

It's Time to Grow Again!

Setting a Growth Strategy

October 20, 2010





Agenda

- Observations on Growth
- Implications for Strategy
- Setting a Growth Strategy



Observations

#1 – Global economy is growing again, albeit very unevenly; with BRIC countries taking the lead.

Latest IMF projections
 The world economy is recovering better than expected, but at varying speeds for different regions.
 (percent change unless otherwise noted)

	2008	2009	Projections		Difference from January 2010 WEO projections	
			2010	2011	2010	2011
World Output	3.0	-0.6	4.2	4.3	0.3	0.0
Advanced Economies	0.5	-3.2	2.3	2.4	0.2	0.0
United States	0.4	-2.4	3.1	2.6	0.4	0.2
Euro Area	0.6	-4.1	1.0	1.5	0.0	-0.1
Germany	1.2	-5.0	1.2	1.7	-0.3	-0.2
France	0.3	-2.2	1.5	1.8	0.1	0.1
Italy	-1.3	-5.0	0.8	1.2	-0.2	-0.1
Spain	0.9	-3.6	-0.4	0.9	0.2	0.0
Japan	-1.2	-5.2	1.9	2.0	0.2	-0.2
United Kingdom	0.5	-4.9	1.3	2.5	0.0	-0.2
Canada	0.4	-2.6	3.1	3.2	0.5	-0.4
Other Advanced Economies	1.7	-1.1	3.7	3.9	0.4	0.3
Newly Industrialized Asian Economies	1.8	-0.9	5.2	4.9	0.4	0.2
Emerging and Developing Economies	6.1	2.4	6.3	6.5	0.3	0.2
Central and Eastern Europe	3.0	-3.7	2.8	3.4	0.8	-0.3
Commonwealth of Independent States	5.5	-6.6	4.0	3.6	0.2	-0.4
Russia	5.6	-7.9	4.0	3.3	0.4	-0.1
Excluding Russia	5.3	-3.5	3.9	4.5	-0.4	-0.6
Developing Asia	7.9	6.6	8.7	8.7	0.3	0.3
China	9.6	8.7	10.0	9.9	0.0	0.2
India	7.3	5.7	8.8	8.4	1.1	0.6
ASEAN-5 ¹	4.7	1.7	5.4	5.6	0.7	0.3
Middle East and North Africa	5.1	2.4	4.5	4.8	0.0	0.1
Sub-Saharan Africa	5.5	2.1	4.7	5.9	0.4	0.4
Western Hemisphere	4.3	-1.8	4.0	4.0	0.3	0.2
Brazil	5.1	-0.2	5.5	4.1	0.8	0.4
Mexico	1.5	-6.5	4.2	4.5	0.2	-0.2

Source: IMF, World Economic Outlook, October 2009.
¹Indonesia, Malaysia, Philippines, Thailand, and Vietnam.



Observations

#2 – Global forces will continue to create turbulence and disruption, including:

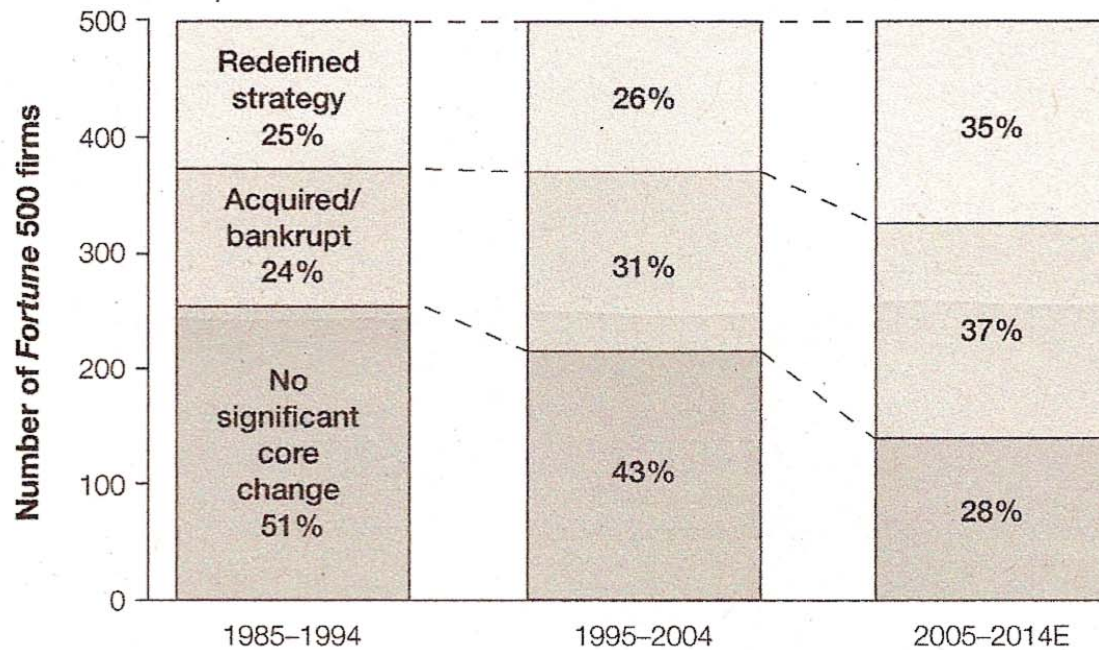
- ❑ Accelerated rates of product innovation; shorter product life cycles
- ❑ Increased number of low-cost competitors, particularly in LA, China and India
- ❑ Reduced capital intensity in new industries allowing them to adapt and change swiftly (e.g. software, biotech, and chip manufacturers)
- ❑ Faster flow and more open access to information about competitors, markets, customers, and suppliers
- ❑ Fluid talent flow, particularly of executives, making it difficult to sustain competitive advantage
- ❑ Difficulty recruiting enough mid-level engineers and scientists



Observations

#3 – The frequency of major inflection points, requiring new growth strategies, will increase.

Rates of change in *Fortune* 500 companies



Source: Research by Bain Capital, 2009



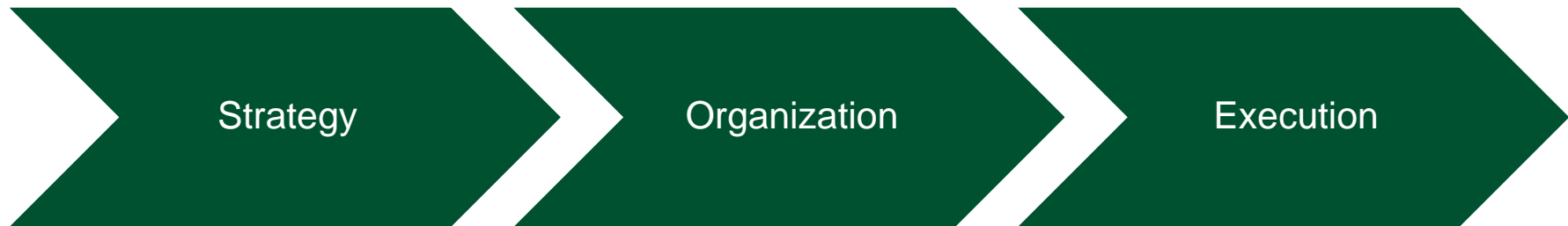
Implications

1. Managers will need to choose swiftly between Strategic Re-direction and Operational Improvement
2. Many will struggle and be tempted to preserve the “status quo” (Feature ROSI data)
3. The lure of “New Business” will be strong but insufficient
4. Success will be found in “organic” growth strategies!



Implications Strategic Re-direction or Operational Improvement?

Discerning between the two and maintaining alignment are critical to achieving sustained growth.



- Which markets?
- Which customers?
- What products and services?
- What value proposition(s)?



**Actionable
Growth Plan**

- Optimal sales organization structure and roles?
- Complete market coverage?
- Ideal channel network & partner ecosystem?
- Most efficient sales processes?
- Most effective sales tools?



**Optimized Revenue
Engine**

- Sales Management Processes?
- Sales Skills and Capability?
- Data Driven Planning and Analysis?
- Performance Measurement Systems?
- Sales Force Enablement?
- Compensation Plans?



**Operating Platform for
Revenue Growth**



Implications

Many Will Struggle; Do You Have the Requisite Capability?

Our Research Finds that Many Organizations Lack the Sales Ops Capability to Develop and Manage Growth Strategies.

Summary of Opportunities for Improvement in Each Sales Dimension	Gaps (Avg. of Top 20% - Avg. of Lower 20%)
Strategy	
<ul style="list-style-type: none"> Our product offering provides the benefits sought by our most valuable customer segments at a premium price. 	1.66
<ul style="list-style-type: none"> We know our relative market share in each customer segment. 	1.41
<ul style="list-style-type: none"> We understand the total sales potential of each product/service in our current and target customer segments. 	0.99
Productivity	
<ul style="list-style-type: none"> We have identified critical activities within each step in the sales process and assigned them to specific roles in the sales organization. 	2.15
<ul style="list-style-type: none"> We have an efficient and effective sales organization structure with appropriate spans of control across the organization. 	2.13
<ul style="list-style-type: none"> Our sellers spend >55% of their time on selling activities. 	2.11
<ul style="list-style-type: none"> We have covered accounts with the right number and type of resources to maximize growth and profitability. 	1.94
Performance	
<ul style="list-style-type: none"> Quotas are set before the performance period and total 100 to 110% of the company's revenue goal. 	1.47
<ul style="list-style-type: none"> Compensation programs are checked frequently for accuracy, reviewed annually, and adjusted frequently. 	1.32
<ul style="list-style-type: none"> Compensation programs are aligned with business strategy. 	1.26

To assess your sales ops capability, take our assessment at:
<http://www.evergreengrowthadvisors.com/sales-ops-right-stuff.shtml>





Implications

The Lure of “New Business” Will Be Strong but Insufficient

Success Rates of Different “New Business” Strategies.

- ❑ 5-10% Big-bang Acquisition/Transforming Move
- ❑ 10-15% Diversification into a Hot Market

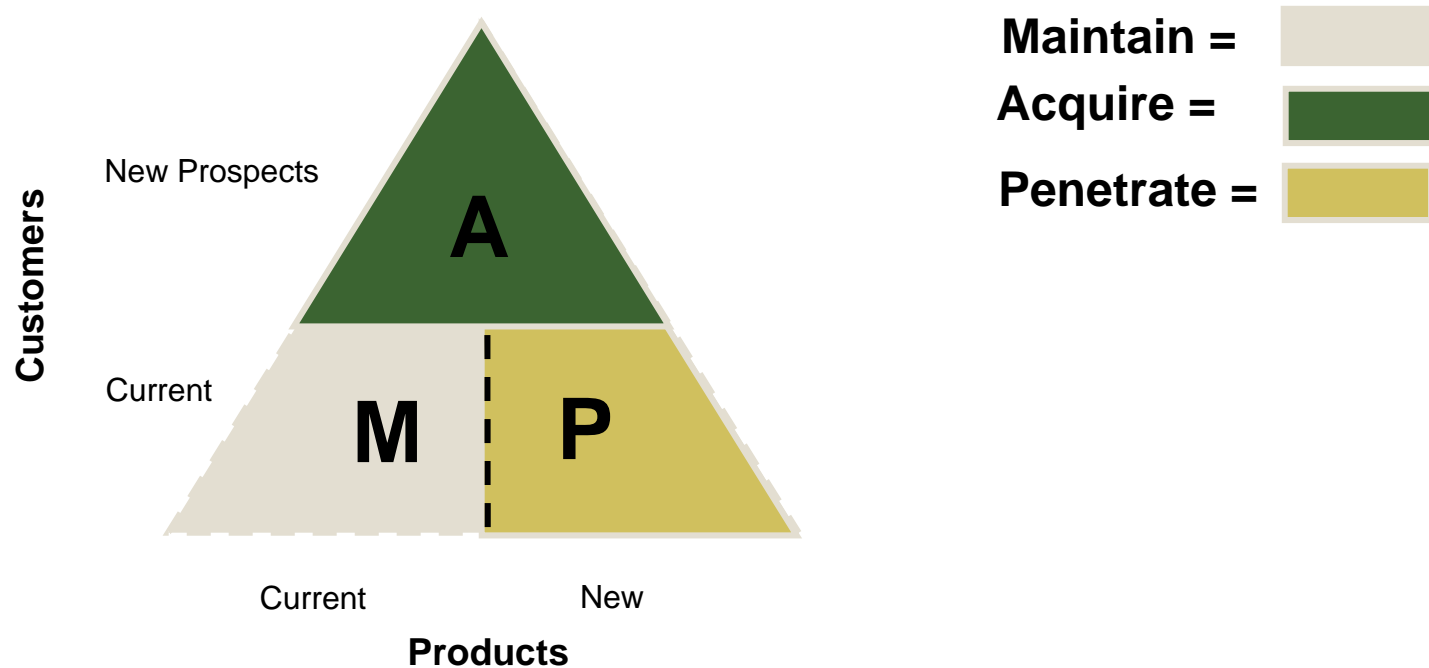
Source: Research by Bain Capital, 2009



Implications

Success Will be Found in “Organic” Growth Strategies...

...that Build on One’s Base and Clarify: What Will be Sold to Whom, and How!



Organic Strategies have a success rate of over 30%*

Source: Research by Bain Capital, 2009



Setting an Organic Growth Strategy Getting Started

There are three pre-requisites:

1. Understanding of Sales Potential
2. Clear and Actionable Segments
3. Adequate Sales Coverage

Organic growth strategy development ultimately involves making informed choices about where to place emphasis and invest scarce resources. To maximize returns, it is critical to know which opportunities have the greatest sales potential and ensure adequate resources are invested to capture full value.



Setting an Organic Growth Strategy

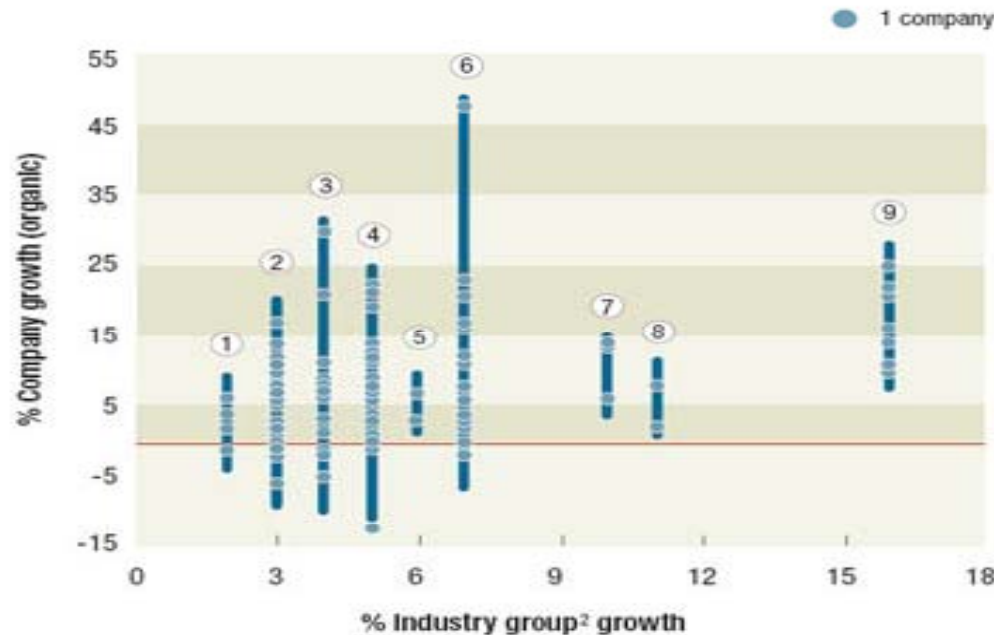
Understanding Sales Potential

Growth rates vary significantly within an industries; pinpointing the relative sales potential of accounts within markets is critical.

Annual Growth Rates

A greater spread at the company level

Compound annual growth rate (CAGR) for selected companies by industry group,¹ 1999-2005. %



Industry groups²

- 1 • Household and personal products
- 2 • Banks
• Capital goods
• Food, beverages, and tobacco
• Retailing
• Technology hardware and equipment
- 3 • Automobiles and components
• Commercial services and supplies
• Media
- 4 • Consumer durables and apparel
• Diversified financials
• Pharmaceuticals, biotechnology and life sciences
• Telecommunications services
• Transportation
• Utilities
- 5 • Insurance
- 6 • Consumer services
• Food and staples retailing
• Materials
• Software and services
- 7 • Health care equipment and services
- 8 • Semiconductors and semiconductor equipment
- 9 • Energy

¹207 representative companies selected from total for readability.

²Industry group classifications by Global Industry Classification Standard (GICS), developed by Morgan Stanley Capital International (MSCI) and Standard & Poor's.

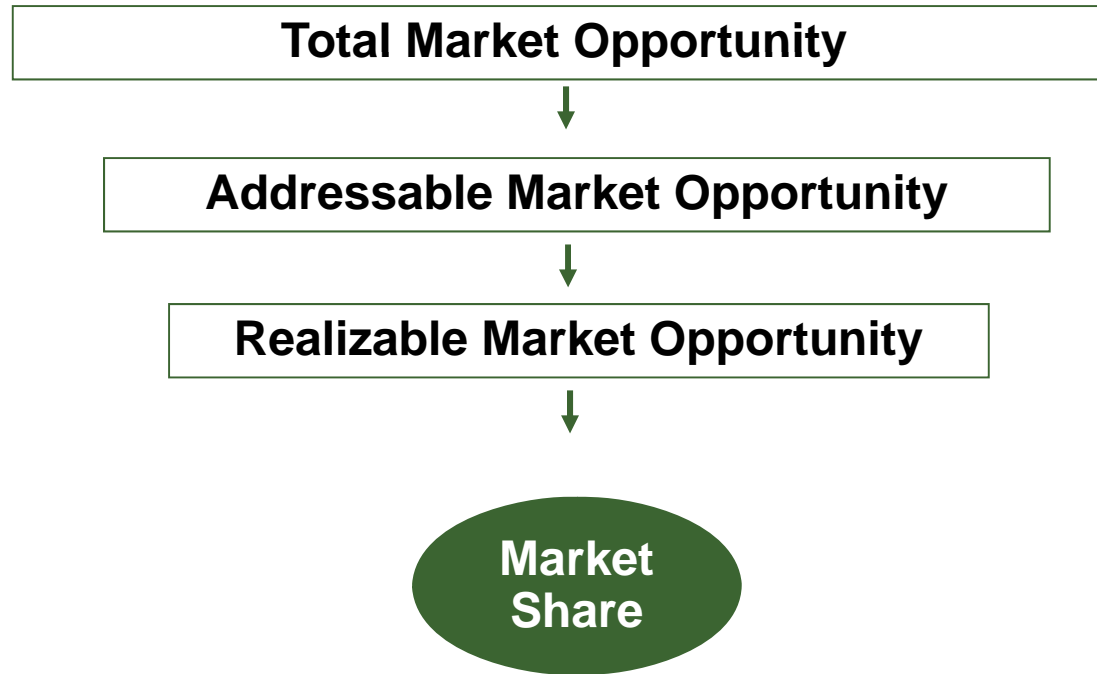
Source: Global Insight; Global Vantage; Thomson; McKinsey analysis



Setting an Organic Growth Strategy

Understanding Sales Potential

It's insufficient to merely know the "total market" opportunity!





Setting an Organic Growth Strategy Clear and Actionable Segments

Creating groups of customers with similar needs and buying processes enables efficient and effective sales coverage.

Four Dimensions for Segmenting Customers

1. Customer Descriptors/Demographics
2. Purchasing Behavior
3. Needs
4. Product Preferences



Setting a Growth Strategy

Adequate Sales Coverage

Adequate coverage entails not only aligning the right channels and number and type of resources with customers, but also ensuring that role accountabilities are clear across the sales process.

Responsible Manages the Process
 Accountable Ultimately Accountable for Result
 Consulted Expertise to Contribute
 Informed Needs to be Informed of Decisions and Actions

Role	Account Planning	Lead Generation	Oppty Qualification	Problem Definition	Proposal/RFP	References of Testing	Contracting	Operational Planning	Closing	Onboarding	Service	Penetration
BDs and Hybrids	Accountable	Accountable	Accountable	Accountable	Accountable	Accountable	Accountable	Accountable	Accountable	Informed	Informed	Accountable
SMEs - Parking (RM and SVP will own), Tech and Mtnc	Responsible	Consulted	Consulted	Consulted	Consulted	Consulted	Consulted	Consulted	Consulted	Consulted	Consulted	Consulted
VP Sales Ops	Informed	Informed	Informed	Informed	Informed	Informed	Informed	Informed	Informed	Informed	Informed	Informed
RM				Consulted	Consulted	Consulted	Consulted	Consulted	Consulted	Responsible	Responsible	Responsible
SVP				Informed	Informed	Informed	Accountable	Accountable	Accountable	Accountable	Accountable	Accountable
EVP				Informed	Informed	Informed	Informed	Informed	Informed	Informed	Informed	Informed

BDs will be Responsible and Accountable

Ops will own Onboarding and Service, but share responsibility for account penetration.

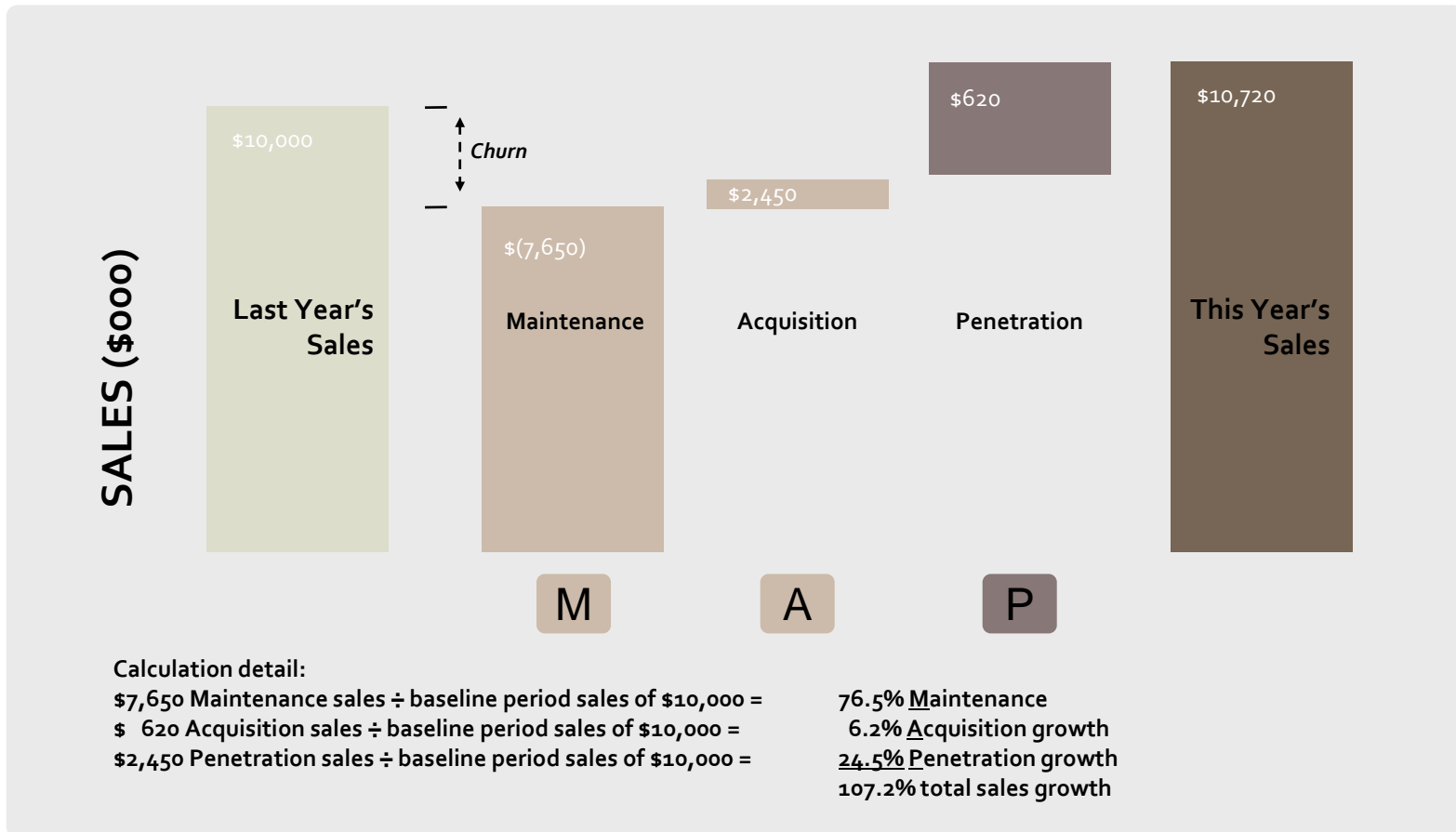


Setting a Growth Strategy

A “MAP” Generates Many Insights

Looking “back to the future” is counterintuitive, but extremely useful!

A Sales Growth MAP





Setting a Growth Strategy

A "MAP" Generates Many Insights

The analysis begins at the Account level, but could easily be done for each segment, to reveal trends and opportunities.

Building a Growth MAP



Any customer with sales in both periods (This Year and Last year) generates "Maintenance" volume.

Growing customers generate penetration growth in addition to maintenance volume.

Customer	Sales		MAP Allocations			
	LY	TY	Churned	Maintained	Acquired	Penetrated
Alpha International	78,000	61,500	(16,500)	61,500	-	-
Bravo Productions	-	12,500	-	-	12,500	-
Charlie Container Corporation	34,250	54,600	-	34,250	-	20,350
Delta Waste Disposal	119	1,750	-	119	-	1,631
Echo Consulting	21,425	-	(21,425)	-	-	-
Foxtrot Dance Studio	-	14,500	-	-	14,500	-
Golf Systems Inc.	89,700	60,270	(29,430)	60,270	-	-
Hotel California	24,001	23,500	(501)	23,500	-	-
India Partners	30,483	43,134	-	30,483	-	12,652
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Uniform Services, Inc.	24,145	26,920	-	24,145	-	2,775
Victor Recycling Company	18,000	37,680	-	18,000	-	19,680
Whiskey River Excursions	67,500	61,500	(6,000)	61,500	-	-
X-ray Clinic Inc.	4,500	6,400	-	4,500	-	1,900
Yankee Accounting, LLC	136,422	44,734	(91,689)	44,734	-	-
Zulu Systems, Inc.	114,000	263,450	-	114,000	-	149,450
=====						
<b>\$000 All customers</b>	<b>10,000</b>	<b>10,720</b>	<b>(2,350)</b>	<b>7,650</b>	<b>620</b>	<b>2,450</b>

Declining customers generate churn in addition to maintenance volume.



# Setting a Growth Strategy

## A "MAP" Generates Many Insights

Similarly, the analysis can be used to look at growth and profitability, by territory, segment, or product within segment.

### Example MAP Benchmarking Report

Comparing MAP performance in sales growth and profitability across all sales territories illustrates best practices and achievable benchmarks for all territories.

**Summary Sales Representative ARM Performance Report**

Salesperson	MAP Percentages				Net Growth %	Profitability Percentages					
	Churn	M	A	P		P1	Churn	M	A	P	P2
John Doe	-9.2%	90.8%	1.4%	10.6%	2.8%	29.0%	24.2%	27.7%	19.0%	30.3%	24.4%
Koos van der Merwe	-22.7%	77.3%	8.8%	28.8%	14.9%	31.4%	26.2%	34.9%	19.4%	29.2%	23.0%
Otto Normatbocker	-8.2%	82.6%	2.7%	36.3%	20.7%	31.4%	26.2%	34.9%	21.8%	38.7%	32.0%
Erika Must	-11.8%	88.2%	6.7%	15.0%	-7.9%	31.4%	26.2%	34.9%	21.1%	38.9%	30.3%
Hans M	-31.3%	68.7%	0.8%	24.3%	12.0%	29.8%	24.2%	27.7%	11.9%	41.2%	30.5%
Gyula K	-11.8%	88.2%	3.0%	47.9%	10.3%	31.4%	26.2%	34.9%	26.6%	22.1%	29.1%
Si Polan	-11.8%	88.2%	6.7%	15.6%	10.5%	27.0%	43.6%	24.8%	21.5%	39.2%	26.6%
Mario Rossi	-31.3%	68.7%	4.8%	28.5%	2.0%	32.1%	42.1%	27.6%	28.7%	38.8%	30.7%
Nanashi No Gombe	-37.0%	63.0%	8.6%	20.6%	-7.8%	37.8%	40.0%	36.5%	42.2%	41.5%	38.1%
Hong Guil Dong	-9.3%	90.7%	3.6%	12.7%	7.1%	32.3%	45.2%	31.0%	11.7%	44.6%	31.9%
Jonas Jonaitis	-20.1%	79.9%	8.2%	19.2%	7.3%	20.9%	43.4%	15.2%	11.0%	44.8%	20.2%
Joe Borg	-49.2%	50.8%	4.0%	25.9%	-10.2%	30.4%	44.6%	16.6%	21.4%	43.3%	25.4%
Kari Dunk	-35.0%	65.0%	17.1%	44.5%	26.5%	35.2%	34.7%	35.4%	16.7%	41.0%	34.8%
Jan Kowalski	-10.9%	89.1%	2.6%	27.2%	18.9%	40.9%	38.3%	41.2%	31.6%	36.8%	40.0%
Maria das Couves	-23.4%	76.6%	7.2%	36.1%	20.2%	22.1%	14.8%	18.6%	18.0%	22.6%	19.8%
Jovan Petrovic	-7.4%	92.6%	0.5%	29.9%	22.6%	42.4%	-216.7%	41.0%	29.0%	31.8%	38.8%
Juan Perez	-52.1%	47.9%	0.7%	5.6%	-45.8%	31.7%	18.5%	17.5%	21.4%	34.8%	19.3%
Sipho Nkosi	-13.0%	87.0%	10.5%	21.3%	18.8%	41.4%	40.6%	41.5%	34.5%	43.7%	41.3%
Erik Johansson	-12.6%	87.4%	19.8%	15.9%	23.1%	27.2%	495.9%	20.6%	21.3%	48.1%	24.2%
Total	-23.5%	76.5%	6.2%	24.5%	7.2%	31.4%	40.9%	28.5%	22.6%	36.1%	29.9%

Lagging Performance

Best Practice Performance



## Closing Thoughts

### Please Remember:

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1. A strategic re-direct is in your future
2. To rigorously and frequently assess the need to re-direct strategy vs. improve operations
3. Organic growth strategies significantly increase the odds of success
4. To utilize MAP and coverage analyses....keep building and leveraging Sales Ops capability



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Questions?



# Contact Information

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