FROM THE FOUNDER'S HUB

Restructuring Your Sales Team For Success in a Tough Market

The current market downturn has a lot of founders, sales leaders, and account executives (sales reps) worried about hitting their Q3, Q4 and overall 2022 growth targets. Most are probably seeing key sales metrics such as deal cycle or win rate getting worse.

Unfortunately, there are no quick fixes. But there are some strategic and tactical changes that should help your company at least weather the storm through a tough market.

Evaluate underperforming sales representatives

Over the last couple of years, many tech companies took advantage of cheap and plentiful capital. Most went on hiring sprees hoping to ramp up growth. But sales is a notoriously difficult role to recruit. Even bad sales professionals are generally competent enough to sell themselves in an interview.

It’s almost certain that you’ve hired quite a few reps that aren’t performing anywhere near where you need them to. Nobody likes to make the difficult decision to cut underperformers, but in sales, it’s actually the right thing to do for the company, the sales team, and the underperforming rep.

Why?

Relative compensation

Sales representatives are generally paid quite well compared to all non-engineering roles. Even though half of their compensation is typically paid in the form of commission, their base salary alone is probably comparable to operations or support personnel compensation. And typically, even if a sales rep misses a quota significantly, they are still paid some commission on top of their base salary.

If any of your sales reps have significantly underperformed for two or more quarters, now is a good time to evaluate whether that cost is better reallocated to increase company runway or perhaps to invest into roles that improve retention (customer success and support, for example).

The drain on high-performing sales reps

Underperforming reps are a drag on sales managers and their performing sales colleagues too. There's a decent chance that the rep is losing opportunities that might have otherwise been won by a better seller on the team.

And it's somewhat demoralizing to a high-performing rep when they have a great quarter but the rest of the team struggles. Too many missed quarters by the broader group and the top reps begin considering whether their current employer is viable. And losing a high-performing sales professional is about the most regrettable turnover a company can face. Do whatever it takes to keep your top-performing salespeople. They are almost impossible to replace.

A better career or company fit

It's not good for the poorly performing rep to stay in a role where they can't be successful. Perhaps sales isn't for them generally, or your product or service isn't for them specifically. It will definitely be tough in the short term while they look for a new role, but in the long term, it will almost certainly be better for them to move to another role or company where they can be successful.

Review your sales management ratio

Once you've evaluated your individual contributors and made necessary cuts, it's time to check whether you have the right number of sales managers. Chances are you now have an upside-down ratio and there is room to consolidate sales management overhead.

Reallocate pipeline to top performers

Let’s move from cost efficiencies to looking at ways you can improve your top line.

First, it’s important to reallocate the sales pipeline from the reps that you terminated to the high-performing reps that you retained. These reps should be able to quickly improve their pipelines by requalifying their former colleague’s pipelines and closing the qualified prospects. Depending on the sales cycle, this should result in a relatively quick boost to the top line.

Rethink your ideal client profile (ICP)

Next, it’s time to review your ideal client profile (ICP). For example...

- If you were previously selling mostly to other startups perhaps now it’s time to figure out whether or not you need to focus on more established businesses. Many established businesses took advantage of loose capital markets and today have strong balance sheets.
- Perhaps it’s also time to look at markets you previously ignored. Energy, agriculture production, pharmacy services, and retail drugstores, for example, are performing relatively well in 2022.
- Expand the universe further by looking at key suppliers to the better-performing sectors. If oil and gas companies are doing well, for instance, then their key suppliers like oil and gas services business are probably also doing well.

Finally, don’t assume that a reduction in force (layoffs) by a prospect implies they are not in the market for software or services. Especially if your offering helps them increase revenue and/or reduce expenses.

Rethink your tech stack

Once you’ve updated your ICP, it’s time to review your tools for finding prospects that fit your ICP. In my experience, this is one area where some investment banks might actually be ahead of their clients. Here are some we leverage:

- We use a subscription database called Grata to help us find high-growth private technology companies.
- Databases like Crunchbase Pro or Pitchbook can help you track financing activities so you can easily identify private companies that are in better financial shape. (The general rule of thumb is that a venture-backed startup raises two years of runway with each raise. If they haven’t raised money in the last 18 months, odds are they are not in good financial shape.)

- Layoffs.fyi identifies companies that recently laid off staff. That doesn't mean they are bad prospects. In fact, many of these companies are actually in decent financial shape and should be interested in products and services that make them more efficient and/or increase revenue.

Focus on the basics

Finally, now is a critical time for sales teams to get back to sales fundamentals. For example, if you've reduced your sales team, you now have less bandwidth to spend time with unqualified prospects. Think about ways you can reduce time spent with the riskiest cohort early in the sales process: those that aren't willing to have a discussion to qualify themselves but seem qualified on paper.

Rather than doing an hour-long guided demo with an unqualified prospect can you offer them a recorded demo? Even better, can you offer them access to mini self-guided, workflow-based demos? There are plenty of sales enablement tools that let your reps track these unqualified prospects as they interact with your content.

Move towards a brighter future

Fundamentally, what your team needs to do is to review everything they did in the past to evaluate whether it continues to make sense today. It's likely going to require some difficult decisions such as terminating underperforming colleagues. But that's almost certainly the right thing for the company, the remaining performing colleagues, and ultimately the underperforming rep(s) as well.

These are just a few strategies and tactics primarily focused on growth that can help you navigate through a difficult market. In a future article we'll look at strategies and tactics to improve customer retention.

Feel free to connect with us if you're interested in discussing strategies and tactics to navigate this challenging market.

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