How Sales Function Structure Reflects Business Strategy

Most organisations regularly review and amend their core strategy, but they often do not ensure that the sales force is properly deployed to support the business goals. This puts them at a competitive disadvantage.

Any change to strategy and business goals impacts how the sales force should be deployed. The strategy will affect factors such as which customers are targeted, which products and services are promoted more heavily and which sales approaches are used. The sales organisation structure needs to reflect this change.

A change to strategy will not automatically be reflected in the structure, working patterns and skills of the sales force. This change needs to be actively managed. An inappropriate sales force structure will work against the business, leading to inefficiency and reduced performance. Conversely, changing the sales force structure to directly support the business goals delivers performance gains and efficiency savings.

As a basic example, if a company has a large number of product specialist field salespeople selling small printers to small clients, but the business growth strategy is to sell integrated company-wide printing solutions to larger clients, then that sales force will not deliver. Everything about that sales force is geared to delivering yesterday's strategy, and it will hold back the company growth rather than deliver it.

So aligning the sales organisation structure and operations to the business strategy is critical to delivering the business plan.

The need to re-design the sales force

The sales force should directly support the delivery of the required business results in the most cost-effective manner. The wrong structure will drive activity in the wrong direction, and produce results that do not support business goals. This will cause friction with the rest of the company and with business leaders. It will also harm morale in the sales department - as far as the salespeople are concerned, they are working hard to produce results but they get no appreciation. So a structure that pulls against the strategy is counter-productive across the board.

There are many factors that affect how the sales department delivers against strategy, including:

- the mix of product or industry specialists, solution sales, generalists and other sales skills needed
- the split of responsibility between internal and external salespeople
- the use of telesales, internet, distributors and other channels in addition to field sales
- the importance of account development versus transactional sales in different segments
- the size and configuration of territories and markets
- the level of resourcing needed to ensure adequate sector/customer coverage
- the reporting lines and sales management structures needed to adequately performance manage the sales department
- the performance measures and incentives needed to drive performance in line with strategic plans

Getting the above elements right will ensure that the right amount of selling effort is applied to each product and market segment to cost-effectively deliver results in line with the business strategy. This gives the business leaders the assurance that the strategy is being translated into front-line activity, and that the sales department will deliver the desired results. Business leaders should therefore view sales force design as an essential part of strategy implementation.

Designing the sales structure in practice

Most companies design their sales departments from an internal perspective, looking at the resources they have and assigning responsibilities based on "what people are good at" or "what they like doing". This does not produce the best results.

Much better is to start from a customer and market perspective. This involves firstly building a picture of:

- which markets and customer segments are strategically important to the business
- how the company's products and services deliver value to each customer segment – e.g. does the company ship raw material products to the customer or does the company identify and deliver wide-ranging solutions (there might be a mixture of course)

- how this generates revenue for the company – e.g. high-margin consulting fees that warrant major account management, or low-margin product sales that justifies only a light-touch sales channel
- the knowledge and specialism needed to sell effectively - e.g. industry or market knowledge, deep knowledge of a customer account, solution development skills, or just generalist selling skills
- the level of activity needed to sell into each customer – e.g. is there a solid 18-months of account management effort needed, or 10 minutes responding to a quotation request
- the strategic value of each segment, or even of specific customers

These factors show the types of skills and selling styles needed across each customer segment. They also give a measure of "sales intensity", or the level of sales resource/effort needed to deliver a given revenue/margin. The sales force can then be sized by examining:

- specific objectives within each market
- the sales targets for each customer segment
- the level of competitive activity in each market
- how the customers are concentrated geographically by strategic importance and revenue target/ potential

With the above information, a sales force design can be produced that best supports the business strategy and delivers the targets most efficiently. A deployment or transition plan can then be developed to move from the current sales force structure to the new structure.

About LoganLea

LoganLea specialises in defining and implementing effective change within sales operations. Supporting business and sales leaders to manage, support and lead high performance sales teams and individuals. Our resource base consists of FTSE100 Sales Directors, sales change specialists and functional experts. Call us to discuss how we can help .

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