

Hold 'Em or Fold 'Em

When I was in college a country singer had a big hit song about a gambler that gave a young man the advice that he needed to “know when to hold ‘em, know when to fold ‘em”. As with poker, knowing when to proceed forward or cut your loses and cease an operation is a key business skill.

It isn't possible to stay competitive without taking risks. These risks include new products, pricing strategies, marketing programs, and other critical business essentials. In taking these risks it is easy to grow attached to the decision. Often we have had to place our business prestige on the decision in order to push it through in the face of opposition. Sometimes we become so associated with a project we promote that we are afraid that its failure could have a negative effect on our own careers. And sometimes we become emotionally attached, so convinced in the justice of the decision that we can't understand and refuse to accept that it isn't working.

With this in mind, it can be said that it sometimes takes more courage to squash a project than it does to continue along with it well after it becomes evident that the expected benefits will not be forthcoming.

Generally executives judge a project's worthiness through straight financial criteria, meaning that if a project cannot be expected to generate profits – and in some cases, significant profits – the project should be shelved. Yet there are other critical reasons to continue on. These include:

- Reputation – sometimes a project will enhance the company's reputation rendering its lack of profitability less crucial.
- Market Awareness – sometimes a project will provide market awareness, so even if it does not generate the necessary level of profitability, the value of the awareness makes continuing the project smart business.
- Competitive Advantage – a project that does not meet profit expectations can still play a role in your relationship with your competitors, including gaining market share and forcing a response, which could cause the competitor to suffer a more significant or more meaningful profit loss.

While it is never easy to cut a project, it becomes necessary under the following scenarios:

1. Project is a drain on company resources
2. Project takes the company's focus away from more worthy projects
3. The project's failure can harm company's reputation
4. There has been a shift in the target market or a change in market conditions
5. The company will not be able to support the products born of the new project
6. The project is not consistent with other core projects

It is never easy to kill a project that has been created with the hope and promise of good things. There are human, emotional, psychological and business barriers to folding your hand. Similarly, there are compelling reasons to hold you hand and play out the game even when the rewards aren't as great as first thought. Knowing when to do which, and keeping the reasons rooted in pure business logic is a challenge and a talent. In the end, doing what's right for your company will most often prove to be what's right for you.