

Step Two - Company Analysis

At this step I am analyzing a company —or, in the case of a Fortune 500 corporation, analyzing each of its lines of business or divisions. For my example here, I'll use [Tyco International](#), which generated \$17.2 billion in sales in 2009. The company comprises five businesses:

- Security products and services, of which ADT is the most prominent brand;
- Fire protection products and services;
- Flow control technology;
- Safety products; and
- Electronics and metal products.

To arrive at an overall analysis of Tyco International as a company, I need to perform an analysis of each of its businesses.

The first phase of this company analysis includes researching and documenting, then reading and analyzing, information from a variety of sources. These include: Hoover's company profiles, the company's website or sites, competitor websites, business publications, trade associations, LinkedIn, influential bloggers, and Google.

Besides Hoovers, whose company profiles are objective and up to date, my favorite single source of information is found on the company website under the tab *Investor Relations*, or sometimes under *Newsroom* or just *News*. I'm looking for a presentation to the financial community. In the case of Tyco International, I found the company's presentation to the [Stanford Bernstein 26th Annual Strategic Decisions Conference](#). The reason I value this sort of document is that it provides concise information of the following types:

- *Objectives at a high level.* These are understandable because they offer sufficient detail to reveal the prospect company's essential *strengths*, *weaknesses*, *opportunities*, and *threats* (SWOT).
- *Revenues and net earnings.* These are almost always provided.
- *Other metrics the prospect company thinks are important.* These could include same-store revenue growth, a.k.a. organic growth; the churn rate of new customers; and the dollar value of orders in their pipeline, and especially what has changed over time.
- *Company strengths and weaknesses.* These should allow me to examine its business (es) through several lenses, including the absolute and relative size and the growth rate of each division, product, region, and customer segment.
- *Corporate strategy.* This should include which division, product(s) or product line (s), region, or customer segment is the prospect company's present focus, and why.

- *Critical Success Factors (CSFs)*. These are the things that must go right for the prospect company's objectives to be met.
- *Key executives*. The individuals are who are responsible for making the CSF happen.
- *Plans*. How the company intends to ensure that the objectives are met by applying the strategy.

To help me analyze all of this information, make sense of it, and then identify potential sales opportunities, I have developed the Nine Elements of Knowing Your Customer (9EKYC). My goal is to be viewed by the relevant people in the target company not simply as someone with something to sell, but as a trusted advisor—perhaps only for one project, ideally for many projects over the longer-term. To succeed in this I must be as knowledgeable as any outsider can be about the company, according to all nine of the elements (and data points) in my model. I need to be in communication with key individuals inside the company who can give me the information I need to make my proposed solution perfect. The knowledge of both the industry context and the company's situation and direction I can bring to approaching those key individuals I call the “bus drivers” will make all the difference in whether they'll give me the further information I need.

The 9EKYC model is a synthesis of my own experiences, education, researched best practices of others, mentors and workshops. Using this model ensures that I examine every important aspect of my prospect's or customer's situation. This in turn enables me to identify potential sales opportunities that will:

- closely align with my prospect's strategy;
- greatly increase the probability of short-term success and long-term sustainability;
- easily be implemented and have staying power;
- convincingly deliver results with the highest possible return on investment;
- effectively demonstrate to my prospect that I can serve as a trusted advisor.

In the description of 9EKYC that follows I have included alternative terms to look for in your prospect's or customer's documents. Your prospect or customer will frequently use terms that are different from those you use, so try to identify synonyms. There are several ways to do this. First, consider the term's likely meaning in context. If that's not giving it to you—or just to be sure—look it up in a thesaurus and/or in Wikipedia, and then maybe do a wide-spectrum Google search, followed by “more results like this one” to get to relevant instances. This process is important in two ways. First, it will help you fully understand what your prospect is saying; second, it will enable you to use the prospect's language when you communicate with them. Using their language will demonstrate to the prospect that you understand their business.

In my example, Tyco International, I went to the corporate website and looked under the *Investor Relations* tab, then *Presentations and Webcasts*. From there, I chose the company presentation to the Sanford Bernstein 26th Annual Strategic Decisions Conference as the first document I would review. It provides most of the types of

information I have just described. The Tyco International business line I chose to analyze is Tyco International's Security Products and Services (SPS) division, led by the ADT brand. The reasons I selected Tyco International's SPS over its four other main businesses include:

- *Significant Acquisition:* Tyco International recently acquired Broadview Security, which substantially increases SPS market share.
- *Growth Strategy:* the company is investing significant money and has high expectations of this business (see below).
- *Size:* SPS is their largest business.
- *Recurring Revenue Stream:* 40% of SPS total revenue is a recurring stream that is very secure and protectable.
- *The Capabilities of Carpenter & Associates:* my firm offers solutions that I think would bring tremendous value to SPS division.

The Nine Elements of Knowing Your Customer (9EKYC)

Keep in mind that we are analyzing Tyco International's Security Products and Services (SPS) business with an emphasis on the ADT brand.

Element 1: Jumping-In Point

Change is required to seize an advantage, whether by addressing pain or by identifying an opportunity. I approach my target company in the role of a change agent—but not just any change agent. My goal is to be viewed by my target company's key people as an ally in making that change, whatever it is. So I'll need to discover the most significant pain and or the most significant opportunity the company is facing. Together these form what Elias and Shanto, in their book [*Shift!: Harness the Trigger Events That Turn Prospects Into Customers*](#), call a Trigger Event. Then I'll try to quantify that information and identify as precisely as possible who is feeling this pain within the organization. For instance let's say that my target company expected a revenue growth of 15% globally. However, the two most recent quarters have shown revenues declining. Clearly, this painful fact is affecting many people at the corporation. I need to figure out exactly who is feeling the pain most intensely. In this case, it's obvious that the head of sales would be the first person feeling the pain. The next step is to identify the people she/he reports to and his/her own direct reports, creating in effect a partial organization chart.

In the case of ADT SPS, the *jumping-in point* is the integration of its recent acquisition, Broadview Security. One way I can use this information is to make certain that any suggestion I make includes how it would help the integration of Broadview. I know this integration is important because of what Tyco International said about the acquisition in its presentation at the Sanford Bernstein Conference. Tyco International expects that Broadview will provide the following benefits among others:

- Broadview had a 2009 revenue of \$565M with over \$500M of recurring revenue, based on 1.3 million recurring revenue accounts;

- The deal is expected to increase ADT's North American residential/small business revenue by 25% to \$2.8 billion, with over 85% recurring revenue.
- The company brings additional capabilities and capacity to generate new, high quality accounts.
- It also adds new installation and service expertise, which will result in enhanced service offerings for customers.
- The acquisition is expected to add to Tyco International's earnings in the first full year by approximately \$0.07 per share (\$0.14 per share on a cash basis) and in year two by \$0.14 per share
- Cost synergies from the acquisition are expected to approximate \$150M on a run-rate basis by year two.
- At the same time, integration and deal-related expenses is less than \$100 million.

Clearly, this is a very big deal for Tyco International, and the company has a huge incentive to make the integration work. Therefore, I will focus on this business in creating my solution.

Element 2: Organizational Purpose

How a company defines its purpose determines what it produces and how it operates both internally and in the marketplace. Alternative words to look for include "mission and vision," "foresight," "values," and "long-term goals." The company, at and least theoretically, exists to achieve its long-term goals, which may include profit growth, service, and sustainability.

The organizational purpose of Tyco International's SPS business is to help protect nearly nine million commercial, governmental, and residential customers. The company's security solutions include intrusion and fire protection, closed circuit television, access control, critical condition monitoring, electronic article surveillance, radio frequency identification, and advanced security integration. One way I use this information is to do additional research not only on SPS in general, but also and especially on Tyco International's SPS most important brands and services, its competitors, and its customers. That way, when I talk to Tyco International about its SPS business, I will increase my credibility by referencing my knowledge of its security solutions and/or the specific types and needs of its customers, and the competitive trends.

Element 3: Critical Success Factors (CSFs)

I've already mentioned CSFs in passing, but it's time to go into more detail about them. The concept of "success factors" was developed by [D. Ronald Daniel](#) of [McKinsey & Company](#) in 1961. CSFs are that handful of outcomes that must be achieved for the organization to achieve its goals both short-term and long-term. Some companies are very explicit about describing and defining CSFs; others are more oblique. Regardless, it's *crucial* that I understand how a project, that I hope to win, relates to the achievement

of a CSF and ultimately links back to the corporation's overall objectives. If I cannot make that linkage, my project is vulnerable. By vulnerable I mean that it may not get funding, that the project may be implemented more slowly, and that when budgets get tight it is likely to be the first project to be cut. I should therefore either re-examine the current project and see if I can find the linkage—or else invest my time in another project.

In the case of SPS, the CSFs are as follows:

- improving operating margins in Europe, Middle East and Africa;
- reducing customer attrition rates in the US;
- improving operational efficiency;
- leveraging advertising more effectively; and
- reducing G&A expense.

My aim is to get a detailed understanding of what each CSF means by asking about the metrics Tyco International is using to measure progress and its plans to ensure that the CSFs are achieved. With this information, I can figure out how my solution will help Tyco International achieve one or more of its CSFs. I will shape my solution into a value proposition then proactively test the proposition with my contact(s) at Tyco International (see Element 4).

For example, I know that Tyco International has said (at the aforementioned Sanford Bernstein Conference) that a CSF is to reduce customer attrition in the US. So now I need to find out more about this CSF, including the current customer attrition rate, the acceptable customer attrition rate, and what is preventing them from achieving the desired attrition rate.

Element 4: Bus Driver(s)

I need to find out who is “driving the bus”—leading the company or business unit. The bus drivers are the executives responsible for making the CSFs happen. Of course, the larger the company, the more “drivers” it has. The alternative words I’m looking for here are “key players,” and “decision-makers.” In a small business, and typically in a midsize business also, the driver is the owner and president; in a Fortune 500 corporation, the drivers will be several key executives. The first step in identifying the bus drivers is to identify executives with the firm. The two places to find this information are:

- the company's website;
- Hoover's profile of the company

The second step is identifying the executives responsible for achieving the CSF (See Element 3). This information is obviously harder to find. Places I typically look include a Google search on executives in the roles that I anticipate being very important. Another way is to search the company website to see how many times certain executives' names are mentioned in connection with a CSF. I also look for executives who have

recently moved into a new position that is probably connected to the company's CSFs. That is an indication the executive is one of the bus drivers.

It was not immediately clear who the bus drivers are for Tyco International's Security Products and Services business. However, I was successful in identifying potential bus drivers by examining the management team shown on the company's website.

The very first executive I identified is the President of Tyco International Security Solutions, Naren K. Gursahaney. Clearly he is the most senior executive in this business unit and by default is the bus driver responsible for achieving the previously identified CSFs. The second executive is the Senior Vice President, Enterprise Sales, Jason Rabbino. Given his very senior level and his responsibility for sales, I expect that he will very likely be responsible for two of the CSFs:

- improving operating margins in Europe, the Middle East, and Africa; and
- reducing customer attrition rates in the US.

Naturally I will look to gather more information to confirm my expectations or discover that they're incorrect and that I need to do more "bus driver" research.

Element 5: Processes

Organizations require operational procedures to coordinate and monitor activities. An organization's success is influenced by the degree to which these systems a) involve the right people, b) ensure that these people have the right information, and c) support strategic business objectives. The alternative words to "processes" are "systems," "procedures," "communications," and "workflow." I would look for these words in the Stanford Bernstein presentation on the Tyco International website.

It is important to note here that some organizations are fundamentally process-driven while others are much less so. As a salesperson/consultant, I need to understand my prospect/customer. I need to know the prospect's internal processes and which ones are the most important. What's more, a company's official documents and charts won't always reveal the level of detail that I need concerning how the company really works. For instance when I first began working with a consumer goods company in the beverage industry, everything I read told me that this company had best-in-class processes for product development. As I worked on the project, though, I began to understand this customer in more depth. It became clear that the published processes did not drive decision making; frequently, the processes were "modified" to the point of irrelevance. Much more important was the individual "bus driver"—in this example it was the head of marketing—actually driving a particular project. The process was much less important than it looked at first.

For ADT, the key processes are unknown at this point, as the information that I've been able to gather so far (the company website, Hoover's, and the Tyco International presentation at the Stanford Bernstein Conference) doesn't tell me about them. Information about most company processes has to be uncovered through primary research, like conversations, e-mail exchanges, and meetings with contacts like the VP of customer service, who is very likely to be responsible for overseeing the CSF

“reducing customer attrition rates in the US.” Face-to-face meetings are particularly useful because my contact may obliquely reveal important information about real as opposed to official processes that she or he might be unwilling to pass along otherwise. Virtual meetings via the web or over the phone are also useful and many times the prelude to a face to face meeting. Remember, I’m trying to become a trusted advisor—and especially to the VP dealing with attrition rates, because that’s who’s feeling the pain, and that’s who’s in charge of addressing the CSF that my solution needs to focus on.

Element 6: Talent Management

The “bus drivers” make the decisions; his/her direct reports execute the strategy, including making tactical decisions. The better an organization is at selecting, developing, motivating, and retaining competent and talented people, the better it is at executing the strategy. The alternative words to look for are “human resources development,” “recruitment and retention,” and “morale and talent management.”

At this point, I do not know ADT’s talent management plans, as the secondary sources do not provide that information. Hence, information about a company’s Talent Management plans needs to be uncovered through primary research channels: conversations, e-mail exchanges, face-to-face meetings with relevant contacts at the company like the VP of Talent Management or equivalent. As with the Processes element, I am looking past the company’s official policy into the reality of how they manage talent.

Element 7: Services or Products

Selling goods or services, both tangible and intangible, is how any company achieves its key metrics like earnings per share (EPS). Alternative words to look for are “outputs” and “deliverables.” In some businesses, a single product is critical to success. For example, in the pharmaceutical industry, the launch of single product is a CSF. The reason? A single product represents hundreds of millions or billions in potential sales, and hundreds of millions invested in research and development. In other industries the CSF is spread across multiple products or brands and/or an integrated solution involving several products and services.

In ADT’s case the services are organized into four segments as follows: home security systems, business security systems, retail solutions, and security products. One way I will use this information is to find out who are the key customers and key competitors in each service segment. At this stage I will likely find high-level information only. Then I will use this information about the four segments to learn more about each segment. Referring back to the CSF described in Element 3, I will ask questions to understand how Tyco International’s CSFs are pertinent to each of the four segments: for example, the business security systems. Additionally, I’ll search for information about their target customer, including the persona of the target customer for the business security systems.

Element 8: Strategy and Tactics

Every publicly traded company has a published a strategy and tactics created to achieve certain goals. I need to know how (and how well) the company links its strategy to its goals. The alternative words to look for are “strategy statement,” “short-term goals,” “investment community,” and “communication.”

For ADT, I don’t know the strategy and tactics yet, because information at the brand level is not published, or if published the important details are vague. For obvious reasons, this is the kind of information a company does not make public in any but the most general way—because to make it public is to make it available to the company’s competitors. Only primary research will uncover this information. My single best bet is to have an email exchange or some phone time with the president of the business unit, or more probably with one of the president’s direct reports. My approach when making contact is to share what I know about the previous 7 Elements. This will help me establish my credibility. Next I talk about how I have helped other firms in a similar situation. The more I know already, the more likely I am to be perceived as a trusted advisor, and therefore the more likely my contact is to share more information. (I will talk in more depth about my approach to becoming a trusted advisor in future e-books.)

Element 9: Brand

Companies choose the portion of the market in which they will operate and how they will communicate with the target customers. Some companies aggressively invest in media to influence how their brand is perceived, while others emphasize listening to the needs expressed by the market and then modify their brand’s positioning to meet those needs. I look for the story that the company is telling about its brand(s) including the company as a whole. How does it want to be perceived by customers? The keywords to look for are “advertising,” “image,” and “branding.”

Tyco International’s SPS business has 12 brands; the two largest are ADT and Broadview. I also know, from reading the presentation at the Stanford Bernstein Strategic Decisions Conference, that ADT wants to leverage its advertising, which could mean that the company is looking for an overarching brand. A Google search on this topic may uncover additional information about their brand strategy. No doubt, though, primary research is also needed. My best contact may be somebody in marketing, preferably a senior manager. However, I should also consider talking to Tyco International’s SPS competitors, like Advanced Security & Controls, Bosch, and Protection One. These competitors were identified in the company’s profile on Hoovers’.

Summary

Identifying the Best Prospect is your first stage: preliminary research using mostly secondary sources. This is the foundation you need in order to build an effective and efficient sales strategy. It can be carried out by Sales Operations and/or the individual salesperson. Targeting is a two-step process: first the industry, then a company. As you saw in my walk-through of Tyco International ADT using my 9EKYC process, secondary-source research can’t get at some critical information you’ll need for a successful sale. However, the information you can uncover is helpful in and of itself

because it focuses and gives meaning to the additional discovery you will do with your contacts.

The true power of the 9EKYC model is in answering the following macro questions:

- What is my composite assessment of my prospect's/customer's situation?
- What can my prospect/customer do to leverage its strengths, minimize its weaknesses, protect itself against threats, and seize opportunities?
- What are my prospect's/customer's CSFs?
- Given the CSFs, who should I be contacting to get more information with which to tailor my solution and my presentation?

What's Next?

The next stage is called *Opening the Door: Prospecting*. This stage is all about marketing, both inbound and outbound. I treat marketing in a broad and integrated way, so this phase includes: obtaining referrals, using a CRM, aligning marketing and sales, developing e-mail campaigns and phone campaigns, making the best use of social media, calling on C suite, nurturing prospects, taking advantage of trigger events/carpe diem, and of course networking.

After that comes *Winning the Deal: Influencing*. This third stage deals with first-hand discovery—primary research and its application. I discuss building relationships with company insiders from the very first meeting; knowing your competition and how to position yourself to win; creating and presenting a unique and compelling solution; linking your solution to your customer's CSF; proving business impact; preparing and presenting a winning proposal; and conducting a win/loss review. I explain how to do all of this working alone or as a team with your boss and colleagues, whether virtually or in person.

Fourth and last, I explain *Building on the Win: Leveraging*. Here I show you the final phase: how to deepen and widen your relationship(s) with your new corporate customer so that you at least protect your customer and then expand and increase your share of wallet. This starts with the project itself and how you under-promise and over-deliver. Then I explain how to use that success to win more business with that customer. Why the focus on the current customer? Because continuing to develop a deeper relationship with the company that knows you and your capabilities can lead to you new projects three times faster than winning a new project from a cold prospect—and with a current customer, your win rate over the competition is five times higher, based on my research and experience.