

productivity report

ALEXANDER PROUDFOOT
people • productivity • profitability

SALES EFFECTIVENESS

A study of international sales force performance



A FOREWORD ON SELLING

No company strategy, however brilliantly conceived, has ever succeeded without tight control of top line revenue. Ipso-facto, for a company to flourish it has always had to be adept at selling. Chief executives know this, and it's therefore little wonder to see sustained and steady top line growth as their current, number one priority, according to The Conference Board's latest annual CEO Challenge Report.

But selling is a paradox - a science, except when it is an art. Indeed, ask any group of executives if a good salesperson is born or made and the usual result is a fairly even split. While it is acknowledged that some people do seem to have innate qualities, the view is firmly with the second group. No surprises in that, you might think, for a company whose livelihood is in sales performance consultancy. But what's interesting is that more executives than ever are shifting to that viewpoint: some 63% of those polled for this report now believe that a good salesperson is made. That places the spotlight firmly back on sales management and people performance.

Today's best corporate sales operations have equipped people with the requisite skills, freed them from time-consuming administration and provided support services that allow them to get on with selling. These sales operations are highly automated and process oriented, and those running them know that measurement of the appropriate metrics produces insight and continuous improvement.

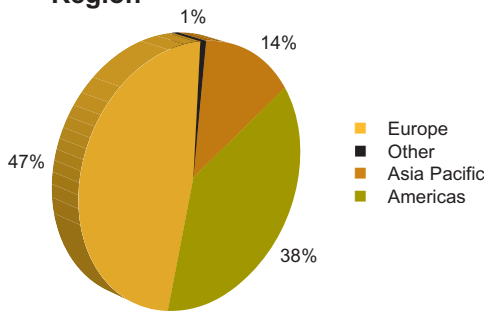
But how many companies can honestly lay claim to be members of this pinnacle group? Not that many, if 60+ years are anything to go by. Companies can still be seen making the same mistakes. More than half of the 800-plus executives surveyed by The Conference Board said their sales teams were average, or worse, at converting customer dialogue into sales. Thousands of salespeople monitored by us in the last three years are spending most of their time on administration and problem solving, not selling. Most lamentably of all, a fifth of surveyed executives said they had no target for sales performance improvement this year.

Thankfully, selling is the one corporate activity that is inherently and directly measurable. By deploying a combination of the right sales management system with appropriate metrics and targets, regular skills training, good supervision and continuous field coaching, companies can rapidly and markedly improve. By doing this (not endlessly searching for natural-born sales talent), management will deliver the sustained and steady top line growth that CEOs are seeking.

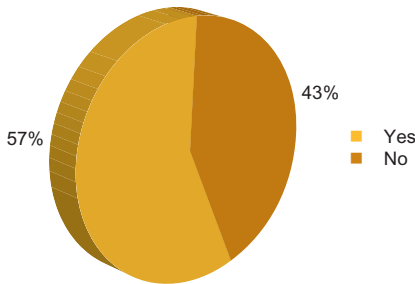
ABOUT THE SURVEY PARTICIPANTS

The Conference Board invited its global membership of senior business executives to complete an internet-based survey. More than 800 executives in 19 countries responded. The majority were Conference Board members, plus other senior executives in large, private sector corporations.

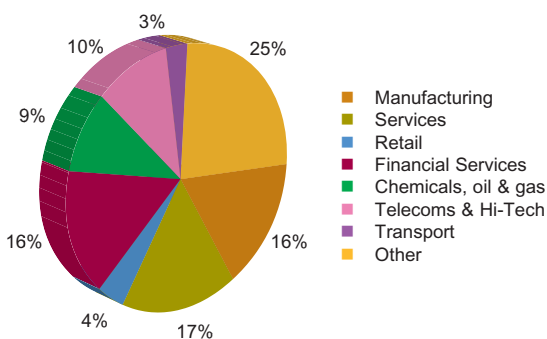
Region



Is your stock publicly traded?



Primary industry



ABOUT PROUDFOOT

Alexander Proudfoot is part of Management Consulting Group Plc and for more than sixty years has specialized in implementing change to achieve measurable and sustainable operational performance improvement in client companies. Sales performance improvement is an area of special expertise.

Alexander Proudfoot's unique Co-Venture® methodology reflects the fact that achieving a step change in sales performance demands a multi-faceted approach that involves both client and consulting teams. The firm focuses on every aspect of a client corporation's sales platform and works to achieve major and sustainable performance improvement.

Through this project, Alexander Proudfoot is pleased to provide underwriting support for exploratory research on workforce efficiency by the Management Excellence programme of The Conference Board.

ABOUT THE CONFERENCE BOARD

The Conference Board creates and disseminates knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. Working as a global, independent membership organization in the public interest, The Conference Board conducts research, publishes information and analysis, and brings executives together to learn from one another. The Conference Board is a not-for-profit organization and holds 501 (c) (3) tax-exempt status in the United States.

ACKNOWLEDGMENTS

Alexander Proudfoot wishes to thank Nicholas Crafts for his contributions to this research project. Alexander Proudfoot also acknowledges assistance from The Conference Board in administering the survey and analyzing the data used in this report. While the global executive survey and micro data analysis conducted by The Conference Board underpin this project, the conclusions of this report are solely the responsibility of Alexander Proudfoot.

Fast Facts

Below are our Top 10 findings on sales performance improvement from a global perspective, taken from both the executive opinion survey and the Alexander Proudfoot sales operation review data.

From the survey

- Out of nine potential routes to achieve short term, profitable growth, executives ranked 'expansion into new markets' and 'finding new customers in existing markets' highest.
- 'Selling more to existing customers' was ranked third overall, ahead of 'cost reduction' and 'improved customer retention'. Merger or acquisition achieved the lowest of all nine potential routes.
- Almost two-thirds (60%) of executives identified training as their top priority for improving sales force performance, ahead of better marketing or increases in administration support, technology investment, incentives and team size.
- More than half of executives (55%) said their sales teams were average, or worse, at converting customer dialogue into sales.
- One fifth (22%) have set no target for sales force efficiency improvement.

And from the company sales operations reviews

- On average, salespeople spent just 11% of their time actively selling to customers.
- Salespeople think they spend twice as much time actively selling to customers than they actually spend.
- Administration and problem solving together take up 49% of a salesperson's typical day.
- Less than a third (31%) of salespeople reviewed demonstrated proficiency in all eight core selling skills. A further 33% were considered in need of improvement and the majority (36%) were rated poorly.
- Salespeople showed least proficiency in presenting and resolving, and debriefing skills (see page 14 for precise definitions of these skills).



Results in detail - executive survey

Executives answered 27 questions about company efficiency, business performance and workforce issues, four were specifically about their sales operations.

Question 1

Respondents were asked about their intentions to ensure profitable growth in the next two years by giving an importance ranking to three out of nine possible routes they planned to follow. The nine options were:

- Sell more to existing customers
- Merger or acquisition
- Expand into new markets
- Find new customers in existing markets
- Expand product range
- Reduce costs
- Increase customer retention
- Better use of technology
- Increase or use different channels to market

At a global level, executives ranked expansion into new markets highest, closely followed by finding new customers in existing markets. Selling more to existing customers was ranked third. This is widely recognized as the fastest and easiest route to improved short term revenue, a fact not lost on US respondents, who were the only national group to rank it as their top priority. Lowest ranked was merger or acquisition (M&A), perhaps reflecting the difficulties of realizing short term financial benefits, followed by changes to channel strategy and better use of technology.

Respondents in Germany, Australia and Canada differed markedly from the global sample, ranking M&A highest. In France, executives said increased customer retention was their top priority. Cost reduction, just outside the rest of the world's top three responses at number four, was the second highest priority for the French.

A particularly interesting division of opinion was observed between executives in the UK and Germany and those in the US in relation to technology use. Even though, and perhaps because, US companies are already the world's most intensive users of technology, executives there still rank better use of technology as their second most important route to ensure short term profitable growth. Meanwhile, those in the UK and Germany ranked it as their least likely route to achieve the same ends.

Results in detail - executive survey

Table: Executive perceptions of the top three priorities for profitable growth in the next two years (by country)

Country	Most important	2nd most important	3rd most important
Asia	Merger or acquisition	Increase/use different channels	Increase customer retention
Australia	Merger or acquisition	Find new customers in existing markets	Sell more to existing customers/ expand into new markets
Brazil	Better use of technology	Find new customers in existing markets	Sell more to existing customers
Canada	Merger or acquisition	Find new customers in existing markets	Increase customer retention
France	Increase customer retention	Reduce cost base	Sell more to existing customers
Germany	Merger or acquisition	Increase/use different channels	Expand into new markets
Netherlands	Expand into new markets	Better use of technology	Reduce cost base
Rest of Europe	Better use of technology	Merger or acquisition	Expand into new markets
UK	Expand into new markets	Sell more to existing customers	Increase customer retention
USA	Sell more to existing customers/expand into new markets (same score)		Better use of technology



Results in detail - executive survey

Question 2

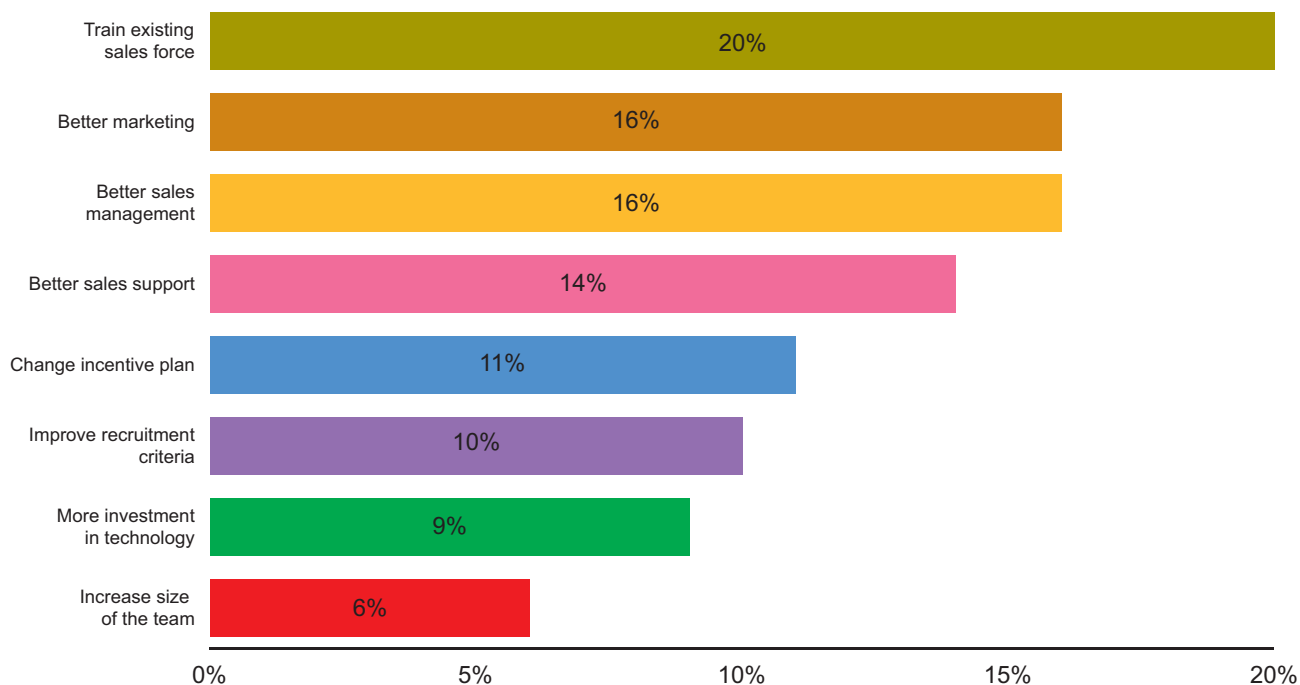
Respondents were asked what they needed to do in order to improve the performance of their sales force by giving an importance ranking to three out of eight possible choices:

- Train existing sales force
- Improve recruitment criteria
- Increase team size
- Change incentive plan
- Better sales management
- More technology investment
- Better sales support
- Better marketing

At a global level, the top three responses were: train existing sales force; better marketing; and better sales management. It is clear from the results that executives feel they already have enough people in sales roles, as increasing team size was ranked lowest of all eight possible choices. The exception was Asia, although it was still ranked seventh by executives in that region.

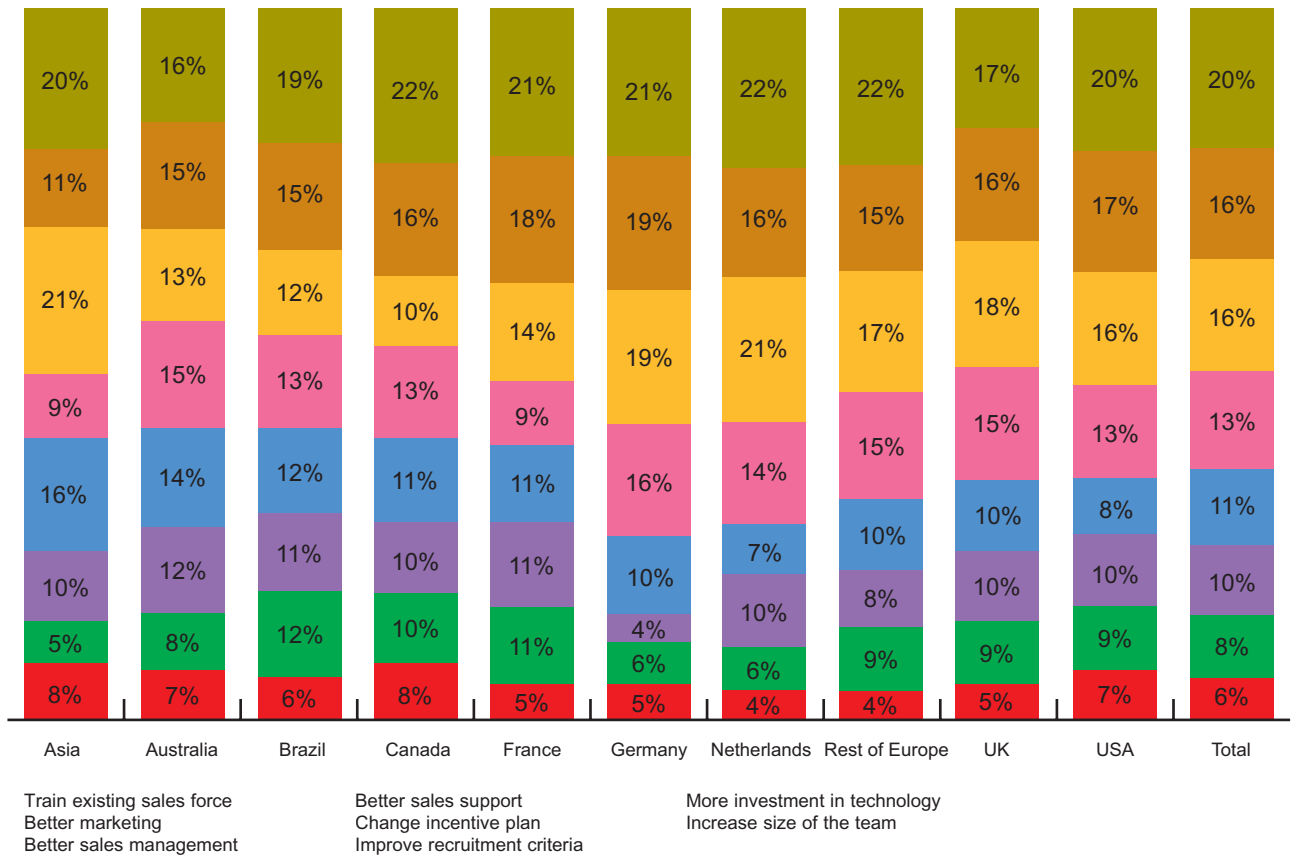
It is also clear that executives feel they already have the right technology to support the sales function, as further investment was ranked seventh.

Chart 1: Which of the following do you need to do to improve your sales force?



Results in detail - executive survey

Chart 2: Executive perceptions of actions required to improve their sales force (by country)



Improving recruitment received a low ranking in every country surveyed, with only 30% of respondents including it in their top three priorities. This was even less of a priority for executives in Germany, where only 4% mentioned it.



Results in detail - executive survey

Question 3

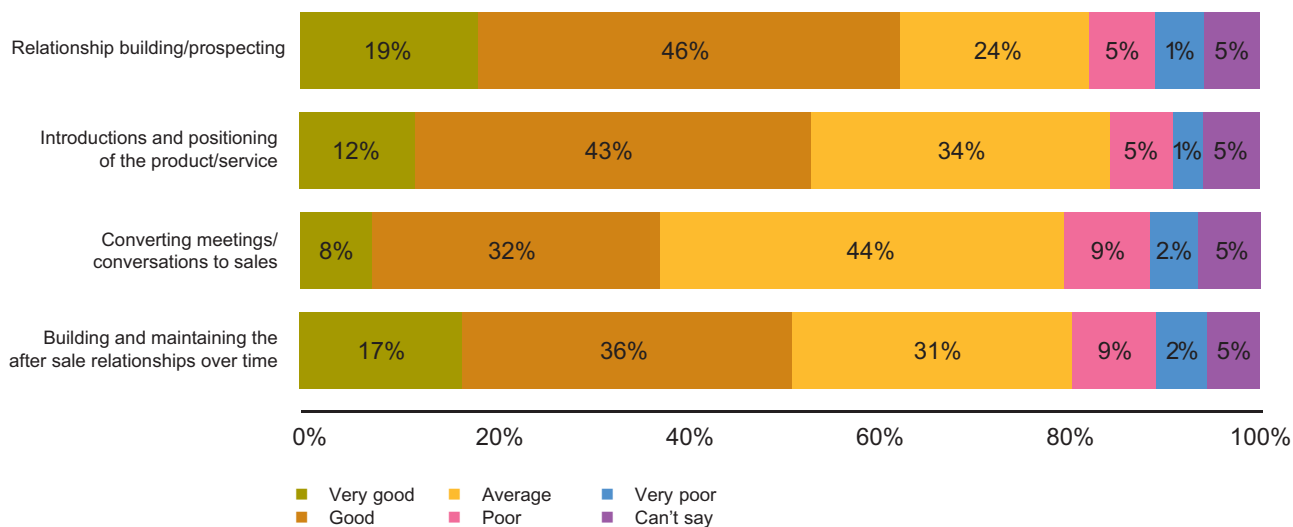
Respondents were asked to rate the performance of their sales teams in four critical skills on a five point scale ranging from very good to very poor. The four skills were:

- Relationship building/prospecting
- Introducing and positioning of the product/service
- Converting customer dialogue into sales
- Building and maintaining customer relationships after a sale

Taking all four skills together, at a global level the majority of opinion was split fairly evenly between good and average. Interestingly, only 12% of respondents rated their sales teams as very good in all four skills, a clear correlation to the top rated response in Question 2 above.

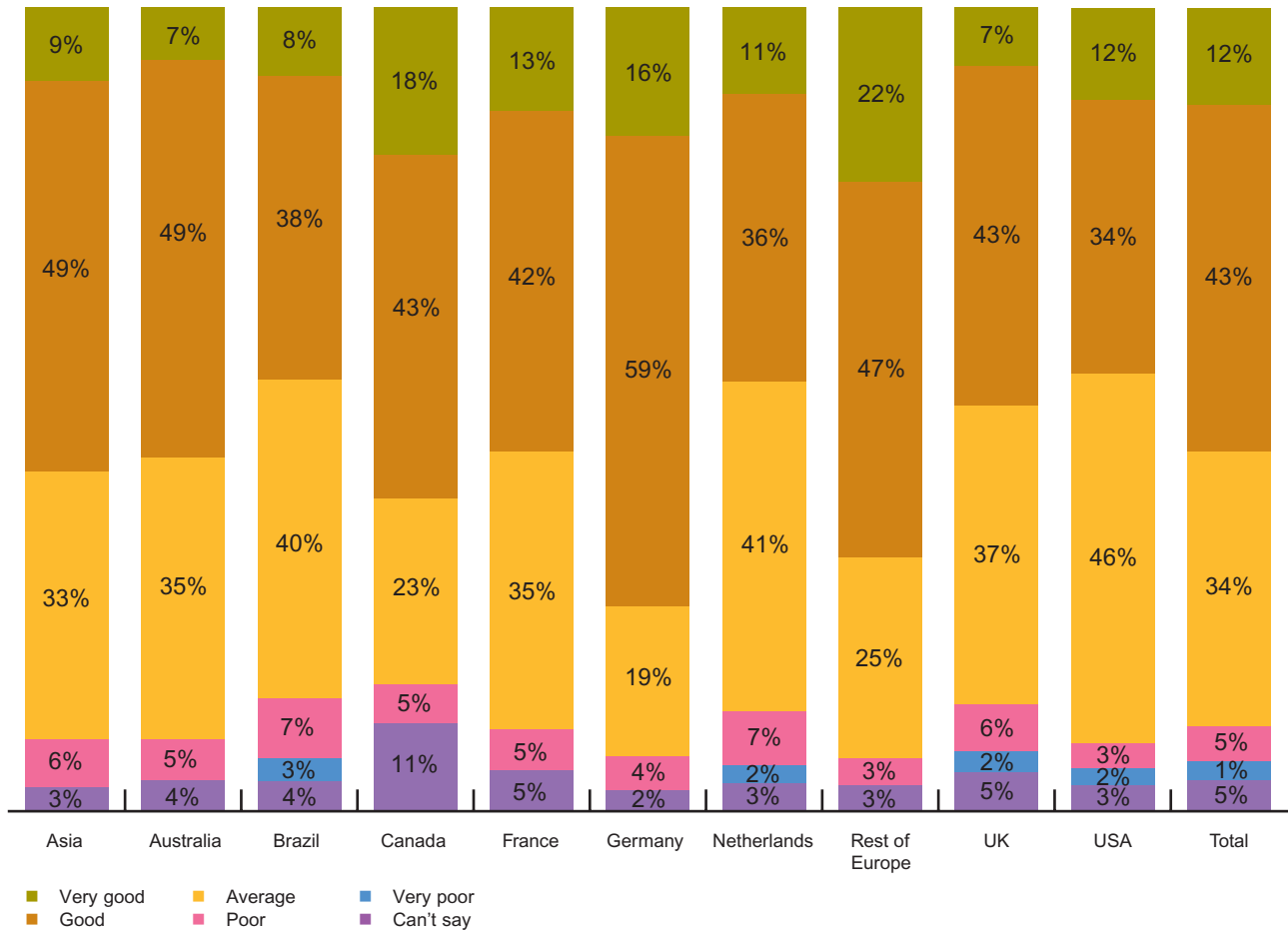
Executives feel that their sales teams could be better in one of the four key skills in particular - converting customer dialogue into sales. This is also borne out by the data from company sales operation reviews, reported in detail in the next section. Requiring less attention relative to the other four skills is relationship building/prospecting, although almost a third of respondents rated their sales colleagues as average or worse.

Chart 3: Executive perceptions of core skills of sales force



Results in detail - executive survey

Chart 4: Executive perceptions of core skills of sales force (by country)



There were some notable differences of opinion at country level. In the US, some 29% of executives rated their teams as excellent at relationship building/prospecting, compared to just 12% in Germany, 15% in France and 18% in the UK. Executives from Asia also rated their teams higher in this skill than average.

In two skills: introducing and positioning of the product/service; and building and maintaining customer relationships, German executives rated their sales teams more highly than any other nation. And more than twice as many executives in the US than in France, Asia or the UK believe their sales teams are very good at converting customer dialogue into sales.



Results in detail - executive survey

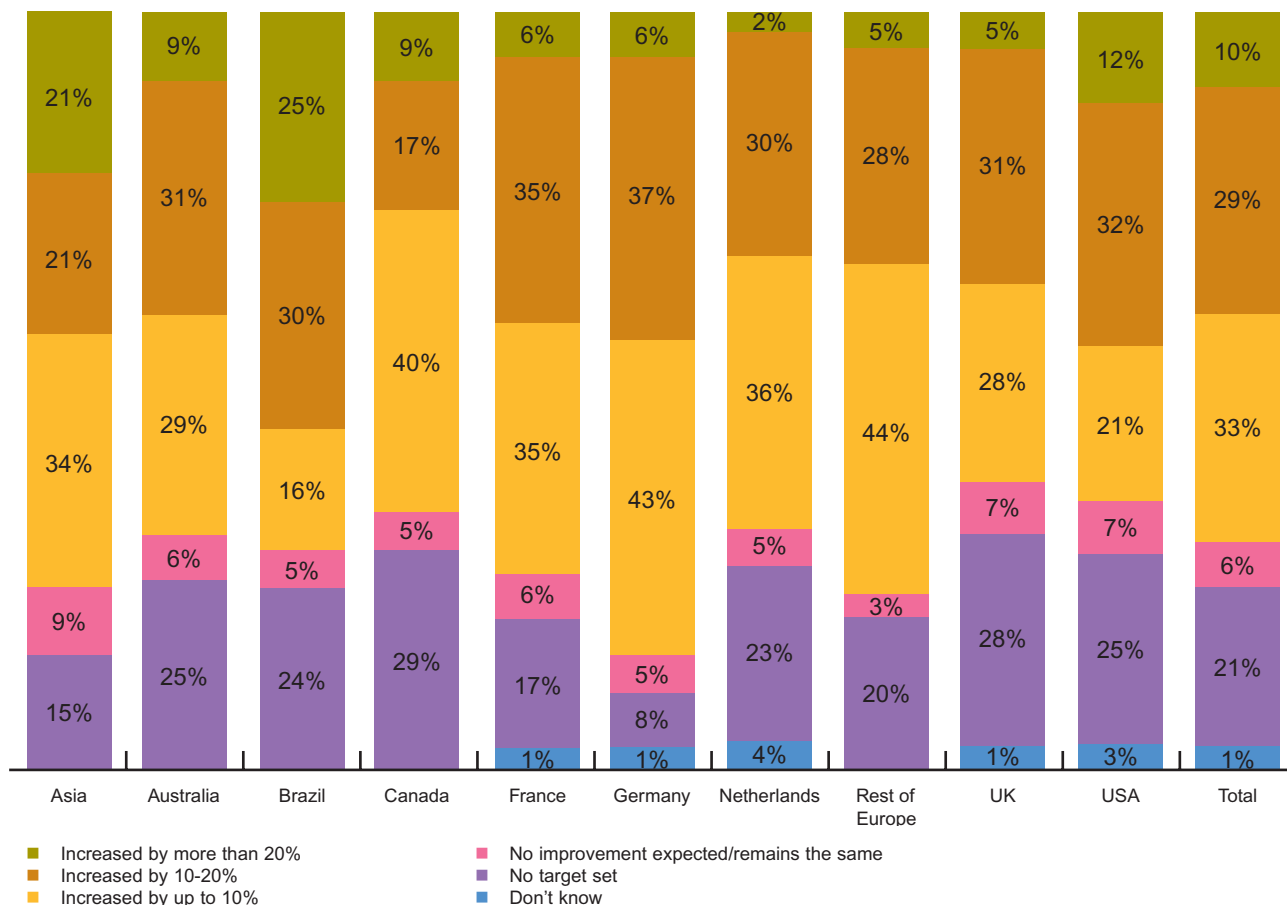
Question 4

Respondents were asked what their target was for improving sales force efficiency.

Given the fact that the sales function is inherently and directly measurable, a surprisingly high percentage of executives have set no target for improving efficiency. German executives were most likely to have set a target. Those in Canada were least likely to have set a target, closely followed by Australia, Brazil, The Netherlands, the UK and US. In each case, around a quarter of executives in these five countries said they had no target at all.

By contrast, executives in Asia and Brazil are setting some of the most aggressive efficiency targets of 20% or more.

Chart 5: What is your target for improving sales efficiency? (by country)



Results in detail - sales operation reviews

Stage 1 - time management in sales: perceptions, desires and realities

In stage one, salespeople are asked to give a realistic estimate of the time spent in six categories of activity:

- Active selling
- Prospecting
- Problem solving
- Administration
- Travelling
- Non-value added (downtime)

They are then asked them to say how much time they would ideally like to spend in each category to be more effective. Finally, observations take place to assess how much time they actually devote to each.

Uniquely in sales, efficient personal time management quickly translates into top line revenue improvement: it stands to reason that more time spent with customers, and less time on administration, will directly impact sales figures.

A basic requirement for efficient management is to capture meaningful data on how time is spent, and then seek to minimize any activity not directly related to selling. The companies we studied failed at this most basic of activities.

During the course of our sales operation reviews, we found that most of the salespeople observed were spending most of their time on activities not directly related to selling. In fact, only 20% of time was devoted to looking for and closing sales.

Our studies show that salespeople underestimate how much time administration takes. When compared to their ideal time allocation for this activity, we found it accounted for almost twice as much time. The same position applies to prospecting and travelling. But worse than this is their ideal for active selling time. This is some three times more than is currently spent.

Results in detail - sales operation reviews

Chart 6: A day in the life of a typical salesperson

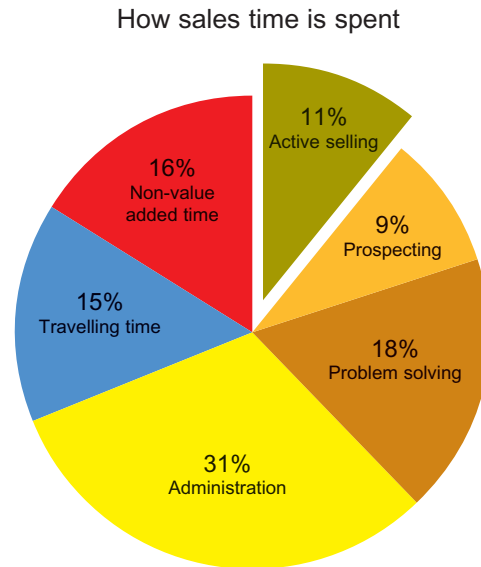
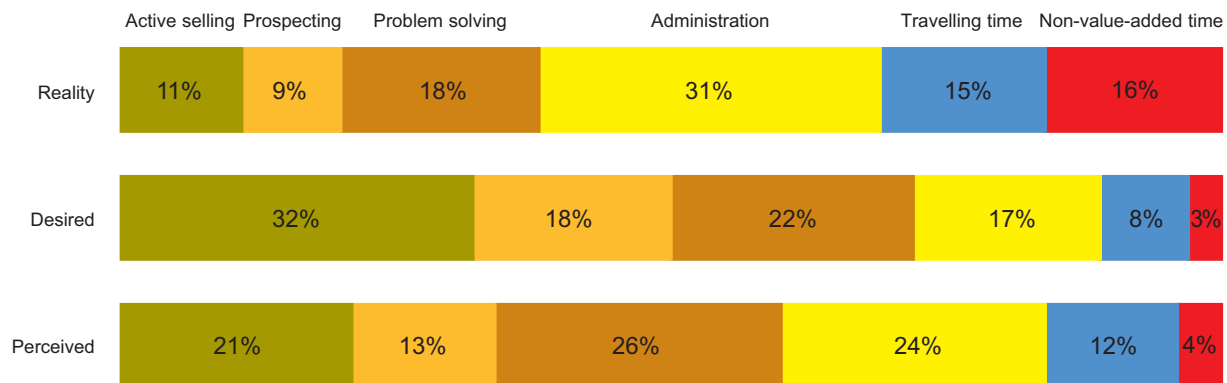


Chart 7: How sales people think time is spent



Results in detail - sales operation reviews

Stage 2 - personal effectiveness

In stage two, salespeople are assessed against eight key areas of competency (see Table 3 for fuller descriptions of these), as follows:

- Prospecting
- Positioning
- Discovering
- Building
- Presenting
- Securing
- Concluding
- Debrief

Having shown that only 20% of time available is spent actively selling or prospecting, how effectively that time is used is clearly all the more important. In order to gauge this, we used a simple scale ranking system for those we observed (see Chart 9), rating them in eight key skills required before, during and after each customer selling encounter.

Table 3: The eight areas of competency measured

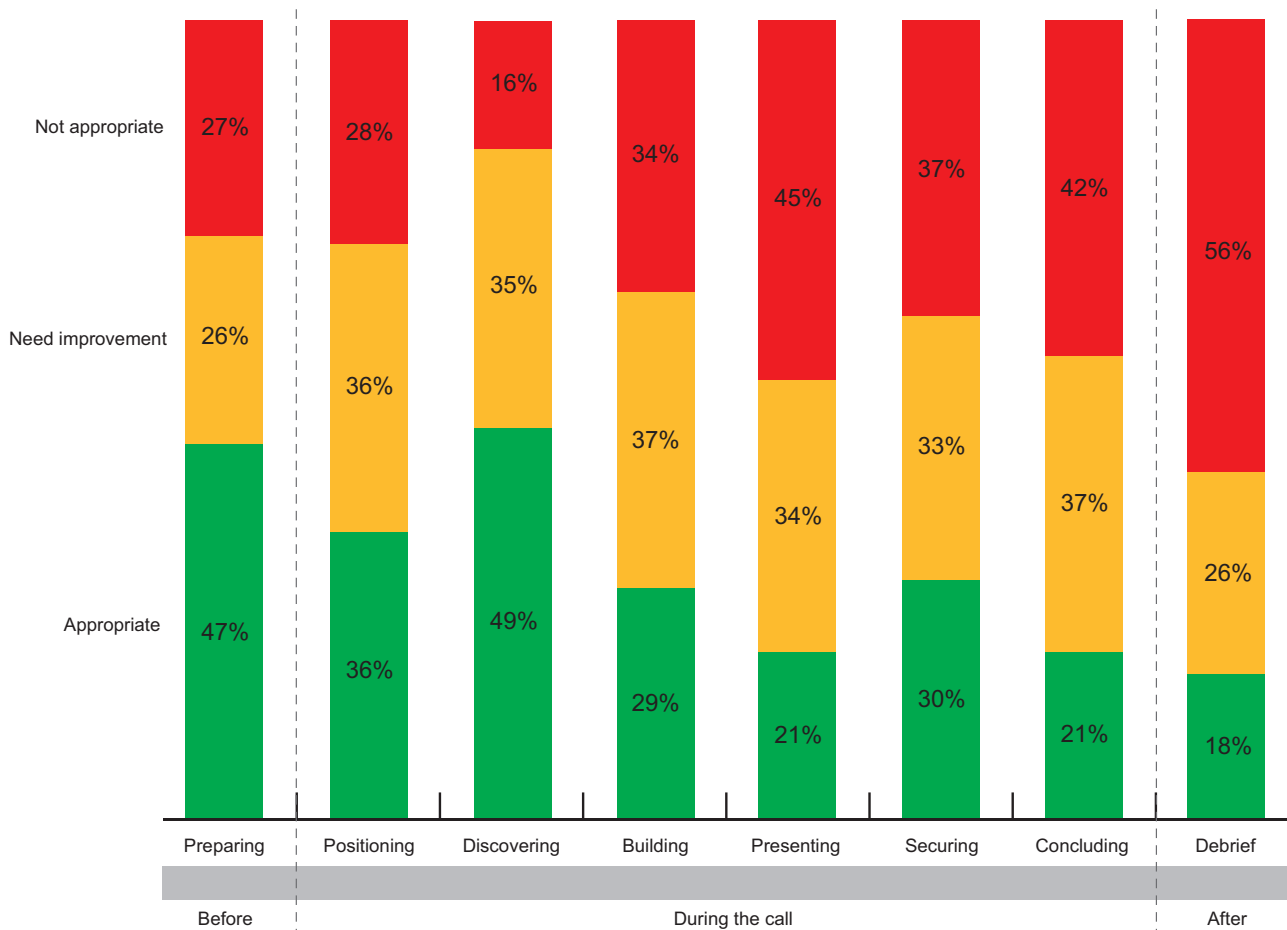
Area of competency	Evidence used to assess competency
Preparing the sales call	Sets objectives before contact and has all relevant information
Positioning	Establishes a purpose, knows client's agenda, knows how to add value
Discovering	Listens effectively, asks questions, understands client's business and needs
Building	Engages client in discussion, explores the impact or consequences of a need/solution, uses critical questioning techniques
Presenting and resolving	Discusses pros and cons of available options, helps client to define the best solution
Securing	Seeks commitment to action, advances negotiations to another stage, defines next steps clearly
Concluding	Reaches consensus, agrees time for next meeting, uses open and closed questioning techniques, uses informative questioning techniques
Debriefing	Ensures all commitments made are met, reviews issues identified, seeks other issues to resolve, records output for next visit

Results in detail - sales operation reviews

We observed the greatest deficiency in debriefing, with more than half rated as poor. The impact of this is considerable. For example, commitments made to customers are broken, issues raised are unresolved and order details are poorly communicated resulting in costly internal errors. Poor scores were also recorded in 'presenting' and 'concluding' skills. In these areas, less than a quarter of all salespeople were considered competent and around a third needed to improve.

During this second stage we repeatedly encountered ineffective behavior or processes. These varied from poor sales call quality and inadequate monitoring, to weak or cumbersome sales reporting systems. Often, where good sales information systems were in place, they were not used to full advantage. Training was seldom reinforced or properly coached in the field. Some customers received an unwarranted level of attention while others with potential but who are harder to deal with were ignored. In many instances we found managers were not providing feedback or help to their sales teams.

Chart 8: Observed competencies of sales people





How effective is your sales organization?

Inefficiencies are an inevitable part of any business function and, naturally, it is in management's as well as shareholders' interests to identify and eliminate them wherever practical. If there's one central message from this study it is this: most sales functions are capable of significantly higher performance – certainly 25 – 30% and perhaps as much as 50%. But achieving this is only possible once the people in that function are equipped with the right skills, and are properly organized and motivated to use them. With this in mind, we invite chief executives to consider the following ten questions about their sales organization.

1. Is your sales force delivering a compelling value proposition and communicating how your company and its products/services are better than competitors? If not, what can you do to improve performance?
2. Unless your sales forecasting system is flawless, what are you doing to improve it?
3. Do you have efficient, accurate performance measures in place to monitor, track and manage sales opportunities from the beginning of the sales cycle through to closure?
4. How much time does your sales force spend on non-value-added activity and what are you doing to convert this to active selling time?
5. Are your salespeople calling on the right customers with the right frequency? And how much time are they spending with customers who won't or can't buy?
6. How effective are your salespeople at engaging customers and adding value by asking the right questions?
7. How much time do managers devote to coaching and developing sales force skills?
8. What activities are managers engaged in that prevent them from actively being in the field with their people?
9. How do you measure the results and value of any sales training provided?
10. Where is your sales force on a scale of 1 - 10 in terms of being 'best in class'?

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