

Section I

Pressing Immediacies

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The term “duck” can mean a lot of different things in different contexts. I want to be sure that any embattled business owner is clear on my use of the term here.

My father, an ex-Air Force man and present-day athlete, ends every phone conversation by telling me to “keep my head down.” It’s good advice; keeping your head down is one way to avoid trouble. By putting your head down you present a diminished profile and therefore a smaller target. Thinking about Dad’s signoff in the context of this book, though, makes it take on an added meaning.

Business authors are accused of overusing sports analogies, but in this case they are the most effective way to explain what I mean by the word “duck.” In nearly every kind of athletic activity, there is a ready position that requires you to duck. Baseball infielders crouch, lowering their center of gravity and preparing to react at the crack of the bat. Football linemen come into a three-point stance in anticipation of a pounce off the line. Boxers, golfers, wrestlers, sprinters, swimmers, tennis players, and martial arts combatants all duck in their own way. It puts them in the best position to release a focused, explosive movement when the time is right.

You should put your organization in a similar position right now in order to focus your potential energy. An effective duck now will enable you to apply that energy when it’s really needed. I’m not talking about “ducking” as in cowering in fear, and I don’t mean to retreat or assume

a wholly defensive posture, either. You need to get your business in the ready position.

Think of ducking as your first, most immediate response to crisis. It's what you need to do—today, right now—in order to avoid the near and present dangers and to put yourself in the proper position to recover when that opportunity comes.

Chapter 1

What Is Your Reality?

Conventional wisdom tells us that there are many logical steps business owners can take to survive and eventually grow in an economic downturn. Common sense says you must start this journey at the beginning.

Whenever business owners have a problem for which they seek my advice, they are always very good at giving me pertinent information. They have a situation they have already pondered at great length and are therefore able to give me a very cogent, logical description of the salient issues and questions surrounding their vexing problem. Business owners value logic a lot.

In more than 20 years of advising owners and leaders of organizations, I've never had one tell me that part of the problem was his or her lack of logical thinking. Not once. Yet when I am allowed to dig a bit deeper into the specific issue, the owners' and leaders' lack of logical thinking is always a major contributing factor to the problem itself. *Always*. I mean every time, without fail.

My ability to see their faulty logic has nothing to do with how smart I am. In fact, more often than not, business owners are smarter than this so-called expert in many ways. They are certainly more knowledgeable about their specific business and industry. I would also guesstimate that many, if not most, have a higher mental aptitude than I do. While I have no data to support that contention, I know that I tend to gravitate toward really smart people. My brother, sister, and son are all off-the-charts smart, and

therefore I am comfortable working with people who have better minds than mine.

No, I am not smarter, but I do have two things most business owners don't have: an outsider's perspective and a long history of pattern recognition. As an outsider, I don't carry any preconceived biases about the specific situation. As a practitioner, I have the knowledge that can only be gained from repetition. Business problems are rarely unique, and I see the same ones repeated again and again. For me, just as it is for a general practitioner (MD), extremely rare conditions are extremely rare. We both see the same basic problems on a daily basis, which over time makes us better at accurate diagnosis and effective treatment. Regardless of the initial symptoms, I treat illogical thinking more than any other malady.

All business leaders believe they are logical thinkers and actors. They are also very good at uncovering logic fallacies in others' thinking. Reams of research show this is simply human nature. Most people, regardless of intelligence and experience, fall victim to this paradox. We all have biases and blind spots, yet we are much better at seeing them in others than in ourselves. In my experience, this paradox holds even truer for business owners.

Let's face it. We all behave irrationally at times. When things are going well, there isn't much call for self-examination regarding your decision-making skills. You can get away with your unique quirks and predispositions. Those that surround you have no reason to rock the boat by pointing out your less-than-logical ways. Without any

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negative feedback, business owners who've had any success at all begin to believe they are immune to the dangers of faulty thinking. They're not. I'm not. You're not.

When a sudden crisis emerges, lack of logical thinking and an unconscious tendency to ignore a new reality become central issues for the embattled business owner. This book is filled with commonsense strategies, proven tactics, real-world advice, and core questions you need to consider in order to duck and recover. Yet this book will be of no use to you if your thoughts and actions aren't based on sound reasoning. The time has come for you to confront the notion that, in some significant way, your own self-imposed mind traps are holding you back. At the risk of offending you before I've even had a chance of guiding you, I am saying that the problem is you.

You are the primary reason the business has had any success to date. You are also the most likely potential barrier to growth. In most cases, you are all the good and all the bad in your organization. Sure, the economic environment is playing havoc with the world of industry and commerce. Of course you are facing unprecedented challenges, many beyond your immediate control. Yet a clear path to survival and growth is possible and it begins with you.

I don't know you (not yet anyway). I don't know where you need to look to find your own clarity. I do know how other owners and leaders get lost and perhaps you will recognize yourself in a few of these common missteps.

OVERCOMPENSATION IS YOUR ENEMY

As I write this, I am watching a small fishing boat navigate a narrow inlet to reach the open ocean. It is proceeding slowly and appears to be going straight ahead. I can't see who is steering, but obviously the captain has done it before, because the boat isn't in any danger of hitting the sides of the channel. The captain is no doubt steering with accurate, timely corrections in an effort to reach the ocean safely and efficiently. Experience is on his or her side.

At other times, I have watched this same inlet while an obvious newcomer to boating attempts to steer straight ahead. Despite their best attempts, such novices perform what amounts to a series of S-shaped maneuvers, narrowly averting the sides all the way through the passage.

What is happening to the novice is called overcompensation, resulting from delay in the system. The time between the turning of the wheel and the resulting change of direction is the delay. The inexperienced boater inadvertently produces wild fluctuations in direction, as he or she overcompensates due to lack of a timely feedback. New boaters turn the wheel but nothing happens immediately. Then they begin to panic and turn the wheel too much. Delay causes the beginner to function inefficiently and therefore dangerously. Overcompensation is the root cause and the true enemy.

The same phenomenon can be observed in embattled businesses. Lately, I've seen many owners blindsided

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by problems that they should have been monitoring all along. Once the situation has reached the level of a real crisis, it's difficult to take efficient corrective action. In an attempt to make up for lost time, owners often overcompensate. This only serves to further exacerbate the overall problem.

Taking corrective actions in your business will invariably result in some delayed responses. Remember, irrational overcompensation is your enemy, especially when you have a narrow margin for error.

STATUS QUO IS AN EQUAL FOE

Embattled business owners are presented with an ever-increasing number of difficult decisions. In good times, they take bold actions because they clearly see the potential rewards. They also tend to be much better at picking a specific course of action that is the best choice among other positive alternatives. However, when faced with the more troubling dilemma of picking among alternatives viewed as potentially negative, risky, or unpleasant, many choose to do what they have always done, or to do nothing at all. They stick with the status quo.

In some ways, this behavior is the opposite of overcompensation (doing too little versus doing too much). Yet these behaviors are actually very similar in the sense that they are both rooted in faulty thinking about risk,

reward, and time. Both behaviors create an even greater potential for escalating problems in a crisis.

When faced with a number of risky alternatives with uncertain rewards, many owners put decisions off, hoping that more time (i.e. information) will make the decision easier. In some instances, that may be true. In many other scenarios, it is a tragic mistake. There are unquestionably moments when bold actions are not only the best alternative, they may be the only real alternative. Yet many leaders fail to act in a timely manner. Academics call this risk (or loss) aversion, and I see more evidence of it among business owners now than ever before.

Throughout this book you will be presented with specific areas that might need your immediate attention. Don't wait for more information or a return to normalcy when the alarm bells of a true emergency ring out. Problems can wait. Emergencies demand the best possible decision you can make at the moment.

If your largest customer has recently reneged on a big contract, the stark reality is you're being adversely affected because you allowed them to be your biggest customer. If the foot traffic in your mall has gone from bad to worse, recognize that you chose to remain in that location. If your top salesperson just left you, taking a few of your best customers with her, face the fact that you didn't make it attractive enough for her to want to stay. If your megabank that said they loved you a few years ago suddenly won't return your phone calls, know that

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a local or regional player may have been a better option all along.

In a crisis, it is only human nature to point the finger of blame away from ourselves. Is it fair that your town's largest employer just laid off 11,000 workers? No. Was it foreseeable? Maybe. Is it a stark reality? Absolutely.

This worldwide crisis of confidence all began with the collapse of U.S. residential real estate. The meltdown has not been uniform. In some markets, values have eroded 40+ percent, while other areas of the country have been relatively unaffected so far. In those areas where the bubble inflated the most, the burst appeared to happen suddenly and without warning. Now, looking back with 20/20 hindsight, the housing collapse shouldn't have surprised anyone paying attention to well-established fundamentals and historic norms.

I've spent a good bit of time in the greater Detroit area over the last few years. Each time I'm there I am struck by the resiliency of the people and the quality of life in many areas. Yet, due to game-changing market forces such as excess inventory levels, white-collar job losses, and stricter lending practices, luxury home building has all but stopped in Detroit. If you have differentiated yourself as the builder of choice for upscale homes in greater Detroit, you are truly embattled. Even if your business has been there for generations, you have to face the new stark reality. Building luxury homes in Detroit, Michigan,

will not be a clear growth opportunity for the foreseeable future.

In this instance, business as usual is over now. If you are this embattled builder, you have to take bold and swift action just to stay afloat. You could remain in Detroit and fight it out in market segments where you have never competed. You could look to diversify into commercial building or remodeling. Or you could move to an area where your unique skills are more likely to be rewarded in the near future. There are growing markets in this country where luxury homes are more likely to be built over the next few years. The question becomes: Are you a Detroit builder or are you a luxury home builder? Either way, the choice is yours and only you can make it.

Conventional wisdom tells us that luxury homes won't be built in greater Detroit for many years. My common sense tells me that your best chance for survival and growth is to move your business to a burgeoning market. However, regardless of what I think, or what experts say, only you can make the right decision for you. More than a few intrepid luxury home builders will stay in Detroit and prosper over the long term. It won't be easy, but they will find a way to meet the market challenges (especially with fewer worthy competitors left standing). Others will take their expertise to growing markets where they have no contacts or suppliers and still carve out a profitable niche for themselves. Too many will do too little and simply won't make it.

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YOU ARE YOUR ALLY

This book would be much easier to write if I could just tell you to ignore conventional wisdom and follow common sense (yours and mine). Unfortunately, nothing in business is ever that clear-cut. Indeed, if it were, your business wouldn't need you. You could simply put relevant data into some software program and allow it to make all your decisions. But your business does need you. Only you can ascertain which widespread beliefs and which of your own closely held convictions apply to your present circumstances.

Consider this example. Conventional wisdom says that business owners don't monitor their internal financials closely enough. Accountants, academics, and consultants all agree that not managing to obtain accurate and timely financial information is one of the primary causes of business failures. In this case, the conventional wisdom matches what I've experienced in working with privately held businesses. Most business owners are more interested in pursuing their passion than they are in immersing themselves in the box scores of their business. Here, conventional wisdom and common sense converge into one irrefutable truth: Your business can't win consistently if you don't know how to keep score.

Conventional wisdom also tells us that maintaining or increasing advertising in a recession leads to sales growth. However, common sense says, "It depends." There are

too many other variables involved to make this one sweeping generalization applicable to you. My common sense, based on past experience in downturns, is that nimble, privately held businesses can grab market share from their paralyzed competitors by marketing more aggressively. I've done it, and I've seen others do it successfully. I've also witnessed desperate owners plow their dwindling resources into ill-advised and unsuccessful marketing initiatives that directly contribute to their ultimate demise.

I know you want answers. If you are embattled, you could be reading this book because you want me to tell you what to do. Yet it would be irresponsible of me to oversimplify complex issues. For example, should you increase, decrease, or maintain your marketing expenditures during this downturn? If you are a relatively cash-flush company serving a growing market segment, the answer is probably "increase." If you are a luxury home builder in Detroit, the answer may be "dramatically decrease." If you are a well-established business in a stable market, "maintain" might make the most sense.

No, embattled business owner, I can't tell you what to do. That responsibility lies solely on your shoulders. What I can do is point you toward those areas that most need your focused attention and efforts. I am recommending a two-pronged approach. This section of the book addresses the pressing immediacies (the *duck* phase) that will help ensure your survival and put you in a better position to seize the inevitable growth opportunities created

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by change, which is covered in the second section of the book (the *recover* phase). While business owners are the targeted readers, the guidance offered in these sections should apply to any leader in any organization that wants to, in effect, own any situation. From nonprofit principals to big business bosses, everyone wants to think and act more entrepreneurially these days. This book is intended to help you do that very thing.

Regardless of who you are, the problem is you, or at the very least your problems are yours. Before you can even hope to win the battles ahead, you must start with a personal reality check. What do you believe about your business that isn't true? What may still be true about your business, but fear has caused you now to question it? Is overconfidence skewing your judgment? Are you relying on gut instinct when unbiased information would serve you better? Is the dread of potential defeat impairing your effectiveness? Are you confident in your ability to cause desirable effects in a new world that often defies common sense?

As you consider the guidance offered in this book, remember that your business's survival and growth depend upon your ongoing ability to accurately perceive your new realities. Don't fool yourself.

