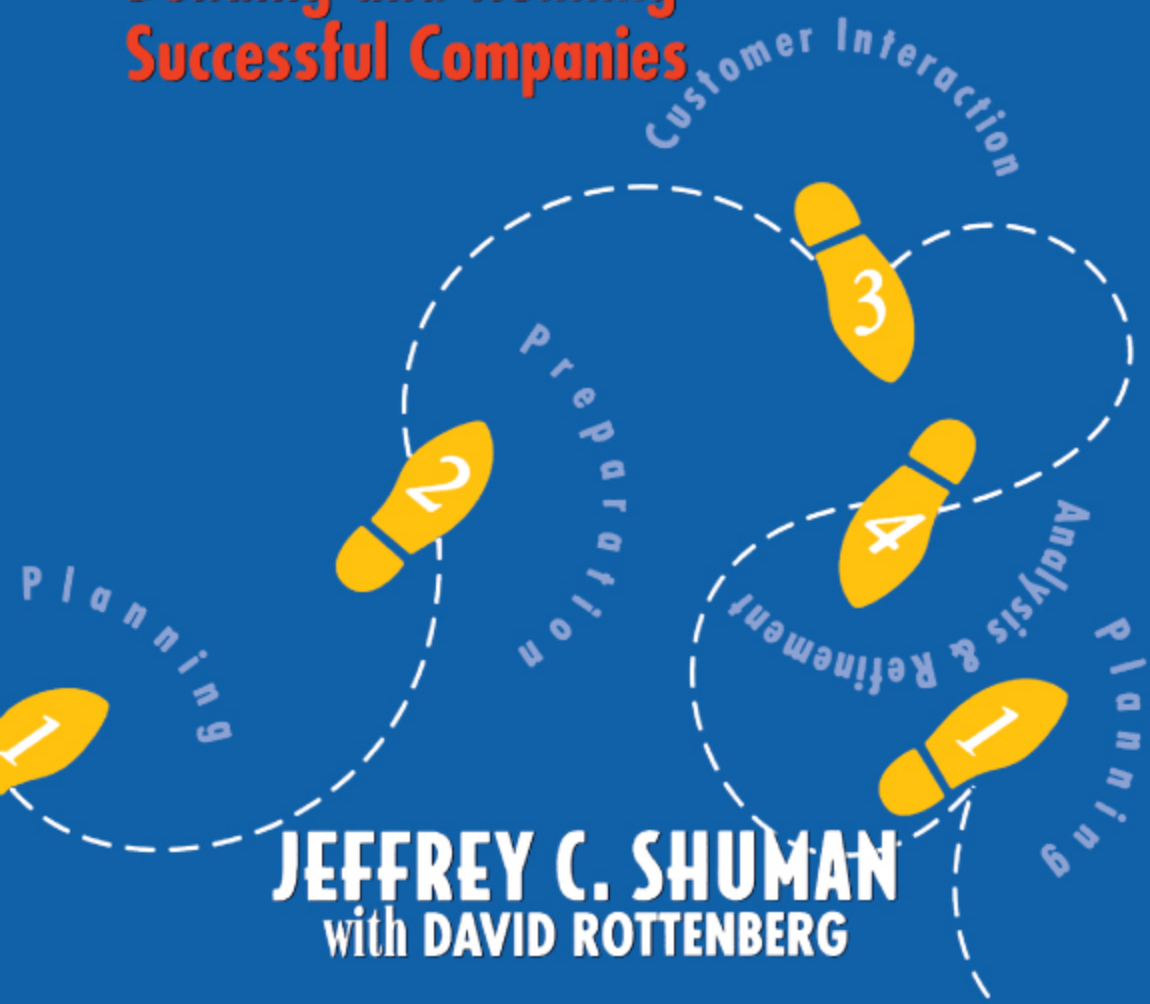


"Simply Revolutionary!"
Faith Popcorn

The Rhythm of Business

**The Key to
Building and Running
Successful Companies**



JEFFREY C. SHUMAN
with **DAVID ROTTENBERG**

“Simply revolutionary! *The Rhythm of Business* is one of the rare business books that understands the soul of a revolutionary idea.”

—**Faith Popcorn**, author, *Clicking* and *The Popcorn Report*

“This is far and away the best description of the business building process I have ever seen.”

—**Timothy A. DeMello**,
Founder and CEO, Streamline, Inc.

“*The Rhythm of Business* gives voice to the key driving force of running a successful business, the one which every budding entrepreneur should know and no experienced entrepreneur should ever forget.”

—**Michael I. Eizenberg**, Co-founder,
American Council for International Studies (ACIS)

“Jeffrey Shuman has taken what was once the realm of instinct and intuition and put it in a framework that anyone can understand and follow. I highly recommend *The Rhythm of Business* to anyone who wants to start and grow a business. Very few business books deliver on what they promise. *The Rhythm of Business* is one of those few.”

—**Judy George**, Chairman & CEO, Domain

“This is the first and only book I have read that truly describes the reality of entrepreneurship. While other books try to explain the how-to’s, *The Rhythm of Business* goes beyond to create a roadmap of passion and vision necessary to realize the entrepreneurial dream.”

—**David P. Fialkow**, Co-founder,
National Leisure Group, Inc.

“Informative, interesting, and full of useful real-life examples. I could not help imagining myself as an orchestra conductor, directing the ‘rhythm’ of my business.”

—**Mark Skaletsky**, President and CEO,
GelTex Pharmaceuticals, Inc.

“There has been no handbook before *The Rhythm of Business* that has provided such a concrete definition of the entrepreneurial process.”

—**Shayne F. Gilbert**, President/CEO and Founder,
Silverweave Interactive

“For those people who may not feel they are natural entrepreneurs, *The Rhythm of Business* will provide them with a process that captures the very essence of what it takes to be successful in business, both today and tomorrow.”

—**Buddy Carp**, President, New World Technologies, Inc.

“*The Rhythm of Business* swings!”

—**John A. Seeger**, Professor of Business, Bentley College

**THE RHYTHM
OF BUSINESS**

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**The Key to Building and Running
Successful Companies**

JEFFREY C. SHUMAN

WITH DAVID ROTTENBERG

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To my entrepreneurial wife, Penny, and
our daughters, Rachel and Alison,
for their love, understanding,
and unfailing belief in me.

Janet Axelrod, employee number one at the Lotus Development Corporation, says that the process of creating the company was “understanding how to do a dance, really that’s all it is. You start moving your hips this way and your shoulders the other way. Fit yourself into the music, and make it work just right.” Mastering this dance is about giving up the attachment to permanence, to certainty, to being in control, to playing from the sheet music. When you’ve mastered the dance, you no longer need to follow the markings of the foot chart on the floor.

...JOHN KAO, *JAMMING: THE ART AND DISCIPLINE OF BUSINESS CREATIVITY*, 1996, P. 161

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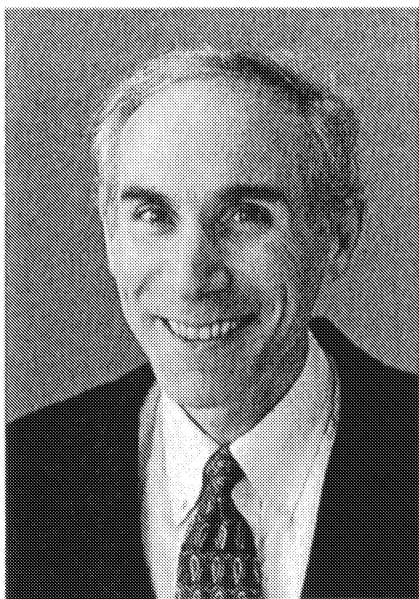
About the Authors



Jeffrey C. Shuman has crafted a unique career as an entrepreneur, consultant, business professor, and author. He is considered a leading expert in the emerging field of entrepreneurial studies and has founded or been part of the founding team of four businesses. He has served as a consultant to dozens of entrepreneurs, and his courses in entrepreneurship tap state-of-the-art knowledge about business creation. His writings include

dozens of articles and a book on entrepreneurs and the business creation process.

Jeff received his doctorate in management from Rensselaer Polytechnic Institute. Since then, he has pursued a dual career as an entrepreneur and business educator. Jeff's businesses have included two giftware manufacturing and stationery distributors, a microcomputer software publishing and marketing company, and a microcomputer hardware manufacturer and distributor. In 1983, Jeff joined the faculty of Bentley College, where he now is a full professor, teaching entrepreneurship, and is the founding director of Bentley's Entrepreneurial Studies Program. Currently, Jeff is on the Advisory Board of Streamline, Inc., a consumer services startup company.



David Rottenberg heads his own marketing and computer documentation company. He also works as a free-lance author and has written business profiles for *Boston Magazine* and computer-related articles for several national computer publications. Other work includes writing and producing informational videos on business and computer topics.

There is no limit to the good one can do if he or she doesn't care who gets the credit.

...PROVERB

Acknowledgments

Early in my life, my parents, Bertha and Max Shuman, and most of my older relatives owned their own businesses. I remember growing up thinking that owning your own business was something everyone did. Obviously, this is not the case, but my earliest thoughts about business were related to the excitement and challenges our families experienced running these small businesses.

Years later, when I became involved in several startup businesses myself, I benefited greatly from having had the opportunity to work with and learn from Gerald Eber, Pushi Dhingra, Lew Ginsburg, Al Shapiro, Bob and Becky Ronstadt, Michael Shane, and Tim DeMello.

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During the past two years, as *The Rhythm of Business* was transformed from my thoughts to paper, David Rottenberg, my friend and collaborator, helped turn my words into a coherent manuscript and helped shape many of the ideas in this book.

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Years ago, Dame Edith Sitwell noted that "Rhythm is one of the principal translators between dream and reality." Clearly, the contributions of my teachers, friends, business associates and family has enabled my dream to become reality.

Jeffrey C. Shuman
Framingham, Massachusetts
April 1997

Do not follow where the path may lead.
Go instead where there is no path
and leave a trail.

...UNKNOWN

Introduction

The conventional wisdom is wrong! As surprising as it may seem, the standard advice on how to start, build, and run a business more often leads to failure than success. What's taught in business schools, written in business books, and passed on as gospel from one businessperson to another is not the methodology that successful businesspeople follow. The conventional wisdom states that to start, build, and run a business you have to identify and evaluate an opportunity, develop a business concept, assess and acquire resources, manage the venture, and then harvest and distribute value.¹ And the conventional wisdom also holds that a successful businessperson possesses certain characteristics, including commitment, perseverance, a tolerance for risk, and a high level of integrity and reliability.²

Even though there are variations on this advice and reams of instructions on how to master each element, the basic belief is that you begin with an idea, and if the idea is good and you transform that idea into reality, you end up with a successful business. If the idea is bad or you stumble in transforming it into

¹Howard H. Stevenson, Michael J. Roberts, and H. Irving Grousbeck, *New Business Ventures and the Entrepreneur* (Boston: Irwin, 1994), pp. 17–33.

²Jeffrey A. Timmons, *The Entrepreneurial Mind* (Andover, MA: Brick House Publishing Company, 1989), pp. 30–49.

reality, your business fails and you end up with a loss and, perhaps, bankruptcy. However, this “wisdom” simply isn’t true.

In his landmark book, *Innovation and Entrepreneurship*,³ famed management guru Peter Drucker observed:

When a new venture does succeed, more often than not it is in a market other than the one it was originally intended to serve, with products or services not quite those with which it had set out, bought in large part by customers it did not even think of when started, and used for a host of purposes besides the ones for which the products were first designed.

And Leo Kahn, the retailing entrepreneur who founded Purity Supreme Supermarkets and cofounded Staples (a national chain of office-supply superstores), noted:⁴

The entrepreneur has to grow with the concept. If you look at any business that is started and successful five years later it is very different in many ways from the original concept. And the entrepreneur has got to know when to change and when to be rigid in sticking to the original principle.

Peter Drucker and Leo Kahn both make a very profound and very important point: **Most businessmen and -women do not succeed by bringing into reality the idea with which they begin.** Why? Because every business goes through a natural development process. This development process is so natural and so intimate a part of business life that it has been overlooked and misunderstood even by those individuals who guide their businesses through the process.

So many times we hear successful businessmen and -women talk about their success as if it were a mystery. But it is not a mystery. It is a rhythm—the *rhythm of business*—and it lies hidden in the cacophony of everyday events, and even when it

³New York: Harper and Row, 1985, p. 189.

⁴Steve Bailey and Steven Syre, “Retailer Leo Kahn Gets Back to Nature,” *The Boston Globe* (August 21, 1996), p. F2.

is heard, it is heard only dimly and followed mostly by instinct. Entrepreneurs who are successful might know the conventional wisdom—they've read the same books, gone to the same schools, and listened to the same experts as everyone else—but when it comes to what really makes them succeed, they follow their "gut" and therefore can't describe their technique for success. And, if those who've been there and done it can't explain it, who can? Certainly not the academic observers and theoreticians who only observe business from the outside. As a result, the very essence of business has remained unexplained; and for those involved in the world of business, there has always lurked a terrible sense of fear, a sense of being slightly lost, of being slightly out of sync because no one completely understands where they are or what they are doing or where they are heading within the overall context of gaining and maintaining business success.

Writing in *Inc.* magazine, Barry Diller, the former chairman of Paramount Pictures and now chairman and CEO of Silver King Communications, succinctly sums up the irony and paradox that has long surrounded business success:⁵

What all my [business] experiences have had in common is a battle, a holy war if you will, between process and expertise. . . . Process is fundamentally a human function. . . . And process can't be forced or rushed. It works for everyone, not just the four or five real geniuses out there. For them, God bless them, instinct is enough. For the rest of us there's process. What is this process? If I could put it clearly, I would.

Even though Diller has experienced success, even though he lives it in his own life, all he can say about it is that he knows it is a process. What that process is—how it works, how anyone can follow it—he feels but can't explain.

And, unfortunately, no one else can, either. Until now!

⁵Barry Diller, "The Discomfort Zone," *Inc.* (November 1995), p. 20.

The development process that Diller and other successful businesspeople “feel but can’t explain” is what I call the rhythm of business. From my own experience living business on the inside, my academic background, and years of working closely with successful entrepreneurs observing business on the outside, I have uncovered and described the development process that intuitively all natural-born businesspeople use when starting, building, and running a successful business.

The Rhythm of Business is not just another theory or philosophy. At its very heart, the rhythm of business is business: it is how all businesses develop and it is the beat to which all business flows. Business ideas and business concepts are not static but respond to the lead of the market. Business is not a store or a product or a spreadsheet, it is a dance. And the beautiful thing about realizing this is that merely understanding and following the simple precepts described in *The Rhythm of Business* will change forever how you think about and manage a business. The failures and successes no longer will be failures and successes but part of a learning cycle. The business concept used to launch a business, product, or service no longer will be cast in stone but a stage in the ongoing development that every business goes through. The information you gather will not be mere data but keys to unfolding future market opportunities. The love you feel for a business will not be something to hide or think of as simply pride but one of the major keys to business success.

A lot of business books deal in “tips.” They tell you how to close a sale or how to climb the corporate ladder or how to win every negotiation. This book does not do that. This book deals with the most fundamental principles of business.

Fundamental principles might sound uninteresting to someone who is trained to think in terms of the practicalities of daily business life, but in fact, *The Rhythm of Business* is the **most practical, down-to-earth business book you will ever read.** Let me remind you of what Peter Drucker said:⁶

⁶ Drucker, p. 189.

When a new venture does succeed, more often than not it is in a market other than the one it was originally intended to serve, with products or services not quite those with which it had set out, bought in large part by customers it did not even think of when started, and used for a host of purposes besides the ones for which the products were first designed.

Two practical examples of this phenomenon are the businesses of Ray Kroc and Henry and Richard Bloch. Kroc started in business selling ice-cream milk shake mixers and ended up as the multibillionaire owner of McDonald's. The Bloch brothers started out as ordinary accountants and ended up founding H & R Block, the national income tax preparation chain. How does the conventional wisdom explain this transformation? The conventional wisdom says it occurred by "instinct," "luck," "determination," "drive," "being in the right place at the right time," and the like, which is to say the conventional wisdom doesn't explain it at all.

In reality, the success of Ray Kroc and Henry and Richard Bloch is due to the plain fact that they followed the rhythm of business. And the equally plain fact is that you, too, can follow the rhythm of business. Of course, I don't mean that reading this book will magically turn you into a millionaire but it **does** mean that if you read this book you will understand what the rhythm of business is and follow the rhythm of your own business better than you ever have before and thus stand a better chance of business success.

The importance of *The Rhythm of Business* cannot be over-emphasized. Many people understand important parts of this process: they know that you have to love your business, they know that you have to satisfy your customers, they know that you have to have information. But, they don't understand that these elements are not isolated "tips" but part of an overall process, a process that until now has never been identified and explained.

What is new in this book is not the specific elements that make up the rhythm of business. What is new is that there is a

rhythm and that all the elements of business fall into the specific pattern that make up this **rhythm**.

Instinctively, natural-born businesspeople always have followed this rhythm and most often followed it to success. Other business people, without this instinctive rhythm, have had only the conventional wisdom and too often followed it to failure.

As with many insights, the difference between the conventional wisdom and the rhythm of business is merely a different way of looking at many familiar elements. But, once this new insight is grasped, once this new beat is heard, it will make a great difference between how you start, build, and run your business.

Today, with only the conventional wisdom as a guide, business people typically expect that they will “identify and evaluate an opportunity, develop a business concept, assess and acquire resources, manage the venture, and then harvest and distribute value.” The problem arises when, inevitably, natural market forces require the business to grow, not according to the artificial dictates of written business plans, but according to organic market realities. In this dynamic situation the conventional wisdom breaks down, the business flounders, and those responsible become lost and confused and think they have somehow or somewhere failed and all too often actually do fail.

But once you understand the rhythm of business, you will never feel lost or out of sync, no matter what business you are in or what stage of development your business has reached. You will always know where you are, what you are doing, and where your business is heading because *The Rhythm of Business* incorporates a process with concrete steps to attain business success applicable for any individual, whether in a large corporation or a new business.

Some people have an intuitive ability to feel the rhythm of business. Others have to work at developing that ability. But everyone has rhythm. It's inborn, to some degree, in all of us. And, just as you can learn to feel the rhythm of dance and song, you can learn to feel the rhythm of business and you can learn to be successful in the business world.

Part I

The Rhythm of Business

If you can walk
You can dance
If you can talk
You can sing
...A SAYING FROM ZIMBABWE

1

Rhythm

Flash! *InfoWorld* says, "Bill Gates has rhythm!"¹ And *InfoWorld* is right. Bill Gates definitely has rhythm.

But the kind of rhythm I'm talking about is not the usual kind of rhythm. It's not the rhythm of a Stevie Wonder, an Aretha Franklin, a Fred Astaire, or a Ginger Rogers. The kind of rhythm I'm talking about is *the rhythm of business*; and if anyone has rhythm, it's Bill Gates. How do I know? Because Bill Gates tops *Forbes'* list of the ten richest people in the world.²

What does rhythm have to do with business? And is rhythm really the key to success? The *American Heritage Dictionary* defines *rhythm* as, "The regular patterned flow, the ebb and rise, of sounds and movement in speech, music, writing, dance, and other physical activities, and in natural phenomena."

¹Robert X. Cringely, "Notes from the Field," *InfoWorld* (January 15, 1990), p. 94.

²"The Superrich," *Forbes* (July 15, 1996), p. 125.

So, we can say that *rhythm* refers to “patterns,” patterns that we can not only see or hear but feel, taste, or smell, as well. These patterns, these rhythms are very important in human life.

Rhythm is undeniably the structuring basis of life on this planet . . . The sun’s rays create the primary rhythms of rest and activity, of growth and decay, of life and death . . . Realizing that healthy living things are not only internally rhythmic but are also synchronized with their environment, the earliest communities of humans based their survival on keeping track of these rhythms.³

Whether in art, song, dance, literature, sports, love, or recreation, all human activity follows a rhythm. And, not surprisingly, this rhythm also runs through business. Rhythm is basic to how business functions.

Let’s look again at Bill Gates. In the late 1980s, Gates’s company, Microsoft, spent millions of dollars developing a software product called Windows. When it was first introduced it failed. Reviewers hated it. Consumers didn’t buy it. Rival software execs gloated that Gates was losing his touch. But Bill Gates wasn’t deterred. He learned from his failure. He spent several million more dollars and a few years later came out with a second version of Windows. It was better, but still not good enough. It also failed. Bill Gates tried again. A few years more and many millions of dollars later, Microsoft introduced its third version of Windows, and suddenly it was an “overnight” success. Microsoft revolutionized the PC business and made billions of dollars.

Does all this mean that stubbornness and persistence pay off? Not really. Stubbornness and persistence can just as easily and many times more often mean failure and bankruptcy. What this example does mean is that there is a **rhythm** to business, a pattern that all businesses follow, no matter what product or service they sell; a rhythm that we all can understand and learn from to help us build and run a successful business.

³Layne Redmond, “When the Drummers Were Women,” *Earth Star* (August–September 1994), p. 11.

WHAT IS THE RHYTHM?

Most simply, the rhythm of business is attempting to develop a product or service that fulfills a group of customers' wants and needs, testing the product or service in the marketplace, learning from that test, and then refining the product or service to more accurately fulfill your customers' wants and needs. Every successful business, to a greater or lesser degree, follows this rhythm. Those businesspeople who have a "natural rhythm" follow it well; those who don't, follow it less well. But no matter how good or bad your "natural" rhythm is, once you understand what the rhythm is and how important it is, you will follow it better and improve your ability to feel the rhythm of business.

To be successful in business you have to have rhythm. Bill Gates has it. Consciously or unconsciously, he followed this rhythm when he developed Windows. Bill Gates knew that his customers wanted and needed a simpler, more graphical computer operating system, so Microsoft developed Windows. After it was developed, naturally, the firm tested it in the marketplace. It wasn't right, so the company brought back the product and worked on it. After another test it still wasn't right. So, the company did some more work, tested it some more, and this time, helped by improvements in the speed of computer hardware, Windows was a sensation and Bill Gates had done it again. But, what had Bill Gates really done? Very simply, he had followed the rhythm of business; developing, testing, and refining a product or service until it was right.

Oftentimes, when we read in books or articles about some very successful businessperson, the author seems unable to identify and describe what accounts for the subject's success. Writers use words like she had that "ineffable something—call it instinct, or even genius." But the truth is, that "ineffable something" is not mystical or magical. It's not some sixth sense. That "ineffable something" is the rhythm of business.

Consider how Ron Shaich, cofounder of Au Bon Pain, Inc. (sales of \$259 million through 231 company-owned and 58 franchised bakery cafes), describes his recipe for success: "The way