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Gene O'Neill
TeWhau Lodge

Liz Ellington
TeWhau Lodge

Laurence Weinstein
Sacred Heart University

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From Corporate to Entrepreneurial Life: Risks and Challenges Along the Way

Gene O'Neill, Liz Ellington
Proprietors, TeWhau Lodge, Waiheke Island

Gene and Liz were married in 1991 and have fulfilled their dream of owning and operating their own business—TeWhau Lodge. The lodge is located on Waiheke Island, a vineyard region just 30 minutes by ferry from downtown Auckland. Guests are provided lodging along with gourmet dinners and breakfasts for New Zealand \$495 per night per couple (about U.S. \$235).

NEJE: *Many folks in corporate life dream someday they'll start their own businesses, be their own boss, and set their own hours and financial goals. You seem to be prime examples of that.*

Gene: I can't say I started out thinking that way when I joined Air New Zealand. I enjoyed corporate life and stayed with the company for 27 years. At first, I was on the union side but then moved over to management where I had important responsibilities in aircraft engineering and maintenance.

Liz: I'm with Gene on that one. I was "all corporate." After university where I majored in fine arts and language, I went into human resources. I worked my way up to HR director working for multinational organizations with thousands of employees based in the United States, Australia, China, Malaysia, and Hong Kong. I had direct responsibility for salary and benefit compensation programs, incentive plans, recruitment, and training and development. Then, I specialized in helping expat managers bring their families and furnishings over to New Zealand. I loved the perks, the excellent salary, and the status of belonging to large companies.

NEJE: *Yet here you are, far from corporate life and living on an island operating a lodge that provides gourmet meals for up to a maximum of eight lodgers a night.*

Gene: Yes, it's been quite an adjustment, but one we are both happy we made. The threat of redundancy, losing one's employment to corporate whim and whimsy is not something we wanted to endure. Each of us felt a lack of

control over our destinies while in corporate life. Here, at TeWhau, owning our own business at least gives us an "illusion of control."

NEJE: *Why is it an "illusion?" That doesn't sound positive.*

Gene: Don't misunderstand. We have control over how we *manage* the lodge, but we still depend on suppliers; we have no influence over the local economy, and non-New Zealanders account for 40 percent of our business. Any terrorist activity that threatens plane travel could impact enormously on us. That's what I mean by "illusion of control." There's a frightening amount of sheer luck that's involved in being successful when one runs this type of operation. There are so many variables out of our direct control.

NEJE: *What about the "24/7" dedication you both need to bring to the lodge? Do you find it's difficult to wake up each day and feel motivated to spend another 14- to 18-hour day preparing meals, welcoming guests, and keeping everything ship-shape?*

Liz: No, actually we love this type of life. We were both brought up in small country towns in New Zealand where hard work was valued and expected.

Gene: I grew up on a dairy farm and had to milk the family's cows twice a day. I was part of a community back then where everyone supported each other and you learned to get along with all sorts of personalities. We see those early experiences as a real asset. Being in isolation at work or at home doesn't appeal to me. I love being with people, and I really enjoy food preparation. Learning to cook came from my mother, who encouraged me to spend time in the kitchen with her.

NEJE: *Yet operating a lodge seems so removed from corporate life. What sorts of adjustments have you had to make?*

Gene: (Laughing) Well, one thing we've had to adjust to

is the loss of our corporate salaries and perks. We aren't going to die rich by any means.

Liz: For me, it's always having to be one step ahead of the game. You have to be a lot more nimble as an entrepreneur. There's no such thing as financial security, at least not the kind I felt when I was getting a paycheck from my employer every week. We're only as good as the last person who leaves the lodge every day. We are in the business of pleasing people, of helping them de-stress, seeing that they thoroughly enjoy their stay with us.

We are not unique in what we offer. It's a typical New Zealand experience. Yes, we own 16 acres of land; yes, our lodge is beautifully situated overlooking a bay; but our guests have a lot of similar lodges from which they can choose, and we are very mindful of that. We only have four guestrooms; that is a maximum of eight lodgers per night. Being a small operation, we have to treat visitors royally or else they won't consider coming back.

NEJE: *Why did you choose a small lodge operation versus one that could have accommodated many more visitors at a time?*

Gene: If we had made TeWhau Lodge bigger, the whole dynamic of what we wanted to provide here would be very different. We would have lost a lot of customer contact, and the food portions would have had to be created in so much more volume. We consider ourselves restaurateurs and see that as a way to make us different; it's our niche so to speak. We serve our guests around a table where eight people can sit comfortably and make new friendships that often carry over when they return home. Guests don't want to be dominated by their host so we've learned what to provide, how to interact without being intrusive, and then "disappear."

I plan the menu each morning and evening very carefully, but I don't see the lodge as a way to showcase our cuisine. What's important is whether our guests enjoy their social experience around the table; the food we serve is just one part of that memory. How we conduct ourselves, the ambiance we create, the sunsets over Auckland that our guests photograph on the veranda each evening, they're all part of how visitors remember the lodge.

NEJE: *You selected the building site and worked with an architect to design the lodge. Wasn't there a lot more risk in starting from "scratch" rather than purchasing an existing operation?*

Liz: But if we had purchased someone else's property, it wouldn't have meant the same to us. We would have bought someone else's dream instead of creating our own.

Gene: It was frustrating at first. We looked at other areas but really wanted to build on Waiheke Island. Yet we almost gave up because we couldn't find the right building site. Finally, one day the realtor working with us found out about this property being available and rushed us out here to see it. One look told us this is where we would someday build and run our lodge.

To create your own operation from the ground up involves a lot of detail. However, we felt we were in a better position than most entrepreneurs because we had saved up enough money from our corporate jobs so that we did not have time constraints. Also, Liz continued to work in her corporate job for another 18 months after we opened the lodge as a way to buffer our start-up expenses from depleting our savings. We were focused on what it would take to construct the lodge in a way that would make it look distinctive. We had the money to do it without overleveraging ourselves with the bank. And we had the time so nothing had to be rushed or short-changed.

NEJE: *Did you put together a business plan?*

Gene: Absolutely. We both had had exposure to business planning in corporate life so we knew that a strong business plan was essential to our success. Once we slow down after our summer season, around April, we take time out from the business and analyze systemically how we have done versus our original plan. We undertake a complete financial review and update our SWOT analysis.

Last year, we hired a terrific consultant who stayed at the lodge and whom we treated as a regular guest. His stay lasted for 24 hours, and then he wrote a lengthy report on what, in his opinion, we had done right or where we had shown some lapses. It was enormously helpful to get that kind of feedback.

Liz: We made sure that financial worries did not drive our decisions. We do not have significant debt to pay back. That means we don't have to worry about how many cars come down the driveway on a daily basis. We focus on customer needs rather than how we are going to meet the mortgage payment. We waited until a later stage in life to start our business. With no young children to raise at this point, we can put all of our energies into growing the business.

It's important to point out that our guests' expectations about their experience at TeWhau Lodge keeps going up. We need to be mindful of what our competition is offering and how to keep ahead of the game. We've heard a new lodge is opening up on the Island, and we've done our initial homework on what type of lodg-

ing experience they expect to provide and how that might impact us.

There are other concerns. What if Air New Zealand is not bought out by Qantas Airlines, as has been rumored of late? For Air New Zealand to survive independently, they might cut fares and a price war might ensue. If that happened, Aucklanders who form the backbone of our business might be tempted to vacation in Sydney rather than just take the ferry to local Waiheke Island.

Gene: We can't foresee everything that is going to happen around us, but fortunately we can at least choose the route the business will take and not have to go to some committee or distant company CEO to ask for permission to take certain steps to improve the lodge. Not so with corporate life, where you have to seek consensus or constantly ask your supervisor if it's all right to make decisions that carry some risk. We can move quickly and confidently because our corporate "boardroom" is just the two of us.

NEJE: How did you divide up the responsibilities of running the lodge?

Gene: I take care of buying all of the food provisions, preparing the meals and general maintenance of the lodge.

Liz: I handle the inquiries and guest bookings by phone and email and send out proposals when corporations want to use the lodge for conferences and also when, on occasion, we have a couple who wish to be married at the lodge.

NEJE: Have you ever experienced dissatisfied customers?

Liz: In the four years we've been operating the lodge, we have had perhaps 600 couples come and stay with us. I can remember only one couple who went away unhappy. They were truly beyond our ability to please. It was unfortunate but, thankfully, very rare for us. For the most part, guests are easy to deal with. They're on holiday and they're using discretionary dollars. They want to have a good time; and except for meals, generally they want to be left alone.

Gene: We're anxious to provide a "wow" factor to our visitors, and we hope we succeed. I think we do. Big hotels spend millions on decoration, marble, slate, and other design appeal; but they seem to miss the "people factor." Their only interaction with their guests is when someone behind a counter asks for the visitor's credit card.

Here's a specific example. When I was with Air New Zealand, I used to travel quite a lot. I went to the same hotel nearly every week for years; and every time I registered at the front desk, the hotel representative would ask me to fill out the same registration form. It was crazy and I began to resent it, so I changed my lodging to a small, family-run operation. After staying there just once or twice, people working at the hotel would greet me when I came in and say, "Hello and welcome, Mr. O'Neill." That simple way of personalizing my stay and making me feel welcome and special meant a lot to me, and I haven't forgotten that experience. That is exactly what we do here at the lodge when visitors arrive.

NEJE: What was it like when you first opened up the lodge?

Gene: We decided we didn't want to overreach and become inundated with eight guests every night right from the beginning. So we opened the lodge and "softly" got on our way by taking in one or two couples a night. This made our learning curve less steep and reduced the pressure on us to get everything just right at the start. But I must admit that I tried to take on too much. I thought we could get along without much staff; but I found certain things to be too exhausting, like the grounds maintenance. We had to learn the economics of the lodging business and how many staff to hire for what kinds of tasks.

NEJE: How has your experience been as employers rather than what you were previously—corporate employees?

Gene: The general employment picture on Waiheke Island has been one of weak demand; so when people find employment they like, they want to hold onto their jobs. Our employees value their positions with us, and we respect their contributions to the lodge. We seek their ideas and suggestions and take them seriously. We work alongside the staff so they see how hard we work and how devoted we are to the business. That almost never happens in corporations where employees never see the leadership. Being an employer has been an experience we've both enjoyed. Fortunately, our staff shares our vision for TeWhau Lodge, and we get along famously.

NEJE: Does the government provide New Zealanders with incentives to become entrepreneurs?

Gene: We have received no help whatsoever. If anything, the government offers disincentives through their employment policies. For instance, women continue to get paid so they can take time off when they are rearing their young children. If one of our employees has a child, we need to pay for her *and* for her replacement.

The laws are written in favor of large corporations that can afford this type of social policy. It's tough for small operations like ours to take on that kind of added expense.

The amount of paperwork involved in hiring and maintaining a staff is immense. As a country, we are moving away from a socialist economic model so taxation, at least, is no longer confiscatory. The top rate is only 36 percent. And we don't have a system of deductions so the tax form is all of one page. That's all to the good. Although the central government in Wellington likes to promote itself as business-friendly, they heavily favor the large corporations. Most of our politicians were never self-employed. The government is made up of career politicians, lawyers, academics, and trade unionists, not small businessowners. It's tough.

NEJE: What's your "end game?" What happens when you don't want to dedicate long hours every day to your enterprise?

Gene: I'm not sure yet. I'm 52 years old, and I don't think I'll be able to keep up this pace when I'm 60. We get up at 6 AM, and we're lucky to be back in bed by midnight during our busiest summer months from December through April. I'd like some day to be able to employ a chef, perhaps another person to run the front end; but then our profit would disappear. We'd have to price our lodging much higher, and that would probably discourage the local Auckland demographic from staying with us. We'd be affordable only to international tourists, and that's something we don't want to do. I suppose the trick is to live at the lodge without being so involved in all the day-to-day details.

Liz: We don't ever want to run a restaurant. Whatever we do next will have to involve a lot of people contact and have some sort of food element to it. It takes incredible stamina to do what we're doing at TeWhau, and we understand we can't do it forever. It's easy to lose perspective, so we make sure we go away at least three times a year even if it's only for a few days at a time. We feel it's terribly important to keep some balance in our lives.

(For more information about TeWhau Lodge, visit the website www.tewhaulodge.co.nz.)

—L.W.