STRATEGY 1

Find Growth Before Your Competitors Do

CHAPTER 1

Look Ten Quarters Ahead

For tomorrow belongs to the people who prepare for it today.

—African proverb

Back in 2009, the United States Congress spent weeks drafting the American Recovery and Reinvestment Act. Most companies simply followed the process, praying it would help kick-start sales that had been ravaged by the deep recession. But at one major high-tech equipment company, sales leaders weren't waiting. They knew the legislation would create opportunities for them. They put together a dedicated team with a field sales leader to spearhead the stimulus program and made it a focus for the sales organization. This group was responsible for developing compelling offerings, finding target customers, and creating an investment plan.

As soon as the outline of the bill came into focus, the group got busy planning how to exploit the potential that the new law would provide. They saw that the legislation called for grants and tax rebates to encourage healthcare providers to upgrade IT infrastructure and transition to electronic medical records. This infrastructure included products the company made.

The sales group swung into action, quickly developing a tailored offering for hospitals over the first four to six weeks. This was not a case of working with product development to launch tailored products. There was no time. Instead, the group had to select the suite of products that best fit customers' needs and that fell within the scope of the legislation. It also developed sales collateral that told hospitals exactly how to take advantage of the federal subsidies in the stimulus bill. The company quickly met with many hospitals and was able to secure multimillion-dollar deals within the first few weeks after the bill was passed. It was months ahead of its competitors.

This is a prime example of forward-looking sales management, an important differentiator of top-performing sales organizations. Certainly, all sales leaders know that they should pay attention to what is happening in the wider world to anticipate changes that could turn into opportunities or threats. But the best follow the example of this company; they make trend analysis a formal part of the sales planning process and, as a result, are perfectly poised to capture the opportunities created by sudden changes in the environment.

Turning the stimulus package into a coherent, on-the-ground program is just one example of capitalizing on a forward-looking view of the market. Another leading high-tech company's sales leadership continuously monitors economics, consumer behavior, and other forces to identify two or three relevant trends each year, and then translates them into concrete sales programs. It develops cross-functional SWAT teams that work with customer account teams to educate customers on the nature of a trend and to sell them on its solution. These teams engage with potential clients over a set period, explaining their reasoning and how the particular trend translates into a business impact. Customers valued this forward thinking and, as a result, favored partnering with the high-tech vendor as a way to get ahead of their rivals.

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Whether it's ecobusiness or cloud computing, by linking sales activities with emerging trends the company has scored breakthrough wins at Fortune 500 customers.

Based on our research and the discussions with the 200 sales executives we interviewed, it is clear that great companies do three interrelated things to capture the benefits of forward thinking:

1. **Surf the trends.** Good sales leaders know how to hit monthly and annual sales targets. Great sales leaders tap into the big picture, watching for strategic openings in economic trends or changes in customer sectors and regions. They know these can be real opportunities.
2. **Invest ahead of demand.** This might mean making a small investment in analytic capabilities or beefing up the number of frontline sales staff ahead of the emerging trend.
3. **Make it a way of life.** Programs that successfully exploit emerging trends are not one-off flukes or lucky bets. Leading sales organizations

have a built-in forward perspective and mechanisms to turn insights into action.

Surf the Trends

The high-tech equipment company reacted swiftly to a political change. But developments that create new selling opportunities can come from many sources: technology trends that change consumer shopping patterns or redefine business models, regulatory trends, or political trends (Table 1.1). To ride these trends, the best sales executives make it their business to know what is happening beyond their organizations, their customers, and their industries.

Knowledge is only one part of the equation, though. Top-performing sales organizations have the will and the means to translate macro-shifts into real top-line impact fast. Often, they are able to launch tactical, opportunistic sales programs that deliver differentiated growth in a challenging environment.

For example, as the 2008 financial crisis unfolded, South Korean auto manufacturer Hyundai concluded that economic uncertainty would make consumers skittish about committing to major purchases such as cars. On January 2, 2009, the company launched the Hyundai Assurance Program, which allowed consumers to return their cars with no penalty if they lost their jobs or suffered any other involuntary loss of income. The program was free for the first 12 months after purchase, and there were no restrictions on types of customers. The company actually negotiated exclusive private-label use in the United States of a guarantee scheme provided by a Canadian company called Walkaway.

In the immediate wake of the program's announcement, automotive consumer-research organization Edmunds reported that "purchase intent shot up 15 percent . . . and has remained at 7 percent above its seasonal norm." Such was the popularity of the offer that Hyundai augmented it with a limited-term offer to cover three months of payments while the customer looked for a job. Longer term, Hyundai became the only major car manufacturer to actually increase US sales in 2009, and research cited the Assurance Program as one of the major factors behind customers' decision to buy a Hyundai.[1]

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[1] PR Newswire, January 3, 2009; Just-Auto.com, January 16, 2009; The Plain Dealer, February 4, 2009; Reuters, February 20, 2009, February 15, 2010; NDTV, February 16, 2010.

TABLE 1.1 Great sales teams constantly scan the horizon for the next opportunity[2]

Example trend		Opportunities
Technological	**Internet of Things**: estimated economic impact is $3.9 trillion – $11.9 trillion by 2025.	Use IoT data and advanced analytics to generate sales insights.
Political	**Cybersecurity**: The US government has set a $16 billion budget for cybersecurity in 2016; the budget has been growing at an annual rate of 24%.	Offer products and services with increased security, and emphasize these features in value propositions.
Geographical	**Emerging markets**: Expected to expand by an average of 4.7% annually from 2012–25.	Invest sales resources in growing markets to establish incumbent position.
Regulatory	**Carbon emission reductions**: e.g., EU targeting 40% reduction by 2030.	Go after customers most affected by regulatory changes.

Forward-looking sales management can be strategic as well as tactical. The first-mover advantage created by forward-looking sales plans drives sales in areas where competitors have yet to arrive. This enables the pioneer to build share and enjoy high margins, at least for a while. For example, a major IT company that we discuss in detail below has a forward-looking sales function whose sole purpose is to accelerate the acceptance of next-generation technology among early adopters to give the company an edge within a few years.

As we have said, sales executives don't just monitor economic trends; there are also megatrends such as climate change that create enormous challenges and opportunities across industries and markets. Of course, corporate strategists and marketing departments adjust their organization's long-range positioning (in capabilities and products) to address needs created by these trends. But forward-looking sales departments also study how they can tap into changing consumer attitudes caused by such megatrends.

> The first-mover advantage created by forward-looking sales plans drives sales in areas where competitors are yet to arrive.

A maker of heating and air-conditioning equipment, for example, realized that perceptions about climate change and sensitivity to energy prices already have a real impact on when and why consumers decide to buy new equipment. The company has developed a model that incorporates different scenarios for energy prices and other key drivers of energy demand. Each scenario includes implications

[2] McKinsey Global Institute; *Washington Post;* The World Bank; European Commission.

for different types of customers, including each client's likely demand and which products to highlight.

For example, in a scenario with steeply increasing oil prices, more customers are expected to purchase heating systems based on alternative fuels or add modules to use solar energy. Those interdependencies have been modeled based on market and customer data. The results are translated into sales targets for different product groups and insights to guide sales force tactics and define incentives. The model is frequently updated to ensure it incorporates fresh data and thinking. There are also periodic reality checks to make sure that the program continues to reflect likely scenarios. This process allows the company to turn a very broad trend into practical insights for the sales team and gives it a leg up in a competitive marketplace.

Invest Ahead of Demand

Forward-looking sales programs also depend on access to resources: companies have to be willing to take risks now to get themselves out ahead, creating sales capacity long before the revenue will materialize (see sidebar "Reborn in the Cloud" for the story of Adobe Systems' reinvention).

Many sales executives we interviewed explicitly account for investment in new growth opportunities in their annual capacity planning processes. While this usually involves simply drawing territories and assigning customer lists to support growth initiatives, it can also include requests for dedicated resources to pursue new sources of long-term demand, particularly in emerging markets. Forty-five percent of the companies we interviewed conduct sales planning that goes beyond one year, and the level of investment can be high. More than two-thirds invest at least 4 percent of their sales budget on activities supporting goals that are at least a year out—a significant commitment in an environment where sales leaders fight for each dollar of investment (Figure 1.1).

The ability to commit in advance helped one Asian auto company crack the Indian market. As it assessed India in the late 1990s, the prospects for success for foreign manufacturers were not clear-cut. There was little doubt that the nation's rapidly expanding middle class would boost demand for cars, but tapping into that growth from the outside was not going to be simple. A big constraint was the need to develop the right distribution network, since many of the best dealers were already tied to existing local manufacturers.

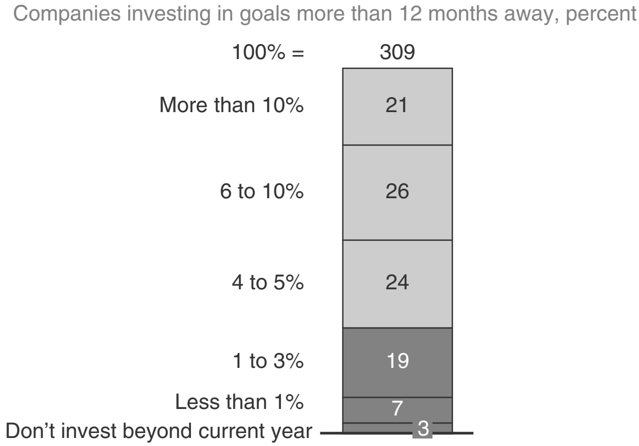

FIGURE 1.1 **Companies are making meaningful investments in longer-term sales opportunities**

The conventional approach would be to piggyback on a local manufacturer's network and partner with dealers in the largest cities first to gain presence quickly. This is the least expensive and fastest way to attack a new region. However, it had limited upside for the carmaker. The leading dealers tended to put their domestic brands first, and only dealers in the big cities could afford to support a second brand. Without real focus from dealers, the prospects of becoming a market leader were far from certain.

This knowledge prompted the company to look further into the future. Although economic growth was concentrated in the largest cities now, it was undoubtedly spreading, and a new wave of middle-class Indians would arise in second- and third-tier cities in just a few years. A player that had a dealer network in place in those cities before demand materialized would be exceptionally well positioned.

Many executives explicitly account for investment in new growth in the annual capacity planning.

The sales leadership laid out a plan to sign up more than 110 dedicated dealers across India, including in secondary cities. The plan involved recruiting two specific types of dealers: small independents and sellers of minor brands who were eager to expand. The company focused heavily on each dealer's personal aspiration to grow and willingness to buy into a five-year vision. Beyond the largest cities, dealers would need to stay lean in the early years when demand would be low.

This meant the owner would have to be flexible, operating with a small staff that would have to double up in management roles. In many cases, the owner would also have to act as a new- and used-car manager. Then, when demand started to grow, the dealers would need to scale up and invest. Recruiting dealers who fit this profile would be a sales project in itself.

The first challenge, however, was building the conviction to bankroll this unorthodox approach. Complicating matters, the company had just one product suitable for the Indian market; others were in the pipeline but as much as two years away. However, the sales leaders believed that this distribution strategy would capture the full potential of the Indian market because the dealers would be fully focused on the brand, and the automaker would have an important first-mover advantage in smaller cities.

The company also decided to offer subsidies to help dealers through the early years, arguing that the eventual sales volume and associated profits justified this up-front investment. The subsidy came in the form of incentives to help the dealer pay for its facilities and build new vehicle and parts inventory—expensive capital outlays required for adding a new brand. The incentives were calibrated to enable the dealer to break even in the early, lean years, but dealers certainly were not given a blank checkbook. Within two years, they were expected to be self-sustaining, and the vast majority achieved this based on the product lineup and their own entrepreneurial skills.

Once the plan was approved, the second challenge was convincing more than 50 dealers to sign up with a foreign franchise. Although the targeted dealers didn't have access to the top domestic brands, they were being courted by other car companies trying to enter India. What sealed the deal for many was the announcement that the Asian automaker would build a local production facility. This was an important differentiator, reinforcing the manufacturer's long-term commitment to the market.

The results have been extraordinary and have fully justified the sales team's vision. Within two years, the company introduced additional models and gained enough volume to withdraw the dealer subsidies and attract additional dealers. Within five years, the original network had doubled, and the company was in the top five for market share in India, and it enjoyed top-tier customer satisfaction. An above-average return on sales of 8 percent meant that the company had exceeded its initial sales investment many times over.

Reborn in the Cloud

Anticipating trends and thinking at least ten quarters ahead can take companies right outside their comfort zone. Adobe Systems saw the winds of change in time and made the radical transformation from a desktop application software company to a cloud computing company. There were bumps in the road, but the company's stock price has more than tripled, overall revenue growth has climbed from single digits five years ago to double digits today, and recurring revenue has risen from 19 percent in 2011 to more than 70 percent of total revenue today.

Adobe's initial model drove revenue growth by raising the selling price or moving people up to more expensive products. But times were changing. Cloud technologies made recurring-revenue models possible and made it easier to roll out product updates more frequently than every 18 months. This gave customers faster access to Adobe's product innovations at a time of rapid advances in devices, browsers, mobile apps, and screen sizes. Then came the recession. Many of its peers already had recurring revenue streams and were weathering the storm better than Adobe, despite its high levels of customer satisfaction. The transition to the cloud seemed to be the right next step.

It was a tough transition and not everyone was initially convinced that the risk was worth taking. "We spent hours knee-deep in Excel spreadsheets modeling this out. We literally covered the boardroom with pricing and unit models, and predictions for how quickly perpetual licenses would fall off and how quickly online subscriptions would ramp up," explains CFO Mark Garrett.

Having decided to act, the company prepared investors for a drop in revenue and earnings in 2012, and shifted analysts' focus to the new metrics of the cloud business. As the switchover progressed, investors began asking about longer-term objectives, so Adobe projected the compound annual growth rate and earnings per share three years out. This longer-term outlook was a new concept for a company that had previously only given guidance one year out.

Such a radical change of model required major investment across the company, not least in sales planning. On the product side alone, uptime, availability, disaster recovery, and security all became critical product components that had to be developed. The sales force and channel had to be compensated differently, and even the accounting organization had to change as it moved from billing three million customers a year to four million a month.

Adobe's vice president of business operations and strategy, Dan Cohen, recognizes the benefits of change. "Companies that simply stick to what has made them successful in the past leave themselves open to disruption. You have to take a fresh look at your products—and be willing to 'burn the boats.' Executives in every industry need to read the tea leaves and look at changes that are happening in their own or adjacent industries. Don't wait until someone is disrupting your business to make any kind of necessary transformation. It will already be too late. It can be hard to catch up to others that have gotten the jump. It can feel risky to make this type of move, but once you recognize that the market will go in the new direction with or without you, there's really no other choice."[3]

[3] Based on interview with Mark Garrett and Dan Cohen that appeared in "Reborn in the cloud," McKinsey Insights, July 2015.

Make It a Way of Life

Such success stories are of little relevance if they are just a stroke of luck and can't be replicated. From what we learned in our interviews, they are not. Sales executives make their own luck by developing the ability to peek around corners and consistently identify sales opportunities that may not materialize for 12 or 18 months—or longer.

How do these managers decide when to pounce on a tactical opportunity or commit in advance to investments in a market that will pay off years from now? The leaders we interviewed do not simply gamble on market movements; they have institutionalized a forward-looking approach. They do their homework and have a fact-based rationale for new initiatives and investments. And they have built a track record of success that gives them credibility in their organizations.

There are many ways of generating this forward-looking view of the market, such as investing in the analysis of new trends and potential winning concepts, and encouraging customers to commit to new trends. Both require the right mind-set and a willingness to commit resources.

> Leaders do not simply gamble on market movements—they institutionalize a forward-looking approach.

A contract manufacturing company that builds products for IT equipment makers has had great success with a dedicated trends-analysis function. It deploys a team of speculative market analysts whose job is to predict which hardware products will have meaningful volume in the next two to three years—and which potential client companies are likely to develop such products. That gives the company a perspective on its target customers a couple of years before they become large.

The contract manufacturer uses several strategies to build these insights, including spending time with the venture-capital firms that fund new companies. It adheres to the simple strategy of following the money. It is a safe bet that a good proportion of the companies that receive significant rather than speculative investments from the venture-capital firms will end up as exactly the fast-growing companies the manufacturer is interested in.

The manufacturer also speaks to customers about which emerging products and technologies it is pursuing, and it continuously evaluates the supply chains of its customers (and of its customers' customers) for emerging sales targets. One of the outputs of this analysis is a list of small but fast-growing companies that may evolve into major users of contract-manufacturing capacity. The manufacturer then invests in building relationships with these companies to convert them into customers. The investment is essentially a subsidy—taking on a customer whose initial volume is too low to be economically attractive. Some of these emerging companies will never grow into marquee customers. A few, however, will become major players, and the manufacturer will have locked in a profitable order stream. In less than two years, this group was consistently able to deliver a 15 percent return on investment (ROI) by identifying new opportunities the company would otherwise have been unlikely to get.

As we mentioned at the start of the chapter, one high-tech company has created a high-powered solutions unit that is dedicated to preparing major customers to commit early to new trends. The team is staffed with a mix of former consultants, professors, and respected industry leaders from high-potential market segments. Its task is to find ways to accelerate demand by influencing important decision makers to be early adopters.

> Forward planning must be part of someone's job description.

The ultimate goal is to help the company get customers to commit to investing in the next evolution of technology ahead of its competitors. So the group spends its time producing thought-provoking industry perspectives, quantifying the benefits of its offering for individual companies, and building relationships with influential company executives and government officials. The most compelling ideas can reduce adoption time for new technology and accelerate uptake in an entire customer segment or country. The company then benefits disproportionately, given that it already has a strong market position.

Building and sustaining the capability to take a forward-looking view of the market is not easy. As we looked across all of these great sellers, two common characteristics emerged: the mind-set of sales leadership and resource commitment. Sales leaders must consistently monitor the macro-environment in search of sales opportunities. Even good sales leaders find this challenging, given the relentless pressure to hit near-term targets. This is why resource commitment is important.

In other words, forward planning must be part of someone's job description, not just part of top management's lengthy to-do list. Sometimes, it falls within marketing but, in many cases, it is sales' responsibility. The level of investment will vary depending on the company and its context. At the high end, we see formal operations such as the market-shaping team at the IT supplier. At the other end, forward-looking analysis is embedded into annual capacity planning. The most common arrangement is a small, centralized sales team whose responsibility is to scan opportunities and convert those it finds into tangible sales leads. Many companies that we see investing real resources ahead of demand are equally rigorous in taking costs out of sales. A conscious eye on where resources are no longer important creates the capacity to invest.

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Thinking three moves ahead is vital in any game and essential to sales growth. It does not come automatically, however. Companies have to follow the lead of the high-tech player we mentioned at the top, which spotted the multimillion-dollar opportunity of a big trend. They need to learn the lesson of the automaker and build their sales resources on the ground well ahead of time in order to end up among the market leaders. And like the manufacturer that analyzed its potential customers, they need to embed the concept of looking forward into the sales organization's mind-set to guarantee that impressive 15 percent rate of return. EMC's William J. Teuber, Jr. has certainly embraced these ideas, as has Karim Amin, from Siemens Power & Gas, as both explain in the interviews that follow this chapter.

In the next chapter, we'll see how top sales managers don't just take a macroview of opportunities; they're also able to turn the microscope onto their existing markets to find the untapped pockets of growth.

Interview: William J. Teuber, Jr., EMC

Vice-Chairman

How do you anticipate megatrends such as cloud computing?

We use a multipronged approach. We follow our cutting-edge customers closely to see what they are doing. We listen to our engineers—our innovation engine—to hear where they want to drive things. We have a sophisticated business-development team that monitors new company formation carefully. We work with research universities to discover which emerging technologies have potential commercial applications. Then we marry all that thinking with what our customers are thinking. Trends don't appear clearly from any one source. They come into focus when you bring a mixture of perspectives together.

How has your go-to-market model scaled up with your dramatic growth?

It has scaled with our opportunity. We have learned to focus where our opportunity exists, both with current customers and outside our base. We identify opportunities by region and by customer, and we get very granular with irrefutable data to see where we can move the needle. Having that discipline gives us the ability to devise a plan to capture dramatic growth through our direct sales force as well as through channel partners.

How do you reconcile the quarterly heartbeat of your sales organization with the need to invest ahead of demand to capture long-term opportunities?

In a publicly traded company with a public report card every 90 days, you have to do both. In our international operations, we introduced a three-year sales planning process to get beyond the 90-day mentality of "How will I make my number this quarter?" We monitor how markets are going to develop and prioritize opportunities that will generate the best growth over the next four to eight quarters. We've also created a Rapid Growth Markets Board made up of senior leaders who hold meetings in those markets and link back to the rest of the company, so people in product development can plan accordingly.

You have almost doubled revenues in the past five years and are planning to grow faster than your markets. How do you sustain such growth?

You have to have the right strategy and the right offering, and your sales organization has to communicate the benefits of that to the customer. In order to build our portfolio and market reach, we've bought 35 companies over the last five years. Doing cross-company sales integration successfully is one of the hardest things to do. We've learned a lot from experience.

Ultimately, you have to have the best people to execute your strategy. I'm betting my job on everyone who works for me. Therefore, I'm going to select the top people to represent our company in the marketplace. EMC has what I consider to be the gold standard of sales forces. There is an aura about it. To be in sales at EMC is a badge of honor. That's why we attract and retain the right people—to make sure we have the best talent bench in our sales force.

Interview: Karim Amin, Siemens

CEO Global Sales, Power & Gas

How do you balance the quarterly heartbeat of sales with a longer-term vision?

I head a global sales organization for power generation that was formed recently from a fragmented business unit and a country-specific organization. We have undergone a lot of changes since this consolidation, and moving to a longer-term mind-set is an ongoing process.

A quarterly perspective can be an organization's Achilles' heel because you can miss the chance to adapt and make the decisions that will deliver success three or four years down the line. My role is therefore geared toward anticipating trends and constantly adapting the organization to make it fit the ever-changing and complex landscape. Of course I also spend time on quarterly figures, but I have the privilege of seeing the bigger picture. I don't have to take just a country, regional, specific product or business-line view.

Seventy percent of my time is spent understanding why we are winning, why we are losing, and which customers are changing their buying behavior and why. This requires diagnostic tools—CRM systems—that are capable of correlating data points and building dashboards that help visualize them. Then, of course, I feed all this information back into the wider organization. This helps inform new products, R&D investment, new business models, etc.

How do your sales operations support you since the consolidation?

We're investing a lot in our sales operations to better inform and support our sales strategy. They're able to do this by collating all the data from the market and running diagnostics using CRM tools to help reduce complexity and provide an overview of what is happening in the market. We see, for example, the impact of shifts in technology in the power-generation market. Customers are demanding more from OEMs than just big, efficient equipment.

The sales operations are supported by two pillars: the CRM system and the skills of the core team, which brings the human factor to the diagnostics. From their output, we are able to adapt not just the sales organization but also the entire value chain. They've helped clarify where we stand in terms of supply-chain efficiency or time to market, for example. In complex organizations such as Siemens, this is extremely beneficial.

The new organization is definitely helping to define the market trends more effectively and faster. We have broken down some silos. For example, all our data from 32 different countries and five different business units came in discrete "boxes." You would need to open 50 to 60 boxes just to understand what was happening, let alone what the business could look like in the future. Today, with the integrated sales force, we need to open only ten boxes to get that information.

How do you help your team implement the new approach?

Change is always tough, especially in an organization that stretches across so many countries and different disciplines. It all starts from a very clear message around why we need to change. When people really believe that change is necessary, and the reasons behind it are crystal clear, then implementation becomes a matter of how fast you do it and how smoothly. In our case, we spent almost a year getting the message across to more than 2,000 employees—not just about the new way we were structured but about the way we were thinking and the way we should be approaching customers, markets, and opportunities.

We worked both bottom up and top down. Top down, we had a group putting in place very concrete KPIs to measure progress. It was a very structured approach. We agreed on the top five or six things we needed to focus on in the first hundred days, the second hundred, and the third hundred. The bottom-up part involved putting change agents in every corner of the organization. We had 60 to 70 of them, and we made it very clear to them that they were playing an important role in the future of the organization. They were part of our staff strategy meetings, and they received a lot of information about the why and the how of our change.

Success will come from changing people's mind-sets, and that's very difficult to measure. You have to see them in pressure situations to see whether they stick with the new way of doing things or revert back to their old behavior.

How do you tune your sales operating model for future growth?

The sales operations team is definitely the glue that keeps everything in sync and that gives guidance for the future. In these early stages, we are setting up the architecture and the infrastructure to improve processes. We need to work on capability building and molding the organization, given our disparate backgrounds. The sales operations team's task is to set up clear foundations for how we work, how we use the data-mining tools that we have, how we provide and receive information, and how we manage it efficiently. In the future, we expect the team to be a flagship learning organization.

How important is all the process alignment for growth as well as for effectiveness and efficiency?

It's extremely important. We make an enormous effort to understand where the best opportunities are for us, and we have extensive knowledge across our markets on which customers are more likely to win projects, where the next hotspots will be, etc. This information is critical. We need to move from this being an individual effort—such as someone working really hard in North America to understand which project we should focus on—to a collective effort. We will have more impact by looking at opportunities globally, and then we can allocate resources appropriately or find new opportunities ourselves.