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Interactive



# YOU'VE ONLY GONE AND DONE A RATNER

## How Not to Get Carried Away With Your Own Success

Many businesses experience periods of exponential growth. Senior business leaders and decision-makers will recognise the signs. Often, after a long, sustained period of solid investment financially, emotionally and physically, things start to click – and business and revenues take off. In reality, though, attaining success has typically been the product of years of hard work.

We know that from our own experience in the contact centre and customer interaction marketplace. The pace of change is unrelenting. Competition is fierce. To reach the top and compete, you need to work collaboratively. You also need to ensure you have some core competencies in place. A dogged determination to overcome adversity

and to maximise potential is key, while a laser focus on core business goals and achieving incremental business gains is indispensable. So too is a sense of teamwork and a culture based on trust but also continuous improvement.

Any organisations, or individuals or teams working in business that can harness all these qualities are likely to be real high-fliers. And typically, that success will have come from sheer hard work and dedication. However, while these individuals and teams may effectively be the biggest asset that organisation or industry sector has, they are possibly also their biggest liability and risk.

Success is often hard won – but, as numerous business leaders in the

public eye have found, it can also be easily lost. One of the biggest dangers is that many successful people can start to believe their own publicity. In the words of Microsoft's Bill Gates "Success is a lousy teacher. It seduces smart people into thinking they can't lose". There is a phrase that resonates well here: 'be humble or be humbled'.

Nobody understands this better than Gerald Ratner whose now infamous Albert Hall speech to the Institute of Directors in 1991 gave rise to the phrase "doing a Ratner" after the jewellery entrepreneur joked about two of his company's products. What is it that drives often-brilliant autonomous business leaders like Ratner to this precipice? And what can individuals and businesses learn from their experience?

This white paper considers these questions, with reference to Gerald Ratner's experience of business success followed by sudden precipitous failure, as outlined to an audience of communications and contact centre industry executives at Enghouse Interactive's annual Premier Partner event in London.

### The Ratner Experience

At the beginning of the 1990s, Gerald Ratner's business career was riding high. Having inherited his father's jewellery business in 1984, he rapidly turned it into a multi-million-pound empire. At the height of its powers, the Ratners Group chain could boast around 1,500 shops in the UK, representing over 50% of the UK's overall jewellery market, and over 1000 in the US. Indeed, Ratners was one of the few British retailers to succeed in the US during this period and at one point the country's second largest jewellery business overall.

### The rise.....

Ratner understood the jewellery business inside out. He knew that to drive growth he needed to make his shops more appealing to younger people with disposable income and he did that, restructuring his window displays to highlight the earrings and chains and playing pop music in-store. From Ratner's perspective, this success bred a desire to grow the business with the goal of becoming the world's largest jeweller. He felt that he could not slow down and more and more of his time and attention was devoted to the single-minded pursuit of business success.

In retrospect, this obsession with growth and expansion (at almost all costs) was unsustainable. Businesses and business leaders really need to understand that it is at the times when they are their most successful that sometimes they are at their greatest danger – little did Ratner know that he was heading for a fall.

The danger at the time was that Ratner felt he was impregnable and could not go wrong. The company

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**Bill Gates – Microsoft**

was doubling its profits every year and was outperforming competitors. “I was on the crest of a wave,” says Ratner. The speech he gave reflected this confidence. Yet, the impression given in certain quarters was one of ‘over confidence’.

### And fall...

It can be difficult for businesses and business leaders to shake off this kind of perception and in this context, a few careless words can cause great damage. That was certainly the experience of Gerald Ratner following his speech to the IoD. The reaction from the media and ultimately from the public was so negative that it sent the business into a spiral of decline. The lesson to learn – from Ratner's perspective – is that however successful you are, avoid the temptation of ‘flaunting it and milking that success publicly.’

In attempting ‘damage limitation’, Ratner solicited advice but did not always take it – and this made the situation worse. The value of the Ratners group plummeted by around £500 million following the speech, which nearly resulted in the firm's collapse – and Ratner was subsequently fired.

While the Albert Hall speech was clearly Ratner's most significant mistake, it was by his own admission far from his only misjudgement. When the business expanded into the Netherlands with the purchase of six shops, both Ratner and his father Leslie were hoping the Christmas rush would make the move profitable. What they had failed to fully understand was that people in the Netherlands didn't really exchange gifts to the same level as many other

countries in the Western world – and therefore the profits they were hoping for never materialised. It was a big miscalculation. There is a lesson here for the business world more generally – make sure you do your research and know your market before branching out into new areas.

Ratner's decision to issue convertible shares at above market price to finance US expansion was another misjudgement. It backfired when the share price plummeted after the 1991 speech, leaving Ratner with huge levels of debt.

Further problems came when Ratner slashed the prices of all his stock just prior to Christmas 1991 despite advice to the contrary from management, the board of directors and external consultants. Ratner's gamble failed – another example of the dangers of going it alone and not listening to advice, something that all businesses including those operating in the collaboration-focused communications space could learn a lot from.

We see the benefits of this kind of collaborative approach all the time in the contact centre arena where vendors and resellers deliver significant added value to end customers by working in close partnership. By pooling skills and resources, partners can deliver a services and solutions offering more precisely targeted to the customer's needs. Channel players can, for example, add huge value to the sale of a vendor's products by bundling them into packaged solutions; adding consultancy services to their portfolio and building domain and vertical expertise in specific ‘sweet spots’.

**“Success is sweeter second time around, albeit my company is nothing like the size of the old company. But you appreciate things more when you have lost them all.”**

**Gerald Ratner**

### **Wider Implications**

The aftermath of the IoD speech hit Ratner hard and for the next six or seven years he struggled to motivate himself to get back into business. Yet, the successes he achieved once he did do so in the late 1990s, demonstrated that he had learnt from the lessons of the past. He knew that he could no longer wallow in self-pity. As he says himself, ‘business is difficult but if you accept that, it is no longer difficult. And if you ever meet someone who sails through life without any setbacks, I always feel that there is something missing in them: a failure of empathy. I always feel that to be part of the human race, you have to have suffered, maybe not as much as I did, but you have to suffer a bit.’

### **... and Rise Again**

A changed and chastened Gerald Ratner bounced back in the late 1990s and started pursuing new business ventures. He had demonstrated the resilience to pick himself up and ‘start all over again’. That’s a key requirement in business, and especially the fiercely competitive contact centre space. After a period out of the public eye, he first set up a health club and then founded an online jewellery business, Gerald Online, in collaboration with SB&T, a Mumbai-based jewellery export company. It is a collaborative venture and the emphasis is on slower, steadier growth – but this has proved to be sustainable and the business

is successful. Indeed, it is now one of the larger online jewellers in the UK. As Ratner says: “Success is sweeter second time around, albeit my company is nothing like the size of the old company. But you appreciate things more when you have lost them all.” If he had his time again, Ratner now says he’d no longer focus to such an extent on business growth: trying to be the biggest in the world, doubling his profit every year and expanding ‘at a rate of knots’.

Ratner’s story contains lessons for every business – and should resonate strongly in the fast-track, dynamic and competitive world of contact centre and communications technology – with its strong emphasis on partnership and channel sales.

In this environment, it is important to celebrate success but it is all too easy to get ahead of yourself, believe your own hype and then fall behind. Instead, the focus should be on building a prudent, sustainable approach to growth and making sure that you are working alongside your partners to achieve it. That way you can enjoy success and obtain a better balance in life and in work. That’s something we believe in passionately at Enghouse. Our channel relationships are critical to our long-term success. We cannot be successful without the work that our partners do working alongside us, and a strong, partnership-based mindset is a boon in most business

sectors today.

From the leadership perspective too, it is about surrounding yourself with the right people that can give open and honest advice without the risk of getting fired! You need to stay close to your products and services and ensure you are meeting customer requirements and expectations – rather than having an overriding focus on how the share price is performing. Taking stock and having an open-minded view of your business goals and recent achievements can help you harness this and realise longer-term aspirations.

A consensus-based approach is key to building sustainable success in business. Relying on a diverse knowledge base with differing opinions and ideas will only strengthen your organisation. It is about thinking brand and brand values. You shouldn’t be afraid to admit mistakes. People can be forgiving if you hold your hands up. No one is infallible.

We recognise the value of this at Enghouse as it links closely to how we develop and nurture channel relationships and build robust partner ecosystems. Remember: when you are most successful you are at greatest danger. Prudence, far-sightedness and building consensus are key to sustainable growth.