

Building Resilience through Disruption: A CSO Action Guide

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 1) 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.

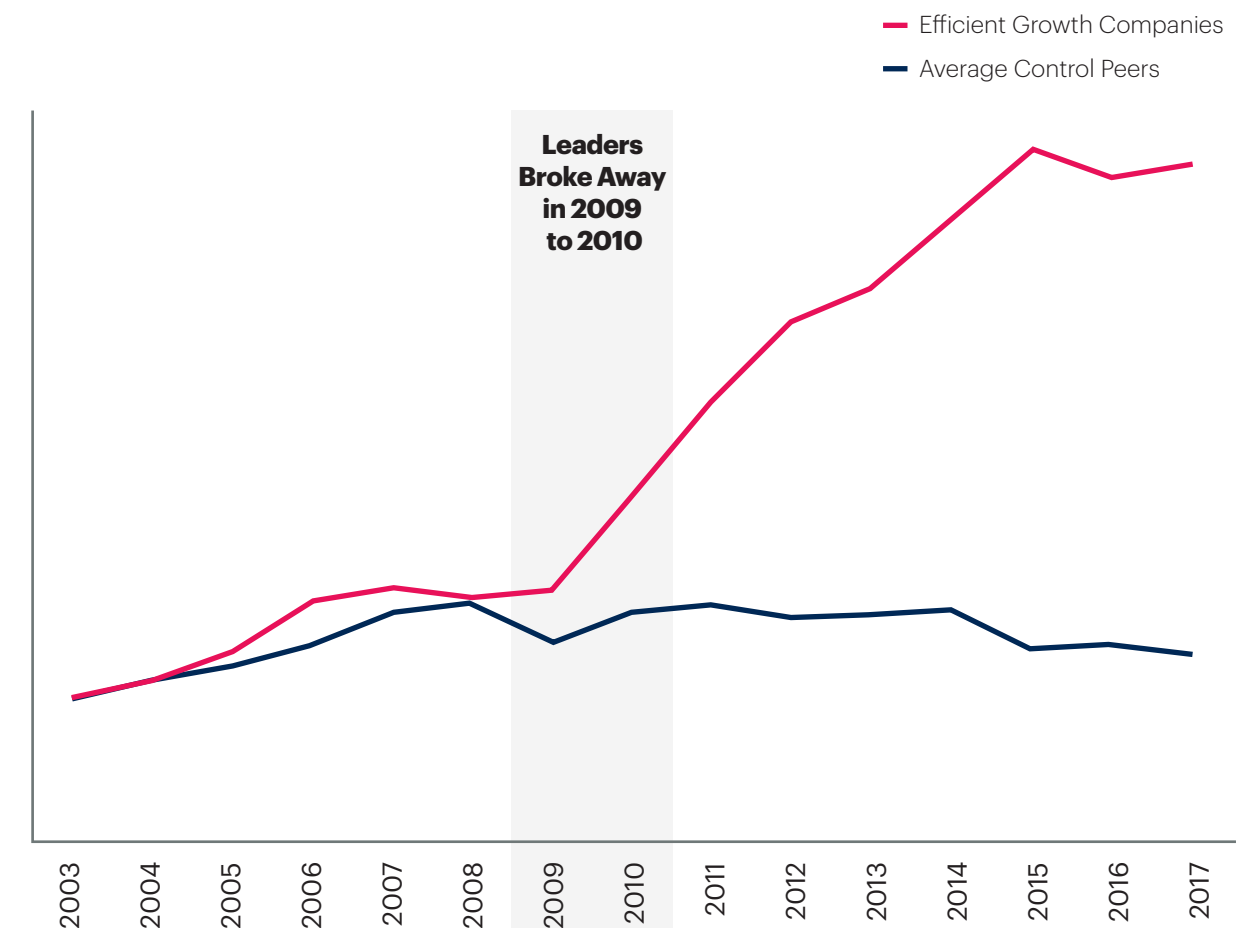
The current environment is creating another disruption for companies to pass through, and another moment in which winners and losers may be distinctly separated. This creates a unique urgency for CSOs to start positioning their sales organizations to take advantage of the opportunities that economic uncertainty and a downturn can create.

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.

Figure 1: Organizational Performance After a Downturn
Company Earnings (2003 Indexed to 100)



Source: Gartner

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 2 shows companies and the overall economy are experiencing historic peaks in numerous indexes that matter. Consider the following:

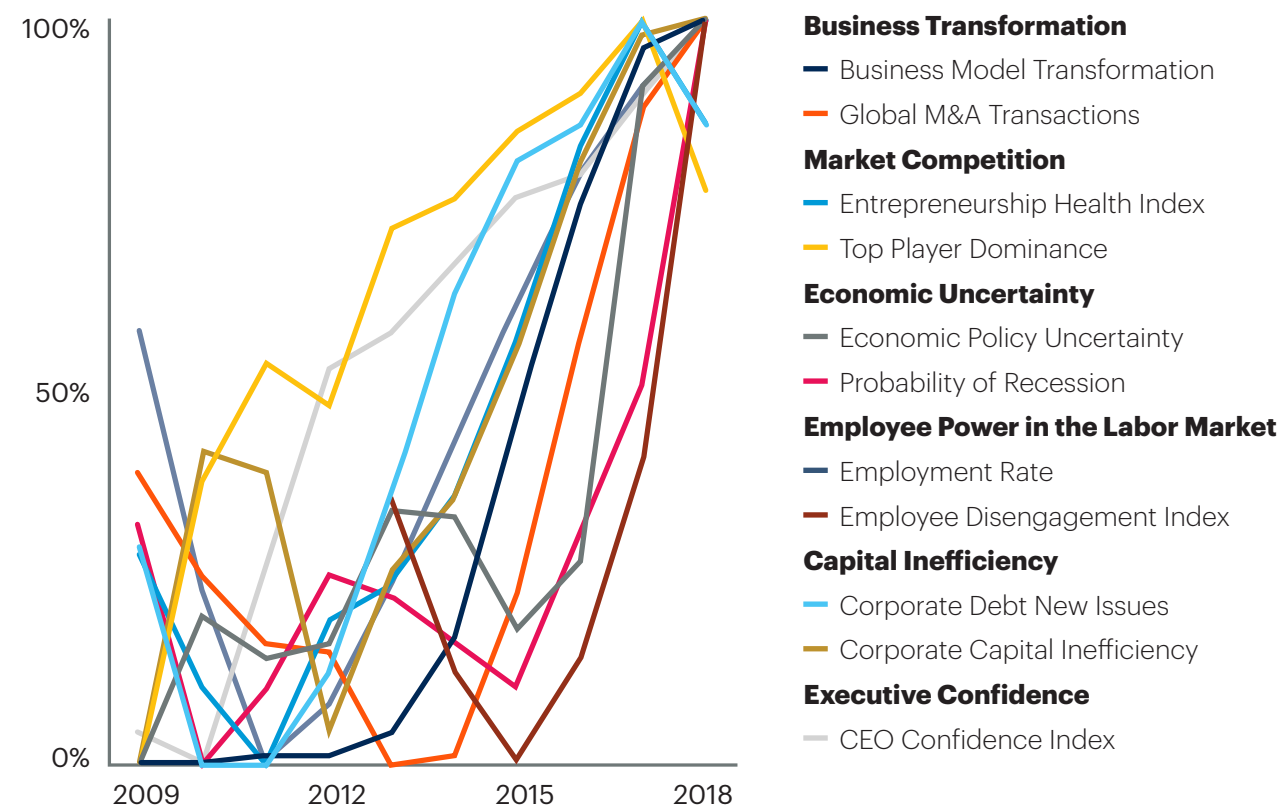
- Peaking change in businesses — From business model transformation to M&A transactions and cross-enterprise initiatives, businesses face new heights in uncertainty on multiple fronts.

- 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 increases outpacing revenue gains.

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

Figure 2: Trend Lines Across Major Indexes

Rolling Three-Year Average Scaled Based on the Max Range Reached Since the Recovery^a



Source: “Factiva,” Dow Jones; “M&A Statistics,” IMAA; “S&P Capital IQ,” Standard & Poor’s; “Kauffman Indicators of Entrepreneurship,” Ewing Marion Kauffman Foundation; “Probability of U.S. Recession Predicted by Treasury Spread,” Federal Reserve Bank of New York; “Methodology,” Economic Policy Uncertainty; “Databases, Tables & Calculators by Subject,” Bureau of Labor Statistics; 2011-2018 Gartner Global Labor Market Surveys; 2009-2018 New U.S. Corporate Debt, Bloomberg; “CEO Confidence Index,” Chief Executive

^a Scaled from 0% to 100% where 0% is the minimum while 100% is the maximum rolling three-year average reached since 2009.

Note: Data is not yet available for 2018.

Three Areas of Focus

While senior company leadership clearly plays a key role in navigating an economic disruption, sales leaders have to prepare their own set of to-dos. Specifically, they should focus on three areas (see Figure 3):

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

Figure 3: Building Resilience through Disruption



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.



Cost Management While Maintaining Sales Effectiveness

During economic disruption, 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.
- 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.

Sales Talent Management Amid Changing Economic Conditions

Healthy, high-performing sales teams are essential to building resilience through disruption. 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. 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 disruption — 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 disruption 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).