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The Lesson from George Zimmer's Firing: Keep Control

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It's a sad story.

Last week, when I read that Men's Wearhouse had fired its personable founder, George Zimmer, I felt bad for the company's investors and employees. They lost the man who built the suit retailer into a very successful business. The man who embodied the brand. But I felt even worse for Zimmer, because he lost something that he truly loved: the company that he had created.

If you've watched any TV over the past two decades, you know Zimmer. He's the down-to-earth guy who appeared in all those Men's Wearhouse commercials, always promising, in that deep, basso profondo voice of his, "You're going to like the way you look. I guarantee it."

In the wake of Zimmer's firing, a number of commentators focused on the dilemma companies encounter when they put an executive's face and voice at the forefront of their advertising. As the [New York Times](#) put it, "Companies can fire a founder. But they can't fire his brand."

But there's another issue at work here. One that I, as a company builder—as well as everyone who aspires to someday start an enterprise—would do well to consider: the personal tragedy for Zimmer himself.

Let me explain. For entrepreneurs who are trying to launch a startup and leaders who are endeavoring to build a business, it's essential that they have the ability to execute their vision. But they can't play out that core, animating idea if they don't have control over it.

At first glance, Zimmer seemed to hold a lot of sway at Men's Wearhouse. At the time of his firing, he reportedly owned 1.8 million shares of the company, a 3.6 percent stake. And yet, that wasn't enough. Although he was the largest individual shareholder, he was only the seventh largest overall. Because outside investors had more control over the company than Zimmer did, he worked for them, regardless of his emotional connection to the enterprise that he had founded. And so he lost the ability to protect his dream.

The capacity to exert control over the company's destiny is something that should be of utmost importance to all entrepreneurs and business builders. And yet, when we talk about financing startups and taking on partners, we rarely talk about control. Zimmer's firing presents an opportunity to consider that oversight before other would-be company builders make the same mistake.

For every entrepreneur, there comes a time when you need to raise capital so as to grow the business. We tend to think of winning investors and raising money as a good thing. But investors are also partners. And for every investor you take on, you pay a price: you give up one more piece of your ability to control the execution of your vision. So before you try to raise venture capital or rush to launch that IPO, consider a fundamental question.

What is your relationship to the business? Is your aim to ultimately sell out and walk away with a mountain of money? Or do you see the enterprise as the fulfillment of a vision—an expression of yourself? If it's the later, think hard about how to continue to hold the reins when you take on investors.

One solution is to grow slow. Growing within your means, by reinvesting the company's profits in new products and services, is one way to keep outside investors at bay and maintain influence. Since its inception six decades ago, Chick-fil-A has followed that path. The Atlanta-based chain retains ownership over each of its nearly 2,000 restaurants and last year racked up sales of $4.5 billion. Because the company is privately held, the founding family has been able to build a business that embodies and sustains its values.

Another option, if you decide to take the enterprise public, is to do what Panera and other companies including the New York Times, the Washington Post, Facebook, and Google have done: create dual classes of stock. In this case, a new class of shares, with limited voting rights, is created and sold to investors and ultimately the general public. The other class, which is offered to founders, executives, and family (and often doesn't trade), comes with proportionately more voting power and the potential for more control over the company. Dual class shares don't give the entrepreneur *absolute* control, but they do deliver a lot more leverage in terms of influencing the company's direction.

I realize that investors typically dislike dual classes of stock, since it marginalizes their power. However, let me note that studies such as this one from the *Harvard Business Review* conclude that founder-led businesses often outperform professionally managed firms. I would suggest that they do so because the founder's commitment runs far deeper and is often longer term in nature than that of the professional manager. And commitment and focus is what drives performance.

Whatever your perspective on the impact of founders and whether they've grown too dominant, I think most will agree that entrepreneurs who dream of building a company should consider who gets control when they fund and grow their business. When you sell off some of your interest in the company, there's a price to be paid. And George Zimmer paid the ultimate price.

I don't know Zimmer. And other than what I've read in articles such as this AP story, which reports that he got into a power struggle with the new chief executive, I don't know why the company's board took the precipitous step of terminating him. But when you consider that Zimmer, as the founder, executive chairman, and former CEO, had brought Men's Wearhouse to life and led the enterprise for forty years, it's a safe bet that he was in it for more than the money.

Yes, Men's Wearhouse made Zimmer a wealthy man, with a net worth, according to some sources, of anywhere from $150 million to $800 million. But the money is a byproduct of having a vision and doing everything in your power to realize your dream. In 1973, Zimmer opened the first Men's Warehouse store, using a cigar box for a cash register. Over the next four decades, he poured his life into the business, which he built into one of the country's largest specialty men's clothiers. My guess is that Men's Warehouse means as much to Zimmer as any family member. And now he's lost his first-born.

So let this be a lesson to all entrepreneurs who want to do more with their company than flip it. Before you take the money, make sure you've got control.

Photo: Bloomberg via Getty Images