



Tough Sell

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By Jennifer Gilbert

OCTOBER 28, 2002 -- Stepping off the elevator, you'd never know you were walking into the offices of a company that in the past two years has lost millions in revenue; reduced its head count from 2,000 to 275; closed one of three U.S. offices and jettisoned its European operations; seen the departure of its founders; been the target of class-action lawsuits; lost corporate backing; and transferred its stock to the NASDAQ SmallCap Market, following a reverse stock split.

No, these offices, located in New York's trendy TriBeCa neighborhood, reverberate with all the aloof cool and focused confidence of Web-design firm Razorfish's late-1990s heyday: Aquariums feature multicolored fish that populate the wall-thick tanks like swimming M&M's. Shelved awards sparkle behind sheets of glass. A laser-light clock on the far right wall exposes time for what it is: a mirage. A concrete-slab floor and loftlike ceiling give the space an unfinished, rudimentary feel, the feel of a space that houses creative thinkers and strategists too busy to concern themselves with the traditional refinements of places of business.

It's business as usual for Razorfish on this Friday afternoon in the early fall. Or is it? The company, one of the high-fliers of the dot-com boom, has struggled since late 2000 and has the battle scars to prove it. When the boom went bust, the economy soured, and companies stopped spending on nonessential products and services, Razorfish and its ilk were left trying to stay afloat. And such firms are not alone. Companies across industries are struggling amid ambivalent buyers, smaller workforces, skittish investors, and the resulting financial weakness. Lucent Technologies, for example, which operates in the troubled telecom market, suffers from declining revenue. The Murray Hill, New Jersey—based company has cut thousands of jobs and adjusted its business focus in the face of lowered product demand. Office furniture manufacturer Steelcase Inc. also has seen demand for its products wane, as companies lay off workers and shut down offices. "It's tough, because many salespeople are motivated internally by how much we sell and the numbers we make," says Larry Cohen, architecture, furniture, and technology solutions specialist at Grand Rapids, Michigan—based Steelcase.

But despite these challenges executives at such companies must lead the selling effort. And like hiking uphill with a 50-pound pack, that's no easy task. Hikers can turn around, of course. Company executives can't. They have to trudge on, fight their weaknesses, and sell more. "You have a choice of wringing your hands and sitting back, or having a positive attitude," says Alan McAnally, president and CEO of Commonwealth Sales Consulting, in Andover, Massachusetts. "You don't really have any other options," he says. "You have to do that or you don't go to work."



Alan McAnally
Commonwealth Sales

To lead a team at a struggling company, McAnally says, sales managers must maintain a positive outlook. Determine how to best present your company to a stingier and more fickle market, and target new customers by clearly identifying their needs.

Companies like Lucent, Razorfish, and Steelcase are implementing such tactics not only to weather the current economic storm—and their individual challenges—but also to ready themselves for when things calm down.

FRANKLY SPEAKING

Ask Cesar Brea, Razorfish's new senior vice president of sales and marketing, about the firm's tumultuous past couple of years and he'll be frank. "I don't try to spin it," he says. "I say, 'Here's the data.' Were we financially troubled a year ago? Did we have a cost structure that was ahead of demand? Sure, but that's kind of water under the bridge at this point. We are where we are." And with that he's quick to point out the positives, including two consecutive profitable quarters, about \$11 million in cash, diverse clients such as Ford Motor Company and GlaxoSmithKline, and no layoffs this year. Revenue has stabilized, he says, and the company has raised \$6 million in equity.

"If somebody raises the viability question, I personally think it's a softball," Brea says. "I'm happy to swing at that pitch."

Such optimism is just what's needed in these difficult times, McAnally says. "A belief that you can prevail is absolutely essential," he says.

Lucent, of course, has been fielding its share of financial blows. The company traditionally has provided customers like AT&T and Verizon with communication networks, equipment, Internet infrastructure, and communications software. But with capital spending down, many companies have shied away from investments in such products. In September Lucent announced that because of continuing market softness and ongoing uncertainty in customer spending levels, it expects fiscal fourth quarter revenues to decline sequentially by approximately 20 to 25 percent from the \$2.95 billion recorded in the fiscal third quarter of 2002. Rick Miller, senior vice president of global sales operations, acknowledges the company's predicament, but counters by identifying its potential: "We do have some terrific pockets of sales-process success, but they're not leveraged," he says. For example, in the area of account planning, "some customer teams are best-in-class at assessing their customer's profile and gathering useful data on that customer to ensure we are aligned with their priorities," Miller says. "Clearly, this is where the sales process starts." Like Razorfish's Brea, Miller was brought in to drum up business and gain market share through sales. The company is working to redefine itself as not just a product supplier, but as what Miller calls a partner, providing consultative services around product implementation. "Our customers expect us to understand their market, develop value propositions for revenue generation, and offer solutions that align with their profitability and strategy," Miller says.

In addition Miller has resolved to fix what he says is a perception that the company is not a top performer when it comes to sales. He thinks Lucent isn't given the credit it deserves.

"Some significant financial benchmarks have been achieved by this management team," including CEO Patricia Russo, Miller says. Russo, in fact, has made it her charge to implant strong sales leadership.

"In many ways I am Lucent's chief salesperson, in terms of motivating our sales force as well as getting out on the road and meeting with customers," Russo says. "Now more than ever, an experienced, creative, and committed sales team is absolutely critical to our turnaround and success going forward."

Miller believes the company will be poised to capitalize on the telecom market when it rebounds. As a sales executive he is right to assume a positive outlook and let that attitude trickle down to his sales force, sales experts say.

"When everything is falling around you, that's when sales management has a motivational and support role, saying, 'It's tough, but we're going to get through this, and let's focus on the things that we can affect positively,'" McAnally says. Russo, for example, keeps her eye on a future turnaround. "While telecom is currently not a growing market, communications networks are the backbone of our global economy," she says. "The market will return."

Rick Yeates, vice president and general sales manager at Steelcase, similarly acknowledges the company's troubles—and quickly highlights its strengths in the face of adversity.

In March 2001, he explains, Steelcase started to see a decline in demand attributed not only to dying dot-coms, but also to the troubles of companies that were supplying products and software to the dot-coms, like Cisco, Nortel, and SBC. Nortel, for example, had to cut its workforce, because of the softening market. "And when they lay off people, they are left with someone's desk," and no need for new furniture, Yeates says. The events of September 11, 2001, and the accounting scandals made people even more cautious about spending, he says.

Thanks to product diversification, however, Steelcase has managed to find new customers even as furniture demand dwindles.

As worrisome as corporate problems may be, sales executives have an obligation to keep their salespeople informed of troubles such as waning stock performance, employee layoffs, negative media coverage, and poor earnings. It's unfair to expect reps to get out there and try to sell without the ammunition to fend off questions. When a problem occurs, "managers must call every one of their salespeople and say, 'Here's what happened, here's our position on it.' Give them these facts and get back to selling," says Gary Sutton, turnaround specialist and author of *The Six-Month Fix: Adventures in Rescuing Failing Companies*.

It's also important for salespeople at struggling companies to understand that things like accounting problems, executive turnover, or rumors of bankruptcy or scandal don't necessarily affect the product or service being sold, McAnally says. "While the talk around your office may center on how your 401(k) plan's value has almost evaporated, the talk in the customer's office may be oriented to why your product is still the best overall value for them," he says.

Lucent has helped its sales force craft a message in the midst of financial difficulty, Miller says. That helps salespeople better handle customer inquiries. "Few companies enjoy the breadth of coverage that Lucent Technologies does," he says. "We make sure our sales force is educated about the issues that the media choose to highlight—for example, being cash-flow positive. If a customer wants to go deeper into the issue, we don't shy away from it; we fully answer the question and then move on to the selling opportunity. Facts are our friends."

Russo also personally involves herself in communicating the company message to its sales force. "I have quarterly meetings with each of the sales teams where I learn more about the challenges they are working through with their customers, as well as celebrate their accomplishments," she says. "In this tough market it is important to keep people motivated and focused on controlling the things they can control."

RETHINK INCENTIVES FOR REPS

Financial woes, bad press, and the loss of colleagues can depress even the most upbeat

salespeople. Executives at troubled companies should reconsider their tactics for motivating salespeople and maintaining morale. As Yeates explains, incentives that might have worked during good times may fall flat in a recession.

"When demand is down, implementing more incentives can backfire if goals are not realistically set," he says. "Incentives work when the economy is growing, because people have a greater chance of achieving."

Instead of the money, gifts, tickets, and other incentives popular in good times, Yeates says the best incentive for Steelcase salespeople is the chance to sell new products and services.

"One of the challenges we are feeling in the marketplace right now is that price is driving many decisions as to whether people are going to buy furniture or not," Steelcase's Cohen says, and many people just can't spend money on furniture right now.

But unlike in past recessions, "this time, we've got all these new tools and solutions and new products that we're introducing," Yeates says. Those additional opportunities to satisfy customers' needs are keeping Steelcase salespeople motivated.

"They give us a chance to really work with a customer to address three areas of concern: price, function, and aesthetic value," Cohen says.

Steelcase also has had to work to keep morale up in the face of layoffs. Since March 2001, the company has let go about 80 of 650 employees but handled the layoffs with "dignity and class," Yeates says. For example, the company provided departing workers with generous severance packages. "Our employees saw us take a very difficult situation and provide people with an easier transition," he says. "That helped temper employees' anger, frustration, and concern about their coworkers."

Lucent's approach to building morale within its sales force is to cultivate what Miller calls a gain-share mentality. "The idea of aggressively taking share is a concept that sales forces can rally behind, especially when top management is promoting that as well," Miller says.

That's because in a shrinking market the only way to grow revenue is to gain share, Russo says. "We can't depend on market growth to help turn Lucent around," she says. Reduced capital expenditures by Lucent's service providers mean sales teams can't rely on a steady stream of purchase orders as they might have in the past. But because Lucent is focusing on growth areas, such as software and services, the chance to gain share motivates salespeople, Miller says.

Other ways Lucent boosts morale and motivation: market-based compensation, recognition events, and training. "We are going to more than double our commitment to sales force training and development and education in the next fiscal year," Miller says. "To apply all the products and services to our customers, you really need to understand the environment in which you sell and really understand who you're selling to and how they are going to use this stuff to improve their businesses.

"One of the things that we're increasingly focused on is making sure that salespeople increase their customer face time," Miller says. "True sales professionals are happiest when they are practicing their art, which is working with customers. If salespeople are spending more time with your customers, chances are your revenue is going to go up." Lucent is starting to measure that face time via online surveys, asking salespeople how they spend their days, he says.

Miller has also reinstated two recognition programs for the sales force that had been cut for budgetary reasons. Achievers Club recognizes members of the Lucent Global Sales Organization, both direct salespeople and those within Lucent who support them, who achieve superior results in directly serving and supporting customers. Recipients must meet goals such as

meeting sales commitments and implementing role-model behavior, after careful assessment of the market and customer scenarios. Evaluations are done and recipients are chosen by looking at the various projects and accomplishments during the year, and incorporating feedback from Lucent's sales management and customers.

Leaders Council identifies the most outstanding salespeople across all of Lucent. Its members represent the top echelon of the Lucent sales force, and members are recommended by senior sales leaders for this recognition based on similar criteria to that of the Achievers Club.

"It is always part of a good sales organization to understand the key component that recognition plays," Miller says. "In a tough environment you do more of the stuff that you do in a good environment. And you can't cut back on compensation for salespeople just because times are tough and money's tight," if you want to retain good salespeople, he says.

REINTRODUCE YOUR COMPANY

Managers at struggling companies also must make sure they are clearly defining themselves to their market, so that prospects know exactly what it is they do, and what they can offer them. That might require recrafting your corporate message. "When the market is not good, you've got to be very concise with your message, because it's a much more difficult sale right now," says Maribeth Kuzmeski, marketing consultant and author of *Red Zone Marketing: A Playbook for Winning All the Business You Want*. "If you really define what it is that you do and it comes across as a benefit, they are going to buy it."

Razorfish, long defined as a digital solutions provider, realized it had to explain itself in much more concrete terms in order to effectively pique clients' interest. "We're being much more focused in plain English about what we do," Razorfish's Brea says. "The short version is, we design and build sophisticated Web applications from a user experience, a usability perspective." If clients ask Brea and his sales team how Razorfish is different, "I assert that it's a question of experience and innovation, but then I just fall back on our client experience. I say, 'Look at the work we've done.'" He also says he will use "no bus wraps, no blimps, and no gorilla suits" to promote the brand. "I'm also less keen on trade shows, unless we're speaking, because I find that having a booth on the periphery of a big floor and with your little hand-outs and toys and so forth, hoping people will troll by to chat with you, just isn't effective. I'd rather take the five thousand to twenty thousand dollars you're going to spend on something like that and cohost with clients a series of intimate executive breakfasts. It's for peers to network and you're able to bask in the reflective glory of your clients' success. We're going to do a lot more direct, targeted approaches with the intellectual capital we've developed," he says.

SEEK OUT NEW CUSTOMERS

Having sold to larger corporations in thriving times, Steelcase's Cohen has recently shifted his strategy to selling to customers in the educational and government sectors.

For example, when a community college in Connecticut was looking to expand a training center, Steelcase sought to win that business from the college's existing computer-table supplier, a Steelcase competitor, Cohen says. One customer trip to Steelcase's headquarters and a product mock-up presentation later, "they concluded that our product would be more flexible and of higher quality than the one they had," Cohen says. That project attracted the interest of five other community colleges in Connecticut that also are now seeking out Steelcase's services to expand their facilities.

Even struggling companies must actively find new customers at the same time that they are serving existing customers. And most important, they must work to identify clients' needs and how they can effectively and efficiently meet them.

"Difficult times call for imaginative solutions," McAnally says, such as risk-sharing with customers, imaginative financial terms or conditions, delivery flexibility, or new services or programs designed especially for a valued customer.

Wooing new clients isn't as easy as it used to be for a company like Razorfish, which is going after companies in specific industries such as health and life sciences and financial services. "Today, you won't get the meeting and nobody will take your phone call for follow-ups if you're not making sure that in every interaction you're bringing something useful to the table," Brea says. "It might be a bit of news, some research that helps them frame their business case, a new idea, or a suggestion for a process they could go through internally to sort through some issues. It really puts a premium on a culture where you have professionals who sell, versus sales professionals."

More customers are demanding value up front, says Lisa Hurwitz, business development director at Razorfish. "A couple of years ago people were banging on our door and we were turning away clients," Hurwitz says. Now, the firm has to put a lot more effort in the wooing process. "We are doing things like showing prototypes in pitches and doing workshops so clients can see what a screen might look like or get a taste for what the technology solution may be. That ups the comfort level for clients," she says.

Referring to successful executions for existing clients like Cisco Systems and Genentech, Hurwitz says, "makes it a lot easier to sell in this economy. That's what's pulled us through."

Steelcase also has had to make a concerted effort to seek out new clients—and boost sales. Over the past 20 years or so the company has targeted large companies.

"In the last four or five years, we've really focused our efforts and products on serving customers that are smaller and have fewer office workers," Yeates says. That's because in this economy the larger companies are the ones laying off workers in droves. Where do they go? To small and midsize companies, Yeates says. "We're looking for the expanding markets rather than the shrinking ones," he says.

And in May 2000 Steelcase started a new company called Workstage that actually builds buildings with high-quality interiors, technology, and equipment. "It's a new revenue stream for us. We are pleased we've got twenty buildings that are committed during this economic downturn," Yeates says.

"Your company may be struggling, but in the final analysis buyers must still make a choice between you and your competitors," McAnally says. "Their focus will likely remain on their needs, not your difficulties. Highlight the position of your product or service versus that of the competition." Return to fundamentals such as benefit analysis and consultative selling, he says.

Indeed, "staying close to our customers, helping them manage their networks during this difficult time, and understanding what they will need going forward" is what Lucent salespeople are doing to weather the current downturn and "return the company to profitability," Russo says.

Razorfish's Brea sees the current climate—and his company's struggles—as an opportunity. "I'd like to see the economy pick up, but I don't mind competitively seeing a bit more winnowing out of folks. When the music stops, we'll be there to capitalize on it as demand comes back."

Steelcase's Cohen agrees: "A downturn like this forces our creativity. In many ways that becomes a motivator. That adds to the excitement of being in sales."