other perks to being small: I'm able to create buzz with limited-run products, like our "Feel the Bern" ski, which doubled Renoun's email list in 48 hours, even though everyone told me to steer clear of politics. I've decided that the key to success is following my gut. People say to sell through shops, and I say no. They say avoid controversy, but this year I'm selling a "Hillary versus Trump" ski. Our skis are expensive—$1,200 versus the industry average of $600—so we're not going to pinch pennies or take investments from people who want us to grow fast and sell out.

I expect 2016 to be Renoun's first profitable year. We have nobody on payroll—not even me, technically—but I have a dedicated group of designers and suppliers who work on contract to keep the brand going. I can't say for sure that the worst struggles are behind me, but I'm becoming less beholden to my window-washing gig. With any luck, I'll soon be able to hang up the squeegee. *—As told to Clint Carter*

## OH, NO— WRONG HIRE! HOW A ROTTEN CORPORATE CULTURE WAS FIXED.

**"CULTURE FIT" IS THE HOLY GRAIL OF HIRING, BUT WHEN TRACY LAWRENCE** launched the catering startup Chewse, in 2011, she gave experience an inflated importance. "We're really into transparency and talking truth to power, but we didn't always have a way to vet it," she says. That led to a toxic hire: someone with crazy-impressive skills and market chops but a passive-aggressive streak. Fast-forward six months and the Chewse culture was marked by whispered unease and gossip. "We couldn't even pinpoint why everything felt so wrong at first, until another employee brought it to our attention," she says. Though parting ways with the bad hire was quick enough, righting the culture took more time. Now Lawrence makes sure that culture questions—*Tell me about a time you disagreed with your boss. What's the most difficult conversation you've had with your manager?*—are in every interview. "Even from the first hiring phone call, we're up front about our culture," she says. "If giving honest feedback or getting hugs doesn't work for you, you shouldn't work here." *—Kate Rockwood*

PHOTOGRAPHS BY GETTY IMAGES/JOHN KUCZALA (INTRO PAGE & DARTS)

Photograph by Bobby Fisher


Cyrus Schenck atop Stowe Mountain Resort.

## THE RIGHT WAY TO SAY YOU BLEW IT

**It isn't easy, but it's necessary.**

**TRACY YOUNG AND HER COFOUNDERS KNEW THE CONSTRUCTION BUSINESS AND COMPUTER engineering, but they didn't know squat about organizational management. So when they launched their startup, PlanGrid, which digitizes blueprints, they "decided to run PlanGrid with no titles and a flat management structure. We were just going to build this business together," says Young. That worked fine for a while, but then…**

one

**Stop defending your stupidity.**
"When we hit around 50 employees, someone came up to me and asked what her career path was. I looked at her and wanted to say, 'Don't you see we're all drowning in work? Why are you asking me about career paths? No one even likes career paths!' But these things matter. Basic business structures work, and career paths are there for a reason. Our biggest mistake was trying to be creative about how we ran the business instead of focusing all that creativity on our product."

2

**Test the solution.**
"We could have unveiled some grand vision all at once, but instead we broke off several departments and recruited leaders. It was sensitive, to recruit a sales leader and give that person an official title. But there wasn't pushback, because everyone was so hungry for structure. As we had gotten bigger, politics had crept in. People wanted to own things but didn't have real ownership—you can't just put a department on your LinkedIn profile, for instance. Seeing how staff reacted to the department structures was reassuring that we could make bigger changes."

3

**Take your own medicine.**
"My cofounders asked me to be CEO. I really didn't want to—my cofounders are all so much more educated and older than I am. But they believed in me and pushed me to do it. And it was the right decision. PlanGrid has grown a lot in the past few years."

4

**Cement the change.**
"We had a very serious all-hands meeting and unveiled a real org chart. I inverted the usual structure, because I think the most important people are the ones who write code and talk to users. So they're at the top, and leaders are at the bottom. I explained to everyone that all shit flows down. If there's an issue or a question, it has to flow down to the managers, the directors, eventually to me. We have 230 people now, and everyone knows where they fit on that chart." —*K.R.*

## "MY FIRST BIG MISTAKE WAS…"

### THREE ENTREPRENEURS LOOK BACK ON THE BLOOPER THEY FEARED MIGHT KILL THEIR COMPANY (BUT DIDN'T).

**SANDY CHILEWICH**
Founder and creative director, Chilewich

"BACK IN 2000, WHEN I WAS JUST STARTING, I emailed a buyer at Bloomingdale's, pitching my place mats. And I don't know if *placemats* just wasn't in my computer's dictionary, but each time I typed that, it changed to *placentas*. I didn't notice and sent it. So I wrote this buyer a lengthy email about how great my placentas were, and how many colors my placentas came in, and how durable my placentas are. I sounded like a madwoman. I never heard back from that buyer, but Bloomingdale's is now one of our biggest customers."

**JASON HORVATH**
Cofounder, Uhuru Design

"AFTER 10 YEARS OF GROWING SLOWLY AND deliberately, in 2013 we got a $500,000 investment in growth capital and did some marketing, and the following year we sold $10 million. Then we lost focus. We decided to launch an interior design department as well as a jewelry line—a total vanity project—and hired more than 50 additional employees. Sure, we had sold $10 million, but then we spent $10 million, and we entered the next year with very little cash. Growth flatlined—we lost $1.5 million in six months. We had to pull back, lay off some great employees, and shut down projects. But now we know what we're good at, and how to manage growth."

**NATHAN BOND**
Cofounder and CEO, Rifle Paper Co.

"MY WIFE, ANNA, AND I LAUNCHED OUR stationery company in 2009, just in time for the holidays. We had no background in this space and had never worked with a printer. We thought we could send them a file and the product would arrive in perfect shape. But what came back was totally unusable. Even after multiple production attempts, our cards came back with ink smears all over them. We had to make it work, though, so we erased the errors by hand for hours—sitting in a room, in a cloud of eraser shavings! We learned a lot, including how naïve we were."

Tracy Young at PlanGrid's San Francisco headquarters.

Photograph by Cody Pickens

# THE BENEFITS OF ROLLING WITH IT

JON KING AND JIM STOTT FOUNDED STONEWALL KITCHEN, WHICH IS AN ALMOST $100 MILLION BUSINESS. BUT 25 YEARS AGO, THE BUSINESS (AND LIFE) PARTNERS BEGAN THEIR COMPANY WITH A SERIES OF HAPPY ACCIDENTS.

**How'd you guys get started?**
**Jon King:** For the holidays one year, Jim and I wanted to make homemade jam and sauces. I was working part-time at a greenhouse and brought our leftovers in. A woman suggested that I sell it at the local farmers' market. I had huge student debt, so a few extra hundred dollars on a Saturday? Totally game.

**What was your approach at the market?**
We never had a product line—we just made what we wanted! If we were making strawberry jam and it didn't set, we'd call it strawberry syrup.

**That's similar to how you created one of your most popular products, Roasted Garlic Onion Jam, right?**
We were making garlic relish for hot dogs and burgers, and it called for a certain amount of sugar, to sweeten it a bit. I added the sugar, but Jim didn't know, so he added the sugar, too. The batch just set—it was completely solid. But I was like, "We are not throwing this out; we made 120 jars!" So I called it jam and told everyone it was for bagels and cream cheese. And people loved it! So we just kept telling them it was a brand-new product for crackers and cheese.

**What was your biggest lesson at the farmers' markets?**
This woman came up to us—she later became our mentor—and asked if we were selling wholesale. And I said, "I don't even know what that means!" She bought everything in our van that day and sold it at this old family farm in New Hampshire. I drove over to see the display she had made, and she had doubled the price of everything. And I just thought, *Aha! This is the difference between retail and wholesale!* So the next week at the market, we upped our prices from $3 to $6. Our customers screamed at us, but they kept buying.

**So how did you go from the market to retail?**
Crate & Barrel was our first large national account. They called and ordered 2,000 jars of marmalade jam. We were still doing everything by hand, so we told them it would take three months, and they said they'd wait! We made the jam, and I sat there one night writing labels. I was like a machine—I could watch *Entertainment Tonight* and drink wine and just write as fast as I could. And I wrote "Orange Cranberry Mamalade" on all of them. I misspelled *marmalade*! When they called to tell me, I did some quick thinking and said, "We're from Maine; that's how we say it here!" They loved it. Thank God. —*Stephanie Schomer*

# The Five Stages of Totally F'ing Up

**Repeat after us: It'll be OK. It'll be OK…**

MediaRadar had been growing at a steady clip and was about to launch a big new product. This was 2010, and the then-4-year-old company, which helps clients like *The New York Times* target advertisers, had created a tool to identify media buyers. "But instead of us taking a year to build it from scratch, we paid a third party that specializes in providing this exact data," says CEO Todd Krizelman. It seemed like the right move at the time. But then the bad news started rolling in…

**STAGE 1: DENIAL**
Almost immediately after MediaRadar announced the product, clients were queuing up to use it. But before the week was out, a handful had called to report major errors. "I thought maybe it was just a few bits of bad data," Krizelman says. "But as we signed up more clients, we were compounding the problem." Complaints trickled in.

**STAGE 2: ANGER**
Krizelman was furious at the third-party vendor, sure. But he was also mad at himself for how woefully unprepared his company was to deal with the crisis. "We hadn't thought through how to problem-solve a product that wasn't our own," he says. And after just a few phone calls, it was clear the vendor wasn't committed to cleaning up the mess itself.

**STAGE 3: BARGAINING**
Krizelman began frantically trying to figure out how to right the ship ASAP. "I flirted with the idea of hiring an army of temps that could work around the clock," he says. "I thought if we just rolled up our sleeves and worked hard, we'd find a way to rise above this."

**STAGE 4: DEPRESSION**
Within a few weeks, Krizelman realized that there was only one way to save his company's sinking reputation: Pull the plug on the failed product and refund everyone's money. The process made him physically sick. "It felt like we'd violated our core tenet as a service-oriented company—like one stupid mistake was going to unwind our client trust overnight."

**STAGE 5: ACCEPTANCE**
When it was all over, Krizelman made it clear that he was the one who had messed up by rushing the launch. He started over, giving his product team two full years to develop a similar tool from scratch. It worked. Now the mistake is part of the company culture, and employees invoke the incident when they think a decision is being rushed. "I don't think the scab will ever fully heal," Krizelman says, "but we definitely got something valuable out of the experience." —*K.R.*

PHOTOGRAPHS COURTESY OF STONEWALL KITCHEN

# ENTREPRENEURS HAVE A HIGHER TOLERANCE FOR FAILURE THAN NON-ENTREPRENEURS

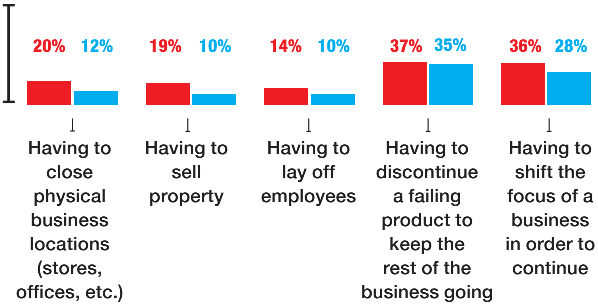
OUR EXCLUSIVE STUDY SHOWS THAT BUSINESSPEOPLE SEE THE WORLD DIFFERENTLY.

Entrepreneurs | Non-entrepreneurs

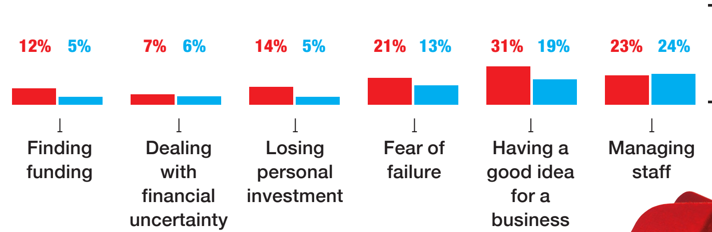
**ENTREPRENEURS, PERHAPS MORE THAN ANYONE ELSE, LOVE TO** talk about their mistakes. They've been conditioned to see failure as a learning experience—that, rather than being the end of something, a big flop is merely a very useful (though painful) data point along the way to success. And so we wondered: Just how different is an entrepreneur's perspective?

We partnered with the polling company Ipsos to find out. Ipsos reached out to 1,007 people in August, asked if they consider themselves entrepreneurs, and then had them react to a series of business challenges. The results: Entrepreneurs have statistically thicker skins. —*Jason Feifer*

**NOT FEELING DOWN!**
**Here's who said no when we asked: Is this a failure?**




**NOT SWEATING IT!**
**Here's who said no when we asked: Is this a major challenge in starting a business?**




## DIAGNOSING AN ALMOST-IMPLODING STARTUP

A SILICON VALLEY DARLING MOVED TOO FAST.

**When same-day flower delivery company BloomThat launched in San Francisco in 2013, it seemed on a fast track for success: The Y Combinator alum had $7.6 million in funding and a quickly growing customer base. But just two years later, the startup was racing toward bankruptcy. Cofounder and CEO David Bladow explains what went wrong, and the remedies that saved his now-thriving business.**

**THE ERROR: Overexpansion.** "We were intoxicated by what was going on with Uber—on-demand everything, expand really fast, and off to the races. Once we had the mechanics of same-day delivery figured out in San Francisco, we expanded too quickly without realizing that we couldn't copy and paste the mechanics of what worked in San Francisco to Los Angeles and New York."

**The fix:** With the company burning nearly $500,000 per month, it decided to shutter same-day delivery in L.A. in August 2015. "We had stretched our footprint so wide, it spun our whole economic model sideways." The switch took their burn rate to just $15,000 a month, giving BloomThat time to retool for L.A. (It's now back, and profitable.)

**THE ERROR: Moving too fast, literally.** "We promised delivery within a one-hour window, and in San Francisco alone we had seven distribution points to make that happen. That's a lot of touchpoints—and every time someone touches the product, it's a cost."

**The fix:** *Do we really need to do this in an hour?* Bladow recalls thinking. *Or would two be efficient for our customers?* His company got rid of four distribution points and tested a two-hour delivery window instead. No customers complained; delivery costs dropped 25 percent.

**THE ERROR: Competing with giants.** "We're here in the Bay Area with Google, Facebook, and all these companies that provide, like, three meals a day to employees, and, oh, here's a masseuse! You're under all this pressure to take care of your team, which we want to do, but we set up a structure that didn't work for us economically."

**The fix:** BloomThat reeled in its perks—providing snacks all the time, but only lunch a few times a week. "We're taking care of our team, but we're not sending them to a spa. Though on Mother's Day and Valentine's Day, we bring in two people and have them do chair massages." —*S.S.* □