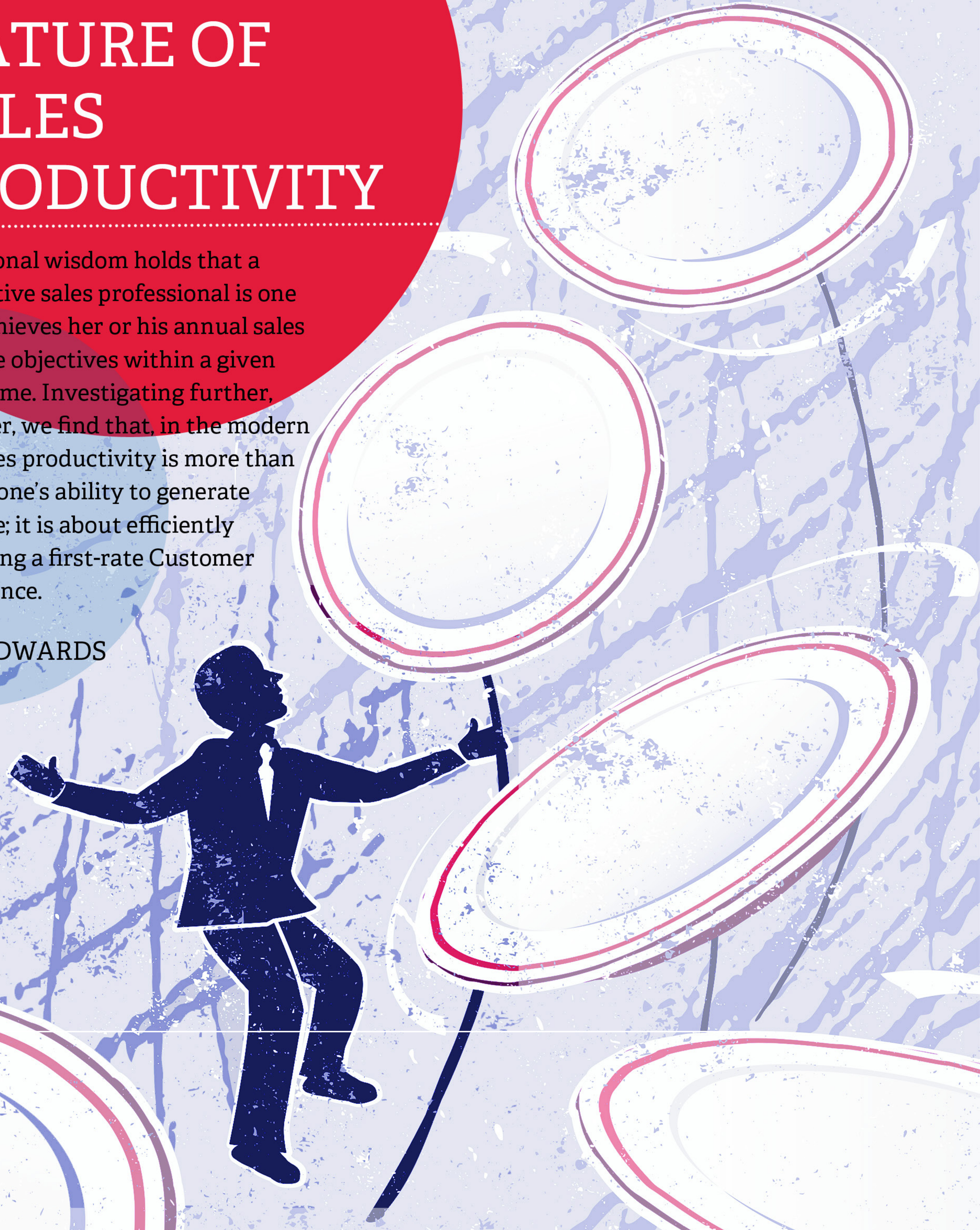
Sales Performance

THE CHANGING NATURE OF SALES PRODUCTIVITY

Traditional wisdom holds that a productive sales professional is one who achieves her or his annual sales revenue objectives within a given timeframe. Investigating further, however, we find that, in the modern age, sales productivity is more than simply one's ability to generate revenue; it is about efficiently delivering a first-rate Customer Experience.

TAB EDWARDS



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This is Not Your Father's Sales Environment Anymore

A SHIFTING SALES LANDSCAPE

"*Where have you been*?" a frustrated senior woman asks of the young, brash hardware store salesman as he hurriedly entered the hardware store, "*I've been here half an hour waiting for this paint*!" she said.

"*I'm gonna make you a deal on this paint*," the salesman replied, "*I'm gonna make you a nice deal: a dollar off, for you; $10.98 on this special gold paint. How you like that*?"

"*Thank you*!" the woman gleefully replied, and she purchased the can of paint for $10.98.

Unbeknownst to the woman, the store salesman purchased that can of paint from *another* hardware store for the overpriced sum of $7.98. Even still, the store salesman made a $3 profit on the paint when he re-sold it to the unsuspecting woman.

This transaction took place in a scene from the 1977 film "Saturday Night Fever" starring John Travolta as the hardware store salesman.

Good luck trying to make a sale like that today.

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Such sales transactions can infrequently be conducted today because of advancements in technology and more competitors for every product, service, and solution than ever before. Technological advancements such as computing technology and the Internet have "shrunk" the world, giving buyers not only more choices from around the globe from which to procure their wares, but also access to information, making them more informed buyers. Today, the paint-purchasing woman referenced above could easily go onto the Internet and research the price of a gallon of paint; she could also find the nearest store from which to buy the paint at the best price. Or, she could bypass the hardware store salesman altogether and order the paint to be delivered to her home.

This shifting landscape means that today's sellers will have fewer opportunities to spend face-to-face time with buyers. The implications are that (1) sales meetings MUST be productive and valuable for both the seller and client, and (2) sellers must appreciate that buyers will often know as much—if not more—than the seller does about the seller's own goods, services, prices, availability, and other conditions of a sale. Given this new reality, sellers must change their selling paradigm and adapt to the new world of professional selling.

In prior years, Chief Sales Officers, Chief Revenue Officers, and other sales leaders worked to provide their sales teams with more time to spend engaging with clients and prospective buyers; this is to be understood. As I describe in subsequent paragraphs, there is a positive, direct correlation between the amount of productive selling time a seller spends with clients, the amount of revenue generated from those clients, and the higher rate of client retention.

Today, however, simply spending time with client and prospects is not sufficient for generating revenue and retaining clients. The time spent with buyers must be productive and valuable for both parties: ensuring a positive Customer Experience that results in not only a competitive win, but also a client who is engaged and is willing to promote the seller's firm to their colleagues and peers.

Given the new reality of selling, sellers must change their selling paradigm and adapt to this new reality

What, Exactly, is Productivity?

The sales outcome desired by business and sales leaders is the delivery of a valuable Customer Experience, motivating buyers to not only become loyal customers but also to promote the supplier's company and its wares to their peers. This is the shifting view of a productive sale and the changing notion of that which a productive sales professional facilitates. Such a discussion requires further insight into what it means to be "productive" and what it means to execute a "productive sale".

A discussion about "sales productivity" cannot constructively begin without first establishing the context in which I will use the term throughout this paper. To *produce* is to bring something into existence, to fruition, using the resources available at one's disposal.

Doing productive work–work that contributes to a worker's progress toward accomplishing goals and achieving objectives–contributes to job success; it is about getting important things done

Productivity is the degree to which one is able to achieve a desired outcome or produce some pre-defined result while considering the impact on resources. Doing productive work—work that contributes to a worker's progress toward accomplishing goals and achieving objectives—contributes to job success; it is about getting important things done. "Important," in this context, relates to those activities that, (1) if the worker completes them, will get the worker one step closer to achieving his or her objectives, and (2) completing activities for which there are consequences for their non-completion.

What is important to understand about productivity is that being productive is not synonymous with being good; it only means that one has produced or achieved some desired outcome.

Suppose, for example, that Bob—a top sales representative—closes a $500,000 deal in 12 months. And Jill—a sales representative at the same company—closes an identical $500,000 deal (all things being equal) in only 6 months. In this example, both Bob and Jill will be considered to have been productive at their jobs because they each sold and closed (produced) a $500,000 deal. However, no one would conclude that they were both equally productive in closing their respective sales. A convincing argument can be made that Jill was more productive because she closed her deal in half the time as Bob.

This simple example illustrates one of the major mistakes made by firms as they consider engaging in sales productivity improvement initiatives; namely, assuming that simply because a seller makes her or his "numbers," they are *productive*.

In the simplest sense, yes; by definition, both Bob and Jill produced the desired quantitative result: a $500,000 sale. In a more rational sense, however, Jill would be considered to have been more productive at closing her sale than Bob because she produced the same outcome more quickly and less expensively, consuming fewer valuable resources. This is illustrated below by applying a standard formula for productivity—one which compares the production of a desired outcome against the cost of achieving that outcome—and comparing the productivity measures of Bob and Jill based on the outcomes of their selling efforts described in the example above.

$$\text{Productivity} = \left(\frac{\text{Outcome or Benefit}}{\text{Cost of Achievement}} \right)$$

Applying the Productivity equation to the sales example of Bob and Jill, for instance, it becomes clearer that, while both sales representatives achieved the exact same outcome—a $500,000 sale—Jill was more productive. If we assume that the cost-of-sales for the goods being sold by Bob and Jill are $30,000 per month, then Bob's level of productivity would be measured as 1.4 units of measure [$500,000 ÷ ($30,000 x 12 months)], while Jill's level of productivity would be higher than Bob's at 2.8 units of measure.

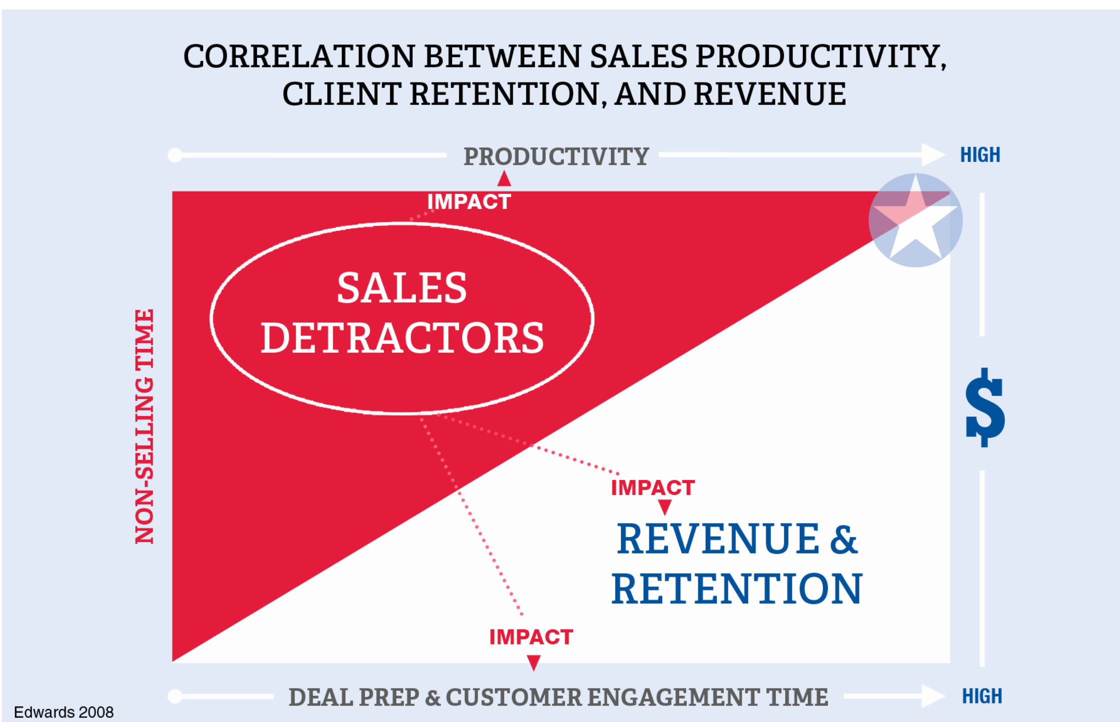
Measuring productivity using methods or tools as simple as the previously-referenced productivity equation can not only provide insight into whether or not an activity or resource is basically productive or unproductive, they can also allow for the measurement of degrees of productivity, enabling us to compare the relative measure of productivity of different efforts and engagements.

Favorable productivity is a function of *efficiency* (performing with the least waste of resources and effort) and *effectiveness* (adeptness at achieving intended results); combined, they form the basis of solid *job performance*—something all employers hope for their associates.

Sales Productivity

Getting a handle on the concept of Sales Productivity can be challenging, if for no other reason than the complexity of that which is required to achieve desired sales outcomes consistently and to measure it.

Suppose that super-salesman Ken closes a sale that generates $250,000 in profit and costs $100,000 to win. The following year, Ken closes $500K in sales that cost $200K to win. In this example, Ken will have increased his sales volume but would not necessarily have become more productive at selling, because it still cost him $100K for every $250K in margin he generated. Sure, Ken's was productive, in a sense, because he achieved his sales revenue target. And while Ken's firm is getting bigger, it is not necessarily better (as it relates to the firm's sales system and delivery of stakeholder value). So, in the end, how much more productive was Ken year-over-year?



Sales Productivity is a measure of *sales efficiency* (speed through the sales cycle and the cost of navigating the cycle) and *sales effectiveness* (completing a sale and facilitating a valuable Customer Experience with the least amount of effort). It is about accomplishing goals and achieving objectives that result in not only a competitive win, but also a client who is engaged and loyal.

Organizations spend billions of dollars each year in hopes of improving the productivity and performance of their sales teams, and the reason is simple: After COGS, sales-related costs are often the single largest cost category on a firms P&L. Improving sales performance will lead to lower sales costs and improved sales profits (read: freed-up cash) that these organizations can apply to other critical initiatives.

An investigation into approaches for improving sales productivity must begin with an understanding of the factors that impact sales productivity.

FACTORS IMPACTING SALES PRODUCTIVITY: DETRACTORS AND ENABLERS

As the amount of time a sales professional spends on "sales detractors" increases, the lower the seller's client-retention rates and the lower the amount of revenue generated from those clients

My research revealed that there is an inverse correlation between "sales detractors" of productivity, and client retention rates & revenue earned from clients. Put differently, as the amount of time a sales professional spends on non-productive (do not directly contribute to a sale) "sales detractors" increases, the lower the seller's client-retention rates, and the lower the amount of revenue generated from clients. This is illustrated in the diagram on the preceding page.

There are two categories of factors that impact a seller's productivity: *Detractors* and *Enablers*.

Detractors

Detractors—as their name implies—are activities in which a seller engages that, while often necessary, do not move the sales process forward but instead, slow the sellers time-to-close, reduces overall sales performance, and negatively impacts work-life balance. These results are primary contributors to sales professionals' low levels of engagement with their firms, leading to low levels of productivity and high voluntary attrition rates.

The compiled results of sales force productivity assessments I conducted show not only the degree to which sales detractors contribute to overwork, but also which detractors have the most significant impact on sales professionals' time. These results are summarized in the table below. It is important to share that, while these results were relatively consistent among the firms involved in the study groups, results from other studies could vary based on the size of the firm, the types of products, services, and solutions sold, the industry in which a firm operates, the proficiency of the sales professionals, and other factors.

What's interesting to note about these findings is that the top-5 non-selling activities in which a typical sales professional engages revolve around internal communication:

1. Managing e-mail
2. Completing requests for information
3. Conference calls and internal meetings
4. Phone conversations (internal)
5. Standard sales reporting

Enablers

Enablers are those factors that positively contribute to the productivity and, ultimately, high performance of sales professionals. As you can imagine, such a list of enablers can be quite extensive, because anything ranging from a new, friendly customer to a smaller sales territory to a half-day sales training seminar can have an impact.

My research, including client performance-improvement engagements, suggest that there are generally seven factors that impact and enable sales and other associates' productivity.

- **Knowledge, Benchmarking:** Firms cannot find solutions to problems if they don't know that a problem exists, the nature of a problem, the impact of a problem, or from where a problem emanates. Therefore, the first step in solving a problem (in an effort to enable and/or improve a seller's productivity) is to understand if and where problems may exist and the impact of the identified problems on sales productivity and performance. If a problem exists in the firm's sales process, for instance, the firm must be able to map the process (if a true *process* exists, you must be able to map it). Otherwise, you don't *have* a process in place. In addition, the firm must be able to measure the performance of the sales or other processes; if you can't measure it you can't improve it.
- **People, Talent, Engagement:** The most impactful enabler of sales productivity and performance is the quality of the people the firm hires into sales roles. Great sales talent will overcome the negative influence of sales detractors, unproductive sales processes, and poor support systems and cultures. *Engaged* employees are employees who commit to something or someone in their organization. They work hard and they stay with their firms as a result of that commitment. Highly-committed employees perform up to 20% better and are 87% less likely to voluntarily leave their firm.
- **An Aligned Strategy:** The goals, objectives, and desired actions of the sales team should

ASSESSMENT OF NON-CUSTOMER-FACING HOURS (AVERAGES)

NON-SELLING TIME: DETRACTORS	Hours/ Day	Hours/ Week
Managing *Internal* e-mail (*external* e-mail adds 1.3 hours/day)	1.74	8.68
Completing requests for information	1.19	5.95
Conference calls	0.99	4.97
Talking on the phone (*internal*, non-customer-related)	0.94	4.70
Standard reporting	0.85	4.24
Correcting problems that should have been resolved correctly the first time	0.76	3.78
Sales meetings	0.71	3.53
Checking voice mail	0.64	3.22
Compiling & sending the same data multiple times to multiple people	0.59	2.95
Resolving technical/system issues	0.56	2.80
Resolving contract issues	0.54	2.70
Expense reports	0.51	2.56
Answering "How-to?" questions from other reps	0.51	2.53
Collection activities	0.43	2.16
"Useless" training	0.38	1.89
Resolving delivery/implementation issues	0.35	1.74
TOTAL	**11.69**	**58.43**

NOTE: This excludes travel time and lunch

be aligned with those of the sales organization and firm overall. The execution level of strategies that are implemented down to the work/individual contributor levels is significantly greater than strategies that are not. Execution results in higher levels of worker productivity and job performance.

- **Support, Teamwork, Autonomy:** Sales professionals who are given support by their firms; whose managers, team members, and other associates provide coaching, guidance, recognition, and assistance; and who are allowed to make decisions autonomously are more productive than sellers at firms where these enablers are not provided. In addition, when firms unleash the full force of their available people-resources on an opportunity, they are more effectively able to deliver a greater Customer Experience, which is becoming a major sales differentiator in the new sales landscape characterized by ubiquitous access to information and stiffer global competition.
- **Skill, Knowledge:** Research by the National Institute of Economic and Social Research provides evidence of a link between the overall skill-level of a workforce and job productivity & performance. Their studies found that the higher levels of workforce productivity were related to the greater skill levels and knowledge of the workforce. Sales skills and knowledge are driven by experience, coaching, education, and training.
- **Resources:** Even the most skilled and knowledgeable sales professionals will struggle if they are not provided with the resources and support needed to be competitive and deliver client value. Sales resources can vary from one firm to another, with the most common resources including personnel support, money, compensation, tools, training, defined processes, and a positive work climate and sales culture to name a few.
- **Integrated Workflow Processes:** Disjointed, manual, analog work processes are not only inefficient from a workflow standpoint, but they also contribute to worker inefficiency and low levels of productivity; they are often time-consuming and result in high error and re-work rates. Integrated, logical, efficient

The Determinants of Sales Outcomes

Elements of the Sales System		Organizational Factors	Sales Detractors
• The organization structure • The goals of the product program / Program Managers • The influence of suppliers • Materials and/or content • Product development • Quality Assurance and testing • Sales strategy • Marketing and Go-to-Market • Operations	• Sales Operations • The sales process • Planning & preparation • Territory design • Sales Rep. effectiveness • 3rd party extensions • Finance and Legal • Customer Care • Service and Support • Customer Relationship Management	• Talent level • Training & Development • Sales strategy • Sales management • Resources • Sales process • Sales tools • Data/information • Territory design • Organizational design • Internal processes • Resource availability	• Managing e-mail • Completing RFIs • Conference calls • Phone conversations • Sales reporting • Sales meetings • Poor preparation • Distractions • Redundant data requests • Resolving issues • Travel • Technical issues • Administrative activities • Dearth of *Organizational Factors*

workflow processes speed work tasks leading to greater efficiency and worker productivity.

- **Personal, Non-Work Factors:** Factors outside the workplace can either positively or negatively impact worker productivity. If, for instance, a worker is having family issues at home or, because of long work hours, is unable to spend quality time with her or his family, the impact can be seen in degraded productivity and work performance. If workers have a robust and fulfilling home life, the impact on work productivity can be significantly positive.

TOWARD A PRODUCTIVE SALES FORCE

The Determinants of Sales Outcomes

This discussion of sales detractors helps create a narrative of the various levers and influences on sales productivity. In addition to the negative impact on sales productivity resulting from the previously-described sales detractors, the elements of the sales system, the seller's proficiency at navigating the sales cycle, and the impact of organizational factors on sales effectiveness—all of which I refer to as the determinants of sales outcomes—contribute to seller performance and productivity.

Results from real-world sales engagements and other research suggest that the most productive sellers are those who are successful at not simply perfunctorily spending time meeting with clients to check-the-box, but spend that time *effectively*, by establishing credibility and positioning themselves as advisors with the ability to influence a client's competitive purchase decision.

Near-Perfect Information

The concept of "perfect information" holds that, in a given market, all buyers and sellers have knowledge about factors that may impact the buyer's and seller's decision-making process. For example, buyers will know such things as sellers' prices, cost of goods, product quality, availability, reputation with their other clients, support resources available, and financial stability. Sellers, on the other hand, will know such things as the buyers' purchase motivation, funding available, company roadblocks, other offerings they are considering, their true needs for the sellers' products, and other valuable information.

When there is perfect information in a market, it has been proposed that such markets operate efficiently because, to put it simply, neither buyers nor sellers will have an advantage over the other due to having better information.

The amount of information now available to buyers has led to a selling environment where buyers have less of a need to engage with sellers

While we are not yet in a marketplace of perfect information, the amount of information available to both buyers and sellers has led to a selling environment where buyers have less of a need to engage with sellers. This is because of the amount of information available to them for evaluating purchase options and weeding out suppliers that they do not believe can satisfy their requirements. Plus, in addition to navigating their own *buying cycle* more effectively, buyers can now navigate the seller' *sales cycle* themselves, only needing to engage with sellers near the end of the cycle. This is illustrated in the diagram below.

As a result of having access to near-perfect information, buyers take fewer sales meetings and spend less time with sellers. This means that, when sellers finally *do* get to engage with clients in-person, they must maximize that selling time, being hyper-productive and skilled at influencing the sale near the end of the sales/buying cycle–the point at which they are finally engaged by the buyer.

Sales force productivity is no longer a function of a single sales rep's ability to close a deal. It is instead a function of the rep's firm's ability to bring its resources to bear on a sales opportunity in order to deliver a consistent, end-to-end, first-rate, experience to its clients and prospective buyers.

Best Practices

Improving Sales force productivity can be quite complex, and providing comprehensive guidance on how to go about it would require more real estate than this paper's capacity. Comprehensive sales force productivity and performance improvement involves analysis of a firm's sales strategy; the current sales force proficiency level; its sales organization structure; its territory alignment and coverage models; the delineation of roles & responsibilities; levers of employee engagement; the sales process and playbook; sales tools and data (enablement); and the levels of sales force efficiency.

As you can imagine, improving sales force productivity and, ultimately, performance, can be a major undertaking depending on factors such as the size and complexity of a firm and the general condition of its sales organization, including the sales force. With that as a premise, I have provided some best practices that have proven to yield significant improvements in sales forces' overall levels of productivity and job performance.

1. **Define the desired levels of sales productivity and proficiency**

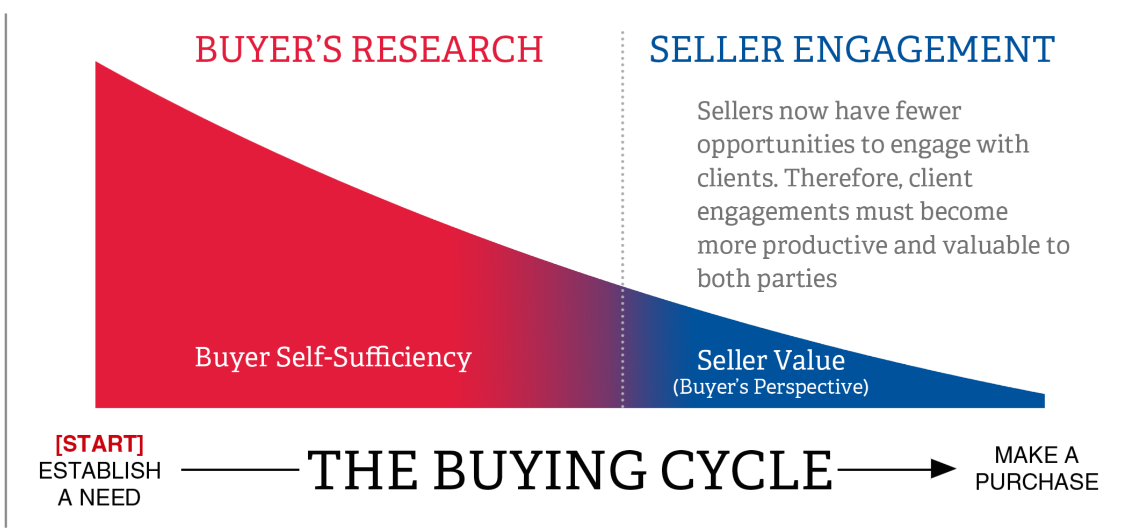
   These desired outcomes will dictate the focus of the improvement process.

2. **Conduct a Sales Productivity Assessment**

   Gather and interpret data and evidence on how well the firm's current sales performance matches the firm's standards and expectations. The assessment process will identify detractors from sales productivity and areas for improvement. 76% of organizations do not know how productive their sales forces are and 96% do not know their sales Cost-per-order-dollar (CPOD) which is a measure of sales (in)efficiency used by companies to provide an indication of sales productivity. The Assessment should also include a measure of the acumen, preparedness, and effectiveness of the individual members of the sales force.

3. **Perform a Gap analysis**

   Through the assessment process, identify the "sales gaps" between the firm's current state and its ideal or desired state of productivity, efficiency, and effectiveness. The gap analysis will reveal additional opportunities for improvement.



4. **Identify areas of improvement**

   Through the assessment and gap analysis activities, identify areas of waste, inefficiency, and inadequate performance. Then define a list of requirements for improvement.

5. **Develop a plan/strategy for improvement**

   After defining the problems, issues, and opportunities for improvement that exist in the sales organization's current state, develop an actionable sales optimization strategy, including a written strategic plan document. It is not enough to simply identify that productivity problems exist—*that* can be assumed. Firms must develop a plan for *addressing* the identified problems.

6. **Execute the strategy**

   The most important aspect of a strategy is its execution. The firm must execute the strategy in order to receive the improvement benefits defined through the assessment and gap analysis activities.

7. **Track and review progress. Make adjustments as needed**

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Quick Hits

OK. I get it: many firms want to secure productivity improvement gains quickly, in the short-term, but may not have the resources or the organizational-readiness to engage in the activities described above. For these firms, I offer the following quick hits. While not a panacea for comprehensive sales force productivity improvement, firms can realize benefits in the short-term by engaging in three easy-to-administer activities.

1. **Reduce the time spent on team communication.** The findings presented in the table above (for the aforementioned study entitled "Assessment of Non-Customer-Facing Hours") revealed that 4 of the top 5 sales detractors were related to inefficient communication: managing e-mail, information requests, and phone & conference calls. These few activities can consume as much as 6 hours of a sales professional's work day. By reducing the time spent on these activities, a firm's sales force can become more productive, improve sales profit margins, reduce work-related stress, and earn back time that can be applied to their work-life balance. Programs such as McGhee Productivity Solutions' ***Take Back Your Life!*** have been proven to deliver significant productivity gains in these areas.

2. **Issue a Productivity Survey.** All improvement requires change. The challenge for most firms that seek to improve their sales force's level of productivity is not knowing which changes are required for improvement. An activity as simple as issuing a survey to the sales force—to gain some level of an understanding of the opportunities for improvement—can be one of the most impactful, simple activities in which a firm's leadership can engage toward improving its sales force's productivity and effectiveness.

All improvement requires change. The challenge for most firms is not knowing which changes are required for improvement

3. **Focus the sales organization's efforts on delivering a holistic sales experience to clients.** Firms that have moved to a team-based selling model (whereby all members of the direct and indirect sales and delivery teams play a role in delivering a unique, consistent, world-class customer experience), are building loyal, engaged clients in the face of stiff competition. Through this approach, a sale involves everyone who has a responsibility for supporting a sale, from contracts to customer support to maintenance to delivery to accounting & billing and the direct sales force. The experience mustn't simply be good, it must be memorable if it is to be at all differentiating. This is the emerging nature of a productive sale ●