



EDITORIAL

The Mackie Parable

Five years ago, when Greg Mackie began building mixers in the second bedroom of his condominium, all of his competitors could claim better factories, bigger engineering staffs, more powerful sales and marketing departments, and much greater financial resources. The sum total of Mackie Designs' assets included a closet full of spare parts, some small hand tools, \$6,000, Greg, and some very good ideas about product design and manufacturing. Today, as documented in the feature elsewhere in this issue, Mackie Designs has emerged as a leader in the small mixer market and a major industry player as well, with annual sales in excess of \$50.0 million.

The story of Mackie Designs' meteoric growth is one of those inspiring human dramas about the committed and resourceful underdog who prevails against long odds. Clearly, no book maker would have given Greg much of a chance going up against \$100 million-plus competitors from around the globe. But the Mackie story is more than a David and Goliath tale. It is a parable that sheds special light on the power of creative thinking, and on the forces that make the American economy such a dynamic place.

It has been observed that a fat wallet is the enemy of outstanding performance. Put in another way, successful and prosperous enterprises run the risk of being complacent and believing that their size or market presence will protect them from competition. But, as Greg Mackie decisively proved, in a struggle between a good idea and financial resources, the good idea will always prevail. It may take time, and it may be a struggle, but ideas always win. Those who doubt this should take a look at a few of the recent commercial contests that have received extensive press: IBM vs. Microsoft, General Motors vs. Toyota, Sears vs. Wal-Mart, to name just a few. In each case a rich and complacent organization was bested by an aggressive upstart whose lack of tangible assets was more than offset by a profound understanding of the market's needs.

Depending on where you sit, the fact that someone with a great idea can come from nowhere to become

a great commercial success can be either unsettling or inspiring. If you're at the helm of an established and successful business, it should serve as a stern warning. Your past success is no guarantee of future success, and if you don't respond to the needs of the market, someone on a shoestring could come along and run you out of business. For those starting out, the Mackie story illustrates just how much is possible, given a good idea and the determination to pull it off.

The Mackie story also points to some of the unique strengths of the American economy. Today nearly 8% of the music products industry's wholesale volume is generated by companies that have been in business less than ten years. By contrast, there is not a single European manufacturing concern with sales over \$10.0 million that has been founded in the last ten years, and only one in Japan. Why has America proved such a comparatively fertile ground for such entrepreneurial activity? The reasons have to do with access to capital and industry regulation.

Western Europe has strict employment regulations that stipulate everything from wage rates and vacation days to amount of factory or office space per employee. Thus, had Greg Mackie enlisted the help of a few friends to build mixers in his condo in Germany, chances are he would have been slapped with a big fine and shut down. Or consider the case of Japan. In order to maintain an orderly market, the Ministry of International Trade and Industry regulates the type of industries banks can lend to. The favored industries tend to be huge, politically connected enterprises like Mitsubishi. Thus, upstarts with only enthusiasm and a great idea rarely get financial backing. This explains why, among other things, the Japanese computer industry has fared so poorly.

So to all those with an ambitious dream, we say go for it and be thankful you live in the U.S. To those who have already achieved some success, never stop looking over your shoulder.

Brian T. Majeski
Editor