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BUILDING SUCCESSFUL COMPANIES
AN ANALYTIC STUDY OF SELECTED CASES FROM
THE BOOK: "LESSONS FROM THE EDGE"
WRITTEN BY JANA MATTHEWS JEFF DENNIS WITH
PETER ECONOMY



Shobha Dadlani

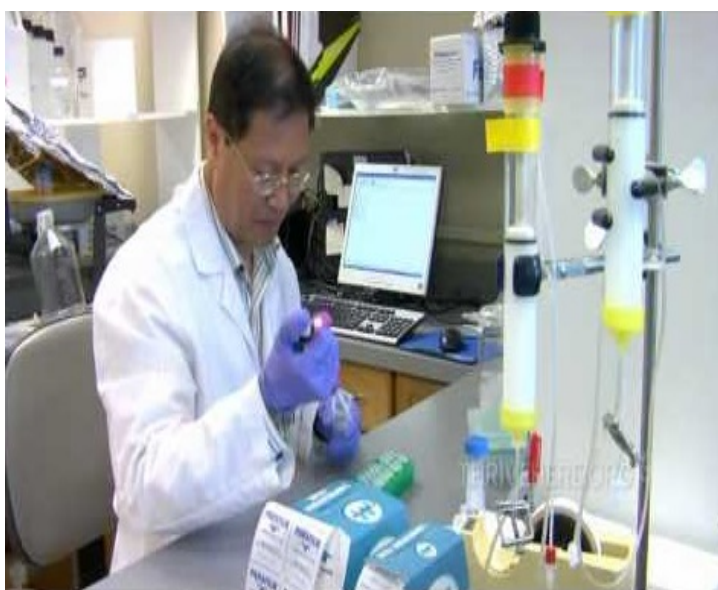
Former Head of Business Practices Department , St.Mira's College for Girls, Pune.



ABSTRACT

The book, "Lessons from the Edge" is a collection of real life stories of over 50 entrepreneurs. It gives a vivid first person account of the mistakes these entrepreneurs made in running their units and about the lessons these mistakes taught them. Experiences of these entrepreneurs offer valuable takeaways for both the established as well as the prospective business owners.

KEYWORDS : *Analytic Study, real life stories, product development.*



INTRODUCTION :

The Research Paper analyses cases to find out why these entrepreneurs lost or almost lost their companies, why were they driven to the edge? With what courage they faced such situations and what moves were taken by them to save the businesses when the realization dawned.

The Story of Revelwood, Software/Consulting Company

Ken Wolf started a company with a clear goal in his mind. He wished to start small and focus on building a client base. Once he had the knowledge and experience that he would get from these relationships, he would develop a product. For two and a half years, he and his partner remained focused on creating the client base. After that, he thought they were ready to develop the product. At this stage, they admitted a new partner and put him in charge of the product development.

Ken Wolf in the capacity of a CEO, took charge of marketing, sales and HR. His original partner, continued to focus on managing and growing professional services.

When the company started in 1995, the total numbers of people working were six to seven. By the year 2000, the number went up to 40. The company was heading full steam. It started receiving awards and hit the 'Inc.500' list. Things were now looking up to the company.

But at this stage the inevitable happened. The company got sucked into something it should not have. The company intended to be a solutions company. It wanted to create a combination of business intelligence and technical components which would as a package solve a business problem. Now when they tried to obtain tools from the market to make this happen, they realized the required

tools were not available. So the company decided to make these tools. Partners thought that, that would be a brilliant idea. They would be the pioneers and would build a platform for the same. Since the customers and owners liked the idea, the plunge was taken. They manufactured the product and started selling and marketing it. However, for a number of reasons the whole thing came crashing down. The company had to pull back the product from the market. Lay off most of its product development and marketing team. The company lost somewhere between \$2 to \$3 million.

What could be the reasons for the company's failure? What went so drastically wrong that the company was driven to the edge?

The Analysis:

The New York based company, Revelwood basically was a consulting company. By manufacturing the new product, it drifted away from its core competency. It was not a technology company. It was good at finding solutions. By launching the new product, it distracted itself from what it specialized in. The owners suddenly lost sight of who they were and what they were good at. The three owners focused so much on the product launch that they forgot their consulting practice. The result was the company's consulting business did not grow and thrive as it should have. The management levels were weaker; the funding of the product was done from the money generated from consultancy. The company reached a point where it could not survive any longer. The practice could not fund the entire company and so it hit the wall.

Lessons Learnt:

- ✦ Never lose sight of the company's core competency
- ✦ During High growth level beware of losing sight of the company's USP (Unique Selling Point)
- ✦ If successful in one area, it's not necessary that one would succeed in any other area too
- ✦ Never underestimate the power of distraction
- ✦ Always stay focused and stick to your goal
- ✦ Understand your niche, pick it, hone it and build on it

The Story of Rusch Publishing Company:

Rusch Publishing, founded by Alex Rusch in 1994, is one of Europe's top publishing houses in the areas of self help and management. The company's audio books are best selling American books which include Chicken Soup for the Soul, Fit for Life, Don't Sweat the Small Stuff, etc.

The company is well known and is enjoying great success today. The question arises has it enjoyed this status from the beginning? The answer is a big 'No'. Getting to the top has not been easy at all. Rusch admits he had an adversity at every stage, especially when he had to find and hire a bunch of people who would be as dedicated as he was. He says hiring and managing people almost drove him to the edge.

The Analysis:

When an entrepreneur starts a company, it is like a one-man show. Then the company begins to grow and he needs to hire people. If the people are not efficient, he starts facing staff problems. This is exactly the problem that Rusch faced. In his early stages of business, he did not realize the importance of management systems and controls. Since his organization did not create infrastructure systems and policies to guide the worker's efforts, to control and regulate their work, the company was pushed to the edge. The employees had taken advantage of the situation.

Rusch realized he had to be tougher. If goals are not set or there are no expectations, people begin to work less. Despite the company growing, the money that was coming in was less. And this happened because staff was less productive. Rusch realized people did not work. A lot of things were pending, though the staff had enough time to do them.

Lessons Learnt:

- + HR is the most important factor in an organization. It has to be productive.
- + Employees are essential to success but they need to be managed and led.
- + Time must be spent on interviews to get people with the right skills.
- + A probation period would help assess whether the candidate fits well in the organization despite his skills and qualifications.
- + A Company and Operations Manual must be made. Manual gives a written description of the processes. Employees can read and apply. They can perform in the right manner without forgetting things.
- + Systems should be developed to assess productivity.
- + Quick action must be taken to change the behavior of the workers when it is realized that their efforts don't justify their salary.
- + Activities must be tracked, individual performance must be assessed, feedback must be provided, employees whose performance does not meet standards must be warned and then workers who are not able to or who are not willing to perform must be fired.
- + Better management systems make employees more productive and the company more profitable.
- + Hire people and develop them into a team. A team of people that shares the company's values and the one that will perform according to one's (entrepreneur's) expectation
- + Despite the efforts, if you do not get the right people, do not hesitate to fire. If you do not fire, you send a wrong signal to employees who are working hard and share your values. Good workers will get de-motivated and poor performers will mar the company's efficiency.

The Story of Maxons Restorations, a Disaster Restoration Company:

This New York based company founded in 1989 by Damon Gersh gives an account of how it was almost driven to the edge during the Twin Tower terrorist attacks on September 11, 2001 and about its policies that helped it face the challenges successfully.

Maxons was the largest restoration company in Manhattan, and had the largest insured disaster in the U.S. It was sure to be flooded with calls after the towers collapsed. There was a cloud of dust all over lower Manhattan. Apartments, offices, churches, retail stores and restaurants had layers of dust all over. The company knew it would have to operate as never before and on an unprecedented large scale.

The Preparation/Gearing:

Labour was always subcontracted at Maxons. The labour pool was flexible. The staff could range from 100 on the low end to 400/500 when the company was busy. At the time of the September 11 disaster, the company had only 25 employees mostly project managers, some sales and some administration. Now the choking point was labour, the company's priority was to contact the subcontractors and hire labour before the competitors grabbed most of the orders.

Challenges Faced:

- ✦ The first challenge was of procuring labour. The worry was whether subcontractors would enter into a contract with Maxons and pledge loyalty to them, as the company hired them occasionally.
- ✦ Even if manpower was obtained, the problem was how many people would be required exactly.
- ✦ The company believed in planning but had not planned for the type of expansion of business and disaster management that would be required for the September 11 kind of a terrorist attack.
- ✦ Managing a business that would have an overnight expansion.

Lessons Learnt:

- ✦ Planning is a powerful activity. Those who plan for the future are much better prepared to take advantage of business opportunities.
- ✦ Maxons Restorations could take the load of a tremendous customer demand because the company had its plans in place. Planning may not have been of a magnitude the situation demanded, but because of planning, processes were standardised, strategies had been identified, guidelines developed and the permanent staff trained to restore disaster.
- ✦ Labour could be procured and their loyalty won because over the years, the company had built its reputation for being good 'Pay Masters'. It not only paid them more than the competitors but also faster. The first preference, therefore, for labour was Maxons.
- ✦ Gersh, the founder of the company, proudly says that the only important thing he offered to the team was leadership. He says effective leadership clarifies direction, vision and the values of the company. Every company hires the best people, but they have to be given guidelines, their creativity has to be unleashed and they have to be made responsible and accountable.
- ✦ Professionalism, quality of work, values and principles should never be compromised.
- ✦ Managers had been trained to handle increased responsibilities. No wonder though there was a 50-fold increase in the number of people working on different projects during the crisis for the company, the mission became possible.
- ✦ Finally Damon Gersh says entrepreneurship is all about managing and Leading people. Select the right people, clarify the vision, and develop systems and procedures so that they can make decisions. Then let them do their job. Allow them to use their expertise and experience within the guidelines and decide how best the customers can be served.

CONCLUSION:

It is said, "Wise people learn from other people's mistakes."

Entrepreneurs often face problems with regards to the different aspects of the business like planning, financing, creating a vision, recruiting, managing, organizing, leading, marketing, etc.

The three real life stories of entrepreneurs discussed in this paper provide a wealth of rare insights about why these organizations were driven to the edge, about the timely realisation, understanding of the problems and about the efforts that went into making their units healthy and growth oriented once again.

The lessons learnt are detailed by Ken Wolf, Alex Rusch and Damon Gersh, the business owners who went through the horrifying experience of seeing their business units almost fail. An analysis of the problems and the solutions developed by them, serve as important tips and guidelines for the new as well as established entrepreneurs. Those in business will do well to use these as ready reckoners.

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