



Value-Added from Tom Reilly Training

## You Can Prevail In Tough Times

By Tom Reilly

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*Since the early 1990's Tom Reilly has been studying how companies and individuals engage tough times. His background in psychology and work in Value-Added Selling provides a diverse backdrop and unique perspective for his research on success and failure. His position is simple: Tough times happen on many levels in life, and individuals and organizations have a choice for how they will engage and emerge from tough times. Even though the focus of this report is business, Reilly argues these principles can be applied broadly across the human experience. Organizations are made up of humans, and how humans respond and engage tough times determine how their organizations emerge from tough times. Reilly is also the author of How To Sell And Manage In Tough Times And Tough Markets.*

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Throughout history, humans sought reason and refuge in words to describe the dichotomies of life. Thomas Payne wrote of the American Revolution: "These are the times that try men's souls ... What we obtain too cheap, we esteem too lightly: it is dearness only that gives every thing its value." Charles Dickens wrote of the French Revolution: "It was the best of times, it was the worst of times ... it was the spring of hope, it was the winter of despair." Solomon, often credited as the author of Ecclesiastes, wrote: "There is a time for everything, and a season for every activity under Heaven ... a time to tear down and a time to build ... a time to weep and a time to laugh ..."

These writers were describing different times and different conditions, but their foreboding is hauntingly relevant in 2009. Today's world is a kaleidoscope of global, local, individual and organizational economic and emotional challenges. On the economic front, they could be describing a global crisis: plummeting real estate values, rising unemployment, volatile financial markets, shrinking gross national product, and rising government deficits.

On the personal front, this is a challenge of the human spirit and diminishing personal net worth. According to Gallup, nearly two-thirds of American workers ad-

mit struggling with stress due to the economy. The American Psychiatric Association found half of all Americans worry about providing for their loved ones. Contributing to the angst in the United States, the Federal Reserve recently announced that people lost 18% of their net worth in 2008.

History has taught us one's pain can be another's gain. In tough times, some perish and some prosper. Some retreat in the heat of battle while others run to the bugle call. There are casualties and survivors in every war.

As if the crisis does not present enough challenge for most people, recovery is often thwarted by a lack of patience and hope. We live in a quick-fix, instant-message world that lusts for immediate results, which may not happen in tough times. A market-share mentality adds additional pressure, as growth and recovery may come from non-traditional sources and reinventing to relevance. Additionally, there is an entire generation of salespeople that have never sold in a recession managed by a sales manager not in his or her current position during the last recession. All of these factors sap hope from those who need it the most.

I've written this paper to share with clients and friends what I've discovered in my ongoing study and research of how individuals and organizations engage tough times. If you are in business—whether it is sales, management or ownership—this offers you information and inspiration. I want to be your personal coach on this journey, adding value to your efforts. This information is one-part descriptive and one-part prescriptive. It provides strategic and tactical ideas. You will discover how others have prevailed and how you can accept the challenge to take advantage of the opportunity in front of you. In this paper, you will learn:

- Six important facts about tough times;
- Three characteristics of tough times;
- How to maintain your attitude in tough times; and
- How salespeople and managers can prevail in tough times.

As you study this information and integrate it into your business plans, you can rise above the challenges you face and prevail. As some spin their wheels and go nowhere, you can gain traction in tough times and use this opportunity to grow and emerge stronger.

When you embrace the tough-times philosophy and wield these strategies, you will rise above the condi-

tions in which you find yourself and prevail. If your goal is merely to survive, you may be setting your sights too low. William Faulkner wrote: “Man will not merely endure; he will prevail.” This is you.

## **Tough times realities**

### **They happen**

Tough times are an inevitable part of life. If you are engaged in life, you experience them. Individuals, organizations and communities face them. They are universal and never democratic or fair in the way they are meted out. Everyone experiences them in various ways and to varying degrees. To compare your adversity with another's is wasted effort. Tough times are neither fair nor unfair; they are simply life.

They are predictable and cyclical. Tough times are the natural outcome of decay, apathy, and arrogance. “To thrive in turbulent times, companies must become as efficient at renewal as they are at producing today's products and services. Renewal must be the natural consequence of an organization's natural resilience.” (*The Quest for Resilience*) They are predictable as people fail to learn the lessons of history. It is the natural ebb and flow of life.

Tough times happen when supply outpaces demand, bubbles burst, natural disasters occur, greed trumps reason, and competition intensifies. Unemployment topping 5% is a strong and reliable indicator of tough times on the horizon, since 70% of our economy is consumer spending. Economic tough times come in a couple of varieties.

First, a depression is a severe economic downturn that lasts several years, generally marked by a reduction in GNP greater than 10%. Second, a recession is significant decline in economic activity spread across the economy lasting more than a few months. It is reflected in changes in manufacturing, employment, real income, and other indicators. According to the National Bureau of Economic Research, the U.S. government's official technical reporting agency, it is two consecutive quarters of negative economic growth.

In the last two centuries, the U.S. has experienced five depressions. Since 1854, we have had thirty-three recessions. Since 1948, we have had ten economic slowdowns; the average contraction lasted eleven months and the average expansion after the contraction lasted four years.

### **They're painful (for some)**

When it comes to recessions, there is bad news, good news, and better news. First, the bad news: Some fail in tough times bringing with them collateral damage. In each of the recessions since 1990, an average of 500,000 U.S. businesses failed. In the 2002 recession, 40% of U.S. industrial companies toppled from the top quartile of their industries. During recovery, it takes 10-18 months for demand to catch up with capacity. These economic storms rain down on people who work in these companies, as innocent people lose their jobs. And jobs trail recovery. For those who are fortunate enough to retain their jobs, they work harder to stay where they are or may lose ground. The work load on survivors increases in tough times.

Now, some good news: Most companies survive even if they fall from previous highs. Tom Peters has said 70% of companies survive recessions. Better news: Some companies actually thrive in tough times. In the last recession, 24% more companies (than in good times) moved from the bottom of the pack to the top of the pack, and 15% new industry leaders emerged. They gained market leadership as others fell behind.

The best news of all is that you get to choose which of these three groups you want to join—the failures, the survivors or those who thrive.

### **They're necessary**

Tough times are necessary because change rarely takes place without pain as a catalyst. On a personal level, a purification process accompanies tough times. Tough times strip away our facades, exfoliate our masks and introduce us to our humbled and vulnerable selves—generally, the most likeable parts of any of us. Tough times expose weaknesses and spotlight strengths. A predicate of the tough-times attitude is there are things you learn only in struggle and crisis you could not have learned any other way. Some people find value in struggle when they discover how simple life is during crisis. Anyone who has been to war will tell you how simple it is—kill or be killed.

Adversity does not build character; it reveals character and courage. Adversity does not make you strong; it introduces you to an inner strength you already possess. Adversity does not make you more creative; it unleashes your creativity as you innovate your way out of crisis.

On a trip through Yellowstone National Park, I was awed by pine seedlings sprouting upward, reaching for the sky, among the ashes and rubble of a recent disaster. Life could not be stopped, even by a ferocious fire. Nature renews itself. This beautiful metaphor (for the human condition) illustrates vividly the resilience of life. **To release our resilient spirit, we must be willing to renew and reinvent ourselves to relevance.**

Tough times rid the market of unproductive businesses that fail to clean up their inefficiencies, quality problems or service difficulties. Apathy and arrogance are purged in tough times. This economic Darwinism means those who choose to compete in a sub-standard manner will suffer the consequences of their apathy. Every arrogant organization is only two bad quarters from a big case of humility.

A McKinsey & Co. article quoted Joseph Schumpeter, depression-era economist. His words are as poignant today as they were when he spoke of the Great Depression: "The destruction of underperforming companies, the release of capital from dying sectors to new industries, and the movement of high-quality, skilled workers toward stronger employers. For companies with cash and ideas, history shows that downturns can provide enormous strategic objectives."

## Predictably irrational reactions

People react to tough times in a predictably irrational ways. Physiologically, we are hard-wired to detect danger. It is part of our survival instinct, the fight-or-flight mechanism. This instinctive reaction triggers stress chemicals in our bodies and activates the fear center in our brain. Fear is a red-hot emotion that trumps most other emotions, even greed. Sometimes, it evokes rational responses and many times it produces irrational responses. Since humans make mostly emotional decisions, we often over-react when frightened. In tough times, the worry list for most people is long: jobs, finances, family members, employers, customers, suppliers and personal security.

Since emotions have biological and psychic roots, the psychological process people go through is intertwined emotionally with physiological responses. There is the shock-and-awe phase, the understanding-and-insight phase, and the acceptance-and-action phase. Some people move through these phases more quickly than others. Once we reach the action phase, we are ready

to grind out a solution. The human spirit is hearty and resilient as it emerges from adversity.

Organizational reactions to tough times are similar to individuals' reactions since organizations are made up of scared people. There are predictable organizational responses that affect your business, both as consumer and seller of products.

## Herd behavior

Herding is a typical fear response. From an anthropological perspective, herding makes sense because there is safety in numbers, and herd members learn from each other. In an organization, it manifests in group-think, peer pressure, and blind consensus. In large organizations, people herd because anonymity shares credit and spreads blame. Herd behavior fuels fads, crazes and trends. It accounts for feeding frenzies in financial markets and mob behavior. An organization takes it lead from the rest of the market during tough times because it feels safe to run with the herd. After all, how can so many other smart people (us included) and companies be wrong?

The problem with herd behavior is by the time the herd has heard the news it is old news. That is why most people lose when bubbles burst. By the time they figure out there is a bubble, it is ready to burst. If you joined the tech or real estate bubbles on the tail end, you are probably still licking your wounds. Another problem with herd behavior is that it stifles creativity, boldness and differentiation. How can you stand out if you are trying hard to blend in? Warren Buffet's response to the herd is: "I get scared when others get greedy and greedy when they get scared."

## Hoarding

Hoarding is a second response to tough times. Scarcity induces fear which results in hoarding behavior. Since cash is king, most companies do what they can to free up cash and then hoard it. In the U.S., savings rates are at an all-time high. Preserving wealth is a good thing, but 70% of the U.S. economy is consumer spending. Higher savings rates mean people are spending less and the economy slows. Companies are hoarding cash and spending plummets. During the past eight recessions, companies bought 21% less stuff. Ordering patterns change: They place last-minute, frequent, smaller orders; they do crisis ordering as things break down; repair more than replace. This results in your administrative and handling costs increasing.

Hoarding means companies freeze or suspend spending. According to a Towers Perrin study of how U.S. businesses cut costs, 60% freeze or reduce hiring, 60% cut travel and entertainment, 60% reduce pay or raises, 51% scale back employee events, and 40% plan targeted layoffs. Where is all that money going? Is there that much fat in business? If so, that is a compelling argument for economic Darwinism.

## Hunker down

A third predictable organizational response to tough times is to hunker down. Hunkering down is playing not to lose. It is playing defense, not offense. Ironically, you cannot win without offense. You cannot win if you are not putting points on the board. When you hunker down, you are working hardest to avoid mistakes. You develop a bunker mentality and rarely surface for fresh air or sunlight. One thing that separates humans from instinctive animal behavior is our ability to thrive, not just survive, in tough times. We can take advantage of the downturn for competitive gain.

Peter Drucker advised in *Managing in Turbulent Times*: “In turbulent times, an enterprise has to be managed both to withstand sudden blows and to avail itself of sudden unexpected opportunities.” He is admonishing executives to play offense. Come out of the bunker, open the vault and take advantage of everything that is on sale. If your investments are top-line stimulative and you have a lean cost structure, the bottom line will take care of itself.

Protecting assets is a sound business strategy in tough times. Acquiring new assets like customers, employees, and product lines is availing yourself to unique opportunities that present themselves in tough times.

## Management reactions to tough times

Management reacts in predictably irrational ways in tough times. They believe what the sales force tells them and allows it to influence their business decisions. They cut costs across the board versus strategically. For example, three-out-of-four businesses cut advertising in tough times. Some companies trim sales forces and customer service personnel. These desperate moves can affect the top line and most certainly the bottom line. If these people are important in good times, why are they not important in tough times? If they are excess baggage in good times, why does it take tough times to shed them?

Many managers do not have a plan for navigating turbulent waters and take it a day at a time. They are unprepared for this recession. On the other hand, those who are prepared wait patiently for the opportunity to press their advantage. Some managers trust data, which is historical and yesterday's news, versus looking down line to see where the market is headed. They spend too much time looking at the rear view mirror versus the windshield, taking their eyes off where things are headed.

## Salesperson reactions to tough times

Salespeople also react in predictably irrational ways to tough times. They reduce face time by 38% in tough times. This means they call at 62% the rate they call in good times. For whatever reason, they decide it is not a prudent use of their time to be with customers. One sales manager told me his reps found it difficult to ask for an order when the purpose of the call was to collect past-due accounts. Salespeople believe everything customers tell them and that biases their presentations, which may draw price resistance. They cut price versus selling value. Price cutting is an ongoing problem for salespeople; it is exacerbated by tough times. They respond versus create. We have a generation of salespeople who cut their teeth in a good economy. They have responded to opportunities customers offered them and are unaccustomed to creating buying opportunities for customers. Order-taking sales behavior is insufficient for tough times.

## Barriers to recovery

There are a number of common barriers that impede your recovery and prevent you from gaining traction in tough times. Arrogance, denial, defensiveness, and delusions about the past are organizational barriers.

- Arrogant organizations will not admit they need to change. They believe they are “good enough” the way they are. They refuse to reinvent themselves to relevance, exposing their vulnerability.
- Denying there is a recession or announcing you will not participate is a disconnect from reality. It may sound motivational that you will not participate, but it immediately destroys your credibility with those around you, especially employees who personally feel the effects of tough times. To them, you appear out of touch.

- Defensiveness about your decisions may temporarily protect your ego but could damage your organization. Strong leaders subject their decisions to scrutiny.
- Wasting time longing for the good old days. It is nice to remember the past and healthy for the organization to have a sense of history to pass down. That was then and this is now. Yesterday's success is in the bank. Tomorrow's success is on the streets.
- A failure to communicate inside your company and with your market impedes growth in good times and seals a mournful fate in tough times.
- Under-reacting to tough times is as bad as over-reacting to tough times. Failing to take it seriously is as harmful as the inability to laugh.

## Tough times are not hopeless

Earlier, I shared with you some statistics on the frequency and duration of recessions—expansions and contractions. The average contraction is approximately one year and the average expansion beyond the contraction is approximately four years. Studying these past recessions offers great cause for hope. We spend 80% of our time in good economic times!

This is why your engaging tough times in the long term will help you make better decisions for your organization and maintain your optimism that “This, too, will pass.” Many people (those who transform their organizations in tough times) discover what they learn is transferable to good times. Many re-discover the strategies they used to build their businesses are the very strategies they need for recovery.

“Indeed, our recent research has led us to conclude that one of the most reliable indicators and predictors of true leadership is an individual's ability to find meaning in negative events and to learn from even the most trying circumstances.” (*Crucibles of Leadership*)

When Harley-Davidson transformed itself from the abysmal quality that defined their products in the early 1980's, it emerged as a global powerhouse that even in the midst of current economic challenges continues to perform at a high level. What they have learned in tough times has sustained them in good times and prepared them for future challenges.

## How to prevail in tough times

### You can prevail if you are open

Openness is a dynamic process. It is beyond passively receiving information. It is actively engaging one's environment, making connections, seeking information, and experimenting with ideas. It is reaching out versus simply absorbing.

### Variety

Openness means a willingness to experiment with variety in your go-to-market strategy. This could mean more service and repair work versus whole goods sales. It could mean horizontal expansion of your geography and segments. Variety in your go-to-market strategy may include expansion in your marketing channels and re-evaluating your value proposition. I was with a client a few months ago who challenged his value proposition's relevance considering the economy. He said, “Maybe it is time for us to revisit this and find out if we still bring meaningful value to our customers.”

Openness means studying variety in product permutations that make sense for customers experiencing tough times. One client changed packaging options to adjust to the customer's ordering patterns.

Openness means expanding your network to include a variety of contacts, knowing more connections mean more opportunities. In their studies of individuals, organizations, and communities, researchers at Arizona State University found resilience depends on this type of connectedness. “Nothing is more important for the development of resilience in individuals than the capacity for attachment...” Without the synergy of attachments and social networks, you are left to your own devices which may prove insufficient for the challenges you face. A speaker friend of mine, Anne Boe, used to challenge salespeople with the question: “Is your net working for you?”

### Communications

Communications inside and outside the company are an important part of openness. One CEO whose company is thriving while his industry is suffering told me his ability to communicate tough decisions to employees made success possible. Without employees' understanding and buy-in, he could not have made the tough choices to “sculpt” his organization for “whom they would become.”

Connecting to the market and communicating with it is equally important because you must be close to where change happens. You must hear first hand how tough times affect the demand side. Connecting with suppliers helps you understand how tough times affect your supply side. One client told me his company has weathered many storms and was prepared for this one. They discovered paying their suppliers quicker helped their partners and yielded them an additional one percent purchasing advantage by simply paying a few days early. Where are you getting one percent on your money for a few days' investment?

Listening to employees, customers and suppliers, reassuring them and testing ideas are vital to your success in tough times.

## Tolerance for paradox

Openness means you must have a tolerance for paradox. Actually, you must go beyond tolerance to accepting, embracing and wielding paradox to your advantage. Those who thrive in tough times view paradox as friend, not foe. This enables them to place counterintuitive bets that confound the herd. Here are a few of the paradoxes you must embrace:

- You can gain traction in tough times. You can get ahead. You can gain ground in the market. You can acquire customers in tough times. You can grow your top line and bottom line in tough times.
- What worked in the past may no longer work. Yesterday's success is a good lesson for what to do when market conditions reflect what they were. Clinging to the past can only take you backward. A strong leader will admit it is time to let go of his or her past good idea when it is time to move on.
- You are working harder but achieving less. In tough times, you will work harder and hopefully smarter. The results may not reflect your successes in good times because the demand side is softer. On the other hand, this may be where you make your greatest gains because of your willingness to do the things others will not or cannot do for whatever reasons.
- Your impulse is to hunker down and play defense, but a strong offense is the best defense. Fear trumps most other emotions. Courage is the ability to feel this fear and take bold steps to gain traction. It would not be courage if it did not involve an element of fear. When you run from the herd and

embrace a contrarian philosophy of hope, others will follow. People want something to believe in.

- The way to save is to invest. You cannot cut your way out of tough times; you must sell your way out. If your only strategy is to cut, why not go all the way? Cut advertising. Cut inventory. Cut floor space. Cut employees. Cut R&D. Cut training and development. Cut your hours of operation. Once you have made all those cuts, you can cut customers. You cannot expand when contraction is your only strategy.
- Turbulent headwinds are not all bad. In aviation terms, headwinds create lift. Every time I fly and we hit some bumps, it reminds me that I am engaged—that I am in the game. Flying into headwinds builds wing strength. As Nietzsche said: "What does not kill me makes me stronger."
- The greatest paradox of all is that in tough times, humility will be your greatest asset. Humility helps you see the world in broader terms—that you are part of something bigger than yourself. In his hot-selling book, *The Purpose-Driven Life*, Rick Warren wrote: "Humility is not thinking less of yourself; it is thinking of yourself less." It is subordinating your ego for the good of the team. An American hero, Senator John McCain, said: "Great leaders subordinate themselves to a cause greater than themselves." Humility is necessary in your service of others, in good times and tough times. Humility is the requisite quality of growth. You cannot get better until you first admit you can get better. How can you get better in tough times without a strong measure of humility to encourage your growth?

## Luck

Openness to luck expands your mental peripheral vision. This field of vision helps you recognize opportunities obscured from view for most people because they do not expect them. Luck has many faces: serendipity, chance, kismet, fate, destiny, fortune and Divine Providence. There are few paradoxes in life more powerful than luck. It sounds happenstance and purposeful at the same time. It is planned spontaneity, anticipated serendipity and expected good fortune. They represent the nexus of preparation and opportunity. Is it something completely out of your control or can you influence luck?

Dr. Al Siebert, researcher and author of *The Survivor Personality*, writes: “When misfortune strikes, they (survivors) not only cope well, they often turn disaster into a lucky development.” His belief is that we have the resilient capability to find good fortune even in tough times. The disruptive change that turns some people into victims provides others the opportunity to turn it into good fortune. One person’s adversity is another person’s alchemy.

Dr. Richard Wiseman, researcher and author of *The Luck Factor*, takes it a step further in his work in helping people become luckier: “More than 80% of the subjects improved their luck by at least 40% within a month.”

We have all experienced hunches or intuition. Carl Jung offered his theory of coincidental happenings. At any time, there are a number of things happening around us—some of which we are consciously aware and others to which we seem oblivious. The hunch we feel or impulse to act may indeed result from the seed of an idea our mental radar has detected.

This view of luck indicates people can create much of their own luck. This is validated in the self-fulfilling prophecy as people expect something to happen and act in ways that create the outcome they anticipated.

To create luck, you must be open to the concept there is something out there—even the seed of an idea or opportunity. Beginning with this expectation, opening yourself to possibilities, and persevering increases the probability you will discover good fortune. This definition of luck seems to suit even control types who feel they create their own luck—good or bad.

## **You can prevail if you are optimistic**

Tough times require a special kind of optimism—a bold, contrarian optimism that defies conventional thinking and overrides instinctive behavior. Tough timers embrace a contrarian philosophy and employ counterintuitive strategies that confound most people. They see value in struggle and opportunity in crisis.

In an 18 year study of 1,000 US Industrial companies, McKinsey and Company found top quartile companies remained there or moved into the top quartile because of their contrarian philosophy. They “found opportunity and pressed their advantages” on mergers and acquisitions, invested cash reserves in selling and advertising, and doubled their R&D. They moved

forward when others stalled. This counterintuitive movement produces a special type of energy for their team members as they rise to the economic challenges they face.

Tough timers see opportunity where others see only crisis. They are open where others are closed. They invest as others cut back. They expand when others contract. Growth in market leadership is the natural outcome of this contrarian optimism. In a two-decade study of 377 Fortune 500 companies, Bain and Company found “successful players in a downturn place counterintuitive bets in order to dramatically transform their market positions.” They took a risk and plucked gain from crisis.

Optimism starts with company leaders. In a study of 828 CEO’s, Booz & Company found that 54% of these leaders expect the overall impact of this current economic crisis will be positive for their companies in the long term. They view it as a time to get lean, focus their efforts and gain traction over weaker competitors. You can imagine the effect this has on nervous employees. Top-down confidence is contagious. Harnessing negative energy and transforming it into passion is one way leaders give their organizations an edge in tough times.

## **You can prevail if you are opportunistic**

Tom Peters wrote this twenty years ago in *Thriving on Chaos*: “Violent and accelerating change, now commonplace, will become the grist of the opportunistic winner’s mill. The losers will view such confusion as a ‘problem’ to be ‘dealt’ with.” His words are as meaningful and relevant today as they were when he first wrote them.

Being opportunistic is adapting one’s skills and actions to prevailing circumstances. It is seizing opportunity from the jaws of defeat, finding gain amidst pain. This presumes you begin with a bold contrarian optimism you can use to leverage opportunity as others hide in the shadows.

Bold, contrarian, optimistic opportunists run from the herd and employ counterintuitive strategies. They invest as others cut back in promotions, R&D, training, inventory, infrastructure, employees and brands. They “sculpt” their organizations for the company they want to become because their time horizon is the future, not just the present. As others slash costs across the board, opportunists use a scalpel, not an ax. Too

much cutting can damage the very infrastructure they need to take advantage of tough times. They gain traction with strategic hiring because there is a glut of talent in the employment candidate pool during tough times. They rely more on the twin energies of hope and optimism than fear and defensiveness.

Bold, contrarian optimism shines through opportunistically in brand investments during tough times. In a study of 50 of the Fortune 500 marketing executives, most will maintain or reduce brand investments, but **15% will increase their investments in their brands** in tough times. Whom do you anticipate will emerge stronger from the recession? Which brand will dominate during recovery and growth?

Opportunistic, tough-timers practice the farmer mentality to work on their equipment in the winter. For tough timers, their economic winter is a time to train and work on infrastructure—a time to shape inventory, prepare systems and ready themselves for recovery. Consider how much quicker they will be able to respond to the economic spigot opening if they have taken advantage of the slow time. Instead of whining about how slow things are, tough timers are grateful for the opportunity (this gift of time) to prepare for good economic times.

Because they have leveraged this gift of time, tough timers are ready to produce and sell goods. Their R&D investments have given them strategic advantage as they have distanced themselves from competitors who played only defense. Their trained staff is ready to pounce on opportunity. They have purchased assets at pennies on the dollar and expanded their customer base horizontally with promotions.

Defensive thinking is most obvious when companies hunker down and reduce their promotional activities. In a five-year study of the impact of advertising during recessions, McGraw-Hill found those who maintain advertising during recessions got a three-year residual bounce during recovery, and aggressive advertisers' sales rose 256% in those three years. Separately, the *World Advertising Research Centre* found smaller companies that maintained advertising during recessions showed as much as a 15% increase in market share. Additionally, The Strategic Planning Institute found companies that maintained their promotional efforts fared best two years after the recession.

Imagine the message to customers when you promote your stability amidst the current economic storm. Imagine the attention your message gets when it is uncluttered by competitive ads and promotions. Imagine the impact of well-trained salespeople increasing their account penetration as other companies cut back on top-line activities to promote their businesses. Indeed, one organization's pain is another organization's gain.

Opportunists run from the herd and pursue new ideas as others seek the security of the familiar. They test the boundaries of their comfort zones. They understand you cannot stand out if you blend in with the herd. Those who stand out boldly in tough times differentiate with hope, optimism and a willingness to do the things others consider a hassle or too risky. Leaders emerge in tough times. As Paul Romer, Stanford economist, has said, "A crisis is a terrible thing to waste." Opportunists would not consider squandering this crisis because of fear or wasting this gift of time on defensiveness.

### Resilience is the outcome

Resilience is the capacity of individuals, communities, organizations and even organisms to bounce back from adversity and leap forward. It is prevailing in the face of overwhelming challenge and stress. It is how people adapt, learn, re-organize, and emerge to transcend adversity.

A research team at Arizona State University has established a resilience project. John Reich, a social psychologist on the team, has said this of resilience: "At the heart of human adaptation is resilience, the ability to create a positive world for ourselves, often in the face of stressful life experiences, and the ability to resist being overtaken by negative experiences when they seem too overwhelming."

Buoyancy, elasticity and adaptation convey this sense of resilience Reich writes about. Perhaps it is best described by Warren Buffet's criterion for solid investments, sustainability—brands that can withstand a severe blow and the test of time.

Resilient people and organizations rebound because they face their reality with a sober understanding of the world in which they live. This paradoxical blend of contrarian optimism and acceptance of reality grounds them with hope and a belief in their right and destiny to succeed in spite of tough times.

Resilient people find meaning and value in struggle, and this empowers them to rise above the crisis. “Resilient people devise constructs about their suffering to create some sort of meaning for themselves.” (*How Resilience Works*)

Viktor Frankl, holocaust survivor and psychoanalyst wrote: “We must never forget that we may also find meaning in life even when confronted with a hopeless situation, when facing a fate that cannot be changed.”

The ASU research team found that a sober view of reality, finding meaning and purpose in their struggles and the ability to make do with what they have available to them are three essential characteristics of resilient survivors.

What do Harley-Davidson, Apple Computer, McNeil Consumer Healthcare (Tylenol manufacturer) and Mark Twain have in common? The rumors of their premature demise were greatly exaggerated. These companies faced almost insurmountable odds and prevailed. The same can be said of Nintendo which has had to reinvent itself to relevance over the years and Intel, whose history is forged in recessions.

## **Half the battle is in your head**

From studies in psychology, we know attitude drives behavior. People become what they think about. It follows that negative and positive thoughts lead to negative and positive behavior. This is the essence of the self-fulfilling prophecy.

Embracing fear and using its extra energy will help you realize a recession is a terrible thing to waste. These questions can help lift you:

- How is the recession a gift for my company?
- How can we use our strengths to gain traction and competitive advantage?
- How can we find opportunity today?

What if you encouraged your employees to wake up to these questions daily? Imagine the impact on your organization if you multiplied your eyes and ears by the number of people working for you and commissioned them to expect opportunities.

As you find your efforts succeeding, there is no reason to feel survivor’s guilt for your good fortune as others struggle and fail. Your success will be a blessing, not a burden. Guilt over achieving invokes a negative emo-

tion which most assuredly results in failure. Be grateful and gracious for the successes you will experience. Gratefulness encourages you to share your good fortune with others. Guilt over your successes and blessings invites you to join their misery.

In tough times, it is important to have mental and physical releases. Do things that relax you and clear your mind. Creativity depends on this empathic interchange of stress and relaxation. Resilience demands innovation and inventiveness. You will find this release mentally relaxing and spiritually refreshing.

Study. Invest in personal growth. In knowledge, you find hope. Ideas and enthusiasm are natural outcomes of professional development. Tom Peters, a long-time advocate of employee value wrote: “Consider doubling or tripling your training and retraining budget in the course of the next 24 to 36 months. Less serious consideration means a failure to come to grips with both the nature of the problem—and the magnitude of the opportunity.” (*Thriving On Chaos*)

Keep your focus long term. When you process your success in the long term, failures and false starts along the way are viewed in a broader context. The road to triumph is filled with potholes along the way. Your organization is on a path that extends well into the horizon. When you view your journey this way, you will not obsess on the misery of the moment. Remind yourself daily of your mission to serve customers. Step back periodically and review your progress to keep things in perspective.

A client asked me how I was able to remain optimistic and where I found good news. I told him it was hard work but possible. You are surrounded with bad news. The media’s job is to spread it. They feel no compunction about flooding the air waves with bad news. It gets them ratings. Do you really need a steady diet of talking heads telling you how bad things are? You can get most of this information by selectively listening to it. Bad news, like car wrecks, entices people to overdose. Seek good news to balance your perspective.

The team at ASU found the most resilient people have a support network to rely on. This may include other tough timers who turn challenge into opportunity. It most surely includes the people who share tough moments with you—employees, friends and family. Be careful of the cynics; they will try to poke holes in your optimism. For them, it is too much to bear to know

that someone may benefit despite all this misery. Your support network can include reading and studying informed sources that bring you viable information: respected authors, historians and spiritual leaders.

## ***Half the battle is on the streets***

### **Tips for salespeople**

Salespeople gain traction when they attack weak competitors. Some of your competitors may not enjoy the strategic advantages you enjoy with inventory or service levels. Tough times spotlight their vulnerabilities and your advantages. It is a good time to press your advantage and grow your business horizontally. At the same time, realize your best customers are the competition's best prospects. Nail shut your back door on existing customers whose business you want to retain.

Increase sales activity immediately. Increase your face time with customers by a minimum of 25%. During every recession, there is pent-up demand. When the demand spigot opens, you want to be the first to drink from it. And you want to drink as much as you can. When customers begin ordering again, and they will, the orders will come fast and furious as they attempt to catch up. Be ready.

Be a Hope Merchant and spread good news. Your customers need relief, too. Maybe more. Take some good news to them. Share your optimism about the future. Give them something to hang onto. If you were the customer, whom would you rather see, a salesperson who commiserates on how bad things are or the one who makes you feel better? You can do this by keeping the customer's focus long term. Remind them this will end and discuss projects they want to work on as things turn.

Sell tough times benefits. In tough times, buyers have fewer resources to work with which means they need greater value from you. Stress company benefits like stability, depth and breadth of inventory, available resources and guaranteed service. Stress product benefits like durability, quality, reliability, guaranteed performance and time savings. Emphasize your value as their salesperson—your follow-up, dedication to the customer's business, and commitment for the long haul.

Scrutinize every order for viability and profitability. In tough times, be especially watchful of your profitability. The margin for error is slim. Volume does not guarantee profit. You do not have the luxury of quickly dis-

missing an order. You must view every opportunity through the profit prism. Ask this question: How can we make this opportunity profitable?

The most abundant commodity in tough times is your energy. You will have plenty of it, maybe in the form of anxiety. Use it. Let this energy fuel your efforts. Frame it as passion and enthusiasm. You really have a choice for how you want to use this. It may get you out of bed earlier in the morning or encourage you to make one more call at the end of the day. Humans are programmed to have what we need when we need it. That is one reason you feel extra energy these days.

Because your customers are hoarding capital now, sell them on the concept of investing. Your solution must be a better investment for the customer than the bank account in which they have the money parked. If the ROI on your solution is steady, predictable, and long term, the customer should invest in it. It is a better deal for them than burying money in the company tin can in the back yard. Create buying opportunities for customers to invest their money. Buying opportunities are a way for you to shift inventory dollars into areas that will prepare you for the recovery.

### **Tips for managers**

You need unfiltered information. You do not want people to cleanse what they know because they fear your reaction. Do not shoot the messenger. This may be less of an issue if you are connected personally to the market, interfacing with customers and being in the place where change happens. You cannot coach your team from the locker room. Get out in the field with your salespeople so you can get the information you need and reassure customers at the same time.

Increase promotional activities. Earlier I presented you with some compelling statistics on how companies gain traction with advertising in tough times. Enlarge this concept to include all promotional activities. Your total marketing effort must be directed at stimulating the top line. In military parlance, this means bringing up the reserves and pressing your advantage. When you break through competitive lines, you want to rush through the opening. The more opportunities your salespeople have, the more selective you can become, but always protect your profit.

As a sales manager, you have a special challenge. You manage producers. They have sales goals but may not achieve them for reasons beyond their control. To sus-

tain motivation, you may need to re-define success and change the metrics you use to provide feedback and coaching. In addition to productivity (achievement) goals, have performance (activity) goals for your salespeople. An activity goal defines behavior that leads to achievement. This includes: number of calls, product demonstrations, factory rep joint calls, customer loyalty and retention activities, participation in training, attending sales meetings, etc. Salespeople have control over these sales activities and feel like they accomplish something when they complete the task.

Celebrate even small successes. Spotlight areas where they appear to be gaining ground. It reinforces the behavior you want and illustrates to others how to succeed. Reassure them that you understand their challenges and tell them you face the same issues. Do not penalize them with your compensation system. Just as you may need to revisit your value proposition for customers in tough times, you may need to re-evaluate your value proposition for your sales force in tough times.

Cost control is the instinctive managerial response to tough times. It is locking the shutters and preparing for the economic storm. The lean operating philosophy is always prudent. Quality experts claim there is as much as 30% muda (waste) in organizations. Good times mask waste; tough times spotlight it. These tips will help you control costs:

- Make your cuts strategic, not blanket reductions. Blanket reductions are clumsy as you hurt revenue-producing activities and processes as well as attack cost centers. Line-by-line analysis of your expenses exposes waste without harming value-adding priorities. Do not cut into the bone when trimming fat. Reductions in personnel resulting in poor customer service (often the outcome of drastic cuts) guarantee lost business and seal your fate of doom.
- Simplify because complexity and inefficiency cost dearly. Study complex systems and processes and seek ways to simplify or streamline them. Ask employees about the waste of time and money. Because they are closer to the waste, they know best. Their suggestions are from first-hand knowledge.
- Think next-generation structural cuts. This means sculpting your organization for the future. Study down-line information about the direction of the

market and link this to lean restructuring. It positions your company to emerge as a market force.

- Look to discretionary areas, but be careful how you define discretionary. Customer entertainment is not discretionary. Relationship building is an opportunity you do not want to concede to the competition. **Top-achieving salespeople attribute 79% of their success to relationships they have forged with customers.** Your entertainment may be the only positive in the customer's austere world these days.
- Outsourcing makes sense when you can bring in specialized or project-specific talent. It may be a specialty or expertise you lack and do not want to develop because it is not part of your core focus. This includes graphic design, technology, training and development, finance etc.
- Any cuts you make must begin at the top and be highly visible. The de-motivating effect of executive perks in tough times is overwhelming. Nothing creates resentment quicker than management excluding themselves from the very actions they expect from others. Witness the recent uproar over AIG's executive compensation and bonuses. Right or wrong, perception matters.

## Conclusion

I began this project after the early 1990's recession. That recession was followed by an expansion that witnessed an explosion in the technology markets and ended when the technology bubble burst. This was followed by the events of September 11, 2001. The ensuing recession, again followed by a lengthy period of economic growth and real estate bubble, resulted in the disruption of financial markets and the real estate bubble burst. Some claim that the run-up in oil prices was a bubble that burst as the economy slowed down. What remains to be seen is whether the growth in precious metals will prove to be a bubble or harbinger of high inflation.

These past three recessions echo a theme that has run throughout this paper: Good times follow tough times and tough times follow good times. It is the ebb-and-flow of our economic system. Since the early 90's, I have studied how individuals and organizations prevail in tough times and sought ways to share that information with clients, friends and anyone that would listen.

My hope has been to add some value to their efforts and hope to their days.

I have stated plainly and offered support throughout this special report you can gain traction in tough times. Others have done it before and many will do it this time. They will do it because they are open, optimistic (in a contrarian manner) and opportunistic (in their counterintuitive moves to press their advantage). And because of this, they are resilient.

No doubt you have noticed some intentionally redundant themes running through this paper:

- In tough times, some will thrive and others will fail.
- You always have a choice for how you want to engage tough times.
- Half the battle is in your head while the other half is on the streets.

The one thing I have held until this point is the challenge ahead of you ... to laugh from time to time on your journey. Many find it difficult to find humor in any of the adversity they face, but those who do discover that comic relief takes the edge off so much grief. Abraham Lincoln said it well: "I laugh because I must not weep— that is all, that is all."

## About the Author

Since 1981, Tom Reilly has been a professional speaker and author of twelve books. He is literally the guy who wrote the book on *Value-Added Selling*. It was research and his book *How To Sell And Manage In Tough Times And Tough Markets*, that inspired this special report. Tom has a Master's Degree in psychology and is a faculty member of the University of Industrial Distribution. His award-winning column, *Strictly Sales*, appears in Industrial Distribution magazine. You may contact Tom through his web site:

[www.TomReillyTraining.com](http://www.TomReillyTraining.com)

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