As an entrepreneur, you must build your company’s prestige. Without it, your enterprise can wither and die. That’s the finding of Richard A. D’Aveni of the Amos Tuck School of Business Administration at Dartmouth College.

D’Aveni studied 87 bankrupt companies to learn why some recovered, while others perished. Each of those companies that survived near calamity had one distinguishing feature.

It was managerial prestige.

When creditors were impressed with management’s credentials, they refrained from turning the financial screws and shutting down the business. “Lenders are not only more likely to let management continue to run the show; they may often refinance the company at lower interest rates,” reports D’Aveni. There’s an important element of blind faith at work. “Prestige provides the illusion of competence and control, and is sometimes a proxy for actual skill,” D’Aveni explains. It can also help you hold onto customers and suppliers — both critical to a firm’s recovery.

Suppose your company isn’t facing a financial crisis. You may be starting up a business, and battling anonymity. You’ve got the vision of success, but none
Of the evidence. You need to project the illusion of staying power — otherwise nobody in his right mind is going to do business with you.

"Prestige is vital to start-ups, because it enhances trustworthiness," D'Aveni says. "A banker or a venture capitalist looks at the status characteristics of you and your team: That's how they judge whether your numbers can be believed."

What is prestige? It varies. The firms D'Aveni studied were drawn from various industries, ranging in size from $25 million to $1.5 billion. The secret to bailing out those financially strapped companies, according to D'Aveni, was to assemble a team of top executives who attended Ivy League schools, had memberships in elite social and political clubs, and served on the boards of highly thought of organizations.

But blowhards beware: Prestige is more than smoke and mirrors. If you don't have a powerful business vision, that weakness will show through the finest trappings of status. Prestige is the continuing process of building your reputation to grow your business.

In this report, SUCCESS offers strategies for creating this critical asset.

Impress on the Cheap

Looking respectable need not put you in a cash crunch. Here are several inexpensive "high-image venture components" — suggested by Harvard Business School professor Jeffrey A. Timmons in his classic textbook, New Venture Creation: A Guide to Entrepreneurship:

- Engraved letterhead;
- Business cards;
- P.O. box;
- Brochure;
- Answering machine;
- Company car;
- Product prototype;
- Business plan;
- Letters from potential customers;
- Press releases in trade publications;
- Market test results.

To that list you might consider adding a computer with financial graphics software, a productivity tool that can impress backers and clients.

Create a Powerful Self-Image

When Neil S. Hirsch founded Telerate Inc., he hired a family friend as vice president. Her chief talent lay in dramatics, which may seem strange for this business: an on-line service to supply traders with round-the-clock, up-to-the-minute information on money markets.

Hirsch's challenge was to persuade clients that Telerate had the august character of, say, a Dun & Bradstreet — not a seat-of-the-pants operation crammed into a 10-foot cubicle. Fortunately, his new vice president had the uncanny ability to change voices over the phone, allowing her to play the roles of receptionist, sales manager, and administrative officer.

Today, Telerate occupies a full floor of the World Trade Center in lower Manhattan, and employs 2,000 people. For 1988, Hirsch, 42, reported revenues of $440 million.

Think Big

To acquire prestige, you have to believe yourself worthy of it — seeing yourself as you'd like the world to see you. Then, of course, you have to work like hell to transform your aspiration into reality.

In an act of what he called "mad presumption," David Ogilvy, now 78, set out to establish a great advertising agency within a dozen years. At the time, he was a small tobacco farmer in Pennsylvania. On the second day of business, he recounts, "I made a list of the five clients I wanted most: General Foods, Bristol-Myers, Campbell Soup Company, Lever Brothers, and Shell Oil Company." Eventually, he got them all.
**Act Big**

"Illusion is very important," counsels another advertising great, Jerry Della Femina. "It makes the potential clients aware of who the hell you are."

Della Femina, age 54, speaks from experience. In his firm’s first year, his cash-starved operation nearly croaked. Desperate, he blew all of his remaining funds — some $3,000 — on the biggest Christmas party Madison Avenue had ever seen.

He sent out a thousand invitations to the press, rival shops, and potential clients. "People kept coming up to me that night saying, 'You know, I heard that things weren't going so good, but, boy, you've got a place here, haven't you?' And we said, 'Things are going great, man.'" Over the next few days, everyone was talking about the blowout, and several new accounts signed up. "If we hadn't thrown the party and just tried to stretch the money out, we would have died," Della Femina avers.

**Look Like a Million**

"You have to exploit the power of image to reassure people," insists Bill Zanker, founder and CEO of The Learning Annex, the $10 million adult education company based in New York.

When Zanker, 35, first tried to get The Learning Annex off the ground, he struck out. Why? His epiphany came over lunch with his agent. "She said, 'I love your idea. But if you want me to represent you, you're going to have to change your life. You smell cheap.' I said, 'You mean my cologne?' 'No,' she told me. 'It's your suit. Unless you can send me a receipt that you spent $1,000 for a new suit, you and I are finished.'"

Zanker, who didn't have the money, had never spent more than $100 on a suit. He took his agent's advice anyway. "That suit was magical," Zanker still marvels. "When I wore it, I smelled powerful, I walked differently. As I started feeling more confident, The Learning Annex began to take off."

Says Zanker, "You'd be amazed how hard-of-hearing people are when you're presenting your plan in a $50 suit."

**Brazen Your Way To Status**

"In war, nothing is impossible, provided you use audacity," General George S. Patton once wrote. And in business, pure cheek sometimes confers a special brand of prestige.

Consider Orbital Sciences Corp. Several years ago, when it approached NASA for an agreement to build a satellite launcher, "We were just three guys with no money and an idea, working out of a garage," says David W. Thompson, CEO of the Fairfax, Va., space systems company. OSC couldn't compete with the likes of a Rockwell or a Boeing. It had no prototype, much less a track record. "Competing head-to-head with the giants wasn't exactly a recipe for success," concedes Thompson. The York Stock Exchange.” That alone attracted several backers. Moral: People are impressed by whom you hang out with.

In the early days, Apple Computer had as much standing in Silicon Valley as a leper at a luau. Steve Jobs, now age 34, couldn’t raise money, much less get in to see parts manufacturers.

But his luck turned after he was seen dining with a representative from Venrock Associates, the renowned venture capital firm backed by Rockefeller money. The observer was Donald Valentine, a venture capitalist whose influence was legendary in Silicon Valley. Valentine had originally turned down Apple, doubtful that it could deliver on its extravagant promises. But now — seeing the company Jobs was keeping — he thought again. Soon after, Valentine dug into his pocket and contributed $150,000. Apple was off and running.

**Be Seen With The Right Crowd**

A man approached J.P. Morgan and asked the old guy for a loan, goes one story. "No," was the answer. "But I'll walk with you on the floor of the New
only way to stand out from the crowd was to try something outrageous.

Thompson boldly suggested to NASA that OSC would develop the technology entirely on spec, and raise money privately. "The offer involved some significant business risks for us," admits Thompson, 35. "But if it worked, we'd be putting bigger companies — that wouldn't risk as much — at a substantial disadvantage."

Then OSC made another brash offer — this time to Martin Marietta. "We said, 'If you guys bid this thing directly using the old approach, you'll be going up against four other players, and your chances of winning are only 20 to 25 percent,'" recalls Thompson. "But if you team up with us, you'll walk away with the business." Roughly 15,000 times the size of OSC, Martin Marietta agreed to become its subcontractor.

Teaming up with a huge rival gave OSC a perfect lift-off — NASA agreed to let the company build the device — and sufficient prestige to win over private investors and other industrial partners. OSC is now the fastest growing high-tech company in the world, and expects revenues to rocket to as much as $90 million this year.

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**Stack the Board**

You don't have to be a rocket scientist to attract influential people.

Just ask Bill G. Barbee, president and CEO of Syndicated Energy Corp. Barbee attended Cisco Junior College and launched two bathroom supply manufacturers before jumping into the petroleum business in 1980. He knew he needed credibility. So he spent eight months interviewing candidates for the board of his Fort Worth, Tex., oil and gas exploration fund. "To open the right doors with private investors, we needed a prestigious board — people with reputation, integrity, and competence," explains Barbee, 38.

"I realized I didn't have enough experience or weight to accomplish what I wanted," he says — namely, working interest partnerships with such titans as Sun Oil, Mobil, ARCO, and Enserch. "My board — which really personifies my company — has led me to the right people," says Barbee, whose $7.5 million fund was expected to close in August.

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**Leverage Your Track Record**

"To fail to exploit your achievements is ominous," writes Sun Tzu in *The Art of War*, a collection of es-

says more than 2,000 years old. Entrepreneurs should take to heart a corollary lesson: It pays to draw on your successes to get your latest enterprise off the ground.

Three years ago, Maurice C. Thompson Jr. set out to launch what he calls "one of the most significant enterprises of the 20th century, right up there with Ford and IBM."

Of course, Senior Service Corp. — a Wilton, Conn., company that includes specialty publishing, home health care, and adult day care — didn't start out as much.

"All I had was an idea and an option to acquire a small company that put out large-print books," muses Thompson, 51. "I told everyone that my objective was to create a company that, by the year 2000, would have over $1 billion in sales."

Thompson's greatest assets were his past achievements. "I let people know that I headed SmokEnders, which had a level of repute disproportionately larger than its revenues; that I was the first to introduce cassettes into bookstores in the early 60s; and that I'd built the fifth largest day-care chain — Children's Discovery Centers — in less than two years."

The string of successes conferred prestige, and persuaded an underwriter to give him a bridge loan of $1 million — sufficient to launch Senior Service, and to garner support for an initial public offering. Next year, according to Thompson, the company should rake in over $25 million in revenues, doubling the results for fiscal 1989.

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**Build Status Capital Continually**

Each success allows you to stick your neck out just a little further. Then, if you win again, you can draw on your enriched "status capital" to go beyond anything you've ever attempted before.

On such principles, Jonathan D. Krane has built a $35 million Hollywood company.

The idea of a 1950s-style, fully integrated movie studio had long been Krane's dream. But a degree from Yale law school and experience in a top entertainment law firm was of little help. "None of my prestige translated to the entertainment industry," he recalls. So, to get his start, Krane, now 37, persuaded a friend of a friend to introduce him to Blake Edwards, the director and producer. It was a fruitful introduction: Krane ended up joining Edward's film company, which racked up several hits.

Krane was thinking bigger, but knew enough to build on what he'd already accomplished. While still with Edwards, he founded his own talent firm, Management Company Entertainment Group (MCEG) Inc., Santa Monica, Calif.
Not content with the success of his talent firm, Krane decided to expand MCEG into a complete movie studio. Again he leveraged his prestige to get something bigger. He needed financing; and his impressive list of clients — including Edwards, Julie Andrews, John Travolta, Sally Kellerman, Marilu Henner, Jason Bateman, and Drew Barrymore — helped open some of the right doors.

"I still had to demonstrate I could produce and distribute pictures cost efficiently," Krane insists.

But if he pulled it off a few times, he knew he could attract both big bucks and new talent to MCEG — the kind of prestige that feeds on itself.

So Krane took bold risks to make those films, offering actors a chance to direct movies, and directors an opportunity to film their favorite books. The strategy worked. "We proved to Wall Street we could make a fortune on little pictures, and we showed Hollywood we could back certain people and turn them into a success," he explains. Such efforts helped MCEG raise $27.5 million in a recent private placement.

"Prestige is not material gain. It comes from accomplishing things that are worthwhile for customers, employees, or society at large."

— Lawrence M. Miller, management consultant and author of Barbarians to Bureaucrats.

Tom Post writes on management and entrepreneurship and says his Ph.D. in English literature is not the sole basis of his prestige.