Building a Customer-Focused Growth Engine: Establishing Sales Force Effectiveness Priorities

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The often-mentioned quote “Nothing happens until someone sells something” is a strong tribute to the importance of the sales organization. Even so, sales continues to be one of the most poorly understood and underoptimized areas of business.

One reason for this gap is that, during the last decade, sales has become an increasingly complex business function. A multitude of forces—including product commoditization, buyer sophistication, global competition and an explosion in technologies and data—are behind this trend. These forces have changed the sales environment forever, demanding new sales models and sophisticated internal and customer-facing sales capabilities.

These forces have also elevated the strategic importance of sales. In markets where great products or services alone do not easily carry the day, the sales force can be a critical source of value creation and competitive differentiation.

Not surprisingly, sales force effectiveness (SFE) has become a priority for executives. The potential performance gains associated with SFE are compelling. Companies that move from average to excellent sales force effectiveness regularly increase profitable organic growth 5%–15%, and sometimes 20% or more.

Any sales force can likely improve on a wide range of SFE dimensions. Traditional approaches to SFE evaluation can help sales leaders to get a sense for performance gaps but are insufficient for maximizing SFE in today’s complex environment. To realize significant performance gains, sales leaders must adopt granular, systematic and comprehensive approaches to SFE.

The approach introduced in this article will enable sales leaders to best focus on the specific drivers that will maximize sales force effectiveness and lead to superior growth.

A NEXT-GENERATION APPROACH TO SFE EVALUATION AND PRIORITIES SETTING

Adopting a Comprehensive Framework

The sales function is a dynamic system with a multitude of moving parts and interdependencies. SFE Navigator™, shown in Figure 1, is a comprehensive SFE framework designed for today’s selling environment and organizations. The framework specifies 30 drivers of sales force effectiveness that map to six conditions required for SFE.

SFE drivers define the decision areas that are in sales leadership’s direct control or sphere of strong influence, and that ultimately dictate the sales force’s financial performance. The relationship between drivers and financial performance can be best understood by considering the chain of events that connects the two. Decisions about the drivers dictate the number and profile of salespeople, their activities and their priorities, which drives the quality of the buyer’s experience during the sales process and the buyer’s perception of value, which drives the sales force’s productivity (e.g., win rates, deal sizes, deal margins, cost-of-sales, etc.), which culminates in the sales force’s impact on company revenue, profit and market share. While the relative importance of each driver may vary for each company, they are all applicable across industries, countries, strategies, cultures and sizes of sales force.

The SFE drivers are the tools available to sales leadership to ensure that the sales force knows its strategic growth priorities and has the capabilities required to achieve those priorities. The SFE drivers are also the tools for addressing internal pain points or competitive disadvantages that arise and are inhibiting marks greatly increase the objectivity, accuracy and specificity of SFE evaluations.

Continuous improvement processes must be embedded in the organization to validate the results from leading-practices benchmarking.

Quantitative SFE analyses are most effective when used to complement and validate the results from leading-practices benchmarking.

SFE priorities setting must be linked explicitly to the company’s key organic growth opportunities to ensure maximum ROI on SFE initiatives.

Continuous improvement processes must be embedded in the organization to realize and sustain the full benefits of SFE.

These insights formed the foundation for the development of a next-generation approach for SFE evaluation.

BACKGROUND ON THE UNDERLYING RESEARCH

In January 2012, ZS Associates formed a committee of 10 senior firm leaders with deep expertise in SFE to research and advance the state of the art in SFE.

The members of this team brought more than 250 years of combined experience in sales and marketing. As a group, team members had conducted more than 2,500 SFE projects with more than 350 companies, spanning more than 25 industries and 40 countries. In addition, the team drew on nearly 30 years of SFE-focused ZS research and application, input and feedback from sales leaders in many industries.

The team focused on one aspect of SFE: helping companies identify SFE gaps and setting priorities for improvement. The team chose this focus because effectiveness evaluation and issues prioritization is the first step in SFE advancement. It is also a capability with which many organizations struggle.

Six fundamental insights emerged from the research:

1. SFE frameworks need to be broadened to address today’s complex selling organizations and requirements.

2. There is no one-size-fits-all approach to SFE evaluation and priorities setting. A flexible, step-wise SFE evaluation and priority-setting process that can be customized to each sales leader’s particular situation is required.

3. Highly granular leading-practice benchmarking greatly increases the objectivity, accuracy and specificity of SFE evaluations.

4. Quantitative SFE analyses are most effective when used to complement and validate the results from leading-practices benchmarking.

5. SFE priorities setting must be linked explicitly to the company’s key organic growth opportunities to ensure maximum ROI on SFE initiatives.

6. Continuous improvement processes must be embedded in the organization to realize and sustain the full benefits of SFE.

These insights formed the foundation for the development of a next-generation approach for SFE evaluation.
Implementing a Flexible Process

There is no one-size-fits-all approach to SFE evaluation. Sales leaders face different performance requirements, timing pressures, resource constraints and investment hurdles. Figure 2 presents a process that ensures necessary rigor while allowing sales leaders to customize the approach to their individual situations.

Those elements with square bullets are essential to any SFE evaluation. Those with circular bullets can be added to the SFE evaluation process based on each sales leader’s circumstances.

MORE THAN JUST COMPENSATION AND TRAINING

The following perspective, shared by an executive at a leading industrial manufacturing company, is a common misconception that is limiting the performance of many companies:

All we need to do to fix the sales force is change the compensation plan and provide training.

Many leaders rely far too heavily on compensation and training to drive SFE improvements. Both are critically important, but by themselves they are almost always insufficient to achieve significant growth in revenue or profit.

One reason that leaders fall into this trap is that compensation and training are less disruptive to the organization relative to other drivers. However, being relatively easy doesn’t make them the right drivers on which to focus.

Another reason is the lack of formal sales and SFE education opportunities. Less than 1% of undergraduate institutions in the United States offer a major or a minor in sales, while only six graduate programs and none of the top 20 graduate business schools offer a concentration in sales for their MBA students.

financial performance. For issues as diverse as too little cross-selling, to too little selling time, to too many high performers joining competitors, the solution always resides in the drivers.
Benchmarking Granular Leading Practices

As indicated in figure 2, SFE evaluations are most cost-effective when they begin with benchmarking leading practices. Adopting granular leading-practice benchmarks results in far more objective, accurate and specific SFE evaluations than does the use of the more common high-level leading-practice benchmarks. A comparison of two examples demonstrates this point.

Figure 3 provides a high-level description of leading practices similar to those in many of today’s SFE frameworks. The leading practice shown is for the sales force structure driver.

Figure 3. High-level leading-practice benchmark.

High-level approaches are excellent for stimulating initial thinking and conversation. Unfortunately, they are somewhat limited in guiding objective, accurate and specific SFE evaluations.

The benchmark statements in SFE Navigator™ provide a far more granular picture of leading practices. For example, Figure 4 shows the leading-practice description for the sales force structure driver. Providing detailed leading-practice statements at this level removes ambiguity and ensures that evaluators share a precise and common understanding of the factors they should consider. Furthermore, insight at this level provides far-greater direction when determining specific priorities and actions.

Figure 4. Granular leading-practice benchmark from SFE Navigator™.

As shown in Figure 4, the initial summary statement for each driver illustrates the result of leading practices, while the subsequent detailed statements identify the specific practices required to achieve that result. Looking through both lenses helps evaluators avoid over- or underrating existing capabilities.

Both high-level and granular leading-practice benchmarking have a time and place. As mentioned, high-level benchmarking is a relatively simple approach for stimulating initial reflection and discussion, and it sometimes works better with participants who are not inclined to dig into the details. Granular benchmarking is a far better approach when the goal is an accurate and detailed SFE evaluation that will identify specific aspects of drivers in which to invest time and money.

Other qualitative techniques that can improve SFE evaluations include deep-dive SFE audits conducted by third-party sales force experts, 360-degree surveys of the field force and sales force competency assessments.

Utilizing Quantitative Analyses of SFE Drivers and Outcomes

Quantitative analyses can be effective for validating the conclusions of leading-practices benchmarking.

Quantitative analyses of SFE “outcomes” provide insight into how well the sales force is performing relative to expectations. The metrics that are incorporated into outcomes-analyses include revenue, profitability, market share, win rates, deal sizes, cycle times, churn rates, customer satisfaction, activity levels and others.

Outcome-analyses provide an absolute figure: For example, growth is 5% and the win rate is 37%. To determine if the sales force is doing well on such metrics, practitioners also require a comparative reference.

One type of outcomes-analyses reference is a prespecified goal. For instance, if a company’s current win rate in key accounts is 37% and its goal is 42%, the sales force probably has a win-rate problem. Another approach for establishing an evaluative reference is through comparisons across different internal groups. Common methods include comparisons of top, midtier and low performers and across regions.

For example, in Figure 5, the win rates in regions 3, 4 and 5 are much lower than those in regions 1 and 2, even though average sales price is the same. While one cannot conclude that regions 1 and 2 are performing as well as possible, it appears that the sales force has a win-rate problem in regions 3, 4 and 5.

Figure 5. Example of quantitative analysis of outcomes.

Quantitative analyses of SFE outcomes help identify issues and make the case for SFE improvements. They do not provide insight into the root causes of either good or poor performance. Figure 5 does not indicate why win rates are low, just that they are low. Outcomes-analyses alone do not provide sales leaders with a clear course of action to improve performance.
To understand the source of performance issues, companies can use a combination of leading-practices benchmarking and quantitative SFE drivers-analyses, as drivers are the root cause of performance issues. Figure 6 provides an example of two quantitative analyses that helped to discover the source of the win-rate problem in regions 3, 4 and 5.

In the first analysis, salespeople in regions 3, 4 and 5 are spending much less time on account and call planning than salespeople in regions 1 and 2. High-impact calls require rigorous planning.

In the second analysis, salespeople in regions 3, 4 and 5 are not as discriminating as those in regions 1 and 2 when determining what constitutes a qualified lead. While other drivers-analyses can help uncover the potential causes of low win rates, these two analyses exemplify the approach.

Determining the right mix of SFE quantitative analyses to conduct—and drawing the appropriate conclusions regarding causality—is both challenging and critical to making the right SFE decisions. Doing so can require deep SFE expertise. Furthermore, data integrity issues, such as the accuracy of secondary data and the reliability of self-reported data, impact the extent to which quantitative analyses alone can be relied upon to assess effectiveness. For these reasons, it is often best to use quantitative analyses as a means to validate or refute leading-practice benchmarking as opposed to a stand-alone approach.

External benchmarking is a third type of quantitative analysis that can aid SFE evaluation. External benchmarking draws comparisons between the organization’s own sales force performance and the performance of competitor or leading-practice organizations. While useful, SFE practitioners sometimes place too much emphasis on such benchmarks. Comparing quantitative figures across companies, even in the same industry, can be challenging. For example, consider sales per rep, which is a popular benchmark. High sales per rep can indicate high individual salesperson productivity; however, it can just as easily indicate an undersized sales force. Furthermore, the companies being benchmarked may not be pursuing the same strategies or not have made the best decisions relative to the drivers in question.

In general, external benchmarks are best suited to stimulating further internal assessment or to raise red flags. When benchmarking against best-practice companies, it is often better to focus on how the company is making decisions as opposed to what specific decision was made in the company’s unique circumstances.

**Deciding SFE Driver Priorities to Address**

Any leadership team can arrive at a long list of areas in which the organization could be improved. Even the world’s best sales organizations have dozens of ways in which they can increase SFE. The question is never “Can we improve?” but rather “Where are we going to improve to achieve the greatest return?”

As an executive vice president of sales and marketing at a Fortune 200 transportation services company put it:

> Being world-class in every aspect of sales is not our goal. We don’t want to create a bright and shiny sales force. We want to improve the sales force in those specific areas that will lead to significantly better business results.

Companies should prioritize SFE drivers based on the answers to nine key questions, which collectively address the room for effectiveness improvement, the likely performance impact associated with improvement and the feasibility of achieving improvement (Figure 7).

The answers to these questions can inform the cost-benefit trade-offs associated with choosing alternative SFE priorities. When required, companies can develop financial models to quantify in more detail the expected incremental revenue, costs and profit associated with investments in different SFE drivers.

The fourth question of the nine—which asks if any SFE driver

**WHO TO INVOLVE IN THE EVALUATION**

SFE practitioners often struggle to determine who should be involved in leading-practices benchmarking. In general, the right group is a combination of individuals who collectively have deep insight into how the sales organization is approaching each of the drivers. In some cases, evaluation teams meet and go through the entire exercise as a single group. In other cases, subteams complete assessments for select drivers. The subteams then meet to compile, review and refine the complete evaluation together.

In any scenario, groups must facilitate the process in a way that mitigates rating inflation or deflation resulting from lack of objectivity or insufficient awareness of current practices. Involvement of third-party experts can help increase objectivity and accuracy.
### Current Effectiveness & Room for Improvement

1. How effective is our sales organization in this driver relative to leading practice?  
   - Based on:  
     - Leading-practice benchmarking  
     - Quantitative analytics

### Likely Performance Impact Associated With Improvement

2. How effective is our sales organization in this driver relative to our competition?  
   - If both companies are equally weak:  
     - Would excellence in this driver create a high-impact competitive advantage?  
   - If our company is at competitive disadvantage:  
     - To what degree is our relative weakness causing us to lose line-of-sight into valuable opportunities or to fail to win those opportunities cost-effectively?

3. Is this a driver in which our sales organization must improve in order to resolve an internal pain point that is prohibiting significant increase in performance?  
   - For example, if excessive salesperson turnover is limiting sales force performance, drivers such as selection and hiring, territory design, training, coaching, and incentives and rewards might be at fault.  
   - Examples of common internal pain points include the following:  
     - Low sales force engagement  
     - Too little or too much time on specific activities  
     - Poor team coordination  
     - High sales force turnover  
     - Too little selling time  
     - Low opportunity identification  
     - Low win rates or retention rates  
     - Small deal sizes  
     - Long selling cycles  
     - Poor customer experience, satisfaction or loyalty  
     - High cost of sales support  
     - High cost of sales

4. Is this a driver in which the sales organization must improve or transform in order to achieve its most important growth priorities?  
   - For example, if the growth priority is increased cross-selling in enterprise accounts in North America, structure, sales process and incentives might be drivers that need to be addressed. (See the discussion on this topic at the end of this section.)

### Feasibility of Achieving Improvement

5. If the sales organization makes a change in this driver, what other interdependent drivers will the company also need to address?  
   - For example, if the company changes its sales force structure, the company might need to update its sales force sizing, territories, goals and incentives.

6. How quickly will the company see the impact associated with a change in this driver?  
   - The time required to design, implement and realize the business impact associated with different drivers varies. In general, actions that can be implemented from the top down and that require little buy-in at the salesperson level tend to have the fastest impact.  
   - Examples of associated drivers include sizing, territory design, incentives and dashboards.  
   - Actions that require major changes in sales force knowledge, skills and behaviors tend to take longer. Examples of associated drivers include sales process and hiring process (e.g., where hiring process is being changed to increase the average talent level of the overall sales force).

7. What are the associated risks, and how can the company mitigate them?  
   - Common examples of risks:  
     - Sales force distraction and demotivation  
     - Poorly managed customer disruption  
     - Loss of high performers  
     - People not in roles to which they are best suited  
     - Unintended and counterproductive sales force behaviors  
     - Inability to deliver on new customer promises  
     - Reversion to prior practice

8. How much leadership time will be required relative to available bandwidth?  
   - While external resources can be brought in if necessary to support SFE initiatives, a level of management time and focus is required to lead SFE initiatives under any scenario.  
   - Consider other initiatives that may be competing for the same leadership time to ensure that the required bandwidth is available.

9. What is the overall cost relative to budget constraints?  
   - Costs may include capital and operating expenditures, each of which might be treated differently when deciding SFE investment priorities and ROI.
needs improvement in order for the sales force to achieve its specific growth priorities—warrants special attention. Many SFE frameworks and practitioners do not address this relationship explicitly. As a result, their SFE initiatives may or may not directly support the sales force’s best and most important growth opportunities.

For purposes of SFE evaluation, granular sales force growth priorities are by far the most actionable. High-level objectives, such as “grow 15% in midmarket accounts in North America,” do little to guide SFE decisions. For SFE evaluations, growth priorities must be specified at the segment, product, region, and “growth-source” level.

As an example of granular sales force growth priorities, Figure 8 presents the priorities set by a global high-tech software and systems provider for its North America business.

In this case, the sales leadership team identified a number of SFE drivers that had to be improved in order for the sales force to achieve its growth priorities:

1. The sales force structure and the sales process were effective at driving new account acquisition in enterprise and large accounts but not at driving cross-selling, the largest and most attractive growth opportunity in both segments.

2. The sales force lacked the capacity needed to reach enough midsize prospects to drive significant new account acquisition. New account acquisition represented the largest and most attractive growth source in this segment and a more important growth source than any other, except cross-selling in enterprise and large accounts.

Based on these insights, leadership recognized that sales force structure, sales process and sales force size had to change in order

<table>
<thead>
<tr>
<th>Sales Force Growth Priorities Worksheet</th>
<th>Sales Force Growth Priority 1</th>
<th>Sales Force Growth Priority 2</th>
<th>Sales Force Growth Priority 3</th>
<th>Sales Force Growth Priority 4</th>
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<tr>
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<td>Enterprise Accounts</td>
<td>Midsize Accounts</td>
<td>Large Accounts</td>
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<tr>
<th>Growth Sources</th>
<th>What are the most important sources for revenue and/or profit growth relative to this priority? (Check two max.)</th>
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| PENETRATION                            | □ Increasing existing customer share of wallet for our products they already purchase.  
□ Moving existing customer purchases to a higher-value product, cannibalizing sales of our lower-value product.  
□ Integrating products and services, often sold individually, into bundled offerings tailored to individual customers or prospects.  
□ Leveraging relationships with an existing customer to sell a new product (e.g., from a different business unit).  
□ Increasing the number of target prospects converted to customers.  
□ Decreasing defection of existing profitable customers.  
□ Changing pricing to increase profit and/or revenue.  
□ Reducing cost-of-sales while maintaining or increasing profit, revenue or both. |

Figure 8. Granular sales force growth priorities for a high-tech company.

A BETTER APPROACH FOR DETERMINING IMPACT

Most SFE frameworks set priorities based on an evaluation of each driver’s effectiveness and impact. Drivers that are rated low in effectiveness and high in impact are deemed priorities. Conceptually, this approach is fine. The biggest shortcoming is that evaluators often have little guidance in their assessment of impact.

SFE Navigator™ provides a more objective and accurate assessment of impact than current approaches. SFE Navigator™ helps evaluators consider the underlying factors that most strongly determine impact, including the following:

- Is this a driver in which the company must significantly improve or transform in order to achieve its most important growth priorities?
- Is this a driver in which the company must significantly improve in order to resolve an internal pain point that is hindering performance?
- Is this a driver in which the company must significantly improve in order to resolve a competitive disadvantage that is hindering performance?
OPERATIONALIZING SFE TO ACHIEVE CONTINUOUS IMPROVEMENT

SFE is not a one-time initiative. It is an ongoing process and business discipline that deserves deeper understanding and broader adoption as companies seek to increase profitable growth.

In general, SFE programs fall into one of two categories: 1) continuous improvement and 2) sales force transformations. Continuous improvement tends to focus on a small subset of drivers each year, while sales force transformations are often comprehensive, one-time events.

The best sales organizations institutionalize SFE continuous improvement as a cyclical business process (Figure 9). By doing so, they improve SFE year after year, systematically improving customer experience and cost effectiveness while making it extremely difficult for competitors to catch up.

CASE EXAMPLE 1: CONTINUOUS IMPROVEMENT

Background:
- Fortune 500 company
- Sales culture of celebrating success while remaining highly dissatisfied with the status quo
- Institutionalized an annual SFE continuous-improvement process

Impact:
- Consistently named industry’s best sales force by customers
- Consistently exceeded growth targets

Figure 9. Institutionalized continuous-improvement case example.

Conversely, sales force transformations may involve change to many drivers at once or in sequence, at least one of which is an upstream driver. Upstream drivers include segmentation, value proposition strategy, pricing strategy, sales force structure and sales process. Change in any one of these drivers typically necessitates change to some or many of the “downstream” drivers (Figure 10).

CASE EXAMPLE 2: SALES STRATEGY & CAPABILITIES TRANSFORMATION

Background:
- Market-leading global industrial manufacturing company
- Increased buyer sophistication
- Increased core offering commoditization
- Rapidly losing market share to chief competitors
- Fundamentally transformed along all SFE drivers to design a sales strategy and to build capabilities required to win in the new environment

Impact:
- Within 12 months post-launch achieved 13% revenue growth directly attributable to increased SFE
- Dramatically outpacing competitors

Figure 10. Sales force transformation case example.

Note that in general, sales force transformations average from 6 to 12 months for pre-rollout design, followed by 3 to 12 months for post-rollout follow-up including implementation and reinforcement.

The triggers for sales force transformations often are sustained underperformance or major events, such as innovations, mergers, deregulation and competitor actions. Once an organization completes a sales force transformation, it should then revert to continuous improvement.

CONCLUSION

As the sales environment has evolved over the last decade, so has the complexity and strategic importance of the sales force. More granular, systematic and comprehensive approaches to SFE evaluation are now necessary. Adopting the SFE approaches outlined in this article provides a host of benefits:

- A comprehensive and detailed understanding of the core drivers of SFE.
- Increased objectivity, accuracy and specificity of the SFE evaluation.
- Tighter alignment between SFE decisions and the growth opportunities that are most important to the company and sales force’s success.
- Better understanding and assessment of the interdependencies between drivers, resulting in more complete assessments and planning.
- An ongoing business capability that drives continuous improvement and supports larger-scale transformations.

Together, these benefits will result in sustained competitive advantage and superior organic growth.

Endnotes
1. This famous quote is attributed to a number of people, including Peter Drucker (writer and consultant), Thomas Watson (chairman and CEO of IBM) and Arthur Motley (former publisher of PARADE magazine).
2. Based on a review of ZS SFE engagements spanning a wide range of industries, countries, company sizes and sales force sizes.
3. For more information on determining drivers associated with common sales force pain points, see Building a Winning Sales Force by Andris Zoltners, Prabhakant Sinha and Sally Lorimer (AMACOM, 2009).