CHAPTER 1

What Are Tough Times?

Today, a salesperson blew a huge presentation, lost the opportunity, and embarrassed himself in front of his peers. His company was depending on this deal to stay afloat. To make matters worse, he had to explain to his boss why he blew the sale. It was the worst day of his professional career.

Later that day, another salesperson from the same company lost her largest customer. She couldn't believe the customer went to a competitor for cheaper pricing. Now she must tell her boss that she lost the company's biggest customer. This will be the toughest conversation of her career.

The CEO of this company is agonizing over whether to initiate layoffs. Profits are suffering, and the company is losing money. Now that the company's biggest customer has left, layoffs are imminent. It's the toughest decision he will ever make.

Last year, another salesperson was diagnosed with cancer. Today she is heading to the hospital for another round of chemotherapy. She is fighting for her life—experiencing pain she has never felt before. This is the toughest battle of her life. What do all these people have in common? They are experiencing tough times. No one person has a monopoly on tough times. Whether personally or professionally, everyone experiences tough times.

Tough times are relative to your experiences, not to the experiences of others. Someone always has it better, and worse, than you. Comparing cancer to a sales slump seems outrageous, and it is. Battling cancer is on a different pain level than losing a sale, but both still cause pain. Viktor Frankl, the famous Austrian psychiatrist, author, and Holocaust survivor, had this to say about suffering:

> To draw an analogy: a mans suffering is similar to the behavior of a gas. If a certain quantity of gas is pumped into an empty chamber, it will fill the chamber completely and evenly, no matter how

> big the chamber. Thus suffering completely fills the human soul and conscious mind, no matter whether the suffering is great or little. Therefore the size of human suffering is absolutely relative.

As a Holocaust survivor, Frankl experienced unimaginable pain and suffering, yet he acknowledges the relativity of tough times. Tough times are as diverse as the people experiencing them. It's useless comparing your tough times with those of other people.

In business, tough times are a steady or sharp decline in economic performance. Tough times are most common during economic recessions or depressions. Economic downturns also impact specific sectors of the economy. These downturns are rolling recessions. An industry facing disruption or stiff competition is facing tough times.

Tough times extend beyond financial hardship to mental hardships. Mental downturns manifest in feelings of helplessness, hopelessness, and general unhappiness for an extended period. Mental downturns and economic downturns often appear together. Sellers feeling hopeless struggle to perform, leading to steeper financial hardships, which lead to stronger feelings of hopelessness, creating a vicious cycle.

Tough times are unrelenting. They stack up on you. When times are tough, they can always get worse. Tough times are indiscriminate and democratic. They happen to anyone at any time. Some people experience more, others experience less. By engaging in life, you experience tough times (and the good times that follow).

Tough times form a foundation of resilience. This foundation enables you to carry heavier burdens with greater ease. Without tough times, your foundation remains unfortified. Novice tough-timers face unprecedented challenges that force them to dig deep. First-timers emerge stronger—usually surprised at their newly uncovered strength.

Think of the four people in the opening example. Imagine a cancer survivor experiencing a sales slump. Would a cancer survivor even register a sales slump as a tough time? Probably not. Today's tough times are filtered through your previous experiences. Your previous pain tightens your tough-time spectrum. The more difficult the past, the easier the future.

Tough times are relative to your previous experiences. If you sold through the 2008 Great Recession, a mild downturn wouldn't faze you. Selling through your first recession is more challenging than selling through your third. Previous tough times temper your frustration and strengthen your resolve. Your foundation prepares you to navigate uncertainty. Because of privilege or luck, not everyone experiences tough times. It's challenging to develop toughness when times are mostly good. Powerlifters lift massive amounts of weight because they build a foundation of strength. You wouldn't expect a rookie to shoulder the same load as an experienced bodybuilder. The same is true for someone experiencing hardship for the first time.

Regarding tough times, there are two irrefutable truths: tough times happen, and tough times are temporary. No matter how tough the time, it will pass—as will the good times. Tough times are always on the horizon, but so are the good times that follow. Tough times and good times are fleeting. The average expansion lasts three times longer than the average downturn.[1] So tough times are just a little more fleeting than the good times that follow.

TOUGH TIMES THROUGHOUT HISTORY

> A thought for my fellow CEOs: Of course, the immediate future is uncertain; America has faced the unknown since 1776. It's just that sometimes people focus on the myriad of uncertainties that always exist while at other times they ignore them (usually because the recent past has been uneventful).
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> —WARREN BUFFETT, 2013 Open Letter to CEOs[2]

In 2013, Warren Buffett wrote an open letter to CEOs. Buffett's remarks aptly explain uncertainty and tough times throughout history. Uncertainty is part of sales. Nothing is guaranteed. In this same letter, Buffett mentions, "[W]e are playing a game highly stacked in our favor." In a downturn, it's natural to focus more on uncertainty than on opportunity. In the long term, though, there is always more opportunity than uncertainty.

Downturns and setbacks are part of our history, but our history is also overflowing with expansion and growth. The United States has experienced more than 40 recessions or depressions and several global recessions. Recessions are inevitable, but each downturn is followed by further economic expansion. Balance your uncertainty with hope; the lowest point begins the turn around. Don't let the current doom and gloom obscure your vision for a brighter future.

Tough times are unique, and so are the opportunities they reveal. Each tough time builds your resilience and bolsters your playbook to manage future tough times. For example, the housing crisis during the Great Recession forced banks to reform lending practices, stabilizing the housing market and mortgage industry. The Federal Deposit Insurance Corporation (FDIC) was created due to thousands of failing banks during the Great Depression. Although tough times are painful, we learn from them.

Tough times are relative throughout history. Imagine living through the Great Depression, constantly reciting the motto, "Use it up, wear it out, make do or do without." This mindset lasted almost four years. Relatively speaking, the Great Recession of 2008 does not seem that bad.

Previous failures are great teachers; we continue learning from them. Previous tough times teach us to manage the next tough time more effectively. In the 13 recessions and depressions prior to the Great Depression, the downturn lasted 16.2 months, and the average expansion was 22.4 months. Since the Great Depression, there have been 13 recessions. The average length of those recessions was 10.4 months, and the average expansion was 59.4 months. Expansions have nearly tripled, while downturns have almost been cut in half[3]—meaning, we are learning to manage downturns more effectively.

Many industries face tough times. Think of small mom-and-pop shops struggling to compete in the wake of Walmart. Think of the oil and gas industry facing regulatory hurdles. In the spring of 2020, the price of crude oil dipped below $0 per barrel. Dairy farmers struggle to stay afloat and compete with large megadairies. No industry is immune to tough times. The only way to inoculate yourself from tough times is to learn, adapt, and grow.

Companies grow through the tough times they experience. Many darlings of Wall Street faced early struggles and emerged stronger. The Walt Disney Company thrives today, but consider the early failures of Walt Disney's career. One of his most notable failures was Laugh-O-Gram Studios in Kansas City, Missouri. Walt Disney was on the verge of a breakthrough, but it did not happen in time. He had to close up shop. He went out to California to build his empire. Shortly after the move, Disney experienced another devastating blow. A distributor stole one of his cartoons and several of his artists. Once again, Disney was on the brink of failure. Only this time he channeled his frustration to create an icon of American optimism. That icon was, of course, Mickey Mouse.[4] There is no doubt that Disney's early failures shaped his success in building one of the most admired companies and beloved characters.

Apple's success today is a far cry from its early days. Apple's current market valuation is more than $3 trillion. Apple is one of the most successful organizations to ever exist, yet the company nearly faced bankruptcy in the late 1990s. Apple was struggling and desperate. At that moment of hopelessness, an unlikely hero saved the company with a $150 million investment. Steve Jobs undoubtedly learned from the experience. In later interviews, he said, "Apple had to remember who Apple was because they'd forgotten who Apple was."[5] Once Apple remembered who it was, the company experienced unparalleled success. If it weren't for that tough time, perhaps Apple wouldn't be in the position it is in today.

Would you start a company during a recession? If given a choice, most people would say no. Why make it any harder on yourself? But those tough times also build a resilient foundation. Wouldn't it be better to have that foundation from the very beginning? History is filled with great companies born through tough times, for example, General Motors, Burger King, Hewlett-Packard, Trader Joe's, Mailchimp, Uber, and of course, Microsoft—the unlikely hero that bailed out Apple with the $150 million investment.

Tough times happen throughout history. Tough times can be unique to an era, industry, or a particular company. Those who adapt and evolve during tough times not only survive but also thrive. We will face more tough times. But we'll also face greater economic expansion as we learn from tough times. George Santayana, the Spanish philosopher, is credited with saying, "Those who don't learn from the past are doomed to repeat it." Conversely, those who learn from their past tough times are destined to expand from them. Tough times are good!

RECOGNIZING TOUGH-TIME SIGNALS

> The stock market had correctly predicted
> nine of the last five recessions.
>
> —PAUL SAMUELSON[6]

Samuelson's witty comment adequately explains our ability to predict the economic future. We know for certain that tough times happen—determining when is where we struggle. Tough times can appear gradually and predictably or suddenly, without warning. Even when there are signals, those indicators are not completely accurate. There is no crystal ball telling you exactly when the next downturn is coming. Industries are caught off guard by tough times but quickly rebound. It's not uncommon to be out of a recession before recognizing that you were in one.

Tough times are elusive and unpredictable. They are elusive because of our cognitive biases. When things go well, we believe they will continue going well. During good economic times, sellers succumb to the hot-hand fallacy in psychology. The *hot hand* is a basketball reference to a player "on a roll" or "in the zone." As spectators, we believe that the player is more likely to make their next shot because he made his previous shots.

The hot-hand fallacy explains the surprising nature of tough times. If we're hitting our targets and continue putting in the work, we expect performance to follow. Just as the basketball player believes he'll make the next shot, we believe that we'll keep performing well. If we're expecting to perform well, we're likely to miss tough-time signals—until we start missing shots.

No one can predict tough times with 100 percent accuracy. However, there are indicators that signal that tough times are on the horizon. Some signals are tangible, others not. Some factors are leading indicators, others are lagging indicators. Some indicators are company and industry specific, whereas others are broad. Company- or industry-specific indicators could be intracompany challenges, a tough competitor, or industry disruption. Broad economic indicators focus on the overall health of the economy. Recessions are defined as a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in gross domestic product in two successive quarters. Here is a list of economic indicators to monitor when you sense tough times:

- **Unemployment rate.** A rising unemployment rate indicates that tough times are on the horizon. The inverse is true for good times. Ironically, extremely low unemployment rates also create challenges.
- **Consumer Confidence Index (CCI).** This index provides a window into consumers' attitudes and purchasing intentions. A falling CCI indicates tough times.
- **Purchasing Managers' Index (PMI).** This index measures supply-chain activity in the manufacturing and services sector of the economy. A number below 50 indicates economic decline.

- **Federal Reserve interest rate (FED rate).** Lowering the FED rate generally means that the Federal Reserve is trying to stimulate the economy, indicating tough times.
- **Housing starts.** This is the number of new residential construction projects starting in a period of time. Fewer starts indicate less confident consumers in the economy.

There are other common signals within your company or industry that indicate that tough times are coming. There could be a decline in sales, customer attrition, layoffs, or shrinking profits. For individual sellers facing tough times, indicators include missing sales targets, losing customers, and a decrease in selling activity.

There are less tangible signals of tough times. These signals are less concrete but still provide a window into the future: customers claiming business is slow, repairing versus replacing equipment, and cost-cutting campaigns. You might experience more price objections from your customers. Discretionary spending decreases, and people may start saving more money. Ask your UPS or FedEx driver if he or she is staying busy. You might notice a general decline in business activity: fewer meetings, less interest in products, lower conference attendance.

A general sense of unease can be a leading indicator of tough times. Have you ever had the feeling that things are going too well? Everything seems to be going your way. You're on a roll. As things continue going well, you wonder if the universe is going to knock you back down to reality. This is sometimes called the *law of averages* or *regression to the mean*. We think, "Things are going great. Is something bad going to happen to balance out all this good stuff I'm experiencing?"

In the beginning of *Meet the Fockers* (Universal Pictures, 2004), Greg (Ben Stiller) and his wife Pam (Teri Polo) are headed to the airport. A stranger gives up his cab so that Greg and Pam can get to the airport quicker. They magically hit all green lights on the way to the airport. Coach seating is overbooked, so they receive complimentary upgrades to first class. While they are waiting in a long security line, a TSA agent opens another line for them. Everything is going great. In fact, Greg feels so confident about his trip that he doesn't buy rental car insurance. Shortly after the opening credits, the universe knocks Greg down a few notches. As you're watching the opening scene, you know something bad is *going* to happen.

A "feeling" that a slowdown is coming is not a certainty, but it is concerning. This happens after an elongated period of expansion. A feeling something bad will happen sounds like an overly pessimistic mindset. Although this indicator is not scientific, it is real. Be aware of this signal, but don't let it influence your attitude.

Tough times are hard to predict; there is no start or end date. Tough times arrive and go like a mild headache. With a mild headache, the onset of pain is gradual, and then it becomes noticeable. You're not sure exactly when the headache started, but you're experiencing it now. You take some medicine for the pain, and the headache goes away. Do you remember the exact moment it subsided? Probably not. After a while, you simply notice the pain is gone. Tough times subside like a headache; they gradually enter and leave. When you're going through tough times, you eventually notice that the pain is gone, and then, suddenly, you're back in good times.

Tough times are always on the horizon, and so is greater economic expansion. Even experts cannot accurately predict the next downturn. Be aware of the signals, but don't get too frustrated by them. Instead, use these signals as a trigger to prepare. You may not be able to predict tough times, but you can prepare for them.

THE ONSET OF TOUGH TIMES

Tough times appear in different forms and on different timelines. Businesses are built on a continuum of growth and decline. This continuum is shaped in the four phases of the business cycle: expansion, peak, contraction, and trough. Viewing tough times as a business cycle normalizes and stabilizes the uncertainty we face in tough times. There is also a mental cycle we experience during tough times. As we experience peaks and valleys, there are waves of uncertainty challenging the mentally toughest sellers.

Some tough times appear slowly and steadily. For example, your industry faces mounting competitive pressure as it matures or continuous pressure from regulations. This pressure causes a slow, steady, and sometimes unnoticeable decline. The gradual onset deteriorates at a slow, digestible rate. Slow and steady declines invoke the *boiling frog effect*. If you put a frog directly in boiling water, it leaps out of the pot. If you put the frog in a pot with cool water and then bring it to a boil, the frog complacently sits in the water waiting to be boiled alive. You're more likely to accept a slowly deteriorating environment than change it. The pain involved in change exceeds the pain of the deteriorating environment. Pain extended over a longer time frame is less intense. Like the frog in the pot, we're not likely to change. Tough times that appear gradually do the most damage.

Other tough times shock our system, for example, losing your largest customer, tectonic industry shifts, natural disasters, and a global pandemic. You face a tsunami of change (and pain) in a matter of days, weeks, and months rather than years. Like a slow and steady tough time, you experience pain, but the pain window is smaller—meaning, the day-to-day pain is more intense. This acute pain acts as a stronger catalyst for change. This is one of the few benefits of sudden and unexpected tough times.

THE MENTAL PHASES OF TOUGH TIMES

In 1907, Bill Klann worked for a Detroit ice company. It was hard work with low pay, but Bill was happy to have a job. Unfortunately, Bill was laid off later that year. Out of work and out of patience, Bill contacted his previous employer—an automobile manufacturer. It was harder work for less money, but again, Bill was happy to have a job. For several years, Bill worked hard and was a model employee. Bill's boss assigned him a special project to speed up production.

In 1913, Bill visited a slaughterhouse in Chicago. He watched the workers systematically dismember hogs and cattle as they went down the line. This might have been an unpleasant experience for some people, but Bill found it inspiring. He thought to himself, "If you can take something apart this way, you can put something together this way." Bill quickly rushed back to his boss to present his idea. His employer eventually bought into Bill's idea. Both Bill and his employer experienced greater success.[7]

Tough times are as unique as the people experiencing them, but Bill's story provides a template for managing tough times. There are three mental stages every person experiences during tough times: *acknowledge*, *act*, and *adapt*. Bill had to acknowledge his tough time—getting fired. Bill took action—found a new job. He then adapted and improved.

Acknowledge

Acknowledgment is a far cry from acceptance. Acknowledge tough times without accepting tough times. Denial is not a strategy; there is no benefit to ignoring tough times. You can't realize the hidden benefits of tough times unless you admit that you are experiencing them. The key is to acknowledge without accepting. Acceptance is too permanent.

Acknowledgment is the bare minimum of recognition. When you fall on tough times, don't dwell on them. Recognize reality, but choose not to accept it. As one business owner said at a company meeting, "Apparently, there is a recession, but we've decided not to participate in it." The crowd erupted. That's acknowledgment, not acceptance. Tough times are temporary, and so is the associated pain, but the benefits can last forever. Acknowledge tough times with the expectation of taking action.

Act

In tough times, people are tempted to pause. When people feel stuck, some wait for help or for the situation to improve. This doesn't work. Sales is an action-oriented profession. You can't wait your way out of a rut. Bill could have sulked and waited for things to improve, but he didn't. He took action and found another job. When you're in a rut, you need to gain traction. If you want to gain traction, take action.

Newton's first law: An object at rest stays at rest, and an object in motion stays in motion unless it's acted on by an outside force.[8] In good times, you're in motion, and you'll stay in motion. You are taking action, and it's paying off. Then you experience tough times—the outside force. Some people let this outside force slow them down, whereas others judo-flip that outside force in their favor. Once tough times slow you down, take more action to stay on your intended course.

Increasing activity is challenging in tough times. You may feel like you're working twice as hard to produce half the results, which is frustrating. Focus more on progress in tough times, not just performance. Multiple setbacks will tempt you to wait it out, but you cannot wait your way to success. To stay motivated in tough times, change your focus. It's less about performance and more about progression. Take action to achieve progress. Progress is a leading indicator of future success.

Tough times are positioning opportunities. Your goal is to attain mind share and market share by taking massive action. Position yourself to emerge faster and stronger from tough times. Within each of us there is a deep desire to grow, evolve, and move forward. Progress is the same as achievement, no matter how minimal it may be. Achievement breeds confidence, encouraging us to do a little more. When you're stuck in a rut, any progress pushes you closer to your goal.

Adapt

Failure is a great teacher. Failure forces us to adapt. Consider your career progression from your first sales call to your last. You adapted only because you failed. Failure not only motivates you to improve, but it also provides the feedback to improve.

Painful failures motivate us to tweak our approach and try new things. As you fail through tough times, don't shy away from the pain; embrace it. Harness that pain and let it stimulate change. We eventually become numb to the ill-effects of pain. The sting of pain is temporary, but the positive change it creates is permanent.

Think of Bill Klann's experience, and apply the acknowledge-act-adapt approach. Bill acknowledged his tough time of getting fired; then he took action to find a new job. He continued to act and adapt and was eventually given a special project. He continued acting and adapting, developing an idea for systematically putting things together. Bill's employer, Henry Ford, eventually bought into the assembly-line idea. The assembly line significantly lowered the Model T's price, doubling Ford's market share.

Bill persevered. As with any success, we often marvel at the achievement but forget other factors leading to the success. There were two significant events that set the stage for Bill's and Ford's success. And those two events have one thing in common—tough times.

Let's analyze the timing of the two main events in this story: Bill's firing and Bill's discovery of the assembly line. In 1907, there was a run on one of the nation's largest banks that led to a recession. Bill was fired from that ice company because of the economic fallout from that recession. If there had been no recession, would Bill have been fired?

In 1913, Ford assigned Bill to improve productivity. This initiative was during the recession of 1913–1914. Ford was facing tough times and looking for ways to reduce costs. If there had been no recession, would Bill have been tasked with this cost-cutting project? Not likely. Ford's assembly line revolutionized the manufacturing process. Tough times ushered in new ideas and concepts leading to Ford's success. Tough times are good!

Tough times are filled with uncertainty but also opportunity. Uncertainty either clouds your vision or acts as the lens to explore the depths of what is possible. Some people use uncertainty as an excuse to wait it out, whereas others use it as motivation to press on. Have you ever met a successful person who waited his or her way to success? No. When you fall on tough times, you either wait it out or you gut it out. The choice is yours.

There is no denying that tough times are frustrating and painful. In life, we are taught to avoid pain. To avoid the pain of tough times, people give up. This is a mistake. Pain acts as a catalyst for positive change. When tough times knock you down, you either give up or you stand up. Again, the choice is yours.

Tough times are inevitable in business and life. How you manage the valley of tough times determines your peak in the good times. Through tough times, don't pause; press on instead. Your action might not deliver the desired result, but take action anyway. Your progress is proof of achievement. Your tough-times prescription is simple: acknowledge the tough time, take massive action, and adapt as necessary. Whether you see it or not, you're moving in the right direction. Your progress is not always visible and pain free, but it is always meaningful. Tough times are good!

SUMMARY

Tough times come in many shapes and forms. Tough times could be a broad economic downturn, a tough competitor, or anything in between. Tough times are not limited to a financial downturn but also include a mental downturn. Tough times are part of life. By actively engaging in life, you experience them. No matter how painful they are, tough times are temporary. However, the positive change they create can be permanent.

Our previous tough times are great teachers. Previous downturns provide new tools to better manage recessions. Despite our advancement, we still can't predict tough times with absolute certainty. However, there are metrics that signal that tough times are on the horizon. Look for those signals. Like the business cycle, there is also a mental cycle. This mental cycle begins with acknowledging the tough time, taking action, and adapting as necessary.

Tough times are as unique as the individuals who experience them. Your previous tough times build a foundation of resilience. Tough times are relative to your previous experiences, not the experiences of others.