



Building off **Failures**

Failure will exist in any business. High-performing companies are prepared to manage setbacks and learn from mistakes as business and marketing plans are executed.

A professional sports team is a perfect example of this principle. Professional athletes learn to adjust their strategy throughout a game, and if they happen to lose they will accept failure, analyze their performance and move forward. Business people tend to ignore their failures and embrace only their successes. The company remains blissfully naive about what went wrong, and people in the organization will tend to make the same mistakes over and over again.

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December 2018



IF YOU MUST ADJUST YOUR BUSINESS OR MARKETING PLAN, MAKE SURE YOU RETAIN A FOCUS ON WHAT FACTORS DRIVE SUCCESS IN YOUR ORGANIZATION.

Costs and Benefits of Failure

Businesses are sure to encounter failure for two reasons. First, decisions must be made with imperfect information. Second, your company is a collection of individuals who are constantly learning from their mistakes.

There are two types of costs to failure. Direct out-of-pocket costs draw down the company's operating cash and reduce return on investment. Opportunity costs that involve lost potential revenue may be less obvious but many times are far more expensive.

As a business owner, accept the fact that your people will make both good and bad decisions. Failure has an upside, because these situations present genuine learning opportunities. But failure's downside is a setback in performance. Decide how you will work through these setbacks. Allow people to fail while minimizing costs incurred by the company and keeping options open if events do not materialize as expected.

Flexibility Is Your Friend

When you face an uncertain situation, keep your business or marketing plan flexible and allow for adjustments to broad strategies and individual tactics. Plans should incorporate only as much detail as is practical to implement. The key is to build a plan that is appropriate for your situation, and then create an environment in your organization that supports effective implementation. You must have the freedom to learn on the fly and adjust as the situation becomes clearer.

For example, test whether a new advertising method would work before committing to a long-term contract. If you find the promotion does not meet your expectations you are then able to examine the cause. This allows you to make adjustments until you are confident you have something that works, then commit a larger portion of your time and budget to it.

Note that a highly structured and detailed plan is valuable when you operate in a predictable industry during a period of relative economic stability. Risk of failure is low in this situation. Upfront detail work will allow you to simply execute the plan efficiently by not having to constantly adjust your strategy or tactics.

Core Principles Should Guide Adjustments

If you must adjust your business or marketing plan, make sure you retain a focus on what factors drive success in your organization. Allow your core principles to guide the many diverse decisions that emerge.

These principles will be different for each company. Basically they are the key success factors in the organization. These will be different for each company because each business faces a different situation. Three examples of core principles are explained below.

Maintaining Culture

It can be difficult to maintain your company's culture through a period of change. For example, staff hired when the company is in growth mode will have a different view of the company than those hired during a period of relative stability.

Maintaining Profitability

It is crucial to ensure your employees understand that a setback does not justify a sustained period during which the company experiences an operating loss. Maintaining profitability in tough times trains people to focus on financial health and builds a strong base for superior long-term performance.



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Retaining Profitable Customers

Failures take many forms, and more serious situations can result in a loss of customers. How can we retain our most profitable customers during a difficult period when things are not going our way? It is crucial to adopt a long-term view for managing your client base through the inevitable cycles of business.

Force yourself to identify only a select few core principles, and let these guide all decisions. This process keeps you focused on what is important in the long term.

Collect Good Information

When a company is experiencing a period of success, managers are emboldened by strong revenues and have the courage to make difficult choices. When the company experiences a period of failure, people begin to second guess themselves.

Managers are often risk-averse and can be paralyzed by indecision. Decisions become hard because these managers often lack a proper understanding of the situation. The original strategy that failed was likely based on the manager's current information. When faced with uncertainty, the first priority should be to learn about the situation. Educated guesses can be valuable. Frontline employees and department managers will see trends emerging and understand points of value that are important to customers. Trust the instincts of these frontline employees. Build on these industry insights in order to test-market new products or attempt adjustments to internal processes.

Monitor Success

Two months into the rollout of a plan, how will you know if your strategies and tactics are unfolding as you intended? What formal and informal systems are in place to gather necessary information? Do you know what results you are looking for before the plan is executed?

A good performance measurement program will provide valuable feedback on areas of the plan you can actually adjust during implementation. The program should also provide useful perspectives for building a future year's plan.

Focus on Execution

When your sales manager reports to you that a certain product launch has not met revenue expectations, does your company encourage that manager to make adjustments? Corporate culture is the atmosphere in the company that influences employee attitude and actions. Your company's corporate culture must create a supportive environment to learn from inevitable failures.

It is crucial to ensure the people executing the plan's strategies have a solid understanding of why those strategies are in place and how they are expected to unfold. When people on the front line understand the bigger picture, they are more likely to embrace the plan and also provide meaningful input when adjustments are required.

People who are used to winning often have a hard time accepting failure. People need to expect that some failure will occur. Back to our sports analogy: professional sports teams know they cannot win every game. The key is to understand why you won or lost and how you can improve.

A plan can be structured in a way that builds on both successes and failures. Often this involves managing your company's risk in uncertain times. You must also create an environment that nurtures employees' ability to learn from mistakes and adjust as information becomes available.



Growth and Profitability

Banda Marketing Group Inc. was formed in 1997. The firm provides strategic marketing, sales management, and proposal management services to entrepreneurial companies. Over the past two decades, the firm has helped over 200 companies increase revenue and profit.

Periods of Change Build Value

Brent Banda most often works with business owners and their management teams who are launching new products, entering new markets or refocusing their current marketing plan. These periods of change build value in a company and drive profit.

Brent holds an MBA and has taught as assistant professor at St. Francis Xavier University in areas such as advertising, professional sales and marketing management.

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