

## **Blindsided . . .**

*For those of you who do not play duplicate bridge, let me set the stage: If you place in the top three or four in a tournament at your local club, you usually win something called Master Points (MPs) – and the American Contract Bridge League (ACBL) keeps track of points for everybody nationwide. There are also Unit, District, Regional and National tournaments, where you can win more points in a single tournament (but the competition is tougher).*

*For people who started 2011 with between zero and five MPs, I wound up winning the competition for the most earned in a single year at my local club and also for our Unit (which includes nine other clubs).*

*The next step up, the District level, covers most of Texas and all of Mexico. The winner at that level in both events was Zach Garrison, who recorded about 260 points during the year. I had just over 100. So you can see it wasn't even close.*

*I met Zach in Houston at a regional tournament three months ago.*

*He's nine years old!!!!!!*

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Social entrepreneurs frequently have no idea where their toughest competition will come from -- or what emerging forces will affect their competitive position.

I watched it happen to one of the most heralded social enterprises of the 1990s.

The Company of Women began as a simple way to help women avoid dangerous situations, especially during New York's sometimes brutal winters -- an emergency repair kit for minor automobile glitches such as a blown tire so women wouldn't have to depend for help on passing (and perhaps dangerous) motorists.

The kit sold well and the nonprofit battered women's shelter that came up with the idea expanded it into a for-profit subsidiary -- a mail-order company initially consisting primarily of do-it-yourself and personal-security items for women, such as cordless screwdrivers and pocket sirens. The parent nonprofit received a total of \$65,000 in seed capital from two religious orders and a state agency and launched in 1988 by mailing 25,000 eight-page catalogs, which generated \$54,000 in gross revenue.

By 1991, gross revenue had climbed to \$398,000 and two years later reached \$1.6 million, with 24-page catalogs mailed to 1.5 million households across the country. By then, the catalog included a variety of functional and decorative goods such as suffragette T-shirts, wall hangings and posters, self-help books and children's items -- and *The Wall Street Journal* gave the company significant positive coverage in April 1993.

By 1994, the parent nonprofit had invested \$1.1 million and owned 64% of the company, was seeking another \$750,000 from outside investors, and was projecting its first year of profitability. *The Chronicle of Philanthropy* devoted three full pages to the story in January 1994 and I visited the company myself in August.

Eighteen months later the business had collapsed:

- Paper costs for the catalogs escalated dramatically
- Fulfillment costs mounted rapidly as UPS charges increased
- Competitors swarmed into the print catalog industry
- And online catalogs proliferated almost overnight

To make things worse, although the company had a business-savvy CEO, the Board of Directors for the parent nonprofit had minimal expertise in business, let alone online marketing.

When the subsidiary crumbled, its demise also threatened the parent, which had confidently created a strategic plan that projected \$500,000 in annual "free cash" from catalog profits and had started building capacity to carry out the plan.

Eventually, Rockland Family Shelter survived the crisis and today remains one of New York's finest resources for people suffering from domestic violence or sexual trauma; it also provides comprehensive assistance for victims of crime.

But the shelter's business venture did not.

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No social enterprise can compete successfully unless it masters the factors critical to success for its *specific* kind of business (paper and fulfillment costs) and retains a laser-like focus on emerging forces (online marketing) that could either damage the company or create significant opportunities for growth.

Some "critical success factors" are generic. Every business needs them: Profitability, a solid management team, brand recognition. But each company must also grapple with factors essential to its own, unique industry.

For example, one of my friends had long wanted to own a service station and finally had the chance to buy one. Unfortunately, he didn't realize how important it was for a gas station to be located at an intersection -- his was parked in the middle of a block (probably why the previous owner wanted to sell!). My friend bailed as soon as he could.

So what are the critical success factors for *your* type of business?

Is “price” one of them? Do you need to charge a lower price than any of your competitors? But wait -- maybe you need to charge a *higher* price in order to attract the kind of customer you want. A successful social entrepreneur once told me, “Some customers have already been there and realize they shot themselves in the foot by going with the lower price. Now they’re looking for a higher level of service.” The point is, do you *know* the appropriate price for *your* product or service?

Perhaps “quality” is one of your critical success factors? But what does *that* mean? Some people want a Lexus, others are satisfied with a Hyundai. What does “quality” really mean to *your* customers?

Do the factors include such things as volume, convenience, dependability, referrals, speed, partnerships -- or something else entirely?

Most importantly, do you *know* what they are?

And what about the large-scale emerging forces that will have either a positive or negative impact on your business? They could be demographic, sociological, economic, technological, political or regulatory. You can’t control them, but when they occur you’ll have to do something quickly to either mitigate the damage or capitalize on an opportunity.

If you can identify the critical success factors for your type of business and maintain an intimate understanding of whatever forces are gathering on the horizon, you’ll be able to deploy your resources in areas that will strengthen both your current and future competitive positions. The Company of Women disappeared because it didn’t have an effective backup plan when paper and fulfillment costs trended upward -- and when catalogs started migrating to the Internet.

So, how strong are you in the areas essential to success in *your* type of business? And how much time do you spend scanning the horizon for potential threats and opportunities?

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*Sometimes, of course, you’re simply blindsided. On February 1, 2012, nine-year-old Zach Garrison became the youngest Life Master in the history of the American Contract Bridge League.*

*Guess I should have seen those third-graders coming . . .*