

Valentine's Day Musings, Circa 2001

What can you do when nobody loves you?

*By Richard W. Oliver
for Office.com*

Feb. 14, 2001- Of all the special days of the year, Valentine's Day seems the most sentimental and least commercial, although the greeting card and florist industries might disagree.

The day centers on lovers or those who hope to be. Strictly non-commercial. Why then would a management column focus on Feb. 14?

Well, last year on Valentine's Day, anybody with an Internet idea was the darling of the banks and the investment community. Equity money was cheap and plentiful, and debt money, although always more difficult than equity, was readily available with some of the loosest covenant restrictions in years.

VCs, angel investors, and even strategic investors, such as old-line brick-and-mortar companies with their own investment funds, were giving out valentines wholesale. Tucked in the valentine card was likely to be a check for a multimillion-dollar investment with essentially little or no thought from the giver for a card in return (that is, a real business proposition that was expected to make money sometime in the next decade).

What a difference a year - and a market correction - make.

On this Valentine's Day, small businesses don't seem to be bled at all. Especially by the folks that supply the essential capital that keeps new and existing small businesses going.

There are few, if any, valentines going around this year, even to those with conventional needs and ready to proffer their undying love and fidelity (that is, most of their cash flow and capital appreciation for years to come).

But it's not just the VCs who have lost the appetite for love. Traditional credit financiers have all but gone on a no-sweets, no-love diet, tightening credit, negotiating more restrictive covenants and making few new loans. In fact, it's starting to look a lot like the most infamous event of the day, the St. Valentine's Day Massacre. Or maybe, the day is returning to its roots. Despite its billing as the day of

the heart, the holiday started out as anything but. It began rather somberly, as is the case in financial circles on this Valentine's Day. While historians disagree on the precise start of the valentine tradition, many think it began to commemorate St. Valentine, a Roman priest martyred by Claudius II for his Christian beliefs.

Hearts, flowers and cash

He happened to be put to the ultimate test on Feb. 14, 246, the day the Romans had set aside for the Lupercalia festival, a kind of love lottery. The festival was named for the Roman fertility god Lupercus. Young girls wrote their names on animal skins (the original card?) and placed the skins in an urn. The boys drew them out to establish official "connections." So far so good.

Now, part of the original celebration called for the sacrifice of goats, whose skins would be fashioned into thongs. Young men would run through the streets with these thongs (called febratio), whipping young women. This ritual whipping was thought to ensure fertility and easy birth.

Not too dissimilar to the ordeal faced by entrepreneurs in 2001 having a tough time financing their new ideas these days?

Fortunately for young lovers, the part of the tradition that survived and spread was the exchange of cards that began in France and migrated to the United States in the early 1800s.

Of course, the major stain on the day in recent times was the famous massacre in Chicago on Valentine's Day in 1929. (Mark the year, the start of the Depression. Don't fret. I won't take that one any further.) On that day, Al Capone, through his henchmen, mowed down seven of his enemies, members of George "Bugs" Moran's rival North Siders Gang.

Last year's investment dot-corn darlings must feel like they've met tough guys from the Equity Gang, while many of the not-coms are feeling like they've taken a whipping from the Credit Banker Boys.

It's clearly a tough time to be in search of valentines from the investment community. So how do you survive the 2001 Valentine's Day capital crunch?

First and most importantly, make sure you've got a plan that makes money in a reasonable way - a strong value proposition supported by real customer needs and achievable in an acceptable time frame of no more than three years.

Next, your Valentine pledge should be to undercommit and overdeliver. Every good romance,

business or personal, is based on that. Try sending out valentines to nontraditional sources of funds - suppliers, business partners or even customers. If your business model is real, they might just help.

Finally, look for new or overlooked sources of cash - inventories, account receivables, or delayed capital expenditures, for example. And by the way. Happy Valentine's Day!

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