Managing From a Distance—a Really Long Distance

The lanky executive sitting in the engineer’s seat is oblivious to everything but driving the train down a steep grade 15,000 feet up in the Peruvian Andes. The diesel fumes and the howling, groaning, banging noises from the straining 120-ton locomotive make the cold, oil-coated cab a torture chamber. But the bespectacled American in the Conrail cap and work gloves doesn’t mind. He’s too busy learning how to work the special five-brake system that keeps the Ferrocarril Central Andino railroad’s locomotive at a safe 20 mph.

To most people, test-driving a locomotive, even for 20 minutes, would be hell. But it is pure heaven for Henry Posner III, chief executive of Railroad Development Corp. (www.rrdc.com), a closely held investment and management company that owns stakes in and operates small freight lines like the Central Andino on four continents, mostly in the developing world. Posner gets his hands on the equipment as often as he can. Sometimes that means standing on the nose of a locomotive on an hours-long trip so he can inspect track. Sometimes that means climbing around on the roof of an oil tender, ducking as the train passes through the Central Andino’s 67 low, narrow tunnels.

Yet Posner is operating what is essentially a virtual company. Because he relies so heavily on electronic communications, the international railroad entrepreneur can sit in his tiny headquarters in a suburb of Pittsburgh, where he has just three full-time employees and one half-time employee, and oversee operations in Peru, Guatemala, Argentina, Malawi, Estonia, and the American Midwest.

In other words, Posner is living proof that once you start running a company by wire, it doesn’t matter how long the wire is.

“Our backbone is communications,” says the 45-year-old civil engineer, who holds degrees from Princeton University and the Wharton School. With the Internet, “you can send somebody a message anytime, and you won’t be waking him up, but you know it will get to him the next time he logs on, which for most people is within 12 hours.”
RDC was born long before the Internet took over the world. It was founded in the early 1990s, as South American governments began a wave of railroad privatizations. Still, when Posner first began using the Internet just two years ago, it was a turning point. Posner, who formed the company after 10 years of learning the railroad business at Conrail, rarely communicates with anyone by phone anymore—it's always the wrong time in Estonia or Malawi. Instead, on any given morning, he is liable to be at his desk in a bowtie and blazer, banging away at the Dell laptop where he has crammed everything from phone numbers for Internet access in Guatemala and an English-Estonian dictionary to a list of hundreds of favorite Web sites that includes six devoted exclusively to Pakistani railroads.

E-mail is invaluable. When Posner recently was putting the finishing touches on the deal to run Estonia’s freight railroad, for instance, he exchanged nearly 20 drafts of a document with shareholders in Estonia, Chicago, and London before everyone was happy with it. When his managers in Argentina were dealing with flood damage, Posner e-mailed photos of the simple but effective washout-repair techniques that RDC has used in Guatemala.

Surprisingly, Posner has found that online news groups are an invaluable source of information. For reasons only a fellow rail enthusiast could understand, rail fans worldwide happily post all kinds of arcane stuff about the daily operations of railroads, including RDC’s. “I find out things about our operations I wouldn’t have otherwise known,” Posner says, looking at a news group whose report on RDC’s Iowa Interstate Railroad shows it has 56 empty hopper cars that day.

Like many companies, RDC finds that the Internet saves money. RDC no longer prints informational brochures about itself; it sends people to the Web instead. The Web also gives visitors a hint of the playful mind of the self-described “capitalist with a conscience” who runs RDC. Along with detailed information on each railroad and the dozens of loving photos Posner has taken of their equipment, there is an audio track of each country’s national anthem. If you visit Guatemala’s page, you’ll even find a mini-movie of a long freight train coming at the camera, blowing its whistle. “Just so you know it’s a real railroad," Posner says.

Of course, on his travels Posner has found that access to the Internet isn’t always perfect. He says he has no trouble logging on in Estonia and Guatemala, but while traveling in darkest, poorest Moldova, he discovered the Internet was still just a rumor. Even relatively developed places like Russia can be troublesome. On a recent trip to Moscow, Posner found that Internet access from his hotel was blocked. Because it was night, the local office of the access provider he was told to call was closed. Its “so-called help desk,” which is regulated by the Russian government, “was in another country,” Posner says. “I had no idea which country, and the help desk was closed, too.” By the time he sorted everything out, he figures it cost him $100 in phone calls and charges.
Even in countries where Internet access is perfect, Posner stresses the importance of physically going there. He says his company’s long-term success depends heavily on learning the local culture and building strong personal relationships with its local partners and investors, which is why he averages 18 overseas trips a year.

Besides, watching him blissfully test-driving a shrieking locomotive or crouching on top of the train as it ducks into a tunnel, it’s clear that he’s having fun. And that trusty Dell laptop needs to sleep sometime.

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