Clawing Our Way Back to Prosperity

Congratulations! You hunkered down. You survived the worst decline in recent memory. And the economy may finally be recovering. That’s the good news.

The bad news is, your competitors, too, have been on starvation diets. They’re hungrier than ever and want to eat your lunch.

Not to mention other challenges such as: How to grow profitably when many customers still hesitate to buy? Where to concentrate reduced firepower for maximum return? Where to find those elusive profits lastingly?

To understand how to claw our way back to prosperity today and tomorrow, it’s worth examining the strategies of an industry leader while keeping an eye on first principles.

Confronting a grim climate

Mark Hurd’s departure from Hewlett-Packard may have been controversial. But there’s no questioning he did a remarkable job reviving the company’s prospects.

HP’s former CEO brought rigor, experience and fresh leadership. He slimmed the organization and introduced fiscal discipline, while acquisitions and restructurings fueled growth.

But despite these moves, sales and profits skidded in the bleak economy at both HP and other firms.

After cutting back and reorganizing wherever possible, everyone’s focus has now shifted to the top line and achieving profitable growth. The burning question remains, though, of just how to get there.

Deep in the crisis, a New York Times story entitled “Does H.P. Need a Dose of Anarchy?” advocated boosting the company’s numbers in a way that holds important lessons for all of us.

How? By harnessing HP’s fabled culture of innovation and injecting “creative inspiration” to deliver what the paper called “that prized and perennial Silicon Valley trick: surprise and astound.”

The reasoning was compelling for the computer giant, which had begun to trim R&D, and has its merits for many companies.

Yet during 20 plus years of marketing complex offerings to demanding corporate buyers, I have observed that several vital, often overlooked keys to prosperity lie elsewhere for companies seeking a path to recovery in today’s challenging times.

Which silver bullet for profitable growth?

It’s good to surprise and astound, something many technology-based companies excel at.
Obvious as it may seem, though, convincing risk-averse corporates and their tight-fisted bean counters to sign big checks means we must first understand and meet their true needs, not just surprise and astound them.

So what’s the best way to do that?

In numerous interviews I’ve conducted in person for HP itself and for other vendors of technology-based products and services, the CIOs, line-of-business executives and other senior managers in customer organizations have consistently told me it takes more than whiz-bang technology to get their attention and land their orders.

They say it takes the vendor’s ability to grasp, demonstrate and deliver the business benefits these hard-nosed customers seek for their companies.

Typical benefits I’ve heard them ask for include: “Will we bring innovative offerings to market quicker? Will we respond faster to emerging customer needs and changing market dynamics? Will our current business processes run better? Will we develop new ones more efficiently? Will we increase employee productivity? Will we cut costs further?”

**Bridging the crucial divide**

The goals and thinking of these customer decision makers are thus frequently far removed from the speeds and feeds that are the lingua franca and vaunted achievements of most technology companies.

As a result, growth at too many vendors is stymied by this invisible divide, which separates corporate customers wanting to buy business benefits from vendors anxious to sell them technology products.

For many vendors, the biggest barrier to success resides in recognizing and bridging this crucial gap.

Here, then, lies an unspoken key to compelling advantage and profitable growth that smart companies have mastered.

They are the ones who have learned how to bridge the gap – by bringing customers and their worlds into the mindsets, strategies and daily activities of their businesses, from the executive suite down through management and into the labs and product development.

**Managing for success**

According to The Times, HP’s Hurd kept four vital management quadrants in his head: operations; products; business and technology trends; and competitors.
On reading this I asked myself, but where are the universes of customer decision makers and what they’re measured on, what they value when making purchases, how they view and compare vendors competing for their business?

Hurd’s laser-like focus on metrics to turn his company around may explain this omission. Yet at many companies this absence isn’t surprising. The crush of daily business and the culture gap mean they often overlook not just the need to listen to and deliver what corporate customers want, as we’ve seen.

They also overlook the fact their offerings must answer convincingly the pivotal question on every customer’s mind: “Why should I buy the product or service I want from you and not from your competitors?”

Companies must focus on the defining question that tough-minded decision makers ask: “Why should I buy your offering instead of your competitor’s offering?”

Here lies another key to prosperity smart companies turn to their advantage.

So as fundamental as the four quadrants are for good management, they must be framed to serve what I believe is the overarching mission of any successful company: Meet customers’ needs better than competitors do, lastingly and at a profit, in carefully chosen markets.

This means putting customers and their worlds at the fulcrum of every business organization, and measuring the excellence of management quadrants by how well the quadrants serve that mission.

**How to claw our way back today and tomorrow**

After exhausting the benefits derived from tightening operations and scaling back wherever possible, companies need to figure out how to achieve profitable growth in today’s challenging environment.

The obvious answer is to keep developing and refining new products and services. More importantly, as we saw earlier, vendors must design their products and services to deliver the benefits customers want to buy, not just the buzz many engineers want to sell them. Doing so ensures you have the offerings customers want. Step one.

*Playing to your core strengths is a must. But failing to hear and act on how customers feel about your rivals’ offerings vs. your own can kill your business.*

But remember, you’re not the only vendor on decision makers’ radars. To stand out in the latter’s minds from your competitors and avoid profit-eroding price wars, you must differentiate your offerings based not only on customers’ needs but also on their views of your offerings vs. those of your rivals.

By taking this equally essential step, you will have both what customer decision makers want and a competitive advantage they will perceive, value and act on in your favor at a profit. Step two.
Last but not least, achieving profitable growth requires concentrating company efforts on market segments that offer the greatest opportunities for success at the lowest risk, as defined by how customers view your strengths and weaknesses compared to those of your competitors.

**Two cardinal rules**

In this strategist’s book, then, surviving and thriving in any challenging environment – not just as the economy recovers – means management must always abide by two cardinal rules:

**Know the customer imperative.** What do customers say they want? What do they say makes your company and its offerings strong and your competitors weak? How do customers think, feel and act when considering and comparing products from your company and from your competitors, and then purchasing them? And what does all this mean for your offerings and how you differentiate them from rivals’ offerings?

**Heed the customer imperative.** Tailor, align and measure every management quadrant and every company decision on strategies and tactics against that imperative.

By knowing how and where to act, your company will thus be able to focus its competencies, resources and people to answer profitably the defining question customers ask – and the only one that ultimately matters in every company – “Why you?” and not your competitors.

*Michael Saklad, the author of “Clawing Our Way Back to Prosperity,” is a business strategist who advises and coaches companies and their executives on how to achieve lasting, profitable growth in highly competitive environments. You can reach him at info@saklad.com.*