Pinnacles in entrepreneurial leadership

ART PADILLA
University of Arizona
Eller College of Management

Sponsored and developed by:
McGuire Center for Entrepreneurship
Eller College of Management
University of Arizona
Tucson, Arizona
I am pleased to acknowledge the valuable assistance of four University of Arizona students who worked very capably on this project: Malcolm Critcher, who took the lead in the video taping of the cases, and Dylan Kearney, who assisted him this effort; Max Eller, who provided very helpful research and writing assistance; and Estrella Ochoa, who transcribed the interviews and was helpful in the preparation of these cases. They were all very professional and a pleasure to work with. In addition, Psychology Professor Dr. Laura Lunsford at the University of Arizona brought this project into the 21st century by preparing the electronic and printed versions as well as the teaching notes.
No part of this publication may be reproduced in whole or in part, or stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission of the author.
The Mission of the McGuire Center for Entrepreneurship is to help students improve their potential and advance society by developing an entrepreneurial and innovative mindset.

The vision of the Center is to be a global leader in entrepreneurship and innovation education and research.

The faculty and staff of the McGuire Center for Entrepreneurship embrace the following six core values:

**Collaboration:** We can accomplish more through collaboration with others than by ourselves.

**Curiosity:** We have an unquenchable curiosity for knowing how, when, why.

**Creativity:** Creativity allows us to see the world as filled with opportunities.

**Integrity:** The most important human asset is our integrity; integrity is more important than money.

**Quality:** We strive for high quality in all our endeavors.

**Respect:** We must gain the respect of others and appropriately respect others.

The McGuire Center has four core competencies that reflect its deeply ingrained capabilities.

**Entrepreneurship Education:** We have created a teaching and learning method that develops a broad range of skills that enable students to do better at creating and pursuing entrepreneurial opportunities.

**Integration:** We integrate well with academic and business partners and communities, including the Technology Launch Arizona, Science Departments, Rogers College of Law, Eller College of Management and the Angel investing community.

**Adaptability:** We are excellent at rapidly adapting to change and chaotic situations.

**Networking:** We develop ties with pivotal and critical actors and do this across industries, geography, and professional associations.
Purpose and introduction

Purpose

The cases in this booklet chronicle the achievements and life journeys of three successful entrepreneurs associated with the University of Arizona. The project was the brainchild of Dr. Robert Lusch, Director of the McGuire Center for Entrepreneurship in the Eller College of Management at the University of Arizona. In his words, these and future case studies are designed to “develop high impact educational material on entrepreneurship and leadership that highlights the lives and accomplishments of prominent alumni of the Eller College of Management and the University of Arizona.”

Introduction

There are several famous dichotomies in leadership research. Are leaders charismatic or not? Are they people-oriented or issue-oriented? Are they transactional or transformational, ethical or servant? Invariably, these are false dichotomies, chiefly because leading is seldom an either-or proposition. At various times and under certain situations, leaders have to exhibit different behaviors and apply different skills. Probably the most famous dichotomy is whether leaders are born or made. Do leaders have unique, inborn traits or “natural” leader personalities or do they acquire their skills and behaviors as a result of experiences and training? Initially many writers believed that leaders had genetic pre-dispositions that enabled them to lead. As Carlyle put it, the history of the world is the history of what he called “great men;” presumably Carlyle could not find any great women. Over the years the “great man” or trait theories of leaders has ebbed and flowed relative to the competing ones about behaviors and conducive environments.

Today scholars believe two things about leaders and leadership. One is that leaders are both born and made. Second, leadership is a process that involves much more than just the leaders and their traits and behaviors. The process of leadership is increasingly viewed more comprehensively, to include a range of organizational outcomes, some good, some terrible, and most somewhere in between, and a triangle composed of leaders, followers, and organizational situations. However, a resurgence of interest in the trait approach—that leaders are fundamentally different from the rest of us or that they are born that way—seems to have gained some support. So it is useful to consider arguments for and against distinctive leader characteristics.

Certain facts indicate leaders are comparable to other people in many ways (Nicholson, 1998). First, they come in all sorts and sizes: tall, short, male, female, introverted and extraverted. They reach their positions in a wide variety of ways: inheritance, through the
ranks, election or appointment, through violent or illegal means. Second, they appear to self-select based on their dispositions, behaviors, and skills; some people are apparently more suited for certain situations than they are for others. Finally, while there are universally invariant qualities of successful leaders such as the ability to communicate clearly, to see the larger picture, and to behave ethically and with respect toward others, times also change. The qualities that make leaders attractive to groups and nations depend importantly on dynamic, evolving cultural values. Today’s climates are not the same as those of previous times and different characteristics and skills are required for success. A similar argument may be made regarding cultural differences: a leader’s effectiveness depends on the traditions and habits of particular national or organizational cultures.

On the other hand, some considerations suggest that leaders—and particularly the successful ones—are not the same as others. Leading is a skill, and as with any skill, some people are more skillful at it than are others. This skill depends on innate characteristics particular to an individual and on the environmental influences to which the individual has been exposed. First, individuals have different experiences while growing up. They are exposed to different environments and are forced in unique directions that shape their personalities and behaviors as leaders. Some see the larger picture more easily, perhaps due to their preparation in a broad discipline or because they were exposed to the top of the organization as young people. Others are much better speakers and communicators, some are smarter, and some have finely tuned interpersonal “antennae.” These skills and capabilities are both “born” and “made.”

Second, not everyone seeks power and position. While some leaders are reluctantly “drafted” into a job, there is nonetheless some minimal consent required on the part of the draftee. Thus, some individuals seek and accept power, but many others are not interested in positions of authority, whether for family reasons or due to their individual personalities. There are also great individual differences in terms of persistence toward goals, emotional stability, and physical and psychological stamina. Leading groups, organizations, and nations can be very rewarding but it just as often is also frustrating, physically demanding, and even dangerous to one’s health and family relationships.

Regarding entrepreneurs in particular, research seems to suggest that successful entrepreneurs have many characteristics in common with other successful people (Costa, 1996; Nicholson, 1998). People in general have universally expressed needs such as the need to get along with others, to get ahead in their lives and careers, and to belong to a larger group that provides meaning and value to their existence. But research also indicates that successful entrepreneurs are different from others, including unsuccessful or mediocre business people, in several important respects, including

- Need for independence and dominance or control;
- Preternatural persistence and tough mindedness;
- Single-mindedness of purpose and focus; and
- Emotional stability (relatively low levels of “neuroticism,” as defined by personality scales such as the Big Five).
The cases

The three individuals highlighted by the case studies—Kerstin Block, Ed Eisele, and Fletcher McCusker—are examples of extraordinary entrepreneurial spirit. Their early lives exposed them to indelible influences that remained with them throughout their careers. They exhibited high self-esteem and self-efficacy; they were confident in their capabilities and comfortable in their own skins. They are excellent communicators who can make sense of their business environments and can cobble organizations into high performing teams. They show amazing resilience, physical and psychological stamina, and persevere in the face of obstacles and high odds. Perhaps most importantly, they don’t seem to exhibit classic derailment behaviors and traits such as extreme arrogance, need for micro-managing, inability to recruit and retain highly skilled associates, or over-ambition.

The format for the case studies follows a similar template: the entrepreneur’s early life; the young adult; the adult leader; and the value propositions of their businesses. A leader’s or entrepreneur’s eventual career directions and personal inclinations and preferences are molded in important ways by the stimuli and conditions they face during childhood and adolescence. In the case of Kerstin Block, the passing of her father when she was 12 and subsequent experiences growing up as an independent and even adventurous young woman defined her tendencies and inclinations as a self-assured businesswoman. The environment around Ed Eisele’s childhood and adolescence, including the entrepreneurial spirit of his grandfather and father, the patriotic fervor associated with World War II, and his early friendships with minority kids, left an impact on his worldviews and his predisposition toward duty, service, and drive to succeed. Fletcher McCusker’s challenging childhood was the crucible where his interests in working with at-risk young people and creating value in businesses that address important and neglected social issues were formed.

Their stories as adult entrepreneurs underscore the importance of vision or sense-making, of a deep understanding of the industries where they work and of the important trends affecting them. Associates repeatedly referred to McCusker as “visionary,” a person with a profound comprehension of the major issues and forces affecting health care. Eisele and Block similarly displayed a talent for being “ahead of the curve” or being ahead of the thinking and the developments in their particular fields. In addition, and perhaps most importantly, they all displayed considerable skill in identifying and recruiting talent for their high performing teams. There are other important lessons in these cases as well, including the importance of perseverance, resilience, and physical and psychological stamina. In sum, these three extraordinary entrepreneurs are useful models for future generations of entrepreneurs and business people. Their stories are presented with the hope that their particular journeys will provide guidance and inspiration to others as they travel their own paths.

References


Introduction

The Gripsholm. Photo by Gustaf W. Cronquist.

It was a long and exciting trans-Atlantic ride on a ship, filled with young people coming to America for the first time. The restless 18-year-old Kerstin Torbrand had boarded the ship in Gothenburg, Sweden. Several days later, on September 1, 1960, the ship docked at the New York Harbor, at Pier 97 at the end of West 57th Street in Manhattan. She immediately headed to the Greyhound station nearby in the Garment District where she took a bus for the three-day journey to Arizona.

About 1.3 million people emigrated from Sweden to the U.S. between the mid-19th century and the mid-20th century. The majority of those emigrants left through the same seaport in Gothenburg, Sweden, as did Kerstin. Gothenburg remains Sweden’s most important western seaport. The Swedish-American Line, which operated between Gothenburg and New York, was a Swedish passenger and cargo shipping line founded in 1914. One of its famous passengers during the 1920s was Greta Garbo, the Swedish movie icon.

Four years before Kerstin sailed for New York, one of the Swedish-American ships, the
Stockholm, collided with the SS Andrea Doria near Cape Cod, Massachusetts, a well-known oceanic disaster in 1956. Over fifty people on the Andrea Doria and the Stockholm were lost in the collision. In May of 1957 the cruise ship Gripsholm made its maiden voyage from Gothenburg to New York. This same ship carried Kerstin to New York three years later. The Gripsholm was sunk outside Algoa Bay, South Africa, in 2001.

Half a century later, Kerstin Block sat at a table in one of the reconditioned homes she recycled as offices for her corporation, the Buffalo Exchange, on Helen Street in Tucson, Arizona, where she also recycles clothing apparel. She remembered the Greyhound bus trip across America over Labor Day weekend in 1960 as a long and largely uneventful one except for a few drunken sailors around Arkansas and Texas who kept trying to sit beside the attractive Scandinavian teenager. “I had to put something on the empty seat beside me so they would stay away. I would just ‘shoo’ them away in my English. I remember it took forever to cross Texas,” she smiled. As she traveled from New York toward the southern states, changing buses several times in the process, Kerstin saw the separate bathrooms and the distinct drinking fountains for “colored” and “whites.” She knew what they were and the segregationist purpose they served, but they were still an astonishing sight for the young woman from Stockholm.

Kerstin was glad to be away from Sweden and in the vibrant United States. Her father had been a Swedish naval commander who died in an accident when Kerstin was 12. Kerstin’s mother, an independent woman and teacher of geography who later went on to get a Ph.D. and teach at Linköping University, located about 120 miles southwest of Stockholm, often clashed with her independent daughter. So the determined, or perhaps quietly rebellious, Kerstin began to explore ways to get out of Sweden.

“I really grew up with my cousins in Stockholm. We all lived in the same apartment building and my mother usually left me to my own devices.” Her favorite relative was cousin Henrik Boivie, a rather wild and amusing young man, whom she still remembers with a big smile. He provided her inspiration to explore and to travel. The enthusiastic Henrik thought Sweden was boring, and he encouraged Kerstin to leave and see the world. So that’s what she did.

She had applied for a scholarship from the Swedish-American Foundation, a group that funded Swedish student exchanges for study in the U.S. A few months later she was notified that she had received a grant to study anthropology at the University of Arizona. “Anthropology was a field that I thought might help me become a museum curator, which was something I thought then I might like. So it was anthropology and Tucson.”

She arrived in the Southwest desert on Sunday, September 4, 1960, and her “exchange” family was waiting for her at the bus station. “I had no idea how they knew I would be on that bus or when I would arrive, but there they were,” she explained in her typical easygoing manner. “They were just there.” She stayed with her host family, an elderly couple of Swedish descent, for a few days before moving to Maricopa dormitory, the “international student”
It was still very warm in late summer in Tucson. Historical weather records show that early September of 1960 was above average, with the daily highs in the low 100s. Stockholm, Sweden, by contrast, would have highs in the 60s during this time. The student dorms at the university then had no air conditioning and students slept in a communal porch outside under a roof.

Early life

Kerstin Torbrand Block was born in Stockholm on February 3, 1942. She lived in a naval base in the southeast of Sweden, Karlskrona, about 300 miles south of Stockholm, while her father served as an officer in the Swedish Navy. Soon after her father’s death, 12-year-old Kerstin and her mother moved to Malmö, in the southwestern tip of Sweden, about 25 miles east of Copenhagen, Denmark, where Kerstin attended high school. Growing up in Sweden “was boring,” recalled Kerstin. Winters were long and dark. Outdoor playing opportunities for kids were limited. “My mother was an intellectual and she would spend time with her studies,” recalls Kerstin. “I had to do a lot of chores and housework for her. I didn’t like that.” In high school, Kerstin’s mother sent her off to England one summer and to Austria another. “She probably just didn’t want to bother about me, but those trips were a lot of fun for me.” They were also decisive in her leaving Sweden a few years later.

Not a particularly dedicated student, Kerstin had tutors to help her with schoolwork. “I was OK, but not straight As or anything like that.” She liked museums and had an idea that she might enjoy being a museum curator. Her early curiosity about cultural anthropology derived from her interest in museums. When the opportunity to go to America on a one-year scholarship for Swedish high school students presented itself, she quickly seized it.

The scholarship was only for one year, but she accomplished many things in those few months. She met her future husband, Spencer Block, also student from Chicago, Illinois, at the University of Arizona. She grew to love the Tucson sunshine and nearly perfect weather during most of the year. Kerstin decided during her freshman year that she would move to the U.S. and leave Sweden permanently. “I had to return to Sweden because those were the terms of the scholarship, but I had decided I would be back somehow,” said Kerstin.

While living in Malmö, Kerstin would often travel the short distance west to Copenhagen by ferry, where she would stay at a youth hostel with other classmates and high school students and go sightseeing and shopping in the Danish capital city. During one of those trips, she met two American girls who were also staying at the hostel in Copenhagen. “I didn’t really talk to them, but I remembered them really well. They were American so I was kind of studying them. And, purely by coincidence, when I arrived here in Tucson at the University, one of them was in my dorm (Maricopa) and the other one was in the Gila residence hall. It was a wonderful because one of them had a car and I had instant friends.” Even with her new
friends, it was still pretty disconcerting for the young Swede. She remembers having to go to
the health center and ending up in the “Sam Hughes” neighborhood adjacent to the university,
walking around looking for the infirmary.

She met her future husband, Spencer Block, a few months after arriving in Tucson, around
December of 1960. It was a union that lasted a half-century, until Spencer’s death on
September 6, 2009.

“Spencer and I got along well from the start. The U. S. military draft was pretty strong then,
and he was about to be called to do his patriotic duty. So Spencer decided he was going to
move to Sweden and try to avoid the draft. He packed everything he had, took a freighter to
Sweden, and lived with my mother and me. But of course he couldn’t stay there because the
military wanted him and the Swedes wouldn’t want him if the U.S considered him to be a
draft dodger. So in order for me to come back to America, we had to get married. [During the
early 1960s, a “dependency deferment” to the military draft existed. This and other
“hardship” deferments were tightened considerably after 1962 and during the ensuing Vietnam
War.] So we got married in Sweden.”

Getting started

After her marriage, Kerstin put her college studies on hold. Spencer and Kerstin actually
came back to Tucson shortly after the marriage, but they did not stay very long. They were
very young and, as Kerstin recalled, “not smart about what it would take to make money.”
After a few months in Tucson, they moved to Chicago, Spencer’s hometown, where Spencer
enrolled in the Chicago Teacher’s College. Due to a teacher’s shortage, attendance at the
Teacher’s College was free. While Spencer prepared for a teaching career, Kerstin began her
first job as a file clerk with the Chicago-based department store Marshall Fields. Kerstin
would work there for two years, initially as a file clerk. She “filed stuff into those big, metal
file cabinets all day.” In her typical, matter-of-fact style, she quickly adds that she never
minded anything she had to do. “It was perfectly fine with me, I just did it and did it as well
as I could.”

She was promoted to the complaint department after a few months. Anyone who complained
was mailed a box of Frango mints, which Marshall Fields sold in its stores. “But eventually
they fired me because I became pregnant. That’s illegal now, of course.”

Rebecca Block, the Block’s first daughter, who now runs Buffalo Exchange with Kerstin,
was born in Chicago in 1964, while Kerstin and Spencer were living with Spencer’s parents.
That same year Spencer graduated from Teacher’s College. However, they did not like the
Windy City enough to stay, primarily because of the cold weather. So Spencer applied for
jobs and found one in Eugene, Oregon, where the Blocks would remain for six years. Kerstin
was finally able to complete her undergraduate degree there, at the University of Oregon, in
anthropology. Spencer also obtained his masters degree in Counseling Psychology at Oregon.
During the 1960s, a number of U.S. President Lyndon Johnson’s “Great Society” anti-poverty programs were initiated. Spencer, now equipped with a master’s degree, worked in one of them. But as the Vietnam war was winding down, and as the new Nixon administration attempted to bring Federal spending under control, a number of those programs were pared down or eliminated. The Blocks reluctantly decided to leave Eugene and move back to Arizona where Spencer was able to find a job with the Bureau of Indian Affairs.

“Eugene, Oregon, is one of those college towns where everyone wants to stay, but of course not everyone can stay because there aren’t so many jobs. But the Bureau of Indian Affairs sounded interesting. We had a choice of either going to Alaska to work with the Eskimos or going Arizona to work at the Fort Apache reservation [near Globe, Arizona].” The Blocks moved back to Arizona and worked for the federal government, although Kerstin could not work at the reservation because she was not yet a U.S. citizen. They remained there for one year, during which time Kerstin got her citizenship.

She did not enjoy her time at the reservation. “It was a pretty area of the country but it also was probably one of the most dismal experiences of my entire life. We lived in a government-owned duplex. By this time [early 1970s] we had two small children because, in addition to Rebecca, we had adopted a second daughter, Karen, when we lived Oregon. And they were both small, I didn’t have a job and an Indian reservation is an incredibly depressing place to live on. Spencer ran the boys dormitory at Fort Apache, and he was also doing counseling and working with homeless kids. These children were sent there by other tribes because they had no parents or because their families were dysfunctional and they had no other place to live.” According to Kerstin, Spencer was a “restless soul.” Spencer decided to attend law school in Tucson, so he applied and was admitted. Kerstin had to work to support the family so she got a job at Sam Levitz’s a furniture store in Tucson. Initially she was doing furniture displays, which consisted of taking a couch and a chair, then putting two giant gilded lamps of cherubs on either side and an artificial tree in the back so that people would be enticed to buy the set. But eventually she was fired from this job as well. Her first boss, Mr. Fink, was a wonderful person who believed in Kerstin and encouraged her independence. “He was from Boston, a Harvard graduate, who had met a woman from Nogales from a merchant family there and had married her.” However, Mr. Fink’s marriage ended in divorce and he had come to work at Sam Levitz’s. “I guess he needed a job while they were finalizing their divorce. He worked at Sam Levitz’s for about two years and he was great. He recognized me as a hard worker who learned quickly. He gave me great encouragement and independence. But then Mr. Fink got his affairs in order and left, leaving me with a new supervisor. The new boss thought I was probably the worst woman he’d ever run into in his life and he fired me promptly.” After six months of law school Spencer decided that he didn’t like the law and started
working again as a teacher. He found a job in Oracle, a community just north of Tucson, and then decided he would attend library school to get his masters in library science. Meanwhile, Kerstin was attending Pima College because her “degree in anthropology was pretty useless.” But Kerstin found out she “was a complete failure at shorthand and typing.”

Armed with his new degree, Spencer took a job in another Indian reservation, this time in Sells, Arizona, teaching the Native Americans there to be librarians, where they would stay for nearly two years. But Spencer was not good at this job, and he was fired, ostensibly for putting *Rolling Stone* magazine in the library and for repeatedly complaining about the amount of money they allocated for buying uniforms for the football team instead of spending in on books. “He was doomed to fail there.” Now the Blocks faced another important crossroad.

Kerstin was “sort of addicted to shopping” at flea markets and swap meets. “I figured out really quickly that you could find pretty much anything you want. If you have the time, a limited budget, and a good eye in second-hand clothing, you can find stuff for very little money. So that’s what I was doing, maybe from boredom, I was just buying stuff.” But the “stuff” was accumulating and she concluded they needed to something with all of it.

“I thought maybe we could open a store, I thought there must be other people who have this same affliction as I do, but they don’t have the time or want to rummage around. Maybe they would like to go to a store where it is nice and orderly and cute and so on. So we opened a store… by the University. So we opened this little store on Warren Avenue near the University of Arizona, where is now there is underpass below Speedway Avenue. We got a 400 sq. ft. space there, and we paid $100 a month to rent it.” The address was 1072 N. Warren Avenue, the hours were 10 to 5, except till 6 on Fridays and closed on Sundays. Clothes were hung from bicycle rims and water pipes that Spencer had recycled. They named it *Buffalo Exchange*.

“There was nothing clever about the name. Spencer noted that it was an exchange, where people came to exchange clothing and to buy and to sell. And the buffalo was an American symbol.”

When the *Buffalo Exchange* opened on January 15, 1974, its initial inventory consisted of the “stuff” that Kerstin had acquired over the years. As the business grew, customers brought clothing items they didn’t want anymore as either consignment or trade-ins. Since the whole store was the size of a large kitchen, it didn’t take long to fill it up. (The *Buffalo Exchange* no longer takes consignments except for rare items such as very expensive bags or coats). By May, four months after opening, the Blocks were living off the store’s revenues. An article about the *Buffalo Exchange* in the campus newspaper, the *Daily Wildcat*, also gave the new business a welcomed boost. They became recognized as a friendly place to bargain-hunt. They even kept beer in the refrigerator. “We brought out beer every day at four o clock but the police stopped us. Evidently it’s illegal to give away beer to your customers, or at least that’s what the police said.”
The company grew organically; Kerstin and Spencer added space and employees as needed. “When we first started out, we didn’t need much. We only needed me and my husband and maybe another girl to help out. And then as it grew, we had to hire more people and then we had to have a bigger place, and so we never had any money and we couldn’t borrow any money, so we would just fund it with the money we had as we went.”

**The business model**

The basic *Buffalo Exchange* business proposition centers on the resale of clothing. While they still take on some relatively expensive items on consignment, *Buffalo Exchange* stores pay for the vast majority their merchandise. “We buy it outright. Consignment stores tend to be more exclusive, because in those cases of consignment, the merchant is not buying the merchandise. Our main costumers are people who go to the mall and buy *Banana Republic* and *Gap* and those kinds of clothes. But they can get them for much less from us. And we also import clothing from other places of the world like India and Mexico. So we are not a designer clothes store.”

The business next door on Warren Avenue was a shoe repair shop, and the shoemaker was very old and he passed away shortly after Kerstin and Spencer opened their store. Shortly thereafter, they rented the shoe shop’s space and after knocking out the dividing wall between the two businesses, the footage doubled to 800 sq. ft. Business was going well. Kerstin recalls that they made $30,000 the first year. “It was gross, not profits, but still that was a lot of money for 1974.” By then Spencer had quit his librarian job and was working full time, running the register and keeping the books and advertising.

They continued to buy clothes from customers who came into the store. People would bring a bag of clothes and Kerstin would look through it, perhaps choosing two items out of every ten that she thought she could re-sell. “So then you take those two items and we would tell the people we were going to sell them, for example, for $10 each so the customer would get 35% of that in cash, or 50% as a trade-in, if they bought something from us.” This is essentially the business model of the *Buffalo Exchange* to this day. Customers today get a “trade card” good at any *Buffalo Exchange* with whatever amount they receive as trade in. Initially, they had to go out and buy clothes because the walk-in business was not enough to keep the shelves stocked. Kerstin became a fixture at places around Tucson like Value Village, a big thrift store, and at the Greyhound Park swapmeet, which Kerstin called a “treasure trove.” They then started traveling to Los Angeles to buy inexpensive but trendy clothes, where for very little money she could acquire fashionable designs that appealed to the *Buffalo Exchange* clientele. The business remained largely a cash one. They tried but failed to get loans from banks. “Nobody would ever lend us money. They called us too Mom and Pop, so no bank would loan us any money. Thus, we have always funded our own growth, so basically our growth was as we could afford to grow.”
The process of franchising stores taught Kerstin and Spencer how to run a business. The idea of franchising was suggested by a business consultant they had hired to deal with the growth of Buffalo Exchange. “We didn’t know, we had no business training. Spencer had worked in his family’s fish stores but that wasn’t quite the same. So we worked with this consultant who had worked with Computerland. He did franchise consulting and he was very good. For months we would meet with him once each week and he took us through basic business training: how to make your business scalable and how to treat employees, treating them well but also holding them responsible, so you wouldn’t have to deal with every crisis. We learned from him an awful lot about running a business. And so, as we came to understand these concepts, we started really doing our business different. The main thing he taught me was how to get other people to do things, how to delegate important things. Previously, I had been going crazy fixing things at various stores, only to see them go back to their previous condition two weeks later!” Over time, Kerstin and Spencer learned to delegate and to keep the managers who dealt with challenges properly and to get rid of those who couldn’t.

Hiring effective and productive employees is a process that takes time to learn, according to Kerstin. In addition to recruiting people who could deal with everyday managerial issues such as taking back merchandise and keeping books properly, the Buffalo Exchange needed people with a discerning eye for fashion, people who know how to buy. As the company grew, Kerstin and Spencer had to develop managers. Today, Buffalo Exchange seldom hires managers from the outside. They prefer to promote from within the company. So they would take store managers and promote them to area or regional managers. With the help of the business consultant, Kerstin and Spencer learned how to be more systematic in how they went about conducting business, how they went about evaluating people and tying rewards and bonuses to performance.

**Location, location, location**

From Tucson, the Buffalo Exchange first branched out to the Phoenix area, to the suburb of Tempe, where Arizona State University is located. From Tempe, they next expanded into the Bay Area, first to Berkeley. In locating their stores, Kerstin and her associates look for what she called “bohemians.” These are primarily younger people who believe in recycling, who don’t necessarily want to spend a great deal of money on clothes, but who have a sense of fashion.

“We look for places where stores like Urban Outfitters and American Apparel are located. We used to look for other businesses like used record stores and used bookstores, but there aren’t too many of those left. We look for urban areas where there are a lot of young people and also try to locate near colleges or universities. We always try to be by a school of some kind. And pedestrian traffic is important. People like to shop in a variety of places, places that have a variety of those kinds of business, coffee shops, like a Starbucks, or alternative coffee shops. We didn’t do anything special, we just had that little store, and we made it look really cute, we opened the door and we tried to keep the door open and people just came in.
Our first store was directly on the walking path from the university to the medical school, so we got a lot of customers like that.”

Several offers have been made over the years for Kerstin’s private-held company. People who want to invest in Buffalo Exchange also call routinely. But the right offer has not come, yet. And while there are a number of publicly-traded companies in similar businesses, such as Plato’s Closet, exist, their closest competitor, ironically, is a company started by their former business partner, Gerald Block, Kerstin’s brother-in-law. Spencer’s brother, Gerald, was living in the Bay area and he became Spencer’s and Kerstin’s partner.

“It was a most unfortunate thing to do,” says Kerstin. “Never go into business with a relative, unless it’s your husband or daughter, because it just doesn’t seem to work out. We had different goals, different viewpoints. We ended up buying him out after Spencer’s parents died. Both brothers inherited some money from his parents’ very profitable fish business. So my brother-in-law said, ‘Well I’ll take the money you got from dad and I’ll get out of your hair.’ So that’s what we did, we gave him all the money we inherited and we had an agreement for him to stop being in business with us. Of course, those agreements are only marginally enforceable. After a year he decided that he was going to get back into the business. And he did.”

Gerald Block’s company is called the Crossroads Trading Company. Because Gerald was a partner with Kerstin and Spencer at Buffalo Exchange, he was intimately familiar with the business model. According to Kerstin, people frequently confuse the two companies. Gerald has now passed away, but his son and a partner who used to work at the Gap, now run Crossroads, which has 32 locations. By comparison, Buffalo Exchange has some 50 stores in 17 states, including 3 franchises. “They are usually located within a block or two of our stores. It keeps you on your toes and keeps you innovating and from becoming complacent ever about business, because you have to be better.”

The human resource

Having essentially a cash business, like a restaurant, can often cause challenges to management due to employee theft. But this has not apparently been a problem for Buffalo Exchange. “My husband had a degree in counseling psychology, so we have always worked with people based on fairness and honesty and trust. If you start out from that position, while not everyone is going to respond to it, you have a better chance of having engaged and honest employees. This has really been a great thing for us, because we try to keep the ones who want to be here and who like this kind of business. We do workshops every year for our managers and we have meetings about this concept of employee engagement. And it all came from a book that I read that was put out by the Gallup organization.”

The notion of worker engagement with their organizations argues workers value great workplaces over compensation. As highlighted in Gallup's State of the American Workplace
report, business units or work teams with high levels of employee engagement have less turnover than business units or work teams with low employee engagement: 65% less turnover if they are in an industry with low turnover and 25% less turnover if they are in an industry with high turnover.⁴

“I still have the book where this was discussed. It’s a really great concept. Out of 100 employees, for instance, maybe 15 or so may be highly engaged. Then you have the large middle group who are moderately engaged but they can go either way and then you have your highly disengaged group, the ones you really don’t want to work for you. So you try to move those disengaged ones along. Since we have an open-book management, people know exactly how they are doing in our business.”

Spencer wrote in his book that the way he and Kerstin kept so many locations going could be summarized by one word: trust.⁵ Organizational trust, developed by speaking the truth to employees, by keeping commitments, taking responsibility for actions and decisions, listening to employees and customers, undergirds Buffalo Exchange’s approach to managing their human resources. The company tries to hire the “right” employees. “The ‘right’ people are nice, talkative, communicative, they are people who like other people and it shows. They have to be enthusiastic since they have to deal with people and sell all day long. I don’t care if they have tattoos, but that’s not a qualifying feature,” she smiles, referring to the fact that a reporter once noted that a lot of Buffalo Exchange employees seemed to have tattoos. But she added: “In addition to being nice, they have to know how to buy. If they can’t buy, they can’t work here for long. They have to be able to pick and choose from among the clothes people bring in. They have to be able to say no.”

The Arizonan Swede
Kerstin Block says she’s not a person who wants a lot out of life. And her upbringing taught her a great deal about taking life as it comes and about being self-reliant. “I went through a long process of awakening about how you can be. I also learned that you make your choices and that you are not in the palm of fate. You choose what you want to do and how you are going to be in life. It’s taken me a long time to come to more sophisticated concepts like those but I have come to learn that individuals have a great deal of power over themselves and over their fates. I am not afraid of failure,” she says casually. “I’ve been fired a lot. If I could no longer work at Buffalo Exchange, I would find something else to do.” She thought for a second and added: “Maybe I could be one of those people who prepares homes for sale, you know, a stager. I could do that well.”
The shock and then the outrage from the Japanese attack on December 7, 1941, were deeply felt across America and especially in Arizona. The USS Arizona was central in the Pearl Harbor tragedy. The ship’s sinking and the loss of 1,177 officers and sailors on it strongly resonated among Arizonans. The Arizona Republic, the Phoenix newspaper, did its part to promote patriotic fervor by providing images and information to assist the war effort. The headline of the Republic on December 8, 1941, screamed in huge font: “Japan Hurls Blitz On Islands of U.S., Then Declares War.” Advertisers such as the Central Arizona Light and Power Company had ads promoting the sale of war bonds. Phoenix radio station KTAR sponsored a program called “Win the War in Your Kitchen,” suggesting tips and ideas for keeping America strong by serving good food. Phoenix and Maricopa County routinely belonged to the “Over the Top” club by significantly exceeding their quotas for war bond purchases. Patriotism was widespread and young kids were not immune to the heightened awareness.
about a foreign threat. The Arizona Republic on April 13, 1942, featured a photo of three young girls, one dressed in a Navy uniform, the second as a nurse, and the third in an Army outfit. The paper announced that the trio, aged 5, 7, and 10, would perform “I am an American” at the local Arizona Pioneer Reunion that week.

A few months after the Pearl Harbor attack, toddler Ed Eisele could be seen in his room at his parent’s home in Phoenix walking around with his pellet gun literally protecting the home front. “Japan was the enemy and everybody knew it including me. I was just sure that there would come a day when the Japanese were going to come to Phoenix, and, by golly, when they came to my neighborhood and they found my house, I’d be up in the rafters with my pellet gun. I found a place from where I could shoot at anyone coming in to the garage.”

Early life

The life story of this patriotic Phoenix kid and his family is another one of many tales of how America was built. His grandfather Edward, whom Ed never met, was born in Bad Saulgau, Germany, in 1856. Bad Saulgau is in the beautiful southern region of Germany, in the Baden-Württemberg state, just north of the border with Switzerland, about 80 miles northeast of Zurich and some 100 miles west of Munich. Edward was the son of a station “kommandant” of the State Police. After completing a four-year apprenticeship in Germany, Edward, then 16 years old, was sent to London, where his parents and grandparents had arranged for him to work with a textile manufacturer. His primary goal was to learn how to speak English, a sort of a “study abroad” after high school.

Edward Eisele embarked on a ship from Hamburg, Germany, to Portsmouth, England, but sometime during the 600-mile voyage, he was mugged and severely beaten, losing his suitcase and all his money. When Edward reported to the textile company where he supposedly had a job, the owners took one look at the disheveled young man and refused to hire him. Badly beaten up and without a job, Ed’s grandfather decided to go back to Germany, offering to work on a ship to pay for his trip and food. But, in a bizarre turn of events, he never made it to Hamburg. Instead, he was “Shanghaied,” an expression referring to individuals who are kidnapped forcefully to serve as sailors and workers on a ship. The term originally derives from the Chinese city of Shanghai, a major destination of ships with abducted crews. During the 1700s and 1800s, the use of “unfree” labor was common in Europe and the U.S. and it was not until 1915, when the “Seaman’s Act” of 1915 was enacted, that the practice began to abate in America.

“My grandfather was never let off, nor were any of the other young men who were on that boat, for almost two years. Instead, they plied back and forth off the northwest coast of Africa, hauling cargo. They would always anchor out in bays. The ship would never pull up to quay walls. The guys were rowing out there in their skiffs to pick up the cargo or deliver cargo and the abducted seamen could not get off. But finally they were able to disembark in a
Edward immediately wrote his parents in Germany to let them know he was still alive. They had not heard from him in nearly two years. By then political and economic conditions in Germany had worsened. After the Napoleonic Wars, which ended in 1815 with Napoleon’s defeat at Waterloo, Belgium, the German economy was utterly depressed.\(^9\) Foreign imports, especially from England, the victors of the Wars, flooded German markets. The weakened German economy could not compete. In addition, the potato blight that also affected Ireland decimated the main food staple for a growing German population. Many young German men also saw emigration as an attractive alternative to mandatory enlistment in the Prussian military forces. Eighteen-year-old Edward Eisele, who was of draft age, decided to give America a try.

Even before the major waves of German emigration that began in the 1840s, about nine percent of the U.S. population was already of German descent. Many of the early German immigrants had traveled to Pennsylvania seeking religious freedom. But between 1850 and 1880, a deluge of some 3.5 million Germans immigrated to the U.S. to find new opportunities. Such was the impact of the exodus that German was the second most-spoken language in America, after English. Among the early occupations dominated by Germans were baking, carpentry, and brewing. Edward Eisele, Ed’s grandfather was among these many Germans who contributed to the development of the young nation. Their children, grandchildren, and other direct descendants, including U.S. presidents Dwight D. Eisenhower and Herbert Hoover, entrepreneurs Walt Disney and Levi Strauss, writers Theodor Seuss Geisel (“Dr. Seuss”) and John Steinbeck, and brewers Eberhard Anheuser and Adolf Coors, have had an enduring impact on American society.

While he worked on the “slave” ship, Grandfather Eisele performed various jobs, including cooking and baking. Armed with his new culinary skills, he applied as a cook with a coal mining company in Pennsylvania to work in the commissary where they served food. He reportedly made 75 cents a week, plus room and board, fairly good compensation in America a few years after the end of the Civil War. After a few months, he heard about a wagon train hauling mining equipment to the west, to the Territory of Colorado and the Territory of New Mexico.\(^{10}\) He applied for a job as a cook and proceeded westward with the wagon train to deliver the mining equipment in Colorado. From there, the wagon train continued to the southern part of the Territory of New Mexico where other mining equipment was dropped off. After arriving in New Mexico, Edward’s work was finished with the wagon train. But then he heard that the wagon master was headed to the Territory of Arizona, where workers were needed to dig water canals.

“He just said to his co-workers: ‘I’m going to the Territory of Arizona because they need labor. Anyone interested in going with me?’ So my grandfather left for Arizona, where, as it turned out, he remained the rest of his life. The workers camped literally in Paradise Valley [now an upscale residential area on the north side of Camelback Mountain in Phoenix] and
they completed the canal.”

The Grand Canal, as it is now known, is the oldest of several “pioneer” canals throughout Phoenix and Maricopa County that fueled the development of central Arizona and of numerous communities in the Phoenix area during the late 19\textsuperscript{th} and early 20\textsuperscript{th} century. It weaves for miles throughout Phoenix and is in the northern part of the Salt River Project’s water distribution system. Construction took place during the late 1870s and early 1880s. But as the work was coming to an end, Grandfather Eisele had to find a job once again.

“In 1881, my grandfather walked into this bakery in downtown Phoenix, at East Washington Street and Central Avenue, called Phoenix Bakery, which, coincidentally, was owned by a German man named M.J. Heinson. And because my grandfather was from Bavaria, he was offered a job the very same day because he was from Germany.” Three years later in 1884, Mr. Heinson wanted to retire and came to Ed’s grandfather and offered to sell the business. His grandfather bought the bakery for $300 and assumed all business debt. Ed’s grandfather was 28 years old at the time.

“I never had the privilege of knowing my grandfather, but I have developed a tremendous respect for his entrepreneurial spirit—and for his drive to be successful. The thought of his drive and determination to succeed resides in my brain to this day.”

On his mother’s side, Ed’s maternal grandmother, Ruth Morey, was an orphan who hailed from Norway. Young Ed learned about the value of education from her. She married a physician in New York and became a highly regarded schoolteacher there. Former students would write to her long after they had been her pupils, thanking her for the discipline that she helped instill in them when she was their teacher. She taught in upstate New York, in Earlville, a small village of fewer than 800 people about 45 miles southeast of Syracuse, NY, in a one-room schoolhouse with students ranging from kindergarten through the 8th grade.

“My mother’s mom moved to Phoenix due to some health problems, for the climate and to get away from the cold back East. And, God bless my grandmother, because that was during my freshman year in high school and I was about to flunk English. But she saved me. She would tutor me every afternoon on homework from that class and I mean, every day. We kinda’ had a standing appointment whether I liked it or not. And she was a wonderful teacher. My proficiency with English goes right back to her.”

Ed’s parents met while studying at the University of Michigan in Ann Arbor and eventually married. Ed was the 3\textsuperscript{rd} child in the family. His sisters were 12 and 7 years older so that, when he was 10, Ed was the only child left at home. Both sisters had gone to college by then. Being the only kid at home—and being by himself to some degree—allowed him to learn how to stay busy and be happy being by himself.

Both of his sisters played the piano. When Ed was about 4 years old, his parents realized he
could play the piano and they enrolled him with a piano teacher. He began playing classical music at a fairly young age but as he entered his teenage years, he lost interest in that kind of music. His mother found another teacher who actually played in a bar. This new teacher was able to show Ed all the chord sequences since they all knew Ed played by ear.

“You hum the song and I can play it—on the spot. Knowing all of the chord sequences was all that I needed. Being able to play the piano by ear has gotten me into some very interesting situations at the U of A, in the U.S. Navy, and at other places over the years…” In high school he played on the basketball team, where “I learned a great deal about teamwork. On the other hand, wrestling taught me a lot about myself, having to rely on myself, and having perseverance to overcome an adversary.”

“When I was in the 7th grade, my father began taking me to the bakery on Saturdays, which was clean-up day. Pay started at .80 cents an hour.” More importantly, however, was the fact Ed was the only white person ‘on the floor.’ The entire Carver High School (then a black school in downtown Phoenix) football and basketball teams worked at the bakery on Saturdays—and that is when Ed made some life-long friends, many of whom he still sees today. While he was fortunate to grow up in a middle-class family in an upscale neighborhood, Ed believes his early work association with young people from different backgrounds helped him grow more appreciative and accepting of ethnic diversity.

Through the 1940s and 1950s, during Ed’s childhood and adolescence, Holsum Bakery continued to grow. And so did the list of innovations that Holsum brought to Arizona. Long before the Federal government initiated its health-conscious Enrichment Program during World War II, Holsum was baking enriched bread. And with the advent of television and TV advertising in the late ‘40s, Holsum became one of the first businesses and the first bakery in Arizona to advertise in that medium. More recently, Holsum was the first wholesale bakery in the Southwest to introduce an all-natural line of grain beads, as well as sugar free and low carbohydrate breads.

Young Adult

After high school Ed enrolled at the University of Arizona in Tucson and studied business. At the insistence of his parents, Ed had traveled abroad during adolescence, another intriguing “marker” of future extraordinariness. During the summer between Ed’s sophomore and junior years, Ed’s parents encouraged him to go on the University of Arizona humanities study tour. The tour visited seven countries in six weeks. His horizons were significantly broadened during that brief trip—and Ed realized how educationally valuable traveling could be. He was able for the first time to experience different approaches to life, different cultural values, broadening his understanding about diversity. Since then, he has traveled to over 70 countries.

Upon graduation from Arizona in December of 1961, Ed Eisele was a confident 21 year-old with no worries whatsoever. He remembers believing he could do just about anything,
whatever he set his mind to do. The thought of failure, he recalls, was foreign to him. Looking back on his educational experiences, Ed considers himself fortunate because he had teachers and professors who encouraged him to keep learning outside of the classroom. They sparked his curiosity and urged him to strengthen his listening skills. Ed still has a DVD for his businesses on listening skills that employees are required to review once each year during their performance appraisals.

Soon after graduation, Eisele entered the U.S. Naval Officer’s Candidate School in Newport, Rhode Island, to earn his commission as a naval officer. The military experience fundamentally changed Ed’s life. “Starting with the complete ‘come-down’ they bring upon every poor soul who walks through that gate---when we quickly realized we weren’t quite as hot as we thought we were—to the graduation ceremony 18 weeks later, it was an incredible educational experience for me.” It was also a rigorous, merit-based experience: If you didn’t make your grades, you were bounced immediately “into the fleet” as a swabbie or a white-hat, for two years of service as an enlisted sailor. In Ed’s small section alone, they lost several aspiring officers to “the fleet”—all college graduates.

He recalls his service fondly. “Serving in the U.S. Navy was a game-changer for me. My leadership skills were augmented by the minute. First, on the USS Kitty Hawk, as an Ensign, I became qualified Officer of the Deck (Underway). I was in full control of that ship whenever I was on deck watch—with 5,200 human beings down below. I was 23 years old at the time. You grow up pretty fast in that environment because you don’t have any room for error. When Kitty Hawk went into the naval yard for 18 months of repair work, all of us who were deemed to be ‘short-timers’ (having less than 2 years left of service) were off-loaded. I was transferred to a highly mobile 60-man unit that hit beaches right behind the Marines, setting-up sonobuoy lines to monitor against enemy frogmen. I was the Executive Officer in charge of executing the mission. I was 24 years old when I was given that assignment. Being accountable for the health, safety, and welfare of 60 other guys allows you to mature quickly. From a leadership perspective, the 42 months I served in the Navy was a gift that has enabled many good things since.”

Upon discharge from the Navy in 1965, Ed took the money he’d saved (he never took vacation days), bought a red Porsche 912 in Copenhagen, and drove through Western Europe for four months. Sometimes he would find someone to travel with him, other times he was on his own. He remembers it as great experience during which he learned to appreciate different cultures and to “translate’ between them. He decided he wanted to keep his Porsche so he shipped it back home.

Back in Phoenix

Ed returned home to Phoenix and went to work at Holsum Bakery. It was late in the fall of 1965. At the time Holsum was the largest family-owned business in Arizona as well as the
largest bakery in the Southwest of the U.S. He worked closely with his father Lloyd Eisele and his brother-in-law (who was married to one of his older sisters). Although he had several job interviews during his last semester at the University in Tucson, he always knew he would make the family business his career. He admired what his grandfather and father had done in building and expanding Holsum Bakery, he had worked summers in “route vacation relief,” and he had made a lot of money selling. He knew a lot about the business, he loved selling, and believed he could be successful running Holsum Bread. His first job entailed hiring and training of route salesmen.

During the 1960s, the American bread baking industry was highly fragmented, composed of hundreds of small, local bakeries, mostly family-owned. Over time, as the industry matured, consolidation took hold, with the larger entities buying up the smaller ones. Today, two giants dominate the industry: Flowers Foods and Bimbo, a Mexican company that recently purchased and absorbed Sara Lee.

When he joined the company after his military service, Eisele already had a fairly good understanding of Holsum’s inner workings and the relationships between hourly employees and team leaders. He recognized his fortune in being born into the family business but he was also prepared and determined to make what he had inherited better and more productive. “I realized that not everyone had the blessings I had.”

“If I could give advice to myself, after the fact, it would be this: Do not hesitate to address filling any position within the organization if the incumbent is not measuring up. In most cases, the problem of underperformance does not get better with time. Implementing a firm but fair performance review process that allows for a candid conversation, and outlining in clear, no uncertain terms what the expectations are for the coming measurement period, would have accelerated many good things to happen. Living with a weak team member for too long holds back the entire team.” His associates confirm Ed’s seriousness of purpose and efficacy in running meetings and doing appraisal or performance reviews.

In the early 1970s, Holsum Bakery began a franchise for baking Arnold breads and rolls for the entire state of Arizona. Dean and Betty Arnold started the Arnold bakeries when they began making bread in a small brick oven at the back of their home in Stamford, Connecticut, in 1940. From this humble beginning, they grew during the 1960s to have the largest bakery under one roof in the world, including the largest brick oven anywhere, in Greenwich, Connecticut. Arnold was then a principal competitor to Pepperidge Farm on the East Coast. Due to the on-going consolidation of business in the baking industry, Arnold today is part of Bimbo USA Bakeries, which in turn is owned by Grupo Bimbo, one of the world’s largest bread producers with corporate headquarters in Mexico.

By observing how Arnold did business, Ed realized there was a different, and perhaps superior, approach to the direct store delivery that Holsum had employed for years: the use of independent contractors to distribute the products instead of employing company-owned
routes. The beauty of what Arnold did, according to Eisele, went to the core of basic entrepreneurship: An individual who is an owner often works much harder than someone who is employed by someone else. Ed came to realize that this concept of collaborative ownership was at the heart of Arnold’s success. Several years later, Eisele would take a firm position with the Teamsters Union in 1977 during a six-week strike that had significant discord and violence. The clause that Eisele was fighting for in that contract was finally agreed to—to allow Holsum the right to sell its routes to independent contractors if it chose to do so.

**Taking charge**

In 1983, following the passing of Ed’s father, members of the Eisele family wanted to liquidate so they could cash out. Ed initially resisted. At the time, Ed knew several consultants who had previously been instrumental in orchestrating the sale of the Pepperidge Farm and Arnold route distribution systems. Ed flew to New York to meet with the consultants, who were able to calculate quickly how much Holsum could expect to receive if it sold off its routes. As it turned out, Ed was able to sell off the distribution routes, raise the cash, and pay the family off for their share of Holsum—leaving Ed in control of the company. With owner-operators now in place, Holsum benefitted from having a highly motivated sales force. Holsum tonnage grew by nearly 20 percent in the following 12 months after the sale of the distribution routes in an industry that was growing only two or three percent annually. Holsum’s successes proved to other companies that the owner-operated model was vastly superior to traditional direct store delivery; eventually the entire baking industry became owner-operated. For a number of years, however, Holsum enjoyed a competitive, first-adopter advantage over the other wholesale competitors due to the extra effort the distributors put forth as they increased their own businesses—and Holsum’s.

“I happen to love competing and selling. A tough competitor makes me better, because I tend to do whatever it is going to take to beat the other guy. Using the baking business as the model, I had to think about the entire food category as being somewhat of a competitor, since we only have so much stomach space in which to put our food. Therefore, our products had better taste good and be good for you, or we will soon be irrelevant. We need to think well beyond “the box” into which many others tend to put themselves. Creating a sustainable competitive advantage is what it all comes down to in any business, making a better product that delivers a better value.”

The patriotic toddler who guarded his home after Pearl Harbor with his BB gun profited from the leadership lessons he gained in the Navy, both in his business and his personal life. Challenges are obstacles to be conquered, not things to be feared; the chain of command is there for a reason; ethical behavior is imperative and violators are gone. “In terms of ethics, I was also blessed to have parents—and sisters—who were great role models. I learned the basics from them and that up-bringing has served me well.”
“No sooner than I became President of Holsum Bakery, the very next week, an attorney from the U.S. Justice Department walked in the door to get an interview—and that was the beginning of a multi-year investigation on price-fixing among the bakers in Arizona that saw my predecessor [Ed’s brother-in-law, who had taken over when Ed’s father retired] go to jail. During that nightmare, I was introduced—quite accidentally—to a gentleman who became my financial mentor for over 30 years. His knowledge of the numbers was exceptional and I turned into a sponge.”

In thinking back about personal challenges, Ed has conquered a series of physical issues that might appear insurmountable to many people. In 1990, a mole on Ed’s chest was biopsied and found to be a Level 3 melanoma. Following its excision, he was monitored with CAT-scans for years. A year later, they discovered malignant lymph nodes under one arm—traced back to the original melanoma.

“That discovery led to 12 months of chemotherapy—and no beer! Then, in 1995, during a routine exam, we discovered a grapefruit-sized tumor that was almost undetectable. Fortunately, it had not migrated and was successfully removed. Then, in 1999, during another routine exam, we discovered that my prostate was malignant. I read seven books in six days, in an effort to make the best decision I could make—which saw the removal of the prostate. It was probably during that third bout with cancer when I realized that if I wanted to be able to compete for more time on this Earth, I must be in fighting shape. I shifted gears, cut way down on the alcohol, and now engage in some form of exercise seven days every week, 52 weeks a year, without fail—running, spinning, kinesis, lifting, climbing, hiking, legs, and core. Needless to say, I have zero stress build-up due to this exercise ethic.”

**Commitment to service: The “Lost Boys of Sudan”**

Perhaps due to his weekends as a teenager on the factory floor cleaning up with minority kids, or perhaps from his strong sense of service, Ed Eisele has consistently demonstrated an affinity to be of assistance to others. His association with the “Lost Boys of the Sudan” is illustrative.

“One Sunday evening I am watching a “60 Minutes” show about these “Lost Boys” of the Sudan. It was a captivating TV program, and I was so impressed at the tremendous and inspiring journeys of these boys caught up in a brutal war through no fault of their own. Then, the very next day, to my total amazement, I received an invitation to attend the ribbon-cutting ceremony of the new *Lost Boys Center* in Phoenix. It turns out that the Greater Phoenix area had resettled more of these young people than any other place, brought here by the U.S. government.”

The “Lost Boys of Sudan” refers to at least 20,000 children, mostly boys between 7 and 17, who were brutally separated from their families due to violence and civil conflicts in the
southern Sudan between the Sudan People's Liberation Army (SPLA) and the Sudanese Government. The conflicts claimed over half million lives and displaced large numbers of people. The boys walked great distances over enormous and difficult wilderness by themselves, seeking protection from the fighting. Hungry, frightened, and weakened by sleeplessness and disease, they crossed from the Sudan into Ethiopia and back, with many dying along the way. Many survivors still remain in camps in Kenya, the Sudan, and Uganda.

The Phoenix-based *Lost Boys Center for Leadership Development* was designed to help with the overwhelming re-settlement issues these young refugees faced. The boys, by then young men, needed to learn the language, find jobs, and overcome their lack of access to education as children. Many struggled. They found their attempts to assimilate into American society made more difficult by issues of post-traumatic stress and childhood trauma. The *Lost Boys Center* became the leading national organization for addressing challenges facing the Sudanese refugees, serving as a central enterprise for advocacy on behalf of the young men. In 2004, over 1,000 Lost Boys living in the U.S. attended a national conference hosted by the *Center*. The keynote speaker at the conference was John Garang, leader of the People’s Liberation Army who was instrumental in ending the civil war. His speech at the *Lost Boys Center* conference was his only public event in the U.S. before he was killed in 2005.

Since that initial invitation, Ed has remained a strong supporter of the Lost Boys, giving them employment in his businesses and supporting more recent efforts to create effective educational and civic institutions in the Sudan. At a recent meeting in Phoenix, for example, Ed was actively advocating and encouraging the participation of Arizona State University and the University of Arizona in sending teachers to the Sudan.

**New directions**

As is typical of other mature industries, the baking industry continued its consolidation through the 1990s and early 2000s. The national and multi-national conglomerates were swallowing the many small, family-run bakeries and even some of the larger regional ones. Holsum faced the dilemma of competing with more efficient and capital-intensive industry giants like Sara Lee and Bimbo, who by then were in an escalating process of acquiring more and more of the regional companies. With no children to inherit Holsum and with no prospects of any other family member who could take over the operations at the bakery, Eisele decided to sell and move on to other activities.

By the time Holsum was acquired by Flowers Foods in 2008, Holsum was producing over 400 varieties of bread, buns, and rolls weekly and its distribution network reached several hundred independent distributors daily throughout Arizona, California, Nevada, Utah, Colorado, and New Mexico. In addition, the bakers at Holsum had received national awards for superior quality; for several consecutive years, Holsum had placed first in regional and national competitions among bread and bun bakers. Flowers Foods has headquarters in
Georgia, and it operates scores of bakeries that produce breads, buns, rolls, snack cakes, pastries, and tortillas. As an indication of the extent of consolidation in the baking industry, Flowers' brands, in addition to Holsum, include Nature's Own, Whitewheat, Wonder Bread, Cobblestone Mill, Tastykake, Mrs. Freshley's, European Bakers, Blue Bird, Sunbeam, Merita, and Mi Casa.

Eisele’s new venture is Capistrano Bakery, a niche baking concern focused on upscale restaurants and other food service establishments (excluding fast food chains like McDonald’s). The new company is keeping the former Holsum CEO busy and motivated. Capistrano is a very different business from Holsum. As the baking industry has matured, consumers increasingly demand lower pricing and increased levels of automation have been put in place to drive costs down. However, as production lines have sped up, many of the more costly and time-consuming specialty breads have had to be outsourced.

As Ed notes: “Any restaurant you can think of, excluding ‘fast food’ ones, can create a competitive advantage on their menu. Believe it or not, their bakery products can help create that. When you think of it, one of the things that can help to differentiate a restaurant is to have a different look on the menu that includes different breads. As an example, consider sourdough bread. Excellent sourdough bread is not easy to make. We happen to have a sourdough at Capistrano that takes over 30 hours to ‘proof’ because of the blistering that takes place in the proof and the fermentation. Most large bakeries are not going to go through that very time intensive process, or they don’t have the ability or inclination to do it. A sandwich served on real sourdough bread provides a real distinction for a restaurant. Whether it’s a sour Jewish rye with dill in it, you can make the list as fast as I can about the peculiarity of the formula that gives your product a certain flavor. So in this business called Capistrano bakery, we’re totally food service, our clients are the restaurants, and it’s all we think about. We don’t think about grocery stores anymore. Our total world is restaurants—as diverse as the Ritz Carlton to the Biltmore and Camelback Inn—all the way to your neighborhood pub with hamburgers.”

As many companies like Porsche or the Ritz Carlton know, focused differentiation is a demanding and expensive thing to do well, a difficult strategy to implement successfully. It affects all areas of the organization, from design to production to hiring and training to marketing. But doing things well is the business story of Ed Eisele, the grandson of the German immigrant.
Introduction

From the outside, the downtown Tucson, Arizona, building housing the headquarters of the innovative health-care start-up, Sinfonía, looks like the warehouse it once was. A closer look reveals a more nuanced and even an architecturally elegant space. The refurbished building, which dates back to the late 19th century, on the corner of East Toole Avenue and North Stone Avenue, is in the rapidly evolving center of downtown Tucson.

The warehouse formerly stored huge fossils and minerals associated with the world-famous Tucson Gem and Mineral Show. In 2014 it has an open and minimalist appearance, an integral part of the rapid renewal underway in Downtown Tucson. Offices for Sinfonía’s top managers are arranged around the periphery, with no separating walls or doors. In the center of the space there are a number of meeting areas with large tables and chairs, also open. The floors are shiny oak wood slats. At the rear, there’s a full-sized basketball goal and a music recording area, suitable for recording start-up bands or impromptu jam sessions. The “Toole Avenue Hive,” as the warehouse is known, also houses other entrepreneurial ventures as well as several University of Arizona McGuire Center for Entrepreneurship teams, rent-free for six months.

“Our vice president for finance was banging away on the drums the other day,” recalled Sinfonía’s founder and CEO, Fletcher McCusker. “It was loud, yes, pretty loud, but we didn’t dare to interrupt him. We want our finance guy happy.”

Sinfonía is Fletcher McCusker’s reprise, his second time around at 64 years of age. His previous “start up,” Providence, still headquartered in downtown Tucson, grew from nothing to over $1 billion in revenues in 2007 before encountering serious financial challenges during the major economic downturn that began in 2008. Providence has since rebounded strongly, and McCusker retired from his company in December of 2012. The imaginative nature of Providence, which joined McCusker’s passion for helping others with an opportunity to direct a business providing first-rate human services within homes or work settings, offers a window into McCusker’s entrepreneurial drive. His new venture, Sinfonía, is an equally innovative home healthcare company that offers a wide array of services including hospice, occupational therapy, physical therapy, speech therapy, as well as home medical equipment.
Fletcher’s life experiences provide important clues about his entrepreneurial drive and about his interests and mindset. McCusker is an old Irish name but Fletcher never realized until fairly recently that some of his ancestors included some Irish revolutionaries. “My wife and I were in New York a few years ago and went on a carriage ride around Central Park. All the carriage drivers are apparently first generation Irish, all Irish immigrants. So the driver is making conversation and asks what my last name is. So I tell him. He literally stops the carriage and says: ‘I want to come around and shake your hand.’ So I say, OK. He proceeds to tell me Seamus McCusker is one of the Irish heroes, an important member of the Irish Republican Army from many years ago. A similar thing had happened to our son when he went to Ireland with his grandparents a few years before, but I didn’t really believe it until this horse carriage ride in New York. So somewhere in my past there may be some revolutionary thinking.”

McCusker’s grandfather moved to Tucson in 1929. As did many people during the Great Depression that began in October of that year, his grandfather worked on public projects in President Franklin D. Roosevelt’s Works Project Administration (WPA) during the early 1930s. “My grandfather made a dollar a day laying sidewalks in Downtown Tucson. You can still see the WPA marks on some of them.” When Providence first moved to Tucson, many of the downtown storefronts were boarded up. “It was depressing,” he recalls. But once Providence began to establish itself, other companies were encouraged to move their offices there as well. New, tall buildings are now under construction and a visible revitalization is
Early life

Fletcher McCusker was born in El Paso, Texas, on July 27, 1949. His father, James Jay McCusker, left the family shortly after Fletcher was born. His maternal grandparents lived in Tucson and provided a needed anchor, a home base, for young McCusker. McCusker and his mother returned to Tucson shortly afterwards, a pattern of leaving and returning to Tucson that would be repeated often during Fletcher’s childhood and adolescence.

“My mom, God bless her, married often, five times. I had five stepfathers and moved around quite a bit, from Tucson to Los Angeles to San Diego. But Tucson was always home, the place where my grandparents lived.” Like U.S. President Bill Clinton or Apple’s Steve Jobs, McCusker never met his natural father. And Fletcher didn’t know much, nor cared to find out, about his Irish roots, until the trip to New York City and a Central Park carriage ride accidently provided him information.

His family would keep returning to Tucson. His grandparents were the only stable thing in Fletcher’s and his sisters’ lives. His grandparents lived continuously in the same house they moved into during the Depression in the 1930s. His mother would bring them back every time between husbands or whenever they needed some support. Tucson and his grandparents’ home “was always a respite for me.”

Fletcher’s maternal grandfather was a no nonsense guy. He was a handy man and he eventually ended up working for the Southern Pacific railroad. He worked hard every day. He was a wood worker so he was always building something and he would let young Fletcher help him. But he also would quickly reprimand young Fletcher if he didn’t put the tools back in their right place or if he left the shop floor a mess. He was strict, a no nonsense kind of guy. He was also a moonshiner, originally from the hills of Kentucky.

“He made an alcoholic beverage outta everything. Dandelions, grapes, and he had a still in the yard. Yeah, he was constantly, you know, ‘Here, taste this!’ Oh my God! But he was the only stable male figure in my life. All of my mother’s husbands, my stepfathers, were in and out of my life. I always viewed them as disruptive and I never really developed any attachment to them. My grandfather and my grandmother were the stable figures.”

His grandmother was, in McCusker’s words, “a tough old broad who never got out of the 8th grade, but she had more street smarts than anybody I have ever known. I recall she paid everything… she would walk down to the electric company and pay the electric bills. She was ‘old school’ but also everything to her was metaphorical. She had a saying for everything; to her every event was a life lesson. Most importantly, she was unbelievably
dedicated to my mother. She saw no faults in my mother even through all her failed relationships and struggles. My mother was a saint. She died when I was 20 and my grandmother outlived her by a number of years. And I think that made us even closer because her only daughter, the pride of her life, had passed away very young. My mom was only 44 when she died and so I moved in with my grandparents my first year of college at the U of A and would remain very close to them throughout my life.”

Fletcher and his mother and sisters moved about constantly, it seemed. They went from Tucson to California, from Los Angeles to San Diego to Marana, Arizona. Fletcher went to six or seven different schools. “But I was a good student and a good athlete and I knew college was my way out. Even if I wasn’t all that interested in college, it was the one way to get out.”

He recounts his early life matter-of-factly, as a series of routine events in an eventful life. “That was just the kind of the way life was, you know. I moved around so much that I never developed relationships at elementary or high school that were meaningful to me. I always knew in the back of my mind I was probably going to be leaving the next year. School was kind of an unavoidable nuisance to me. I went to school because I had to, but I didn’t particularly enjoy school. It’s hard when you’re that age and you move. You have to make friends but you know you’re probably going to move again. It was like kind of the gypsy life, vagrant life, with my mom, so I didn’t invest in relationships. It wasn’t until I was 18 and working at the Children’s Home that I started to develop connections that had any longevity. Many of the people I met in the Home became involved with me for literally the rest of my life, because of the work we did and fondness for what we did and the camaraderie that developed among the people who worked there.”

Even though he didn’t like school, he somehow realized college represented an opportunity to find his way. “So I enrolled in the U of A and fortunately, because my grandparents lived here, they gave me in-state tuition. Otherwise, it would have been pretty difficult for me to attend.” So he moved in with his grandparents during his first semester in the fall of 1967. “I was in the back room of the house.”

He couldn’t wait to leave San Diego, where he finished high school, and move to Tucson to start his college career. He was in a car literally the minute he finished his classes. He didn’t wait around for the graduation ceremonies from the high school. His sisters and mother stayed in San Diego when he came back to the University of Arizona. McCusker initially majored in history when he started because he had no idea what he wanted to do. But out of economic necessity, he would find a job that would define his life and his professional career.

That summer before he enrolled at the university, Fletcher worked as a counselor at a YMCA camp in Oracle, Arizona. At this camp he met Don Lewis, a fellow counselor with whom he worked closely. Lewis knew that Fletcher had to work in order to pay for his college expenses and told him about a job with the Children’s Home in Tucson. Lewis believed the
job at the Home would suit Fletcher well since many of the children there had similar home experiences to those that Fletcher had lived. Lewis already worked at the Home and he hired Fletcher as a counselor for the fall. Boyd Dover, the executive director of the Children’s Home, was the head of the organization and another important person in McCusker’s life who later joined him at Providence.

The Arizona Children’s Home is a century-old organization that still exists today. The Home was founded by Mrs. Minnie L. Davenport, who proposed the idea in May of 1912 to the First Christian Church of Tucson, three months after Arizona became the 48th state in the Union. Previously the care of at-risk Arizona children had been under the jurisdiction of the Children’s Home Society of California. Davenport led her church members and other Tucsonans on a campaign to urge Arizona to care for its own children. The Home is called the Arizona Children’s Association today, with various branches all over Arizona, but its headquarters are still located in South Tucson, just off Interstate 10, at 8th Avenue between 37th and 38th Streets, on the same 7.5 acres that Tucson rancher Julia Attix donated for site of the permanent home in 1914. The South Tucson organization was one of the nation’s first treatment homes with programs for emotionally disturbed children. Over the years it has grown stronger and merged with and absorbed a number of related organizations, including the Southern Arizona Center Against Sexual Assault, Parent Connection, Child Haven, New Directions Institute for Infant Brain Development, and Las Familias. While today the Association does work in the homes of the children, working with parents and other caretakers, when Fletcher worked there it was more institutional, like an orphanage of sorts. “Children had to have some sort of behavioral issues to be eligible, and some stayed the entire time I worked there, which was about six years.”
Dover worked for over 30 years in the human service field in both the private and public sectors. Dover’s professional career began with work in residential treatment centers for emotionally disturbed children in Austin, Texas, and in Tucson’s Children’s Home, where he first met McCusker. He later was appointed as the director of the Pima County Juvenile Court in Tucson. He recruited young McCusker to be his assistant as the deputy director of juvenile courts. Their paths would meet again when Dover would serve as president of the southeastern division for Providence.

“Boyd Dover is still around, he’s 75 years old now and has been retired for several years but he ended coming to work for me at Providence thirty years later. That’s how tight everybody was at that children’s organization. I advanced up the ranks through college, I did all the things I wanted to do working with kids and I ended up working for a company that built and ran these institutions for juvenile offenders. That was the first time I saw an opportunity where you could make money by owning a business, by running a business yourself, as opposed to just working for somebody else. And I was in my twenties. From then on I’ve always run my own business. All of it concerned helping people, but each succeeding enterprise was bigger and more successful and ultimately created wealth for a lot of us.”

There were three shifts daily at the Arizona Children’s Home, from 7 a.m. to 3 p.m., from 3 p.m. to 10 p.m., and from 10 p.m. to 7 a.m. at night. McCusker worked the 3 to 10 shift. Workers would supervise a group of boys in a dorm. Fletcher vividly recalls many of the details, including many of the kids’ names and that he made $2.10 an hour, some 70 cents an hour more than the existing minimum wage. This was the first time that young McCusker was involved in work he thought could develop into a career. He was working with young kids, pre-teen boys (typically 10- to 13-year-olds) not that much younger than he was. Most of them had experienced the same hardships and family stresses that Fletcher had. One of his supervisors remarked to Fletcher that he seemed to have great empathy for and rapport with the boys, perhaps because he had experienced similar situations and challenges.

“I literally did that job every evening the entire time I was in college. I would go to school in the morning and then I would report to work in the afternoon and then I worked in this boy’s dorm through the evening. I worked full time in college, as do many college students today, which is one reason it took me so long (seven years) to finish.”

Even though several decades have passed, Fletcher occasionally still hears from some of them. “I had some interesting experiences with kids who were there when I was there. They have alumni meetings every now and then where old staff and kids get together. It was kind of a precious time for all of us. I was only 19, 20 years old and these boys were 10, 11, 12. We lost track of many of them but some went on to be fairly successful. Many to this day remember that period as very important in their lives.”

For Fletcher this time was important also. It established his career path; he enjoyed and had a gift for what he was doing. The kids accepted him because most knew he came from the same
sort of background as they did. They played softball, ate meals together, and they talked about their lives. These experiences encouraged young Fletcher to move into social services and specifically, rehabilitation work, which eventually became his major at the University. He knew he wanted to work with young people and to be a counselor or a probation officer. He began to understand that wanted to do something along the lines of the work he was doing in the Children’s Home. “That’s how I paid my rent, it was how I covered my living expenses. There was nothing else. But it also showed me that I could make a living doing something I had an interest in, actually, a real passion for.”

**Career trajectory**

McCusker’s work at the Arizona Children’s Home helped him determine his life’s trajectory. By the time he had graduated from the University of Arizona in 1974, McCusker knew what he liked and what he wanted to do in his career. He accepted a job assisting Boyd Dover in the Pima County Juvenile Court. That first job after college would provide McCusker valuable experiences in legal and human aspects juvenile interventions that deepened his knowledge about the health industry.

After juvenile court, McCusker continued to work successfully in a variety of roles related to children and their wellbeing. He also managed to get a Master’s in Public Programs from Arizona State University during this period. In the late 1970s, McCusker became the founding director at the Arizona Association of Child Care Agencies, then went to work for Century HealthCare, based in Tulsa, where he met his wife, Liz. After a few years, Century was sold and he went to work for Desert Hills, based in Tucson, which in turn was acquired by Youth Services International, where he became Executive VP, running a division.

“I was working for Youth Services International in the late 1990s, a successful public company that specialized in institutionalizing kids. I made a little money while watching its owners make a small fortune. But to me, it was a demoralizing environment in which I learned how not to run a business.” Sitting on the beach with Liz, he declared, “I hate this job.” His wife challenged him to start his own company. He replied, “You’re right. That’s exactly what I’m going to do.”

**Providence Service Corporation**

That was December of 1996. The company he launched, *Providence Service Corporation*, had its first contract the very next month, in January of 1997, and grew rapidly from there. They could have gone anyplace to start the business but Liz suggested they “go home” to Tucson. McCusker resigned from *Providence* in 2012 and the company today employs close to 200 at its Tucson headquarters and 11,000 in 44 states.
The business model that *Providence* followed was undergirded by McCusker’s life experiences and career journey. The innovative company provides home and community based social services to government-sponsored clients under programs such as welfare, juvenile justice, Medicaid and corrections. *Providence* operates no beds, treatment facilities, hospitals, or group homes, preferring to provide services in the client's own home or other community setting. McCusker realized that treating clients at their homes was both more effective for the clients and cheaper than relocating them to institutions and hospitals.

Developments in the deinstitutionalization and privatization of government-funded social services during the 1990s significantly aided the transformation of McCusker’s vision into reality. His managerial style tends toward the decentralized; he endeavors to “hire good people and to get out of their way.” Arguing that “those closest to the action will generally make better decisions,” McCusker leans toward an operational style that empowers local managers and providers to make important decisions on behalf of their clients. *Providence* today provides at-home human services (as opposed to offering them away from home in institutional settings) and non-emergency transportation services for children, adolescents, young adults, and families who are eligible for government assistance. The home health care blends service and instruction: it combines at-home medical treatment of patient’s needs and the instruction necessary for patients or caregivers to handle at-home care more effectively. The variety and number of contracts that *Providence* enjoys clearly indicate that many states and local agencies find at-home services an efficient, less expensive alternative to institutional care.

If the top managers at *Providence* believed the company was recession-proof, the 2008 financial crisis dramatically convinced them otherwise. States were suddenly faced with massive deficits. Many states relied on sales and property taxes to fund social services, some nearly exclusively so and revenue streams from these taxes are highly volatile, depending on the business cycle. Among the first things to cut and to delay payment on were social services and contracts with “local management entities” such as *Providence*. The Providence stock price plummeted from $30 to $1 in the seven months between March and October of 2008. The purchase of LogistiCare for $220 million, the nation’s largest non-emergency transportation company, at the height of the market a few months earlier (in November, 2007), compounded *Providence’s* financial headaches. The company teetered on the edge of bankruptcy.

By 2009, however, *Providence* had recovered seemingly as quickly as it had deteriorated. The Obama administration, faced with a financial meltdown and the prospect of a major economic recession or even a depression, proceeded to increase Federal spending dramatically, especially in Medicare, Medicaid, and in other social programs of special significance for Providence. The sizable economic stimulus, including new spending in healthcare programs for children, enabled states to pay *Providence* for previously contracted services and maintained the level of payments for Medicaid providers. By late 2009, the stock price had reached nearly $16. By the time McCusker’s departure from *Providence*
became effective on December of 2012, the company’s stock price had reached nearly $17 per share. Form 8-K of the U.S. Securities and Exchange Commission dated November 19, 2012, recorded his separation from Providence thusly:

Fletcher J. McCusker, Chief Executive Officer and Chairman of the Board of Directors (the “Board”) of The Providence Service Corporation (“Providence”), will retire as an employee of Providence effective December 31, 2012 to pursue other interests. As part of Mr. McCusker’s retirement, he has also stepped down as Chief Executive Officer, Chairman of the Board and as a director effective November 19, 2012.

Sinfonía: McCusker’s reprise

The “retirement” from Providence lasted only about a week. He stayed up one night and by morning he showed Liz a detailed business plan for a new company, Sinfonía.

“Sinfonía is a similar business to Providence but it tackles broader problems in healthcare, not just those associated with juveniles and their behavioral challenges.” McCusker remained passionate about a home-based preventative model. His passion is based, once again, on his previous life and career experiences, including the care he had to provide his grandfather when the latter became too old to care for himself.

“I learned early on that most of the work done by traditional therapists in their 50-minute hours, where the patient comes to an office and talks from the couch, is often not very effective with at-risk kids or their families. What we know, having done it and thinking about it intuitively, is you get 50 minutes of lies. They basically tell you what they think you want to hear. But when we started visiting these families in their homes, we realized their lives are incredibly dysfunctional. They had people living in those homes, for example, that no one knew about. There may be a patriarch who has a job, but the mother doesn’t report him because he is a wage earner and she would lose her welfare benefits. She would lose her food stamps. But we can also tell by going in the home that this guy is slapping the kids around, hurting them. By going in the home, these families were very transparent to us. And then we could really intervene and say: “Look, mom…”

McCusker’s experiences with his maternal grandfather also played a role in the development of Sinfonia. His grandfather had become quite ill and could no longer care for himself. He would leave things on the stove and they’d catch on fire; he couldn’t drive himself around; he fell several times without anyone around to help. Fletcher tried to sort the system out by himself.

“Here I am in my 40s, trying to care for my grandfather. I went for help and was given a list of providers in alphabetical order. And the lady helping me said: ‘Here’s a list of all the people
who can help you and your grandpa.’ I said, tell me where you would send your grandfather. And she replied: ‘Well, call this one but not this one, and this one…’ and that’s kind of how I started out and eventually my grandfather went through three different kinds of group homes. We finally found a place that he liked. We found a physician that would let him drink. At his age, what’s wrong with him having a beer? And remember, he had made moonshine his whole life.”

As the healthcare system began to change in the early and mid-2000s, resulting in dramatic cost increases and new policy directions, and as the population of the U.S. continued to age, McCusker tried to encourage Providence to diversify into eldercare. But by this time, Providence was no longer the small start-up he had founded; it was a publicly-traded company with thousands of employees and nearly a $1 billion in total revenues. As Steve Jobs found out when he was fired from the company he founded, it is difficult to maintain strategic control of a publicly-traded entity, with a wider number of stakeholders and others who have opinions about the directions and emphases of the enterprise. Yet, McCusker believed there was a strong market in this business, applying everything they had learned with kids and their families to a broader medical setting. “But Providence had other priorities and never diversified. And so we ultimately said, look, let’s go do this ourselves and we had a gracious exit, we had a separation agreement from Providence. Most of my team has come over with me to start again and, so far, so good.”

Working in consonance with the cost reduction initiatives found in recent federal legislation (e.g., Affordable Care Act or “ObamaCare”), Sinfonía’s services are an alternative to expensive out-of-home care. At-home care appeals to many individuals who otherwise might have to go to an institution or other out-of-home situation. It perhaps might even be more compassionate, as McCusker’s experiences with his grandfather suggest. “We’ve organized this similar company that’s run by physicians, nurses, nurse practitioners, other caregivers and we’re providing medical care now in our vehicles traveling to our patients home to prevent them from going to higher levels of care. We started in March, 2013, and by the end of the year, we had over fifteen hundred patients already assigned to us. Our focus is on an elderly population who otherwise would be in nursing facility or in some other institutional environment. We took everything we learned about home based care and we’re applying it to the medical field.”

Managerial philosophy and style
McCusker adheres to an often-quoted leadership axiom: You hire smart people and then get out of their way. Many of his associates will confirm that this management style is typical of McCusker and it is why many of them continue to want to work with him. McCusker put it this way: “I believe you have to give people space. You have to allow them to take risks, you have to give them the opportunity to make their own mistakes.”
Others suggest he is a real visionary, able to detect trends long before anyone else can, capable of making sense of the changing industry environment and developing strategies to deal with it. “He is really good at seeing the future, at figuring out what’s coming and what is needed to take advantage of it,” says an associate who worked with him several years.

He looks for passion in his associates and believes he can determine it in a ten-minute meeting. Do they really believe in what Sinfonia is doing? Do they want to be a part of its goals? “It’s not just a job; it’s a lifestyle choice that you’re making. What are your hobbies, what’s your personal life like? Are you happy? We don’t want miserable people coming to work for us. Because you want people who are genuinely energized who are positive about life, who pass that on to our patients. So you look to people who are genuinely helpful in nature and who want to make a difference.” McCusker seeks out those individuals who fit in their scheme.

“There are a lot of people who are not materialistic, who went to school to be a social worker, or to teach, to help people. And there are hundreds of young people just like that who want to make a difference. Some of them may have had an aging parent and it was a terrible, terrible experience. Or their mother died in a nursing home, forgetting everybody’s name and they are really motivated to get involved with a company that is trying to change that.” Sinfonia has multiple applicants for every job it posts, enthusiastic individuals who want to make a difference and want to be involved with a company that recognizes autonomy and individual empowerment. Sinfonia employees manage their own schedule and determine when they will call on a patient; they are able to make decisions independently and on the spot about the welfare of a patient, while being focused on patient care.

McCusker notes also that they try to identify their own managerial and professional weaknesses and surround themselves with people who “are a lot smarter than we are.” Sinfonia’s IT and financial managers seem to understand their areas very well. McCusker believes his job is to excite people about what the company does, to invite people to join them in achieving their vision, to convince banks and other financiers to invest in what they do. He does not see patients or clients anymore. He climbs the trees and looks out for opportunities and challenges.

But he also recognizes that you don’t get the motivation without involving key individuals in the success of the enterprise. Everyone at Sinfonia’s headquarters—the CFO, CIO, Comptroller, vice president of marketing, director of nursing, and the medical director—owns stock; it is the retirement plan for everyone in the top management team. “Our success and the ability to commercialize this idea and the ability to monetize our ownership is really beyond a salary. What motivates everybody here is our potential to make a true difference.”

Fletcher has had a number of hobbies and interests over the years. He enjoyed tennis until his knees started to complain; he is a private pilot; he and Liz are motorcycle enthusiasts and enjoy riding. “Liz has her own cycle now, she got tired of riding in the back of mine.” And he and his wife enjoy movies and frequently attend movie festivals such as the Telluride Film
Festival in Park City, Utah, where the McCuskers own a home.

Fletcher McCusker is up every day at 3:30 in the morning, thinking about work. He thinks about how to make it better, about what kind of people Sinfonía needs to strengthen the business. It consumes McCusker, as it does his senior associates.

“When you’re involved in a start-up, you live, breathe, or die by it. It’s not like going to work for some big company where it doesn’t matter if you come to work that day or not.”

References


See Crossroad’s home web page at: http://crossroadstrading.com/


The Territory of Colorado was a U.S. territory that existed between 1861 and 1876. It was organized after the 1859 Pike's Peak Gold Rush. Its boundaries were identical to the current state of Colorado and ceased to exist when Colorado was admitted to the Union in 1876, around the time Ed's grandfather went there. New Mexico became a state in 1912.


Sonobuoy is a combination of sonar and buoy.