

REPRINTED FROM

**agency sales<sup>®</sup> magazine**  
june 2009 • vol.39, no.06

16A Journey, Suite 200  
Aliso Viejo, CA 92656-3317

toll-free 877-626-2776  
local calls 949-859-4040  
fax 949-855-2973

[MANAonline.org](http://MANAonline.org)

COPYRIGHT ©2009, MANUFACTURERS' AGENTS NATIONAL ASSOCIATION (MANA)  
ALL RIGHTS RESERVED. REPRODUCTION WITHOUT PERMISSION IS STRICTLY PROHIBITED.



IMPLEMENTING A  
**WINNING STRATEGY**  
FOR YOUR REP FIRM

● RESSION PROOF YOUR BUSINESS NOW ●

● EDITORIAL | THOMAS J. O'CONNOR ●





## THOMAS J. O'CONNOR

Thomas J. O'Connor, a growth strategy consultant, counts MANA members among his clients. He owns Farmington Consulting Group, Farmington, Connecticut. He may be contacted at 860-676-7876, [tomoconnor@fcgltd.com](mailto:tomoconnor@fcgltd.com). His company's website is [www.fcgltd.com](http://www.fcgltd.com).

Do you have a winning strategy in place for 2009? We all know a company's first impulse when bracing for an economic downturn is to cut costs. While a rep's revenue and profitability are at risk during an economic storm, cost cutting can only take a manufacturers' rep so far. It's a short-term strategy. Revenue growth comes about during an economic downturn by intelligently taking market share. **You don't win the war in your market by cutting costs – you do it by taking share.**

Over the last year we helped develop and implement winning strategies for reps including MANA-member **Nelson & Associates**, Santa Fe Springs, California.

Other than some planning with their principals, most reps do not develop any overall agency strategic plans. Of those few reps that do engage in overall agency strategic planning, most of these initiatives result in failure because:

- ✓ Strategy is conducted entirely with inside-out thinking and does not gather outside-in feedback from channel partners, both their principals and their distributor partners.
- ✓ Analytical tools gathering internal feedback are not used.
- ✓ There is no execution responsibility and accountability beyond developing a written agency strategic plan.
- ✓ Their strategic plans are not continually measured and linked to a performance scorecard system.

As a result of our guiding reps through the strategic planning process, we have aided several agencies in these measures:

- ✓ Reducing the quantity of lines they represent allowing them to reposition their resources and assets to their premier manufacturers, dramatically increasing customer service, end-user activities, specification and demand creation.
- ✓ Reorganizing sales management structures driving their agencies to higher performance.
- ✓ Executing synergistic selling plans creating greater demand among electrical contractors.
- ✓ Implementing performance management systems linked to company-wide incentive compensation plans.
- ✓ Addressing company's succession planning requirements.

There are nine steps that guarantee reps a winning strategy in this struggling economy:

### STEP 1: STRATEGIC OBJECTIVE

Clearly and concisely define your strategic objectives which are your organization's purpose in measurable terms. Your strategic objective should detail both "what you stand for" and "where you expect to go." "What you stand for" is your company's purpose, its beliefs and values. "Where you expect to go" describes your company vision, its future. For example, what do you want your agency to accomplish over the next three to five years?

### STEP 2: EXTERNAL MARKET RESEARCH

Conducting third-party confidential external market research to determine an *outside-in* view of your company's strengths, weaknesses, opportunities and threats is a critical step. Reps need to gather candid feedback from their manufacturer principals and key distributors.

### STEP 3: INTERNAL SWOT ANALYSIS

Conduct confidential internal SWOT analysis to gain an *inside-out* view of strengths, weaknesses, opportunities, and threats. This is also best conducted by a third party who can additionally gain anonymous frank and candid internal perceptions of the organization's internal strengths and weaknesses and external opportunities and threats.

### STEP 4: TOP 5 SWOT

Compile and compare the *outside-in* and *inside-out* views of strengths, weaknesses, opportunities, and threats and agree upon the top five strengths, weaknesses, opportunities, and threats.

Once SWOT agreement is reached, you then formulate general strategies based on the alignment of strengths and op-

YOUR STRATEGIC OBJECTIVE SHOULD DETAIL BOTH "WHAT YOU STAND FOR"

## REPS NEED TO GATHER CANDID FEEDBACK FROM PRINCIPALS AND KEY DISTRIBUTORS.

portunities. What strategies should you implement to capitalize on opportunities by addressing your weaknesses? What strategies should you implement to mitigate threats by addressing your major weaknesses? What strategies should you implement to minimize these key threats by capitalizing on our major strengths? (SEE CHART BELOW)

view articles on balanced scorecards. They introduced the following four balanced scorecard perspectives: financial measures, customer measures, internal-business-process measures and employee learning and growth measures. All leading companies today employ balanced scorecard measurements.

| CAPABILITIES  | ENVIRONMENT  | ACTIONS  |
|---|--|--|
| <b>TOP STRENGTHS</b><br>Competencies that give us competitive advantages.             | <b>TOP OPPORTUNITIES</b><br>External factors that provide growth opportunities.    | <b>INDICATED ACTIONS</b><br>· So what should we do about it?<br>· How can we leverage our <b>competencies</b> to achieve our goals?  |
| <b>TOP WEAKNESSES</b><br>Lack of competencies that are our competitive disadvantages. | <b>TOP OPPORTUNITIES</b><br>External factors that provide growth opportunities.    | <b>INDICATED ACTIONS</b><br>· So what should we do about it?<br>· How can we minimize our <b>competitive disadvantages</b> that threaten our ability to achieve our goals? |
| <b>TOP WEAKNESSES</b><br>Lack of competencies that are our competitive disadvantages. | <b>TOP THREATS</b><br>External factors that impair our ability to reach our goals. | <b>INDICATED ACTIONS</b><br>· So what should we do about it?<br>· How can we minimize our <b>competitive disadvantages</b> that threaten our ability to achieve our goals? |
| <b>TOP STRENGTHS</b><br>Competencies that give us competitive advantages.             | <b>TOP THREATS</b><br>External factors that impair our ability to reach our goals. | <b>INDICATED ACTIONS</b><br>· So what should we do about it?<br>· How can we leverage our <b>competencies</b> to achieve our goals?  |

Develop a balanced scorecard to measure first your organization's key financial measures, key manufacturer measures, key internal business process measures and key employee learning and growth measures. Once your company performance scorecard is completed, next craft individual scorecards for everyone in your agency that will ensure achievement of your company scorecard.

Next, develop compensation plans whereby each individual employee is rewarded based upon achievement of the company and individual performance goals.

Upon completion of your performance scorecards, you have to determine how much money you are going to place into your company's bonus pool. Many manufacturers' reps place fifteen to twenty percent of their net income before taxes into their bonus pools.

### STEP 5: STRATEGIC GOALS STATEMENT

Craft a strategic goals statement to clearly and concisely define the direction of your organization to achieve your strategic objectives. Your strategic goals statement must be "SMART" which translates to Specific, Measurable, Achievable (Stretch), Realistic, and Time bound objectives.

An example of a Strategic Goals Statement could be: **Increase Sales to \$\_\_\_\_\_mm by FYE December 31, 2011.**

### STEP 6: PERFORMANCE SCORECARDS AND INCENTIVE COMPENSATION PLANS

Financial compensation is a powerful performance lever.

Balanced scorecards represent an approach to strategic management that surfaced in the early 1990s. Robert Kaplan and David Norton authored three *Harvard Business Re-*

An example of an inside salesperson's **incentive compensation plan** could be:

**XYZ Sales Co.**  
Inside Salesperson Incentive Compensation Plan

---

Name: \_\_\_\_\_

Bonus Pool: \$ \_\_\_\_\_

---

Following Bonus Pool paid out on achievement of \$\_\_\_\_\_mm XYZ Sales Co. Annual Sales Goal:

- a. If achieve Goal = 100% payout
- b. 90% Goal = 90% payout
- c. 80% Goal = 80% payout
- d. Below 80% Goal = No payout

AND "WHERE YOU EXPECT TO GO."

Bonus based on of following Individual Performance Goals and will be payable on March 15, 2010. Employee must be currently employed to be eligible for Bonus Payment.

**Financial:**

Enter \$\_\_\_\_\_ Sales

**Manufacturer:**

Hit 10 of 10 Lines Goal

**Internal Business Process:**

99% Order Entry Accuracy Rate

**Innovation, Learning & Growth:**

Complete Blue Volt Basic Electricity  
Complete Manufacturer & Blue Volt Product Training

**STEP 7: TOP 3 STRATEGIC INITIATIVES**

Identify the top three strategic initiatives that most capitalize on your company's top strengths, minimize its weaknesses, size key opportunities and mitigate key threats in achieving your strategic goal statement.

**STEP 8: STRATEGY EXECUTION TEAMS**

Assemble one to three strategy execution teams comprised of different functions within your agency to support achievement of your strategic goal statement and performance scorecards. Develop and execute specific action plans that detail each strategic execution team's mission, goals, action tasks, owners of action tasks, and completion dates.

**STEP 9: QUARTERLY STRATEGY EXECUTION TEAM MEETINGS**

Conduct Quarterly Strategy Execution Team Meetings to review your progress and ensure achievement of performance scorecards.

The purposes of **Quarterly Strategy Execution Team Meetings** are to:

- ① Clearly understand the status of strategy execution team's progress.
- ② Formulate emergency responses to company-wide opportunities or threats.
- ③ Leverage all appropriate company resources while maintaining proper accountability for performance.
- ④ Facilitate communication and support throughout strategy team and agency.
- ⑤ Provide a quarterly strategy team update to all agency personnel.

Continue an uncertain 2009 in the right direction by following the above nine steps to ensure your corporate strategy is a winning one.



