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In the Detail of Sales Execution, "How" Matters

What "Good" Looks Like at 3 of Your Company's 15 Most Critical Choice Points

By Kevin Kennedy

On the road to growth, every company hits critical junctures at which decisions must be made that will powerfully impact the organization's future outcomes. Of all these decision points, 15 are instrumental in creating value but are often implemented in manners that deny or erode value creation. When companies execute correctly at these 15 choice points, they typically see significant growth outcomes. When, more commonly, their execution at these points is misaligned, the result is underperformance of expectations and disappointing growth.

The primary difference between the two lies in maintaining alignment between the intent and the "how" of implementation. In the detail of execution, "how" matters greatly.

This paper examines the "how" at three of the 15 choice points – one from each of the three groups shown on Exhibit A at the end of this article. Through a discussion of the situation, problem, implication and need, we shed light on the debates and questions that typically occur in executive forums around these three topics. We explore what "good" looks like and provide some of the questions leaders must ask to get there. This is an essential starting point for companies at these critical junctures. The decisions made at the 15 choice points make a significant difference in the financial trajectories of companies. The best practices and most common pitfalls at these points must be clearly understood in order to navigate the points successfully.

Group 1, Choice Point #4: Tuning the Go-To-Market Model

The Details of the Channel Matter

SITUATION. At Company X, more than half its revenue is commercially transacted via channel partners. The past decade has seen growth in the number of channel partners, but sales overall have been disappointing. In both the product portfolio and in recurring revenues via services and cloud offers, sales have fluctuated up and down only slightly, depending on the vigor of the economy. At the same time, new product absorption is anemic and customers are increasingly underwhelmed with the knowledge provided by channel partners. Finally, while reach was and is a primary goal of the channel program, the economics are no longer as compelling as they once were and are dependent entirely on the specific partner. Some partners are opportunistically engaged while others engage with an entitled regimen.

PROBLEM. Company X leaders want to return to sustainable growth with an improvement in the economics of the channel. They want the partners who deliver growth, who show up with competence and who drive new product absorption to receive stronger economics than those partners with less attractive growth and lower new product sales/expertise. In resetting the formula, executives expect the company will also improve its derived-channel economics in aggregate.

IMPLICATION. Based on the situation and problem, the channel programs must be re-designed to incent the desired behaviors. However, when the Company X internal team starts to revise the channel structure, channel managers express fear of revenue/transition disruption and back off both the economics and the speed of transition, resulting in minimal improvement.

This is a common scenario. What often occurs is that a company will re-define a three- to five-tier channel partner hierarchy to include characteristics, benefits and economics such as market development fund (MDF) levels. But the "how" and the proposed transition wind up muting the desired leverage and ultimate impacts. Why? At some level, an inside-out approach is almost always doomed to failure.

The best channel programs start with an outside-in perspective. Leaders establish an understanding of the current state (what's not working) and a vision of the future state (what needs to be the desired behavior). They create customer alignment in such a way that the most prestigious channel partner tier has meaning to customers in terms of expertise, capacity to respond, breadth of services and so forth. And the new channel structure employs two critical concepts: (1) the structure is segmented as granularly as is needed to target the partner categories required to service customers, and (2) the tiering and terms of engagement are structured to be opt-in – in other words, each partner's aspiration and execution establishes their partner designation, not a unilateral assertion by the company.

These kinds of details matter. Imagine you are the CEO of a tech company and are unhappy with your growth. Prior channel programs have not worked. You meet with the CEO of your partners to ask why your product sales are growing slowly while another company's products are selling more quickly, despite the MDF and discount dollars being the same for both product lines. Your channel partner CEOs explain that the other company pays them upon the acceptance of a new customer booking and invests in a new systems engineer to drive more business immediately. Your company waits until the end of the quarter to deliver payment. Furthermore, with the other company the partners don't have to negotiate over which sales apply and which do not. In short, while the discount and MDF terms are about the same in magnitude, the time-to-cash and risk level are far superior with the other company.

The details matter. The when, how, what and 'with what risk' matter to channel partners. They'll invest where the line of sight to money is the clearest.

NEED. As Company X works to define its optimal channel structure and programs, leaders need to answer these questions:

- From an outside-in perspective, are our programs meaningful to customers?
- Have we clearly defined our future state?
- Have we fully explored partner segmentation before creating tiers, including product, geography, expertise, scale, legacy vs. new product etc.?
- Have we defined the details so that partners can opt in at the level of their choosing?
- Have we distinguished between overall funding and discounting, and also assessed how to compel sales by reducing risk and improving the timing of spend to drive more aggressive growth?
- Is the conversation that will be asserted with each partner straightforward? (If not, a company's channel management team will offer reflexive resistance and create their own simplified narrative, which could be more partner-friendly than company-aligned).
- Have we assembled a team of people who have previously and successfully executed a new channel playbook?

Remember: an array of channels is a force multiplier but left unmanaged it can be an inert gateway. Active management of channel partners is good for customers, good for your best partners and good for the economics of your company. The devil is in the details.

Group 2, Choice Point #8: Managing Complexity and Specialization

The Battle of Overlays

SITUATION. The market has recently turned and Company Y is increasingly looking to apply internal resources to new applications in concert with having a supplier community provide a turnkey service. Suppliers believe that delivering an end-to-end service requires many layers of specialization. In launching the new offer, the product management and corporate functions believe an overlay sales force should be put in place, but the sales force does not want new groups of people who are not in the normal chain of command calling on their customers. The company has used overlays three other times in the past and all of them faltered after a length of time. But the sales force has no experts who can present or deliver the specialized offers to customers, making overlays an appealing solution.

PROBLEM. Company Y's competitors are smaller and more specialized, with potent insights and growing track records of success. If the status quo remains unchanged, Company Y will lose market share. But there is an internal struggle: while the corporate intent understands the need for building specialization and allowing it to grow/learn, the sales force ethos is to keep full control of conversations in the hands of the generalized account manager.

Frequently, the outcome of this debate is one of the following scenarios:

- No specialization is fomented and market share is lost
- An overlay sales force is put in place but account managers deny access to customers, resulting in lost share
- The overlay is focused on a fixed list of accounts managed by sales leadership for access and win rate development

IMPLICATION. In order to continue to grow, a company must cultivate the ability to build specializations for products, customers and/or services outsides the mainstream and allow customers to pull the company. Sometimes this is done organically and sometimes it is done inorganically. It is most trouble-prone when the specialization brings new offers into an existing customer base as account managers will reflexively seek to deny access.

Making overlays work takes time and engagement from leadership. In an incubation phase, most overlays are effective at some point but will typically be placed into the mainstream once momentum is self-fulfilling. In the world of retail, this concept is a bit like deciding whether the mobile phone sales person will sell the phone, service and insurance or just the phone and service with a specialist selling the insurance. The reality is that there will be a need for leadership intervention to ensure alignment.

NEED. To make overlays work, leaders need to address the following questions:

- Is there a clear offer and segment that requires specialization with an opportunity for sustained momentum?
- Can sales leadership manage the incubation of wins and nurturing of strong win rates with a specialized go-to-market team?
- Has the sales leadership team considered compensation requirements for the success of the overlay team?
- Does the sales leadership team have an operational forum to inoculate sales teams from the denial of customer access?
- Does the sales leadership team have a view, by region, on when to mainstream the overlays?
- Have we established metrics to measure development progress, improvement and alignment?

The debate on overlays is relevant to new products, acquired products and others. It is a debate that ostensibly should be encouraged more frequently than not. Make sure the frequency of your overlay discussions is right for your circumstance.

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Group 3, Choice Point #14: Innovation

Leveraging Net Promoter Scores

SITUATION. Company Z, a firm in a mature technology category, has been acquired by private equity. For the last several years, Company Z experienced excessive leadership and employee churn. Product quality suffered, with partners frequently waiting two years before selling the newest software release. Due to these problems and non-integrated legacy back-office systems, the company has a reputation for being hard to do business with. These issues are coinciding with an industry move to recurring business models such as cloud and managed services, which make long-term loyalty crucial to growth. The new management team currently measures customer satisfaction and, unsurprisingly in light of these issues, is seeing no arc of needle-moving improvement.

PROBLEM. The problem confronting the leadership team spans a range of issues including how to focus, how to invest, where to start and understanding what outcomes are achievable. Just a few of the specific questions they must ask themselves include: Do we have the right measurement system? Why is there no arc of improvement? How much should be invested in remediating legacy systems? Is this operational cul-de-sac solely an issue of operations?

IMPLICATION. If long-term recurring revenues and margins are the most sought-after outcome, then a new system of improvement that focuses on measuring loyalty would have merit and should be considered. Net Promoter Score (NPS) is one such solution and perhaps the most impactful. There are many case studies demonstrating how continued advancement in NPS is accompanied by improved margins, profits and revenue growth.

One company, Avaya, drove its NPS from a low of 14 to an industry-leading high of 58 by addressing both operational and innovation arcs. The company found that operational improvement over a five-year period roughly doubled its NPS. The remaining – and most significant – gains were achieved through unique and innovative new products and services. When customers encountered innovation that was not found elsewhere, they became very loyal to Avaya and made longer-term financial commitments to the company, sharply boosting the NPS score. Avaya realized that while operational improvement was appreciated, its biggest rewards came from unique, customer-aligned innovation. These are what drove loyalty and longer-term commitment. The NPS score was the metric and system that revealed this link and cultivated the right focus.

NEED. For the leadership team at Company Z to move forward and make the improvements necessary for sustainable growth, they must assess and reconcile questions such as:

- What is the current business model and do longer-term recurring customer commitments matter?

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- Is there a system in place to drive operational improvement as well as innovation that is recognized and desired by each customer segment?
- Is the management team convinced about and committed to the Net Promoter Score system as a sustained system of improvement and customer alignment?
- Does the management team believe the NPS investment is self-funding?
- Is there a leadership structure in place that will drive the decomposition of work to improve NPS across company siloes?
- Is the company's Board aligned with NPS's measure and objective?

The successful adoption of innovation that drives Net Promoter Score advancement is a force multiplier for resource allocation, profit margins and revenue growth. Innovation independent of NPS may not ultimately drive the growth a CEO is seeking.

EXHIBIT A

15 Choice Points

There are 15 choice points in sales operations that routinely drive under-performance – and therefore sub-optimal value. Each of these choice points encompasses a highly complex array of variables. Here is a high-level look at each of the points and just a few of the conflicts inherent in the decisions that must be made there:

Group 1: Disciplines and Details.

These are the choice points at which investment appears good at the highest level, but the investor can have no understanding of the real return until all the details and disciplines are decided and revealed.

1 **Margin vs. growth**
As companies become top in their space and growth slows, there is tension around protecting margin. Should you avoid lower-end business? Avoid channel partners? Avoid specific market segments or countries? How do you craft sales compensation to drive sellers to the right deals? How do you manage the long tail of contributing revenues?

2 **Account control: balancing relationships, change and growth**
Sales managers want control of their accounts, but this reflexive reality creates a bias toward focusing on fewer customers more deeply and toward a resistance to change. How do you balance the pursuit of control with the need for change? How do you ensure the customer is not suffocated by an account team?

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3 **Pricing transitions**
Pricing changes trigger conflicts around optimizing product vs. service, adoption of new vs. protection of current generation, direct vs. indirect channel approach, the pricing model (one-time, recurring or subscription) and much more. Decisions at this choice point affect growth, the business model, customer satisfaction, and sales channel adoption.

4 **Tuning the Go-To-Market model**
Is every organization in your partner base optimally serving the needs of the company and its customers? Are they meeting growth goals, sell-new goals, maintaining high renewal rates, and delivering on other value-based metrics?

Group 2: Structure Which Biases Outcomes.

These choice points come about because of the structure of the customer, sales organization or product portfolio – in other words, the complexity in ongoing growth and maturation biases the footprint of complexity.

5 **Internal competition: local/global**
In large global companies, who decides what is best for each customer? Do local account teams have the autonomy to serve local client organizations? What decision rights exist locally vs. globally? How are local account manager compensation norms influenced? When do global offers conflict with the local status quo business and how is this managed?

6 **Resource allocation and market alignment**
There is a natural bias to service customers that are already spending in the customer segments that are already known. How do you maintain these customers and grow share of wallet while growing new customers and customer segments? How do you allocate resources to balance the need for growth with the natural desire to focus on the familiar?

7 **Sales leadership accountabilities**
As a company grows in size and complexity, sales leadership roles will evolve, demanding different skills over time to move a company in the right direction. When is the right time to shift those roles and the people in them?

8 **Managing complexity and specialization**
Should you employ an overlay sales team? What's the right timing and approach? How do you manage the tensions that exist between overlay and mainstream sales teams?

9 **Sales force M&A integration**
Should you integrate a new acquisition for efficiency or keep it standalone to minimize disruption to growth?

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Group 3: Force Multipliers.

Decisions in this category of choice points, when executed well, can improve alignment and reach of a Go-To-Market organization.

10 Scaling and managing talent and systems

As a young tech company begins to grow its sales force, its product portfolio, and its customer segments, managing the necessary growth in talent, skills and systems becomes increasingly complex. How does a sales leader transition from being a great seller to a great leader with an understanding of the process and systems required to purge non-performance and nurture the strength of a sales force? Each transition is a major choice point.

11 Product and service offering growth

New customer reach often starts with an initial product but sustained growth requires more users and more dollars per user. How do you balance the positioning of initial product sales with recurring upselling and service?

12 Investment in sales: productivity vs. growth

What's the right balance of investment between productivity and growth? Should you grow as you first improve productivity or take an operating margin hit by building sales capacity and hoping the business follows?

13 Channel expansion

What's the right balance of direct vs. indirect channels? Reach vs. control? Direct vs. indirect economics? What's the right way to segment markets and customers?

14 Innovation

How do you align innovation with customer needs? How do you measure whether your innovation is recognized by customers and building brand loyalty? Do you measure Net Promoter Score to monitor the impact of innovation or simply for operational improvement?

15 Customer alignment systems

How does the company listen to customers and who is involved?

About Blue Ridge Partners

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