

MANAGING Sales Strategies



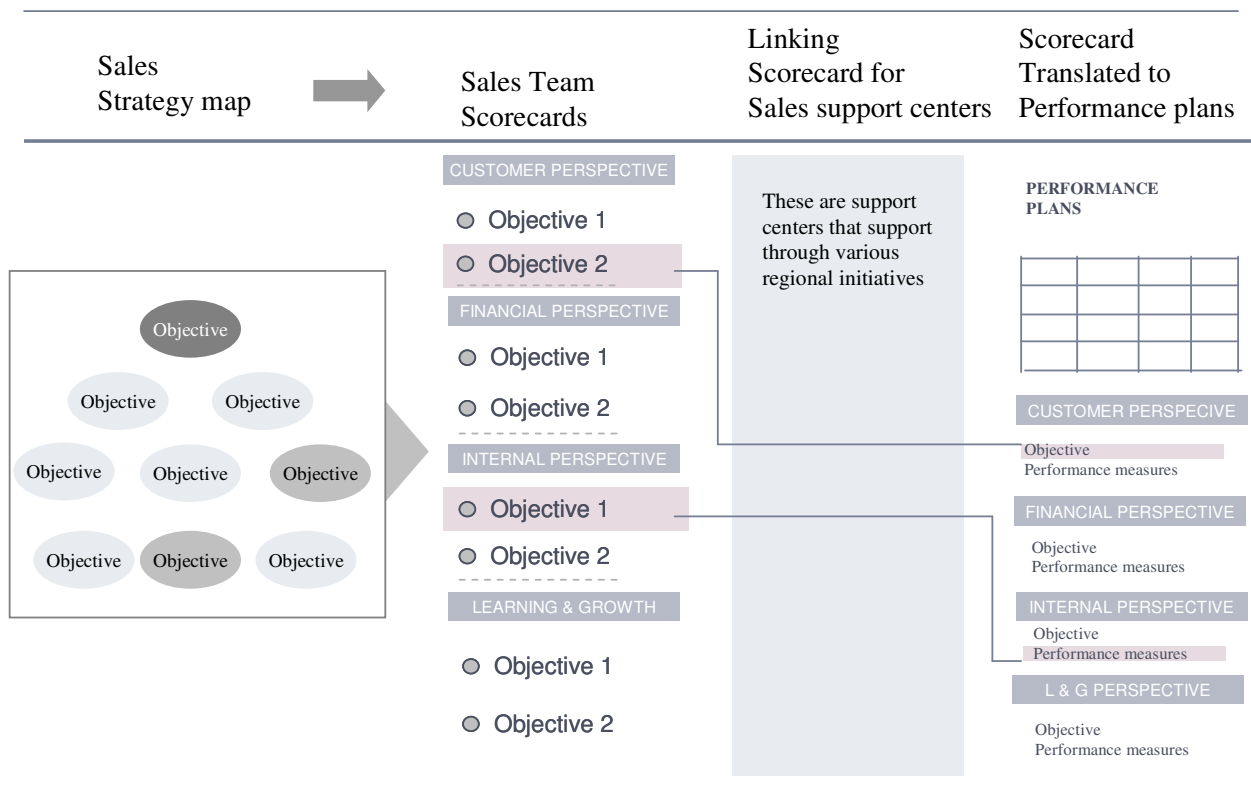
WHAT IS SALES STRATEGY

Head of US sales, Michael Hickey of Astra Zeneca had a clear sales strategy which helped 6000 people strong US sales force achieve break through performance in the US region. Astra Zeneca, which is a global pharmaceutical major with over USD 12 billion in sales, later adopted such a strategy process across other major geographies. Strategy was one of the major components of successful transformation of IBM (Louis Gerstener 2003). Among others, Gerstener pursued creating focus on services, adopting open standards, moved product lines and above all changed the culture of the company. All these could not be achieved with total focus on day to day operations and taking decisions as they come.

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Successful change in IBM would not have been possible without such overarching, holistic, enterprise-wide thinking and strategy. Most of the successful leaders adopt carefully chosen strategy which they pursue with commitment and passion. History is replete with examples of strategies that helped the Kings and Generals win the wars. According to various reports, current US president Barrack Obama, had powerful campaign strategy which finally won him the presidency. Among others, Obama used power of web, collection of small donations from general public and his personal competency of public speaking to an unparalleled advantage against his opponents. According to a survey more than 60% of the fortune five hundred (Robert Kaplan & David Norton 1991) organizations have clearly articulated strategy at the enterprise level. Also, many governments such as central government of UK, Brunei, Germany, UAE, Australia, Canada and Qatar have clearly articulated and even documented strategies.

Astra Zeneca scorecard process (Source: Balanced Scorecard Report)



While many leaders adopt strategies, large majority do not seem to operate from strategy. They operate from a day or week. If we go by their dominant action-mode, many leaders run their business by the days or by the weeks, by local issues or at best responding to issues on hand, without being too concerned with larger unity or whole. It appears that their focus is highly issue based, operational and tactical. For instance, for a VP Sales, significant area of action for a given week may be how to find replacement for a manager who has just left, how to promote new product lines in the new region, how to close a particular deal with a new customer/partner, should a particular store be closed?, getting most out of today's client meeting and so on. This is also true if we go down the layers. Most managers operate by the paradigm of day and week. In most of the case, it looks like responding intelligently to the issues that come up generally on a daily or weekly basis.

While it is true that business environment and hence even in-company environment is changing fast, it is not entirely true to conclude that there is no value in pursuing unified set of goals or goals that can span across two plus years- domain of strategy. Yet, this is exactly how lot of senior leaders responsible for running large companies, divisions, business units and functions operate. Are there issues organizations need to manage at organization level and over longer period that can give bring competitive advantage?

There are things that cannot be achieved over short term or achieved without having an enterprise wide view. For instance, brand which is one of the most important assets of modern organizations cannot be built in a quarter. It needs to have integrated and also long-term view. Similarly consider building relationship with customers. This cannot be achieved merely as by product of companies' services and products. While they are central to it, competitive edge is built through good relationship management, branding strategies, advertisements, etc. Of course, we can list many such things. For instance, building leadership capabilities, developing organization culture, building company wide knowledge, creating knowledge assets, building process capabilities and so on.

Viewing sales objectives by day or by month might help managers to be practical. Over long however, that alone, or relying purely on learning from such a view, erodes the capability of sales function.

In our opinion sources of strategic options have increased due to fast change not decreased. And it is all the more important to have strategy today than ever. This is especially true for the Marketing & Sales function as Sales is the single most important function today. A good sales strategy and fine execution of such strategy should top the priority list of sales leaders and even the CEOs. Also, in most of the companies, sales managers are systematically driven to focus their attention on the quarterly sales targets. They have too powerful incentives and punitive mechanisms to focus their energies almost only on these targets. Hence, without a proper strategy process, sales function is likely to undermine other important strategic issues such as client satisfaction, reputation, brand, innovation, competencies, learning etc. Or at least do not give enough attention. This can eventually erode the growth capabilities of sales function.

HOW SALES STRATEGY & SCORECARD HELP

Translating sales strategy in actionable terms

Every sales department has a strategy - whether calls it that way or not. Sales strategy is the game plan sales managers have for achieving the enterprise level sales targets. Every sales manager, based on his experience and understanding has some assumptions, goals and plans for achieving what he needs to achieve. But such adhoc set of thinking and common-sense view of what sales department needs to be doing, planned as part of day to day management is not what we mean by having a sales strategy. When we compare the practices of general sales departments with that of some of the best companies, we find significant differences. Differences are not only in the quality of how they formulate the strategies but also how they execute; priority placed on strategy, how they align different sales teams to this strategy and so on. One of the most prominent differences is how companies translate the strategy in actionable terms. For achieving the long-term targets sales strategy or game plan needs to be effectively executed on a day to day basis. For any strategy to be executed, it first needs to be translated into

Either sales function has a clear strategy or it doesn't. It is that simple. At times, Sales managers can be successful without strategy. However, that doesn't guarantee their future success.

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actionable terms. As it is, in most of the companies, the whole sales strategy is not translated into operational terms.

Lets us consider such a practice in real life company. Senior sales leaders of Astra Zeneca wanted their District Sales Managers to act as the coaches to the sales reps. They were not successful in the past, as such an objective could not be part DSM's sales plan. Now, with the new Sales Scorecard strategy process, these managers could be successfully recast as the Scorecard could provide ways to measure and set targets on this dimension. Now, this is different from adhoc planning or relying totally on merely ground-up of day-today management of sales.

How we assess the results affects the performance

Organizations have a way to assess progress or performance of their sales performance. In most of the organizations, this is done in essence, against the annual sales *budget*. And the budgeting system is very significantly dominated by the financial measures like product sales, promotional expenses, travel expenses and overall sales figures, sales by regions, customer segments and so on.

Unfortunately, such a way of assessing is important but not enough for today. Today's sales organizations need a broader base and many more non-financial assessment measures like enhancing brand image, building a lasting relationship with the customers, enhancing quality of delivery, attracting quality of talented sales managers etc. They need a balanced set of measures not just financial numbers product wise or aggregate outcome alone.

For instance, Sales representatives (SR) at Astra were given training on how to call on their customers. Along with the training, Astra tracked number of minutes spent on a call through their Sales scorecard system. After sales scorecard, in a nation wide survey, detail minutes per call and call quality of Astra ranked number one among the top 10 pharmaceutical firms. According to the Astra managers, such tracking made significant impact on the behavior of their sales representatives

Most schools grade their students at the end of academic year. This is not just a way to assess students. That is only the front face. Behind that something more powerful happens. It motivates students to learn.

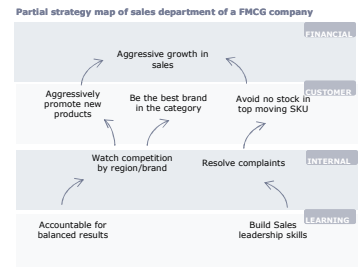
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and hence execution of important piece of Astra's sales strategy. Could it be possible to change the behavior of Sales Representatives without measuring the time-spent on calls? May be for a short while with some pep-up. But in all probability, it would be difficult to sustain it over long haul. Strategy execution needs to be a systematic process and needs to measure progress on strategy.

Sales force needs to be aligned to strategy

Sales organizations have a way to align people from top to bottom. Most organizations have a process to break down high level Sales goals starting from top team to goals at individual level at the frontline sales force. What is then, difference between linking people to strategy and aligning them in the Scorecard framework and their existing performance frameworks? Are they not aligned already?

Yes, to some degree. Not adequate though. This alignment must be towards the sales strategy execution in *totality* not ultimate *sales targets* alone. Sales target is generally highest level outcome of the sales strategies. Yes, it is important to focus on the sales numbers and in itself, it is a significant part of any sales strategy. But this alone will not provide enough leverage for coordinated actions. People must be made responsible for executing strategy on a day-to-day basis. Their actions need to be linked to strategy execution in totality. As of now, they are linked only to sales targets. And targets are not adequate to capture the whole sales strategy effectively. It was okay in the past. Not for today's organizations. It only provides the outcome level view of the sales strategy but not the details of *how* of the strategy.



To execute sales strategy, we need to have many processes (refer the scorecard diagram) that keep sales managers consistently and repeatedly linked to the strategy both in short-term and over long-term. For e.g. if partnering with customers is a key part of sales strategy, it is important that sales senior managers be able to define something more specific and have a process to continuously align people at different regions and different lines of business to this piece of strategy. For instance, at Tata Motors, once sale scorecard was built at VP-sales level, it was broken

down at regional and product category level. Sales Scorecard on the organizational level can expose the strategy better and hence gives proper picture on how sales strategy is being executed.

Sales Management system and performance

In organizations, sales management system (SMS) is the single largest factor that decides what sales managers will execute and how they execute. SMS, in simple terms, is sales budgeting, tracking, reviewing, providing incentives etc. SMS is more than its individual leaders and is deep rooted in the organization. SMS guides sales managers to what to do over the long run. As it is now, SMS is not capable of guiding sales force action into new strategic sources such as customer relationship, building customer loyalty, enhancing brand image, speedier actions etc. Currently such actions are at best taken on adhoc basis.

Sales Management System, (As in most cases, sales budget) is like central nervous system of the sales organization. It powerfully influences the sales managers at all levels. In most cases, SMS gives only outcome level financial measures, leaving out the vital part- how this was achieved. And whether this was achieved according to the strategy set by the senior sales managers. For instance, many senior sales managers today may want to improve the relationship with the customers. And to their surprise they may find that their juniors are not responding to it adequately no matter how hard they repeat it in meetings. Problem is not with the quality of their communication; problem is with the sales management system.

Pure sales target number language limits Sales organization's ability to effectively execute today's strategy, where sales managers may need to understand and act on things like, speed, high customer orientation, deeper understanding of customer needs, brand, knowledge etc. For instance, in one of the large FMCG companies, attending to customer complaints, was not a systematic process. Sales people did not adequately attend to complaints. On implementing Sales scorecard, sales management could develop a way to measure and track the complaint process. Speed of response to complaints was measured on a

Budgeting as a planning system is not enough today for executing sales strategies. It does not provide adequate perspectives to think through today's complex sales environment

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quarterly basis across regions. Such a discipline on complaints channelized the sales force energy towards acting on it. In less than six months, most of the complaints were being solved in just three days as compared to average 35 days in the past.

SALES STRATEGY MAP AND SCORECARD

To be effective, sales strategy needs to get translated into actions at all levels. This means that sales strategy needs to be able to guide sales managers at all levels in aligning their actions and set their goals and targets that would drive organization towards a clear vision. Strategy map is logical sequence to all the strategy thinking and analysis – what kind of sales target we need to have, which segment of customers do we serve and focus, what kind of service quality we offer, how do we differentiate, what kind of sales culture we build, which of sales processes we focus on, which technology can we adopt, what competencies we build on priority and so on. The sales strategy map helps putting it all together in a one-page diagram. This of course would be untested hypothesis. However, without such simplification and mapping, strategy remains very loose and not actionable.

Strategy map helps explaining sales strategy as a set of 20-22 overarching strategic objectives linked in a causal chain

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Strategy map is a tool that helps in describing sales strategy. In strategy map framework strategy is a game plan for winning. It is set of strategic objectives bound in a cause and effect chain where one objective at lower level perspectives lead to objectives at higher level perspective. Ordinarily in a typical strategy map, we can explain our entire sales strategy, in about 20-25 objectives across all the four perspectives.

Strategy map template has four perspectives- financial perspective, customer perspective, internal perspective and learning and growth perspective. Together, four perspectives bring balance to the strategic thrust of the organization. Strategy makers can change the perspectives depending upon their context. However, in most of the situations the above four perspectives can be enough. For instance, if a particular sales organization feels that they need to have separate perspective for the alliance partners, it can be incorporated. Remember sales strategy map is only a template, not a mathematical model. Perspectives

themselves are also are in a generic logical, top-down cause & effect chain. We may call this the foundation logic of strategy.

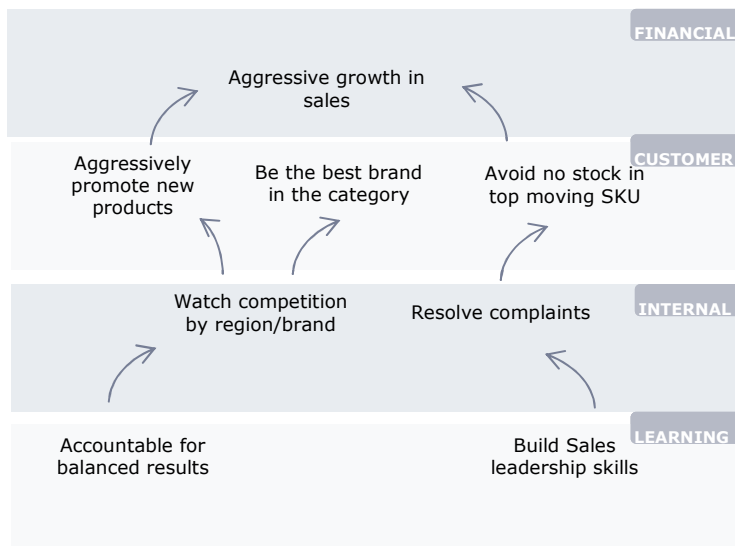
This is as follows;

To achieve its vision, organization needs to pursue and achieve set of financial goals, these goals can be achieved through pursuing and achieving set of goals related to their customers. These goals, in turn, can be achieved through pursuing and achieving set of goals to build capabilities in select processes. These internal goals can be in turn, achieved through pursuing and achieving set of goals to build competencies, culture and technology.

Now let us discuss strategy map template*** in more detail.

Strategy, as envisaged here is set of objectives linked in a cause and effect chain. Hence, it is important, while choosing strategic objectives to select those objectives which build a logical chain where one objective leads to the other. Most goal setting systems practiced by many companies do not have such integrated thinking built into it. Strategy map template with its perspectives stacked one above the other facilitates such strategizing. Strategy map hence also acts as a strategy thinking tool. It helps sales managers to think through their strategy effectively.

Partial strategy map of sales department of a FMCG company



*** Well this seemingly simple logic which appears like pure common sense, is not that common when it comes to history of strategy making practices. However, I will not discuss this here as it is beyond the scope of this paper.

We can illustrate the process of building strategy map with the help of the figure given above. This is a partial sales strategy map of a real life FMCG company in India. The full strategy map had twenty one strategic objectives spread across the perspectives. As we can see, strategy map is integrated set of objectives superimposed on the foundation logic which cuts across the four perspectives. The strategy explains the story of how sales department of this company wants to drive towards its desired future.

The sales strategy of the company as represented in the strategy map can be described (read) as follows;

Sales department wants to grow aggressively in sales. Sales managers believe that it is possible if sales can promote new products, maintain superiority in branding over its best competitors and maintain enough stocks of fast moving SKUs in all retail outlets across the country. This can be achieved if sales managers can build superior process capabilities in two of its processes. One, it needs to have process to watch the competition closely. Two, it needs to straighten its complaint handling process and try resolve complaints faster. This in turn is possible if sales people start becoming accountable for not just achieving sales targets but also on other important things such as watching competition. Also company needs to be able to make their sales professionals more empowered when it comes to resolving complaints of its customers. This requires leadership skills from the sales professionals. Hence, among all other skills, leadership skills for sales people need to be executed on high priority.

Now let us see this sales strategy in more detail,

Financial Perspective

At highest level is financial perspective. Sales function, strategy or no strategy, will be asked to perform on one most important thing, that is sales target. So the balanced scorecard keeps the financial perspective as highest priority, though it is actually the end result of other sales activities such as customer relationship, promotion, value proposition etc. Articulation of sales strategy must start with financial sales objectives. For instance, like in the strategy map of our example company, aggressive growth in sales can be a good starting point. Company needs to select most immediate and goals that the sales function will be obviously expected to perform. Without such focus on end result,

managers might focus on other strategic issues at the cost of the end results. Such highest level goals can be in terms of aggressiveness, sales by product type or divisions, by customer segments, contribution by regions and geographies, sales by new products, sales by different sales channels etc. However, the idea is to keep close to ultimate financial commitments of the sales function.

Customer Perspective

Once we have strategic objectives set in financial perspective, customer perspective serves as guide to search and select strategies for customers. Here sales managers need to search for objectives that help in achieving certain customer oriented generic strategies such as which segments of the customer universe should sales managers focus on, so that they can achieve strategic objectives that are set in financial perspective. For instance, in the above example, once the sales team has chosen to grow aggressively, it might ask – which customer segment is most likely to help us achieve this? What value proposition is more compelling that can help us grow aggressively? How can brand as a value proposition leverage our aggressive growth? Can we grow aggressively if we make our product more accessible?

As we can see from the questions above, possible source of strategic advantages are many. These can be and should be narrowed down by the context and capabilities of the organization. Also, we need to keep in mind the causal relations between strategic objectives we set subsequently against what we have already set in the financial perspective.

Internal or Process Perspective

Process perspective guides strategy makers in choosing strategic objectives which help in fulfilling objectives set in financial and customer perspectives. As mentioned in the strategy map example given above, sales managers need to search for causal forces for achieving customer strategies. For instance, if we want to make sure that we do not go out of stock in fast moving products, what processes do we need to master?

Do you want your sales managers to spend more time with your customers? Measure how much time they really spend with the customers. Astra Zeneca did just that. It is worth investing money in measuring.

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Which process helps us achieve this? Generally, people tend to be comprehensive when they try to find such processes. However, what we need to do is to select those which are more realistic and have the maximum impact. And try to maintain the causal chain as strictly as possible. Hence while making the strategy in this perspective, it is not totally fresh question such as in which of the processes we need to build high capability? It needs be narrowed down by the strategic objectives we have already chosen in the customer perspective and we need to keep it close to those objectives.

Strategy map of the FMCG sales function shows that they chose to excel in two key processes- *watching the competition* and *resolving complaints*. Upon certain deliberations and reflections sales leaders realized that the competition was taking them by surprise in many regions. Due to the company's slow response to such competitive attacks they had lost market share to the local and national competitors in select regions and select customer segments. Single largest reason for this as they later realized, was lack of detailed understanding of what competitors were doing in those markets. Hence, sales team reasoned that if they were to grow aggressively and introduce new products they also needed to know what competition did at local levels which in turn required that they have an enterprise level, organized process in watching the competition.

If we need to sell more, it helps if our sales managers know how to sell. One approach is to let them learn what they have to. Other is to facilitate such learning across the organization. Question is not whose job it is. Question is who does it hurt the most?
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Learning & Growth Perspective

Learning and Growth provides the fourth causal force of the strategy. Today, more than ever, it is loud and clear that competencies of people are one of the most powerful success factors for any organizations. Similarly, the information technology and culture. Learning and growth perspective guides strategy makers in harnessing and leveraging power of – people, technology and culture.

Again we need to be careful that the strategic objectives we set are not lost in wide generics of pursuing excellence in these functions. For

** Organization need not try to build process excellence in every conceivable process. As a strategy, it is good to focus energies on few select processes that have high impact.

instance, some sales managers tend to select objectives such as “hire the best talent” in the industry. While it is true to some degree, it may not suit our strategic objectives set in the earlier perspective. And hence it may not be wise to pursue such a generic goal. More over, for a particular company, it may not be possible as other related factors are missing. May be the best talent is not suitable for the strategy chosen. For instance, Infosys realized after some research that freshers who scored more than 85% in their graduation were not suitable for Infosys. So they redefined the best talent.

Instead, we need to choose strategic objectives which are in sync with our strategy as explained in the financial, customer and process perspectives. For instance, in the example given above, company is better off investing in IT that can help the company watch the competition better or may be, help it in watching stock-movement of fast moving products at retail outlets. Remember, it is not to say that company should not invest in IT that helps other processes, say such as may be bill processing, inventory management, sales forecasting or whatever. But the priority and mandate for IT needs to be in those areas where it helps the organization in building process capabilities which are strategic.

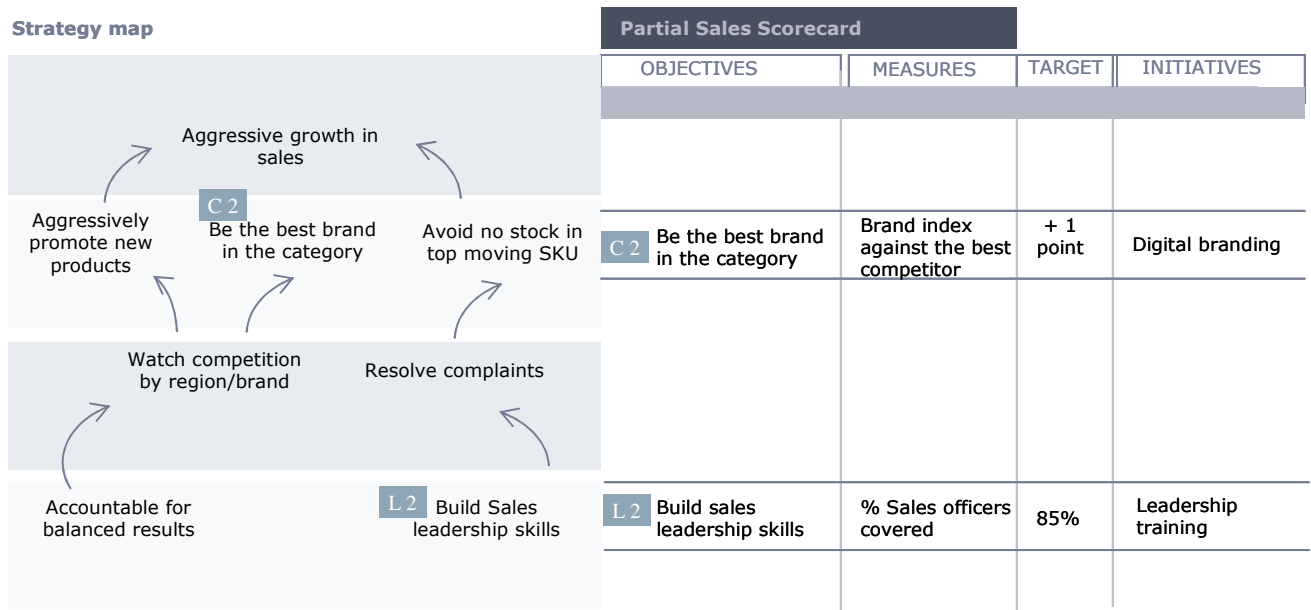
SALES SCORECARD

One of the most important steps in articulating strategy is to define measures for strategic objectives selected. Measures** bring certain degree of clarity to the strategic objective and also help us track the execution of these objectives. In our experience, we have found that in organizational context, often it is very difficult to know whether we are progressing against strategy. This is true both at individual manager level and at organizational level. For instance, how do we know our sales managers are growing smarter (Many sales leaders want this)?

Reducing complex objectives into mathematical numbers help in simplifying and communicating to people. Also, measures as a language facilitate comparison across different segments which can influence our world-view of sales.

When it comes to issues such as these, people tend to generalize based on very few observations. Yet these are very important and inevitable questions today. Defining measures makes process of understanding and knowing much easier.

Partial Sales Scorecard



Defining measures also help in instituting discipline of tracking and effective follow up on strategy execution. Remember, it is not necessary that the measures selected represent the strategic objective in all its totality**. What is important is that in essence, the measures indicate extent of progress made on the strategic objective. Consider strategic objective, *Be the best brand in the category*, in the sales strategy scorecard given in the above figure. Sales managers of this company intend to measure the progress on this strategy based on the brand index that they will compute. Such an index can be computed based on few select factors such as – image of the product, perception of quality, packaging, usefulness, durability etc. Once we have defined the computing method, it becomes relatively simple to compute this measure in agreed frequency.

** According to Quantum Physicist David Bohm, such a knowing is even theoretically impossible (Thought as a system: by David Bohm, Routledge 1990)

Comparing such an index for different periods can clearly show the progress or otherwise on the strategic objective “Be the best brand”. Now this index can be further analyzed by region and product line which can provide more insight in terms of exact actions to be taken at local levels to execute the strategy effectively.

Similarly, defining a number for strategic objective *build sales leadership skills* can help effective tracking of execution of this objective. In the example, this is defined in terms of percentage of sales people who undergo the sales leadership training. This way, we will be able to track progress made. Some might argue that this suggests only the effort not whether sales people acquired leadership skills. Point is, there will always be such situations and we need to do trade-off between the accuracy of information needed against the cost of getting such information. For instance, in this case, other option could be to do assessment of leadership skills of sales people and then see how many needs to improve how much. This definitely is more fine tuned approach than the previous one but requires lot more effort and resources. Many a times, in the process of defining measures, sales managers face such situations. In such situations sales managers need to make a judgment based on their experience.

Reducing abstract, generic strategic objective into a mathematical number has magical impact on the strategy execution.

Concluding Remarks

Building overarching sales strategy and articulating it in an actionable way provides a powerful source for break-through performance in sales. The sales scorecard methodology explained above gives a clear roadmap to exploit such a competitive opportunity. This is especially compelling for sales managers who are responsible for large sales force spread across regions and even geographies.

