

Closing the Gaps in Sales Organization Capability

Overview

Sustaining sales growth over multiple years is a tough proposition for most sales forces; in fact our research shows that just 12% of large sales forces have sustained 10 consecutive years of growth. These odds are likely to worsen over the next few years, given the down economy.

How do firms weather economic downturns and overcome other obstacles to growth? Our recent research reveals critical differences in how firms are adapting to changing markets. Leading firms adapt three critical dimensions of growth capability—strategy, productivity, and performance—simultaneously. In contrast, lagging firms appear to focus their change-management efforts in only one or two of these three critical areas.

Most often, lagging performers focus on the performance dimension – emphasizing broad based training, changing incentive compensation schemes or quota expectations. Such programs are familiar territory for sales management, and represent a natural starting point for leadership intent on finding quick wins. But few firms with a narrow focus on the performance dimension achieve lasting value for their effort. By addressing all three dimensions—sales strategy, sales force productivity, and sales force performance—and addressing them simultaneously, sales leadership dramatically improves its chances of successfully adapting to changing markets and creating sustainable, long-term value.

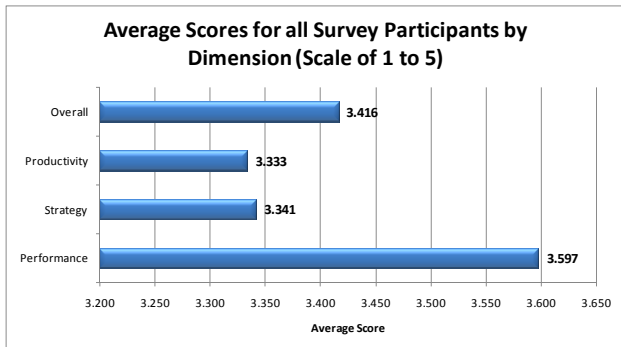
Remaining flexible and adaptive in the face of changing markets requires a strategy that reflects market realities, integrates multiple disciplines, and is well-supported with productivity-enhancing initiatives for the sales organization. Unfortunately, many sales organizations lack such a plan and have a tendency to respond too late with a loose array of tactical steps that leverage what managers know best but create little long-term value.

ROSI: Return on Sales Investment

To identify what sales organizations are doing well and what they could be doing better, Axiom Consulting Partners conducted a Return on Sales Investment (“ROSI”) Survey, a self-assessment of organizational performance on three dimensions—strategy, productivity and performance.

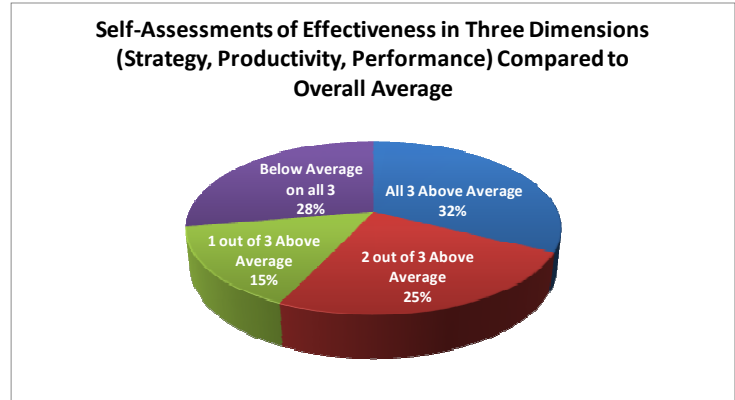
Dimension	Capabilities
1. Strategy	<ul style="list-style-type: none">• Market Sensing and Intelligence• Customer Priorities and Needs• Customer Segmentation
2. Productivity	<ul style="list-style-type: none">• Sales Force Design & Deployment• Sales Processes & Support Systems
3. Performance	<ul style="list-style-type: none">• Sales Capability• Performance Management• Compensation & Motivation

An initial look at the results suggests that these companies think their sales organizations are performing reasonably well. Respondents had scores above 3.0 for all dimensions. Performance received the highest score (3.6) while strategy and productivity lagged behind. On face value, this was not surprising since performance elements generally receive more time and attention by human resources and sales management.



[The ROSI Survey used a 5-point scale to measure the effectiveness of sales forces. A score of 1 is considered “needs significant improvement” and a score of 5 indicates “best in class”.]

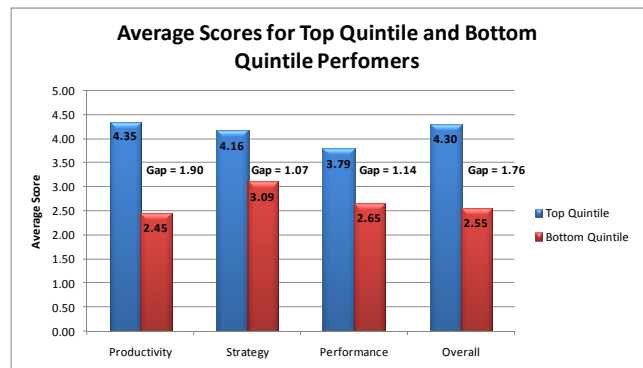
However, a closer look tells a different story. Despite overall scores above average (3.0), many organizations are underperforming. Data shows that 43% of companies consider their effectiveness to be *below average* in two or more of the dimensions reviewed. Further, only 32% of companies consider their effectiveness above average in all three dimensions.



High Performing Sales Forces

So what makes high performing sales forces different?

A comparison of top quintile performers vs. bottom quintile performers provides the answer. The most effective sales organizations (top 20%) rate themselves considerably higher than the bottom 20% in *all three* capability dimensions. Interestingly, productivity, a critical determinant of sales efficiency and effectiveness, and performance, which has long been a focal point of sales and human resources, prove most challenging. These points suggest it’s time for sales leaders to revise their improvement plans.



The table below highlights the top three to four opportunities for improvement in each dimension.

Summary of Opportunities for Improvement in Each Sales Dimension		Gaps (Avg. of Top 20% - Avg. of Lower 20%)
Strategy		
<ul style="list-style-type: none"> • Our product offering provides the benefits sought by our most valuable customer segments at a premium price. 		1.66
<ul style="list-style-type: none"> • We know our relative market share in each customer segment. 		1.41
<ul style="list-style-type: none"> • We understand the total sales potential of each product/service in our current and target customer segments. 		0.99
Productivity		
<ul style="list-style-type: none"> • We have identified critical activities within each step in the sales process and assigned them to specific roles in the sales organization. 		2.15
<ul style="list-style-type: none"> • We have an efficient and effective sales organization structure with appropriate spans of control across the organization. 		2.13
<ul style="list-style-type: none"> • Our sellers spend >55% of their time on selling activities. 		2.11
<ul style="list-style-type: none"> • We have covered accounts with the right number and type of resources to maximize growth and profitability. 		1.94
Performance		
<ul style="list-style-type: none"> • Quotas are set before the performance period and total 100 to 110% of the company's revenue goal. 		1.47
<ul style="list-style-type: none"> • Compensation programs are checked frequently for accuracy, reviewed annually, and adjusted frequently. 		1.32
<ul style="list-style-type: none"> • Compensation programs are aligned with business strategy. 		1.26

When presented with this information, sales leaders have a tendency to prioritize capabilities with the largest gaps (productivity) or to go for quick wins on capabilities with which they are most familiar (performance). While these approaches may be the best way to get started, sales leaders must not stop here. To create maximum value, they must improve their capability across all dimensions in symbiotic ways.

For example, if your company were faced with the above challenges, it could choose to improve its capability on productivity. However, without an understanding of sales potential, a new sales structure and sales process that is focused on the wrong customers wouldn't create much value. A more valuable strategy would be to focus on understanding the sales potential of segments, redesigning sales processes, covering accounts with the right number and type of sellers, and reviewing

compensation plans. This approach doesn't fix everything or focus on the largest gaps in each dimension. But, it does create a mutually reinforcing web of capability that ensures sales people are deployed against the highest value opportunities, have an efficient process with which to operate, and are sufficiently motivated.

Learn more about this research and assess your own organization's capability by taking Axiom Consulting Partners' online Return On Sales Investment Survey here:

www.rosisurvey.com/sales-mgt-assoc.

Tom Knight is a Partner with Axiom Consulting Partners, based in Chicago, IL. Tom can be reached at 312-523-2093, or via email at tknight@axiomcp.com. Kate Richardson is a Consultant, who can be reached at 312-523-2182 or krichardson@axiomcp.com. For more information on Axiom, refer to www.axiomcp.com.