Entrepreneurial Savvy: High Level Leadership

by Bill Corbin

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Table of Contents

Entrepreneurial Savvy

Entrepreneurial Savvy

Introduction

Entrepreneurial Savvy is the fifth book in the Entrepreneurial Five Set. It is not text-bookish. Rather it is an attempt to compile entrepreneurial nuggets—pieces of wisdom you can consider and analyze, then discard or make part of your own entrepreneurial mindset.

Some of the ideas and observations are original with the author, but most have been learned from others. The book does not pretend to be final or complete. For the alert entrepreneur, new nuggets of wisdom should be found regularly. It remains true for me after nearly 30 years as a dedicated E (entrepreneur). A goal of the CorbinGroup.com website is the collection and sharing of a continuing stream of high-level entrepreneurial wisdom. Your input is welcome!

The concept of *Entrepreneurial Savvy* is admittedly subjective. Some of our topics are based on principles of mathematics or organizational theory, but there is a major dose of common sense and developed instinct involved in true E savvy. Let's use a few examples to illustrate entrepreneurial savvy in action:

An E learns that a new marketing effort has paid off. A new client is planning to order $600,000 worth of our product over the next 12 months. The savvy E celebrates only briefly and then begins planning for the ramp-up of production necessary to serve the customer. She immediately asks, "What is the seasonality of this business?" knowing that orders rarely arrive in convenient monthly increments of 1/12 the annual demand. A less-seasoned veteran might begin planning for $50,000 of monthly business. This book includes several examples of [a little math] x [experience and common sense] = good planning and decision-making.

An entrepreneur is reading Bill Gates' book, *Business at the Speed of Thought*. Gates says, "Let bad news travel fast." If this concept makes immediate sense and its principle is applied immediately in the E's thinking and business operation, that's a sign of savvy. (Also an example that it's smart to pay attention to fabulously successful entrepreneurs.)

An E announces a new purchase order system intended to tighten control of purchases from vendors. One employee is visibly upset and argues that "This procedure makes me feel like you don't trust me." A novice E might take several minutes to comfort the employee, assuring him that no offense is meant. The savvy E acts at two levels: He communicates, without apology, "I can understand that you may not like this procedure, but it is consistent with sound business practice for company's of our size. It's a firm decision and will be fully implemented." Further, the E remembers the wisdom of Shakespeare ("Methinks he doth protest too much") and makes a mental note to be particularly alert about *that employee's* purchases and relationship with vendors. We may learn that everything is fine, but a clear signal was received calling for entrepreneurial due-diligence.

The book is organized (with pre-apology for overlap) into categories such as Strategic Thinking, Customer Relations, and Employee Motivation. Several of our nuggets are built around stories and anecdotes that you may want to adapt and retell as appropriate.

Book 3 of the Five Set—*Entrepreneurial Leadership: Fundamentals*—uses a more traditional "functional" structure. For example, chapters are devoted to Marketing, Employee Team Building, Quality Control, Building Infrastructure, Shaping Corporate Culture, Negotiating, etc. You may want to preview that book on CorbinGroup.com (or purchase it!) as background for this one. Throughout this book, the code [B#3] indicates that a topic is covered in considerable detail in book 3.

You may want to absorb this book in small chunks or, perhaps better, skim for items of real importance to you, then consider each one later. The sections are relatively short, but the subject matter may involve some serious thought and analysis. For example, our first 1.3 pages challenge you to consider how well your business' organization and procedures are aligned with the entire journey of a customer from prospect to long-time loyal client. If that topic is of interest, it'll take a minute or two to think it all through!

Author Credentials

The Corbin entrepreneurial resume, now second generational, helps to explain some accumulated savvy. Since 1972, there have been 20 identifiable entrepreneurial entities. Three have been sold, two of those very favorably. Seven continue to operate. Ten either tanked or were "consolidated." Even if painful, there's knowledge to gain from businesses that did not work. Here's the summary, skippable if you've waded through all this in previous books.

1968: Graduated with MBA, Harvard Business School (which, interestingly, *didn't* teach me a great deal of the key stuff in this book).

1968–1971: Big company guy—GM and RCA.

1972–1973: Founder of Concepts 4, Inc., a grand idea that failed grandly, wiped out the family savings, moved the Corbin family to an apartment, and inspired creative negotiating one memorable afternoon when the bank called to repo *both* our cars.

1974: Founded Trailblazer Service Company on $100 of invested capital. Began selling and installing home door appliances (most notably deadbolt locks and peepholes). Dreamed up the concept of Unified Neighbors.

1975: Founded Unified Neighbors, Inc., a consumer information service aimed at informing clients about reliable home service providers (including Trailblazer Service Company, of course!).

1977: Purchased printing equipment to self-produce the mini-magazine being mailed to Unified Neighbors subscribers.

1979: Launched *Carmel Happenings*, a localized *"People Magazine"* for our local community. Folded the tent after three issues.

1979: Launched Unified Neighbors of American to franchise consumer information concept. Closed after a couple grueling years.

1980: Launched UN Printing Company as a freestanding business.

1981: Acquired a small printing company in Indianapolis' eastside. Changed its name to The Printing Place, again dreaming of national franchise. Closed in early 1983.

1984: Launched Carmel Publishing and its main product, "*The Highflyer—*"a monthly, direct-mailed community magazine. This business was operated by my wife Janet until sold in 1996 to Thomson Newspapers of Toronto, Canada.

1984: Experienced the need to be a turnaround artist when problems in the UN Printing operation nearly sank the ship (detailed in book 4 of the Five Set).

1986: Launched UN Mailing as a freestanding business.

1988: Purchased Townsend's Printing, a failed $500,000 operation, using a creative financing package through the bank that had repo'd Townsend's.

1988: Spun the original Unified Neighbors magazine into a separate operation that was sold favorably. Recast the printing and mailing operations into UN Communications, Inc.

1988: Co-founded Bereavement Publishing, still in international publication of *Bereavement* magazine and related grief therapy programs. Sold interest in 1991.

1993: Launched Beckett-Highland Publishing, led by daughter Kimberly. Attained national marketing for three Bill Corbin books and aided successful self-publishing for several other authors.

1994: Formally added "Fulfillment" as a division within UN. Fulfillment is the process of storing finished goods for clients and shipping those goods on demand. Our largest client was Macmillan Publishing, for whom we boxed and shipped promotional materials.

1995: Daughter Lisa and her husband Jason launched ProSound Entertainment, a successful event entertainment business.

1996: Closed Beckett-Highland, consolidated Townsend's Printing into our main printing plant (now 30,000 sq. ft.), closed the fulfillment operation, and generally scrambled to turn around the business for a second time. This experience is also detailed in book 4.

1996: Sold, very favorably, *The Highflyer* magazine business to Thomson Newspapers of Montreal.

1997: Launched UN WebDesign, led by son Brandon, and become active users of the Internet. Brandon goes on to launch multiple dot com enterprises.

1999: Daughter Kim launched Iskip.com, headquartered in San Francisco, as a health and fitness concept and Kim Corbin Communications as a publicity consulting company.

1999: Launched CorbinGroup.com to concentrate on entrepreneurial assistance.

This resume clearly does not move Bill Corbin into the ranks of Bill Gates or Michael Dell in terms of E-success. You and I should both learn what we can from the entrepreneurial superstars. But the Corbin experience is relevant to Es in many kinds and sizes of business. And much of the savvy of these years and experiences will apply to your E-adventure.

Chapter One

Strategy

Our "Strategy" chapter deals with some of the bigger picture issues such as defining mission, selecting markets, and building corporate competencies.

Cornerstone of Strategy Is the Customer's Experience

Much of my entrepreneurial knowledge has come from time "in the trenches" rather than formal education. This concept, though, was stressed for two years at the Harvard Business School.

Our most important job is to fully understand the customers' journey from prospect to first-time buyer to loyal continuing customer. We must know…

- What need or desire causes the prospect to first consider entering our marketplace?
- What fact-finding or analytic process does the prospect use to learn about available offerings in our marketplace?
- What are the important selection criteria that cause a prospect to choose one company's offering vs. another?
- What is the actual decision-making process that leads to a first-time purchase from our company?
- What are the most important components of customer satisfaction? Product, price, service, other issues? (See following section regarding *value*.)

- What service set maximizes the chances of building customer loyalty and repeat business, considering both customer needs and potential competitive activity?

The E's job is to align all elements of marketing, production and infrastructure to maximize the chance of attracting prospects, making the initial sale, achieving high-level customer satisfaction and earning loyalty. The basic analytic process is the same whether we're selling candy bars or farm tractors. We must fully understand the mind and emotions of customers.

Product Design from the Customer Viewpoint

Product design is one of the elements discussed in the previous section, but it seems to deserve a moment of its own. The marketplace is full of products that fall short of a common sense test, much less a rigorous customer satisfaction test. There are coffee pot spouts that spew coffee in all directions, pantyhose that allow themselves to be punctured during routine roll-up, front pants pockets that dump all contents if the wearer dares to sit down, and software systems so complex that their own technical departments don't understand them. My home has a bathtub faucet fixture so high-tech that four guests have taken baths vs. their normal showers because they couldn't figure out how to activate the showerhead. (Answer to riddle: The shift lever is 100% hidden on the underside of the lower faucet.) In a college design class, our professor asked us to design a ballpoint pen. He gave no grade higher than C if the design didn't consider that 25% of users chew their pens, raising the issue of a tooth-proof top. The key is intense analysis from the *user* viewpoint, considering both the primary purpose of the product and any secondary uses, requirements or unintended negatives.

Why We Must Know What Customer's Value

Long-term customer loyalty is earned by consistently providing the products, services and related benefits that client's truly value. In many businesses, building client value involves an expenditure of resources. For example, an upscale restaurant can invest in décor, kitchen, or ultra-talented staff. If we misjudge the factors that clients value, it is possible to seriously misallocate resources. Conversely, if we fully understand our clients' desires, we can sharply focus our resources. A simplistic explanation of why some companies win and some companies lose is wrapped up in accurate execution of this three-step process:

1. Develop a list of the things customers value.
2. Prioritize the list beginning with most important.
3. Aggressively build your ability to provide those values, starting at the top of this list and working down.

Two Levels of Critical Mass

Critical mass is that mystical point at which a business or part of a business achieves enough momentum to gain a life of its own. The first challenge of a new entrepreneur is to achieve critical mass in the marketplace—the point when market acceptance is strong enough to generate enough cash flow that we can safely call our business "established." It is the first beachhead on the way to growth and success.

Critical mass plays a role later in the entrepreneurial process. New products or new divisions of the company may experience the same struggle for life that was experienced during corporate start-up. The E should not be lulled to over-confidence because previous efforts have been successful. The struggle toward critical mass can still be long and grim.

Organizational initiatives must also reach critical mass. The mere fact that we conceive and promote a new program of "quality consciousness" or "customer dedication" does not make it happen throughout the organization. An ongoing role of the entrepreneur is to drive new initiatives to critical mass—the point where they become entrenched, hopefully vibrant, parts of the corporate culture. Here's a simple example:

Our company had grown to the point that departmental confusion about project deadlines was a problem. We also had classic finger pointing between marketing and production—whether delivery promises were reasonable, had been clearly communicated, etc. I announced that various employees would meet daily at 8:20 for a brief scheduling meeting, an opportunity for face-to-face communication of key issues. We met a couple times, but on day three, a key person didn't show up. I knew the reason. Over the years (usually motivated by anger over a communications collapse), I had mandated similar "daily" meetings. They had always faded and disappeared, so my employee figured this one would too. Realizing it was my job as leader to firmly establish this meeting in our daily protocols, I called the employee from a phone within earshot of the rest of the meeting participants. My tone was firm: “Frank, we’re going to have this meeting every morning at 8:20 like clockwork. Get over here right away.” For several more days, I got to the meeting early and policed attendance. The initiative finally reached critical mass and has served us well for many years.

For the E, **second-stage critical mass** can be a lifestyle concept. In stage one, the E works extremely hard to bring the business to life. The building process likely dominates the E’s lifestyle, not always favorably! Stage two critical mass is that point where the business will support the E’s goal lifestyle. The fruits may be more leisure time, increased outside activities, or full retirement. The key is a business so well established that the E has practical financial and operational independence. Reaching Stage two requires both aggressive goal setting and implementation of the kinds of organizational structures that make it possible.

Fish in Deep Water

Conrad Hilton attributed his success partly to the advice of a wealthy man: “Conrad, if you’re going to catch big fish, you must fish in deep water.” This counsel inspired a youthful Hilton to leave small town New Mexico and move to Texas during the early oil boom. The E experience is a constant search for water that is the right depth. If we fish too deep too soon, we can be pulled overboard or capsized. If we don’t fish deep enough, we may be missing opportunity. A TV ad run by IBM illustrates the dilemma. Two grizzled farmers (who apparently have never been outside their own county) are talking about selling grain worldwide on the Internet. Their water is surely deeper if they can pull it off. But their infrastructure may not support worldwide shipments or conversion of Japanese yen into Iowa dollars. Clearly, though, we want to fish in the deepest water we can handle and constantly seek ways to move toward deeper water.

A Rising Tide Lifts All Boats

Continuing with water-related metaphors, let's look at this reminder that we may rise or fall (unfortunately, *a lowering tide lowers all boats*) based on big-picture implications. This nugget is often applied to the stock market, but can be true of businesses that are growing partly because of a growing economy or a major spike of interest in our industry segment. A related stock market quote runs something like "Don't confuse brilliance and a bull market." As Es, we must carefully gauge, both upside and downside, the potential impact of trends affecting our whole industry. We must not become giddy and overconfident because of success largely due to a rising tide. And we must be prepared for the day the tide goes out.

What Does a Dog Do If It Catches the Car?

This slightly offbeat question is strategically similar to fishing in water deep enough to get yourself pulled overboard. It is also similar to the folk wisdom that says, "Be careful what you wish for. You may get it." It's a great visual (which I've actually tested several times). A car is driving down a country road. A ferocious farm dog takes chase, barking, snarling, teeth bared. But the car stops, intentionally allowing the dog to catch it. We soon have a seriously confused, disoriented dog.

The E application is sometimes subtle. We want to be very sure that, if we decide to chase a goal, we know what we'll do if we catch it. Often this is an infrastructure issue. If, for example, our relatively small company does land a huge contract, can we ramp up quickly enough to produce, to maintain quality control, and to smoothly administer the business?

Form Your Army into a Wedge

Much E-wisdom can be found in military analogy. In the 1960s, RCA decided to compete with IBM in the computer industry. RCA hired a group of IBM executives who promptly set about developing a product line that competed with IBM across the entire range of IBM products. It was the military equivalent of a Roman battlefield in which the Roman army was lined up three miles wide and ten men deep. The opposing army was also three miles wide but one man deep. The battle cost RCA about $500 million and a great deal of corporate humiliation. Apple, by contrast, formed into a wedge and blasted through a segment of the IBM product line. Dell and Compaq watched and learned.

In the vast majority of entrepreneurial situations, because resources are limited, it is necessary to carefully define the segment of the market to be attacked, then sharply focus corporate resources on that segment.

Retreat to a Defensible Position

Unfortunately, the E-experience may include some setbacks. In the case of severe setback, it can be useful to utilize this military concept. Often the meaning is "return to core competencies." It may also mean shedding some unnecessary frills and extras picked up along the way.

Book 4 of the Five Set discusses the turnaround of my business executed in the mid-1990s. This process was a classic example of retreating to a defensible position and included closing facilities and eliminating various parts of the enterprise as we regrouped. In effect, we retreated to the highest available ground, our core business.

Hold the Western Front

While we're in combat mode, let's talk about a couple more. This concept is also strategic and partly defensive. If you or another group within your company is busy on the eastern front (of course, the choice of direction is yours in using this concept), you may need to say to another employee or group, "Hold the western front." You are saying, "You don't need to attack or expand. Just keep your part of the battlefield stable while I'm on the eastern front mounting a new attack." My first experience was in 1984 when I needed to turn around one division of our company by direct personal involvement. I physically moved my office from one division to the other… asking the employees I left behind to "hold the western front" while I dealt with the crisis we were facing.

Circle the Wagons

This defensive concept is often helpful when the business is in the midst of a crisis that affects employee attitudes and morale. If the E fails to specifically address the concerns created by the crisis, the employees—via the rumor mill that magically springs up once a company's employee count reaches two _will interpret the crisis on their own. There can be misplaced anxiety leading to further decreased morale. Active communication through devices such as meetings, newsletters, memos and email can help you "circle the wagons" until the attack is repelled.

Choose Your Battlefields Carefully

This concept can be strategic—for example, admonishing against an expensive assault on a competitor's position if (a) his position is extremely entrenched, (b) our resource base may or may not be adequate, or (c) we might be able to apply the same resources to a more winnable battle. The concept often applies to employee interactions in the same way it applies to parenting. We should *come down hard* as rarely as possible and only when the issue is truly important. Parents or managers who come down hard constantly are soon viewed as shrill and unreasonable and eventually are tuned out.

OK, let's muster out of the military!

Base the Strategy on Value, Not Price

There may be no better example of the warning "Live by the sword, die by the sword" than relying on low price as the cornerstone of business strategy. There is, or eventually will be, some fool willing to beat your price. Sometimes the "fool" is a giant company that can legitimately beat your price by efficiencies in the marketplace. Other times it is simply a hungry or inept competitor.

The printing industry illustrates the point. There are hundreds of competitors, many hungry. There is turbulent technology. Pricing can be all over the map. It is naïve to say a printing company can totally ignore competitive pricing activity, but it is certainly possible to build a business that concentrates on client value rather than low price. We can compete on issues of quality, reliability and professional counsel. We can be innovative in production methods and product ideas. Most industries have variations of these possibilities, in effect defining and adding the value that leads to long-term customer loyalty.

When you hear that "[so-and-so competitor] beat your price," you have a choice: become defensive and enter a bidding war or say, "Of course they did. Here is what our price includes, and here is why we're worth the price." The high road of value is safer than the low road of price competition.

Surprise on the High Side

As discussed, since customers are the cornerstone of strategy, it is obvious that we must know what they value. Possibilities range from convenient parking to reliable launch of their communications satellite, but the concept is the same. We want to fully understand what is valued and sharply focus our strategy based on providing that value. It is remarkably common for businesses to fail miserably in providing the value most sought by clients: service help is rude, ignorant or nonexistent; placing orders is too complex; deliveries are often late; quality is erratic; administrative systems are unresponsive. Some companies achieve near comical levels of customer annoyance. Not smart!

A related concept is **"surprise on the high side."** In many businesses, it is relatively inexpensive to deliver more value than was expected. Sometimes the value is simply a nice, unexpected touch: Doubletree's chocolate chip cookies or a personal welcome from a business's manager come to mind. Sometimes the extra value exceeds the standard performance of the industry—for example, sparkling restrooms in a gas station, *knowledgeable* sales help at a discount electronics store, or serene, low-key, courteous sales help in an auto dealership.

Other high-side surprises can be integral to the product or service. Examples might be extra help in installing a home product or a software package, or an unexpected "free" course at a fine restaurant. Auto service companies that extend their hours or drop you off at work are surprising on the high side. An example employed by my company is our "Contagious Color" line of printed cards. We use heavier paper and a higher gloss finish than clients might have expected when they first ordered. The cost of this "surprise on the high side" is relatively small per order and adds clear client value.

An important caution: An effort to surprise on the high side will fail if the core product or service is weak. Regardless how delicious Doubletree's cookies are, the hotel had better provide a comfortable mattress with clean sheets.

Develop and Exploit Corporate Competencies

Competitive business is a game in which we try to maximize the impact of our positives and minimize the impact of our weaknesses. If our competitor has very deep pockets, her product selection may be much broader than ours. We have a disadvantage that likely cannot be eliminated in the short term. But what are our strengths vs. hers? Do we have better location or more customer service? Is there a portion of her product line that is relatively weak vs. ours? Hopefully this analysis clarifies the strengths on which we should build and the strengths we should communicate to the marketplace. If by chance we cannot identify *any* distinctive competencies, we'd better get busy and build some, or the race will be short.

Stretch Your Competencies

Businesses often grow by logical additions to corporate competence. As a simple example, let's say an E has set up a retail shop. Early corporate competence includes understanding consumer tastes, buying well, and operating an attractive shop that serves walk-in trade. One day a client says, "I'd like you to ship this item to my sister in Waukegan. Can you do that?" We start to say "no" but suddenly remember we're a highly customer-oriented business; so we say, "Sure, we'll do that." We then set about figuring out how the heck to do that. Fairly soon—if we grasp that this isn't just a box going to Waukegan…it's an opportunity to stretch corporate competence—we are skilled shippers. We have built infrastructure that supports packaging, documentation of shipping/receiving, etc. (Note the connection to two of our previous concepts: Our water just got a lot deeper; and we have added value for our customers.)

We then read an article about e-commerce. Hmm, could we become players on the Internet? Our initial stretch into shipping capability plays three roles in the new analysis:

We are familiar with the concept and the power of stretched competence. Rather than define ourselves as a local hat shop that sells within a six-mile radius, we have already experienced the idea of greater opportunity via enhanced skill base. The same thinking will apply to the new analysis.

We are familiar with the process of adding a competence. It isn't just a goodie we list on the company brochure; it's a carefully planned business system with well-defined disciplines and infrastructure.

Our first stretch helps support the second. If we hadn't learned to ship, it would be a much longer mental leap to consider e-commerce in which shipping will be a central element.

Let's say a graphic design company has concentrated on printed catalogs and brochures. They learn to do static website design. They learn to animate for the web. They move from there to live video clips for websites. They develop the ability to burn CDs. Suddenly, via gradually stretched competence, they can consider corporate CD production that is on its way to video production. If that company learns to ship, it can create, produce, then ship corporate CDs to a client's new prospects.

Every company and industry has opportunity to stretch competence.

Beware the Lure of Diversification

Most veteran Es can tell stories of good stretches and bad stretches. Stretches far outside core competency are questionable. Stretches that tax the resource base of the company are questionable. Stretches that divert excess management attention are questionable. Stretches that (in our hearts we know) are being made because we're "restless entrepreneurial spirits who love to climb new mountains" are *very* questionable. The operative word is **questionable** (not *bad*). We must have the personal and corporate discipline to carefully examine stretches and discard those that represent excessive risk vs. their potential benefits. Here are some factors that serve as good reasons to consider diversification:

- **Strategic:** The trends aren't good. You must find new income-generating opportunities.
- **Seasonal:** Your business has times of the year when people and assets are badly underutilized (a lawn care company learns to store and maintain lawn mowers during the winter).
- **Logical Competency Stretch:** You've learned to do things that fit extremely well with a market outside your present focus (a custom closet company learns to build home offices).

Many Es have experienced (and tell war stories about) a very common stretch: **the second location.** If your concept can logically be grown by opening multiple locations, the impact of location #2 can be major. There are a whole host of issues related to the fact **you** can't be in two places at once. The burden is immense that your policies, procedures and administrative infrastructure (including appropriate fraud control) are 100% ready when it's time for multiple locations.

Corporate Research and Development

A concept closely related to diversification is R&D. In the small-business world, this concept probably doesn't include beakers and guys in long white coats. Rather it is the idea of dedicating a portion of company revenue to exploring potential stretches of competence. Possibilities include new products, new distribution channels, new marketing campaigns, and a host of others. The investment should be viewed as "lose-able" without lost sleep and should be aimed at improving the long-term prospects of your business.

Include Internet Thinking

As these words are being written, the Internet is a decidedly evolving medium that some liken to the Old West in the late 1800s. Companies and individuals are participating in various ways, but there is considerable uncertainty about the shape of E-commerce in the years ahead. Some are ignoring the trend completely.

In this E's opinion, ignoring the Internet is extremely dangerous. It represents the most powerful marketing, communication, commerce trend I've seen in a lifetime of watching. Growing numbers of consumers and even vendors simply assume a progressive company is available on-line. The evolution of email as the means to communicate details of business is far more powerful than the trend toward fax communication, partly because it is a far more powerful medium. So called BTB (business-to-business) applications are evolving rapidly, some of which threaten major upheaval in traditional business-to-business working relationships.

Whether your goal is offensive: building new business; or defensive: trying to assure you are not harmed by emerging roles of the Internet… it seems wise to devote some R&D dollars to exploring this phenomenon.

Grow or Die?

Business, like life, is full of old sayings that have made their way toward assumed iron-clad truth. One of them is "You must grow or you will die." In my opinion, this concept should *not* be accepted without rigorous analysis. Here are some reasons:

- Recent surveys show that growth is a gigantic headache for many entrepreneurs. Growth requires more money, more people, more infrastructure and, likely, more E-work.
- In the worst of cases, excessive growth can cause loss of control leading to a business crashing and burning.
- A simple look around most towns shows a large number of businesses that have survived and thrived for many years without significant growth.

Based on this E's time in the saddle, these would be more helpful old sayings:

"Grow to critical mass or die." By definition, if a business does not achieve life-sustaining momentum in the marketplace, it will die.

"Grow to the point my needs are met or I'll be miserable." The E-life is hard work. Unless the business supports our target lifestyle in a reasonable amount of time, the effort won't feel worthwhile.

"Adapt or die." There is little doubt that an entrepreneurial business will be attacked by change: new technology, new competitors, new market conditions, new economic conditions. If we don't do a good job of adapting the business to changing conditions, we will die.

However, it remains debatable in this E's mind that a blind devotion to business growth—motivated strictly by fear of business death—is necessary or sound.

Developing a Long-Term Orientation

For many Es, life seems to be non-stop, short-term detail (or crisis) management. Amazingly soon, though, five or ten years go by. If we have devoted at least part of our attention to the relatively distant future (battling *The Tyranny of the Urgent*), the odds are far better that the future is a pleasant place to be. At the absolute least, Es should set aside time for annual long-term planning sessions. Better is to have a mental compartment (and a good filing system) that constantly monitors the changing marketplace and constantly considers the impact of today's decisions on long-term operations. Long-term issues include technology changes, demographic or economic changes, and competitive activity.

Choose Alliances Carefully

The E-experience includes constant opportunities to form alliances. Some are as formal (and long term) as a corporate merger. Others are "strategic," usually an attempt for companies to add corporate competence (or overcome glaring corporate weakness) by forming an operating agreement with another company. Some are as informal as a commitment to meet monthly at an E roundtable for discussion of shared problems and solutions.

Alliances range from wonderful to downright bad; so weighing them is your job. Here are two pretty safe cautions:

Some alliances are available because of serious weakness. If your lifeboat has no holes in it and you hear a cry of "help!" from a nearby boat, it's wise to consider whether their boat might slow or swamp your boat. If both boats are full of holes, there's little to gain (except brief companionship) by tying them together.

Alliances will almost always be more complicated than they sound at the concept level. When the discussion gets to the levels of *who actually does what, who pays for what, how is revenue shared, etc.,* then the complexities can outweigh the benefits. You must commit to the process of carefully considering these issues and carefully planning them in advance. Almost certainly, it will take more time and be more complex than you initially thought. If you proceed, implementation will likely be more complex than anticipated, partly because personalities are then involved.

Again, choose carefully.

Make Necessary Changes with Fear or Doubt

Our next chapter discusses leadership style. Let’s move there with an example of the potential interaction of strategy and leadership style.

Let’s say we’re doing our job as long-range thinkers and we reach the conclusion that important change is necessary. We need to revise our communication system or the makeup of our sales force or key parts of our customer-service mix. Among E-life’s certainties is this: There will be resistance to major change. Some people don’t like rocking boats; some resist all change at some instinctive gut level; some will disagree with your decision at an intellectual level. Some employees may battle fiercely. Some may resign. Some customers may complain. Some may be lost.

But **you** are the entrepreneur who is responsible for the long-term well being of the business (not to mention being the person who has co-signed his life away at the bank). If **you** are convinced that the change is necessary, you must implement it. You should explain your thinking as clearly as possible. You should articulate the long-term benefits as positively as possible. You should be willing to patiently explain the change to those who are concerned or frightened. But you should make it absolutely clear that the decision is firm and final.

Let’s close this chapter by mustering back into the military for one more battle. You are the general. You have developed a carefully thought-out strategy based on your own ideas but also on the input of various officers in your command. The campaign is planned; the decision is made to attack. The attack signal is given; the bugle blows.

But your strategy did not include the recommendations of Lieutenant Smith or Captain Brown, so they're in their tents over on the right flank griping and calling you an idiot. Colonel Jones in the middle of the left flank is sitting on a tank turret pouting because he wasn't appointed field commander. And Lieutenant Farnsworth is calling you on the phone to discuss "some concerns he has about the plan." You just plain can't let it happen. There is a time for input and a time for healthy debate, but when the general says it's time to attack, we all march at the same time in the same direction. Part of the leadership role is making this concept completely clear. It's a concept that is important during normal business operation. It is 100% crucial during crisis.

Chapter Two

Leadership Style

This chapter deals with the bigger picture issues of leadership: your attitude and style, the role of leadership in your company, and techniques of strategic leadership. A later chapter becomes more specific about working with employees. No doubt, there are successful entrepreneurs who totally ignore much of the chapter's counsel, but for most of us Es, this is pretty solid stuff.

A Natural Leadership Style, Fine-Tuned a Bit *[B#3]*

A forced or faked leadership style will not ring true and eventually will not be respected. Even if an E's personality is somewhat meek and mild, it is possible to develop a leadership style that works. Attending four seminars and renting the movie *Patton* to develop a blustery, aggressive style will not ring true. On the other hand, a forceful, aggressive E will likely have a straightforward, aggressive leadership style. To be otherwise won't ring true.

The key is developing an effective style. Our mellow, non-confrontational E must develop methods to clearly communicate strong conviction when necessary. Our aggressive E may need to throttle back the style so employees, customers and vendors are still on their emotional feet after interactions. A simple summary of target style is…

- **Natural**…modified as necessary to allow you to
- **…interact effectively**
- …assure **sound, long-term relationships** and
- …effective enforcement of **business disciplines.**

If some introspection tells us we're missing any of these elements, style adjustment is important.

Another critical element of style is **consistency.** Employees have successfully adapted to a broad range of leadership types *if* the leadership style is consistent from day to day.

It can be very helpful to study effective leaders whose basic personality and leadership style seem to model your target style. Books and Internet information are starting points. An entrepreneurial mentor willing to give honest (even if hurtful) feedback about your style can provide immense help.

Drawing Lines in the Sand

Whatever your style, it is crucial to have a set of principles that become your personal guideposts. You must first define them, develop strong personal commitment to them, and articulate them as necessary. Here's a simple example: I have a personal deeply held conviction that I shouldn't have to pay employees to behave worse than I would allow my own children to behave. As a parent, I didn't tolerate excessive whining, back-talking, bickering or fighting. When those ugly ducks show up in the employee group, I react strongly at a deep conviction level.

Many successful Es have developed an attitude of 100% intolerance for lazy, sloppy work performance. If an error occurs and the clear reason is employee indifference or sloppiness, the hammer comes down firmly. Other examples may be zero tolerance for insubordination, for rude treatment of employees, for employees arguing within earshot of customers, or for dishonesty of any kind.

More positively, strongly held conviction can lead to behaviors such as courtesy, clear communication, careful documentation and excellent quality control. It is 100% reasonable to say to employees, new or established, "There is a set of beliefs and guidelines that are the heart of this business. I believe them personally; our team believes they are central to our success in the marketplace; and we just plain expect every employee to work within them."

Management by Fury

Now and then, there will be a spectacular violation of deeply held conviction. We could generate a hundred examples:

—An employee tries to explain away a problem by lying to a customer. The customer discovers the falsehood and concludes that your company is populated by liars, cutthroats and thieves.

—Some very bad quality product is knowingly shipped to a client in the forlorn hope that no one will notice. Etc.

These kinds of violations are unacceptable at three levels:

- The immediate issue will likely have serious negative consequences for your company.
- Unless you react strongly, the signal will be given to others that this behavior is acceptable.

- If you do not react to violation of a stated important principle, your credibility as a leader is eroded. Eventually there will be no credibility at all.

Leaders communicate fury differently. Some shout. Some combine verbal tone with intense facial expression. Some need only elevate their normal quiet voice to a level that says, “Uh-oh, the boss is dead serious now.” The *how to* is your call. The *need to* is imperative for long-term effective leadership.

A useful phrase when dealing with collapse of execution by employees or vendors is “Let’s be very clear about one thing: I do not want to be here again.”

Fiercely Defend Your Good Name

As your company grows, the reasons multiply that your reputation, personally or corporately, may be attacked. Possible sources include jealous competitors, unhappy former employees and aggressive journalists. One of my personal “lines in the sand” is any unfair attack on our reputation. As just one example, our company had partnered with a marketing company. They sold direct mail campaigns; we executed the printing and physical mailing. Our “partner” seriously fumbled a communication with their client. We learned they had avoided client wrath by blaming our company for the problem. Our “partner’s” personnel soon learned, first hand, what “management by fury” means and, shortly after that, we terminated our relationship.

Ride Easy in the Saddle of Leadership

It is important that management by fury be reserved for those hopefully rare moments of truly serious infraction of principle. Some Es spend most of the day furious about something. The problems are three:

—Maalox by the carton is expensive.
—Employees will survive by learning to tune out.
—The ability to deal with truly important issues is diluted if not lost.

A useful way of looking at the E's job as manager of operations is something like this:

- Be sure **everyone knows what they are supposed to be doing.**
- Be sure to **actively train everyone on how to do it.**
- Be sure your **important beliefs are well understood** in terms of interaction with customers and employees.
- Then **let employees do their jobs** within a system that appropriately monitors performance.
- **Deal with minor infraction swiftly but calmly.**
- **Save the big guns for the big issues.**

At one level, this list looks obvious. However, every E would likely confess to strengths and weaknesses within the list. For example, Corbin-owned companies have tended to be very weak in job training. Our philosophy was captured far too well by an employee's quip to a new hire: "Bill believes in teaching you to swim by throwing you off the pier." Other Es don't deal with minor infractions until they have become major issues. Others fail to articulate their belief structure effectively. There are many ways to go wrong. It's a list worth careful review and introspection.

Understanding and Shaping Culture *[B#3]*

Corporate culture is a company's belief system. What we do, what we don't do, what we're good at, what we're not good at, how we communicate with each other, how we deal with customers, how hard we work, how we solve problems, how we face crisis. A culture you've shaped positively is a powerful tool. An E who has lost control of corporate culture faces tough sledding. For example, it is extremely common for a group of negative employees to powerfully shape corporate culture. The result isn't what you intended. It sure isn't what your advertising campaign promises prospective customers. But—practical matter—major parts of your operating style and operating systems have been defined by others.

The real reason for **guiding principles, lines in the sand,** and **management by fury** is active shaping of your culture. It is probably the E's second highest calling, ranking just behind developing a sound customer-based business system.

Failed corporate culture is easy to spot. You visit a retail shop, and the only employee available to help you is on the telephone in intense dialog about his date last night. The call continues long after it's clear you would like to pay for your dental floss and be on your way. You are not simply watching a rude employee. You are watching dismal corporate culture. If a store looks cluttered, and you notice two employees stepping over a box that has fallen in the aisle, you are watching sad corporate culture.

Reshaping this kind of culture is not easy, especially in a tight job market, but it should be a high priority objective.

Excellent corporate culture is likely not even noticed. You are greeted well; your order is taken smoothly; the product or service is "as advertised"; the administrative system works smoothly. Beautiful! And it is because an E has done a wonderful job of shaping positive culture.

Ride Easy in the Saddle of Leadership, Part II

Our earlier discussion related to saving fury for important occasions. A second leadership issue is keen awareness of the state of mind of your employees. Companies share much in common with sports teams. Sometimes we play well, sometimes not so well, sometimes downright horribly.

There are times when the E-coach should appropriately come down pretty hard, especially if problems are related to collapses in the execution of basic fundamentals. But there are times when morale is badly battered, egos are fragile and relationships are strained. If the E-coach chooses that moment to come down hard, the result can be extremely counter-productive.

When I'm in personal confession mode, I must admit to some spectacular errors on this issue. I have hurt some personal relationships and further harmed company morale by ill-timed management thundering. Handling this issue correctly takes a combination of wisdom, insight, sensitivity and patience that is elusive when things are going badly, but is a measure of mature leadership.

OK, one more related confessional. On a couple occasions, I have chosen public forums to reprimand individual employees for operational errors. If there were an entrepreneurial whipping post in my town, I should have been taken there immediately and administered at least 30 lashes. **It is fundamental leadership to know that individual matters are discussed with individuals; departmental matters with departments; and company matters with the whole company.**

We'll discuss related issues in our Communications chapter.

If You Must Choose, Take Respect before Affection

People have varying *need to be liked*. A high need to be liked can be dangerous water for the E, as it can lead to softness on issues calling for toughness. So, given a choice, it's almost certainly better to work for the respect due strong, principled leaders. Interestingly, the best chance for long-term affection likely comes from tough, principled leadership. Most of us, if asked to remember our "best teacher in high school," will recall a disciplined, committed teacher who demanded the best of us. In the E-world, most employees would rather work for a company that operates well and has excellent future potential than for a sloppy company whose boss is *just a barrel of laughs*.

Flexibility through Time

A savvy E will not knee-jerk at every slight change in the marketplace or the workforce; however, awareness and appropriate flexibility is vital. As an example, there is little doubt that today's consumers and employees are more independent and less oriented to rigid rules and guidelines than was the case a generation or two ago. Old concepts of company loyalty have certainly changed, partly because people are different, but partly because companies have been willing to improve profits through wholesale layoffs—hardly the stuff of improved loyalty building. Whatever the issues and the reasons, it is vital to be aware and to be appropriately flexible. If a new generation of workers prizes flexible hours above raw income levels, the wise E is aware and flexible. If new employees refuse to work under a hard-nosed, autocratic leadership style, the wise E is aware. Whether to be flexible is a personal decision, but lack of awareness is management with head-in-sand.

Flexibility in General

Of all leadership qualities, this one ranks high. The primary reason is purely practical. Pretty soon, ten years have gone by. It is nearly 100% certain that your marketplace will have changed in many ways. If you haven't changed, you are probably in very deep trouble. Change requires…

- Awareness of the need—a combination of constant fact-finding, evaluation and good judgment (keeping your strategic eyes wide open)
- Flexibility—the willingness to make necessary changes
- Effectiveness in executing the changes

A surprising number of Es falter at the flexibility level. Part of the reason is a tendency toward healthy ego and strong opinion. As I write these words early in the new millennium, I'll guarantee that across the land, young employees are approaching grizzled entrepreneurs with ideas and insights into the opportunities created by the Internet. Some of the Es are listening. Some are crossing their arms and (in their most pompous voice) saying things like "That Internet thing is nothin' but an overgrown CB radio fad. And the same thing's going to happen, sonny. Heard anyone saying 'breaker 1-9' lately?" Good luck, grizzled E.

Of course, the key point here isn't Internet possibilities. The key is an attitude of flexibility, a willingness to actively explore change and its implications**.**

Ready, Fire, Aim

Of all leadership techniques, this one (articulated by Tom Peters in his Excellence series) can help most in moving initiatives forward. As a business gets busy, it becomes increasingly harder to implement new initiatives. Part of the reason is our fearsome enemy**—the tyranny of the urgent.** Another reason is the simple fact that bigger businesses face bigger issues and it becomes harder to finalize all details of analysis, decision-making and implementation. Examples of the concept include new product ideas, new marketing programs, and complex procedural systems. *Ready, Fire, Aim* simply says, "Let's don't wait until every *i* is dotted and every *t* crossed. Let's get close enough to take a reasonable shot, begin firing, and then fine-tune our aim as we go along. The advantages are two:

- We're started…the initiative is underway.
- The fine-tuning process can be based on real input from those we're touching rather than on the drawing board efforts to think things through in advance.

Interestingly, many potential Es never become Es at all because of failure to understand this concept. They're still working through spreadsheet #106 to be sure the business plan is 100% perfect.

Due Diligence

Due diligence is a widely used phrase meaning different things to different people. Among its E meanings:

I am ultimately responsible for the behavior of my employees and for the way my business operates in the marketplace.

I will establish procedures and systems aimed at assuring we operate effectively.

I will also establish appropriate monitoring systems, many of which will involve me personally, to assure that we are operating effectively.

I will be intelligently cautious about the possibility of dishonesty within my business, including awareness that even trusted employees can face personal crisis that might inspire dishonesty.

I will establish appropriate audits against the possibility of dishonesty.

It is a leadership goal to communicate these checks and audits as "sound business principle" rather than "suspicion that you are a crook." It is also important that we don't become so diligent that we hire dogs trained to sniff pencils in the pockets of departing employees. But far more entrepreneurial grief has come from too little due diligence than too much.

Awareness, Intelligent Suspicion

A savvy E has a sixth sense about things going on in the business. (It also helps to have a good management information system, as we'll discuss later.) She knows when customer service is excellent and when it may be wobbling…when administrative systems are tight enough or too loose…when quality control procedures are working well or in need of tightening.

Here's a stab at a new, old saying that is painfully relevant to many Es: **If you suspect that something is wrong in your operation, (1) you're right and (2) it's worse than you thought.**

It is a non-stop part of the challenge to be aware of potential problems and to battle them fiercely.

The concept of intelligent suspicion can operate outside the walls as well as within. As one example, my company was approached by a national communications company whose salesman claimed to be contacting vendors on behalf of one of our largest clients. The pitch sounded plausible. The salesman's company was nationally known and well established. He explained that our client wanted an electronic high-speed communications network connecting all printing vendors. The goals were uniform quoting and order entry procedures. The plan was to be implemented over the next 30 days. Several of our competitors "had already signed up." The system was relatively expensive, something like a thousand bucks a month; but the claimed downside for not participating was loss of our client’s business. It sounded like an easy, if expensive, decision. But a tiny mental alarm bell was ringing. Why did our client not contact us first to notify us of the planned system and their desire that we become part of it? So I signed up; but beside my signature was the note “conditional on terms of attached memo,” and the attached memo said “UN Communications, Inc. agrees to the terms of [seller’s] contract dated ______ based on the assumption that [seller’s] service is specifically requested by [our client] as a condition of service within a period of 30 days. By his signature below [seller’s] salesperson agrees that this contract is not binding if said request for service does not occur.”

Said request for service did not occur. This salesman turned out to be an eager type using some major *Ready, Fire, Aim* tactics in the hope of inspiring our client (with whom he had spoken only in general terms) to help put together the system. So a combination of intelligent suspicion, entrepreneurial savvy and informal contract writing saved my company a bundle. There is no specific way to explain or teach entrepreneurial gut feel. To some extent it comes from experience. But I believe an E can develop the habit and the mental discipline to look a level or two below the surface to see what’s down there.

Effective Negotiation *[B#3]*

Book 3 includes a fairly extensive chapter on effective negotiating, with the admission that whole books, seminars and college courses are devoted to the subject.

Here's a summary of seven factors that can hopefully serve as a framework for study and practice:

- **Personal style and skill:** Using your personal strengths and minimizing the impact of personal weaknesses in the negotiating process.
- **The forum in which negotiations take place:** Understanding the role of the forum (written, verbal, mediated, location of meetings, seating arrangements, etc.) as an important issue that can give the equivalent of home-field advantage.
- **Cultural or organizational norms:** Understanding the role of issues like cultural style and organizational tradition.
- **Duration of the relationship between the parties:** Adjusting style and objectives based on whether a long-term relationship exists or will exist with the other party.
- **Relative strength of the parties:** Understanding and being realistic about the relative power (financial, political, etc.) of the parties.
- **Relative "hunger" of the parties:** Dealing with the reality that the party appearing to want the deal more is likely in the weaker bargaining position.
- **Clarity of objectives and limitations:** The importance of knowing what you're negotiating for and having pre-established limits on your offer or acceptance; a related goal is knowing as much as possible about the other party's objectives and limitations.

It's probably fair to say that many Es do not become top-notch negotiators. Some are surprisingly non-confrontational. Others find that negotiating hits the radar screen only occasionally. On the other hand, effective negotiation can have major impact on the bottom line, so it is an important discipline.

Honesty and Integrity

This topic is a tough one. There are financially successful entrepreneurial businesses that range from lily white to downright flimflam. But an honest book about entrepreneurial leadership can't skip over the topic because it carries a bundle of implications. So, with prior admission that I have not been ordained St. William the Pure, we'll tackle some of the relevant issues.

We won't spend much time on out-and-out flim-flammery. I hope no con artists are reading this book, and if they are, I wish them the very worst. The entire premise of this book is defining customer need/desire and delivering real customer value at a fair price.

But the real E-world involves ongoing honesty dilemmas. The most obvious relate to taxes. Sales reporting, expense calculations, deductions, sales tax remittance, etc. Customer issues can be as simple as the possibility that a client accidentally overpays. But depending on the nature of a business, there are usually issues of quality, quantity and price that raise honesty questions. What do we do if 25% of a "must be there" production run isn't quite up to par—not clearly rejectable, but clearly not at the level it should be? What if a long-established customer accepts a quoted price, but we discover we accidentally double-costed part of the job? Our relationships with employees, vendors, bankers and other financial backers also involve honesty issues. The example list can get extremely long, and I'm sure you can add several from your own experience. Here are some of the issues:

There's something to be said for sleeping well and avoiding jail-time. This concept is not necessarily an ethical issue. The problem with selecting dishonesty as an operating style is that it becomes cumulative. It is another application of our reminder that "ten years go by amazingly fast." Ten years of somewhat falsified records and various attempts to keep things covered up involves high risk and high pressure.

Employees likely know. In most businesses, systemic dishonesty cannot avoid detection by some employees. Some will be aware. Some may actually be necessary in execution or cover-up. Again, ethical issues aside, this carries enormous risk. The most obvious is disclosure by a disgruntled employee. Our next point is less obvious but perhaps more certain.

Dishonesty begets dishonesty. An assumption about corporate honesty will become part of corporate culture. If that assumption is "the boss cheats, so why shouldn't we?" the seeds of destruction are sown. It is challenging enough to develop and maintain an honest employee group. To lead them toward dishonesty by personal example is arguably just plain stupid.

Dishonesty corrupts relationships. A secondary employee issue is trust. In many ways, the E needs to trust employees, and employees need to trust their leader. A leader who is known to cheat is hard-pressed to maintain trust-based relationships. Similarly, a leader who over-promises or otherwise fails to "shoot-straight" with employees will struggle to build sound relationships.

The law of averages is sometimes tougher than business or tax law. A later chapter covers some math concepts as they apply to E-life, but let's intro one here. Let's say we have an honesty issue that seems to come up every month or so. We figure the odds of "getting caught" are only 15%. So, with 85% certainty, we decide to fudge. Pretty good odds, right? But as Es looking into the future, the relevant question is "If this practice becomes systemic, what are the odds of discovery?" Those odds aren't so good, because they work as the multiple of the individual odds. So, let's ask, "What are the odds of avoiding discovery if I take this risk six times?" The answer: .85 x .85 x .85 x .85 x .85 x .85 = .377. The odds of avoiding discovery ten times are .197. Not so good.

One marketing issue is risk. There is plainly a risk of lost business, negative word-of-mouth, even legal action if a customer discovers intentional dishonesty. Many of the things we say about "trust once broken" between lovers would be true of trust broken with clients. As Es, we have an urgent need to be clear on our own beliefs regarding client honesty and to enforce those beliefs within our employee group.

Honesty as a positive marketing issue. In the late 1960s, Senator Eugene McCarthy generated a memorable quote: "Nothing so disarms men as plain talk and honest dealing." In business, this wisdom works at two levels. First, there is so much dishonesty and distrust in our society that many people “have their guard up.” If by plain talk and honest dealing, we can develop an unusually solid trust relationship, it is an immense competitive advantage. Second, in the long term, trust relationships are smoother, easier and more enjoyable. Once both parties are “disarmed” by plain talk and honest dealing, the relationship can work at a virtual partnership, even business friendship, level.

Sometimes we may need to “spin” a little. Although the 1990s era Washington crowd gave *spin* a bad name, the concept is crucial to effective E-leadership. Let’s say times are a bit tough; in fact, times are very tough. Your private assessment of survival odds is *30-70 against* you over the next six months. But you have committed yourself to an intense turnaround effort. What do you say to the employee group? “OK, gang, I’ve gotta be honest here. Looks to me like you have a 30% chance of having a job for even six months.” Obviously not. Probably more like “I won’t kid you. We’re going to have to work hard and be extremely effective to turn this thing around. But I’m confident that, working together, we can make it happen. Let’s go to work.”

Now let’s move to a tougher honesty question in our theoretical turnaround effort. Our banker is “concerned” and is reviewing whether to renew our line of credit. It is very important that we maintain the credit line, but “the numbers” are bad. Do we use “creative accounting” to present a more acceptable financial statement? This answer is very personal. Some Es would argue for doing whatever it takes to help their business survive. In my personal opinion, the slope is just too slippery. If “creative” means “falsified,” we face issues of involving others, creating cover-up documents and determining whether next period’s numbers will start at real or false. When faced with the same question in the future, we would be inclined to falsify again, creating a pattern likely to be discovered eventually. In extreme cases, we might face lawsuit or criminal charges. My personal approach would be (actually “was” in 1996) honest numbers accompanied by a strong document detailing our turnaround plan, including detailed pro formas showing the intended result of our turnaround. Things worked out in 1996, but it is fair to ask, “But what if the banker had pulled your credit line?”

To me, Es are career risk takers. Sometimes risk taking involves the notion of “picking your poison”—neither choice is great, but I must decide something. I would personally rather risk the banker’s pulling my credit line than risk the various downsides of falsification. If I make that decision, certainly one that carries risk, and I lose…well, that’s what Es do and what they know may happen. I would have gone into some kind of scramble mode to try to line up secondary financing and would have kept the cannons firing as long as we were above water.

Leadership in Tough Times

Book 4 deals with *Entrepreneurial Turnaround,* probably the toughest example of the need to lead through tough times. But day-to-day operations can involve tough times: key accounts can be lost, hard disks can crash, a key employee quits and starts a competitive company, a competitor announces an excellent program that will put a major dent in sales volume. Again, we could list examples until the hives break out. A mature E looks at crisis something like this:

—I wish crisis never visited, but it's part of the territory. When it comes, I'll face it head on, knowing that my employees and perhaps others are watching.

—I'll first absorb the news with as little emotional reaction as possible. This is partly leadership duty. I must be as calm as possible to be a steadying influence on those who look to me for leadership. My insides may be screaming, but I'll absorb this news with as little outward reaction as possible.

—My immediate first goal is fact-finding. I must know exactly what has happened. Again, my emotions must be as fully controlled as possible because intense emotion is the bitter enemy of sound fact finding.

—If the crisis carries urgency to communicate with those involved, I will handle that communication on a timely basis. My primary goal, however, will be conveying an impression of calm and resolve to address and deal with the crisis. If fact-finding and decision-making are not complete, I will communicate clearly that "investigation and planning are continuing." I will not be stampeded into premature conclusions or comments.

—I will develop an action plan as rapidly as possible and will communicate that plan, as appropriate, to those involved.

Contingency Planning

The concept of contingency planning is often strategic—issues such as "if the market shifts to lower priced items, we will respond by _________."

For some companies, potential crises are predictable enough to have done some of the contingency planning. What if a fire destroys equipment or files? What if major negative press coverage? What if employee _______ leaves?

It can be mightily helpful to have written plans, even an outline of your speech, in the event of various potential crises. It is also a huge help to have each employee functionally backed-up.

Deal with Where We Are,
NOT Where We Wish We Were

Most of us were probably in second grade when we were taught not to cry over spilled milk. (I first heard the spilled-milk counsel when a much-loved helium-filled balloon eluded my tiny grasp and soared skyward.) Yet some Es, especially Es facing crisis, tend to spend a great deal of mental and emotional energy on "how I got into this mess." The first goal of crisis management is to **understand** the crisis. The second is to **plan** a way out. The third is to **get out.** It is entirely appropriate to look back later on the whole misadventure and dissect its causes with high resolve to "never be here again." But while the battle is joined, the E must avoid guilt, blame laying, finger pointing, or any other distracting attempt to get the milk back in the cat's bowl.

Dangerous Attitudes toward Employees & Customers

It is extremely easy for an E to become frustrated with employees, customers or both. It is possible for that frustration to become verbal, then to become policy. Let's look at the potential impact of both.

An E who blusters around the building verbalizing frustration with employees clearly risks morale damage. An E who blusters about annoying customers risks communicating to employees that it is OK to be negative *about* customers. It is a short leap from that conclusion to the idea that it is OK to be negative *toward* customers. That notion, if it creeps into corporate culture, can be fatal.

As negative attitude makes its way toward policy, the harm can be greater. A highly negative set of employee policies can obviously harm morale. Similarly, a negative set of customer policies can be harmful in the marketplace. Note this important distinction. We are not saying that tough rules, guidelines or policies are necessarily bad. They may be necessary and important. But we are saying that a root motivation of *negative E-attitude* is likely the wrong motivation.

Entrepreneurial Attitude Control

Here's a tough one. A large percentage of Es would agree with this statement: "A lot of the time, this is a tough job. There are pressures, disappointments, problems and anxieties that are far more intense and far more frequent than I thought would be the case." There can be a feeling of bombardment, almost embattlement, that is very difficult on E-morale. It is a virtual certainty that negative E-morale will seep into the organization. My organizational quipsters observe things like,“Look out today. Bill ain’t happy, and if Bill ain’t happy, ain’t nobody gonna be happy.”

Of course you and I are both human and we’ll have up days and down days, but in general, it is another example of **leadership duty** to build and maintain a reasonably positive working environment within your business.

So, whether the answer is spiritual growth or more time on the golf course, Es must consciously work on attitude control as it affects the organization.

The Positive Side of Entrepreneurial Leadership

We’ve talked a fair amount about problems, crisis and the other negatives of E-life. It is important to remember that with discipline and hard work it is possible to build a successful business that operates with a positive attitude within a positive corporate culture. Every day won’t be a *Happy Day* and problems will rise up, but the overall experience can be very positive and very fruitful.

Chapter Three

Working with Customers

Chapter 1 discusses customer service at the strategic level. Here we'll look at some more specific techniques.

What Is It Like to Do Business with Me?

There is no more crucial E-knowledge than awareness of customer experiences in dealing with your company. Some Es stay very close to the process, actively involved in marketing, sales and customer service. Others stay as far away from the customer as possible, preferring to work in the technical or administrative side of the business. Wherever you are, it is crucial to know what the customer is experiencing. The issue has two levels:

1. How well do I attract, greet, sell, serve and administer in the eyes of my customers?
2. How well do I compare with the experience provided by competitors?

Even if our present customers seem satisfied, word soon spreads if a competitor is providing a superior experience, where *experience equals value:* including convenient transaction, quality product/service and price.

One simple technique is employing shoppers. These can be professionals or your aunt and uncle from a nearby city, but the objective is *monitored transactions with your business*. Another technique is simply asking existing customers. Some Es use survey cards; some use employee phone follow-up teams; others make personal contact. Whatever the method, it is vital to stay attuned to the customer's experience in dealing with your company.

Welcome Bad News from Customers

As a long-time E, I am rarely surprised by business behavior, but I was recently astounded by the treatment that one of my employees received. She had some service done at her home. While not a disaster, the experience had been far less than satisfactory in several ways. She called the service company, reached the owner, and started to give him feedback about her experience. *Mr. Entrepreneurial Meathead* proceeded to attack her verbally for bothering him with "a load of negative crap" and demanded to know her boss's name so he could let me know what a rude annoying person she is.

That behavior surely deserves honorable mention in the E Hall of Shame.

The savvy E says, "Thank you very much for calling. I never like to hear bad news, but it's very important that I understand how you feel so we can improve." Our idiot E had a free opportunity to learn what it's like to do business with his company and resented the intrusion.

Note that this issue has nothing to do with the validity of the consumer's observations. You may discover that a totally unreasonable person has called. You may even decide you're happy she'll never grace your door again. But those judgments are made *after* you welcome the input and draw every possible drop of information value out of it.

Handling Customer Complaints

There are at least four levels of customer complaints, and handling them correctly varies by level:

1. A **"thought you'd want to know"** observation about product, service or price
2. An **"I demand an adjustment"** complaint from a customer whose loyalty you are anxious to maintain
3. An **"I demand an adjustment"** from a non-critical customer whose position may be unreasonable
4. An **"I demand an adjustment"** from a customer so outraged that legal action seems a likely outcome

For this discussion, "adjustment" may mean return, replacement, refund or partial refund. Whatever the meaning, there will be financial cost to your company.

Thought You'd Want to Know: The wise E expresses sincere thanks for the feedback and asks whether there's any action called for (even though fairly certain there's not). We promise to look into what happened and to speak with the people involved. We make appropriate notes to document the call and the situation. We carefully file that documentation, knowing it might represent part of a serious trend. We communicate directly with those involved and use the incident educationally to the extent possible.

Adjustment Demand, Valued Customer: By "valued," we mean a customer whose loyalty we are anxious to maintain. All the same *thank you, documentation and follow-up* steps described above are employed in this case. Moreover, we must investigate the adjustment demand. Depending on your policy, you may simply grant the full adjustment demand without question. In some cases, it may be appropriate to say, “Let me investigate this completely and get back to you with a proposal.” There is a chance, probably remote, that the customer’s position is erroneous and that the customer will agree that the initial complaint was not valid. Whatever the specific outcome of the adjustment demand, your attitude is driven by desire to maintain the customer relationship. The adjustment should be viewed as a necessary investment in a valued relationship and should be made gracefully with appropriate apologies and promises to strive for no recurrence of problems.

It is a surprisingly common collapse of E–common sense to spend $10,000 advertising for new customers and refuse to spend $500 to maintain a major established account.

Note a related issue of intelligent customer service. Let’s say a salesperson comes to you and says, “Mrs. Jones is very unhappy and wants an adjustment on her last project.” So you investigate and determine that a 15% adjustment seems fair *to you*. But you and the salesperson fail to determine that *Mrs. Jones* feels an absolute minimum of 40% is called for. If you give her the 15%, you have likely wasted the entire amount. Your money is gone, *and* Mrs. Jones is still totally unhappy. In my company, it is a customer service representative’s duty to explore the customer’s adjustment expectation and make a customer-based adjustment recommendation.

Adjustment Demand, Non-Valued, Potentially Unreasonable Customer: A “non-valued” customer would be one whose loss would be strategically acceptable. Some companies operate with a strict “all customers are valuable” and “the customer is always right” policy. This approach was pioneered by J.C. Penny over a century ago and leads to the decision, “We will make the adjustment without question.” Penny’s philosophy says, “I would rather be taken advantage of now and then than have every clerk in every store in the country interpreting customer policy based on his mood that day.” Other businesses strive for balanced analysis of conflicts and strive to make adjustments based on that fair analysis.

It is important to correctly assess the potential outcome of this kind of analysis and negotiation:

You may decide an adjustment is not merited by the customer’s complaint. In this case, you will **save the adjustment money but risk loss of the customer.**

You may decide an adjustment is called for and extend it gracefully. In this case, you **lose the adjustment money but save the customer.**

Occasionally a frustrated E falls off the cliff of common sense by concluding that the customer is an unreasonable jerk, verbally making the customer well aware of the “you’re a jerk” assessment, but deciding to avoid hassle by giving the adjustment anyway…thus **losing the money and the customer.**

Conflicts with Potential Legal Ramifications: Hopefully entrepreneurial savvy will help us sense when a conflict has reached the level of potential legal action. In this case an entirely different mentality is necessary. You fully document the customer's feelings and comments. You admit nothing in terms of wrongdoing and promise nothing in terms of adjustment. You call counsel for advice and quickly gather and document the information set as advised by counsel.

Get Enough Space to Deal with Issues Carefully

In dealing with customer complaints, there is a tendency to rush, especially if the problem involves a valued client. But the rush may lead to decision-making without complete information and/or without time to carefully process that information to reach a sensible position and action plan. An approach like this is reasonable and extremely helpful:

- "Mrs. Jones, let me make careful notes of this problem from your standpoint. I'll then investigate it fully and get right back to you."
- We then investigate with the dual goals of complete information and a thought-through position.
- And we get back as promised.

As you add employees who are dealing with customers, this concept becomes even more important. If you have well-developed complaint procedures that clearly cover a conflict, it is fine for the matter to be resolved "per policy." But in many cases, there may be important information to round up. There may be a need to talk with you about the proper approach to resolving the conflict. So the idea of getting enough "space" (meaning *time* in this case) to think things through can be very important.

Don’t Put Clients Through Unnecessary Hassle

Businesses often commit a sin that is the equivalent of an airline losing your luggage, then causing you to jump through hoops to get it back. A few years ago, I overheard a brand new CSR call a UN Mailing client and say, “Mrs. _____, I’m supposed to write your check number on my postal receipt form and forgot to do it. Would you mind looking it up for me?” This isn’t one of the Seven Deadly Sins, but to me violates good customer service policy. Somewhere in our administrative system, there was certainly a record of that check number. Our CSR would have worked a bit harder to dig it out than she worked to call the customer, but it is not the customer’s job to do our administrative work.

This concept has many examples. If a client drives to a business to pickup a product that has been promised at noon and is told, “Sorry, it won’t be done until 3:00,” there seems to be powerful reason to offer some kind of compensation for inconvenience. Even in a service-starved world where customers are numb to inconvenience, it is a chance to “surprise on the high side” if we offer a $3 coupon on a future job or some other affordable compensation. Even better, if affordable, is to offer free delivery to the customer’s location.

Don’t Be Part of the Customer’s Problem

One of business’s oldest sayings is “Be part of the solution, not part of the problem.” Yet it is surprisingly common for one business to be part of another business’s problem: “Delivery is always late”; “Pricing is all over the map"; "Quality rises and falls like the tides"; "Invoicing is a mess"; etc. There are businesses who, when dealing with individual consumers, seem to say, "What can we do to make their experience as hassle-filled as possible?"

The savvy E, at the first sign that he is part of a customer's problem, goes to work to take care of the shortcoming. If your competitors are part of someone's problem and you can figure out how to be part of the solution, you have a very meaningful marketing advantage.

When an Important Customer Is Lost

It is a sad E-day when a valued client is lost. Two steps are important:

Find out as much as possible about why? The information we gain may be hurtful but will almost certainly be valuable. Again, we must seek bad news of this type. It is often true that the best way to secure this information is by a personal contact with the client. "Mary, I'm aware you've selected another vendor, and I'd sure appreciate a few minutes of your time to learn what things we should have done better."

Make contact formally, probably by letter, saying, "We have appreciated the opportunity to serve you. We regret whatever factors caused you to select another company. We strive constantly to improve our operation, and we will work to improve in the areas important to you. Please know that we would welcome the opportunity to work with you in the future."

When a Customer's Behavior Becomes Bizarre

It is one of E-life's puzzlements when a long-established client behaves differently and oddly. For example, a formerly reasonable client beats you up badly over a very slight quality issue or pricing error. Reasons for a major behavior change can be many and may simply relate to personal problems; but a very common reason is financial pressure in the client's operation. For the savvy E, especially the savvy E who has extended 30-day terms, this can be important information and should be monitored closely.

When Employees and Customers Conflict

Early in my E-career, my "customer is always right" belief was badly shaken when I learned that a female employee was saved from serious groping-by-client only by quick feet and a good-sized Saxon copier. The frustrated groper turned out to be a sizable account, the loss of which was not casual. Even though the incident occurred before sexual harassment had become a high-profile issue, I resigned the account immediately.

This is a complex issue. Over the years, there have been conflicts in which my employees were out-of-line, others in which clients behaved very badly, and a few "too close to call."

There is probably no universal advice on this topic, but here is a near certainty: To an employee who has suffered through a conflict, it is not a casual matter if you side with the customer. If the facts of the case legitimately represent a close call, *and if* you clearly try hard to be fair and objective, *and if* you carefully explain your reasoning to the employee, things will likely be fine. But an E who repeatedly sides with customers in matters that the employees feel are grossly unfair and one-sided will soon face serious morale problems.

On the other hand, an employee who is constantly in conflict with clients should likely be retrained or reassigned, even if the employee always seems to have a good explanation for why “another customer behaved badly.” It is good E-discipline to document and file all conflicts of this type, again looking for serious trends.

The Possibility of Firing a Customer

As suggested above, experience has taught me that “customers aren’t always right.” *[B#3 covers this topic in detail.]* I’ve seen verbal abuse, sexual harassment, outright dishonesty, and outrageous demands accompanied by outrageous attitude.

Less dramatic but equally important are these possibilities:

- Some customers may not fit with your company’s strategic direction, particularly if you are making significant shifts in marketing emphasis.
- Some customers may absorb far too much time, energy or other resources in relation to the sales revenue they provide.

Over the years, I have fired perhaps 15 customers, one of them a very large customer. (The correct term is probably “resigned” rather than “fired.”) I have viewed the decision to resign an account as strictly mine, partly because involved employees may not be objective in their analyses and decision making. So the decision must be made with great care. Emotional issues must be discounted. We must consider both long-term and short-term implications. We must consider whether a precedent is being established. But it can be very liberating emotionally to realize that a customer can be eliminated from your life's Excedrin-moments list.

Beware the Vociferous Minority

It is important to listen carefully to both the complaints and suggestions of clients; however the savvy E does not knee-jerk at every suggestion. If your business plan is well conceived and is serving your target customers well, it may be important to *ignore* (politely, of course) the recommendations of "fringe" customers. Over-reaction can lead to shifting focus from the key values your core client group seeks.

Through It All, Stay Positive and Customer Oriented

E-life has moments of anger and frustration that can sour attitude. As we said in the Leadership section, it is crucial to remain positive. In a customer sense, this means maintaining an attitude of appreciation and a desire to build loyalty by long-term value delivered. When the negatives come, we must deal swiftly, readjust our attitude and refocus on the valued clients who help make it all worthwhile.

Chapter Four

Salesmanship

Entrepreneurial life includes two kinds of selling:

- **Marketing selling—**to our customers
- **Leadership selling—**to employees, investors, bankers, vendors, regulators, auditors

Occasionally a new E will say, "I could *never sell* anything. I need help to sell." A savvy E knows better.

Leadership Selling

The entrepreneur must realize that E-life is virtually non-stop leadership selling. Here is a list that could be much longer:

- We sell our idea to family and loved ones as we prepare to launch the business.
- We sell it again, supported by increased numerical analysis, if investors or bankers are involved.
- We articulate our vision to early employees in order to achieve buy-in and performance.
- We sell the need for various operating disciplines and procedures.
- We sell the need for improved performance via motivational programs and communications.
- We sell the need for important change as our business reality changes.

- We sell a belief in the future during hard-times, perhaps to employees, employees' families, vendors, customers, investors or bankers.
- We sell our honesty and good intentions during regulatory visits and audits.

The savvy E knows that selling is part of the game.

Qualities for Effective Leadership Selling [B#3]

Fortunately, leadership selling does not require the ability to deliver ringing speeches that leave the audience in wonder and awe. Very few Es, in fact very few human beings, have that kind of magnetic power during communication. These qualities seem key:

Knowledge: There is simply no substitute for knowledge. Blowhards who try to hide their ignorance in a cloud of smoke and hot air are soon discovered (and ridiculed). If an E truly knows the industry, the trends, the business operation, and the competitors, much of leadership selling follows easily.

Vision: Leadership selling must include a vision for the future and an ability to articulate that vision.

Communication skill: While great eloquence is not necessary, the E must be able to deliver **clear** communication, both verbal and written. Many Es (your author admittedly one of them) are idea people who enjoy thinking at a grand concept level. Ideas tend to trip all over each other. Sometimes we "think out loud" in working toward the solution to a problem. This quality risks blowing a dense fog on the people trying to understand what we're saying. It is often wise to deliver clear, concise summaries of decisions and action plans.

Reasonable presentation skill: Again, we're not talking here about the national oratorical contest, but a leader should develop the ability to speak to groups in a broad variety of settings. "Impression issues" such as appropriate attire, eye contact and handshake should be practiced and improved as necessary.

Wisdom to get necessary help: If written communication is a serious weakness, employees or hired services can help. If an E's sales team needs regular motivational talks but his style causes his own mother to nod off while he's speaking, a hired sales manager is likely a good idea.

Commitment to Improve Leadership Selling:

The requirements for effective leadership selling grow as the business grows. There are Es conducting shareholder meetings and being interviewed on TV who never imagined that the day would come. A commitment to improve personal skills in lockstep (or ahead of) business growth is important.

Working with Regulators

We listed this topic above, but for many Es it deserves a bit more attention. We're talking here about the essentially unwelcome arrival of an IRS agent, a state sales tax auditor, an OSHA inspector, or any of the other people who have the right to inspect your operation. Many Es selected their career path partly because they don't handle authority well. There is a tug toward hostility and combativeness when confronted with authority figures who are resented for whatever reason. In many cases (no offense intended here), hostility and combativeness are just plain dumb. The E will earn the inspector's dislike, followed closely by suspicion that "this person must have stuff to hide." Far better seems to be an attitude of professional respect: "I know you've got a job to do and I'll be happy to help you get it done quickly and efficiently." The E's entire demeanor should communicate, "I run a good, honest business. I follow the rules to the best of my ability to understand them. If anything isn't right, we'll sure take care of it promptly." An investigator is a human being (perhaps giving a few of them the benefit of the doubt), and appreciates being treated with courtesy and respect. For some investigators, it is a relatively unusual experience, so you can score a few points by not treating her "like the jerk did last week."

If there are serious problems during the investigation, you are far more likely to avoid major penalty or other repercussions if your communicated attitude is "a desire to fully understand what we should be doing" and "full commitment to quickly straighten out anything that is wrong."

While we've included this topic under "Leadership Selling," there are two practical operational issues:

You must fully understand what is going on during the investigation. What is the purpose? What is the process? What are the potential outcomes? In many cases, you will want input from professional advisors. An IRS audit, for example, will almost certainly involve your accountant for some, perhaps all, of the process.

The discussion thus far assumes a reasonable investigation. Unfortunately, there are regulators and/or interpretations of regulations that are completely unreasonable and unfair. At the first sign of this possibility, you must become extremely savvy: getting advice as necessary, holding cards closer to your vest as necessary, and generally standing and fighting as necessary.

Value Selling

Our "Strategy" chapter discussed the importance of selling value rather than relying on low price. To some extent, value selling is a technique—being sure to fully communicate your value to prospects and customers. But the first step is **attitude,** a genuine comfort with the idea "of course my prices are higher, and here's why."

In everyday business, some variation of this encounter plays out constantly:

Customer: "I got two quotes and yours is $9,000 higher, but I'd like you to do the job. Can you match the competitor's price?"

Employee: "Why didn't you go with the other company?"

Customer: "I need the project completed in two weeks and they can't do it for four weeks"…or (more astonishingly) "I like your quality better than theirs."

If we have our **value-selling** hat on, an exchange like this doesn't even pass the straight-face test. Yet a surprising number of companies are tempted to reduce pricing to make the sale. The politically correct explanation would be “Our ability to turn your project in two weeks is based on a major investment in people and equipment that our competitor just hasn’t made. That’s why his price is lower. But it’s also why we need to charge the price we’ve quoted you.” It is tempting to say something like “Look, meathead, our price for four-week turnaround is $9,000 less too, but if you want the job in two weeks, your price is right there on the quote sheet.” Or “Well, Mr. Knuckledorfer, our crap-quality price is $9,000 lower, but our good-quality price is what I quoted you.” Of course, it is preferable to use a politically correct explanation.

Selling Gold Carpet

At age 21, I had an amazing experience. I was in college but had foolishly purchased a car I couldn’t afford, so I responded to a classified ad for a part-time job selling carpet. My interview was in a tiny storefront, not more than 15 feet wide. I was told that all sales were in-the-home to prospects generated by a TV campaign offering extremely low prices. I further learned that the advertised grade was the lowest of five grades I’d be selling. There were various colors in each grade, a total selection of about 50 items. I was then invited to “tour the warehouse.” Thinking we’d be driving to another facility, I started for the front door. “No,” said my future boss, “the warehouse is in the back room.” “No way,” I thought. We went into the back room where there was *one* gigantic roll of gold carpet.

“Here’s how it works,” he explained. “You can sell any of the grades and any of the colors. But if you want to earn a commission, you’ll sell Gold, Grade #3. That’s what

I stock here. Anything else, I need to buy from a wholesaler down the street, and there's no profit for you or me."

My first thought was, "Bill, you have just applied for the worst job in America, and you're talking to a total wacko." He then explained the very generous commission structure on Gold, Grade #3, so (being young and broke) I decided to give it a try.

The first selling job was easy, moving the prospect from Grade #1 (pretty sad carpet) up to Grade #3 (via a brief mention of Grade #5 that was priced too high for the Waldorf Astoria to afford). In something like 30 sales calls, I never failed to move to Grade #3 within five minutes. The color was a bit trickier. "What color would you prefer, ma'am?" "Blue, I think, so it matches the furniture." (After assessing the room that was full of fairly old furniture…) "Is there any chance you'll be wanting to upgrade the furniture any time in the next several years?" "Well, gosh, I hope so." "Is there any chance you'd want to freshen the whole look, maybe with a new color scheme?" "Well, sure, maybe." "Would it make sense to select a color now that would go with the furniture you've got *and* be flexible for a change in the future? For example, our gold carpet.…"

"What color were you thinking of, ma'am?" "Uhm, green I think." (Noting bare floors…) "Have you ever owned a room full of green carpet?" "Uh, no." "Well, green is interesting. It sure is beautiful, but it's so dark, it just sucks up light…tends to make a room like this really dark. I can't help noticing you've only got a couple small windows, so light will be a problem. Now on the other hand, gold…."

I do not relate this story because I'm proud of it. In hindsight, I was the youthful pawn of a marginally ethical businessman, and the whole system was pretty ugly. But I sure did learn an important thing. It is possible to sell gold carpet.

The main E-application relates to selection necessary to satisfy our customers. It is tempting to offer an extremely broad assortment of product or service. When the customer says, "Can you do this or that?" it is tempting to say "sure!" and add more items to an already broad offering. In many cases, it is not necessary. We can serve a large percentage of customers with a smaller product assortment than might seem necessary, *if* we do a good job of merchandising the assortment we have.

I also learned that effective selling can lead the customer in the direction you want that customer to go. The process need not be unethical or manipulative. In many cases, customers are legitimately seeking ideas and information. If your available assortment is presented as good, logical answers to questions like price, service and reliability, you can definitely sell the assortment you have.

A third lesson applies to sales motivation and marketing focus. My gold-carpet boss had a 100% clear fit between the assortment he wanted to sell and the motivational system that inspired his sales team to sell it. Granted, it required some creativity and extra effort, but the system worked. Most businesses can apply this principle: clearly defining the assortment we want to sell, then pointing all aspects of marketing, sales training and sales motivation toward the desired assortment.

The “Secrets” of Successful Selling

There must be a thousand books and articles summarizing “The Nine (or Seven…or maybe Eleven) Steps to Effective Selling.” I’ve never had much luck remembering long lists. There’s also an annoying possibility that the prospect asks something at step 6 that screws up the whole flow of things. So let’s try to simplify this subject. Doesn’t it really boil down to these common-sense elements?

- Fully understand the prospect’s *real* need.
- Fully understand your own offering.
- Explain how your offering fills the need.
- Deal with any concerns or objections.
- Ask for the sale.

Prospect’s real need: The “books” call this step “qualifying the prospect” and often suggest virtual trick questions to discover innermost secrets. In most cases, the step merely involves calm, interactive discussion *before* we launch into our sales pitch. “What brings you here?” “How did you here about us?” “What kinds of things are you trying to accomplish?” It is an immensely common error to fail to understand why the prospect has contacted us and what the real needs are. Is the fence for beauty or privacy or just to keep the neighbor’s dog from soiling the lawn? Is the wallpaper for personal pleasure or to prepare the house for sale? Is the computer system needed to support present activity or to allow major future growth? What kind of growth? The answers to these questions have immense impact on the sales process.

Wrapped inside the "need" issue is the investment the prospect is willing or able to make. Some of selling's great "Stupid! Stupid! Stupid!" stories relate to assumptions made about the prospect's financial wherewithal. Again, calm customer-centered conversation, built around carefully chosen questions, is the key to successfully understanding the prospect's real need.

A skilled salesperson, while getting to know the prospect's real needs, will show the kind of concern and caring that helps earn an "I like this person" appraisal. Bonding personally is not necessary in many sales processes, but it sure helps. Earning an "I really don't like this person very much" appraisal is likely deadly.

Our offering: Every business can be viewed as a package of customer benefits. We aren't selling wallpaper; we're selling beautiful rooms. We aren't selling candles; we're selling atmosphere. We aren't selling software; we're selling solutions. We aren't selling convertibles; we're selling exhilaration and youthfulness. We aren't selling websites; we're selling access to a whole new world of commerce.

Every employee involved in selling must fully understand the company's "assortment" and the benefit structure made possible by that assortment. Only broad and deep knowledge of the benefit structure allows a salesperson to confidently address the needs of a broad range of prospects.

Relating offering to need: The prospect must be shown that need is met by offering. The salesperson must bridge that gap with a combination of factual presentation and appropriate emotional picture painting. It is amazingly common for salespeople to blow long and hard and totally fail to equate the company's benefits with filling the prospect's real needs. Each of us can illustrate by good and bad example. I recently bought a gas fireplace from a salesperson who successfully communicated cozy cuddling on cold Indiana nights. But who among us hasn't *tried* to buy something from a salesperson so inept they drove us straight to a competitor's business.

Some salespeople become too technical, clobbering the prospect with a thousand facts. Some aren't technical enough, failing to provide the prospect's need for intellectual comfort. ("Facts are the horse on which emotion rides," said a wise man familiar with the sales process.) We must find the right balance.

Dealing with concerns: The "books" call this step "overcoming the objections." It is a very real part of many selling processes. Skill in this area tends to separate good salespeople from so-so performers. Three qualities are crucial:

1. *Knowledge*—The salesperson must have the inventory of knowledge necessary to provide necessary answers. It is easy to find woeful knowledge on sales teams all across the land.
2. *Insight*—Often a stated concern masks the real concern. Prospects embarrassed to admit they can't afford a certain selection may blow various smoke that never mentions price. Prospects fearful of making a decision may also blow smoke. The savvy

salesperson knows that the real need is "a push." So-so salespeople will carefully deal with each cloud of smoke only to receive a new cloud. Some salespeople have natural insight. It can be learned through practice, but requires a serious effort.

3. *People skills*—A savvy salesperson overcomes objections smoothly without creating conflict and barriers. We have all experienced good and horrid people skills in this part of the process.

Asking for the order: This step brings to mind awkward moments when the salesman says, "Ok, Mr. Corbin, if I can get that price down by a hundred bucks, wouldja buy *today?* Wouldja, huh?" Awkward or not, it is vital. What it says is this: There is a window of opportunity during which I have this prospect's attention. I want to make every effort to get this sale accomplished within the relevant window.

Some businesses have windows that last for years. Some last for minutes. The sales effort will vary based on the window. But it is important to ask for the order within the relevant window.

As a human being, I always appreciate a low-key souvenir salesperson when I'm vacationing. As an entrepreneur, I don't understand it. I'm there for one brief moment in history. The selling process should make every effort to part me with my money that doesn't cause other shoppers to flee in horror.

It is surprisingly common for businesses to generate an effective marketing program—TV, radio, direct mail, whatever—that generates prospect interest, but to fail to move the prospect down a well-thought-out path toward an actual decision. If we don't channel prospects toward the buy-moment, we leave too much to chance. We must hope that, despite memory lag, lost literature and the best efforts of our competitors, the prospect eventually, on his own, will contact us and beg to buy.

Note that none of this necessarily implies high pressure. Rather we're talking about an organized process that leads from awareness of us to knowledge of our offering, to consideration of whether we meet important needs, to a *yes or no* buy decision within the relevant time window.

Studying the Whole Marketing/Sales Process *[B#3]*

The marketing/sales process can be as simple as hot dogs available at a convenient stand and as complex as lengthy negotiation involving scientists, accountants, governmental officials, and lawyers. Whatever it is, the E must understand it and be sure that it serves the business's purpose. This is another "fit" concept. We must understand the prospect's path toward becoming a loyal customer and be sure to align all aspects of our marketing plan to that path. Let's illustrate by examples of poor execution:

—Our business sells exclusive paintings to an upscale clientele. Our marketing goal is to establish long-term relationships that will lead to multiple sales. But, on the advice of a brother-in-law who sells aluminum siding, we've set up a straight-commission program for our salespeople. The predictable result is too-pushy selling that offends our prospects.

—Our business sells a very high-ticket item that requires just a few sales per month. The face-to-face selling time is relatively high per transaction. On the advice of a sister-in-law who sells pantyhose, we're using a mass-appeal TV campaign that generates far more prospects than we have time to effectively contact. We are misdirecting advertising dollars then compounding the crime by failing to professionally serve those who contact us.

—Our business requires TV ads that lead to 800 calls that lead to a brochure mailing. But we are not carefully capturing prospect information for later follow-up.

—Our strategy is based on building repeat sales from loyal customers, but we do not have an organized method of contacting our existing customers on a regular basis.

—We are an upscale business that will make sales only if prospects perceive genuine quality throughout the operation, but we've allowed our facility to become a bit shabby and have allowed the quality of our employee team to deteriorate.

The key is viewing the process through the eyes of the prospect/client. We are looking for any mismatch between client journey and our business's communications, facilities, assortment, employee skill/behavior and administrative systems.

Avoid Being Trapped in Bad Projects

Many businesses involve the equivalent of a job quotation. Customer describes specification. Company estimates job cost based on those specifications. Customer makes “go decision,” often based on comparing your quotation to competitive proposals. It is grimly common to learn that the quoted price is badly flawed and to be trapped in a project that will be unprofitable. The savvy E works very hard to avoid this trap. Here are possible traps along with potential steps to avoid them:

The customer provided incomplete or inaccurate specifications. Provide a written quotation clearly spelling out your understanding of the project, including detailed specifications. Include clear language, saying (1) “Carefully review these specifications to be sure we understand your request” and (2) “Any changes from these specifications will result in changes to our final price.”

Your estimator made a mistake. You may be stuck with honoring a bad estimate unless the customer “reasonably knew that an error was made.” You don’t have to sell a $20,000 car for $2,000 because of a typo. You probably have to sell a $20,000 car for $18,000 due to an error. The long-term system answer is a quality control check, probably by you or another employee, on estimates.

The customer made changes but resists paying for them. Again, the only defense is a clearly spelled-out quotation and/or project agreement. The quotation can also include language to this effect: “If any specifications are changed, we will provide a written ‘change order’ detailing the change and the related price revision.” If the amounts are significant, you may also require a client signature on the change-order form.

The customer had a role in the project but failed to perform according to agreement. In printing projects, for example, it is common to assume that “customer prepared art” will be printable. Some home projects include customer “sweat equity.” Some contracts are based on the customer’s providing timely prepayments. If the customer fails to meet important obligations, the penalty must be clear in the proposal as first submitted. Assessing later costs or penalties is difficult both financially and emotionally.

If your company deals in large dollar projects, a formal contract is probably best. If the amount doesn’t merit a formal contract but involves substantial financial risk, some variation of the “confirmation letter” is helpful. This letter says, “Thank you for your order. We accept this order with the following understanding:…” Points you should cover would include detailed specifications, expected completion date, project price and terms of payment. The form states prominently: “Please advise immediately if there is any disagreement with our understanding.”

Chapter Five

Working with Employees

The next few chapters make the assumption that you have or will have employees.

Empowerment?

A core-belief question for every E is “to what extent will I empower employees?” where *empowerment* means scope of authority to make decisions and launch initiatives.

Typical E-arguments against empowerment:

- I want control of decision-making, policies and procedures to assure they fit my style and business plan.
- I want uniformity of action and decision-making.
- I don’t trust others to make important decisions because the decisions may be wrong or may not be in the best interest of the business from my viewpoint.
- I’m a hands-on person who wants to be directly involved in all key issues.

Among arguments for empowerment:

- Growth requires a steadily expanding group of employees who can make things happen in their area. (This argument is related to the “multiplication of effort” concept central to much advice on accumulating wealth.)
- I think empowered employees are more positive, energized and involved. Some will likely accomplish

great things within the business if given the opportunity.

- Empowered employees can actively help me run the business, including asking tough questions and indicating that they don't agree with some of my decisions.
- There are technical areas of my business that I don't understand as well as employees in that area.
- Empowered employees are the key to eventual time away from the business, whether vacation, pursuit of other interests or retirement.

There are very successful Es who maintain tight control and others who relinquish most control. These are important issues:

If I intend to delegate, I must hire people capable of accepting responsibility and making good independent decisions. Conversely, if I intend to maintain most control, I should hire "good soldier" types who are comfortable working within a regimented structure.

If I delegate responsibility, I must delegate corresponding authority. For example, I can't hold my production manager responsible for cost control if I continue to make most production-related decisions.

If I delegate, I must realize there will be a learning curve and that the learning curve will likely include errors, problems and various expense. I must gracefully accept those costs as investment in the growth of people.

If I delegate, I must absorb occasional astonishment when people do truly stupid things. I must view those moments as learning curve training opportunities and must be patient (not forever, of course).

If I delegate, I must stand by the decisions made by my employees to the best of their abilities. If I disagree with a decision, I might discuss it as a training-for-the-future step, but unless it was totally unacceptable, I must stand behind it. Constant undercutting of employee decisions will eventually make empowerment a sham and will lead to badly disgruntled employees.

If I delegate, there must be clear guidelines as to how much authority an employee has. There will be three categories of activity: (1) totally within employee's authority; (2) employee recommends, I review and approve; (3) I maintain clear authority. Daily scheduling, for example, is likely within a manager's authority. Revising the departmental floor plan or the quality control procedures would likely be recommended for E-OK. Handling a major employee crisis with legal ramifications would likely be the E's job with appropriate input from the manager.

If an employee blatantly exceeds authority, I will deal swiftly and firmly with the breach. An empowered but out-of-control employee team can be a frightening sight, and even one visible breach can set dangerous precedent.

If an empowered employee—and especially an empowered manager—is not pulling his weight, swift action is necessary. In effect, the E has entrusted part of the business to that employee. Serious failure to perform can cause serious harm, partly because the E is not there (organizationally and perhaps physically) to hold things together.

If the E in a growing business decides to move toward empowerment, it is wise to take baby-steps rather than to suddenly announce massive restructuring and new authority for multiple employees. Examples of baby-steps might be purchase authority for certain supplies or handling housekeeping and maintenance in a certain area.

Delegate Hiring Last

Even a dedicated E-delegator is likely wise to maintain direct involvement in employee hiring until well up the entrepreneurial mountain. The reason is partly related to employee skill and aptitude. More important in many cases is assuring new employee compatibility with your philosophy and fit with desired corporate culture.

Employee Training

A good training program will include far more than specific task training. There should be major doses of corporate philosophy and strong emphasis on your corporate culture.

A case can be made that corporate culture has more influence on behavior than formal new-employee training. If you have instilled high professionalism and attention to detail as cultural, new employees will sense it, and veteran employees will help bring the new employees to the levels you expect. If the culture allows laziness or sloppiness, no amount of formal training will overcome the new employee’s eventual drift toward laziness and sloppiness.

Hiring Interviews: Situational Questions

Years ago, a prospective employee was asked scores of questions and likely subjected to psychological testing. That era was followed by the "you can't ask that!" paranoia brought on by multiple discrimination concerns. The result was much looser evaluation of prospects during the interviewing process. An emerging middle ground is a set of situational questions. Some will be technical. Some will reflect attitude toward customers or fellow employees. Still others may give insight into character issues. The questions must be carefully considered to avoid issues of sexual, racial or age bias, but can still be insightful.

Technical questions will be specific to the job and could indicate skill level, attitude and aptitude toward equipment maintenance, orientation toward quality control and orientation toward meeting important production standards.

Attitude questions can include…

—You observe a fellow employee hiding serious quality defects. What would you do?

—An employee takes credit for one of your ideas and is praised at a company meeting. What would you do?

—You are accused of lying by your boss but it isn't true. What do you do?

—You have plans for the evening, but a real emergency comes up and you're asked to work? How do you feel about that?

Character questions can include…

—The company accidentally overpays you by $40 this week. What do you do?

—You find a purse on the sidewalk containing $100 in cash. What do you do?

—Someone crowds in front of you in the movie line. What do you do?

The Concept of a Defining Moment

Defining moments are useful in understanding employees but also apply to our human interactions in every part of life. Basically the idea of *defining moments* says **there are incidents that reveal true character. When you've had an opportunity to observe a defining moment, pay close attention.** The person who first explained this concept to me used this example: "You can tell more about a man by watching his reaction to a ketchup stain on his new tie than by watching him perform in twenty business meetings." A related example says, "A real indication of character is the way a person treats people who mean nothing to him. Watch behavior toward restaurant help or retail clerks, and you'll learn a great deal."

In business, defining moments often occur during times of stress. If an employee has made a serious error, you have a chance to observe traits such as grace under fire, willingness to accept responsibility and, often, basic honesty. Even more significant may be the employee's reaction to a problem caused by the error of a fellow employee. You hope for reasonable patience and a willingness to absorb the disappointment and put things back together. If you get hostility, excessive demonstration of frustration and long-term collapse of attitude, you have a defining moment.

In working with customers, there may be unfortunate opportunities to discover inherent dishonesty or absolutely unreasonable attitude.

Defining moments aren't necessarily bad. You may observe wonderful calm and grace and realize you're watching a very mature soul in operation. Even negative defining moments don't necessarily mean "throw the critter out." Rather they allow you to say, "I understand some important things about the core personality here. I'll factor that knowledge into my future business decisions."

Employee Cooperation: Professional Cordiality

One of the most useful concepts I've encountered regarding employees working together is "professional cordiality." It basically says, "I understand that not all employees will be good friends. In fact, some will probably not like each other at all. I can't control that. But the company demands that interpersonal hostility never affect the smooth conduct of our business. It must never block the flow of important communication. It must not be visible to our customers in any way. It must not adversely affect the morale of others in the company."

The concept of professional cordiality can become cultural, meaning that other employees will help you enforce it. When there is any violation of its principles, the E must come down hard.

Cut Corporate Cancer

Corporate cancer is most often caused by negative employees whose attitudes affect, then *infect,* the company. Cancer must be cured or cut out. The issue can be tough;

for example, an offending employee's skill may be very important to the company's operation. But the cancer must be cured or cut out.

It is sadly common to see a string of good employees leave a company because they will no longer tolerate the behavior of a single bad employee. In our chapter on mathematical concepts, we talk about reverse multiplication. There is no better example of reverse multiplication than one bad employee causing the loss of several good ones.

Corporate cancer can also include policies so unpopular they are killing morale, customers so unreasonable they are causing misery company-wide, pervasive dishonesty, a climate of sexual harassment, or management style (potentially including that of the head E) so unpopular that the crew is ready to mutiny.

By *cure* we mean dealing with the problem and solving it, perhaps through training or counseling. By *cutting,* we mean literal removal of the cause of the cancer. One or the other is vital.

Attitude toward Errors

Errors occur in most businesses. It is a useful leadership concept to be graceful about one error and to rage against repetition of the same error. To the extent possible, an error should trigger this chain:

- Solve the error and its impact quickly. If it involves an adjustment for a customer, make it quickly. Get it behind you.
- Document it carefully.

- Learn what caused it, and work toward quality control steps that assure no repeat.
- Come down increasingly hard on repeats of the same error.

A strong "no repeat of errors" philosophy should become part of corporate culture.

300-Pound Guys Named Bubba Can Do It

Once a company has evolved a sound set of procedures, most errors result from simple failure to execute business fundamentals. Employees will occasionally say, "Well, gosh, boss, we're so busy and doing so many different things that this kind of error will happen now and then." It is a sometimes useful reminder that great big guys named Bubba get football playbooks three inches thick and manage to memorize their part in every play. Most businesses don't ask anything like that level of fundamental knowledge…so, "If Bubba can do it, you can do it."

Beware of Job Description Mentality

It is important that employees have a clear understanding of what they are supposed to do. It is very helpful to develop written job descriptions, covering basic duties and expectations over and above the obvious. An example might be maintenance. Many operators of equipment view themselves strictly as operators. If you view their job as including routine maintenance and parts replacements, that expectation must be extremely clear.

However, there is a deadly trap in job descriptions, especially for small businesses. If employees begin resisting helping out in other parts of the business or, worse, refuse to do jobs that "are beneath my job description," a serious problem is brewing. A healthy small business usually has a "pitch in and do whatever needs doing" mentality. The E should lead by example, being willing to serve customers, help in production or take out the trash. And the E should come down hard on job description mentality when it blocks efficient use of manpower or complicates finishing important tasks.

Four Levels of Employee Performance

It should be made clear to employees that there are three levels of acceptable performance, but the company is anxious that all employees reach the higher levels. Depending on the nature of your business, definition of levels will vary from mine, but here is the idea:

Level 0 (as in ZERO!)

- Sloppy performance
- Unreliable attendance or contribution
- Morale problem, personal or with others.

Level One (Individual Orientation)

- You understand your job's requirements.
- You have all necessary skill to perform those requirements.
- Your daily effort meets the standards we expect.
- You are working cordially with all fellow employees and are not causing morale problems in the business.

Level Two (Customer Orientation)

- You understand the importance of customer satisfaction in our business.
- You suggest ideas to serve customers well.
- Your daily performance considers the impact on customers—quality, deadline reliability or convenience.

  (I had an amazing experience one lunchtime that illustrates an employee far short of Level Two. I was parked by the fast-food drive-up microphone, but no one asked for my order. After several minutes I drove up to the window. No one was in line—an entrepreneurially relevant factoid in this story. The window opened. I said, "Hey, your microphone doesn't seem to be working." The employee said, "I know." I said, "Well, uh, I sat back there for several minutes waiting. It would have been nice if you had posted a little sign that says, "Speaker out of order, drive up." The employee said, "Oh, I'm hoping it gets fixed pretty soon." AARGH!)

Level Three (Team Orientation)

- You are a positive contributor to company morale, including helping stop gossiping and harmful rumors.
- You think about the impact of your performance on other employees, trying to communicate those things that might cause problems and trying to find ways to make other employees' jobs more efficient.
- You are quality-control oriented, trying to help the company avoid errors and finding ways to check your own work to avoid errors.

- You understand the importance of reporting harmful behavior to the company. Examples would include dishonesty, poor workmanship or harassment.
- You are striving to grow in capability to fill more important roles as the company grows.

The E should encourage growth toward Levels Two and Three including appropriate reward systems. As a small example, our company has developed a program called "Catch of the Month" that recognizes employees for noticing problems or errors not immediately within their job description. There are programs that allow one employee to formally say, "Thanks for the boost" to another employee who went out of her way to help.

Employees Are Measured by Results, Not Effort

As children, we have the temporary luxury of being rewarded (or at least avoiding trouble) based on effort. "Dad, I know the report card says I got a D in math, but you know how hard I tried…and I promise to try even harder next semester." It is one of adulthood's grim realities that "trying hard" doesn't cut it anymore. Let's say we own a fencing company. Today's customer, Frank Johnson, calls and says, "What the #@#$# is going on? There aren't any two boards on this fence that line up with each other." So we call in the installing crew and they say, "Well, no wonder, boss. The guy had the roughest yard we've ever seen…clumps everywhere…and we were going up and down a hill…and the neighbor's dog was barking and distracting us…(etc.)." At that moment, our crew is hoping we'll pat them on the head and say, "Gosh, guys, thanks for doing your very best. We gave you a tough job, and you tried hard." Our crew is also hoping we can somehow call the customer back and say, "Mr. Johnson, you'll just have to get over a few uneven boards. Our guys did their best. And after all, you have clumps in your yard and a hill and a distracting dog next door." I doubt that reading our "Leadership Selling" section ten times would help you make that sale to Frank or his wife.

We must instill in employees the idea that the only relevant yardstick is actual results. Customers don't care that our job was hard. So, if it was hard, we've got to work harder and be smarter. If there was literally no way to generate a professional result, we should have recognized the problems and fully informed the customer *before* we started. But it must be 100% clear that "we tried hard" is not an acceptable explanation after the fact.

A relevant and helpful E-mindset is to rarely accept excuses for poor results or for failure to perform. "I just didn't have time." "The memo just wasn't clear." "It's not in my job description." "The dog ate my notes for the annual long-range planning meeting." Etc. Creative excuses can become part of corporate culture. Better is to preach the idea that only results are relevant.

Don't Lie to Me

Our leadership section talked of the role of entrepreneurial honesty. It must be extremely clear that employee honesty is crucial. In every relevant sense an employee is a representative of the E, doing part of the business's work. If we ask the employee for information, we must be able to rely on that information. Even if we are investigating a serious error or looking into a major customer complaint, we must be able to rely on the information we receive. Once again, childhood experience becomes relevant. During childhood, many people (after a serious whacking or a few hours in “time-out”) decided that honesty is not the best policy. So they developed the habit of avoiding trouble by avoiding unpleasant truth. In business, that habit can be serious, even deadly.

An E must communicate, with intensity, that “there’s far more trouble in store from a discovered lie than from unpleasant truth.”

The E faces the same dilemma as the parent. If reaction to truth is excessively harsh, the employee may revert to childlike “fibbing” in the future. It is a tough leadership balancing act to deal with ugly truth with enough calm and professionalism that the employee will return later with another dose of unpleasantness.

The Open Door

As a business grows, there will likely be one or more management layers between you and individual employees. In general, it is the role of managers to deal with individual employee problems and concerns. But for most small businesses, the idea of “The Open Door” is very important. Basically this concept says, “Try to resolve problems within your department, but if you truly feel that a problem is not being addressed, you are welcome to come to my office and discuss it. “I will listen carefully to your situation and will investigate it fully. No organizational retribution will come your way because you raised this issue. Sometimes The Open Door will cause you to listen to petty gripes that should never have come up. But it may allow you to hear of issues such as dishonesty or harassment that are being covered up in your business.

Harassment

Of all sections in this book, this can be the most important. An E can lose it all by mishandling the issue of harassment. The most publicized aspect is sexual, but the issue also covers racial, age, handicap or "just plain meanness" harassment.

The core problem involves any personal discomfort created by the unwelcome conduct of another person. That person may be a fellow employee, a customer or a vendor.

Some Es become incensed by the issue, declare it the ranting of feminists and left-wingers, and fail to deal with it, by policy or in practice. Such a posture is extremely dangerous for two reasons:

- Even unreasonable harassment charges are potentially explosive legally and financially.
- Regrettably, a great deal of the concern is legitimate. There are definitely people who will exploit their position or biases in ways extremely harmful to others.

I speak from painful experience, having learned several years ago of a previously trusted manager's blatant attempts to win sexual favors by pay increases and other perks for a female employee. I investigated swiftly and fired a ten-year veteran manager immediately.

A reasonable position on this subject runs something like this (and the E must lead by example):

- Our company has zero tolerance for harassment. We define harassment as unwanted intrusion into any employee's comfort zone.
- It is recognized that different people have different tolerance for humor, story telling, teasing and other kinds of personal interactions. The individual attitude of each employee will be respected and defines that employee's comfort zone.
- It is that employee's duty to make clear that a behavior is not within his/her comfort zone and should be stopped immediately. It is the offending employee's duty to stop the behavior without question or delay.
- If the behavior continues, the company's anti-harassment procedures will be triggered immediately.

The anti-harassment procedure should include complete investigation with known penalty for violations. The Open Door concept may be a key element, especially if offending behavior involves a manager.

Document Employee Problems

Even before your human resources function is well developed, it is vital to document in writing and to date and file all employee problems. Patterns must be discovered and dealt with. If you eventually face legal issues, including unemployment hearings, the documented file is crucial.

At the first clue of problems that may eventually lead to termination, your documentation should become even more strict, including formal warnings of unacceptable behavior and/or performance. These warnings should be signed by company personnel and by the employee involved.

Many Es are correctly anxious to maintain a positive attitude about and toward employees. They resist a mindset of suspicion and distrust and seek to avoid the role of prosecuting attorney. But failure to document issues related to potential problem employees is simply poor business and will eventually return to haunt.

The Challenge of Building Employee Loyalty

Some parts of this chapter have tilted toward the negative; savvy requires awareness of potential negatives. But it remains a high purpose of the E to build a dedicated, loyal employee team working within a positive customer-oriented culture. Unfortunately, this job is far tougher than it was, say, 20 years ago. Some blame the problem on eroding individual values. Employees point out that businesses have become all too willing to restructure-out-the-door large numbers of dedicated employees, hardly the stuff of loyalty building. Whatever the root cause, the job has become much tougher—so tough, in fact, that some Es have virtually given up and taken on a warden-of-the-prison mindset. The problem with prison-warden mindset is that it sucks most of the fun from the E-experience. It seems best to strive valiantly toward a positive, dedicated, loyal employee team. Here are some possible keys:

Hire as "smart" as possible, searching for both skill and compatible-with-our-culture attitude.

Be willing to pay extra for quality. In most cases, the contribution of quality employees offsets the extra cost, particularly as they become positive role models in the business.

Work on your own leadership style. One of business's truly funny, and relevant, cartoons shows the boss as ship captain towering over a cowering crew: "The floggings will continue until morale improves!" he thunders. A positive atmosphere is not likely unless created by the E's personal style.

Work hard on culture. The role of culture is central. As an example, if we can (perhaps using humor) declare our building a "no-whine" zone, we can attack the tendency of organizations to drift toward griping. If we can establish a teamwork mentality, we can move toward morale improvement by employees' encouragement of each other. It is possible to build a climate that causes employees to say, "This is a good place to work" —certainly an important step toward building loyalty.

Develop programs and incentives to reward excellence. Many companies have bonus programs based on profit or other achieved yardsticks. If these programs are viewed as positive, fun and fair, they can help build dedication and loyalty.

The Informal Organization/Centers of Influence

Within every employee group there is a formal and an informal organizational structure. The formal structure can normally be diagrammed using an organization chart that shows departments, department heads and employee lists within each department. Supposedly, the power and authority within an organization is defined by the formal structure. Savvy Es know better. An informal organization somehow springs up; and within that organization will be "centers of influence." Hopefully, centers of influence have a positive impact, but it isn't necessarily so. If the centers evolve based on seniority and job knowledge, the impact will likely be favorable. If they evolve based on shared outside interests, physical attractiveness, "coolness," or other non-task-related attributes, the result may be different from your plan.

The savvy E knows who has become a center of influence and carefully monitors impact. Hopefully it is possible to constructively use the center's role—for example, discussing an upcoming change with her in order to secure her support in selling the benefits to others. If the center's role turns negative, contaminating your corporate culture, you have a cancer to deal with. Of course, the leadership challenge is magnified by the fact that "others are watching" your handling of their center of influence.

If Conscience Collides with Company Objectives

Some businesses involve potential collisions between employees' personal belief systems and company plans and goals. In the printing business, the dilemma is fairly common because organizations of widely varying belief structures order brochures, newsletters, etc. The E has a real-life dilemma if an employee says, "Boss, in good conscience, I cannot work on that project. It violates everything I believe and have taught my children." Many businesses have situations in which customer representatives are asked to "explain a problem" in a way that borders on untruth. Sometimes the explanation is several miles south of the border. If the employee says, "Boss, I just can't do that. It feels very wrong," you have an E-dilemma. Another common variation relates to family. If an employee whom you need today says, "I've got to drive to Chicago. There's a major problem between my sister and her husband and I need to help," you have an E-dilemma.

This one has no right answer, so let's look at some of the considerations:

The employee's position must pass the common-sense test. If a newly converted Methodist is objecting to printing the Presbyterian bulletin because of slight doctrinal differences, the objection falls far short of common sense and indicates you have an employee who needs to rethink or be reassigned.

If the employee's position does rise to the level of a clear struggle with personal principles, you have learned three things: (1) Your employee is a person of principle; (2) Your employee is a person of strong conviction; (3) You have specific insight into part of the employee's value system. In my view, principled people are hard enough to find that it is highly questionable to throw them overboard. Note that overriding the employee's position will likely lead to losing that employee either immediately or as soon as she can find another job.

If the employee's belief system is likely to collide constantly with company objectives, the employee may need to be re-assigned. But if the incident is rare, it makes sense to work around it constructively.

In some cases, the E should examine personal and corporate value systems to see if the principled employee is on a high road that should inspire a rethink of the company's philosophy or practices. It may be more comfortable to remove the messenger, but in some cases listening is wiser.

When Policy Collides with Common Sense

A later chapter discusses the role of policy and procedure—the operating guidelines that assist decision-making and day-to-day operations. Every E should address the question "Do I want employees to feel empowered to override policy with common sense if there seems to be a conflict?" The easy answer is "NO, we'll stick to policy." Common sense is subjective. It varies from employee to employee. If I allow individual interpretations, my company policy will be all over the map.

Although the slope is admittedly slippery, a counter-argument says, "Our ultimate purpose is to serve customers well and to build long-term loyalty. If implementing a policy would harm our customer or his attitude toward the company, we should strongly question implementation of the policy."

A very simple example has been experienced by 100% of consumers. The time is 5:01 P.M. The sign on the retail shop's door definitely says, "Hours: 10–5." You really need the item you're picking up, but the door is locked. And three feet away from you is the employee who turned the latch, mouthing the easily lip-read words, "SORRY, WE'RE CLOSED." Locking the door in a customer's face is arguably a triumph of policy over common sense.

If your company is contacted by your city's largest employer—a Fortune 500 company that wishes to make a purchase on credit—and your credit manager says, "I'm sorry, all first orders are COD until we check your credit rating," one could argue that policy has stunningly defeated common sense.

Each E will likely decide where to stand on this issue in much the way that **Empowerment?** is addressed; but if you believe in empowerment, it is probably wise to give common sense some room to maneuver.

Strengths and Weaknesses

We all have strengths and weaknesses. Like an athletic coach, the E must build on employees' strengths and minimize the impact of weakness. Obviously a hypersensitive, emotionally insecure employee should not head up your customer complaint department. But the issues can be more subtle. If we observe that an employee is a very poor processor of verbal instructions, we must (1) assign the employee to a job involving little verbal instruction, (2) put key communication in writing, or (3) find training methods to strengthen the weakness.

Another interesting example is "random vs. sequential processors." *Sequential processors* are people who need to tackle one assignment before moving on to another assignment. *Random processors* are people comfortable juggling multiple balls. Once you understand an employee's random/sequential orientation, you can structure his job description accordingly. Obviously this issue relates to hiring. A sequential processor is a very poor choice for a job that includes, say, five phone lines ringing at the same time production people are asking quality or scheduling questions.

Our discussion on “Interview Questions” applies here. You can structure questions that will indicate how a potential employee will handle task orientation and how comfortable the employee would be in specific job scenarios.

Demand “Teachability”

Employees vary greatly in their acceptance of training and constructive criticism. It is a key organizational principal that every employee (including the head-E!) be “teachable.” This means that ideas, suggestions and criticisms can be safely communicated to the employee without fear of anger, resentment, long-term pouting or worse. Of course, the “other side of the coin” is that suggestions and criticisms must be delivered professionally.

No Gripe Unaccompanied by a Suggestion

Griping infects many businesses. A useful piece of E-wisdom is to challenge gripers to suggest solutions. For some reason, this concept takes a lot of the fun out of chronic whining…and once in a while it’ll generate a good idea!

Chapter Six

Working with Managers

As the business grows, you will likely have managers, perhaps layers of managers, helping direct the operation.

Clear-cut Positions on Strategy and Philosophy

In most situations, managers head departments within which the manager has considerable latitude to make decisions, interpret and execute company policies, and deal with various personnel matters.

Under the best of circumstances, it is challenging to keep a set of managers on the same page. If the E has not clearly spelled out strategic objectives, philosophies and operational expectations, the managers will soon ride off in all directions. Chaos can follow.

A simple example can be management style. If the company believes in treating each employee with respect and reserving strong verbal directives and reprimands as a last resort, but one manager’s style is harsh and dictatorial, there will soon be major problems. Another example is customer orientation. If the E has built the business on a strong philosophy of customer service but hires a set of managers who believe in maximum production efficiency, trouble lies immediately ahead.

It is a useful concept to consider managers as your personal representatives in their departments. They should treat employees and customers as you would treat them if you were there personally. They should interpret and execute strategy and policy as you would. You should hire (or promote) managers only with strong confidence that they understand and will execute in a style consistent with your own.

Four Levels of Manager Contribution

The role of a manager can be measured using the same four levels we discussed in the Employee chapter. **ZERO** means allowing sloppy performance or morale-harmful behavior. **ONE** is technical competence for the job. **TWO** is customer-oriented thinking and execution. And **THREE** is team orientation, meaning working with other managers to find system improvement and thinking at the good-of-the-company level in finding improvements, assuring quality performance or dealing with problems.

Duties of a Manager

Every business has distinct duties for its management team, but here are some thoughts. Once your list is developed, it should be communicated item by item:

- To fully understand the company’s strategy and philosophy of doing business and to operate the department in a manner consistent with that strategy and philosophy
- To avoid harming the company’s good name or aiding a competitor in any way
- To assure that every day’s operation is properly planned, organized and executed

- To assure that the department is “staffed and operational,” including dealing with vacations, illnesses and absences; to train and cross-train as necessary to assure all functions are covered
- To develop any maintenance procedures or “clean-up, fix-up” initiatives necessary to keep the department 100% efficient and operational
- To assure that company procedures are fully understand and executed by every employee
- To actively assist in the development and operation of a quality control system, where *quality control* means identifying potential errors and developing checking procedures to avoid those errors.
- To set an excellent example of integrity and work ethic for employees in the department and for fellow managers
- To view building and maintaining employee morale as an important ongoing objective; to avoid sowing discord by personal actions and to root out the causes of serious morale problems
- To report to the owner any serious breach of business ethics or company procedures that are observed anywhere in the company
- To be frank and candid in expressing opinions and disagreements during the analysis stage of a decision, but to accept the final decision once made
- To remain abreast of technical developments and to advise the company of new developments that may involve investment in equipment and/or personnel upgrades

Managers Should Help Employees Organize their Tasks and Workstations

Although this point is covered broadly in the above list, its economic power is sometimes overlooked. If a department has repetitive tasks, and the manager can actively help improve organization, results can be dramatic. In some cases, the main benefit is smoother operation. If three or four “cluttered desk” employees are passing information to each other, it is highly likely that about $25 worth of plastic bins will help smooth workflow and help avoid frantic searches for the Acme File.

In many production applications, a slight revision in workstation organization can save hours weekly or even daily. Managers should be taught the power of multiplication and should actively look for improved efficiency. If a procedural improvement saves 30 minutes per day for four employees, the annual savings is something like 104 hours. If those employees can be billed at $50 per hour, you’ve just added $5200 to your bottom line. If that kind of savings occurs in five departments, you’ve added over $25,000 to the bottom line.

Let the Racehorses Run

Employees vary in terms of skill, motivation and efficiency. Some managers tend to gear the whole department to the pace of slower employees—the equivalent of putting the racehorses in the second row of the stagecoach team. Others find ways to assure that the racehorses can run. Obviously it is important to organize the department so high potential employees have every opportunity to contribute at full potential—hopefully inspiring, by example, improved performance from fellow employees.

[Note: the concept of *letting your racehorses run* applies broadly in a growing business. It relates closely to the idea of empowering employees and basically says, “If I can place strong people at key positions in the organization and allow them to contribute at full potential, my business will grow faster than I can possibly accomplish alone.” Another variation of the theme says, “Hire good people, agree about what they should do, give them tools to work with, then get out of their way.”]

Discourage Empire Building

Some managers strive to build organizational power as a personal goal rather than a company goal. The reasons can range from psychological insecurity to some kind of emperor complex, but the result can be mini-kingdoms operating in your company over which you have ever decreasing control. Don’t let it happen. The best time to deal with empire building is the first hint it might be happening. Clues are excessive hiring of employees, grabs of authority that you hadn’t intended, or a general “I’m the king/queen” attitude.

This kind of problem may seem far-fetched when an E starts, but can become very significant as the business grows. Note that some serious E-savvy is required to know the difference between discouraging *empire building* and *letting a racehorse run*. The main difference is usually motivation and attitude. A great business racehorse is clearly on your side. The objectives being set are consistent with your objectives. There is an attempt to work smoothly with other managers and employees. You will likely enjoy working with and have a high feeling of trust for your racehorses. An empire builder soon makes it clear that the objective is the empire. There will be various kinds of resentment and conflict in inter-departmental relationships. You will not enjoy the situation.

Interdepartmental Interaction

When I worked in large companies, I was astounded by the “approval route” involved in matters as minor as sending a letter to the distributor organization. Today, I understand it better. As soon as your business becomes departmental, there will be three kinds of situations and transactions:

Company-wide: These items are likely handled by the head-E after appropriate consultation with managers and employees. Obviously, we would hope, individual department heads would not make company-wide decisions. It’s still a good idea to be absolutely clear what decisions can and can’t be made departmentally.

Intra-department: These items clearly occur within the department. Examples might be coordination of routine maintenance and scheduling of employees. In general, these matters are handled by the department head almost certainly without discussion with other department heads. Depending on the topic, you might want to be pre-notified. You might even require that you formally approve a decision. Examples might be approval to schedule overtime or approval of purchases above a certain dollar amount.

Inter-departmental: These are spillover items that clearly affect more than one of your departments. A sure-fire path to morale problems is empowering one manager to make decisions that greatly affect another manager. If the second manager has no chance to be involved in the decision, trouble lies ahead. A simple, very common example is a potential conflict between Administration and Marketing. Your company extends credit terms to customers. A key customer is running 15 days late in making payments. The Administration Department decides it has "had enough" and sends a very nasty letter demanding prompt payment. The Marketing Department was not consulted, so faces an outraged phone call that may go something like this: "Mary, we told you our plant relocation would involve a short period of slow-pay. Frankly, I can't believe your company would send a letter like this to a 15-year loyal client…."

The concept of the *approval route* simply says, "Those who are directly affected by a policy or decision should have an opportunity for input." You should attempt to define, in writing, the issues that require multi-departmental approvals. But, like many business issues, common sense may be more useful than written policy. You should work with managers until this process is automatic: "Will the action I'm considering affect other departments? If so, I need to get them on board."

Teamwork and Cooperation Are Part of the Job

It is common for department heads to develop clashes of style, temperament or philosophy. It is even possible to have feuding department heads each claiming to be doing a good job. A strong E-leader makes this point clear: If your conflicts are harming business effectiveness, you are NOT doing a good job. Part of the job is professional cordiality and teamwork. If I'm not getting that from you, things need to change *pronto*.

Chapter Seven

Motivation

A host of speakers and books deal with the subject of motivation—both self-motivation and employee-motivation. Here we'll cover a few unique twists on the subject, primarily through stories.

Commitment: Sink the Landing Craft

According to legend, the Spaniard Cortez landed his army on the shore of a country he intended to conquer and ordered his aides to sink the landing craft. The clear message: We're committed, gang.

A common business application relates to significant change. Many people dislike change; some actively resist it. If you have made a firm decision that involves significant change, your employee team should be clear that there's no going back. "We're committed, gang!"

Encouragement by Example

An aide approaches Caesar and announces that one of the generals has lost a small battle on a distant front. "Bring him to Rome, immediately," roars Caesar, "behead him and parade his head through the city streets."

"But sire, that seems a harsh punishment for losing such a minor battle," offers the aide.

"I do it for two reasons," Caesar explains. "I hate to lose battles…and I find it inspires the other generals."

The practical application of this story may be a public, firm exchange with an employee that sends a message to the rest of your team. Recall the Chapter One account of building the 8:20 scheduling meeting into our corporate habit-set. The public phone call to a missing employee was an important moment in accomplishing that objective.

We Demand Quality or Else

It was widely reported, dateline China, that every employee on a poorly performing refrigerator assembly line was marched out of the factory and shot.

This story tops Caesar and the general for violence, but can be useful when explaining your commitment to improved quality. ("OK, I know you think I'm a harsh, unreasonable horse's backside, but quality is crucial. And we're nowhere near as harsh as….")

I Just Want to Know It's Flat

This true story (which took place during the era of "real" spare tires) is useful when discussing employees or equipment that are erratic in performance or reliability.

My friend John was driving down the road one day and had a flat tire. He opened his trunk and discovered the spare tire was flat too. So he went through the major hassle of getting them both fixed, including rolling one tire several blocks to a service station. Two weeks later, he had another flat tire, opened the trunk, and *again* found the spare was flat; so once more went through the hassle of getting two tires fixed.

About a week later, John was driving our carpool. Without comment, he pulled the car to the side of the road, got out, opened the trunk, let all the air out of his spare tire, slammed the trunk and got back behind the wheel. One of the guys asked, “Why in the #$%#$ did you do that?” to which John replied, “I just want to *know* it’s flat.”

In many business applications, it’s better to know that a resource will not be available than to assume you have that resource and discover belatedly that it’s not available. An example would be a part-time employee who is supposedly available “on call” when you have an important need. If that part-timer is not available at important times, you can’t execute important plans. In my company, a “flat spare tire” is any unpredictable resource, and we try to permanently repair them or replace them.

Quit Fumbling the Snap

When Ron Meyer coached the Indianapolis Colts, he suffered through two games that included something like five fumbled center-to-quarterback snaps. His motivational method was simple (and applicable to a huge number of business situations). He met privately with the center and quarterback and said something like, “You guys are being paid well, and you’re committing an execution sin I wouldn’t tolerate from a sixth-grade team. I don’t care how you do it. Practice all night if you need to. See a hypnotist or a guru if you need to. But *quit* fumbling the snap.”

This story, coupled with the concept that 300-pound guys named Bubba can memorize complex playbooks, is useful when your team fails to execute the fundamentals of the business.

For Things to Change, We've Got to Change

Another constructive mindset is the simple notion that things are going to stay pretty much like they are unless we do something to change them. The change may require us to grow in capability. It may be a rethink of procedures. It may be a whole new direction for parts of the business. But nothing constructive is likely to happen unless we dig in and make them happen.

To Earn More, Be Worth More

The motivational speakers challenge audiences with lines like "Most people don't have a million dollars because they aren't million-dollar people." The same concept applies to employees. It is a dangerous company mindset if employees believe they'll earn more money just because they've worked another year. Unless employees grow—where growth means increased capability or productivity—their annual increase is nothing but a raw profit decrease for the company. If a company suffers through enough employees living enough years, without motivating those employees to grow, the company will eventually sink of its own weight. The savvy E makes it clear that growth is expected and that pay raises are not automatic.

"Lead, Follow, or Get Out of the Way"

Lee Iacocca generated many gems during his tenure at Chrysler, but this was surely the most memorable. The application for employees in every business is immense. A business simply has no room for problem employees. They harm productivity and morale, block important change, and generally lower the bar for the whole company. We need effective leaders. We need dedicated employees who help make things happen. Be one or the other…or be gone.

Motivation through Involvement

Many of the points in this chapter include a negative, even hostile tone. But in today's entrepreneurial world, huge strides are being made in securing motivation through intense involvement.

In many cases, this involvement includes an ownership position in the company. When I was a brand-new E, a veteran told me, "NEVER allow a person to own a stake in your business unless they've been with you for at least five years." The rationale for his advice remains relevant. Giving ownership in your company is a very serious step. It should be based on earned trust.

But a new generation of Es is saying, "I'll risk the problems of an occasional poor choice for the benefits of an employee team that is involved in every sense of the word."

How to handle this issue is personal and philosophical. My personal choice has tended toward holding 100% ownership in the family and using profit bonuses to seek employee buy-in and involvement. But many very successful Es disagree with me, and their model should be studied carefully.

Of course, an equity-based philosophy must be accompanied by excellent legal and accounting advice, including clear buy-sell provisions when employees leave the company.

Chapter Eight

Communication

Communication in various forms is the most important activity in your company. A company that communicates well has developed an important competence. If communication skills are weak, there will be major problems.

Communication Must Be Clear

As we discussed, many leaders are oriented to verbal communication. Some use a "think out loud" approach while reaching decisions. Even if effective for the leader, the thinking out loud may leave employees in various stages of confusion. It is best if all important decisions are summarized concisely, preferably in writing. The most important role of a Policies and Procedures notebook is written summarization of key decisions and operating methods. If decisions have been reached in a meeting, it's important to take the time to summarize and clarify key decisions and to generate some equivalent of "minutes of the meeting" to provide clear written summaries.

People Vary Wildly in Ability to Process Information

Communication is a two-way process. Someone sends. Someone receives and hopefully understands. There are amazing differences among people in their abilities to send and receive. Formal studies of "percentage comprehension" tend to verify that written communication is preferable to verbal. And some of those tested have absolutely pitiful retention of verbal instruction. It is important for the E to work on effective communication procedures and to be aware of weaknesses of specific employees. If, for example, an employee interacts with customers by telephone but is known to be a weak processor of verbal information, it is crucial to establish disciplines that immediately turn verbal to written.

There are courses, seminars and books aimed at improving communication skills. An investment in improved communication is likely a great investment.

Facts in Writing…Emotion Face-to-Face

This rule is not 100% applicable, but it carries an important concept. Written communication is almost certainly the best way to detail important facts. However, written communication of intense emotional issues carries a major risk. Written communication does not allow us to observe and measure emotional reaction to the communication. It does not allow an immediate opportunity to clarify misunderstandings. Therefore it risks sending the receiving party higher up the wall of anger, resentment or resolve to battle against you. In most cases, emotional issues involving employees, customers or vendors should be discussed first face-to-face, followed up by appropriate written summary of the conversation.

But If the Conflict Has Become a "Legal Matter"…

The above counsel to meet face-to-face makes the assumption that our goal is a continuing relationship, and the meeting's purpose is smoothing, patching and reconciling. If a conflict has escalated to the point that legal intervention is likely, verbal communication may be very unwise. The savvy E must recognize this moment and tailor communication accordingly. In larger companies, the savvy E must have developed enough employee savvy to assure that they know when to speak and when to remain silent. The counsel of counsel is often necessary.

Verbals Don't Count in Some Situations

Every company should define certain communications that *must* be in writing. Details of the customer's order and any changes in order specifications almost certainly qualify as **must-be-written**s. Several years ago, our company had a serious error because of botched verbal communication. In an attempt to teach and manage firmly, but with some humor, I generated this memo:

There once was a mighty elephant.
He was the mightiest elephant in all the jungle.
One day he broke wind mightily.
It was the mightiest windbreak in the history of the jungle.
But, lo, on that very day the jungle winds also
blew mightily.
And the winds, despite the majesty of the elephant's deed,
did disperse all evidence.
And the people knew not that the elephant had spake.

VERBAL ORDER REVISIONS ARE NOT ACCEPTABLE!

Excellent Order Entry *[B#3]*

Every business has some kind of order-entry process involving (1) understanding the customer's wishes; (2) communicating those wishes to the production process; (3) initiating the financial function of billing and receiving payment. Some processes are extremely simple; some are very complex. Whatever your process, it must be a masterpiece of clarity. If you are experiencing errors based on miscommunicated orders, take whatever time is necessary to fix the problem.

Many businesses should utilize some variation of the Order-Confirmation Summary. This communication says to the customer, "Here's our understanding of your order. Please verify we have it right." Details should include quantities, all specifications, deadline and price. Depending on the cost of an error in your business, you may wish to require a signed return of your confirmation form.

Meetings: When/Who/How Long

In many large companies, meetings are virtually non-stop. It becomes a measure of organizational status to be invited to multiple meetings. Unfortunately, there may not be time to actually *do* anything since meetings can pretty much fill the day.

Small companies are more likely to under-meet (especially if the E is a former big-company employee who vowed he'd never sit in another pompous windbag meeting if he could possibly avoid it).

There are at least two valid reasons for meetings:

- Concentrated focus on important issues
- Assuring "everyone's on the same page" about key information

A third reason is prompt attention to problems, covered in the next section.

In growing small companies, the need for meetings is often made obvious by E-awareness that (1) key issues aren't being focused on, or (2) some of our people clearly weren't on the same page.

Meetings should be as short as possible and as focused as possible. There should be a written agenda and a written summary. If at all possible, they should not become a place to relax and sip coffee for a couple hours. Several years ago, a large-company executive earned part of his 15 minutes of fame by removing all the chairs from his conference room. The tactic may have been extreme, but the motivation was right. Let's get together, handle our business crisply, and move on.

The One-Minute Meeting

The excellent bestseller *One-Minute Manager* shows the power of very brief, very focused meetings aimed at dealing immediately with collapses of execution, morale-related difficulties, etc. Many Es operate with a teapot mentality, storing up problems and frustrations until the teapot's lid blows off.

One-minute meetings are aimed at communicating issues immediately. The advantages are several:

- The issue is fresh. Facts are available.
- The matter is being handled as an individual issue vs. becoming part of a shopping list of problems or grievances.
- The parties involved receive the clear message that "we deal *right now* with important matters because we are 100% serious about excellent execution in our business."

Note that the one-minute meeting is an excellent concept for positive feedback: a chance to recognize and reinforce the good things that are going on.

Crisis Meetings

Now and then most companies are hit with significant crisis. Examples might be the loss of key employees, the loss of key customers, a major collapse in quality control procedures, or a rumor that is affecting morale company-wide.

When these situations hit, it is often valuable to call a meeting "right now," to address the crisis head-on. Serious issues unaddressed definitely fester in an organization.

The Wrong People Are in this Meeting

It is remarkably common for two or more employees to spend considerable time and mental energy discussing a situation outside their direct responsibility or knowledge base. We've coined the phrase "The wrong people are in this meeting" to indicate that a quick halt is in order until the right people can address the matter.

A related colorful phrase runs “That’s where two fools met.” Again, it is amazingly common for two (or more) people to enter intense dialog, often including pompously expressed opinion, despite the fact that *neither of them* has meaningful knowledge of the topic at hand. It is hugely helpful if one of the parties has the presence of mind to say, “You know, I’m afraid two fools are meeting here. Let’s give Mary a buzz because she actually talked to the customer and probably understands the refund request better than we do.”

Squash “Lazy” Communication

The most common cause of lazy communication is lazy fact-finding. Every business has its own examples, but the theme is captured in an exchange like this:

Customer on phone: I’m checking to be sure our shipment will go out today as scheduled.

Employee: Oh, I’m sure it will.

If the employee is *really* sure it will, everything is fine. If the employee is guessing or hoping, we have lazy communication. It is a high E-purpose to instill careful fact-finding and thorough communication.

Lazy communication can creep into multiple systems. Some companies issue invoices with description lines like “Product: X19103, Serial #: 131324123.” We have lazy administrative communication if even one client says, “Frankly I’m clueless about what you are invoicing me for. Couldn’t you give me a description that means something to me?” There can be lazy communication by Human Resources of employee policies and procedures.

There can even be lazy marketing communication of new product benefits that would be meaningful to existing or prospective clients.

Squash lazy communication.

It Doesn't Matter What You Think You Said…
It Only Matters What the Listener Thinks You Said

When communication collapses, we often hear a whining "But I told him ________." An organization moving toward excellence in communication realizes there is a huge burden on the communicator to be sure that the intended communication has been received and is fully understood. It is a slippery slope to blame the receiver when communication fails.

Minimize Emotional Content in Communication

Every company has **organizational** conflict and **interpersonal** conflict. Organizational conflict is illustrated by the tug between salespeople and production people. Sales wants things fast. Sales also wants excellent quality, all at low cost. Production points out that *time* is an important ingredient in high quality and that adequate lead-time is necessary to assure quality. This is a natural organizational conflict. Interpersonal conflict tends to be personality based, but is a certainty in most organizations.

It is vital to strive for an unemotional communication forum for potentially emotional issues. Let's say the production team has missed four key deadlines this month. The sales team is justifiably angry. We have the seed of a major emotional donnybrook. But, viewed correctly, we have an issue that can be addressed at a factual, (relatively) unemotional level. The forum should be called something like "The Monthly Performance Review," and there should be opportunity for presentation of facts, expression of concerns, and suggestions for improvement. It takes strong E-leadership to establish a climate in which this kind of conflict is processed constructively and professionally. "Our company wants to hit deadlines. We've missed four deadlines this month. What has happened? Were the deadlines unrealistic in the first place? Were they not communicated clearly? Are there production bottlenecks we need to eliminate? What is our specific action plan for improvement next month?"

Another call for E-leadership is the common employee comment, "I don't want to get anyone in trouble, but ________ has happened again." If the reported infraction is an important part of company discipline, we have a very unemotional issue here. Sure, there's employee concern about "ratting out a fellow employee," and the "rattee" may be annoyed that the whistle was blown, but the over-riding issue is not emotional. Our company's success requires excellent execution of various fundamentals. Someone isn't handling an important fundamental correctly. We should use one-minute management techniques to deal with the problem.

If an E loses control of this general concept, running a business can feel like parenting three kids under ten years old. If the E and the employees move toward mature discussion of important issues, life is much more pleasant…and productive.

Assess the Emotion Content of Communication

Effective communication often involves a pre-assessment of the emotion content of the subject. Let's say an employee was placed on probation a month ago and has continued to fall short of acceptable performance. You just learned of a truly grievous error that must be addressed immediately. You are justifiably angry. The error was major and expensive. It may be the straw that breaks this camel's back, leading to termination. But you take several deep breaths, count to ten a few times, and realize that your meeting with this employee will involve more than enough emotion just because the meeting is being held at all. The employee was already concerned about loss of his job and is well aware that another serious error was made. If you enter this meeting with all emotional guns blazing, the odds of a constructive session are probably zero.

On the other hand, let's visualize a situation in which quality has slipped and employees seem to be taking a ho-hum attitude, or you're trying to make important changes but are running into employee resistance. The sessions to deal with these problems may call for you to "rev-up" the emotion content: "OK, team, listen up carefully. You know I'm a fairly easy-going person. I don't want to run a sweatshop, and I don't want to use the black snake whip theory of management. But today I'm going to make something 100% clear. We've got some sloppy thinking and sloppy performing going on right now. It is hurting us financially. It's hurting us in the marketplace. And it's going to stop. Is that absolutely clear? Now, here's the problem as I see it…. Here's what we're going to do.… Here's what I expect from each of you…."

Obviously, depending on the issue, the above dialog may be harsh or tame, but the E-job is to inject enough emotion to

- Get attention.
- Secure emotional buy-in.
- Motivate action.

Chapter Nine

Smooth Daily Operation

The early stages of the E-adventure tend to focus on market acceptance as the business moves toward achieving critical mass. As the business grows, operational issues become increasingly more important. Unfortunately, many Es do a lousy job of shifting into the role of operational leader. The problem is sometimes skill-related: “I’m more of an idea-people person than a detail person.” Sometimes it is restlessness: “It’s sure a lot more fun to conceive and implement new ideas than it is to run them day-to-day.” Whatever the attitude, Es tend to face three choices:

- Learn to manage the operation.
- Hire strong help on the operational side.
- Crash and burn.

Infrastructure *[B#3]*

If we view the primary purpose of a business as selling, producing, and servicing customers, everything else can be thought of as infrastructure. So we’re talking about functions like human resources, payroll, benefits, purchasing, receiving, payables, invoicing, receivables and collection. We’re talking about smooth execution of ongoing functions such as tax accounting and remittance, financial and other MIS reporting, and necessary compliance with regulatory agencies.

It should be viewed as extremely high priority to develop and maintain a smoothly functioning infrastructure. As a simple example: If we need to hire an employee, is the process of developing and placing an ad smooth? When we interview, is the process well thought out and uniformly executed? When we hire, are all necessary papers at hand for tax and benefit enrollments? Do we have a clear, complete employee manual? Is our training system complete and effective?

These kinds of questions can be asked at every operational level through invoicing, collection, and accounting. The overall objective is well-thought-out procedures that are well understood and well executed.

Minor elements of infrastructure planning can include items as simple as "a place for everything," meaning that production and administrative functions have clearly defined places for inventory, paperwork, etc. Another minor issue is filing protocol—front to back or back to front? Yet another might be a rigidly enforced policy that all memos, even small notes, are dated and initialed. Large companies tend to have well-developed infrastructure and protocols. Small ones that hope to become large need to concentrate on this topic.

The Role of Culture

We've touched on corporate culture several times. A corporate culture dedicated to smooth, efficient daily operation is more important than a thousand pages of operations manual. The E should work hard to instill a company-wide dedication to careful handling of detail. Even if the E is not personally oriented to careful detail execution, the communicated message is "OK, gang, we've grown to the point where even I recognize that details are the key to success. We're going to become very good at it, exactly like a championship sports team becomes excellent at every phase of fundamentals."

Policies and Procedures *[B#3]*

Policies typically discuss where we stand on various issues: vacation, sick days, personal days, leaves of absence, extending credit, etc. Procedures discuss how we do things: order writing, quality control, following up on delinquent accounts, etc. A sound employee manual is an important step in documenting policy (and some procedures such as methods of submitting grievances). P&Ps should be written, and it should be clear to all employees that they are responsible to understand all P&Ps relevant to their jobs.

The need to deal repetitively with the same basic question is a strong signal that a policy is needed. Another signal would be a concern that people in different parts of your business are handling the same question differently. Procedures are often inspired by clear signs of operational chaos and confusion.

It is often very advisable to receive input from the employees who will be directly affected by P&Ps. This step may solicit valuable information and will likely generate more "buy-in" than a P&P that seems to come down from Mount Olympus.

Beware of Precedent

The third *P* that drives much day-to-day decision-making is *precedent.* Precedent is the assumption that we'll do a thing today because, as best I recall, that's what we did the last time the same general kind of thing came up. Precedent is slightly better than no guideline at all, but tends to be much looser than good policies and procedures. Sometimes precedents are just plain bad. If you make an exception to the general rule—say in dealing with an individual customer or employee—some may interpret that action as precedent, and suddenly all similar situations are being handled the same way. It is wise to be very clear when exceptions are exceptions.

Quality Control as a Mindset *[B#3]*

Quality control is the process of avoiding potential negative outcomes. It is most commonly thought of as a production discipline: being sure that products are within tolerance. In fact, quality control should occur in any part of the business where errors can be made. To a large extent it's a mindset: What might go wrong? What can I do to be sure that it doesn't go wrong? If it does go wrong, what can I do to be sure negative impact is minimized?

Quality Control, Infrastructure, and sound Policies and Procedures are closely allied concepts, all pointing in the direction of smooth daily operation.

Due Diligence Regarding Potential Loss

It is an important, if unpleasant, part of the E-mindset to be aware of potential loss to fraud and dishonesty. Possibilities include dishonest vendors or employees. In some business, there is potential loss to unscrupulous customers. Due diligence simply says, "My eyes are wide open to these possibilities, and I will install checks and audits to assure they aren't happening."

The process can be unpleasant if viewed as "lack of faith in me," especially by employees, but should simply be explained as prudent business practices in a company such as ours.

Let Bad News Travel Fast

Bill Gates's *Business at the Speed of Thought* spends considerable time on this unique way of viewing bad news. Basically he's saying, "Anything that is going wrong in the business must be recognized quickly and addressed promptly." If bad news can be buried—either because some employees prefer that it not be known or because the information system is so weak that it isn't discovered promptly—the impact on our company can be catastrophic. The E must develop a management information system (MIS) that allows bad news to travel fast, coupled with procedures for swift action.

More on a Management Information System *[B#3]*

Every company needs good information that measures key performance criteria. Part of our E-job, using professional assistance if this idea is outside our skill-base, is to develop the set of numbers that truly tells us how the business is operating.

Note that a good MIS must tell us two things: (1) where we are; and (2) where we're headed. Awareness and understanding of key trends is often more important than understanding where we stand this month or this quarter.

Often good numbers involve digging a little deeper than the obvious. If, for example, we look primarily at our total sales number, but that number is made up of various sub-categories of sales, some of which are much more profitable than others, we may be "looking good" in terms of overall revenue but actually facing a serious shift toward low-profit items.

Develop Excellent Archiving

The months and years run by amazingly quickly in a business and, if we aren't careful, the historic files can be an absolute mess. Archiving has both practical and legal considerations. The practical issue is usually customer based. How long might information recall be necessary to answer questions or generate reorders? The legal question is often tax or regulatory related. How long are important documents subject to review? It is also important to carefully file historical documents such as stock certificates and papers of incorporation.

A Strong Support System

The savvy E cultivates outside relationships with the idea of assuring a complete, balanced infrastructure. Needs vary among companies, but examples include…

- **Vendor** relationships in which vendors actively help improve our operations and provide ongoing insight into trends in our industry
- **Accounting and legal** support to assure fully professional execution of new and ongoing programs
- **Insurance and benefits** support to assure awareness of issues, cost-effective program selection, and excellent ongoing execution

- **Operations** consulting to assure that "due diligence" systems are in place to guard funds and property, and also to assure regulatory compliance

If a business "self-exam" shows glaring weakness in these areas, swift action is probably wise.

Always Find a Way to Get Paid

When I was about ten years old, I received a major piece of entrepreneurial mentoring. My mother was a part-time receptionist for a lawyer in our small town. I dropped by to visit one summer afternoon. Mom said, "I'm here by myself, but I need to run to the bank for about ten minutes. Just sit here and watch the office 'til I get back." So there I sat, about two minutes into my career as back-up receptionist, when a grizzled old guy came in. "I owe Mr. Hinshaw some money," he said. "I'm here to pay up." So the clueless ten-year-old said, "Golly, sir, I don't have any idea how to help you. Can you come back later?" And out he went. So, as luck would have it, Mr. Hinshaw walked in before my mom got back. "Hey, what's happening, Bill?" said Mr. H. "I'm watchin' your office for mom. Oh, and a guy came in to pay you some money, but I didn't know what to do so I told him to come back." Mr. Hinshaw's face turned bright red. He seemed to rise up to about eight feet tall as he thundered, **"Young man, if a customer EVER has money to give to you, find a way to take it!"**

A surprising number of entrepreneurial businesses have some equivalent of this situation. The customer wants to prepay, but the invoicing process isn't complete. The customer has money orders, but employees don't know how to handle them. Over the years, it has been part of Corbin culture to **"find a way to take it!"**

Clean-up / Fix-Up If Needed

Some Es go wrong by "majoring in minor things." I've seen horror stories such as fanatic attention to a logo design while serious opportunities or problems were put on the back burner. But now and then, the savvy E should look around and say, "What small matters need some attention here?" The answers may range from paint to carpet cleaning to some minor administrative systems. There are image-conscious businesses driving around town in rusty trucks. There are fluorescent signs having several letters that don't work. (I was recently curious about a new Indianapolis' business called G DON; but closer night-time inspection revealed it was a GREAT DONUTS with a sign needing some serious attention.) This attention to small detail often sends an important message to both employees and customers.

Note that attacking these kinds of small issues presents an excellent opportunity for employee empowerment. If you are considering moving toward increased empowerment, these steps can provide excellent training opportunities.

Chapter Ten

Decision-making

Decision-making is a non-stop part of E-life, yet in many organizations the process is chaotic. Book 3 of the Entrepreneurial Five Set includes an extensive chapter on the decision-making process. Here we'll look at decision-making from the viewpoint of the more seasoned E.

Four Things to Know…and then Let's Go

Decision-making involves…

- The issue: *What am I deciding?*
- The timeframe: *When must I have a decision?*
- The facts: *What information can I gather and from what resources?*
- The analysis: *How should I apply the facts to the question at hand?*

We then make a decision, document it as appropriate, and move on.

Each of these elements deserves a moment.

What Am I Deciding?

Most Es are awash in decision-making opportunity. Some decisions are forced by daily activity:

—A customer is unhappy. Who should call to smooth things over?

—We can only hit one of two deadlines. Which customer shall we serve? What will we say to the other customer?

—It's time for Mildred's annual review. Should she receive a pay increase?

—A competitor has lowered prices. Shall we retaliate?

—An unhappy customer is demanding a 10% quality adjustment. Will we extend it?

—Our computer system is outdated. Do we upgrade now, upgrade later, or struggle on?

—We've had six quality problems in the last two weeks. Do we fire, train, or develop new procedures?

—There is a risk that some of our products are becoming obsolete. What will we do to replace lost revenue?

There are probably a hundred more issues on your decision-making radar screen…or somewhere near it. Unless we are disciplined, decisions tend to logjam, particularly the longer-term decisions that don't qualify as urgent.

Good decision-making requires us to say,

- This is an issue for me to decide.
- I will decide it by …[date, hour, minute, or now].
- Here is my process for fact gathering and analysis….

For decisions having time frames beyond an hour or so, it can be extremely helpful to have a form—whether paper or electronic—that formally raises the issue to the category of "decision to be made." We then develop the discipline to tackle them on a timely basis: Some may be delegated, some may be decided in the next management meeting, some may stay on the E-desk; but all start down a decision-making chute that assures timely attention. Again, the key is formally defining the decisions and developing organizational discipline to deal with them.

The Deadline for Decision-making

Sometimes we need a deadline simply to force action. Get it on and off the plate. Other times the deadline represents a window of opportunity—for example a client's requirement for timely submission of a proposal.

Your decision-making procedure will be closely related to your position on **employee empowerment.** Es often face the dilemma, "I simply don't have time to analyze all these matters and make necessary decisions. Would I rather suffer the impact of missed decision deadlines or empower employees to make the decisions for me?" I personally vote for empowerment on many kinds of decisions, but the decision is very E-personal.

Gather Facts

Some decisions, especially the "right-nows," can be made from the E's reservoir of savvy and opinion. "No, we don't need a new logo; the current one is fine." "Yes, an improved presentation folder is a great idea; the old one was weak." "No, the current vendor is doing just fine; we don't need the distraction of a vendor-analysis right now." "Yes, John can work three hours overtime to cover for Mary's dental surgery." This kind of swift decision-making is important for two reasons: (1) It assures timely attention to small matters; (2) It helps clear the deck for bigger-picture decision-making. If every small decision creates an agony of fact-gathering and detailed analysis, the deck will soon be badly cluttered.

But the savvy E must know the difference between decisions that can be made “on the fly” and those that deserve more in-depth analysis. It is an E-trap to become an entrepreneurial cowboy riding through town shooting at decisions with both guns. It is exciting. The adrenaline rush is dramatic. But the decisions can be pitiful.

Fact gathering is usually a combination of good resource selection (employees, experts, reference books, Internet research, etc.) and good organization of the information.

Analysis

This process varies from highly structured (even mathematical, using charts and decision trees) to very verbal and subjective. The only certainty is that it should be as objective as possible. To the extent possible, “numbers rather than opinion” should be utilized. Emotional impact should be minimized. This sometimes suggests delaying the analysis while you and/or your decision-making team count to ten a few times while cooling off.

Decide, Document, Implement and Move On

The process should yield a clear **decision.** This decision should be documented well enough to (1) clearly communicate the decision and (2) become part of the permanent record so you don’t need to decide the same thing again (or worse, discover that you decided one thing in 1999 and another thing in 2001). Although **documenting** a decision takes time—and is a near unnatural act to some high-activity Es—it is an extremely good use of time. Decisions that are communicated verbally are much more likely to be misunderstood in the short term and totally forgotten in the long term.

Implementing is simply the process of assuring that the decision causes whatever action is called for. This may be *nothing* in the case of a decision *not to move forward;* it may be appointment of a task force or writing of a letter. Whatever it means, it should be done as swiftly as possible after the decision is made.

Moving on often means assuming that you've done the best job possible on that decision and going on to the next one. The savvy E spends as little time as possible agonizing over past decisions, partly because there could soon be a great deal of accumulated agony, and partly because our job lies in the future, not in the past. Some decisions call for careful monitoring and a revisit if things have gone badly, but most are simply made, for better or worse, and you move on.

Scenario Analysis Can Help

Complex decisions often defy our best effort to see clearly into the crystal ball. We plan to introduce a new product series. Will customers respond immediately, or will there be a lengthy sell period? What might the marketing cost be? Is there a chance that the new product series will cannibalize existing products? How bad might the impact be? Is there a chance of immediate competitive retaliation? If so, what should be our response?

Using **scenario analysis,** we gather knowledgeable team members and say, "Let's visualize our way down each of these potential paths. Let's talk about what might happen and what we'll do if it does."

In my college years, I studied "decision tree" techniques. Using this highly mathematical concept, we attempted to visualize key outcomes and assign probabilities and revenue/cost figures to each. At the end of the process, the "winning decision" could be selected by P&L impact. Being honest, I have never, in my adult E-life, constructed a formal decision tree, partly because real life doesn't seem to break down into conveniently identifiable alternatives. But scenario analysis allows the same kind of thinking. We will consider…

- **Possible Outcomes**: What might happen as we go along?
- **Probabilities:** How likely is each possibility?
- **Impact:** What will be the financial impact of each possibility?

Computer spreadsheet programs are an excellent aid in this kind of what-if analysis. We can set up a column of variables—such as sales growth rate, marketing cost, average sale price, average unit cost, sales returns, scrap rate, etc.—then change each of the variables to test bottom-line impact from each possibility. (In my opinion, a working knowledge of spreadsheet software is a huge advantage for any E and is well worth the investment of time and money.)

Scenario analysis is also helpful when preparing for an important negotiation. How will we open? How might they respond? What will we do in each case? How might they respond? (Etc.)

Downside Risk

Many decisions (including the one to become an E in the first place) involve risk. Things may go well…or so-so…or horribly. As decision-makers, we try to "maximize the upside and minimize the downside."

When considering possible outcomes, the concept of **downside risk** can be crucial. Let's illustrate by a non-business example. As risk takers, we would usually leap at odds of 99.5% favorable vs. .5% negative. The line would be long in Las Vegas if those odds were available to the gambler. But let's move from Las Vegas to a skydiving plane. I'm sure the odds that my parachute (or backup chute) will open are at least 99.5%. Will I jump? Maybe yes, maybe no. But now the issue isn't simply *what are the odds?* We have now added powerful consideration, for me anyway, of the concept of downside risk. What is the impact (quite literally in this case) if the .5% outcome happens?

In most businesses, there are decisions that carry substantial downside risk:

—Our new idea looks good, but if it fails, it'll suck so much cash and management time that the core business may be in trouble.

—A key production machine is making a strange noise. We need to keep it running to make a deadline. But if it suffers serious harm, we could be down for a month.

—This advertising idea directly attacks a large competitor. If they counter with a direct attack on us or file an expensive-to-defend lawsuit, we could be put out of business.

In simple terms, the concept of downside risk says, **some outcomes would be so catastrophic that we may not want to risk them, even if the odds of occurrence are low.** Most major decisions should involve careful analysis of potential downside. Scenario analysis is useful, asking the question "If things really go badly, what might happen?"

"What Can Go Wrong?" As a Planning Tool

An effective project planning technique also uses "What can go wrong?" analysis. A common approach uses brainstorming to say, "What can possibly go wrong with this plan?" For example, let's say we're moving several pieces of equipment from one plant location to another. What can go wrong?

- Something won't fit through a door.
- Something won't fit on the truck.
- What if we have a heavy rain?
- Any chance of getting stuck under an overpass?
- Any chance of a key highway being closed?
- What if we're involved in an accident?
- What if one of our planned crew members is sick that day?

The key purpose for this kind of exercise is contingency planning—being sure to cover all possibilities that might reasonably befall us.

There Was Only One Way to Lose… and We Found It!

This sad thought gives us another reason to look for things that can go wrong, and avoid them. Most coaches, athletes and fans know the heartbreak of “one that got away” _ a game that was ours for the taking, but somehow we found a way to lose. Its business equivalent is a sound plan that should be a real winner, but there is one lurking possibility that can bring everything down: bad weather at a grand opening; one employee whose absence would cripple an entire effort; one shipment that, if late, causes a whole presentation to be ruined. It is high-level decision-making to analyze the possible game spoilers and develop plans and back up plans to assure they don’t rob us of victory.

Pick Your Poison

Much decision-making is selection among available alternatives. Unfortunately there are situations in which all alternatives are unpleasant. We must lay off two employees. Which two? We must discontinue some product lines. Which lines? We must either refund a client’s money or completely redo the project at our cost. Which is better? There is a human tendency to resist this dilemma. Sometimes we spend useless time wishing we weren’t in the mess in the first place. Sometimes we waste time looking for better alternatives. Even if all alternatives are unpleasant, we should “pick our poison” and move on.

Decision by Lack of Alternatives

A related human tendency is to allocate time to an issue in direct relation to the dollars or pain involved. When I closed a printing plant in Muncie, Indiana, in the mid-1990s, the dollars were substantial. There were difficult employee issues. It seemed right, somehow, to convene staff meetings and "really wrestle" with the decision. But much of the meeting time was wasted because we had no viable alternatives. The plant was losing money. It was draining resources from other parts of the business. Several years of efforts to buoy it up had failed. There was no alternative, and protracted decision-making was not necessary.

Squash Lazy Decision-making

We talked about lazy communication in the previous chapter. Lazy decision-making is a similar problem and should be squashed firmly. Perhaps most common is lazy fact-finding. When something goes wrong with a decision, the savvy E spends considerable time understanding the process that led to the problem:

- Were our procedures sound, or did this collapse occur because of a logic-hole in the way we do things or decide things?
- If the procedures are sound, did this problem occur because "sometimes stuff just happens"? It is important to remember that good employees, especially *busy* good employees, will occasionally have things go wrong. The perfect employee is no more available than the perfect computer system or the perfect E.
- If the problem represents an unacceptable collapse of employee performance, what happened? Sloppy execution? Lazy fact-finding? Lazy decision-making?

If we find lazy fact-finding or decision-making, we need to come down hard. Hopefully we have discovered a not-yet-ingrained situation that we can improve before it becomes habit. If so, we train hard on the need for excellent performance. If the collapse turns out to be a defining moment for the employee involved, we will likely need to replace or reassign the employee.

The culprit in lazy decision-making is often "guessing." If your analysis makes clear that a bad decision was clearly based on a bad guess, preach a strong sermon. Guessing is slightly worse but similar to our old nemesis "assuming"…and we all know what "assume" does to you and me.

Critical Assumptions

While we're talking about assumptions, let's cover a topic that is similar to "downside risk." In many decision processes, our analysis will involve assumptions. A typical example is "rate of inflation." Every business plan must make assumptions related to the inflation rate of items such as labor and material. Because we become accustomed to the need for assumptions, we may snooze through the moment we have made a **critical** assumption. In simple terms, a critical assumption is one that "better be right or this whole deal is probably in the tank." We have a new product idea. The strategy team is meeting to do sales projections. Someone asks, "Is there any chance that Acme Products (our most fearsome competitor) will introduce a similar product before we get to market?" "Nah," replies our marketing head confidently, "the odds of them beating us are zero." Hopefully there's enough E-savvy at the head of that conference table to inspire a swift challenge. “OK, Milt, let’s pause right here. You just made a *critical* assumption. If, by any chance, you’re wrong, the entire economics of our project will collapse. Why are you so sure Acme won’t introduce before us?”

Applying Trend Analysis to Decision-making

We have talked “trends” at various points. Here are more examples of their value. If we have an employee who is clearly operating below acceptable standards, what should we do? If we have a one-year-old product line that is still losing money, what should we do?

The right answer is an issue of **trend** rather than snapshot. Is our under-performing employee or product line *improving*, *getting worse,* or *holding steady?* If something is unacceptable and getting worse, we have a no-brainer. If it is unacceptable and holding steady, that’s close to a no-brainer. But if things are improving, we have two more decision factors:

1. Does it appear we will reach “acceptable” in an acceptable period of time?
2. Can we afford the dollar cost of the wait?

Decision-making as a Corporate Competence

If the E is a good decision-maker who carefully nurtures the decision-making skill of empowered employees, a company can develop powerful ability to deal with issues and move forward. Companies with only one decision-maker are something like basketball teams with only one shooter.

Corporate decision-making involves an interesting application of the concept of “fishing in deep water.” Let’s visualize both ends of the E-spectrum. On the left is a brand-new E just setting up the office. Decision-making probably includes window decor and brands of air-freshener. There are several potential reasons:

- There’s not much else to decide right then.
- There may not yet be a decision-making team in place.
- The E may not yet realize that he must not “major in minor things.”
- Budgets may be so tight that carefully bought window décor and air freshener are relevant start-up budget issues.

On the right is a veteran E who has built a major business. It operates in several cities. It operates across multiple product lines. Throughout the enterprise, competent managers are making key decisions. The air freshener– and window décor–level decisions are now being made several layers deep in the company. Our veteran E is looking forward, making the big-picture plans for products and programs that will continue moving the company forward.

How do we get from the left to the right? Looking at the transition purely from the E’s decision-making role, we have moved into much deeper water. For some growing companies the process is relatively orderly—new people are hired to assume various roles so the E can concentrate on bigger fish. For others it is chaotic and filled with conflict. But hopefully the result is the same: The E concentrates on increasingly large issues while pushing smaller issues “down” into the organization.

Here is an ongoing piece of valuable introspection: Considering where my company is and where I want it to be, does it make sense for me to be personally deciding this issue? Or perhaps better, “Looking at a truly successful entrepreneur who represents a great role model, was she making decisions like this at the same stage in her growth?” If this analysis says, “Time for someone else to select air freshener…or for someone else to plan minor ad campaigns…or coordinate supply purchasing…etc.,” you are hopefully heading for deeper water.

Chapter Eleven

Entrepreneurial Mathematics

E-success does not require a degree in higher mathematics, but it sure helps to be comfortable with numbers. The most important application is probably your management information system. You must know how to establish numeric performance yardsticks, then develop the numbers that measure actual performance. It is important to be able to fully understand your periodic financial reports. Most Es develop business plans at various points. Some develop annual budgets. There are specific projects that must be evaluated numerically. There is virtually no chance to avoid numbers; and the greater your skill with numbers, the greater your management control.

Today's computers normally arrive with one or more spreadsheet programs pre-installed. It can be an excellent investment of time to learn a spreadsheet program well enough for various number crunching.

The remainder of this chapter deals with several mathematical concepts that are part of E-life.

Seasonality/Normal Business Fluctuation

Somewhere near 100% of businesses have fluctuations in activity through time. Reasons may be literal seasonality: holiday shopping, spring vacations, suntan lotion in summer, firewood in winter, etc. Some businesses change based on short-term fluctuations in economic indexes, such as interest rates. Some vary based on industry issues, such as the timing of major trade shows or the roll-out of “the new model year.” Others seem to vary just because the moon is full.

It is obviously important to study and understand the fluctuations your company will face. One reason is peace of mind. If an E loses sleep every time the business cycles down, there are soon major circles under the eyes. Another reason is planning. We must make decisions such as inventory levels, staff, and promotional campaigns with realistic consideration of fluctuations. Yet another reason may be strategic thinking. If our staff is relatively idle during certain times of year, is there entrepreneurial activity that can fill in our down cycles?

It is important to remember that sub-elements in your business can have differing cycles. If there is a major customer shift away from one product category and into another, you may experience a significant change in overall company seasonality. A mini-example would be a shift from convertibles toward four-wheel-drive vehicles. Tastes have changed. Product selection has changed. There will also be a substantial seasonality change.

It is obviously wise to match resources to seasonal patterns to the extent possible. Macy’s hires part-timers, including multiple Santas, during the Christmas holiday. That choice is obvious. But many businesses may be well served by staffing procedures that utilize a blend of full-time, part-time and contract labor.

It is important to invest wisely, particularly regarding promotion. Much business wisdom says, “Promote into your down cycles.” But if your down cycles are caused by a mass winter migration away from your

Maine resort, no one will be listening to your promotional efforts. In some cases, business prudence is graceful acceptance of seasonal reality. In other cases, you can shape your seasonality—usually by trying to fill in valleys—with timely promotion.

Can You Afford to Staff for Peak?

The concept of "staffing for peak" is also a seasonal concept. The question is, "Do I gear my operation for excellent service levels at the very peak of my business cycle?" It's a tough question. If the answer is yes, you face periods of the year when you may be badly overstaffed, over-inventoried, etc. If the answer is no, you will knowingly under-serve some clients at peak times of the year. This is an unpleasant alternative in many businesses.

If there is any relevant "old saying," it's probably "You can't afford to staff for peak." But the issue must be carefully addressed on a business-by-business basis. One issue is the comparison of peaks to valleys. If peaks and valleys are relatively close (say a well-located restaurant specializing in business lunches), you are far more able to staff for peak than if the cycle is greater (say a restaurant located in a summer-oriented tourist area). Another issue is the cost of unhappy customers. If your business is built around a relatively few customers whose satisfaction is critical, you may be forced to staff for peak to minimize dissatisfaction. If your business is based on one-at-a-time visits from tourists, you can likely risk greater dissatisfaction.

A reason for good spreadsheet capability is that this issue can be studied numerically. You forecast sales during the year, enter various assumptions of staffing and other support, and see if you are winning or losing. Try an assumption that includes less staffing and support. Make an assumption about lost sales levels, and see if profitability has become better or worse.

The Rule of 80-20

In an amazing number of business applications, the rule of 80-20 applies. Basically it says, for example, "80% of your business will be done with 20% of your clients" or "80% of your complaints will come from 20% of your clients" or "80% of your sales revenue will come from 20% of your product line." Obviously, depending on business, the rule may be 90-10 or 70-30, but the power of the concept is remarkable.

A common application of the rule occurs during restructuring. Companies are saying, "I'm only getting 20% of my revenue from 80% of my product line (customer base, or whatever). What would happen if we eliminated a major chunk of the non-productive 80%?" When we hear that a major retailer is eliminating 250 stores, mostly in small towns, we can be pretty sure that the 80-20 rule is at work.

Companies trying to streamline operations often trim the product selection. As discussed in our "gold carpet" section, it is often possible to redirect clients toward available product selection. The 80-20 rule may also indicate that we can afford the loss of some customers. If elimination of, say, 25% of our inventory items results in a revenue drop of only 5%, the profit and loss impact may be very favorable.

Management by Exception

The rule of 80-20 is also relevant to "management by exception" which says, "I'll not look at my business as a single amorphous blob. I'll manage subsets of the business differently." When a major airline sets up a VIP suite, the step is based on 80-20 analysis and says, "These key clients are contributing 80% of our revenue dollars. We'll treat them better, ask for their opinions more, and aim various corporate policies directly at them."

If our manufacturing department discovers major quality control problems, it may be tempting to institute extensive company-wide procedures. But if it turns out the problems are primarily occurring on one assembly line, we may elect "management by exception" to deal with that assembly line.

For the E, there are many times when it seems overwhelming to institute a new procedure. Someone says, "We should phone-contact every client at least monthly to measure customer satisfaction and forecast upcoming purchasing plans." If we have 400 clients, the task may seem insurmountable. If we say, "80 of those clients (20% of 400) do 80% of our business, let's start with them," the task is much more manageable.

The Power of Trends

There is no more critical math concept than the power of the trend. Trends share with "critical mass" a certain mystical quality. I can't explain why critical mass is so hard to achieve and so helpful when it is achieved. I also can't explain the power of the trend. I just know, 25+ years later, that we should pay attention. For this chapter, a **trend** is a comparison, measurable mathematically, of *where things are now vs. where they were at another point in time*. Wall Street anxiously watches company trends such as earnings per share vs. the same quarter a year ago. Interest rate trends and labor cost trends affect hundreds of businesses. And *within* every business, there are crucial trends at work. We are gaining or losing ground vs. our competitors. Our gross margin is trending up or trending down. Our sales revenue by category of business is trending up or down. Quality is up or down. Customer satisfaction is up or down.

We talked about letting bad news travel fast. It is imperative that a negative trend be spotted immediately and acted upon. But good news should travel fast as well. If part of the business is suddenly experiencing greatly improved results, what is happening? Are there lessons or programs that can be applied to other parts of the business?

Particularly regarding strategic matters, the reason we stress **the power of the trend** is this axiom: A trend, once in place, will continue in the absence of powerful countervailing action. If a company's market share is dropping, the reason is likely a complex set of competitive factors, and the trend will continue unless we take dramatic action. If quality is slipping or morale is slipping, the trend will continue in the absence of powerful action.

For many business conditions, there is actually a spiraling effect. Poor quality leads to harsh management tactics that lead to worse morale, worse quality, etc. In the marketplace, a brand—once clearly declining in favor—can decline at an accelerating rate as word spreads.

It is high-level E-duty to be aware of and reactive to key trends.

Diminishing Returns

This concept usually applies to a part of the business that is going well. Let's say we've hit on an ad campaign that is really effective. We spend $5,000, and the customer reaction is excellent—over $30,000 of new business. So we repeat the program. There is some chance that accumulated impact will raise the second result to $35,000; but more likely, we'll see a somewhat lower result. This is partly because our first campaign has likely removed some potential customers from the market. If we run a third time, results are likely lower still, etc. The same concept applies to new initiatives inside a company. A brand-new morale-building program may have dramatic impact for its first wave of investment. Through time, the positive impact per dollar of investment will tend to drop.

This concept does not say, "Quit investing." Rather it says, "Be aware that positive returns will likely diminish through time. Measure carefully. Consider changing to a brand-new program when returns no longer justify investment."

Sunk Cost

The concept of **sunk cost** represents an interesting battle between emotion and mathematics. To illustrate by example, let's say a certain printing company owner purchases a new machine intended to provide a new customer service. Let's say the machine cost $25,000. Let's say the miserable thing never works right and is eventually moved to the warehouse where it becomes a shelf for the holiday decoration boxes. So another vendor's salesperson drops by and says, "I've got a great machine that solves the problems you encountered and will meet the need you were trying for; and it's available for $25,000."(Let's borrow from movie-land and call this "Take Two" of the original idea). There may be several reasons to say no. The budget may be shot. Our belief in the whole idea may be shattered. Our ego may not be willing to risk another $25,000 fiasco.

But we should not base the "no" decision on a failure to understand **sunk cost.** The initial $25,000 is dead, gone, kaput. It is now irrelevant whether that $25,000 was wasted on our new customer program or on a misfired investment in oriental rugs. So we must evaluate the new proposal (Take Two) based on an investment tag of $25,000, not $50,000. Here's why. Let's say a third vendor salesman presents a completely different idea that also costs $25,000. His idea is projected to return $10,000 per year. So we say, "Hmm, that's a return of $10,000/$25,000 = 40%." Next we compare our brand-new idea to "Take Two" of the original idea. The projection on Take Two is a return of $15,000 in the first year. We have fallen into the sunk-cost trap if we say, "The return on investment of the original idea will be $15,000/$50,000 = 30%, and the new idea gives us a 40% return, so we'll take it." Our logic error would cost us $5,000 of profit per year—$50,000 if the investment life cycle is ten years. The first $25,000 is sunk!

Another common example is dead inventory. Let's say we've budgeted $50,000 for inventory, and we know that $50,000 of dynamic inventory is necessary to be competitive. Regrettably, we've purchased $10,000 worth of hand-painted Alaskan igloos that even our Alaskan customers (both of them) scoff at. Although emotionally painful, we must view that $10,000 as dead, gone, kaput. We must mentally and financially write it off and come up with another $10,000 for dynamic inventory. If we fail to understand that our $10,000 is sunk, we will attempt to compete with $40,000 in dynamic inventory—20% less than we know is necessary to be fully competitive.

Maximizing Transactions

This simple concept is horribly mishandled by businesses large and small. It says, “Business revenue is calculated by multiplying [number of transactions] x [average dollars per transaction]. Therefore, revenue can be increased by increasing the average dollars per sale, the number of transactions, or both.

The mishandle often involves failing to understand the importance of efficient transaction. Here’s a mini-example. A friend of mine has written a book that normally retails for $12.00…$12.60 with Indiana sales tax. A key sales opportunity is her public speaking schedule where she sells the books after her talk. She quickly evolved the tactic of offering her book at $10.00 (including tax). Part of the reason for the bargain is giving the audience a reason to buy immediately. The main reason is smooth transaction. She usually works the sales table alone, and she quickly learned that transacting in “even tens” is vastly more efficient than finding change for $12.60. Her increased transaction count easily covers the discount.

Whenever I’m standing 15 deep in a movie theater concession line, I am stunned by the failure to address the question of transaction efficiency. A brand-new soft drink is poured and popcorn container filled, for every customer. The window of opportunity is relatively short. Inside the theater are many hungry clients who didn't fight the line but would love some popcorn. There is *surely* a better way for that industry to transact.

Fast-food restaurants vary widely in ability to swiftly move a line through their drive-up or counter. The good ones have done a good job of efficient transaction planning. The bad ones seem clueless.

Most businesses have opportunities to make their transactions smoother and more efficient. The savvy E views this issue as high priority.

Transaction Count for All Employees

It is common to measure transaction count for production employees: How many widgets did we produce this hour or this day or this week? It is less common to understand that *every* employee (including the head-E) is involved in some kind of ongoing transaction. There are employees generating quotations, fielding customer inquiries, mailing literature, generating paperwork, etc. An entrepreneur has multiple daily transactions, such as client phone calls, employee interactions, emails sent and received, decisions made, etc. It is extremely useful to consider ways to increase the transaction count of every employee. What can we do to make phone calls shorter without sacrificing quality? To make quotation or project development time more efficient? To improve the throughput of our accounting department? To improve our own efficiency?

Although not universally accepted, voice mail and email have had immense impact on increased transaction count per day. We are able to give and receive information on a much more instant and convenient basis than was possible via traditional phone-tag or mail. These tools, especially when coupled with Internet transaction, promise to revolutionize many businesses.

Bottlenecks

Throughout a company, bottlenecks become the real determinant of possible daily transaction count. It does not matter that the mailing department can process 500 invoices daily if the accounting department can only generate 250. In many businesses, it is an ongoing E-challenge to identify bottlenecks and open them up. Sometimes the bottleneck is obvious. Most production bottlenecks can be identified relatively easily and measured numerically. But some are far less obvious. If our sales team is doing an excellent job but our project estimating team is turning quotations slowly, we may be missing important sales because we’ve slowed the momentum of the sales team. If our phone system is masking a large number of hang-ups because of busy signals or slow response, we may have a hidden bottleneck.

Note there will always be bottlenecks. Opening the flow of transactions in one part of the business will likely boggle, at least temporarily, another part of the business. Again, it is ongoing E-duty to monitor and deal with corporate bottlenecks.

It's Easier to Go Down than Go Up

This concept applies primarily to pricing, basically saying, "It's far easier to start high and negotiate downward than to start low and negotiate upward." Once prospects hear a low number, they tend to latch onto it. They will rarely call you to say, "I think you made an error; my bill should have been $75 higher than it was." From the high side, you have room to negotiate downward if applicable. If you have erred, you can count on the customer to help point out the error.

The subject of pricing plagues many Es, partly because there is a tendency to under-price to assure market acceptance. As discussed previously, a philosophy of value-based marketing intended to justify relatively high pricing as a more comfortable starting point than "too low in the first place" levels.

The Power of Multiplication

Multiplication is usually a positive E-tool. It says, for example, that if we find a way to inspire 20 employees to save $20 every day or add another $20 in profitability every day, we have an annual positive impact of about $100,000. The concept is commonly applied as we add offices, salespeople or new initiatives.

But multiplication doesn't always work out as planned. If we double our sales force, we don't necessarily double our sales. The new people may be less skillful, working in less productive markets, or fighting for sales with existing salespeople. In fact, unless we're careful, the 80-20 rule will bite our marketing effort…with 80% of our sales force providing only 20% of our revenue.

A powerful argument for employee empowerment is the power of multiplication. If two Es are competing, one of whom makes all key decisions himself, the other of whom has six empowered department heads making solid decisions, the second E has a major plus.

Multiplication can be negative. If our E in the previous paragraph has six lousy decision-makers, multiplication turns negative. If one negative employee pollutes the attitude of six more, we have negative multiplication. If six people show up at a meeting on time but wait for ten minutes for a single tardy employee, we have negative multiplication.

E-savvy means understanding the power of positive multiplication and making it work…but understanding the harm of negative multiplication and squashing it on sight.

Hopefully the ideas in this book are thought provoking and helpful in your entrepreneurial journey. Please contact the author via CorbinGroup.com with your comments and suggestions for additional items. This book will be a work-in-progress far into the future.

Best wishes for E-success!