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Getting Out of a Market

When to Say Goodbye

By Rich Friedman

In an ideal world, the marriage between a firm and its favored markets would last forever. However, in the real business world, sometimes large-scale changes are needed.

It might be that the phone has stopped ringing due to an economic downturn in that sector. It might be a new development that changes the competitive landscape. It might be that the market is the same, but your firm is changing.

Jettisoning an entire market sector is not a light decision. It's one that should be made only after a clear analysis, including external data gathering from clients and prospects. That said, sometimes the soul searching required to change course is necessary.

When transportation planning firm Nelson/Nygaard (San Francisco, CA) was getting started in the early 1990s, the rural public transit market provided a large percentage of its work. But as the firm grew, there were tough calls to make about whether this was a business they could stay in.

The firm, which now numbers 120 staff and offers transit, paratransit, and multimodal planning, was still doing great work for those clients, says president and COO Paul Jewel. Yet, the company found itself competing with rural 10- to 15-person firms that could deliver projects more cost effectively.

After a few years of pressing on, the retirement of a senior staffer who had championed this sector triggered an important conversation at the firm's annual business development strategy meeting. It soon became clear that not only was the firm challenged to make money in that market, but also, internally, the enthusiasm wasn't there anymore. "We found that our staff wasn't interested in chasing that market," says Jewel. Younger staff members were more geared towards urban planning and they wanted to work in urban environments.

Choosing Your Focus

At the start of John Cowdery's 10-year run as the CEO of 400-person environmental consulting firm Jones & Stokes Associates (Sacramento, CA, now a part of ICF International), the 2001 economic downturn challenged everyone. Cowdery and his leadership team made the tough call to refocus the firm, starting with a hard look at which markets they did and did not want to work in. "We employed a 'follow the money' strategy along with geographic expansion," says Cowdery, who is now senior vice president and environmental services director at 3,200-person engineering and construction management firm TRC Companies, Inc. (Lowell, MA).

That meant moving away from commoditized work to partnering with higher-end clients. They walked away from work such as underground storage tanks, Phase 1 assessments, and asbestos and mold abatement, as well as clients such as schools and residential developers. The firm began to focus on energy, clean water supply, power, and utilities. "We started with internal navel gazing, and that wasn't very helpful," says Cowdery. "Then we went to talk to clients in a way that we hadn't before."

To solidify its direction, the firm talked to more than 100 clients and conducted supplemental research from environmental business journals and competing firms. Jones & Stokes grew substantially as a result, and with dogged focus, they maintained that growth right through the next economic downturn. "It's easy to look back and say our strategy worked, but it

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was very hard at the time to say no," says Cowdery. "It was counterintuitive to how we as consultants had been trained, and it came down to being grounded in what the firm does and what it doesn't do. You have to decide that this is not a business you are going to be in anymore."

It's Time to Tell the Clients

For both firms, backing away from a client sector didn't mean abandoning good clients. They maintained a handful of strong relationships, but focused their marketing resources elsewhere.

Nelson/Nygaard took a direct approach, contacting clients to inform them of the change in focus. They let them know in advance that they would not be responding to every RFP, and in some cases, when an RFP came in, they called to explain why they would not be submitting. "You never like to give up on a market because it feels like you're letting people down," says Jewel. "But you can't do everything. You have to choose your battles and wisely determine your investments."

As your firm evolves, a well-thought-out decision to leave a market may be a necessary growing pain that paves the way for future opportunity. Yet one of the biggest mistakes is not being decisive. It's easy to rationalize hanging on to poor-performing client sectors, or let decisions drag on. But the costs are high: a fuzzy company vision, low morale, ill-conceived opportunity pursuits, and a lack of energy and money directed towards markets with potentially more satisfying returns.

"Decisiveness requires leadership commitment, strong data analysis, and a clear go/no-go process," says Cowdery. But it's a philosophy his company now aims for. "We want to differentiate ourselves by tackling tough problems, not ones we have to low bid or can't be profitable with," he says. "If your company is competing with 10 to 15 other firms, that's when you start lowballing and that is the area to get away from."

"Giving up on that market was a sign that we were growing up as a firm," agrees Jewel. "That means taking on new challenges, markets, and opportunities. It's good for the firm in the long term, but it's tough in the short term." ■