



## Anatomy of a World-Class Sales Organization

By Jim Dickie

### Executive Summary

Competitive differentiation is a required, yet sometimes elusive aspect of business. How do you foster valid reasons in the minds of your customers and prospects to ensure that they choose to do business with you versus another vendor?

For decades the differentiation war was fought on the product front, with companies looking to achieve functional superiority and/or pricing advantages over the competition. Then service became the new battleground, with vendors focusing on making their customers successful in using what they sold them.

But over the past few years collapsing product life cycles have significantly shortened the time where you can have a competitive edge based on what you sell. And solid customer service is now the base requirement for doing business. So how else can a company create a competitive advantage in their marketplace?

In this white paper we will explore one approach that many companies have failed to fully leverage: competing not just on *what* they sell, but *how* they sell. Based on data from over 1,200 companies worldwide, as part of CSO Insights' 2017 World-Class Sales Practices study, we will show that sales organizations that optimize their sales processes for engaging and working with clients significantly outsell their less adept competitors, achieving sales performance edges such as:

- 37% improvement in overall revenue plan attainment,
- 21% increase in percentage of sales reps making quota,
- 31% increase in win rates of forecast deals,
- 23% decrease in sales force turnover,

We will then overview the key components of a sales transformation initiative that allow a company to achieve these levels of sales excellence including:

- Developing and retaining the right sales team: sales reps and sales managers;
- Optimizing your sales process to ensure your sell cycle aligns with your customer's buy cycle;
- Technology-enabling your sales teams to increase not just their efficiency, but their effectiveness as well;
- Ensuring that sales teams have easy access to the current/accurate knowledge they need in order to sell;
- Aligning the rest of the enterprise, and eventually the extraprise to support sales excellence; and finally,
- Implementing the processes and technologies required to continually assess sales effectiveness so that proactive changes can be made based on changes in the market.

## The Sales Effectiveness Challenge

In Harvard Business Review (HBR), in 2006 we initially published an analysis of sales performance based on the strategies and tactics companies used to engage their clients. We highlighted that over the years our studies have found that companies adopt one of the following four levels of sales process:

- ❖ **Level 1—Random Process:** A company may be perceived as being anti-process, though what they really lack is a single standard process. Essentially every sales rep does their own thing their own way.
- ❖ **Level 2—Informal Process:** A company exposes their salespeople to a sales process and indicates that they are expected to use it, but that use is neither monitored nor measured.
- ❖ **Level 3—Formal Process:** A company regularly enforces the use of a defined sales process (sometimes religiously), and they conduct periodic reviews of the process to see how effective it is, and then make changes based on that analysis.
- ❖ **Level 4—Dynamic Process:** A company dynamically monitors and provides continuous feedback on sales reps' use of their formal sales process. They also proactively and continually modify the process when they detect key changes in market conditions.

Our analysis showed that as a company moved up the levels of sales process, sales performance and sales predictability increased significantly. Our summary finding was that structured process appeared to be a key way for companies to compete more effectively in their marketplace.

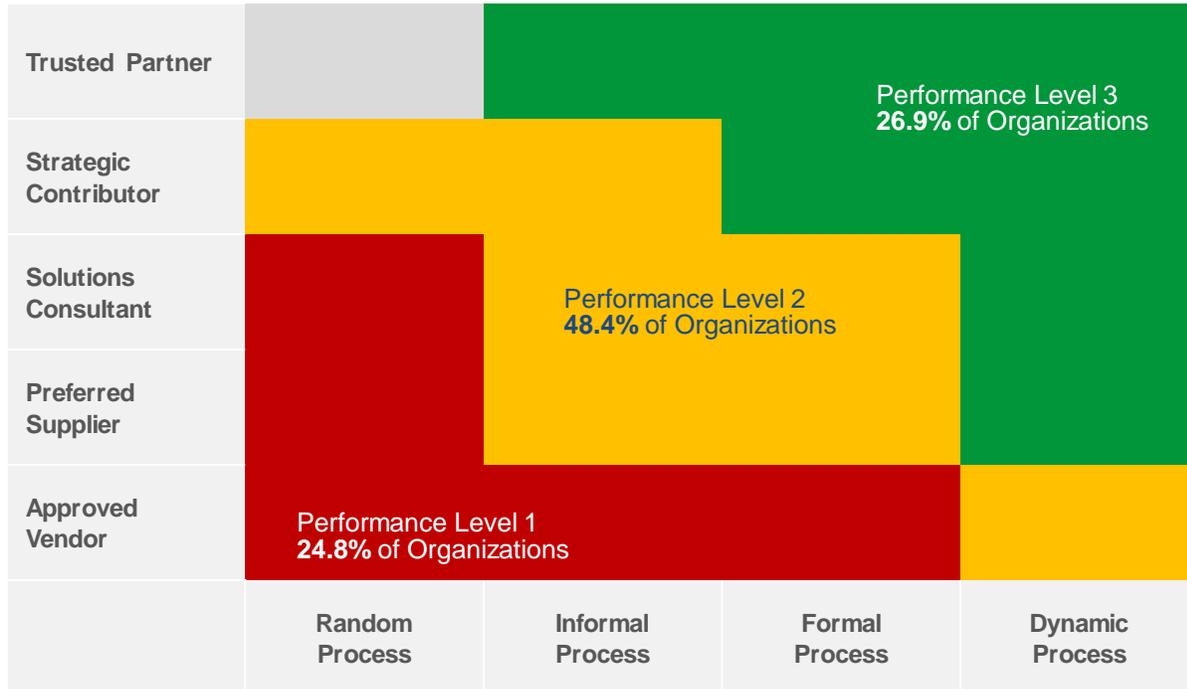
Based on feedback from HBR, as well as a number of research clients, for the past decade we expanded our analysis to include a second factor: levels of relationship. In a number of our earlier analyses, we also established that vendors achieve different levels of relationship with their customers. Again, looking at the firms which had taken part in past studies we found that the majority of their customers perceived them to be at one of the following five levels of relationship:

- ❖ **Level 1—Approved Vendor:** A company is seen as a legitimate provider of the products or services they offer, but are not recognized for having any significant, sustainable competitive edge over alternative offerings.
- ❖ **Level 2—Preferred Supplier:** Based on their marketplace reputation and past dealings with customers, while competitors may offer alternatives, Level 2 companies are normally seen as the preferred vendor with whom to do business.
- ❖ **Level 3—Solutions Consultant:** Based on a specific set of product-related, value-added knowledge or services they offer, customers see Level 3 firms as not only a vendor, but also a consulting resource on how to best use the products or services they purchase.

- ❖ **Level 4—Strategic Contributor:** Above and beyond the products and services they offer, customers view Level 4 firms as a source of strategic planning assistance for dealing with broader-based challenges they are currently facing.
- ❖ **Level 5—Trusted Partner:** At this highest level, Level 5 firms are seen as a long-term partner whose contributions – products, insights, processes, etc. – are viewed as key to their client’s long-term success.

Using the study data, we then created a relationship and process matrix model that allowed us to segment sales performance based on the combination of these two factors. While in each pairing of relationship and process we found individual examples of companies achieving sales success or failure, when we aggregated the results of all the firms, three clear classes of sales performance emerged, (seen below in Figure 1) which are further supported by the results from our most recent SPO study.

**Sales Relationship/Process (SRP) Matrix™ - 2017 SPO Survey Analysis**



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Figure 1

Before summarizing our analysis, we should point out there are one quadrant in the Matrix that remain virtually empty, seen above as the gray cell of the Matrix. Companies consistently functioning randomly do not achieve a trusted partner level of relationship (although individual reps may do so with individual accounts).

Outside this “void zones,” the SRP Matrix provides an overview of key differences in results achieved by these three groups of sales organizations. The following table shows on average how each of the groups performed in relationship to a few key sales performance metrics:

**Sales Relationship/Process (SRP) Matrix™ - 2017 Performance Level Assessment**

	Performance Level 1	Performance Level 2	Performance Level 3
Quota Attainment	46.6%	53.6%	59.5%
Win Rates of Forecast Deals	41.3%	46.6%	53.3%
Loss Rates of Forecast Deals	37.1%	31.1%	25.4%
No-Decisions of Forecast Deals	21.6%	22.3%	21.3%
Voluntary Turnover	10.1%	8.1%	8.5%
Involuntary Turnover	6.1%	5.9%	5.5%

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Table 1

Above we see moving from Level 1 to Level 2 produces significant performance improvements. Further, moving from Level 2 to Level 3 is accompanied by additional increases in sales performance.

## Building a World-Class Sales Organization

For sales management and senior management teams looking to compete more effectively, the variation in sales performance is compelling enough to warrant a more detailed look. Doing so should prompt the following questions: Exactly how do we go about moving over to dynamic process and up as high as possible on relationship? And once there, how do we stay there?

If, and how successfully these two questions are answered over the next few years, in our view, will determine which companies dominate their markets, which survive, and which will be acquired or fall by the wayside. Based on benchmarking numerous sales organizations over the years, we offer the SPO Pyramid below to optimize sales performance; when assembled the following framework provides a model for what world-class will look like in sales going forward (see Figure 2):

**Sales Performance Optimization (SPO) Pyramid™**



Figure 2

Borrowing from the premise of Dr. Abraham Maslow’s *hierarchy of needs*, the only way to reach the top of the SPO Pyramid is by soundly growing it from the bottom up. Starting at the base of the pyramid, seen here in gray, are the foundational components upon which the rest is built:

**Customer Engagement Model Definition**

Successful sales optimization initiatives are always built on a platform where the sales management has first analyzed both how they sell, and how their customers buy to see where alignment exists or is missing. They also go beyond the selling process to understand fully the implementation process: how are their products and/or services being leveraged to effectively deal with core business challenges their customers are facing? Do they help them with achieving gain or removing pain? This involves soliciting clear and detailed feedback from customers on what they think and what they value.

With these insights in hand, sales management next looks at what other assets they have access to, beyond their product/service offerings: relationships with suppliers/customers; internally developed business processes; intellectual property, etc.; The world-class sales organization can bring these additional assets to the table to ensure and maximize the success of their customers in meeting their current objectives, while advancing longer-term corporate objectives.

This approach then become the basis for creating a customer engagement model that defines the specific strategies and tactics the company will employ to not only demonstrate product parity/superiority, but also the value-add they bring to the client. This model becomes the rule for how sales “sells.” Variations to the process then require management approval versus being at the discretion of the individual rep.

## **Sales Team Assessment and Support**

With the “what of selling” clearly defined, the next level of the foundation is ensuring the right team is in place to execute the process. Refer back to the SRP Matrix and consider two diametrically opposed sales forces selling in the same industry. The first is Relationship Level 1/Process Level 1, the second is Relationship Level 5/Process Level 4. What would you expect to find different between these two organizations? A legitimate answer might well be “EVERYTHING!”

The successful salespeople hired by R5/P4 firm would fit a much different profile than those hired by a R1/P1 company. The compensation programs the two firms select will likely be poles apart. R1/P1 reps might function well without any type of sales automation technology beyond contact and calendar management, yet R5/P4 reps may be crippled without access to a robust CRM system. On the upper end, the strategic horizon for R5/P4 firms could be years, while for some R1/P1 firms, the “strategic” timeframe could be days.

Now consider what would likely happen if we took a solidly performing rep from an R1/P1 firm and had that person swap jobs with a rep from an R5/P4 company. We would discover that the ability of these reps to survive in their new ecosystem would be like a penguin and a camel trying to swap habitats. Because of these factors, we refer to this as sales team revolution versus sales team evolution. Sales organizations looking to build a world-class sales organization need to not only look at whom they want to hire in the future, they also need to assess the capabilities and aptitudes of their existing sales force to see how successful they will be in making the transition from “as-is” to “to-be.”

CSOs need to ensure the right team is created that will embrace and successfully implement the customer engagement model. Avoiding dealing with this issue upfront can create instances where some of the people involved can slow or even derail adoption of the new processes necessary to move a firm beyond being seen as just a vendor.

Please note that the right team is not just the right reps, it is the right managers as well. If a company starts to create a Sales 2.0 sales force, but they report to group of Sales 1.0 managers, the result is a recipe for confusion or failure. The customer engagement model will also redefine the role of sales management, and the capabilities and aptitudes of these individuals will need to be assessed as well.

## **Salesperson Efficiency**

With the engagement model defined, and the team in place, meaningful change begins by first starting to get sales reps to open themselves up to new ways of working. This can initially involve training the sales force in a common methodology. Starting to formalize how reps work can streamline tasks such as account prioritization, opportunity qualification, forecasting, etc. when reps and managers are working with a common definition of what is involved in each aspect of selling.

This is also the time to ensure that a core CRM system (territory management, contact management, opportunity management, forecasting, etc.) is in place. Our studies have shown that adoption of these

tools improve sales rep/manager communication, aid in developing/managing forecasts, reduce administrative burden being placed on sales reps, etc.

As reps embrace these changes in how they work—having seen personal payoff in doing so—productivity increases. With this, an increase in voluntary adoption of these new sales methods occurs and the company can then focus on moving up the SPO Pyramid.

### **Salesperson Effectiveness**

The next stage of the pyramid focuses on optimizing sales rep effectiveness. This involves doing a detailed analysis of each of the major stages in the customer engagement model to identify the specific challenges impacting sales performance. Are reps finding it challenging to prioritize what opportunities to pursue and which to avoid? Is the needs analysis process time consuming and/or prone to error? Are the presentations being given to prospects ineffective at moving them to the next step in their evaluation? Are the business cases being created inaccurate or incomplete?

As roadblocks to success are identified, and priorities for improvement set, new processes are then defined to optimize performance in that aspect of selling. These processes will often involve the support of technology enablement. This goes beyond core CRM capabilities being leveraged by reps. CRM 2.0 functionality can include sales intelligence for optimizing account research; prescriptive sales coaching to provide reps insights into how to fine tune the sales process for specific industries, stakeholders, competitors, etc.; sales knowledge management for presentation and collateral optimization; configuration technology to ensure the accuracy of the solution being proposed to the client; etc.

Once again, change is being introduced into how salespeople sell. To reinforce and enforce these changes requires that sales management has the processes and tools in place to ease monitoring/managing what their teams are doing. Sales 2.0 can then be supported by CRM 2.0 incentive management systems which allow managers to put in place compensation strategies that reward reps for adhering to the new approaches to selling. Also, with reps consistently managing their pipelines via CRM systems, sales managers can more effectively assess the quality/quantity of the pipeline.

### **Sales Team Effectiveness**

As salespeople integrate process and technology into their day to day workflow, the foundation is in place for optimizing sales team performance via fully deploying a dynamic sales process. Now with all members of the sales force essentially doing the same thing, the same way, two key insights emerge from advanced analytics.

First, best practices become evident. Looking back over deals done during the past quarter or two, sales management can identify attributes of high win opportunities. These can include identifying which market segments to focus on, which stakeholders in those accounts to engage, how to use specific sales tactics, when to introduce references or conduct headquarters visits, when to involve executive management, what advantages to leverage against which competitors, etc. As these optimal selling

practices are identified, they can be synthesized and shared across the sales team, raising the effectiveness of all team members.

Second, other insights that emerge are early warnings of where and how current deals are getting off track. Sales management analytics constantly monitor the details associated with each deal in the forecast. When something changes: the deal probability or deal size is reduced; a new stakeholder is identified; a major shift occurs in the client's market; a new competitive improvement is announced; etc.; these systems notify the appropriate manager. The manager can then proactively determine which rep needs help on a specific deal, and more effectively mentor and coach that individual.

### **Enterprise Effectiveness**

Our analysis has shown that as sales embraces a consistent way of selling, the predictability of business also increases. This sets the stage for improvements in enterprise effectiveness. An example of this is pipeline/forecast management. As more science and less art is applied to assessing the health of the long-term pipeline and the shorter-term revenue forecast, improved planning can be done by other functional areas of the company.

Linking into the CRM system, manufacturing can more effectively plan for what to build and when; service can better schedule the allocation of staff and resources; marketing can assess which campaigns are generating solid results and which are not; finance can more accurately manage cash; etc. Feedback also becomes a two-way street, as knowledge can now be fed *to* sales as well as received *from* sales. Best practices and insights surfaced by other functional areas can be shared with sales to help them more effectively qualify good/poor fits for their products, handle objections or questions, streamline tasks such as contract negotiations, etc.

### **Extraprise Effectiveness**

With all the previous cornerstones in place, a company is now in position to take their game one level higher: to that of "extraprise" effectiveness. Here they fully realize that optimizing how they market to, sell to and service customers goes beyond the walls of their company. It involves their suppliers, their channel partners, and their clients as well.

At this level, the business processes that exist between enterprises are reviewed and ways to more closely align/optimize them are identified. The processes are jointly redesigned, and the requisite information sharing systems are established to promote increases in efficiency *and* effectiveness. Our benchmarking has shown this to be especially effective in integrating sales processes and CRM applications between vendors and channel partners to optimize the way they work together to engage customers.

Advances in extraprise effectiveness also link various enterprises more closely together creating interdependencies that make it more difficult for a new competitor to dislodge the incumbent vendor.

## Ongoing Adaption/Optimization

Reaching the top of the SPO Pyramid is one thing, but staying there is another. The world of sales is an ever-changing ecosystem, where shifts in the business climate, government regulations, the competitive landscape, etc., need to be continually assessed and managed.

This dynamic environment requires that companies have robust analytics in place to foster the early detection of changes, so that the right people can be notified, and corrective strategies and tactics developed and implemented as soon as possible.

## Conclusion

In benchmarking the efforts of firms that have embarked on the journey to full sales performance optimization, we have learned three lessons:

1. **It is Not Easy:** You are going to be fundamentally challenging a number of sacred cows that your company has created over time, and replacing them with new ways of doing business. These paradigm shifts will send tremors through the company as people adjust (or leave because they cannot or will not buy into the new direction).
2. **It is Not Fast:** SPO involves combining a revolutionary vision with an evolutionary implementation plan. You want change to happen as quickly as possible, but not so fast that chaos breaks out. This phased approach means while improvements will occur at each major milestone, the whole journey may take years to complete.
3. **It is Not Free:** You will be investing in existing process redesign/new process creation, organizational development and training, technology-enablement infrastructure, etc.

But there is one other thing to consider: **It is Not Optional.** Those firms that become world-class at SPO will see selling effort decrease as sales effectiveness improvements (i.e., optimized processes and technology-enablement) increase. Their sales teams will target prospects that are more likely to buy, complete sell cycle tactics in fewer calls, streamline enterprise/extraprise communications, etc., resulting in deals closing in less time with the need for fewer calls.

As a result, these sales organizations will experience higher win rates (and conversely lower rates of competitive loses and no decisions) while expanding sales capacity (from freed up selling time). And the deals that close will be at higher margins as customers take into account not just the products being delivered but the value-add the vendor brings to the table as well.

Effective customer communications and improved customer loyalty will generate more revenues from accounts as these sales organizations are able to improve their ability to effectively renew contracts, cross-sell/up-sell, introduce new products, and farm additional deals from existing customers.



And analytics monitoring the sales, enterprise, and extraprise processes will continually surface best practices that can be proactively leveraged to fine tune product, market, sales, and services strategies and tactics going forward. These companies will maintain their high level of performance, even as changes occur in the sales ecosystem.

The size of the prize for optimizing sales performance is compelling enough that some firms will do it. And as soon as one player in a marketplace achieves success, they will set a new bar that all other players in the space must strive to match or find themselves at a severe competitive disadvantage. SPO is, therefore, not a question of *if*, but rather of *when*.