

The Plot Thickens

We made our share of bad decisions. For example, we never should have moved the management team out of Hollymead and into smaller digs on Rio Road. The reasoning was sound enough: the growing horde of high-priced technology consultants needed to implement SAP-Siebel-ePiphany-GEIS-Convergys had consumed every available inch of space, and we were looking to put four or five people each in the offices occupied by Tom, Glenda, Craig, Rex, Mick, Dean, Byron, and others. Morgan and Peters suggested moving out.

The results, however, were devastating. Winn's open-door policy, ease of access, and proximity to most of the team had had a tendency to keep the mischief down to a survivable level. Even though Craig was on the road more than he was in the office, and even though he seldom did anything internally other than occasionally walk the buildings and inspire the troops, his presence was still large. The legacy of what he meant to the company, the stories we old-timers told, and the example he set made him a leader worth following.

The problem was that Glenda's loyalists and Tom's team were insanely jealous. In Craig's presence, they kissed his butt, which disgusted him. Behind his back, they demeaned everything he stood for, which disgusted the rest of us. They cowered under his shadow, scurrying about in the darkness like cockroaches, undoing what we had achieved. It was all part of their little game, a game as old as the ages, the game of elevating oneself by tearing others down. They were masters.

With the cat away, the rats did play. It got to the point that there were more closed doors than open ones. Whispers permeated the halls. Progress was stymied as the comelatelies scrambled to take sides, and we old-timers just kept our heads down, trying to dodge the crossfire.

Visa! Tom's Team and Glenda's Gang had their opening at last. Their enemy was vulnerable, and they mobilized to take advantage. Management meetings were conducted in great haste. The theme: Visa is bad; Winn is responsible; thus Winn is bad and must be stopped.

Those who attended say the meetings were about as judicious as the Salem Witch Trials. They began with a proclamation of guilt and concluded with a litany of justifications. For the umpteenth time, the reporting team was told how to categorize, or should I say miscategorize, revenues and expenses. Once again they balked, refusing to perjure themselves.

Some time before the meeting, some members of the reporting team had bared their souls to Andy Rod, President of the Office Products Group. They told him of Glenda's propensity to alter numbers. Not knowing what to do, they asked the approachable Rod for help.

Andy took the problem to Morgan, saying, "I went bankrupt once on bad numbers. I don't want it to happen here." Tom, Andy recalls, went to Dean Johnson and asked him to oversee reporting, but he refused. The matter went unresolved. Glenda remained golden. Tom remained oblivious.

Not to be deterred, Ms. Dorchak simply prepared the reports herself. Inventing her own numbers, she told the department heads all about the horrid consequences of the Visa promotion. "This program Winn is sponsoring is going to cost each of your departments millions. It'll destroy our company."

Having "elicited" management's support, Dorchak prepared a "fun with numbers" response for Tom's review. It was perfect. It showed that her Advertising/Call Center business was wonderfully efficient and productive. It revealed that Winn's Demand Alliance revenues (at least those alliances they had not yet dismantled) were anemic and clearly unprofessional. The only problem was, her numbers were inaccurate; they didn't tie to the firm's public reports and were simplistic to the point of being childish. Tom, naturally, swallowed them hook, line, and sinker.

Dorchak, with Tom in tow, waltzed into Craig's office, numbers in hand. Glenda made what appeared to be a reasoned, professional pitch. Tom nodded knowingly. Craig listened. When Glenda was done, he asked for a copy of her report. As the unholy alliance slithered out of the room to reconnoiter, he grabbed a pencil and calculator. In less than five minutes, he had filled Glenda's conclusion page with a sea of notes. They all said pretty much the same thing: "This doesn't add up."

Craig headed to Tom's office. He was now alone. "May I close your door, Tom?" he asked. The plot was about to thicken.

"Yes. What's up?" Tom looked worried.

Craig reached behind him and shut the door. He laid the report on Tom's desk, his own old green marble-top desk, placing it right side up for Tom, upside down for himself. A salesman in a former life, Craig could read just as easily upside down as right side up.

Tom looked down at the sheet, now covered with handwritten numbers, then back up at Craig as he tried to assess his predicament. Craig knew his words were going to be devastating, so he began with a question and hoped for a miracle. "Do you see anything wrong with Glenda's report?"

"No. I asked her to do this evaluation. She got my management team together over the weekend and got it done." There would be no miracle.

"The numbers don't add up, Tom. The sales columns don't tie, nor do they correlate to our public reports. Either we've lied to the public, or we've lied to ourselves." He let that sink in. "The advertising, ValueDollars, and promotional costs are all errant. Most everything is miscategorized to make the things Glenda likes look good and those things she fears look bad." Tom sat motionless.

"That is bad," Craig said, using small words to make sure Morgan would understand. "But it's not why I'm concerned." Tom looked up from the paper and met Winn's steely gaze. This wasn't going to be pretty. "The problem is you. How can you be CEO and not know you're being played for a fool?" Tom had been at the helm for over seven months. Craig had been patient far too long. Wishful thinking wasn't going to transform Tom into a real CEO. Nor was Craig's eternally optimistic nature.

Tom gulped but said nothing.

“There is nothing I’ve wanted more than for you to succeed. In deference to you, I haven’t attended your management meetings. I don’t get your reports. In fact, I’m hardly ever here. I no longer have any idea what is or isn’t happening in most of the departments in this company. But thirty seconds into Glenda’s presentation, I knew she was full of crap. Why didn’t you? You’re the CEO—the one guy who’s got to know what’s going on.”

There was an interminable pause. “Why,” Tom asked, trying to clear his throat, “do you think these numbers are wrong?”

Craig pointed out the four or five most glaring errors matter-of-factly and said, “Nothing she does surprises me. I told you she was evil, a liar, rotten to the core, a two-time blackmailer. You were hired to replace her, simple as that. Instead, you’ve become dependent upon her.”

Morgan was speechless. Craig waited for what seemed like an eternity. Tom said nothing. “I’ve offered to teach you the business, Tom. I’ve tried to explain retail and advertising, yet you rebuff me. The simple truth is you’re not qualified to manage this company.”

Craig and I found ourselves in familiar territory. It hadn’t been intentional, but it was a most welcome diversion. It was no fun creating the bastardized ads Glenda was forcing me and my team to design.

Our being together again was the result of someone else’s failure. Dorchak had hired a high-priced, underproductive “professional” to preside over advertising, a tall, handsome zero named Nick Hofer. Like most of Glenda’s clan, he had come our way via a PC company—Gateway, in his case. He had claimed to be an expert in direct response advertising and catalog production. It turned out he couldn’t even outsource the job, much less do it.

Craig, even with Morgan and his pal Starnes working against him, had managed to pull off some pretty spectacular demand alliances. With the Christmas selling season fast approaching, we’d need catalogs to capitalize on these relationships. The catalogs would introduce the nature of our alliance, explain why it was of value, and sell some 200 products spread across our nearly thirty categories. The only problem was that after almost three months of throwing money at outside consultants, Nick had nothing to show for our money or time but some rough layouts.

Craig, watching the deadline approach like a freight train, went to Morgan and said, “The catalogs for Citibank, FedEx, Falwell Ministries, US Wired, and American Heart Association need to be in the mail in thirty days. Glenda’s boy is nowhere.” Politely, he asked, “Tom, I would like your permission to work directly with Ken Power. We can get it done in a week or ten days.”

“Alright,” Tom said reluctantly, “but are you sure Nick has nothing to show for his efforts? Glenda’s telling me he’s making it happen. The only holdup, they claim, is our brands and your demand partners.”

“Tom, your management team are experts at passing blame. Problem is, that’s all they’re good at. Yes, I’m sure they’ve accomplished nothing, and I’m sure it’s their fault. Dorchak can’t manage anything, and her army of officers is just as useless.”

Morgan nodded approval, but said, “I know how to manage Glenda. She’s not a problem for me. My problem is with your guys.” Morgan was getting feisty, still embittered by Craig’s recent criticism. “To do my job, I need a better CFO than Johnson and a stronger CIO than Stark. I’ve already talked to them and told ’em I’m concerned.”

“Tom, who you hire is up to you. I think you’ve made a mistake in technology, however.” Craig paused to make certain what he was about to say would sink in. “I’ve encouraged you to manage tech in a committee forum until you understand it better. You’ve got one of the best developers on the planet in Joe Page, the smartest guy in the company, Dan Lucier in Networking, two world-class DBAs in Herrick and Intihar. You have a decent manager in Poletti and, perhaps best of all, an enterprise-caliber leader in Thor Anders. By listening to them collectively you’ll learn technology and get first-rate input. I’m certain you’ll find that Thor Anders is the CIO you’re looking for.”

“Well, Thurston Stark is not the right guy, of that I’m certain,” Morgan said, obviously trying to get back at Craig for his earlier comments.

“Stark is a fine guy. Maybe he’s not the right guy to be CIO, but that’s not the point. You’ve got all the talent you need. You’re just not managing them right.”

“That’s not my style, Craig. I have to have the very best people around me. The fewer direct reports the better. I’ve already asked Goose Godfrey and Gerry Roche to find a top-drawer CIO and CFO for me.”

“Rex and I have a long history with Dean. Without him, you wouldn’t be working here. He’s the best there is when it comes to raising capital, which is something you need to do right now.”

Craig wouldn’t learn until later that Dean held Morgan in low regard. He was unimpressed with his managerial skill, leadership ability, and overall competence. The moment Craig left management and empowered Tom, Dean wanted out.

Craig was frustrated with Tom’s lack of action in finance. Morgan had proposed convertible debt, which in this down market would have been suicidal. He even wanted Robbie Stevens to manage the offering, hilarious since we had heard almost nothing from them since their \$4.5 million IPO payday. To be helpful, Craig had met with Dan Case, the head of H&Q, and arranged a \$30 million equity deal with his favorite analyst, Suzzi Maupin, initiating coverage. Even with the deal teed up for him, Morgan couldn’t seem to pull the trigger.

“I don’t work that way,” Tom continued. “Johnson just isn’t the caliber I need. And another thing. Your friend Byron Peters isn’t cutting it either. I’ve told you this before; neither Glenda nor I think he adds any value. He doesn’t get anything done, and doesn’t offer any new ideas.”

“Peters’ problem is that the deck is stacked against him. I asked you to fire Dorchak as soon as you came up to speed on sales and advertising, but you haven’t. Then I asked you to at least take half her responsibility away; let her have either sales or advertising, but not both—with both she’s lethal. She wastes ninety-five percent of our ad budget pushing cheap, low-margin computers. Byron is responsible for consumer products; that’s where the ad dollars should be going, but they’re not! It’s little wonder you think he’s unproductive. The situation is impossible.”

Tom wasn’t pleased. He hated criticism, even when it was constructive and done in private. His fragile psyche bristled. “I don’t think Glenda is as bad as you think she is. At least she gets things done.”

So did Genghis Khan, Craig thought. “Aware of her failings, I was able to keep her more sinister side in check, most of the time anyway. But some day, you’re going to have your back up against the wall—and that’s when she’ll strike. The best predictor of future behavior is past behavior.”

“Like I said, I’m comfortable with my ability to manage her.” Tom was blissfully unaware of what his overconfidence would cost him.

Craig knew he was about to sail into troubled waters, but he steamed ahead anyway. “While we’re talking about under-performers, I have a problem with two of your people.”

Tom squirmed. The little hair he had stood up, his face flushed. He knew who annoyed Craig, but he needed them—not to manage the business, but to promote his personal interests.

“Godfrey, Starnes, and Kuo—between them they cost the company what, fifty grand a month? They’re doing nothing to earn it. I’m sure they’re all nice guys, good fathers and all, but this isn’t summer camp. It’s a business, a business that’s losing money, one that can’t afford dead weight.”

Morgan lamely defended their value. By now it was obvious: Craig and Tom were oil and vinegar. They may have been in the same vessel, but one was floating high above the other. They were adverse to one another—one still fueled what little flame flickered of the old dream, the retail revolution. The other had grown bitter.

Yet for one last fleeting moment, the flame flickered brightly, just like old times. Craig stepped into my small office, and we went to work. He had sketched out the catalog on paper, listing the products he wanted on each page. He stood behind me, facing my monitor, as we worked together each morning from seven to ten and each evening between four and seven. There were five catalogs altogether—similar, yet different. We placed pictures, wrote copy, tuned layouts, and chased details. As the days progressed, our direct response catalogs took shape.

They featured products from every area: Toys, Hardware, Jewelry, Home Improvement, Gifts, Apparel, Cameras, Electronics, Office, Computers, Peripherals, Software, Housewares, Specialty Foods, Books, Music, DVDs, Videos, Health and Beauty. In the end, Craig and I were on time, under budget, happy, exhausted, and maybe even a little proud.

“Rex,” Andy Rod said, “I don’t want to burden you, but there’s some stuff happening here you need to know about.” Andy was one of Rex’s favorite people—and Craig’s. He had been hired early on, while we were still in the Yellow House. Jewish, with the gift of gab, Andy got things done. His recent supply alliance with Esselte, the Office Products industry’s largest conglomerate, had placed Andy fourth, after only Craig, Rex, and Bill Hunt, on the all-time Value America productivity list. The deal was a \$15 million cooperative advertising partnership.

Andy was normally good natured, but today he was troubled. “Rex, do you and Craig have any idea what’s going on here?”

“What now?” Rex asked innocently. Rex already knew more than he wanted to know. He had made a practice of staying close to his enemies.

“Can I close your door?” Andy asked. Rex nodded. “The ‘Hitler Youth’ are going to interrogate me for talking to you, but I owe it to you.” The term had become standard corporate parlance describing Glenda’s loyalists. “When I was in trouble,” Andy went on, “you and Craig gave me a chance. Nobody else was willing to do that. You’ve been kind to me and my family,” Andy said emotionally.

“Say what’s on your mind, Andy,” Rex insisted. Rex loved “A-Rod,” as he was known, but could grow weary of his ability to talk endlessly, often without appearing to take a breath.

“I first noticed the problem a little while ago, when I went to my boss, Byron Peters, to ask for a raise. I’d been here for more than a year and thought that since I’d been so productive, I might be deserving. I began telling Byron how Craig had offered me the job, when he stopped me in mid-sentence. He put up his hand and said, ‘Don’t you ever talk to Winn again. Morgan, Starnes, Dorchak, and I are in charge now. Craig’s got nothing to do with anything other than some outside partnerships. We’ll decide when it’s time for a raise.’” Andy shook his head.

“I’m sorry,” Rex said, “but it’s true. They’re in charge.”

“That’s just the problem,” Andy replied. “They’re not!”

“What do you mean?”

“I mean they’re not doing anything,” Andy responded. “A couple of days ago, Starnes called me into his office. He said, ‘Andy, it’s come to my attention that you swear too much.’ ‘You’re shittin’ me,’ I said. He didn’t see the humor in it. ‘Listen, sure I swear a little,’ I told him, ‘but at least I get stuff done. Unlike you and your friend Morgan, my life isn’t a lie. I don’t drink, do drugs, cheat on my wife, or screw the company I work for.’” The toxicity level had risen to the point that unsubstantiated personal accusations had become commonplace. “You won’t believe what Starnes told me, Rex,” Andy went on. “He said, ‘Life is not about reality—it’s all about perceptions.’ What is it with these people? Who do they think they’re fooling?”

“Their phony religious stuff, their Bible studies, and their prayer meetings give me the creeps,” Rex added. “These clowns are total hypocrites.”

“You know I don’t think much of Starnes,” Andy said. “The guy is useless. He asked me to do an OGSPM before my trip to visit the head of AOL Europe. I said I wouldn’t. ‘You and all your fancy reports and pretty charts,’ I told him. ‘I’ll get to know the people, form a relationship, and beat you every damn time.’”

“You’re right. They can’t seem to get out of their own shadow. They spend all their time complaining about Craig.”

“Morgan too. Tom’s a real piece of work,” A-Rod charged. “He had Byron and I jump into the corporate jet and fly with him to an office products deal in Chicago. Tom disappeared the moment we arrived. While Peters and I were working the brands for cop money, he was out playing politics, feathering his nest. I swear, Rex, the guy spends most of his time promoting himself, making sure he’s covered, just in case he needs a new job.”

Rex was neither surprised nor amused.

“Let me give you an example,” Andy moaned. “I found this office supply company. We’ve done all the due diligence, and everybody’s agreed that we need to buy them if we want to be a serious player in the biz. The deal’s cheap, they make money, and the founder’s willing to stick around and run the joint. But Starnes and his buddy Morgan

nixed the deal. I asked 'em why. Turns out Morgan's afraid he'll somehow violate his non-compete with USOP if we buy them! He's not thinking about us. He's only interested in himself. What are we paying him for, anyway?"

Ken Erickson was another one of the good guys. He had come to talk to Craig while Andy was talking with Rex. As somebody who got things done, he was as universally despised by Tom's Team and Glenda's Gang as was Andy.

As Ken walked into his office, he looked over both shoulders to make sure nobody had caught him entering the forbidden zone—Craig's dark and lonely office on Rio Road. He asked if he could close the door.

Craig nodded, braced himself, and asked, "What was all that shouting I heard in the hall?"

"I was pissed at Kuo," Ken responded. "David's responsible for the Visa deal, but he doesn't have the balls to stand up and say so. I swear he's in cahoots with Morgan."

"Rumor has it Kuo's mad at me," Craig said. "I told him yesterday how disappointed I was at his lack of productivity—encouraged him to do more. He made a beeline to Morgan's office and spilled his guts. So, yeah, David's conflicted, but that's not why you're here, is it Ken?"

"No. I've got some really bad news. It's going to make you mad," Erickson sighed. "You've got to promise me you won't tell anybody where you heard this. The Toms already hate my guts. They hate everybody they think's close to you—threaten to fire us for even talking to you."

Craig put his elbow on his desk and cradled his head in his hand. It saddened him to see his baby, this company he'd nurtured from its inception, ripped apart. It killed him to know that the first twenty-five or so people, the ones he had hired and asked to change their lives, were now being abused—their only crime: devotion to the company they'd been instrumental in building. It made his stomach churn.

"It isn't why I'm here, Craig, but your mention of Morgan reminded me of something. He's got Kuo's relative, the one he planted in Business Development, trying to pull together copies of demand alliance agreements. The guy hasn't got a clue what he's looking for. Besides, Syd and I keep most of the agreements in our personal files. But I can assure you, he's up to no good. I think Tom wants to discredit what we're doing."

Craig sighed. "It's not like the job of managing the company is so easy he has the time to screw around with the relationships we've built."

Ken had been patient long enough. He took a deep breath and blurted it out. "Did you know Tom and Glenda are sending more than forty people to the Comdex show? They're planning to spend a million bucks. Glenda's on some panel, and she wants the attention. She's willing to spend a million dollars of our money just to make herself look important."

The words shot through Craig like an arrow to the heart. He was speechless, dumbfounded. "No. It isn't possible, not even for them. They can't be that...." Craig put his hand to his mouth and closed his eyes.

“Afraid so,” Ken said softly. “Didn’t think you knew. Eric Cherna tipped me off. Since he’s our computer merchant, he knows better. He’s sick about this, but he told me he didn’t know you well enough—didn’t know if you knew what they were planning. You don’t talk to the troops much any more. Anyway, Cherna asked me to tell you. He was hoping you could do something before it’s too late.”

Stunned, silent, Craig looked blankly at Ken.

“They’ve been planning it for months, Craig. The whole management team is in on it. I think Morgan and Dorchak are scared stiff you’ll find out. I’ll probably get fired when they learn who spilled the beans.”

Craig knew, as did Ken and Eric (or for that matter, anyone who had ever spent five minutes in retail) that a broad-based retailer sending a large contingent to a computer show like Comdex was Dumb with a capital “D.” Brands, companies with something to sell, send contingencies to trade shows. Retailers just send their buyers, and only the buyers for the category being presented. Our “brain trust” didn’t have the sense God gave geese.

Dean Johnson had been right. Tom and team were clueless.

As Ken left, Craig allowed enough time to pass to give him plausible deniability. Then, unable to contain his disappointment, he marched into Morgan’s office and slammed the door, this time without asking. “Tom, I pray that what I’ve heard is wrong. Please tell me you haven’t committed to send forty people to Comdex and waste a million dollars.”

“We’ve been working on this for months,” a flustered Tom stammered, straining to get the words out. “The whole management team is in support of this initiative. It’ll generate huge revenue and membership gains.”

“No, it won’t. No retailer in their right mind sends an army of people to a trade show, much less promotes themselves at one. This is the exact opposite of what we should be doing,” Craig went on in desperation. “You’ll be pissing away a million dollars plus wasting our people’s time. For what? To promote Dorchak?”

“The plans have been made,” Tom stated defiantly. “My management team doesn’t agree with you. We’re going to come back with a million new customers. We need this to hit our Q4 numbers.”

“I’ve spent my adult life in and around retail, since I was seventeen years old. I have attended a hundred trade shows, in every imaginable capacity. I’ve been a manufacturers’ rep, a brand, a retailer, an industry guest. I’ve served on the boards of the largest international shows. I’ve forgotten more about consumer products than you’ll ever learn. You’re wrong—it’s not only a colossal waste of money; you won’t sell a thing! Besides, we can’t afford the distraction. We’re entering Q4, your systems conversion is bogged down and late, and now you want to send everybody from advertising to sales, from operations to management, to a trade show?” Craig was seething. “This is insane!”

“I don’t appreciate your criticism or lack of confidence,” Tom mumbled. “This is our plan. We all support it. We’re going.”

“Like I said last week, Tom, I haven’t overridden a single one of your decisions, no matter how harebrained. But my confidence is wearing thin. I disagree with your decision to outsource sales to Convergys, with keeping Glenda, Starnes, and Godfrey, with corrupting your systems conversion, with your antagonism toward Visa, and now, this Comdex fiasco.”

It obviously wasn't going well. Tom didn't understand, and had no interest in learning. Craig was heartsick. His options were all bad. If he fired his CEO, which he obviously needed to do, and searched for a replacement, he would have to reverse most everything Tom and his team had done. He'd have to salvage the neglected JoeWare systems and scrap their botched \$15 million conversion. He'd have to stop advertising, immediately, just to keep the company from bleeding to death. And the moment he did, he'd have to sell an already hostile Wall Street on his Path to Profitability, his demand alliance concept, and his eServices business model. He knew his chances of pulling that off were slim to none. They didn't understand retail, the engine of our national economy. How were they going to grasp these more complex strategies?

But that wasn't the biggest problem. Craig no longer knew ninety percent of the people on our team. He had no clue what we were doing. How would he go about culling the good from the bad? He'd been exposed to enough managers to know that the comelatelies were dangerously inept. Their loyalties were to themselves, not the company. If they were this destructive now, what would they do if he fired them? Craig Winn was clearly embroiled in a lose-lose game.

Then it got ugly. Most every officer was aligned in one camp or the other. Glenda's Gang, aka the Hitler Youth, were also called the FOGs, for "Friends of Glenda." They were paid exorbitant salaries—it reeked of bribery. Tom's Team, the Brethren, were all tied to the glad-handing, back-slapping Godfrey. They, like Goose, were even more unproductive and politically motivated, which shouldn't be surprising, considering most called Washington home. They, too, were grossly overpaid, under-worked, and self-absorbed. They did little but ridicule those who got things done.

Craig was in a pickle. This daring ship of commerce he had designed, built, launched, and sailed out to sea with guns blazing, was sinking. His choices were go back to the dock, make repairs, dismiss the officers, and train a new crew, or work with the existing crew and try to help them patch the hull and plot a new course. Out of touch, Craig chose the latter. It may have been the worst decision he ever made.

While still in Tom's office, Craig asked if he had a copy of the Path to Profitability. Tom didn't know, so Craig walked into his office, grabbed the file he had placed in the center of his desk, and returned. "Let's review this again," he said. "It's our only hope."

"Hey Mick, could you do me a favor?"

"Sure, Craig" Mick replied as the two met in the hall.

"I've heard rumblings we're considering paying Dennis Conner serious money to endorse his America's Cup yacht, Stars and Stripes. If this is happening under the auspices of a custom store, and they're going to promote it for a share of revenue, okay. But if we're thinking about paying him money up front, make sure it doesn't happen in your area, Business Development."

"Okay. I'll check it out and get back to you."

It didn't take long. A deal was brewing with Conner. Morgan was responsible. Mr. Inside was trespassing outside. According to Mick, Tom was even territorial about it.

"Tom, not so politely, told me to butt out," the General said. "But you were right. He's committed to pay Conner seven hundred and fifty grand."

“Damn!” Craig moaned. “I knew it! Tom just doesn’t understand demand alliances. There’s no way we’ll generate a dime’s revenue from this. Sure as shootin’, we’ve just thrown away three quarters of a million bucks. Where will it all end?”

“Say Craig,” Mick said, wanting to change the subject, “what do you think about giving the Saks Alliance another try? You and their chairman, Brad Martin, came so close the last time we were in Memphis. The business plan you composed integrating the Saks opportunity into the Citibank program was the best I’ve ever seen.”

“Mick, you know I respect your judgment, and if you want to do this, I’ll support you. But I think it’s a waste of time. The problem’s not Brad, it’s his bud Rob Hilton. It’s not in Rob’s interest to support an alliance, no matter how good it is for Saks. It could put him out of a job.”

“You’re right, but Brad’s the boss, and ever since Kerr Tigrett and his mom, Pat, got you guys together, good things have happened.

“Yeah, but ever since your pal Goose Godfrey brought Hilton in, the deal’s been a disaster. We work something out with Brad, confirm it in writing, and then, as quickly as we leave, Hilton scuttles it. It’s worse than a waste of time, Mick. Somehow this relationship between Godfrey, Hilton, and Morgan is gonna cause us grief.”

Each day was now interminable. Rex and Craig had become strangers in their own land. Every morning brought a new surprise, a new battle, a new bitter pill to swallow. Today’s bout with the evil one was no different. It was over Yahoo!

The Evil One slithered into Craig’s office with her hypocritical ally shuffling behind. Not surprisingly, Glenda had a stack of reports an inch thick. She began, “I’ve negotiated a spectacular deal with Yahoo! As you probably know, last year’s deal is about to go dark.”

“Why are you coming to me with this?” Craig asked. “I thought you were in charge of spending money.” Even the pretense of pleasantries had now been abandoned.

Tom cleared his throat. “This is a serious commitment, and we want your input.”

Not likely, Craig thought. “Okay, how much do you want to spend?”

Glenda looked down at her paper. “Five and a half million.”

“You want to do what?” Craig bellowed. He didn’t know whether to laugh or cry.

“We need to build our Web traffic numbers,” Glenda said, parroting the metrics Craig had trashed his reputation trying to debunk. “That’s how websites are being evaluated, and we don’t look as good as some of our competitors.” As Glenda whined on, Craig wanted to throw up. “We need to do this if we’re going to reach my goal of a million new members. Glenda fumbled through her computer printouts, found one she liked, and proclaimed, “After I worked with Yahoo!’s management to focus our last deal, I was able to achieve a five-to-one return on our investment.”

“No, you didn’t.” Craig snapped back.

“I have the report right here,” Glenda protested.

“You two are unbelievable. I’ll bet your Yahoo! deal was less than point-five to one. You’re wrong by a factor of ten, I guarantee it. Tom, how could you sit here and propose re-upping the most unproductive thing we’ve ever done?”

“Oops,” Glenda said sheepishly, flipping through her sheets. “He’s right, Tom. I read my numbers wrong. The number is point-five to one, not five to one. See it here?” she added, pointing. That little error was the difference between her \$5.5 million generating \$27.5 million in revenue or a paltry \$2.75 million.

“We need a Web presence,” Tom said, lamely defending the indefensible. It was rather amusing, Craig thought, that the CEO would defend a plan to waste \$5 million when he’d just learned that the rationale for the plan had been misinterpreted by a factor of ten. “We can’t afford to go dark, as Glenda has pointed out, if we are to achieve our numbers. The Street is looking for things like customer acquisition, hits, and site traffic. We’re not as popular as some other sites.” It was almost as if they were purposely trying to scuttle the company.

“If you’re asking my opinion because it’s over five million and you can’t authorize spending that much without board approval, then I suggest you present the Yahoo! proposal at the next board meeting, along with your proposal to spend fifteen million on eFed. I’m just one vote. All you need is six of the other ten, and you’re set.”

As team Value America winged their way to New York, a trap awaited. Craig was going principally to his attend his weekly Citibank alliance meeting. He had been asked to serve on their steering committee. Mick had arranged a meeting with the CEO of the Girl Scouts of America, a potential new demand alliance partner, and, to Craig’s chagrin, another meeting with Saks Fifth Avenue.

The plane was full. Everyone had a reason to be in New York. Some, like Syd Kain and Ken Erickson, were coming to work with Craig at Citibank. Others, like Byron Peters and Richard Gerhardt, were there to meet with jewelry and giftware vendors. No one knows why Tom Morgan and David Kuo were there. Maybe they were looking for a good show.

The entire Value America contingent gathered in an upper-floor Saks conference room. The plan Craig and Brad had conceived for the Value America/Saks alliance was incredible, completely incremental for both firms. Saks and other Brad Martin department stores, including Chicago’s Carson Pirie Scott, would have Value America sell their brands of appeal, soft goods, and giftware to Value America’s customers online, as well as to the seventy million customers that were part of the CitiPrivileges program. Saks and Carson would then sell Value America’s non-department store brands to their million or so customers. Each company reached the other company’s customers and sold products they couldn’t otherwise source themselves.

But it was not to be. Team Value America was treated to a show instead. While the meeting had been arranged because Mick had continued to work with Brad Martin, the fireworks had been arranged compliments of the incendiary insecurities of Morgan, Godfrey, and Hilton. They had been working behind the scenes.

Brad Martin introduced the Saks team and left the room. That was a bad omen. He left his pal Rob Hilton in charge. Craig thought it would be a good time to leave too, but he stayed for the entertainment value. He was curious to see just how Rob would defend his pre-orchestrated refusal not to engage. After the Saks team, especially technology, had embarrassed themselves, Rob introduced a young lady who epitomized everything

Craig had grown to hate about retail, especially department stores. She personified arrogance, but it was clear Hilton loved her. As she finished explaining why Saks was going to build its own site without Value America, Craig responded.

“Why would you arrange this meeting for the purpose of enacting a partnership and then tell us you have no intention of forming one? They make telephones for that sort of thing.” An angry Winn continued. “Just so we don’t go through this charade again, I want to make certain you understand what I think will happen.” Craig looked holes through Hilton. “The Saks technology team is not capable of building an e-commerce site. They somehow think an IBM AS400 is a mainframe and that it will integrate with your future online store. As a result, you will have to hire consultants to build this. They will negatively impact your earnings and hurt your shareholders. You’ll never justify the cost.”

It would play out just that way. Saks put out a release telling investors that their failure to hit quarterly numbers was because their e-tail initiative was more costly and less productive than they had planned.

With that, Craig stood and walked out of the room. As our team left the building, he gathered them together and explained why he had responded so harshly. Craig had little tolerance for deceit. He didn’t like having his time wasted or his chain yanked. That was clear. They had never seen him this angry. More importantly, our suits now knew, if they didn’t before, that their largest shareholder had a bite. He wouldn’t go down easily.

It was past time for a vacation. Rex and his wife, Jane, had arranged to whisk Craig and Katharine away on a week’s tour of Florence and Venice. They stayed at a lovely inn nestled on the east bank of the Arno, just above the Ponte Vecchio. For seven glorious days, the sun shined brightly as our founders reveled in the magnificence of Michelangelo, the mastery of Cosimo, and the birthplace of the Renaissance.

Each evening, however, a little rain fell into their otherwise serene world—a fax from Morgan. Visa was still bubbling along. Online sales were averaging four hundred thousand dollars a day. Tom had neither the courage to kill it nor the backbone to stand up to those that wanted Visa scuttled.

Craig refused to bail him out. He answered each plea with, “Sorry, Tom, it’s not my call. It’s yours. You’re the CEO. As much as I’ve disagreed with most everything you’ve done recently, you’re running the company. I haven’t overruled any of your decisions. You know where I stand on this. David’s Visa deal is more productive than Glenda’s advertising. Why are you bothering me?”

Tom never seemed to have an answer, only another fax, crying out for help. But the only help Craig provided was of no value to him. Craig simply said, “If I were in your shoes, I’d get my hands on some accurate sales and advertising numbers, and then I’d compare those results to what Visa is costing us in ValueDollars. Compare Visa’s variable cost to the fixed up-front cost of placing ads in newspapers and magazines. Evaluate the real cost of taking an order through your new outsourced call center. Compare that to the Visa promotion, which is strictly online. I could answer these questions for you based on our public reports, but you need to discover the truth for yourself.” Truth was, the first \$6 million generated by the Visa promotion outperformed

broad-based advertising by better than three to one. There was no comparison. Craig knew it. Tom didn't.

"Dean is getting pushback from Pricewaterhouse Coopers on this," Tom responded. "Their technology group says we can't treat ValueDollars as a promotional expense. It's going to hurt our margins."

"Whether it comes out of margins or advertising, Tom, it makes no difference on the bottom line, to earnings per share. That's how you should present it. On the other hand," Craig added, "why don't you get PwC to give us somebody who understands retail? Retailers have used promotional coupons for a hundred years. If that's beyond them, find a new accounting firm." Tom just squirmed.

With Craig and Rex out of the country, Value America grew darker still. In this dim light, I was actually able to see things more clearly. I finally came to the conclusion that it was no longer worth the grief. The company for which I had uprooted my family and trashed my business no longer existed. There was little left but broken dreams, busted systems, frayed nerves, and ferocious turf battles. I no longer recognized the company. I wanted out.

As we crept further into the stormy fall of our discontent, Tom Morgan was ground zero in what was looking more and more like a coup. The inbound executive phone logs told a sordid tale. Eighty percent of his unanswered inbound calls were from people he had little reason to talk to unless he was up to mischief. Cowering in Craig's shadow, he was finally consumed by his less-admirable qualities. His focus was now clearly on his own personal agenda.

Tom talked daily with Kuo, Starnes, Godfrey, and his pals on the board. They were scurrying in the darkness, maneuvering behind his back. They had set their trap, and Winn was now barreling toward it at 550 miles an hour, 35,000 feet above the Atlantic Ocean.

For Craig, it was one of the most inspiring moments of his life. His wife and his traveling companions Rex and Jane were asleep. Craig was awake, but growing weary trying to finish an opaque tome that Reverend Mathews, Bishop of the Methodist Church, had given him at a dinner hosted in Craig's honor at the headquarters of the United Brethren. The book, *The Unshakable Kingdom and the Unchanging Person*, had been written by Mathews' father-in-law, a great, aging missionary, E. Stanley Jones.

Craig's thoughts drifted back to his last visit with the United Brethren. Their headquarters was an elegant converted old home called "The Pines," just outside Washington. The Brethren, still trying to recruit Craig, joined the chorus of those asking him to run for national office. Their leader's means, however, were a bit unconventional. After explaining why he didn't like being called a Christian, he encouraged Craig to follow the example of other great revolutionaries in his pursuit of a national revival. But the revolutionaries whose strategies he extolled were Adolf Hitler, Mao Tse-tung, and Jesus of Nazareth. Imagine, going forth to change the world with *Mein Kampf*, Mao's *Little Red Book*, and the Bible all tucked under your arm. Craig didn't know whether to laugh or cry. So he simply rejected the Brethren. It was a move that would cost him dearly.

Craig caught himself shaking his head as he put the book down and rubbed his eyes. It was tough sledding. He had become convinced eighty-year-old men shouldn't be writing books. Yet as he did, he was moved to pick up his pen. In the inside back cover, he felt compelled to write these words, as if he were taking dictation from a higher source: "Service, Freedom, Education, Justice, Opportunity." Then, something told him to reopen the book. He read, "So He went to the little synagogue at Nazareth and announced His program for the reconstruction of the world. He delivered His manifesto...five important changes, regenerative changes. He said... "Good news to the poor" (service will abolish poverty), "freedom for the captives" (freedom), "recovery of sight for the blind" (enlightenment through education), "to release the oppressed" (justice), "to proclaim the year of the Lord's favor" (opportunity, for in that year debts were forgiven, slaves freed, and productive assets redistributed).

Craig sat for a moment in stunned silence. He looked out the window and saw the brilliant white light of the morning sun dancing upon the immensity of the Atlantic Ocean. He not only knew that he had been given his marching orders, but also that his orders were identical to those that had been proclaimed by the greatest Revolutionary of all time.

As he regained his composure, Craig picked up his pen again.

October 31, 1999—Italy to America (from the old world to the new world). Our future shall be of multiplication, not division. It is time to come together, and stop separating ourselves based upon skin color, preferences, and special interests. We must be one people, devoted to building a new and better world for all. We are called to serve—empowered by grace, motivated by love, encouraged by faith. It is time for a new American revolution where service abolishes poverty, where opportunity is created before responsibility is preached. A time in which the pursuit of truth inspires our youth and wisdom enlightens our souls. It's time for the chains of injustice and bonds of prejudice to be loosened. For I am a believer in the life and lessons of a carpenter, a builder, a Jew named Jesus. Humbled and imperfect, I am but a servant and a messenger. Like the morning star, this is a new direction, a new promise, a fresh start to a bright new day.

As he lifted pen from paper and closed the book, Craig began a new chapter in his life—a chapter that would shake the very foundations of his faith. Summer was over; fall was in full swing. But the storms of winter were about to rock his world.

Inspired and refreshed, Craig climbed the steps leading to the small but luxurious suite of offices housing Value America's management team. With each stride, he felt less comfortable. Unlike the spaces Craig had either found or designed for the company when he was managing us, the Rio Road offices were dark, moody, opulent, and "corporate." Craig disliked them nearly as much as he disliked the politics of those that occupied them. He desperately wanted out. Now, thanks to his inspired journey home, he had a reason to leave.

It was around eight when Tom Morgan stumbled into Craig's office, closed the door, and resigned. Just like that.

Morgan announced, “There can’t be two cooks in the kitchen.” Then he blurted out what was really bothering him. “I hate being second guessed.”

Winn had only recently gone from examining nothing Tom had done to second-guessing everything. But Craig’s criticisms had all been made in private, and he had always made a point of being constructive—sharing better alternatives.

Morgan had done just the opposite, and he knew it. He had been openly critical of everything Craig had done. Unable to sell himself, he resented Winn’s ability. He had condemned Craig’s efforts on behalf of the company, calling him an exaggerator, a liar, and worse. His attacks had invariably been made behind Craig’s back, and always to audiences with whom Tom was seeking favor. Political, insecure, hypocritical psyches like Morgan’s are terribly fragile. They rebel against any criticism, public or private, constructive or not. Thus Craig’s recent focus on Tom’s failings was intolerable. It haunted Morgan like a twisted piece of paper in his otherwise perfectly ordered world.

The two men pondered their fate. They had clashed over a variety of issues: overburdening the ill-advised system conversion, outsourcing sales and customer service, a multimillion dollar Yahoo! proposal, a yacht sponsorship, and a trade-show spending spree. Tom had failed to recognize Visa’s superiority to broad-based advertising and had been unwilling to either endorse Craig’s Path to Profitability or create a plan of his own. And then there was Morgan’s continued dependence on Dorchak. Rather than demote and isolate her, his actions had actually empowered her, putting the company in harm’s way, on a collision course with infamy—the most sensational corporate decline in American history.

The idea of “two cooks in the kitchen” was laughable. It’s a wonder Tom said it and more amazing anybody bought it. The fact that Tom’s plans, not Craig’s, had been imposed at every point of disagreement should have tipped folks off. But no. Lies are more seductive than truth. And so it was that upon this false premise, Morgan launched his coup, justified his schemes, and ultimately attempted to dispel his culpability.

Craig had grown to distrust so many of those who had come, at considerable cost, to reshape his once noble firm in their image. He had wanted to part company with his company a long time ago. As soon as the firm’s new leadership understands our mission, I’m out of here, he had so often promised himself. But if Tom left, Craig would have to return to management and actually do what Morgan had falsely accused him of doing. Oh God, he thought, why now? Sure, I’ve done it before, but do I still have what it takes?

To make matters worse, the CFO, Dean Johnson, and the CIO, Thurston Stark, had just resigned. Little wonder; Tom had made it clear that neither of them fit into his plans. In Dean’s case, the transition from being at Winn’s side to Tom’s was unbearable. Dean often said that working with Craig was the highlight of his business career, while his time with Morgan was utterly frustrating.

Calamity was virtually assured. No matter the explanation, no matter the salesmanship, no matter the positioning, the CEO of a public firm resigning in the same quarter as the CIO and CFO is a recipe for disaster. It’s fodder for class action suits, the impetus for an avalanche that unless checked, can consume everything. Under these circumstances, Morgan’s resignation was impossible to accept. Craig knew it, and Tom was counting on it. So let the games begin.

“What is it going to take for you to stay, Tom?” Craig asked.

Morgan went through the same, “I-don’t-really-want-anything-from-you,” charade he had used so effectively at USOP. Then, “I miss my family. I’m just not happy here.”

Craig laid it on the line: “When you took this job, you accepted a responsibility. You pledged to work for our shareholders, protect employees, and serve our customers and partners. Your happiness has nothing to do with anything. By announcing your resignation in the middle of the fourth quarter, right after the two guys you wanted out actually left, you’re acting irresponsibly, breaching your fiduciary duty. If you want out, you need to give us ninety days to find a new CEO and CFO.”

“No, I wouldn’t be comfortable doing that.” Tom said. He realized, of course, that what Craig had asked was both customary and reasonable. Yet he felt neither responsibility nor guilt. Morgan had already received Godfrey’s blessing, and that was all he needed. Besides, this was all a ruse; he had no intention of leaving. He knew Craig couldn’t accept his resignation. His agenda was to get a festering thorn, a thorn named Winn, removed from his side.

“Tom, we both know this isn’t about having ‘two cooks in the kitchen,’” Craig said. “You’re just irritated that I’ve been critical of your decisions. You don’t have the stomach for it.” Tom squirmed in his seat and looked down at Craig’s old table, unable to make eye contact. “So,” Craig added, “I’ll make this easy for you. If you’ll stay, I’ll leave.”

“You’d do that?” Morgan perked up as the words he was hoping to hear were spoken. You could hear the childlike excitement in his voice.

“No one cares if a chairman leaves,” Craig said solemnly. “Boards don’t run companies, executives do. I was going to leave anyway. My plan was to work half-time next quarter and then half of that through June. I’ll finish implementing the best of the demand alliances and teach you what you need to know to carry on. How’s that for a plan?”

“Are you saying that you’ll start phasing out as early as next quarter and be gone by the end of the second quarter?”

“Yes.”

“Will you introduce Tom Starnes to the people at Citibank and FedEx, so he’ll be up to speed on what you’re doing? You’ve really misjudged him, you know. He’s a great guy who can get things done.”

“Yes, I’ll introduce him, but I don’t think I’ve misjudged him.”

Tom ignored the affront. It wasn’t important now. This was going as he’d dreamed it would, just as he, Godfrey, and Kuo had planned it. “These training sessions you mentioned, can they be done off-site?”

“Sure, wherever you’d like,” Craig answered. Good grief. The man’s ego is so frail, he can’t even handle being seen learning something.

“Are you sure about this, leaving and all? This was your baby,” Tom pressed, testing his luck.

“I’m sure. This stopped being my baby a long time ago.”

With that, they shook hands and parted company. Craig marched into Rex’s office. It was the second time this morning.

“You were right,” he said.

“Yeah, that’s why I warned you before he got in this morning. He’s been bellyaching,” Rex told his friend. “He thinks he can trust me, and I play along. So, how close was I?”

“It happened exactly as you thought it would. He resigned; I offered to leave; he agreed to stay.”

“Good. He’s not worth a damn, but that should buy us the time we need to find his replacement,” Rex said calmly. “So just like we predicted —when you asked him to do the responsible thing, he refused.”

“Yep. Funny thing, though. You and I want out worse than he wants us out,” Craig said.

“Yeah, but there’s no way we’ll leave our company in his incompetent hands.”

As we crumbled, Craig was invited to meet with Citibank’s senior Business Development Officer. As promised, he now had Tom Starnes in tow. The General was also at his side.

Craig had arranged to see an old friend before the meeting began, the man who had first plucked my ads out of *The Wall Street Journal*. Over time, he had become more than a business acquaintance. He was now a compatriot, a kindred spirit. But he had moved out of the CitiPrivileges-Value America program. Having been promoted, he now headed up the solicitation of new customers with a direct-mail budget of \$1.5 billion. As the Citi executive explained his new challenge to Craig, he said, “I’m counting on you to help me look good.”

“How would you define looking good?” Craig asked.

“When you’re working with a one-and-a-half billion dollar budget, it doesn’t take much of an improvement to score big dividends. If you can find a way to improve acceptance, diminish churn, or cut the cost of our mailings, I’m a hero. A ten percent improvement in any area would be all I’d need.”

“So if I can find a way for our best brands to partner in your direct mail solicitations and either diminish costs or improve results by ten percent, you’re a hero?” The Citi exec nodded. “Piece of cake, my friend.”

Craig explained specifically how the plan would work, how it was in the interests of each party, including the customers. He outlined the numbers. As he did, his Citibank friend was writing as fast as Craig could talk, which was saying something. They shook hands as Craig stood to leave.

“I’m looking forward to working with you again. We’re gonna have some fun, Craig. You’re not going to forget me now, are you?” he smiled.

With a question like that following an invitation to participate in a billion-dollar promotional campaign, Craig knew something was up. He gave his friend a sideways look. “What aren’t you telling me?”

“You’ll see. Just don’t forget me.”

The next meeting began with an incredible admission. An even more celebrated Citibank exec declared, “We are a hard company to partner with, and we know it. You, Mr. Winn, have impressed a lot of people around here. You’ve not only managed to succeed, no matter how many obstacles we’ve thrown your way, you’ve done it in record

time. More importantly, you did everything you said you'd do and more. Your promises were great, but your follow-through was better."

"Thank you," Craig said humbly. "You've got a great team and a great company. It's been my pleasure."

"We do have a fine company, even in spite of ourselves," the executive said with conviction. "And that brings me to why I asked you here. You've earned our trust, so I'm offering you access to our most valued resource—our customers. We want you to help us serve and reward all seventy million Citibank cardholders—a totally integrated and comprehensive program."

Elation wasn't a big enough word for it. Craig and Mick could have flown home without an airplane. They had indeed done right by Citi, and they knew it, but it was altogether unexpected and most uncommon for a large organization to recognize something like this and be appreciative, even generous. For Starnes' benefit, Craig and Mick talked about the two kinds of trust needed to bring about such an awesome opportunity.

Mick began, "They're right to trust us, you know. We've earned it. They took a lot of risks, shared confidential information. A lesser man might have used what he'd learned to make a quick buck."

"Mick, the fact we did what we said we'd do is even more important. Lots of people are honest. But institutions like Citibank don't give you the keys to the kingdom just because they know you're not going to rob 'em. It's as much what we did as what we didn't do. We made them look good; we did what we said we'd do. We succeeded even when they made it difficult. You should be proud, Mick. I've been in business all of my adult life but have never experienced anything this good. You, your character, your way with people, is why this happened. Thank you."

The General tried to deflect the praise, but Craig was right. They made a wonderful team. Sometimes three's a crowd, though, and so it was on this day. Starnes had said nothing and done nothing all day. He'd been little more than a wet blanket. He didn't even comprehend that he had witnessed one of the most promising days e-commerce would ever see.

Sadly, it all started going downhill, and not because they were beginning their descent into Charlottesville. Craig began questioning Starnes about his accomplishments as they neared home. There were none. None! Even the deals that had been teed up by others before his arrival were now comatose under his direction. It was one of the most depressing interviews he can remember. Who hired this numskull, anyway? And why?

Pulsing majestically through our all-but-abandoned JoeWare, we scorched Wall Street's expectations one final time. Value America, on the evening of November 3, 1999, reported a 269 percent increase in third quarter revenue. Sales had surged to an intoxicating \$58 million for the ninety days that ended September 30th. The press release said, "Gross margins increased 110 percent while expenses as a percentage of revenue fell significantly." As retail metrics go, this was as good as good gets.

According to the release, the company earned a gross profit of \$3.5 million selling products from 3,000 brands in thirty categories. Total operating expenses declined from

eighty-two percent of revenue to sixty-four percent. While the trend was favorable, spending sixty-four cents to sell a dollar was hardly something to brag about. Yet fully seventy-five percent of the sixty-four cents was consumed by sales and marketing.

That meant that operating costs, apart from our wasteful advertising extravagances, were now less than fifteen percent of revenue. Most retailers, at scale, in business for decades, would give their right arm for anything under twenty-five percent. We were so very close to achieving our improbable dream! If we had only adopted the Path to Profitability and jettisoned broad-based advertising back when Craig had proposed it, we would have been profitable, just as we'd predicted. But, alas, it wasn't to be. As tantalizingly close as we had come, defeat was snatched from the jaws of victory.

Tom's Team and Glenda's Gang had too much invested in their respective coups to let a little corporate success stand in their way. Morgan was working feverishly with Godfrey and his sympathetic board members, White, Schmitt, and especially Roche. Glenda maneuvered her schemes by way of her secret admirer, the company's illustrious "investment banker," Seth Rossi. He was clandestinely brokering her promotion. Dorchak and her supporters were courting Caise, Durn, and Durn's new boss, Don Tarpin. She even asked folks to sign an anti-Winn petition just to make sure she was properly positioned. Then for good measure, she managed to dig up some old stories on Dynasty's demise and passed them around to promote her cause.

All this maneuvering left the seldom-available Flowers and Bennett, good guys both, just dangling in the wind. While Smith denied being worked by Dorchak, he certainly became her most public fan. But to be sure, Smith was being set up by both Toms, Morgan and Starnes. Along with the Kuos, they were confident to the point of cockiness that they would prevail. Their only blunder was misjudging the resolve of Dorchak.

Glenda, thanks largely to her foe's incompetence, was in control, albeit lurking in the shadows. The company was reliant upon her sales volume. More importantly, she knew she controlled the hearts and minds, or at least the pocketbooks, of her mercenary managers. They had all adjusted their lifestyles to fit their inflated incomes. Dorchak owned them.

There is no evidence to suggest that either Dorchak or Morgan had considered the possibility that their actions could cause the company to fail. All they knew is that they wanted unquestioned control. Yet unable to manage anything, they quickly managed to lose control of the process they had set in motion.

Against this dreary backdrop, the company held its quarterly conference call for investors and shareholders. This was the Dorchak, Morgan, Kuo, and Kuo show. Winn opted out of the Q3 festivities. For some reason, they wanted to use Craig's speakerphone, so they all gathered around the antique table. Craig went to a downstairs office to listen in.

They claimed, "Customer relationship management software from Siebel systems was implemented to provide top-quality call center tools." In truth, it hadn't. The conversion, thanks to their burdens, wouldn't actually go live until the fourth quarter. Even then, all the things they added to it would cause it to fail.

They said, "This quarter an enhanced EDI system was installed." Sorry, wrong again. It wasn't installed in Q3. The new GEIS Enterprise system wasn't in place until the seventh week of the fourth quarter, and even then, unlike the old system, it failed to transmit orders. In fact, the day the company jettisoned JoeWare, it began to implode.

Remarkably, in their comments to shareholders, management bragged about forming a business-to-business relationship with McGraw Hill, the parent of Business Week. That would come in handy a few months later.

It was an embarrassment. Dorchak misspoke, Morgan mumbled, and the Kuos were clueless. Their presentations were pitiful. But it was their prepared answers to the Q&A that sent a chill over the investment community. Morgan was worse than ever. Dorchak sounded better, but unfortunately the things she said were inaccurate or misleading.

When asked about “relationships with major Internet portals,” they said, “We did not renew our contract with Yahoo! simply because it did not provide a good return on our investment.” Incredible, considering how strongly they had touted the deal to Craig, and even more incredible considering they actually signed a new agreement with Yahoo! just a few months later. They claimed to be growing rapidly. This was false, as we shall soon learn. They declared their fondness for consumer products. The world would soon discover how little consumer products meant to them. They insisted their advertising was performing at a ratio of 3:1. Glenda gave the board an entirely different number.

The stock tumbled.

Not so bright and early the morning of November 4th, Value America’s esteemed board of directors assembled in Charlottesville for the second and final time. Once again, the event was held at Keswick Hall.

To his credit, Frank Flowers was actually there. So were Smith, Durn, Tarpin, White, Schmitt, and Caise. None of them bothered to visit the troops on their way into town, however, although Gerry Roche had. The previous night, he had asked Craig to show him around. After spending an hour going from building to building. Roche remarked, “This is as fine a team as I’ve ever seen.”

Rex and Craig were in attendance. By invitation of the board, Tom Morgan and Mick Kicklighter were present. So was Biff Pusey, who listed himself on the official records as Senior Vice President & Corporate Counsel, Assistant Secretary. Nice title. Dean Johnson was there, even though he had officially resigned. The law firm Wilmer, Cutler & Pickering was also represented. But they, through no fault of their own, wouldn’t last long.

Tom Morgan introduced the senior executives for each of the business divisions. First, Cliff Chambers, newly promoted to EVP, Operations and Information Technology. Then Byron Peters, recently demoted to Group EVP of Consumer and Office Products and Presentation Marketing. Quite a title, though. Third, Ms. Dorchak was introduced. Evidently as a reward for her complicity in the “oust Winn” campaign, she had earned her old title back, plus a new one to boot. She was introduced as “President and General Manager, Advertising, Sales, and Technology Products.” Makes you wonder if she got new business cards printed. Probably not; her new title was too big to fit on a card. She’d need a poster: something large enough to be seen on the post office wall.

These grandiose titles told a story, one far bigger than the mere insecurity and incompetence of our management team. They spoke volumes about a business culture, and indeed an entire national climate, that had lost its bearings. Corporate America had come to emulate the worst in Political America. Our aspirations had once been about

purpose and progress; now they were about positioning and perception, power and wealth. Noble ambitions were ridiculed as naïve. New agendas—personal, not collective or corporate—were set. The common good was forsaken. Value America had become a self-centered microcosm of misplaced American values.

Sure, we all go to work because we need money, but it's our attitude once we get there that makes all the difference. We learned that when making money became our principle aim, we miss the mark. Whatever the job, striving to create value, to be productive, ultimately enables both employee and enterprise to profit.

The board quickly tired as each suit droned on, recounting their stellar accomplishments. Funny thing though. A month later the same cast of characters would claim they were powerless to do anything. But I'm getting just slightly ahead of my story.

As this most obtuse of board meetings rolled along, Morgan introduced his favorite co-conspirator, Tom Starnes. He too had a new title, "Executive Vice President, Government and Business-to-Business Development and International." I know that won't fit on a business card. We had come a long way from being the "Titleless Americans." Starnes said nothing of value.

Morgan smiled as he proudly introduced his new Director of Investor Relations, Kim Kuo. "Kim," he said, "was formally in communications at America Online." He carefully avoided mentioning her previous role. She didn't say much, either.

Morgan then informed the board that CFO Dean Johnson, CIO Thurston Stark, and Controller Karen Wiles had all announced their resignations. Karen said she was leaving to rejoin her husband in the Carolinas. Thurston announced he was quitting so he could spend more time with his family. In truth, burned out and tired of the office politics, they were going to work for Dean's new e-tail firm.

But by forming an e-commerce business and hiring Value America employees, Johnson had violated the most salient conditions of his employment contract, prohibiting employees from going into a similar business in our immediate proximity and luring coworkers away. As CEO, Morgan was required to confront this breach of contract, but instead, he signed a document prepared by Dean releasing him from from these obligations. Tom didn't even read it. He was glad to have him gone.

While facilitating these departures, he managed to use their resignations to promote his own agenda. Tom and his minions hinted behind the scenes that the three had left because Winn was impossible to work with, claiming that Stark and Johnson blamed their departures on Craig.

In a way, it was true: Craig's hands-off approach in deference to Morgan's management role had left Dean feeling orphaned, abandoned. A talented CEO makes his CFO his primary ally. For a year and a half, Craig and Dean had been joined at the hip. But now, having moved out of management following the IPO, Craig no longer worked with Johnson. So frustrated and uninspired, Dean left, hoping Craig would understand.

Morgan's contribution to the board meeting ended with these introductions and announcements. Makes you wonder what he did to earn his \$600,000 compensation. With the allotted time nearly over, Tom asked Craig to discuss his progress in building demand alliances and their potential impact on our profitability.

Craig began by passing out copies of the holiday catalog he and I had created on behalf of the CitiPrivileges Program. "In the first phase," he said, "we earned the opportunity to market all of what we sell to the most active forty-two million Citibank

credit card holders. Among these are Citi's two most successful affiliate card programs, American Airlines Advantage and their AT&T Universal Card."

Craig circulated a marketing letter Citi had prepared. "This letter from Citibank shows that they expect our program to generate three hundred thirty-six million dollars over the next twelve months. This revenue stream is greater than our entire company's expectation for next year. While the revenue is great, the credibility of partnering with the world's largest financial institution is better. The potential for profit is better yet in that advertising costs drop from fifty percent to less than five percent. And every contractual detail of this relationship has been approved."

The suits just sat in polite silence. "Our contract with Citi states that that our cost to generate sales is three percent on consumer goods and just one percent in technology. The catalog and direct mail inserts we used to promote this program cost us nothing! The portion of production and mailing costs our brands didn't cover through co-op, Citibank picked up. Yes, Citibank paid us to produce this catalog," Craig said, holding his copy up to underscore the point.

"It gets better. Twenty-one of the twenty-four pages in this catalog are devoted to consumer products, where our margins are three times greater than they are on PCs. And our returns are five times less. Citi has also given us a contract for a Value America Master Card. Its reward: one percent of whatever you buy anywhere in the world will be automatically, and electronically, applied to your ValueDollar account in our store. Citibank will cover the majority of this expense. Can you imagine the impact this will have on sales and profits?"

The board was conflicted. A half dozen disgruntled employees had deluged them with anti-Winn propaganda for weeks now, with intensifying doses over the past few days. Yet this was monumental. This partnership promised to deliver us from the bondage of gluttonous advertising, to rescue us from the ocean of red ink our company, like most dot-coms, was drowning in. It was the solution brands needed to pull free of retail abuse. It was the solution America needed to help fund her most productive charities and close the digital divide.

But the board was ambivalent. It's hard to crawl into the minds of others, but the only plausible explanation is a breach of trust. They had been told by six or eight misguided individuals that Winn was the problem, meddling, micromanaging, and exaggerating—your basic lying scumbag. So when the "scumbag" presented this partnership with the world's largest financial institution, they just yawned. When he told them that management's wasteful advertising spending could be slashed by ninety percent, they just closed the catalog and looked at their watches. Sounds too good to be true. He must be lying. We're told he does that a lot. But how could they dismiss Citibank's letter confirming the veracity of his statements. Was Citi lying too? This cast of strangers was clearly lost.

Bewildered by their lack of understanding, Craig shared, "Recently, two of Citibank's senior Business Development Officers sweetened the deal. One committed to include Value America in his one-point-five billion-dollar direct mail program. The other said we'd earned Citi's respect to such a degree that they were proposing a comprehensive marketing alliance based upon serving and rewarding every Citibank customer."

My, look at the time. Don't want to miss my flight. But Craig didn't let them off the hook that easily. They would soon have red ink, corporate blood, dripping from their hands.

Winn passed out our FedEx catalog. "Next week we'll announce a multi-phase agreement with Federal Express. Phase one is the FedEx Marketplace in which they provide a link from their home page to our FedEx/Value America Custom Store. One million people a day visit FedEx.com, and thanks to this alliance, we're prominent on their home page. We don't have to spend a dime promoting ourselves on- or offline. This catalog will introduce the alliance, but there's no cost associated with mailing it. The FedEx driver simply drops it off as they deliver packages. The value proposition is great too: 'The best products, from the best brands, delivered by the best...free!'"

Durn was livid. As Craig spoke, he remembered Rafe's threat: "If you ever do a deal with that anti-union company, I'll bring you down." Yet he carried on. "Phase two of this alliance is an e-services business in which FedEx sells our e-commerce infrastructure under their name to their retail customers. We'll use our technology to empower many of the best catalog and specialty store operations in the country."

It's obvious in hindsight that this plan could have saved e-tail from dying a collective, suicidal death. Yet the board sat motionless, without question or comment. It was debilitating. What's up with these people?

Oh, what the hell, Craig thought, I've come this far. Might as well finish the race. "The third phase of this relationship is the best. It's called the FedEx Business Marketplace. Federal Express is one of very few companies in and out of most every business, every day. Who better to deliver your pens, paper, and packaging materials? FedEx is the perfect purveyor of office products, and Value America, with its commerce engine and brand relationships, is the perfect commerce enabler. It's win-win."

If the the multibillion dollar revenues of established office supply distributors like United Stationers, Boise Cascade, Office Depot, and Corporate Express were any indication, the FedEx Business Marketplace was a huge opportunity. Yet the board just rolled their eyes. You could build ten great companies out of the deals they had ignored. New on the job, lacking in understanding of the Internet and retail, they simply muffed it.

The official board records would read, "Mr. Winn led the board through a spreadsheet detailing the effects of a shift away from broad-based advertising in newspapers and television to direct response advertising. Promotions using catalogs are low or no cost to the company and have substantially higher response rates than broad-based advertising. They could result in the company becoming profitable in Q4 2000."

The actual discussion was considerably livelier than the historical records portray. Flowers said, "Your transition to an e-services business is probably your only viable alternative, but it's difficult. You're known as an e-tailer. Selling the new model to the Street won't be easy."

Smith was more animated. "Why haven't we spent more time on this? Why did we wait to the end of our second meeting?" Actually, the Path to Profitability had been discussed at board level. A copy of the plan had been sent to them months before it had been sent to Citibank. It was only management's disdain for the plan that had kept it from becoming a priority.

"This is the whole company," Fred said holding up his copy of the Path. "You can't spend fifty cents selling a dollar and ever make money." As he spoke these words,

Craig's hopes soared. Fred added, "If you use this formula to get your brands and your Demand Alliance partners to underwrite your ad costs, you've got a hell of a business here."

If only the rest of the board, if only their management team, had seen what Fred Smith saw at this moment, dot-com might not have become dot-gone. But it was not to be. What followed instead revealed the depth of the abyss into which we had fallen—the new agenda.

Sadly, it wasn't about diminishing the cost of advertising or making it more productive. It wasn't about empowering brands, in harmony with our original business plan. It wasn't about bringing people and products together by enhancing our e-commerce engine. It wasn't even about achieving profitability. No, it was about Morgan and his frail ego; it was about Dorchak and her unquenchable ambition. The freshman board knew so little about our business they put politics ahead of profits.

For the first time, Craig and Rex were given an overt sign that revealed management's "plan." It exposed those who had hatched the scheme, and it proclaimed, ever so softly, that the founders' days were numbered, that there would be no retail revolution. It would instead fall victim to selfishness, greed, and an unrestrained lust for power. Gerry Roche, Godfrey's pal and Morgan's ally, asked, "What are your succession plans?"

Succession plans? Roche hadn't asked a single question about the business all day. But now, as the rest of the board was starting to deal with corporate survival and grand possibilities of alliance building, he wanted to discuss, as the record says, "transition plans in the event of executive departures." Craig had just laid opportunities worth billions of dollars at the feet of the board only to be asked how long it would take him to clean out his desk and leave the building.

Quietly, Craig wrestled with Gerry's about-face. The prior evening, he had been syrupy sweet in his praise. Why was he now so anxious to see Craig and Rex out of the company? There was only one possible answer: The Toms, the Kuos, and Goose Godfrey had all gotten to Roche and filled his susceptible head with their poison. It appeared that Justin Caise and Rafe Durn were up to their eyeballs in it as well.

Clearly, this was not the time or place for Craig and Rex to reveal that they were actively searching for a way to replace Morgan. Half the board was on Tom's side. The other half was rooting for Glenda. It was Dumb and Dumber II. So Craig's only comment was to reiterate the obvious. He tried to diffuse the situation. "Morgan is, and has been for some time, in charge of day-to-day operations while I focused on building outside partnerships and alliances. I am a builder, not a manager."

It was probably not the best thing he could have said. To the corporate establishment, there is no higher calling than to be a manager. They would harangue Craig unmercifully for not being part of their club, for demeaning their holy grail. For Craig though, the truth was clear: without the work of builders, there would be nothing to manage. The thought would prove prophetic.