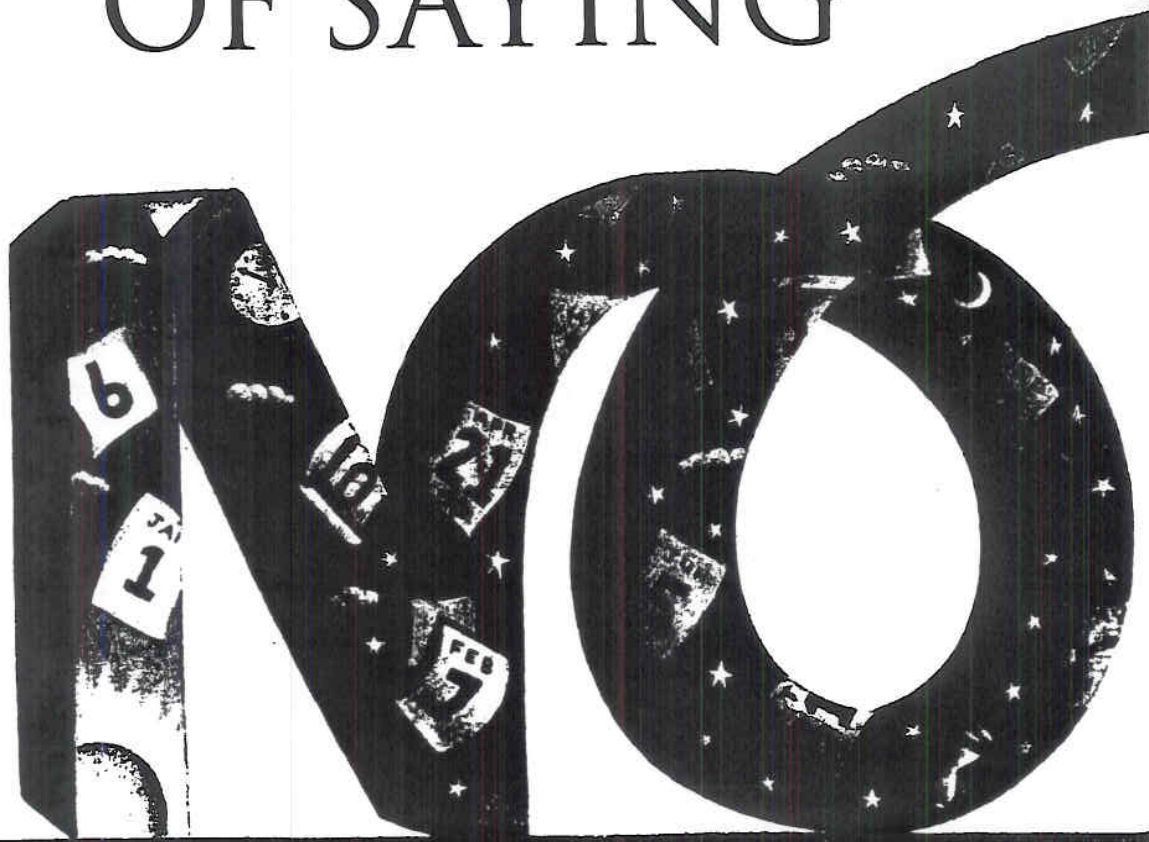


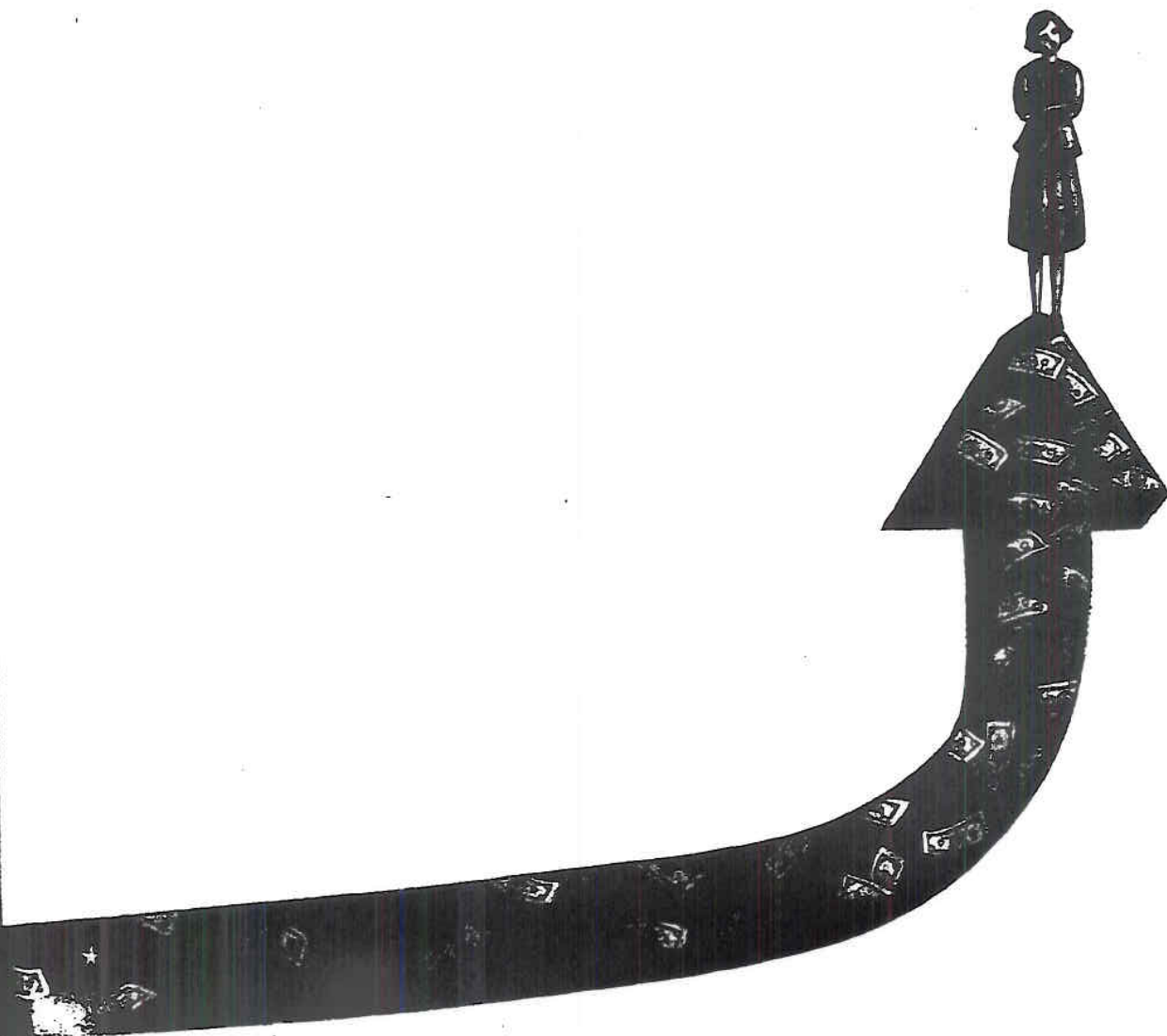
The hardest part of being an entrepreneur can be learning to turn down business. It is also the only way to survive—and grow.

BY SUSAN BISHOP

THE STRATEGIC POWER OF SAYING



ARTWORK BY BILL BRANDON



APRIL 1992

The client was the CEO of a large cable TV network with an important executive position sitting vacant—and he wanted us to fill it fast. The search would bring much-needed visibility to our two-year-old operation, not to mention \$30,000 in the bank. We knew that the CEO was ornery and could even be verbally abusive. We also knew that he refused to share financial and strategic data with us that could help us sell his company to candidates. And we were well aware that he wanted to screen the résumé of every candidate we located and choose whom to interview himself—never mind what we thought. But these were small problems, we reasoned, given the enormous upside of the job.

Yes, we said, we'll take the business.

APRIL 1999

The client was the founder of a publicly traded Internet company looking for a new CEO. E-commerce was an arena we ardently wanted to enter, and the search would bring in at least \$60,000. But this time, similarly "small" problems loomed large to us. The founder had already made up his mind that he wanted a CEO with a sales background and wouldn't allow us to analyze whether that made sense from a strategic point of view. Further, he wanted us to find a CEO who would accept a salary 25% below the market rate, without equity. And finally, he refused to pay us our full fee until the new CEO had been in the job three months and, as he put it, "I know if I like him."

A high-profile entry into the Internet business was enticing, as was the rich fee—especially since we had just hired two new employees of our own. But the answer was easy.

No, we said, we won't touch your job.



WHAT HAPPENED TO my company in the seven years between those two clients? Simply put, we learned to turn down business, and in the process we made the leap from chaotic little start-up to solidly growing, professionally managed firm. That leap is a defining moment in the life of virtually every entrepreneurial venture. I realize that now, but before we made the jump, all I could think about were the salaries that we had to pay, the rent that was due, the marketing materials that we had to mail out, and the computer systems that we absolutely had to install. Every penny counted, so much so that saying no seemed like uttering a profanity.

Today, saying no is our growth strategy. That is, our growth strategy is saying no to the wrong kind of clients—those that take us away from a business model based on our mission, values, and areas of expertise. Between the yes and no I've just described, we discovered that accepting the wrong business saps not only our time and energy but our profits, too. As we bumbled and struggled

Susan Bishop is the founder and president of Bishop Partners, an executive search firm in New York.

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through assignments we shouldn't have taken, we couldn't ferret out promising prospects or build stronger relationships with existing clients that happened to be right for us. We also learned that saying yes to the wrong business slowly but surely kills morale. Employees become exhausted and confused; very talented people leave. Such damaging effects seem obvious now, but again, like virtually every entrepreneurial venture, we had to learn about them the hard way.

Unconventional Beginnings

It would be something of a stretch to claim that I set out to run an executive search firm. I began my career as an actress. On and off for five years starting in the late 1960s, I played a nurse on the soap opera *All My Children*, performed in TV commercials, and had small parts in a couple of movies. Then in 1973, my soon-to-be husband and I set out for a four-week vacation in Alaska. We stayed over seven years.

There wasn't a lot of work for actresses in Alaska, so I ended up hosting a daily two-hour talk show on Anchorage's ABC affiliate while my husband drove a bulldozer. Two years after we arrived, however, the two of us had an idea: Why not bring live TV to Alaska? We ended up doing just that, creating a microwave-distributed, live pay-TV channel. Two years after that, cable companies arrived on our turf looking for operators, and we won the franchise for the city of Anchorage. Before we knew it, we had launched the state's first multiple-station cable television system.

In 1980, my marriage ended, and with my young daughter in tow, I drove back to New York to start over. I didn't want to return to acting, and all I knew was how to run a cable TV station. One interview led to another, and I eventually ended up getting a job at an executive search firm that had just started a broadcasting and cable TV division. Within a year, I was a partner, and for the next six years, my colleagues and I built the organization's media and entertainment search business up to about \$4 million in annual billings.

Then a funny thing happened—in the ironic sense of the word. I left the firm because I thought it was growing too fast. Business was being accepted willy-nilly, and as a result, unqualified people were being hired and dumb decisions were being made. Good people were working harder than ever, but the senior managers didn't have time to notice. They were fighting fires on every front. Looking back, I cringe at how I denounced my old company. Little did I know that I would soon fall into the same trap that they had.

With high hopes, I started Bishop Partners with two colleagues who also felt burned out by our old firm's unmanaged growth. We were going to be the best boutique search firm in the country, specializing in the television, radio, and publishing industries. Our plan was to beat our larger, established competitors through superb execution. In other words, we would say yes to every client's every request.

The arrangement didn't last long. My partners soon grew weary of jumping through every hoop clients could think of, and they thought of plenty of them. There was a client who wanted a "difficult search" (read: bad location and low pay) completed in 30 days, about a third of the time required. Another client asked us to fill a job in Djakarta with a recent graduate of an American MBA program—the kind of person very likely to have a young family. We found candidates; none wanted to move to Indonesia. Still, the client refused to consider a different candidate profile, and we felt obliged to forge on with the search. (The client was eventually forced to use a local Asian search firm, but not before we had paid an enormous price in time and energy.) Searches for still other clients took us into industries we barely knew, in which our database of high-quality executives was slim, if it existed at all. And yet we did our best each time, even when we were starting from scratch.

In 1992, I bought out my partners, and the company I had been working so hard to build suddenly shrank just to me, one part-time researcher, and a secretary. But I was convinced we

could grow again, and quickly, if I just continued to grant all our clients' wishes. Indeed, that was my business model. Great service would lead to happy clients, which would lead to more business, which would lead to more money, which would allow us to keep our clients happy, which would lead to more business...and on and on. We were creating a virtuous circle, right?

Wrong. We were operating, I can see now, on several faulty assumptions. The first was that companies should strive to "delight their customers" – as the catchphrase of the day went. That notion had been drummed into my head when I took classes toward my MBA at night at Fordham University. There I learned about businesses that built their success not merely on satisfying their customers but on making them deliriously happy. I remember, in fact, one professor extolling the virtues of a company that trained its salespeople to greet customers by saying, "The answer is yes. Now, what's the question?" The same concept was reinforced – on practically a daily basis – after I graduated, as I read glowing reports of customer-obsessed companies in every business publication on the newsstand.

Another assumption that undergirded our business model had to do with gender. Most of the people in

Finally, we assumed there was simply no alternative *but* our business model. How could we possibly afford to disappoint any of our customers when we didn't have that many to begin with? We had a steady flow of business, to be sure, but very little backlog. Every time a search started to wind down, I started to panic. When would another piece of business appear? I spent many sleepless nights running numbers in my head: Could we pay the rent this month? Should I stop the order for new desks? Deep in my heart, I also wondered when I could start drawing a salary. My daughter and I were living off whatever cash was left over after expenses, and believe me, it wasn't much.

And so we kept saying yes, and for a few more years that approach kept us going. By 1995, we were up to \$2 million in annual revenue, a number that had been rising steadily each quarter. We had grown to ten employees: me, three consultants, three researchers, and three backroom staffers. We were landing bigger and more prestigious clients. In fact, one of them was Coca-Cola, which liked us enough to make us one of only four executive-search firms on retainer for its worldwide marketing department.

Still, by the end of that year, warning signs were getting hard to ignore.

move us up to the senior-executive level. Yes, I was out there pitching us as capable of the big searches. Potential clients – perhaps savvy to how much we were flailing behind the scenes – weren't biting.

Don't get me wrong. Along the way, we were conducting some terrific searches. We found an excellent person to run the entertainment division of Dollywood, the theme park in Pigeon Forge, Tennessee, owned by Dolly Parton – no easy task, given the location. We also placed the CEO of the Nostalgia Network, the editor of *Martha Stewart Living* magazine, and the head of marketing for the Discovery Channel.

But much more common were searches like the one we conducted for the owner of a \$30 million family-run telecommunications company who was looking for a new CEO. The client wanted a top player in the industry but planned to pay just \$150,000 with no stock options. The going rate was closer to \$300,000 and heavy on the options. He also presented us with a problematic job description, which included statements such as, "All vice presidents will report to the CEO, except when I decide one should report to me." The new CEO would have all budgeting and profit-and-loss responsibility – but would have to work closely with the client's brother on

How could we possibly afford to disappoint any of our customers when we didn't have that many to begin with?

my company were (and are) female. To all of us, saying yes to difficult requests not only made business sense, it was second nature. We had been taught by our families and by society to be classic "good girls": hardworking, eager to please, and nonconfrontational. Over the years, we'd seen "good girls" rise in organizations because of those very traits. In fact, many of the most successful women we knew had reached the top because they had taken on the hardest problems and worked relentlessly to solve them. We, too, were going to rise that way. The strategy was tried and true.

Although we had plenty of revenue, our profit margin was low. It rarely rose above 15%, when I knew from my previous job that it should have been closer to 30%, or even 40%. Worse, although we were taking on more clients, earnings stayed flat from year to year or, in some cases, dipped. In addition, the employees were tired and cranky, mainly because searches were taking too long to close. They often lasted four to six months, as we scrambled to find candidates in industries that were new to us. And finally, we were stuck in middle-management search assignments, despite my strong desire to

"everything financial." What smart candidate would be willing to walk into such a booby trap?

We took the job with our fingers crossed, but that was no help. The search dragged on for months, and the client grew increasingly angry. Every time we tried to explain why there were so few candidates for the job, the client would threaten to fire us. And so of course we worked even harder. Finally, nearly eight months later, we located a decent candidate who was willing to take the job, warts and all. We were grateful for a happy conclusion, but beleaguered.

continued on page 56

One particularly talented member of our staff asked for a two-month leave to regain her energy. And I was especially despairing, since the search had kept me from devoting more time to drumming up new business. When we finally got our money, we knew it wasn't worth it.

Back to the Drawing Board

That job was a turning point. Even though I had completed my MBA, I knew I needed more education in running a company. I understood the fundamentals of the executive search business, but I knew nothing about a lot of general management practices and concepts. I didn't understand what was causing our troubles, nor did I know how to develop a strategy to solve them. I decided to attend the Owner/President Manager (OPM) program at Harvard Business School, an on-site boot camp for entrepreneurs that runs for one month over three successive years.

In February 1997, I came back to New York from my first OPM session. My ears were ringing with the words of one professor: "What business are you in, and what business are you not in? Who is your customer?" Alone in my office, I made list after list trying to narrowly define our business. Finally, I came up with a definition that satisfied me: "Bishop Partners is dedicated to ex-

were recruiting for the publishing industry. One staff member even suggested we were in the business of making clients happy. Not a single person mentioned the word "consulting," which to my mind was our distinct competence. We had so much knowledge about the industries in which we specialized and so much knowledge about executive searches in general that we could act as strategic advisers to our clients.

If none of us had the same mental image of our business, how could we begin to define our clients? I posed that question to the staff, launching a long and difficult conversation about how the firm was run. By the end, the truth about our "strategy" was out: we accepted every client that called us and tried to make each one as happy as humanly possible. That meant we were bringing in dollars to support the firm day-to-day, but with no thought as to whether we could meet our clients' needs, or if they could meet our need for profitability. Why did we feel it was so important to always say yes, we asked one another, and why did we so often regret it? What were the ramifications of the relentless service orientation we had made a priority above all else?

Over the next few weeks, the staff and I engaged in a series of intense conversations. We started by look-

tise would enable us to conduct excellent searches. Those high-quality engagements would use our staff productively and enhance our reputation, which would, in turn, lead to more business. We finally had come up with a virtuous circle that felt sustainable, both economically and organizationally.

The key, of course, was defining those "right" clients. We determined that, for the model to work, they had to meet the following criteria:

- They would operate only in the industries in which we had true expertise: television, publishing, radio, new media, and entertainment. Our clients could also be in e-commerce, the new market space created by the convergence of the industries in which we specialize. We would not take work in the financial services, banking, advertising, retailing, manufacturing, or consumer products industries. We also would not work for nonprofit organizations unless they were in our areas of expertise, nor would we work for pure technology companies.
- They would be filling senior-level executive positions. To put bite into this criterion, we increased our minimum fee from \$30,000 to \$40,000. With a commission of 33%, that meant we would only search for executives earning at least \$120,000 a year, certainly above most middle-

What a shock! Everyone had an opinion about what business we were in—none the same and none the same as mine.

cellence in providing executive search consulting to the information, communications, and entertainment industries, including both product and service companies in cable, broadcasting, publishing, new media, and technology."

The next week, I called a staff meeting to go through the same exercise. What a shock! Everyone had an opinion about what business we were in—none the same and none the same as mine. One person offered that we were in the business of recruiting; another said we were in the business of recruiting for the cable TV industry, and yet another said we

ing at our mission statement and values, something we had created in the early years of the firm but had tucked away ever since. It quickly became obvious that we had to start making some tough decisions about which clients we worked with—as well as what sort of employees should be working for us—if we were to truly adhere to the beliefs we so nobly stated on paper.

Ultimately, our conversations led us to a new business model. Instead of making happy customers our first priority, we would focus on the right customers. If we worked only for a certain type of client, then our exper-

manager compensation packages. (We recently increased our minimum fee again, to \$50,000.)

- They would offer us strong opportunities for repeat business. That is, they would already be large enough or growing fast enough to need senior-level searches in the future. This decision made sense from an economic point of view—it's cheaper to land repeat business. But it also made sense strategically. When we conduct a search for a company, we learn a lot about its culture. That knowledge helps us conduct better subsequent searches, as we can screen early on for cultural fit, one of the most im-

portant factors to clients in today's recruiting arena.

- They would understand, accept, and embrace our role as consultants. We would not simply generate résumés. We would collaborate with clients to analyze the requirements of and create job descriptions for the open position, based on the client's strategy and needed competencies, so that together we would ultimately select the right candidate.

- They would not ask us to perform miracles. That is, we would accept jobs only when the client was prepared to pay the new hire a competitive compensation package. We

ness model was too narrow; he feared we were going to "no" ourselves to death. Like a good soldier, however, Don turned down the work, explaining to the Sprint executive in charge of the search that conducting junior-level searches was not our particular expertise.

For the next two weeks, Don bemoaned the lost work. Then the phone rang, and it was Sprint again. After going on and on about how much he respected us for turning down business for a good reason, the executive offered us a senior-level search in the same telecom company—a regional VP, to be exact. The

On to Employees

If our new business model was going to work, we didn't just need to define our clients, we needed to make some significant changes to our staff and our work practices, too. After all, we couldn't position ourselves as industry experts if our staff was composed of junior-level people doing work in haphazard ways. The time had come to raise the bar for our employees and to build an infrastructure that could support them.

Although many members of our staff had been with us a long time and understood the search business,

*I said no, knees knocking and palms sweating all the while.
I had just thrown away \$250,000. Had I lost my mind?*

would not accept work when the open position was in a location where very few candidates would agree to move. And we would not accept work from clients that expected us to work faster than a high-quality search would permit.

- Finally, our clients would be perceived as "employers of choice." We would not accept a company that had received bad press for business or fiscal improprieties.

Put to the Test

Once we had defined our clients, we had to start saying no to those that didn't fit the model. The hardest part of our transformation had begun.

The first person to feel the pain was Don Zinn, a member of our staff for less than a year. Don was the sole provider for his wife and two small children. Shortly after we defined our business, Don was asked to do four searches for Sprint, which was looking for sales account managers in its telecom business. The total income to the firm would have been \$120,000. Don would have received \$48,000 of that.

Our new charter allowed searches for telecom companies but definitely not for the junior positions Sprint wanted to fill. Don was shaking as he met with the client. He wanted the income, for one thing, but he was also concerned that our new busi-

ness model was too narrow; he feared we were going to "no" ourselves to death. Like a good soldier, however, Don turned down the work, explaining to the Sprint executive in charge of the search that conducting junior-level searches was not our particular expertise.

Not long after that, I was put to the test. Coca-Cola, the source of fully 10% of our revenue, had asked us to look for as many as 20 managers to staff its worldwide marketing group. As a consumer products company, Coca-Cola no longer fell into our defined client list. More important, perhaps, the clients at Coke didn't allow us to work as consultants. All they wanted was to fill positions as quickly as possible from our database of candidates.

And so I said no, knees knocking and palms sweating all the while. The next day, a Saturday, I sat alone in a coffee shop for hours because I did not want my daughter to see how panic-stricken I felt. I had just thrown away \$250,000. Had I lost my mind?

I hadn't. In the next three months, I found myself with a bounty of free time, and I used it to drum up exactly the kind of business we wanted. Within a year, new clients more than made up for the loss of Coca-Cola. And amazingly, Coke came back to us in that period, too, asking us to conduct the search for the general manager of its entertainment complex in Las Vegas. We gladly took that job.

few of them had a deep knowledge of the industries in which we worked. Until that point, I had mainly hired hungry young college graduates with lots of energy and heart but little to recommend them as experts on anything. They had grown with the firm, but without education and experience they would never become the specialists we needed for our new strategy.

I had to let four people go over the course of the next several months. That was a terrible experience, not just for me, but for the whole company. Like many start-ups, we had become a family. The firings felt like a divorce and brought with them anger and confusion. But again, we were learning that we had to say no to survive. No, we can't continue to carry you because we like you. No, we can't accept substandard performance. No, you are not right for this firm anymore.

The firings did more than rupture our "family"; they also announced to the firm that my role was changing. I had long been seen as a friend, mother, mentor, chief cheerleader, and member of the crew. For five years, I had gone along with those attitudes, managing by consensus. I made decisions that would make the most people happy. For instance I had decided we would have no official policy on sick days. If you didn't

feel well, you stayed home for as many days as you needed. That was humane, but we had people who missed two months of work over the course of a year with no dent in their pay. I had also let people work whatever hours they pleased, as long as they got their jobs done. You can imagine how much our staff loved that policy.

But it was time to become the boss. I had to start saying no to the live-and-let-live practices of our start-up days. I did not want to eradicate the sense that Bishop Partners was a fun and loving place to work. Warmth, trust, and mutual respect were part of our DNA. But if we were to show the outside world that we were the consummate professionals, we had to act that way on the inside, too. I wrote an employee manual that clarified policies on sick days, hours of operation, maternity leave, hiring and firing procedures, and the like.

The new rules, and the end of management-by-being-nice, went over with a thud. Many people complained; some people left—including people I wished had stayed. The refrain was always the same: "The company has changed."

Indeed, it had. I quickly began hiring a different type of employee—people who could teach us, rather than vice versa. For example, I hired as a consultant an individual who had a master's degree in communi-

pany used to report directly to me. Now the consultants do, but the researchers report to their own boss, and the support staff reports to a head of operations. That setup gives me more time to sell business. But more important, it develops the managerial capabilities of two already strong employees. I have also begun a full court press to develop everyone on the staff through education, sending people to mini-MBA programs that we created in-house, as well as to industry conferences and trade shows.

As for compensation, I took a tough but necessary step. After years of getting by paying people very little, I began to offer competitive salaries. I had to—given the backgrounds of the new people I had hired. Old employees have also benefited from the rising tide: I designed a robust commission structure and put in place a solid benefits package. That has gone a long way toward soothing the ire caused by the layoffs and other changes.

Along with higher compensation, employees now face higher expectations. Every quarter, I get together with the head of finance—who replaced our bookkeeper, by the way—and we set goals for every consultant for revenue and number of searches completed. For some, those goals are a quarter-by-quarter struggle. Others hit the ball out of the park every time.

study reports that tell me about our profitability per client, accounts receivable turnover, and research costs as a percentage of revenue, to name just a few critical indicators. I have also installed stricter cash management controls and consistently track how long it takes us to complete searches.

I don't want to leave the impression that the company has turned cold and mercenary, though. We are not a soulless capitalist machine and never will be. In the past two years, five of our employees had babies. We found a way for all of them to keep working happily, through flextime, job sharing, and telecommuting. Yes, we have metamorphosed into a professionally managed firm, but the butterfly still has a heart.

The Essential Discipline of Saying No

We didn't learn to say no easily, and we aren't perfect at it now. Saying no consistently is hard, and we have occasionally fallen back and taken on something we shouldn't have.

Take the case of the small software start-up that approached us some months ago to find a vice president of sales. During our first visit with the company, we questioned its executives about their very aggressive financial goals. They told us that they believed the goals could be reached—they had to reach them, in

It was time to become the boss. I had to start saying no to the live-and-let-live practices of our start-up days.

cations and ten years' experience in consulting and marketing at an information technology company. Another new consultant had worked for eight years as a senior human resources executive at a technology consulting firm, where she had been in charge of internal recruiting. These folks brought our expertise to deeper levels, just as our business model required.

To support those employees, and to begin to upgrade our infrastructure in general, I began putting new reporting and compensation systems in place. Everyone in the com-

Regardless, everyone knows what level of performance is expected of him or her, and it's well understood that prolonged poor performance will not be tolerated.

We can focus on performance now because I have changed the way I work. I used to manage by instinct. I calculated the profitability of different clients in my head, for instance, and only vaguely at that. But once I knew I was going to measure performance for real, I also knew I had to say yes to a new (and expensive) computer system that would measure key variables. Now, every month, I

fact, so that the start-up could receive another round of venture capital funding. That answer gave us little comfort. And neither did the company's location in the Midwest, way out of the mainstream of new technology companies. And finally, the client wanted us to find an individual who came from a company producing revenues of \$50 million to \$100 million. We knew that such executives were rarely attracted to start-ups, with their high risk and lack of infrastructure.

And yet, we took the search. We could really help this little company,

we reasoned, given our experience in technology and sales searches. We had also worked before with the venture capital firm that was funding the start-up, and we trusted its executives. Maybe the financial goals were sound.

When we started to recruit, however, we found our mistake staring back at us. Candidates balked at relocating to the company's headquarters. What if the start-up flopped? they asked. Would there be any other opportunities in that market? Further, as we had predicted, most candidates were mortified by the start-up's sales goals. No one wanted to walk into a game they knew they couldn't win. After two months, and no viable candidates, we reached a mutual agreement with the client that our engagement was not working out, and the job ended.

In our postmortem, we admitted to ourselves that we had taken on the assignment because it came up

at the end of the calendar year, when new business is notoriously slow. The search, had it been successful, would have helped our fourth-quarter quota. Instead it drained a tremendous amount of time and effort from a consultant, a researcher, and a staff associate—and it prevented us from taking on more promising work that appeared halfway through the job. More important, our relationship with the venture capitalist was probably damaged. It was a painful lesson, but one that set us back on the right path again.

Today, every time new work comes in the door, everyone in the firm is encouraged to ask, "Should we take it?" We refer to our mission statement and values frequently, and on a daily basis we discuss what it means to be a "right" client. We have learned that defining our core business is the first and most critical step in even beginning to say no—it makes the process possible. Without

guideposts, we wouldn't have a clue what business to take and what to turn away.

But the competitive marketplace is not static and never will be; we may have to change our business model in a year or two. In the process, I'm sure we will backslide again, although I hope we don't do so in the near future or, if we do, that we don't slide back very far. I am also sure that, as founder and owner of my company, the panic will never go away. Even today, with 20 employees and the highest revenue and profit margins we have ever enjoyed, I still have to fight the urge to say yes to a "no" client. I'm not sure that fighting that urge will ever get easier. I have had many challenges as an entrepreneur, but learning to say no has been the hardest of all. It has also been the most rewarding. 

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