



When Execution Matters

Creating and Executing an Effective Sales Strategy in the Current Economic Climate April 30, 2009 – 3:21 pm by Jhanvi Vyas

The global economy has taken a dramatic turn for the worse. With limited credit availability in the market and operational performance under pressure, many businesses are seeking to optimize performance on their balance sheets. Having an effective, focused, and operationally sound sales planning cycle is critical for any company to reduce its working capital requirement and remain profitable while focusing on the right opportunity, products and markets.

This article discusses the three main components of the sales planning cycle – strategy development, operational planning and implementation. The proposed framework allows companies to conduct sales planning in a structured manner.

Figure 1, shown below, is an example of how sales strategy can be modified to take into account the current economic realities.

Figure 1



Sales Strategy Development

The sales planning cycle begins with the development of a sales strategy, which is typically very visionary and is based on macro view of the business. This view is usually developed by key executives with inputs from the business units and finance, which is then combined with data regarding past performance. Although the strategy is driven from the top-down, executives from sales leadership, regional sales, sales operations, marketing, product innovation, and finance rely provide research and analysis on various data elements to substantiate and enable the sales strategy decisions. To create the most effective strategy, leadership will look at both external factors such as market trends, the state of the economy, consumer demands, and competition, as well as internal factors such as revenue targets, historical data, key metrics, percentage of client spend that is being won, segmentation, and duration of sales cycles. The combination of innovative visionary ideas of company executives coupled with internal and external research drives the development of a successful sales strategy.

Example: In the economic downturn, cost reduction is a high priority for every firm, especially within financial services. While it may not sound intuitive on the surface, some high tech companies are considering increasing their focus on the financial services industry, given that they have significantly reduced their workforce and are looking to use systems automation to maintain their business operations at a lower cost.

The sales strategy is very critical to the success of the planning cycle as it is the foundational base for all operational planning, implementation, and execution decisions.

Operational Planning

After the sales strategy is created and in place, the plan of action is then developed by looking at current state operational metrics and aligning policy, governance, organization, processes, systems and data to the new sales strategy. These planning activities involve a variety of business functions, including finance, field sales, sales management, human resources, marketing and sales operations. Operational planning activities include:

- Operational data review and analysis
- Sales hierarchy planning
- Product management and branding
- Workforce planning and resource balancing
- Territory planning and account coverage
- Forecasting and goaling
- Compensation planning

Example: With the renewed focus on the financial services business segment, territory planning will be important as it is directly related to sales productivity. The high tech firm needs to understand how the customer in the financial services segment buys in this market and determine what channel would be most effective in reaching them, e.g. online, high-touch, or peer-based view. The firm also needs to consider the location of customers and buying centers to create the best balance of sales workload by evenly distributing opportunities to allow the sales force to focus their time on the clients with the highest potential.

Implementation

After going through the process of creating an action plan, the firm can enter the final phase of sales planning, implementation. Implementation is the execution of the strategy and operational plans, translating the plans into action. This process involves the strategy team, sales leadership, sales operations, sales finance, compensation, services and human resources. The main components of implementation include:

- **Sales hierarchy plan execution** – Every company has a sales structure that is organized in a hierarchy. A sales hierarchy can be structured based on various criteria such as line of business, verticals, and segments. Based on new sales strategies there can be changes to the sales hierarchy such as merges, deletes, moves or the creation of new hierarchies.
 - *Example: A sales territory specifically created for financial services will enable the firm to organize the plan of action, set clear objectives and track progress. Vertical-based sales hierarchy and territory definition may be critical, along with a deliberate focus on the segment given the continued risk profile.*
- **Workforce planning and resource balancing** – This process is conducted to align the sales workforce to the new sales strategy. Workforce alignment can involve changes to commissionable employees such as account managers, regional managers, and sales engineers. Based on the new strategy there could be changes such as adding new people, moving resources, and removing resources. This also includes sales support sources such as sales engineers and overlays teams.
 - *Example: In order to increase market share in financial services, it is important for the high tech firm to have account managers who are skilled with new account development for financial services and resources with the subject matter expertise to support these types of projects. A potential consideration is whether working with outsourcers should be considered, given the significant number of business processes and functions that are already outsourced by financial services clients and play a role in underlying technology decisions.*
- **Territory planning and account coverage** – The introduction of new sales strategies will also impact account ownership. Changes have to be made in order for the sales force to execute the new strategy. Account changes could include adding new accounts, moving accounts to newly created sales hierarchies, and changing ownership of accounts to employees who have more experience.
 - *Example: High tech firms who focus on financial services customers should profile them to understand where the business development activities should be focused (i.e. top accounts). Customers will be maintained in sales territories, holding the sales force accountable for business growth within their target accounts. It is critical to understand how the internal decision-making process has changed since*

the downfall of large financial services companies such as Bank of America, Merrill Lynch, WFB, and Wachovia.

- **Forecasting, goaling and compensation planning** – Now that the sales hierarchies, workforce and account territories are in place, the company is ready to begin forecasting on the new sales strategy and goaling the commissionable employees. Goal assignment begins at the highest hierarchy level and goes down to the individual account managers. Sales and account managers' individual skills and performance determine their income. Therefore it is very important to set goals correctly as the account manager's performance is tracked against goals.

- *Example: Finance will forecast and develop revenue targets by quarter for the new line of business. They will need to incentivize their sales workforce by providing goals and strong compensation plans to boost sales performance. Once consideration may be incentivizing sales to sell new technology to existing customers, rather than continuing to simply renew existing services.*

All phases of the sales planning cycle are critical and can have a significant impact on the business. Effective sales strategies can provide additional revenue for a company, while ineffective strategies can result in missed opportunities. For example, poor territory planning can produce account coverage gaps, resulting in missed revenue for the company. During planning, if people are aligned to the wrong opportunities, a company can face revenue leakage. Proper goaling and compensations is critical in order to incentivize the sales force, because over-goaling can result in a lack of motivation while under-goaling can translate into over-compensation.

The current environment requires enterprises to be focused in their approach. It is critical that these firms develop and execute sales strategies that can be adapted to current economic conditions while also enabling the firm to capture market share and opportunities as the economy turns around.