

# FAST COMPANY

WHAT ARE YOU WORKING ON? | JUNE 2000

## MASTER OF STARTUP DISASTERS

YOUR STARTUP IS IN CRISIS, AND YOU DON'T KNOW WHAT TO DO. WHO YOU GONNA CALL? RONIT HERZFELD, A FORMER MENTAL-HEALTH COUNSELOR WHO NOW TEACHES FAST-GROWING COMPANIES HOW TO KEEP SANE AMID THE CHAOS. BY REKHA BALU

IT'S SATURDAY AFTERNOON, AND RONIT HERZFELD'S

cell-phone is bellowing. It's a distress call from a frantic CEO whose six-month-old startup, a networking-solutions provider called Bigsafe Inc., has to deliver a test version of its software platform in four weeks. But two of the company's lieutenants are at war over management decisions, and its CEO, Marshall Abbott, 26, is afraid that they're going to quit—or worse, that their conflict will bring his New York City–based company to a shattering halt. And Abbott, the youngest and least-experienced member of his executive staff, wonders if anyone is even listening to him.

In the risky and uncertain world of technology startups, the ultimate test of an organization's mettle is how well it copes with chaos. Enter Herzfeld, 44, a personal trainer for companies in crisis. Her firm, Inside Solutions, is carving out a niche by counseling startups through the kinds of struggles that invariably plague young businesses. "In startup mode, people tend to operate out of fear, seeing every decision as a life-or-death matter," observes Herzfeld. "But that's not based on reality. People create the wrong stories around events and paralyze themselves into indecision."

Herzfeld knows her way around life-or-death scenarios. A petite, Israeli-born psychiatric social worker, she spent eight years working in the mobile crisis unit of the Visiting Nurse Service for New York City's Department of Mental Health, parachuting into such disaster scenes as the World Trade Center bombing and the TWA Flight 800 crash. "I became extremely intuitive and adept at dealing with people—especially people who didn't want my help," Herzfeld says.

Now she jumps into the world of business conflict. "When people are at their wits' end, they're more receptive to change," she says. "That's when they're most committed to making things happen." Such was the case at Bigsafe. One of Abbott's managers, who was just coming off a 21-day work jag, became enraged and threatened to walk when a colleague questioned his authority and his decisions. His over-the-top reaction worried Abbott, who feared that the conflict would kill the startup. When a management team is small—as it is at Bigsafe, where there are only five core managers—trust and confidence are critical, and even one personal rift can have a devastating effect.

Herzfeld was able to sort out Bigsafe's troubles by drilling down to the company's structural faults. Not only were managers wearing too many hats, but communication breakdowns were undermining their ability to prioritize tasks. Meanwhile, the newly minted CEO was finding it hard to let other people take ownership of their projects.

"To cede control to people who can make mistakes is a harrowing decision," Abbott confesses. Herzfeld teaches people to work with such fears. "Courage isn't the absence of fear," she declares. "It's seeing the possibility of your demise and doing your work anyway."

Herzfeld began by charting strategies for tackling the uncertainties that were bollixing up Bigsafe's management process. Once Abbott saw that he was afraid of relinquishing control—even to managers whom he trusted—he decided to delegate most of the marketing and hiring tasks that he had previously been trying to handle himself.

The result: Bigsafe quickly ramped up its San Francisco office, and the company was able to meet its deadline for delivering its test product. Abbott and his staff, meanwhile, allowed themselves to take a day off occasionally and catch up on sleep.

Some employees worried that by focusing too much attention on internal operations, the company would lose sight of its external business-development goals. But building a solid foundation should be a company's first priority, Herzfeld argues. Customers, venture capitalists, and vendors can quickly discern that things are amiss—and they rarely keep quiet about what they see.

Hollister Scholte, 29, a senior programmer who joined Bigsafe last October, says that Herzfeld's work saved the company. "Now people are committed to staying," he says.

Laura Martin, 32, president of the Martin Network LLC, a two-year-old Internet head-hunting firm in New York City, believes that Herzfeld's technique works a lot like therapy. Now, whenever things go wrong, Martin says, "I'm much better at not letting myself spiral downward."

Adds Herzfeld: "There is a stigma attached to being in crisis. But I say, Let's normalize it. Let's admit that none of us have it together," she suggests. "The Internet world, in particular, deals with uncharted territory. There's no choice but not to know."

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**CRISIS  
COUNSEL**

RONIT HERZFELD USED TO COUNSEL MENTAL-health patients and other people who were in crisis. Now she works with fast-growing startups. But she taps into the same crisis-management tool kit to help both categories of clients identify ways in which they act out—when what they really need to do is act.

**I'm not worthy.** "Most people feel like a fraud when they assume a new role. Unaware that this is a normal experience, they fear being exposed. Such fear inhibits spontaneous creativity and undermines your ability to work at optimal speed. Accept that feeling, and unlock your creative responses to change."

**Put up your dukes.** "When in crisis or danger, our instinct is to fight or flee. But those reactions constrict your ability to respond thoughtfully and openly. Identify the breakdown in protocol or in communication that created the crisis. Then address that breakdown instead of fighting it."

**It's your move.** "Often we have irrational reactions to a perceived threat. Once we form that impression, we wait for people to screw up. That sets people up to fail, and it sets you up to feel like you can't trust anyone. So try to suspend snap judgments and first impressions—and allow people's actions to unfold."

**It's your fault.** "Blame is a narcissistic response that creates fear and division, preventing you from seeing your overall goal. If you focus on problem solving, you will create team unity."