



## Bo knows: You can't make an entrepreneur

By Greg Farrell, USA TODAY

NEW YORK — Bo Peabody, one of the original Internet "boy wonder" entrepreneurs, has a message for MBA students taking classes in how to start their own companies: Give it up.



Bo Peabody at home in New York with his dog Rizzo.

By Robert Deutsch, USA TODAY

In a new book not likely to make the reading lists of entrepreneurship classes at any business school, Peabody argues that entrepreneurs are born, not made.

"One does not decide to be an entrepreneur," he writes in *Lucky or Smart: Secrets to an Entrepreneurial Life* (Random House, \$13.95). "One *is* an entrepreneur. Those who *decide* to become entrepreneurs are making the first in a long line of bad business decisions."

Peabody can afford to pass such sweeping judgments. He personified the "slacker CEO" image that became the rage during the Internet bubble years of the late 1990s.

In this slender, 58-page memoir, he recalls some of the fawning articles that were written about him after he became a dot-com millionaire and warns other successful entrepreneurs to beware of a trap: "The number-one killer of start-ups is when entrepreneurs confuse 'being lucky' with 'being smart.' You must possess the humility to distinguish one from the other."

### From student to millionaire

You might remember the stories: Peabody, a shaggy-haired guy who drove a beat-up old Volkswagen Rabbit, rode the Internet revolution to wild riches by the age of 26. Rather than follow the pack to Silicon Valley, he based his company in Williamstown, a village of 6,000 tucked away in a corner of Massachusetts.

During a recent interview at his Manhattan loft, he acknowledges that one of the main reasons for writing the book was to describe the wrenching, 24-7 schedule required to launch a start-up.

"I wanted to set the record straight," says Peabody, now 33. "It seemed easy, but it wasn't."

Peabody acknowledges that the success of Tripod, the company he founded at Williams College a decade ago, was largely a product of luck. As an undergraduate, he wanted to launch an online service that would provide "real life" information to college students about practical subjects such as job searches and personal finance.

But the computer programmers he hired to build that online service came up with something else: a software program that allowed users to build their own Web pages and publish their views on the Internet. Peabody had no interest in or awareness of the potential of the self-publishing movement (this was well before the advent of Web logs, or "blogs"), but he soon recognized that this component was the most popular service of Tripod, so he latched onto it.

In 1997, Tripod attracted more than 1 million registered users. It wasn't profitable, as it hardly generated any revenue, but the size of membership was valuable. Peabody faced a choice: take the company public or sell to a bigger Internet company. In Bob Davis, the then-41-year-old CEO of Lycos, he found a grown-up who shared his view that the Internet would eventually self-select into a series of niches where like-minded consumers would surf.

"I was 25 or 26; I wasn't ready," he recalls. "I knew I couldn't play ball at the level Bob Davis could." He sold Tripod (including his own 7% stake) for \$58 million, taking his payout in Lycos stock, the value of which subsequently grew tenfold.

By 2000, when the Internet bubble finally burst and many highflying companies crashed, Peabody had sold most of his Lycos shares. He walked away a rich man, and his book, a meditation on the lessons he learned from the experience, attempts to define how much of his own success derived from luck, and how much grew out of his business acumen.

### **Smart enough to recognize luck**

Peabody concludes that he was smart enough to realize that he was lucky, and uses that premise to describe some of the other lessons he learned from his experience. Among them:

**•Managers are A-students; entrepreneurs are B-students.** "B-students don't know everything about anything and are excellent at nothing. B-students do, however, know something about a lot of things and they can complete almost any task with some modicum of competence," he writes.

"A-students, on the other hand, know a lot about one thing, whether it is technology or marketing or sales or finance. And they do this one thing extremely well. If they don't do it well, it bothers them. A-students want to do things perfectly all the time. This is a very bad trait for an entrepreneur, but a very good trait for a manager."

**•Know what you don't know.** Peabody tells the story of how he was making a presentation to a venture capital firm in 1995, one of about a hundred he visited, in hopes of getting \$3 million in financing. It's going well. He and his older partner, Dick Sabot, have answers to all the questions thrown at them by the firm, New Enterprise Associates. Then one of the venture capitalists hits them with a question they didn't expect. Peabody, all of 24, didn't have a ready answer, so he reverted to sales pitch mode. But Sabot, who had been his professor at Williams, took control of the situation, cutting the younger man off and offering a candid reply: "We don't know."

It was the right response. The partner at the venture firm had asked an unanswerable question to see how the pair would respond. NEA decided to give Peabody and Sabot their first round of funding, practically on the spot, and Tripod was off and running.

•**Great is the enemy of good.** In another dig at the business establishment, Peabody says start-ups are "like extreme skiing runs. The person who wins is the one who doesn't die. Success in a start-up is being around tomorrow, lots of days in a row."

For the past four years, Peabody has been building his own venture capital funds through a company called Village Ventures. These funds, which are raised, managed and invested in smaller markets, such as Providence and Boise, seek to identify business opportunities that get overlooked by the big funds from Boston and Silicon Valley.

Having grown from student entrepreneur to venture capitalist, Peabody laughs about the confused priorities of some of the entrepreneurs who approach him for funding. Many insist that he sign an "NDA," or non-disclosure agreement, before they make their pitch for Peabody's financial backing.

That request shows immediately that the would-be entrepreneur doesn't get it. "This is what's so important?" Peabody asks. "The business plan?" There's only a limited number of genuinely good ideas, he says, and practically none are new. What Peabody is looking for is that indefinable quality that separates the real entrepreneur from just another manager.

"The key is the people," he says, leaning forward on his couch. "Will they be able to execute through the dark days that lay ahead?" Every start-up, Peabody argues, ends up on life-support at some point. It's the people who are running it who will make the difference between those that survive and prosper, and those that flame out. "You can't bottle that spirit, or teach it," he says.

