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OPTIMISATION TOOL

Digital Sales Optimisation Tool

ARCANUM

In this case study, Steve Diamond traces the methods, patterns, and approaches to creating a highly functioning and successful sales force at a major company operating around the globe.

A scientific approach to managing any type of sales force

Today, most successful sales managers employ sophisticated sales force management tools to improve performance. While these tools promise to make sales management far more disciplined than it has traditionally been', most managers find implementation difficult. Salespeople and first line managers often lack the discipline to input data regularly; when they do, information is often incorrect, either because of lack of attention or attempts to game the system. Skepticism often runs high as field salespeople wonder, "Is this just another gimmick that will pass? Will anyone ever use this information, and if so, how?" Effective use of sales force management tools requires generating timely, accurate data (often from the field), using the data to drive decisions, and then effectively implementing changes (often with the field). In short, while the science of sales force management and management tools promises great impact, results will not be achieved without the art of management.

Experience suggests that sales management tools can, in fact, dramatically improve performance, but on their own the tools have little value. Impact comes from using these tools as part of a broader effort that **1)** Ties sales force performance to the business strategy, **2)** Provides regular challenging benchmarks of performance, **3)** Specifies a few high-leverage areas for performance improvement focus, **4)** Evaluates individual performance against these areas, and **5)** Constantly trains and coaches first-line managers and salespeople on specific behaviors based on these individual performance measures.

We have used a major Fortune 500 company as our case study. The company has a transactional sales model and is one of the fastest growing companies in the world. The pilot division of Asia Pacific serves 41 countries ranging from mature, sophisticated markets, such as Japan and South Korea, to China, to less developed economies, such as many in Southeast Asia. Averaging more than 15 percent annual growth in its sales force, the company has used this model to drive rapid revenue growth, enhance market share, improve productivity, and increase margins.

Let's take a look at each of the **FIVE** elements of the sales improvement process, how they are implemented, and how they relate to one another. It is important to note that metrics and productivity tools alone do not drive success. Rather, sales force success is driven by a continuous management system that links business objectives, benchmarking, focused action-planning, individual assessments, and hands-on coaching, all drawing on sales force management tools to support the offer. This approach was pioneered with the companies 1,500-person sales force in the Asia-Pacific region; however, it can be easily tailored to sales forces in any industry, of any size, and with missions ranging from making small-ticket, transactional sales to much larger, relationship-based sales. It works equally as well with 5 sales people, as it does with 500. At the company, for example, this sales improvement process was employed with a 150-person sales force in China, as well as the 15-person sales force in the Philippines.

Step 1: Identify Key Revenue Drivers:

In any sales organisation, there are four drivers of success: acquiring new customers, developing current customers, retaining at risk customers, and the efficiency and effectiveness with which all of these e done. While we all recognize how critical each of these is, these four dimensions are too broad to be actionable as they stand. We must identify more specific, granular levers that comprise each driver. In identifying these levers, it is important to determine which dimensions are most critical in our business. Some of these are generic across all businesses. For example, the specific levers for 'new customer acquisition' might include such actionable dimensions as 'Managing leads effectively' and 'Generating new customers'. Others are tailored to unique businesses. As an example a sales force might be asked to aggressively push products and then, these become 'customer development' levers in the optimisation tool.

Step 2: Benchmark Results:

In order to measure performance, each lever must be translated into specific, actionable metrics, or key performance indicators (KPI's). One lever, "generating new customers," for example, might be measured by **four** more detailed **KPI's:**

KPI-1: Are there enough new customers? (Measure: Average number of new customers/months)
KPI-2: What is the quality of these new customers? (Measure: Average revenue/ new customers/ months)
KPI-3: How efficient are we at retaining new customers? (Measure: Average number of new customers retained over six months and one year)
KPI-4: How effective are we at retaining high revenue new customers? (Measure: Average revenue retained/new customers)

An analysis of performance follows, and the answers to the following questions are considered: How do sales managers and sales executives perform relative to overall targets? Do those in the top two quintiles meet or exceed overall targets? What is the gap between the top and bottom performers? Similar questions are asked for each KPI, considering patterns and trends that shed light on opportunities for improvement.

Ultimately, the company set the average performance of the top 40 percent of performers as a challenging but achievable target for the entire sales force. How does this work in practice? In one country, for example, analysis showed that average visits to customers per day fell short of the target, leading to a country-wide improvement program. Six months later, productivity increased by 22 percent. Results in another country revealed that current opportunities in the pipeline (targeted at 40 percent of monthly revenue) exceeded the target for the country overall but averaged just 15 percent among the bottom two quintiles.

Immediate actions were undertaken to address this shortfall. Over time, management can observe patterns in benchmark results and institute rules of thumb to translate results into actions, For example:

Action-1: If an entire country or sales region within a country consistently exceeds the benchmark by 50 percent or more, it becomes a candidate for capturing and sharing best practices, A sharp and consistent improvement can also trigger a best practice review.
Action-2: A substantial differential (e.g., 50 per cent or more) between the top and bottom quintiles suggests a potential management challenge and should be investigated immediately.
Action-2: Any time the bottom two quintiles fall more than 33 percent below target for two consecutive periods, managers and salespeople in these quintiles are immediately put on probation and given intensive coaching. Note that while the company is organised by country, country-to-country comparisons are avoided, since there are so many other variables that impact results, such as population density, economic growth, and political uncertainties. The same might be true for sales forces organized by other dimensions, such as market segment, product line, or region. The assessment relative to others in the same group is most telling.

Step 3: Define Key Improvement Areas:

At this stage, management must decide where to focus. Which levers are most closely aligned with the overriding corporate objective (e.g., revenues, volume, margins)? Which promise the greatest financial impact? Which are easiest to implement? While there is always a temptation to measure a performance on many dimensions, the company experience shows that more than IO or 12 measures lead to confusion more than to improved results; therefore, managers must use the 80/20 rule and focus on gaining the greatest impact for their specific situations.

Given the results of the benchmarking exercise, the next step is to determine where management should focus within each country. This more detailed assessment enables managers to tailor action plans to each country or market, recognizing differences among them. 12 levers were identified for the company, and carried with them a series of key performance indicators, such as the four KPI's that drive "generate new customers." For each of the KPI's associated with the levers, two dimensions should be analysed: What is the gap between overall results and targets? What is the gap between the top 40 per cent of performers and the others?

This analysis highlights the size of the gap and the ease of closing it. That is, if overall results are close to targets, and the top 40 percent are already at or ahead of target, it is likely that best practices are already in place in the organization. Closing the gap should not be too difficult. What would be the revenue (or volume or margin) impact of closing the gap? This analysis illuminates the business impact of closing performance gaps. Thus, the financial impact if the gap is partially or fully closed can be calculated. The analysis in figure 4 highlights which key performance indicator promises the biggest revenue (or volume or margin) impact if we close the gap.

When the four KPI's that contribute to increasing new business are examined, the greatest lever age lies in improving average new customer revenue per month. Specifically, a 25 percent gap closure would produce an 894 euro increase in revenue per month in this country.

Thus, this KPI becomes the focus for measurement and follow up. Together these two dimensions the performance gap analysis and the financial impact analysis - help to prioritize the levers and the specific actions to be taken with each sales force. Next, at a higher level, a similar analysis is completed to identify which of the 12 levers promise the biggest revenue impact. Typically, a conservative assumption is made - that the sales force is able to close the gap by 25 percent. (Of course, if the sales force delivers more revenue than this, adjustments can be made.)

The company actually found that 8 of the 12 levers offer the greatest potential impact, and that if collectively the sales force is able to close the gap by 25 percent, revenue will grow by 18 million euros. These analyses provide a framework for the annual planning cycle with country managers: Based on the past year's results, where are the greatest gaps, between both country target and actual, and between the top two quintiles and the bottom two? Where is the greatest leverage for revenue improvement? What specific steps should be taken to achieve these improvements?

In our case study, we show how this process might work in one country. Results of the revenue impact analysis in show four high-impact gaps that need to be addressed:

1. Customer Acquisition Finding:
Only 43 percent of revenue from new customers is being retained due to the lack of consistent follow-up with new customers.
Action Plan: Reinforce new customer contact strategy, including mandatory personal visits within first month of shipping.
2. Customer Development Finding: Sales pipeline shows value of opportunities at only 46 percent of target, suggesting not enough contracts can be closed to achieve annual revenue targets.
Action Plan: First-line managers will undergo detailed account-planning coaching with salespeople, looking to grow the pipeline without overwhelming them. Focus will be on adding the largest opportunities to the pipeline.

3. Customer Retention Finding:

Fewer than 20 percent of those customers who have reduced or stopped purchasing from us have been contacted in the past 60 days, leading to a revenue attrition rate of up to 35 percent.

Action Plan**:** Require each field salesperson to identify at-risk accounts, develop a call plan, and achieve 100 percent coverage of these accounts in the next three months.

4. Efficiency and Effectiveness:

Finding: Up to 50 percent of accounts may be misclassified between field and telesales, resulting in missed opportunities (i.e., over investment in some accounts and underinvestment in others).

Action Plan: Reclassify accounts based on potential, as well as current revenue.

The keys to success in this action-planning process are twofold. First, priorities are set based on hard data and potential revenue impact. Second, action plans are developed by home office and local country managers who agree on plans that are doable, specific, and promise significant results.

Step 4: Measure Individual Performance:

The next step is to translate overall country performance into individual performance scorecards for each first line sales manager and sales executive. Scorecards are built from the bottom up, examining KPI results and rolling them up to an overall ranking. This performance scorecard enables managers and field salespeople to see their monthly and year-to-date results on each performance lever in both absolute and relative terms: What is their overall rank? How do they measure up against their peers on individual measures? What revenue growth have they experienced in their territory, in Euros and percentages? Where are they improving? Where are they falling behind? Interestingly, while the scorecard elements are relatively granular, there is a remarkably strong correlation between performance on the individual elements and overall revenue growth results. That is, if salespeople achieve targets on specific behavioral goals (e.g., value of leads in the pipeline, number of calls per selling day, or coverage of each account every three months), they will almost always improve and achieve their revenue targets. In fact, nowhere on the scorecard do actual revenue results appear!

Experience also suggests that publishing these results for all to see, while counter cultural in much of Asia, works well in focusing people's attention. Over remarkably little time, the process becomes accepted. Also, while it is hard to significantly improve performance of the already strong performers, the process has a substantial impact on average and below-aver age achievers.

Those in the middle of the pack strive to move up. Specifically, those in the third and fourth quintiles work hard to avoid falling lower; they often pull themselves up considerably. Those in the fifth quintile are automatically entered into an intensive coaching and digital learning program which, depending on each country's situation, can become an up or out process. As a result, the performance level of the entire sales force improves gradually and continuously, driven by the best performers and challenging targets, with the best performers bring on the weaker ones.

Step 5: Coach Managers and Salespeople:

All the analysis in the first four steps comes together in step 5: coaching. Together, the country-wide priorities and action plans established in step 3 and the individual scorecards developed in step 4 enable ongoing coaching to be tailored to each first-line manager and salesperson Thus, while the first four steps focus mostly on the science of managing the sales force, step 5 is more the "art." Initial focus is on first-line managers. They are the keys to successful implementation. How are their territories performing? Across the territories, which levers show strong results? Which need improvement? What are the action plans that will drive these improvements? How will they be implemented? How will results be tracked? All first-line managers take a course in sales dynamics and then work one-on-one with experienced coaches. First, coaches help managers address their own strengths and weaknesses and plan their strategies. Then they train each manager in coaching techniques.

Sales managers then use the same coaching approach with their own salespeople. It is critical that the primary role of the manager is coaching and accompanying reps in the field. This is a departure for many managers, who may see their role as primarily managing by and to the numbers. The company managers are expected to spend 80 percent of their time working with their people, focusing on building skills, especially soft skills such as relationship development, modeling the right behaviors, and empowering their salespeople. While all sales executives receive training, emphasis is on those in the bottom tiers in an effort to get their performance up and their careers on track. In all cases, coaching activities are tailored to each salesperson's situation. The results of each individual coaching session are summarized in a qualitative and quantitative coaching debrief combined with the scorecards, these debriefs clearly indicate strengths to leverage and areas to improve. Managers work with their people to set objectives, determine priorities, and develop action plans. Then they follow up. For example, training and role-playing are usually followed by managers and reps going together on sales calls and discussing the process after each call.

The process also requires that managers reinforce their commitment to this disciplined, fact-based approach, bringing the hard analytics of the scorecard together with the soft skills of coaching and relationship building. This is where the science and art of sales management all come together.

Making The Process a Reality:

This sales improvement process promises many benefits. It has been shown to produce exceptional results across geographies, across cultures, and over time. Reasons for this success are straightforward. First, the process is tied to the overall strategies and objectives of the organization and is not focused on the sales force in isolation. This dimension helps to ensure the top management commitment often lacking in a pure productivity-driven approach. Second, the common sense process is easy for all to understand and is based on hard, objective data. Third, it can usually be implemented within the current organization without extensive investments. Finally, the process creates a platform for coaching, which engages managers and salespeople alike. This not to say that moving to this system tern is easy. Initial efforts at the company were met with mixed enthusiasm. Some embraced the process and input data regularly. Others took a wait-and-see approach, hoping that, like many initiatives, this, too, would pass!

To be successful, senior management must visibly commit to a set of sales standards and to a philosophy of continual change and improvement. Organizations must have or develop a database of sales metric information, carefully thought out with clear, tangible benefits for those on the front lines. At the company, publicizing the roll-out engaged people in the excitement of becoming a "world-class sales force." Expectations were clear: each sales manager and field sales executive would gather, input, and review data on a regular and timely basis. In return, score sheets enabled managers to become more effective coaches, salespeople saw their skills and results improving, the process gained momentum, and almost all embraced it. Through this combination of metrics, data, and sales standards (the science) and continuous improvement and coaching (the art),organizations can achieve truly impressive sales results.

About Steve Diamond:

Steven Diamond began his management consulting career at The MAC Group in 1980, specializing in marketing strategy for firms in service industries, including financial services, health care, professional services, telecommunications, and transportation companies. Later, he continued his consulting as Principal at The Faculty Group, Inc., founded by some of the professors and senior consultants that led The MAC Group. He has also taught in executive education programs at the Wharton School, Kellogg School of Management, and at several leading corporations. In 2001, he became Chairman of Leadership Development, Inc. (LDI), an executive education and consulting firm that links leadership to business strategy.

With more than 30 years of consulting experience, Steven is an author, speaker, and lecturer. He has published in such journals as Harvard Business Review, Journal of Marketing, Marketing Managers Handbook, Selling Power, and Advertising Quarterly. He currently serves on the Board of Community Action Partners, the pro bono consulting arm of the Harvard Business School Alumni Association.

Steven joined Globalpraxis as a Partner in 2009, bringing extensive experience in marketing strategy, sales management, and organizational change.

He holds a BA from the University of Pennsylvania and an MBA and Doctorate from Harvard Business School, where he was Mead Johnson Fellow in Marketing.

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