

Agility in Turbulent Times

In the past, most successful entrepreneurs possessed a single-minded focus that served them well. Sometimes obstinate and other times obsessive, they drove toward their goals with unwavering commitment. This approach to business—effective in a time of relatively slow change, moderate complexity, and more local than global competition—helped them overcome obstacles and seize opportunities.

While entrepreneurs still benefit from being driven and single-minded, such a mindset can also be a major handicap in our current environment of great volatility and unpredictability. Technological breakthroughs, economic shifts, and other changes occur seemingly every week. There's the adage *Man plans, God laughs*. Substitute *entrepreneur* for *man* and you understand why it's no longer possible for entrepreneurs to lock unwaveringly onto

a product, a marketing approach, a business plan, a funding mindset.

Agility is essential for entrepreneurial success. I'll share two stories that demonstrate why this is so.

Though Steven Jobs was an extraordinary and unique business pioneer, he was also a classic entrepreneur in many senses. Early on, he was obsessed with creating the best possible personal computer, and his drive resulted in some remarkable products. But when he returned to Apple after years of exile, he recognized that things had changed. Plenty of people were still buying personal computers, but the market had topped out. He noticed the emerging mobile computing consumer segment, though, and was able to shift his thinking—and the direction of the company—to serve this market (among others). Jobs's flexibility enabled Apple to dominate the space for several years.

Arsen Avakian founded Argo Tea, a retail tea seller, in 2003 and now is the head of a 27-store chain with \$20 million in revenue. Initially, Avakian's vision was to make Argo stores the tea equivalent of Starbucks. This hugely ambitious vision, however, did not fit with changing market and economic realities. It also didn't jibe with Starbucks's acquisition of tea retailer Teavana and the coffee company's plan to open tea bars. So instead of trying to become a giant in the industry or do battle with one, Avakian shifted gears. In a September 9, 2013, article in the *Chicago Tribune*, he was quoted as saying that Argo wanted to be the "Apple of tea . . . where you will fall in love with the brand." To that end, Argo has started a bottled-tea business in addition to their retail establishments.

Making these shifts sounds easier on paper than it is in reality. Entrepreneurs often fall in love with their business ideas, their visions for a business, and their theory of how to make their companies successful. To let go of something they love and believe in

is difficult; to change it in any way seems disloyal, fickle, and even weak.

Yet letting go requires strength; it's an acknowledgment of a new reality for an entrepreneur. Agility facilitates movement from the tried-and-true past to the changing present.

NOTHING STAYS THE SAME FOR LONG

It's not just that the pace of change has been accelerating, but the types of changes are expanding as well. From the economy to technology to the global marketplace, everything is evolving at a fast clip. More than that, many of these changes aren't predictable. Mobile technology, big data analytics, and social media may seem as if we should have seen them coming, but in fact only hindsight makes it appear that way. Ten years ago, when people used cell phones for traditional phone-to-phone communication, few would have predicted the widespread use of smart phones in ways that make phone conversations a secondary or tertiary function. And until the economic downturn of 2008, the majority of small businesses that required financing sought loans. Who could have predicted that these loans would become almost impossible for many startups to obtain?

In the face of these rapid and widespread changes, entrepreneurs have no choice but to be flexible. If entrepreneurs are unable to shift direction and find new sources of funding, or if they can't reformulate their products when a Chinese company brings out a similar one at half the price, they're out of luck. But before we look at what agility means and how it translates into specific business behaviors, let's review some of the types of changes that make agility imperative:

- **Funding.** It's not just that banks have tightened their purse

strings, but that venture capital firms have diminished in number; and those that remain are more selective about who they fund. We've seen the rise of angel investors—wealthy individuals or groups who fund ventures in exchange for a share of ownership. We've also witnessed the rise of what I refer to as “startups for sale”—cash-strapped entrepreneurs who launch companies on a shoestring with the hope of becoming acquired by a large company. In this way, they gain the finances and other resources necessary to grow their idea into a profitable enterprise; “startups for sale” has become the dream goal of many entrepreneurial Internet companies. And then there's the crowdfunding movement—people who use the Internet to launch their ideas for new businesses and attract financial backing from individuals who see potential in that idea; Kickstarter is the most well-known example. We'll focus on funding options that have arisen in recent years in Chapter 5, but as this brief description indicates, the environment is completely different from how it was as little as ten years ago.

➤ **Technological.** New technologies impact entrepreneurs in every field in countless ways, and they require all types of adaptations. On the most basic level, technological innovations have caused entrepreneurs to change the way they conduct daily business. For instance, Texas Instruments introduced handheld calculators around 1967 and IBM introduced its first personal computer around 1981. In 1973, a scientist working for Motorola successfully made the first portable handset, and by 1987, over 1 million cell phones were in use in the United States. These devices are now part of our daily existence while the older technologies are phasing out. In the 1990s, the fax was the dominant mode of communication in business. Today, it is quickly going the way of the electric typewriter, as email and other Internet forms of communication have become dominant.

The social media demand that entrepreneurs rethink customer relationships; and information technology necessitates that competitors and potential competitors know about your product breakthrough almost immediately after you achieve it. Virtual meetings across continents routinely take place on Skype and other sites. New technologies are being introduced every day, and today's smart phone will be tomorrow's fax machine. Entrepreneurs who aren't able to adjust their businesses to capitalize on these technological changes will be left behind.

➤ **Regulatory.** The EPA, FDA, USDA, and SEC are just some U.S. agencies that have been active in altering their regulations in recent years—and aggressively pursuing those who fail to comply. Any small business that has grappled with the SEC regarding 2002's Sarbanes-Oxley legislation is well aware of how regulatory changes require all sorts of new policies and procedures. Many times, agility is required just in terms of time and resources allocated to respond to those changes. In other instances, entrepreneurs may need to make major shifts in their business operations. New environmental regulations, especially, can create all sorts of issues for small companies: the material you've been planning to use to manufacture your product has just been ruled an environmental hazard, the FDA decides to create new nutrition regulations, or the Department of Energy places greater restrictions on nuclear energy creation and use.

➤ **Market-by-Market.** Entire industries are being transformed through global, virtual, and other means. In the medical field, increased scrutiny by insurers is cutting into medical business revenues. The ability to reduce hospital re-admission rates and the shift toward personalized medicine are causing health-care professionals to alter the way they do business. Small medical practices have aligned with other groups to create larger

medical practices in order to have greater clout with insurers. In other fields ranging from agribusiness to software to beverages to retailing, transformations are also taking place. While big corporations in these fields are affected, the entrepreneurs often are the ones who must be the most agile. Big companies have the size and resources to change more slowly and still survive; smaller entrepreneurs must adapt or perish.

➤ **Competition.** Until relatively recently, some entrepreneurs could occupy a market niche and expect minimal or at most moderate competition. Today, competition has heated up to the point that this is no longer possible. In a world where everyone is in global competition and technology makes it much easier for companies to knock off products, services, and unique selling propositions, entrepreneurs must be nimble enough to fend off competitors. This may mean coming up with a new pricing strategy, redesigning your packaging, changing product formulations, or myriad other responses.

Consider a small, entrepreneurial pharmaceutical company that is developing a new cancer drug. They're planning on investing \$50 million in its development and are testing the drug with patients who have not been helped by other therapies. They're tremendously excited by initial results—the drug seems to produce a 24 percent improvement in survival rates—and the company begins working toward FDA approval. Then, news arrives that an Australian pharmaceutical company has gained approval for a similar product. It may be that this competitor's new product makes it impossible to continue development. More likely, however, is that this competitor's success simply means that adjustments must be made. It could be that the Australian company's product will open up a new market, and there's a strategy

to piggyback on their initial efforts. It may be that there's the possibility of a merger. It may be that the entrepreneur's product will deliver superior results during testing. The entrepreneur needs to be open to and assess all possibilities and then adjust the development strategy accordingly.

SURPRISES AND COMPLEXITY

It's not just the pace and variety of change that requires entrepreneurial agility. It's that all the changes create a series of surprises and complex situations for entrepreneurs that can frustrate and defeat those who lack flexibility. Complexity can mean many things to entrepreneurs—ten global competitors instead of three local ones; decisions with no right answer; an overwhelming amount of data to sift through; partnering with a competitor; the constant and costly threat of legal actions in a litigious society. Traditional entrepreneurs try to bull their way past the complexity and surprises, and attempt to keep things simple. This hard-charging approach doesn't work nearly as well as it once did. The late Alvin Eicoff, an old-school entrepreneur, founded an advertising agency in the 1950s that made late-night television commercials for products like slicers-and-dicers and 25-piece tool sets. He produced hard-selling direct-response commercials that were enormously effective in generating sales but lacked good production values—they looked cheap and they sold cheap products.

By the 1980s, however, the advertisement environment changed, owing to mergers and acquisitions that significantly reduced the number of firms and created fewer, much larger firms. In addition, cable TV and networks came on line capturing significant market share. Alvin, an industrious and aggressive entrepreneur, recognized that for his agency to survive, it needed to evolve. For that reason, he named a new CEO and sold the

agency to Ogilvy & Mather. Soon, the agency was creating direct-response commercials for Fortune 500 companies that valued the advertising tactic's accountability. Many in the industry were surprised that large, image-conscious companies wanted to use this technique. It was a highly complex transition, since the spots for these large companies had to take a different creative approach and media had to be bought differently. The agency's ability to adapt helped it prosper.

In recent years, the Eicoff agency has again adapted to a much more competitive and quick-changing advertising environment. One of the biggest changes in the television direct-response business is that clients no longer want just an 800 number on the screen for a response. They also want a URL so they can drive viewers to websites, and they sometimes want commercials to link viewers to social media. In response to this need for additional contact information, a new, technology-savvy CEO was appointed and the company began bringing in younger, social media-proficient employees to meet this growing need. Once again, the agency's agility helped it grow and remain profitable as competitors' fortunes ebbed.

Surprises and wide variations in the business environment confront entrepreneurs in many types of businesses. Twenty years ago, technology entrepreneurs required a good idea, engineers, and the ability to design software, equipment, and so on—the more sophisticated the design, the better. But then social media and mobile technology changed the game. A tech company can now launch with minimal investment and find employees who work for a year or more for equity and no salary—and no office is needed since they can work from home. To obtain financial backing, they may need to create a prototype or even demonstrate they can generate a decent revenue stream. They may go from rags to riches quickly, as a viral buzz creates so much excitement around

the company that they can do a successful IPO or sell their company to a tech giant for a great deal of money. Or they may be blindsided by a company on the other side of the globe that is doing the same thing they're doing—only faster, cheaper, and with better technology.

Consider, too, a more traditional sector. Thirty years ago, the textile industry was a highly regimented business in which quality and marketing were paramount. In New England, North Carolina, and other parts of the United States, the industry flourished and large companies dominated. Then, as manufacturing costs increased, cheap labor available in places like India and China virtually wiped out the textile business in this country. The relatively few U.S. companies that remained in the business had to take actions that would have been unimaginable a decade or two earlier. A September 29, 2013, *New York Times* article described how one Minnesota manufacturer was working significantly under capacity due to loss of skills in cutting and sewing textile products. The firm placed help wanted ads in several languages seeking these skilled workers and eventually had to create training programs to teach the needed skills.

Just about every industry has a story to tell. More to the point, just about every entrepreneur can tell a story about how he or she didn't see a key event unfolding until it was too late or how he was confused and confounded by decisions that seemed relatively simple in the past. Take a look at some of the following unexpected events that have affected entrepreneurs with whom I've worked or who I know about and see if they sound familiar:

- A traditional source of funding you've counted on for years suddenly dries up just when you need it most (right before you need the money for a new initiative or venture).

- You invite your investors to view the results of your beta test and it fails, despite having worked well up to this point; the technology is tricky and you try and explain this point, but some of the investors you always thought believed in you demand that you return their investment.
- A terrific new market opportunity emerges but your resources are severely limited. To take advantage of it you must reduce costs, and the best way to do that quickly is through a staff reduction, but you need your full staff to capitalize on the opportunity.
- A young employee files a sexual discrimination lawsuit against the company that you know is completely unjustified. To fight the suit, however, will be costly. You have two 65-year-old employees whom you've been carrying for the last few years and, if they retired, not having their salaries on the books would help with the lawsuit, but you're afraid that if you push them out, they'll file age-discrimination lawsuits.
- A Chinese company proposes an alliance with you in which you would provide the product and marketing and they would handle the manufacturing at a much lower cost than your current provider. But the company has been singled out by watchdog groups as operating sweatshops using underage workers. Its CEO promises they no longer engage in these practices but you can't be sure.
- To sustain and grow your company, you need to make long-term infrastructure investments, but your cash is limited and you need to show good returns for the year in order to keep your investors on board.

There are no easy answers to these situations. While you can't

plan for the unexpected or find Solomon-like solutions to such dilemmas, you can be agile enough to make the best out of what an unpredictable business environment throws at you.

THE MORE THINGS CHANGE, THE MORE ENTREPRENEURS THRIVE

No doubt, some entrepreneurs long for the good old days when, if you built a better mousetrap, the world would beat a path to your door. I'm not sure how true that adage was in the old days, but today great ideas are only the ante to get you into the game. The good news is that while change, surprises, and complexity make it more challenging for entrepreneurs to succeed and sustain their success, this environment also produces more opportunities than ever before. The key is to possess the agility to take advantage of them.

Consider just a handful of the opportunities that have arisen in recent years:

- Online sites that become viable entities much faster than traditional brick-and-mortar businesses
- Mobile and computer technologies that allow entrepreneurs to do more with fewer people
- Growing receptivity of companies in all corners of the world to partner with small startup organizations
- New technology-catalyzed fields that are ripe for entrepreneurial efforts, such as alternative fuels, nanotechnology-based medicine, and analytics
- A rapidly growing consulting/coaching sector in a wide variety of fields, as a response to the increasing complexity of doing business globally, virtually, and at great speeds

Despite all these opportunities, one of the most common complaints I hear is that it's no longer possible for a single entrepreneur with brains and creativity to succeed; it's felt that big organizations with large networks have largely destroyed the "ma-and-pa" small businesses, much as Walmart has done to small, local retailers.

In fact, ma-and-pa entrepreneurs probably have better odds of success today than years ago, owing to all the opportunities that have emerged. But they had better be flexible so that they can zig and zag as the environment changes. Consider Sara Blakely, the founder of an undergarments company called Spanx. According to the story on her website, she was working as a sales trainer and a stand-up comedian when she came up with the idea for a type of pantyhose that made women's clothes look better. Starting with a \$5,000 investment and little business training or contacts in the retailing industry, she took advantage of all the knowledge available in our electronic age and researched patent and trademark information for her product (which she created herself with a pair of scissors and some pantyhose), as well as hosiery manufacturers in North Carolina.

Blakely was met with one rejection after the next as she visited lawyers and manufacturers, but in response to that rejection she wrote the patent application herself to keep costs down (using what she learned from her research) and consulted a lawyer to help make sure her work would be accepted by the patent office and defensible in the event of litigation. She then drove around the state calling on mill owners and requesting that they make her product. Again, she received a series of rejections until one owner finally decided to take a chance on her product.

Time and again, Sara ran into roadblocks and used her entrepreneurial agility to maneuver around them. Having trouble getting retailers to stock her new product, she flew to Dallas, met

with the skeptical buyer for Neiman Marcus, and took her into the ladies room to show her the before-and-after effect of her Spanx pantyhose. The buyer was sold and agreed to take the product. Recently, the media reported that Sara Blakely, who owns 100 percent of her company, is now a billionaire.

What opportunities did Sara Blakely capitalize on that are available to entrepreneurs today? First, the Internet was a tremendously valuable information-gathering tool that helped her discover critical data early on. Second, niche marketers are flourishing at a time when global giants lack the flexibility necessary to hit smaller, growing markets fast. Many huge corporations market pantyhose, but none was sufficiently agile to launch a new product designed to be worn with the latest, form-revealing fashions.

IGNORE THE PAST AT YOUR PERIL

History is a great teacher. As your change timeline probably has shown you, nothing stays the same for long, and the evolution of an industry and a business can be astonishingly fast and transformative. Yet many entrepreneurs underestimate these changes and their impact because they're so busy meeting deadlines, dealing with emergencies, and trying to deal with customers' requirements. The busyness of an entrepreneurial workplace creates the illusion that not much is changing, and that the methods and policies that have always worked will continue to be effective.

And some will. Despite the breakneck pace of change in the twenty-first century, certain entrepreneurial techniques and tactics will be as effective in the future as they have been in the past. I know one entrepreneur who believes with almost religious zeal in hard work. He's convinced his ethnic food product company's success is due to his ability to outwork everyone. And he's constantly coming up with new ways to market his food products,

convince a new store chain rep to stock his products or provide them with more and better shelf space, and run promotions that drive customers in droves to the stores to purchase his products. His hard-work mantra is still valid, but the problem is that it's no longer enough. He's facing intense competition from importers who have strong connections with food manufacturers in China, India, and other countries that he lacks. He may have to narrow the range of his ethnic offerings or expand by forging new partnerships.

A brief historical lesson about the economy and technology would serve this hard-working entrepreneur well and demonstrate the value of agility in an age of rapid change. In the last thirty-five years, we've had significant—some might say wild—economic fluctuations. When the economy turned the corner in the early 1980s, the stock market heated up and provided investors with great returns. As interest rates dropped, the market was the best place for money. Then boom-and-bust cycles followed and the market took three major hits: Black Monday (1987), the dot-com bust (2000–2001), and the financial meltdown (2007–2008).

In each of these economic downturns, investors in entrepreneurial enterprises responded with conservative mindsets, and entrepreneurs found it difficult to secure financing as investors cherry-picked the companies with greatest potential, leaving everyone else high and dry. These investors were able to secure very favorable terms or bought the companies at depressed valuations, while many entrepreneurs in the wake of these economic downturns either went out of business or had to sell or merge in order to stay open.

Though we don't know when the next economic downturn will happen, it's likely it will happen sooner rather than later. We live in turbulent times, and the economy is as vulnerable to that turbulence as any other societal component. Therefore, history

should teach us that entrepreneurs may need to shift quickly to a different financial strategy—they may need to seek alternative financing (when their investors cut back or pull out), consider a merger, or look to sell rather than being bullheaded and relentlessly optimistic about finding a new investor. Agility here means considering other options, even if they're not ones you originally considered acceptable.

Technology over the last thirty or so years has provided an even more compelling lesson. Around 1985, my company's labs obtained their first desktop computers, which were mostly smart terminals attached to mainframe computers. By 1990, mainframes started to be phased out and desktop computers with enhanced functionality became the norm. The emergence of the World Wide Web made a huge difference for our business, since we were able to access data (limited though it was at the time), and it helped our research efforts greatly. In the 1990s, the Internet took off and our labs capitalized on greater access to data and better computers to analyze a wide range of scientific issues and store massive amounts of data.

In the first decade of the twenty-first century, cell phones became smart phones, computers became even smaller and more powerful, and widespread improvements in electronics created a sameness in products from large companies. Everyone had access to everyone else's innovation and could re-engineer it to offer a similar product. The sameness lasted only so long, at least in the consumer electronics segment, because Steve Jobs redefined how people used their phones and computers. Smart phones allowed Internet access anywhere; photos could be taken and sent immediately while their senders simultaneously listened to music. Computers were miniaturized and enhanced to perform like desktop models while tablets were introduced, rendering computers less essential.

So what does this snapshot of technological evolution tell us? More specifically, what is the lesson for entrepreneurs? It's that you shouldn't fall in love with your technology, no matter how great it is, because sooner rather than later it will be obsolete. That may seem obvious when you read it here, but I've known entrepreneurs to cleave to their technology as if it would remain cutting edge for years and years. Back in the day, there were many entrepreneurs who stayed with mainframes long past their expiration date because they distrusted the desktops. Similarly, some companies have been slow to catch on and become part of the social media/mobile technology trend. Consequently, they haven't benefited from the customer feedback that social media provides. Airlines monitor complaints that arrive via mobile devices while their customers sit on the tarmac, and health-care insurers see complaints or questions arise on various social media and respond before issues get out of hand. The ability to provide feedback and resolve problems quickly prevents the mass bashing that takes place when a single customer is unhappy and others start to relay the message via mobile and social technology.

Entrepreneurs must be aware not only of the new trends in technology but laws and regulations that apply in specific industries, the domestic economy, the global marketplace, and in any other area that impacts their business. They must then translate this awareness to adoption and adaption strategies. This isn't always easy or even inexpensive, but it can save them from being stuck with a mainframe mentality in an age of personal computing—and it might also save their business

PUTTING CONCEPTS INTO ACTION

Awareness is the best first step for developing entrepreneurial agility. By definition and perhaps by necessity, entrepreneurs often

are focused on what's happening internally rather than external events. They become so caught up in the quotidian details of starting and running their young businesses that they can't lift their eyes beyond the grindstone. Once they actually look around and become cognizant of all the changes that are taking place, they recognize that they can't continue on a fixed path. Awareness of complexities, surprising trends, and transformative events motivates small business people to think and act differently.

To foster an awareness of the complexities, trends, and events that might motivate you to think and act differently, create a change timeline for your industry and your business. History provides a compelling perspective. For that reason, I'm suggesting you note the key events, trends, and developments that have taken place in your field and in your company during the last thirty to fifty years. Here are some questions that will help you create this timeline:

1. What were the major products and services offered in your sector twenty years ago and what are they today?
2. Who were your main competitors ten years ago, five years ago, and who are they now?
3. In years past, what (if any) were the global events that affected your business? What are the global trends that have had an impact in recent years?
4. What was the biggest concern of companies in your industry thirty years ago? Fifteen years ago? Today?
5. How has the dominant technology in your field changed over the decades?
6. Over the past ten years, how has the quality of your work environment changed? Can you chart changes on a yearly basis in terms of your stress levels (on a 1 to 10 scale),

crises (number and seriousness of), and workload (overwhelming, heavy, medium, mild, easy)?

7. If you've been in business for a relatively short period of time, can you identify your most significant problem on a month-by-month basis?

Think with a historical perspective in order to create a flexible mindset. For instance, you recognize the necessity of investing in new equipment to ensure that your factory will remain state-of-the-art, but you also need to stay as liquid as possible over the next year because you anticipate some significant short-term expenses. The complexity is short-term versus long-term, and it's caused by an increasingly competitive environment. In the past, you may have been able to get away using your "old" equipment for a longer period of time, and you had fewer short-term costs caused by compliance issues, legal fees, and so on.

Complexities can revolve around situations such as hiring or firing decisions (the right person for the job wants too much money), mergers/acquisitions (should you sell the company to a big corporation and risk losing independence), or outsourcing (should you give up a function you're not good at but at the price of complete control of the function). Create a list of the complex, confusing, and frustrating situations you've faced in the past year, and ask yourself the following questions:

1. Did you respond by making the same decision you always have made, even though you suspect it will no longer be as effective?
2. Did you decide to do nothing, hoping that things will "sort themselves out" while you sit on the fence?
3. Did you rely on your ingenuity to make a good decision?

If you answered yes to this last question, you probably dealt with the situation effectively. Creativity is agility in action. Entrepreneurs who think out of the box when faced with conundrums, paradoxes, dilemmas, and the like are thinking flexibly.

Finally, determine the number of surprises you've encountered in your business recently. Again, make a list of events or situations that caught you off guard. The purpose here is to raise your awareness of how many unexpected developments have impacted your business. By surprises, I'm referring to significant events, not relatively minor ones (such as your assistant deciding to take a leave of absence to be a stay-at-home dad). To help you create your list, here are some common examples of surprises entrepreneurs have encountered in recent years:

- A sudden high turnover rate as your employees leave for better offers
- A surge of new business that requires you to add staff and other resources
- A loss of business when three key clients leave in a matter of months
- A new law or regulation that requires a number of business changes to be in compliance
- A major economic swing has a positive or negative effect on your business
- A strong competitor appears on the scene that you have never heard of or considered a lightweight
- An unanticipated lawsuit is filed against your company
- A larger company makes an acquisition or merger offer
- A technology innovation changes the competitive landscape of your industry