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FREE MARKET POWER

Facing deregulation, mega-utility BC Hydro switched on to a Toronto consulting firm to teach it how to outsell the competition

By Alison Eastwood

In case you thought the phrase "business process re-engineering" died five years ago, look no farther than the utilities industry, where government-owned behemoths are struggling to come to grips with an entirely new way of doing business. Just as telecom giants were forced into deregulation in the early 1990s, Canada's \$30-billion power-industry players such as Ontario Hydro are now grooming themselves for the same metamorphosis.

Ontario Hydro, for one, is preparing to restructure into three new corporations in the face of government legislation. In addition, the province will create an Independent Electricity Market Operator to govern the new free market. Meanwhile, in June, Alberta set up a power exchange pool to represent electric industry stakeholders and provide a forum to discuss electric transmission issues.

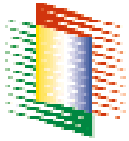
It's a tough time for old-time hydro workers, to whom 'sales' was a dirty word, according to Mike Gormick, director of marketing and sales at BC Hydro, the country's third largest utility with 1.7 million customers and annual revenues of \$2.5 billion. His utility is, with the help of government task forces, looking into deregulation and "experimenting" with commercial products "that would allow our industrial customers access to market rates."

Says Gormick, hired in September 1996 to spearhead the transformation of BC Hydro's sales force: "The concept of competition is very new within an electrical utility. Most have been under regulation since God knows when, and, therefore, there wasn't any need to build any type of competitive sales/marketing organization." He says changing workers' mindsets is the biggest obstacle. "Knowing that we're going to go through very significant change, and being a utility that has not undergone this kind of change before, can be pretty worrisome to people that have had day-in, day-out stability." He knows all about this mental shift, however, having worked at Canada Post for 13 years before moving to Pitney Bowes.

Gormick sees a lot of parallels between the crown corporations. Utilities, like postal services, are managed by engineers and operating staff with a culture unfriendly to competitive sales and marketing techniques. They're used to having a captive audience. In the case of Canada Post, its market was the entire Canadian population. In BC Hydro's case, its entrenched industrial customers on the west coast take the form of large resource-based operations -- pulp and paper, mining and support industries such as chemicals.

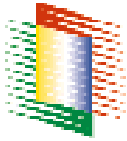
It might be possible to retain the loyalties of some industrial clients in the face of deregulation, but how to keep the consumer? Gormick knew his team would have to repackage and take to market many offerings that, internally, BC Hydro had hitherto taken for granted. (For examples of BC Hydro's product offerings, see sidebar.)

In July 1997, Gormick started rebuilding the utility's sales and marketing organization. He contracted PERFORMAX Sales & Marketing Group Inc., a Toronto-based sales and marketing consulting group whose software Gormick had used before. The software was almost incidental, though. "[PERFORMAX] is dedicated to improving sales performance," Gormick says. The



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consulting company offers programs for sales reps, key account managers, team managers and marketing staff.



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Sell, sell, sell

From PERFORMAX's viewpoint, deregulation was a godsend. The company, which preaches, teaches and develops software around "change management," doesn't reveal revenue figures but has grown year over year since it started up in 1986. Five years ago, PERFORMAX won a request for proposal (RFP) with Bell Canada, which was just facing the spectre of deregulation at the time. According to John Bannister, an associate at PERFORMAX, Bell said: "We need a new culture and a sales force that is proactive, not reactive, one that's customer-focused and not product-focused."

That cry will sound familiar to anyone in the high-tech sales business and, in fact, high-tech companies were PERFORMAX's first customers. Clients include IBM, Digital, StorageTek and Silicon Graphics. Bell, like its high-tech predecessors, had a wish-list including new business processes; consistency in the look and feel of sales reports across the company; and, a tracking and forecasting system. "That's what we did," Bannister says.

The Bell experience parlayed into contracts with a number of telcos, culminating with BC Tel in 1997. It was an easy hop over to its power counterpart, made doubly easy because Gormick, the customer, was already familiar with PERFORMAX's software. Initial meetings with BC Hydro began in January, followed by customization, executive planning and a rollout starting in April. "Part of the process involved designing an organization that reflected our customers," Gormick says. He and PERFORMAX built a new sales structure, with job models, selling processes and information systems designed to support the company's "mission." Says Gormick: "It was just a case of being accountable for what we do, and being able to talk about how we were going to achieve our goals."

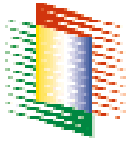
But was his team eager to achieve those goals using a brand-new system? Gormick laughs at the question. Positioning is "the most critical part," he says. The new tool can calculate how much current sales activity a rep has on the go. But "if the sales team sees it as just a report for the boss, they'll just give you numbers," says Gormick, who was anxious to avert any 'big brother' connotations. "The real trick is sitting down with the sales group and getting them to understand that this is a real useful tool to manage their business. You don't want to force them into doing it."

PERFORMAX customizes its Windows 95-based system for each customer, and BC Hydro has branded its version The Sales Generator, which creates and manages an integrated set of sales processes and provides users with a "personal workbook."

Each member of the 195-strong sales and marketing team now uses the software. Gormick says he has only lost a few employees as a result of the new direction -- and not through attrition. "People did leave [because] that wasn't their picture of the future. They realized they didn't have the skill sets for where we were going." These employees actually found jobs in other parts of the company (BC Hydro employs about 5,800 people).

Bannister, who's seen a lot of fallout from this type of reorganization, is unfazed by its effects. "When we start this process, we caution management that not everyone will make it." Still, it's hard to predict who will stick it out and who will fall by the wayside. "Some people who aren't expected to make it come through with flying colours, and others who you expect to have no trouble [end up leaving]." Regardless of internal politics, the need for effective sales capability at organizations like BC Hydro is, Bannister believes, "a matter of survival."

SELL OR DIE!



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That's the motto for PERFORMAX Sales & Marketing Group Inc., headquartered in the Merisel Canada building just outside Toronto. Go visit PERFORMAX's tiny office and you'll be treated to a wall display of mounted letters from satisfied customers like IBM, Bell Canada, Xerox, Oracle, Sprint, Fonorola and EDS. "There's a similarity between the type of problems our clients face," says associate John Bannister, "usually caused by rapid changes in the market, such as deregulation."

PERFORMAX's consulting services help define the customer's mission and vision, strategy, new culture, processes, and, finally, automation. The software solution - an Excel-based tool - isn't a traditional SFA product, Bannister maintains. "A very high percentage [of sales force automation] projects fail, because companies jump right to the automation without going through these steps." Bannister says he learned the 'processes first, products second' mantra from IBM, where he worked for 13 years. "They would say, 'Don't just automate your accounts receivable department; think it through, revise it, then automate it.' We don't just jump in."

Modest about PERFORMAX's A-list client roster, Bannister believes PERFORMAX's key to success is: don't delegate. "One CFO said to me: 'I know how you work: I'm talking to the A team, but once I sign up you'll give me the B team.' But Peter [Michie, founder] and I don't pass them off to junior reps. We do the implementation ourselves." If this involves flying all over the country and staying at a site for weeks on end, so be it. PERFORMAX, however, is in the enviable position of being staffed with seasoned consultants, rather than "MBAs hired right out of school." "Luckily for the industry, someone, somewhere, is hiring those MBAs" . . . – Allison Eastwood