

DRIVING CHANGE IN A CHANGING WORLD

NextLeft Finds Opportunity in a Turbulent Market

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NextLeft Inc. is a digital strategy, branding, and technology services firm headquartered in Los Angeles, with offices in San Diego and New York. For more information, please visit www.nextleft.com.



DRIVING CHANGE IN A CHANGING WORLD

- CHANGING THE RULES4**
 - Caught in a Spider’s Web4

- STRUCTURED TO STAY AHEAD OF THE CURVE6**
 - A New ‘Old School’6
 - A Solid Foundation for Success6
 - Tipping the Scales8
 - 1. STRATEGY: Where Do You Want Your E-Business to Take You?9
 - 2. BRANDING: Thinking Beyond the Internet9
 - 3. CLIENT FOCUS: Custom-Built and Tailor-Made9
 - 4. PEOPLE: The Pillars of Our Business10
 - 5. CHANGE: Powered by Methodology10
 - 6. CULTIVATING CULTURE11
 - 7. SOLUTIONS: Begin at Home11

- DRIVING CHANGE: GAINING GROUND IN A TURBULENT MARKET12**



With all the hype surrounding the fall of Internet consulting and services firms, the story of the companies that thrived and grew in 2000 is one that remains to be told. One method for achieving success proved to be through a handful of actions that created a "tipping point." The tipping point is what drives change in a turbulent market.



CHANGING THE RULES

The dramatic decline of the dot-com phenomenon contributed to the current state of turbulence in the economy. But while the Internet industry may be in turmoil, the Internet itself is far from it. The Internet and other emerging technologies are vitally important to today's business. Companies are taking a more thoughtful approach with respect to their investments in technology. The dot-com decline changed the environment and the rules of engagement for many businesses, but not the fundamental opportunity to use technology to compete.

CAUGHT IN A SPIDER'S WEB

Many of the Internet start-ups failed because of a flawed business model. They grew too fast and did not respect proven business practices. The belief that just being online assured success created a climate where normal business principles did not exist. Success was measured by such metrics as capturing "eyeballs" and how many millions you spent on advertising, not on satisfied clients, profits, and cash flow.

Poorly conceived business concepts and good ideas poorly implemented were funded and launched. Numerous dot-coms excelled in creating a buzz and getting visitors to their site, but not on fulfilling their promises to customers. Unsatisfied with their experience with these companies, consumers more often than not declined to become a repeat visitor or to buy the offered product. In addition, many dot-coms did not develop the complementary business processes to support their online businesses, which in turn failed to create the operational efficiency necessary to compete with more established competitors.

The proliferation of dot-coms led to a demand for services, which resulted in the birth of a flourishing new sector: the Internet services industry. The industry that was born to support the dot-com businesses made the same fundamental business mistakes as their dot-com clients. When the dot-coms began to falter, Internet services firms experienced serious revenue shortfalls.

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■ **The furious pace of posting up new sites left little time for serious evaluation of a company's business strategy or brand.**

Many of these firms did not recognize the fundamentals of a client service business: understanding their customers' businesses, needs, and how to add value. These firms suffered from other fundamental problems that resulted from supporting the rapid growth in dot-com demand:

- Over-promising and under-delivering leading to customer dissatisfaction.
- Rapid growth and numerous acquisitions.
- Insufficient managerial experience compounding the challenges of growth and integration.

At the same time, Internet services firms responded to their clients' desire to get a web presence up and running as quickly as possible.

Many evolved as web services firms; their primary skill was building websites. But the furious pace of posting up new sites left little time for serious evaluation of a company's business strategy or brand. Companies were not taking advantage of technology to develop strong business models.

Technology was seen as the end itself, rather than a powerful means of bringing about a greater end – creating a more sustainable and competitive business model, strengthening a brand, and making a business more productive and efficient.



STRUCTURED TO STAY AHEAD OF THE CURVE

The lack of a proper business foundation left young service firms vulnerable to market shifts such as the one we are experiencing today. Carrying on as if the stream of dot-com clients would last forever, they were caught without a place to sit when the music stopped.

A NEW 'OLD SCHOOL'

The rise of the dot-coms brought about major changes in business practices. The crisis among dot-coms is also bringing about changes in business thinking. In a very short time, we have learned a great deal about what works and what doesn't. The Internet services companies that will succeed in this environment have a solid business foundation, understand the competitive dynamics of their industry, make client service and satisfaction their highest priority, and skillfully use technology to make their businesses more efficient, extend their brands, and increase shareholder value.

A SOLID FOUNDATION FOR SUCCESS

Early in our business development, we were aware that the phenomenal dot-com growth might not last. As a result, we structured NextLeft to succeed within the context of change. First and foremost, NextLeft is a digital strategy, branding, and technology services firm. We are not exclusively a web design firm. We both architect and build business solutions for our clients.

Our business is structured around **driving change**. What does it mean to drive change? The Internet changed the way companies do business. New technologies continue to

change how we use the Internet. In this environment the only constant will be change. However, once you have *responded* to change, you are behind the curve and in a position to lose market share to more nimble competitors. You must *drive* change to succeed.

■ **Early in our business development, we were aware that the phenomenal dot-com growth might not last.**

NextLeft helps clients succeed by monitoring market trends and using strategy and technology to get our clients there first. Two factors enable us to drive change: Direction and Performance.



■ **Direction and Performance work together to create the momentum for driving change and creating solutions that put our clients ahead of the curve.**

- The **Direction** we provide clients is the innovative thinking and transformational strategies that make them more competitive.
- Our **Performance** includes speed, responsiveness, and providing solutions that are cost-effective.
- The result is **Exhilaration**, the feeling our clients get from working with us and completing a successful project, and how we feel when our clients are satisfied. What sets NextLeft apart are the strategies we use to create direction and drive performance.

These vehicles work together to create the momentum for driving change and creating solutions that put our clients ahead of the curve.

Driving Change



■ Seven success factors act as a tipping point.

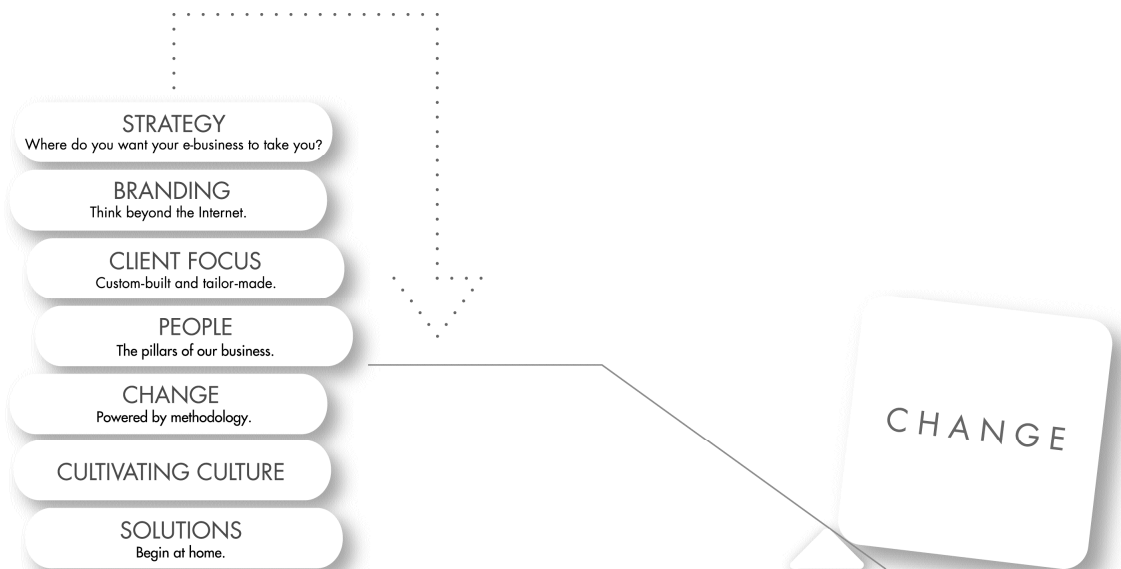
TIPPING THE SCALES

We are doing a few things differently, but together these strategies have a substantial impact. In his recent book, *The Tipping Point*, Malcolm Gladwell asserts the importance of “how little things can make a big difference.” Gladwell points out that with imagination one can change the direction of the world by applying a little pressure at the right moment. “Tipping Points are a reaffirmation of the potential for change and the power of intelligent action . . . With the slightest push – in just the right place – it can be tipped.”

We have seven different success factors that together we believe act as a tipping point and set us apart:

1. STRATEGY: Where do you want your e-business to take you?
2. BRANDING: Thinking beyond the Internet.
3. CLIENT FOCUS: Custom-built and tailor-made.
4. PEOPLE: The pillars of our business.
5. CHANGE: Powered by methodology.
6. CULTIVATING CULTURE
7. SOLUTIONS: Begin at home.

The Tipping Points to Drive Change



■ The Internet demands a stimulating user experience. Yet, it's another medium, like television or print, where the perception of a company is formed in an instant based on the images, context, and content to which one is exposed.

What makes these seven tipping points so powerful is their ability to drive change in the simplest but most profound ways for our clients.

1. STRATEGY: Where do you want your e-business to take you?

Our first step is to understand our clients' potential value proposition – and the potential opportunities they have to use technology to create value. We gain an understanding of our clients' overall business and goals. We get to know their customers and competitors and take the time to understand their strengths and weaknesses. We then evaluate their business model and determine how to use emerging technologies to create a competitive advantage, including potential partner relationships that will help them grow. We work with them to develop transformational strategies that go beyond a web presence.

2. BRANDING: Thinking beyond the Internet.

We bring to the table true branding capability. Ron Taft, our Chief Creative Officer, believes that one of the downfalls of the industry is that “Companies wanted to quickly take advantage of the new Internet possibilities, and in so doing seemed to forget traditional marketing and branding disciplines. The Internet demands a stimulating user experience. Yet, it's another medium, like television or print, where the perception of a company is formed in an instant based on the images, context, and content to which one is exposed,” explains Taft. A company's brand must transcend the website itself and be incorporated into every aspect the consumer might


touch. At NextLeft we've taken experienced branding people and put them together with digital designers and information architects to create solutions that provide a compelling total user experience.

3. CLIENT FOCUS: Custom-built and tailor-made.

NextLeft has always focused on servicing middle market and larger companies, and has been very selective in taking on assignments with Internet start-ups. We established our business model with the expectation that the dot-com mania might end. In fact, dot-coms never accounted for more than 10-15% of our business, and currently represent less than 5%. This business strategy directly affected the way we structured our service offerings.

First, we researched the key customer drivers in the marketplace. Beginning with preliminary research to gain an understanding of whom we were going to serve, we moved on to more in-depth primary research. We commissioned numerous field studies through the UCLA Business School and worked with their teams to gain a fuller understanding of the key customer needs. We were then able to customize our services to our targeted client base.

We also apply a fundamental approach to determine whether we should take on new work. One of the mistakes many Internet services firms made was to accept any and all projects, regardless of complexity or available resources. NextLeft makes it a policy never to take on client work unless we are positive we



■ A key to our success is that our clients are partners every step of the way.

can deliver the highest quality solution, within budget and on time. If this means we have to occasionally turn down a project, then so be it. Recently, a large multinational company asked us to assist them with a substantial project. We met with them to understand their needs, and they were very surprised when we declined the project due to the resources available at the time. We were later asked to work on another project for the same client, a project we executed successfully. That client came back to us because they were confident that we would rapidly deliver a quality, cost-effective solution that would exceed their expectations.

4. PEOPLE: The pillars of our business.

In order to build a business that would allow us to offer cost-effective solutions to our clients, we started with an experienced management team. Our management team is comprised of Fortune 500 managers, management consulting veterans, and seasoned professionals who believe in a deliberate approach to building a business. This is reflected in the way we grow our business. We decided early on to focus primarily on organic growth and not to grow by making large numbers of acquisitions.

In order to provide true full-service capabilities to our clients, we also hired knowledgeable professionals in the strategy, technology, and creative disciplines. Our people are a productive mix of Internet specialists and brick-and-mortar executives, resulting in out-of-the-box thinking grounded in proven

business principles. We also hired professionals from the financial services, media, entertainment, and technology industries – some of the key industries we target. We knew that to truly serve our clients' needs we would have to understand the fundamentals of their businesses before we even showed up at the door. In the end, it's minds that drive change.

5. CHANGE: Powered by methodology.

Our project methodology is the framework through which we drive change. Applying our methodology to each client enables repeatable, scalable, high-quality solutions every time. First we commit the resources to deliver on a project, followed by disciplined reporting against milestones. Next we analyze the value proposition for our client, and determine NextSteps for a solution, leveraging our industry expertise, best-of-breed technology partners, and deeply committed client teams. After developing the key elements of a comprehensive strategy, we create, build, test, and deploy our strategic business solutions. This systematic approach allows us to deliver a consistently high-quality solution, on time and within budget.

A key to our success is that our clients are partners every step of the way. NextLeft develops "commit points" that get our team members and our client on the same page regarding deadlines and resources required to complete each phase on schedule. In fact, client commit points are an integral part of our methodology.

■ Our clients want to work with us because of our culture—they embrace it.

6. CULTIVATING CULTURE

“We do whatever it takes, we work together as a team, and we don’t stay in expensive hotels.” That maxim sums up our company culture. Building a unified culture has been one of our top priorities, and as a result the spirit of partnership permeates every aspect of what we do. We strive to create an open and accessible environment where the flow of ideas and knowledge is constant. We encourage our associates to consistently challenge and improve our client solutions, methodology, service, and everything we do.

We hire talented people who thrive on challenge. Our compensation plan supports our overall business objectives by providing incentives based on the delivery of quality solutions. Each project team is given a bonus, providing the project was completed on time and on budget, and resulted in a satisfied client.

Last year we dedicated eight weeks to team-building exercises, and for good reason. A strong culture increases the value of the work we do for clients. Cross-functional teams are organized around clients’ needs and focus on the common goal of delivering quality solutions and client satisfaction.

Our clients want to work with us because of our culture – they embrace it, and become part of it. In this way, we have become long-term partners with them rather than one-time service providers.

7. SOLUTIONS: Begin at home.

We develop solutions at home in a Solution Center, a highly charged environment that

embodies our methodology, branding, and culture. Our Solution Center Model brings together our strategy, creative, and technology resources, professionals who work with each other every day on driving change. The Solution Center Model enables NextLeft to leverage our most valued resources at the point of need to deliver the best solutions at execution speed and at lower cost. Our associates are able to deliver quality solutions through enhanced communication between functional groups and project teams. We are able to provide our clients with “A” Teams who have the talent, resources, research, and support right at their fingertips.

This model provides our clients with **lower client delivery costs** and **rapid deployment**. The Solution Center Model results in lower client delivery costs by reducing client expenses and operating costs – this model results in a 20-30% lower cost of delivery than our competitors.

The Solution Center Model also accelerates the time in which projects can be deployed. This is achieved through teams working closely together on a consistent basis, sharing a common environment and set of beliefs. Associates working from a Solution Center have the resources and support to work effectively with little wasted time and effort. These efficiencies translate into accelerated project deployment cycles and a higher quality of service for our clients.

Judging by the feedback we are receiving, our clients find this a superior model for meeting their needs.



DRIVING CHANGE: GAINING GROUND IN A TURBULENT MARKET

In the current turbulent market, the companies that survive will be those that do not get swept up by change, but rather use it.

They are the ones who are ready for change. They possess a solid business foundation, understand the competitive dynamics of one's industry, make customer service and satisfaction the highest priority, and skillfully use technology to make their businesses more efficient, extend their brands, and increase shareholder value.

NextLeft has the quality people and solid business fundamentals to create value in this environment. But we also do a few things

differently to tip the scales: together our seven key success factors create a "tipping point" that helps drive change for us and our clients and **driving change** can open the door to new opportunities — if you have purpose, **direction**, and **performance** on your side. NextLeft delivers the proactive thought leadership and methodology to not only get our clients where they want to go today, but pave the way for tomorrow. ■

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