

**Exit Strategies in E-Business:
Wrestling with Resources in a Network Organization**

Robert A. Page, Jr.
Southern Connecticut State University
Dan Mitchell
Director of ACE-NET, Cofounder of WineRegister.com

ABSTRACT

WineRegister.com is an entrepreneurial venture into e-advertising. In the middle of the challenges of securing funding and launching a national roll-out of their internet service, one of the key partners in this venture suddenly had a heart attack. Issues around new venture financing, managerial succession, ownership and strategic adaptation will be explored.

Part A: Launching the Venture

Dan Mitchell looked out the window of his office at a gray, wet, cold, and miserable November day. It matched his mood as he muttered, "What in hell am I supposed to do now?" Weeks after he had turned down a major buyout offer, and sent a major venture capital group packing, his partner Jack Ellison had what the doctors euphemistically termed a "cardiac event." Jack was left nearly dead with the doctor's promise that, if he continued his high stress lifestyle, his heart would give out for good – the next time would be the last time. Jack was the driving force in the company and would never work again. Further, Mitchell knew some members of Jack's family were enthusiastic over the prospects of either taking over or selling off the company as soon as possible. But given the current "dot.bomb" paranoia in financial markets, the company was undervalued and now was not the time to sell. Mitchell's university experience had taught him to never underestimate the power of short-sighted opportunism. "Days like this are what happy hours are for," he lamented.

In 1999 three partners met in New York to discuss a new entrepreneurial venture – an internet wine service they would call "The Wine Register." The partners sensed an unmet, unarticulated market need from personal experience. On occasion they had heard of an interesting wine, but their local wine merchant did not carry it and they did not have a clue where to find it. Usually they experienced no trouble finding the well-established, mass produced wines of major national and international wineries – those labels are fairly ubiquitous at liquor stores. The challenge was finding new or unusual vintages, sometimes introduced by major wineries, but more typically produced by U.S. estate wineries or small foreign wineries. Most estate and foreign vintages are relatively rare, because their production is limited. Unless a customer's local liquor store just happened to stock these estate or exotic wines, the availability of such wines became problematic.

Strategy

Mitchell was leery of the prospect of selling estate wines over the net directly to consumers. In direct sales it would be one of thousands of wine websites currently available on the Internet that try to sell wine to the consumer through the mail order process. Further, legal restrictions imposed by state and federal legislation prohibit direct shipments to consumers in twenty-seven states (Wine Institute, 2001). The serious wine taster can opt for membership in a wine club, which will feature certain vintages of estate wineries each month. But once again, the offerings are limited, and members may be directed to the wines of estate wineries that have cut deals with the club, rather than those who offer the most distinctive new wines.

Mitchell realized that an advertisement and locator service would sidestep direct shipment restrictions. The idea for Wine Register.com was born – an internet marketing engine for wine lovers. The partners wrote the following mission statement (IGS, 2001):

“WineRegister.com's mission is to become a unique internet based wine resource for the consumer and will be driven by its customers. The company is dedicated to building long-term relationships with its customers by providing excellent service and demonstrable value. The WineRegister is a place for local wine stores to expand their market penetration and significantly increase their revenue and for Wineries to support their distribution chain through innovative and progressive marketing. We view ourselves as partners with the wineries, distributors and local wine stores, who supply the products and the consumers who are motivated to buy at the local WineRegister wine store, and with our employees who form the backbone of our business. Our goals are to expand quickly and to become the leader in the field.”

This entrepreneurial opportunity stems from the fact that currently no mechanism exists in print media, other websites, point of purchase displays, or other media, directing consumers to the closest point of purchase. Mitchell explained the WineRegister.com vision:

“Robert hears about an exciting new wine. He logs on to Wineregister.com, types in the name of the wine at the prompt, and learns more about this vintage, including the history of the wine, reviews of the wine, cooking and presentation tips. If he decides it suits his tastes, the database identifies the nearest wine store in his area that carries the wine, by linking zip code with a five mile radius around the submitted starting location. The website also offers Robert referrals to derivative products, such as proprietary cookbooks and magazines. The wine merchant now has a new on-ground customer interested in a wine he did not previously know was available in his area. And the winery has better exposure through the website, and word of mouth.”

The partners were convinced that if they could find a way to link consumers with the wines they wanted, WineRegister.com could tap into some of the advertising dollars spent on this twenty billion dollar US retail industry (Wine Institute, 2001). Since the

main drawback to stocking new, estate and foreign vintages is slow demand and inventory costs, the WineRegister.com hoped to develop a “pull” marketing approach which will generate a consistently higher demand for featured wines, allowing distributors and retailers to plan for moving a higher volume of those vintages. This was Mitchell's vision of the marketing plan:

“Kendall Jackson (an estate winery) signs up to move a red and white on the Wine Register, so they can increase production to cover the increased demand which the website will generate. Wine merchants receive display material, mailers and coupons (and the coupons build the website by requiring e-mail addresses to be redeemed). Based on past data, the merchants can count on moving an additional five cases of each. Further, based on past data, the distributors can place larger orders knowing they will be able to move greater volumes of normally slow moving wine.”

The expense of WineRegister.com was shared by the retailer, distributor and winery. It was a free service to the consumer.

Ownership

The partners decided to launch WineRegister.com as a privately held S corporation, jointly owned by the partners with no other stockholders. The partners of WineRegister.com are seasoned professionals in the business community, who had previous entrepreneurial experience working together on other ventures. They felt they could adequately handle the challenges of managing this new venture. Their previous successes allowed them to provide about one million dollars in personal funds to get the venture off the ground while Mitchell looked for additional financing. This summary of their qualifications was presented in their business plan (IGS, 2001):

Jack Ellison

Recognized as an authority in the development of markets through the application of new technologies within the graphic arts industry, Jack Ellison has been widely published and has lectured throughout North America. For the past ten years he has assisted printing companies, the largest of which is owned by Bertelsmann with a sales volume of \$350,000,000.00, in the development of new markets. Working as a mentor to the owners and senior management he has been proven effective in creating increased profitability and a higher ROI. His graphic arts career began in newspaper publishing where he attained senior management positions with two of Canada's largest newspaper publishing groups, Southam and Thomson. Primarily responsible for the development and management of printing companies owned by these publishers he has a solid background in maintaining positive balance sheets within companies with sales of six to 50 million dollars. He was responsible for the management of nineteen printing plants for a period of seven years. He has been associated with Agfa and the Harris companies in designing new technologies and marketing strategies. These companies provided him with opportunity to become familiar with many aspects of the North American market that either uses or responds to print communication.

As a component of one of the printing companies under his management he established a consulting group dedicated to assisting the hospitality industry. This group was responsible for the food marketing of many of North America's leading hotel and restaurant chains. As a result of the work this group did Jack developed a working knowledge of food production and distribution. He also became the owner of a very successful free standing restaurant and a partner in a chain of fourteen restaurants.

Tim Ellison

During the past twenty-five years Tim Ellison has worked at every level of the hospitality industry. A certified Chef-de-Cuisine, a graduate from BCIT with a diploma in Hospitality Management, a certified educational instructor with the practical knowledge that can only be attained through a concentrated determination to work through all positions in the restaurant and hotel industry. Tim sits on the board of major educational institutions affiliated with the Food and Beverage Industry in Canada. He lectures regularly and is in great demand for the development and presentation of training programs for associations and corporations. He has a very good understanding of trends that affect the hospitality industry through his extensive travel in North America. He is recognized as an authority on the development of wines through his membership in the Society of Wine Educators and the American Wine Appreciation Society. He was the chef/owner of a successful restaurant for five years.

During the past year he has been involved in the research required to have The Wine Register program assist the wine industry in serving consumers better. He has demonstrated an ability to have people appreciate the application of improved personnel training and marketing concepts to increase profitability and market share in the hospitality industry.

Dan J. Mitchell

During the past thirty-five years Dan Mitchell has held a variety of management positions in the technology, financial and graphic arts industries. He has been on the leading edge of technology in the graphic arts industry and worked as a consultant for Indigo America in the installation and introduction of their electronic press equipment in North America, he has written several articles and lectured to many groups on creative marketing and disruptive technology. Mr. Mitchell is currently involved with ACE-Net.org, an internet based listing service for start-up companies and angel investors and was awarded the SBA's Vision 2000 award for his efforts in expanding capital to small businesses. Mr. Mitchell holds an MBA from the University of Michigan and has held faculty positions at several North American Universities. He has been involved with IGS as a founding partner and has worked with Mr. Ellison on several projects over the past 10 years.

In the ownership agreement, the partners agreed that their heirs had first right of refusal on survivorship if a partner dies or becomes incapacitated. In such a circumstance, the surviving partners had the right to buy out the heirs within thirty days.

Structure

WineRegister.com is a network corporation with little overhead. The firm is incorporated in both Vancouver, Canada, and Seattle, Washington. All work processes involving collaboration between the partners were internet-based. Whenever possible, the partners contracted out managerial tasks including website development, network tasks, server maintenance and redundancy, accounting, graphics development, and similar technical tasks. They preferred to use Canadian subcontractors, who tended to be less expensive due to low labor costs and a weak Canadian currency. With the partners working independently, and separated by hundreds of miles, effective communication became more complicated and impersonal. However, the partners felt that the advantages of minimal overhead outweighed these drawbacks.

Subcontracting the website development was of particular concern. Given that the website will not feature proprietary technology, no patent or copyright protections will be possible concerning the concept. An opportunistic website developer could take advantage of the situation. Consequently, the website was developed in three parts by three separate software firms, with careful specifications to ensure compatibility. Each firm saw only part of the puzzle, until the website was up and running.

Financing

This venture was not going to be cheap. The first major decision was how to fund it. Ironically, the actual website development would be relatively inexpensive – the bill for the entire website package was under seventy-five thousand dollars. The major costs would be incurred during the rollout. They consisted of:

- \$400,000 for development of point-of-purchase materials (shelf talkers, banners, displays)
- \$250,000 for direct mail expenses (mailing lists, postage, printing costs) with 50 thousand needed for the first territory (the Northwest).
- \$40,000 for one full-time person to manage mailing lists and the website
- \$250,000 per year per territory to support a regional manager with support staff
- \$30,000 per year for corporate sales expenses (travel, client entertainment, etc.)

While the partners put up over a million in personal funds, that was not enough for a fast national rollout. The partners needed between five hundred thousand and a million dollars more for a national launch. If the partners relied on personal and internal funds generated from sales, the national rollout would likely take between three and four years.

The obvious funding source was Venture Capitalists (VCs) from professionally managed investment companies, typically the high-risk arms of banking institutions. Mitchell found two groups who were interested. The first VC group they approached wanted sixty percent equity and control of the board for five hundred thousand dollars. The partners did not take this offer seriously – this VC group was too greedy. The second VC group they approached offered one round of financing, raising five hundred thousand dollars, for thirty percent equity, two seats on the board of directors, and the installation of their own Chief Financial Officer (CFO). The partners counter-offered with twenty five percent equity and two seats on the board, but no VC CFO. This VC group came back with an offer of twenty eight percent equity, one seat on the board, but insisted on a VC CFO. After considerable discussion among the partners, the VC deal was rejected primarily because of this demand for control over company finances through a VC CFO. This provision proved to be the deal breaker that ended negotiations. Mitchell noted: “If we were desperate or dying, we would have taken their last offer, but we weren’t. Being independent S.O.B.s, the decision was not to take it – not because of any rational business criteria, but because of a “There ain’t going to be nobody telling us how to do run our own firm” attitude. Period.”

The VC group did recognize the potential of WineRegister.com and made one last attempt to win them over. They offered two rounds of financing, raising one million dollars. In return, they needed thirty five percent equity, two board seats and their own CFO. The offer was rejected.

Mitchell is president of ACE-NET, an angel investor network, and would have loved to use angel investors (high worth individuals), to fund this venture. The problem is that angels typically prefer investments of one hundred thousand dollars or less. Mitchell was unable to secure an angel, or consortium of angels, comfortable with a much larger investment.

Recommendations

Assume you are a friend Mitchell approached with this investment opportunity. Would you recommend the partners take the VC deal, or go forward on their own without the funding they need for a national rollout? Are you comfortable with the ownership and structure of WineRegister.com? Would you invest your savings in it?

Part B: Final Exit

In the end, the partners decided to go forward with WineRegister.com without additional external funding. They focused on a regional market development strategy by dividing the U.S. into four geographic territories or quadrants: Northwest, Southwest, Northeast and Southeast. This strategy introduced the venture in the Northwest and then expanded into other territories as funding permitted. The choice of initial introduction into the Northwest was a matter of convenience – that was where Jack, the lead partner and head marketing force in the company, lived and had the most extensive contacts in the wine industry. The partners estimated a full national rollout would require three to four years to complete.

An experienced regional manager led each territory. The partners decided to pay top dollar for top people to become territory managers, with salaries in the two hundred thousand dollar range. These peak performers were identified by industry contacts as talented, seasoned executives who had at least fifteen years experience in the wine distribution business, and who had excellent knowledge of and relationships in local markets. Given the network structure of WineRegister.com, it was important to find experienced self-starters who could oversee the rollout in each of the territories without a great deal of oversight and handholding.

This strategy paid off. Mitchell recalls that rollouts in the Northwest, Southwest and Southeast went virtually “without a hitch.” Initial efforts focused on consumers located within five miles of the retail outlet using a blanket approach. Once data was accumulated, targeted approaches were used to direct specific products to definable segments. However, an unexpected opportunity presented itself. Within a year of launch, Gallo, one of the largest wineries in the world, moved in for a buyout. Mitchell recalls:

“They approached us on a participation basis. They wanted to be one of the wineries whose vintages were listed on the website. Once they found out the details and structure of WineRegister.com, it became obvious that their intentions were to control or obliterate this business. Consequently their six hundred thousand dollar figure offer was embarrassingly low. We told them we would not entertain such an offer, and had no desire to sell. Three months later the offer improved to two million. This was large enough to be considered a legitimate offer, but the die was cast – we wanted see this through the first three years.”

Then came the “cardiac event.” Jack had to pursue a low stress, high golf lifestyle. For him, stress would be a life-threatening event, and they warned he would not survive his next heart attack. In the ownership agreement, his heirs had first right of refusal on survivorship of the business if a partner dies or becomes incapacitated. Mitchell grimaced as he noted:

“We had an agreement that if anything happened, I could buy his heirs out or he could buy my heirs out, within forty-five days after notification. With him now out of the picture, his heirs were aware of the financial potential of WineRegister.com. The family immediately began proceedings to execute the agreement. I asked for details to discover their estimation of the worth of the company, all based on future revenue. The family low-balled the valuation at three million. After sparring back and forth for ten days with Jack’s family, Jack felt well enough to become involved. He called off his family, and cut a deal allowing me to retain control of the company.”

Mitchell now has listed the following options in no particular order, and has asked for your advice:

1. Sell out to the major winery. Mitchell is convinced that the last offer is on the table, and that the company could be sold with relatively little effort.
2. Promote from within. One of the remaining partners could assume the role of CEO, and run the company.
3. Import VC Talent. Take up the VCs on their offer and they would gladly bring in their management to take control of the business.
4. Import Industry Talent. Bring in a “rainmaker” with lots of sales experience in the wine industry and excellent contacts with the major wine distributors to assume Jack’s former role.
5. Decentralize and delegate. Turn over most day-to-day operations to those who currently understand the wine industry the best – the regional managers. Increase their performance incentives accordingly.

Appendix A

Projected Profit and Loss

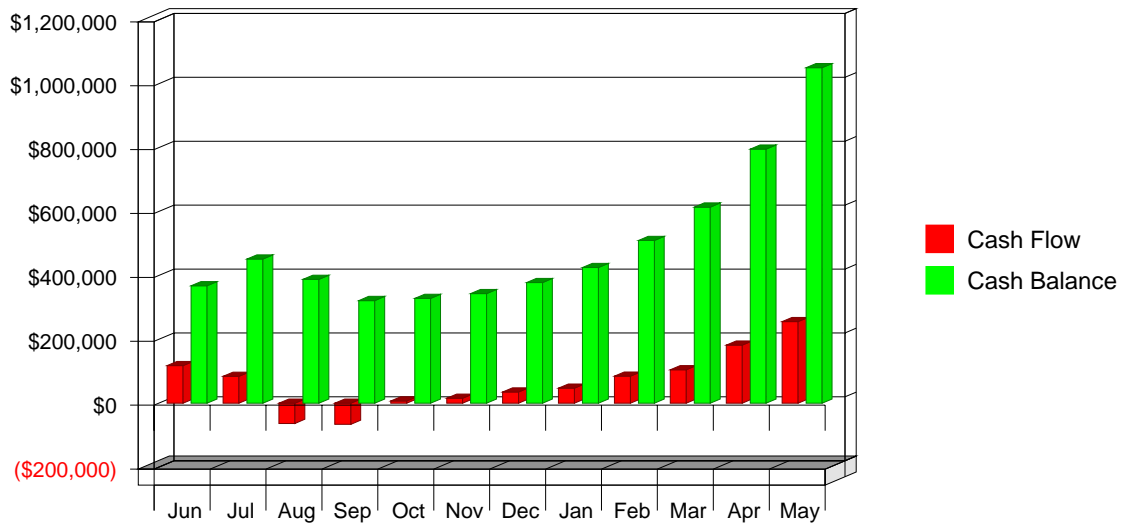
Profit and Loss (Income Statement)	FY2002	FY2003	FY2004
Sales	\$2,087,500	\$5,505,000	\$13,492,000
Direct Cost of Sales	\$58,500	\$115,000	\$398,000
Fulfillment Payroll	\$0	\$0	\$0
Other	\$224,550	\$0	\$0
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Total Cost of Sales	\$283,050	\$115,000	\$398,000
Gross Margin	\$1,804,450	\$5,390,000	\$13,094,000
Gross Margin %	86.44%	97.91%	97.05%
Operating Expenses:			
Sales and Marketing Expenses			
Sales and Marketing Payroll	\$459,000	\$620,000	\$710,000
Advertising/Promotion	\$77,750	\$100,000	\$120,000
Travel	\$26,000	\$30,000	\$40,000
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Total Sales and Marketing Expenses	\$562,750	\$750,000	\$870,000
Sales and Marketing %	26.96%	13.62%	6.45%
General and Administrative Expenses			
General and Administrative Payroll	\$178,000	\$290,000	\$470,000
Payroll Burden	\$159,250	\$227,500	\$295,000
Depreciation	\$0	\$0	\$0
Leased Equipment	\$14,000	\$20,000	\$35,000
Utilities	\$19,100	\$25,000	\$30,000
Insurance	\$15,000	\$18,000	\$24,000
Rent	\$37,200	\$40,000	\$50,000
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Total General and Administrative Expenses	\$422,550	\$620,500	\$904,000
General and Administrative %	20.24%	11.27%	6.70%
Profit Before Interest and Taxes	\$658,050	\$3,829,500	\$11,095,000
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$0	\$0	\$0
Taxes Incurred	\$164,513	\$957,375	\$2,773,750

Extraordinary Items	\$0	\$25,000	\$75,000
Net Profit	\$497,288	\$2,897,125	\$8,396,250
Net Profit/Sales	23.64%	52.63%	62.23%

Projected Cash Flow

Pro-Forma Cash Flow	FY2002	FY2003	FY2004
Net Profit	\$497,288	\$2,897,125	\$8,396,250
Plus:			
Depreciation	\$0	\$0	\$0
Change in Accounts Payable	\$84,111	\$105,430	\$332,974
Current Borrowing (repayment)	\$0	\$0	\$0
Increase (decrease) Other Liabilities	\$0	\$0	\$0
Long-term Borrowing (repayment)	\$0	\$0	\$0
Capital Input	<u>\$300,000</u>	<u>\$0</u>	<u>\$0</u>
Subtotal	\$881,398	\$3,002,555	\$8,729,224
Less:			
Change in Accounts Receivable	\$81,500	\$133,426	\$311,828
Change in Other Short-term Assets	\$0	\$0	\$0
Capital Expenditure	\$0	\$0	\$0
Dividends	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal	\$81,500	\$133,426	\$311,828
Net Cash Flow	\$799,898	\$2,869,129	\$8,417,397
Cash Balance	\$1,049,898	\$3,919,027	\$12,336,424

Cash



Projected Balance Sheet

Pro-forma Balance Sheet	FY2002	FY2003	FY2004
Assets			
Short-term Assets			
Cash	\$1,049,898	\$3,919,027	\$12,336,424
Accounts Receivable	\$81,500	\$214,926	\$526,754
Other Short-term Assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Short-term Assets	\$1,131,398	\$4,133,953	\$12,863,177
Long-term Assets			
Capital Assets	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Assets	\$1,131,398	\$4,133,953	\$12,863,177
Liabilities and Capital			
	FY2002	FY2003	FY2004

Accounts Payable	\$114,111	\$219,541	\$552,515
Short-term Notes	\$0	\$0	\$0
Other Short-term	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Liabilities			
Subtotal Short-term	\$114,111	\$219,541	\$552,515
Liabilities			
Long-term Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Liabilities	\$114,111	\$219,541	\$552,515
Paid in Capital	\$600,000	\$600,000	\$600,000
Retained Earnings		\$417,288	\$3,314,413
Earnings	\$493,538	\$2,897,125	\$8,396,250
Total Capital	\$1,017,288	\$3,914,413	\$12,310,663
Total Liabilities and	\$1,131,398	\$4,133,953	\$12,863,177
Capital			
Net Worth	\$1,017,288	\$3,914,413	\$12,310,663

Business Ratios

Ratio Analysis	FY2002	FY2003	FY2004	RMA
Profitability Ratios (in %):				
Gross Margin	86.44	97.91	97.05	0
Net Profit Margin	23.64	52.63	62.23	0
Return on Assets	43.62	70.08	65.27	0
Return on Equity	48.52	74.01	68.20	0
Activity Ratios				
AR Turnover	25.61	25.61	25.61	0
Collection Days	7	10	10	0
Inventory Turnover	0.00	0.00	0.00	0
Accts Payable Turnover	6.29	6.29	6.29	0
Total Asset Turnover	1.85	1.33	1.05	0
Debt Ratios				
Debt to Net Worth	0.11	0.06	0.04	0
Short-term Liab. to Liab.	1.00	1.00	1.00	0
Liquidity Ratios				
Current Ratio	9.91	18.83	23.28	0
Quick Ratio	9.91	18.83	23.28	0
Net Working Capital	\$1,017,288	\$3,914,413	\$12,310,663	0

Interest Coverage	0.00	0.00	0.00	0
Additional Ratios				
Assets to Sales	0.54	0.75	0.95	0
Debt/Assets (in %)	10	5	4	0
Current Debt/Total Assets (in %)	10	5	4	0
Acid Test	9.20	17.85	22.33	0
Asset Turnover	1.85	1.33	1.05	0
Sales/Net Worth	2.05	1.41	1.10	0
Dividend Payout	\$0	\$0	\$0	\$0

Epilogue

Ultimately, the remaining partners assumed the CEO role, and decentralized sales and marketing by turning it over to the regional managers. The regional managers were given juicy incentives for performance, and seemed to be able to handle the increased workload.

A few months after the reorganization of the company, Gallo came back and began bargaining. When the value of the total deal (cash, stock and future royalties) reached 6 million, the partners decided to sell. However, at the end of seventeen months of negotiations, Gallo demanded a comprehensive non-disclosure, non-compete agreement that would have prevented the partners from using this internet concept in unrelated markets. The partners regarded the last-minute demand of a “stealth” requirement to be outrageous and unprofessional, and decided to walk away from the deal and look elsewhere. They successfully made a similar deal with another major winery, Mondavi, within six months. The buyout deal with Modavi closed in January of 2003. Mitchell identified three reasons why the partners decided to sell:

1. The partners were entrepreneurs, not managers. They lost interest in ongoing managerial responsibilities which they found boring and time consuming.
2. They wanted to try out this business concept through new ventures in unrelated markets such as antique and luxury automobiles. They felt this prospect was much more fun and exciting.
3. They had proved their point. The internet was an excellent marketing tool.

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Book Review

The Set-Up-to-Fail Syndrome: How Good Managers Cause Great People to Fail

By Jean-Francois Manzoni and Jean-Louis Barsoux (2002).
Boston: Harvard Business School Press, 2002. 280 pages, hardcover, \$26.95.

Reviewed by Russell Casey & Maria Medrano
Clayton State University

Ever wonder if effective managers really guide subordinates toward becoming valuable workers? Are all good managers fair and impartial with their subordinates? Even if one believes both answers to these questions to be an astounding yes, this book, *The Set-Up-to-Fail Syndrome: How Good Managers Cause Great People to Fail*, will challenge that perspective. The concepts the authors offer are remarkable and might influence practitioners and scholars alike. This book explores how manager's expectations influences a subordinate's performance, thereby influencing productivity of that particular employee positive or negatively.

Extensive research outlined in this book identifies how managers' actions toward employees may actually contribute to poor employee performance. Effective managers continually evaluate employee performance. However, research indicates that once a manager identifies and assigns an employee to the two categories of performers (strong or weak), which can happen as early as five days from when an employee is hired, the manager collects evidence to support his/her conclusions about that employee (a self-fulfilling prophecy).

All employees are categorized by their managers as being either in the in-crowd or out-crowd. When employees are defined as being weaker performers or outside of the in-crowd, the employee's performance levels are a part of a self-fulfilling prophecy created by the managers and enforced by the subordinates. When this happens, the "set-up-to-fail syndrome" has begun to take its course.

For instance: An employee named Bill loses an important client for his company. After this incident Bill's manager Ted assigns him to the preverbal "out-crowd" and Ted sets out to justify this assignment by observing Bill's performance more carefully and picking out behavior that supports his assessment of Bill as a weak performer. Based on his assumptions Ted makes several changes in his interactions with Bill based on the assumption that Bill is a weak employee. Ted might then assign someone to work with Bill. This action sends the message to Bill that he "needs help" and Ted does not trust him, thus causing Bill to be less susceptible to coaching or feedback of any kind due to the lack of trust. Many times this type of behavior leads to more disciplinary action and reduced morale between the boss and subordinate.

Each chapter explains a different part of the syndrome, eventually prescribing a cure. The first part of the book explains how the syndrome is formed through perceptions and

biases and how these factors affect both managers and subordinates. The cycle begins when a manager identifies a worker as a weak performer. Research indicates that this judgment can be based on a single incident. With this perception in place, the manager begins to exhibit certain behaviors to reinforce his/her belief. Typical managerial behavior consists of; assigning more routine tasks with deadlines, limiting the subordinate's decision making, and constantly following up with the subordinate to insure everything is getting done. Also, the manager tends to be more distant physically and emotionally. The subordinate in turn, will give up trying to prove the boss wrong and will often perform the tasks assigned but will fail to contribute to the team or company by suggesting anything new for fear of rejection. When these subordinates are managers as well, they tend to be less inclined to give out orders to their subordinates and have trouble motivating them as well.

When the weaker performers end up with the disappointing results that the manager predicted, the manager's expectations are reinforced. Unfortunately, it was the manager's lack of trust and micromanagement skills that led the subordinate to believe that their opinions are not valued or wanted and hence fulfill their boss's low expectation of them (*remember the earlier example of Bill and Ted*). If the perceived weaker performer exceeds a manager's expectations, the manager dismisses the results as a fluke in order to keep their perception of the weaker performer.

How could this happen? The way managers behave with perceived weaker performers totally is in direct opposition as to the way they treat the perceived stronger performers. With the weaker performers, managers have a tendency to be more direct when discussing tasks and goals. Managers let subordinates know what needs to be done and how it should be done. When a manager deals with a perceived stronger performer; however, the subordinate's ideas are encouraged and they are given the adequate amount of space to carry out those ideas. In this way, the weaker performers are given less room for their own input and become more robotic where the stronger performers are allowed to be more autonomous.

Looking further at our earlier example of this syndrome, Bill then interacts with Ted in ways that perpetuates Ted's assumptions. Bill might meet with "the helper" but completes the bare minimum because he fears the more he does increases the chances that Ted will find something else he is doing wrong. Ted does find errors in Bill's work because he is looking for errors because he fully assumes that since Bill is a poor performer he makes mistakes. Ted addresses Bill with his mistakes and Bill begins to feel he can not do anything right so he withdraws further. Bill's morale is low and he performs at a low-level due to this low motivation level. Ted sees this in the continuing decline of Bill's sales; therefore again reaffirming that Bill is a poor performer and needs more "help." This situation could continue until Bill quits or is let go. Then someone new will be hired and the process can start all over again.

The latter part of the book discusses how the syndrome negatively affects an organization and how to plan an effective intervention to annihilate the syndrome. When the syndrome is present and thriving, it costs the organization time

and money. Managers lose out by putting forth extra time and effort in micromanaging their weaker performers. Manager's reputations as leaders also suffer because other workers begin to view the manager's actions toward perceived weaker performers as being unfair and unsupportive. The human resource department would be approached for further training opportunities for the weaker performers and even possible replacement. This forces the human resource department to focus on recruitment verses employees development. Also, when perceived weaker performers work in a team, that team's morale tends to decrease and goals are not completed effectively.

The syndrome affects an organization externally as well. The company serves as a poor advertisement to customers and suppliers when it is not running efficiently. Although attempts can be made to cover up the syndrome, external guests still are able to sense the low morale of the team.

In order to destroy the syndrome, an intervention must be planned. Managers must be willing to accept their role in the creation of the syndrome. Also, they must take care not to put the subordinates in defensive positions by not building boundaries prior to the intervention meeting. The purpose of the intervention is to identify the problems, not the symptoms, and develop a progressive plan that will help lead both manager and subordinate in a more effective working relationship.

Using the Bill and Ted scenario again, we will illustrate a method of intervention. Tom a former manager to Bill is transferred as a co-worker to Bill and Ted's region. Tom has high regard for Bill and through conversations with Ted, explains that Ted plays a role in Bill's poor morale. Ted begins to reframe the situation and determines that Bill recognizes that there is a problem and wants to correct the problem just as much as Ted does. Ted sets up a meeting to discuss the situation with Bill. If Ted fails to take responsibility for his participation in the problem and tries to work on Bill's contribution, then the intervention will not succeed. Ted calls the meeting with much preparation on his part as to analyzing the situation from Bill's perspective. Ted and Bill engage in a dialogue about how they got to where they are now in their relationship. This involves candor and a willingness to accept responsibility. Then the two sit down to make a plan so that the situation does not happen again.

This easily read book affords everyone the opportunity for introspection into a down spiral pattern that may exist in any business or organization. Anyone who supervises employees/subordinates will be able to identify personal experiences to relate to the findings and conclusion provided. The benefit is for personal reflection and hopefully an increase of awareness to this syndrome. After reading the material practitioners and scholars alike should be able to identify situations that may lead to this poisonous interaction and work toward a more productive relationship among those involved within the entire organization.

Having an exit strategy will set your business up for success. That's why we're discussing the different types of strategies you can use to cut your losses. If you set out on a more lucrative business venture, you can quickly liquidate your current situation. If you find yourself in a situation where you need to raise money quickly, an exit strategy can help. There will come a moment when personal time takes precedence, and this will help you be prepared for that. Types of Exit Strategies. Exit Strategies can help to empower beneficiaries with assets. Exit Strategies, when planned and implemented correctly, can be a springboard for improved food security and sustainable development. -- Participant comments at the Zambia learning event. 1 This was later summarized in a brief technical guidance note by Beatrice Rogers and Kathy Macias entitled "Program Graduation and Exit Strategies: A Focus on Title II Food Aid Development Programs." www.fantaproject.org 2 Beatrice Rogers and Kathy Macias, "Program Graduation and Exit Strategies: A focus on Title II Food Aid Development Programs," FANTA Technical Note No. 9, November 2004. Free Business Resources. Business Plan Template. Lean Plan Template. Including your exit strategy in your business plan and in your pitch is especially important for startups that are asking for funding from angel investors or venture capitalists for funds to grow and scale. Most of the time, small businesses don't need to worry as much about it because they probably won't seek investment (not all good businesses are good investments for angels and VCs). This exit strategy is right for a small number of startups and larger corporations, but is not suited to most small businesses, primarily because it means convincing both investors and Wall Street analysts that stock in your business will be worth something to the general public.