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Fostering Entrepreneurs, and Trying to Revive a City

By PAMELA RYCKMAN

James Smith Moore, the son of a single mother on Detroit's east side, knows how to hustle.

He started a lizard-breeding business at age 15 and sold more than 500 hatchlings online for \$15 to \$80 apiece.

At 16, after local stores ran out of a certain popular [Nike](#) sneaker, he hired a manufacturer in China to supply him with knock-offs, which he sold for \$80 to \$200 a pair on his own Web site as well as [eBay](#) and other auction sites. Four months later, he received a cease-and-desist letter, but he had made a \$14,000 profit, enough to buy his first car.

This bootstrapping spirit got Mr. Moore, now 21, accepted into [Bizdom U](#), an intense boot camp for aspiring entrepreneurs who aim to start high-growth businesses in Detroit. Bizdom U is the brainchild of Dan Gilbert, a Motor City native who is founder and chairman of the online mortgage lender [Quicken Loans](#). He also hopes to help revitalize his hometown.

Mr. Gilbert, who owns the Cleveland Cavaliers basketball team, is hardly the first wealthy businessman to promote entrepreneurship. Among others, he joins self-made businessmen like Clayton Mathile, the former owner of [Iams](#) who also founded [Aileron](#), an academy in Dayton, Ohio, that helps small-business owners with strategic planning; Adeo Ressi, who after a series of lucrative start-ups began [the Founder Institute](#) to mentor promising entrepreneurs; and Jeff Sandefer, the energy mogul behind the [Acton School of Business](#) in Austin, Tex.

Bizdom U, however, is unique in its focus on a single city. "Detroit is completely missing an

entrepreneurial ecosystem,” said Bo Fishback, who is vice president for entrepreneurship at the [Ewing Marion Kauffman Foundation](#), which gave Bizdom U a \$500,000 grant in 2008.

“Bizdom isn’t catalyzing an existing system; it’s trying to create something almost from scratch,” he said. “It’s an experiment, and we probably won’t know the result for another five years, but if they can build three scalable companies, it could change the landscape of an entire city.”

Founded in 2006, Bizdom U operates on the principle that entrepreneurs are born, not made. Its program leaders do not necessarily believe entrepreneurship can be taught. Instead, an essential part of Bizdom U’s job is to unearth candidates with a distinct combination of vision, ambition, drive and risk tolerance, and then mold them into business owners.

“We dig deep by reviewing their past activities and behaviors to see if they were often drawn toward entrepreneurial pursuits,” Mr. Gilbert wrote in an e-mail message. “Was this the 6-year-old kid who had the most successful lemonade stand on the block?”

Bernard H. Tenenbaum, former associate director of the Wharton School’s entrepreneurship center and now managing partner of China Cat Capital, a strategy and investment firm for entrepreneurial and family-owned companies, called the approach a tutorial internship. “I don’t think they’re teaching entrepreneurship,” he said. “They’re teaching natural entrepreneurs to be successful in business.”

Mr. Gilbert believes he has a winning formula that can be applied to the diverse companies proposed by Bizdom U students. Groups of about 15 participants convene for four months of rigorous immersion at Bizdom U’s colorful facility in Detroit’s cultural district.

In exchange for focused work — often at night and on weekends — they receive laptops, BlackBerrys, a \$1,500 a month living stipend and hands-on training from Bizdom U’s five dedicated staff members.

Guest speakers like [Magic Johnson](#) and [Dave Bing](#), both former basketball stars and successful businessmen (Mr. Bing is also the mayor of Detroit), are enlisted along with executives from Quicken Loans to help participants articulate business concepts, test feasibility and analyze financials.

Bizdom U has been likened to [NBC’s](#) hit show “The Apprentice” because students are expected to prove themselves in real-world situations. To teach sales and marketing,

Bizdom U entrepreneurs must sell memberships to the Detroit Zoo. They engage in “painstorming” exercises, identifying daily hardships that might be alleviated by a new product or service.

“We wanted people to be living and breathing their businesses,” said Ross Sanders, executive director of Bizdom U. “They learn by doing.”

Central to the experience is a value system developed by Mr. Gilbert that he calls his “isms.” They are a series of 18 principles that define the culture of excellence Mr. Gilbert wishes to breed. For example, instead of asking what “they” are doing to solve problems, Mr. Gilbert’s employees and students are encouraged to consider what “we” can do to help.

Mr. Sanders, who has worked for Mr. Gilbert for 15 years, thinks this ethos is the reason Quicken Loans has been named to Fortune Magazine’s “100 Best Companies to Work For” list for the last seven years. He said he tried to instill the same passion and pride at Bizdom U.

“You can go to any program to learn financials,” he said. “Our formula for success is training the right people in our culture and our philosophies and helping them every step of the way.”

To nascent capitalists with promising business plans, Bizdom U offers up to \$100,000 in grant money, as well as eight additional months of mentoring and consulting. Mr. Gilbert attends nearly every pitch for Bizdom U grants to encourage and challenge each entrepreneur.

The process, said Jon Baugh, a 29-year-old Bizdom U entrepreneur who founded [Dermanaut](#), which offers a streamlined electronic medical records system for dermatologists, produces companies that are more likely to grow and hire employees. Mr. Gilbert and Mr. Sanders, he said, “are looking at the long-term vision, with the bottom line benefiting the city of Detroit.”

Bizdom U’s goal is to be self-sustaining. Mr. Gilbert has pledged up to \$10 million to establish the nonprofit organization, which costs about \$1 million a year to operate. Going forward, the plan is for the program to rely on funds derived from participants.

Investment returns on student companies will be funneled back into the program to finance subsequent classes. In return for its initial investment, Bizdom U takes possession of 66 percent of each concern, while the entrepreneur holds 33 percent. Once the entrepreneur

pays back Bizdom U's investment and interest, however, the percentages flip and the student assumes the 66 percent stake.

"It's very favorable for the entrepreneur," Mr. Tenenbaum said. "There's no [venture capital firm](#) that would flip its equity positions when its initial investment had been paid back. That's an astronomically charitable act."

Of Bizdom U's 37 graduates, 10 will have companies up and running by next month. To date none is profitable, but to open doors, Mr. Gilbert provides access to his contacts and encourages executives from his companies to do the same. One of his protégés is Mr. Moore.

At Bizdom U, Mr. Moore revisited his fervor for footwear, developing a Web-based venture, [Jimmy Kicks](#), that produces limited-edition sneakers designed by devotees of hip-hop style. Anyone can upload blank templates from the Jimmy Kicks site and create blueprints for original shoes.

Users vote on worthy drafts and the winners of quarterly contests receive \$500. Their sneakers are then manufactured in numbered pairs and sold on the site for \$79.99, more than four times the cost of production. Mr. Moore carries no inventory; his overseas manufacturer ships shoes directly to customers around the globe.

Mr. Moore has plans to design a collector's item shoe for Mr. Gilbert's Cavaliers, and he also expects to organize sneaker release parties at Quicken Loans Arena in Cleveland.