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Musings

#64: Embrace Redundancy in Critical Areas
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Let me start with an apology. I failed to thank our veterans and service members in yesterday's musing on Memorial Day. No excuse for that. We can't get too tied up in daily life to miss the big picture. I want to express my gratitude and honor those we have lost defending our country. Sorry.

Sometimes you need to invest in redundancy. It is expensive to have two of something where you only need one. However, one tenet of building a business is that you should never have something that if it goes awry, you irreparably harm or lose your business. For anything like that, you should have redundancy.

First, let's talk technology. Your technology infrastructure must be built with redundancy. What if the web server goes down? There should be a second server that can carry the load by itself so you never want to run of the servers above 50% capacity if it is filling a key function. For those in ecommerce, what if the datacenter went dark (it happened to me with a bug in the switch taking traffic into the datacenter)? Ecommerce businesses should have redundant datacenters. Even if you aren't an ecommerce business, every business should have a backup plan to go to another datacenter (and you need to practice doing it!) What if the construction crew accidentally puts the backhoe through the fiber cable into the building? Again, has happened to me and all of a sudden many of your employees can't do anything without internet access. For those where uptime is a must, you would have redundant fiber coming in a different way into the building.

Think about airplanes. Most can fly on one engine but would you want to take that risk on a new one-engine Boeing? Their two engines provide redundancy in case one fails or has a bird strike (unfortunately Sully experienced two). On the human side, there is a reason there is a co-pilot.

It is difficult to have redundancy in employees but there are techniques. I am a big fan of having an Executive Chairman and a separate CEO. While the CEO runs the business, the Executive Chairman is involved. This provides a second set of eyes and redundancy if something happens. You can break a large sales team into two divisions each with a VP of Sales. If you lost one of the VPs, you are not void of leadership. You can cross train others on certain functions. If the accounts receivable manager gets sick, someone else needs to know how to ensure the cash inflow keeps going.

You should have some redundancy in your supply chain. A lot of companies have been experiencing this lately with a total dependence on China for critical supplies. Savvy managers understand geopolitical risk and would have alternative suppliers.

Don't get carried away with redundancy. Jeff Immelt having a second private plane follow him around when he was running (and destroying value at) GE is just ridiculous.

The key question becomes one of cost and risk. You can't have a complete second cost structure to provide redundancy so identify the mission critical elements that can't go down and build redundancy there.

How many pairs of reading glasses do you have?

Be safe. Work hard.

Jml

Second Thoughts

As society slowly opens up, it is notable to me how dependent we are on experiences. Recently, our daughters and I went out to eat at a restaurant operating at 25% capacity in Florida. Same good food as always but none of us really enjoyed it. The pleasure of eating out is the vibrancy of the crowd, the banging dishes and folks ordering from the bartender while they wait. Four tables in an empty room just didn't cut it. It will be interesting to see how we operate in our "experience economy" post Covid-19. Good NYT article: public-gathering-events-coronavirus