

The Comeback Kids: Honeywell's Puishys and Madden*March 26, 2007*

Five years ago, following a merger and a failed acquisition, a major division of Honeywell International was a mess. Here's how two executives implemented a complete sales overhaul at Honeywell Building Solutions.



By Joseph Kornik

Often, company turnaround stories center on one magic trick, a wonder product that flies off the shelves or an offering that hits the market at just the right time. That's not the case with Honeywell Building Solutions (HBS), a Minneapolis-based business unit of Honeywell International. For the past five years, HBS, a global provider of product and service solutions that improve efficiency and maintain safe environments in homes, buildings and industry, was suffering, to say the least. The year 2002 was a low point for the struggling unit, which finished the year with negative 20 percent growth for the Americas. It was then that Kevin Madden, vice president of global sales at HBS, decided that something needed to change.

"We had to make a decision; either we were in the game or we were out," Madden says. "We could not continue to go down the same road. We were trying to do things half way, and that's no way to win in this business. We

had no choice, we had just come off a year of negative growth," Madden says. "So, we came together as a team and discussed how we could get back into the business. Our customers were demanding it. "

Madden, who has more than 600 salespeople under his direction, got to work on a plan that would revolutionize the sales process at HBS. The plan focused on specifics: a structured selling process, more comprehensive training, an attractive compensation plan, measurement and performance accountability. Of course, the best plan in the world can't succeed without top-line buy-in and support. And that's where Joe Puishys comes in, literally. In the first quarter of 2004, Puishys was named the new president of HBS. Under the direction of Puishys and Madden, HBS is in the process of a remarkable turnaround. How remarkable? Since 2002, sales are up more than 70 percent to about \$2.5 billion.

Mergers and an (Attempted) Acquisition

The year 1999 would be a good place to begin to see where Honeywell first slipped off track. That was the year that Honeywell merged with engineering company AlliedSignal. It was, for all intents and purposes, a very successful merger. But mergers are often tough on employees, and this one was no different. The usual stops and starts of merging two distinct cultures—as well as people, products and processes—often result in a loss of momentum and a downturn in business. Compounding the challenges of that merger, however, was an attempted acquisition by General Electric in the summer of 2001. After receiving Justice Department approval, the deal was all but done before a European court stepped in to block the GE acquisition on the grounds that it would stifle global competition.

Honeywell was left out in the cold, forced to eliminate thousands of jobs to make up for the spurning. The two major corporate shake-ups within two years proved too difficult to overcome. "We stalled as an organization," says Madden. "First, the AlliedSignal merger; and then the GE acquisition fell through. That's a lot of turmoil to throw at a business. We lost a tremendous amount of intellectual capital—30 to 40 percent of our sales force and sales leadership left the company right after the GE deal fell through."

But all those external factors aside, Madden admits that HBS was failing because it took its eye off the customer.

"We completely lost focus from a customer standpoint," Madden says. "We had been through several leadership changes and we were now part of an organization that was clearly focused on cost take-out and getting by with what we had, rather than trying to grow the business."

Floundering financially, HBS retreated into what Madden refers to as "a harvest mentality." Management began to try to maximize the profits of the business by de-emphasizing the project and installation business, which traditionally has thinner margins, and milking the more lucrative servicing side of the business. "That's a failed business model," Madden says. "If you don't participate in the installation business, you are not going to be able to develop those customer relationships you're going to need to get the service business afterward."

Sales Eats First

By his own admission, Madden's sales team was a mess. Morale was at an all-time low. Retention rates were abysmal. Training was almost non-existent. Too few people were stretched far too thin. The process was getting in the way of the product—paperwork was keeping over worked salespeople at their desks most of the time, instead of freeing them up to see customers. Reps were spending less than 20 percent of their time in customer-facing activities. And, with a ratio of sales reps to sales managers at 25-to-one, there wasn't a lot of coaching and development going on. "We had many problems," Madden says. "But more than anything, I think we lacked leadership. We needed a mission statement, a public declaration of what we stand for, and what we're all about."

When Puishys joined HBS in the first quarter of 2004, some of the retooling had already begun, but Madden says things really took off with Puishys took over. Puishys says, "When I came onboard, there was no question that morale was low, and the sales team didn't like what upper management was doing. You're talking about foot soldiers on the street who have to fight the daily battle and didn't like the decisions that were coming from above. That's a tough way to succeed."

Then, the declaration that Madden was seeking finally arrived. "One of the defining moments was when Joe spoke for the first time in front of the sales team," Madden says. "He stood in front of the troops, and he said 'I'm going to tell you right here and now—sales eats first.' It sounds simple, but that declaration completely changed how we played the game. The mission has to start at the top and cascade down through the entire organization, but it didn't come until that declaration. Sure, we had been out there fighting the good fight, and every once in a while we would win one, but it all changed the day the president of the organization stood up and told everyone that sales eats first." Madden says that one statement has allowed his salespeople to drop the baggage and stop feeling like victims of all those things that they could not control. At that point, every single sales rep knew where he stood.

But talk is only as good as the walk that follows it, and Puishys didn't wait too long to begin to implement his changes. "We needed to invest in the organization, invest in the people. We needed to add to our selling organization both in terms of people and finances," Puishys says.

The Fix Is In

And add he did. He immediately began dealing with the talent shortage in the organization, where years of turnover and neglect had left the sales team shorthanded and strung out. Today, the HBS sales team is more than 600 strong, double what it was at its low point a few years ago. Next, Puishys and Madden turned their attention to the leadership team. The dismal 25-to-one ratio of sales reps to managers that HBS had in 2003 has since moved to an impressive eight-to-one.

"It was imperative that we put strong leaders in place and give them the chance to put together a long-term strategy," Puishys says. "More important though, was giving the leadership the chance to execute a long-term strategy instead of relying on quarterly results."

Madden says, "As we sat down to craft our plan, we realized that we had never really defined a formal selling process. Sure, we had sales goals that we had to meet, but we never had the formalized process for getting there." Today, that process involves a more measured performance-management platform, a revamped reward and recognition plan, and what Madden calls a "hugely successful" training program that HBS developed with the help of ES Research Group in West Tisbury, Mass.

Another key area the two addressed was rewarding top sellers. First, they took a long look at the HBS compensation structure. "We made mistakes in the past," Madden says. "Today, we make sure there's a degree of difference between us and the competition when it comes to paying our top performers. And we've raised the bar. We pay more to our top performers, and we pay less to our lower performers. Not everyone may like it, but it's not about pleasing everyone. It's about rewarding results."

And sometimes those rewards are significant—so significant that Puishys says there are salespeople that make as much or more than he does in a given year. How does he feel about that? "Are you kidding me? I'm thrilled," he says. In addition, HBS has moved to a formalized team-based incentive program to mimic the way customers buy, Madden says. "There aren't a lot of solo flights at Honeywell anymore," he adds.

Face Time

One big change brought about by Puishys and Madden is the time that sales reps spend face-to-face with customers. "I want eighty percent of the reps' time in front of the customers," says Madden. "That's four days a week. That gives sales reps one day a week to clean up all of the administrative tasks. I understand that's a lot of time, and we're not there yet. Right now, I would say we're probably in the fifty-five percent range, but we're going to get to eighty percent. The process can not get in the way of the results."

And it doesn't stop with the reps. Puishys, too, believes that management and sales leaders need to get out to help convince some skeptical customers that HBS is back as a player in the business. "When you step out of a market for a few years, there's a trust and credibility issue that you have to deal with," he says. "Quite frankly, there are a few markets where Honeywell's credibility is still damaged. We're growing quite nicely, but there are still parts of the world where we have to slug it out."

Slugging it out means that managers and leaders take to the road to win back customers one at a time. That's why Puishys requires sales managers to spend at least 50 percent of their time with customers and customer-facing employees. Puishys and Madden admit the mandate is "painful on the body clock and painful on the administrative side," but both emphatically say it has to be done to send the right message to the industry.

Convincing the customer is one thing, but what about convincing Honeywell's own employees? Puishys says he'd be lying if he said it was all smooth sailing from the beginning. "I knew there would be some skepticism at first on the part of the employees, but I can tell you that we now have the complete opposite situation. Employees see that we've done what we said we'd do."

And, Madden says, not every employee got called to play on Joe's team. "When Joe came on board, the message was clear: Perform or you're not going to be here. Some people on the team were putting the 'I' before the 'we.' Nothing will kill the team mentality that we're trying to build here faster. We act on that and stop it before it gets out of hand. Some of the people didn't like that, and those people are gone. But that's fine. We have a great nucleus. We're building something great here, and now there's no going back."

Sidebar: Honeywell Goes Green

Honeywell Building Solutions (HBS), a Minneapolis-based business unit of Honeywell International, is going back to school. Well, sort of. Earlier this year, HBS signed a deal with the Pleasanton Unified School District near San Francisco to install, own and maintain solar panels on seven school district buildings.

As part of the 20-year agreement, Honeywell will sell the electricity the solar panels produce back to the school district at a significantly reduced rate. The project, which is slated to be operational by October of this year, is expected to save the school district more than \$2.5 million in energy and heating costs. In addition, Honeywell is helping to create a curriculum to teach students about the benefits of using solar energy to reduce energy costs.

"The district, students, taxpayers—everyone benefits from a project like this. The same holds true for the environment," says Joe Puishys, president of HBS. "Plus, this type of project is repeatable. We look forward to helping Pleasanton and other school districts reduce their utility bills in a responsible way with green, renewable energy."

And indeed it has. A few weeks prior to the Pleasanton agreement, HBS announced it had been awarded a \$4 million contract to upgrade building systems and reduce energy costs by as much as 30 percent in two New Hampshire school districts. The upgrades include a solar-powered, hot-water system and the installation of a utilities management system to help optimize energy consumption.

"Stabilizing and reducing energy costs are important to everyone, especially schools that operate on fixed budgets," Puishys says. "Using renewable technologies, such as solar power, is becoming a popular, environmentally responsible way for schools to lower energy costs."

Certainly, winning a few school district contracts won't make a profound impact on the bottom line of a \$31 billion company. But by using green technology and conservation measures, HBS will help to reduce carbon dioxide, nitrogen oxide and other toxic emissions from the environment.

And that's one of the reasons Honeywell has been recognized by the Environmental Protection Agency for its outstanding accomplishments in the EPA's National Partnership for Environmental Priorities program.

Perhaps even more importantly, HBS will, in effect, operate as a utility company to work with these school districts, which are on a fixed budget, to lower their energy costs without a costly up-front investment. That type of customer-focused solution selling was nearly impossible just a few years ago. Today, under the direction of Puishys and Kevin Madden, VP of global sales, it is becoming the norm at

HBS.

Sidebar: Training Day at HBS

Kevin Madden, vice president of global sales at Honeywell Building Solutions (HBS), likes to say that HBS used to subscribe to the "flavor of the month" style of sales training: Try one thing for a while, then try something else. That was the way it was until Madden phoned Dave Stein, president of ES Research Group (ESR) in West Tisbury, Mass.

"I got a call from Kevin and he said, 'We're thinking of going with vendor A, B, C, or D. What's your suggestion?' " Stein says. Stein asked if Honeywell had done an internal assessment. It had not. "I told him I couldn't help him until he completed the assessment," Stein says.

With ESR's guidance, HBS completed the internal needs assessment. "Too many companies end up having three or four sales training vendors over the course of five years," Stein says. "That's because the company doesn't understand its own requirements well enough to be able to go out and find a vendor that matches its requirements. And there's not a neutral third party to help evaluate the fifteen or twenty sales training vendors out there. We help solve that problem."

Following the assessment, HBS sent out RFPs to a handful of vendors and ended up selecting Performance Methods Inc. (PMI). "We thought that was a good fit," Stein says. "PMI was the perfect solution for Honeywell at this point in time. Honeywell has some real challenges, multiple product lines, a global organization, very tough competitors. HBS needed a vendor that had proven ability to deliver training and consulting services across the globe."

PMI will handle all of the sales-skills training for HBS, but Honeywell will continue to handle the product training in house, based upon ESR's recommendations. "It's too early to measure results, but I believe it's going to be a huge success," Stein says.

Meanwhile, Stein offers up these pointers for companies looking to successfully select and implement a sales training strategy :

- Get executive buy-in and funding before you begin
- Perform a comprehensive and objective self-assessment (or even better, have a third party conduct it). Examine how your customers buy, the market, past performance, business goals, resources, etc.
- Create an RFP
- Select a vendor based on its ability to meet your needs, including vendor and program requirements
- Build a performance measurement mechanism
- Engage with the vendor and begin work on a new or updated sales methodology and related processes
- Train managers and salespeople
- Measure the program's progress

Sidebar: Honeywell at a Glance

Honeywell International**Headquarters:** Morris Township, N.J.**Chairman and CEO:** David M. Cote**2006 Sales:** \$31.37 billion**Employees:** 118,000**Description:** Diversified technology and manufacturing company serving customers worldwide with aerospace products and services, control technologies for buildings, homes and industry, automotive products, turbochargers and specialty materials.**Honeywell Building Solutions (HBS)****Headquarters:** Minneapolis**President:** Joe Puishys**VP of Global Sales:** Kevin Madden**2006 Sales:** \$2.5 billion**Employees:** 10,000**Sales Force:** 600+**Description:** Honeywell Building Solutions is part of the Honeywell Automation and Control Solutions business group, a global leader in providing product and service solutions that improve efficiency and profitability, support regulatory compliance and maintain safe environments in homes, buildings and industry.

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