



Build Your Business

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Maximizing Sales Velocity Despite Economic Headwinds

Do you perceive that your revenue velocity has been affected by the recession? Has it trended up according to plan, fallen short or even eroded? Have you allowed the downturn to be a convenient excuse for recent financial performance? This article strips away the superficial convenience of financial downturns and addresses the subject of how to proactively capitalize on the opportunity created by these times.

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How many meetings have you held in the past two years to commiserate over the uncontrollable impact the economic downturn has had on your financial performance? How often have you discussed how to “weather the storm” or take “defensive measures” to survive until the turnaround? Conversely, have you ever stopped to positively assess the opportunity provided by this phenomenon to reshape your business through focus and discipline by capitalizing on your competitive strengths at the expense of your competitors’ weaknesses?

The Typical Reaction to the Unexpected

How familiar is this scenario? Clouds of economic or market downturn start to form and you immediately start to discuss ways to “survive the headwinds.” Task forces are formed, endless meetings are held and reactive strategy is defined to “tough it out”, or worse yet survive. Strategic plans include layoffs, salary reductions, R&D cutbacks, marketing freezes, etc. Stop for a moment to think about the negative, short sighted, reactive, unconfident message that this knee jerk reaction sends to your universe for success-employees, suppliers, customers, strategic and channel partners, creditors and shareholders. *Have you just poured gasoline on a brush fire?*

Choose Your Self Fulfilling Prophecy

The reaction, strategy and resulting message that you send to your universe of constituents at the first signs of “disaster” will ultimately set the stage for your company’s ability to either “tough it out” or *capitalize on an opportunity to maximize revenue velocity*: reshaping, refocusing and energizing your organization as your competitors back pedal.

If this premise seems counterintuitive consider the following:

- Because a “defensive” reaction is human nature it is likely that the majority of your competitors are behaving in this fashion.
- *A demand pullback is an illness, not pending death.* If you have products and services that clearly fulfill specific customer needs, there will be an ongoing, albeit possibly altered demand for your offerings.
- Market buying patterns may shift, thus warranting *thoughtful adjustment* - not panic.
- You have the same employees you had before the market adjustment. Thus, if your team *was* solid, creative and motivated their fundamental ability to contribute *won’t* change.
- *The strength of your brand* during good times can provide significant leverage (a ray of sunshine) when things cloud over.
- Good business partners (channel, strategic, suppliers) that have come to both appreciate and rely upon your revenue contribution will be exponentially *more eager to please you.*

Revenue Maximization Through Increased Market Share

By now you may be asking “how can I possibly sustain, let alone grow revenues in negative market conditions?” The 10,000 foot answer is by *capturing market share* from those competitors that have adopted a “glass half empty” strategy in hopes of survival. Customers are still buying, channels are still selling and you have an *opportunity to out smart, out position and out sell* the doomsayers.

The *goal* is to identify the *critical few actions* that can measurably lead to increased market share. The *challenge* is one of retaining a positive attitude and unemotional perspective of your true competitive market positioning, and the *opportunity* will manifest itself by adhering to the following basic principles.

1. **Root cause analysis** - Of most importance is setting a tone and expectation that the company must *rapidly and objectively assess* the true root cause of existing or evolving (negative) market trends. In other words, decisions that are based on *symptoms* (e.g. orders for product “X” are slipping, thus there must be eroding overall market need) tend to be the norm. Conversely, a *true root cause analysis* that identifies and quantifies each individual contributor to this trend (products, geographic markets, customer segments, channel partners. etc.) will result in a *very different and addressable conclusion*.
2. **Setting expectations and process** – Setting the tone requires establishment of a structured, facilitated process that follows *Paretos' principle* of identifying and analyzing those contributing elements to revenue that have an *80% impact* on trending. The success of this process is dependant upon:
 - *The participation of all functional organizations* that might either have an effect on existing trending, and/or would be material to changes in strategy. To potentially include sales, product and field marketing, manufacturing, IT, Finance, etc.
 - Establishing a “*no blame*” rule that motivates all participants to openly engage in root cause discussion and resolution ownership even though it may “reflect” on their organization
 - Basing all conversation, conclusions and action items on *quantitative metrics only* as anecdotal (opinionated) comments will only detract from or distort relevant facts.
 - *The exclusion of preconceived opinions or conclusions* regarding the contributing factors to revenue erosion (i.e. sales isn’t performing.) and conversely agreement that there are no “*sacred cows*” that automatically gain immunity from prosecution.
 - Agreement that you are looking to identify the *critical few* contributors to revenue that have the most leveraged impact rather than trying to fix everything.
3. **What to look for** – Whether you are dealing with real or anticipated trends, it is critical that analysis and resulting discussion *start with a problem statement substantiated by empirical data* -“North American revenues have been stagnant for 4

months and forecasts reflect erosion of “X” in the next 90 days.” Each substantiated trend must then be quantitatively analyzed to the lowest common denominator to determine the true (primary) root cause of this trend. For example in our North American revenue example you might analyze:

- Trending by product family
- If multiple models exist within families, trending by model
- Product family trending by geographic market, and/or
- By strategic account, and/or
- By channel, then by channel partner

What you might conclude – in the example above you might empirically discover that the major contributor to our North American trend is:

- A specific, singular product model has suffered major demand erosion, or
- A geographic market has been seriously impacted by unemployment, or
- Your largest channel partner has changed their business model which resulted in a defocus on your product(s), or
- Competition launched an aggressive price promotion in a specific vertical market

In any case – Boiling down the true root cause of revenue erosion to one of the above root cause examples *will lead to a very different, unemotional plan* for resolution than reacting to our initial symptom, i.e. revenues are down.

- 3. The critical few** – Now that you’ve identified the root causes that collectively contribute to *80% of your negative trend* you have *the opportunity* to initiate dialogue with appropriate functional stakeholders. The objective of this exercise is to define and subsequently commit to the actions necessary for trend resolution, and projected upside opportunity. For example, discussion might include:
 - *Product line* - The elimination of an old low margin, high sales content product that is a PL traditional “favorite,” and/or, removal from alternative channels because margins preclude competitive pricing
 - *Sales* - Establishing a “functional” distribution commission model that motivates and rewards distributors for extraordinary focus, programs and resulting revenue growth.
 - *Sales* - Closing a geographic field sales office in a depressed market (Michigan?) and redeploying headcount to a more robust market or vertical segment
 - *Product management* - Reducing pricing on a competitive, high margin product
 - *Field marketing* - Launching an aggressive demand creation program in a specific geographic or vertical market for a product with clear competitive advantage.
 - *Engineering* - Redeploying resources to expedite release of a new product or feature with a significant competitive advantage
- 4. Execution-review and adjust-** After quantitatively identifying your largest (80%), most highly leveraged opportunities success will be dependant on the following steps and disciplines:

- *Opportunity* - The collective root cause team must *agree on the financial (upside) opportunity* to result from this action.
 - *Ownership* - Each identified action must be *owned by a primary functional stakeholder*. In turn, specific milestones must be established and agreed upon.
 - *Review* - Regimented review meetings must be adhered to in order to assess progress to the original plan. Critical to these meetings is the *willingness to adjust original expectations and/or terminate any activity that is no longer tracking to plan*.
5. **Sales redeployment: the final and most critical step** - With a new strategic direction now in place you *must thoughtfully review* all aspects of sales deployment and ensure alignment between the companies roadmap, sales behaviors. and (all) channel focus and motivation.

Management process - Sales management must institutionalize a *structured* sales reporting and review meeting process to ensure sales adherence and tracking to new company goals; and to *adjust behaviors real time* as necessary for this purpose. Tools to be considered should include:

- Daily/weekly/monthly performance to goals dependent upon the transactional nature of your business.
- Regularly scheduled forecast reviews that include rationalization between forecast and funnel size.
- Sales team identification and regular review of actions to close any disparity between revised goals and forecasted results.
- Are managers properly aligned with new product and market strategies?

Direct sales

- *Territory alignment* - Are territories and sales resources aligned to maximize focus on your newly defined high leverage markets or products?
- *Quotas* - Are they realistically a) in alignment with revised revenue goals b) tied to expected (increased) results in targeted markets or product areas? Based on anticipated demand trending timelines should they be set (or reset) on shorter cycles than normal, i.e. quarterly, semi annually? Should their basis be reassessed, i.e. revenue growth, margin contribution, total vs. incremental contribution, etc.
- *Compensation* - Is variable compensation in alignment with newly stated revenue, product and/or market penetration goals and quotas? Does it clearly reflect and reward for contributing to *the company's new strategic direction and financial goals only*? Does it reward for over-achievement, i.e. incremental financial contribution? Will it be perceived as motivational or punitive during challenging financial times? Is it affordable?

Channels

- Have all channels and strategic partners been rationalized in alignment with new goals
- Have resulting overlaps and conflicts been identified and eliminated?

- Do remaining critical channels and partners have a contractual compensation and geographic/market structure tightly aligned with new goals?
- Should compensation structure (commissions, discounts) be restructured to drive and reward for loyalty and incremental contribution?

Summary: Now it's appropriate to assess budgetary considerations

With a *refocused and highly leveraged plan in place* it is now appropriate to *closely scrutinize operating and capital expense budgets* in alignment with your new goals. Had you put the cart before the horse you easily could have made the wrong spending adjustments in the wrong organizations and constrained your ability to maximize revenue.

Because there is no perfect world and you are running your business in unpredictable times there are *two fundamental principles* that must be adhered to for this process to achieve maximum results:

1. Remember - *the "trend is your friend"*. Do not base initial decisions or follow on judgments of success on anything other than *empirical data*. Anecdotal conversation will only distort the facts.
2. Create a process and culture that supports and requires *regular review and adjustment* of plans and performance to goals. The only thing worse than no action is the fear of recommending change and the stigma associated with making a "bad" decision.

The economic environment discussed in this article is the opportune time to aggressively and confidently attack your competition head on.

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Author's Biography

Bill has thirty-two years experience in VP/executive global sales and marketing roles in high technology where responsibilities included developing and enabling product definition, and product launch, sales and distribution strategies with a primary focus on aggressive revenue and market share growth. He has participated in eight acquisitions/mergers, an LBO, and as a principal in two successful early stage IPOs. Channel strategies have included direct, single and multi tiered distribution, manufacturers reps, dealers, VARS (Value-added Reseller), integrators and strategic partnerships in both end user and OEM sectors.



Developing and managing an appropriate review/adjust process is a critical subject for another time. However, if you want to learn more about the process for effective, proactive creation and management of your strategic plan and/or the steps underlying implementation of the “spoke and hub” philosophy *the WCE Group*

welcomes the opportunity to discuss and assess your needs. With years of experience in these critical subject areas we are equipped to assist you in an advisory, consultative or interim management capacity to facilitate either:

- The first time development of a comprehensive sales and channel strategic plan
- The assessment of existing plans, development process and alignment with your five peripheral strategic plan elements

And, in either case develop a proactive review/adjust process to maximize goal attainment.

The following options all include a flexible, variable cost model intended to provide the client *the opportunity to maximize revenue, company value and market reach and do so in a manageable, cost effective manner.*

Interim Manager: A highly leveraged variable cost solution to successful definition and execution of all elements of sales and channel strategy alignment with company goals. This relationship begins with a pre-defined assessment and is tied to a time based fixed fee contract that positions WCE as a part time integral member of the executive staff, maximizes the value of recommended actions, and assists in the positioning and recruitment of a full time sales leader.

Consulting Contract: A time based, fixed fee contractual relationship precluded by a projected cost assessment. The contract is based upon the collaborative agreement between WCE and client regarding necessary steps to define all elements of proposed strategy, and execution plan and timeframe.

Advisory Services: A cost effective engagement that allows the client the opportunity to leverage the expertise of WCE Consulting either through appointment to a Director’s or Advisory Board seat, or on a retained basis tied to specific time to be allocated by week or month.



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