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Crash & Learn: Tips for success

Make sure your company stays afloat by following these important tips.

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Flawed strategy

Even perfect execution can't save a bad plan or one based on faulty assumptions. For their book "Billion Dollar Lessons," Chunka Mui and Paul Carroll studied 2,500 large business failures over the past 25 years. "The most surprising result was that almost half stemmed from poorly designed strategies, as opposed to poor implementation or market factors beyond the company's control," says Mui, managing director of Chicago consultancy The Devil's Advocate.

Underestimating the challenge

If there's one rule in business, it's "easier said than done." Mui says companies frequently overestimate their abilities. He points to school-bus firm Laidlaw's rocky foray into the ambulance business in the 1990s as an example. Laidlaw thought it could seamlessly transition into a similar market, and assumed that its expertise in transportation justified an expansion into ambulance operation, without realizing that ambulances have complex regulatory issues because they're considered a health-care business. The firm wound up losing billions because it didn't take the time to validate its assumptions.

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Lack of governance
Brad Desaulniers, a corporate-turnaround specialist based in New Westminster, B.C., cites this as the most common cause of failure. He defines governance as the process of individuals being held accountable: everyone answers to someone, even the boss. At a smaller company that doesn't have a board of directors, says Desaulniers, the owner should always involve someone else in decision-making processes. "It's about making sure each decision is transparent and reviewable," he says. "If the circle of accountability doesn't close, failure is likely." Another corporate-turnaround specialist, Washington, D.C.-based Earl Smith II, who has worked with companies such as Paramount and Warner Bros., calls lack of accountability "the core of failure."

Refusal to adapt
Mui and Carroll name this as one of the top seven ways to fail big. They point to Kodak as an example of a company that hurt itself by desperately clinging to its original core offering (film) while ignoring the future of photography (digital). The company didn't take digital photography seriously until after 2000—some 20 years after the technology emerged—and, as a result, has lost 75% of its market value over the past decade.

Failure to plan
A great idea is meaningless unless you have an execution plan in place—particularly with entrepreneurs, who have a "go-go-go mentality and don't take the time to do business cases," says Barry Linetsky, partner at Toronto-based consultancy The Strategic Planning Group. "Projects sort of bounce around, and they don't get the results they wanted in the end." Linetsky recommends adhering to project-management fundamentals, such as establishing the project's objectives from the outset and determining who's in charge of what, what the budget is and when everything needs to be done by. Creating a road map makes you think about which kind of resources you should allocate to the project so your team doesn't run out of money. "Think things through before you begin," says Linetsky. "It can be expensive to wing it."

Poor leadership
Failing to empower and motivate employees is a leading cause of failure, says Charles Manz, author of "The Power of Failure." He has studied the "human side" of leadership—for example, how a leader's attitudes and emotions toward setbacks impact a company's ability to overcome challenges. If, say, a leader appears downtrodden and too ready to give up when things start going badly, the whole team becomes demoralized and the chances of turning things around diminish significantly, says Manz. "Put your emotions in check and pick yourself back up," he advises. "You're supposed to be inspiring everyone."

Gaps in communication
Sometimes project teams can get so focused on a launch that they forget to communicate their plans to other departments—the ones that will be instrumental in carrying out the plans once in-market. For example, if a marketing team spends months developing a special offer but forgets to bring the retail and procurement staff into the loop, the company may not be able to deliver on what has been promised to customers—and the offer, says Linetsky, could wind up doing far more harm than good.

WARNING SIGNS

Seven signs a company you work with may be in trouble

Your business counts on suppliers for goods and services, on strategic partners for complementary business assets and on customers for cash. So, when they stop answering the phone, it's a surefire sign they're in distress — which could hurt your business. To avoid such nasty surprises, you need to notice and react to the subtle hints of trouble that precede a corporate crisis."

The sooner you recognize a company is in trouble, the better your chances are of preserving the relationship," says Brad Desaulniers, a corporate-turnaround specialist based in New Westminster, B.C. Let the firm know you sense something is wrong and ask how you can help. Opening a dialogue early on will help you collect any outstanding payments, services or supplies the company owes you — before it's too late.

Their payments start coming in later than usual
Charles Miller, president and CEO of Pickering, Ont.-based collections company RecoverCorp, suggests tracking the days sales outstanding (DSO) to get a handle on how long companies typically take to pay. If a company usually settles up within 30 days and starts slipping to 45, you would notice that right away if you were on top of the DSO. "It's a stat that most companies don't track but should," says Miller.

They refuse to pay you because you owe them a credit

If a company owes you $10,000 but won't cough it up until you send them the $100 credit they're owed, that's a sign they're stalling, says Miller. "Most companies would just write a cheque for $9,900 instead of holding an invoice ransom," he says.

They break up their payments unexpectedly
This could indicate they're having cash-flow problems, but want to pay you something so you don't cut them off entirely, says Miller.

They fail to provide deliverables without explanation
"That's a sign they may have misused their cash and are scrambling to dig up resources to complete your job," says Desaulniers.

There's significant employee turnover
"If the people you deal with keep rotating, that's a red flag," says Miller. It could mean that employees are trying to jump ship before it sinks.

Morale is down among remaining employees
If the typically perky sales reps and friendly receptionist all seem morose, that could be an indicator they suspect they'll be out of work soon, says Desaulniers.

There's very little activity at their office
"If there's no bustle and no noise, something's amiss," says Desaulniers. "Particularly at sales-oriented organizations, where people are working the phones trying to make sales, it's a bad sign if things are quiet."

THE SECRET TO BETTER LUCK NEXT TIME

Six steps to perfect post-mortems

After a project fails, your first instinct may be to quickly forget about it and move on. But if you take that road, you could miss out on a wealth of learning opportunities. "You have to be willing to confront the fact that you have failed, and recognize the need to do something differently," says Charles Manz, author of The Power of Failure: 27 Ways to Turn Life's Setbacks into Success. "The only way you can succeed is through failure. Particularly as an entrepreneur, when you're always trying something new, you're inevitably going to have setbacks and failures." Manz points to Bill Gates as an example of a leader who has continually learned from failures and turned them into successes. For instance, a failed database program called Omega eventually became Microsoft Access, and an unsuccessful multi-plan spreadsheet ultimately morphed into Microsoft Excel. The trick, of course, is figuring out how to efficiently gather key learnings from botched projects. Post-mortems, when done properly, can be a great tool to help you start turning things around. Manz and Barry Linetsky, a partner at Toronto-based consulting firm The Strategic Planning Group, offer the following tips on how to gather valuable insights from projects that have gone awry.

Avoid finger pointing

Make it clear that the objective of the post-mortem is not to assign blame, but rather to collect insights that will help things go more smoothly the next time around. "Setbacks are almost always an occasion for reinforcement," says Manz. He recommends saying something like: "I appreciate your effort. Now, let's dig in and figure out what went wrong." 2 Gather feedback from everyone involved. Linetsky advises including the internal team and any external shareholders, such as clients, who were involved.

Do it while it's fresh in everyone's minds

Begin the post-mortem process within a week of the project's collapse, before people begin to forget details, Linetsky recommends.

Distribute questionnaires to be filled out prior to holding meetings

They should entail about 10 questions that aim to shed light on process flaws, says Linetsky, such as, "How accurate were our initial estimates?" and "What could the project manager have done differently, and how would that have helped?"

Hold separate meetings with internal and external stakeholders to discuss the findings from the questionnaires

At an internal meeting, employees can speak more freely than they feel they should with clients present. Ask open-ended questions about the questionnaire feedback, such as "Four of you indicated X; why do you think that is?" to mine for deeper insights.

Synthesize all the feedback

Create a set of recommendations for process improvements going forward, says Linetsky. To avoid repeating mistakes, refer to the recommendations each time you begin a new project. And ensure those recommendations get fed back to your clients, too, to show them that you're implementing improvements.

About

Barry L. Linetsky

Barry has been a partner with The Strategic Planning Group (www.tspg-consulting.com) since 1994. He works with senior executives and their management teams to develop business strategies and strategic solutions for their unique business problems. He is an advocate of the need for a market focus to drive customer, employee, and shareholder value. Barry holds an M.B.A. from the Rotman School of Management, University of Toronto, and a M.A. in Philosophy and B.A. in Sociology from York University in Toronto. He is an Associate Member of the Global Organization Design Society. His article "Think Like An Iconoclast: The Principles of Walt Disney's Success" was published in Rotman Magazine (Spring '09) and "The Project Management Paradox" appeared in the Ivey Business Journal (March/April 2008). To read these an other essays on general business topics by Barry, go to http://www.tspg-consulting.com/essays.htm.

About

The Strategic Planning Group

The Strategic Planning Group (T.S.P.G.) is a full service consulting firm that can provide organizations with a wide range of advice, business tools and solutions. At T.S.P.G. our focus is on helping our clients solve their complex issues to realize their ultimate business potential, whether we are helping to set the overall strategy for the organization or assisting in a particular functional area. Our practical-results-oriented approach to solving business problems, combined with our personal commitment and dedication to providing great value for our clients, makes us the consultants of choice to blue-chip executives across North America.

We aspire to be more than just consultants. For us to be successful in helping you we need to understand how you operate and what challenges you are currently facing. We want to help you achieve your goals and your ultimate business potential. To accomplish this we must be trusted and objective advisors by contributing our knowledge, experience and thinking in ways that have a positive impact. We want to be *your* consultants of choice – as we are for other senior executives – for all of your strategic business needs.

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