Sales organizations face some tough challenges these days. Among them is the fact that, while CEOs and boards of directors are expecting ever greater performance, customers are carefully managing risks and demanding greater value.

To deliver on shareholder demands for stronger EPS growth, sales and marketing executives are under pressure to increase revenue, profitability, and market share. They are tasked with: holding onto and expanding business with current customers while at the same time finding and winning new customers in existing markets; entering new markets; and defending their turf against known competitors and unforeseen threats.

Leaders are examining the effectiveness of every aspect of their companies like never before—even extending into the sales and marketing realm, often for the first time. Furthermore, as CEOs and CFOs scan for the best use of capital, many are unsure of the return they should expect for an investment in their sales organization.

What kind of ROI commitment should the head of sales make to her CEO? What areas of investment are likely to yield the best return? Would more salespeople, better training, newer technology, or perhaps a whole new sales strategy do the trick? The answers to these questions lie in fully understanding the operational effectiveness of the sales force. By analyzing the many interdependent elements of a sales organization both systematically and contextually, executives can make confident decisions on where to invest their energy, talent, and money to gain the greatest lift in performance.

"Business growth is the No. 1 concern of CEOs in the U.S. and globally."
—The Conference Board, "2011 CEO Challenge"

"There is no 'magic bullet,' but building on the basics works."
—The Forum Corporation, "How Sales Forces Sustain Competitive Advantage"

The Forum Corporation has been helping sales organizations improve effectiveness and performance for 40 years, primarily through building the skills and knowledge salespeople and their leaders need to consistently win in their markets.

Our research and client experience reveal that, while skillful, engaged salespeople and sales managers are critically important, they alone are not sufficient for a complex commercial selling organization to achieve its goals in today’s fast-paced, hypercompetitive markets. Today’s successful sales organizations understand the six essential dimensions for sales success (see Figure 1).

**Six Success Dimensions**

1. Strategy and Structure
2. Customer Knowledge
3. Talent
4. Climate
5. Processes
6. Support Systems
The interdependent nature of these six dimensions is illustrated in Figure 2 (below). Moving from left to right, we see that Business Strategy necessarily precedes and informs the other elements of a sales organization’s process as it flows toward Markets and Customers, the ultimate focus of a sales organization. Information from Markets and Customers flows back into the sales organization and is captured and sorted as Customer Knowledge (VOC, or Voice of the Customer) and Business Intelligence, both of which provide important feedback to all other elements of the process.

A healthy and consistently successful sales organization is constantly adapting its strategy, capabilities, and practices to its customers and markets.

**Figure 2. The Sales Organization**

The six essential dimensions that sales executives must integrate and frequently tune to drive consistently high performance are outlined below:

1. **Strategy and Structure**

   Achieving consistently successful sales results requires a clear—and clearly communicated—sales strategy based on the company or division business strategy. Such a strategy also is essential for adapting to inevitably changing market conditions, whether confronting threats or pursuing new opportunities. Think of the strategy as the rudder of a ship, maintaining direction under all weather conditions.

   A company or division strategy must articulate three components: a key business goal (such as growth, profit, or market share), the market in which it competes (target customer and geography), and its competitive advantage(s).³

   "In an astonishing number of organizations, executives, frontline employees, and all those in between are frustrated because no clear strategy exists for the company or its lines of business."


   With a clear and common understanding of their business strategy, the heads of Sales and Marketing and their respective senior teams can develop a sales strategy, sometimes called a go-to-market strategy, that addresses these key elements:

   - **Customer Segmentation.** Segment or group customers according to a shared set of characteristics.
   - **Value Proposition.** Establish compelling value propositions for each customer segment.
   - **Account and Territory Assignments.** Create a sales channel plan by assigning types of sales resources (for example, general sales reps, key account reps, inside salespeople, independent resellers, distributors) to each customer segment by territory.
   - **Sales Force Size and Structure.** Determine the number of sales resources to assign to each customer segment in each territory (specifically, how many and which customers each salesperson will be responsible for). Determine the number of sales resources each sales manager will supervise and direct as well as the number and types of resources available to support individual salespeople or sales teams.
   - **Commercial Policies.** Establish commercial practices and policies governing pricing, contract terms, order management, order fulfillment, reporting, and so forth.
   - **Compensation Plan.** Set compensation rules for each salesperson who achieves specific sales results. Have similar rules for sales teams and sales managers, as appropriate.

   A very quick test can help executives determine the strength of their Strategy and Structure dimension: Simply ask a few salespeople and/or sales managers to describe what they are accountable for, how they select which customers to call on in their assigned territories (to meet their accountabilities), what their value proposition is, and how that proposition addresses their customers’ needs better than the competition does.

   Crisp, clear answers that are consistent across several salespeople and managers indicate a clearly communicated and supported sales strategy. Anything less reveals an opportunity for improved sales results as well as vulnerability to competitive threats.
According to a Forum study of salespeople selling complex products or services in the U.S. and the U.K., only 50 percent of salespeople rated their company sales strategy as “very clear.”

“What percentage of your sales force can clearly describe your sales strategy?”

2. Customer Knowledge

To find, win, and keep customers, sales organizations must work to continuously understand current and prospective customer needs. An effective sales organization must have a robust and reliable means of collecting and analyzing data about its customers’ buying behaviors and motives. This includes knowing not only quantities and purchase frequency, but also why and how they make buying decisions.

In addition to getting a glimpse into the “mind of the customer,” effective sales organizations must understand the dynamics of the industry and market(s) their customers compete in as well as the competitive forces they face.

“Best-in-class performing sales organizations train their people twice as much as average and laggard-performing companies.”

—Aberdeen Group, 2010 study

Today’s commercial buyers expect sellers to bring useful industry knowledge and insight to the table to help improve their business. Sales organizations that fail to continually integrate customer understanding with industry insight in order to offer ever-increasing value propositions will be swept aside by more agile and information-savvy competitors.

3. Talent

The sales force—salespeople, sales managers, senior sales leaders and sales support—ultimately must execute on the sales strategy and bring unique and compelling value to customers in order to generate the revenue the company is counting on. To find, retain, and grow talent, sales organizations focus on four broad areas:

- Recruiting and hiring new sales talent. Work with your HR team to establish an ideal profile for each sales role, and insist that sales managers actively participate in your company’s recruiting and hiring process.

- Onboarding and transitioning of new hires and newly promoted salespeople, sales managers, and senior leaders. The transition period from start date to “fully productive” is expensive and time consuming for any sales organization. Yet the most effective sales organizations don’t hesitate to invest in formally equipping their new hires for success before they make their first sales call and ensure they gain a strong foundation for ongoing development.

- Training and development of salespeople, sales managers, and senior leaders. Aberdeen Group’s 2010 global study of 835 sales organizations found that best-in-class sales organizations (which represented the top 20 percent of Aberdeen’s sample) train their people twice as much as average and low-performing companies. Regular, consistent talent development addresses knowledge of not only company products and services—but also of selling skills, tools, and methods; coaching skills; and senior leader skills.

High-performing sales organizations create and use competency models and career pathing linked to sales strategy and priorities to guide formal and informal training curriculums. Well-planned, well-executed talent development builds confident, high-performing sales teams aligned with their company sales strategy.

To identify skill gaps and motivate salespeople and sales leaders to up their game, 360-degree feedback (including customer viewpoints) is frequently used in sales organizations.

Coaching salespeople and coaching the coach (sales manager) is one of the highest-impact activities a sales organization can implement to boost sales performance—if coaches have the right skills and tools. Forum’s study of 111 senior sales executives around the world found that one of the four major categories that distinguish high-performing sales organizations is developing their sales managers in three particular areas: coaching, setting strategic direction, and motivating salespeople. In a follow-up study, Forum found that only 30 percent of salespeople rated their managers as highly effective in these three areas.

Finally, developing senior sales leaders using a combination of formal training, executive coaching, and developmental assignments is an investment that can boost sales performance throughout the organization.
Retention strategy and succession planning.
Replacing fully productive salespeople is not only expensive, time consuming, and revenue lowering, it also can leave customers and territories vulnerable to advances from the competition. Highly effective sales organizations deliberately seek to learn what it takes to retain the people they want and put measures in place to accomplish this. Growth and natural employee attrition (due to retirement, for example) dictate that effective organizations continuously identify candidates for promotion and systematically prepare them to assume greater responsibilities.

Talent management is one area sales leaders cannot delegate completely to others, be it HR or a training department, if they expect their sales teams to outperform the competition and consistently deliver excellent results. Sales executives should partner with in-house specialists from HR and training or an outside sales training company to clarify priorities and set performance standards for hiring and developing their people.

Sales leaders at all levels must actively participate in recruiting new talent and in training, coaching, and reinforcing what their people must know and do. According to the Aberdeen Group findings, the senior executives of a full 80 percent of best-in-class sales organizations are highly involved and supportive of sales training efforts.

4. Climate
Employee engagement drives high performance, and a positive work climate increases engagement. Although all can sense the climate in their organization and within their own team, few leaders understand that climate is manageable and linked to performance.

“A positive work climate is not a fun-filled place, a lot of warm, fuzzy stuff, or a place for relaxation; it is a positive, supportive climate, which is conducive to creative, productive work.”


Numerous studies confirm that the actions of an employee’s manager are the main determinant of climate. Daniel Goleman’s study of the behavior of 3,781 leaders found that those whose style has a positive effect on climate have decidedly better financial results. His analysis suggests that climate accounts for nearly one third of the results.

What makes climate so powerful is that it is both manageable and linked to performance.

A highly engaged sales force has the energy and commitment to persevere in the face of all kinds of marketplace challenges. This is a very strong advantage, especially during volatile, uncertain times. A recent Forum study revealed climate as one of four main categories that distinguish high-performing sales organizations from moderate performers.

As a pioneer in organizational climate research, The Forum Corporation has helped many clients improve their climate over the past 40 years. Climate can be measured with a good deal of precision via surveys that gauge employees’ perceptions of six factors. Sales managers can learn to apply specific practices to strengthen these climate factors. The six climate factors are:

- **Clarity**: Salespeople are clear about what is expected of them.
- **Standards**: Management sets high performance standards and challenges people to improve.
- **Commitment**: Salespeople are dedicated to achieving goals and contributing to the organization’s success.
- **Responsibility**: Salespeople feel personally responsible for their work and accountable for solving problems and making decisions without relying on others for direction.
- **Teamwork**: People feel that they belong to an organization characterized by cohesion, mutual warmth, trust, and pride.
- **Recognition**: Salespeople feel that excellent performance is recognized and rewarded.

5. Processes
There are four core processes all sales organizations must fully define and consistently follow to ensure high levels of effectiveness:

- **New customer acquisition**. High-performing sales organizations consistently follow an explicit business development process. This begins with some kind of lead generation or prospecting plan and activities for finding qualified sales opportunities. The process continues on from initial opportunity to proposal, close, and follow-up. This is sometimes called a selling methodology or selling system.
Low-performing organizations allow their salespeople to follow whatever process they want. High-performing organizations implement and continuously improve a consistent and reliable selling process across their entire sales force.

- **Existing customer retention and growth.** Similar to new customer acquisition, effective sales organizations follow an explicit process for managing customer relationships in a way that builds value from the customer's viewpoint and enables the salesperson to uncover and develop new sales opportunities. This process typically includes regular customer review meetings to discuss supplier performance and perceived customer value. Again, high-performing sales organizations insist that all salespeople follow the same reliable process.

- **Opportunity management (funnel or pipeline management).** This core process is for sales managers who are directly responsible for salespeople. It serves several crucial purposes:
  - Generates a reliable forecast of orders and revenue required for both financial management and production planning
  - Enables sales managers to assist in advancing a sales opportunity toward closing and allocate sales support resources to various sales opportunities
  - Ensures consistent application of the selling processes described above
  - Reveals situations for coaching salespeople in performance improvement

- **Customer service/customer care.** This process ensures products and services are delivered to customers as promised, revenue flows as forecast, opportunities to increase order size and/or sell new orders are recognized and immediately acted upon, and customer problem reports are fixed promptly.

This process may be managed outside the sales organization, but it is nevertheless critical that sales leaders ensure it works consistently and effectively. Customer loyalty, additional sales, and referrals to new prospects depend on high-quality customer care processes.

To be most effective, all four processes must integrate a company's sales strategy (Success Dimension 1) with its customers' buying process (Success Dimension 2). Further, these processes depend on the skill and discipline of salespeople and sales managers (Success Dimension 3) for application and continuous improvement. And, as with any process, each one should include key metrics and performance targets.

6. **Support Systems**

High-performing sales organizations invest in support practices and systems to boost the engagement and motivation of their sales teams and ensure salespeople are well equipped to serve customers, compete successfully, and work productively. The following core support systems are found in such organizations:

- **Competitive intelligence.** Best-in-class sales organizations collect and analyze intelligence about the competition and provide their salespeople with summaries that include advice on how to position against competitors' strengths and vulnerabilities. They identify the top two or three competitors in each market and monitor their account activity, seeking to understand and exploit their sales strategy. They anticipate and prepare for emerging competitors and pay close attention to their customers’ moves to produce products/services themselves so that they can develop value propositions to defeat these moves.

- **Sales support personnel.** McKinsey reported in 2009 that, during the most severe recession in 80 years, high-performing sales organizations maintained (and even increased) their level of sales support to optimize customer contact time for their salespeople.

According to McKinsey, the key to sizing sales support is to “examine the customer portfolio. How much effort really goes into each customer and transaction? Which services does each of them need? What are their real profit margins? Which customers and markets are growing, and which are shrinking? Understanding customers allows companies to focus sales resources where they are needed and to cut waste, not value.”

Determine the percentage of time your salespeople spend preparing for and meeting with customers, and consider how to increase this percentage through more effective sales support.

- **Performance management (including standards and accountabilities).** Set clear, achievable performance goals in at least two key areas: sales quota and sales activities. Ensure they align with the overall sales organization.
goals and strategy. Measure performance and provide feedback to salespeople and managers regularly (at least monthly, although daily and weekly reporting can be effective for some goals). Apply standards consistently throughout the organization, and hold people accountable. Conduct formal employee performance reviews at least annually.

- **Rewards and recognition.** These include finding opportunities to formally and informally recognize outstanding contributions to the business and establishing written sales incentive compensation plans consistent with the overall sales strategy and goals. An achievable quota within their assigned accounts or territory is critical to motivating and retaining good salespeople.

- **Business scorecard with predictive metrics.** Establish and publish a scorecard that reports the “critical few” measures: financial, customer behavior (such as wins, retention rate, and so on), sales activities (pipeline quality, quantity, velocity, and so on), and sales force engagement or climate (Success Dimension 4). Salespeople, sales leaders at all levels, and sales support teams should all receive regular scorecard reports that are relevant to their accountabilities and clearly linked to the sales strategy.

- **Information systems.** All management systems rely on timely, robust information to operate effectively. Sales leaders should require their information systems to supply actionable data in at least the following key areas:
  
  - **Financial data.** Provides a picture of total revenue and profitability (at least gross profit) that can be sorted in any number of ways, including by customer, sales rep, sales team, region, industry, channel, weekly, monthly, and yearly. Financial data also should supply sufficient cost information for use in managing sales force productivity.
  
  - **Customer relationship data.** SFA/CRM (sales force automation/customer relationship management) platforms have become a must for any company selling multiple products in multiple customer segments. They allow sales reps and sales leaders to track and maintain sales activity and customer interaction history, and they house extensive customer contact information.
  
  - **Knowledge management.** This should be an easily searchable current repository of all available information regarding a company’s products, services, pricing, methods, policies, procedures, and so forth. Rather than having sales reps spend precious time trying to learn and remember ever-growing amounts of company information, shift to a system that enables them to quickly find what they need, when they need it.

- **Business intelligence.** This is a collection of systems (and arguably another process in its own right) that helps sales professionals make use of data from three areas: customer-specific buying patterns, industry-specific trends, and macroeconomic trends. At a minimum, salespeople should have access to basic customer and industry data to prepare them to speak knowledgeably during customer calls. High-performing sales organizations are gaining competitive advantage by crunching customer-proprietary data with more widely available market information to generate insights for their customers and to uncover new opportunities to help their customers create more value.

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Is Your Sales Organization Ready for Tomorrow’s Challenges?

CEOs want more predictable results from their sales organizations. Gone are the days (if they ever truly existed) when a sales leader could simply hire lots of high-energy outgoing sales reps, turn them loose to make customer calls from morning to night, and be assured of a predictable, ever-increasing revenue stream. Commercial selling is as demanding today as other business functions, including finance, marketing, R&D, and supply chain management—yet in many companies sales force management and sales force effectiveness lag significantly compared to other business disciplines. Very few business schools have caught up to the needs of commercial sales executives. The Forum Corporation is ready to help you now.

Contact Forum to discuss how our sales force effectiveness assessment can illuminate opportunities to increase the performance of your sales force. If you have already determined how to improve your sales organization and are in the process of either designing or implementing changes, Forum can help you rapidly execute those changes and sustain the gains from your investment.
Forum is a recognized global leader in linking learning to strategic business objectives. Our tailored learning solutions help organizations effectively execute business strategies by focusing on their most important asset: people. We provide clients with practical and research-based sales and leadership development training programs that mobilize employees, accelerate business-initiative implementation, and improve agility.

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Endnotes:


