The Agile and Adaptive Sales Territory Alignment:

Managing Change Becomes a Strategic Advantage

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Overview

Most sales forces function on the basis of a 'territory alignment', whereby a sales territory comprised of one or more sales representatives is aligned or mapped to a group of customers. A good territory alignment needs to meet many objectives such as maximizing the overall market opportunity coverage, balancing workload and sales opportunities among different territories, aligning to the strategic objectives of the company, etc.

Sales territory structures often suffer from inefficiency. Even with regular territory re-alignments, territories tend to 'drift' away from optimum. This drift can occur for many reasons: the natural ongoing evolution and shift in customer demographics; market events such as competitive product launches; environmental and regulatory changes; internal events such as changes in company priorities. Over the course of a year, up to 50% of sales territories could become 20% too large or too small due to the cumulative drift. Furthermore, attempts at improving efficiency through re-alignment typically incur a significant cost due to 'disruption' of existing customer relationships and the need to form new ones. Such disruption can cause a temporary decline in field force performance that must be recouped before any net gains from re-alignment are realized.

The impact of inefficient territory alignment is significant: compared to the average territory structure, consistently maintaining an efficient territory alignment yields 2-3% incremental revenue for the average organization. The impact can reach 10% incremental revenue for some organizations, depending upon industry and market situation.

This whitepaper explores why efforts at territory alignment fail to make necessary changes while incurring significant disruption costs, resulting in ongoing sub-optimization of account allocation and real opportunity cost in terms of foregone sales. We show how principles of behavioral economics are at work, including a 'status quo bias' that inhibits salespeople and sales management from changing the current situation, and an 'endowment effect' that leads salespeople to overvalue accounts they own and undervalue accounts they do not. We highlight a sales skill set that frequently does not get sufficient attention: effective transitioning of accounts between salespeople. Since it is not a core skill set, account transitioning often results in a disruption period where performance declines.

Most will agree that effective territory management is an important component of operational efficiency. We assert that operational efficiency is only one benefit – and that firms can use territory management to achieve strategic advantage. The alignment of salespeople with accounts represents the tip of the spear in sales-driven organizations. The traditional approach to territory alignment tends to view change in a negative light, labeling change as 'disruption'. We contend that developing a culture and processes that enable a company to rapidly and effectively re-deploy salespeople as market opportunities shift can be a strategic advantage. Developing the capability to execute intelligent changes on a regular basis can enable a firm to literally out-maneuver the competition.

To gain full benefit from territory management, we propose an 'agile and adaptive' process that allows for more frequent alignment adjustments to maintain an ongoing efficient solution. This approach embeds the culture, process and tools of alignment into the organization – so that adapting to change becomes a skill of the sales rep, significantly reducing the cost of disruption. This approach leverages optimization tools and scenario analysis to support data-driven business decisions that align territory structures with business objectives. Implementing this capability into the organization requires a robust process supported by analytics and technology. We outline the critical success factors for making it work.

> Direct contact between salesperson and customer remains a powerful vehicle for selling – even as the Internet and channel partners create more pathways to reach the customer.

Territory Alignment: an Essential Process

A direct sales force is a critical distribution channel for many firms in industries ranging from technology to pharmaceuticals to financial services. Even as the Internet and channel partners are creating more pathways to the customer, direct contact between salespeople and customers remains a powerful vehicle for selling. A direct sales force is expensive – good salespeople are highly trained and well paid. Given the required investment, firms devote significant effort to improving efficiency and increasing effectiveness, with careful oversight by sales management. Territory alignment is one common sales management process, ensuring all sales opportunities are covered by the most appropriate salesperson, and that each salesperson has a fair allocation of opportunities.

Territory alignment involves assigning market opportunities to sales territories. In the pharmaceutical industry, where sales activity includes physician office visits by sales reps, sales territories are typically defined by geography. In financial services, where new business is often relationship driven, sales territories may be defined by a list of accounts or customers. Throughout this paper, we refer to an alignment as an assignment of 'accounts' to a territory. An account is typically the most granular unit when allocating activity, and a sales alignment capability should allow for analysis at this granular level. In practice, an alignment may be based on a more aggregate unit, such as ZIP code for geographically defined territories. An alignment may also consider more granular units than the account, such as activities within an account if different sales people perform different functions, or product line opportunities within an account if different products are handled by different sales reps.

In each case, the goal of territory alignment is to maximize coverage of existing business and market opportunities within the constraint of available sales resources. A key ingredient is a measure of opportunity by account. This measure considers existing business at current accounts, growth potential from current accounts, and growth potential from prospect accounts. Account opportunities are allocated to sales territories subject to resource constraints such as number of sales staff, product expertise of sales staff, and workload capacity. In geographically defined territories, territory alignment considers travel to minimize driving time and expense. This problem can be structured and solved as a constrained optimization problem, using hard data to help balance competing objectives. Many organizations have incorporated an optimization exercise as part of the alignment process, with results from this optimization as an input into the decision on final alignment structure, along with involvement from sales leadership to capture local knowledge and build buy-in.

A common approach to territory alignment involves re-aligning territories on an annual basis and following every significant re-structuring of the sales force. A re-structuring might occur due to a company re-organization, change in corporate strategy, acquisition, or down-sizing. Territories begin to drift towards inefficiency as soon as a new alignment is launched given market events, territory vacancies, shifting customer opportunities, etc. Ad-hoc alignment changes that occur in response to these events can also contribute to inefficiency. Over the course of a year, up to 50% of territories could become 20% too large or too small. The Goldilocks principle applies – either condition, too large or too small, has a negative impact. Oversized territories result in underserved accounts and missed opportunity. Undersized territories result in high cost of sales, underutilized resources and sales rep frustration due to limited earning potential. Increasing complexity in the selling model, with multiple channels for reaching the customer and multiple products targeted to each customer, makes territory alignment ever more difficult to get right.

Biased Against Change

In practice, the common approach to territory management leaves money on the table. The process has an inherent bias against change – as a result, some changes that could boost sales performance are not made. The process is built around infrequent, large alignment 'events' – as a consequence, the process is disruptive. The resulting disruption hurts performance and this disruption cost dilutes the value of the realignment effort.

Both sales reps and sales management are biased against making changes in definition of sales territories and allocation of accounts. Sales reps become comfortable and familiar with existing responsibilities, and tend to be skeptical of taking on new responsibilities. Sales managers fear the impact of breaking a current customer relationship, and are hesitant to move reps from existing accounts.

This bias against change is reflected in the language of territory alignment, which traditionally labels any change in a territory as a 'disruption'. Change is characterized as bad, rather than as an improvement in allocation of opportunity.

Well-studied principles of behavioral economics are at work. Behavioral economics has gained prominence and popularity in recent years, identifying systematic ways in which people exhibit irrational behavior. One powerful principle is the 'endowment effect' – people overvalue what they already possess and undervalue what they do not. We see this in the sales rep's preference for current accounts over new accounts. Another principle is 'loss aversion'. In rational economic terms, people should value each dollar equally, and the pleasure of an incremental dollar should equal the pain of a lost dollar. Studies consistently show, however, that people much prefer avoiding losses to acquiring equivalent gains. We witness loss aversion in the reluctance of sales management to break existing customer relationships. People can be unwilling to make any move they perceive to place current business at risk, even if the move can yield substantial gains by better aligning reps with market opportunity.

> ### Change is a Constant
>
> Sales resources must be quickly redeployed to capitalize on a variety of market events, including:
>
> - Competitor product launches
> - Regulatory changes
> - Shifts in business due to customer growth or attrition
> - Internal changes in sales force roster

Treating territory alignment as an event, rather than a continuous process, further contributes to the bias against changes. The traditional event-centered alignment tends to be disruptive, even if scope of change is minor. Many events that trigger these territory alignments (mergers, restructuring, downsizing) are perceived to be threatening, and can create negative feelings towards the alignment. Since they occur infrequently, sales reps are not skilled at adapting to changes in territories, so performance declines in the transition period where sales reps are focused on the changes, and not on selling. This decline in performance often begins prior to the actual change – sales reps anticipate changes they expect may be negative, which hurts morale and distracts from selling. The decline in performance due to disruption is a real cost; as a result, sales management seeks to minimize disruption, making fewer changes in alignment than if there were no disruption cost.

Optimization or Status Quo?

Given the suitability of the problem and the ready availability of software packages and suppliers, territory alignments often include an 'optimization' exercise. This exercise is data intensive and analytical, and strives for an ideal, scientific solution. However, optimization algorithms can unintentionally contribute to the bias against change. The specification of objective functions and constraints for these algorithms may support the status quo, become embedded in models and go unquestioned.

> Behavioral economics has shown there is a strong 'status quo' bias, and a strong temptation exists to impose constraints that reflect the status quo

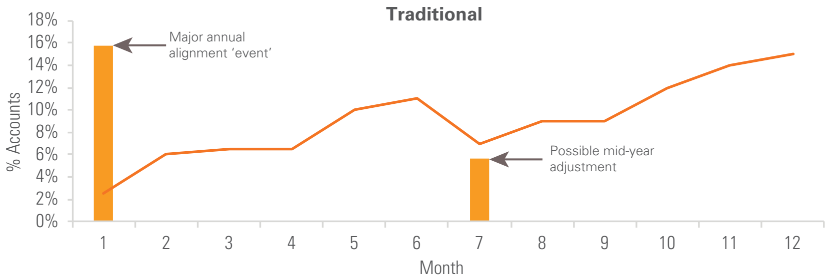
The objective function in a territory optimization typically involves some measure of business value by account, customer or geography. This can hard-wire beliefs about prospect opportunity into the solution, beliefs that, given the 'endowment effect', may undervalue prospects. The result can be a cycle of underinvestment and limited growth, which further reinforces beliefs about low prospect potential. The ability to impose constraints in territory optimization creates further potential for bias. Behavioral economics has shown there is a strong 'status quo' bias, and a strong temptation exists to impose constraints that reflect the status quo, e.g., constraining specific account or customer assignments to maintain relationships. Once imposed as a constraint, these assumptions can become accepted as fact and therefore less likely to be challenged.

Change can be Good

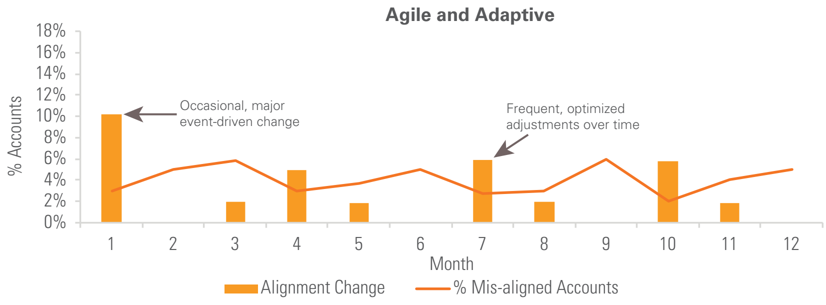
As an alternative to the occasional, event-driven approach to territory alignment, we advocate an 'agile and adaptive' alignment process. This approach includes scenario evaluation to identify and test assumptions, better leveraging data and analytics to inform an optimal solution.

An agile and adaptive process allows for more frequent, less disruptive changes. This process supports three levels of alignment changes: 1) a significant territory re-structuring, done at any point in time but typically no more than once per year; 2) alignment true-ups as needed in response to internal, competitor or customer events, often quarterly or even more frequently; 3) ongoing day-to-day tactical adjustments, which can be ad-hoc or rules-based. With an agile and adaptive alignment process, managing changes in account allocation becomes a core capability of the organization, both for sales management and sales reps. Sales management can quickly align sales resources to match market opportunities, taking advantage of market events. For example, the recent financial crisis has created regional opportunities in asset management given changes in the competitive landscape. Nimble competitors can align resources with opportunities as they emerge.

Agile and Adaptive Approach Keeps Mis-Alignment Low



- Annual alignment 'event' with significant disruption; may include mid-year adjustment
- Ad-hoc changes during the year to address territory vacancies etc. not optimized
- Month by month 'drift' from optimum results in significant mis-alignment over time



- Major changes are event-driven (e.g., reorg). Frequent adjustments occur over time, all based upon optimized solution
- Compared to traditional approach, individual alignment changes are smaller, but total change over year is larger (31% of accounts vs 20%)
- 'Mis-alignment' stays low throughout year (max of 7% vs 15% for traditional approach)

Change as a Competitive Advantage

With an agile and adaptive alignment process, sales reps expect territories to be dynamic. Through ongoing practice at integrating new responsibilities and transitioning old responsibilities, sales reps develop this as a core skill. When changes are made, the sales force adapts quickly and with minimal impact on performance, minimizing disruption cost. This process does not advocate change for the sake of change. Rather, it empowers organizations to make changes when needed while avoiding unnecessary disruption by allowing frequent adjustments at a granular level. This approach acknowledges the important role of relationships in selling – organizations should avoid breaking productive relationships, but quickly address those that are unproductive. Relationships are formed between individual sales people with individual customers, account by account, not by geography. Through an emphasis on managing change at the account level, agile and adaptive alignment supports a culture of strong, enduring customer relationships.

Under an agile and adaptive process, alignment is adjusted in a series of moderate changes. The smaller changes are easier for the organization to digest. More frequent changes keep salespeople sharp and nimble. Administration by sales management also becomes easier – integrated into the ongoing management process, rather than a distraction from the process. The agile and adaptive process has multiple benefits relative to a traditional 'big-bang' approach: each alignment change is quick and smooth by comparison, and more change is possible over the course of a year.

Scenario evaluation adds a twist to traditional territory optimization. Instead of seeking a single, optimal, solution, it recognizes two important realities in territory alignment:

- **The value of market opportunities is uncertain**. Rather than forcing a point estimate for business value, it can be helpful to define business value as a range, and assess scenarios based on different points along the range
- **Constraints are not absolute**. Constraints on territory disruption, either for specific accounts / geographies or in aggregate, should not be imposed a-priori. Rather, the assessment of the tradeoff between opportunity / disruption is an important part of the alignment exercise. Scenario analysis is again useful to assess a range of scenarios with different levels of change

Using optimization models to assess a range of scenarios rather than seeking a single optimal solution provides sales management the evidence needed to assess tradeoffs. A course of action can be chosen that is predicated on clearly stated assumptions and expectations. This choice can account for contingencies – positioning the organization to pursue an alternative direction if assumptions prove wrong. This fact-based approach insists that wherever possible inputs be guided by data, rather than by conventional wisdom that can be subject to bias. Knowing we are wired to resist change, beliefs that specific changes in territory alignments are off limits should be backed by evidence.

As an example, we might argue that a specific sales rep's territory should not be changed, given performance that consistently exceeds goal. Is it possible this territory contains more opportunity than recognized, and would benefit from more resources? We might argue that a set of prospects has low potential and should receive minimal resources given limited progress to date. Have these opportunities been adequately resourced in the past, what evidence exists of opportunity based on competitor performance, and have we approached these prospects with the right set of products and services?

Benefits of Agile and Adaptive Approach

- Increase prospecting effort
- Avoid account complacency
- Improve agility to capture market opportunities
- Eliminate alignment drift
- Reduce disruption cost of alignment changes
- Frequent course correction

The increased opportunity from an agile and adaptive approach to territory management falls into five categories:

- **Increased prospecting effort**. When we examine sales territory activity, we routinely find a segment of prospects that have for years been in the same territory, allocated to the same salesperson. Barriers may exist that prevent a given sales rep from building effective relationships in some accounts, and the potential goes unrealized. More frequent changes in alignment may be appropriate – ongoing contact and different approaches to selling from different salespeople can help open up opportunities.
- **Avoiding account complacency**. In valuing business opportunity for an existing account, it is common to anchor the opportunity around current business, incorporating a percentage change for growth. This approach assumes that current performance is reflective of the account's potential. A more in-depth assessment of potential can help identify accounts with a gap between current performance and potential. Based on a revised estimate of potential, a territory that appeared to be right-sized may have more opportunity than can be addressed by one salesperson. A re-alignment may be needed to assign the right resources to realize untapped potential.
- **Added agility to capture market opportunities**. Agility is possible when changes in account assignments are part of the culture, sales reps are trained to quickly adapt, and sales management possesses tools and processes to implement change.
- **Eliminating alignment drift**. Given that sales resources and market opportunities are dynamic, a territory alignment becomes out of date as soon as it is completed. As vacant territories appear and changes in business opportunities materialize, territories are pushed out of alignment. Ad-hoc decisions to address these situations, if they are made, are sub-optimal. Over a series of months, each small deviation adds up, and the cumulative effect of being 'slightly' out of alignment has a meaningful impact. An agile and adaptive process ensures that timely decisions can be made to address changing conditions and that territories remain aligned after every change, small and large.
- **Reduced 'disruption' cost due to changes**. Disruption costs are lower both because managing change becomes a component of the sales rep's skillset, and because any single alignment change is smaller given more frequent adjustments. Having lower disruption costs from territory alignments is a significant competitive advantage: you can make alignment changes to capture opportunities that others will pass by given the costs associated with disruption.

- **Frequent course corrections**. More frequent changes results in a more robust solution. If an alignment produces unintended consequences, issues can be addressed quickly rather than waiting for the next major alignment exercise. The ability to make frequent corrections effectively reduces the cost of change, which can make managers less hesitant and more willing to experiment. Upstream processes also benefit: as an example, the ability to quickly implement alignment changes supports rapid adjustments in sales force sizing to changing market conditions.

Adopting an Agile and Adaptive Process

The continuous alignment approach requires that territory alignment be an integrated, rigorously managed on-going process within your organization. It does not, however, demand substantial incremental time from sales management, or require significant additional resources. The agile and adaptive approach seeks to make territory alignment more efficient by making it a systematic, repeated process and integrating this process into the organization. Processes are clearly defined; change triggers, business rules, approval workflows and analytical tools are embedded into the organization; stakeholders are identified and channels of communication established; implementation steps are specifically outlined. Close integration with downstream processes is important and does involve investment. CRM, sales force automation, incentive comp and reporting systems must all be coordinated to support implementation of alignment changes. After the initial investment to establish a robust agile and adaptive alignment process, the execution of any individual alignment exercise can proceed smoothly and efficiently.

Establishing an agile and adaptive process includes creating a change capability within the sales force. This involves educating the sales force on the benefits of greater flexibility in allocating opportunities, and building change management skills among sales reps. Sales reps must be skilled in taking on a new account opportunity and in transitioning an existing account opportunity. Building a culture where change is expected and viewed as positive is critical if territory alignment is to become a strategic advantage. This will only happen if sales reps see how they can personally benefit.

> "The agile and adaptive process makes change a strategic advantage, empowering organizations to make frequent, granular level adjustments to territory alignments"

Communication of the advantages will help; true buy-in will come when sales reps see a positive impact in their performance.

A rigorous, ongoing agile and adaptive alignment approach embeds a four step process into the organization:

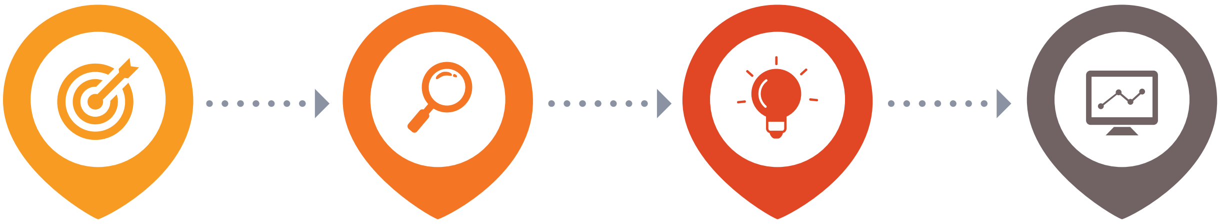
- **Establish objectives**. To achieve clarity and define the solution space
- **Evaluate scenarios**. With true data-driven optimization, based on a range of feasible scenarios
- **Socialize solution**. To further refine and build buy-in
- **Implement and monitor**. With systems designed for rapid, error free deployment

The execution of this process varies depending upon whether the alignment change is a major restructuring with broad impact, a true-up with moderate impact, or a minor tactical adjustment. For a significant alignment change, for example defining territories to support a new field force structure, the process is sufficiently robust to support a fact-based approach to re-alignment that allows involvement of key stakeholders. For tactical day-to-day adjustments, embedded business rules can guide when changes are needed and what change is made, with approval protocols to ensure appropriate review.

1. Define objectives

Clarity around objectives for each change in alignment helps ground everyone involved. This clarity ensures that small adjustments are recognized as such and can be implemented swiftly, without undue debate. Important, significant alignment changes can include appropriate, timely

Agile and Adaptive Alignment Requires A Rigorous, Disciplined Process



DEFINE OBJECTIVES

- Achieve clarity and agreement on objectives
- Define feasible solution space: parameters; boundaries; constraints
- Agree on evaluation criteria
- Assemble data to support analysis

EVALUATE SCENARIOS

- Choose scenarios that span solution space
- Solve for optimal solution to each
- Apply evaluation criteria; narrow scenarios to candidate solutions
- Stress test; refine; consider qualitative factors
- Develop recommended solution

SOCIALIZE SOLUTION

- Articulate solution, highlighting changes and reasoning
- Gather structured feedback from sales management, other stakeholders
- Make adjustments; revisit scenario evaluation if needed
- Finalize solution

IMPLEMENT AND MONITOR

- Communicate solution and logic for changes
- Field questions
- Update systems to support new alignment
- Assess impact on performance
- Track performance and alignment metrics

involvement from the right stakeholders. Clarity of objectives also sets the boundaries for the solution space, informs evaluation criteria and guides data gathering. If the goal of the alignment change is to increase allocation of resources to prospect opportunities, then sizing of prospect opportunities is critical.

This step includes assembling the necessary data to support the alignment analysis. A breadth of information may be needed, including historical sales data, customer lists, prospect lists, market potential, customer / prospect interactions, customer demographics, etc. This data may reside in internal CRM systems, spreadsheets, and various other databases. External third party market data or proprietary research can help supplement internal customer data. Availability of data can determine the effectiveness of the alignment process.

In the traditional approach to alignment, data collection is often ad-hoc, and a comprehensive data refresh is done only with a major alignment. The ad-hoc approach leads to a re-invention of the alignment database with each alignment, requiring significant effort and creating the opportunity for inconsistencies between alignments. Given the data collection effort, data is often not updated for minor alignment changes, so these adjustments are not based upon the latest and most complete data.

The agile and adaptive alignment process requires an always up-to-date database. Routines are needed for capturing, manipulating and storing data. A robust alignment database is created, which maintains historical data and establishes interfaces to key data sources. A variety of data feeds are required, including sales rosters, account target lists, up-to-date geo codes, current sales data, estimates of account potential, and timely competitor / market data. Data must be refreshed with appropriate frequency, in real time for some sources. With an established data structure and interfaces in place, each alignment exercise is faster, and each alignment change, small or large, is optimized using the latest available data.

2. Evaluate Scenarios

A scenario approach to territory alignment provides a safe and objective way to evaluate different paths forward. Giving equal consideration to various options, including options that lie further from the current state, avoids the danger that solutions become overly anchored to the status quo.

The choice of scenarios is also guided by the business objectives articulated in step 1. These business objectives help define the boundaries of the 'solution space' for the alignment, and the scenarios tested should cover the solution space. Scenarios that consider different ratios of prospect vs existing business can guide decisions on how much effort to allocate to prospects, and how many prospect accounts can be effectively targeted. Different scenarios should also be used to test business rules embedded in scenarios as constraints. In some cases different business rules may create internal conflict: it may not be possible to achieve a desired revenue potential for territories due to excessive travel time. By removing an assumption or relaxing a constraint, we can quantify the impact both on the structure of the alignment and on performance of the business. Business rules might address:

- Desired workload, including mix of prospect vs existing business
- Number of accounts
- Revenue potential
- Experience of sales rep
- Proximity of sales rep to current/new customer base
- Allocation of product lines to sales rep

An optimal alignment is created for each scenario. The scenario approach avoids the fallacy of a single optimal solution by forcing the evaluation of tradeoffs between different scenarios and the resources required to achieve different outcomes. Evaluation is based upon criteria established in step 1, guided by the stated objectives, to identify a short list of potential scenarios.

Landing upon a final, recommended scenario requires a focused analysis of tradeoffs between the shortlisted scenarios, and open minded, creative thinking about alternatives that may fall somewhere in between. The evaluation thus far has been highly data driven; a qualitative assessment is now needed to factor in softer criteria. Will the changes be embraced by sales reps? Does the alignment make sense for customers? What are the implications for other parts of the organization? Will it work in the real world? Answering these questions leads to selection of a single best scenario and refinement of the scenario to arrive at a recommended solution.

> "The socialization process must quickly and efficiently communicate the proposed alignment across the organization and capture suggested changes. It must allow for review and adjudication of these changes, including sign-off across multiple parties"

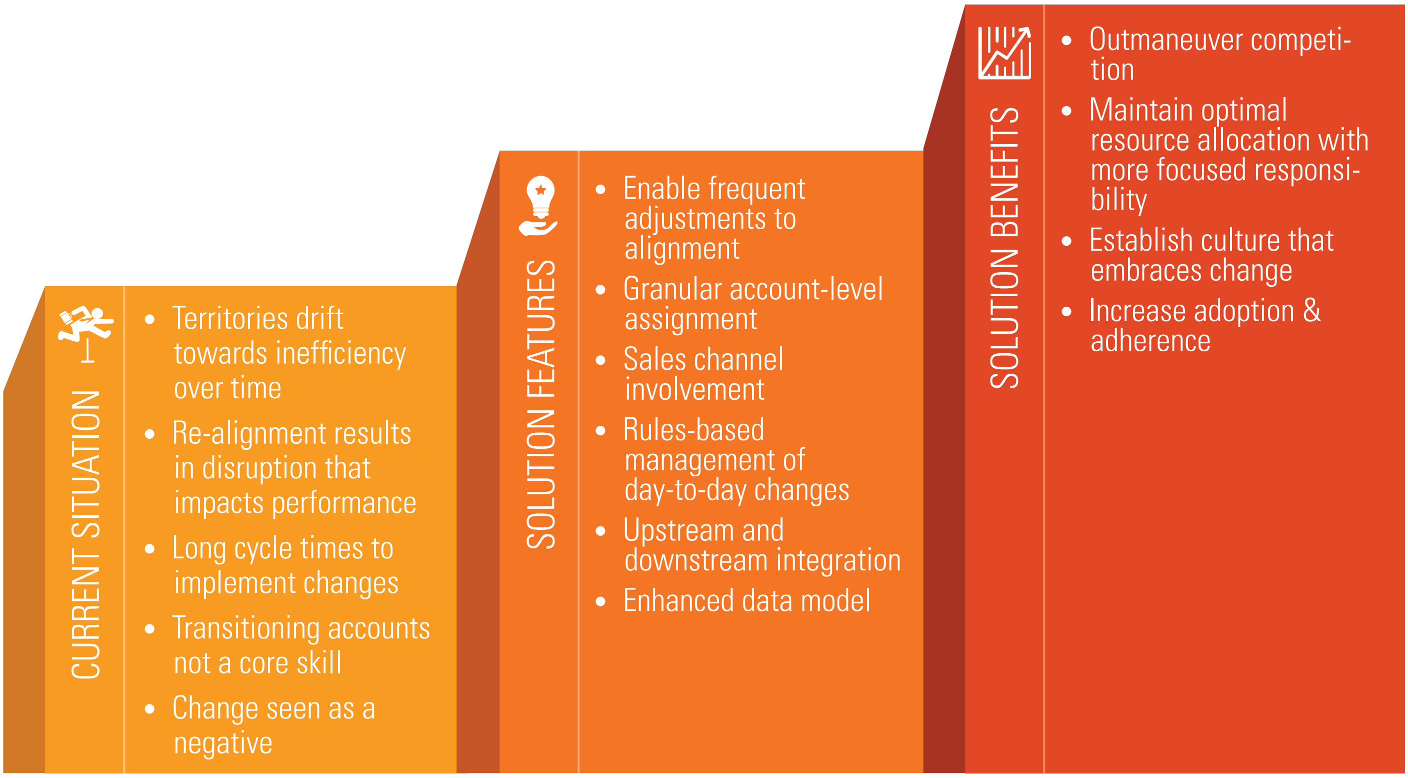
The continuous alignment process relies on optimization analytics embedded in user friendly software tools. This ensures that best practices are followed, and that the approach is consistent in each alignment exercise. Changes in alignment should be driven by changes in strategy or market conditions, not changes in modeling approach. Software also allows for an integrated process across all steps of the alignment: stated objectives are linked to required data; data is linked to optimization models for scenario evaluation; the proposed solution from scenario evaluation can be accessed by field sales during the socialization step.

3. Socialize solution

Input and involvement from key stakeholders is as important as the data and analytics to a good alignment solution. This involvement, especially from field sales, will ensure that practical considerations critical for real world success are taken into account. Additionally, it will foster the buy-in and ownership needed for changes to take hold in the field.

The data-driven scenario approach used to define the recommended solution helps support the socialization process. Stakeholders will want a fact-based, logical, compelling articulation of the solution, how it differs from the current state, and the rationale for changes. It can also be helpful to address alternative options that were considered and rejected, with reasons why. The process and rigor of scenario evaluation provides this exact evidence for use in communication. Communication should also emphasize the stated business objectives, so there is common understanding of these objectives and clarity around how the solution addresses these objectives.

The Agile and Adaptive Solution



A successful socialization process is more than an effort to 'sell' the recommendations – it is a mechanism for input and refinement of the solution. The process needs to emphasize listening and allow for serious evaluation of input. Assuming objectives were well defined and the scenario evaluation was robust, most changes will be minor refinements to reflect the local knowledge of field sales. Field sales management will have the most specific input at this socialization stage. They will have knowledge that may not be fully reflected in the data that informed the alignment, including:

- Key relationships that exist between certain customers and sales professionals
- Strengths and limitation of certain sales people
- Focus on certain strategic accounts

The process of socialization is the most complex element of territory management. The number of people involved can be significant. An effective process typically seeks input from both regional and district field sales managers. A typical sales organization with 800 sales reps might have 6 regions with 12 districts each. More than 70 field sales managers are reviewing and potentially adjusting the alignment. The socialization process must quickly and efficiently communicate the proposed alignment across the organization and capture suggested changes. It must allow for review and adjudication of these changes, including sign-off across multiple parties if the change impacts territories across multiple districts. The scenario evaluation in Step 2 is simple by comparison. By focusing on an alignment 'capability' that is robust and repeatable, the continuous alignment process is well suited to handle this complexity. Technology makes this possible – software tools allow for a robust and flexible platform to maintain current alignments in real time, with access rights tailored to different users of the system and a mechanism to capture and approve suggested changes.

The socialization step is complete when all input has been gathered and considered, appropriate refinements are reflected in the solution, each key stakeholder has signed off on the solution, and each stakeholder is prepared to sell the solution to their organization. The socialization effort varies between large and small alignment changes. Small changes can be made with little or no socialization effort – the agile and adaptive approach defines the involvement needed for different levels of change. Many minor changes can be directly implemented based upon pre-defined and agreed upon business rules. A robust process for communicating and reviewing changes makes agile and adaptive alignment possible.

4. Implement and monitor

Once a final solution is reached it is deployed in the field. Effective deployment requires that all systems and processes be revised to reflect the new alignment. This includes everything from CRM systems to management reports to incentive compensation. A continuous alignment process leverages technology so these changes can be made frequently and without error. Ideally, the alignment, which maps each prospect and account opportunity to a sales rep, is maintained centrally, and interfaces with each system that utilizes the alignment.

Reporting and monitoring is an important part of implementation. In the days following implementation, diagnostic reporting is necessary to confirm accurate implementation. In the first weeks and months, reporting is needed to closely track the actual vs expected impact of the alignment changes. If actual results differ from expectations, steps may need to be taken to achieve the original objectives of the alignment. A deviation may reflect a problem with execution or a problem with the estimation of results. In either case, the situation requires diagnosis and possibly corrective action. If the issue arises from a problem in the estimation, steps should be taken to correct whatever data, assumptions or analyses contributed to the error. Through this effort, the scenario evaluation process is continuously updated and improved.

Ongoing monitoring reports are also generated on a routine basis. These reports track key territory alignment metrics such as uncovered accounts, accounts with excess coverage, territories with excess potential and territories with un-balanced workload. Monitoring reports should account for hierarchies in sales organizations, allowing territories to be rolled up to districts, regions, etc. Reporting should also account for overlap of sales forces either in a mirrored or a non-mirrored format. Maps are a useful analysis tool when territories are defined by geography. In the agile and adaptive approach, monitoring reports can include triggers to indicate when adjustments to the alignment are necessary.

Conditions for Success

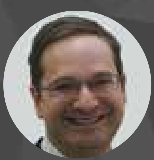
The agile and adaptive alignment affects multiple systems and the organizational culture. Success requires:

- Adopting a culture of change, not just a capability
- Integrating downstream processes, including CRM, SFA, incentive compensation, reporting
- Establishing an up-to-date database to drive alignment decisions
- Disciplined, fact-based decisions on when change is (and is not) beneficial

Business Impact

The agile and adaptive process allows a sales-focused organization to constantly adapt their sales force to changing market conditions. Whether market conditions demand a small adjustment to the sales force alignment or a whole-scale restructuring, the organization can apply a robust analytical approach to specifying the change. Small or large changes can be deployed with speed and accuracy.

Inefficiencies in territory alignment cost companies an average of 2-3% in sales each year. The agile and adaptive process allows for the capture of this opportunity, while minimizing the cost associated with disruption. This approach embeds the culture, process and tools of alignment into the organization – so that alignment changes are no longer disruptive, but an expected business process and a core capability of the sales rep.



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