



SALES + MARKETING

ZS Explorer Study: Making the Business Case for High-Impact Sales Force Effectiveness (SFE) Initiatives

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This is the latest article in the ZS Explorer Study series, which discusses our comprehensive findings regarding the potential return from investments in sales force effectiveness (SFE). This article focuses on how to use these findings to build a strong business case for dedicating resources to SFE investments.



Investment in the sales force is a key driver of organic company growth. While most sales leaders know this intuitively, there have been few robust benchmarks available to help quantify the potential gains. The ZS Explorer Study, released in June 2015, fills a critical gap in providing aggregated benchmarks on the impact that is possible when conducting sales force effectiveness (SFE) initiatives. Our analysis found that transformative investments in SFE, when implemented properly, can deliver performance improvements of approximately 10% in revenue and profitability, and up to 30% in some cases. Even limited investments in single SFE initiatives can deliver, on average, 4% to 8% increases in revenue. (For more detailed findings and the methodology, see the [Explorer Study executive summary](#).)

These are important benchmarks that sales leaders should begin to use to help justify investments in their sales forces. As more and more companies call for these investments to be self-funding, sales leaders must be able to project the magnitude of impact these investments will generate.

We know that sales leaders frequently struggle with building this business case. Many companies have not measured the impact of prior SFE initiatives, lacking either the resources or the infrastructure (or both) to do so. This is particularly true in industries with long sales cycles where an SFE program's impact on revenue can sometimes take significant time to manifest itself. Among respondents to the Explorer Study, roughly 25% do not quantify the impact of their SFE initiatives, and more than 50% of respondents don't calculate ROI.

This article discusses how sales leaders can use the findings of the Explorer Study as one part of a business case for investments in SFE. It also discusses the other elements of a strong business case, including an explicit link to the company's strategy, a detailed plan for implementation, and a commitment to measure the actual impact of the initiative, once implemented. By focusing on these four elements, sales leaders can build compelling cases that can persuade management teams to allocate the resources needed to make SFE investments.



Building a Better Business Case

The Explorer Study is a good starting point in helping organizations identify the potential impact from sales force investments. But the financial impact is only one element of a good business case. In our experience, several other aspects are also critical. A strong, executive-friendly business case includes four elements:

Financial Impact	Link to Priorities and Strategy	Implementation Plan	Measurement Plan
A clear idea of the financial impact the company can expect to see from the investment, ideally pegged to organization and industry benchmarks	An explicit link to the company's priorities and strategy, along with a strong argument for why the investment is required now (as opposed to later)	A detailed implementation plan for success, broken down into clear action steps and accountabilities	A commitment to measure performance after the investment in order to quantify the actual impact

Companies usually have one or two of these components, but they rarely have all four. Each element warrants a more detailed discussion.

1. Clear financial impact

Projecting the financial impact of the initiative is a critical element of any strong business case, but it has also been the most challenging for many sales organizations. The Explorer Study can now help provide these benchmarks to project the potential impact of SFE initiatives, so that sales leaders can make the case for self-funding investments. The study was based on a quantitative and qualitative analysis that included executive interviews, case studies, meta-analysis of academic articles and a survey of sales leaders, yielding more than 800 data points across 171 companies.

In terms of revenue, the Explorer Study found that companies that invest in a single SFE initiative to ensure the right customer coverage plan or to create a performance-focused sales team could improve their performance by 5%, on average, in the first year. Investments to enable an efficient and effective sales operation increased revenue by an average of 4%. And initiatives aimed at increasing the impact of each customer interaction led to an average of 8% improvements in revenue. As expected, systematic investments across two or more SFE measures led to even larger gains, an average of 9% and up to 30%.

Those are aggregate numbers for the entire sample. A company's actual performance improvements could be higher or lower, depending on a range of factors. Such factors include the industry in which the company competes, the maturity and growth rate of that industry, the strength of competitors, the relative influence of the salesperson in purchasing decisions and the current level of sales force effectiveness, among others. It can also depend on the quality of the implementation and other leadership factors. Understanding your company's particular situation, and which benchmarks from the Explorer Study are most

Sales Force Effectiveness (SFE) Diagnostics

Understanding how your company's sales force performance compares to that of your competitors and against Best Practice typically involves three elements:

- + **Voice of the business:** Conduct a top-down, cross-functional process to identify the key SFE issues and potential opportunities for improvement and make sure all stakeholders are aligned. Companies can use the SFE Navigator™ (a ZS online tool to evaluate SFE against best-in-class standards in an objective, unbiased way) and complement this with quantitative analytics that leverage available secondary data and expert field observations.
- + **Voice of the sales force:** Listen to perceptions of issues from reps on the front line, including their overall engagement level, and gain a better understanding of how they allocate their time and effort across various activities.
- + **Voice of the customer:** Gauge your customers' overall satisfaction across various experience drivers with respect to sales force effectiveness, and compare that performance to how effectively competitors are able to engage customers.

relevant to you, will make these benchmarks more predictive and impactful as you build the business case for investments in SFE initiatives.

2. A link to strategy and priorities

When building a business case for SFE investments, it is critical that sales leaders align initiatives with the most urgent priorities and key growth strategies of their organization. This process frequently begins with identifying strengths and weaknesses of a sales force in order to tailor investments that are likely to generate maximum impact. This requires conducting a diagnostic to benchmark the organization's sales force relative to best practices for its sector, particularly compared to its strongest competitors. (See the sidebar on SFE diagnostics.) This evaluation allows sales leaders to highlight changes needed to ensure the sales force contributes meaningfully to driving the organization's growth agenda.

3. A detailed implementation plan

With a clear idea of the achievable gains and priority areas for improvement, the next element of a strong business case is a solid project plan with clear milestones and cross-functional accountabilities. Even more than other initiatives, changes to the sales force can be difficult, both because of the way sales representatives work—often in the field and independently—and because of the disproportionate impact they have on a customer's perception of the company (see Figure 1). Because of these factors, there is a bigger risk of initiatives going wrong—and bigger consequences if they do. As a result, the business case needs to address the implementation aspect, including how the company will identify and handle these risks.

Sales forces present some unique change management challenges relative to other functions.

Unique Characteristics	The Big Risks
<ul style="list-style-type: none"> + Entrusted with the company's most valuable asset—it's customers. + Operate more remotely, much of the time alone. + Carry greater financial risk because of variable incentive plans. + Must directly compete with salespeople from other companies on a day-to-day basis. + Must balance between customer interests and those of their own company. + Salesperson demotivation and disruption has greater impact on company sales than any other position. + Salesperson "attitude" and "behavior" are directly visible to customers. 	<ul style="list-style-type: none"> + Too much customer relationship disruption. + Loss of top performers. + Business today suffers due to distraction and demotivation. + The wrong people end up in the wrong roles (limiting impact for years). + Leadership loses credibility with the sales force.

Figure 1: Implementation plans, including a solid change management strategy, are crucial because of the unique characteristics of sales force employees.

A key element to any implementation plan must be a rigorous change management plan. The right change management process includes active engagement from first line managers (FLMs). People in those roles have critical influence that companies should tap into during the change initiative. If those people feel heard and have the opportunity to contribute, then they're more likely to buy into the effort (rather than the often-observed path where SFE initiatives are dictated by executive mandate and risk sales manager and rep resistance).

4. The ability to measure performance

After implementation, the fourth element of the business case is a commitment to assess and track the impact of the initiative. The measurement process alone can reinforce the value of the initiative both with company leaders and with the sales force, once they realize that someone is "keeping score." The measurement process also helps the company build up institutional expertise and establishes a reference point to help develop the business case for future SFE initiatives.

The specific metrics can vary among different companies (see Figure 2). Revenue and profit are likely the most compelling outcomes, yet they are lagging indicators of success. Sales leaders need to consider leading indicators that also provide more forward-looking visibility into the impact of SFE initiatives, such as employee activity (e.g., the number of customer interactions in a fixed time period, time with customers, time in the field, customer plan updates in the CRM system), conversion rates at the different stages of the sales pipeline, or feedback from customers on the nature of their interactions with the sales force. For companies with long sales cycles, an uptick in these numbers can be a precursor to improved financial performance. Similarly, employee satisfaction and retention can help leaders gauge morale among reps, giving management an advance indication of problems—or of a more engaged sales force.

The right approach to measurement will vary depending on each company's specific situation. However, it's critical that sales leaders consider this in advance, commit to it, and spell it out explicitly for senior executives in the business case.

In our study we discovered that companies choose to track the impact via many types of metrics in building their business case.

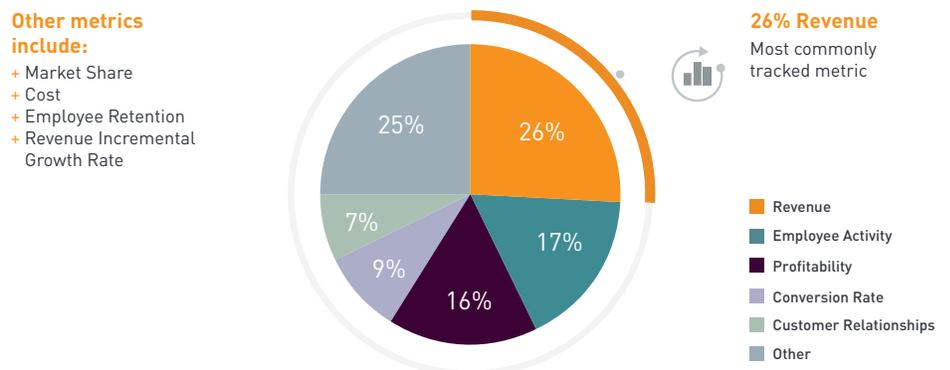


Figure 2: Companies can track the impact of SFE investments using a range of metrics, though they typically rely on revenue.



Conclusion

Sales leaders know they need to build a more effective business case in order to justify investments in their sales forces. Yet without all of the elements discussed, it can be difficult to convince senior executives to invest in SFE. The Explorer Study provides a critical foundation—quantitative evidence for the projected improvement.

Now it is up to the sales leaders to take action:

1. Define the range of benchmark impact that is relevant to your company's situation
2. Conduct a diagnostic of your selling organization
3. Develop an implementation plan
4. Establish ongoing tracking

Only then can sales leaders make a truly compelling case to senior executives about how—and why—SFE investments can help them create a competitive edge.

About the Authors



Torsten Bernewitz is a Principal based in ZS's Princeton, N.J., office. Torsten has close to 30 years of experience as a management consultant and in business leadership roles. He leads the Global Change Management Practice and has worked predominantly with Fortune 500 companies—and their affiliates in the United States, Europe, South America and the Far East—helping them transform their selling organizations to achieve faster growth and superior execution. His experience also includes sales and marketing roles with IBM and work for the Commission of the European Union in Brussels.



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