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20 inspiring tales of entrepreneurs
who changed the way
we live and do business

by

DANIEL GROSS

and the Editors of *Forbes* magazine

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Daniel Gross

New York, August 1996

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FOREWORD

This is a book of heroes. Make no mistake about it. The people whose stories are collected here earned that status as surely as any soldier or athlete or explorer or statesman you can name. By making and selling, by organizing and financing, by discerning and serving the needs and desires of others, they have done more to affect who we are and what we are today than all but a handful of history makers.

In doing so, most of them got rich; some, very rich. Indeed, names such as Morgan, Rockefeller, and now Gates are virtual synonyms for vast wealth. But for all the success told of here, these are far from tales of greed and avarice.

Wal-Mart gave rural Americans, people of modest means, more choice and quality for less cost. Its founder, Sam Walton, became the richest man in the world—his fortune was worth close to $28 billion when he died in 1992—by stretching other people's scarce and hard-earned dollars further. He improved on the margin the quality of life for millions of people. That is his real legacy, and it points to the ethical heart of business: service to others. Without it, no enterprise and no entrepreneur can succeed.

"Success is coming to be spelt service" is how my grandfather, B. C. Forbes, put it in the introduction to his 1917 book, *Men Who Are Making America*. In many ways, this current volume is descended from that extraordinary collection of biographical sketches that made his reputation. Its success enabled him to start *Forbes* magazine.

Personality stories are common coin today in business journalism, as they are everywhere else. But in the early decades of the twentieth century, prior to my grandfather's efforts, business reporting consisted of not much more than dry statistics. There was little attention regularly paid by the press to the people behind the figures. In a very real way, B. C. Forbes pioneered a new genre of journalism. In fact, he was widely regarded as "the humanizer of business."

A poor Scottish immigrant who made good himself, my grandfather believed passionately in America as the land of opportunity and in the possibilities for individuals to succeed here. He saw his profiles of the great business leaders of his day as being, first and foremost, educational and inspirational for common souls like himself. They were real-life Horatio Alger stories. Today you would probably find them in the self-help section of the bookstore.

They were lessons in basic virtues, such as integrity, self-denial, hard work, self-reliance, ambition, courage, and, perhaps above all, what his era called stick-to-itiveness. With these qualities, B. C. was convinced, anyone could better himself. He was also very aware of what he called the "rarer and higher qualities" that marked the subjects of his profiles—and those collected here.

Not many are endowed with the talents to become a Henry Ford or a John Johnson or a Mary Kay Ash. Still, we can strive, and there is little doubt that we will be more successful for the effort than we would have been otherwise. That was the essence of B. C. Forbes's message eighty years ago and of ours today.

I can think of no better way to conclude this foreword than by quoting from him: "How can I attain success? That is what every rational human being wants to know."

Read on!

Timothy C. Forbes
July 28, 1996

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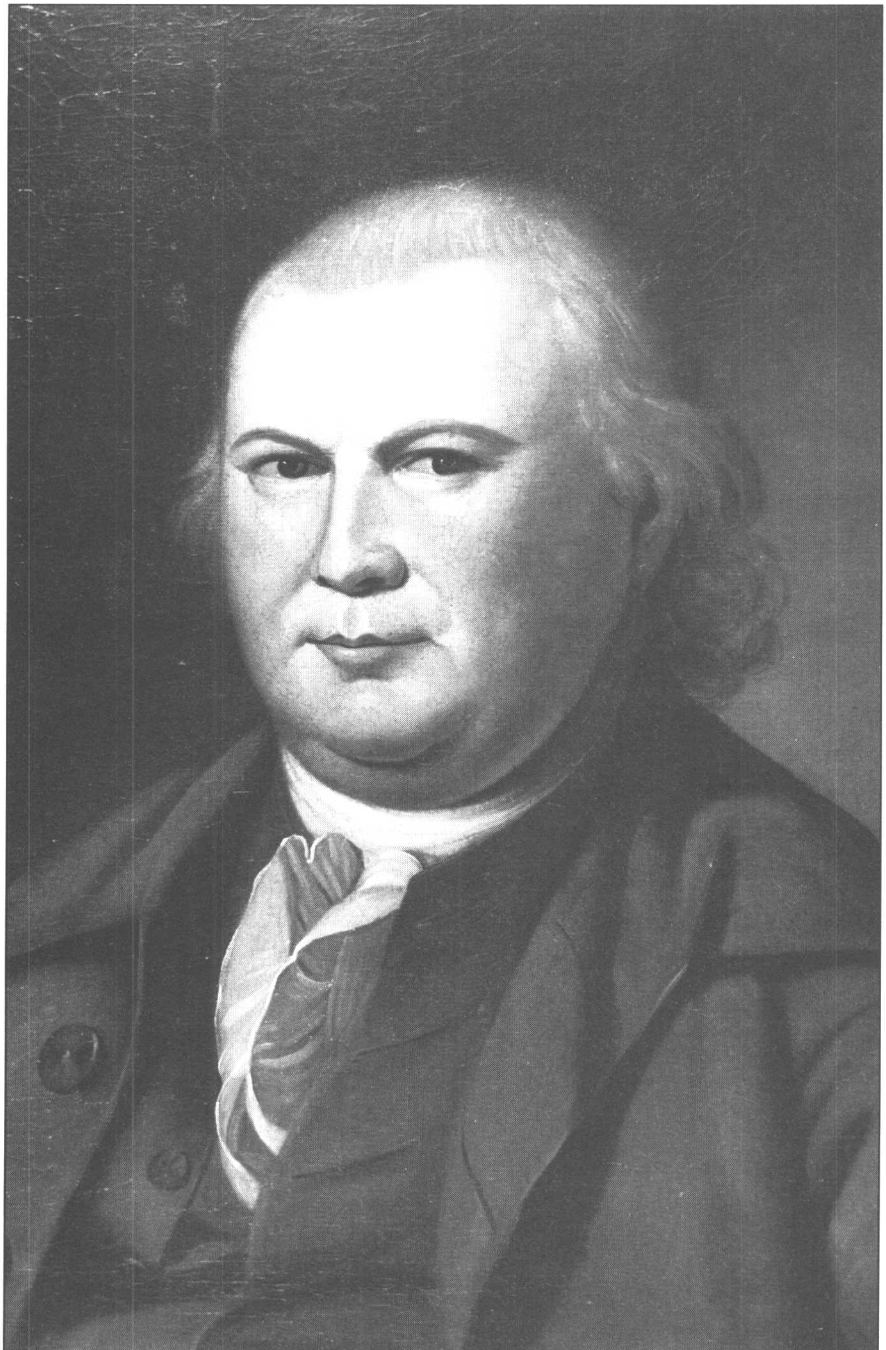

Robert Morris, the first U.S. Superintendent of Finance.

ROBERT MORRIS: AMERICA'S FIRST FINANCIER

As the richest person in America during the Revolutionary War, Robert Morris was commonly known by the single name that encompassed his profession, his accomplishment, and his genius: he was referred to simply as "the Financier."

In the 1770s, when the United States was in its first throes of independence, Morris served as a statesman in the company of Adams, Franklin, and Jefferson. But by 1781, with the nation on the verge of forfeiting that independence to bankruptcy, he was the only choice for the newly created government post of Superintendent of Finance, a position equivalent in the desperate days of 1781-82 to the head of the emerging executive branch. Before resigning in 1784, Morris had formulated a workable plan to restore the solvency of the United States.

Though hindered from instituting his strategy completely, Morris at least staved off panic and managed to maintain the army—an estimable accomplishment. He also replaced the uncomfortable standoff between government and commerce that remained from the colonial era, establishing a closer yet freer relationship between government and business. "To do any good, [we] must infuse into traders of America a spirit of enterprise and direct their attention to such objects as will most benefit the publick," Morris insisted. ". . . Their own interest and the publick good goes hand in hand and they need no other prompter or tutor."

Robert Morris was the country's first real businessman, and in many ways his life is a model for the millions of people who have found success in the American economy he helped to create. While Morris inherited very little money, he built his fortune slowly on reputation, connections, and attention to detail. From his base in Philadelphia, he formed myriad partnerships, eventually charting ships and investments all over the world. Most other early Americans were farmers, who regarded self-sufficiency as a virtue on a personal or a national scale. But in the Financier's world, interdependency meant opportunity, and if it was managed properly it was a virtue for an individual or, more important, for a developing economy.

Reversals and debacles took away all of Morris's money by the end of his life. Still, even a debtor's prison could not tarnish his optimism. Down to his very last days, he looked forward to starting yet another new business.

FRIENDS AND FORTUNES

Born in England in 1734, Robert Morris moved to Maryland twelve years later with his father, a merchant of the same name. The elder Morris led a lively social life, starting several common-law families even as he maintained his small stake in the shipping business. Under the circumstances it was expedient to follow the custom of the day by arranging an apprenticeship for his son, so he found a promising place for Robert with a shipping company in Philadelphia: Willing and Company. If young Robert was too old to rate as an outright prodigy, he was nonetheless remarkable for a fifteen-year-old; left in charge of the business in Mr. Willing's absence, he managed to corner the mid-Atlantic market in flour.

Having inherited his father's genial personality, Morris became one of the most popular young men in Philadelphia. Even the boss's rather dour son, Thomas Willing, liked Robert Morris. Willing eventually offered a full partnership to the twenty-year-old former apprentice. They had their warehouse on Water Street (then known as King Street) in Philadelphia, and the sidewalk out front would be piled with cargo throughout every spring and fall when the ships docked from the sea. At the time, the city claimed hundreds of ocean-going ships, with dozens of firms behind them, but within ten years Willing & Morris was the most successful of them all, with outright ownership of six vessels.

Willing & Morris made good profits, sending cargo back and forth to the West Indies and, as a natural sideline, speculating in the bulk commodities they traded: tobacco, flour, sugar, and indigo. Paper money, issued by individual colonies as bills-of-credit, found favor with some investors as an avenue of speculation, and Morris was able to make important connections with French investors, by obtaining "paper" for them. For his own accounts, which were meticulously kept, he found that he could make as much money in three months by sending a ship to the islands as he could make in a year and a half by speculating in paper.

Morris was no gambler, though; his relaxed ease in social situations contrasted with his slavish attention to the smallest details in business. Punctuality, he liked to say, "was the best part of a man's trading capital." He schemed, he hedged, he drew tight contracts, but mostly he chose his investments very carefully. Once he admonished an overzealous junior partner: "It is absolutely necessary that you shou'd curb that very keen eager desire of missing *nothing*."

Unlike the elder Robert Morris, he married just once, and happily. Even marriage contributed to his business career; his bride, Mary White, came from an important family. Through the years, their various homes in Philadelphia or out in the country were lushly furnished and, in addition to the family's six children, were typically filled with many friends. Morris never drew lines around the different aspects of his life. Even in the anxious days at the outbreak of the Revolutionary War, he wrote to the future Virginia governor Benjamin Harrison about a grand time he'd recently enjoyed: "You see I continue my old practice of mixing business and pleasure, and ever found them useful to each other."

Few people had spare cash in colonial America, and banks did not exist. The stock market did not exist, either. Investment at the time was a highly personal endeavor, not an institutional one; when a promise from a merchant was considered an unimpeachable bond, Willing & Morris were especially known for the integrity of their dealings. Yet written contracts were vital in more complex dealings between individuals, a fact well known to Great Britain when, in 1765, it effectively taxed all investments in the colonies by charging for a stamp to be placed on every legal document, newspaper, and book. Being particularly sensitive to anything that affected commerce, Morris was at the forefront of the colonists' successful effort to force the repeal of the Stamp Act. As was the case with many who joined him, this was a first step away from loyalty to Great Britain.

THE PRICE TAG OF FREEDOM

Morris was to be a central figure to the great events of the American Revolution. A delegate to the Continental Congress, a signer of the Declaration of Independence, a member of Benjamin Franklin's elite Council of Safety (which operated in support of independence in the city of Philadelphia), he was a passionate patriot. However, nothing—absolutely nothing—intervened between Robert Morris and his business interests. His attitude did not reflect merely the myopic view of a self-made man; it was the philosophy of an eminently practical one. To Morris, and to many others, commerce swirled as naturally through lives as it swirled through government—one could not have business without public administration. Robert Morris's vast wealth grew when he became actively engaged with plans regarding the new nation's future, rendering him even more indispensable to the floundering nation.

Americans were independent and in general self-sufficient. And they did not want taxation—with or without representation. The nation was administered by the Continental Congress, a unique body in the annals of governance in that it was authorized to print money, take on debt, raise an army, and make vast purchases—all of which it did—but did not have the power to levy a tax to pay for any of that. The war effort, the only real function of the federal government in the first years of the country, went ahead on the basis of various means of financing, only some of which were valid. Unfortunately, the most effective of them in the short run was also the flimsiest overall.

On a formal basis, rich colonists loaned the government money at a healthy return of 4 (later 6) percent. Private loans were an important source of financing early in the war. Later the Continental Congress demanded, or requisitioned, payments from the individual states that resulted in more frustration than cash for the new nation. Through 1778, individuals in France, prodded unceasingly by Benjamin Franklin and others, loaned the United States money; soon after 1778, the French government itself became officially allied with the United States and made grants and loans. In the most popular means of raising revenue, the government simply confiscated the property of Tories or those thought to be sympathetic with the British. However satisfying such confiscations may have been, they were negligible as a source of revenue in the long run.

The new government funded itself mainly through bills of credit, paper money backed by nothing except the future ability of the United States to redeem it in "hard" currency. This financial tactic was supposed to be a temporary measure, but the bills continued to proliferate as they were the only easy solution to the problem of inflation that they then exacerbated. Soon, they were truly not worth the paper they were printed on, and production ceased.

So the United States went to war without any money. In fact, the new nation, though rich in principles, faced the might of the British army in the spring of 1775 with but a few crates of gunpowder and no guns, uniforms, ships, or supplies. Any other country in that situation, even a brand-new one, would have levied a tax, but America, as Morris once observed, was not like any other country. Benjamin Franklin explained the difference as it concerned the American Revolution: "the contest being upon the very question of taxation, the laying of imposts, unless from the last necessity, would have been madness."

Still, the war cost the United States about $16 million annually. Over the first five years of it, 1775 to 1780, the Continental Congress took in, in one way or another but not through taxes, about $45 million and in April 1781 the national debt amounted to a breathtaking $24 million. Yet there was virtually nothing tangible to show for it. The nation abounded in foodstuff, but its army was in rags. Procurement, the priority of supplying an army in the field, was so despicable that in the winter of 1780 one governor actually sent General Washington a load of blankets and included a bill for the lot.

George Washington and the other generals watched their men languish, truly hungry, nearly naked, and sorely ill-equipped to care for themselves, let alone to wage battle. Great Britain watched, too, and waited for the would-be nation to cave in on its own worthless money. Even in France, enthusiasm for the United States waned with the approach, which was seemingly inevitable, of fiscal ruin. The French ambassador received direct orders: Offer the Continental Congress great affection, but no money.

With no system of public debt, the United States was lucky to have survived as long as it did. General Washington, who was not one to say anything he didn't mean, threatened to disband the army altogether unless the otherwise prosperous new nation found a way to supply it regularly and fairly, starting immediately. So it was that in the winter of 1780–81 the only matter before the Continental Congress was the imminent collapse of the government's financial structure.

The Articles of Confederation, which were finally ratified by all states, went into force on March 1, 1781. Although the Articles granted each state a veto power, the document called for the creation of a general treasury, "which shall be supplied by the several States, in proportion to the value of all land within each State," and gave Congress the exclusive right of striking coin, regulating trade, and borrowing.

With the new infrastructure in place, the Congress now needed a chief financial officer, a person with experience in mercantile affairs who could clamp down on costs, re-establish the nation's credit, and place the new nation's finances on a sound footing. A few members, including Samuel Adams, would have voted against the concentration of executive powers in a single person acting as the Superintendent of Finance (the nation didn't even have a president, yet, after all), but once the post was created, the vote was unanimous. The person to fill it was Robert Morris, the merchant prince of Philadelphia. After ruminating about the scope of the problem, Morris accepted the job with two provisos: that he could choose his own staff and that, while he was in office, he could maintain his full array of business interests.

The announcement of Morris's appointment, on February 20, 1781, revived the hope of many Americans. The quartermaster in Philadelphia wanted to waste no time in sending word of the breakthrough to General