RECOVERING FROM DISASTER
A POTPOURRI OF ADVICE FROM THE EXPERTS

BY STUART ADAMS

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Once upon a time, not all that long ago, some people thought that if they started a business with ".com" stuck at the end of its name, they would almost instantly be transformed into a millionaire. They thought venture capitalists would seek them out, nearly pestering them to lend them money. They thought they could ignore their burn rate, expending huge sums of money with no real plan or timetable for becoming profitable. They thought the product or the service, or being first to market, was most important. They thought one of the first things they should do with their initial capital was to buy expensive, trendy furniture, lease exorbitantly plush offices and lure highly talented employees to work for them, largely with stock options. After all, when their IPO had been successful and they were rich, cleaning up these mistakes would be left behind for someone else to deal with.

For a while, they were able to sell huge, well established companies on the concept of paying big money, based upon the concept of the "click through" rate of a Web site. Then they hit a "snag" and they found the landscape had changed, seemingly overnight.

> **The carcases of technology endeavors, venture capital investments, and promising careers are strewn in rapidly growing piles along the treacherous "Information Superhighway."**
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> **Those who will survive and thrive in this challenging environment must change the way they think about business strategy and related mission critical technology investments.**
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> **Dan Burke and Alan Morrison, *Business @ the Speed of Stupid, Building Smart Companies After the Technology Shakeout*, Perseus Publishing, Cambridge, MA, 2001, p. 2.**

BAD DAY AT THE OFFICE?

Burke and Morrison's book is largely a series of case studies of seemingly

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profitable and cutting edge efforts to employ technology to advance business opportunities. In each case, however, the story ends in disaster, such as companies losing millions of dollars, consultants being fired, chief technology officers resigning in failure, etc. Each case is followed by an analysis of what went wrong, and typically is accompanied by a "Do & Don't" chart highlighting the critical choices to be made in such a situation. The book is depressing, to say the least, but perhaps a good read if you've just been fired and want to feel you're in good company.

It does offer some good lessons, if your business doesn't seem to be doing as well as you thought it should at this point in its life. Much of the book seems to deal with situations in which there is a misalignment between the marketing strategy of a large corporation and the method chosen to execute it operationally. Some of those basic lessons are that:

- You must focus on your customer. (Seemingly in opposition to the philosophy of companies such as Southwest Airlines, as you'll see later.)
- You must listen to your customers, analyze first and act second, taking a holistic approach to the requirements at hand and refining your core competencies.
- Rarely is technology not a critical part of any large company's strategy formulation. Engage technology experts early in the process, before your technology based strategy is set in stone.
- Without the skills of self-mastery and self-awareness you may be doomed to repeat past failures, but with them there is little which cannot be overcome or achieved.
- Recognize the inherent complexity of business systems. They are seldom as simple as they may seem at first, or as your customer may portray them, if you are a consultant bidding on a project. It is difficult to change one element of such a system without impacting several others. Often the extent of change will not be fully understood for quite some time.
- We, in the United States, have a tendency to too hastily adopt and discard powerful management tools, such as total quality management (TQM) and business process re-engineering (BPR). We have a tendency to always look for the "silver bullet," and feeling we have found it, to fire before we aim. This has a tendency to increase the instability of the company, rather than to moving it forward in a positive direction.

Another common mistake is to believe that, when disaster strikes, everything must have gone wrong. There sometimes is a corresponding tendency to think that you must then start from scratch, abandoning all that went before. In all likelihood, if you have any brains at all, more of what you have done is right than wrong. Obviously, if that's not the case, you may not be the person to fix it anyway.

> History helps us understand and predict how existing institutions evolve into new forms based on principles that emerged from the old. The principles of commerce that provided a basis for success hundreds of years ago haven't been repealed, they have evolved.
> Roger Blackwell & Kristina Stephan, *Customers Rule! Why the E-commerce Honeymoon is Over & Where Winning Businesses Go from Here*, Crown Publishing, NY, NY, 2001, p.47.

YOU'VE GOT TO KNOW WHEN TO HOLD'EM AND KNOW WHEN TO FOLD'EM

Your definition of disaster could be anything from anthrax in your mail to loss of a key employee, a recession, getting fired by the customer to whom you devote the majority of your business, a flood or other natural disaster, a computer virus, sabotage by a disgruntled employee, or something worse. Whatever the problem, you have the choice of trying to bail out your boat or attempting to get back to shore another way. As Kenny Rogers says in his song, "you've got to know when to hold'em and know when to fold'em." If you've on the Titanic, you may want to drop your bucket and start looking for something smaller that floats.

As I write this chapter, near the end of the calendar year, my e-mail and snail mail boxes are full of articles chronicling the peaks and valleys of the past year, predicting the trends of the future, and offering advice on how survive next year. Chances are, this coming year many of those authors will be looking for new jobs, as their own companies are either gobbled up by a bigger fish, or they sink to the bottom. The December issue of *InfoWorld*, for instance offers the suggestions that:

- in light of the current economic situation, this is the time to revisit and revise the business case for key initiatives;
- you should rethink whether or not to reposition initiatives to reflect new priorities and emphases;
- rebalance your e-business project portfolio to slow or stop those that are less beneficial and redirect resources to those that are more likely to return value
  Barb Gomolski, "E-business Vision," *InfoWorld*, December 24, 2001, p. 10.

and

- make time to reinvigorate your technology vision;
- focus on solving recurring problems once.

Chad Dickerson, "Prioritize, Prioritize," *InfoWorld*, December 24, 2001, p. 11.

PRACTICING RANDOM ACTS OF WEIRDNESS

If such seemingly traditional year end strategies don't "float your boat," as it were, try some off center advice. *Fast Company* offers *Weird Ideas That Work*, by Polly LaBarre, in its January 2002 volume. This article, is based upon the book by Stanford Professor Robert Sutton, *Weird Ideas That Work: 11 ½ Practices for Promoting, Managing and Sustaining Innovation*, The Free Press, NYC, NY, 2002. It offers advice such as:

- Hire slow learners of the organizational code. The theory apparently is that if you hire people who ignore or reject the way "things are supposed to be done around here," and surround them with "fast learners" who can screen out and communicate the good ideas, you can use the contrarian attitudes to your benefit, safely testing the merits of your system;
- Hire people who make you uncomfortable, then listen to their ideas;
- Hire people you don't need, then ask them how they can help you;
- Use job interviews to get new ideas. Give candidates for a job a problem you can't solve, and listen to what they have to offer as a solution;
- Encourage people to ignore their superiors and their peers. This strategy encourages you to hire people who will drive you crazy, doing what they think is right, rather than what they are told.

A copy of the full FastCompany article can be downloaded from their site at: www.fastcompany.com/online/54/sutton.html#.

If simply practicing random acts of weirdness is not for you, however, a more palatable version of some of these tenants can be found in *Nuts! Southwest Airlines' Crazy Recipe for Business and Personal Success*, by Kevin & Jackie Freiberg, Broadway Books, NY, NY, 1996, with a forward by Tom Peters. This, of course, is the story of the airline that chose to be outrageous as a business strategy. The book is full of seemingly contrarian philosophy, such as:

- The customer is not always right. Employees, not customers, come first.
- Make service a way of life, not just a business technique.
- Give people the flexibility to transcend rules and regulations to better serve customers.

- Ask yourself, “Whom can I serve today?” Then do it.
- When it comes to serving others, make sure that “good enough” is never good enough.
- Treat your friends and family like your most valued customers.
- Manage in good times for bad times.
- Keep things simple. Streamline your systems and your life.
- Bigger isn’t always better. Don’t confuse market share with profitability.
- At the peak of success, look for things you can do even better.
- Be humble: success is hardly ever all you own doing and rarely irreversible.

WORK AT A PLACE WHERE WEARING PANTS IS OPTIONAL

If I told you a company had settled a legal dispute with a competitor by an arm wrestling contest between the chairmen of the two companies, or that it had use a slogan in a recruiting ad that said “Work at a place where wearing pants is optional,” or avoided formal strategic planning and spent more time planning parties than writing policies, you’d probably think twice about buying stock in it. If, however, I told you the company was Southwest Airlines, and that between 1971 and 1996 its total assets had risen from around twenty-two million to nearly four billion dollars, while others in its industry were facing bankruptcy, you might think again.

In fact, Southwest Airlines has been an outrageous success, seemingly doing things all wrong from a traditional point of view. Looking deeper, however, it is possible to see that they simply understood what the customers wanted and put together a company philosophy and team to give it to them. How does this philosophy of an airline apply to Web based businesses? Mary Modahl, Vice President of Research at Forrester Research, Inc., may give us some clues.

> In this harsh environment, companies that intend to thrive in the long run must build a defensible strategic position. In other words, these companies need to build an advantage that other companies don’t have in the marketplace.
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> The companies that thrive in this environment must build a unique value. One way to do this is to build a brand based on consumer experiences,
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> The only way to build a brand based on consumer experience is to become a master at using consumer demand data. Unglamourous as analyzing data may sound, it holds the key to identifying trends such as increasing apparent supply and volatile current demand. Seat-of-the-pants judgments about whether to produce more or change prices will

give way to market responses based on evidence in the Internet Economy.
Mary Modahl, *Now or Never; How Companies Must Change Today to Win the Battle for Internet Consumers*, Harper Collins Publishers, NY, NY, 2001, p 214.

Echoing this theme is *Customers Rule!* supra. The authors advocate:

- focus on solving customer's problems better and avoiding technology for the sake of technology.
- create ways for consumers to see product results, since the more people watch other people benefitting from new products, the more likely it is that the product will be widely accepted in the marketplace.
- Give consumers a compelling reason to switch. Some products just need to be a little better than the competition, but most need to be much better to succeed.
- Do not promote your brand until your operations systems work well. Breaking a promise is the best way to lose a customer.
- Monitor and understand how the makeup of Web site users is changing. Give the segments you identify human characteristics, instead of just looking at the statistics.

If you want to downsize or simply start over in a more cautious manner, try being a "virtual entrepreneur." In a book by that name, *The Virtual Entrepreneur*, by John Jones, Business Psychology Research Institute, Arlington Heights, Il., 1999 you have the opportunity to walk through the process of growing your company carefully. Dr. Jones suggests that you may want to limit and spread out your financial risks by outsourcing and strategic alliances, while you focus on your core competencies.

Dr. Jones outlines what it takes to find and cultivate successful alliances. He suggests that your vision must be realistic, desirable and achievable. Additionally, it must be one you can effectively communicate to others, including your strategic partners. Further advice includes:

- Excel in your core competencies.
- Surround yourself with a network of strategic partners.
- Carefully research and select your strategic partners.
- Keep in regular contact with your strategic partners and keep them focused on the niche.

- Anticipate future opportunities.
- Maintain a narrow focus to dominate a unique market niche.
- Clearly differentiate yourself from your competitors.
- Keep your organization as simple as possible.
- Seek speed and flexibility in day-to-day work activities.
- Capture customer information to enable you to keep a sharper customer focus.

AN ENDLESS PARADE OF PUNDITS

Needless to say, the litany of pundits could go on forever. Books by "experts" seem to spring out of the bookstores by the dozen. When you read a bunch of these, you should see some threads of "common wisdom" and some basics which seem obvious. Many of those you will find cited above, but there are obviously too many others to recite here.

There are some basics, if you're up for another run at the dotcoms. First, do what you love. Second, listen, research and think before you leap. Develop a plan, test it, improve it, test it again, repeat the process. Involve others who are smarter than you in important areas and listen to them. Don't try to talk them into believing what you want to hear. Listen to them. They could be right.

If you're going to do it at all, do it right. That doesn't mean buying an expensive chair for all the employees. It simply means doing it in a way to be successful as quickly as possible. Do what you do best, and form strategic, win-win alliances to get the rest done. Make those alliances work, by employing the principles set out so well by some of the authors quoted above. Use those alliances to spread out your financial risk and leverage your own core competencies.

Constantly monitor, test, analyze, research and repeat. Constantly survey the horizon (and your customers) for signs of change and react quickly but intelligently to those signs. See your business through your customers' eyes. Know what they want, not just what you want them to have. Know what makes them tick. Reward their loyalty and offer something so unique and demonstrably valuable that other customers will follow.

Keep you organization lean and simple. Analyze every expenditure in terms of return on investment, and not in the someday ROI fashion of those whose corporate carcases litter the dotcom field of battle. Quite often, there is more than one right answer, but if you're having fun and solving customers' need better than

anyone else, you're on the right track.