

Under the Buzz

Commentary on Strategy & Management Issues for Executives & Professionals in Enterprise Systems & Software Companies

Thanksgiving Day, November 27, 2003 - Vol. 4, Number 11

Under the Buzz is an electronic "newsletter" authored by Philip Lay, managing director at TCG Advisors, a Silicon Valley-based firm that helps to catalyze the strategy and transformation efforts of its enterprise systems and software clients. This journal is published each month and delivered free to subscribers via email. It is also posted on the TCG Advisors website at: <http://www.tcg-advisors.com/Library/utb/utb.htm>. Back issues are available at the same address.

In this month's issue:

1. The Mystery of Teams

When is a team a team, vs. just a group of individuals? Once established, how can teamwork be sustained at optimal levels? And, what about the dynamics of ad hoc teams as against standing (or permanent) teams? This article addresses the issues of managing teamwork toward defined objectives, and suggests some of the secrets of getting it right.

2. The Top Ten 2004 Business/E-Commerce Trends (Survey by CEOnetworking)

Since 1998, Mitchell Levy, a partner in CEOnetworking and director of the Silicon Valley Executive Business Program, has been producing a survey and report of the top ten trends in business/e-commerce. This year, he consulted 80 'industry experts' including yours truly, and in this short article I am reproducing the list, plus a couple of 'bonus' trends.

3. What Makes Some Start-ups Succeed?

Recognizing that there is no reason for any start-up to succeed – and that, of course, most don't – what are some of the critical success factors that help new businesses get established and become sustainable entities? Quoting from a recent article by Graeme Thickins, a freelance technology writer and analyst based in the Twin Cities and Southern California, we describe some of the keys to survival and success.

4. Provocative Thoughts on Corporate Strategy and Governance

In one of the better recent business books on best practices in corporate management, author Jim Collins (coauthor of the bestselling "Built to Last"), warns against the tendency of boards and CEOs to focus on the wrong priorities in building shareholder value and in making acquisitions.

5. Buzzword Bonanza: A Word from the Nation's #1 Spokesman on Business Lingo

Interviewed by the Business Finance editor of a leading news magazine, Frank Lingua, president & CEO of Dissembling Associates, gives his rundown on the ins and outs of business buzzwords in today's harried technology marketplace (excerpted from a tongue-in-cheek email doing the rounds).

By receiving this issue directly from TCG Advisors Publications, you are already on the distribution list. Feel free to send this to your colleagues and associates. They can sign up by entering their email address at <http://www.tcg-advisors.com/Library/utb/utb.htm>.

Quotable Quote ...

On the contrast between pressure and stress in work:

"Pressure is the stress that should exist in one's work; stress is the pressure that shouldn't be there."

- Anon

1. The Mystery of Teams

Whether you are talking about an executive team, a standing committee, or an ad hoc 'cross-functional' team tasked to perform a critical mission, I am convinced that the secrets of effective teamwork remain a mystery for many organizations and individuals. In fact, many executives seem to still think that it is sufficient to throw a group of individuals together, call them a team, and let them get on with it. Such a lack of attention to the task of 'detailing' a team and its mission is almost certainly why the casualty rate of ineffective teams is so high in tech companies. One way or the other, it seems to be that making teams work is still a mystery to most management teams.

So, what does it take to go from mystery to mastery in team management and team performance? Well, many authors have contributed ideas on this subject, notably Jon Katzenbach and Doug Smith in their early nineties book, "The Wisdom of Teams," and more recently, Pat Lencioni, successful author and managing partner of the Table Group, a Bay Area-based organizational consulting firm, in his latest book, "The Five Dysfunctions of a Team" (Jossey Bass, 2002). The dysfunctions that Lencioni addresses – (i) inattention to results, (ii) avoidance of accountability, (iii) lack of commitment, (iv) fear of conflict, and (v) absence of trust – are all extremely valid, and form the basis of reasons why teams fail.

However, in this article, I want to describe a few key attributes and decisions that are critical to enabling ad hoc teams to achieve results in the specific activity of market development strategy, particularly when the company is focused on building dominant or significant share in a given target market segment. I am structuring the remainder of this text as a recipe with minimal or no justification for the recommendations, for the purposes of brevity. However, I am perfectly willing to engage with individual readers in a to-and-fro discussion, in order to provide my reasons for specific statements if and as necessary.

First, the team selected needs to be a cross-functional one representing all the main functional activities of the company – product marketing, sales, services (especially consulting, as opposed to training or customer service), engineering (both internal and field engineering). If the team does not contain an executive team member, an executive sponsor should be appointed to facilitate resource availability for the team to perform its assignment – without having to request permission at every turn.

Second, it should ideally be composed of no more than five core team members, each of whom is assigned to the team and explicitly freed up from the requisite number of normal day-to-day responsibilities to allow them to pull their weight in the team without putting their personal lives on hold. All other resources required from inside (and outside) the company are considered virtual team members, or co-optees, to be called on as need to perform specific roles at a given time.

Third, the choice of the team leader should depend more on the individual's personality and tendency toward leadership in ambiguous situations, than to experience, subject matter knowledge, or rank. The kind of individual I personally favor is the 'unreasonable man' of George Bernard Shaw's famous quote.

Fourth, the team should share out the five main activities of its go-to-market planning assignment (validation/research, whole product development, marcom (including sales support materials), field and partner engagement, and overall resource alignment) in such a way that one team member becomes the point for each activity.

Fifth, the team should kick off its activities by defining the goal, timeframe, and detailed milestones and metrics, of its collective assignment in an easy-to-visualize form such as a month-to-month project timeline, and make sure they obtain the agreement of their executive sponsor. What often happens in lieu of this step is that teams plunge into activities without an

explicit and detailed way of gauging exactly where they are headed, and how they will know if they are on course. Left to their own devices, each individual then surmises for themselves what the objective and metrics are, and when they are questioned on their performance can often feel blindsided by being criticized on their progress or results.

Sixth, the team needs to define the purposes, format and frequency of team meetings, such as the daily or weekly operational call, the biweekly or so progress checkpoint (to ask critical questions such as: Are we doing the right things? Are we really making progress? Do we need to course-correct or make other adjustments?), and major presentations or interactions with external constituencies (customers, the executive team, the board, fellow employees, etc.).

Seventh, the team must develop a way of dividing itself into smaller units in order to execute key tasks or worksteps, as well as to brainstorm possible solutions that are then debated in the large team, or with other groups. This is a way of ensuring variety and agility in the team's activities, two critical priorities for ensuring the productivity of ad hoc teams. For example, it is always a revelation to me how powerful duos are, when focused on a specific task that they truly understand and find to be motivating and energizing.

Eighth, the team needs to commit to communicating with other constituencies (both internal and external) with the right level of frequency and using the appropriate tone and approach. Merely presenting to them, for example, rather than actively seeking their feedback and ideas, is likely to be relatively unproductive, and can even lead to complaints from these groups that their concerns and know-how are being ignored by the team.

Ninth, it is important for the team to define ground rules and guidelines governing commitments made by team members to individual and team activities and deliverables, including penalties (some serious, others perhaps lighthearted) for screwing up.

Tenth, it is essential to kick-start the catalytic activity of validation with target customers (and partners) as quickly as possible. In enterprise-focused go-to-market planning, this is the one critically important activity that is most often drastically shortchanged (often resulting in a failed or mediocre go-to-market initiative), either because the team is fearful of picking up the phone to arrange meetings with target executives whom they don't know, or because the team treats this as someone else's job, or because they simply feel more comfortable having meetings with each other to do what one client of mine calls "fixin' to get goin'." Reluctance to drive this activity to its appropriate conclusion is the single biggest reason why the team leader must be the thought- and action-leader type of person, with no fear of the unknown.

As you can probably tell from the above list, the delta between building a successful ad hoc team and allowing a group of individuals to risk failure is a large one, dependent on many factors. However, one of the biggest issues not directly mentioned above, is simply that executives believe that teamwork is too obvious or uninteresting to pay much attention to beyond the rhetorical device of putting a bunch of people in a room and calling them a 'team.'

2. The Top Ten 2004 Business/E-Commerce Trends (Survey by CEOnetworking)

After receiving over 225 predictions from 80 IT industry experts, Mitchell Levy distilled them down to 10 key trends, plus two 'bonus' trends. Below I am reprinting the list:

- Trend #1 - Virus'/Spam Get Worse, Not Better
- Trend #2 - Continued Global Economic Dependency and a Backlash Against Offshore Outsourcing
- Trend #3 - Internet Telephony Continues Disrupting the Existing Players
- Trend #4 - For Survival, Companies Continue to Consolidate

- Trend #5 - Wi-Fi Gets Bigger
- Trend #6 - Business Continues to Evolve to the Next Level
- Trend #7 - Some Positive IT, Economic and Stock Market Movement
- Trend #8 - Security is Still the #1 IT Concern
- Trend #9 - Social Networking Takes Off
- Trend #10 - The Term "E-Commerce" Comes Back into Vogue
- Bonus Trend #1 - Software Continues to Change Forever, Especially via the ASP Model
- Bonus Trend #2 - Marketing Becomes Important Again

In case you are holding your breath to read my quote along with the brilliant thoughts of other experts, below are the relevant URLs for the list of trends, as well as the trends-plus-quotes:

The stand-alone trends:

- <http://ecnow.com/top10trends2004.htm>

The trends with quotes from respondents:

- <http://ceonetworking.com/businessstrends/2004Top10withQuotes.pdf>

3. What Makes Some Start-ups Succeed

In a recent article by Graeme Thickins, a freelance technology writer and analyst based in the Twin Cities and in Southern California, in which he quotes a research study into over 40 tech start-ups over three decades, Thickins cites a number of 'not-so-obvious' findings to explain why seven out of every ten venture-backed start-ups in the study, in categories such as data storage, failed. Incidentally, the study was conducted by Crescent Ventures, a Palo-Alto-based venture capital firm that invests in early-stage technology companies, with the intention of improving future decision-making by start-up founders and the investors who back them.

Below are three surprise conclusions, pointing to errors that entrepreneurs, VC and other investors can avoid in future:

1) ***Companies raising the most capital don't have the strongest chance to succeed.***

The insight here was that over-funding actually allows companies to follow a flawed strategy for too long. The data pointed to the fact that the total capital invested in storage start-ups that reached successful exits was in a limited range, between \$33M and \$40M, a surprisingly small amount in today's technology marketplace.

2) ***A fully staffed executive team is not necessarily a requirement for success.***

This insight was based on the realization that the ideal pedigree for a successful founding team is a successful product development track record. Furthermore, the study found that building the team sequentially was much more capital-efficient than following the late-nineties example of starting only with a fully staffed seasoned team of executives who 'have done it before.'

3) ***In 93 percent of the cases examined, the strategy that a company emerges with (at exit) is completely different from the strategy it set out to implement.***

Citing a Harvard Business School study that found that it takes four to five years for the right product and business model to emerge, the Crescent Ventures study concludes that "a funding strategy that deploys capital incrementally while the business model is sharpened and the market is better understood" is infinitely preferable to a strategy that releases the funds in more conventional large tranches.

Note: Thickins informs readers that the 80-page report, "Venture Investing in the Storage Sector: The Cold, Hard Facts," may be requested from Crescendo Ventures (<http://www.crescendoventures.com/whatsnew/reports.jsp>). It can be downloaded as an 8.4 MB PDF file, or a hard copy can be requested.

4. Provocative Thoughts on Corporate Strategy and Governance

In one of the better current business books on best practices in corporate management, Jim Collins speaks eloquently on two critical current topics.

In the first quote below, he alerts boards about the need to treat the pursuit of shareholder value more thoughtfully. In the second statement, quoting from Peter Drucker, he warns against acquisitions that are undertaken for the wrong reasons. Both of these topics – shareholder value and company acquisition – are much-abused by business leaders in today's technology marketplace.

- *"Corporate boards should distinguish between share value and share price. Boards have no responsibility to a large chunk of the people who own company shares at any given moment, namely the shareflippers; they should refocus their energies on creating great companies that build value for the shareholders. Managing the stock for anything less than a five-to-ten-year horizon confuses price and value and is irresponsible to shareholders."*

- Jim Collins, *Good to Great*, Harper Business 2001

The second quote below is one that I find particularly relevant to management teams and boards in today's consolidation-focused marketplace. It is critical that CEOs avoid plunging into hastily-thought out deals to acquire – or be acquired – without adequately evaluating their strategic alternatives. As most executives know – and as any M&A advisor will tell you after hours – the dirty secret of the M&A game is that nine out of ten corporate acquisitions and mergers fail, often with a spectacular loss of shareholder value for all parties. Here is the quote:

- On the misguided use of acquisitions – *"When the Going Gets Tough, the Tough Go Shopping!"*: *"Peter Drucker once observed that the drive for mergers and acquisitions comes less from sound reasoning and more from the fact that doing deals is a much more exciting way to spend your day than doing actual work. ... Comparison companies (analyzed in Collins' research into the performance of hundreds of companies) frequently tried to jump right to breakthrough via an acquisition or merger. It never worked. Often with their core business under siege, comparison companies would dive into a big acquisition as a way to increase growth, diversify away their troubles, or make a CEO look good. Yet they never addressed the fundamental question: 'What can we do better than any other company in the world, that fits our economic denominator and that we have passion for?' They never learned the simple truth that, while you can buy your way to growth, you absolutely cannot buy your way to greatness. Two big mediocrities joined together never make one great company."*

- Jim Collins, *Good to Great*, Harper Business 2001

In common with what I imagine many readers feel on this subject, it pains me to think of past and present examples of acquisitions undertaken for the wrong reasons, in particular ones that were carried out as a way to diversify away their troubles and/or make their CEO look good or, where two big mediocrities have been joined together to 'make one great company.' Hopefully, once we have the current wave of corporate excess firmly behind us, we shall enter a new era in which corporate leaders operate in a more thoughtful and mature manner, but I'm not betting on it just yet!

5. Buzzword Bonanza: A Word from the Nation's #1 Spokesman on Business Lingo

Frank Lingua, president and CEO of Dissembling Associates, is the nation's leading purveyor of buzzwords, catch phrases and clichés for people too busy to speak in plain English. Business Finance contributing editor Dan Danbom interviewed Lingua in his New York City office.

Danbom: Is being a cliché expert a full-time job?

Lingua: Bottom line is I have a full plate 24/7.

D. Is it hard to keep up with the seemingly endless supply of clichés that spew from business?

L. Some days, I don't have the bandwidth. It's like drinking from a fire hydrant.

D. So it's difficult?

L. Harder than nailing Jell-O to the wall.

D. Where do most clichés come from?

L. Stakeholders push the envelope until it's outside the box.

D. How do you track them once they've been coined?

L. It's like herding cats.

D. Can you predict whether a phrase is going to become a cliché?

L. Yes. I skate to where the puck's going to be. Because if you aren't the lead dog, you're not providing a customer-centric proactive solution.

D. Give us a new buzzword that we'll be hearing ad nauseam.

L. "Enronitis" could be a next-generation player.

D. Do people understand your role as a cliché expert?

L. No, they can't get their arms around that. But they aren't incented to.

D. How do people know you're a cliché expert?

L. I walk the walk and talk the talk.

D. Did incomprehensibility come naturally to you?

L. I wasn't wired that way, but it became mission-critical as I strategically focused on my go-forward plan.

D. What did you do to develop this talent?

L. It's not rocket science. It's not brain surgery. When you drill down to the granular level, it's just basic blocking and tackling.

D. How do you know if you're successful in your work?

L. At the end of the day, it's all about robust, world-class language solutions.

D. How do you stay ahead of others in the buzzword industry?

L. Net-net, my value proposition is based on maximizing synergies and being first to market with a leveraged, value-added deliverable. That's the opportunity space on a level playing field.

D. Does everyone in business eventually devolve into the sort of mindless drivel you spout?

L. If you walk like a duck and talk like a duck, you're a duck. They all drink the Kool-Aid.

D. Do you read "Dilbert" in the newspaper?

L. My knowledge base is deselective of fiber media.

D. Does that mean "no"?

L. Negative.

D. DOES THAT MEAN "NO"?
L. Let's take your issues offline.

D. NO, WE ARE NOT GOING TO TAKE MY "ISSUES" OFFLINE.
L. You have a result-driven mind-set that isn't a strategic fit with my game plan.

D. I WANT TO PUSH YOUR FACE IN.
L. Your perspective on this topic is very important to me.

D. How can you live with yourself?
L. I eat my own dog food. My vision is to monetize scalable supply chains.

D. When are you going to quit this?
L. I may eventually exit the business to pursue other career opportunities.

D. I hate you.
L. Take it and run with it.

[From an email currently being circulated among some of the less employable elements in Silicon Valley.]

Under the Buzz offers a monthly commentary on e-business. The goal is to provide provocative and accurate insights into the latest events and thinking shaping this rapidly evolving technology sector. *Under the Buzz* also provides commentary on strategies for building sustainable competitive differentiation and maximizing market valuations. © 2003, Philip Lay

Disclosure: From time to time, the author and/or his firm may hold investments in, or provide advisory services to, one or more companies cited above.