[ESC] tap the ESC key to exit

about this manifesto

email this manifesto

GURU RED MANIFESTO

A collection of practical truths gathered over the twenty-five-year career of an authentic American entreprenuer. *continued* ▶

by Mike Smock

PREFACE

The GURU RED MANIFESTO advocates an operating doctrine based upon agility, assertiveness, cohesiveness and subtlety — four enterprise traits needed to create, capitalize and control opportunity. AGILITY, defined as the product of speed and adaptability. ASSERTIVENESS, described as the combination of forward looking vision with aggressive pursuit. COHESIVENESS, generated by management loyalty and employee trust. And SUBTLETY, resulting from intentionally flying under the radar screen. Why is a new operating doctrine needed?

The past ten years have seen unprecedented erosion in America's competitiveness. Business models and operating strategies perpetuated by America's best and brightest are failing. The Internet debacle followed by the current crisis on Wall Street have exposed major flaws in the American capitalist system. Flaws related to how we create and capitalize American business.

There are more than 20 million start-ups and small businesses in the U.S. Many of these businesses adhere to an operating doctrine requiring equity investment to grow and public offerings to thrive. Traditional venture capital followed by a Wall Street underwritten IPO used to be a respected achievement, and a proven mechanism for giving birth to winners like Intel or Apple.

However, what was once a thriving incubator of innovation and genuine value has degraded into a highly speculative casino that is systematically dismantling America's competitive advantage. Blue chip venture capitalists continue to favor hype over substance. Wall Street continues to favor the short-term gain over the long-term advantage. And Fortune 500 CEOs continue to favor the safety of their eight figure paychecks over the potential risks associated with generating real entrepreneurial innovation and competitive advantage.

While regulators, politicians and assorted industry watchdogs have cracked down on many of the most abusive practices, there are consequences to these actions that dramatically impact the competitiveness of the American enterprise.

Actions that require the publicly traded enterprise to add non-productive overhead, slow down execution cycles and eliminate risk. Actions that result in non-competitive, dysfunctional enterprises.

How many of America's 20 million plus start-ups and small businesses run their businesses in order to attract venture capital and investment bankers, rather than customers, partners and opportunity? How much time and how many competitive cycles are wasted following the wrong doctrine? How many precious resources and opportunities are wasted building the wrong formations, creating the wrong relationships, hiring the wrong people and pursuing the wrong dream?

The Guru Red Manifesto was written for entrepreneurs by an entrepreneur. The Guru Red operating doctrine advocates a prescient, self-funding formation that is fluid, highly maneuverable, wickedly fast, and infused with management loyalty and employee trust. A doctrine capable of withstanding the rigors of start-up and thriving in markets dominated by larger, better provisioned competitors.

For more Guru Red insights, visit their blog: http://twoscenarios.typepad.com/guru_red_manifesto

1 STRUCTURE

Do not IPO

Public corporations are competitive albatrosses. Investment bankers, attorneys, accountants, VCs, Wall Street and the SEC are the only ones who really benefit from an IPO. The burden of public reporting overhead, the necessity to disclose competitively sensitive data, the operating restrictions mandated by quarterly performance horizons, the need to serve shareholders rather than competitive excellence, and the loss of discrete maneuverability all add up to extreme disadvantage. There are other ways to raise capital that do not create the competitive disadvantages inherent in a publicly traded enterprise.

2 INVESTORS

Do not take money from a stranger.

This rule is in the same category as never taking candy from a stranger. Never build a business plan around the necessity to raise venture capital from outside investors. The first thing they do, even with a minority investment, is take contractual control of all key decisions. Instead, use customer money to finance your business. Design ”pay as you go” business models using customer deposits or advances. Use price discounts, exclusivities, and other tactics to entice alpha/beta customers to purchase. Run your business model for your customers – not investors.

3 CAPITAL

Use customer and partner capital.

Customer money is the most valuable type of capital. Unlike other forms of capital, you don't have to pay it back. And its often takes no more effort to obtain. Build business models that can be financed by customers. Customer money is the best indicator of whether a new product is likely to be commercially successful. Find a customer with a strong need for an end result and sell the project to that customer. Partner money is almost as good as customer money. There are two ways to increase your ROI: (a) increase your total return or (b) decrease your investment. Substitute your partner's money for your own and your ROI will increase even after you share the return on the new money with your partner. Experiment with this simple equation and you will see the power of this strategy.

4 RELATIONSHIPS

The customer is not your friend.

The customer is not always right. The relationship between customer and vendor by definition is built on tension. Tension characterized by the customer who wants to minimize price. And the vendor who wants to maximize price. These are conflicting objectives. Customer-centric strategies that focus on delighting the customer ignore the economic realities of delivering this strategy. This does not mean that you don't listen to your customer or respond to customer needs. It means the customer voice is one of several voices that need to be reconciled. Any customer strategy first and foremost must begin with the objective of maximizing short-term profit. It is not possible to lead a sales force schooled in delight and collaboration into a market share battle demanding tension and confrontation.

5 LOYALTY

Beware of negative loyalty.

Loyalty is the glue that binds customers and suppliers. There are two ways to generate loyalty. One is positive the other is negative. Great quality and service wrapped in compelling brand positioning generates positive customer loyalty. BMW and Nordstroms generate positive customer loyalty. Negative loyalty is generated by companies with products or services that build in high switching costs for the customers. Switching costs are structural impediments to changing suppliers. Long term service contracts and proprietary software are two examples of structural impediments which generate negative customer loyalty. Think Microsoft and Verizon. Positive loyalty generates increasing margins and revenue. Negative loyalty generates insurrection and revolution (but not before enriching a few at the expense of the masses).

6 CAMPAIGN

Do not market.

Do not market. Campaign. Reconcile current competency with current opportunity. Maneuver your forces. Exploit center of gravity. Calibrate time, space and energy. Combine segregated sales and marketing functions into an integrated campaigning function. Replace soft selling metrics like satisfaction, delight, recall and impressions with hard campaigning metrics like objectives, revenue and margin. Build revenue engines and not sales organizations. Focus on speeding up cycle time. Develop and amplify competitive instincts. Utilize logos, ads, commercials, trade shows, etc., as ammunition and weaponry, not as artistic expressions or award opportunities.

7 REVENUE

Generate revenue today.

You have to make a penny before you can pinch a penny. Revenue is the lifeblood of the enterprise. The dumbest move made is cutting marketing and sales budgets when faced with an industry downturn. Way too many CEOs take revenue generation and customer relationships for granted. Generating revenue is a risky, unpredictable exercise that cannot be planned or programmed with accuracy or consistency. Generating revenue is an exploitative, opportunistic exercise that demands superior competitive maneuvering in order to survive and thrive. Every "click" of value-add revenue must be sold for two "clicks" of operating margin. Resources spent on long term branding and awareness campaigns are wasted unless they are tied directly and measurably to immediate and short term revenue generation initiatives.

8 MOBILIZATION

Activate your troops.

In this age of video conferencing, e-mail and instant messaging it is more critical than ever to create quality face time for you and your team. Face time is mandatory for team building and character assessment. Meet monthly with your team at an off-site location. Part intelligence briefing, part planning session, part rest and relaxation, these monthly mobilizations are opportunities to get close to the source of your company's energy. To mold cultural traditions and to generate real inspiration. This where you find out who the whiners and the winners really are. Work hard. Play hard. Activate your troops.

9 MARKETSHARE

Know how to fight.

Quality is the key route to increasing market share. Market leaders tend to share several key characteristics: They tend to have higher quality than their competitors. They compete on quality not price. They tend to benefit from unique proprietary rights such as copyrights, distinctive trademarks, patents, and trade secrets. These proprietary rights provide them with unique sources of quality. “Quality” amounts to no more than delivering those products and services customers most want. This type of quality is NOT the conformance to the specifications type of quality that most engineers focus on, but is instead conformance to customer wants of the type most marketers focus on. They needn’t be of particularly high quality just superior to that of your competitors. Don’t buy market share with low prices. This is self-defeating and capital intensive. The value of what you gain is eaten up by its cost of acquisition.

10 ORGANIZATION

Create organic structures.

Replace sticks and boxes with circles, cycles and rapid adaptation. Read John Boyd's Organic Command and Control. Understand the advantage to be gained by implementing his O-O-D-A (observation, orientation, decision, and action) loop, adaptive command structure, and getting inside your adversary's O-O-D-A loop. Replace your existing command and control with a mission based, rapid decision cycle, command and control structure. The best source for organization structure is not the Harvard Business School but the military (they have been working at it for thousands of years). The military continues to experiment with command and control structures designed to delegate and drive decision making to the front lines. Lessons business can learn from.

11 MODEL

Seek complexity.

Avoid business models based upon doing one simple thing a million times. Seek complex negotiated transactions rather than simple commodity pricing. Barriers to entry based upon complexity, knowledge and experience are better than barriers based upon capital investment, or manufacturing infrastructure. Just ask the steel industry. Solve large-scale difficult problems several at a time rather than small-scale simple problems a million at a time.

12 MARGINS

Never compete with low margins.

Always compete with high margins. Never pursue a competitive strategy contingent upon always being the lowest price supplier. Never assume you'll make it up in volume. Always assume the competition will match or better any price cut. Destroy low cost business models. Exit commodity markets or dominate niches via superior positioning. Never enter a price war unless you have a realistic end game that involves increasing your margins. And never sell for less than your cost. Never. Walk away from the customer, the market, the industry and the opportunity before selling for less than your cost.

13 LEMMINGS

Respect the tribe.

Whether it's clothes, computers or food, most people emulate and copy other members of their tribe or social group. Children learn behavior by copying those around them. Adults do much the same. People mimic the behavior of their peers whether they are choosing an investment or a restaurant — even if their own judgment would direct them elsewhere. As people observe and follow each other, they contribute additional momentum to the vortex, in turn drawing in more people. In a modern market driven economy it produces a unique result — a compulsion to copy the purchasing behavior of others, and the willingness to pay a premium to do this. The foundation of our remarkable success as a species has been our instinctive inclination to accept, mimic and propagate the knowledge, beliefs, attitudes and behaviors of others in our tribe. Ignore this aspect of human decision at your peril.

14 ACQUISITIONS

Never a buyer but a seller be.

Organic growth is vastly superior to acquired growth. Mergers of equals are doomed to failure. Acquisitions are one of the most capital-intensive activities in which you can engage. Statistically, most acquisitions are failures from the perspective of the buyer. It is in the nature of the process that there is always at least one bidder with enough hubris to overpay for a company in play. This means that it is almost certain that you will never pay less than fair market value (and often more). Most of the time you will not be able to recapture that value after the acquisition. If you want to buy low and sell high be the seller, not the buyer.

15 CLOSING

Use a one-page deal sheet.

Always do a deal sheet before moving on to a contract. A deal sheet permits you to maintain step-by-step control through the deal formulation and negotiation process. Keep it to a single bulleted page, but with enough detail so you can hand it over to the other side to convert into a contract without risk of their lawyer adding unreasonable provisions to it. Here is how you do it:

1. Identify all the agreed issues which are unlikely to be second guessed by the other side's lawyers, give these short shrift.
2. Identify all issues that the other side's lawyers will likely bring up, address them in detail but as business issues, with no wiggle room, (get your lawyer to help but keep it in business language).
3. Initial the non-binding deal sheet.
4. When the other side's lawyer comes in and starts asking for unacceptable provisions at no additional cost, tell him what he wants has already been negotiated as part of the business deal, but he can have whatever he wants, it just won't be free and he will have to cost justify what he wants to his client.

16 COMMODITIES

Move up the food chain.

If you are selling a commodity (a product distinguishable only by price) there will always be a competitor with a lower price. The most profitable transactions are ones in which there are no readily available substitutes for what you contribute. If you are selling a commodity, strive to give it added value to distinguish it from that of others, even if you must change the profile of your target customer. The more value you add, the more difficult it is for a competitor to displace you with lower prices. With enough added value, your commodity ceases to be a commodity.

17 COMPETENCY

Exploit your core competency.

Most companies do one thing really well. Whether they like it or not it's the thing that keeps them in business. And keeps customers returning. Ever noticed how some businesses are always trying to change their core competency? As if competency is something you buy off the rack at a local discount store? There should be an 11th Commandment—thou shalt not covet thy neighbor's business model. Most businesses are better off sticking to their knitting rather than extending and expanding their core competency. Figure out your true core competency, then protect it and exploit it. Create core growth opportunities by adding value—not by adding competencies. Know and respect the limits of your core competency. It is sometimes better to walk away from an order or fire a customer if you'll be stretched beyond your core competency.

18 SCALABILITY

Do not get big fast.

Avoid large scale. Small scale, local enterprises are preferable to large scale, global enterprises. Break apart integrated, large scale, global enterprises, into discrete, small scale, local enterprises. Concentrate power in local enterprises. Munich cannot manage Detroit. Don't believe financial machinations that try to justify large scale efficiencies. In real life they most frequently presage the decline of once successful companies.

19 EVOLUTION

Evolve your competencies.

The world evolves with regularity. Most organizations are structured to work best in their original environment. But environments change. Get ahead of your own curve. Customers change, competitors change, technology changes, markets change, threats change, opportunities change. Most organizations will make minor adjustments to deal with these changes. This will work up to a point, but as the environment continues to evolve, at some point the fundamental structure of the organization must change. What the organization is best designed to do no longer needs to be done, and what needs to be done is no longer what it is best designed to do. More often than not, organizations fail to reformulate their competencies, at fundamental levels, in response to fundamental changes in their environments. When this happens, such organizations relegate themselves to irrelevancy regardless of how strong and powerful they believe themselves to be. If your environment is evolving, you better be evolving, too. If you don't, extinction awaits.

20 CHAINS

Ratchet your value chain.

Look at the chain of value, which extends from you and your suppliers, and ends with the ultimate end user customer. The relative importance of different types of value will migrate over time. Nothing remains static. Value Chain Ratcheting is the methodical and incremental adjustment of the type and nature of value that you add to this chain. Assess each component added in that chain, both from you as well as from other members of this economic ecosystem. Identify those components you can provide leaving the greatest gap between (a) your cost of providing it, and (b) it's value to the ultimate end user or others in the same value chain. For example, does it make sense to provide expensive levels of service if your customers are unwilling to pay for it? No! Find ways of reducing the cost of that service, increasing the customer's perception of its worth, or stop providing it.

21 CONTRACTS

There is no win/win contract.

Focus on your needs in the contract. Neither of you will sign a contract unless you both get what you need. The winner is not the one who obtains the most hostile provisions. It is the one looking a few steps ahead of the other. Use your attorney sparingly. Never allow your attorney to craft business strategy or influence business judgements. Your contracts are not only legal documents. They are the terrain on which you work to assure that you will maximize your fair share of the value generated by the relationship both during and after the contract. They don't have to be long, detailed or hostile to accomplish that goal—in fact those attributes can interfere with that goal. Most attorneys craft deal-breaking contracts designed to protect your interests in all situations. You have to be able to mediate the risk.

22 CHANGE

Sledgehammers work.

When accomplishing anything of significance, you will offend people and make enemies. This especially applies to dysfunctional organizations with entrenched interests. You are not a missionary seeking converts. Make sure you understand why things are the way they are before you start changing them. Then move swiftly and decisively. Concentrations of power and authority in particular will vigorously resist attempts at change. Organizations with evenly distributed power and authority are the most open to change. Before starting a program of change, distribute additional authority and responsibility to those most likely to support change. Never assume that you will convert everyone to your agenda, or meet everyone's expectations.

23 INFRASTRUCTURE

Low capital intensity.

Large capital investments are a suspect mechanism for improving your competitive position. It's a crutch for the weak. The data shows that among industries with different capital intensities, high capital intensity is associated with low ROI. This relationship also holds true when comparing different companies within the same industry. In fact the differences in capital intensity are often even greater between competitors within the same industry than they are between industries. Generate competitive advantage by keeping your capital investment below that of your competitors.

24 BUYING

Create competition.

Avoid becoming dependent on a single source for anything where you have no readily available substitute. You are otherwise putting your fate in the hands of others. They will look after their interests, not yours. When you are a buyer, you want the vendors competing with each other. Keep them competing as far into the acquisition process as possible. Keep it up until you have completed negotiations with the selected vendor.

25 GROWTH

Align and partner.

Increase your competency set via partnering. Use partnering to fill gaps in your resources and open new markets. Look for markets or products where you are unable to deliver a competitive offer to the marketplace. Identify the deficiencies preventing you from doing so. Then seek out partners to supply what you're missing. Mix your own core strengths with those of others to create new offers that customers value and accept. Such alliances can take any of a number of forms, such as: a strong relationship with a major customer, a partnership with a source of distribution, a relationship with a supplier of innovation or product, or an alliance in pursuit of a common goal. In some instances you may form a new jointly owned company. In others one partner may purchase equity in the other. Most often the relationship will be defined by a contract.

26 FORMATION

Be ascetic.

Become an ascetic. Stay fluid. Stay maneuverable. Shed fixed obligations. Design business models with minimal fixed overheads. Control your core competency. Outsource everything else. Better to pay Kinkos 30 cents per color collated copy than $25,000 to Xerox for a machine that then costs another $10k per year to operate. It's almost always better to buy or partner a non-core competency externally rather than "make it" internally. Use short-term leases. Own as little as possible. Choose methodology over technology. Build throw-away/discardable infrastructure. Do not become prisoner of your income statement.

27 COSTS

Pinch the right pennies.

Any idiot can cut costs. Knowing which costs can be cut, delayed or marginalized is the trick. Money is always a scarce commodity. A low cost alternative is always there—you just need to look for it. Find it and assess it before making your final decision. Ask yourself, "Is it really necessary?" before you select an expensive solution. Beware the Costco syndrome—do not buy two years' worth of toilet paper to save 20%. Always keep unit cost aligned with opportunity cost.

28 CAPEX

Invest wisely.

Four rules for making capital investment decisions:

1. Avoid over-investment in capacity that you may not use. Be especially wary if you are facing long lead times and you have to add new capacity in large increments. If you must invest, try to invest in multiple-use assets.

2. Don't invest in order to improve your competitiveness as a commodity producer. You don't want to compete on price. Invest instead to improve on quality.

3. If you are investing in capital as a substitute for labor, make sure that labor productivity increases enough so capital intensity relative to sales does not increase. The improvement must not only pay for the cost of capital but also leave you with an incremental benefit.

4. Consider partnering with someone else. Use their capital. The less of your own money you invest, the less return you need to obtain the same ROI.

29 RESOURCES

Leverage partners.

Spend your own money to build your core competencies. Use partner resources to shore up your weaknesses. If you use a partner to build your core strengths, they will learn from you. The strengths you bring to the partnership will diminish in value to them. As your value decreases you become weaker. You can even lose control over core elements of your business. If you limit your partner's contributions to building up your weaknesses, it can only make you stronger. You will have little they can take away from you. If you proceed in this manner, you're unlikely to cede control over core elements of your business.

30 LAWSUITS

There are no fair fights.

If you find yourself in a fair fight, you've probably done something wrong. Your first priority is to turn the fight unfair. Here is how it works. The likely outcome of any dispute or fight can be assessed by balancing the following factors:

1. The relative strength and force each adversary can bring to bear.
2. The relative positional advantage or disadvantage of each adversary.
3. Their relative strengths of will (the relative importance to each adversary of winning or losing—what each has to win, what each has to lose). This simple equation has proven itself true and complete for hundreds of millions of years. It shows no sign of growing outdated soon.

31 VISIBILITY

Stay off the radar screen.

There are few good reasons for an enterprise to seek high levels of visibility. Bad news is more newsworthy than good news. Over an extended period of time, most high visibility companies will generate more lines of bad print than good. And all the while your are providing competitive intelligence to existing and potential competitors. Unless your business model or industry requires high visibility, keep your business to yourself. Your strategy and tactics should not be divulged to anyone. Maintaining secrecy while developing plans and executing strategy is paramount to most successful initiatives. Keep the books closed and your intentions ambiguous. Confide in a small circle of compatriots. Do not publish wins and losses. Do not tell the enemy how much ammunition you have left.

32 SECRECY

Keep secrets.

All CEOs need an office with four walls, a ceiling, and a door that locks. Trying to manage a global enterprise out of an open cubicle is reckless and inefficient. There are daily conversations on issues ranging from pricing to employee evaluations, competitive conflicts, customer problems and cash flow crises that should be private. Open door policies should not be encouraged, especially unscheduled drop-ins or employees going around their superiors with an axe to grind. Open book policies should be replaced with "need to know" policies. Maintain secrecy in compiling plans and evaluating results. Ambiguity and subtlety are necessary ingredients for operational success.

33 CONFLICT

Be ruthless.

Once you find yourself in a fight, be ruthless, be relentless. Bring it to closure quickly. The longer it drags on, the more costly it becomes. If it becomes clear you will lose a battle, retreat. There is no valor in absorbing needless injury. Know when to cut your losses. Know how to retreat. When you retreat, retreat like a wounded lion—give your opponent reason to advance with caution.

34 ADVERSARIES

Know when to fight.

You can't fight everybody. Select your adversaries with care. Never underestimate the ability of an adversary to cause you grief in the future. People will revenge themselves for small offenses as much as for large ones. Choose your fights carefully, even with existing adversaries. Don't get into a fight unless it is worth it. Don't get into a fight unless you can win it. If you can get a similar result without a fight, do it. You cannot benefit from a needless fight. Fights are costly propositions even when won. If it is worth a fight, it is worth winning. There is no fight that you can be certain you will win, no matter how disadvantaged your opponent. Don't skimp and fight to win. Most importantly make sure the organization has the will to fight.

35 BLUFFING

Know when to fold.

The bigger the stakes for your opponent, the easier they are to bluff. Don't bluff anyone until they have first seen you win a few. The ideal is to let them see you win three in a row. A single win by itself doesn't have much impact. Two wins is the suggestion of a pattern. Three wins is a clear pattern. After observing three consecutive wins, few people will bet against a fourth. It's easier to bluff someone coming off a string of losses than someone who is on a winning streak. Avoid bluffing the same person twice. Bluff sparingly. Few things hurt your credibility more than bluffing, getting called on it, and then backing down. It will limit your freedom to maneuver in the future, even when you aren't bluffing.

36 TRANSACTIONS

Never trade short-term profit.

Ninety-five percent of enterprise resources should be trained on short-term profitable revenue generation. Avoid engaging in a strategic (i.e. unprofitable) transaction in the expectation that it will lead to future profitable transactions. If you do otherwise, you are likely setting yourself up for a fall. All businesses have a finite capacity for unprofitable transactions. There is nothing more shameful than watching a healthy company wasting large quantities of resources over periods of time reaching out for strategic business that stays just outside of its grasp. Don't be reluctant to explore and experiment with strategic initiatives, just do it with other people's money.

37 CONTROL

Never relinquish control.

Always remain in control of your company, either via equity ownership or organizational bylaws. Be wary of dilution of control created by financing. Never sign a financial instrument with performance covenants. Ten percent of nothing is nothing. It's better to have 90% of something small and valuable rather than 10% of something large and worthless. Never let "professional management" replace you or your team. Never assume you'll be able to get the votes on your board necessary to advance your agenda. Never put somebody you do not respect in a position to impact your control.

38 SIMPATICO

Enlist compatriots.

Always reach for trusted and tested confidants when making director choices—but never place your destiny in their hands. Never appoint a board member for reasons of perception or the assumption that he will attract investors or customers. Appoint board members who have competencies you don't. Never appoint a stranger. Always get their undated and signed resignation in advance. If possible, use a board of advisors instead of a board of directors. Make sure they are getting a good flow of information from sources other than you…and make sure they are telling you things you don't want to hear as well as things you do.

39 HONESTY

Stand and deliver.

Honesty begets loyalty and respect. People can deal with bad news and respond to challenging circumstances when they are presented honestly and in a straightforward fashion. There are no laws, rules or regulations worth breaking in the pursuit of success. The global economy is full of grey areas, ambiguous settings and corrupt practices. You must possess a strong moral compass—and cultivate it in your people—in order to navigate this environment.

40 PROJECTS

Avoid large projects.

If you have a complex project and can't describe it in simple terms then don't do it. Avoid projects that will take more than 6 months. They too often take on a life of their own. Spend your finite resources on something more controllable. If you must engage in a large or complex project, use someone else's money. Even then, try to break the project into smaller 6-month "stand alone" projects. Staff any project with as few people as possible. When possible, staff your projects with no more than five to seven people. If the project is too big or difficult, get stronger people, not more people. Select the best and then back them. It is false economy to skimp on the quality of your people. The more people participating in a project, the more critical it is for there to be a simple shared understanding of the project, its goals and how to resolve the unavoidable trade-offs that must be made in any project of consequence.

41 COURAGE

Act decisively.

There comes a time in the life of all start-ups, small- and medium-sized enterprises that require the founder to act courageously and decisively. Many times this involves sacrificing a few to save the many. If you're concerned about damaging your credit score, D&B rating or personal friendships, then you will not succeed. Rarely is there a risk-free move. If you don't make the moves, then you will lose your business to somebody else who has the courage to act.

42 DICTATORSHIPS

Be a benevolent dictator.

There is nothing inherently bad about benevolent dictatorships. They are the most efficient way of organizing group endeavor. Their main disadvantage is that they tend to be unstable. They can too easily degrade into non-benevolent dictatorships. Democracies, while more stable than benevolent dictatorships, don't work under battlefield conditions. When you operate as a benevolent dictatorship pay particular attention to maintaining robust and high quality feedback loops. Without them it is only a matter of time until the benevolent dictatorship self-destructs by losing contact with the reality of what is happening on the front lines where the organization meets the irresistible forces and immovable objects of the real world.

43 SUBORDINATES

Cultivate mutual trust.

Everyone reports to someone: a superior, customers, directors, shareholders, the financial community, or voters. Do your sincere best to serve the interests of whomever you report to. Subordinates should stay focused on the goals of their superiors. In turn, their superiors should always look after the interests of their subordinates. Each should know that they can rely on the other. If a leader sees to the maintenance of such relationships at all levels of his organization, the organization will be highly responsive to that leader's direction and will. Show respect to your direct subordinates. If you don't, their subordinates will pick up on your disrespect and mimic it, which will diminish the effectiveness of your direct subordinates.

44 SUPERIORS

Respect the chain of command.

Subordinates should not mindlessly obey their superiors. Subordinates who believe that their superior has not fully considered a matter should say so. But, once a superior has made clear an informed decision, the subordinate should carry it out with vigor and enthusiasm, regardless of any contrary opinions the subordinate may hold. Disagreement is not disloyalty. A modest level of conflict is healthy. Still, there are limitless ways subordinates can indirectly sabotage their superiors. Never tolerate such sabotage from anyone anywhere in your chain of command. Shoot any offenders at dawn in the middle of the nearest town square.

45 POLITICS

Keep it to a dull roar.

Whenever you organize a group of people to accomplish an activity, there will be interpersonal politics. It is a necessary and useful part of any group activity. But too much political overhead saps an organization of its strength. Beware especially of conflicts surrounding politically correct but operationally naive initiatives. These debates will divide your employees and create significant friction. Better to extinguish it immediately and forcefully than to allow the issue to fester. Terminate troublemakers with extreme prejudice and be prepared to fight them in court. Better the fight take place off premises.

46 NEGOTIATING

You reap what you sow.

Business negotiations are not spot transactions. They involve either one of a series of transactions or the initial ground rules for a long-term relationship. Don't negotiate a long-term relationship, or one in a series of transactions, as you would a spot transaction. You will reap what you sow. Leave the other side feeling happy. Before you start negotiating, find out what the other side expects. You may find that you can trim back what you would otherwise have offered and still satisfy them. Within limits, the more extreme your initial demands, the better the results you will obtain. Get the other side to make all of its requests first. Don't wait for them to gradually reveal their position during the process of item-by-item negotiations.

47 FAILURE

Stay in the game.

You will fail. When you do fail do not give up. You learn 10x more from a failure than you do from a success. Most first time entrepreneurs when confronted with failure retreat to the perceived safety of large corporations, and never get the chance to apply their hard-earned wisdom. Nine out of ten new businesses fail not because of bad ideas, but because of entrepreneurs taking themselves out of the game. As an entrepreneur, you need to be prepared for collateral damage. There is a high probability that before you build a successful business your credit will be dinged, you will have interesting conversations with the IRS, and you will become personally acquainted with your banker. There are rarely immaculate conceptions. You have to have the courage to stay in the game. Failure is the entrepreneurial badge of courage.

48 PROFIT

Share the wealth.

Fairly distribute the wealth. Reward the best with a larger share of the wealth. It is not fair to reward a slacker with the same cut of the pie as a superstar. It is okay to use subjective and arbitrary measurements. It is impossible to design a fair bonus system based entirely upon quantitative measurements. Acknowledge both group and individual contributions. Never reward or incent employees based upon market cap or enterprise value. Annual distributions of profit are too long a time frame. Quarterly distributions are the best and allow maximum flexibility for influencing and motivating employee behavior. Keep executive and managerial bonuses respectful and commensurate with the contributions made.

49 MOTIVATION

Challenge employees.

Do not nurture. Challenge. You nurture babies and prize-winning orchids. Employees require challenge. Training. Intensity. Friction. Competition. Nurturing leads to employees who believe they are owed a living. Challenge leads to employees who understand they have to earn their living. Business is a contact sport. A team sport with a player/coach. Challenging employees means being tough, setting difficult objectives, being taut with criticism and generous with rewards. Challenging employees will ensure that the best move ahead. Job security is directly related to the ability to respond to challenge.

50 LEADERSHIP

Warriors should lead the way.

Remove all technocrats from the line of fire. These are the folks who are always afraid of offending someone. Who quiver when receiving three customer complaints on a product purchased by 10,000 satisfied customers. Who homogenize and blunt efforts and strategies until they are ineffective. Who actually read, write and understand the fine print. And who enforce politically correct attitudes, initiatives and programs. Technocrats play a valuable role, just not on the front line in operating positions. Remove all technocrats from the line of fire. See that all the technocrats on the front line are replaced with warriors. The warriors fight the battles, and win the wars, and recover from the defeats. Warriors need to drive the enterprise.

51 EXECUTION

Trust your subordinates.

The operation of almost any organization requires the daily making of huge quantities of decisions, both big and little. One person is capable of making only a limited quantity of good decisions. If you try to make all the decisions, you won't do a good job making any of them. When you delegate, give an objective but don't impose the route to be used to reach the objective. Encourage your subordinates to use their own resourcefulness and creativity. Involve yourself regularly with anything and everything your subordinates are up to. Though you may delegate a great deal to them, make sure they understand the level to which they must keep you informed. Push decisions downward, but give sufficient guidance so that everyone is rowing in the same direction. Encourage risk taking. Reward success, but avoid punishing failure. Exploit your subordinates' strengths. Shore up their weaknesses.

52 EXCEPTIONS

Challenge every truth.

The Guru Red Manifesto is a collection of practical truths. Not all truths apply all of the time. Trust your instincts. There comes a time when you need to throw away the spreadsheets, silence the advisors, tear up the plan and go with your gut.

info

MOBILIZE!
Rewire your enterprise DNA. For details on Guru Red mobilizations for the small- and medium-size enterprise, click here.

GURU RED BLOG
Click here to visit the Guru Red blog.

ABOUT THE AUTHOR
Mike Smock is Managing Director of vSente, the San Francisco-based marketing consultancy. He has executed hundreds of campaigns, engagements, financings and transactions in 38 industries over a 25-year career. In his early career, Smock held senior sales and marketing positions with AFG Industries which was later sold to Asahi Glass and Allied Tube and Conduit which is now part of Tyco. He was the co-founder of Dynaquest Corporation, an artificial intelligence pioneer, and led the successful leveraged buyout of Associated Piping and Engineering from Johnson Controls. The Guru Red Manifesto is an expression of his experience on the front lines of entrepreneurship.

Several rules were contributed by Curt Sahakian, a Chicago-based attorney and founder of the Corporate Partnering Institute. He has served as General Counsel of RIMS, as a member of the MIT Enterprise Forum's Entrepreneurial Services Committee, and as General Manager of Winthrop Financial Group.

DOWNLOAD THIS
This manifesto is available from http://changethis.com/3.GuruRed

SEND THIS
Click here to pass along a copy of this manifesto to others.
http://changethis.com/3.GuruRed/email

SUBSCRIBE
Learn about our latest manifestos as soon as they are available. Sign up for our free newsletter and be notified by email. http://changethis.com/subscribe

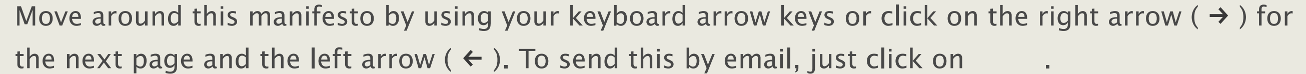
info

WHAT YOU CAN DO

You are given the unlimited right to print this manifesto and to distribute it electronically (via email, your website, or any other means). You can print out pages and put them in your favorite coffee shop's windows or your doctor's waiting room. You can transcribe the author's words onto the side-walk, or you can hand out copies to everyone you meet. You may not alter this manifesto in any way, though, and you may not charge for it.

NAVIGATION & USER TIPS

Move around this manifesto by using your keyboard arrow keys or click on the right arrow (→) for the next page and the left arrow (←). To send this by email, just click on .



KEYBOARD SHORTCUTS	PC	MAC
Zoom in (Larger view)	[CTL] [+]	[⌘] [+]
Zoom out	[CTL] [–]	[⌘] [–]
Full screen/Normal screen view	[CTL] [L]	[⌘] [L]

BORN ON DATE

This document was created on 6 September 2004 and is based on the best information available at that time. To check for updates, please click here to visit http://changethis.com/3.GuruRed

info

COPYRIGHT INFO

The copyright in this work belongs to the author, who is solely responsible for the content. Please direct content feedback or permissions questions to the author: http://www.vsente.com/

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs License. To view a copy of this license, visit http://creativecommons.org/licenses/by-nc-nd/2.0/ or send a letter to Creative Commons, 559 Nathan Abbott Way, Stanford, California 94305, USA.

ABOUT CHANGETHIS

ChangeThis is a vehicle, not a publisher. We make it easy for big ideas to spread. While the authors we work with are responsible for their own work, they don't necessarily agree with everything available in ChangeThis format. But you knew that already.