

Measuring Behavior to Improve Sales Performance

September 2010, by Geoffrey James

This white paper describes how the sales environment has changed in response to short-term economic trends and long-term business trends. It then explains why sales organizations are failing to adapt to this changing environment and why the traditional remedies of sales technology and sales training frequently backfire. Finally, this paper describes how scientific measurement can provide a framework for hiring and training, thereby making sales organizations more competitive.

The Changing Sales Environment

It has never been more difficult for sales organizations to achieve their goals. Both short-term trends, like the economy, and long-term trends, like globalization, are creating new obstacles to the development and execution of business-to-business transactions.

Partly in response to a weak economy, customers have become more conservative about spending money, instituting new controls and review processes that make it more difficult for spending to take place. As a result, a sales professional now must contact, develop and gain consensus from a larger number of stakeholders in a customer account. Such activity not only demands additional research but also additional footwork and “phone work” to chase down appointments and meetings with all the stakeholders.

When customers “hunker down” in this manner, the new reviewers are frequently drawn from the ranks of top management, thereby transferring authority away from the operational staff (with whom a sales professional is most likely to be familiar) and putting it into the hands of a more remote group of executives.

Such stakeholders are inherently more difficult to contact, are more likely to have gatekeepers that deflect sales professionals, and are more likely to look doubtfully at sales professionals who are unable to talk about business issues at the executive level.

At the same time, globalization has brought more competition into marketplaces where previously the number of competitors was limited by geographical convenience. The interconnectivity of the Internet makes it possible for companies anywhere in the world to market to, contact and sell to companies located virtually anywhere else in the world. Because economics and working wages vary greatly based upon geography, traditionally mundane issues like pricing and cost-of-goods can vary widely, making even the writing of a simple sales proposal a complex exercise in global commerce.

The Internet has also created a class of buyer that may be highly informed about a given product category. It’s not at all unusual today for a sales professional to discover a potential customer who knows as much about the sales professional’s price book as the sales professional! What’s more, unless that professional has spent time doing competitive research, the customer is likely to have detailed information about the competitor’s price book as well.

A customer's ability to access information like price comparison sheets, feature comparisons, online recommendations, social networking, and so forth, make the sales professional's job complicated. It's no longer enough to simply be an informed individual and a trusted advisor, because the customer can get information and advice from multiple sources. Today's sales professionals must be able to show expertise and business acumen that allows them to add value at multiple levels and at all stages in the sales process.

Today's Sales Environment

- *Heightened Customer Expectations*
- *Increased Competition*
- *Rampant Commoditization*
- *Limited Sales & Marketing Alignment*
- *More Product Offerings & Complexity*
- *Rapidly Changing Technology*

Ironically, even as sales professionals strive to add even greater value, their own companies are often "hunkering down" as well, and often this takes the form of a reduction in sales support and administrative staff. Thus, sales professionals are being asked to "sell high" while simultaneously being tasked to do greater amounts of clerical work.

The weak economy, a more complicated buying cycle, a greater number of competitors, and a reduction in sales support has created a "perfect storm" for many sales teams. According to CSO Insights (a company that surveys and studies sales teams worldwide), the percentage of sales teams that are making their quotas has been steadily dropping for years. In order to cope, many sales managers are simply raising the quota, clearly hoping that higher targets will produce higher sales. However, since sales teams are already struggling, it's unclear how higher quotas can have any positive impact.

Why Sales Teams Are Failing

Since the overall business environment and economy are not going to change anytime soon, the onus is upon sales management and sales teams to adapt to these new and challenging conditions. Unfortunately the delta between where most sales organizations are today and where they need to be in the future is enormous and growing.

According to Todd Harris, Ph.D., Director of Research PI Worldwide®, sales managers are not at all confident about their ability to field effective sales teams. ***When surveyed, most sales managers estimate that only 40 to 60 percent of their current sales professionals are prepared to execute on even the basic "trusted advisor" sales strategies.***

There's also growing evidence that the old 80/20 rule (80 percent of your revenue comes from 20 percent of the sales staff) is becoming wider. Sales guru Mike Bosworth, for example, regularly cites research showing that, on average, almost 87 percent of a company's revenue comes from 13 percent of a company's sales performers.

What's developing is what might be called a "million-dollar gap" between "the best" and "the rest", with many organizations struggling to find emerging sales leaders, even while trying to get

the most out of the personnel that they already have. While most sales managers understand the value of sharing best practices, they often have only a vague idea of why one sales professional can successfully sell five times as much as the person in the next office, using the same sales process and sales tools to sell the exact same product.

Part of the problem is the ad-hoc procedures that most firms use to hire their sales professionals. According to *CSO Insights*, only four in ten firms systematically assess the basic competency of their sales candidates. ***Almost half of the firms surveyed felt that their ability to “hire the right sales professionals” needed improvement, but only 11 percent were planning to alter their hiring process.*** A recent study of the consumer packaged goods (CPG) industry reported that almost 60% of the CPG executives see “identifying sales talent” as the most challenging part of the talent management life cycle.

Haphazard hiring creates unstable organizations that are constantly losing talent before its promise can be fulfilled. ***Astoundingly, annual sales representative turnover rates average approximately 30 percent, which means that one out of three sales professionals leaves the typical organization every year.*** Since that’s the average, many sales organizations suffer from attrition rates that are far higher.

This high rate of turnover creates a constant need for replacement personnel. ***Most companies report that it takes six months or longer to ramp a new sales representative up to full productivity; fully replacing a top sales professional could easily take longer, if such replacement is even possible.*** The situation with sales management is even worse. ***According to SellingPower magazine, the average tenure for a CSO or VP of Sales is now less than two years, barely long enough for the new executive to learn the ropes and begin to have an impact.***

This constant personnel churn costs money. ***General estimates vary but the rule of thumb is that turnover costs typically run anywhere between one and half to two and half times a person’s base salary.*** Part of that is direct costs (such as the cost of recruitment), but in the case of sales professionals can include additional costs, such as loss of customers, loss of contact information, and loss of credibility in customer accounts.

Ineffective hiring is only part of the problem. A surprising number of companies lack even a basic recruiting and orientation process. Instead, they rely upon organizational lore (e.g. “we’ve always done it this way”) to integrate new hires, even though a high turnover rate inevitably creates an unreliable institutional memory.

Other sales organizations may have a process in place, but are challenged by the inconsistency of the managers in implementing the process. Unfortunately, some sales managers are often reluctant to compel compliance because they’re afraid that the process doesn’t accurately reflect the “best practices” of their top performers. (In fact, the top performers may be the worst offenders when it comes to subverting the official process.)

Hiring Mistakes to Avoid:

- *Hiring to an outdated sales strategy*
- *Hiring sales reps in your own image*
- *Rushing it HR/Sales operations imbalance*
- *No defined process*
- *Defined process, but used inconsistently*

Still other organizations have a sales process in place and sales professionals who use it religiously, but are still failing because the process does not accurately reflect the strategic needs of the company. For example, a sales process might emphasize prospecting for new business, when the company's business model requires a low cost of sale that's only possible with a high mix of cross-sell and up-sell opportunities.

Finally, even if they know exactly what's wrong, sales managers often lack the skills required to improve the individual performance of team members and therefore the overall performance of the entire team. Many of them "rose through the ranks" to become managers and are better at closing business themselves than coaching or mentoring others to learn to do the same.

Why Technology and Training Aren't Enough

Many companies approach these challenges by increasing the amount of technology that they make available to sales teams and by increasing the amount of training that they receive. Indeed, both sales technology and sales training are often marketed and sold as a cure-all for everything from low conversion rates to missed forecasts. However, experience suggests that a jumbled application of technology and training can actually decrease sales productivity.

Technology, for instance, can be a major drain on resources without producing corresponding benefits. This tendency became abundantly clear in the early implementations of Customer Relationship Management (CRM) software, over half of which were such complete failures that they were no longer in use two years after being installed, according to the market research firm Gartner.

While success rates for CRM are somewhat higher today, failed technology projects inside sales departments are far from unusual, according to CRM consultant Barton Goldenberg of ISMguide.com. "Many companies fail to connect their CRM purchases to the needs of the sales force," he explains. "Sales professionals try, and then reject the system or see it as a nuisance. This ends up wasting money on hardware, software and training that could be better spent elsewhere."

Sales technology can also cause problems when it bolsters sales behaviors that do not need improvement. For example, a sales professional who is good at presentations but weak in closing is likely to become even less productive when given a tool that improves the quality of his presentations. The new technology encourages that professional to continue to focus on presentations, when in fact the real challenge, for that particular sales professional, is setting up the conditions for closing the sale and then asking for the business.

Sales training has similar limitations. Many sales training programs are simply repackaged motivational programs, and even sales training programs that are skills based run the risk of emphasizing or reinforcing behaviors that are not strategic.

For example, suppose an individual sales professional is already a good “closer”, but has trouble developing long term customer relationships. In this case, a course on “how to close” will have only a minimal impact on that person’s overall value to the company. Worst case, it may cause that individual to further neglect elements of the sales process that are required in order to achieve a strategic goal of a stable customer base.

Technology and training are likely to make a bad situation worse, if there’s a failure to correctly diagnose exactly what’s not working in the sales process, both at an organizational level and an individual level. Without precise knowledge of exactly where a team or an individual is failing, throwing technology and training into the mix is a little like a doctor giving a sick patient a random collection of drugs. While one drug might work, the patient might get sicker due to the side-effects.

Measure, Change, Re-Measure

In order to adapt to today’s challenges, sales organizations must take a more scientific approach. First, they must measure current sales behaviors in order to figure out what’s working (and what’s not). Once those problems are precisely diagnosed, then the organization can apply technology and training in the specific areas that need change and improvement. Then, once that effort is complete, the organization can re-measure those behaviors to confirm that the changes were effective and to identify further areas requiring improvement.

Unfortunately, when it comes to measurement, most sales organizations focus on downstream measurements such as closes per month, revenue generated, and so forth. While some organizations also track milestones in the sales process (like conversion rates on cold calling), very few have the tools with which to measure upstream success factors, such as the company’s ability to hire sales professionals who will work well in that environment. Similarly, most companies lack a way to measure specific sales behaviors such as the ability to develop an initial opportunity, or the ability to present specific benefits to a customer account.

Fortunately, there are well-identified and well-understood ways to measure both the appropriateness of a sales candidate, as well as the effectiveness of sales behaviors both at the individual level and aggregated within an entire organization.

For example, the *Predictive Index*® (*PI*®) methodology provides a way to measure and understand the motivating needs and drives of a firm’s top performers and then use that knowledge in the hiring process to measure for similar traits in future candidates. It also provides insight into the motivational needs of existing personnel, so that sales management can more easily coach and manage, according to each sales professional’s individual needs and personality.

The *Predictive Index* was able to help Centier Bank (a financial institution with \$2 billion in assets) change its hiring practices to increase retention. Turnover was a major problem; the company was losing 1 out of 5 sales personnel every year.

To make matters worse, Centier Bank was located in a geographical area where talented sales personnel were particularly difficult to recruit. By using the insight from the *PI* to tailor interview questions, Centier halved its turnover rate, to 1 out of 10. As a side benefit, the improvement in personnel resulted in some of the bank's branches achieving perfect scores in customer satisfaction, a feat virtually unknown in the banking industry.

Halved Turnover from
1 out of 5
to 1 out of 10

Similarly, PI's *Selling Skills Assessment Tool™ (SSAT)* allows a firm to quantify the effectiveness of specific sales behaviors in a sales process, such as building trust and credibility, identifying client needs, presenting products/services, articulating their value, handling objections, gaining agreement for the sale, and finally creating long term customer relationships.

For example, a major bio-science firm used the *SSAT* to measure the effectiveness of a newly launched sales team. The study revealed that many of the company's sales professionals were struggling, specifically with building trust in the customer base. Using this information, the firm put a customized training program in place, with additional emphasis on the aspect of the sales process that needed improvement, resulting in 28 percent improvement in that metric and a 44 percent increase in sales revenue over a 2 year period.

In another example, a major public relations firm used the *SSAT* methodology to measure its entire sales organization, including executive management, which revealed a deficit in identifying needs and closing business. The firm was provided with a two day workshop on consultative selling and worked with individual sales professionals and managers on their own strengths and weaknesses, based upon their individual *SSAT* scores. As a result, the company's under-performing groups experienced yearly revenue growth rates as high as 37 percent.

Just as importantly, a framework of measurement helps sales managers become better coaches. By utilizing the data from tools like *SSAT* and the *Predictive Index*, sales managers can better understand the individuals on their team – discovering their strengths, finding out where they need help, and thereby helping them to improve their skills, and motivating them to perform at their full potential.

75% year over year
decrease in hiring cost

The combination of assessments and sales training has a proven positive effect on sales results, according to a recent study by the market research firm the Aberdeen Group. ***According to Aberdeen's survey, three quarters of the organizations that used assessments experienced***

higher management satisfaction regarding hiring of sales personnel. These companies also experienced a 75 percent year-over-year decrease in hiring costs and a 2.5 times year-over-year increase in profit for the average sales professional in the organization.

The message is clear. Sales organizations that want to succeed in an increasingly complex and competitive business environment cannot haphazardly throw technology and training at problems and hope that something “sticks.” Instead, sales managers must take a scientific approach that measures specifically what’s needed in each situation. That measurement must then be followed by the specific application of technology and training that addresses specific strengths and weaknesses.

Sales organizations that embrace this concept will inevitably become more competitive because they won’t be wasting resources by focusing on irrelevant or counterproductive activities. They’ll have the tools that they need to better assess the performance of candidates and personnel alike, creating a predictable improvement in the organization’s ability to deliver sales results. Sales organizations armed with such tools are also more likely to foster a sales culture that attracts and keeps personnel who have the basic personality and motivation to be successful in that environment.