Leading Your Sales Organization Through a Tough Economy

While few sales executives have had the same childhood experience as Richard Branson, many know the feeling of being lost in today's uncharted business environment. Consumer confidence and spending have plummeted. Business customers have become harder to find and more challenging to pursue; existing customers are asking for concessions even after contracts are signed; the sales force is distracted at best and demoralized at worst. In the meantime, companies are managing budgets more tightly than in the past, setting ambitious targets and counting on the sales force to pull them through. The path forward is murkier than ever.

 Nonetheless, some sales organizations are prospering. How are they pulling it off? Forum's latest research suggests that companies and sales teams with a healthy measure of optimism, a deep understanding of their customers' needs, and a broad offering of bold, insightful solutions are more likely to prosper today. But these attributes of a robust sales organization don't emerge magically; they depend directly on how well sales executives focus their efforts. Our studies consistently find one of the most important factors affecting performance is the influence of the sales leader.

Given the connection between executiveship and success, we have identified three levers that sales executives can use to help turn recessionary threats into unprecedented possibilities. Executives who use these levers at the most senior levels and reinforce them throughout the sales organization can boost their chances of improving the company's performance. Fundamentally, sales executives need to lead in a strategic way, coach their salespeople, and create a high-performance climate. Let's examine this in more detail, in the context of today's business environment.

Taking Stock

Although we found the individual levers to be correlated strongly with overall sales performance, unfortunately we also discovered that salespeople typically give their sales executives relatively low marks on their use of them. In fact, fewer than one in three salespeople rated their manager as highly effective in using any of the levers.

Likewise, executives thought their sales force typically underperformed on revenue, profitability, account development, and retention metrics. Our interviews with more than 100 sales executives from major companies, cited in the
Harvard Business Review, found that they gave their sales force, on average, a C-minus—a less-than-stellar grade for such an important business group.4

In good times, such capability concerns might go relatively unnoticed; sales organizations might perform reasonably well, even without strong executives. But in a tough economy, sales teams cannot duck the spotlight. As the sales leader is pushed to deliver results in taxing circumstances, his or her ability to execute can determine how well, or even if, a company survives the downturn. Our research leads us to predict that sales organizations focused on helping managers become more proficient in tough economic times will be the same ones that come out on top when the economy improves.

It seems a daunting challenge to create a more dynamic and agile sales force in the middle of a recession. Many buyers and sellers have trimmed external spending, lengthened the procurement cycle, reduced spending-authority levels, cut deal sizes, and involved more purchasing decision-makers—all of which puts pressure on performance and sales strategies. It is easy for salespeople, as well as their managers and customers, to become discouraged or even paralyzed by the steady drumbeat of negative economic news.

Our recent review of research on the last several recessions,5 however, found reasons for sales teams to be hopeful. For example, studies have noted that a significant number of companies, across industries and geographies, tend to maintain or even increase spending in recessions. These companies entered a recession with balance sheets, cash flow, and product portfolios that enabled them to use it as an opportunity to advance their business strategies. Even today, big U.S. companies are maintaining their research and development budgets throughout the recession, despite a 7.7 percent drop in revenue.6

While there are ample opportunities for salespeople with the skills and determination to pursue them, executives must be aware that selling in a recession is not the same as selling in a boom economy. For sales teams to survive and thrive, they must take a disciplined approach—which we’ve distilled into five action areas: adopting an optimistic outlook; reassessing territories and re-qualifying accounts; expanding relationships and networks; managing customers’ risks; and offering innovative solutions.7

Though salespeople bear the brunt of incorporating these actions into their everyday routine, sales executives, now more than ever before, must show senior management how well their strategies fuel growth and strengthen top and bottom lines. To motivate sales teams and secure a corporate competitive advantage even in the toughest market conditions, sales executives need to address challenges head-on and lead by example.

Strong Leaders Step Up

Many of today’s sales executives—seasoned veterans and newly-appointed managers alike—have no prior experience leading in anything like the intense turbulence now shaping the business world. As we mentioned earlier, our research indicates that they can enhance their chances for success by using three levers:

1. Leading strategically

Without experience to draw on, sales teams and executives rely on their learnings from past victories to guide them forward. They repeat certain behaviors, hoping to obtain similar results. Salespeople, for instance, continue to call on familiar customers with whom they have strong relationships, but who may be stalling their purchasing or “waiting out the storm.” Another “reactionary” tactic is pursuing any opportunity, no matter how poorly it might fit with the sales organization’s strategic priorities. (In a Forum survey of salespeople engaged in complex sales—deals worth $50,000 or more—only half of the respondents indicated a highly clear understanding of their sales organization’s strategy.8)

Sales executives can help their organizations avoid responding to today’s market conditions in such hasty and often futile ways by taking a step back from the heat of action and developing a strategic view. First, they must affirm their company’s strategy, which, like the strategies of its customers, will be evolving as the crisis ebbs and flows. In the context of such evolving strategies, successful sales executives identify their company’s value proposition, make near-term objectives crystal clear to team members, and unveil ways to deliver more value and insight to customers. They take a hard look at where their sales force is investing time and resources, and ask “How can my sales team get in front of the right prospects and customers with the right solutions at the right time?” Armed with the answer to this question, effective sales executives set realistic expectations and put plans in motion to align strategy, value proposition, and resources.

When Forum hosted a meeting of sales executives in industries such as financial services, publishing, health care, and business services (in June 2009), participants told us that they were paying much more attention to the pipeline-review process and expecting their salespeople and managers to analyze opportunities more rigorously in today’s tough economy. They were using the pipeline process to make sure that their salespeople were spending their time on the most viable prospects, tracking them carefully and brainstorming strategies for advancing the customer’s buying process. In addition to monitoring longer-term (18-month) opportunities, the sales executives were focusing on deals expected to close within 90 days and offering ideas for and help in closing strategies.
2. Coaching

Successful sales executives learn a fundamental management capability early in their careers that becomes a pivotal game-changing tool in a downturn: Keeping salespeople motivated and performing well by constantly mentoring them and providing constructive feedback. In times of uncertainty salespeople want to know how they can win, where they stand, and what they can do differently to improve their performance. They naturally look to their colleagues and managers for feedback and positive reinforcement—provided they view their colleagues and managers as credible. It’s up to senior executives to create a coaching environment for salespeople and managers that involves regular feedback, open communication, and ample support for meeting challenging sales goals. As one sales executive put it, “You have to jump into the trenches and help people to be successful during difficult times.”

A key ingredient of effective coaching is a healthy measure of optimism. Psychologist Martin Seligman studies the things that distinguish people who maintain an optimistic outlook from people who don’t. According to Seligman, optimism doesn’t involve “whistling a happy tune,” but rather evaluating circumstances and taking a balanced view of threats and opportunities. He points to three filters with which people interpret their reality: permanence (Is the situation temporary or permanent?), pervasiveness (Does it affect everything, or is it bound to one particular thing?), and personal impact (Am I to blame, or is it due to variables beyond my control?). Sales executives can energize their teams by engaging in an optimistic explanatory style that challenges status-quo thinking and puts people’s attention on the collective perceived outlook.

3. Creating a high-performance climate

Every sales organization has its own climate. (Climate in this sense is what it feels like to work in a place.) Common aspects of climate can be quantified by answering questions such as: What are our corporate and sales goals? Do people go the extra mile to get results? How are they recognized for superior effort?

Decades of investigation by Forum and other researchers have shown that the way salespeople describe their work climate is a dramatic indicator of how motivated they are and how well they perform. Unlike corporate culture, climate can change quickly. It is influenced most by sales executives’ actions. Senior managers who build a high-performance climate can outperform their competitors, especially in tough economic times when salespeople may find it difficult to stay motivated. Forum has identified six dimensions of sales-organization climate: clarity, standards, commitment, responsibility, recognition, and teamwork. A sales leader can gauge how motivating the organization’s climate is—and how conducive it is to high performance—by asking the following questions:

- **Clarity**: Are salespeople clear about and aligned on key aspects of the sales force’s strategy (such as sales targets, target accounts, business processes, and roles)?
- **Standards**: Do salespeople view the sales force as setting high (yet realistic) performance standards?
- **Commitment**: Are salespeople fully dedicated to achieving their goals?
- **Responsibility**: Do salespeople take personal initiative in achieving their goals?
- **Recognition**: Do salespeople believe that excellent performance will be acknowledged and rewarded?
- **Teamwork**: Do salespeople work smoothly with one another as well as with internal support staff?

We recently interviewed “Jim Simmons” (a pseudonym), a sales executive for a well-known health insurance company, who has been learning the value of positive climate in an economic downturn. Jim leads a sales force of several hundred independent insurance agents in New England. His biggest challenge is creating the “right” climate for a team that works on commission and that does not directly report to him. A key ingredient of sales success, Jim discovered, is a supportive environment. In fact, he found that 71 percent of the business groups in his organization with the most positive climates performed above average, while only 18 percent of those with negative climates performed above average.

It’s reasonable to expect that climate will suffer in an economic decline: salespeople face greater marketplace resistance, making it difficult for them to meet sales targets. “Jim,” however, found the opposite to be true. By creating a positive climate—particularly by providing clear direction, recognizing superior effort, and fostering teamwork—he actually improved his groups’ climate in the downturn. And as a result he has built an organization that is poised to excel as the economy recovers.

### How Do You See the Economic Crisis?

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<thead>
<tr>
<th>Ways to Filter Reality</th>
<th>Optimistic Perspective</th>
<th>Pessimistic Perspective</th>
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<tbody>
<tr>
<td><strong>Is it permanent?</strong></td>
<td>This kind of unfortunate economic event occurs from time to time.</td>
<td>The global economy has been permanently altered for the worse.</td>
</tr>
<tr>
<td><strong>Is it pervasive?</strong></td>
<td>Some industries and companies are being hit hard by this, while others are spending and growing.</td>
<td>Customers are simply not buying, no matter where you look.</td>
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<tr>
<td><strong>Is it personal?</strong></td>
<td>It’s understandable that my performance is off a bit just now: I’m learning to apply my skills in this new environment.</td>
<td>Maybe I’m just not cut out for selling.</td>
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The Executive Edge

Despite the recession’s backdrop of uncertainty and negativity, savvy sales executives are taking advantage of today’s economic situation to refocus and strengthen their sales organization. By clarifying and building commitment to strategy, continuously building the sales force’s capabilities through coaching, and creating an energizing climate, these executives are preparing their organization to not only survive the recession but also emerge from it with renewed competitive advantage. They are discovering that the recession, as challenging as it can be, also presents an unprecedented opportunity.

Endnotes

1 We use the term sales executives to describe people who lead a sales organization, such as managers of sales managers. We use the term sales executives to describe all executives in the sales organization.
6 Justin Scheck and Paul Glader, “R&D Spending Holds Steady in Slump,” Wall Street Journal (April 6, 2009). This article looked at 28 of the largest U.S. R&D spenders, excluding deeply troubled automakers and the drug industry, whose R&D spending is dictated by government requirements.
10 See, for example, Tom Atkinson and Henry Frechette, “Creating a Positive Organizational Climate in a Negative Economic One,” The Forum Corporation, point-of-view paper (scheduled for publication Fall 2009).