Communiqué

The Channel Strategy Development Cycle— The Factors that Enable and Limit the Performance of a Channel Strategy

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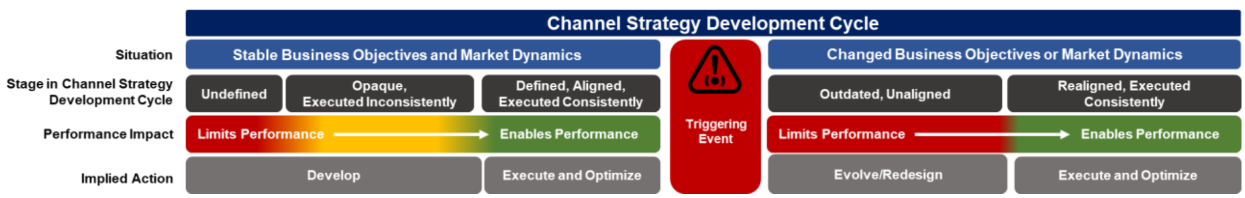
Management teams design channel strategies to generate sustainable, profitable growth. When companies miss sales, profit and market share targets, how do they identify the root cause(s) of the performance shortfalls and fix them?

Beyond informed, qualitative judgments, is there a way to systematically evaluate a channel strategy and identify the performance limiters? How can management teams determine whether the value proposition or sales process(es) or sales roles or sales talent or coverage model or conflict management policies or supporting programs or management processes or a combination of them or other issues cause the problem?

The channel strategy development cycle facilitates the gap analysis and enables teams to identify performance limiters because it depicts the degree to which a channel strategy is developed and aligned to deliver results (see Figure One).

Figure One—The Channel Strategy Development Cycle

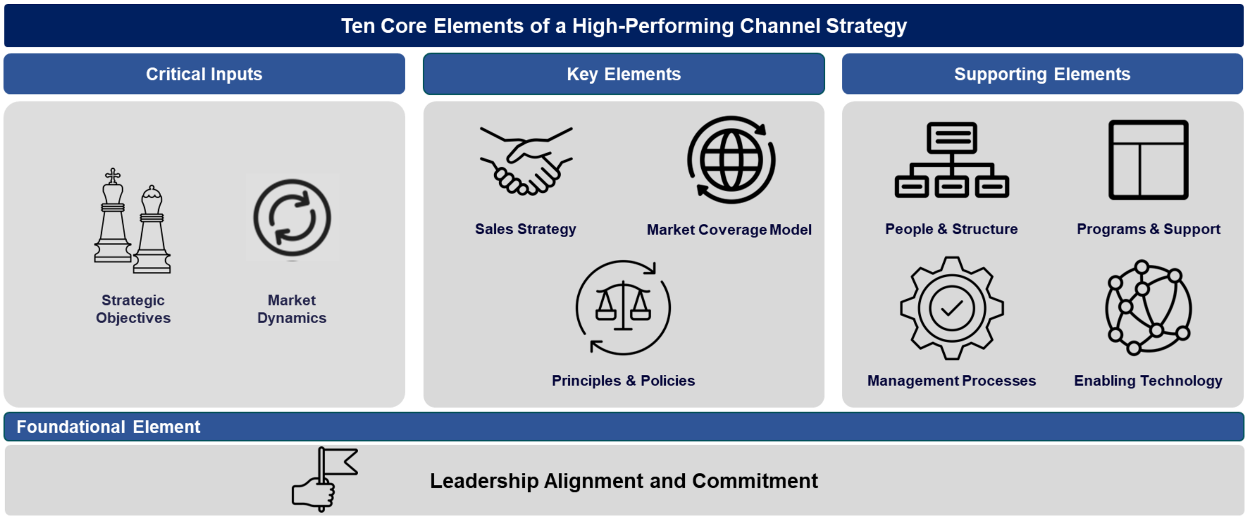


A channel strategy produces higher and more consistent results as it evolves from an undefined concept to a well-designed channel strategy that aligns with a company's business objectives and the market dynamics and is executed rigorously. When a channel strategy is undefined or opaque, management teams must develop them to enhance performance.

A management team can continue to execute and optimize a well-defined and aligned channel strategy until a significant change in its business objectives or the market dynamics occurs. Substantive changes in either variable typically trigger misalignments in the channel strategy that limit its performance. Once a triggering event occurs, the management team must evolve or redesign the channel strategy to realign it to drive performance.

Since a channel strategy is an integrated system of Critical Inputs and Key, Supporting, and Foundational Elements (see Figure 2), management teams can systematically evaluate each of these Core Elements to identify the one(s) that limit(s) the performance of it.

Figure Two—Ten Core Elements of a High Performing Channel Strategy



The Critical Inputs define what the business wants to achieve and the environment in which it competes. The Key Elements define the main attributes of the channel strategy, and the Supporting Elements define what the company must do to implement and execute its channel strategy successfully. The Foundational Element ensures that the management and commercial teams embrace, promote, and support the channel strategy.

By systematically evaluating each of these Core Elements and mapping them along the channel strategy development cycle, a management team can identify performance limiters (see Figure 3 and Figure 4).

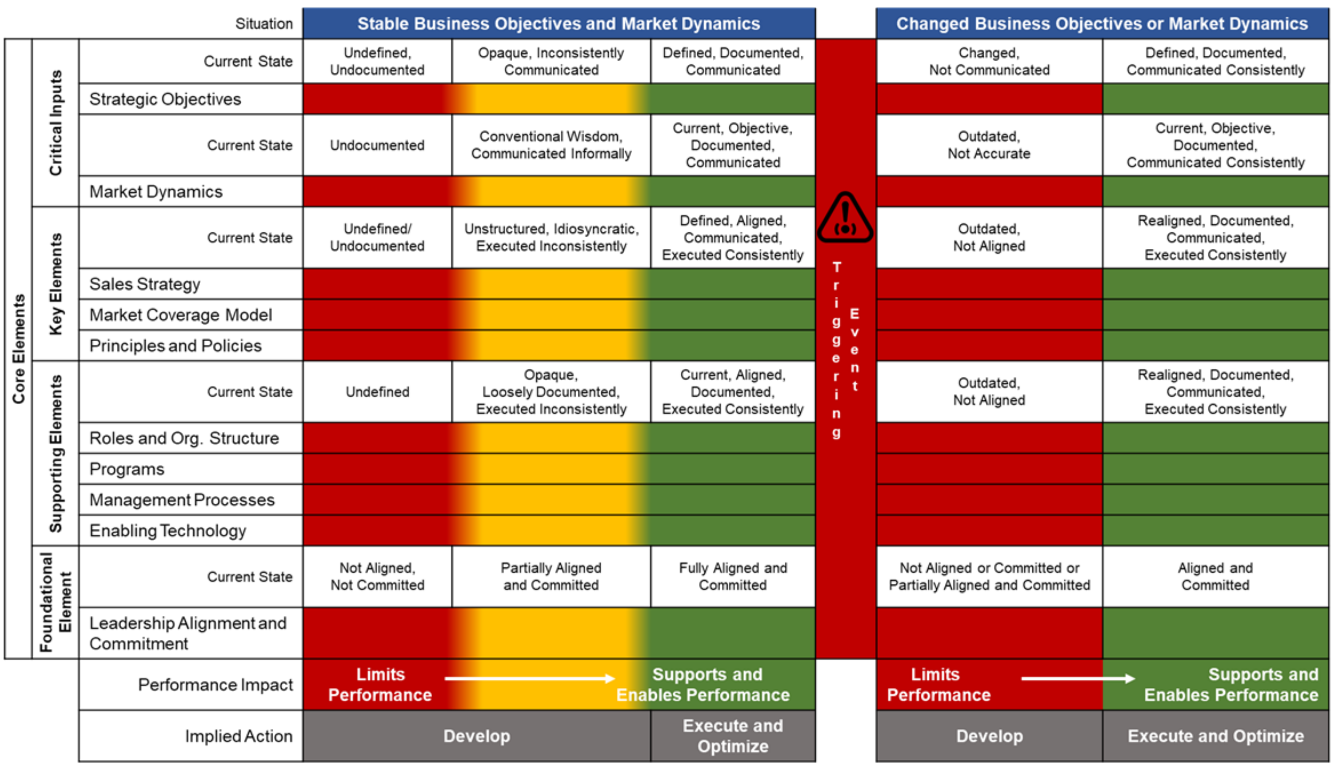
Figure 3—Core Elements of a Channel Strategy and Potential Performance Limiters

	Core Element	
Crticial Inputs	**Strategic Objectives**	**Description** The management team clearly defines and communicates the organization's strategic objectives including its growth aspirations and strategic initiatives to inform the design of the channel strategy.
		Potential Performance Limiters The management team does not define, or it does not clearly and consistently communicate the strategic objectives and create a common and shared understanding of them throughout the organization. The management team makes a substantive change in its strategic objectives and does not adapt the channel strategy.
	Market Dynamics	**Description** The company maintains a comprehensive, objective, and contemporary map of the market ("market map") which provides insight into the variables that inform the design of the channel strategy: • Macroeconomic environment • Market opportunity and market share analysis • End user landscape and segmentation model • Channel landscape and segmentation model • Competitor analysis
		Potential Performance Limiters The company designs the channel strategy using intuition or conventional wisdom. A substantive change occurs in the market dynamics... end user buying dynamics and sourcing preferences change, existing indirect sales channels consolidate or materially change their business models... and the company does not adapt its channel strategy.

	Core Element	
Key Elements	Sales Strategy	**Description** The company defines the end user segments it proactively targets, the value proposition(s) align with the needs of the target end users, and the sales process(es) align with the target end users' buying dynamics.
		Potential Performance Limiters Elements of the sales strategy change or become mis-aligned, and the company does not adapt its channel strategy. For example, the company changes its customer segmentation model or the segments that it proactively targets; the company changes its product or service offering or other critical elements of its value proposition; the company's sales process no longer aligns with its target end users' buying dynamics.
	Market Coverage Model	**Description** The company clearly defines, aligns, and coordinates the mix of sales resources it uses to cover and serve its target markets and stakeholders. It defines and engages the appropriate type and number of direct and indirect sales resources that have the competencies required to engage its target stakeholders and execute its sales process(es) to deliver its value proposition to them.
		Potential Performance Limiters The type and number of sales resources or the competencies required to perform the roles change or the allocation of functions amongst the sale resources changes, and the company does not adapt its channel strategy.
	Principles and Policies	**Description** The company clearly defines the channel strategy governance model, market coverage philosophy, channel partner engagement philosophy, and conflict management philosophy, methods and mechanisms.
		Potential Performance Limiters The Principles and Policies limit the company's market coverage, do not engender constructive relationships with channel partners, or they engender destructive rather than constructive channel conflict.
Supporting Elements	People and Structure	**Description** The company explicitly defines the roles required to design, execute and support its channel strategy. It uses a structured assessment, qualification, selection and alignment process to employ qualified personnel, and it effectively organizes and aligns them.
		Potential Performance Limiters The people in the key roles do not have the required competencies to perform them. The sales roles and competency models change and the management team does not reassess and realign its personnel.
	Programs and Support	**Description** The company has an overarching program structure that defines its requirements for its direct and indirect sales resources and the benefits it provides them. It offers an appropriate mix of supporting programs and benefits that enable its sales resources to perform the activities and functions it requires. The benefits motivate and reward the sales resources' performance.
		Potential Performance Limiters The channel program is ill defined or inappropriately or inconsistently administered. The company's expectations are poorly defined. The benefits do not motivate or reward the desired behaviors. The program does not provide the support required to enable the sales resources to perform their roles.
	Sales and Channel Management Processes	**Description** The company explicitly defines and executes the processes required to successfully engage and rigorously manage its direct and indirect sales resources: Assess and Plan, Target and Recruit, Onboard and Ramp-up, Manage and Grow, and Execute and Optimize.
		Potential Performance Limiters The sales and channel management processes are ill-defined, the supporting processes and tools are non-existent or ill-defined, the processes are inconsistently and/or infrequently administered.

	Core Element		
Supporting Elements		Enabling Technology	**Description** The company deploys the appropriate mix of technology to support and enable its direct and indirect sales resources to execute their roles and responsibilities (e.g., CRM, PRM, learning management, etc.). **Potential Performance Limiters** The company's technology platforms are outdated. The sales resources are not trained to use the technology tools, or they do not perceive the value of them and do not use them.
Foundational Element		Leadership Alignment and Commitment	**Description** The leadership team clearly defines and communicates the organization's channel strategy, and the leadership and commercial teams proactively and publicly support and lead the implementation and execution of it. **Potential Performance Limiters** The channel strategy is not well-defined or understood. The members of the commercial team do not agree with or support the channel strategy.

Figure 4— Mapping Core Elements Along the Channel Strategy Development Cycle[1]



Armed with this information, the management team can then assess each of the limiters and identify the one(s) that are the root cause(s)[1]. The team can then identify and take the actions required to improve the performance of the channel strategy.

You are welcome to contact Jim Fogarty at jfogarty@franklynn.com to discuss channel strategy performance limiters and the approach to diagnosing the root causes and defining corrective actions.

[1] FL&A's article "What Limits the Performance of a Channel Strategy? – Systematically Assess the Core Elements to Identify the Root Causes" describes the assessment process. To access it, click (https://franklynn.com/wp-content/uploads/2024/11/What-Limits-the-Performance-of-Your-Companys-.pdf)