

## Chapter 12 When It Hits the Fan: Perilous Journeys: Innovation in Times of Crisis

There can't be a crisis next week. My schedule is already full.  
—Henry Kissinger, Secretary of State (1973–1977)

Any idiot can deal with crisis. What's tough is dealing with the day-to-day grind.  
—Anton Chekov

The search for stability and certainty is as integral a part of human existence as breathing. Consciously and unconsciously we strive to find those halcyon waters where gentle breezes and smooth sailing push us toward fulfillment. But for the individual and likewise for the business traveler in Strategic Space, life is rarely so kind. No matter how well we chart a course guided by the Technology Food Chain and plan for contingencies, we cannot escape unpredictable forces quite beyond our control that sweep us in unforeseen directions.

### FLEABITES VERSUS ALLIGATOR BITES

Events that block our objectives and progress can be sources of great frustration. Some companies—and people—are able to cope, quickly

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regain their footing, and right themselves. Others are incapacitated; still others rage against the currents they have no hope of overcoming—in either case, they aimlessly drift or vainly fight until they drown.

Crisis management starts with having resilience and courage—and being able to discriminate between the ordinary frustrations of the daily grind and challenges that are inherently strategic. Such discernment is more rare than one might think. I recall one member of my management team who had an unusual propensity to get frustrated and irritable over relatively minor problems, especially if they threatened his ego. I developed a shorthand and somewhat humorous way of helping him deal with this by labeling his issues as either fleabites or alligator bites. There were not a lot of alligator bites. Some years later, after a successful career at Control Data, he was recruited into a senior level position at another company. We remained friends and had contact from time to time. One time when we met he started to describe a management problem he was having. I quietly interrupted him and said, “Good grief, John, have you forgotten how to tell a fleabite from an alligator bite?”

The ability to deal with the day-to-day irritations while conserving one’s intellect and energy to focus on dealing with true crises is a mark of an excellent executive. For just as personal voyages are interrupted or endangered by unexpected and violent storms, journeys in business strategy are beset with sudden and unexpected forces in Strategic Space. Control Data’s principal times of crisis over thirty plus years cover a goodly spectrum of cause, effect, and response.

The feeling expressed in Henry Kissinger’s classic comment at the onset of this chapter is all too often the same as that experienced by business people subjected to sudden violence in the forces of Strategic Space. “Alligator bites” such as a frame-breaking technological change, severe economic recession, unfair practices by a giant competitor, or the self-inflicted wounds caused by lack of management diligence result in strategic and personal pain. Dealing with them requires action that must be taken quickly and decisively. That action may involve some combination of strategic redirection, legal proceedings, painful work force reductions, and financial restructuring. Dealing with true crises requires clarity of vision, a cold appraisal free from personal bias, and desire. It also requires a willingness to take risks.

Chekov, however, strikes an equally harmonic note with regard to the realities of management. Dealing with the “fleabites” of daily operations is a wearisome matter: departure of a presumably indispensable technologist or executive, frustration at lack of business acumen in one’s commercial bankers, the narrow-minded avarice of an investment banker, witless carping by special in-

terest groups who are also sometimes stockholders, and the misguided interpretation of reality by the media. Reacting to every fleabite as an alligator bite is a sure path to mental and physical exhaustion. Fleabites do need attention, but intense scratching only tends to inflame them. These require understanding and patience—and a sense of humor.

Alligator bites on the other hand require immediate attention and intense focus on corrective action. There are ways to effectively manage alligator bites but, first, I want to briefly discuss the four serious crises that Control Data confronted.

## MAJOR CHALLENGES

### Crisis #1: The Shark Strikes Back

In the early days of Control Data Bill Norris once likened its existence to that of the pilot fish that swims with agility and quick response to feed off the bits of food scattered by the attack of a large and dangerous shark. The result of miscalculation is swift and fatal. Control Data's first crisis resulted from the sudden lashing out by IBM against our troublesome intrusion into its scientific and engineering feeding ground.

The initial success of the 1604 computer raised alarm in IBM, which had already become the dominant force in the new world of computing technology. As a result, its powerful financial and marketing weapons were deployed to eliminate the intruder before we could grow into being a more serious threat.

With price cuts and skillful use of its bundled price structure, IBM was able to cut off orders for Control Data's 1604 for almost the entire year of 1960. Responding to this onslaught required aplomb and doing whatever it took to survive. To preserve precious cash there were salary reductions and myriad other cost-cutting measures. What was not curtailed was the belief in, and the fostering of, innovation. Seymour's tour de force in computer design—the 6600—was under way and fully funded. The company also began charting a course toward more favorable waters—the international market for scientific and engineering computers. It worked. Not only did the company survive in those early years of the 1960s, the new breath of life from the international marketplace gave impetus to growth. From 1960 to 1969 revenues grew from \$11 million to \$570 million. The stock soared to a high of \$174 per share, and using that stock currency the company gained a much needed source of stability through the acquisition in 1968 of the Commercial Credit Company, with assets over \$4 billion. By