Gartner for Sales

Winning in the Turns: A CSO Action Guide
Introduction

Winning organizations accelerate during economic “turns” — significant changes to the macroenvironment characterized by inflection points in the economic cycle. Their chief sales officers (CSOs) take risks where others hesitate and default to inaction or, worse, scale back.

Turns can be economic, geopolitical, environmental, social or competitive, to name a few. Winning in the turns demands contrary measures around cost, strategy and talent (see Figure 1).

During the financial crisis of 2008-2010, just 60 of the largest publicly traded companies in the U.S. and Europe broke away from the competition (see Figure 2) and achieved efficient growth — a type of growth where companies are able to grow revenue while simultaneously reducing costs. These companies were ultimately able to sustain their outperformance for the subsequent decade.
The current environment is creating another turn for companies to pass through, and another moment in which winners and losers may be distinctly separated. This creates a unique urgency for CSOs to start positioning their sales organizations to take advantage of the opportunities that economic uncertainty and a downturn can create. CSOs can use the following guidance to plan ahead in three areas that will define their success moving forward: strategic planning, cost management and talent management.

**Uncertainty and Mixed Signals**

Through all of last year, there has been a common sentiment felt among executives: uncertainty. Top of mind is economic uncertainty, driven by mixed signals, some of which are overwhelmingly positive. For example, many parts of the world are experiencing full employment, and hiring remains strong. Consumer sentiment is healthy, and earnings growth is the strongest in a decade. Venture and private equity investors have reserves of $1 trillion.
At the same time, we have just crossed into record-setting territory for the current growth cycle. Some experts predict a recession in the coming months, but even without one there are unsettling indicators. There is an abundance of geopolitical and trade drama, causing long-held partnerships to strain. Profitability forecasts are down and debt levels look precipitous in a period of rising interest rates.

Indeed, the common sentiment that “everything is changing at the same time” isn’t just a gut feeling. Figure 3 shows companies and the overall economy are experiencing historic peaks in numerous indexes that matter. Consider the following:

- **Peaking change in businesses** — From business model transformation to merger and acquisition (M&A) transactions and cross-enterprise initiatives, mean businesses face new heights in uncertainty on multiple fronts.
- **Conflicting economic signals** — High CEO confidence, peaking economic uncertainty and probability of recession indexes are converging for the first time in years.
- **Strong entrepreneurial health and next-generation digital startup indexes** are reaching new heights as the economy is facing greater industry consolidation.
- **A mix of balance sheet health indexes show signs of vulnerability** — Record-high corporate debt and record-high corporate cash on hand, with cost, increase outpacing revenue gains.

**Figure 3: Trend lines across major indexes**

Rolling three-year average scaled based on the maximum range reached since the recovery

Individually, the upward trajectory of these trend lines are puzzling, but taken together, many converging at 15-year peaks represent real risks and opportunities.
Three Areas of Focus

While senior company leadership clearly plays a key role in navigating an economic turn, sales leaders have to prepare their own set of to-dos. Specifically, they should focus on three areas (see Figure 1):

1. Strategic planning to prepare for uncertainty, economic or otherwise
2. Cost management while maintaining sales effectiveness
3. Sales talent management amid changing economic conditions

1. Strategic planning to prepare for uncertainty, economic or otherwise

It can be detrimental for an organization to have a strategic plan that is static and fails to account for changes in the external environment. Winning CSOs ensure that they periodically assess the organization’s ability to respond to disruptions in the economy and develop a communication strategy to keep every part of the sales organization aligned on changes in strategy.

Questions every CSO should ask about strategy:

• How should we assess our sales organization’s capabilities to adequately respond to changes in the economic environment?
• How do we know it’s time to adjust our strategy to stay competitive during changing economic conditions?
• What is the most effective way to communicate to the sales force any changes to our sales strategy, their impact and the reasons behind them to ensure clarity of direction is maintained throughout the enterprise?
• How can we ensure these changes stick?

Actions to take now:

• Ensure you have the functional capabilities to adequately respond to changes in the economic environment and actively communicate these changes to the sales leadership as well as the sales force.
• Use feedback from business unit leaders and other stakeholders to evaluate your function’s current effectiveness at key sales activities and to align the sales leadership team on functional priorities.
• Review data on key sales talent and productivity metrics; pulse survey the sales force on specific questions to assess strategy-critical talent’s willingness and ability to execute strategic plans.
• Sensitize the sales leadership to prepare for a downturn by creating urgency around the potential risks involved. For example, conducting a “premortem” exercise with sales leadership team members can encourage them to think proactively and critically about an action plan to stay ahead of a potential downturn.

• Encourage sales managers to contextualize changes in strategy as necessary to increase their relevance and practicality for sellers. Managers’ proximity to the sales force and their knowledge of the practical implications of the change allow them to deliver messages and assist sellers in working through the change.

• Define and monitor strategic triggers that are the leading indicators of a turn for your business, and communicate them broadly so the entire organization is aware when a change is over the horizon.

2. Cost management while maintaining sales effectiveness

During turns, sales executives’ first instincts are to stop discretionary spending, lay off staff, reduce training and cut capital investments. While winners employ a mix of these strategies, they approach it in a way that considers the possible unintended consequences and focuses on the long term.

Questions every CSO should ask about cost:

• How can we apply a disciplined and holistic approach to cost management now to avoid any unintended consequences in the future?

• How can we think about cost management as a long-term strategy, not just a short-term margin play?

• How can we make sure we’re not compromising our top-line activities when cutting costs?

• What are some low-impact, low-effort cuts we can make immediately?

• What scalable actions can we pursue to grow revenue faster than expenses?

Actions to take now:

• Apply a disciplined, holistic and sustainable approach to cost management.

• Evaluate and agree upon a set of “must protect” longer-term investments through any period of budget pressure.

• Assess business continuity impacts, and ways to minimize those impacts, in the event of reducing technology or other external operating expense.

• Instead of relying on a few aggressive measures to reduce the cost of sales, prioritize and select cost reduction strategies based on key elements — ease of execution, immediacy of impact, potential levels of disruption and challenges to any economic recovery — that can help avoid the occurrence of and disruption from urgent cost reductions.

• Commission the sales operations team to do an analysis of costs and elements of profitability leakage, such as unearned rebates, invoicing errors and price anomalies. Similarly, look for growth programs that are successful (e.g., earned rebates) and look for opportunities to expand them.
• Engage business unit leaders to develop two to three actions to grow immediately without increasing selling expenses. Encourage them to think about channel gaps, redundancies or even white-space opportunities.

• Consider cost reduction alternatives that lead to scalable cost savings. For example, instead of reducing subject matter expert (SME) head count, consider low-value, high-frequency sales activities that SMEs are responsible for and codify information related to these activities in enablement tools to get more productivity from SMEs and better scale them.

• Balance cost reductions with productivity investments that can help maintain top-line activities, driving sales growth while at the same time cutting costs. For example, even with a reduction in sales force size, CSOs can maintain top-line profitability by engaging the sales operations team to audit activities and employ market, customer and seller data to optimize seller time between farming and hunting activities, as well as new and existing accounts.

3. Sales talent management amid changing economic conditions

Healthy, high-performing sales teams are essential to winning in the turns. Gartner has conducted extensive research on high-performing sales teams that shows the importance of business acumen and the ability to have the right conversations with customers. Moreover, as organizations become more risk-averse, they risk losing their best talent by hampering seller creativity and innovation in individual deals. Our research on sales culture shows that skilled sellers who operate in a team climate characterized by high levels of autonomy, collaboration and creativity are, on average, 15% more likely to stay with an organization. This is compared with sellers whose organizations stress strict process adherence. Frontline sales managers play a significant role in developing and managing sellers; as such, CSOs should proactively develop a strategy for talent management that encourages managers to coach in a way that promotes recession-proof skills and minimizes departures of high-performing sellers.

Questions every CSO should ask about talent:

• How do we identify and quickly develop the competencies we need to outperform in a turn — and beyond?

• How do we encourage managers to coach in a way that fosters innovation and new ideas as opposed to strict process adherence?

• How quickly can we create and cascade new, clear objectives out to the entire sales force?

• How can we aggressively acquire top sales talent from competitor organizations in a turn to better position ourselves for growth?
Actions to take now:

• Limit productivity declines and departures of high-performing sellers by developing recession-resistant skills in reps and coaching them in a way that encourages innovation and ideation.

• Identify sales approaches that yielded results in the last downturn, and modify training or other enablement to quickly reprise those behaviors, skills and processes.

• Boost and reinforce sellers’ business acumen and listening skills so they are capable of uncovering vital information about how customers are preparing — if at all — for a downturn and how it would affect customers’ needs and relationship with your organization. Doing so, sellers can uncover new business opportunities and provide more meaningful services to customers.

• Encourage frontline managers to coach for creativity and problem solving as opposed to strict process adherence (e.g., teaching reps to anticipate potential deal roadblocks and apply creative thinking to solutions).

• Equip frontline managers to connect sellers to the company’s vision and help them understand and align their work to the overall strategy.

• Establish a focused strategy, with HR/recruiting, to lure top sales talent and leadership away from competitors during a recession.
Gartner for Sales Leaders

Indispensable insights, advice and tools to achieve your mission-critical priorities

As a head of sales, you face a diverse set of complex challenges in generating profitable, top-line growth for your organization. Our customized service equips you with the strategic advice, insights and practical tools required to cut through common sales and technology challenges and execute the initiatives that are critical to your success.

We can help you to:

• Prioritize investments to improve productivity
• Manage a high-churn talent environment
• Stay ahead of industry trends so you are prepared to tackle challenges before they hit
• Drive digital business transformation

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