

# A Case Study

Running out of time, money and ideas, a struggling data security company stages a dramatic rescue plan



ERIC H.  
GORE  
THE BUSINESS COACH OF TEXAS

## Running out of time, money and ideas, a struggling data security company stages a dramatic rescue plan

*How a 50-man firm grew sales 300 percent, dominated a market, formed a global partnership and gained a \$22 million venture capital investment— in just one year*

It seemed like an ideal situation for a start-up business. A data security company developed an unmatched piece of hardware. Although it faced stiff competition from other larger and well-established players, the company's product was far superior by any objective measure. Now, all the company had to do was sell its wares.

Nearly three years passed since the initial Series A outside investment, and success remained elusive. Sales were nil. Dissension broke out in the ranks. And investors began launching an all-out rebellion, which almost caused a forced sale of the business. Upheaval prompted the company to try something new.

Just 15 months later, a near-calamity was transformed into a winning situation for management, clients and investors alike. Sales grew by more than 300 percent in a single year. Plus, the company formed a global partnership with a Fortune 20 corporation and received a \$22 million venture capital investment. What helped make this dramatic turnaround possible? The Business Coach of Texas and Eric H. Gore.

### **Dissension in the boardroom**

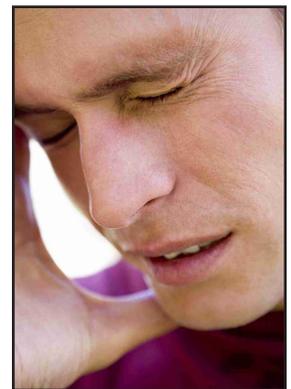
The CEO was feeling queasy. After more than three years in operation, he knew that his company owned

a winning technology. But that was about it. The company lacked five key success factors:

- a significant customer base
- market presence, vertical or otherwise
- serious reference customers
- reasonable revenue growth for three years
- an executive team that worked together, and in sync with investors and board members

As the company's cash position went from bad to worse, dissension increased among board members and investors. Since their original cash infusion to the company, there had been no real growth. Patience with the management team dissolved, and investors began to doubt the company would ever execute and succeed. The board room reverberated with desperation.

The investors began pressing the CEO to sell the company. The CEO resisted. There couldn't be a worse time to divest, since poor sales performance and a



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“distressed sale” condition would push the company’s valuation down. Nevertheless, an investment banker was retained to begin determining the company’s value and discussions with potential partners and buyers were initiated, despite the CEO’s protests.

### In search of a turnaround

Circumstances had the CEO cornered and wondering how to accomplish his vision for the company’s future success. That’s when he turned to Eric H. Gore and The Business Coach of Texas (BCOT). It was time for a turnaround – a sales turnaround. But making this strategy shift first required the CEO to approach board members and investors, persuading them to give him one more chance and a little more time.

BCOT met individually with these stakeholders to convince them that a successful turnaround was possible, and within reach. A company “fire sale” should be delayed. The investors agreed, but required four criteria. The company must:

1. demonstrate reasonable growth of new opportunities by the end of the first quarter
2. show a quantifiable and steadily increasing pipeline of sales prospects throughout the rest of the year
3. achieve multi-hundred-percent growth by the end of 12 months
4. not increase its existing cost of sales

The terms were designed for failure, yet the CEO and BCOT accepted the challenge. They quickly created a 12-month rescue plan for the company. By January 2007, they launched a full-fledged company rescue plan.

### Anatomy of a sales disaster

Now, BCOT had to determine why this company—with its amazing technology—had not experienced sales growth, despite three years of effort.

“In the past, a sales lead might have come in from a bank seeking information about the product,” said Eric H. Gore, founder and president of The Business Coach of Texas (BCOT). “But the company’s salesperson would enter the room with three strikes already against him, before he could even step up to the plate. He virtually never made the sale. Why? That’s where we began.”

BCOT’s analysis uncovered several issues. The most critical were:

- **A reactive approach to sales.** The company had invested thousands in a high-end lead-generation system, which was completely disconnected from the small, regional sales team. Furthermore, the sales team was generally made up of lesser-quality players, not high-powered go-getters. As a result, team members sat around waiting for leads to be generated or for the phone to ring, rather than proactively seeking ideal sales targets. Most importantly, the company failed to develop any kind of proactive sales contact plan or approach.
- **A lack of focus and accountability.** Team members were not expected to show results on a weekly, quarterly or annual basis.
- **A lame channel partner program.** The channel program did not perform well, especially since partners were focused more on offering ongoing services than selling the company’s system



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- **A weak competitive position.** Two large competitors dominated most of the key traditional vertical markets, particularly financial services and health care. Making matters worse, the competition’s sales teams outnumbered the company’s sales team by five to one.

“Despite these weaknesses, we discovered a silver lining,” said Gore. “The company had fantastic technology. It was a matter of establishing solid sales leadership, a strategic sales plan, and accountability among the sales force and management. To gain the required impact in the short amount of time we had, the strategic sales plan required ‘out-of-the-box’ thinking and sort of ‘throwing away the book.’”

### Focusing on a new target market

With only 90 days to show significant progress—and no additional budget for the sales department—BCOT had to get aggressive and creative.

“This company was facing a problem that many other technology startups and entrepreneurs go through,” said Gore. “The leadership team knew a great deal about the high-tech side of the business. But when it came to sales strategy, they relied on the kind of one-size-fits-all approach you might find in a marketing textbook. It was an almost insurmountable situation. We



faced incredible competitive odds, no additional funding, and following ‘the book’ wasn’t going

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--Eric H. Gore

to get us there, especially with a 90-day and 12 month deadlines for measurable results. So, the first thing we did was throw away the book. We had to accelerate results by taking some new, bold steps.”

BCOT established a two-part coaching process for the company. First, BCOT worked closely with the CEO to develop an effective overall sales strategy. Then, BCOT coached the company’s sales force—both individually and as a group—on the tactics needed to identify and close sales.

Another must-have for the company was a more aggressive competitive position. With two other major firms already owning the health care and financial services segments, BCOT recommended finding another market sector rather than engage in hand-to-hand combat in markets full of competitors. Was there a vertical market that needed data security products that had yet to be pursued? Yes, a big one: the federal government, which also just happened to be headquartered right in the Maryland-based company’s backyard.

“In the past, the company was scatter-shooting its sales. No pinpointing, just shotguns in the air,” said Gore. “When a lead came in, the sales force attacked it, no matter the company’s profile. We immediately stopped that, and focused almost exclusively on creating a significant presence in the government sector.”

### Redefining the go-to-market strategy

This next step was a bitter pill to swallow for the company. It had to all but throw away its expensive lead-generation system. It was too costly, too wieldy and now simply irrelevant. In fact, it was worse than nothing. Not only were the leads of little real value but, the time chasing them took away from the potential to find qualified leads that had a chance success.

“The people were screaming ‘Heresy!’ when we did this, but it was a critical decision,” said Gore. “It wasn’t needed because the new go-to-market strategy focused on our next-door neighbors. Potential clients were virtually just around the corner.”

In one meeting, Gore asked the entire management team to stand up and walk to the window of their high-rise offices, look across the horizon and tell him what they saw. As they gazed toward Washington, D.C., Gore introduced them to their future. They were looking at one of the world’s largest markets for information technology. “So, team,” Gore said, “Why chase down leads from the East Coast to the West Coast when you have this large, untapped target market right in your own backyard?” It was a market that was virtually untapped by the company’s 800 pound-gorilla competitors!

Next, BCOT worked with the company’s sales group, identifying those who were engaged, aggressive and proactive. Those who weren’t were asked to leave. BCOT then worked directly with the sales force to develop a tough-minded, tightly executed sales strategy. Salespeople strove to convince government agencies to try out the hardware for 30 days. At the end of that time, the company would generate a report demonstrating the extent of the agency’s data security problems. While the sales force did this, the company scaled back the reseller program and re-oriented its entire sales and marketing focus, from sales promotion and trade shows to public relations and direct sales.

“This was a big bet for us, and the company,” said Gore. “At times, it was tough to get past the prospect’s gatekeeper and install our security device. But when we were able to show the power of the system, our opportunity to make the sale increased dramatically.”

## Turning the financials upside down

By the end of 2007, this disciplined focus on the federal government paid off. The company was selling products —and quality products were gaining recognition. In September 2007, a major government technology magazine named the company’s system as the No. 1 new security product for the year. Three months later, the publication bestowed its highest award on the company, naming the security system as product of the year across all technology categories.

“This was a huge coup for our little 50-man company,” Gore said. “And, thanks to our revised focus on the federal government, we won a project that became the single largest deployment of this type of data security technology in the world. “Plus, the company now had an impeccable reference customer, a U.S. Department of Defense agency.

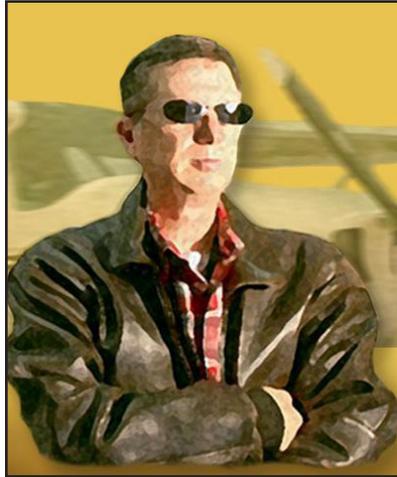
The results?

- sales grew by more than 300 percent
- the company closed five new referenceable, enterprise-class customers, in just 12 months
- the company exited the year as the category leader in the federal market
- at the end of the year, the company’s pipeline was \$60 million, compared to near-zero in the year before that

It was a dramatic 12-month turnaround that caught the attention of market leaders. The company extended its growth and position by:

- cancelling plans for a forced sale of the company
- attracting new Series B investors that added \$22 million to the company
- closing and launching a global sales partnership with a Fortune 20 technology company

“By focusing on and executing a market capture strategy, the company put a stake in the ground that raised it to the level of its competitors,” Gore said. “Now, the company is positioned to compete against these 800-pound gorillas in any market segment—and win.”



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The Business Coach of Texas offers services in three distinct but interrelated areas: business and executive coaching based on the Robert Hargrove Masterful Coaching™ Practicum; executive

sales training, assessments and certification based on its world-class partnership with Action Selling™; and leadForward™, a leadership development campaign designed for business and government executives and community leaders looking to accomplish what might otherwise seem to be an impossible future.

The Business Coach of Texas is led by Eric H. Gore, its founder and president. Gore is a seasoned international business executive with 25-plus years of experience in sales, management and executive leadership at Fortune 500 and technology start-up companies.

For more information, visit <http://www.thebusinesscoachoftexas.com>, or send e-mail to Eric H. Gore at [ericgore@thebusinesscoachoftexas.com](mailto:ericgore@thebusinesscoachoftexas.com), or call 214-668-1702.

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