The Paths and Characteristics of Real Estate Entrepreneurs

by

Michael Kazmierski

B.S., Finance, 2006
Bentley College

M.S., Finance, 2007
Bentley College

Submitted to the Department of Architecture in Partial Fulfillment of the Requirements for the Degree of Master of Science in Real Estate Development

at the

Massachusetts Institute of Technology

September, 2008

Signature of Author: ____
Department of Architecture
July 31, 2008

Certified by: ____
John F. Kennedy
Lecturer
Thesis Supervisor

Accepted by: ____
Brian A. Ciochetti
Chairman, Interdepartmental Degree Program in Real Estate Development

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ABSTRACT

What paths have real estate entrepreneurs taken to establish their own firm? Also, what characteristics did they develop and utilize in the process? This thesis gives the unique opportunity to better understand the life of the real estate entrepreneur. Also, this thesis shall add clarity to these questions by providing case studies and analyses through reviewing such topics by obtaining information from face-to-face interviews of leaders and legends in the real estate industry.

Included is a study on the general characteristics that are utilized by entrepreneurs and their importance. Also, studies on the application of these characteristics and their statistical significance are discussed. These characteristics have been reviewed to create a better understanding of the composition of the entrepreneur and how the application of these factors will help in entrepreneurial achievement. This framework will also help create a better understanding of the case studies and the paths the real estate entrepreneurs took to establish their firms.

For the development of the case studies, 12 entrepreneurial leaders in the real estate industry were interviewed based on a framework of questions. From this information, a case study is created to obtain an understanding of their family background, education, experience, path and characteristics. Each case study will be accompanied by an analysis section discussing the important steps and characteristics that led to the development of the entrepreneur's career. These individuals represent a variety of fields in the real estate industry including development, construction, service, and finance.

In review of the case studies and analyses, 5 distinct paths are found which have led to the preparation of being able to establish a real estate firm. Also, it is shown that no set group of characteristics is utilized by each real estate entrepreneur. Yet, each entrepreneur provides premier examples of these characteristics and gives insight to their application in the real estate industry.

Thesis Supervisor: John F. Kennedy
Title: Lecturer

Acknowledgments

Special thanks to my parents, who helped instill in me the characteristics of persistence, hard work, and a desire for achievement which enabled me to be a part of this great institution.

Incredible thanks to my mother who, with her countless hours of transcribing, made it possible to include as many entrepreneurs in this thesis.

Thanks to all the interviewees, who were generous enough to set aside some of their precious time and were willing to open the door to their lives to give me a chance to understand the way they achieved greatness.

Thanks to my thesis advisor, John F. Kennedy, who gave continual support, prompt responses, and new ideas throughout the process.

Finally, great thanks to all the professors, lecturers and staff at the CRE that have been responsible for enriching my life and my passion for real estate.

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Introduction

What paths have real estate entrepreneurs taken to establish their own firms? Also, what characteristics did they develop and utilize in the process?

A large amount of publications and literature has covered the characteristics of entrepreneurs. Furthermore, biographies and autobiographies of real estate entrepreneurs have covered their lives and scratched the surface of their real estate careers. Only a limited amount of entrepreneurs have already been reviewed. Each real estate entrepreneur provides a unique story and perspective through his career, and any additional insight would be highly beneficial to aspiring real estate entrepreneurs. The purpose of this thesis shall be to provide additional information through a variety of case studies created by interviews which will provide new information and insight into developers' careers. This thesis offers the unique opportunity to better understand the life of the real estate entrepreneur. Also, this thesis shall add clarity to these questions by providing case studies and analyses by reviewing such topics through the interviews of leaders and legends in the real estate industry.

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Chapter 1: Literature Review

Richard Cantillon (1680-1734) is generally accepted as the first to recognize the role of the entrepreneur. In a 1755 essay, he suggests that the entrepreneur is one that engages in exchanges for profit and exercises business judgment in the face of uncertainty (Chell, Haworth and Brearly 1991).The ability to face this uncertainty resulting in profits is derived from a variety of internal and external complexities which are interwoven through the journey towards entrepreneurial success. These complexities shall be broken down into a variety of characteristics and psychological factors which shall be reviewed with previous supportive research to establish their importance and role in the makeup of the real estate entrepreneur.

Childhood

BE Jennings, Cox and Cooper (1994) state that "parents--particularly the mother--play a most powerful role in establishing entrepreneurial action in the male child." Through a group of interviews with entrepreneurs and intrapreneurs (those who practice entrepreneurial skills within a company at any position), entrepreneurs were shown to have more vivid memories of their parents and more support from their parents which led to a higher feeling of the ability to influence the course of events and is believed to have helped facilitate entrepreneurial drive. Also, the sense of responsibility and the ability to take charge of one's own life from the early death or absence of a parent was similar in 95% of the entrepreneurs versus only 36% interviewed (Jennings, Cox and Cooper 1994).

Class

It is important to review the influence of an entrepreneur's socio-economic background and its relationship to the establishment of an entrepreneurial venture. In the BE Jennings, Cox and Cooper (1994) study 72% of the entrepreneurs they interviewed came from a working class background compared to 73% of the intrapreneur which had an upper/middle class background. This may show a higher propensity that entrepreneurs come from humbler beginnings.

Marginalization

Marginalization early in life whether it is social, religious or physical is believed to create a predisposition towards entrepreneurship because of a different value system and no risk of social loss. In an interview study 47% of entrepreneurs felt they suffered some form of marginalization compared to only 14% of intrapreneurs interviewed (Jennings, Cox and Cooper 1994). A constant mood of anxiety, distrust, and dissatisfaction created from childhood feelings of insecurity and lack of self confidence may make entrepreneurs search for a way they can maximize their independence and control their destiny(Chell, Haworth & Brearly 1991).

Need for Achievement

The need to achieve is the drive to excel and to achieve a goal in relation to a set of standards (Chell, Haworth, Brearley 1991). Rauch and Frese characterized the need for achievement as business owners that prefer moderately challenging tasks, take responsibility for their performance, seek feedback about their performance, and search for new ways to improve their performance. Rauch and Frese (2007) performed a personality assessment in 2005 in which specific personality traits including need for achievement, risk-taking, innovativeness, autonomy, locus of control and self-efficacy produced a higher relationship with business creation and business success than average trait measures. A study conducted by Rauch and Frese (2007) indicated that compared to other populations, entrepreneurs have a higher need for achievement (corrected r=.314) and also the need for achievement was positively correlated with business success (r=.30).

Risk Taking

Many studies have hypothesized that entrepreneurs have a higher propensity to take risk and as a by-product to create their own businesses. Chell, Haworth and Brearly (1991) conclude that entrepreneurs are excited by challenges but do not gamble. They will avoid low risk situations because of the lack of a challenge but will avoid high risk situations because they want to succeed.

Steward and Roth (2004) analyzed 18 studies that compared risk-taking propensity of entrepreneurs and managers. They found an average relationship of r=.11. Rauch and Frese (2007) concluded that risk taking propensity of entrepreneurs and business success is positive and significant but small. Jennings, Cox and Cooper (1994) found through self-assessment of risk seeking from a rating of 0-100%, 74% of entrepreneurs placed themselves around the 75% mark, whereas 32% of intrapreneurs placed themselves above the 50% mark.

Lumpkin (2007) divided risk taking into three categories: (a) business risk taking which is associated with entering untested markets or venturing with knowing the probability of success, (b) financial risk taking which is borrowing heavily or committing a large portion of resources and by levering the project which has a higher probability of failure but more reward, and (c) personal risk taking which is personally supporting an idea or venture that can influence the person's whole career. He concluded that although entrepreneurs are engaged in all three categories of risk and are known for taking risks, they generally only take calculated risks with an attempt to reduce uncertainty (Lumpkin 2007).

Innovativeness

Innovativeness is considered as a person's willingness to look for novel ways of action or the proclivity to introduce new processes and products.   Rauch and Frese (2007) present evidence that entrepreneurs are more innovative than other people (corrected r=.235) and innovativeness is positively correlated to success (corrected r=.220). This evidence presents the conclusion that innovativeness is directly related to business creation and success.

Jennings, Cox and Cooper (1994) measured innovativeness and efficiency of the general population, intrapreneurs and entrepreneurs using the Kirton Adaptation-Innovation Inventory (KAI) test. Their study found that the intrapreneurs' results were very much like the general population whereas the entrepreneurs scored considerably higher on innovativeness and lower efficiency. The results suggest that entrepreneurs are more likely to find novel solutions to problems and need to be more innovative to compete successfully but show less attention to detail.

Autonomy/Independence

Autonomy is thought to play a role in the establishment of entrepreneurial ventures due to the entrepreneur's desire to start their own independent venture. Rauch and Frese (2007) present evidence that there is support for this theory although continuance of this trait may hurt long-term growth. Locke and Baum (2007) state that entrepreneurs' independence is to make key decisions themselves, rely on their own judgment, and defy tradition. They caution that this must not mean independent from reality or the refusal to listen to good ideas which would not be in the best interest of a venture.

Bored with routine work

Through a study by Jennings, Cox and Cooper of entrepreneurs and intrapreneurs, entrepreneurs became significantly more bored with doing routine work than intrapreneurs. This relates entrepreneurs as being less detail-oriented individuals that delegate those responsibilities while always working on new ideas to expand the business. If daily details are not delegated by the entrepreneur, the business does not grow (Jennings, Cox, Cooper 1994).

Self-Confidence/Self-Efficacy/ Locus of Control

Self-confidence is one's belief that he/she has the ability to meet life's obstacles to achieve the goals one has set for oneself. Bandara's social cognitive theory suggests that the involvement in organizations (such as work experience) helps or hurts confidence by mastery or vicarious experiences. Mastery of experience confidence is obtained through employees successfully completing tasks within the company to make them believe they can do it by themselves, whereas vicarious experiences is exposure to successful entrepreneurs in the company which they believe they can imitate on their own (Audia and Rider 2007).

Entrepreneurial self-efficacy is “the strength of a person’s belief that he or she is capable of successfully performing the various roles and tasks of entrepreneurship”(Locke and Baum 2007) or simply the belief that one can execute certain tasks effectively. This can help entrepreneurs succeed with opportunities that have hurdles. Wood and Bandura (1989) describe self-efficacy as “beliefs in one's capabilities to mobilize the motivation, cognitive resources, and course of action needed to meet given situational demands.” This characteristic is derived from not only individual’s previous accomplishments but his or her perceived view upon how hard the previous accomplishment was and the degree to which the success was due to skill or luck.

In a study performed by Chen, Green and Crick, the total ESE score for founders of firms was much higher than the managers of the firm. The necessity for high self-efficacy is believed to increase the propensity to help entrepreneurs overcome the issues they face in establishing successful businesses (Locke and Baum 2007). In a 2004 study, CEO’s self-efficacy was used as a variable which was significantly related to corporate growth over the next 6 years (Locke and Baum 2007). This characteristic has been shown evident in entrepreneurs versus non-entrepreneurs by a study which had a high correlation to success with a r=.419 (Rauch and Frese 2007). Also, Jennings, Cox and Cooper (1994, 113) obtained responses from a survey that showed only 26% of entrepreneurs attributed their success to luck compared to 63% of intrapreneurs. Through their personal interviews, they concluded that entrepreneurs viewed luck as a by-product of hard work and practice.

Cultural Factors

Tung, Walls, and Frese (2007) reviewed three current hypotheses on cultural differences in entrepreneurial success. The first hypothesis argues that entrepreneurship is a subculture in societies. This subculture in society, which is inherently different from the main culture, may be one of the success factors. It is then stipulated that acceptance of the main culture could be detrimental to entrepreneurial success.

The second hypothesis, the match hypothesis, argues that an entrepreneur’s behavioral tendencies and value must match the culture in which he/she does business. For example, a study conducted showed a negative correlation between formal planning and success in Ireland but showed a positive correlation in East and West Germany. This concludes for entrepreneurial success some cultures will need formal planning to reduce uncertainty, whereas others will need a great deal of flexibility.

The third hypothesis is the niche concept in which entrepreneurs occupy niches that are different from the main culture. The particular concept itself which differs from the general consensus is what has led to its success. This differs from the first theory because it is individual concept based versus overall cultural beliefs.

Planning

Planning is the bridge between thoughts and actions which has proven to provide a variety of benefits. Difendorff and Lord (2004) showed that planning amplifies persistence and decreases distraction. Gollwitzer (1996) showed that by creating a plan, an entrepreneur creates a higher implementation intention and a higher degree of checking the environment for opportunities leading to a higher probability of reaching goals (Frese 2007). Frese (2007) cautions that planning is not without its cost because the longer one plans the higher rigidity and loss of time.

Knowledge/Access to Information

Markman (2007) presents three ways that knowledge is important for entrepreneurial development. Knowledge is attributed to the initial discovery of any opportunity, the valuation and assessment of the opportunity, and finally to build and organize the ventures capabilities to carry out tasks to exploit the opportunity. Collectively proper knowledge will determine the entrepreneur's ability to properly address a variety of problems, such as market creation, market entry, and other competitors. Further research by Markman on business failure concludes that entrepreneurs with more experience have more knowledge to be able to perform more effectively with a higher propensity of success.

Audia and Rider (2007) postulate that access to information helps foster entrepreneurial opportunities. Backed by a study of 100 of *Inc.*'s top 500 fastest growing companies, 71% of the founders sampled “replicated or modified an idea encountered through previous employment.” Audia and Rider stated that employees of existing corporations have the benefit of using the information obtained in work experience to cultivate a business idea. One example cited is Jeff Hawking, Vice President of Engineering at Grid Systems, who received frequent requests for their product for personal use. He left and addressed the need by founding Palm Computing (Audia and Rider 2007)

Mapping the Environment

Entrepreneurs must understand the environment in which they operate. Mapping the environment involves experimentation and feedback. The experience of doing this in the past shall give entrepreneurs the advantage over other market entrants who move into the market prematurely. Frese (2007) stresses entrepreneurial success hinges on being able to think on the different levels of the environment from innovation to marketing.

Obtaining Feedback

Feedback helps entrepreneurs know where they stand in regards to their goal. Active feedback when applied to the task itself has a variety of benefits such as increasing the rate of learning (Kluger & DeNisi 1996) and creating strategies to deal with various problems (Frese 2007). Furthermore, negative feedback seems to be the most useful by indicating the entrepreneur has not reached his goal. This pushes the entrepreneur to respond to the issue which creates a high amount of learning (Frese & Zapf 1994).

Opportunity Recognition

Busenitz and Arthurs (2007) expand upon recent data which indicates that entrepreneurs use heuristics in their decision-making process much more than managers in the same organization. Heuristics involve making significant leaps in thinking which leads to innovative ideas which draw conclusions that are not necessarily very linear or factually based. This allows entrepreneurs to operate in an uncertain environment making confident decisions without all the facts which allows realizations of the opportunity before the door closes.

Abilities

Abilities is the degree to which one is able "to collect, process, apply and disseminate … knowledge regarding undervalued resources and to deploy and exploit these resources to create new wealth." In summary, abilities are the efficiency to which one can apply knowledge. In Markman and Baron's model of a person for an entrepreneurial fit, they propose that when several abilities and skills are present such as opportunity recognition, human and social capital, social skills, and perseverance, there is a stronger likelihood that the people will be successful entrepreneurs (Markman 2007).

Perseverance

In a study of 217 patent inventors, it was shown that entrepreneurs exhibited a higher level of perseverance than non-entrepreneurs. Consequently in the same study, the higher the overall perseverance score, the higher were their annual earnings (Markman 2007).

Vision

Vision is the entrepreneur's "concept of what the business will be and what will make it attractive to customers and investors." Entrepreneurs must have the ability to look at the current state of a market or product and envision its potential and assess future needs (Locke, Baum 2007). Locke and Baum (2007) cite examples such as Sam Walton being able to develop the idea of discount retailing in a way better than anyone in the world or Steve Jobs seeing the potential of the PC when no one else did which created a new industry. Jennings, Cox and Cooper (1994) describe the visionaries as those who "develop their own personal visions and beliefs about the future, and their own philosophies about work and strategies for action. As a result they tend to operate in relative isolation." They further reviewed a study by Kakabadse in which the entrepreneurs were predominately visionaries and team coaches (one who develops his or her own ideas and takes time to find the people he/she associates with), whereas intrapreneurs were more traditionalists or those who wish to fit in with the organization.

Fear of Failure

In a study by Jennings, Cox and Cooper (1994) of entrepreneurs versus intrepreneurs, entrepreneurs exhibited a much greater fear of failure. Yet, entrepreneurs have shown the resilient characteristic of overcoming failures and setbacks from the knowledge of these failures. As one of their interviewees, Daniel Rose stated, “Would a Salmon going upstream to spawn consider that its failure to leap one rapid one time a failure?”

Tenacity

Tenacity is the ability to not give up when things go wrong. There are very few people that are successful entrepreneurs, but what differentiates these people is that they do not give up when things go wrong. They believe that if they work harder, they will succeed. In a study of 217 inventors by Markman, Balkin, and Baron (2002), those that had a higher adversity quotient (the ability to recover from bad news) founded more businesses. An example cited is the tenacity of Mary Kay Ash who originally failed with her first beauty show and dealt with a disastrous sales decline before her beauty products became a huge international success (Locke and Baum 2007).

Reserves of Physical or Mental Energy

Jennings, Cox and Cooper (1994) contrasted entrepreneurs' and intrapreneurs' perception of their energy and found that entrepreneurs reported having much greater reserves of physical and mental energy. In contrast, intrapreneurs generally indicated that they had no energy.

Goal Setting/Achievement Motivation

The goal-setting theory by Locke & Latham (2002) has shown that by setting specific and difficult goals, individuals have consistently higher performance over vague and/or easy goals(Locke and Baum 2007). Oettingen, Hoenig & Gollwitzer (2000) delineates three ways of entrepreneurial thinking as it relates to their goals: fantasizing about how good it would feel to achieve the goal, worrying about not achieving the goal, and finally to contrast the goal with the current conditions. Studies have shown that worrying and fantasizing about the goal have led to a lower propensity to accomplish the general goal, to start a firm or to have a successful firm. In contrast, setting a goal by contrasting it to one's current condition is conducive for setting the process to obtain the goal.

Frese (2007) refers to the hierarchal structure of goals from short term to long term in which individuals generally concentrate goals that need immediate actions. Therefore, individuals must make a conscious effort to keep their long-term goals in mind. Frese (2007) also breaks down four types of ways entrepreneurs approach their goal: **comprehensive planning** or planning with a proactive, long-term nature including high goal orientation, **critical point strategy** or planning that involves dealing with the most urgent issues with a clear goal in mind, **opportunistic strategy** in which the entrepreneur scans the business environment for new opportunities and acts on them, and finally **reactive strategy** in which owners are driven by the situation with little planning. Comprehensive planning and critical point strategy have been shown to be positively correlated with success with the embedded ability to assess future difficulties and change the situation. Opportunistic strategy and reactive strategy have a negative correlation with success most likely due to the lack of an adherence to a plan which creates easy deviations from an unclear goal.

Achievement motivation is defined as the desire to achieve a standard of excellence such as a goal. Through the Thematic Apperception Test and self-reported personality tests which measure achievement motivation, high scores were correlated with a higher propensity for an entrepreneurial occupation and entrepreneurial success (Locke and Baum 2007). In a study performed by Jennings, Cox and Cooper (1994) which asked highly successful entrepreneurs to choose among power, wealth, need to achieve, and independence, their primary motivation at 46% was the need to achieve.

Egotistic Passion

Great entrepreneurs have an egotistic passion for their work. Egotistic passion is one's own belief that it is in one's self-interest to work in the field that they love which will lead to full happiness. This may put their work above other priorities, but it does not feel like a sacrifice to them. A quantitative study by Locke and Baum (2000) supported the contention that passion for work is a successful contributor to venture growth. A word of caution is that "passion without reason and knowledge…will not work.(Locke & Baum 2007)"

Social Ties

Social ties, which are previously fostered relationships, are crucial to entrepreneurial success. Social ties are valuable not only for gaining access for information on new opportunities but also for the coordination of resources. Network ties give the entrepreneur a higher propensity to raise funds, attract employees and customers, and reduce outside opportunistic behavior. For example, a study of 202 seed capital investors done by Shane and Cable (2002) indicated that investors' direct and indirect ties between entrepreneurs had a strong influence on which firms they funded (Audi and Rider 2007).

Leadership

Leadership is primarily one's ability to influence others to achieve an outcome. Bass's (1985) theory focuses on three major classes of leader behavior: **transformational leadership** which involves value-based, visionary, emotional and charismatic leadership actions, **transactional leadership** which involves the utilization of reward and coercive power, and **laissez-faire leadership** which involves avoidance and abdication of responsibilities. Transformational leadership was shown to have the highest positive relationship to obtaining outcomes while transactional leadership was shown to have a less strong positive relation. Laissez-faire leadership had a negative relationship to obtaining outcomes.

The ability to influence is contingent upon their level of trust with others. According to Antonakis and Atwater (2002), trust is established by whether the leader (a) has domain-related experience, (b) demonstrates goals are achievable while challenging the status quo, and (c) is honest and reliable in terms of their transactions (Antonakis and Autio 2007).

Conclusion

A variety of sources cite different characteristics and psychological factors that have led to individuals choosing the entrepreneurial route. These characteristics have been reviewed to create a better understanding of the composition of the entrepreneur and how the application of these factors will help in entrepreneurial achievement. This framework will also help create a better understanding of the case studies and the paths the real estate entrepreneurs took to establish their firms.

2.1 Doran Case Study

An East Coast native, 6 months after graduation of his masters in real estate development from MIT, Pietro Doran started the first foreign real estate service firm in Korea by renting out one desk at his brother-in-law's office. Since then, Pietro has built and sold his own real estate service company, became President and CEO of Morgan Stanley Properties, Korea, played an integral role as partner in the $20 billion, Songdo City Project, and founded Doran Capital Partners, now ranked as one of the top 10 emerging market fund managers in the world.

The entrepreneurial spirit could be traced back to Pietro's grandfather who started a variety of businesses such as manufacturing jewelry, importing cable cars into Providence, Rhode Island, and creating a chocolate factory. Pietro's grandfather was also an inventor and an amateur architect having designed the first wide-span factory space which utilized mushroom shaped columns and maximized open space. This became the template for industrial factories at the time. Pietro recalled it was always fun to go visit the factory named the "Doran Building" and he thought at the time that it was neat to have your name on a building. Shortly after, his grandfather went bankrupt.

Pietro's father was primarily a small residential and commercial broker which he recalls at the time seemed like an awful thing to want to do. He remembers his father staying up extremely late trying to sell $16,000 houses. Yet, his father was great at what he did because he was a real people person. He finally learned that his father enjoyed translating people's hopes and dreams into a reality while structuring a deal in which both parties felt as if they won. Because of this, people would call him 20 years later to do business. Pietro's first hands-on experience with real estate began when his father purchased a little place that he helped him fix up by painting, in which they made a little money. Pietro found this interesting but it did not create the desire to be in real estate.

Heavily influenced by his mother's Sicilian heritage, Pietro developed a view and the feeling a part of him being somewhere else by relatives continually coming and going from Sicily, Italian spoken at home, old Sicilian legends told and songs sung to him by his grandmother, and his own travels to that ancient land. From this, it created in him a sense of adventure and wonder that there are other places out there.

During summers later in life, he worked a variety of jobs such as apprenticing as a stone mason, working in landscape construction, and helping build houses with work such as shingling, concrete pouring, and putting together boiler systems. Overall, he learned generally how to put things together and didn't realize he was accumulating a variety of knowledge and skills. It was just the best way to make money at the time. Through this experience and his father being in real estate, his greater intention was still not to be in real estate. He looked upon the real estate industry as something one does if they could not do anything else. He thought that anyone could obtain a brokers license and if they failed, could fall back on manual labor.

Also, Pietro worked on New England fishing boats and thought he wanted to be a marine biologist. As he continued this work, he realized that while he loved boats and the sea, he hated being wet, being cold, was prone to seasickness, detested the smell of diesel and the look of bug-eyed fish coming from the depths below. This realization came after almost 4 years of college and 8 credits shy of a biology degree.

He left college without graduating and traveled around the world for 2 years and ended up in Hong Kong staying with his sister who was a teacher. He recalls taking one look at the harbor with ships going back and forth, people doing deals in bars and thinking, "this is what I want to do and be a part of." He thought it looked really exciting and full of adventure and he wanted to be in the middle of it. While there, he spoke with bankers in the bars and through conversations realized he wanted to be involved with the exchange of capital. This was a turning point because it set two goals in his mind: he knew where he wanted to be and what he wanted to do. Pietro realized that he needed to learn about how capital worked before he returned to Asia.

He returned home determined to pursue a finance degree. He was accepted by UMASS Boston, which through his previous credits would allow him to obtain a finance degree in 2 years. In moving to Boston, he took a position as a janitor in the large apartment complex he lived in so that he could live there for free. This was necessary because he spent all his money on the previous years of traveling.

Pietro recalls that one day while waxing the floors in the lobby, a very pretty and tiny Asian woman walked in with a handsome 6’4” blond guy wearing an Armani suit. For some reason the man was very mean to him. The woman felt bad and invited Pietro to lunch. The Korean woman’s parents ended up owning the building and 6 months later, they were living together. While still pursuing his finance degree, the woman suggested to her family that he manage the building. Pietro accepted the challenge of taking care of the 44 unit apartment, with his girlfriend's family members having expectations of him far beyond what he knew how to do. At this point, he still did not see himself having a real estate career and the job was just something to do during his education. Yet, Pietro feels to this day that if he hadn’t been washing floors that day and if that guy had not become angry with him, he probably would not be in real estate today.

His management responsibilities gave him the base to begin property renovations in Providence, Rhode Island. This developed into a small development company doing basic renovations in tough neighborhoods where he could clean up the streets and renovate historical buildings into apartments. This company grew to a staff of 20 employees with the capability to buy 5 houses on a block at once, negotiate terms, and deal with legal issues. At this point, Pietro finally felt his future was in the real estate industry.

As the company continued to grow, Pietro began to incur more complex costs and felt his rudimentary and ad hoc methods were not enough to continue to grow. He admitted he really didn’t understand real estate finance concepts such as internal rate of return and, basically, did a deal where he put in a certain amount of dollars and in his estimate would receive a certain amount back past a threshold. He finally decided he needed to obtain a better understanding of the real estate industry.

Pietro had heard about the real estate development program at MIT and applied, although he thought he would never be accepted. Upon reflecting on the program, he felt that this was a defining time in his career where he could pull together all the skills he learned. It allowed him to spend a year learning additional tools of the trade without having to take non-related classes. In the MIT program, he gained the confidence to be creative while collaboratively challenging and working with great people in a team. This, he felt, was what the program was all about. He continued his passion for Asia in the program with another Japanese student who had similar ideas by establishing the MIT/Harvard Global Real Estate Group. Although only three other students attended the first meeting, this Japanese student is now his partner in Japan.

As the school year started to come to an end, Pietro found out pretty quickly that his personality in interviews created a great deal of caution in prospective employers. He stated he found out pretty soon that he felt he was undesirable because of, as he jokingly stated, a "personality defect." He recalls the only interview that was initiated was from the CIA, who had somehow read a paper he had written during the program on the Yellow Sea area.

After graduation, he now had the reputation that followed an MIT degree and a connection with his now Korean wife. At this time in the 1990's, Boston real estate development was minimal and he observed in his previous trips to Korea that the real estate industry was booming. He viewed Korea as an adventurous, marvelous area of opportunity with one of the biggest cities in Asia that no one seemed to talk about. He now knew how capital worked and where he was going to go. The summation of his thoughts at the time was that he: understood the flow of capital, wanted to do something real estate-related--possibly build things, and no one was going to hire him.

In Korea, he saw a vibrant country, originally a second-rate equipment manufacturing base for foreign industrial firms, emerging from a dictatorship which was building a future from exports. The people were incredibly determined, obsessed with education and fixated on not being left behind by the world economy. He never sensed anything like this and the energy infected him creating great desire to be there. Korea, he was convinced, had to open up in finance, technology, and other industries. This was the place he wanted to be involved in and felt he could make an impact.

Determined to be involved in the Korean market, Pietro took the savings he had left and planned to go to Hong Kong for 6 months to tell people about Korea as an opportunity and to find support. He reflects that the entrepreneur always ends up living on savings because once you succeed you try to do something 10 times more than you did before, which puts you right back in the same situation.

Through his observation of the primitive leasing process and complete lack of real estate service firms, Pietro felt he could create a service platform in which he could be the intermediary assisting foreign companies that needed help establishing offices in Korea. Even though he did not know much about the market, he felt that since other people didn't know much either, there was still an opportunity to be successful.

He left his wife and two kids behind safely in Boston. His wife gave him a year and through her Korean culture, there was an acceptance to allow the husband to go out, try something, fail and come back. She would be waiting for him and then force him to go into a more "normal" career path. He arrived in Hong Kong and went back to his sister's little apartment where he slept on the floor.

His original approach was to attempt to "hedge his bet" by finding a large firm in Hong Kong that would employ him and allow him to go to Korea to try his idea. Through a variety of meetings and interviews, which he believed were primarily available because of his MIT qualifications, he began to quickly realize that no company was interested in a guy from Narragansett, Rhode Island, that did not speak Korean who was interested in going to a place that at the time was viewed upon as a "nasty place for any foreigner to live." Furthermore, none of those companies wanted to go to Korea and they said that he was out of his mind and nuts. Although no one would pay attention to him, he feels he owes these companies a big thank you because he probably wouldn't be where he is today if they hired him. Furthermore, Pietro thanks these companies to this day because many of the ones that told him "no" are now the ones in Korea that he later acted as a liaison to help them enter the country. He was able to meet Ronnie Chan, a Hong Kong magnate and great supporter of the MIT real estate program, while he was there. Mr.

Chan was rather skeptical of his chances to succeed given his total lack of language skills, limited knowledge of the country and lack of working experience anywhere in Asia. With this, Pietro came to the realization that his idea was probably not going to work.

It was frustrating to see that there was research on all the large Chinese cities bordering the Yellow Sea Region, but no one saw Korea, an emerging democracy, as anything resembling an opportunity. As he sat at the Captain's Bar in the Mandarin Oriental depressed, tired, and worn out staring at the bottom of the bottom of his fifth beer with the looming inevitability that he would be returning to Boston defeated, as everyone predicted, he figured it was time to give up and go home.

Suddenly a switch flipped in his mind and he said, "Nobody's there, I'll just do it." He knew they were wrong. He was convinced it was a good idea because no one would listen and it was an opportunity others could not see. He called his wife and told her he was going to try, even though he didn't know at the time that it was illegal for foreigners to be involved in property because land use was looked upon as a spiritual issue. As a further challenge, the real estate profession in Korea was generally viewed upon as a lowly field. Koreans would say, "You come from where, you're going to do what, and why do we need you here?"

Upon arriving in Korea, Pietro convinced his brother-in-law to lend him a desk at his office, and his wife's side of the family really started to pity him. He sent out 500 faxes to contacts he had made, companies he had researched, and MIT alumni describing his business.

He received one reply that said, "Where the hell are you?"

The reply was from an MIT graduate working in Belgium who said that if he was really in Seoul, he had a small project in Korea for $1000 pay that no one wanted to work on because the cost was so high to get there. Pietro reflected that he was ecstatic. The instruction involved the valuation of a pharmaceutical manufacturing plant owned in a joint venture between a Korean firm and a foreign partner that was breaking up. The foreign party wanted to buy out the Korean partner in order to manufacture and distribute on its own but had no idea of the proper value of the land and building, which is the development of the business that he originally predicted. Although he was not sure how to do it, a friend of his brother-in-law was an appraiser and knew something about cost-based replacement, so he completed the report. Shortly after, he received his $1000. After that project, the same Belgium contact had another project and before he knew it, he was doing all these little things because no one wanted to come to Korea.

Two years later, he had 30 employees working in his office and he could not keep going on his own. He was able to get the naming rights through a joint venture for his company in Korea from a well known real estate service firm in Hong Kong, Brooke Hiller Parker. In 1996, he left that company and started another firm that quickly grew into the #1 service firm in Korea which was then sold to Morgan Stanley. From thereafter from 1999 to 2002, he became the President and CEO of Kearny Global, Inc., the real estate asset management arm of Morgan Stanley (later renamed "Morgan Stanley Properties, Korea"). Initially, he was able to keep his foreign company legal by stating that his company acted as a business consultant providing entry strategies into Korea even as he managed lease negotiation and project management. Pietro is now credited for having introduced income based valuation methodology to Korea. He was delighted to see that Korean companies began to see what he was doing and began to create relationships with other companies which slowly turned into an industry.

At this point Pietro was asked to make a variety of lectures on the Korean market in seminars around the world primarily because people were astonished that he pulled it off.

In 2002, Pietro saw fund management being based and controlled from New York and London. He believed it could be done from Asia and left his job at Morgan Stanley to pursue the idea. With his experience, he believed he could start the new firm and said he enjoyed the uncertainty of starting something new. Once again, he was back to spending his savings. Again, as before, people doubted the ability of a Rhode Island guy based in Seoul raising a global fund for investment in Korea. Currently Doran Capital has been highly successful with offices around the world, 10 partners in various regions and recognition as North Asia's first indigenous fund manager. In 2002, Pietro was approached by Gale International through the suggestion of Morgan Stanley, the latter having been involved with Gale in various US projects, to be a partner on the $20 billion Songdo City Project. He knew that the project had failed in the past and when he was initially approached, he was not interested because he thought it could not be done. He then realized that he was responding like those he met in Hong Kong and decided to pursue the project. Pietro felt that through the tools he gained first on the services end of the property sector and then later on the principle side with Morgan Stanley, he could prove to himself through Songdo City that he could effectively execute highly complex projects. He was able to complete the feasibility study, execute the financial structuring, create a development platform and hire the staff. He viewed Songdo as his "Magnum Opus." The project's successful launch, now ongoing, gave him huge confidence and a great reputation which led to the creation of Doran Capital.

In the final reflection, Pietro sees his entrepreneurial path as the ability to take a beating to the point where you are almost completely defeated, but then just enough good happens that that encourages you to get back up and start doing it again. The process continually occurs but as time goes on it is harder to be beaten. He is happy someone did not hire him or he probably would not be doing what he is today. He believes the reason he is in this position today is because he was able to survive the challenges of being an entrepreneur. If he could go back to when he was 20 and look upon where he is, he is living exactly how he imagined and is exactly where he wants to be.

Pietro is currently redeveloping a major mixed-use hotel and retail complex and the name of the retail component is "Doran Plaza."

What is an entrepreneur?

On Pietro's reflection on what on entrepreneur really is, he states that it is the ability to see what others don't and have the conviction to pursue it. Entrepreneurs are able to anticipate the bigger vision. He states "You can almost taste it and it is real to you and everyone around you just doesn't see what you see." He feels these individuals have an overwhelming sense of destiny and that is why they are not employable. He doesn't see the entrepreneur as a risk taker because they are already so convinced of their idea that they don't see the risk that everyone else does, which enables them to take the plunge. For entrepreneurs the thrill overwhelms the fear because as he states, "if you are afraid of it, you won't do it." He has seen many people with great ideas but they "analyze the hell out of it." By the time they are finished, they are so exhausted, they don't want to start. Entrepreneurs are not risk lovers. They are idea driven and unquenchable optimists. He compares the process as climbing a mountain. He states, "You get halfway up a mountain you didn't intend to climb and then you realize its just as hard to go down as to go up. So you just go up. People say if you succeed, you are either lucky or a genius; and if it doesn't, you were an idiot for trying in the first place."

2.2 Path and Characteristics Analysis

Pietro was exposed to the entrepreneurial path of his grandfather early in his life and although this was not directly responsible to his ultimate entrepreneurial success, his fond memory of the “Doran Building” lingered until the ultimate development of his own building, “Doran Plaza.”

Pietro referred to his development of his ultimate pursuit as a kaleidoscope of colors, being his life experiences which, like the confluence of many small streams, mixed together and eventually started to take him down a river. These “colors” began to materialize at a young age when Pietro was exposed to his father's work as a small property real estate broker, and he was able to fix up a small residential property. The characteristic of having vivid memories of his childhood and the influence of his cultural heritage were readily shown in his Sicilian family’s travels that created a sense of adventure and wonder which was an ultimate contributing factor later in his life.

Although driven to make some money, his employment in landscape construction, stone masonry, and the construction of houses started to develop the crucial characteristic of knowledge which he realized at the time would help him in the future.

Pietro showed a propensity for risk-taking which was revealed by his decision to leave school 8 credits shy of graduating and to travel the world on his savings. This decision most likely was greatly influenced by his sense of wonder as a child. Because of this trip, being inspired by the Honk Kong harbor and discussions with local bankers, Pietro set two goals: to obtain a finance degree and come back to Asia.

Pietro asserts that the one day he was waxing the floors, which was when he met his wife, was due to luck. This luck put him down the “river” of being in the real estate industry. Although, this meeting may have been due to luck, it seems that Pietro’s previous knowledge built an understanding of some of the fundamentals of real estate which enabled him to take advantage of the opportunity that was presented to him. His previous skills must have contributed to his ability to manage the 44 unit building. The experience of property management coupled with his previous experience acted as a stepping stone, which led to the growth and success of his small redevelopment company.

As discussed in the literature review, mapping the environment is a key characteristic to understanding the industry. Through the growing complexity of Pietro's development company, he realized that to further his success, it was necessary to better understand the real estate industry. He developed this understanding through the MIT Real Estate Development Program, where he was able to spend a year solely concentrating on learning the tools of the trade. Although toward the end of that school year, his personality seemed to deter potential employers, his further development of his understanding of the environment in the Yellow Sea Region helped with his opportunity recognition and vision.

It was Pietro's passion for the Yellow Sea Region, armed with his MIT education and prior work experience, that drove him to take another risk and live on savings again. With his self- confidence and his belief in a need for a real estate service firm in Korea, Pietro went to Hong Kong to find a firm to support his idea. Although no one had interest in his idea and went as far as to call him crazy, Pietro felt he was able to see what others could not see--the true mark of an entrepreneur.

With no support and his remaining savings, Pietro went to Korea showing his high level of risk-taking tolerance. Although starting off slowly with only one assignment, the small encouragement was just enough good news to keep him going. As companies became aware of his service, the only real estate service provider at the time for foreign firms, his vision began to take life. His company quickly grew until Pietro was known as a leader in the industry. The first mover advantage enabled the development of his firm and him to be the most experienced in his field. His world-wide recognition as being a founder and innovator allowed additional opportunities to present themselves. All of his entrepreneurial characteristics came to a culmination as he partnered on the Songdo City Project. It was a project perceived as risky with a variety of financing and planning complexities; however, Pietro's superior knowledge of the market and self-confidence in his ability to overcome challenges all contributed to the successful ground breaking of the project.

Pietro finally realized an additional opportunity, which was to localize fund management in North Asia. Again his opportunity recognition was derived from his ability to understand the market and apply his previous knowledge. He again took a risk in another start-up firm with operations that were new to him. In the face of doubt, Pietro once again has succeeded and his firm is now ranked as one of the top emerging market funds with offices around the world.

Pietro's unwavering belief in a once unknown market which he created a passion for back when he traveled the world has resulted in his amazing entrepreneurial path of success.

3.1 Choi Case Study

As a child Dung-Kyu Choi grew up in a poor farming family outside of Seoul, Korea. His desire to live a better life compelled him to leave his family and move to the city with only his desire for improvement. From then on, he stayed in Seoul, progressed and eventually founded Daebo, which was built from a construction company to a multi-faceted conglomerate with collective revenue of approximately $500 million.

Dung-Kyu's father was a poor farmer who lived on a farm raising crops and animals. During his education as a child, he lived far from the city. There, he walked 3 miles to grade school and biked 6 miles to high school. Dung-Kyu planned to raise crops and animals like his father because he had no money.

Upon his graduation from high school, he did not envision being a farmer, so he left his home and family in search of opportunity in Seoul, even though he was unsure of what he was going to do. He began by delivering milk and newspapers. With this job, he was able to make just enough money to go to college and start studying law. Desperate to survive with no money, Dung-Kyu continually searched for opportunities that would improve his life.

During his search in college, he began studying the housing market and realized that properties were greatly appreciating. He went to his father for support, although he was still a very poor farmer. His father sold part of their farmland that was just enough to support the purchase of his first small unit. His decision on which unit to purchase was facilitated by the advice of his teachers. All properties at the time were owned by the government and with the help of strong contacts bridged by his professors, Dung-Kyu was able to purchase the units at pre-sale and make a great profit by selling the unit at completion due to the high appreciation of the market. By leveraging his success and government contacts, after a few years Dung-Kyu had the ability to purchase land and as many as 80 units with great returns. With his proven track record and the government's need for retail shops and their lack of human resources, he worked with the government where he obtained rights to sites zoned for retail, in which he sold. This involvement in retail real estate at the time was a new frontier in the industry.

With Dung-Kyu's continual search for opportunities, relationships with the government, and a base of capital from his previous ventures, the market yielded a further opportunity which he identified. Thirty years ago, Korea's policies created barriers to foreign companies who wished to enter the country due to the fear that they would take over the various industries. New polices began to open up foreign trade. Dung-Kyu pioneered this new frontier by creating a trading company. His relationships with the government allowed him to have exclusive trading rights with the United States and Europe on primarily leisure products, such as goggles and ski bindings. The amazing part was that during this second venture, he was still in college.

Dung-Kyu reflected that college was one of the most enjoyable times of his life, where he earned a lot of money and was able to frequent ski resorts, go hand gliding and enjoy scuba diving.

During this time Dung-Kyu attributed 3 factors to his success:

1. **Activeness -** He was always looking for opportunities and utilized all of his energy to do so. Once he found an opportunity, he jumped on it.
2. **Focus and Concentration -** Once he found an opportunity, he transferred all his energy into it and was not distracted by other events and happenings.
3. **Guts -** He felt he had lots of guts. He was not afraid of anything and went after any opportunity.

These characteristics are what Dung-Kyu felt led him to the ultimate establishment of his businesses.

From the immense success of his real estate and trading companies, plus his finger on the pulse of the industry, Dung-Kyu recognized export opportunities with the United States and Japan in the mining business. As he had in the past, he pounced on an opportunity to acquire a mountain which it was said to have good stone for export. The acquisition and operation of the business was highly capital intensive, which included dynamite blasting and continual operation of large machines. He was convinced the mountain had the profitable stone and invested everything he had accumulated over the years. The stone was never found; he ran out of money and lost everything. At the end of the business, Dung-Kyu recalls the workers threatening his life with shovels when he had no money to pay them. He had "guts" and was not afraid. They eventually let him go.

Bankrupt, Dung-Kyu and his family, including his two sons and wife, had to live in a 100 square foot apartment together. Due to this great financial strain and inability to feed or educate his children, he sent his eldest son to his father's house and his younger son to his mother's house. After this point, he only slept 4 hours a day working very hard on a new business. Also, because of his past failure, he did not want to borrow money from the bank. Although his mining company had failed, he retained a construction license from the venture. With this license, he again approached his contacts from the government. This business was able to be started with almost no money, because the construction license enabled him to obtain government contracts and receive money from the government for the jobs so that he could pay his employees. Due to the necessity for large companies to hire smaller firms to do work, they started out by giving him a small project on building some roads for the local airport. Some of his previous contacts still believed in him and gave him this first job, in spite of his failure, because he built a strong reputation in the past. After the first small job, the business continued to grow. He feels the reasons for the first job and the massive growth were that he continually worked very hard. Once he built relationships, he never broke promises and, therefore, was given good "credit" by his contacts. To Dung-Kyu credit meant to him a good reputation. These ideals are why he felt customers would continually give him more business. He recalls that this company did have some challenges during its growth. One example of a challenge during their move towards larger and more complex projects was a gas pipeline in which the contractor delayed to give him the money that could have meant disaster for completion of the project. He was lucky to have been able to avoid the problem by obtaining another large project at the time in which he used the money to pay the employees from the pipeline job.

As he did before, after his company was stabilized, he searched for other opportunities. Ten years ago the government was selling a telecommunication company and he was the high bidder by a fair amount even though 100 companies bid. Other bids greatly factored in the bid the fear of the unions' involvement in wages. Yet, Dung-Kyu felt confident he could negotiate with them. He has grown this original company from 200 employees to over a 1,000. Also in a similar bid format, he was able to acquire retail shops along the highway.

Currently, his business is comprised of four divisions: construction, retail shops located along the highway, telecommunications, and golf courses. Due to the size of his company and its many employees, Dung-Kyu stays conservative in his business and looks for ways to concentrate; therefore, making the divisions of the company more productive and efficient. He believes in the cycles of real estate and is also currently concerned about the sub-prime crisis in the United States. He feels it will affect the Korean real estate market over the next 2 years. He feels he can mitigate this risk by staying with government contracts that he feels have lower risk. Dung-Kyu also feels that establishing a firm similar to his is much more difficult today. The competition for contracts in much higher with greater transparency. For those looking to enter the Korean market from outside the country, he feels it is very difficult and essential to know the culture.

At 60 years of age, Dung-Kyu is in excellent shape and looks much younger. He feels this is primarily attributed to his continual positive thinking where he believes he can overcome obstacles in spite of the accompanying stress.

His suggestion to aspiring real estate entrepreneurs is that you have to have "guts" and shouldn't be afraid of anything. You also must be aggressive when an opportunity presents itself. When you create relationships, you always want to keep them strong because your credit with others is an asset and is as valuable as money. Trust and credit are essential in business, and one should keep eye contact to show confidence. Finally, as your business grows large, you must be very careful of your behavior and words. You must save money, even if you have a lot of it and make efficient use of your time.

What is an entrepreneur?

The entrepreneur is the person that sets the pace of an organization, always uses his time efficiently, and set goals and continually pursues to achieve them. As a result, the entrepreneur should be respected by others. Even with his position and success, he should be approachable throughout the organization. Finally, the entrepreneur understands the importance of enjoying life.

3.2 Path and Characteristics Analysis

The fiery passion that burned within Dung-Kyu Choi to escape poverty and live a better life propelled him. It propelled him to leave his family at a young age, go to college, build businesses, loose businesses, and rise once again from nothing to build a new empire with thousands of employees.

As with many entrepreneurs, Dung-Kyu Choi came from very humble beginnings. Although he was not sure what his future would hold, the vision of his life was not to live as a poor farmer in the fields of Korea, which created his passion for a better life. This drove him to an independent nature leaving his family and moving to Seoul.

With his goal not to live in poverty and the ability to survive by delivering milk and newspapers, it was these attributes that were just enough to support his attending college. Dung-Kyu epitomized the characteristic of opportunity recognition by continually searching for prospects which he felt would be his key to success. He became knowledgeable about the real estate environment and recognized the strong performance of residential properties. At the establishment of the beginning of his career in college, Dung-Kyu utilized the characteristic of social ties by building relationships with his professors who advised him on the right properties to buy and connected him with individuals in the government. With this basis and the sacrifice his father made by selling his own farmland to support him, he successfully executed his first deal--one small residential unit which was sold for great profit.

This profit put him on a roll. With his recognition of the importance of government contacts, since they controlled the land in Korea, he leveraged these relationships by creating trust through his continual successful execution. After a few years, he was able to buy up to 80 units for resale at a time. These relationships also yielded the opportunity to purchase land properties zoned for retail, a new concept at the time and this pioneering feat furthered his real estate success.

All this accumulated success and opportunity recognition fostered his trading company. With a willingness to take risk, he was a pioneer once again by participating in the new industry of foreign trade backed with his exclusivity trading rights on leisure products with the United States and Europe. While many entrepreneurs may consider this the capstone of their career, Dung-Kyu was still in college.

Again, the 3 factors that Dung-Kyu believed led to his success and the establishment of his businesses was:

1. Activeness - He was always looking for opportunities and utilized all of his energy to do so. Once he found an opportunity, he jumped on it.
2. Focus and Concentration - Once he found an opportunity, he transferred all his energy into it and was not distracted by other events and happenings.
3. Guts - He felt he had lots of guts. He was not afraid of anything and went after any opportunity.

With his next business, which was mining, Dung-Kyu's perseverance, passion, and continual success which helped propel him in the past may have worked against him in this case. His continual belief that the business would succeed by pouring every dime he made into the excavation led to the loss of everything his hard work in the past had produced.

Although his money was gone and he was almost back to where he began before college, the passion for a better life still burned inside him. His need for achievement once again drove him to work hard and only sleep 4 hours a day. Utilizing the construction license he retained from his previous venture, he went back to his social ties with the government finding some of the individuals that still believed in him. With the "good credit" he had built in the past by never breaking promises and working hard, a few individuals gave him a small contract to build a road for the airport. Once again, he successfully executed. His reputation was slowly rebuilt as he was incrementally given larger and larger projects. As time passed, the company grew into an established highly regarded and profitable construction firm.

After stabilizing the construction firm, he utilized his skills of opportunity recognition by pursuing a telecommunication business. His self-confidence from believing that he could successfully negotiate with the unions led to winning a public bid against 100 companies. Through his leadership, the company grew from 200 at the time of purchase to over 1,000 employees.

His continuance to look for opportunities has lead to growing his company into a conglomerate of four successful divisions: construction, retail shops located along the highway, telecommunications, and golf courses. Most likely learning from his mistakes in the past and the responsibility of taking care of his thousands of employees, Dung-Kyu has shifted to a more conservative route. He continually looks for ways to create further efficiencies and more productivity in the existing divisions. He also mitigates risk by sticking with government contracts.

Although Dung-Kyu believes that building a business as he did in the past would be incredibly difficult due to the emergence of high competition and transparency, he believes that entrepreneurs must have “guts” and be fearless to succeed while building trust and credit which he leveraged throughout his career.

Dung-Kyu’s ability to leverage social ties by creating trust with those whom he did business was the major component that led to his great success and helped meet his goal to live a better life.

4.1 **Chiofaro Case Study**

Don Chiofaro was born into a blue collar working class family in Boston, Massachusetts. His inquisitive nature to figure out how and why things worked plus his continual approach to life--that the first syllable of “Yes” is “No”--was parlayed into the development and retention of One International Place, a building looked upon as one of the nation's iconic high rises located on the Boston waterfront.

The son of a Belmont Police officer, Don Chiofaro grew up in a blue collar family in the suburb of Belmont, Massachusetts. During his early life, he had no clue about business and what he wanted to do, yet he was able to gain some basic insight by starting his own lawn cutting business. He attended Belmont High School and did a Post Grad Year at Exeter where he played three sports and was a great linebacker on the football team. Don always thought of himself as more of an athlete than a student. He transitioned to college as an undergraduate at Harvard playing three sports. Don felt sports contributed to future skills that were beneficial to his real estate development career. Sports taught him that you get what you put into it and the ones that work the hardest will more than often win or make the team. In football, he learned how to use the talents he had against bigger, faster, and taller players. Also, he believed that the game was never over until it was over. One must give their all until the very end because he saw so many games won and lost over that short period of time. Don came to believe that business was more like a marathon then a sprint. As a somewhat symbolic move later in his career and due to his inquisitive nature, he wanted to figure out how to run the Boson Marathon. Don successfully completed it but joking said, “There wasn’t anybody from Kenya worried when they saw me running.”

After the completion of his undergraduate degree, he worked for a few years with the agency that published such works as *Let’s Go: The Student Guide to Europe* written by Harvard students. There he ran the marketing for the publication of the guides of this agency which was involved in many student businesses. After this job, Don went to Harvard Business School. During this period, he never thought of himself as a deal maker or salesman but was always curious about many things and tried to figure out how they worked.

During the summer between his first and second year of business school, while many of his classmates obtained internships with Wall Street firms, Don, who was tired and worn out from the first year, decided to work on a local construction site. Near the completion of his second year at business school, during interviews he was still unsure what he wanted to do.

His decision to enter a career was based on looking at the classmates he liked and trying to do what they were doing. Because of his friends' pursuit of a Wall Street career and his competitive nature, Don began interviewing with New York firms. A few firms offered him a job. With the average starting salary of around $16,000 for business school graduates on Wall Street at the time, one firm offered him $24,000 and Solomon Brothers offered him $15,000. He accepted the Solomon Brothers offer because he perceived the upside was better and packed his bags to move to New York City.

After one week looking for apartments and while staring at the boards and numbers, it didn't feel right to him, so he quit. Unfortunately, this was at the end of the recruiting season. Don recalls sitting down after his decision with one of the partners of the firm. The partner said even partners of other firms would give anything to work for them but Don knew he didn't want to live in New York City. In his mind, he felt as though he worked hard during his academic career and he should have more opportunities rather than fewer. The fact that he went the same route as everyone else bothered him.

Don returned to Boston. He recalls clearing out the new briefcase his wife bought for him for graduation which he no longer needed. With an old broken car that needed fixing up at home, Don filled the briefcase with tools that he bought at a discount tool store. As he spent time fixing the old car, he reflected upon his future and how to match his personality with careers that may have been of interest.

This led him to take a vocational guidance test which included a variety of general questions that was compared to the ways people in a variety of fields would answer the questions. He scored high on being an army general and a mortician. Scoring high as a mortician meant that the individual was able to be empathetic and able to put themselves in other people's shoes. The evaluator then asked him if he had both parents and if their primary language was English. The reason he asked was because the evaluator had never seen someone score this low on academic achievement. He explained that this had nothing to do with grades. When given the opportunity to read a book or just do something, an individual that scored this way would always choose to just do it.

Don began interviewing people that had been in a variety of fields for many years and reflecting upon if he would want to have a similar life. Don came to two realizations: he did not want to work in a big organization and there were certain parts of his personality he did not want to change. From these experiences, Don progressively made a list of the things he did not want to do.

Someone suggested that he check out the real estate business and set an interview up for him with Cabot, Cabot and Forbes, which was the company that had produced real estate tycoons such as Mortimer Zuckerman and Ed Linde of Boston Properties. While in the lobby of the office before his regular interview, he met an individual that ran the west coast industrial division. When asked what he wanted to do, Don stated he had no idea and the individual suggested he come work with him in California. He declined the offer but said he would like to visit him. The individual suggested that on his ride down, he should stop at major cites such as Philadelphia, Phoenix, San Francisco, San Diego and Los Angeles. After each city, he was asked if he wanted to work there by the division head but Don knew Boston was where he wanted to be. Also in his early twenties while narrowing down his decision to be involved in the real estate industry, as he did before, he went and sat down with developers that had been in the industry for many years. He recalls having a friend that set him up with a meeting with Trammel Crow when he was in Texas. Trammel asked what he wanted to do and he told him. Trammel then responded, "What do you need me for? You know what you want to do." Also, he had the opportunity to meet A.N. Pritzker. As he did with other developers, he sat down with him, found out where he came from and what he did. Every time he sat down with these people he wondered if he could do it, why they did it, and how they did it. After his various meetings, Don thought that was the type of life he wanted to have and thought he could do it.

He was able to get a job in Boston with the firm working for a great old fashioned salesman, the Willy Loman type, who needed back up in his office. Since he had great skills, the salesman was put into the national division working on deals across the country. He could make deals anywhere. One week he would be in Texas and the next week he would be in a place like Florida working on a warehouse development deal for JC Penny, where he would develop the building and then lease it back to the company for 25 years. Although the salesman had great skills, he needed help with understanding what he was selling such as costs and production. Don took a job as a gopher in the back office. Determined to learn everything, Don did anything that needed to be done and there was nothing he did not want to figure out how to do.

For eight years he worked gradually accumulating knowledge on unraveling how to manufacture real estate and always seeing himself as a blue collar worker.
He began putting his knowledge together pulling construction estimates, legal costs, financial information, and carrying costs. With this number, he would estimate the amount he needed to charge for the development derived from the proper debt coverage ratio and profit estimates. Continuing his inquisitive nature, he remembers one time when he wanted to find out how to calculate a loan constant. He went to the finance department to ask. The individual acted as though it was a difficult and magical computation, looking through books and playing with numbers, which frustrated Don who knew it was a simple percentage combination of interest and principle.

By the end of his employment with Cabot, Cabot and Forbes, he learned how to work with lawyers, negotiate leases with tenants, structure and restructure deals, and make presentations to the companies that would occupy the buildings. The developments he was involved in ranged from a 60,000 square foot building in Jacksonville, Florida, to a

20 story high-rise in St. Louis to an R&D Park which comprised of 3 buildings they bought and leased back, plus developing three additional buildings on the site for a Fortune 500 company.

During this deal in 1976, Don received a call from one of his investors who purchased one of the buildings that was pre-leased before it was built. He said that Don's company was broke and he wanted to see their financial statements. Don responded that he had no idea what he was talking about and refused. Three days before closing the man called again and said that he will stick with the deal but the terms must be drastically restructured. Don again refused but said he would see him at the closing in 3 days.

As the closing began in a different room, Don walked into a separate office to see three lawyers representing the other party including a bankruptcy lawyer. Don stood firm again saying that he would not change the deal. The bankruptcy lawyer responded that Don's firm was broke. Don turned his head toward his lawyer sitting next to him and he nodded. They spent that day reworking the deal to protect the investor against his firm dissolving and were able to work out a deal. Shortly after Cabot, Cabot and Forbes went through a restructuring.

In those eight years, Don felt he worked for a dynamic company with a great reputation in which he was able to learn how to sell and develop real estate for a company that gave him great access to all areas of the industry. Even during the restructuring process, Don searched for knowledge watching carefully on what they were doing and why they were doing it.

Don's desire to put his own name on the door and try it himself led to his leaving his old company. Although he believed the company made room for entrepreneurs, he had seen the volatile swings of his company and others like it. He didn't want to worry about the company he worked for being bought out. Don left the company feeling he knew just enough to be dangerous. He knew just enough to believe he could do something although knowing there was still things he didn't know that he didn't know.

Through the money he had saved from his job, he started his own firm and started looking for projects in the suburbs of Boston. In a discussion with a contact he made at an earlier trade show, he was told that a particular technology company needed additional 80,000 square feet within a particular area. Don told the tech company he could find the site and build it. Across the street from their existing facility was a piece of vacant land in Westborough. Don contacted the owner suggesting a partnership where he would bring the tenant and the owner would contribute the land. Don also committed his commission to the project for a 90/10 partnership. They then tied up a 7 acre parcel that had frontage adjacent to the site which became available. Then, 74 acres behind the site went to auction where another party purchased it. Since this was adjacent to the other two parcels but was behind the major frontage to the road, when Don approached the owner to sell, he agreed.

At about the same time, in the middle of the Westborough project, he was approached by an individual that asked him if he wanted to be employed for a partnership that was working on a deal in Fort Hill. The 2.5 acre project consisted of approximately 14 separate parcels including a public road, public parking garage, and a ramp going through the site.

Don did not want to work for anyone so the individual suggested that he buy into the partnership. Since the party had only an idea and the parcels were not under contract, Don suggested what they really needed to pull this ambitious project together was a real estate developer.

Would a site at the edge of the financial district where nobody went really work? It needed to be something great. Don sat down at his table, pulled out a large brown envelope and he started calculating. If he could get it approved, it would be this size. If he could build it, it would cost this much. If it cost this much, he would need this rent. If it rented for this much, he would have this income. Finally, if he had this income, he could borrow this amount of money.

He wrote down everything he knew. Then he started reflecting on everything he didn't. He had never done anything in Boston. He had never done anything this big. He had never done anything this tall. He did not really know the politics or the people and, furthermore, there were probably many things he didn't know he didn't know.

At 35 with three kids, Don approached his wife telling her about the project and all the reasons why he shouldn't do it, expecting she would agree. She replied, "but just think if you could." With her support, she knew that he would never stop until he was done. Don then took the role of leading the group, therefore, securing the position as the managing partner.

With little money, he believed, which he still does to this day, that if you had a good idea and knew how to execute it, you could attract the capital. Reflecting on his ability to raise capital, Don stated, "You either make the impression that people believe you can get it done or you don't." Some people are in the business of putting money to work and if you know how to manufacture real estate and can execute, both parties need each other. The key to raising capital comes down to belief in the individual developer. He compared it to the drafting process in baseball. The athlete has a good swing, a good track record, can hit in a clutch and carries himself like an athlete so the recruiter takes a chance on him.

With $10 million guarantee by one of the other partners, Don needed to pull the financing together. He thought for example, if he could acquire one of the sites that was valued for $2 million for $1 million, it which would be worth $4 million after the approvals were obtained. The banks would give him 50% of $4 million. He did this with each of the parcels and through the equity created, the original capital he had and a presentation of his pro forma to the bank, he was able to obtain a commitment for the permanent loan. This then enabled him to obtain the construction loan. He admits that today to do the same structure would be harder and easier in some respects. Although the loan did not need a personal guarantee, it carried a 12.5% interest rate. He believes today he still could have done it.

From 1980 to 1985 with 13 negative editorials from the Boston Globe and various lawsuits, a reporter asked him if he believed he would really get it done. He replied, "There was no question in my mind." He compared his determination and future path like an old tape that inspired him of Marion Motley.

Marion Motley was a 250 pound fullback for the Cleveland Browns in the fifties at a time where there were no face masks. He recalls on the film where Motley gets the ball at the 50 yard line and crunches through the line and picks up about 3 or 4 yards. Although it looked like he was done, he stays on his feet picking up a few more yards. He gets to about the 40 yard line and has been hit by everybody but he keeps moving. Motley gets hit hard around the 35 yard line and losses his helmet. Then his jersey gets torn off and his shoulder pads are hanging off his body. He finally gets hit one more time at the 5 yard line and gets into the end zone standing with his helmet knocked off, his shirt torn off and his shoulder pads hanging. That was the way Don was going to finish and he felt there was no question he was going to go into the end zone.

Don used every bit of energy and skill he had into the project. He did many things that he had some experience with and did many things for the first time. He made many mistakes, second guessed himself and worried about everything. In retrospect, a lot of the things he worried about didn't happen and some of the things he could have never thought of did happen. Yet every problem that did happen, Don found a solution.

Standing in the end zone with the completion of the first tower, Don's great persistence paid off but the game was not over and some of his biggest challenges lay ahead. In 1989 with the construction of the second tower getting underway in tandem with the real estate market falling apart, the lender tried to get out of the take out loan. Through multiple court proceedings, Don was able to re-affirm the debt. Then in 2004 Tishman Speyer Properties acquired the debt on the struggling property in a move which led to a hostel environment and could have meant the end to Don's ownership. Don filed for bankruptcy in 2004 to try to restructure a solution and keep ownership. Don felt with his experience at Cabot, Cabot and Forbes during their restructuring, he would be able to come up with a solution which most believed he could not do. The ability to define the problems and obstacles were necessary to find an out of the box successful solution. With a highly visible project constantly in the paper, building the right team and keeping them motivated was essential. Since many developers don't carry all the needed individuals in house, it is up to them to bring together a team that for the most part has never worked together and execute a successful plan. After 180 days of intense negotiation and stress, Don eventually was able to buy Tishman out and retain control of his property.

Don feels the characteristics necessary to be a successful real estate entrepreneur is to be able to look at alternatives. He and his partner many times will make separate lists of alternatives and get together to review them. Many times each sees an alternative that may have not been seen by the other. Still applicable to this day, Don tries to start off with what he wants to do. If people say he can do it, he tries to figure out why or if he is missing something.

He has approached problems in business where "no" is the first step to "yes." If you are told "no" it is great because you know where you stand and at least you are talking. One example he recalls while trying to obtain approval for International Place was gaining approval for relocating the ramp. For a lot of reasons they were held up and no one would agree to where they could put it. Don said that in the process it was really hard to find out all the people you needed to speak with to obtain approval to move a federal highway ramp. Unfortunately at the same time the city was trying to get the Central Artery Project underway. They didn't want to do anything that would mix up the project. Although they did not want to pay attention to Don's project, he forced the issue. He sat down to a meeting with the department of transportation where he presented his proposal that ran the ramp under the building and cantilevered the building over the ramp. They looked at him like he was crazy. They listed all the reasons why they could not do it. With all the criticism, he could see his team was becoming deflated. He looked at the state head and said, "Thank you very much. This is the best meeting we have ever had." Again, they all looked at him as if he were crazy. He said, "Because now we know what we have to do in order to get to yes." He just had to fix all these things. "This is terrific. Thank you very much." So "no" is the first step to "yes."

Upon reflecting if he would do anything differently, Don said no. He wanted to build International Place as not just another building where he would make a lot of money. Don has had opportunities in his career multiple times especially when the first building was built to sell it and the rights to the second tower. He didn't and some people say he should have. He reflected that maybe he should have because three years later after those great offers, there were people saying it wasn't worth anything. Would he have traded the journey and adventure and process for twice as much money? He would probably say no but he knows if he did accept the offer, he would have done something very interesting with the money.

Don feels that if he spent 20 years on Wall Street like his fellow business school classmates, he would have made just as much money. Five percent of his business school classmates were Wall Street superstars and he feels that he has done just as well as most of them. Would he trade his life for the top 5%? He says definitively, "No." He would never make a decision for pure monetary reasons and he enjoyed the fun and challenges of his path. Finally, if he scanned the way he used his time, he felt that he could have been more efficient and used it differently.

His advice to those who want to become entrepreneurial real estate developers is to work directly for a developer, study everything he did, and find out why he did it. Do whatever you needed to learn how to manufacture real estate. Not many people know how to do this and that is why there are really only a handful of developers. His reflection on the industry is that many people say developers are dinosaurs and their day is over. His response is that dinosaurs were around for billions of years so he will take that ride.

Throughout his career, Don has been able to spend his time and life the way he has wanted. He has had the option to do deals anywhere he wanted and to create value. These experiences have been very liberating and he has taken pleasure in having the time to coach his children in various sports.

In business school, he had a psychology professor that reflected on Don's career and said he turned it into a game, which was called "Donny Ball." Like a game, Don has gone through the challenges, ups and downs. He says as in football, "Life and development are a contact sport."

What is the definition of an entrepreneur?

An entrepreneur is somebody that can operate outside of an organized institutional setting. This could be anywhere from a real estate developer to someone selling all types of goods on the street. Entrepreneurs are people who see opportunity when others see obstacles and problems. They are people who find creative solutions to difficult and even ordinary problems. He says he will see people in the elevator even today that say, "I never thought you would get this done. I never thought you were going to keep it and never thought you were going to lease it." Some part of the population that look at things that have never happened before and say it is never going to happen, while there are others that say it never happened but it doesn't mean it never could.

Don states that the world is filled with people with great ideas and never execute. An entrepreneur is not someone who sat around and thought up great ideas that never happened. Entrepreneurs are not necessarily visionaries and have ideas which are sometimes not even their own. They see the opportunity, see if they can make it work, and then can execute. An entrepreneur is one who finds ideas while others are thinking about them and gets it done.

4.2 Path and Characteristics Analysis

The son of a Belmont Police Officer; Don Chiofaro utilized his quest to learn how to manufacture real estate as a base for being an entrepreneur in the industry. His strong perseverance, ability to find innovative solutions to difficult problems, and love of his hometown led to the creation of a Boston icon.

In his childhood and academic career, sports helped develop a variety of characteristics that were most likely a contributing factor to his success. As seen though his case study, Don readily relates business to sports. The importance of the entrepreneur's abilities is discussed in Chapter 1. Don learned through sports how to develop his abilities and utilize them the best he could. This included on the field against bigger, stronger, and faster opponents. He also recognized that the teams and individuals who worked the hardest to develop their abilities were the ones who more than often won. Don built his leadership skills by leading the Harvard football team as a captain. By witnessing great wins and devastating losses that occurred with seconds remaining in a game, it instilled a permanent tenacity and perseverance to overcome obstacles.

Although his uncertainty of a career path remained during college and business school, his desire to figure out how things worked developed a quest for knowledge. The desire to understand was a thread that was interwoven throughout his career. This began a path for the accumulation of knowledge which is a necessity for the entrepreneur. Although Don followed his fellow classmates to the allure of a high paying job with a prestigious firm on Wall Street. Don exhibited his independence, a key characteristic discussed in the literature review section, by leaving New York City after one week on the job and at the end of the recruiting season, realizing this was not the city or career for him.

With his desire to find a career that he would enjoy, Don began interviewing a variety of industry leaders to see if they had the life he wanted to live in the future. Slowly, he began making a list of the careers he did not want to pursue. The suggestion of a friend led him to the real estate business. Again, once he developed an interest for the real estate industry, he interviewed great leaders in the industry and analyzed if that was the position he wanted to have in 20 years. This entire process after leaving Wall Street helped Don find his passion and he finally found the type of career he wanted to pursue.

At Cabot, Cabot and Forbes with his new passion, Don returned to accumulating knowledge so that he would be able to understand how to manufacture real estate. Determined to learn everything, he took on any task that needed to be done, such as collecting basic cost information for the salesman he worked for. He would go to various departments to obtain information on all fields of the development process such as legal, finance, and construction. As his knowledge accumulated, his simple tasks transitioned in his involvement with projects across the country. He learned how to work with lawyers, negotiate leases with tenants, structure and restructure deals, and make presentations to the companies that would occupy the buildings. Even when his company had to restructure, Don was there listening, participating, and understanding how it was done.

These eight years pursuing knowledge built a self confidence that led Don to leave the company and begin his own firm. He really felt he needed the independence of controlling his future and not be susceptible to other individuals' decisions. The previous experience allowed him to be able to put together his first deal in Westborough. He found a firm that needed space and a piece of vacant land in their area. Don then structured a partnership with the owner by using his commission as equity.

During this project, he was approached to be an employee of the Fort Hill project. Don once again leveraged his knowledge and leadership skills to become the managing partner of the project accountable for pulling it together. Even knowing the plethora of great risks, challenges, and barriers that lay ahead, he accepted the challenge. This acceptance showed his desire to take risks and overcome the fear of failure while maintaining a great deal of confidence and inspiring others to believe in him.

Through the acquisition and approval of the project, Don employed the characteristics of innovation and perseverance. With only $10 million from the contribution, in the form of a guarantee by the other partners, he was able to acquire the 14 parcels and leverage the created value to obtain the full balance of the loan for the $300 million construction. With a variety of lawsuits and negative publicity, Don persevered through the process overcoming difficult problems with innovative solutions. One example was the reaction of the ramp under the site. When told his proposal was crazy, he identified all the problems the government officials presented to him and found a solution for each by using "no" as the first step to "yes."

Don had to continue his perseverance. He had to fight to retain the take out loan on his second phase and then fight through the restructuring process of International Place. Through an intense 180 day negotiation process, Don utilized his restructuring experience at Cabot, Cabot and Forbes to again find an innovative solution to a difficult problem. Don and his partner to this day still come up with separate lists of ideas for a similar problem so that new ideas can be brought forth.

Don's need for achievement that created International Place was not driven by the need to maximize profit from constructing another building, but to create his vision of a great building for the city of Boston. He has seen personally great value in the journey, adventure, and process through the development of one of the greatest buildings in the nation.

5.1 Tye Case Study

Ted Tye grew up in a blue collar family in a small Massachusetts city. His desire to create, which began as a young child while playing with blocks and at 10 years of age dreaming of the way he would build a new Boston Garden, led him to be one of the founders and visionaries of National Development. This company, now with 150 employees, has developed over 15 million square feet of diverse real estate product on the east coast.

Ted grew up in Haverhill, Massachusetts, a small city about an hour north of Boston. The entrepreneurial path began with Ted's grandfather who at 6 years old came over on a boat from Europe to the United States. At 12, he began selling newspapers on the street corner and by 16 he owned his own shoe store with his brother. In his mid-20's, he then owned his own shoe manufacturing business that Ted's father then took over until his death in 1989. This type of blue collar manufacturing background perpetuated the theme that the people who were successful went out and worked hard every day with a strenuous work ethic. Ted stated, "My family came over on a boat with virtually nothing and I guess when you start with nothing and create something in your life, you have a certain entrepreneurial spirit that you hope gets passed down to the next generations."

As a child, Ted recalls having blocks and building toys with which he really enjoyed trying to conceptualize and create things. Also, although in retrospect he thinks was a little strange, as a young child he used to enjoy listening to talk radio. In one discussion when he was around 10 years old, he remembers individuals on the radio talking about the creation of a new Boston Garden long before it actually happened. Afterwards, he went to his room pulling out a piece of paper and trying to sketch it out. Ted also had a variety of jobs growing up, such as shoveling snow, mowing lawns and in high school acting as a camp counselor and lifeguard. Although he feels his jobs did not directly contribute to his development career, he does think that by not having things handed to him, it instilled a strong work ethic.

After high school, Ted attended Tufts University. Early in his life, he wanted to go into law and while at college became a political science major. While in college, he worked for the school helping arrange and run conferences on the campus. The first thing that Ted really felt helped him in the real estate development career was acting as a student representative for the trustee building committee. He enjoyed doing this because the campus was always building something. He acted as a student representative for a variety of campus buildings so he had the opportunity, for example, to sit in on meetings with the architects, get the flavor for it and learn a bit of the vocabulary. This gave him the opportunity to step up and take responsibility and work with adults. To him, this position was a lot of fun.

For his thesis in his senior year at Tufts, Ted explored urban renewal in his hometown of Haverhill. He studied the issues of urban renewal because in the past, cities would knock down everything and start over. Haverhill was one of these cases. A city enriched with old industrial buildings, a great old city hall, a library, and movie theater were among other buildings that encompassed half the city core that were completely torn down. The buildings developed in their place were poorly done. This strategy really hurt the city's ability to revitalize compared to other cities that waited and eventually utilized their old historic buildings.

After graduation from Tufts, he did not yet want to pursue an advanced degree. He remained with the university for two years working in the student activities field with which he was familiar as a student. While planning to work in this field after graduation, the Director of Student Activities, for whom he worked, decided in August that he would resign. Since there was no one to take his place, the school had no choice but to make Ted the new director at the age of 22. In the position, Ted performed a variety of tasks, including managing student activities and coordinating events. Other tasks ranged from bringing James Brown to campus for a concert to dealing with disciplinary issues to implementing a computerized scheduling system. He pushed the agenda to create a student center which the university did not have. Ted wrote the program for the building. The idea caught on and was effectually built after he left. Not only through this job did he learn to manage projects, but it also helped him handle difficult situations. As an example, during the challenging political times of the 70's a group at the school wanted to bring the Palestine Liberation Organization to campus and speak. He worked with the president of the university and the media that was in attendance at the event. Ted stated in regards to this event that, "You either have to stand up and figure out how to handle it or hide." He felt this event was especially relevant to his development career because today he still needs to stand in front of angry groups and try to convince them or at least have them respect him along the way. Ted was able to step into the role of director in the first year doing an excellent job and winning a faculty award that was elected by the nomination of the senior students. He felt this award was life-altering. Through this job, he recognized his ability to exceed expectations.

One later example, which he felt his previous job helped, was to create grassroots support for a large project that needed to be approved from a single family zoning to a mixed use office, residential and retail village. In order to obtain the approval they needed to pass a two-thirds vote in an open town meeting where any registered town voter could attend and vote, for several years, he and his team went almost every night into living rooms, monthly forums, and Rotary Club meetings to present their project and speak to the people of the community about it. So when 2,000 people showed up to vote for the approval, they won.

During his senior year in college, he took the LSAT's. His father also suggested he look at business as a career, so for fun without preparing he took the test for business school. He was accepted to a variety of law schools but was also accepted into Harvard Business School. He thought it was a little crazy that he had been accepted but he decided to attend. At the graduation of business school, Ted was still unsure what career he wanted to pursue. He interviewed with a lot of jobs in New York for publishing and marketing with such firms as Time Magazine.. He enjoyed writing, loved to create and believed these types of paths would be the best outlet for this. Yet, these types of jobs didn't feel right to him, and ultimately he wanted to stay in Boston for some personal reasons.

One of Ted's offers was from the Dean of Business School to stay and work for him. He became responsible for helping create the massive 50 to 100 year master plan for Harvard

Business School which included land acquisitions, renovations of some of Harvard's historic buildings, and conversions for a data facility. Also, he was given the full support of Harvard to go out and help them create a world class fitness facility for the business school. Ted recalls them saying, "Take as much time as you want, go any where in the country, just write home every once in while and figure out how to create the best model for the best corporate university fitness center that has ever been done." He did just that. He also started out redesigning offices for professors. He would help obtain the proper furniture, coordinate the contractor and get the mill work done. He reflects that although now he does 100,000 plus square foot buildings, he learned invaluable lessons from this task. By doing only a 200 square foot office, he learned about how people think, how to keep them happy, how to provide quality customer service, how to work with contractors and how to negotiate contracts.

Also with performing tasks that he had never done before, Ted learned how to ask the right questions. It's important to know when to take the lead and exert yourself and when to step back and ask someone for help. He says that one of the toughest things that new project managers have when they are hired for his company is to walk on a job site with grizzly contractors and not make a total fool of themselves while being able to gain respect. He says, "The one thing construction people can figure out rather quickly is if you don't know your stuff. So when you don't know your stuff, it's always better to figure out how to either learn it or ask in the right way as opposed to pretend you know it and get fooled. I've seen a lot of good project managers get chewed up that way."

Ted's Harvard experience grew and he quickly gained larger responsibilities. He had a construction management role on a variety of dorm renovation projects and renovation of food service areas. He also was exposed to deal with some union issues by taking out Harvard employees and bringing in an outside management services. He feels expectations of him graduating from business school were the reason he was quickly given larger projects.

One memory that stands out in his Harvard job is that he used to work for John McArthur, who was the Dean of Harvard Business School at the time. He saw John as a legend in the business world and he hopes that some of his wisdom has rubbed off on him. Ted's responsibilities at Harvard also included helping manage the buildings and the grounds. One day John asked him if he wanted to go for a walk. While walking across the beautiful campus, they talked about the Red Sox, business and all sort of things. About every 20 feet, John would see a piece of paper, bend down, pick it up and add it to the collection in his hand. Although he never said a word about it, the message was entirely clear to Ted and he is glad that he picked up on it. There was a level of quality and expectation that John had about the way things were supposed to be done and they were not being met. To this day, Ted tries to perpetuate the message. When walking his company's properties, he will pick up any trash he sees and throw it away. So although he feels he learned some great visionary thinking at this job, he also learned some practical things which were very important.

He reflected that it was a great 2 years but Ted did everything he wanted to do there and gained a variety of invaluable experience. Ted feels he would have still had fun if he had stayed but he may have become too complacent.

While shoveling mulch one day in the back yard toward the end of his employment with Harvard at 27 years old, Ted was approached by Tom Alperin, one of his good friends from Tufts. A friend of Tom's father owned a real estate development firm out of Pittsburgh called National Development Corporation. After Tom's graduation from Tufts, he went to work with Meredith and Grew, a real estate brokerage and development firm. Tom's mortgage brokerage experience helped with structuring financing and complemented Ted's skills and creative nature. Tom had recently opened an office in Boston and asked Ted if he would like to do this with him. He accepted and they started the Boston office of a Pittsburgh-based firm. With the seed money they received from their parent company, the two located the office in the Central Business District of Boston, because they felt it would make the firm look more established. In addition to their salary, they also were able to negotiate a generous bonus structure based on their performance and equity participation in their deals. They hired a handful of people, such as a property manager and a few support people. Three out of 5 days they concentrated on networking by setting up breakfasts, lunches and dinners with brokers, contractors, others developers, and lawyers. They did everything they could to get the firm established and known. Ted remembers this being a tough time because he had a young family. Ted believes that when you network, you never know when it can come back and help you. The help may be years later or the next day. Also, he and Tom spend a significant amount of their time with things unrelated to the company, like charitable and civic activities, but he believes they will all come back to help in the future.

Their networking paid off and brokers started to think of them when deals came up. Their hard work allowed them to relatively quickly put a few projects in place. Ted felt that the company's name sounded credible and the parent firm brought some close relationships such as Mellon Bank out of Pittsburgh. Though the parent firm provided the credit, guarantees and the ability to find projects, the firm was able to relatively quickly become profitable and they were able to pay their own rent and other expenses. One of their first acquisitions in 1985 was also one of their largest projects to date in Franklin, Massachusetts. Wang Laboratories, a computer company, was right in the middle of their down turn and started to sell off some of their great real estate assets before their computer business started falling apart. For the approximate 360 acres, Ted and Tom had the idea of building a large industrial park which became master planned for about 3 million square feet and they were able to build approximately 40 buildings there. Ted's transition from operational and construction management to development was a big leap. Ted was nervous and unsure of himself but gradually, project after project, gained more confidence. Ted learned from this project that by controlling a strong positioned piece of land, brokers will bring tenants to you. Ted said, "If you have land, are positioned well and there's a user looking for something, it works well." With this project as a platform and a strong office and industrial market in the 1980's, for 5 to7 years the company concentrated on these types of developments. Also from this beginning project and others like it, the firm was able to build their own reputation with the banks.

In 1991, with the softening of the real estate market, the Pittsburgh group was having problems. Ted was also faced with his biggest challenge yet. Some of their own projects started to have issues with the poor market conditions. By obtaining a few investors' support, they saw this down turn as an opportunity to make an offer to buy the assets and liabilities of the Boston firm from the parent company. They apologized for the past and said they would like to make the money back for them. Many of the investors understood that it was the particular market and timing which was responsible for the projects going south so they continued to bet on them. From the money Ted, Tom, and their new partner Jack O'Neil had and while agreeing to take on the liabilities of the Boston office, the Pittsburgh firm agreed to sell. Ted said this agreement of taking on the liabilities of those projects was really what created the opportunity to purchase the company. Another motivating factor for Ted to buy out the company was that, although there was a generous bonus structure, he said, "at some point it kind of felt like you were working really hard, you were devoting your whole life to it but you were working for somebody else, and it reached a point where for the three of us it was just too uncomfortable." After the purchase, Ted still has at home the personal checks he and his partners wrote for the first payroll after this transition. He said his responsibilities were greatly magnified because the employees and families of the firm relied on him for their paychecks which was a big personal responsibility. Also the investors that decided to invest originally, many of which are investors today, made many times their investment back. He feels this was a prime example of turning lemons into lemonade.

Ted has helped grow this company from originally 5 people in 1983 to 150 employees in 2008. Growth has come by diversifying the product lines. The company has built the infrastructure to include a general contracting, property management, and recently added a real estate fund. They have also recently gone in-house with their legal services because of their growth. Ted says the reason for the expansion in divisions is that when the company reaches certain levels, it is necessary to build a certain level of infrastructure to support it. This includes bringing on more partners such as Steve Kinsella, who joined the company about 5 years ago as CFO. National Development had difficulty finding the right fit for the position. They felt that if they wanted to get the kind of skill level and background needed for the company, it was necessary to make that person a partner.

Ted feels a variety of characteristics have led to his success. The first is honesty. He is always out there speaking to people in regards to his projects. If he ever twisted his words, he would forget. He says, "I always found the easiest policy is just being absolutely truthful all along the way and you can never get caught." Also, he believes that being well prepared is a crucial factor. Many of his projects are very complicated. He says, "There are no shortcuts so be well prepared, understanding it, thinking about it, and planning it." The enjoyment and quality of his company's projects are very important. He says, "If it's a project I can't really be proud of, I don't want to really do it." This enables him to really be sincere so he can believe in his work, take a lot of pride in the developments he is doing, and find the most interesting projects. By not doing developments just for the money, he realizes that this strategy will mean that his company will have to walk away from projects where you don't like the people you are working with, don't really believe the project serves the community well, or feel the you will be imposing in a way that doesn't make you feel good about yourself. He says you need to have pride in what you do. Finally, he believes that having the proper instinct is a key. He says that he has hired a lot of project managers with a knowledge deficit but they have done fine as long as they have instincts. Instincts are in terms of how to make a deal, how to negotiate, how to work with communities and how to work with neighbors. He feels this is hard to teach or cannot be taught. There is a lot of personality that's involved in trying to get to where you need to be on different projects and deals.

In regards to opportunities in the real estate development market today, Ted admits that the market is tough right now but it changes from time to time. When one product type is down, another may be up. For example, in the 1990's when the commercial side was performing poorly, they shifted to a lot of senior housing. The difference between then and today is that the financing market is tight so it affects all product types. He feels there are still opportunities in mixed-use development, some multi-family opportunities and there has now been increased interest in green projects and transit-oriented developments. There are also opportunities in the life-sciences area in which they are currently doing a project. Institutions are still remaining strong such as hospitals and universities needing additional space. He says although there are pockets of retail opportunity although, in general, leasing in this product type has been relatively difficult. He reflects on opportunity that, "There's pockets but it all runs with the economy and if there's anything certain in the real estate business, it runs in cycles. It hasn't quite popped back the way it was but it hasn't tanked really either.”

Ted has always been more interested in the building, creating, visioning and fun of coming up with an idea part of the business. He says, “A lot of people have said that the knowledge you need to be a real estate developer is a mile long and a yard deep. You really end up being a generalist and a general manager knowing how to maneuver all the different people and consultants and everything around you to ask the right questions.” He later enjoys seeing something tangible that was taken from a vision to reality. That has been his part in the company which has really complemented Tom, because he is incredibly creative in the way he envisions financing and deal structuring. Jack also has unique skills that complement Ted and Tom’s. That's why they have been such a great combination for all these years because their skills are somewhat different but they work together well. When he thinks back, he feels that the real estate development industry was what he was made for. It fit a lot of his interests and he does not come in everyday and do the same thing. He says, “I do a zillion different things everyday and that's what makes it interesting.” These things range in a project from acquisition, design, development, and legal, to public relations, and marketing. It's every aspect of a business rolled into one. Because of this, Ted is very glad he did not become a lawyer. He enjoys the diversity in what he does. “In fact, when I wake up everyday, I don't know what my day will be like. I don't know what curve balls or problems or opportunities will be thrown at my desk, so that makes it fun,” he stated.

Although there is not one major thing Ted would have done differently, he feels that there have been difficult sacrifices. He says, “When you start a business and a business that is as intense as ours, it's really tough on your family.” He missed a lot of his children’s earlier years because he had been gone from the house 4 nights out of the week. Yet, over the last four years, his personal style and stage of career has shifted making time with his family less of an issue. He reflected, “Would I do it differently? I don't know. I don't know if I could have done it differently. As I said, I feel pretty true to myself in all of the business decisions I make and, sure, if you had 20/20 hindsight on a few projects, you'd do things differently but I think with most of the major decisions I feel pretty comfortable with."

Ted's desire to build, create, envision and have fun of coming up with new ideas for National Development has helped lead the company to develop over 15 million square feet in 30 different communities in New England since its conception in 1983.

What is your definition of an entrepreneur?
An entrepreneur is someone that can do something on their own for themselves. It is trying to create. Entrepreneurs are always looking for new ideas, new ways of doing things and trying to be creative in getting to the goal line whatever the project is. An entrepreneurial spirit is important in his company with all of his employees. This means that people who are in project management positions aren't just doing their jobs. They are handling it like it was their own business. They're being creative and empowered to make decisions on their own.

5.2 Path and Characteristics Analysis

Ted began his path in a blue collar manufacturing family and observed his family from early childhood. His grandfather helped pass an entrepreneurial nature and his father ingrained a strenuous work ethic that is carried to this day showing the influence of his childhood. He also demonstrated an innovative and visionary nature as a young child by trying to build and conceptualize a variety of things. Innovation and being a visionary are seen in the literature review as one of the key characteristics of the entrepreneur. His continuance of hard work remained a thread in his earlier years as he took on a variety of jobs such as cutting lawns, shoveling snow, acting as a camp counselor, and being a life guard.

Although through his undergraduate career he planned on pursuing a career in law as a political science major, he continued his enjoyment of creation by acting as a student representative for the trustees committee. He would be able to give input on the creation of new student buildings while sitting in on architect's meetings and learning the lingo. In his senior year he took another step in the direction of a real estate career by writing a thesis on urban renewal issues of his hometown. Again, the interest of creation and doing it properly led his pursuit to gain knowledge on this topic.

His enjoyment of being involved in the school and desire to gain some experience before he pursued his advanced degree led him to continue to work with the school after his graduation. He showed great self confidence in taking over the role of Director of Student Activities after the previous Director left and there was no one to fill that person’s shoes. This placed him in a role of leadership. Although not directly in a real estate related position, Ted developed his management skills by learning how to manage projects such as coordinating events, running student activities and conceptualizing a new student center. He learned how to deal with people by managing unhappy groups which is a continual task in the development arena. Also, he learned how to ask the right questions which was a crucial factor on knowing when to take the lead or step back and ask for help. His abilities to take on large responsibilities at an early age allowed him to exceed expectations in his field winning an award for his performance.

With the suggestion of his father to consider business and his acceptance into Harvard Business School, Ted pursued the field. At graduation, he pursued his goal of finding an outlet for his creative nature by interviewing with firms in publishing and marketing. With his comfort of home and working with institutions, he accepted a role with Harvard working with the Dean of the Business School. With the experience of his thesis in the past and business school education, he walked into a role helping design the school's master plan, again visioning and creating. He worked with professors to build out their offices and gained more experience on learning how to work with clients and contractors. He was quickly given large responsibilities involving land acquisitions, renovations, and conversions. This continued into construction management activities on a variety of buildings on the campus. With the great influence of the Dean John McArthur and his gained experience, a platform of knowledge was built to allow him to be prepared to start his own real estate development firm.

His need for additional achievement led him to accept his old friend's proposition to join a start-up of the Boston office for the Pittsburgh-based National Development. The two had complimentary skills: the building development creativity of Ted and the financial ingenuity of Tom. Seed money provided by the parent firm allowed them to set up an office in the city and hire a small staff. To establish the company initially, Ted and Tom concentrated on networking by setting up breakfasts, lunches and dinners with brokers, contractors, others developers, and lawyers. This built social ties creating new avenues of deal generation. Also, speaking to these individuals helped map the environment so they could more successfully enter the market.

Their networking paid off and in one of their first deals acquired a 360 acre site that had the potential to build up to 3 million square feet. The ability to purchase and develop the site came from the parent company's support of equity and credit. With a transition to a project of this magnitude, Ted was faced with uncertainty but his self-confidence and ability to take on new responsibilities helped the project become the platform of the company.

As the real estate market softened in 1991, Ted was faced with a variety of difficulties with his company's projects. While others would concentrate on survival, Ted with his company used his innovative mentality to find opportunity. They looked upon this time as a chance to break from the parent firm and be independently owned. The decision was also made for Ted's need for independence. He felt he had worked so hard but was still really working for someone else. He again demonstrated his self-confidence by taking the well-being of others in his hands which he now needed to pay.

The company has now grown to 150 employees with a variety of divisions such as legal, property management, general contracting and a real estate fund. This has been made possible by learning to obtain the right people for the job and the needed support for the development platform. Throughout his career, Ted has stressed the characteristic of honesty which built people's trust and confidence. Preparation has been important through his pursuit of approvals and completions of new complicated projects. The proper instinct he also feels is necessary for success in making deals, negotiating, or working with communities. The elements of enjoyment and pride have always been at the forefront of his projects with profit never being the only factor. He only wants to be involved in projects of which he can be proud.

Ted had the ability to be involved in a variety of aspects of the development industry, which has provided him the outlet he needed to release his desire to build, create, and envision which he demonstrated at such a young age. The utilization of those characteristics has enabled him to help create one of the prominent development companies in Massachusetts.

6.1 **Ansara Case Study**

A two-time college dropout, Jim Ansara left college and started to accumulate knowledge independently starting with small kitchen renovations and engaging in woodworking on random independent work-sites for money. With an ability to work with a construction niche that others in the industry viewed as difficult and unreliable, he built a company which is now $1 billion of revenue that has been inducted into *Inc. Magazine*'s Inc. 500 Hall of Fame.

Jim grew up in Cambridge, Massachusetts. His father was an educated immigrant and worked as a cab driver. He became ill, so his mother primarily supported the family as a teacher and artist. Because of this, they moved around quite frequently. Although they didn't have much money, Jim did not consider himself poor. He recalls he was always messing around with things, taking them apart, and sometimes putting them back together. He felt he acquired valuable knowledge in high school. Jim's brother, who was 10 years older, had purchased an old boat which they refurbished together. They went to various boat yards and refinished wooden boats, stripping the hauls and re-varnishing them. Jim believes it was this work that steered him in the direction of his ultimate career. From his previous experience with his brother, while still in high school, he got a job with Emerson College working on the Charles River in Boston maintaining the boats of their small sailing program. He recalled that there was probably more drinking than working, but he really enjoyed this period in his life.

Through high school, including one year of prep school, he became focused on playing sports, primarily football, hockey and track. He learned the value of resilience through his participation in sports. As an example, during his freshman year of high school, Jim was cut from the school's hockey team:

"It basically would have ended my playing hockey in high school. Looking back, there were other times when that happened to me and I thought I was wrong and should have been cut, but this definitely wasn't one of those times. It was more politics with the coaches than anything else, but I came back and played in various leagues in Bantam and

Midget and played all I could and skated all the time. I became captain of my high school hockey team, even though it was a different high school, but the lesson of never giving up and understanding the value of resilience has always helped me."

Jim recognizes the value of sports. The ability to go through the ups and downs, to lose and not give up and just hang in there, was very important. Finally, it taught him how to work with other people.

In the spring of attending prep school, the college found him a job with a paving company. Jim felt this was his first real job. He was the only white kid working with African American men who came up from the south. They would work very long hours traveling all over the East Coast with no overtime. He couldn't believe that people worked this hard, but it taught him how to work and hustle.

After prep school, Jim applied to college. Two of his friends played hockey at Harvard. One of his school advisors suggested he apply to Brown University, so he applied early decision and committed--closing off all other options. Even though his college entry test scores increased by 200 points after his acceptance, he had already committed to Brown and could not join his friends. He considered himself a marginal Division 1 hockey player, being the only non-Canadian freshman, and since the school only lost two players the year before, he didn't even dress for games. He left Brown after only 1 semester and went to play junior hockey for 1 ½ years, where he frequently became injured. He decided he wanted to return to college and also play for the school. Amherst College, a Division II school, recruited him for hockey and football where he played for 1 ½ years.

While at Amherst, Jim bought trashed and wrecked vans and renovated them by putting in shag carpeting and stereos. Through this venture, he was able to earn some money. At 20 years old Jim's mother passed away and, unfortunately, a year later, his father died. His brother was like a father to him and , as a result, his self-reliance flourished. He remembers during this period renovating his brother's kitchen. It was a disaster for him. Yet through this period, he was gaining more experience handling tools. During this time, he also met his wife, who had taken a year off of school to work for his brother. By fall of his second year at the school, while living in Dorchester, he was working full time as a carpenter, but was thrown out of college without a degree.

At the time, Jim really wasn't interested in attending college and didn't care when he was thrown out. He was extremely bored and hardly attended classes. He enjoyed playing hockey but knew he wasn't going anywhere with it. He was a very driven person who needed a mission. When hockey was no longer that mission because he realized he wasn't going to the NHL, carpentry became his focus.

Jim left college and began working for a guy with a small business who literally would chase fire engines in Somerville and Cambridge. Jim recalls, "He'd go up to a fire and give people his cards, so I talked my way into a job as a foreman, not knowing anything about the business, but I loved it." Jim didn't even know how to frame a wall, but the owner hired him as a foreman on a house in Somerville that had a fire:

"They dropped off this huge pile of lumber and said, build a house. I just looked at the other carpenters. This guy was in and out of business. Sometimes he did the whole job in cash. He gave us a $1,000 at the beginning of the week, and we'd then give him receipts on Friday. He then would give us another $1,000. After a couple of weeks the guys figured out I didn't know what I was doing, but by then they liked me. At the end of each day, I'd pretend I was leaving the site but would go back for 3 or 4 hours and figure out what I needed to do the next day."

During this time Jim read books and talked to many people to gain knowledge and insight. With this position, he picked up the very basics of carpentry and construction. He admits this was really the lowest level of construction, but he enjoyed it. A few months later, the owner subcontracted Jim to take over some of the smaller jobs that he did not want to do. Jim would spend the little money he had and buy additional tools. One of the small jobs he received from the owner was actually one of the most embarrassing moments in his early career. The owner of the company was hired to do a small addition on the house, and he subcontracted Jim to do the shingles. Not knowing he was supposed to use a batten board to make all the shingles straight, he simply did it all by eye. He finished the job quickly, but when the owner walked out, he was horrified. Jim was very humiliated; nonetheless, he quickly tore off the shingles, bought more, and started over. This event, along with a few other humiliating mistakes, caused Jim to stop taking short cuts, dig in, and really learn the business. Jim started his own company just as the market slowed. He continued with the remaining small jobs his boss gave him, but in order to support himself, he'd walk around with his tools looking for non-union residential jobs. He would find the individual running the site and offer to work for free during the week, and at the end of the week he'd ask to be paid, but only if the work was acceptable. For about a year he bounced between small subcontracting work and temporary job site employment.

Jim started out on his own doing really small jobs, such as three-decker porches which were falling down all over Dorchester. Jim said they were easy to do. He simply jacked them up and replaced them. In 1980 to 1981, he developed his business by building kitchens, but he struggled. He said the 3 to 5 unskilled laborers working for him were terrible, and they frequently stole money and tools from him. The types of people working for him were, in his own words, the “biggest screw-ups.” Jim at 24 years old would have to drag them out of bed in the morning. Although it was a lot of hard work and he hated it, in the same respect, he loved it and was really motivated.

In late 1981, he received his first big break, which was the turning point in his career. He worked on a house in Cambridge during the winter with a few men. The owner of the house knew he made no money on that job. He was a minor partner in a company called Steve’s Ice Cream. This company was one of the first gourmet ice cream shops that actually made their own ice cream. The line of customers ran out the door and around the block. This shop really started the development of Ben and Jerry’s, which was a big thing in the eighties. The owners of Steve’s Ice Cream wanted to open up their first big shop in Boston; the partner asked Jim to place a bid. He had never done a big commercial job, nor did he know how to put together bids. Although extremely hesitant, Jim decided to place a bid. The right price was about $150,000 for the job and he placed a bid of approximately $95,000. While others said they could complete the job in 12 to15 weeks, Jim said he could do it in 8 weeks. The owner of Steve's Ice Cream, who eventually went on to found Bertucci's and Naked Fish Restaurants, was about the same age as Jim. He called Jim into his office and gave him the job but wanted to know how Jim would guarantee it would get done. The owner wanted to be open for the Boston Marathon, so he gave Jim the job with the understanding that he could charge Jim a $500 a day penalty for every day the job was not completed after the deadline. At the time, this was a lot of money to Jim. He agreed but erroneously heard someone say that if there was a penalty, there also should be a bonus. The owner agreed that for every day Jim finished early, he would give him $500. He finished the job in 5 ½ weeks. This was the first time he really made any money so he took his girlfriend on vacation for a week to the Bahamas. That was the last vacation he had for 12 years.

At this point, he had a little woodworking shop that made cabinets. He bought some insurance and incorporated the company. The company was tiny and his focus was not on making money, but just becoming good at his trade. He frequently bought tools and created a big woodworking shop. He obtained his electrical license and started doing electrical work and, with a dead plumber's license, also did some plumbing work. From doing woodworking on his own to growing his small company and working on a variety of jobs with a crew-- he attributes his success to his resilience. He admits he never really had original ideas but he was really good at jumping into something new and learning on the fly. Every time he messed something up, he would start over and re-do it 10 times, if necessary. He said, "I'd lose a job and I'd thank the people and then I'd come back in 2 weeks and convince them to give me another job. I just kept doing stuff like that. That really helped me."

During the eighties, Jim started looking long term. He was determined to build a great and unusual company. Jim learned of a large restaurant renovation in Inman Square, Cambridge, that no other contractor wanted to do. S&S Deli, a big family-owned business with an Italian New York heritage, wanted a fancy renovation. The family had been perceived as crazy people that were loud, in your face, screaming all the time, with continual family fighting, and grandchildren running all over the place. Also, restaurant jobs had the poor reputation of not paying. On top of all that, they wanted to stay open during the whole renovation!

Upon completion of the last phase of the renovation (a total of 18 phases) , the family and the architect loved the work. Jim realized that no one was doing restaurants. Back then, the market in Boston had few fancy restaurants and was dominated by small mom and pop eateries. Jim reflects that the restaurant business in Boston was nothing like it is now. He felt he was lucky in terms of timing because suddenly fancy chef-owned restaurants, such as Jasper's, started opening in Boston and all the restaurateurs knew each other. They all approached him with projects due to his past successes and his ability to surpass their expectations.

Due to this new niche and the market being out of control, the company's sales grew to a few million dollars a year and approximately 40 people now worked for the firm. With his new-found success, Jim purchased a small building and opened up a woodworking shop in Roxbury. In 1985 a bank offered to give him a $25,000 line of credit-- it was a shock to him that he could do whatever he wanted with the money. The banker, who is still his friend to this day, made him hire an accountant. The banker introduced him to an intense accountant who analyzed his company and informed him he would charge $50,000 in fees to put the proper controls in place and put his company on the long term path towards success. Instead, Jim decided to hire a pleasant man who dealt with several construction companies. He paid the accountant and the returns were prepared.

"A few years later I woke up and we had lost $550,000 on about $3 or $4 million in revenue, which is really hard to do. You really have to not be paying attention" said Jim. The reason he lost money during this period was because he was totally immersed into finding projects, while his girlfriend had a full time job and they lived in a tiny apartment. He said, "I didn't worry about making money. I just wanted to learn and have fun."

He went back to the accountant, Tom Feely, the managing partner of Feeley & Driscoll PC that originally scared him and asked for help. The accountant created a 30 day plan that included closing the woodworking shop and requiring certain clients to pay up front for the jobs. One of the jobs they had was building a Bertucci's for Joey Crugnale. Over the next 18 months, Jim was able to work his way out of debt. He looked at this time as a pivotal moment which made him grow up and focus on money. "All of a sudden, I'm looking around and there are 20 people there, married with kids, and they're counting on me," Jim said. From that point on, he developed a focus on paying attention to the numbers-- billing and collecting money. While doing things that were not natural to him, he hired Tom Davidson, a family friend, to be the controller. The individual was a maniac with the numbers and from that year on, the company made more and more money. They were more profitable in terms of margins than any of the larger construction firms, and it is still this way today. "We figured out something that the rest of the service sector already knew but no one in construction, at least around here, figured out, which is if you're in certain niches, and you're selling service as opposed to commodities, you can charge higher margins and you get repeat business," Jim said.

This ability allowed them to form an institutional niche to diversify their business. In the late eighties they looked to Harvard. Competing against the best in the industry and never doing a project for Harvard before, Jim's company won The Harvard Faculty Club job. While others said they could complete the multi-million dollar project in 10 to 12 months, they said it could be completed by Labor Day, shutting down the facility only for the summer. Although the project had horrendous problems, it was completed successfully and today Harvard, one of their best and largest clients, has been responsible for hundreds of millions in new business. He admits these are relatively smaller renovations, in the $4 to $6 million range, but because of their niche, it led to higher profitability.

Jim was also able to position his company in the high end retail. In the early nineties during the recession, the work from chef-owned businesses evaporated. Although they had the institutional niche, it was necessary to find another source of revenue. Struggling for work, they started doing retail tenant interiors. Jim again saw another opportunity in an area that was under-served. With severe declination in rents and building prices, all the high-end national retailers started coming out of the woodwork to locate in Boston and particularly the Back Bay of Boston. They were doing interiors for some of the greatest names in retail: Armani, Cole Haan, Nike Town, and FAO Schwartz. This office is now based in New York, dominating the industry, and does all the urban flagship stores such as Armani, Coach and Fendi.

A third opportunity occurred because of the economic slow-down while Jim scrambled for work. He began doing small office tenant interiors. Jim discovered that they had a unique ability to “hold the client's hand” during the process and work quickly in occupied space. This led to dominance in the Boston market for tenant build-outs over 50,000 square feet. One notable project in 1993 was the completion of 8 floors of One International Place in Boston for a big investment firm, Scudder, Stevens and Clark. Their ability to excel in this field was also attributed to hiring Tom Goemaat from Turner Construction, who had a specialty in office interiors.

In an industry that changes incredibly slowly, the recession had a strong impact by forcing some of the oldest, largest and most established companies into bankruptcy. The mentality of mid-sized companies to push to take over the new larger opportunities made additional room for Jim’s company. The single biggest change, in his opinion, in the industry was the fax machine.

“It sped everything up exponentially, and it had more of an impact than e-mail did or even the internet. Before, if you're a developer and you wanted to communicate something to the contractor, you dictated it to your secretary, she typed it, she put it in the mail, and in 2 or 3 days it got to the contractor, and in another 2 or 3 days it got opened. Then all of a sudden that changed from 5 or 6 days to one day. It just sped up everything and because I never really worked for a real company, I just didn't know any better. We were able to take advantage of that. All of a sudden 10 or 12 month jobs were being done in 90 days.”

As the money accumulated due to such high margins, Jim invested the money back into the company, building its infrastructure. By the mid-nineties revenue was around $150 million, and he realized the importance of people. For the next 10 years, Jim removed himself from the construction end of the business and became involved in the hiring, recruiting, and building of talent. Today the company has an incredible infrastructure finding the best young talent and hiring people from all over the country, such as MIT, Stanford, Cornell, Arizona State and RPI. Tom Feeley, who is still involved with the company today, acted as the architect for corporate infrastructure encouraging Jim every step of the way. “Tom sort of pushed me onto the people end, and it was a gradual realization that we all bought concrete at the same plants, and we all used the same subcontractors. The difference for us was we wanted people who could manage really complex jobs and do it faster.”

In reference to hiring the right people, the hardest part of his business was obtaining and managing senior talent. It is important to find a person that is being highly entrepreneurial, but is willing to be trained and buys into the values of the company. Due to Shawmut’s very different culture, Jim says that many people that were stars at other companies would be wash-outs. In the earlier years, they were so much faster. Today, the company has slowed down a little due to its size, and other companies have sped up so the atmosphere is not that different. The ability to manage other senior employees' egos while managing his own ego has been difficult. One must step back and look at things from another perspective.

Jim’s advice for those who want to start their own company in real estate has been that they should figure out a niche and specialize in it. He sees people who buy a house, flip it and buy a few more and say they are a developer. They will jump at any project that rears their head. He says that eventually 95% of the people really miss-step. They believe they are more smart than lucky and then get hammered by the market. He says, “If you really take some time and figure out some sort of niche and deliberately go about filling that niche, that's how people really do well in real estate over the long term.” The common thread Jim sees in real estate entrepreneurs is having resilience--the ability to pick yourself up and bounce back. They must have the openness to try new things. Jim would always look for new ways to improve the process of construction. Although in retrospect, he feels two-thirds of the ideas may have been really useless; one-fifth of the ideas may have worked.

On current opportunities, Jim feels that energy efficient building-- not just green building-- is going to explode exponentially--almost like an internet bubble explosion. He says in the winter when oil may be $190 a barrel, it will put tremendous pressure on families and businesses. Heating and cooling will always be a big deal. When people today are evaluating housing, they look at the school system and the level of crime. In Europe they look at the home's proximity to work and its efficiency. He feels the American suburban model will change in some ways through infrastructure, mass transit or energy efficiency. Fuel efficient or electric cars alone will not fix the problem.

When looking back at the things he would have changed in his career, Jim says he would have taken a 6 month sabbatical from the business in 2000. He believes by taking this break, he could have come back refreshed and ready to run the business in a different role. He really got burned out by building the infrastructure of the company. It was not what he really enjoyed, but it needed to be done. Also, he was overwhelmed by all the little details of running the company. He stepped down as president and acts as the chairman of Shawmut..

To this day, Jim built Shawmut Construction to excel in their divisions which were founded on niches with lack of competition and in understanding the customers. Today, this has led to now approximately $1 billion in revenue. They found a certain niche where instead of bidding, they could negotiate. Construction is generally a commodity. The way to differentiate one’s company is to provide excellent service, no matter what it takes. The job must get done and be done right. Because of this reputation, Shawmut gained repeat business by putting the client’s satisfaction above short-term profitability. This will lead to higher margins in the long term:

“One of the best lessons we learned was when we had the owner of a restaurant come in and immediately notice the color of the ceiling, which in this case was blue. We’re already scrambling to complete the project for opening day, which was only 2 days away. He'd say that wasn't the color I wanted. The first impulse in construction is to pull out the drawing and say, well, it's on the drawing. If you want to change it, I'll give you an estimate and you can sign it. It was better to have our superintendent or foreman look at the ceiling and say, yeah, that's an ugly color. Joe, get that painted, get some samples, get our painter; and then we'd go back after the client was really happy and try to get paid for it. If we didn't, we didn't." When 99.8% completed, by telling a restaurant owner, let's get some samples and get it done, rather than telling him you will prepare a change order—you have a huge impact on the experience from the customer's perspective. Six months later when a job comes up and you are trying to get another restaurant job, they will call one of their buddies that will say you need to hire these guys; they are the absolute best.

What is the definition of an entrepreneur?

People and related magazines create a fairly focused definition of the entrepreneur. Jim believes that it is much more diverse than that. There are people like him that are screw ups who are too driven and stubborn to work for anyone for any length of time. There are other people who are driven by ideas and very unique and interesting ones. There are other people who just love the business aspect. They love selling companies and can't wait to do something else. Jim doesn't love business. He loves being challenged and figuring things out.

6.2 Path and Characteristics Analysis

Jim Ansara grew up in a working class family and at an early age gained knowledge working with tools, whether it was taking something apart or refurbishing an old boat with his brother. He used this experience to maintain boats on the Charles River for Emerson College. He believes his ultimate path in construction may have been an accident, but these early jobs are what he believes led him in the direction of this industry.

Jim continues to refer back to the characteristic of resilience, which by his definition is very similar to perseverance discussed in the literature review. Part of the development of this characteristic was attributed to sports starting in high school. He demonstrated this after being cut from the high school hockey team during his freshman year. Through his hard work and never give- up attitude, he was able to then become captain of a high school team, displaying his ability to lead and work with others. Also in high school through a grueling paving job, he developed a strong work ethic.

Autonomy has been discussed in Chapter 1 as a strong attributing factor to entrepreneurial success. Jim, at 20 years old, sadly developed this characteristic through the death of his parents.

Jim really showed a commitment to his passions throughout his life. In college, he showed a passion for hockey and went to Brown, but after not being able to play, he went to Junior Hockey. After going back to school at Amherst to play Division II hockey and realizing he would not be able to achieve his goal of reaching the NHL, Jim directed his passion into carpentry and working with tools. The necessity to support himself led to his utilization of opportunity recognition of renovating trashed vans and selling them for a profit. His ability to delve into his passion led to a lack of interest in school and subsequent dismissal without a degree.

For one year Jim continued to gain knowledge as an inexperienced foreman but used his perseverance to quickly learn the basics of carpentry and construction by staying after hours on job sites, talking to others or reading books. This progressive gain in knowledge allowed him to be subcontracted by his boss to do small jobs. This seemed to be the first step in Jim's starting his own independent company, while at the time accepting short term work on other sites in order to get by. His most humiliating experiences that revealed his lack of knowledge, combined with his resilience, taught him to stop taking short cuts and learn the business.

That previous year allowed him, at 24 years old, to build his own crew that was, unfortunately, unskilled, unethical, and needed to be dragged out of bed in the morning. His perseverance and passion for the industry allowed him to lead the crew to complete various porches and kitchens.

After receiving his first break when he was given the opportunity to obtain a job larger and more complicated than ever before, his ability to take a risk put him on a path to constructing restaurant interiors. Successful execution of the project that was cheaper and completed weeks in advance built a relationship with an emerging restaurateur in the industry. This step allowed him to legitimize his company by incorporating it, setting up a small woodworking shop and expanding his lines of business into electrical and plumbing. His tenacity led to quickly redoing improper jobs that resulted in customer satisfaction and growth. During this period, Jim set a long-term goal to create a great and unusual company.

S&S Deli presented another risk for Jim. He took a job that scared others based on family infighting, continual demands and a reputation of not paying. His uncanny ability to meet the client's needs while working with them throughout the process carved a niche others in the industry dared not tackle. At this point the industry exploded with chef-owned , high-end restaurants. Jim was lucky in terms of timing, but also was prepared to seize the opportunity through his reputation and unique experience.

His company grew to a staff of 40 and his revenues exceeded into the millions but his great passion to do jobs created a minimal emphasis on the finances of the company. Showing his lack of concern for profitability, Jim lost $550,000 on only $3 or $4 million in revenue. His realization that the employees and their families relied on him led to his acceptance of a 30 day plan by an accountant at Feeley and Driscol, allowing him to gradually work his way out of debt in 1 year. The firm's unique ability to sell a service and not a commodity allowed the firm to charge higher margins and, thus, it quickly became highly profitable.

Their unique service approach, while being able to complete projects at a fast pace, allowed them to diversify into institutional work gaining their first Harvard project. By being able to complete the Harvard Faculty Club before the new school year started, Jim gained a new customer that would become one of their largest.

The construction slowdown in the early nineties forced Jim and his company to scramble for any work leading him into retail and office tenant interiors. His ability to execute highly specialized interiors allowed him to again meet an under-served need as retail tenants flooded to the Back Bay due to low rents. He has obtained customers such as Armani, Fendi, Coach, Cole Haan and Nike Town. Office tenants also were in need of a company that could hold their hand through the construction process. This became especially evident during a law firm's expensive interior renovation. Recognizing the opportunity and niche, he developed that area of the business gaining a majority of the tenants and outfitting over 50,000 square feet. Finally, by implementing the fax machine, his firm became even faster.

Jim recognized and accepted the need for bright new talent to maintain a company that provides a unique service and not just a commodity. This new talent was needed so that they could continue to manage highly complex jobs and complete them faster than anyone in the industry. Jim headed an aggressive plan over the next 10 years which now attracts talent from all over the country, including graduates from MIT, Stanford, Cornell, Arizona State, and RPI.

Jim’s ability throughout his life to channel his passions has led to his progressive accumulation of knowledge and ability to grow his company. By taking risks and figuring out solutions to complex projects in markets that are under-served, he figured out how to carve niches in restaurant, retail, office and institutional businesses. These factors have grown his business from a single man building porches to domination in complex interiors yielding revenues of approximately $1 billion.

7.1 Davis Case Study

Jon Davis had his first taste of the real estate industry by receiving a small check from a $5,000 dollar syndicated investment his father made in a hotel development that he put in Jon's name. Jon's enjoyment of the real estate industry and his great self-confidence led him to create his own company, now called Davis Marcus Partner, with $200 million of projects under development. It has had acquisitions in the last 12 months of 1.2 million square feet with a total of 4.5 million square feet under management.

Jon Davis grew up in a middle-class family as the son of a dentist in Pittsburgh, Pennsylvania. His father told him that if he wanted to be a dentist, he could come in and work with him. Otherwise, he would be on his own. Learning this at an early age was really a big motivating factor for Jon. He was entrepreneurial at a young age always trying to cook up some scheme in high school to make money. Also, he had an early interest in the landscape and how it was changing. Jon was very interested in the new buildings being created and who were the players that were involved with it.

His first-hand experience with real estate came when his father and mother invested $5,000 into a syndication account of a friend who was building a hotel in Washington, D.C. He found great interest in the project and his father put a third of the investment in his name. He was greatly interested each time a check would come, and it drove his interest towards the real estate field. During this period his father greatly influenced him. He instilled in him that he should never be intimidated and he could do whatever he set out to do. He feels that although most parents probably do the same thing, his father's influence made him feel as though he could do anything he set out to achieve, which gave him confidence.

Also in his early years, he had a neighbor that was a lawyer-turned developer. While growing up Jon was always fascinated with what he did. Jon reflected on one time going to speak with him:

"So I went over to him and said, tell me how do you become a real estate developer? He said (and I was 17) find a piece of property and do something different with it. He was very dismissive because of my age and I said, is that it, and he said, yeah, that's it. It was good advice."

The neighbor really acted as a mentor to him and taught him the "art and essence of the deal."

Later, Jon worked a variety of jobs early in life to earn some money, including delivering meat for a meat market. Another interest of his was photography. This led into a variety of related work including freelancing, architectural, weddings, and bar mitzvah photography. He also did some head-shots for political candidates.

He attended college near Boston as a political science major at Brandeis University. After his freshman year, he went back to Pittsburgh and, due to his interest in buildings, tried to get a job with a construction company. In review of his past experience, the company saw his great photography skills. They felt that swinging a hammer was not a good use of his time so he was hired as a photographer for their annual report. In the early seventies, he then got involved with opening food co-operatives. This prompted him to take a year off between his sophomore and junior year to help organize the Cambridge food co-op. He raised all the money, found a facility, negotiated the lease, bought the equipment, and hired the staff. Subsequently, he was involved in setting up a wholesaler organization for all the co-ops in New England. He feels entrepreneurship was just "in his guts." During another summer, Jon was a real estate broker. He said it worked perfectly. All the rentals were done in the two months in the summer, which was the time he was off from school. In 1974 and 1975, Jon was making a year's pay of about $10,000 for the two months of summer.

After graduation from Brandeis, since all of his friends went to work at different ends of the country, Jon decided to try to find a job in Boston. He got a job from an individual he refers to as sort of a slum lord that owned dilapidated student apartments who needed help running the rental office. The first year, Jon acted as a rental agent and by the second year, he was able to run the office.

He talks about the learning experience as follows:

"It gave me exposure to a marketplace, what things sell for, what things rent for, what things are appealing to renters and buyers and what aren't, what goes quickly and what doesn't, where people are trading up to, and where the top tenants are going. Also, how does the finance structure work, how do you analyze and negotiate the purchase of a piece of real estate, bidding strategy, financing structuring and so forth? Frankly, it's not that different for a $250,000 acquisition than it is for a $100 million acquisition. Yes, there are differences, but all the essential parts are there."

It was a great time to work because Boston was going through a period of great transition. People believed that, "the industrial base was gone, the population was not growing, the tax structure was terrible, the infrastructure was aged, and the costs of energy were driving people away to the Sun Belt." Also, with serious racial issues and parents afraid to put their children in the school system, the city of Boston was abandoned by many residents.

With all these issues, however, universities and hospitals, along with the electronics and financial industries, were growing. At the time Jon was not really aware of the macroeconomic issues and began buying small two-family houses with his savings as a real estate broker. He said, "What I knew was I could buy a two-family house for $30,000 and leverage it up to the hilt and still have $400 or $500 a month as positive cash flow with very little to no cash down." He began buying these houses in the Jamaica Plain and the Cambridge Port area for $30,000, which he sold 3 years later for $130,000. He reflects that these units in the Cambridge Port area are probably worth $930,000 today.

Coming out of a serious recession with negativism about the Northeast in 1976, at 23 years old, Jon had the opportunity to purchase an 83 unit apartment building in Jamaica Plain. The brown stone building built in 1900 encompassed a city block and cost $8,000 a unit on the Jamaica Way. With the seller allowing a wrap-around mortgage, he needed $75,000 as a down payment. His confidence in the acquisition was due to the vacancy decontrol laws. This provided that every time an apartment went vacant, the next tenant had to pay market rents. With rents currently at $200 a month in the complex, they really should have been $600 or $700 a month.

Jon's father decided to place a huge bet on his 23 year old son. With the need for $75,000, which at the time was a lot of money, his father decided he would re-mortgage his house to support the deal. Over the next few years, they struggled with the property since the housing market got tougher and, as a result, tenants were staying in their apartments even longer. The turn-over was slower than expected , while energy costs were going up. In 1979, it became possible to convert the units into condominiums, which they sold. Jon did some of his first major renovation work doing a lot of cosmetic work to prepare the units for sale--everything from replacing the windows to changing the boiler systems. This building that they purchased for $8,000 per unit was now worth $50,000 a unit! Now 29 years old, Jon stated, "All of a sudden I was a millionaire, and my dad who had worked for 30 years at that point made more money on that one deal than he did in the entire 30 years he worked." There were extreme ups and downs during the course of this deal. What gave his father the confidence to invest a majority of his wealth in a 23 year old boy who, in the past, had only purchased 6 to 7 two-unit properties? Jon felt he knew the market. First, the deductions his father would receive from the tax benefits would be excellent. Second, he saw the downside as just receiving the low rent from the current tenants, which still maintained a break-even cash flow. Jon was able to respond to the inexperience of managing an old 83 unit complex with potential capital issues by seeing the opportunity beyond the problems.

The next year in 1980, Jon had the opportunity to buy a failed project in Beacon Hill in which the previous owner tried to buy a parking garage and sell off the individual spaces to buyers. The project had failed in the past due most likely to poor timing and a flawed plan. The previous group was trying to sell 66 spaces, but he found out how to get 110 spaces by working with the title insurance company and changing the way they packed the opportunity. As the first condominium approach for parking spaces in the country, the project went on the market at a great time--the Pope was in town for the week. With all the press in town, Jon was in *Newsweek, The Wall Street Journal* and went on the *Today Show*. After it was all done, he and his project had been covered by 275 newspapers. Although he did not make much money from the project, it furthered his bank roll and deal sourcing by the fame of the project.

In 1981 with President Reagan in office, the tax laws changed to favor both real estate and particularly historical renovations, which allowed 25% historic investment tax credit, accelerated depreciation, and deregulation of the banking industry. He refers to this time as a wild party where the credit markets and real estate markets converged. "So you had this young, brash kid who, I mean I was conservative, but I wasn't afraid and I had the wind at my back for a lot of reasons and went through a period of tremendous growth through the eighties to the point that in 1989, I had $100 million worth of development under way", said Jon. The growth of the company from that first large apartment to making the transition to ground up development, Jon admits, was difficult. He heavily relied on the architects at the time, and gradually as projects got larger and more complex, he realized he needed an in-house staff with technical expertise.

He recalls a time in 1983 when he was doing his first commercial project that he was going to own and operate. He went to an institutional lender for the financing, and they asked to see his organizational chart. At the time all he had was one secretary and was subcontracting out all the work. Form this point on, he started staffing the company by hiring some project managers.

In1989, it was the most defining point in Jon's career as the real estate market collapsed. As others declared bankruptcy and while his bank had been taken over by the Bank of New England, he pulled his and other people's resources together to restructure their portfolio. By auctioning off properties and cleaning up the balance sheet, Jon ,with his investors, bought back $85 million of his debt for $48 million. When the dust settled, Jon kept the company without filing bankruptcy, while many of his competitors were either bankrupt or greatly struggling.

Jon pursued a dramatic acquisition phase in 1992 at the absolute bottom of the market that created many secular buying opportunities. During this period he also brought on a partner, Paul Marcus, who could complement Jon's entrepreneurial spirit with the new partner's execution experience. Also, Jon could focus more on the deal making end, while Paul could take on the operational details of the development process with his technical expertise. Paul was an MIT trained civil engineer who had worked for major corporations such as Hyatt, the Beacon Companies, and the Chiofaro Company. For the next 15 years together they rode the market and did $1.6 billion in development and acquisition. This included a variety of property types, stabilized properties, value-add properties, tax liens, and debt. They also did a lot of health-care-related projects, medical office buildings, and some bio-tech buildings. One example of a project is a failed department store in which they converted all the centers into grocery-anchored strip centers. All together the portfolio grew to around 9 million square feet.

Jon reflected that when two very different personalities come together, it can be very synergistic, but also very exhausting. After 15 years and a great run, he and his partner had decided to go their separate ways. Jon has taken a majority of his wealth out of real estate, which was good since the market has been tough lately. He is now concentrating on new things that he used to do in the past, such as buying debt. He feels these markets are more broken down than the real estate industry, and it will present great opportunity.

If he could go back and change his approach to his career, Jon believes, although he has mixed feelings about it, he should have spent a couple of years working for a top quality development company really understanding more about their views of markets and how they structured their company and deals. He feels this may have led to fewer mistakes and would have allowed him to avoid a couple of steps along the way. He feels his company may have been able to do bigger and higher quality deals faster. Secondly, in regards to partnerships, he wished he would have given his partner 49% instead of 50%. This had made things more difficult, and he is paying for it now.

In regards to development opportunities in the current market conditions, Jon says that the population of the country is still growing and the demographics are changing. As the culture also shifts, people's needs shifts. One example, because of this shift, is a greater need for health care. As new immigrant groups become more dominant, new needs will be created and further opportunities shall present themselves from a macro perspective.

In Boston, he feels that as the population becomes more affluent, there will be a further need for management and financial services. Also, as pressure for productivity increases, the reliance on technology will fair well for Boston. Institutional presence from the universities will continue to produce leading edge thinking, highly skilled workers, and highly paid professionals that shall continue to drive the market. Further, Boston has a highly land-constrained market with a difficult regulatory environment, making it difficult to develop. He is bullish on Boston for the long term.

On the debt side, markets currently are in turmoil. Yet, there is still a lot of equity chasing real estate because of its stability of returns for the last 15 years. Institutions are trying to become more diversified away from stocks and bonds. Real estate has been the primary beneficiary. This had led to higher liquidity but lower returns in the future. He feels that in the current market, there will not be further yield compression. He says, “We're going through a period of stress right now and that's always created opportunities. It's already creating opportunities and it's going to create more opportunity. Fire sales, I don't think so, because of the overhang of equity, but I do think good stuff is going to come out of all of this.”

Jon’s advice is that one should not be afraid to take measured risk and don’t accept conventional wisdom, because most of the time it is 100% wrong. Challenge every assumption, which is what he attributes to his success. He says to find the situations where there are inefficiencies and the most negativism in the marketplace. Also, “Hire people that are smarter than you, know more than you do, and don't take no for an answer—that's a key one, and believe in yourself.” “I know these are almost like 'apple pie' statements,” he admits.

He was lucky enough to enter a market where opportunity and competition was out of balance. He said one should enter the market when the wind is at his back. Those opportunities may not be here in a highly liquid market where the days of yield compression are over. You must find an area in transition. He states, “Change is extremely important in real estate, so find places that are changing for the better. It sounds simplistic but that's really the answer.”

Jon feels real estate has always been in his DNA right since he was born.

“I think the really lucky people, and I can count myself as one of them, are the people who don't look at what they do as a job, and the reason is that I love this. I really have a lot of fun doing this.”

What is the definition of an entrepreneur?

An entrepreneur is somebody who doesn't let practicality get in the way of pursuing his vision. His friend the tax attorney said to him, “If you worry about where you're going to find the money, you'll never do a deal. Money always follows a good deal.” At the essence of it, an entrepreneur is someone who has ideas, has the courage and has the foolishness to charge forward with them. The entrepreneur finds a way to pull all the pieces together to make it happen.

7.2 Path and Characteristics Analysis

Jon Davis grew up in a middle-class family. His father instilled in him during his childhood a strong confidence that he could do anything he set out to achieve. He always was trying small entrepreneurial ventures to make money, and he had a variety of small real estate experiences early in his life that started to plant the seed of a career path. At a young age, he started gaining an interest in the real estate landscape, the buildings that were being created, and who was creating them. His interest was furthered by his father's small syndicated investment in a hotel development, which part of it was in his name so he received checks. Finally, he had a neighbor that was a real estate developer during his teenage years that acted as a mentor and taught him some of the basics of the field. All these influences really created the early fundamentals of a passion in the real estate industry.

After his first year at Brandeis University, he went back to his hometown of Pittsburgh for the summer. Since he had experience in photography, he began taking annual report pictures for a construction firm. His independence and entrepreneurial nature really showed when he took a year off of school after his sophomore year. He organized the Cambridge Co-Op in which he raised the money, found the facility, negotiated the lease, bought the equipment, and hired the staff. These basic concepts accumulated a basic knowledge that could be carried forward into the real estate career. He continued to accumulate knowledge as a broker for two summers during his undergraduate degree, having much success signing apartment leases. After graduation, he became a broker for a sort of student slum lord. Yet through this experience, he was able to map the environment by learning the market of where good properties were and what types of prices they traded for. He also learned the finance perspective by understanding how to finance, evaluate, and negotiate real estate properties at a basic level. His drive and ability to learn enabled him to run the office only after the second year with the company.

Jon showed his independence by leaving the company. With his understanding of the market and a base of knowledge, he used the money he saved from his job as a broker to purchase two family homes for $30,000 in Jamaica Plain and Cambridge. Being able to highly leverage the property, he was able to obtain a good amount of passive income.

After only purchasing 6 or 7 houses, he found an opportunity to purchase an 83 unit apartment complex. To pursue a relatively massive acquisition compared to the current properties and accepting a majority of his father's wealth that he raised through refinancing his house showed great self-confidence. This was based on his understanding of a variety of concepts including the utilization of depreciation and a wrap-around mortgage, along with knowledge of the deregulation of rent control. He implemented the characteristic of opportunity recognition when others viewed the market in the northeast with great negativism. He persevered as the housing market weakened and energy prices rose, being able to sell the units as condominiums. He renovated the building picking up additional experience. The project was his first great success making him a millionaire.

In his parking structure project, he used an innovative approach to increase the parking spaces from 66 to 110 and timed the market. This project built a reputation that led to the availability of more projects. He continued to grow as the market flourished, but in 1989 the market crashed. As his assets became distressed, Jon utilized perseverance and innovation to restructure his properties and buy back his debt. By not going into bankruptcy, he came out of the process being able to keep his company. In 1992, while the market was at its rock bottom, he recognized the opportunity to purchase and was well positioned to do so. During this time, he brought on a partner to help run the operational details of the company, again accumulating knowledge for the firm from his partner. For the next 15 years they developed over $1.6 billion in development and built a 9 million square foot portfolio.

Jon stressed throughout his career the passion and enjoyment he had for the real estate industry. This propelled him to have an unmatched work ethic yielding great success.

8.1 Karp Case Study

Steve Karp, unsure of what he wanted to do in life, accepted a real estate job out of necessity and was quickly engulfed with major responsibilities after only months on the job. His ability to learn and emerge with a great base of knowledge at an early age enabled him to find a niche propelling his interest into regional mall development with the creation of a retail portfolio, later purchased by Simon Properties for $1.7 billion.

Steve Karp grew up in Medford, Massachusetts, where he attended Belmont Hill School, a private all-boy school in Belmont, Massachusetts. His father was a lawyer and his mother, now 99 years old, worked in Medford City Hall. His mother never ended up practicing law and stayed home to take care of the family. During high school, Steve was unsure what he wanted to do, so he decided to enter medical school, which he thought could be a promising path. He was admitted to Johns Hopkins University, which he felt was a very difficult turning point in his life. After 2 years of pre-med classes, he realized he had little interest in the medical field. To confirm his feelings, Steve left Johns Hopkins to be a medic in the Air Force. During this period, he came to the understanding that the type of studying it took to become a doctor and the courses he took did not meet his aptitude. After this 6 month period, Steve ran into a professor from Boston University, who was writing a book called *Kennedy Campaigning*. The book was about Ted Kennedy's first election, and he asked if Steve would work with him for a summer on a chapter of the book. Steve was assigned to the Italian vote. He would walk around the North End interviewing interesting people. The book became a success in the academic world. While working with him on his second book, the professor convinced Steve to become a political science major at Boston University. After 3 additional years of college, he graduated with a government major, and since he had no particular expertise, he could not find a job.

His father knew a man that was in the real estate industry who renovated old buildings in Boston. The man needed a young guy to run around the city and do the things no one else in the office wanted to do. He offered Steve a job and said that he could shadow him. Steve's responsibilities quickly transformed into his managing the renovation of the

Salada Tea building in Boston at 330 Stuart Street, where Grill 23 Restaurant is now located. He admits, as a political science major out of college with no real estate experience, trying to renovate an 11 story building was not a role he should have held. However, since the company had 5 building renovations going at one time with only a small in-house staff and a small construction team, they needed help. Steve was learning the business on the job. During the time of this renovation, Steve had the idea of putting the first club in Boston which was to be a jazz club called “The Bronze Door,” because of the beautiful bronze doors on the building. Unfortunately, the renovation was right behind the Morgan Memorial Chapel; therefore, he could not get the liquor license to build the club.

They then purchased a garage in Kenmore Square, a 7 story building, and put the club on the second floor and left the name “The Bronze Door,” because that was the name the liquor license was registered for. Interestingly enough, they purchased the building from Cities Service Oil Company and made a deal with them to put a sign on the top of the building. Today, this sign is the famous and historic CITGO landmark in Boston near Fenway Park. He went on to renovate 38 Chauncey Street behind Macy’s that was a 14 story building. About 6 to 9 months later after his initial employment while the company was doing 4 or 5 buildings, the owner had a heart attack over the weekend and died. Even after this short time, Steve now in his early 20’s had learned so much that the bank approached him and asked if he could help finish the buildings they were working on. Again Steve was put in a situation where he would be given more responsibility then he should have had. Steve accepted.

Toward the end of this process, the owner of a theater on Washington Street, which was closing down, asked if they wanted to purchase it, since they owned other properties on the block. Steve was not interested in the property but felt not many people knew about the building, so he figured by selling it, he could obtain a commission. He recalls doing this, never having sold a building before and with no knowledge about selling buildings. He took out a book that revealed the property owners that were within two blocks of the site. Two names kept coming up that owned buildings in the area. He called them up and went down to their offices and presented the building to them. Both groups seemed interested: one group wouldn't call him back and the other group, which he really liked, worked with him as the broker to pursue the property. As it turned out, the company that wouldn't call him back went behind his back and purchased the building. The other group he hit it off with offered him a job.

He went to work for State Properties and with his renovation and construction experience, remodeled buildings in the downtown area as he did in the past. At 28 years old he decided he wanted to try developing land in the suburbs. With State's support, he found a parcel of land in Danvers, Massachusetts, on Route 128 that was 104 acres. State, at the time, primarily worked on urban development. Steve was leading them into a new market. There were literally cows grazing over the land, and the North Shore Shopping Center was the dominant retail center in the area. It wasn't enclosed and had a Sears, Jordan Marsh (later in 1996 called Macy's), and Filene's Department Store. Interestingly enough, this was only one year after he joined the International Council of Shopping Centers. During this time Steve didn't know how to build a mall, so he joined the organization and attended a class which was called the University of Shopping Centers taught by the Dayton Hudson Corporation (which eventually evolved into Target). They taught a course on how to build a regional mall. The course lasted 3 days. Steve took as many notes as he could and went back to Massachusetts and tried to follow the outline of what he learned.

One year later when Steve tied up the site in Danvers, he had an idea. What if he could build an enclosed mall at the next exit based on the inclusion of discount stores, which was an emerging market at the time. The discount store market emerged from Ann & Hope in Rhode Island attributed as being one of the first self service department stores and one of the first places to use shopping carts in a department store. In fact, Sam Walton visited the chain in 1961, which gave him the idea to start Wal-Mart. Also, Harry Cunningham visited the store in the process of launching the first K-Mart store. The 220,000 square foot store in an old mill was mostly soft goods. Steve was able to convince them to open up a store at his Danvers site.

At the time Lechmere was the hard goods king of New England selling an estimated 50% of the cameras and almost all the televisions in the region. If Sear's didn't sell it, Lechmere did. It had a store in Cambridge, where Steve eventually built the renowned CambridgeSide Galleria. Steve convinced them to be the other anchor tenant, which helped at the time of the transaction, and during the process Dayton Hudson purchased Lechmere. Steve then began negotiating with the same people that taught the class only one year later. Once the anchor tenants were in place, although skeptical, the smaller tenants lined up to be a part of the development. Steve was not familiar with operating covenants; he, therefore, hired a lawyer to assist on the closing of leases.

One year later the Rouse Company taught the ICSC class. Steve once again attended asking "a zillion questions." He got to know and befriended the people from the company, including the ones that did the leasing. In the future he could call and ask them questions.

Steve developed a great admiration for the organization and eventually became president:

> "The International Council of Shopping Centers was founded on the idea that if you have a penny and I have a penny, we each have a penny. If you have an idea and I have an idea and we exchange the ideas, we now have two ideas. If we each had a penny and we exchanged the penny, we'd still have one penny. So they were very easy to deal with and it's always been that way in that organization and the people would give you a lot of information if you asked for it."

Overall, the Liberty Tree Mall in Danvers on Route 128 became very successful. This propelled Steve to become a partner in State Properties. He loved the business of building malls and hated the idea at the time of going back to Boston renovating old buildings. To stay in the business, he built a few more shopping centers. In 1972, he read an article in *Fortune Magazine* that New Hampshire was going to be the second fastest growing place in the United States from 1975 to 1985. They cited the reasons for the growth as having no sales tax and no income tax. With a growing market with cheap land, Steve surveyed the state estimating where all the enclosed malls in New Hampshire would be in the next 15 years. He tied up a couple pieces of land in the state, and in 1975 built the Mall of New Hampshire in Manchester. He cut a deal with Filene's in an area where other people couldn't envision the opportunity. In fact, people at the time used to call New Hampshire, Cow Hampshire. He then signed a second deal with Sears and tried to work out a lease with Penney's. By securing Penney's, he would have had the framework for the mall. Unfortunately, Penney's was incredibly difficult to convince; they didn't take him seriously since he never accomplished any significant project in the state. They had their favorite developer in the area to do business with and the unusual concept was based on the premise of a discount mall. During this period, as luck would have it, the head of real estate at Dayton Hudson, whom he dealt with during the buyout, called him up and said he received the green light to open up another store. Thrilled, Steve said he had the perfect site in Manchester, New Hampshire. The representative flew out the next day and Steve sent a helicopter to pick him up at the airport. He arrived at the site and they made a deal there on the spot. Lechmere became the third anchor. This was the first time someone had taken a discount store and combined it with a department store. The mall was leased out conventionally.

He reflected on the project and the future:

"And it was very successful (The Mall of New Hampshire), so I got to know the real estate guys and all their chains. It's a little bit like a club, once you're in, you're in. I then realized, this is the industry I want to focus on. As I looked around New England, there was a void in developers in doing malls, and the people that had done the earliest malls were the generation ahead of me. They were elderly, out of the business and not expanding. In one case, one of them had passed away. I was the next generation coming into the business. When I look back at it now, I realize, I was in a one-generation business."

The success of this mall was one of the greatest transactions for Steve. After the Liberty Tree Mall and making partner, the firm pursued other product types, such as operating nursing homes and health facilities in Connecticut. However, Steve wanted to stick with the development of malls. At the time of the Mall of New Hampshire project, they also received permits to develop the first high-end condominiums overlooking the Charles River Country Club in the best residential area of Newton. Even with deposits taken for the sale of every unit which were pre-sold before construction, Steve still traded his interest in the residential project for full interest in the New Hampshire mall project which was struggling at the time. He started his own firm called New England Development after 7 years with State Properties.   Just as the residential project was completed, the economy went into a recession. With only 5% of the unit price as a deposit at the time, all the buyers walked away from the purchase.

Steve's view of the condominium development business is that many developers build 12 units, make some money, then build 36 unit, and then 160 units. A recession hits and they consequently loose all their money. This is a problem many of the home builders have recently faced—developing too large of an appetite. Even in his 3,000 acre Pine Hills development, he builds the infrastructure and models but sells the land to developers, creating developments at different price points reinforced by an up-scale atmosphere. It is a different approach.

During the recession, Steve moved his offices from his building in Boston which he could re-lease to one of his suburban properties that were struggling. In the late 1990's, he had to make another major decision. Consolidation was going on in the industry. Two years before this time, Steve was on the board of a company called Retail Property Trust backed by major pension funds such as CalPERS and CalSTRS privately held by Gerry O' Connor out of New York. Gerry acquired shopping centers all over the country and fixed them up but wasn't really a developer. One day they sat down and Gerry suggested that they should consolidate into one operating company. They would each maintain individual ownership of their properties but would share the managing, leasing, and marketing of the properties. Steve's office was on Wells Avenue in Massachusetts, and Gerry's office was on Park Avenue in New York. They formed a new company called Wells-Park. It was now the largest privately owned mall company in the country.

For the next 15 years, Steve focused on building regional malls in New England. In the early 1980's, there was a big recession in the Northeast and development opportunities dried up. Steve moved on to building a platform out of the Washington D.C. market. He tied up four sites: one in Delaware, one in North Carolina, and two in Virginia. He then built the Apple Blossom Mall in Winchester, Virginia, and just when the mall opened, Michael Dukakis came into office helping spur the "Massachusetts Miracle." With things going crazy in Massachusetts, Steve brought everybody back and completely focused in his home town of Massachusetts.

During the next 15 years, he built 60% of the malls in New England. His company had more dominance in a region than any developer in the country for regional malls. He learned that once he became focused, he couldn't be distracted.

They began discussing going public and hired Goldman Sachs to take care of the transaction. Steve then received a call from Dick Jacobs, owner of the Cleveland Indians and also in the mall business. He also was looking at going public. Dick looked at their portfolio and saw properties in California, Texas, Florida and the Northeast, but there was a void of properties in the Midwest and Southeast.   These were the markets his portfolio covered and he suggested he could join them to create the most dominant mall company in the nation. After a year of working out the deal, the parties decided, for a lot of reasons, to split. Steve personally felt the transaction might not be compatible and realized he really loved the development business.

He reflected on the situation:

"I didn't know how to be the guy that met with Wall Street all the time; I didn't know how to manage a company by quarters. I was a dreamer trying to think about the next project we were going to do and finally convinced myself we were better off not going public."

At the time, General Growth Properties went public and Simon Property Group was in acquisition mode. Simon bought CPI, one of O'Connor's previous companies, and now was making a run at RPT. They got both. After the transaction, Jacobs went back to Cleveland building a couple more malls and Steve bought two existing malls that he was renovating, continuing to build his portfolio. In 1998, the Hahn Company was in California with big developments from San Diego through Los Angeles and had built most of the malls in that area. They were subsequently acquired by Trizec, a Toronto based international developer, which then created the entity Trizec Hahn.

Steve began thinking about an exit strategy:

"I looked at the cap rate and I said, that's a really big number for that company because I had looked at the company before and I started thinking, how did they do that deal? I thought my portfolio was at least as good as theirs even though California had a little panache to it. But New England was harder to get permits than anywhere in the country, and I had kept all of the national developers out of here. Almost every deal I had, I had a national developer coming in competing with another site, but I won most because I knew how to get permits in New England. ”

One of the things Steve learned, from helping manage a portfolio all over the country, was that local knowledge created a tremendous advantage. This was hard to do for national companies that were flying all over the country and not staying focused. He wasn’t doing a hundred deals at a time. All he was trying to do was continually have 4 or 5 malls going at once and timing the development process. For example, he would try to have one project in the permitting phase, while another would be in the construction phase. He didn’t do every opportunity, which took much discipline.

Steve sat down with his attorney, now partner, Steve Fischman, and said, based on the number of the Hahn deal, they should consider selling. Steve called an individual at the newly formed Trizec Hahn and got the name Marty Chico from Merrill Lynch, who handled the transaction. He called Marty and asked if his company could be sold for the same numbers as the Hahn deal. He didn’t know, but proposed a meeting. Marty proposed a meeting at 2:00 pm that day. Steve was surprised knowing that Marty was in New York. Marty said that he was on a flight to Boston to meet a Russian hypnotist to hypnotize him to stop smoking, and he would meet him after. Steve responded, “But what if you forget the numbers?”

They got together and formulated a strategy for selling the company. There were only three companies big enough to do the transaction, and it boiled down to Simon and General Growth. At midnight, which was the cut off point of the transaction that was going to now be closed with General Growth, he received a call saying that in reading the final document, there were a few provisions they couldn’t live with. Steve gave them until 5:00 pm on Monday to accept the deal as is. They never called. At 5:01 pm, the representatives of Marty walked over to Simon and handed them the same contract giving them until 5:00 pm the next day to accept it as is. That’s how Simon won the portfolio. The company sold for $1.7 billion and they retained a few of the properties, including the CambridgeSide Galleria.

Subsequently, Fischman and Steve's son, 18 years old at the time, started selling baseball caps. By the time he graduated college, the company grew to 200 stores and they sold it. The store was called Lids, now the biggest hat retailer in the world.

Steve transitioned the company into a mixed-use focus. They have entered a variety of notable projects, including the 3,000 acre Pine Hills development in Plymouth, Massachusetts. Currently, they have 4,000 people living there with three golf courses designed by Reese Jones, Jack Nicklaus and Crenshaw. They are partnering with Cabot, Cabot and Forbes on the Westwood Station mixed use development of 4.5 million square feet. They own Pier Four in Boston with 1.1 million square feet zoned. They are still building a lot of lifestyle centers and many other mixed-use projects.

Looking back at his early path into real estate, Steve says in college he had no idea what he was going to do and didn't know how he was going to do it. He ended up falling into something that he loved by accident. Steve believes that sometimes you just can't plan it. He didn't know that he liked real estate and he definitely didn't know he would love the shopping center industry. If his first condominium project would have been wildly successful and he made a lot of money, he may have spent the next 30 years building them. Yet, in his career, he found his niche and became completely focused on it.

The advice Steve gives to those considering becoming entrepreneurs in the real estate development industry is that focus is extremely important. Most young people he comes across are not sure what type of product they want to be involved in, whether it be residential, retail or office. He suggests picking one street and knowing it better than anyone else. For example, "Decide that you're going to study gas stations. You're only going to do it in Middlesex County. You're going to know every single gas station and you're going to know the value of that land. You're going to know whether it should or shouldn't be a gas station." Most people cannot get focused enough to be entrepreneurial. They jump at everything that comes through. He says that anytime a broker calls these people, they jump at any deal, whether they can do it or not.

He believes that it is necessary to look at 50 deals in order to do one. It is the only real way to understand the real value and where you have a real edge. The same thing is applicable for looking at a site and understanding it.

He cites an example from The Liberty Tree Mall, his first mall development:
"I was there every single day and I sat in the construction trailer, did meetings, had on my dirty shoes and so now if something comes up, I could visualize it and it's not just words. So some of it is the discipline of taking your first project from beginning to end, every piece, and not be afraid to ask questions, and not be afraid to make a mistake. It seems simple to say but it works."

Steve believes a person cannot just walk in and be a developer. He cites a story that he frequently thinks about. There was a guy by the name of Aaron, who was a shopping center and regional mall developer. The young man that worked for him was named Jim who was 15 years younger, and the relationship developed where Aaron almost treated Jim like a son. Jim evolved as a dominant personality in the company. Everyone worked with him to do the department store deals. He was very well liked. One day Jim approached Aaron and said he wanted to start his own company and they remained friends. At the farewell dinner, people from all over were in attendance showing their support, people from the community and many people he worked with in the shopping center development process. Steve frequently quoted Aaron's farewell speech to Jim, "I want everybody here to know that I taught Jim everything that he knows, and there was a pause and then he looked, but Jim, I didn't teach you everything that I know."

So the point of the story Steve says is that you can't just one day all of a sudden become an entrepreneur and start your own company. He extrapolates by saying that you need to get the experience of working with someone to get dirt on your shoes and get the confidence of knowing all the steps you have to do to jump in. He says this may only "fall to the wayside if you happen to get lucky and hit a home run with someone".

What is an entrepreneur?

“You have to be able to take risks, be a little bit of a visionary, and be able to build an organization around you. You must be smart enough to know you don’t know everything and not get hung up on trends. If 3 or 4 guys on a board tell you it’s terrible to make a certain investment, you should think that if everyone thinks it is terrible, maybe that’s the right time to buy.”

“You must be a creative thinker and try to look out of the box a little bit. One should not worry about figuring out something today. He or she should always look out further, figuring out when the correction is going to come. Some of the best malls he built were during a recession and some of the worst malls during a boom. It is hard to time the market for large retail projects based on their long permitting and completion process.”

8.2 Path and Characteristics

Steve Karp grew up in a family of professionals with both parents having a law degree. With the family having a professional education background, unsure what he was going to do, he pursued a medical career enrolling in the pre-medical program at Johns Hopkins. He searched for his interest, confirming he did not want to pursue the medical field after 6 months as a medic in the Navy and then helped a professor write two books. This type of action at an early age showed the framework of an independent nature. The professor convinced him to attend Boston University as a government major. With the lack of jobs in his major, Steve continued to search for a job. Up to this point, no thought had been given to entering the real estate industry.

Through a contact of his father and a need for employment, Steve started working for a company that renovated old buildings in Boston. During the first 6-9 months of his employment, his knowledge accumulation was astounding. Shortly after, he managed the renovation of an 11 story building being put in this position by the company's lack of human capital. With very little real estate experience, he was still able to step into a position with great responsibility. He also demonstrated innovation at such an early point in his career, spearheading the idea of the first club in Boston. During this short 6-9 month period, he was able to manage the renovation of multiple buildings. The unexpected death of the owner once again thrust him into a greater position of responsibility. When the bank a]pproached him to complete the remaining projects, Steve demonstrated the self-confidence to work independently without the owner and successfully completed the renovation. This short period created a mix of responsibilities and experiences that created a base of knowledge at an incredible speed.

This job prepared him to hit the ground running at State Properties, a job similar to his entrance into the real estate career--just by chance. With his base of knowledge and the skill of opportunity recognition, he led his company in a new direction searching for developments in the suburbs of Boston. His ability to see the need for enclosed malls, while being able to find the proper sites, started building his great desire for regional mall development. Steve knew the value of relationships at an early stage in his career, building contacts at Dayton Hudson and utilizing them for knowledge. With only a 3 day course on building malls, Steve implemented his basic knowledge to pursue the concept of the discount mall by finding the proper tenants and leveraging the relationship he established with Dayton Hudson. He again took another leap into this large project and fortunately was backed by the bankroll of State Properties. He pulled in the knowledge for aspects of the process he did not know and spent many days on site, so he would be able to better understand the construction end of the project.

He showed his independence and vision while reading about New Hampshire while it was mostly farmland. He saw the potential and the opportunity. He acted quick enough to gain a major stake in the market and building the Mall of New Hampshire. He again pioneered the industry by combining discount stores with conventional department stores.

After building the mall in New Hampshire, Steve realized the lack of enclosed mall developers. He focused on this promising niche. While his partners pursued a variety of product types, Steve stayed focused on the industry that he had gained knowledge and relationships. He started his own company by trading his share in one of the residential developments for ownership in his New Hampshire project. While pursuing new opportunities during the recession, the “Massachusetts Miracle” occurred. This revived opportunities in the Northeast.

He once again focused for the next 15 years. This focus played a key role enabling him to build 60% of the malls in New England. While national companies flew throughout the country, Steve built relationships, learned how to navigate the approval process and built a reputation for successful execution. These abilities led to a great competitive advantage, enabling him to beat out competitors for tenants and controlling the market. He sold his massive portfolio for $1.7 billion.

Steve has really been a visionary in real estate looking toward the future. As the enclosed mall development opportunities became a thing of the past, he anticipated the emergence of mixed use developments and lifestyle centers. His anticipation and evolution for changing opportunities has led to the continual growth of his firm which is now developing some of the largest mixed-use sites in New England.

9.1 Taubman Case Study

Al Taubman, looked upon as one of the fathers of regional mall development, grew up in a working-class family in Pontiac, Michigan. He began small entrepreneurial ventures at an early age and enjoyed the thought of creating a vision for a parcel of land. These early interests grew into the now publicly traded Taubman Centers (TCO), known for its dominance in retail properties and the highest average sales productivity in the nation. Al's desire to follow his interests have led to a variety of other ventures, such as purchasing Sotheby's, the Irvine Ranch, A & W Restaurants, and starting his own professional football team.

Born in 1924, Alfred Taubman grew up in Pontiac, Michigan. His father and mother were Jewish immigrants from Germany. His father was an honest man who made commitments and fulfilled them. This really influenced Al moving forward in life. He was always trying to fulfill what he took on and do whatever he promised. He believes this was very important. His father had an entrepreneurial nature leaving a good job at the Wilson Foundry Company's Pontiac Plant to purchase and operate fruit farms in Pontiac and Rochester.

A man named Shutzie from New York presented himself as an expert builder. His father was the kind of man that trusted everybody until he lost trust in them for one reason or another. In his eyes, everybody had a right and everybody had a place. The man convinced his father to use part of the orchard in the north end of Pontiac to build some homes. At the time, Pontiac Motor Company built a new plant there and many people were migrating from the south to fill the need of manufacturing jobs. His father built 28 houses using the bank's money, and he signed mortgages with them. Insurance companies did not make loans at the time, so the bank was directly holding the paper. At the time, unlike today, if a person stopped paying the mortgage, the bank could quickly throw them out. This was also a time before exculpatory clauses and the builder remained personally liable for the debt even after the house was sold. When the market turned and the owners abandoned the houses, Shutzie also left and his father was responsible for the entire liability. In 1929 while others filed for bankruptcy, his father was determined to pay back the debt, which he eventually did, once again living up to his commitments. This was a very early time in Al's life and all he really remembered was the discussions of his family's needing to pay the money back.

Al has said that being different makes people create their own paths in life. Al was different growing up in grade school. First, he needed to overcome the difficulty of being dyslexic. Secondly, he was the only Jewish child in his grade and it was tough. He recalls kids would come from Sunday school after Good Friday and say, "You killed Jesus." He'd reply, "No, I didn't."

Barely 13 years old, Al, a boy of tall stature, worked at Sims Department Store learning some of the basics of selling and understanding differences in the quality of garments. He then began to develop an interest in real estate. "I knew there was money in real estate and I was interested in making money, that's about it," he said about his early interest in the field. It also fascinated him. He enjoyed the idea of taking an empty piece of land and thinking how it could be or what he could do with it.

On early real estate interest:

"I was fascinated with putting things together, how things work--that's what development is all about. It's a question of having a vision as to how you would do it if you had a chance to do it. You take that vision and you try to make it work."

During his last year of high school in a class of 36 students, Al was the only one that went to college. He knew the pursuit of a higher education meant success and the ability to do something with his life. Although he was expected to pay his way through college because his parents did not have the money, he was unique because his parents didn't force him to stay and help with the work of the family. From that perspective, he felt he was rich.

He entered the University of Michigan as an architecture major. After arriving in school, the bombing of Pearl Harbor occurred. He went into the Air Force doing mapping, charting, and aerial photographs.   Upon returning to U of M, his entrepreneurial spirit continued by buying flowers at wholesale prices and selling them for proms or displaying shoes in sororities and selling them. After earning 3 years of credits while holding down three jobs, he left the university because he could no longer pay for the education. He went to night school at Lawrence Tech closer to Detroit to finish up his architecture degree.

Needing a job, he was employed for Charles N. Agree as a junior draftsman. Even at this early stage in his career, he created an innovation that revolutionized the industry. The front of a conventional retail store at the time had a set back entry space with the door 10 to 15 feet from the sidewalk. Inside of the 15 foot area was a U-shape display format that covered the buyer from the outside without ever entering the store. Al believed that by bringing the door out to the street, it would increase interior space and get the customer in the door. The concept revolutionized the industry! He then worked as a field engineer for O.W. Burke Construction Company. From the beginning of his employment following college, Al wanted to develop, so this period of employment only lasted two years before he started his own company.

He reflects on the reason he left to start his own firm:

"The bottom line of it was I wanted the opportunity to do it on my own, that's all. I don't think necessarily it's smart to go on your own. Maybe I should have worked for someone. Remember, it's different times today. There weren't a lot of people around doing development. The builders were contractors. Developers were investors. The idea of creative development didn't exist really. It was a new idea."

When Al decided to go into the development business, his father, at the time 70 years old and retired, helped by contributing his experience and reputation. He needed his father because Al, now 26, looked like he was 18 years old and when he approached banks, they didn't respond well to such a young looking man. His father made the banks comfortable enough to enable him to acquire a loan.

Al reflects that lending practices were different then:

"They gave money to people they trusted. If you didn't go straight with what you did, with what you said with what you were going to do and if you were wrong, you were through. I don't care how much money you had. They dealt with people. They didn't deal with statements and all this stuff. They dealt with people. If they thought you were a good guy, they gave you the money."

Compared to today where banks may try to reduce the amount they need to lend, at that time as long as you asked for reasonable amounts, they wanted to make sure you had enough money. They were more afraid of the developer running into problems for lack of funds. It was really a different way of thinking. Even with the debt market today, he believes that if you have a good project and the numbers make sense, a developer will be able to find the financing. He admits that you may need to give them a part of the upside, but deals can still get done.

His first deal was a small build-to-suit bridal shop. With his father's help, he borrowed $5,000 from the Manufactures National Bank of Detroit to build Ray's Bridal Shop. He believes that to take on this first project, it took a lot of personal ego to go and do something like that. Although not many people could do it, Al believed it could be done. He felt in his past experiences that he was a good draftsman, a good designer and through his customer service experience, he knew what the customer wanted. He knew how to develop a rapport with the customer and that's what he did. The project was completed successfully.

Also, they successfully did a moderate priced housing project and in 1953, a new opportunity emerged. Al was given the chance to take over a proposed 26 store development anchored by a Federal Department Store in Flint, Michigan, that had failed because of an outside developer's poor design and execution. This time, Al partnered with a wealthy family in the area for the money so he did not have to take out the loan. With the parking in the back, which was similar to most designs at the time, the building needed a front facing the street and a front facing the parking. Al re-designed the complex to have the parking in the front and, subsequently, the building now only needed to have one front. This project was a leap from the small bridal shop development. He approached the jump as developing one bridal shop 26 times. That's what it really amounted to. Through that approach, he found the development wasn't really a big jump.

Again, he stressed to do a development of this size, you have to have a “built-in ego.” To successfully execute a project that had failed in the past required the ability to bring people together and make them believe you could do it. “You have to be able to have a lot of confidence in yourself and your ability and be able to fulfill it. Not just talk,” he said. This confidence is again built on the foundation of his past experience with architecture and construction. The successful completion of this project gave Al the additional confidence to pursue his own large scale developments.

The first large scale development was Arborland near the University of Michigan’s campus. Al thought the leap from 26 stores to a 350,000 square foot project anchored by a Montgomery Ward, Kroger, JC Penny and S.S. Kresge wasn’t that much different. Rather than stores being in one strip, now there were stores facing stores. With the successful completion of Arborland, Al started his primary line of business which acted as the first project in a long line of developments for one of the most successful mall developers in the nation.

As the economy boomed and the auto industry thrived, the middle class grew at a rapid rate and Al swiftly expanded in a variety of markets. Al’s approach to new markets and new malls was that he would find an area and work with tenants’ needs to make the site work. Before approaching the retailers, he needed to be able to prove the viability of the site through the demographics. It is a business of compromise and being able to want to work with a lot of different people to make things happen. One must bring a group of competitors together in the same place at the same time.

On coordination Al stated:

> “They all have different balance sheets, they all have different assets, they all have different visions as to what they want to do and what they want to sell and to whom they want to sell, and you're asking them all to get together at a location, and you're asking them to compromise their rights to go in your center… but if they want to grow, they want to go there and if you're capable, you'll come up with a location and an opportunity for them that they want to take.”

Al was responsible for many basic innovations in retailing such as lighting, displays, and interior design which drove the performance of his centers.

On his innovations:

"Not only just new—but better! Don't forget that. Anybody can do something different. You've got to do it differently and better. You've got to improve it, not just do it because it's different, not because it feels better or it looks better. It's got to do more to create sales and to make your tenants successful. They'll pay you more rent."

Part of Al's approach to business is that he is always trying to do things that interest him. That is why some of his pursuits have not been retail related. With his great success in shopping centers, he then had the confidence to pursue other opportunities. However, some opportunities didn't work well. One example was the purchase of Woodward and Lothrop Department Stores, known at the time as "Woodies." He believed in the management of the firm. Once he purchased the company, the key personnel took the money from the transaction and didn't work anymore. They either lost their drive or retired. He admits the transaction was a mistake. He believed in people when he shouldn't have. This characteristic may have possibly come from the influence of his father who had a very trusting nature. People are the key in purchasing a company.

Other pursuits were much more profitable. One of his biggest challenges and boldest moves was taking on the corporate giant, Mobil Oil, to gain control of the Irvine Ranch. The Irvine Ranch was 77,000 acres of prime real estate in Orange County, California, along the Pacific Ocean. Mobile Oil was in the process of trying to purchase the site.

Al commented on his competitor:

"People would say, my God, are you going against Mobil Oil? How could you go against Mobil Oil? You can't do that. I said, I can do it. They're the ideal guy to go against. I knew their history."

In 1976, Joan Irvine Smith, who had controlling interest of the Irvine Company that held the land, stopped the sale for fear of a low price at $192 million. Again Al emphasized, it took ego. He did his homework and knew a lot about Mobil. He knew what they knew and more importantly, he knew what they didn't. With this knowledge he knew, based on their acquisition structure, they would value the Irvine Company solely on the $17.9

million of earnings. The maximum he felt they would bid was 20 times earnings. They did not look at it from a real estate perspective. With this strategy ,Al was able to out-bid one of the largest companies in the world! With a purchase price of approximately $337 million and knowing how to create value based on a real estate approach, Al paid off the quarter of a billion worth of debt in 51 weeks and paid 20% dividends to the partners on top of earnings in the first year. The simple reason--he did his homework. He sold out in 1983 based on a valuation for the property of $1 billion.

Al has had many successes over the years. In reflection of his career, one of the things he might reconsider is taking the company public, but he decided he wanted to have the employees of the company share in the success. He personally really didn’t need the money. Many people in the corporation became millionaires from the decision. So much time needs to be spent on the regulations of a public company, such as reporting to the government and shareholders. Even when they went public as one of the first UPREIT’s, Wall Street didn’t appreciate the value of the company until recently. Analysts were writing reports saying to be careful regarding the firm, when they didn’t really understand the business. Al felt there was a built-in cash flow. At one point the stock was selling for $8 a share when dividends were $4 a share.

Al’s advice for people that want to go into the real estate development business is before you start a business, work for somebody. Just look at it as a part of your education or think of it as an apprenticeship. College gives you a background. It teaches you how to speak, how to write, how things go together--it teaches you a lot. It doesn’t teach you how to do business. You need to be trained.

On employment:

“If you want to be a businessman, go work for a good businessman. Work your ass off. That's the only thing that's appreciated. Don't figure out what golf club you want to belong to. What you should do is make friends. Pick out successful people and follow them.”

Also, he believes that an entrepreneur may not need a mentor to be successful, but they can be very helpful. They can answer questions or help in ways that you couldn't have done yourself. He had mentors and says that you can't go through life by yourself.

Also, Al says that the business is different now than it was then. You need to be able to analyze risk against reward. It is necessary to have money. You need to either have money yourself or find people that are going to finance you, because there is so much pre-work that must be done on a project. For example, in a project they are currently working on in Long Island which used to be an old newspaper plant, they have already invested $150 million into the project without even starting construction.

To be successful, it is necessary to be able to get people around you to make things happen. To have an entrepreneur's business grow, he believes it is crucial to encourage people to think. By hiring people that think differently, think more, or think better, everyone in the organization is affected and, consequently, thinks better.

Also, you have to have vision on how the development is going to be. From that vision, you then need to go and try to make it work. Yet, this vision must be in balance with the financial aspects. Without this balance you are broke.

Al has a bullish outlook on the retail industry. This country is going to gain 50 million people in the next 18 years. By 2050, it is estimated the population may be around 425 million people. He says that is 40% more people than we have today. "They have to shop. They have to eat. They have to have jobs and they're going to have to do things. If you talk to the demographers, they'll tell you that same story of how many people are going to be in this country--it could be more", he says.

Even with the current conditions, he does not see an end to development in this country. At the very least, buildings are always wearing out and there is a demand for better product. He feels Wal-Mart is not a threat, as some may believe, to the regional mall business. He admits it may hurt some small strip centers but who would ever admit to buying a shirt at Wal-Mart? That is why major retail centers are not in jeopardy.

Taubman Centers currently average sales in retail centers that are $80 per square foot greater than any of their competitors. His response to the current success, “We just do it better.” Al has been an innovator and father in the field of retail, helping create some of the basic foundations of retail development used today.

What is a definition of an entrepreneur?

“Someone who makes things happen.”

9.2 Path and Characteristics Analysis

Al Taubman was born in a relatively poor family in Pontiac, Michigan, as his father tried to pay off the debt of a housing development that went bad. His father taught him early in life to live up to his commitments. His father had an entrepreneurial history leaving his job to start fruit farms. At an early age, Al was different. He was dyslexic and Jewish. This may have led to some marginalization by other students which, as discussed in the literature review, can create entrepreneurial drive and the belief that one can control his destiny.

At 13, Al took a job at Sims, a discount department store, in Pontiac, Michigan. At an early age, he learned some of the fundamentals of the retail business such as selling, displaying garments, and understanding quality. He also enjoyed understanding how things worked and started developing an interest in real estate. He developed the characteristic of vision at an early age where the idea of creating something on an empty piece of land was very appealing to him.

Al showed achievement motivation, the desire to achieve a standard of excellence, which was shown by his decision to enter college. He believed it would lead to success. He also really showed his independence with this action because his siblings had not gone to college or anyone in his senior class of 36 students. In college, Al continued his entrepreneurial pursuits and showed his ability of opportunity recognition. His ventures ranged from buying corsages at wholesale and selling them for proms to displaying shoes going up the stairs in sorority houses and later taking orders for them.

Graduating with an architecture degree, he went to work for the architecture firm, Charles N. Agree, as a junior draftsman. Even at such an early point in his career, he showed his innovation through a new design for retail stores which changed the industry. He continued to build knowledge while employed by O.W. Burke Construction Company where he worked on sites, learning the fundamentals of construction.

His independent nature drove him to stop working after two years and start his own business. He really wanted to go out and do it on his own. His father helped him start out by obtaining confidence from the bank for a $5,000 loan. After only a few years of employment, he started small by developing a little bridal shop. He attributes his confidence to ego, defined previously as one's own belief that it is in one's self-interest to work in the field that they love which will lead to full happiness. This ego increased his confidence, reinforced by his work in customer service, design, and construction to successfully complete the project.

He attributed his ego again to having the confidence to take on the failed Flint, Michigan, retail center. From his previous knowledge and experience, he approached building the mall's 26 stores like simply building 26 of the bridal shops he had already completed. He utilized his innovation once again by moving the parking in front of the road, something uncommon at the time. This created easier access and the need for only one front.

This larger project acted as a spring-board to having the confidence to develop Arborland, a 350,000 square foot project near the University of Michigan campus. He approached this development leap as he did in the past. He had already built 26 stores in a row. Now all he had to do was build two and have them face each other. Al really knew how to utilize his past experiences and make the leap towards bigger projects. This particular project was the demarcation point that allowed him to pursue the regional mall business. With the thriving economy and his ability to bring people together, the business quickly grew.

Although his trust and belief in people, most likely stemming from his fathers influence, may have hurt him in the Woodward and Lothrop Department Stores acquisition, the Irvine Ranch turned out to be a great success. His ability to recognize opportunity in a unique way, via accessing the property through real value, allowed him to outbid Mobil Oil--one of the largest companies in the world. This was all made possible through proper research and knowing the competitor. The project's debt was paid off in 51 weeks, and he sold out his share on a value of the real estate at $1 billion.

10.1 Himmel Case Study

Recognized today as a father of mixed-use development, Ken Himmel, at 13 years old started working at the Salem Country Club in Massachusetts. This ignited a passion to accumulate a base of knowledge by managing some of the most prestigious hotel and mixed-use projects in the country. This knowledge culminated into the development of the world-renowned Time Warner Center in New York City.

Ken Himmel was born in the Boston area into a family of business owners. His grandfather built the first collection of drugstores in the Boston Metropolitan Area. His grandfather died when his father was in his second year at Brown University. The drugstores were then sold to Rexall Drugstores. Ken's father went into the wine and liquor wholesale business, resulting in a comfortable upper-middle-class lifestyle.

At 13 years old, with his parents now divorced, Ken started working 50 to 60 hours a week at the Salem Country Club. He started out on the golf course but after 2 years worked inside the club house. As assistant manager, at 19 years old, he was helping run the whole operation and even doing things he shouldn't have been doing, namely, running the bars. He even worked at the club through summers during college. He believes the job kept him focused and productive and out of trouble. Through these years, Ray Wild, the club manager who had been there for many years, was a great mentor and surrogate father to him. Ken learned the whole club business from him, including all food cost management and beverage management. Ray helped instill Ken's passion for the hospitality industry. This job created a great desire to become productive.

Toward the end of high school, Ken's sister moved to Richmond, Virginia, and asked him to look at schools there. She took him to Williamsburg, a classic old town founded by the Rockefeller Foundation. It was a beautiful 3,000 acre master-planned community with Williams and Mary College as its cornerstone. Falling in love with the beautiful grounds and its impressive college, Ken applied early decision and was accepted to the school. He left Boston to attend Williams and Mary College. He entered the pre-med program, not sure which career path he wanted to pursue. "It was like this with a lot of people. Do you want to be a lawyer or do you want to be a doctor? Let's start out and see if we like it," he said. After two years, he realized that the medical field was something he really didn't want to do, but he managed to complete the final two years. While attending school, he continued to pursue his passion for the hospitality business by working for the Colonial Williamsburg Foundation for three years. There he had the great opportunity to work on their prestigious hotels and restaurant businesses.

With another 3 years of gaining a strong orientation to the hospitality business, Ken decided his career path.   After graduating from Williams and Mary, he was accepted to the Cornell University School of Hotel Administration 2 year program. At Cornell there were 2 primo jobs at the university which were at the Hotel School directing all of the club, hotel, food and beverage, and management jobs. In this highly competitive capacity, only 2 students held full time positions while in this school. The job included paid housing, paid tuition, and earning the equivalent of $20,000/year. With a resume of experience dating back to when he was 13, Ken got the position and worked there in 1970 and 1971. The other position was given to a guy from Germany who became one of his closest friends. Together, they ran all the catering, food, beverage and wine programs for the clubs, for the administration and for the faculty of the university.   Now being driven by a passion, Ken graduated top of his class.

After graduation, Ken looked for the most successful and active hotel developer in Boston which at the time was George Page. George, who had two sons working for him, had all the Hilton franchises in New England and was the largest franchise holder of hotels in the country. After a very short period, Ken began working directly for George as his assistant. The hotelier was in the expansion program that was very complicated and required someone to take it on with him. At the time, the only one George really relied on was his lawyer, so Ken became the senior gopher. He was propelled into a 3-year accelerated program building with him 4 hotels. Also, he was interfacing with the lawyers, financing the hotels, planning, design, construction and operations.

He reflected on the experience:

“I wasn't prepared for it really and I didn't yet have the experience, but like everyone who is young and very aggressive and wants to really grow, I got myself right in a position where I was in the middle of it all.”

He felt this was a great alternative education rather than going to work for a large company and ending up in a sort of niche piece of the business while sequentially growing with the firm. Being in the middle of it all, he was able to gain a 10 year education in 3 short years. It was an inside look at the company, and you rarely get to do this early in your career.

At the end of the 3 year period, Ken felt there wasn't much more he could learn. It was time to either stay and grow the company as a partner or move on. George was a great, highly entrepreneurial individual that started out in the restaurant business and almost fell into the hotel business by accident. By nature, he just was not geared to build a highly professional and sophisticated organization. By this time, he had been involved with building hotels at Logan Airport, Kennedy Airport, Philadelphia Airport, Pittsfield and North Hampton, Massachusetts. He felt he had learned everything and now was taking an operating group and putting a program together. He was coordinating the architects, engineers, contractors, financing, and legal documents. He now knew how to put the whole thing together.

In 1973 just after being married, Ken left George and was enticed by a very attractive entrepreneurial situation in Connecticut outside of Hartford. The developer wanted to build a hotel and retail project right next to the University of Connecticut Medical Center. The developer had a big construction and engineering firm. He believed that Ken could help with the project before he was really prepared. This was what he referred to as “my crash.” “We got caught in the eye of the storm and there was no way out of it,” he said. To be successful at the project, he had to be good at rental residential, condo residential, specialty retail, restaurants and hotels. He only had hotel experience. Also, a credit crisis occurred and interest rates rose to 20% with the down turn in the economy. The project also had a very unusual retail component that he couldn't get leased. He was seeing the developer lose most of his net worth, and it was an unfortunate situation. Ken felt there was no way he could positively impact the situation, so he left and returned to Boston.

He pursued the ”Mercedes” of the industry which at the time was Cabot, Cabot & Forbes. The company, which was known for its sophistication, was run by Gerry Blakeley and Paul Hellmuth. Ken was determined to work for the firm working his way through various people and finally obtaining an interview. He started in the finance end of the business working with CC&F Land Trust. At the time, the company had taken subordinated land positions in both development deals and completed properties. These high risk positions were in the second or third return traunches after the primary lenders.

As the early seventies rolled around, a real estate downcycle occurred and their investments were failing. Four or five of the most difficult and biggest investments were in resort and hotel deals. Ken sat at the table among a variety of Harvard lawyers and MBA's but was the only person who really had any experience in the business. He was again placed in the perfect situation and led the effort to help try and solve the problems. In the new position along with running the financial and analytical side, he was interfacing with many developers that were going bankrupt or giving back the property. The position helped broaden his background and develop his financial understanding. “The most successful people in this business have an incredibly broad background and very broad interests because that's what real estate development is all about. “It’s not like making widgets,” he said. Although making some great progress in his new position, he was with an investment company, not a development company.

In 1974, while flying back to Boston after a board meeting on a presentation they had just made for a major hotel deal they figured out in Newport Beach, California, Ken made sure he sat next to Gerry Blakely. He had never really spent much time with Gerry but discussed with him on the 5 hour return flight exactly what his interests were, what he had done and what he had been doing.

Ken was in Paul Hellmuth’s office the next morning and, within 24 hours, was project manager in the new Ritz Carlton in Water Tower Place Chicago. Unbeknownst to him at the time, they were building the first new Ritz Carlton in the country--a pacesetter for mixed-use projects. The Klutznick family from Chicago was having problems with an individual running the job who was a hotel operator and knew very little about development. Only after a year and a half at CC&F, the next day he was assigned 100% to Water Tower Place.

On the shift:

"I didn't have a clue. I didn't know shopping centers. I didn't know the retail business. I knew something about the restaurant business and I knew something about the hotel business. And then, as oftentimes happens in people's careers, the change in my life came at Water Tower Place."

At 27, Ken took on a project ahead of his time which he cites as being the defining moment in his career. For 3 years, he came back to Boston Friday nights and left for Chicago Sunday nights. In 1974, as the hotel was preparing to open, Ken sat alone on a flight to Chicago. CC&F was going through a difficult time, Gerry almost lost the company, and it really didn't have the capital to finish the hotel during its restructuring process. Ken, alone, had to sit down with the Klutznick family and tell them that his company could not meet the capital calls and could no longer perform financially. One guy from the family picked up a chair and almost threw it through the wall.

Yet, to Ken it was a blockbuster meeting. Tom Klutznick was an incredible individual who resolved the problem. He said, "Somebody's got to finish this."
At the time in 1974, the new Ritz Carlton Hotel was twice over budget, the 250 condominiums above the hotel were unsold, the vertical retail design had never been done and the First Bank of Chicago was asking, with the current market conditions, to simply cap off the building 15 stories short. Tom bailed out CC&F, took them out of the deal and took over their position. Ken became the development manager responsible for the completion of the project and was now working for Tom with Urban Investments of Chicago. Together they opened and stabilized the property.

Tom then said, "Why don't you move back to Boston and find us a project." In 1977 at 31 years old, Ken moved back to Boston looking for the next big project. Nobody took him seriously. He was coming to Boston with no real political roots and no family ties in the business. Although no one knew of his previous accomplishments, he had the confidence of Tom and his own self-confidence. He eventually found the "project of projects." All the other development companies, such as Boston Properties, had tried it and failed. In the same year he entered Boston, Ken started negotiating with the Turnpike Authority and got an exclusive agreement with the support of the Governor Michael Dukakis. Ken reflects on Dukakis's administration, along with Tony Lee and Fred Salvucci from MIT, as those who really helped set up some great policies to make urban development happen the right way.

On the experience:

"Low and behold, before anybody woke up, I connected on something and before anybody could figure it out. I think most of them said, who the hell is this kid? Every time they met with me, I was making progress."

In the beginning, he hired Ben Thomson, who designed the famous Faneuil Hall Market Place. After Ben had difficulty working with the engineering issues, at 31 Ken fired the top architect in the country. The reason the project had failed in the past was because none of the developers were retail developers. Ken was able to figure out a unique retail program that involved connecting Copley Square to Hancock to the Prudential Center. He created a team that had connections and was familiar with the inner-workings of the city. Ken hand-picked people who believed in what he was doing, believed in him and would be very supportive and constructive. As an example, Ken brought on Eddie McCormick, former attorney general for the state. Also, Robert Beal of the Beal Company, now a good friend of his, was very helpful.

Through his accomplishment and his ability to move forward on a project that would create thousands of jobs for the city of Boston, he became good friends with the mayor at the time, Kevin White. With an effective plan from 1977 to 1979, Ken built a small organization and maneuvered his way through 300 public meetings.

At the time, Boston development wasn't moving rapidly after the collapse of the Mort Zuckerman and Ed Linde of Boston Properties' Park Place project. The project is currently where the new Four Seasons Hotel and Heritage on the Garden is today. Back then, the project was an estimated 4 million square foot mixed-use development. Although the project had the support of the mayor, they could not get the public approval. Without the approvals, the project fell apart.

Ken learned from their mistakes. He worked with Dukakis and the mayor representing the city and the state. They agreed to a completely open process up front. No one had approached the approval process quite the same. By exposing himself up front, he was able to diffuse all the issues with the community. He compared the approval process to a war. You need a whole strategy and a game plan. You are not going anywhere unless you can maneuver through this minefield because if you don't get the approvals, you have nothing. To be able to do this, Ken committed 100% of his life to it for 7 years. After obtaining an agreement with the Turnpike Authority of a 99-year ground lease, the pieces really started coming together. In 1979, Ken was able to get Neiman Marcus and the project was a go. With his team, they broke ground in 1980 and the rest was history. Copley Place came to be.

After the success of Copley Place, Urban Investments was sold. Tom really acted as Ken's mentor from the start. Meanwhile, Tom Klutznick formed a partnership with Marvin Davis. Marvin was a multi-billionaire from Denver, who eventually moved to Los Angeles and purchased 20th Century Fox Studios. Fox owned great assets such as Pebble Beach and Aspen Skiing Company, and Tom became the managing partner of those assets for 12 years. Together Ken and Tom created nationally recognized projects such as Pacific Place in Seattle, Reston Town Center in Virginia, 730 North Michigan Ave. and Peninsula Hotel in Chicago. During the process as a partner company to the projects, Ken created Himmel and Company. Although they did a lot of successful projects together, it was a different kind of partnership. Ken was a free ranger who didn't work in a corporate office. He would be the managing partner on most of the projects flying on a consistent basis to different cities such as Seattle and Chicago. He wasn't working in a structured environment and got a little tired.

About 30 years ago, Ken was part of a founding group called The Real Estate Round Table which included a variety of industry leaders including Tom Hynes and Ed Linde from Boston, Tom Pritzker, Ron Terwilleger, Chairman of Trammel Crow, and Steve Ross. They had a meeting twice a year, and Ken became really good friends with Steve.

In 1996, Steve asked if he would come down to New York and have dinner with him. He had something to speak to him about. As they sat in his office at 625 Madison at 59th and Madison, he looked out his corner office and stared at a building at the end of a traffic circle. Steve said that there is a project coming on stream, and Ken would be a perfect fit. Steve had the funds, residential experience and political wherewithal, while Ken had the retail and hotel experience. Steve had built a great company and Ken had done some amazing projects, but neither one of them had taken on a project of this nature.

They entered the competition for the right to develop the property on Columbus Circle. They entered with 8 other competitors.

Ken further discussed:

"We won it. We had the best scheme. We had the best ideas. And I really took all the experience from Water Tower Place, Copley, and everything we had done, my experience in hotels, and everything else. If you look at this project--it's sort of a composition of everything I had been doing for the last 25 years."

A combination of both individuals' collective ideas and ingenuity created an unbeatable package of mixed-use development, but would it work?

At the time Ken felt he and Steve were the only ones that had confidence in what they were doing.

Ken on outside thoughts:

"Most people didn't believe this hotel would work in this location, no one believed in the retail, I mean, people wrote the retail off. They basically said, New Yorkers won't come into a vertical mall in New York—are you crazy? They are street shoppers."

The biggest challenge was coming from Boston to New York as an outsider with a great firm. They knew that there would never be a project that would have this much impact on the city or on them personally because the odds were so against it working.

On the challenge:

> "Think about this—9/11/2001—building twin luxury towers in the middle of New York and building a retail project that nobody believed in."

He was entering a new market at 50 years old, while others in the city had built their businesses over many years. He feels he would have never been able to tackle the challenge without Steve and the connections he built over many years. Even with Steve, it was still very daunting to step into a situation where he didn't have the relationships with a project that everybody wanted. Even though he had strong experience in hotel, retail and mixed-use development, he didn't have the confidence of the people of New York. Furthermore, their peers in the industry weren't exactly wishing them luck. This was another project that Mort Zuckerman and Ed Linde had, which collapsed when it was fought by Jaclyn Kennedy Onassis. They previously spent 6 years working on it.

One interesting note is that Ken was a proponent of having the sign read, "Time Warner" on the outside and not AOL Time Warner, which was the name of the company at the time because of the buyout. As the AOL Time Warner sign for the building sat fabricated in the shop, Ken refused to put it up. He didn't like what was going on with the merger as the internet -based company's shares fell. The sign eventually went up as Time Warner without the AOL as Ken had requested, and the name of the company shortly after changed back to Time Warner.

Nobody believed that they could pull it off and now people are in awe of what they have accomplished. With their strong relationships, it still took 4 years of hard selling. They had to coerce and coax people in without getting the rents they wanted. Today the Time Warner Center is the highest income-producing project of its kind in the United States, outside the Forum Shops in Las Vegas. Ken was able to bring in specialty restaurants and retailers. Tenants include Williams Sonoma, Armani Exchange, Swarovski and J. Crew. They have integrated innovative placement such as having a 50,000 square foot Whole Foods in the basement that has been incredibly successful. The hotel is renting at a $1,000 rate and the agglomeration of retail is the most successful project in all of New York. This project changed their lives and placed Ken and Steve in a new position in the development business.

Ken believes the characteristics that have been essential have been inspiration, ingenuity and creativity, backed by persistence.

Ken on persistence:

> "More than anything else—all the essential ingredients in the world and you can possess all of them—every ingredient it takes to make something work—but why do some people make it and some don't—a lot of it's just absolute persistence in what you're doing."

He says if you look at what's going on in the world, if you read the newspapers and turn on the news every morning, it is pretty easy not to want to come to the office. For the very few great moments, there are 10 times more down moments. He says that if you let yourself get down, you will never finish the project and that is what happens to a lot of people. They don't know how to finish things.

Ken believes that mentors are essential. He says there is no really totally successful individual who could say they haven't gone through their entire career path without having someone that provided them with inspiration and leadership. You need to learn from somebody. The individuals that achieve tremendous success usually have a couple of strong individuals they point to who they really learned from. It is a really important part of the game.

Now they are taking what they learned on the project and applying it to the Hudson Rail Yards, an estimated development of 14 million square feet between 30^{th} and 33^{rd} street on the west side.   It's another leap but they have been there before. They will get it done because they know how to bring together the right people to do it right.

The advice Ken would give to people that want to start their own real estate development company is that they need to gain a series of fundamentals. He says many young people get impatient and don't want to pay their dues. To be able to understand the basics of projects such as the numbers, quantitative aspects and seeing all the aspects of making a development work, it is a 5 year learning curve. It doesn't matter how smart you are. It is not something you can learn in 2 years. If you are willing to pay your dues, you can get to a point where you really have enough of a basic feel for the business. Then you can use it wherever you want.

In regards to current opportunity in the market, Ken says, although he is not interested in it, there will be a lot of opportunistic bottom-fishers buying debt and projects for big discounts. He has a friend that has raised a fund buying land from residential developers for 30 cents on the dollar. He says that he likes to spend his time developing and creating. Unfortunately, there are very few markets in the country that warrant any development at all. The development business may be shut down for awhile unless one moves out of the country which is what their company is doing. They currently have a China, Middle East, South America, and Mexican operation.   He says in order to go to where the market is, a firm must be big enough to afford it.

What is the definition of an entrepreneur?
It is someone that has the guts, tenacity and persistence to take a business concept and make it successful in the truly holistic sense of the word. It is someone that can take an idea or business and work it into all the facets that are required to turn it into something incredibly successful. The field doesn't matter.

10.2 Path and Characteristics Analysis

Ken Himmel came from an entrepreneurial family with an upper-middle class background in the Boston area. At 13 years old when he started working for the Salem Country Club, he was lucky enough to have the club manager as a great mentor and surrogate father. This helped instill an early interest in the hospitality industry and the desire to be productive. After entering the clubhouse after two short years, Ken began accumulating knowledge by learning some of the fundamentals of the hospitality industry through food and beverage cost management.

He went to Williams and Mary College as a pre-med student. Although he lost interest in pursuing a medical career, he stayed involved with the hospitality industry by working for the Colonial Williamsburg Foundation gaining additional knowledge in the business. This period solidified his interest in the hospitality industry. He was accepted to the 2 year program at the Cornell University School of Hotel Administration. With a base knowledge accumulated since his early teenage years, he landed a highly competitive and premier job directing all the catering, food, beverage and wine programs for the clubs, administration and faculty of the university. Once again, Ken was accumulating additional knowledge beyond his peers. He graduated at the top of his class due to being able to study the subject of his passion.

After graduation, Ken obtained a job with George Page, one of the most active hotel developers in the New England market. His work ethic propelled him after a short period to work directly for George. Due to George's expansion program, Ken was propelled through a 3 year accelerated program being involved in developing 4 hotels. He was quickly obtaining the basic knowledge of the development process by interfacing with the lawyers, financing the hotels, planning, design, construction and operations. At the end of 3 years, Ken learned how to put hotels together.

As a brash young guy, Ken was enticed by another entrepreneur to help with a complex mixed-use development near the University of Connecticut Medical Center. The lack of experience with a complex project, coupled with deteriorating market conditions, forced Ken to search for greener pastures.

With the desire to be at the best and most sophisticated firm in the industry, Ken went to work at Cabot, Cabot & Forbes. He started off at the Land Trust division where he broadened his knowledge base by concentrating on the financial and analytical end of real estate. As the seventies experienced a down-turn in the market, Ken was placed in a situation of great responsibility interfacing with developers on failing resort and hotel developments. This opportunity was only made available by his previous preparation and current self-confidence.

A demarcation point came in Ken's career when he pulled together the confidence to sit next to Gerry Blakely who ran the firm. After discussing his experience and goals, he was hired to manage the development of Water Tower Place in Chicago at 27 years old. Now working on a development where he had no knowledge of the shopping center and retail business, he had to utilize his base of knowledge from the hotel development industry to take over the project. As CC&F went through the restructuring process, Ken was the one sent to tell the Klutznick family his company didn't have the funds to finish the project. Tom Klutznick hired Ken to run the project under him.

By building a strong relationship with Tom because of his success, he went to Chicago backed by Urban Investments. With no connections in the city, Ken had the self-confidence to tackle a project that others had failed. A key to coordinating Copley Place was that he built a team with the social ties and wherewithal to help implement the project. He approached the permitting with innovation having a completely open process to the public. No one had approached approvals before in quite the same way. He also implemented innovation and creativity to work around the infrastructure difficulties. The project was a great success. By developing a relationship with Tom, they moved forward as partners building nationally recognized mixed-use projects. At this time Ken started Himmel and Company.

Ken continued to build social ties as he helped found the real estate round table. This began a long friendship with Steve Ross of Related. Thirty years later, Steve approached Ken to be involved in a highly difficult project which others had failed to build in the most competitive city in the world. Ken, once again, pulled together his self-confidence to move into a new market in a city that didn't know him to take on the most highly publicized project in the city. The Time Warner Center was a culmination of knowledge Ken had built since 13 years old. He and Steve joined forces to create innovative ideas with tactful implementation to create one of the nation's icons in real estate development.

11.1 Rappaport Case Study

Jerry Rappaport Jr. grew up watching his father struggle through one of the most controversial real estate projects in Boston history. For 8 years after college, he left home and accumulated a base of knowledge independent of his father's business. He returned and leveraged his family contacts to raise one of the first commingled real estate funds in Boston totaling $10 million. From this platform, he built an organization, New Boston Fund, made up of a seasoned team of real estate professionals pursuing a value-added investment strategy and was responsible for the growth of the firm to nearly $2.5 billion in cumulative investments.

Christmas morning in the 1970's Jerry Rappaport Jr., as a young child, remembers sitting at their vacation home in Vermont as his father was re-mortgaging his property for the fifth year in a row and negotiating with HUD to fund the development of the massive Charles River Park project. Charles River Park was a highly controversial project that Jerry Rappaport, Sr. and two partners built on the site of Boston's former West End, a neighborhood totaling 46 acres wiped clean of dilapidated and lower income housing by urban renewal, displacing up to 2,700 families to make way for new high-rises. As he sat and listened at an early age, Jerry witnessed the combative and on-the-edge nature his father employed for success in the real estate development industry. This combative nature he recognized later may have not been the best approach. He also learned through watching his father how to negotiate an increase in the size of the mortgage, and that there is no problem that couldn't be solved as long as he worked hard enough.

During these early years Jerry had 10 siblings, many of whom during the summers, worked at Charles River Park. At 12 years old, he followed in their foot steps by weeding at the project which evolved to working at the pool and then working as a laborer on one of the new office buildings, 50 Staniford Street. His parents felt the concept of having a job and earning money independently was important. While working at the pool, Jerry was enamored by the concept of how interesting it was to have built such a huge community that made such an impact. Also, the idea of how much money was flowing through the cash register at the snack bar started to build his interest in real estate.

One summer, he audited the parking operations, learning how the system worked, how accurate it was, and what were the cost controls. In fact, he discovered an employee from Somerville stealing $40,000 and admits he had a pretty good scam going. As time progressed his interest in real estate development grew as he watched the money flow through the property and thought that it would be nice to have money. He really learned how to dig into the number and gained an understanding on how to make money in real estate. He began gaining the perspectives of what it was like to wage political battle as rent control came storming down or how you got yourself in or out of various problems. To Jerry, it just seemed like a fascinating, complicated game. He also learned that real estate development was not just building a building but incorporating a variety of different skills. After his 10 siblings went off to college, his interest in real estate was reinforced after two summers during his junior and senior year of high school as he worked alone with his father and discussed with him what he wanted to do. This was shortly after his father divorced his second wife. Overall, Jerry started learning some of the basic concepts of real estate development from his father at a young age such as how heavily the government and public are involved in the development process. He admits that his father pushed him so hard he gravitated towards relying on many individuals in school to learn how to build relationships. This served him well, now having developed a network of 200 brokers, bankers, competitors and others in the industry.

He discussed learning:

"There was a real sense that real estate was not just building a building and it wasn't just about paying construction costs and rent, but that it was a very political game—the more you participated in the global political arena, the more power you had to be a developer."

Some other advice from his father that he somewhat follows today is that it took just as much work to do a $100 million project as it did to do a $1 million project. That was why at 33 years old, his father found himself tackling in today's dollars a $450 million project.

After applying to a few schools, Jerry was accepted into Harvard and Williams and Mary College. He decided to attend college at Harvard, where his father also went to school. Because of his interest in real estate, he quickly became involved in urban economic and locational theory. In his freshman year, he continued as a laborer and enjoyed watching the French-Canadian workers laying sheet rock. He also enjoyed the job because instead of receiving the average pay of $3.65/hour, he received construction pay of $10/hour. In his junior year his father helped him get a job with the city of Boston in their Housing Department with a man by the name of Andy Owens.

Jerry wrote his undergraduate thesis at Harvard on why Boston's public housing was segregated, which was tied to the mayor's housing directive. The purpose was to find out whether this segregation was due to the city's actions or because of private housing market decisions. After this was studied, Jerry would discuss what strategies that could be implemented to desegregate the area. What he found was that the locations where there was blatant white violence against blacks, you did not have black and Hispanic people locating, such as in South Boston public housing. They would find safer integrated communities. Whites would decide not to live in the lower quality black housing projects and would go instead to integrated communities in neighborhoods such as Allston or Brighton. His conclusion was to de-densify South Boston which would be the key to integration that was eventually done in the Hope 6 initiative.

Jerry came to the conclusion after finishing this thesis that he wanted to become an urban real estate developer. He applied to Harvard Law School, Harvard Business School and the Graduate School of Design and City Planning, because he thought if he could bring all those skills together, he would be well equipped to enter the field. The result was that the Business School didn't accept him because they thought that he shouldn't be involved in public private partnerships and should instead be focused on making a profit. The Law School didn't accept him because they thought his undergraduate course work was not hard enough and perhaps were aware of a few pranks he pulled as an undergraduate. Finally, the Graduate School of Design was impressed that someone with money actually wanted to be in the program, so they accepted him readily. He cites his ability to learn real estate math during the program.

He continued to work summers for Andy Owens in the Housing Department. He was asked to conduct a study on condominium displacement and to find out whether this was an issue that the city could control. Condo displacement is the conversion of affordable rental properties for working people into for-sale condos, reducing rental housing stock and making the housing market less affordable. He discovered issues occurred because older people were moving out of the city leaving their triple-decker properties. The true prevention for displacement occurred by other tenants in the building buying the units from those people.

After graduation, Jerry's girlfriend at the time suggested he move out of Boston because she recognized the daunting relationship and power struggle with his father. She felt for him to be his own man, he needed to learn how to do things independently. Taking her advice in 1981, Jerry went to Halcyon, Ltd. based out of Hartford, Connecticut. As fate would have it, he ended with a "wild man" as a mentor, Michael Buckley, who was a gifted real estate professional but who exhibited very similar characteristics as his father: high expectations and a tendency towards volatile responses if what was done did not meet his expectations. Jerry enjoyed the experience because he was able to travel around the country and gain different perspectives without worrying whether his father was going to pay him more money because he was doing a good job.

Jerry still had the desire to be a mixed-use urban developer. With interest rates in the early 1980's at 21%, he had the opportunity to work with a consultant who was advising the Urban Development Action Grant Program. This experience allowed him to work on large retail developments such as Arcade Square in Dayton, Ohio, and the Hartford Civic Center where they were putting retail inside of a publicly-owned sports arena. He also had served as a consultant on the UDAG Program 2 years earlier. The UDAG Program from HUD would fill in monetary gaps between the debt and equity of a project through providing participating loans. With Jerry's previous work experience, he was able to contribute his ability to create market studies, do the real estate math, and contribute knowledge on public/private partnerships and gap financing.

For 7 years Jerry helped advise the Urban Development Action Grant Program on three primary issues. The first was if a UDAG fell apart with a party, he would figure out how to put it back together. Second, if a project's use changed, such as from an office use to a hotel use, or if the size of the project ended up changing, Jerry would advise on the new amount that was needed for the UDAG. Thirdly, if a project was over $10 million, he would estimate the necessary size of the UDAG. Through this period, he underwrote 115 real estate deals while traveling around the country to look at them. He worked on projects in a variety of areas such as Playhouse Square in Cleveland, Ohio, a redevelopment strategy for downtown Miami, Florida, and the warehouse district in Austin, Texas, near City Hall after the oil business collapsed. The premise of the program was to find glimmers of demand in tough areas where if a lot of public money was invested and enough time went by, the market would eventually turn around, resulting in some very interesting developments. By evaluating the opportunities, he got to the point where he understood what needed to get done, understood what the inputs were, knew were to go to find out the right inputs, and was able to identify when the numbers were wrong.

His comparison:

"It was like playing the guitar. You'd notice different strings and you'd get music out of it, and you'd know when you hit the wrong note or the wrong string."

The overall experience taught Jerry a lot about the math of partnerships, the sharing of cash flows and "fair deals." This was a contrarian approach to his father, who didn't want partners and wanted to be the sole beneficiary of the cash flows. Learning this different approach has served him well at his company New Boston Fund because by having grown to 30 partners, the company has been able to get access to deals that they would have never done if they were on their own. Interestingly enough, when the company did their attribution analysis for returns, they found that these deals were the ones that ended up being the most profitable. Also, it amounts to a doubling of the size of the company's dealmakers, hunters, and managers by having core partners who essentially act as outsourced real estate professionals, identifying deals and expertly managing properties.

It was a gradual transition back to his father's company, Charles River Properties. During his tenure at Halcyon, he had the desire to work with a man by the name of Bill Churchhill, a person he worked with on his graduate thesis. Jerry had the predisposition to partnering with people he met and liked. He suggested to Bill that he should go work for his father and Jerry would go work with him after he had proven himself. The man eventually became president of Charles River Properties. Jerry took a step forward in moving towards returning to the family business when he went to Bill and asked if the family wanted to put their equity into rebuilding Harper's Train Station. The project was a $21 million deal with 18 different sources of financing, $3.3 million of debt, $9 million of equity and the rest was financed by public money. They put up the money but eventually sold it back to the Transportation Authority when operating expenses increased from $8 to $14 and rents dropped from $18 to $15. The big halls only allowed 22,000 of the 80,000 square feet to be leasable.   Luckily, the family received 100% of their investment back due to the tax credits.

This job resulted as a turning point in Jerry's career and put him in a new light with his father proving his strength of relationships and national knowledge. As his father was trying to work out a UDAG for his Charlestown Navy Yard project, Jerry's abilities were shown.

He recants the turning point:

"He's (Jerry, Sr.) calling down and talking to this woman at UDAG: Jerry Rappaport on the phone—oh, you must be Jerry Rappaport's father—and that was the first time he's ever been referred to as that in the real estate business."

Now having raised the capital for the family, Jerry told his father he was ready to return. He also returned because he wanted to be a developer. His boss hired him and his peers at $20,000 and was billing $100,000. Halcyon lacked the capital and wasn't doing any development even though they had people in Miami looking for projects. Many of the people in the company that he thought he would work with for the rest of his life had left. He was also concerned that if he indeed did find the capital, he may not get a fair deal. Yet, he had learned quite a lot that he has applied in his company. The owner was always giving out stock in Halcyon to key people in the company, which is what Jerry does today. Also, his boss was great at networking and marketing which he has also carried forward. Finally, because of his boss's architecture background, he learned design aspects such as a large mixed-use had advantages over a single use through diversification. Large projects created an attraction that changed people's perception and attracted interest.

After he left, his father put him to work under Bill. Another turning point also occurred during this period. Charles River made a bid in Miami to redevelop the dog track on the southern tip of Miami Beach. Jerry was ready to move there to help run the project and was even looking at houses. They ended up loosing the project but if they would have won, Jerry would have gone to Florida and, he admits, the creation of New Boston Fund would have never happened.

As Jerry had returned, the partnership decided to sell Chares River Park. Furthermore, while Jerry thought he would now be able to do development, he came to find that it was much more difficult at Charles River than expected.

Jerry came to the conclusion that to create the situation he wanted; he would have to create his own source of equity capital with a set of rules for usage of the funds that would not change. By 1992, Jerry concluded that Charles River was not going to buy or develop any new properties and started drafting the first private placement memorandum for his own commingled fund. Through Urban Land Institute meetings and readings, he was introduced to the concept of a fund. This gave him an alternative to the syndication approach to raising capital that was heavily out of favor after the late 1980's change in the tax laws and real estate bust. This strategy allowed a capital raising approach without a gauntlet of decision making processes.

With the tough market conditions, Jerry began to try to raise $30 million of capital. The premise was to take advantage of opportunities created by the real estate downturn of the early 1990s, targeting undervalued properties or properties facing vacancy where the new company could add value through intense management and oversight. Jerry's strategy was to leverage his father's reputation, and to require unanimous decisions on investments, including his father's approval. Jerry wanted to eliminate investor's concerns that he was inexperienced and might do 'crazy things' with the money. Furthermore, by taking out debt on the properties, they forced another level of diligent questioning and approvals by conservative lenders, creating another risk mitigation strategy. Even with this framework, investors questioned why the family did not put up all the money. Jerry made sure that the family money was a significant share, because it gave him the ability to pursue his business model and convince investors that his interests and his family's interests were aligned with theirs. As the firm grew and fund sizes expanded, he eventually transitioned the new funds to only 5 to10% of the family's money.

The network of potential investors and contacts he built in his equity raising campaign ran the gamut from Republicans, to relationships in the Jewish community to friends from Harvard. When he met with them in person, they suggested names of other people. This network of referrals ultimately created the foundation for New Boston's capital raising over the next decade. However, at the time, no one really believed in a limited partnership blind pool. In the first 9 months, Jerry had only raised $300,000 of outside capital.

With $1.7 million from his father and raising another $1.7 from the rest of the family, it now represented 40% of the first fund. From this money they bought a building in Tampa and two buildings in Andover. With a short track record others began believing in what they were doing with the buildings that hey had already acquired.

Jerry reflected on the time after the handful of transactions:

> “So that was the chicken and the egg that you actually need the building before the cash and how that would work. That's when people finally said, maybe they've got an idea. Maybe this is real.”

When the dust settled with a list of 485 people only 7 invested. They raised 90% of the $10 million in Fund I in the last 2 weeks before the end of year deadline.

Eventually, he raised a total of $10 million in Fund I that ultimately yielded returns of 30%, $15 million in Fund II, and over $40 million in Fund III. The firm started by buying buildings in Florida and Massachusetts and gradually expanded into Hartford, Connecticut, as well, where Jerry had a significant network of relationships and where they believed they could buy cash flowing assets at a fraction of replacement cost. As different markets became gradually overpriced, they moved to a new market. So when Florida became too expensive, they moved to Indianapolis, where they had the opportunity to recapitalize a high quality office portfolio of a local developer. In the early years they would purchase buildings for $40 to $50 per square foot and sell them a few years later for $80 to $150 per square foot. Since his father had discretion over the early funds, he attributed his success to having the tireless ability to convince him that although the outlook of the Boston market looked bleak at the time, he could buy 4 to 5 years worth of lease protection. In hindsight, Jerry said he should have bought the entire city, a strategy that would have yielded superior returns as the Boston market recovered. He bought 6 to 8 buildings when he should have bought 50. He admires those who did commit more capital in the city, such as Jonathan Davis. He says also that he should have purchased empty buildings for $20 per square foot which ended up yielding the greatest returns. While he feels that he was perhaps too risk adverse, the financing wouldn’t have been available for buildings without the cash flows anyway. At the time, people thought he was a fool for buying the buildings he bought.

His strategy at the time, which he still uses today is, “If I don't lose money in real estate, I'll make tons over my career.” This justifies his approach throughout the history of New Boston Fund: in the early years, when he selectively acquired assets that offered a level of cash flow but also significant upside, through to 2003 to 2005, when New Boston chose not to purchase properties on the speculation of cap rate compression. While hindsight might suggest a more aggressive strategy in each of these times, New Boston's conservative underwriting, patient perspective, and determination not to lose money has ultimately allowed the firm to generate steady, consistent strong returns to investors.

Jerry gradually built his autonomy as additional funds were raised. As years passed, he built up a cluster of highly experienced senior managers with expertise in a variety of fields while creating a strategic planning process. The original business model with a heavy proportion of family investment gradually evolved into a company managing larger funds with 5 to10% family investment. By using like-kind exchanges, he created self-funding mechanisms for new funds. With the new seasoned team, the approval process transitioned into a formal investment committee review and approval structure with much less dependence on the family.

As the funds gradually grew, Jerry found new ways to access opportunities. His first joint venture partnership was with a developer in Northern Virginia who had secured the permits, significantly pre-leased, and proven the viability of an office development in Arlington. By entering deals such as this, New Boston greatly mitigated risk with a partner who had the local expertise. It prevented a lot of second guessing that arise from the purchase of un-permitted raw pieces of land. Another type of opportunity presented itself in the form of a joint venture with a REIT that wanted to sell the building for cash while retaining the management fee. This type of joint venture opened up a new pipeline of opportunities that were not available if limited to only outright sales. The fund transitioned with this strategy from 0% joint ventures to 20% joint ventures to 40% joint ventures. This overall strategy opened up new markets and product types by utilizing, as previously discussed, local expertise and risk mitigation measures which has led to massive growth in the fund and total cumulative investments of $2.5 billion. Through his collective experiences from his schooling, the Boston Housing Authority, and the Urban Development Action Grant Program, Jerry also realizes the significance of helping the communities in which New Boston operates and invests and has created a new fund, the Urban Strategy America Fund, which focuses on generating a positive social impact in the communities to which it invests while also generating solid financial returns to investors.

The biggest challenges in Jerry's career have been threefold. Raising capital has always been a great challenge throughout his career. It is difficult to convince people that they should invest. At the beginning, he tried to do it through marketing material but not until he acquired his first few buildings was he able to raise the outside money. Then by keeping the fund open and building a small track record by acquiring a handful of buildings, he grew the company from $10 million to $40 million in a short period of time. He says lots of people say that there are large amounts of capital out there, but the ability to raise it readily is usually accompanied by a long track record.

The second challenge Jerry has faced is dealing with his business approach that was instilled in him by his father. He found that the way his father would treat him and deal with him has been the way that he learned to treat other people.

On his approach:

> "I always liked chewing glass and moving mountains and raising the bar and pushing people but when you get to a larger organization, that sort of 1 on 1 father/son technique doesn't work in a group of 5 or 15 or 30 and that's taken me a long time and I'm still learning on that."

He has gradually transitioned from the approach that "instantaneous results and fire in their belly was the most relevant" to "that the tortoise wins the race."

Finally, he has been challenged with balancing the responsibilities of overseeing a large, growing business with the responsibilities of overseeing deal hunting and investing. In particular, he believes he should have involved more senior management in operational decision-making earlier instead of taking much of the corporate operations on himself. Now, he has built a balanced organization and senior management team that is effectively managing the corporation and the real estate operations.

On his team:

“I'm absolutely thrilled with the team I've built, the projects I'm involved in, the platforms that I've developed and the future that we've got.”

The characteristics he has utilized throughout his career to propel him to the establishment of a successful business has stemmed from not accepting losing and finding solutions to problems.

He says it fundamentally all comes back to real estate math:

“This is all tied to market rent and market rent supports debt. The excess supports equity and debt plus equity must equal the total cost and you got to run like hell.”

It is important to utilize your network. He says what he has done, he could have not done by himself. His network helps him find his deals and debt. The first 20 deals he did were made available because of the network he built.

The advice Jerry would give to those that want to become real estate entrepreneurs is that it comes back to the “chicken and egg situation.”   For someone to do their first deal, it is necessary to find the deal and then find the equity or find a person called an angel investor that is willing to write a $2 to $5 million check if the right deal is found. He says that it cannot be done without the money. Jerry again heavily stresses that the person must know real estate math. Without it, the entrepreneur can not get the debt or equity, convince a broker to find the deal or land owner to sell the property. Jerry also says to dream and think 5 to 15 years out, not just 6 months.

What is the definition of an entrepreneur?
According to Jerry, an entrepreneur is someone who comes up with his own ideas and implements it, such as when he developed a fund model in Boston that no one else had done. It is someone who is willing to take risks and pushes others to take risks. The entrepreneur has to be skilled at overturning objections because he is faced with them on a continual basis. The individual is willing to change their business model and pursue innovative strategies to become more successful to help the company grow. This is the

idea of going into new regions, creating new product types, and being willing to do partnerships. For example, he spearheaded the creation of the Urban Strategy American Fund, which focused on urban transitional neighborhoods. The premise was to make money while helping communities. However, Jerry estimates that eighty percent of the company was originally against the idea. This fund strategy will now grow at 30% over the next 7 years and is one of the bases of future growth for the company. It took his entrepreneurial spirit and drive to overcome the naysayers and the objections and bring the USA Fund from vision to reality. An entrepreneur is able to make decisions on less information which creates the speed to be a step ahead of his competitors while being right 90 to 100% of the time. While some approach a potential new market by making macro economic models, his approach is to immediately find a good employee on the group in that area. It’s a different way of thinking.

11.2 Path and Characteristics Analysis

Jerry Rappaport, Jr. was heavily influenced in his childhood as he readily saw his father work on the Charles River Park project. At an early age, he began to gain a knowledge and understanding of the combative nature, hard work and persistence that was necessary to compete in real estate development industry.

While working in his father's development at the pool or as a laborer on one of the job sites, Jerry began building a passion for the real estate industry by seeing the great impact his father's development made in the community and large amounts of money that it generated. He gained basic knowledge of property management as he audited the parking operations. As his siblings went off to college or with his step mother after his father's divorce, Jerry spent two summers alone with his father learning some of the basics of development and seeing his father wage political battles. His interest grew as he viewed the various issues as a fascinating and complicated game.

He attended Harvard College. Because his father pushed him very hard as a child, he relied on many individuals in school for support. He discovered the importance of social ties at a young age. He has carried the importance of this concept forward in business by building a network of 200 key contacts in the real estate industry. Throughout college he continued to solidify his interest in real estate by concentrating on economic and locational theory, gaining further experience in the labor field and working for the Housing Department for the city of Boston. Through working for the city he began to develop an interest in mixed income development, which was in sharp contrast to his father's gentrifying approach. His thesis which involved tackling why communities became segregated continued his inquisitive nature on finding was to make mixed income development succeed.

While furthering his education at the Graduate School of Design and City Planning, Jerry continued to work for the city working on similar issues, such as condominium displacement. Jerry began to develop his independent nature as he left Boston to work for Halcyon in Hartford. For eight years, he traveled throughout the country, working as a consultant to the Urban Development Action Grant Program. Through his experience, he mastered the public financing realm by making estimates for new or changing projects. He also developed his problem solving skill while trying to put together projects that had failed.

In this job, he also learned how to create fair deals and build relationships. Developing the desire to create social ties or partnerships in deals helped build a skill that was quite different than his father's approach to doing business. Jerry's approach to utilizing partners has been a major contributing factor to its ability to undertake new projects and obtaining superior returns.

With his new expertise, he gradually became involved with the family by raising equity from them on Harpers Train Station and helping obtain financing for them on Charlestown Navy Yard; this earned him his father's respect. At Halcyon, Jerry learned the advantages of diversification in mixed use projects and the attraction a large project could bring. His need for achievement became a prominent role in the upcoming years. With a desire to do developments and with Halcyon being undercapitalized, he left the firm and went to Charles River Properties where he believed that he would be able to work on developments. He quickly learned that he was in the same situation.

His passion led him to realize that the only way he would be able to pursue projects would be if he raised the funds himself. With the fall of syndications, Jerry exhibited the characteristic of opportunity recognition after learning about the real estate fund structure. It would be a new way to raise capital in a more favorable manner. While doing the work for the fund, he leveraged his family's money and his father's reputation to raise the total balance of $10 million for the first fund. He kept the family's money as a minority of the funds so he could gradually rely on outside capital as the fund grew. With difficulty in raising money, Jerry's persistent efforts to raise funds came to fruition after he was able to have a handful of buildings purchased from the original balance raised. He had approached 485 people and only 7 invested but he had the funds he needed.

Since then, through Jerry's leadership, he was able to create an expert team that could autonomously make decisions together for the organization. He created a feedback mechanism by levering the debt and having to be approved by banks. Jerry's emphasis on social ties and opportunistic nature have helped grow the company exponentially by taking on development and industry partners which helped source deals, expand markets and mitigate risk. His desire to make money while providing benefits to the community which was derived from his early days working at the Department of Housing has culminated into the Urban Strategy America Fund focused on creating a positive economic, social and environmental impact on the areas where it invests.

12.1 Hynes Family History

To understand the legacy that John B. Hynes III has continued as an individual with great endeavors in the real estate industry, it is good to obtain an understanding of his family's history and his grandfather's great impact on the City of Boston.

The Hynes's arrived in the United States from Ireland in the early1890's. His great grandfather Bernard Hynes worked for the MBTA, then called the Boston Albany Rail Road. He began in 1893 and then retired in 1934 after 41 years of distinguished service as a cleaner. John has the retirement certificate framed on the wall in his office. He had 7 kids, one of which was his grandfather John B. Hynes, "B" after Bernard. When he was 10 or 11 years old there was a lot of pressure for the kids to pitch in and help out because Bernard Hynes, the cleaner, wasn't able to carry the load. So at a very young age, in his teens, he started working during the day selling newspapers and going to school at night.

He graduated from Suffolk High School, a trade school, and then he fought in World War I. Then he came back and went to night school to become a lawyer in the 1920's. He got married in the late twenties to Marion Barry from south Boston, whose family immigrated here in the 1890's as well. John III's father was then born in 1929 as the oldest of 5 kids.

John III's grandfather then started working for the telephone company and eventually with the City of Boston in the 1930's. He became a speech writer for James Michael Curley and Morris Tobin, both of whom were mayors, governors and congressman of Massachusetts. His grandfather had befriended both of them and in the late1930's became city clerk, which was an appointed position approved by the City Council. He left the position to be a colonel in the U.S. Army for World War II and then had his position restored as the city clerk.

In 1947 at 50 years old, a major turning point happened in his career. Curley was sentenced to 6 months in prison for federal charges of misconduct, including mail fraud.

Under the city charter when the mayor is indisposed, the present city council becomes mayor, but at that point in time the present city council was already in jail. The state legislature had an emergency session and they appointed the city clerk as mayor. He was the next in line because Curley trusted John and he was a civil servant with no political aspirations. John was mayor for 6 months and did a great job dealing with some notable issues.

When Curly came back from prison, on the first day in office, he heard from all these reporters all day long what a great job John Hynes did. By the end of the day, he got a little frustrated with it. He made the comment when asked yet again about John Hynes's performance, “I did more today in 6 hours than that guy did in 6 months.” Embarrassed, humiliated and upset by this comment because of his hard work and success during the term, John ran for mayor. It was partly motivated by that event and partly because of peer pressure from some people that thought it was time for a new mayor. In 1948 or 1949 he ran for mayor and beat Curley by 5,000 votes, the smallest margin of victory ever and the largest turnout in the city’s history. He went on to be mayor from 1949 to 1959 defeating Curley 3 times.

At the time, flight to the Sunbelt for cheap labor lead a drastic decrease in the number of manufacturing jobs in Boston, as the population decreased from 800,000 in the 1940’s to 500,000 in the 1960’s. To curb the deterioration, he took advantage of a number of federal funding programs and the highway programs. He started backfilling and creating elevated parking garages to attract businesses and people back into the city who could now park in the city cheaply. With his team, they created the Boston Redevelopment Authority (BRA) to work out all the programs and take advantage of federal funds.

By the end of his administration, he had been responsible for re-energizing the entire city. He was responsible for installing the Central Artery in the early fifties. In 1957, he helped pull Traveler’s Insurance Company’s headquarters into the city, which was the first building built in the city in 30 years. This followed his biggest accomplishment which was the Prudential Center and Charles River Park/West End project. The Charles River Park project was highly controversial, where some viewed the area as rat infested and dilapidated, while others fought the displacement of lower income people and the tear down of a historical neighborhood. The urban renewal project laid the groundwork for the new government center that John Collins, the new mayor, completed. He became a commissioner of banks in Massachusetts in the early to mid 1960's. Subsequently, he retired full time and passed away from a heart attack in 1970.

John Hynes was looked upon as being the architect of the new Boston and was able to energize young people to get involved within the city.

John Hynes II, known as Jack, son of the Boston Mayor, went to Boston College High School and then to Notre Dame with a degree in journalism in 1948. After graduation, he enlisted into the Marine Corps for the Korean War in 1952 but by the time he finished his basic training, the war ended in 1953. Subsequently, John took a radio job in South Bend, Indiana, for 2 or 3 years as a morning show host called "Out of the Sack with Chaz and Jack" and also experimented with some television at the time. He then was asked to come to Boston in 1956 to work for WBZ. He got married and John III was born in 1958. He transferred to Channel 5 to do the news at 6:00 and 11:00 with Don Gillis doing sports and Ray Walker doing weather. John became a well known celebrity in the city.

12.2 Hynes Case Study

John Hynes III came from a lineage of achievement with a grandfather whose legacy went down in history as the individual that acted as the architect to re-energize and develop the city of Boston. His interest driven by this legacy led him to take on leadership positions developing great experience to subsequently develop the largest spec office building in Boston and take on the New Songdo City project, which is over $20 billion in investment making it the largest private development ever undertaken in the world.

John Hynes III was the oldest of 4 children. At a very early age, he developed an oddity of waking up at 5:30 am every morning, which he still does to this day. By 8 years old his parents got frustrated and had him get a paper route in the morning. By 9 years old the local priest knew about his early morning activity and had him help with the daily 7:00 AM mass. His mornings consisted of delivering newspapers 5:30 to 7:00 am and then helping with mass then from 7 to 7:30 am. After at 8:00 am, he went to school. They moved to Chatham, Massachusetts, as he grew up in a middle class background. He started his first "real" summer job in landscaping at 12 years old and was a short-order cook at Ho-Jo's. He used this income as spending money for most things such as clothes, restaurants and sports equipment. This routine really taught John his hard work ethic and responsibility.

Growing up, John did not see much of his father because he was sleeping in the morning and was off to the TV station at night. It was strange for him growing up because his father had reached celebrity status, and everyone knew who he was with his news anchor position on TV. Watching his father, John quickly knew this was not the career path for him. He remembered even having stage fright in the grammar school plays.

In 1970 at 12 years old, John's grandfather died. At that point, he just remembered him as a nice old man that had candy next to his chair when they visited him. He remembered that that they would go to Red Sox and Boston College football games together.

Everybody called him, “your Honor.” John thought he was a judge and really didn’t know what he did. He recalled that he had done something with the Prudential Center and going to the Skywalk was a big field trip in the 1st grade. After his death, he began reading the obituaries and the newspaper articles. For the first time after learning what his grandfather did, John became interested in buildings, particularly in the city of Boston. His grandfather was also a poet who romanticized about “the city on the hill.” John also began reading his work. As he grew older, John met more people that knew him and began to even more appreciate the legacy of his administration and its contribution. At an early age, a lot of pride was instilled in him about the new Boston and it remained as a lingering reminder. The older he got, the more he understood it and the more it interested him.

On the effect of his grandfather’s death:

“Early on for me there was an affinity for the city, a love for the city, respect for the heritage and what my grandfather did.”

John started high school in the Chatham public school system in ninth grade. His father looked at the year book and saw that only 50 out of 100 students that graduated that year went to college. Upon seeing this, his father decided that this was not the type of environment he wanted his son learning, so he shipped him off to Milton Academy in the 10th grade. He looked upon this as a major event in his life that completely changed the way he looked at school. Prior to this point, John said that you went to school “to kill enough time get to your job and get to your sports.” At Milton, priorities were shifted. School became the primary focus and everything else became an afterthought. At Milton, all the A’s became B-‘s and all the B’s became C’s. He also received his first D that sophomore year. John began to start to worry about his course planning and about homework. The change instilled educational disciplines that he would have otherwise not have received. He also was able to join sports programs that were not available at Chatham, such as hockey, football and baseball. He ended up playing hockey as a goalie in the school for 3 years. John has felt that involvement in sports has positive developmental characteristics that are carried forward into business dealings.

He reflected on the importance of sports:

"I look around the industry that I'm in, and the men and women who grew up playing competitive sports --- it doesn't matter what it was, it doesn't matter how good they were --- those who continued to play competitively tend to be the easiest to deal with in this business. They understand humble victories, they understand perseverance, and they understand dedication. They understand being organized, being prepared and accepting defeat because you lose more than you win around here. You lose a lot more than you win if you're working. I think sports are huge, also in regards to the whole notion of teamwork, team building and pulling your own load."

Overall, even with his involvement in sports, Milton made John take his studies much more seriously. This enabled him to apply to high quality schools.

John was accepted into Boston College, Amherst and was put on the wait list at Harvard. He had become a good goalie and baseball player but was not good enough for the coaches to go the extra mile to get him in the program. Although he had good grades and tested well on the boards, he needed a "hook" and it just wasn't there. About 2 weeks away from football camp at Amherst, John was going to try out for the team with his classes already being selected. At this time he received a phone call, a person who was accepted decided not to attend Harvard and he was the last one taken off the wait list and had 24 hours to make a decision. He accepted and entered as an American History major with a desire to attend Law School. He also chose this major because he knew it was a topic he enjoyed and loved to attend classes and lectures. As he said, "You certainly do better at things you enjoy." With his father still paying for four children in private school, he continued working paying half of his tuition from bartending and folding towels for the squash courts at Harvard. In his senior year, John married his wife who went to Boston College. During his senior year he spent much of his time trying to develop a career path and really started thinking about entering the real estate industry.

John's father's cousin worked at Meredith and Grew. John's grandfather acted as a surrogate father to Tom Hynes because his father died at an early age. He convinced Tom to enter the real estate industry and set him up with Tom Moran as a broker. After 10 years, Tom became the top broker in the city of Boston. John went to see Tom and after a few hours in his office, he explained what he did for work, how he went about his day, what he looked at and what he worked on. Although Tom didn't have room for him in his company, John decided at this point that this was what he wanted to do.

John went and met with 10 to 12 firms and spoke with them about his interests. All of them said that they would get back to him or that they weren't hiring. At the very end of this process, he received a call from Larry Bianchi at Codman Company. Larry said that he could come into the office and speak to him for a half hour, although it wasn't a job interview and they did not have any jobs available. After initially talking to him on the phone, his advice was that if he was able to find a job anywhere, take it. John was nervous about the meeting because he was 3 weeks out of college, bar tending at night, playing minor league hockey and planning in late June to go try out for the Colorado Rockies. At this point, jobless, he felt he had two skill-sets: goaltending and bar tending.

John went to the interview and as the way fate would have it, the night before, the only downtown broker Larry had at the time said he was going to resign. During the meeting Larry said, "I wasn't expecting to offer you this, but a guy left last night, and he's leaving in 2 weeks, so why don't you start Monday?" John, now with no experience in the real estate industry, officially began his training.

He entered the market in June of 1980 when the market was taking off and Boston was growing. Although at this point computers were not being utilized, the brokerage industry was becoming more sophisticated, as research became was more polished and competition increased. As the building boom continued for the next ten years, the three brokers senior to John were busy making the big deals. They had many relationships with a variety of customers but were unwilling to service some of their small lease requirements in the city. They gave the assignments to John, such as a 500 square foot space for a 2 man law firm or a 1,000 square foot little insurance company. Amazingly there was a huge need to service these customers and John did 20 lease transactions in the first 12 months and 53 the following year! He was quickly learning even though his first commission was only $37.

He discussed his experience:

"It was like shooting fish in a barrel. I loved it. I was making peanuts, but I was learning how to work with customers, I was learning about where buildings were, I was learning about how they work and I was learning about the lease process, showings, proposals, and lease negotiations. I got a ton of work done in the first 12 months. It was an apprenticeship I couldn't have paid for."

Although John would not spend any time on 99% of those leases he previously worked on back then, he learned that it took just as much time to close a 1,000 square foot lease as a 10,000 square foot lease. He would have to show the same number of buildings, deal with the same topics and negotiations, and invest 100 hours for only a few thousand dollars. Although the leases were small, he enjoyed the time and as a young man with no children. the pressure wasn't there. As his experience grew, he was able to take on more projects and complete deals now in 10 to 20 hours because he knew where to go and what to access. He learned how to execute leases quicker, better and then bigger. He compared the business as a "hand to mouth deal." John said it was like a barter system. He sold his first building and then bought a house. He signed a bigger lease and then bought a new suit. He sold his second building and then took the kids to Disney World. "You eat what you kill and that's the way the business was running throughout Boston for all these guys," he said. Today, he admits that the brokerage industry is more sophisticated. It is more corporate-like and has more team building, more teamwork, seminars, conferences, think-tank shops and MIT graduate schools, all advancements primarily driven by the integration of cell phones and computers.

By 1983 with three years of experience with Codman, John was showing a few development sites to Lincoln Property Company and they really hit it off. With no intention to leave the company, Lincoln offered him a different route.

John's recollection of Lincoln's offer:

"Hey, I can't do this. They said, don't worry about it. We're really good at what we do. What we don't know is how Boston works, we don't understand what makes it tick, we don't know the good locations from the bad locations, and we need someone here who could do that full time for us . We'll teach you how to put it all together. So we really just need a broker. You find us a site and ride with us."

He could stay in brokerage, but he would work under the umbrella of the development division. They convinced him it would be a great opportunity so he left. John started learning about construction and finance, all culminating with a marketing program. In 6 months he found their first project, 101 Arch Street. They flew someone in to help him negotiate the acquisition, permits and approvals. Then they sent someone down from the project management team and someone to negotiate with the architect. John would make the initial introductions and then be a "wingman" on every aspect. Overall, John found the site, obtained the approvals, hired the architect and went "cradle to grave" with the project. It was a great thrill for him putting together a $100 million deal at 25 years old. He said every developer has to do this once and when the process is learned, he can then repeat it. They sold the project to their partner, Met Life, upon opening in 1989 but kept the leasing and management responsibilities.

In 1990, the market began to deteriorate during which they developed a $100 million property for the Commonwealth of Massachusetts in Chelsea. As the development business came to a standstill, John by then had 5 kids. Since his salary was primarily based on a percentage of the development fees and a piece residual value creation, the base salary was barely covering his overhead costs. John reflected on the upcoming money he would need for his family and his children's private school education.

Looking back at the leasing industry versus the development industry, John says that they are very similar and he enjoyed both industries. The difference in the brokerage business is that the job entails a lot of transactions while in the development business, it's a little different. There is a lot of activity but it's all centered on one project, so instead of doing 30 deals a year in the brokerage business, the developer is doing one project, for example, every 5 years. The developer has "all his eggs in one basket." The hope is that enough fees are made to live well and that the success of the project will create a big payment after completion. As the developer becomes better at his trade, he will bring in more employees and take on multiple projects simultaneously.

Lincoln was not set up to expand nor did John have the experience at the time to grow the company. If he had the experience he had now, he would have approached the responsibility differently by hiring more people and doing more deals. At the time, Lincoln was satisfied if they were doing two deals a year while flying support from Dallas. Their plan was that after 10 years of maturity, they would expand, but with the market deteriorating, expansion efforts were far from the horizon. John had a great time with Lincoln and learned a lot from some of the best developers in the country.

During the same period, the Prudential accounts including the Prudential Center, 101 Huntington and One Beacon Street were really struggling. Prudential was getting frustrated and was on the verge of firing their brokerage company that represented the accounts for 30 years. The owner of the company called John and said that he was going to loose the account and if he helped him reposition the assets, Prudential would give an extension on the contract. In a market with no development, John reluctantly accepted the opportunity, leaving a company he greatly enjoyed. Today Lincoln Property Company is a full service real estate firm and is now developing 2 Financial Center.

John says that there were probably 100 brokers that could have done the job. What made him unique was that none of the other brokers would take the job because they were hoping that they would get the account after the company was fired. Although Prudential was reluctant even though John was brought on board, they felt they owed it to the company for hiring him. In 1993, John took on the responsibility of the Prudential account for RM Bradley & Company. He worked for Jack Fallon who was on his way out of the company. Jack was dying and had difficulty coming into work because of advanced stages of rheumatoid arthritis. John described him as a good guy in his mid-70's that was trying to do it all himself and was from the old school still using carbon paper. He also learned a lot from him. Jack's emphasis was always on communication and face time.

John on Jack's philosophy:

"He said you could stay on that phone all you want but if you want to get to know somebody, work a deal, get a relationship going and create some trust with your clients, either the tenant side or the building side, you got to spend time with them—face to face—in their office, coffee, at lunch, dinner, take them golfing or take them sailing. You must spend time. I never really did that. It was really a good lesson looking at someone in the eye, working with them side by side—it's a lot different than doing the same amount of work desk to desk through a phone or in today's world, e-mails. Big difference."

This philosophy has served John well in his Korea project and it is his reason why he makes so many trips to the country. He believes that this is a human principle that will never go away in business.

By 1995, the market began to turn around. All the 2 million square feet of vacant space that had been released from Prudential's properties, John re-leased while receiving help from only two other people. In 1995, the mall component was completed and its success helped accelerate the leasing process. The 25% vacancy in 1993 was then 8% in 1995 and rents went from $25 to $50 per square foot, respectively. As Jack was on his way out of the company, and the Prudential Center now stabilized and being sold to Boston Properties in 1998, John began to think about his next step.

John considered buying RM Bradley and growing the platform but one of his old friends, Finn Wentworth, from Lincoln Properties called him up and asked if he wanted to get back into the development business. He had started a company with Stan Gale and they wanted to open up an office in Boston concentrating on development, distressed real estate or value-add opportunities. He left RM Bradley after 5 years and joined Finn and Stan in January of 1999.

John began trying to purchase real estate but due to a late entry and perceived overpricing in the market, he was having major difficulties. The premise with the institutional funds was to come in and buy buildings that were only 25 to 50% leased. The current landlord was having a tough time getting them leased, and they would try to buy the buildings for $150 to $200 a square foot. It would cost them another $50 or $100 per square foot to fill them and then they would sell for $400. He described them as "bride's maids" on the first 15 deals pursued in 6 months. They kept on coming in second place; the most disappointing was the MGI Portfolio. After continual failures in acquisitions, one of their capital partners, State Teachers of Ohio, who wanted to invest in Boston, discussed with them about trying to acquire properties for $300 per square foot but losing out to bids of $350 to $400 per square foot. They thought, why should they pay $400 per square foot for a 30 year old building when they can build a new one? John was elated. He knew the market needed a new building.

In the summer of 1999, John launched a development campaign systematically reviewing all the available sites in town that they had a chance at buying. The market had gone from 25% vacant to 8% and by 1999 it was approximately 5%. There was nothing under construction except for 111 Huntington and they needed to get a building in the ground. They began negotiations on 33 Arch Street and 131 Dartmouth Street, even though the best site was already tied up at One Lincoln Street. By Labor Day of 1999, the developer's deal on One Lincoln fell apart. As a company with only 4 story developments in suburban New Jersey and with John having only done a 21 story building in Boston, they pursued the project. John's confidence was based on the simple approach he learned early in his career. Larger projects take virtually the same time and fundamentally utilize the same principals as a smaller project. He said, "Everything was the same, just more zeros. More zeros on the square feet, more zeros on the dollars but the same amount of time." With the capital from Teachers backing them, they convinced the city to believe in them on the development of a 40 story, 1.2 million square foot building. Their confidence was in John's ability to hire the right brokers, contractors, lawyers, architects, and engineers. They also knew that he could get through the political process which he feels is non-political -- it just a process that everybody goes through the same way. To navigate the process, a developer must understand the system of getting from A to B to C in the approval pipeline. John says that the key is spending time with people so that they get comfortable with the program. A developer must listen to what they have to say, because if you're going to fight them, it is going to be a long ride. Yet, if the developer gives in to everything they say, no money will be made. It is a delicate balance.

In 6 months, they re-permitted and redesigned the project. It was the largest building built on spec in the history of Boston and the first new building built in 10 years. Thirty days after the started demolition and site work, State Street Bank emerged with a 500,000 square foot requirement. After 6 months of negotiation with the firm, State Street decided they wanted to lease the whole building. "It was music to my ears," John said and the lease was signed May of 2001 after 32 drafts. John had reviewed hundreds of leases in the past and was prepared for the process because of his experience. As the notoriety of the project grew, so did the Boston office with an 8 to 10 man project, construction and design management team. Their reputation was solidified in the city based on their ability to execute the most expensive single building in the cities history of $350 million on time, under budget, fully leased, and then promptly sold. It cost $350 and was sold for $700. John admits that projects rarely happen with such success. He also felt they were very lucky. After the lease was signed at $60 per square foot, 9/11 happened. Rates quickly plummeted in two years to $40 per square foot and State Street could only watch as the building was sold based on their cash flows. Overall, State Street has done well with the lease because market rates in the building today would be $80 per square foot. John feels that the precise execution of this project was a culmination of all his experience beginning at his days at Codman. Also, it was also due to the great contribution of the team's experience which he will never forget. It was time to look for a new project.

John got a call from Korea for the chance to build a massive city. What made them think that they could go from a 4 story suburban developer in New Jersey to a 40 story building in Boston to a massive city in a foreign country? John responded, "We just thought we could." "Well, why not? No one thought we could do One Lincoln Street. We were questioned, criticized, scrutinized—the whole thing—when we were selected as a developer for one Lincoln," he iterated. He noted that people are not very kind in the business world. There were a lot of mean things said about them during the One Lincoln process.

John knew that he could go after the Korea project or raise an opportunity fund. He genuinely believed that the Korea project, New Songdo City, would be fun, different and would develop their skills. In his mind in 2001, he knew he had to pursue a new project. He would work on Songdo from 2001 to 2005 and if they couldn't work out the deal, they could concentrate on the domestic market. They were able to work out an agreement and the project is becoming very successful. Because of the quality they are providing with access to the airport, quality design and construction with the strengthening Seoul market, Korean companies are expressing interest in space. With Korean companies looking at the space, U.S. companies have followed with strong interest on the office component. The residential component has been a great success receiving 65,000 applications for home ownership, although the unit prices are capped by the government. Their profit from the residential, they believe, will support paying off the land price and some additional projects on the site. The complete project has an estimated 35 million square feet of residential and 40 million square feet of commercial. Today, John and Stan spend much of their time on personnel issues. The only way he feels this project can be run it to be able to delegate responsibilities. John has had early success on the project, which is estimated to be over $20 billion, making it the largest private development ever undertaken in the world.

John’s advice for those who want to start their own real estate business is that you need a strong foundation built on working for others. By doing this, he has been able to learn from the achievements and mistakes of other company’s owners at which he has worked. He notes that this foundation has generally not been built with legacy owners. Without the work, experience they tend to be poor listeners, can’t deal with people telling them no and don’t know the meaning of rejection. He believes without a base, it is a dangerous path. Also, he says that it is important to have the financial support. For example, starting a basic brokerage firm requires buying equipment, renting space, hiring employees and being prepared not to make any money for a period of time. If you want to start a development firm, multiply that by 10.

On starting a real estate firm without experience:

“The short answer: it doesn't mean a damn if you're not well capitalized, because, in other words, hey, look, if you've got a lot of money, you don't have to listen to anybody, but be prepared to lose it. And if you don't have any money and you're trying to start out, forget about it.”

Looking back over his career on decisions he would do differently, John said he never placed enough value at what he brought to the table.

On provided value:

“Be aware that when you're getting into a new level, when you're jumping on a new plateau where that company that you're jumping into is providing you with the opportunity to leap up to that level, there's gong to come a time after you get there that if you do your work properly, you're entitled to yet another level inside that company.”

He feels he didn’t realize his value at Lincoln and RM Bradley. He believes at Gale International, he has realized his value. At the previous companies, they had never done a high-rise in the market before. He opened up a platform in a new city for them with a product they had not created. Make sure that there is a proper partnership structure for your contributions and effort, but you must have a certain stature or standing.

In regards to where the opportunity is, John feel there is minimal opportunity in the United States especially because of the lack of debt to finance projects in 2008. He feels the economy is too uncertain and it is difficult to underwrite projects. There is no optimism now. John says that the commercial brokerage industry will always be a money maker because brokers make money if people are buying or selling. It is different in residential because people don’t have to move or renegotiate every certain period of years. Furthermore, leases are always expiring. “Brokerage is the annuity in the real estate business,” he said. Every year in Boston, for example, 5 to 6 million square feet of leases are expiring. For all these deals, there is a broker there to help negotiate the deal. This career has served him well twice in the past.

What is the definition of an entrepreneur?

Entrepreneurs are individuals that can match their skill sets with a good imagination and a lot of perseverance. An entrepreneur has always been able to use all the work that they have invested up to that point in time to creatively move sideways when they hit a road block. Driven by a need, entrepreneurs utilize their skill sets to create a vision of how the next opportunity might play out. Entrepreneurs utilize their skill sets to take calculated risks and make dreams turn into reality. The person has the unique ability to match their skill sets and the experience that they have accumulated to harness and create their dreams while creating opportunities.

12.3 Path and Characteristics Analysis

In John Hynes's middle class childhood, he built a strong work ethic at a young age starting at 8 years old waking up at 5:30 AM every morning for his paper route. When he was 12 years old, his grandfather died and he really never had an understanding for what he did. While reading the obituaries and news articles about the impact his grandfather, he became inspired by his legacy of re-energizing and helping develop the city. This created an interest in buildings and a pride of Boston.

In high school he went from concentrating on sports and having school as an afterthought to transferring to Milton Academy, a school which instilled academic discipline. His strong performance at the high school allowed him to apply to top quality schools. Also during high school, he played a variety of sports which instilled a variety of characteristics including perseverance, dedication and teamwork.

He was luckily accepted as the last person on the wait list at Harvard. He continued his strong work ethic by paying for half his tuition while continuing to play sports. Upon graduation, his father set up a meeting for him with Tom Hynes, a broker at Meredith and Grew. After sitting down with him and understanding his career, he was instilled with a passion for the real estate industry. He caught another lucky beak when a person at Codman Company quit the day before he had a meeting with Larry Bianchi. His real estate career had begun and he started taking on the small leases none of the other brokers wanted to spend time on. With his strong work ethic and a new niche, he rapidly began to gain knowledge on the lease process executing 20 lease transactions in the first 12 months. His abilities developed during the time by being able to navigate the process quicker and more efficiently.

Through gaining a strong understanding of the market, he moved on to Lincoln Property Company in development. As he helped begin an office in the city, Lincoln provided the support by flying in individuals to assist him in obtaining the acquisition, permits and approvals. In acting as a wingman on all aspects of the project, he gained the essential knowledge of bringing a project "cradle to grave."

As the development market dried up, John was approached by RM Bradley & Company to take over the Prudential accounts and help reposition the assets. His previous experience in leasing and development prepared him to take on the challenge. Working with Jack Fallon, he learned from him the importance of building social ties and relationship building, which helped him move forward on the New Songdo City project. By 1995, John had leased 2 million square feet and had stabilized the Prudential account.

As the market improved, John was asked once again to start a new office. This exemplifies his independent nature to be able to leave previous jobs to start new platforms and leading the effort. He joined Gale International with some of his old relationships from Lincoln. After difficulties with winning value-add opportunities, they decided to pursue a development campaign. John had the opportunity to develop One Lincoln Street by using his experience and track record to convince the city of Boston that he had the background the execute this project. He utilized his value of social ties to spend time with the public agencies to gain support for the project. Although the project was the largest and most expensive spec office building ever built in the city's history, John had the self-confidence through his previous experience to take on the project because he knew that although the project had more zero's, the process was the same. He successfully executed the project which was a huge success and he gained yet another base of experience.

In 2001, John was approached to take on the building of a massive city in South Korea. He made the leap again having the self-confidence to tackle the project which was driven by his accumulation of knowledge and experience throughout his career in development and brokerage. With success in the initial stages, the world watches as the largest private development in the world takes place.

13.1 Wilder Case Study

Joel Wilder, known as “Numbers” because of his excellent math skills, quickly became bored with his employment positions once he mastered them. This motivation propelled him to take on new roles in various aspects of the real estate industry while gaining a well rounded background and a variety of key relationships. This has enabled him to lead The Wilder Companies to the development of over 100 retail properties across the United States, while continuing development of large high quality mixed-use developments.

Joel Wilder grew up in Dorchester , Massachusetts , which was an ethnic neighborhood that instilled in him the appreciation of all types of people. His father was an engineer that had graduated from Tufts University. When he was 11, he had two paper routes delivering newspapers at 5:00 am and a job as a delivery boy for a grocery store. He would make $20 and give $18 to his mother. At 15 his job changed because there was a pool room three doors down from him; he became a little bit of a pool shark. Through this and other gambling with bowling and the card game Gin, he was making $100 a week which was equivalent to a full-time salary. Also, he received the nickname “Numbers” because people could throw out number to add and before anybody could figure it out on their machines, Joel had the answer. Similar to his father, Joel decided at 17 years old that he wanted to be an engineer. He had registered for Tufts and at 18 years old, he received a call saying that his father was not doing well and could not afford to pay for college.

Joel still wanted to attend college so he enrolled at Boston University taking sales courses at night school for 2 years. To support his college education, he took a job at E.B. Horn and Company, learning the jewelry business. He had met a few jewelry owners that were smart, very successful. He thought he could learn something new and interesting. While at the jeweler, he met his wife, whom he would meet every morning in the Back Bay to walk her to work. She suggested that since “Numbers” was good at business, he should go to Bentley College, which at the time was also located in the Back Bay . He attended the school during the night for 6 years and received his degree in business, learning the fundamentals and making great contacts. Bentley was a wonderful experience and there he befriended Greg Adamian, who was becoming President, while the school was moving to Waltham.   During college, he also had some other jobs, such as accounting and bookkeeping. One of his first clients was Tom Flatley.

After graduation, he went to work for Metcalf & Eddy, an engineering firm, as the internal auditor on the ballistic missile early warning station in Thule , Greenland . Luckily while there for 3 years, he only had to visit the site a few times while based out of Boston . All day he would work on the National Cash IBM punch card system. He became bored of the routine work, looking at numbers on papers all day. He applied for a position at the Laboratory for Electronics, where they couldn't match his previous salary of $200 a week.

Two weeks after, he received a call from a recruiter that had heard about the interview and said they had a firm that wanted to hire him. The job happened to be in the real estate industry with Dreyfus Properties in Boston that built shopping centers and was looking for an office manager/controller. They needed help everywhere and hired him as a controller making $150 a week but promised that if he worked there for a year, he would make $300. To support himself temporarily, now that he had three children at 26 years old, he figured that he could work weekends with Arthur Anderson.

The book keeper, who had been at the company for 50 years, kept everything locked up. Even to get petty cash, employees would have to go through her. The first day Joel was at the job, the book keeper was not there. After a week of her not being there, they got a lock smith to open up all the documents. Joel went through the documents reviewing the various books for each property that ranged from Bangor, Maine, to Brattleborough , Vermont. Joel decided to convert all the books to the punch card system. After one month, Joel had converted all the properties into the system.

He went to his boss Al Manley:

"I go to the Al and say, I'm leaving. I have nothing to do—bored out of my mind.   He said, what do you mean you're leaving? I said, there's nothing here for me to do. I could come in here all day long; I have nothing to do. He said, no, we want you to stay. How would you like to manage properties?"

Joel thought the offer was interesting and they gave him a handful of buildings to manage in Boston, including the Dexter Building and 44 School Street . Because of his excellent performance, by the end of the year, Al asked him to run the whole office. He turned around the office by firing many of the people that had been there for 40 years. The problem was that they never worked. After turning around the office, Joel once again said, “I’m leaving. I can't stay in a job where I am bored.”

Al brought Joel into the office of Ted Barronson, the President:

“He said, they tell me your name is Numbers. Are you good at numbers? I said, pretty good. He says, look, I'm going up to New York next week; I'd like you to come with me. I said, what's in New York ? He said, I got a meeting with J. C. Penney and Allied Stores, and Connecticut General Life Insurance Company. You come with me and you'll meet some people.”

Joel went with him to the Center City Club to meet with the directors of real estate from the major institutions. They went out to lunch at 11:30 and came back at 2:30 but had still not discussed business. As Joel and Ted were leaving for their 4 o’clock flight and as Ted was walking out the door, he said, I need 180,000 feet in downtown Houston, Texas. The director responded, “Ok. I’ll put it out in front of the committee,” and they took off. For 3 years, Joel went to New York with Ted carrying the bags, notes, and making the payments. For example, he would go into a meeting and Ted would say, “I need $14 million and can’t pay more then 5% interest.” Then the banker would ask what the numbers were on the deal. Ted would respond, “Hey Numbers, tell him the numbers,” and then Joel would go through the numbers. Joel witnessed business meetings like this for three years, but through the process was meeting everybody in the industry. Even though he was young, he frequently enjoyed talking to the people
He cites one further example that he remembers to this day. Nathan Cummings was chairman of Consolidated Foods and was on the board. Joel and his boss would go to the meetings. The heads of major companies would be in attendance from firms such as General Cinema and Stop & Shop. In one meeting, Nathan had not yet arrived.

“Somebody looks out the window. Oh, there he is. And out of this 24 foot limousine walks out Nathan, comes up the stairs, walks into the room, goes around, shakes hands with everybody, and he says, who are you to me. I was like 25 or 26 years old. I told him who I was. And I said, I'm the numbers man. Is that right? he says. He walks around. He never sits down in a chair; he stands up behind his brother. He turns to me and says, what's the bottom line? I gave him the bottom line on each of the 4 or 5 properties and what we're going to do. And he says, guys, it's been wonderful. He was there for 5 minutes, turned around, walked out, went back in his limousine and took off."

Joel spent a few hours explaining the financial situations to the rest of the board. Two weeks later, he received a plaque for his desk from Nathan that said, "What's the bottom line?" For 25 years, Joel has kept the plaque on his desk and when someone is talking, he turns it around to face the person.

Joel transitioned into the development business for the company taking on the $60 million Worcester Center with a 300,000 square foot Jordan Marsh, 120,000 square foot Filene's, 400,000 square feet of office and a 4,300 car parking garage. He partnered with Norman Leventhal of The Beacon Companies, and they owned the property for 20 years. Norman brought in his contracting company and Joel paid them a fee. This is a strategy Joel has used to this day by hiring a construction manager and having him work for the company and organizes the bid process. He feels that it gives the company better control.

Joel again got to the point were he went to Ted and said, "I'm leaving." This time was a bit different because Joel now had rented out an office with his name on the door and he was bringing Al Manley with him. At this point Joel had trained someone to take over his job. Joel advises that if a person has confidence in his own ability, he should always train somebody. It is difficult to change positions in a company without someone being ready to take your job. He told Ted that he was going into the development business. Ted then 74 years old, told Joel then 36 years old, that again he didn't want him to leave. Joel received a call from his lawyer asking that they have a meeting. At the meeting, the lawyer said that for him to stay, he would give him a piece of the company. It would be split up into 5 pieces. He, his son and his nephew would split 60% of the company equally, and he would give him and Joel each 20%. Joel negotiated that in the event Ted died, he would have the right to purchase the 20% share.

In 1972 Ted died only 2 years laterm and by gaining a majority share of the company, he bought out the son and nephew. He reflected that Ted was a great man that would always offer to take care of him or his family when they were having problems, such as a sick child. Also, he gave them free office space for a period of time. The ability to transition into the development business for him was a function of learning the variety of positions, such as management and leasing which he believes is essential to understand when developing a building. When he was going through this training, he would see the problems and what previous developers had done wrong. It is necessary to have a broad vision and understand what these people go through on a daily basis. This learning process took him 8 to 10 years. He was able to run his own company because he had a lot of financial contacts from banks and insurance companies. Joel had help from King Upton, who he sat down with weekly that worked at the Bank of Boston and helped give him advice and guidance. He also brought along Ted Barronson's attorney. Joel said that the key to success was having a supportive team.

On teams:

"You've got to pick the right people to go with you to do the things that have to be done. I didn't know everything, but I was a good organizer. I was able to look from up here and find the issues and find the problems. Anybody who thinks they know everything and can do everything, is a stupid person. It just doesn't happen that way."

After taking control of the company with Al, they changed the direction of the company. In the seventies, they were building near 9,000 apartments and had built harbor towers in Boston . He remembers getting a call at 2 o'clock in the morning to fix the plumbing and really didn't enjoy the apartment business. After control was taken in 1972, they went through a 7 year process of selling the companies properties while focusing on shopping centers across the country. They built many notable projects, including West Shore Plaza in Tampa and Yorktown Center in the Chicago area that is now 2.1 million square feet, with the new addition of a 400-room hotel.

By 1990, Joel and Al decided that they were going to go their separate ways. There was not a match with the sons who would have come together to take over the company. They each decided to split the company under one management firm and sell the assets.

Joel was able to take with him some of the key personnel, such as head of promotions, leasing and construction. They are continuing to develop great project such as the Rialto in Orlando, a 350,000 square foot mixed-use project or The Loop in Punta Gorda, which is a 200 acre mixed-use project with 1.2 million square feet of retail with 500 residences, a hotel and office space.

The advice that Joel would give to individuals that want to start their own company is that if they want to make the leap to develop and finance their own deals, they must work for somebody first. This is a crucial element because working allows the individual to get to know all the people in the business. For example, Joel will look at a site and then think of what possible tenants would be good for that site. He has the ability with his staff to call up almost any retailer on a first name basis. Joel says that generally they are only going to call back people that they know and have done business with. If someone else with no contacts was going to try the same approach, it may take weeks for the retailer to get back to them, if at all. It has come to a point where retailer will come to them for advice because of their local market expertise. He has built these relationships over 40 years of experience. To build these relationships, it takes time. The importance is that initially you put your self close to someone that is running the deal because it is a great learning experience. On running his own business, Joel has always taken care of the people that have worked for him which have led to a strong loyalty to the company. He has been able to retain key people by giving them a "piece of the action." Joel says that a private entrepreneur sharing wealth makes a lot of sense. His company was one of the first in Boston to adopt this strategy and after, many other firms did the same.

Some of the biggest challenges Joel has had were always financial related. In the eighties when the prime interest rate went to 21%, they had to rework a few deals with the bank and were able to convince them to waive interest for some period of time. He said that challenges have always been related to money. Yet, he has built over 100 shopping centers and has never had one foreclosed.

Joel has been satisfied with his decision to not go public, which he has had the opportunity a few times. Although he may have made more money, he has enjoyed running his own business without worry about quarterly returns and reporting.

Joel still feels that there is opportunity in the retail development industry despite current market conditions. He says that a large retail center of quality, in a good location and with the right tenants, will weather these types of economic hardships. The overall vacancy rate of his retail properties right now is only 3 to 3 ½ percent while others in the market to 6 to 7%

What is the definition of an entrepreneur?

The entrepreneur is someone who that has the ability to put the package and pieces together, whether it be the financial part, the construction part, or the architectural. The entrepreneur is usually the leader. He is going to listen to everybody that works for him if he's smart, and he's going to bring in partners, maybe from within that core for pieces of the deal so that it will work. He does not need to know everything, but he needs to make sure he has people with him that know all the ins and outs. Joel admits that he does not know much about construction, but he does not have to. For example, he has an individual that is in construction for 25 years that has done a lot of their construction work. He has faith that the job will be done properly but will always push and question him. An entrepreneur is the individual who is in charge and he better make sure the job is being done right. Also, quite often, he is the individual that has the got the money on the line or at least a major portion of it.

13.2 Path and Characteristic Analysis

Joel Wilder grew up in the working class neighborhood of Dorchester , Massachusetts , as the son of an engineer. In his childhood, he developed a strong work ethic having two paper routes and delivering groceries. He showed an early entrepreneurial drive as a teenager by utilizing his skills as a pool player, bowler, and card player making money equivalent to a full time salary. Joel had a naturally strong intellect and abilities gaining the nickname “Numbers.”

Joel originally was taking night classes at Boston University and then transferred to Bentley where he obtained an undergraduate degree in business. Although his father was unable to pay for his college, Joel’s perseverance and strong work ethic enabled him to receive his higher education after 8 years of night classes while having multiple jobs which included working at a jeweler and bookkeeping.

After obtaining his degree, Joel took a job with an engineering firm utilizing the punch card system. He became bored of his routine work and decided to look for a new job. The characteristic of being bored with routine work discussed in the literature review has been shown as a key motivating factor of entrepreneurs. His skill with numbers became applicable in his new job which he was offered. At this point by transitioning into the field of real estate, there seemed to be no great motivating factor to enter the field besides learning something new from a promising career. As the book keeper disappeared, Joel had the opportunity to convert all the books of the properties to the punch card system. Again after completion he became bored. He went to his boss and told him that he was leaving. The boss then put him in charge of managing a handful of properties in Boston . As he excelled at the position, he rapidly gained knowledge understanding the ins and outs of properties. With his success, he then was put in charge of the entire management office. He turned around the office by getting rid of the employees that were not doing their job. After the office started running smoothly, he once again went to his boss and said that he was leaving because he was bored.

Known for his excellent calculation skills, this time the President of the firm asked "Numbers" to accompany him to New York. Joel gradually began understanding the importance of social ties. In many of the meetings, business would only be discussed until the very end and much of the time was spent building the relationships. Joel himself, although young, had the confidence to speak to these various business associates building relationships for himself. He learned how to analyze and present the financials of the projects to bankers and life insurance companies. He had moved from gaining the knowledge of property management to obtaining an understanding of the financial aspect of real estate. He then transitioned into the development realm helping put together various projects.

With a well rounded background, Joel once again said he was leaving, but this time had built a variety of contacts. The president again kept him by giving him and his partner each a 20% stake in the company, and they eventually obtained majority control. With Joel's ability to now solve problems and recognize how to put deals together, he began growing the company's retail portfolio. Even if he lacked knowledge in some areas, he knew how to pull the proper team together and organize knowledge to accomplish the goal.

He showed his independence by leading the company is a new direction by concentrating on retail and building over 100 retail properties. The essential element he cited to this success is the relationships he has build with retailers allowing him to immediately consult them on potential development opportunities. He kept the passion in others by giving key employees portions of ownership in projects. This strategy has helped retain employees with the company for many years which is essential to the success of an organization.

Joel Wilder's progressive gaining of knowledge pushed by his proclivity to boredom once he had mastered the position, created a well rounded base of knowledge and core group of relationships which propelled him to success in the development industry. The Wilder Companies has built over 100 retail projects and continues to build notable high quality mixed-use projects with their key relationships and emphasis on quality.

14.1 Conclusion

Paths

There have been a variety of paths that real estate entrepreneurs have taken as it relates to the ability to establish and mature a firm. In review of the case studies provided, there have been 5 types of paths taken that have led the entrepreneur to establish a real estate firm. In some cases, an entrepreneur utilized more than one of these paths to a greater or lesser degree.

The Institutional Path

In the Institutional Path entrepreneurs gained a base of knowledge through years of experience in a real estate-related field, which enabled them to have the necessary tools and preparation to independently establish their own firm.

Don Chiofaro exhibits an excellent example. Don worked for Cabot, Cabot and Forbes for 8 years. This well-regarded institution allowed him to gain experience in all aspects of the real estate development field and sufficiently prepared him to establish his own firm. Steve Karp’s institutional path allowed him to take on massive responsibility in his early twenties with his job. In the first few months of working, he took on the management of an 11 story building and essentially ran the whole company’s developments after 6-9 months. Joel Wilder worked at Dreyfus Properties for many years moving from a controller, to a property manager to a financial analyst and finally to a developer. It took him 10 years to eventually develop properties but with this time he gained a strong base of knowledge that prepared him to lead his own firm.

The Family Support Path

The family support path is attributed to individuals that were able to acquire experience through direction or opportunities provided by the family that greatly helped acquire experience or capital for the establishment or ownership of their own firm

Jerry Rappaport gained exposure at an early age to his father’s real estate development endeavors and even worked on his properties as a laborer and auditor. After going on his own for 8 years and acquiring a strong base of knowledge, he started and ran his own real estate fund in Boston which began by his ability to leverage the capital from the family and the reputation of his father. He gradually built confidence in his abilities and reputation enabling him to raise a great majority of the funds by outside investors.

The Starting Small Path

In the Starting Small Path, entrepreneurs are starting off on their own with minimal or very basic knowledge in which by using their limited capabilities, they started with a small project. As experience was gained on this initial project, their knowledge and financial capabilities grew which led to progressive increases in size and complexity on each new project.

Dung-Kyu Choi was the premier example of starting small. He started with only one unit which his father helped him purchase by selling part of his farmland. Shortly after due to his success, he had the capability to purchase 80 units at one time. He also once again did this by starting with small construction contracts and building his firm into hundreds of millions in contract revenue today. Pietro Doran exhibited two premier examples of the starting small path. Pietro first took the basic knowledge he obtained from apartment management and started fixing up small houses in poor neighborhoods. This progressively grew to being able to purchase groups of houses at once, renovating them and managing a staff of 20 employees. Also when he moved to Korea, he started with one desk and no employees. He progressively grew this company to being able to partner and help manage the $20 billion New Songdo City Project. Jim Ansara started by receiving small subcontracting jobs from his boss building porches. He progressively grew from these basic jobs to dominating the largest tenant interior construction jobs in Boston. Jon Davis developed over $1.6 billion in development by starting with one 2 family apartment. Al Taubman started with one little bridal shop and progressively grew to a dominant retailer with the highest sales productivity in the nation.

Combining Resources with Firm's Path

In the Combining Resources with Firm's Path, entrepreneurs were able to use previous skills gained to achieve an autonomous role with a more established real estate firm. In this case the equity, credit, name and/or reputation of this parent firm were utilized by the entrepreneur to take on new projects and receive equity stakes.

John Hynes founded two offices in Boston for Lincoln Properties Company and Gale International. With their staffing and financial support, he was able to pursue ground breaking projects not only in Boston but internationally. Ted Tye, with his partner, Tom Alperin, was able to open a Boston office for National Development in which they eventually wholly owned. Their new office was greatly supported by a parent firm that provided the seed money, credit, equity, and reputation to allow them to excel and take on large projects. Ken Himmel used the backing of Urban Properties Chicago to enter the Boston market and tackle the Copley Place, one of the most well known mixed-use projects in the city.

Combining Resources with Individual's Path

In the Combining Resources with Individual's Path, the individual combines his particular skill sets with another individual's different and complementary skill sets, which when combined, enables the pursuit of an entrepreneurial venture. Together the group begins their own firm.

The success of Ted's company was also due to the complementary skills of his partner. While Ted brought the development creativity, his partner, Tom, contributed the financial ingenuity. This experience base led to a well-rounded skill and the subsequent profitability in the real estate development field.

Characteristics

As seen through the lives of some of the leading real estate entrepreneurs to date, their ability to pursue entrepreneurial endeavors and create a career of notability has been attributed to their utilization of a variety of characteristics. Through their case studies, it can be seen that these individuals do not have one set group of characteristics that has led to the preparation, establishment and growth of their companies. Yet, each of these entrepreneurs have generated valuable insight and illustrated premier examples of their applicability to the field of real estate on the characteristics that researchers feel are generally ubiquitous throughout entrepreneurs in all industries. Many of these characteristics are intricately related and sometimes reliant on each other. This results in them being somewhat overlapped in different areas and being combined to be contributors to professional progression. The subsequent review highlights some of these premier examples.

Risk Taking

Pietro Doran embodies the risk taker shown through his entry into the South Korean market with just a belief in his idea but without the support, the language, and capital. This belief was built into the largest real estate service firm in the country. Dung-Kyu Choi cites "guts," which he defines as not being afraid of anything, as one of the three major reasons that has led to the success of his firm. By having this approach, it pushed him to continue to take risks even after his first major failure and subsequently built a highly profitable firm. Jim Ansara's ability to take a risk on building out the restaurant's interior of a highly demanding family-owned business which others viewed these jobs as extremely difficult and unreliable, led to the establishment of a firm with a special niche that rapidly grew. Jon Davis risked a large portion of his father's wealth to take on a large apartment complex that was at a larger scale than any acquisition he had done before. The success that occurred by taking the risk gave an accumulated return to his father which was greater than his 30 years of employment. On the other hand, Jerry Rappaport cites his adversity to risk in the down turn of the Boston Market as being partly responsible for not taking advantage of some acquisitions that would have yielded immense returns.

Innovation

Jim Ansara created a new approach to construction by creating a service rather than a commodity. The service-based approach enabled his firm to successfully execute some of the most complicated and intricate projects in the nation. Al Taubman was one of the great innovators in retailing by literally changing the fundamentals of how stores were designed. One such example in his first post graduate job was changing the conventional retail display design which brought more customers into the door. Jerry Rappaport's innovative approach to real estate funds, by integrating social responsibility, has led to a new avenue of growth for the company. Don Chiofaro cited that his innovative approach has led to overcoming various hurdles such as financial difficulties or project approvals.

Independence

Pietro Doran exhibited extreme independence by defying all who said there was no promise in the South Korean market and moving to the country with nothing but one desk. Steve Karp showed great independence throughout his career but one notable point was his ability to essentially run a development office after only around a half year of real estate experience. Al Taubman's independent nature to pursue a career on his own after only two years of real estate work experience after graduation of college, led to the development of his first small retail property. This first development at a young age prepared him to progressively grow to massive retail projects.

Self-confidence/ Self-efficacy

Don Chiofaro, through his work experience, not only gained the confidence to start his own firm, but also took on one of the largest and most prestigious office building projects in the city of Boston. Taking the leap of starting this immense project was shortly after he established this new firm. Jon Davis had the confidence to purchase an 83 unit complex much larger than any deal he had done with money financed by his father. His father refinanced his house in a market others did not believe in. Ken Himmel entered the Boston market at 30 years old with no connections, to tackle Copley Place, a project that even large local developers couldn't figure out. Having experience only domestically, John Hynes's self confidence has led him to take on a $20 billion development project in an emerging international market on a scale the world has never seen.

Cultural factors

Pietro Doran's Sicilian background had relatives traveling back and forth to a different continent which led to his great interest in other countries.

Need for Achievement

Ted Tye attributes his primary reason for leaving his job at Harvard as a need to go out and achieve something on his own. This has led to the establishment of one of the most notable development companies in Massachusetts. When Halcyon and Charles River Properties would not allow him to do development in a market of failing syndications, Jerry Rappaport heard the idea of a fund and was one of the first to apply it to the Boston market. This facilitated him to be able to achieve his goal of doing development deals and acquisitions. It grew from a fund of $15 million to total acquisitions of $2.5 billion. A need for achievement pushed Dung-Kyu Choi to sleep only 4 hours a day after his first major failure to emerge with a new firm more profitable than before. When John Hynes gained the knowledge of his grandfather's legacy in the city of Boston, it created a need for achievement to likewise contribute to the development of the great city.

Planning

Without planning specifically for the financial status of his firm, Jim Ansara lost $550,000 on only $3 to $4 million in revenue. The creation and implementation of a plan with the help of his accountant led to a quick turn-around to profitability. Don Chiofaro cited that to execute a plan for a development, the developer must have the ability to bring together the proper team that in many cases has not worked together.

Knowledge

Ted Tye was able to gain a strong base of knowledge while working for the Dean of Harvard Business School. His work in master planning, property management and construction management led to a base of knowledge that helped establish the Boston office of National Development. Jim Ansara's quest for knowledge led to perfecting his profession by taking on as many projects as possible in the early years. Ken at 13 years old was on the fast track to building knowledge and by his early 20's was learning how to manage the development of large scale hotels. John Hynes progressively built a base of knowledge through learning from others and utilizing previous experience. For example, after only being a broker for three years, he utilized his local market expertise to help Lincoln Property Company establish a development office in the city of Boston. Through this platform, he was able to gain an understanding of the development process by bringing a project from "cradle to grave." This enabled his preparation for the development of One Lincoln Street, a ground breaking project in the city of Boston. Joel Wilder, through ten years of experience, gained a well rounded base of knowledge which he cites is crucial to start a firm and develop projects.

Mapping the Environment

Jim Ansara, by mapping the environment, was able to discover certain needs and gaps in the market. By establishing applicable niches such as restaurant interiors, Jim was able to obtain higher margins with less competition. Pietro Doran began mapped the environment in Asia even when he was in graduate school at the MIT Real Estate Development Program by establishing the MIT/Harvard Global Real Estate Group and spending months on a paper discussing the Yellow Sea Region. From this research, he was able to discover a great opportunity in the region that no one else could see. After the establishment of the National Development Boston office, Ted Tye concentrated on networking by setting up breakfasts, lunches and dinners with brokers, contractors, others developers, and lawyers learning about the Boston environment. Through this, he was able to evaluate and find a great early project for the new firm.

Opportunity Recognition

Pietro Doran's ability to see opportunity in South Korea when all others thought it was impossible and to establish the first outside real estate service firm truly embodies the ability to find opportunities. Al Taubman, by understanding the enormous growth of the suburbs and middle class, allowed him to see the opportunity to develop regional malls in areas that would emerge in the near future. In 1992, Jon Davis recognized the absolute bottom of the Boston real estate market in which he saw the opportunity to purchase properties for excellent prices

Bored with Routine Work

Joe Wilder exemplified the characteristic of being bored with routine work. After mastering a position in the firm, his boredom pushed him to seek new learning opportunities. After going through this process multiple times, he eventually gained a wide variety of experiences such as bookkeeping, property management, financial analysis and development which prepared him to run his own firm.

Perseverance/Tenacity

Dung-Kyu Choi exhibited extreme perseverance. Although highly entrepreneurial and successful early in his life, he lost everything due to one bad investment. He had no money but rebuilt his wealth by starting a construction firm. When faced with a project highly contested by the general public, media, and local governmental bodies, Don Chiofaro's perseverance led to overcoming a journey of overwhelming obstacles. Like Don, Jon Davis was able to persevere through the restructuring of his debt in a market crash to keep his company and properties. While taking on small construction jobs with a lack of experience early in his career, Jim Ansara went through some humiliating mistakes but used these events as a motivating factor to really learn the business.

Vision

When an idea was brought to Don Chiofaro comprising of 13 parcels in Fort Hill, his vision of constructing not just another building led to the creation of an iconic structure gracing the Boston skyline. Steve Karp was a visionary by assessing the need for enclosed malls and taking advantage of the integration large discount retailers. While others saw cow pastures in New Hampshire, Steve Karp saw a site that would meet the demand of an emerging market's need for large retail centers. Al Taubman and John Hynes both cite having a vision for developments as a key factor for the real estate entrepreneur.

No fear of failure

Dun-Kyu Choi exhibited two excellent examples of this characteristic. His first example with his investment in the mining company led to the loss of all his wealth. Yet, when he had no fear of starting a new company in construction, subsequently, even when he had no money to support his children, was able to once again become a great entrepreneurial success. Don Chiofaro took on the highly complex and controversial One International Place project, the size and scale of which he had never done. His lack of fear instilled belief in his team which with their support pulled together a Boston icon.

Social Ties

Dung-Kyu Choi's ability to leverage his social ties was a major contributing factor to his success. His first unit purchased was done through the relationships he created with his teachers and their advice for the proper unit. Also, by building strong contacts in the government, he was able to find and have the support for new projects and business opportunities. Jerry Rappaport built a network of social ties and utilized them through joint venture development and acquisition opportunities. These opportunities have not only led to exponential growth of his firm but have yielded superior returns. Joe Wilder, by sitting in on meetings with the president of his firm, began to understand the importance of relationship building. He cites relationships with retailers as a key component of his success in the industry which enabled quick assessment of the demand for a site.

Passion

Don Chiofaro exhibited his great unbridled passion for the real estate development field starting early in his career at Cabot, Cabot and Forbes. He tackled any task and consulted a variety of departments, determined to learn how to manufacture real estate. Ken Himmel developed a passion for the hospitality industry since his job at the Salem Country Club beginning at 13 years old. From this point, he continued to pursue related jobs in which the accumulated experience, due to his passion, enabled him to develop some of the most complicated and well known mixed-use developments in the United States. Jerry Rappaport also developed a passion for the real estate industry at an early age as he witnessed his father create Charles River Park and the great effect the development had on the area. He focused on this passion which enabled him to start one of the most successful real estate funds in Boston.

Ego

Al Taubman continually referred to his ego as the enabler to have the confidence to take on larger and larger projects from a small bridal shop to a 350,000 square foot mall to building one of the largest retail mall companies in the world.

Conclusion

As seen from the case studies and analyses, five different paths were taken to establish a firm. These paths worked in tandem with the utilization of a variety characteristics. These characteristics created a foundation for successful implementation and execution. For example, if one has the ability to take the family path but lacks the passion and motivation, entrepreneurial success will not occur. If one takes the institutional path, it does not mean he or she has the ability to establish a firm. Establishment may occur by infusing a synergy of the proper tolerance of risk taking, building of social ties and need for independence. If one starts small, the continuance, growth, and maturity of the firm may only occur through continual perseverance and tenacity to bounce back when failures occur. The path of combining resources, whether it is with an institution or individual may be made available only if the aspiring entrepreneur has the proper skills and knowledge that is of value to the other party. As many of those being interviewed commented, an entrepreneur is one that can make things happen. To make things happen involves a variety of characteristics and accumulated experiences to be able to work with the tapestry of fields involved in real estate. This interesting tapestry is what has been the spark that has ignited the passion in many of the real estate entrepreneurs today.

Paths and Characteristics Table

Name	Company	Established	Family Background	Education	Experience Before Starting Firm	Top 2 Notable Characteristics	Path	Industry	Notable Projects/Acquisitions
Pietro Doran	Doran Capital Partners	2002	Father was a small residential real estate broker	B.S. Finance UMASS, M.S. in Real Estate Development-MIT	Apartment management and redevelopment of small residential units	Independence and Opportunity Recognition	Starting Small	Service and Capital	New Songdo City, South Korea
Dung-Kyu Choi	Daebo Group	1981	Father was a poor farmer	Undergraduate Law Degree	Minimal before purchasing first small residential unit	Perseverance and No Fear of Failure	Starting Small	Construction	Seowon Valley Golf Club, South Korea Sihwa Tidal Power Plant, South Korea
Don Chiofaro	Chiofaro Companies	1985	Father was a Boston Police Officer	Undergraduate and MBA Harvard	8 years of Development and Leasing at Cabot, Cabot and Forbes	Vision and Perseverance	Institutional	Development	One International Place, Boston, MA
Ted Tye	National Development	1983	Father was a shoe factory owner-Blue Collar	B.A. Political Science-Tufts MBA-Harvard	Working for Dean of Harvard-Master Planning, Real Estate Management, Construction Management	Need for Achievement and Knowledge	Combining Resources with Firms and Individuals	Development	Marriot Residence Inn on Boston Harbor, MA Longwood Center, MA
Jim Ansara	Shawmut Design and Construction	1982	Father was a cab driver. Mother was an teacher and artist.	1 Semester-Brown University 1.5 Years-Amherst	Boat Woodworking 1Year Foreman on small projects	Mapping the Environment and Innovation	Starting Small	Construction	Nobu 57, NY Cheesecake Factory, 42 Countrywide Apple, Inc. Flagship Store, NY
Jon Davis	Davis Marcus Partners	1976	Father was a dentist	Undergrad Degree-Political Science	2 Summers as broker in college. Few years as broker after graduation	Confidence and Perseverance	Starting Small	Development, Acquisition, Finance	Charles River Plaza, MA River Court, MA
Steve Karp	New England Development	1978	Father was a lawyer and Mother had a law degree	2 years Pre-Med-John Hopkins 3 years Degree in Poly Sci-Boston College	2 Years Urban Renovation 7 Years Development at State Properties	Independence and Vision	Institutional	Development	CITGO Sign Landmark, MA CambridgeSide Galleria, MA The Pine Hills, MA Westwood Station, MA
Al Taubman	Taubman Centers	1950	Father was a fruit farmer Some Residential Development	3 Years of Credits- University of Michigan Lawrence Tech-Completed Arch. Degree	2 Years working in architecture and construction	Innovation and Opportunity Recognition	Starting Small	Development	CityCenter, NV Mall At Short Hills, NJ The Pier Shops at Caesars, NJ Great Lakes Crossing, MI
Ken Himmel	Related Urban Development	1997	Father was in wine and liquor wholesale -Upper Middle Class	Williams and Mary College-Pre-Med Cornell-Hotel School	4 Years Hotel Development 1.5 Years Finance 3 Years Mixed Use Dev.	Knowledge and Self Confidence	Combining Resources with Firms	Development	Copley Place, MA Time Warner Center, NY
Jerry Rappaport, Jr.	New Boston Fund	1993	Father was a Boston Urban Developer	Undergrad and Masters(City Planning)- Harvard	11 Years Development & Finance	Need for Achievement and Social Ties	Family Support	Acquisition, Development and Capital Partnerships	Urban Strategy America Fund
John B. Hynes III	Gale International	1999	Grandfather- Mayor of Boston Father-TV News Anchor	Undergrad American History-Harvard	3 Years Brokerage	Knowledge and Self Confidence	Combining Resources with Firms	Development	One Lincoln Street, MA New Songdo City, South Korea
Joel Wilder	Wilder Companies	1972	Father was an engineer	Boston University and Bentley College- Undergrad Business	10 Years-Prop. Management, Financial Analysis, and Development	Bored with Routine Work and Social Ties	Institutional	Development	The Newbry, MA Yorktown Center, IL The Loop, FL

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