

THE DAY THE MONEY RAN OUT Consumed with his business, Michael Gerber awoke one morning to a financial crisis -- and five years of nightmarish struggle.

By CHARLES BURCK September 6, 1993 (FORTUNE Magazine) –

In 1985, everything was coming together for Michael Gerber. "We'd been on a fast track. We'd doubled revenues, sold a bunch of franchises, and were ready to really take off. It was just working so beautifully." Gerber was out to build his company, Michael Thomas Corp., into the McDonald's of small-business training -- a company that would provide consulting expertise to little guys by the millions.

"Our program was extraordinary, our selling was extraordinary, our training was extraordinary. We were just full of ourselves." Until Gerber's partner called him in one day in December with the news that the company was broke. There seemed to be no explanation. Gerber, who had been preoccupied with designing the programs, selling, and marketing, says that he didn't have a clue the company was in trouble.

A five-year nightmare followed. The partner quit, and Gerber moved out of his brand-new headquarters in Petaluma, California. As the word got around, franchisees demanded their money back. The local district attorney launched an investigation to see if the franchisees had been defrauded. Experts told Gerber to declare bankruptcy so he could save his personal property. Instead, he hung in, selling his home and borrowing everything he could to pay back the franchisees. "It wasn't a heroic gesture," says Gerber, 57. "I just couldn't bear the thought of losing the business that way." Eight months later, he was \$2 million in debt. His wife joined him full-time, setting up a second office to generate direct consulting revenues. For more than four years they plowed everything they had into the company, paying off debt and keeping the business going.

How did a man offering solutions to all business problems lose control of his own enterprise? "It was a case of falling asleep," says Gerber. "In a fast-track, entrepreneurial company, it's easy. You're so busy and consumed by the challenge of the next step. You look for great people and hope you can trust them to take care of things."

Back up to speed, the fraud investigation long since dropped, Gerber serves nearly 400 clients today -- roughly twice as many as last year -- through Gerber Business Development Corp., using variations on the programs he designed for the aborted franchise operation. These consist of a series of standardized solutions to business problems, from management to marketing and selling.

Can standard solutions work for everyone? With the right coaching, yes, says Gerber. His 22 service managers consult by phone, spending an hour and a half each week going over the client's basic two-month plan, helping him work through problems and make decisions. Every two months the director of client services joins in an additional "strategic planning session" to draft the next plan. Gerber's advice to mom-and-pop businesses is plausible -- if a little ironic, considering his own experience: "What make the difference are the rudimentary things that need to be done every day that nobody's doing. Simply stupid little things, like how somebody answers the phone, are what differentiate a business from others. Especially in businesses that are on the fast track, nobody has time to organize anything." For example, he says, Federal Express succeeds not with the technology of its distribution center but because of all the little things its truck drivers do right and follow up. THAT'S the down-to-earth side of Gerber's business.

Gerber the man loves to exhort people to develop powerful visions for their companies, and has preached his message in two books; one, *The E-Myth*, was a best-seller in the mid-Eighties. "The guys and women I meet who are truly capable of creating something extraordinary have the magical ability of getting excited about a story, a picture, something not yet completed," he says. To work in a business, the vision should inform the life of the person too.

A vision, says Gerber, "is really a story before it's told. It's for lack of a story, and the excitement that

comes of storytelling, that most businesses are dead. That story is almost nonexistent in almost every business." To keep his own visionary impulses connected with the ground, Gerber added a partner last year. New chief operating officer Larry Everson, 45, was formerly a vice president at the Gemini consulting firm. He brought both capital and order to the enterprise. "Larry is a very linear thinker," says Gerber. "Without his very linear process, I'd create chaos."