Start-up Michigan

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3 avoidable traps led to collapse of Toys R Us

"I don't want to grow up, I'm a Toys R Us Kid ..."

Remembering the first few bars of that catchy jingle brings me back to the dreamlike wonder of exploring what seemed liked endless aisles of enchanting toys.

As kids, we were transported to a magical place, filled with possibility. It didn't matter if you felt beaten down by teachers, bullied by peers, or anxious about homework, one step into this fairyland melted away all angst to reveal the sensation of utopia.

Yet after 70 years of making our hearts race, the store is closing forever. How could the dominant leader in a giant market category fall so far? Why did this iconic brand meet its demise?

The answer is more complicated than simply getting toppled by Amazon.

Three big and avoidable traps led to the great fall of this once great company:

1) They bit off too much.

In a series of complicated financial maneuvers, the company became saddled with an unmanageable debt load, which now sits at $5 billion. Over the last decade, $400 million each year has been drained from the coffers to pay the banks. That same capital could have been spent reimagining stores, innovating, paying higher wages, and investing in the future. It's been said that more companies die of indigestion than starvation, and that adage holds true in this case. They took on too much, which cut their ability to grow and adapt.

2) They ignored Darwin.

Famously, Charles Darwin proclaimed, "It's not the strongest that survive, but rather those most adaptable to change." Toys R Us missed trend after trend in merchandising, technology, customer experiences and employee engagement. It's as if they kept running yesterday's playbook as the world continued to change at an unprecedented rate. Eventually, competitors raced past. Simply put, complacency and stagnation is not a winning strategy.

3) They got beat at their own game.

The one undeniable asset Toys R Us had was that magical experience that kids craved. Instead of doubling down on this strength, they failed to invest in the retail experience, opting instead for cost savings. The once delightful stores became tired and worn, eventually becoming just another generic big-box environment. Competitive advantage faded into flat out failure.

We can all learn from the toy giant's tragedy by fully understanding their downfall and steering clear of these deadly traps. Despite rapid changes over the years, Toys R Us could have remained relevant and profitable if they focused more on innovation, cultivating the hearts of their customers, and doubling down on their unique strengths. Let's make sure that the Toys R Us tombstone becomes our successful salvation. Let's ensure we don't mortgage our futures for a fast buck today.

I'll always be a Toys R Us kid, but let's ensure we don't end up as Toys R Us adults. Embrace change. Innovate. Create uplifting customer experiences. Stand out rather than blend in. Care for employees. Invest in the future.

While far less catchy, this is the new jingle of success.

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Customers leave a Toys R Us store on March 15 in Emeryville, Calif. Toys R Us plans to close 735 stores. GETTY IMAGES

Impact100 builds Michigan women's philanthropic power

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From left, Tricia Schuster and Blythe Spitsbergen of Care House, Ginny Fischbach and Mary Pat Rosen of Impact100 Oakland County, and Javier Reed and Pamela Good of Beyond Basics are shown at the Impact100 meeting. Care House and Beyond Basics were voted the top two nonprofits. IMPACT100 OAKLAND COUNTY

Impact100 is an organization of women banding together in communities across Michigan and elsewhere, powered by their purses and sealed with a KISS (as in "Keep it Simple, Silly") as a sort of unofficial mantra.

Impact100 is a nonprofit created by Wendy Steele in 2001 when the working mom was living in Cincinnati. She was looking for a way to give back and encourage other women to do so, but recognized barriers such as hectic schedules and limited resources.

"As women's roles have evolved in America, philanthropy has not evolved along with us," said Steele. "What I thought was a local issue is actually a globally relevant issue. Women (and even some men) are hungry for a way to get involved in their communities and to be a part of something greater than themselves. It is a very simple model — and it democratizes philanthropy."

She came up with the idea for a nonprofit that would bring at least 100 women together, each donating $1,000 and all involved in deciding which organizations will receive grants.

Her chapter in Cincinnati raised $123,000 that first year and gave it to the McMicken Dental Clinic, which serves the homeless and uninsured.

Impact100 grants are sizable, at least $100,000, and seek to be transformational to the recipient and the community.

The Impact100 model has caught on, with more than 50 chapters around the United States and Australia and four in Michigan — Oakland County, Macomb County, metro Detroit and Traverse City, where Steele has lived since 2004. Though connected by mission, each chapter is autonomous.

Collectively, Impact100 chapters have given away more than $55 million since 2001. They fund in five areas: education, environment, family, health, and arts and culture.

"Impact100 was designed to multiply each woman's contribution through the power of collective giving," said Steele. "The Impact100 process of grant selection is rigorous. Given the diversity of women who get involved, our outcomes are thoughtful and well-informed. There is a huge ripple effect from our work. In some cases, family foundations follow behind us to fund our finalists, because they are confident in our vetting process."

The women who join Impact100 come from all walks — CEOs, other workers, stay-at-home moms and a range of age groups.

"Roughly 50% of the women who join have never given a single gift in that amount prior to their Impact100 membership," Steele said. "The other 50% are what I call seasoned philanthropists — women who have made gifts of this size before, yet choose to add Impact100 to their giving portfolio as a way to leverage their contribution."

Amy Tattrie Loepp, who resides in Oakland County with husband Dan Loepp, who runs Blue Cross Blue Shield of Michigan, was looking for a way to do more in the community. She had heard about Impact100 and teamed up with Ginny Fischbach as they started Impact100 Oakland County three years go.

"We both had been doing various work with nonprofits and were looking for something with even more direct impact," said Loepp.

"Our first year we met our goal of 100 members," Loepp said. "Last year we had 201. We are currently in our membership drive, so time will tell on this one, and we are tracking well."

The chapter awarded a $100,000 grant to Variety-the Children's Charity its first year. Its second year, the group provided grants of $100,500 each to Beyond Basics and Care House.

The chapter also has been involved in encouraging other women to join.

Loepp invited Pam Braund and Sandy Fester to an Oakland meeting a year ago. They were so smitten they decided to launch an Impact100 Macomb County chapter, on which Loepp and others have been giving them counsel.

"We have a reveal party to announce our first year's fundraising and total number of members at the end of April," said Jennifer Kluge, president and CEO of MichBusiness. She's a board member of the Macomb chapter.

"I had been searching for a way to give back to the community. Having the ability to control such a large sum of money by jointly voting for the grant appealed to me that there was power in numbers," said Kluge.

"It's the blend of old-school networking and introducing people to each other with the newer model of crowdsourcing. You can say it's the power of the purse," Kluge said.

The grant applications are reviewed by five committees made up of our members who volunteer to be part of the process, Loepp said. "There is also a separate financial review team who takes a look at the nonprofits finances. The review also includes site visits."

Each committee puts forth a finalist, all of which are then voted on by chapter members.

The Macomb chapter is adopting that same template as it prepares to make its first grants this fall.

"Our goal at Impact100 is to make a tangible difference in Macomb County that compounds year after year," said Kluge. "At the end of the day, they can tell their family and friends they made a difference in many lives by being a part of this wonderful organization."

For more: see www.Impact100Council.org

Contact Carol Cain: 313-222-6732 or clcain@cbs.com. She is senior producer/host of "Michigan Matters," which airs at 11:30 a.m. Sundays on CBS 62. See Denise Ilitch, L. Brooks Patterson, Robert Ficano, Jennifer Kluge and Mary Pat Rosen on this Sunday's show.

Avoid creating a crummy office space

Your Turn
Adam Felson
Guest columnist

Ask anyone involved in managing an office renovation and they'll likely tell you the project was frustrating, at best. They may have encountered surprises or made costly mistakes. Maybe the schedule was blown, employees were irritated, and management was unhappy. It likely took a long time for things to get back to normal.

Here are some mistakes to avoid when building out your next office.

Mistake 1 Bidding out the project

Design-bid-build. This is when the client works with an architect to develop drawings that are sent to several contractors for bids. This is supposed to get the best pricing.

Here's why you should rethink this approach — time is not on your side.

Seeking competitive bids can add four to six weeks to a project. Consider what's required:

▮ Preparing a request for proposal
▮ Ensuring that your drawings are complete
▮ Walking contractors through your site
▮ Contractors must get pricing from subcontractors
▮ Comparing bids

Prepare for change orders: Contractors will price only what's on the drawings. Including additional work will make their bid higher than their competitors. If anything is vague on the drawings, you face the risk of change orders.

Solution: Gain from an early partnership.

Onboarding a contractor before your design is complete will usually lead to smarter, more cost-effective designs with fewer surprises for your budget and schedule.

Mistake 2 Landlord manages project

Who's the real client?

Most landlords want to get tenant improvements done as quickly as possible so they can start collecting rent. Landlords will complete the bare minimum of their lease obligations. Contractors will value their long-term relationships with the landlord over your one-time project.

Solution: Choose TIA over turnkey

When possible, opt for a tenant improvement allowance. By agreeing to a TIA, you take control of your own design and budget.

Mistake 3 Signing lease too soon

Estimate total costs: Before rushing into a lease, you and your broker should partner with design and construction pros to understand your workspace. Your design must be developed enough to give an estimate of costs for your build-out.

Include everything: Beyond construction costs, develop a budget for consulting fees, cabling, furniture, security and other expenses.

Outline who pays for what: Work with your broker and a construction pro to make sure the lease covers everything that may come up during your build-out.

Commit to a realistic schedule: Consult with your contractor to make sure a preliminary schedule has been developed. Set dates in the lease for when either landlord or tenant will reach each milestone.

Mistake 4 Not including employees

Employees happy with their workspace are more engaged, have higher job satisfaction, make better co-workers and show more support for corporate goals. Good office design also makes it easier to recruit new hires. These three steps make for an effective approach:

▮ Survey employees: Send a simple survey to your employees who will work in the new space. Ask questions to get an understanding of what they hope to see, and any issues with the current office that you should avoid with the new space.

▮ Interview department heads: Ask about their current and projected headcount and any special space requirements.

▮ Hold a design charrette: This meeting should be held with key stakeholders and your design team, to set goals and develop initial concepts for the new workspace.

Mistake 5 One open workspace

Over half a century ago, companies began converting private offices into open spaces. It seemed like a good way to use space efficiently and save money. Later, laptops and smartphones enabled employees to connect from anywhere. This led to the inevitable question, "Why even come to the office?"

Open offices lead to more distractions, higher stress and more sick days. While employees working in open offices may feel like part of a laid-back, innovative enterprise, they suffer more interruptions, get less done and have worse motivation.

The solution: Offer mobile employees choices that match their tasks. Craft an office that everyone will be excited about, by including the following spaces:

▮ **The living room:** Using comfortable furniture like a home or cafe, give employees a space where they can bring their laptops for an hour or two. It lets them have a conversation without tying up a formal conference room.

▮ **Phone booths:** Private rooms that are just big enough for one or two people to make a phone call.

▮ **The library:** An enclosed, quiet room with multiple desks where people can read, write or think. Enforce one important rule: no talking.

▮ **Home base:** Every employee needs a workstation to call their own and store their belongings. Progressive firms have made work surfaces as small as 2 x 4 feet to allow for more collaborative spaces like phone booths and living rooms.

Adam Felson is the founder of officemorph, a San Francisco-based commercial project management firm. Read Adam Felson's guidebook, "13 Mistakes to Avoid When Building Out Your Next Office."