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Successful Start-Ups and Other Problems

By [JEFF BAILEY](#)

MADISON, Wis. — When a new business fails, most entrepreneurs know precisely what to do: get up, dust themselves off, and get on to the next thing.

But what if a start-up succeeds?

That, of course, is a good problem to have, but for many entrepreneurs, it's a problem nonetheless. The idea works — it is a bona fide business. Yet now what? Expand and run it? Hand it off to a professional manager? Sell it and start something new?

Sheri and Stuart Meland are asking such questions and, in the process, are learning a lot about themselves as entrepreneurs. In July 2002, as graduate students in sociology at the University of Wisconsin here, they started [madcityhomes.com](#), a flat-fee residential listings service for home sellers.

For \$399, the company places an advertisement for the owner's home on the Multiple Listing Service, a computerized homes-for-sale network affiliated with the National Association of Realtors, which gives the listing wide exposure.

Their business is one of hundreds of insurgent start-ups across the country trying to grab a piece of the \$60 billion in commissions that real estate agents collect each year. These new companies offer alternative, often cheaper, services.

Customers on [madcityhomes.com](#) can sell directly to a buyer and pay no commission, which about 40 percent do. The rest sell to a buyer represented by a real estate agent and pay the agent a standard 3 percent of the sale price. The latter group saves, though, by paying the Melands \$399, instead of the additional 3 percent that sellers typically pay a listing agent.

The Melands — Sheri is 28, Stuart is 29 — have been successful, listing 60 properties their first year, 210 the second year and 433 last year, with \$170,000 in revenue from listings for 2005. Their costs — putting up yard signs, advertising, phones and supplies for their home-based business — are very low. They have paid off student loans. Their house, bought in 2003, is just months shy of being paid for. "I am notoriously frugal," Mr. Meland said.

Their original goal, he said, besides financing their graduate studies, was to prove a point. The couple felt that it should not cost 6 percent to sell a house, and that many sellers would prefer to pay less for do-it-yourself service. Point proven. Their success felt good, too, since their earlier effort at an Internet start-up failed.

The Melands are far from bored with [madcityhomes.com](#). But the exhilaration of not failing is now replaced by the incremental joy, and labor, of signing up more clients. On some days, working out of

their tidy ranch house near the university, the Melands wonder if they should be doing something else. "I'm at a loss," Mr. Melands said. "Other projects have sort of had their own life span."

Ms. Meland concurred. "We're certainly on the cusp of deciding what we want to be when we grow up," she said. At the least, she wants to hire someone to replace her and go back to finishing her Ph.D. So they debate: should they expand, hire some help, maintain the business as it is or sell and focus on studies? The biggest obstacle preventing her from returning to school, she said, is her overinvolvement in the business. "I tend to micromanage," she said.

The Melands are not alone. During the first stages of success, start-up founders "basically end up having to decide whether they're going to be consumed by their own business," said Thomas C. Kinnear, professor of entrepreneurial studies at the University of Michigan Business School. Many are not the right people to carry a company forward. "A lot of these people who stay wreck their own business," he said.

Indeed, start-up entrepreneurs often lack the temperament to share decision-making as their business grows, said Steven Neil Kaplan, professor of entrepreneurship and finance at the University of Chicago Graduate School of Business. "You're taking it from a company where you can make all the decisions to one where you have to delegate," he said.

The Melands make a great team — Stuart sets strategy and Sheri puts those decisions in play. Could madcityhomes.com prosper with one of them running it? "I appear to be constantly in charge," Ms. Meland said. "I have to tell him where to go. But he makes most of the big decisions."

Neither of them expected to run a business. Ms. Meland's dissertation, researched but not yet written, is about the impact of attractiveness on income and other elements of success. She tracked down the yearbooks for 3,000 residents who have participated in the Wisconsin Longitudinal Study, an analysis of 10,317 men and women who graduated from Wisconsin high schools in 1957. She arranged for people in the subjects' age group to rate their attractiveness using a system she created to limit subjectivity.

"This has never been done," said Ms. Meland's faculty adviser, Jeremy Freese, an associate professor in the department of sociology at the University of Wisconsin. "Everybody knows attractiveness matters, but how you go about measuring it has been very difficult. The whole project displays an enormous amount of initiative."

Ms. Meland, who wants to be a professor, has a personal interest in her topic. When she was in middle school, she was plump, with big glasses. "A boy in seventh grade literally spit in my face," she said, recalling that he said: " 'You're the bottom of the food chain. I don't want to talk to you.' "

But then, she said, "I went through a transformation in eighth grade. I lost weight and got rid of my big glasses. All of a sudden, all the boys were interested in me. I had a lot of power." In high school in Chicago, she said, "I was the cute geek the popular boys were interested in."

But she never gave her heart to a boy. "Until I met Stuart," she said.

They met as undergraduates at Grinnell College in Iowa. On their first date they walked around talking all night, stopped at her place at 4:30 a.m. for a blanket and sat outside to watch the sun rise. "He moved in with me 10 days later," she said. "We completely clicked."

A former English major, Mr. Meland said he wanted to be a writer. He said he has written four

unpublished books of fiction, and is working on an outline for a series of historical novels. He also observes businesses he encounters, wondering how they might be better run. "Ever since I've been a kid, I've been searching for self-actualization — trying to prove myself," he said.

In May 2002, when Ms. Meland was eight months pregnant with the first of their two sons, the couple were looking at houses to buy. "I don't think we'd ever had a positive experience with a real estate agent," Mr. Meland said. At dinner one night, he told her about his idea for madcityhomes.com. "She went for it right away," he said.

As the business grew, they suspended schoolwork, and their compulsive tendencies drove it on. On the day Ms. Meland gave birth to their first child at 2:55 p.m., she was returning business calls by 7 p.m.

Though he gets little sleep, Mr. Meland said, he still writes, though most of his energies go to the business. "It comes out of the same desire as to write books — that creative urge," he said. "This is too great an opportunity just to let it founder. I should take it as far as I can take it."

But the business is at a crossroads. "Sheri wants to hire someone tomorrow," he said. "I'm a little superstitious. My first inclination is to just take on more work myself."

There is only so much time. Ms. Meland's Ph.D. isn't moving forward. "When the kids have gone to bed, and I'm done returning phone calls, I'm too tired to do it," she said. "Stuart is more the — I don't want to say chip on his shoulder — maybe wanting to show people. Maybe it's a guy thing. For me, anyway, I'm not out to prove something."

Should they sell? "Most people who start a business need to cut their ties to it at some point," Mr. Meland said. "That way I'd get some closure. But I don't see that happening anytime soon."