

Under the Buzz

Commentary on Business Strategy for Tech Company Executives

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Under the Buzz is an email "viewletter" published by Philip Lay, managing director at TCG Advisors, a Silicon Valley-based firm that helps executive teams in tech companies to deal with perplexing strategic and operational challenges. Now in its tenth year, this journal is published periodically and delivered free to subscribers via email on an opt-in basis. It is also posted on TCG Advisors' website, <http://www.tcg-advisors.com/Library/utb/utb.htm>, where back issues are also available.

In case you haven't seen it yet...

"In a Downturn, *Provoke Your Customers*," an article co-authored by myself, Todd Hewlin and Geoffrey Moore, just came out in the March 2009 issue of the Harvard Business Review. The article, which has received plaudits from readers in different markets around the world, describes how companies need to be insightful and provocative in approaching target customers in order to motivate them to find funds for critical IT investments, in the face of the dearth of available funds in today's severe downturn. The journal has been available at bookstores and magazine stands, and also online at www.hbr.harvardbusiness.org.

Among the troubling issues impacting tech companies severely today are these:

- *"We're under-performing in our target markets despite having a market-leading solution - we can't figure out how to fix it."*
- *"We're finding it extremely challenging to gain customer adoption for our new offerings."*
- *"We're wasting way too much effort and money on marketing programs that just don't work, especially in today's harsh environment."*
- *"Our major account penetration is way below where it needs to be."*
- *"Big deals are taking longer and longer to close, making our recent earnings calls embarrassing."*
- *"Our customers view us as vendors, not trusted advisors."*
- *"Despite all the training we've done, our salespeople are stuck in a groove selling to IT and unable to gain access to line-of-business executives or engage them in any kind of productive dialogue."*

Today tech companies are hemorrhaging profits and consequently market cap, by failing to open up sufficient sales opportunities or close deals in a timely fashion. In particular, opportunities with target customers and global accounts have dried up in the harsh environment of the past few quarters. We argue that executives who believe that their current marketing strategies and sales tactics are good enough to meet today's challenges are almost certainly deluding themselves.

In most companies marketing is still overly focused on product-centric programs that yield poor results. Furthermore, sales activities tend to be "solution-focused" in name only – sales teams tend to approach prospects with a strong presentation focus rather than employing the inquisitive, penetrating style of provocation and dialogue that some of our clients have found to be much more effective in times like these. In general, customers have become inured to the approaches of sales teams that are over-anxious to close a deal and underwhelming in their ability to add any useful insights to help solve painful mission-critical problems. The article sets out to describe how marketing and sales teams as well as executives and others in the organization need to operate in a downturn in order to have a reasonable chance of generating business, and there is an in-depth case study to exemplify how to make this approach work.

One important clarification: The article does not propose a new quick-success selling approach. Provocation-based selling must be accompanied by referrals-based marketing, and both of these approaches are best when deployed in service to a coordinated and coherent go-to-market strategy that serves a company's objectives to achieve growth, and thus increased power in its target markets. Thus, what we are describing is a high-impact initiative that needs to be thought through and implemented with some care in order to be successful. The good news is that, being a selectively applied model, it does not require that executives drive wholesale change all at once through their entire organization.

The Slough of Despond ... And Beyond

"The Slough of Despond is a deep bog in John Bunyan's allegory, The Pilgrim's Progress, into which the character Christian sinks under the weight of his sins and his sense of guilt. 'It is the low ground where the scum and filth of a guilty conscience, caused by conviction of sin, continually gather, and for this reason it is called the Slough of Despond.'" Entry in Wikipedia

If you try to pinpoint the exact time that the latest economic meteorite slammed into the tech industry, I guess you'd say it was just before the end of the third calendar quarter of 2008. This was the moment when Lehman Bros. was allowed to collapse and the proverbial bad stuff hit the fan. In the last 10 days or so of September companies that were confidently predicting closing their quarters on or above target suddenly found that verbally communicated decisions by customers to go ahead with deals were rescinded or put on hold, in some cases indefinitely.

Perhaps *slough of despond* is a strong term to describe how everyone is feeling these days, but perhaps not. On one hand, it is amazing to see how in-stride the response of most executives seems to be in the face of the assault on corporate and personal wealth and well-being that has occurred in the past four or five months. On the other hand, perhaps we are all feeling some strange sense of comfort that pretty much everyone has been affected – thus, we haven't been singled out for persecution, so to speak.

In any case, from many different conversations tech company executives seem to feel as if they are in the Black Hole – little if any visibility into the current quarter's business let alone the next quarter. Although no one I know is ready to predict when the market will reach its bottom, I do think there is evidence to believe that executives and other employees don't have much patience for staying in the Black Hole indefinitely. Sooner or later, even if the market doesn't actually recover its full momentum for two or three years – as happened after the Y2K/internet bubble burst in 2000, and as may well happen this time around if the consensus of financial and business experts is to be believed – companies start adapting to the "new normal" in their business activities.

It's anyone's guess when this will happen but based on past experience, this may start to occur sooner than we might think. Although it may have been absolutely the right thing to do for businesses to hunker down in the past two quarters and preserve cash, it might well make sense for companies to start positioning themselves now for new market opportunities in the latter part of this year or early next year. To my mind this implies (a) aggressively optimizing existing operations and offerings, and (b) investigating new market opportunities and building strategies to take advantage of times when many competitors will still be hunkered down in the bunker. Doing (a) will be vital for resourcing (b).

Under the Buzz offers commentary on business and management issues facing technology companies. The goal is to provide provocative insights into the latest events and thinking shaping this continually evolving sector. *Under the Buzz* also provides commentary on strategies for building sustainable competitive differentiation and maximizing growth and market valuation.

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