

Excerpt: Capacity Planning

From *On Selling Management – The PATH to a better top line*

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Can a firm double its top line performance by doubling the number of Sellers it deploys? It is a frequently asked question in corporate meeting rooms; the proposition is of course very enticing to financial planners and related types. Experienced Sales Managers shudder when presented the option; to a man and woman they remember furious hiring and on boarding followed by painful downsizing.

Here's where it works: When a company's products or solutions are in a period of exceptional demand owing to their outstanding market proposition and lack of compelling alternatives and competitors, such as Microsoft, Hewlett Packard printers or IBM PCs in the early days. Instead of merely doubling, the company may have tripled or quadrupled. But one thing the company missed in all of this is to look at the way it goes to market. A high demand like this is a reflection of little uncertainty for the need and low complexity for the transaction. Instead of paying a high priced sales force, more may have been accomplished with a purely transactional go to market model.

Here is when it does not work, where the addition of Sellers does not generate a proportionate increase in top line, but instead often reduces the operating performance. It does not work where the need for the product or solution is less than established in the mind of the Buyer and where the complexity of a transaction is considerable. This is when we need to work patiently with one Buyer at a time generating interest, positioning values, removing objections and arguing solutions. This is when we are selling.

Scaling a true selling operation is never a linear proposition. We propose the absolute never here because any deviation would require flawless locating and on boarding of incremental Sellers. Adding human assets to an operation is quite challenging in any aspect of the company; it is virtually impossible when it comes to human Selling assets.

What is needed is a set of management criteria that will allow us to better judge the merits of a capacity change in the selling assets and consequently improve the chances for a positive outcome. And a key basis for this capacity analysis will be the measurements and findings of the PATH results.

When we analyze capacity we are looking to what may be required to go into a new market, while at the same time we may be seeking a determination whether we have optimized the use of our selling resources in an existing market. Note that our use of the term market is meant as a collection of targets that share common attributes. This may be a defined geography; it may also be an industry or a size category or similar.

The analysis of the capacity of a company's selling assets and the subsequent investment case for a change of employee numbers require a review of external parameters that might impact the opportunity and how well existing internal resources are utilized. External factors are issues that have a repetitive limiting impact on the probability of success in the selling process unless they are properly addressed in our capacity planning exercises.

External factors that we must reference include these:

- The degree of definition of our target market. We have repeatedly pointed to the Identification Phase as the lynchpin for success of all subsequent selling endeavors. Thus, if we can clearly identify incremental targets in a new (for us) market, our probability of a successful implementation of a selling campaign there will be validated. Through the quantity of the identifications and improvement in the increasing hierarchy of the identified prospects—the market and submarket, the target companies, company roles and functions and the Buyer details, we will be better able to predict how large a selling force we require. The same holds true for expansion in an existing market. And the antonym unfortunately is just as true: where expansion is sought in existing or new markets without the benefit of qualified target identification, the endeavor is at best a gamble.
- The current interaction with customers. An obvious area of research to be undertaken is the nature of the interaction we have with the existing customer base today. Provided that customer satisfaction and maintenance has been an executed corporate strategy, we find that selling to existing targets may be easier than developing new markets. And we know why: the high costs of Identification and Approach will be avoided. We described the appropriate analysis of existing streams of business when we looked at the make up and the definition of strategic accounts earlier. Avoidance of huge unnecessary costs makes this analysis work extremely beneficial here.
- Past interaction with customers in the target group. We have seen this issue sorely neglected at times, yet where anytime the company enjoyed significant transactions with customers in the past and these contacts have lapsed for reasons that are not readily apparent, contacting this group may again be more beneficial than proceeding on uncharted waters.
- Target specific issues. These are issues that drive the buying and decision making process in an identified target group. They must be

vetted with prior research and if necessary, a limited trial campaign before a full scale expansion is undertaken. Most often these target specific issues are common barriers to a prospective supplier, and as we have learned earlier, barriers can only be removed by the buyer. The most important one for the Seller to learn is where decisions about solutions are commonly made. Not assuring this he will find himself prospecting hospitals that make decisions in buying groups elsewhere, or foreign transplant manufacturers making decisions in their native country only.

- Identified competition and relative differentiation. The noise we expect to hear from established competitors in the market is of course an important factor in the decision. More important than that is defining the degree of differentiation and the subsequent nature and content of the Engagement we are seeking in the Selling Process.
- Internal factors that must be considered here include:
 - What is the current level of Seller utilization we are enjoying? We measure utilization with sustained achievement of PATH points. As discussed, we expect to experience a significant level of activity increase in a first campaign; subsequent campaigns will lead to a much more marginal improvement of results. Consequently we are looking for a level of activity from the Sellers that shows sustainability. The lesson here is that unless a demonstrated measurable level of activity has been achieved, adding resources adds unnecessary cost and leads to incremental waste.
 - Results such as current revenues, gross profits or other company specific measures are also of course other criteria we take into consideration. We have seen how tempting it is to use results as a prime decision parameter, yet how difficult this can be due to the many other internal and external variables impacting this measure.
 - Management cycles significantly impact the ability to scale. Recruiting new talent, training and on boarding will take time away from current tasks performed by a sales manager. Adding more management translates into adding additional costs with no directly attached return—a constellation awfully close to waste. Not managing existing or new resources by way of benign neglect is definitely creating nothing but waste. Using a Selling Management Foundation such as the PATH will certainly make it easier to add personnel through the introduction of structured expectation and measurement. It certainly does not make the need for management of the resources superfluous.

- Selling cycles, defined as the average of the lag times in the sales process, are a must to consider when quantifying a return on investment and the time needed to experience a break even. ///