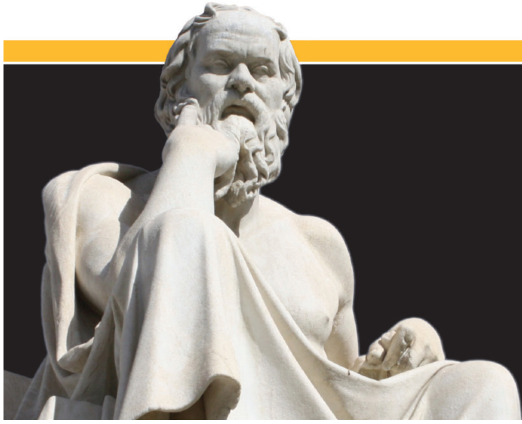

Alexander Proudfoot Global Advisory Board

An article from the board that merits your attention

Managing Revenue Shortfalls:

The Keys to Organic Growth

After two years of slashing costs, trying to get every ounce of efficiency possible out of the organization in order to meet analyst and stockholder demands, CEOs have come to the conclusion: it's time to grow the top line. Most studies and surveys show that. Organizations will usually focus on ways to improve the effectiveness of their operations first, minimizing costs wherever possible. However, cost reduction does not grow the business, and pressure will continue to mount on CEOs to increase revenue and margin.

Unfortunately, many CEOs face a common problem: sales organizations that cannot deliver on promises made. Most sales organizations underperform. They do not have the ability to effectively execute the strategy to grow the business at the desired, or required pace. This is not to say there isn't talent in the organization, nor the will to execute the strategy. On the contrary, most organizations have a certain level of talent with a strong belief they will be successful in delivering the sales plan targets. But too many quarters of missing the mark or barely achieving numbers against sub-optimal targets leave most CEOs wanting for more. Survey after survey over the past several years draw the same conclusion: Chief Executives need – and want – to grow the business, but do not have confidence in their organizations to effectively execute their growth strategy.

***Brand Pretorius**, recently retired CEO of the McCarthy Group in South Africa, the leading motor retail group in South Africa: "Inspirational leadership remains the most potent competitive advantage and the key source of every great achievement. To avoid price discounting and margin erosion, every effort must be made to optimize added value. These additional benefits should have substance through the customer's eyes. Secondly, it is a fact that exemplary service adds immeasurable value and reduces price sensitivity."*

There are many reasons why sales organizations underperform. This article will focus on four of these reasons:

- Inability to move the performance curve
- Fear of pricing
- Management by assumption
- The CRM myth.

There is recognition that sales organizations do not operate in a vacuum and are dependent upon other parts of the business to help achieve success. Those challenges will be addressed in later articles. This article focuses on those opportunities the sales organization can and should control, and impact.

__Hank McKinnell__, former CEO of Pfizer: "The keys to a high performing sales force are training, product knowledge, selling skills, and for the first line supervisors, sales leadership training. Most importantly of all, value the role of the sales force. The product has no value, unless that value, the products features and benefits, are communicated by your sales force. AIDA is a good formula to follow. Your sales force should be able to generate attention, interest, desire and action in each of their meetings with prospects."

Inability to move the performance curve

After spending millions on the latest training programs, promising a significant uplift in the performance and subsequent motivation of the sales force, one thing remains clear: the same 20% of top performers are still generating two-thirds or more of the sales revenue after the training. Most training programs deliver theory, not skill development and transfer. Hence, the financial impact projected as a result of the training does not materialize. Until sales executives take action on the bottom 10-20% (the non-performers), and implement solid coaching with viable metrics on the rest of the organization, they will not achieve the financial potential of their organization. The development and skills transfer of any sales organization takes place in the field, in front of the customer. Those 60-70% of nominal performers are where the major improvements will occur and the greatest financial benefits will be realized. Only when sales management realizes their responsibility to have a much greater hands on approach and their requirement to move a significant number of nominal performers to top performers, will the investment in training dollars actually pay off.

__Ed Hanway__, former CEO of Cigna: "Unless activity levels are set for all sales professionals at each step of the process from initial call through sales close your sales organization will perpetually underperform. Set the goals, measure and track them and intervene early if they are not being met. Your best sales people will not like the discipline, but, they will perform anyway and the mediocre sales people will get with the program and actually improve through oversight."

__John Matthews__, past Chairman of global business services group, Regus, and currently Senior Independent Director of Diploma, Minerva and SDL: "I know a number of Chief Executives who are good at asking and demanding more from their sales teams. Only some are good at getting more. These CEOs involve themselves in the process and measure the effect of their different initiatives. They can set expectations at an unreasonably high level and then prove everybody wrong by achieving them. That focus, that knowledge of process coupled with that expectation, are not qualities that many have. Those who do add enormous benefit to the top and bottom line."

Fear of Pricing

As the competitive environment increases, pricing of one's goods or service becomes ever more important. There are different schools of thought on pricing and this article is not going to address the theory or complexities of pricing. What it will address is the 'Fear of Pricing.' Most organizations become more apprehensive about aggressively pricing their products, but the sales organization also becomes timid in defending the price of the goods or services based upon the value delivered. The more latitude the sales organization is given to discount price, the more price erosion will occur.

Those pricing functions that have a tendency to be overly influenced by ‘the market,’ and set lower pricing benchmarks for fear of losing business, can potentially leave a significant amount of profit on the table. It is our belief that the price should reflect the value to the customer, and once effectively articulated, most customers will pay for that value. However, setting higher pricing benchmarks and managing to them will require the sales organization to raise its game. This brings us to the next point. The inability of the sales organization to articulate the value and benefit of their product to the customer can have a devastating effect on the company’s margins. If ever there was a need to enhance a sales organization’s capability, this is it. All too often sales representatives quickly look to discount price in fear of losing the sale. The number one reason given by most sales representatives for not making the sale is price. Top performers will sell the product at fair or above value. Nominal and poor performers will look to discount every time. The more ability a sales organization has to discount product, the more money is left on the table (note: just because an organization has a pricing authorization process doesn’t mean it is effective). Addressing the sales representative’s ability to effectively articulate the value proposition of the goods or services delivered is critical in today’s competitive environment. Employment of the three C’s, Courage, Confidence, and Conviction is mandatory in preventing price erosion. Failure to do so will have chief executives struggling to maintain margins gained through hard fought cost reduction programs. There is only so much cost that can come out of an organization.

***Mike Critelli**, former Chief Executive Pitney Bowes: “The key to a high performing sales force is getting the right offering to the right person at the right time with the right message through the right channel. Organizations with great products and services most often fail because of flawed processes in determining the right decision-maker, or because they lack concise, powerful messages, or miss the optimal financial window. They also need to understand how best to get to a C-suite decision maker through a trusted intermediary or in a setting in which they are given ‘permission’ to present their proposal.”*

Management by Assumption

Question: True or False? People who work on commission or are heavily incented by bonuses are self motivated – requiring minimal supervision.

Answer: False. On a percentage basis there are very few entrepreneurs or highly self-motivated people, even in sales. People will work to generate enough income to enjoy a certain living standard. Unfortunately, given that 80% of an organization’s sales force are either nominal or non performers, this doesn’t do much for helping an organization grow at the required pace. Sales executives usually consist of those 20% of top performers who are self-motivated and driven to succeed. They naturally assume the majority of other sales professionals are as well, and do not see the need to rigorously manage them. It goes against their belief, as they did not need to be so managed. They naturally think that by sharing the disciplines and best practices that made them successful, others will automatically embrace them so they can achieve a similar level of success. Nothing could be further from the truth. Best practices and recognized success disciplines have to be properly implemented just like any other process or organizational change. And as we all know, change is a challenge. Sales leadership has historically abdicated this responsibility. This is not what they like to do. It is not what they have been trained to do. The more de-centralized the sales organization, the more of a “cowboy” mentality exists. The paradigms and culture in these organizations have been ingrained over decades. It takes an extremely strong leadership team with the resolve and grit to make this happen. It also takes the time to make it happen. Unfortunately, when sales leadership does not have the time nor the resolve, they turn to the next best thing – the latest and greatest (and also very expensive) CRM platform to do the management for them.

Ed Hanway: *"Often times sales organizations set goals based on a percentage increase over the previous year. The thinking being, as long as we are getting a little more each year we are growing. This ignores what the true opportunity may be in the market and results in goals that are artificially low and not reflective of what could be achieved with much stronger sales management and execution. Great organizations set stretch goals that reflect what is possible, not just what is better than the previous year."*

The CRM Myth

"If only we had this platform or that system we could knock it out of the park." How many times do CEOs hear this excuse for not delivering the goods; for their organizations not being able to achieve the top line and margin growth so needed by the company? CRMs don't manage people, people manage people. That does not dismiss the importance of having the right systems and tools to effectively manage your business. But all too often, sales organizations and sales leadership have false hope that a new platform or the latest technology will be the ultimate answer to improving performance. This new platform will successfully move the 80% of nominal and non-performers into a higher performing category with minimal sales management. After all the training has failed, the compensation program changes, and the restructuring, the conclusion is 'it must be our outdated technology.' Truth be known, most CRM platforms are underutilized. They store reams of data which are useful, but most often do not capitalize on those system capabilities that enable sales leadership to effectively manage those activities and key performance indicators that drive the behavior to achieve the results the company needs. Add to that the poorly laid out processes upon which the platform is designed and the lack of technical competence of the sales force to effectively use the system,you ultimately end up with a very expensive underutilized CRM. To be sure, a properly designed and utilized CRM is a valuable tool, but it is not a substitute for managing the sales organization.

Hank McKinnell: *"Unfortunately, reputations earned over decades can be lost in minutes. Compliance needs to be an important part of the mix of sales force management tools, particularly in highly regulated industries. This is a combination of tone at the top, policies, training, and prompt investigation, reporting, and remediation of violations of policy."*

Summary

This article was not meant to be unsympathetic to the challenges of sales leadership and their organizations. Their challenges are complex. But the gap between performing and poor performing organizations is widening. Those executives who address the issues in the near term will be much further ahead. It is not a matter of if chief executives will have to address these problems with their sales leadership, but rather a matter of when. As they already know, the pressure to continually grow the top line and improve the margins will only increase. It is inevitable.

Alexander Proudfoot's Impact

Our business is driving disciplined execution to enable you to achieve your growth targets, revenue goals, and profit goals with greater speed, predictability, and control.