Case Study:

Organisation Description:

- This company is part of a pan-European conglomerate.
- The division concerned is solely a sales channel for 3rd party equipment and manufactures nothing itself.
- Products sold were generally viewed as high quality, but consequently expensive within the market.
- Turnover was of the order of £20m p.a.
- Revenues had been increasing year-on-year in a buoyant market economy.
- Management was comprised predominantly of people who had never worked for any other company.
- The division had never engaged in strategic planning.

What Went Wrong?

- A remote holding company board, having no knowledge of the market the division operated in, set a target of a 10% increase in revenue.
- Early warnings from the sales force and industry press reports that the imminent recession would greatly affect customers' ability to buy equipment were ignored.
- The increased and dangerously high target was consequently accepted, despite sales force reservations being articulated.
- With the exception of a website, which was constantly 18 months out of date and didn't even contain the latest products the company was selling, there was no marketing activity whatsoever.
- The company had a CRM system imposed on it from above; however, it was a one-size fits all system that was designed primarily as a financial reporting tool for the holding company and not a proper CRM system. CRM functionality was minimal, time-consuming to enter data into and of no use whatsoever to the sales force.
- As the recession took hold of the global economy, revenues started to fall dramatically as customers reduced their budgets.
- This coincided with a period in which several new products were coming to market; however, as no marketing took place there was no medium through which to alert new prospects to these products.
- Even existing customers had to rely on a salesman visiting in order to be appraised of the new products; however, salesmen were naturally focussing on retaining existing high volume customers and not speculative prospects.
- Management responded to the revenue decrease by demanding higher frequency reporting, which naturally diverted sales staff from productive activity.
- Senior management additionally directed sales staff to enter new markets for which the existing products were entirely unsuited, again resulting in wasted effort.
- Senior management made it clear that, in their opinion, the fault clearly lay at the feet of the sales department and the salesmen were not working hard enough.

- The sales staff became totally demoralised and demotivated, leading to a vicious circle of decreasing activity as unrealistic demands were heaped on them.

All the problems materialising within this organisation were attributable to one single weakness - a lack of strategic planning, which resulted in a cascade of further weaknesses, including:

1. Senior management's unwillingness to question unrealistic targets through lack of market awareness.
2. Senior management's deep-seated aversion to using marketing to easily reach additional prospects.
3. Senior management retaining the pre-recession pricing structure and not adapting pricing to market conditions (as the competition did).
4. Senior management blaming market reaction to a global recession on the sales force, producing a demoralised organisation from top to bottom and a total breakdown of trust between senior management and the coal-face.
5. Senior management mistakenly thinking micro-management and increased reporting frequency would resolve the situation.