

Master of Disaster

WHEN GIVING
UP IS NOT AN
OPTION

FRANK KRAKE



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For Sven, Esmee and Peep

*'Listen to the beat of your own drum
and make your dreams come true'*

Acknowledgements

My first book; a momentous occasion. Time to stop and think about the rollercoaster ride that thundered on at dizzying speeds for 13 years of my life. Climbing high peaks and dipping down through very deep valleys. I wouldn't have survived it all without support from the home front. And this is why I owe a special word of thanks to my wife, Edith. I thank her for her unceasing support, and mostly, the freedom that she gave me to embark on my adventures.

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Foreword

by Rick van de Ploeg

My father had fled from prison in Scheveningen to England, and like so many other Dutch at the time, joined the Royal Air Force. While stationed in Manchester, he met the love of his life, a woman with whom he brought four children into the world. As a businessman from Rotterdam with a boundless love for entrepreneurship and England, he was always looking for lucrative business, mostly between the Netherlands and England.

Under the name “House of Holland”, he started a chain of stores dealing in wares such as sleeping bags, tools and patio furniture. This business eventually grew to become 150 stores located throughout the United Kingdom. He also had an advertising agency, New Trend Advertising, which had 150 employees. During those years, we often accompanied my father on vacation at the British holiday camps owned by his RAF buddy Billy Butlins, where we were allowed to ride the rollercoaster and watch the rock band Slade play for free, and my father could visit the stores incognito.

In the late 1960s, when the opportunity arose to start a patio furniture factory in Enschede in the Netherlands, he seized it with both hands. He bought Unimeta from Hartman in the year of the hippies. While everyone was getting their fill of marijuana, flower power and free love, my father was starting a patio furniture factory. The frames were made from metal tubes, and then fitted with canvas seats and backs. Some 300 people worked there. Those were also the years that our family went to Boekelo to frolic in the saltwater wave pool in the middle of the forest in Twente. My older brother John worked at Unimeta for a while under the CEO at the time, Meerdink.

Thanks to my father’s business, at the age of 15, I developed an interest in the theory of foreign currencies and exchange rates. I couldn’t understand why patio furniture was made in one country where people paid for purchases with guilders, and were sold in a country that used pounds sterling if the pound was losing value every year. It is possible to hedge some of your risk on the futures market, but at that time, the Netherlands was expensive (even though it boasted high-quality industry) and England was inexpensive. I understand it all a bit better now, but I still don’t know why

vertical integration is such a good business model, since a third party might be better at making products sold in stores.

Ultimately, my father got cancer and died two years later in the spring of 1975. I now realize what an accomplishment it was to build up such a business empire in such a short period of time. My father was furious when he heard I wanted to study math and physics. Because of his illness, he wanted me to go into his business. We compromised: I would study in England because that was only a three-year program in the 1970s. In addition to math and physics, the arrangement was that I would also do the SPD business administration program and part of the NIVRA accountancy program. My father ultimately died too soon, during the first year of my studies. I got hooked on science, went to Cambridge for my doctorate degree, and rebelled by turning my back on the business world. As a result of the sky-high inheritance tax and lack of a successor, things went downhill pretty fast at House of Holland. Eventually, the heirs (including 12 children) sold Unimeta to Mr. Meerdink.

In spite of my career in politics as a social-democrat, thanks to my father and all of his business partners who would often come to visit us at home, I have always had a tremendous admiration for entrepreneurs. As the Red Queen in *Through the Looking Glass* explains to Alice, where she comes from, you have to run twice as fast if you want to get anywhere. The technological progress and the rise of offshoring to low-wage countries such as India and China means that entrepreneurs must constantly stay alert in order to survive and realize a growth in their profits.

Metal tube and canvas patio furniture had to make room for the much cheaper plastic patio furniture the company Hartman became so famous for. Plastic later had to make way for high-end, high-quality furniture that could be made a lot more cheaply in China.

It is easier to write an intriguing novel about the adventures of an entrepreneur than those of a scientist. This is why I was really happy to hear that the relatively young Frank Krake had taken over the helm at Unimeta at the time. Frank is a quintessential businessman and works in an environment that is very different from the safe world of science. Frank has also proven himself to be an excellent writer, and his book is impossible to put down. It is a fascinating, informative and often hilarious picaresque novel. The book doesn't just cover all the highlights he experienced as helmsman of Unimeta, but also provides an account of the often unexpected

low points that you can't predict. One such low point is the American adventure that unfortunately fails when the attacks of 9/11 and the economic crisis cause the market for high-end patio furniture to collapse. Another involves the plan to conquer the German market that gets nipped in the bud as a result of the Enschede fireworks disaster. Learning to cope with new situations and reinventing yourself time after time is therefore the recipe for becoming successful in business, even if it means that you might go bankrupt along the way. A good entrepreneur is someone who learns from failure and starts over again.

Frank explains in detail how hard you have to fight to keep a company going in a world of globalization and international competition. This is why this amazing book should be required reading for every business administration student and every entrepreneur just starting out. However, I can also highly recommend this book for every other type of reader, not only because of the captivating story and the many lessons it has to teach, but also because of the multimedia approach the book uses.

Rick van de Ploeg

London, September 2013

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Former State Secretary for Education, Culture and Science*

Prologue

JAILED IN THE U.S.

Bang! The barred door of a cell in the jail below the Washington, D.C. police station slams shut with a loud clang. Frank doesn't notice that he's not alone in the cell until he looks around him. A tall, dark man is lying stretched out on a metal plate which is kept in its horizontal position by chains bolted to the wall.

Frank extends his hand in greeting. The man introduces himself as William and tells him he was arrested for having run too many red lights. Frank can only hope that the man is telling the truth. On his way to his cell, he has already noticed he's the only white person here.

The other prisoners call out to him. He can't shake the image of the angry look in their eyes. He shivers.

There is another metal plate hanging from the wall about three feet above the traffic violator. Frank pulls it down and climbs on. There aren't any chairs, just a steel toilet with a small sink above it. The cell is no larger than six by nine feet. Frank lies down, using his shoes as a pillow.

After completing his studies, he worked for three months at a summer camp in upstate New York with children from shelters in the Bronx. Their parents were either addicted to drugs or dead, or were in prison. A special bus brought the children to Camp Lanowa where, for three weeks, they could forget their troubles, in the middle of the woods at the edge of a large lake.

In exchange for the work he did there, the camp gave him a plane ticket and some spending money. An unforgettable experience, the folder had promised. Staring at the ceiling of his cell, he smiles in spite of everything and thinks back to his time there.

After the three months were up, Frank boarded a bus to explore America. Travelling on a Greyhound pass, he headed south along the East Coast, towards Florida.

Without any indication of the trouble he will quickly find himself in, he stands in the line of people waiting to tour the White House. He doesn't have to wait long; after half an hour, he's already inside. All he has to do now is go through a gate equipped with a metal detector. The next thing he knows, an alarm is going off, making a tremendous racket, and a huge rotating light is flashing through the hall, scaring Frank out of his wits. The guard tells him to empty his pockets and lay his possessions on a belt. He quickly discovers the cause of all this: as always, Frank has his jackknife with him. The guard returns it to him without a fuss. Relieved, Frank gathers his things together again.

After the White House, he goes to Capitol Hill, the seat of the U.S. government, and an absolute must-see for anyone visiting the city. Once again, Frank has to get on the back of the line. As he nears the front, he sees the exact same type of gate as the one he went through at the White House. To prevent the alarm from going off again, he empties his pockets and lays his things on the belt. He walks through the metal detector without a problem. A security guard has removed all his things from the belt, and from that moment on, everything happens very fast. Frank holds out his hand to retrieve his possessions, but the officer grabs his hand and pins his arm to his back. In one swift move, he also grabs Frank's other arm, and before Frank has time to react, both his wrists are in handcuffs. Frank looks at him in surprise and asks,

“What's going on? All I wanted to do was tour the building. Would you please uncuff me, sir? I would like my things back.”

Without saying a word, the guard pushes Frank ahead of him into the building, through several corridors until they reach stairs leading outside. After a few minutes, a police car pulls up. A policeman gets out of the car, stands in front of Frank and reads him his rights. He is then shoved onto the hard plastic back seat of the police car and they drive off, sirens screaming. The handcuffs are cutting off his circulation, and

the hard back seat makes every turn painful.

Frank vows to never sit on another plastic chair again, as long as he shall live.

They stop in front of a building where he sees *Washington Police Department* in giant letters on the façade. Two minutes later, he's led into a detention room, where he's told to sit on a bench. An officer unlocks one of the handcuffs. Although he can now stretch his left hand, he doesn't even get the chance. Before he realizes it, his wrist is clicked into a new handcuff, and this time it's chained to the wall. The officer leaves the room and a man in a nice suit comes in.

He doesn't introduce himself, just gives Frank a stern look.

"You're in big trouble. You're being charged with being in possession of a jackknife. This weapon is prohibited by law here in Washington, D.C."

"But I walked around with it in my pocket for three months in New York, sir," Frank says, and talks about the summer camp for homeless kids.

"They let me into the White House with it a little while ago."

"We'll tell all this to the assistant district attorney," the man says.

"Everything you say now will be written down, and that report will be going to him. Until that time, you'll remain in custody. You can make one telephone call and then you'll be going to a cell in a different complex. After that, we'll decide if you'll have to appear before a judge."

Frank realizes that arguing is pointless, and wonders who he should call. Not his parents or girlfriend; this will only scare the daylights out of them. He decides to call the Dutch embassy. The man looks up the number for him and dials. Frank's hands remain in the handcuffs and the telephone is put on speaker, and placed a few inches in front of his face. The people at the embassy listen to his story and remain incredibly cool.

"We have made a note of it all, young man. This might take a couple days, but we expect that you'll be released after that."

"A couple days? I'll never last that long," Frank shouts.

"I'm afraid you'll just have to wait it out. We'll contact the Department of Justice in three days to find out if you're still there."

In a special room, they remove the shoelaces from his shoes. He also has to hand over his belt and his pockets are emptied. When he is brought to the jail complex, he is told to hold up a sign with a number on it in front of his chest. They take photos from all sides, and after taking his fingerprints, they put a blue band around his wrist. *Washington Detention Services*, he reads.

Frank closes his eyes and tries to clear his head. It's now four o'clock

in the afternoon, two hours after his arrest. In spite of the stressful circumstances, he manages to doze off. At around six, two plates with sandwiches are slid under the bars.

Frank doesn't touch his; he can't swallow a bite. At ten o'clock, he awakens with a start when a guard slides the cell door open.

Bang!

"Krake, dismissed," he barks. "The charges have been dropped. You're free to go."

A NEW MILLENNIUM

Ten years have passed and the new millennium has just begun when Frank starts his new job as the CEO at Unimeta, a manufacturer of patio furniture in Enschede. This enormous company employs 300 people and has sales of over 20 million Euros. The manufacturing site is as large as three football fields. When Frank wakes up on the first day in his new position, the responsibility briefly seizes him by the throat, but he quickly gets a hold of himself. This is what he has always dreamed of, and now he can enjoy the results of all his hard work at Unimeta over the past six years, when he came to work here after his previous job at Wehkamp. Although he had been responsible for purchasing at Wehkamp, here he's sitting on the other side of the table and he's only just turned 31. When he realizes what's in store for him, he is briefly overcome by doubt yet again. He wonders if he projects enough authority, and whether customers will take him seriously or not. As he puts on his suit and ties his tie, he shakes off all these worries.

"They'll just have to accept me for who I am," he says to his cleanly shaven image in the mirror.

This almost took quite a different turn six years ago. In his cover letter, he had written that he was eager to work for Hartman, the patio furniture manufacturer in Enschede who was making major inroads in the Netherlands at the time. Even though Frank was from the neighboring Twente, he had no idea that there was another factory in the city where they also made patio furniture, and that it was located right next to Hartman. The name "Unimeta" indicated that they made all sorts of metal products,

but he had never heard of them. The company was only known in Enschede, but the majority of people looked up to Hartman, with its popular chairs made entirely of plastic. Thanks to a faux-pas like that, his life could have taken a completely different turn, but Unimeta was very eager to have him, and were willing to overlook it. Frank started out as a commercial manager, and quickly worked his way up.

He gradually developed a passion for the products they made. He loved strolling through the factory and breathing in the scent of manufactured metal. He delighted in watching dozens of people attaching component after component to a basic frame, until finally at the end of the assembly line, the contours of a real patio chair became visible, ready for further processing. In the large warehouse, you could hear the shrill sounds of industrial saws and grinding lathes; music to his ears.

As Frank sits at his director's desk this particular morning, he first looks around critically. The furniture has actually been in need of replacement for years. His distant predecessor, a man in his sixties, had decorated the office a long time ago, and this was painfully apparent. The heavy, dark-brown furniture with its rough, beige upholstery was actually quite outdated, but they didn't have money for new furnishings; the company wasn't doing well enough for that.

Planting the typical three Dutch kisses on his cheeks, his secretary wishes him all the best for the new millennium. He's known Marion for years, he knows what she's capable of, and has high expectations for working with her. She is about six years older than he is, and much more conservative in her ways. This tends to balance out his naturally casual and informal manner.

She has completely filled his schedule for his first day, from meetings with the works council up to the New Year's speech the director always gives the staff in the cafeteria, and in which he, also according to tradition, will announce the plans for the new year. It is also a much-appreciated custom for him to personally wish everyone a Happy New Year, a tradition that will involve shaking 300 hands. He has a brief moment to relax before he sinks his teeth into the future of the company.

The first hurdle he has to overcome is the works council. As always, the council has doubts about the course the company is taking, and concerns about the retention of jobs. The bicycle racks will also undoubtedly be a topic of conversation; this issue has been a regular item on the agenda for years now. If it were up to Frank, the staff would all come to work on foot or

by car, at least then they would be done with all the complaints. The racks are always the cause of problems. This time, someone has slipped and fallen on a metal connecting strip. If the works council had its way, management would free up some of the budget for better lighting. Better lighting would apparently be helpful for employees who had had too much to drink the night before, so they could spot where danger is lurking, even when suffering from a hangover.

Although these things can be irritating, Frank still manages to summon sympathy for the people who fight for the items on their co-workers' wish lists. These are very devoted employees, many of whom have been working for the company from its inception, over 30 years ago. These men were here from the very beginning, old-school, and always there when they were needed. They had experienced the time when the company was growing and blossoming in the 1980s, when the railroad cars used to drive directly into the company's forwarding warehouse, where they would be loaded up with patio chairs for the foreign market.

Those times were over. The railroad connection was no longer profitable for the Dutch Railways, and had been closed.

Since that time, the patio furniture has been transported by trucks. The end of an era, but also a necessary change. These days, they ship nearly everything by container. Most are destined for the English market, with hundreds of thousands of chairs per year, "relaxers", a model that they can't even give away for free in the Netherlands.

Before going to the cafeteria, he makes a quick stop to see his production manager. Ruud Kuipers is his great supporter and ally. In his late fifties and loyal to the core, perhaps even more importantly Ruud is in favor of innovation. Kuipers applauds every change, as long as it represents an improvement.

Frank also gets along very well with the man who is set to take Kuipers' place, and who now leads the textile department. Frank Pet is only in his mid-thirties, yet is taking over more and more of Kuipers' duties. The company's controller, his contemporary Erwin Hoge Bavel, makes the management team complete. Four very different men, each with his own strong character, all working together to achieve a single goal.

All four know that the task they have been charged with is not a simple one. The numbers aren't exactly encouraging, to put it mildly, and they have been teetering on the edge for years now, but each time they manage to land

on the right side of the bottom line. The important thing now is to generate a good level of profit for a few years so that they have some room to breathe again.

At the New Year's breakfast, Frank sits in the middle of the cafeteria. He's known most of the people there for years, but there are also a few tables filled with unfamiliar faces. This is the group of temporary employees they have working there. During peak periods in production, there may be more than 100 of these employees, some of whom return year after year, helping out during the busy spring and early summer periods.

The foreign contingent of these employees eat at separate tables; this is how they want it. Although Frank thinks this is a shame, he gave up the fight for more integration in the cafeteria years ago. In the factory however, everyone mixes and works well together, and during the breaks, they gravitate back to their own little groups. Most of the men are in their fifties and are first-generation immigrants, the majority of whom come from Turkey. A smaller group comes from Morocco, and then there are a few Surinam-Dutch as well.

After Frank has once again wished his co-workers a healthy and successful new millennium, he starts his actual New Year's speech.

“Over the past year, we have taken major steps to increase efficiency in production. In order to survive the fierce competition, the processing time per chair has to be brought down even further. The goal is to achieve a further 10% in time savings in two years.”

He sees a few people frown. He realizes that they have just completed a whole phase of implementing measures designed to increase efficiency. But it has to be even faster, even more streamlined, since they're earning next to nothing on all these hundreds of thousands of chairs.

“We also have to increase sales,” he says, “and we need better distribution of our sales. We are currently dependent on the English market for 60% of the sales of our relaxers. Germany represents 20%, and most of the sales there consist of metal chairs with synthetic mats clicked onto them. There are opportunities in Belgium and Scandinavia. Our export managers are focusing on these markets. I will continue to personally handle sales to the American market, working closely with Bart. We are already doing well there, but there is definitely room for growth.”

Frank starts feeling more comfortable in his new role, and is getting more

and more enthusiastic. He tells them that they are going to put major efforts into the sales of the Preston collection for the top segment of the market in the Netherlands. This furniture line is made from aluminum frames, combined with teak slats, arm rests and table tops. They started with the line three years ago, and sales are already at nearly one million Euros. The products are distributed to 50 dealers, most of which are garden centers and patio furniture stores.

“The Preston collection is our showpiece, and proves what we are capable of in terms of technology and design. Our customers really love it. Although it’s an expensive line of patio furniture, consumers can see how much craftsmanship and dedication go into them.”

Smiles appear on the many faces in the cafeteria. Frank knows how proud these people are of this new collection. They are lining up for the chance to be able to work on the Preston assembly line. Since the level of quality is incredibly high, only the most skilled workers are chosen to work on this line. When they first started production, they had no idea that Preston would be such a huge boost for the company. It was a dire necessity to come up with new ideas, and this was one of the reasons Frank was brought on board.

They had needed two years to prepare. Ruud Kuipers and his development team had done everything they could to come up with an innovative idea. Frank had applied all of his marketing expertise to develop a plan they could use to launch this new line on the market. He had decided to market directly to the potential points of sale using a special salesman, and not limit themselves to distribution through the usual wholesalers only. This meant that they had more control over the entire process. It also meant that they had to produce inventory since the customers would have to be able to receive their orders within 48 hours of placing them. Frank had had to revamp the entire system of logistics to accomplish this. This was a major undertaking, but the people who had made it a reality were the ones sitting in the cafeteria, listening to Frank’s story, with a smile on their faces.

He arrives at the most important part of his New Year’s speech.

“We have solid plans for marketing to the middle segment of the market. The relaxers target the lower end of the market, the Preston the upper end, but we don’t have a good, commercially priced collection for the middle segment. This is what Sombrero is designed to achieve: chairs, tables, chaise

lounges and ottomans that are only ideas on paper at this point. We will be applying part of the techniques from the Preston series for this line, but will be focusing on large production quantities, with simplified designs. This will allow for semi-automated production and the cost price will be a bit lower than it is for Preston. In the coming months, we will be working hard to produce the prototypes. We will introduce the collection at the large international patio furniture show in Cologne in September of this year.”

Frank now has his audience’s undivided attention. You can see them all thinking that this was just what the company needed. This is what will ensure a bright future. All of the market segments covered, all of the products made in Enschede, all with a steel or aluminum basis. This was also the only material that Unimeta could process. For years, they had watched their neighbor Hartman in envy, a factory that churned out many thousands of plastic chairs each day. The production machinery was fully adapted for this purpose. Enormous, fully automated injection moulding machines spit plastic chairs out of their molds. In the 1990s, those things were impossible to get a hold of. The former director of Unimeta would have never dared to take on an investment of millions of Euros for a production line like that, and that’s why they still made these old-fashioned metal chairs. This has all changed now thanks to Preston.

“This does not mean our problems are all solved,” Frank says, “but there is a light at the end of the tunnel now.”

As he gathers up his notes a moment later, a ripple of applause cascades through the room. From now on, things can only get better.