The new pioneers

Idaho entrepreneurship in the 1980s

Story and photos by Glenn Oakley

Merrill Saleen made his first prototype in 1970 with a brassiere strap and two plastic baggies. That was his somewhat humorous solution to a deadly problem.

Saleen had watched a fellow fly fisherman drown on the Salmon River in 1954 when the man slipped while wearing waders. The waders filled with water and took him under.

The problem stuck in the Meridian High School teacher's mind for years — how to create a life preserver that could be worn without hindering the wearer. In 1970 he made his brassiere/baggie model. Five years and three prototypes later, Saleen had developed SOSpenders, an inflatable life vest that can be worn comfortably — as a pair of plastic suspenders — until needed. With a tug of a lanyard, an attached CO_2 cartridge inflates the suspenders into a "Mae West" style life preserver.

Saleen had identified a problem and developed an elegant solution

Risk is the chisel

to it. But Ralph Waldo Emerson's adage to "build a better mousetrap and the world will beat a path to your door," did not materialize. In the 1970s the Coast Guard was not approving inflatable life preservers. The airline industry expressed interest in them for passenger life preservers, but Underwriters Laboratory (U.L.) refused to approve the product because there were no CO_2 cartridges or valves capable of withstanding salt spray corrosion tests. Saleen's marketing was limited to word-of-mouth sales, primarily to sports and commercial fishermen in the Northwest and Alaska.

In June 1987 Saleen, "tired of fighting, tired of banging my head on a solid wall," sold his patented life preserver business to Scott Swanby, a marketing specialist, and Stephen Buckey, a CPA. The two Meridian men are working full time to turn Saleen's invention into a profitable business. The inflatable preservers are receiving more favorable response from the regulating agencies, they say. And they believe their combined expertise in marketing and business can propel SOSpenders into a winning venture. But even if the industry and federal regulations can be overcome, Swanby and Buckey still face a serious problem: money.

"Everybody wants their cash now," Buckey says. The businesses that supply the raw materials—the plastic, the CO_2 cartridges, etc.—demand cash on delivery. The process of obtaining Coast Guard approval is expensive. "It's a helluva big risk," says Swanby. "You don't know where your next paycheck is coming from. But we believe."

'We believe' is said in almost religious tones. Like most entrepreneurs, their burgeoning business has become their life's passion. Sacrifices are accepted and endured with the promise of greater glory beyond. "Tuna fish sandwiches are still in the picture," Buckey jokes. But one can tell he has caviar in mind for the future.

Entrepreneurs come in all styles. There are those like Swanby and Buckey: businessmen who are hoping to nurture someone else's idea into a profitable success. There are inventors

who try to market their own products, and there are individuals who have not created a new product, but simply have figured out a way to do something a little better, a little more efficiently. By its broadest definition, an entrepreneur is anyone out on his or her own in the marketplace.

The word *entrepreneur* connotes success. It conjures up Horatio Alger stories, or perhaps to Idahoans, J.R. Simplot and Joe Albertson. By diligent hard work, thrifty habits, shrewd planning and bold risk taking, an American with a new idea or invention can become a self-made millionaire. There are enough past and present examples to prove that American dream.

But more often than not, entrepreneurs fail. They fail at alarming rates. The U.S. Department of Commerce reports that 50 percent of new businesses fail in their first year, 70 percent fail by the second year, and 92 percent never make it past the fifth year.

Risk is the chisel that carves the entrepreneur. Deftly handled, it creates something of enduring power and beauty. But hit it wrong, and the work is shattered. The entrepreneur may perceive the risk as minimal and calculated—or the entrepreneur may not even see the risk at all.

"The people I've seen who've been successful were successful because they didn't realize they couldn't do it," says Ron Hall, director of the Idaho Business Development Center, located at Boise State University. "They didn't know all the rules."

But anyone entering the marketplace faces formidable odds and those daunting failure rate statistics. "The risks of running your own business are so high, when that's evaluated with the option of going to work for someone else, why in the world would you want to do that?" says Hall. Many beginning entrepreneurs, he says, work 70 hours a week, take only 5-6 vacation days a year, work in semi-isolation and earn less than equivalent positions in the corporate world.

Who are these people, wanting to subject themselves to such conditions and risk?

"Entrepreneurs seem to be loners," says Bong Shin, chairman of business management at BSU. "They don't like to take orders. They don't like being a cog in a machine. They like to be their own boss, have their own ideas, take risks." Entrepreneurs, adds Hall, are "people with very little patience for highly structured systems, people who can reduce a problem to a very simple statement."

Idahoans are particularly predisposed to entrepreneurship, believes Hall. "We come from a whole population of people who started farms and ranches and lumber mills and stores," he explains. "Coming from a strong agrarian base we have people not unaccustomed to taking risks. We have a heritage, you might say, as opposed to somebody in Detroit where most of the families have always worked on a payroll."

Mark Denton, president of the Boise-based consulting firm for entrepreneurs, Mark Inc., agrees. "Idaho has a lot of

A heritage of chance

creative ideas. They tend to be self-sufficient, bootstrap type individuals."

There is another aspect of Idaho that leads to a high number of entrepreneurs—the lack or loss of payroll employment. Hall believes many businesses are started, not to fill a gap in the marketplace, but to fill a gap in employment. People lose their jobs and rather than leave the state for work, they try to create their own employment. "They see it as a filler until they can get back into their profession," says Hall. These businesses, spawned out of frustration, fail at a much higher rate than other businesses, says Hall, and may be responsible for the increasing failure rate of Idaho small enterprises.

The ideal entrepreneurial business is spawned from a different sort of frustration. Many entrepreneurs, says Denton, are "people who have seen a problem and seen a solution. A lot of them come out of frustration—there's got to be a better way."

Predicting the success of a venture can be considered in mathematical terms: $S = P \times E \times C$. Success equals the Problem it solves times the Elegance or Efficiency of the solution times the Calibre of the entrepreneurial team. "Knowing math," says Hall, "if there's a zero in any one of those, you go broke."

This mathematical formula, however, omits one factor that many entrepreneurs in Idaho cite as the single biggest obstacle to their success: capital.

"Idaho is void of venture capital," Denton says bluntly. "There's a lot of activity but no money."

Venture capital is money invested by individuals, corporations or trust funds in promising business ventures. Major population centers—notably California and New York—have numerous venture capital corporations whose sole business is to invest in burgeoning businesses in hopes of reaping big profits. In Idaho the few venture capitalists are individuals who do not openly broadcast their availability. "They would be bombarded" with proposals, says Denton, explaining their low profile.

The traditional lending institutions shy away from most entrepreneurial ventures because of the perceived risk. Department of Commerce director Jim Hawkins said at a September venture capital conference that he has been "frustrated" by the unwillingness of Idaho banks to support new business ventures. But, he said after talking with the banks' chairmen, "I think you're going to see some changes." But Shin believes that "Banks don't like to listen to new ideas. You need a venture capitalist."

One Idaho entrepreneur, Gil Davis, inventor of the Davis Flying Wing Alpha sport plane, lamented the attitudes of the Idaho lending institutions. "They're used to very conservative investments," he says. "They'll go out and put their money in a restaurant and lose it—and then do it again." But new ideas, he says, are routinely rejected.

Denton likens the situation to a chicken hatchery. The businesses are being hatched, he says. "The problem is how to keep the chick alive after you incubate it. There needs to be a bridge built between the chicken coop and the feed house." He advocates a venture capital clearinghouse run by the Department of Commerce. Such an institution would connect venture capitalists with entrepreneurs while protecting the privacy of the prospective investors.

Hall announced the initiation of a somewhat similar institution—a venture capital club—at the venture capital conference. The club, to be organized by the Idaho Economic Development Center, is "primarily for people who are looking for financing," says Hall. He hopes the club will eventually attract venture capitalists interested in investing.

But Hall argues that the lack of venture capital may be overrated as a deterrent to entrepreneurs in Idaho. "We beat this thing about capital," he says. "But if you look at the businesses that have done well, they didn't do it with venture capital. Accessing business capital is an effort that people have to keep their minds open about. Being innovative about getting capital is important. Maybe that money comes from relatives, friends, or suppliers willing to loan money because you're going to buy of lot of their products."

Others, like Shin, acknowledge the non-venture capital successes of Simplot, Albertson and others. But Shin suggests "we could have had more" such success stories if venture capital were more readily available.

Because so many entrepreneurs are craftsmen or inventors first and businesspeople second, education is seen as a key to helping entrepreneurs obtain capital and effectively manage their businesses. Hawkins termed education "absolutely paramount and up front" for economic development. Shin notes that "we have so many people who have entrepreneurial characteristics, but so many times they fail because they are impulsive." Boise State's growing entrepreneurship program will guide budding businessmen in such areas as business planning. "The business plan tells how much money you need and how much money you'll need to make," says Shin. "Without that well-thought-out plan, many people starve to death."

Hall and others believe the in-state creation of small entrepreneurial ventures may be more important to Idaho's economic growth than trying to attract large out-of-state corporations. Statistics from 1984 show that Idaho had 25,231 businesses with employees. All but 452—2 percent—were classified as small businesses. And half of all Idaho businesses employed three or less people. Nationally, recent net increases in employment have come from small businesses. Large corporations as a group have been maintaining status quo or laying off employees.

The entrepreneurial spirit that built a major farm economy from the Idaho desert, created one of the largest supermarket chains in the country, and produced the only 100 percent American-made microchip company, may be Idaho's best hope for a healthy economy. With the decline of the traditional big three industries—mining, agriculture and timber—new entrepreneurial ventures may be Idaho's only alternative. Says Shin, "I don't think we have any choice." □