CHAPTER 1

Running on Empty

There is nothing permanent except change.

—HERACLITUS

Membership in the growth company club has its privileges. You may have been inducted for a number of reasons. Perhaps you invented a breakthrough product while your competitors were asleep at the wheel. Or maybe you are really adept at expanding a loyal client base. Whatever the reason, it feels good to call the shots and to have completed the start-up phase of your business.

At this stage, it is only natural to wonder what you could ever gain from reading yet another book on marketing and planning. You have already learned all the hard lessons, right?

Maybe not.

Today's current economic turmoil is consuming your energy reserves, no matter how smart, successful, or experienced you are. Stock markets can rise and fall by hundreds of points within just one day. In 2008, "mature" companies such as Washington Mutual and Bear Stearns virtually evaporated overnight. General Motors announced over 5,700 layoffs in the United States and a $2.5 billion quarterly loss. As you will learn later in this chapter, decline happens when you are unaware of the warning signs.

These issues do not just affect mature industries and high-rolling financial firms. It can happen when you are celebrating market dominance and industry accolades. When you have strong (if not dominant) market share, the best people, and the highest potential, you feel unstoppable. You focus on what is working and keep doing it. You struggle to benchmark yourself against your competitors because you have surpassed them in so many areas. Yet, if you ignore the subtle indicators that your company's continued success is threatened, you may never muster the energy, resources, or desire to recover from the decline. Here are some of the most common clues and some ideas on how to address them:

- *Your ideal client's profile changes significantly.* You notice that your current clients begin behaving differently, or your current measures of client retention, client satisfaction, and client experiences no longer provide meaningful feedback. Some companies, for example, conduct customer satisfaction surveys by polling their salespeople. In these times of fickle clients, basing your strategic decisions on secondhand information isn't good enough.
- *Your whole product changes.* The term *whole product* is used to enumerate all of the deliverables that a customer needs to achieve their objectives. In this scenario, you have expanded your relationships with partners or other suppliers, and now account for a broader slice of the client's budget. For example, you may have recently acquired a training firm to help you deliver your offerings. If you have expanded your market reach by offering blended learning offerings (such as multimedia programs and online tools), word-of-mouth marketing, or online help systems, your impact on your clients' success will also expand. These changes in your whole product can significantly affect your company culture, the economic buyers you are calling on, the ages of people who want to buy from you, your gross profit margin, and your sales cycle.
- *Clients are no longer willing to pay extra for your offerings.* This sometimes shows up as declining sales morale and longer sales cycles. Now is the time to revisit what makes your product or service unique. If great client service and strong client relationships are your only differentiators, it is likely your product has become a commodity, or your positioning is stale. With

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the pending threat of company decline, you must modify your growth strategy now. Don't wait.

- *Clients are choosing an alternative solution to satisfy the same need.* You are watching your client retention numbers decline, or sales, general, and administrative (SG&A) numbers skyrocket due to a higher cost of sales. If you are losing some of your best clients, quickly determine why the shift is happening. Consider hiring an independent researcher to interview or survey lost clients. Is the alternative solution easier to use, does it take less time, or cost less? Does it appeal to their sense of greed, safety, or ethics? Gather good intelligence.
- *Your margins keep shrinking due to rising costs of doing business.* If the key cost drivers in your business model have outpaced your price increases, it is time to revisit your core offerings and ideal client profile.
- *New, innovative companies are entering your market.* Case in point: the automobile manufacturers once boasted industry dominance in the United States. Over the past decade, the "Big 3"—General Motors, Ford, and Chrysler—have become "the Handicapped 3," while Toyota and Honda have led the charge in innovative hybrid fuel cars. The Big 3 could have adapted, but were wiped out by Toyota's innovation and nimbleness. Now General Motors has reverted to questionable marketing tactics, such as trying to persuade auto buyers to take their Chevrolet Malibu Hybrid seriously even though it boasts a meager improvement of two miles per gallon in city fuel consumption compared to the standard Malibu!
- *You are resisting a new industry shift or technology, even when the market is demanding it.* How often do you find yourself defending your position with your clients? Three years ago, I experienced the perfect illustration of a company's unwillingness to accept an industry shift when I visited a Mercedes dealer. At the time, I was in the market for a new vehicle.

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I asked the manager, "What is Mercedes-Benz's strategy for building alternative fuel vehicles?" It was as if I had uttered the unspeakable. The manager firmly replied that they were focusing on fossil fuel technology for many years to come. I quickly chose to buy another brand. Is your company wearing the same blinders?

- *Your key people are married to the way they have always been doing it.* You cannot seem to persuade them to think otherwise. If persistent limiting beliefs define your culture, then selling your business may be a better option than transitioning to a new business model. These limiting beliefs are a surefire way to enter the slippery, painful slope of company decline.
- *The owner has an incomplete or nonexistent succession strategy.* This becomes even more of a threat when the founder faces a health concern, a major life change, a strong desire to pursue a new venture, or apathy. It may be time to measure the percentage of completion of that succession plan—and hold the founder's feet to the fire to stay on track. An outside advisor can help with this process and is downright essential.
- *You believe that growth planning and marketing are reserved for large, mature companies.* How many times do you tell yourself "planning and visioning are important, but I am just too busy to do them?" Maybe you have created a culture of innovation, and planning gets second billing. If this continues to happen, your market dominance is in jeopardy. You are unconsciously passing on this limiting mindset to your team and to your clients. Why would they show any emotional stake in your company's success? You may just be giving them one more good reason to look elsewhere for a job.
- *You are struggling to shift from practitioner mode to leader/visionary mode.* The habits and skills that helped you attain your first few million dollars typically inhibit your ability

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to generate the next 10 million. Think about the skilled experts you have met who excel at their trade, and later decided to start their own business in that field. After their first successful growth stage, they are still working in the business. This severely limits their ability to look ahead and divert their time to different activities.

- *You constantly pursue interesting distractions (e.g., new ideas, personal pet projects, or outside ventures).* When you keep announcing new projects and strategies, teams lose direction. They do not see how their jobs tie to your company's success. The information overload can also trigger feelings of overwhelm. Overwhelm translates into paralysis. And paralysis impacts top line growth. By asking some key questions, such as: "What is our core business? Where do we invest? What growth strategy generates the highest return? What is the risk involved with changing direction?" you can get back on track.
- *You continue to sell old, unprofitable products—and still expect your most valuable resources to support them.* Many founders are emotionally attached to their past success and history. This is human nature; we love our babies and don't want them to leave for college. But these blinders prevent us from anticipating new market opportunities, reassigning our top performers to hot new projects, releasing poorly selling/low margin products, or staking a claim in new, highly lucrative markets.
- *You become bored with your current business model.* You have achieved everything you ever dreamed of. Things are running smoothly. The bad news is that innovation has slowed considerably. Your business setting feels more like a family reunion than a high-energy, productive work setting.
- *Your success has become your greatest enemy.* No, this is not a typo. You start breathing your own exhaust. You have crossed that fine line between confidence and arrogance.

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If you don't believe this last point can happen, listen to my story.

One glorious sunny day, I flew home to San Diego from London. I was returning from the inaugural planning session with my global account team. Although I was tired from two long days of meetings, I was proud of what we accomplished.

I was the first global account team leader in our company's history to develop a written plan to help us manage and expand the Microsoft account. Our team included some of the best and brightest minds in the global services organization. We were successful because we focused little time on stock price or shareholder issues. Instead, we spent at least half of our time supporting and managing our client relationships.

We set two goals for our two days together: first, develop a written plan that would help us align our account teams across eight countries, and grow the account from $2 million to $11 million within two years. We delivered on what we promised.

Our plan occupied a 4-foot by 6-foot space on the wall. Owners were assigned, initiatives were funded, executive contacts were shared, and travel budgets to Microsoft regional and world headquarters were secured almost indefinitely.

This was the lucrative dream job that I thought I always wanted, and I had reached my personal and financial goals at a young age. My success cup runneth over.

Within three weeks, we scheduled a presentation with Microsoft's key executives in Redmond, Washington. This meeting was essential to gaining their support for our account plan. Our intentions were to announce our broader range of service offerings, and to gain their commitment to the plan we had drafted.

We had invested thousands of dollars just to study their business. We aligned our resources with their highest priority initiatives. As far as I could tell, our planning efforts were flawless.

During my presentation, I shared what we accomplished over the past three years. I discussed how our current programs spanned the globe. I informed the Microsoft executives that we were working

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on translating our highly acclaimed programs into French, Italian, and Spanish.

Then I presented some disappointing news: Although hundreds of Microsoft employees and partners had attended our programs, we had few business results to show for it. We could only show scant value resulting from their initial $2 million investment.

At that moment, the mood in the room shifted. The senior vice president—our economic buyer—declared, "That is incredible. Why didn't someone bring this issue to my attention sooner?"

Needless to say, we left that meeting without any client commitment to our account plan.

The two-hour flight home from Seattle to San Diego felt like the longest trip of my life. It felt longer than the flight from Heathrow to San Diego!

The reason why we left without a commitment is because *our plan failed to gain the client's commitment to our mutual success.* We had crossed the line from confident to arrogant, and then were stunned when they responded unfavorably.

Microsoft certainly valued our excellent training content—but they had no desire to build a long-term "trusted advisor" relationship with us.

Had I not allowed my own arrogance to cloud my judgment, and focused more on building a trusting relationship, I may have won Microsoft's commitment. For several months, my career ran on empty. I lost confidence. I finally mustered the courage to resign and launched my own successful consulting practice.

I spent the next seven years researching the traits of high-performing growth companies. Now I am clear that planning is useless without the ability to manage your mindset and to engage others in your vision. I have subsequently helped dozens of companies reenergize their teams, their strategies, and their marketing plans.

In the next chapter, you will see the tight connection between planning and mindsets.

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Once you recognize the threats to a well-written growth plan with humility and fortitude, you have taken the first step toward building a wealthy company. At that point, anything is possible—including a stress-free flight home from the Seattle-Tacoma Airport.

Energy Booster 1

What market changes and internal limitations pose the biggest threats to our growth plan?