

To improve sales performance Debunk myths about sales capability

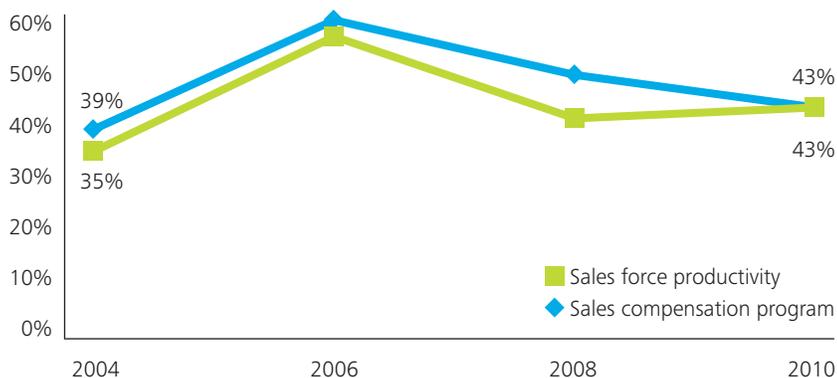


Is your sales force capable of driving strong performance, growth and profitability for your company?

Many sales leaders are concerned. Deloitte's 2010 Strategic Sales Compensation Survey of 250 sales leaders revealed that less than half of the respondents were satisfied with their sales team's performance. This concern has largely been present in both good times and recessionary times over the last decade (see Figure 1).

It would seem that measuring sales capability would be a straightforward exercise. The sales organization is, in some respects, the easiest part of a company for which to assess performance. There are direct, concrete results Sales is responsible for (i.e., revenue or deals completed) that can be used to measure productivity — which is in contrast to other employee groups, where top- and bottom-line performance impacts are typically more indirect and amorphous.

Figure 1: Sales leaders' level of satisfaction with sales team performance, 2004-2010



Source: Deloitte's 2010 Strategic Sales Compensation Survey.

This is a blessing and a curse, however. Diagnosing sales effectiveness is not just about the revenue and volume the sales team generates. Rather, a company needs to understand the "means" of high-quality sales performance to understand why and how the "ends" of sales results did or did not come about.

A meaningful assessment of why a sales force is or isn't performing requires a good look into the capability and competency of the entire sales team — not only the salespeople, but their managers, leaders and the supporting organizations that are designed to help salespeople achieve their numbers.

Getting to this understanding often requires several "myths" about strong sales capability, and what creates it, to be debunked. There is widely accepted shorthand for what a high-octane sales team should look like...but, the common wisdom is not always right!

The big sales myths to get past

Specifically, there are five prevalent myths that can distort many companies' view for how to build effective enhancements for sales capability:

1. The rep knows the customer best.

Myth: Shouldn't the individual who has the most direct contact with customers have the most insight as to why they buy, what they need, and what they prefer — and therefore know how to serve them most effectively?

Reality: In today's selling environment, there is often more than one voice from the customer that makes up the full customer experience. Buyers have evolved to be more internally transparent in their investments and collaborative in their decision-making. As a result, purchasing decisions tend to involve multiple influencers. The sum total of interactions these influencers have with the array of sales channels available to them — be it their regularly assigned representative, an online experience, a call center contact, a product service specialist — make up the answer as to how they can be served effectively. Any one representative will therefore have a limited view (and limited influence) as to how to improve the potential of the relationship. This will be increasingly true as customer service demands get more demanding and complex.

Takeaway: Adopting an "outside-in" approach can help you better understand the full range of sales, channel and customer support personnel with whom customers engage. Drawing upon multiple sources of input to understand gaps in perception of performance can provide a more refined and actionable plan for improvement.

2. Learn from the winners.

Myth: In many sales teams, an "80/20" rule applies — a relatively small group of key performers represent a disproportionate amount of overall productivity. Don't they know something the rest of the sales force could learn from, so that sharing the lessons they've learned would help the performance of the rest of the team?

Reality: The top performers are not always good for the rest of the sales team to learn from. Their relative success can come from many factors that other reps cannot replicate — or worse, that don't align well with the strategic market objectives of the company.

For example, one company looked at its most profitable performers to put together a learning program. But they uncovered several instances where top performers' pricing practices were perceived to be unfair by customers — actually damaging the total business opportunity in the relationship over the longer-term. The company instead chose to proactively define what the targeted profile of individuals in their sales team should be, and use that standard to define sales capabilities in a way that the entire sales team could embrace.

Takeaway: Sometimes "the number" does not tell the whole story. If you plan to use the top performing reps as role models, validate whether there is a track record for exhibiting the right sales behaviors for your organization to emulate.



3. It's all about the sales.

Myth: At the end of the day — nothing matters as long as there are is enough business coming in, no matter how it comes in, right?

Reality: Sometimes, revenue is not the only relevant performance metric to use for a sales team. Many companies already reflect this: the Strategic Sales Compensation survey indicated that while revenue is certainly the most frequently used metric, it has typically been balanced by more nuanced metrics that shift depending on circumstances (see Figure 2).

Figure 2: Top five sales performance metrics

Popularity Ranking of Each Metric as the First, Second or Third Performance Measure

Metric	1st priority	2nd priority	3rd priority
Revenue dollars sold	1	2	
Gross margin dollars	3	1	
Profitability of sales	4	3	5
Units sold	2		
New account sales	5	5	2
Customer retention		4	3
Overall company performance			1
Attainment of activity goals			4

Source: Deloitte's 2010 Strategic Sales Compensation Survey

For example, compared to the 2006 and 2008 editions of this survey, sales leaders appeared to shift strategic emphasis towards “units sold” and “customer retention” during the recession, when sales goals were proving hard to meet. Higher priority had been placed upon profitability/margin and sales of “strategic” products when markets were stronger.

The source of the revenue can be an important strategic consideration when thinking about what capabilities are needed to achieve future growth. There needs to be a balance between new revenue coming from new customers and from deeper relationships with existing customers. The sales capabilities needed to win each of these categories of new business can be quite different.

Takeaway: The drivers of success in capturing new sales versus expanding the existing customer base can vary. Knowing where you need and expect growth is a vital mind-set for long-term success, and one that can inform your decisions on where and how to allocate sales talent to have strategic effect.

4. We need all of our reps to be hunters.

Myth: We know a high-performing sales representative when we meet them — he/she is talkative, independent-minded, aggressive, won't take “no” for an answer, willing to take action, and even some risks — just like they are depicted in the movies.

Reality: Nowadays, there will often be different roles in a sales team with respect to the overall relationship with the customer (for example, “hunters”, “farmers”, “account managers”, “product experts”), and different capabilities will be valued and successful in each role. Some may indeed need an aggressive sales approach; others will tend to put more emphasis on teamwork, or the ability to piece together customized solutions, or a knack for soothing disaffected customers (i.e., soft skills).

The company needs to be able to support each of these competencies, too. Managers should recognize and reward the different skills, and selling tools and support should enable each role to perform their functions and augment value to customers.

Takeaway: Generating growth through new sales while experiencing customer attrition is not only difficult to achieve, it is more expensive. Paying close attention to the various roles and success drivers of retaining and growing the existing customer base pays dividends.

5. Just pay reps correctly.

Myth: Isn't the primary motivation on any sales representative how their paycheck will be affected? If that rewards the right things, then everything else will follow.

Reality: The first assumption on the answer to poor sales performance does often seem to be that “something is wrong with the comp plan”. However, when a company looks at its alignment, roles, culture, skill sets, processes and tools, it often finds that reps could not achieve what the plan sets out for them to do, regardless of how they are paid.

Takeaway: While compensation is an omnipresent consideration, it is just a tool and often masks other mitigating factors that affect performance.

How to assess and expand sales capability in reality

Debunking myths in a sales force is hard work; challenging each of these old capability myths means changing a traditional and deeply held mindset. And once that's done, how should a company determine what areas of the sales organization to focus on so that sales capability can be improved? The answer combines a holistic view, some new analytical measures, and an empathetic perspective of what's important for the sales team to act upon.

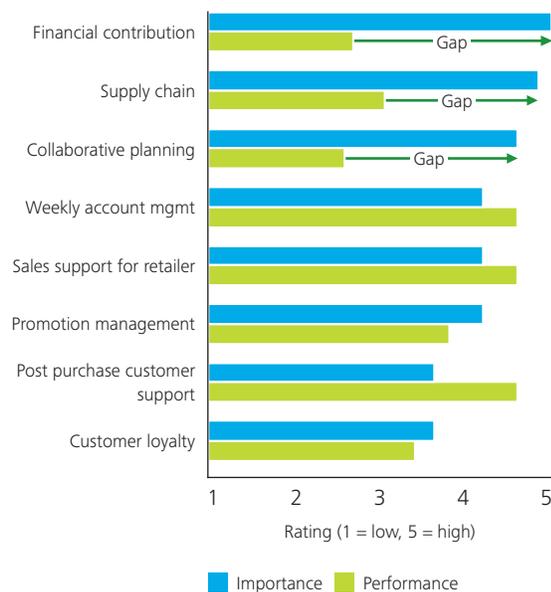
A holistic view includes internal and external lenses:

Measure yourself against the voice(s) of the customer.

Use the gaps you identify between your company's internal perception and the customer's external perception to guide areas of high improvement opportunity — these are areas that will likely be valued by customers.

A graphical illustration helps to highlight gaps in the sales teams' understanding. At one consumer product client, we asked the sales team and several of their key retailing customers about the importance they attributed to each of a list of buying factors and customer services. By mapping the perceptions of how their key needs were being met against the rep's perceptions on those same needs, high-priority capability needs surfaced that the sales team could not see (see Figure 3).

Figure 3: Illustrative customer view of key value drivers



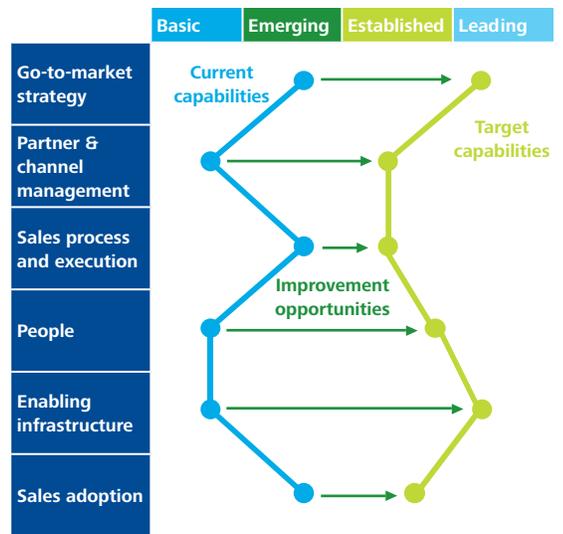
Source: Customer Value Drivers Survey, Deloitte Consulting Analysis

Gauge your relative capabilities against the marketplace.

Many companies go through a natural lifecycle to their business and their marketplace — starting in its early days as a company and arcing through to a mature, well-established competitive position. The sales approach — and the key capabilities that are needed to execute it — tend to change as the company proceeds along its lifecycle.

Companies should get an understanding of the areas where sales capabilities are lagging competitors; which are improving; and which already represent leading practices. The alignment and integration of many elements of the sales approach are needed to create strong capability (see Figure 4).

Figure 4: Illustrative diagnostic of sales capabilities



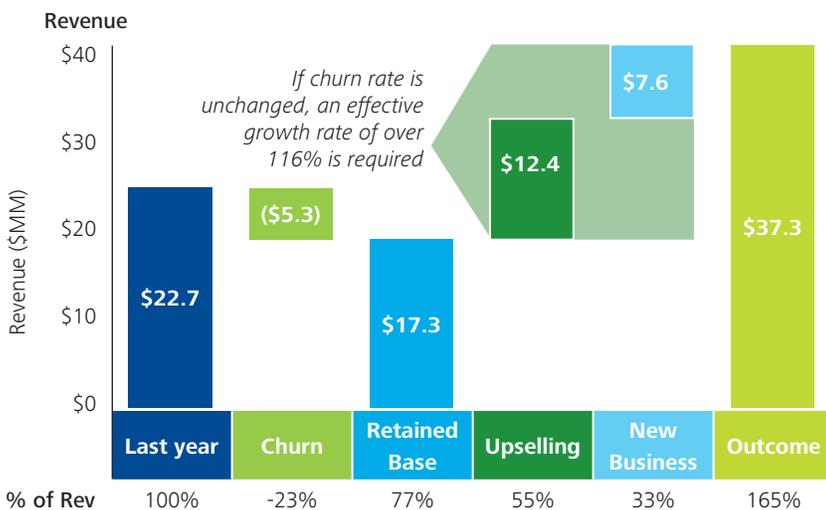
Next, some of the effective measures for sales capability slightly twist measures that companies normally use:

Measure the middle performers in your sales force.

There is greater overall capability improvement available from the middle 60% of the sales team to translate into improved results, since top performers will already be performing at a high level. Measuring performance trends for representatives below the top performing level — or, as one brokerage firm defined it, for a designated group of “up and comer” sales team members — will therefore give a truer picture of improvement in overall sales performance.

Measure and protect your “base” business. Existing customers will be the first to value improvements in sales capability, and will reward that improvement more readily. Additionally, success with current customers will have an important impact on achieving growth goals, especially as the marketplace gets more competitive and complex. One business services firm found that explicitly setting goals for retaining its base business fit its sales force better and reduced the growth it required from difficult-to-win new business (see Figure 5).

Figure 5: Illustration of revenue component analysis



Define a select set of effectiveness-oriented

Analytics. Monitoring a few selected metrics will predict and drive performance more readily than a litany of measurements — and also are easier to capture and interpret (see Figure 6).

Figure 6: Selected capability effectiveness measures

Effectiveness (outcome) measures
• Ratio of calls to follow-up meetings
• Ratio of meetings to product demonstrations
• Ratio of product demonstrations to pilots/ "proof of concept" designs
• Pipeline of leads to opportunities to deals
• Close rate

Finally, an empathetic perspective is required to make progress on adopting new capability enhancements:

Find ways for the sales team to “win”. The key to success will be finding the ways that both the company and the sales team will benefit from expanding the growth potential of the company. The answer may be “more pay”, but it cannot come from a disproportionate increase in expectations. Many companies who have implemented a CRM system have been stymied here — while the system provides managerial insight and benefit, it often leaves the sales team with a new administrative burden that looks pointless or even threatening.

Have the sales team help shape capability

improvement initiatives. Sales teams often feel like things are done to them, not with them. Getting a cross-section of the sales team involved in the design of the solution usually reveals good ideas about how a realistic and executable initiative to improve capability could be deployed, and ultimately builds a better sense of ownership for the goal of improving performance.

Clarity on what drives sales capability goes beyond myths and into underlying facts, and endeavors to solve problems that are not just about the sales team, but the entire sales organization. The payoff is likely better retention, higher overall sales productivity, better strategic alignment, and less reliance on just a few key sales contributors. Making investments into the right capability needs for your company can be critical to making your sales force more effective than the competition in the future.

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