<u>HOW TO TURN AROUND UNDER PERFORMING SALES ORGANIZATIONS</u>

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I. Introduction

Why do sales organizations fail so often? Why do some teams underperform while others prosper selling the same product to similar prospects? Is it poor hiring practices, failed leadership, a poor territory or bad luck? Is there a methodology for building a Sales organization that always results in above average performance?

Failing to understand why sales organizations underperform is costly. Mature companies spend between 20% - 30% of revenue on sales. A failure in any selling unit is a waste of expenses on non-productive salaries, T&E, and rent. These direct costs are a fraction of the opportunity cost of losing sales and customers to competitors.

For a startup company, a failing sales organization can be fatal. Startup companies have a limited number of chances to demonstrate revenue traction before their investors lose patience and withdraw support.

Typically sales departments underperform because they focus exclusively on hiring talented people and providing technical training on the product. They expect the sales person to "discover" the right prospects and sales strategies.

Providing only product knowledge is insufficient. Successful sales organizations provide precise direction on markets, best prospects, competitive positioning, company values and goals as well as a set of sales tools that reinforce the overall instruction and strategy.

Building a high performance Sales organization is a straightforward endeavor for any company that develops the ***four quadrants of successful Sales Organizations: Talent, Culture, Sales Enablement and Administrative Methodologies.*** Sales organizations underperform when one or more of these areas are neglected.

<u>TALENT</u> refers to the type people we will recruit, train, motivate and retain to do the work and get the desired results.

<u>CULTURE</u> refers to the values, mores and attitudes we will instill throughout our organization. A strong culture will reinforce the merits of high performance, teamwork and accountability while weeding out underperformers by making them uncomfortable.

<u>SALES ENABLEMENT</u> refers to the collateral, tools and training given to the sales team to help them sell as well as the strategies and tactics management defines. In general, sales people join an organization without the inherent know- how to successfully sell a product. The organization must direct them to the right markets, train them on the product, and establish effective selling methods. Sales Enablement includes: Go to Market Strategy, Vertical Sales Strategies, sales training, sales presentation, collaterals and Lead Generation Programs.

<u>Administrative Methodologies</u> refers to the methods we use to perform the administrative functions of all sales organizations like forecasting, account planning, expense control, bidding, hiring and interviewing. Effective Administrative Methods serve as a common language, reduces miscommunication and reinforces the ideas and policies indentified in the other three quadrants.

II. The Four Quadrant Method-Building a blueprint for success

The Four Quadrant Method (see Figure 1) is a map for developing a high performance sales organization. Each quadrant represents one of the elements of building a winning sales team:

- TALENT
- CULTURE
- SALES ENABLEMENT
- ADMINISTRATIVE METHODOLOGIES

Each quadrant summarizes the relevant resources, processes, programs and tools necessary to successfully sell your product. For instance, if the product was a high priced software product sold to large financial institutions, in the TALENT Quadrant we would include the following tasks:

- Draft a profile of our ideal candidate's profile
- Outline how to source these candidates
- Define a recruitment plan
- Establish retention goals and plans
- Start a rigorous "Performance Management Program" to systematically weed out poor performers and improve the performance of the overall team

Completing each quadrant generates an action plan for building a successful sales team. The challenge remaining is to create the content identified in each quadrant.

Figure 1: Four Quadrants

Building High Performance Sales
4 Quadrant Methodology

TALENT **-Ideal Candidate Profile** **-IDENTIFY** **-RECRUIT** **-RETAIN** **-PERFORMANCE MANAGEMENT**	**STRATEGY/ENABLEMENT** **-"Go To Market" Plan** **-Distribution & Partner Strategy** **-Value Proposition/Positioning** **- Training** **-Presentation/Sales Tools** **-Field Marketing** **-PR/Lead Generation**
CULTURE -Values -Expectations -Behavior	Best Practices/Procedures -Forecasting/Monthly Reporting -Win/Loss Reporting -Expense Policy/Control -Interviewing Process (TOP Grading) -Sales Methodology (Strategic Selling)

III. Describing the Four Quadrants

a. TALENT

Clearly the most important element of any organization including Sales is the talent level of its people. Without highly skilled and motivated employees organizations will be mediocre at best.

Developing and maintaining a high talent level requires continuous attention be paid to the life cycle of employment –identify talent, recruit the talent, develop the talent, retain, and promote the top performers and improve or terminate the poor performers.

The first step in the identification process is to create a clear profile for each position that outlines the responsibilities of the position, the skills and experience required to be successful in the role and the personal attributes we wish to see in our employees.

Given that successful sales organizations annually upgrade between 5% - 10% of the team, hiring must be continuous throughout the year. Organizations should never stop identifying and recruiting desirable candidates. All possible methods should be employed to ensure an adequate number of candidates are being reviewed and recruited.

As a general rule, a successful sales organization will strive to have 80% of all sales people at 90% of their "Year- To- Date" goals at all times. The bottom 10% will either improve their performance to the desired level or be terminated. The top 10% will be rewarded and recognized as the top performers.

Performance improvement should not only happen at the end of each year. Sales performance should be measured at least quarterly. As soon as it is apparent that an individual is not on track to be 90% of the assigned goal; some performance management action should take place. The purpose of performance management is not to terminate employees. **Performance management's primary function is to improve employees' performance;** so they meet the expectations of the organization. **Termination is a last resort.**

Too often, manager's delay taking corrective action with an employee until it is too late. Thereafter, they take the easy route and simply terminate the employee. Every manager's mission is to get above average productivity out of everyone of their subordinates and to avoid turnover whenever possible. Sales Managers' should be measured not only on how their unit performed against the sales goal but also on how the goal was achieved, how many members of the team attained quota and what was their organization's turnover rate.

Too much turnover either voluntary or involuntary can cripple a sales organization. A sales organization should strive to **maintain the level of turnover at under 20%.** Every person that leaves an organization represents a lost investment of between one and two man years as well as the opportunity cost of lost sales and customers. At a minimum, a sales person is probably in the territory for six months before a termination and six additional months is required to hire and train a replacement. Avoiding these long periods of lost productivity is essential.

Developing the talent level of the sales organization requires **continuous training**. Training on such issues as new product releases and enhancements, competitive threats, competitive positioning, significant wins, vertical solution positioning, and new partnerships should be conducted on a regular basis not just once a year at kickoff.

The single best way to retain employees is to **create a meritocracy** where individual and team achievements are celebrated, recognized, and rewarded. In general, **people want to be a contributing member of a successful organization.** We are social animals. If the organization is succeeding while the people are challenged, recognized, and respected - retention will be high.

Promote from within whenever possible. People with a high intellect, strong work ethic and the ability to inspire and coach should be identified and developed. All organizations should create a training program to give these high potential people the skills to manage a business unit. Training should include the disciplines of management, accounting, finance, and strategy.

The most important people in any sales organization are the first line sales managers who directly manage sales people because they are responsible for translating strategy into results on a daily basis. Effective first line managers are force multipliers. Extra care should be given to recruiting, identifying, and developing these rare people.

b. CULTURE

A successful company culture motivates employees and binds them to the company's values, strategy and one another. A strong culture will guide employees' decision making and cause discomfort in underperformers and misfits.

Successful organizations do not expect a productive culture to simply emerge. They understand the importance of culture and invest the necessary intellectual capital and management time to design and implement a winning culture.

Winning sales cultures begin with management's behavior and leadership. The most effective managers will use theory Y management techniques and **communicate a social contract between themselves and their team.**

Theory Y Management begins with the recognition that every person wants to succeed and be part of something larger than the individual. Most people do not want to fail. If management communicates a well reasoned plan and the expectations for each team member, people will usually commit themselves to the effort. Open communication, positive reinforcement, and regular coaching will yield better results than dictatorial and authoritarian behavior. On occasion, a Vince Lombardi impression may be required as a final effort to break through to an underperforming employee.

The social contract is simple**. Management publically recognizes that part of its job is to make every employee successful.** Management pledges that it will do everything within its power to assist employees in their pursuit of success. If any employee fails or is terminated, management has at least partly failed. In return, management has every right to expect that employees will commit to do everything possible to ensure the success of the organization and therefore the manager. Everyone is united in achieving mutual success.

Management should review the organizations' business plan and goals at the start of each year and honestly report on the organization's progress against the plan each quarter. The quarterly report should not only highlight success but also identify shortfalls and corrective actions. People need to understand that management understands the issues and is in contemplative action to implement tactics for improvement.

A successful sales culture will value the following ideas:

- Attaining quota is the minimum requirement for employment;
- Sales people are ultimately responsible for all activities within the scope of their accounts as they are the leads of the account teams, the "Pilots" in "Charge", so to speak.
- Everyone must deliver on their commitments; you are only as good as your word.
- The success of the organization is as important as the success of the individual. Team members should coach and help struggling team mates. The social contract is peer to peer as well as manager to subordinate.

- Clear and precise communication is important. Communication should be well informed; based on facts and include a well reasoned recommendation.
- “Done” means all requirements are completed.
- Numbers, metrics, and quantitative analysis are important in sales. Each person should know and understand the drivers and metrics for success for their position.
- Above quota performance and team success will be regularly recognized, rewarded and celebrated.
- Professional behavior is expected in front of the client at all times. Sales people are the company’s representatives. The image they project is how the company is perceived.
- Customers pay everyone’s salaries. Every customer should be a reference account.
- Realism is to be practiced. Every assertion, claim or hope has to be substantiated with facts.

c. SALES ENABLEMENT: Leadership, Strategy, Programs and Tools

Effective **Leadership** inspires people through ideas and concrete plans for success. Charisma is not a substitute for substance and good strategy. People will follow a manager if they believe the plans and programs he articulates are solid and will contribute to their success.

Sales Strategy is management’s clear and detailed plan for getting from one’s present revenue run rate to the desired revenue run rate. The sales strategy will outline how the individual team member and the team will achieve the annual revenue assignment and other related metrics such as new customers, gross margin, productivity per sales employee, revenue yield per customer and percentage of sales people at quota.

The most successful sales strategies will include **territory planning and segmentation.** No sales organization should start a new year without defining each sales unit’s territory plan in terms of the number of individual sales territories, highest potential prospects and customers in each sales territory and the “whole product” most appropriate for each prospect or market segment.

Directing sales people towards the best prospects and instructing them on what product to sell and why is a foundation for success. It is amazing how many sales organizations assume that sales people will figure it out by themselves. In many cases, sales people will “figure it out” but only after valuable time has been lost and considerable draw expense exhausted. The failure to get sales people productive within the first 90 – 120 days is one of the principal reasons sales people terminate either voluntarily on non-voluntarily.

Enablement includes the marketing programs, training, sales tools, collateral and business partnerships that support the sales strategy and the sales process. Sales people cannot be successful unless they possess the knowledge, tools and the whole products to create value for the prospect.

In order to create value, the sales team must be able to apply a product's value proposition to the prospect's circumstances while the sale tools and collateral must be relevant, factual, well reasoned and supportable.

<u>Value is created for a prospect in either of two ways:</u>

- ***<u>The prospect's knowledge is enhanced by interacting with a sales team even when the interaction is not part of an active sales cycle;</u>***
- ***<u>Substantial business value is derived from the purchased product.</u>***

Creating value for every prospect ensures the sales force will have regular access to potential customers and be positioned to compete for an order when commercial factors align and the prospect is in the market. A golden rule: never waste a prospect's time.

Elements of a complete enablement program include:

- **<u>Sales Training</u>**
    - Defines the Company's Goals
        - Metrics to measure the company's performance.
    - Outlines the company strategy
        - Actions the company will take to meet the Metrics.
    - Defines the Sales Strategy
        - Actions the sales organization will take to meet its contribution to the company's goals.
    - Describes the company culture
        - Describe the value, mores and personal behavior expected of each member of the sales team.
    - Outlines the company's high level sales process
        - Describe the sales methodology and the various stages of the expected sales cycle.
    - Reviews the enablement tools and their use
        - Explain the various marketing programs and sales tools and how they fit with the sales methodology and within the sales cycle.
    - Details the Administrative Methodologies
        - Explains the various Administrative Methodologies and the rationale and value of each.
- **<u>Product Training</u>**
    - Describes the value proposition
        - Explain the business value the product delivers
    - Reviews the product attributes and benefits
        - Explain the product architecture, technology and features and related business value and benefits
        - Explains product pricing.

- Reviews the support programs
  - Explains the various support programs and pricing.
- Explains how to give the basic Corporate Sales Presentation

- **Training on Partners**
  - Outlines the strategy for partnering
    - Explains the rationale for partnering.
    - Explains the various types of partnerships.
    - Identifies the attributes of a desirable partner.

  - Reviews each Partner and it's product
    - Identifies the current set of Partners
    - Explains the positioning of each Partner
    - Reviews how to work with partners

- **Enablement Tools**
  - Marketing programs and sales tools required to identify, educate, convince and close customers
    - Marketing programs include programs to indentify sales opportunities and create a favorable selling environment. These programs will include:
      - Corporate Web Site
      - Lead generation and inside sales
      - Analyst and press coverage
      - Customer Council
      - Customer references and success stories
    - Sales tools are the collateral required to proceed from stage to stage of the expected sales cycle. These will include:
      - Corporate Sales Presentation
      - Data Sheets
      - White Papers
      - Marketing Papers

d. ADMINSTRATIVE METHODOLOGIES

Effective Administrative Methodologies are designed to support and enforce the best selling and business practices. Properly designed Administrative Methodologies support important elements of the other three quadrants. An interviewing process should support the goals of the TALENT Quadrant. A forecasting methodology should focus sales people on the key success factors of the sales mission – prospecting, closing and collecting and reinforce the tactics laid out in the ENABLEMENT QUADRANT.

Five important Administrative Methodologies are:

- Monthly Reporting
- Monthly 1:1 Reviews
- Skip Level Reviews
- Win Loss Reporting
- Sales Methodology

Monthly Reporting is designed to focus the sales person on the three most important elements of the sales position – prospecting, closing and collecting receivables - and forces the sales person to honestly assess his status against his assigned goals. The Monthly Report includes six individual reports:

The Flash Report – Important information management should know.

Current Quarter Forecast – Deals that will close in the current quarter.

Next Quarter Forecast – Deals that will close in the next quarter.

Pipeline – Deals that will may close within the next 12 months and are not identified on the Current or Next Quarter Forecast.

Account Receivables over 60 days – AR greater than 60 days and planned actions to collect.

Prospecting Activity - Prospecting activity performed in the previous month.

Separating the forecast into three reports drives the sales person to focus on what he can close now causes him to reflect on the challenges involved with making his full year quota.

Monthly reports are aggregated from the individual sales person to first level sales management and thereafter aggregated at each management level up through the most senior sales manager.

The Monthly Report is used in all Monthly 1:1 and Skip Level Reviews.

Monthly 1:1 Reviews

Each salesperson should be reviewed once a month by his manager. Clearly interaction around accounts and performance must occur almost daily. However, a month is the appropriate time interval for a more formal discussion of the sales person's progress against his quota and his planned activities for achieving his goals.

SKIP LEVEL REVIEW

Every quarter each sales person should be reviewed by a second level sales manager. A quarterly Skip Level Review will accentuate the importance of maintaining acceptable "Year to Date" performance to every sales person as well as focus their attention on the key factors of sales success. Skip Level Reviews will also provide a close up and realistic view of sales opportunities and local operations to second level sales management.

WIN LOSS REPORTING

At the end of each Quarter, every sales person should be required to write a report summarizing his performance during the prior quarter as well as describing the outcome of each opportunity forecasted on the Current Quarter Forecast. Each opportunity will have one of three possible outcomes – Won, Lost, and Delayed. It is important for the salesperson, sales management and the company to understand the drivers behind each outcome. Why are we winning against certain competitors? Do certain sales tactics work better than others? Why do we lose against certain competitors? Are our delays the result of optimistic forecasting, wishful thinking or more fundamental problems?

SALES METHODOLOGY

Every Sales Organization should adopt and use a sales methodology. There are many very good and effective ones in use – Strategic Selling, Solution Selling, Power Base Selling. Choosing one can be either personal or situational. A personal reason for selecting a sales methodology could be that you or members of the team have used the system with success in the past. Matching the attributes of a product to the emphasis of a selling methodology is an example of a situational selection. (I.e. Solution Selling suits Vertical Software application sales; Strategic Selling matches up well to complex sales, etc.)

Most systems will be effective if used. The important point is to use a sales methodology in the daily workings of the team. A sales methodology will provide a common vocabulary and framework for discussing opportunities that will result in more precise account plans, sales strategies and revenue forecasts.

Other Administrative Methodologies

Other important administrative methodologies that should be implemented include an interviewing methodology such as Top-Grading, territory planning, account planning and of course a commission and expense policy.

IV. Case Studies: Examples of applying the four quadrant model

a. Geographic Region of a Manufacturer of Fault Tolerant Servers

Background

A Sales Region comprised of almost half of the Continental United States underperformed and operated at a loss for many years. Over the next two years the operation grew annual revenue by 200% and 139%. Operating Profits increased from an annual loss to 36% and 38% of revenue.

What accounted for the turnaround and improved financial performance?

Improvement Process

An initial benchmarking exercise of the Region's Profit and Loss (P&L) Statement with the P&L's of successful Domestic and International Regions revealed that both the Sales Productivity and the Product Gross Margins of the underperforming Region were significantly below average.

The first step in the turnaround process was to properly align revenues and expenses by reducing operating expenses (OPEX) and sales headcount by 50%. On the surface this addressed some of the sales productivity problem by increasing the revenue per sales person and revenue per employee but did nothing to create sales growth or improve product Gross Margins.

Examination of the customer base and the sales forecast revealed that the sales team was selling their specialty Server product into general purpose application areas where the unique value proposition of their product was not appreciated or valued. Usually, these encounters resulted in losses. Wins were only obtained by selling at steep discounts with low product margins to meet the price of the general purpose servers.

In order to correct this fundamental problem, the sales force needed to be redirected to high margin business applications that required high availability. These applications would support the premium required for the business model of a low volume, high cost, specialty manufacturer.

As a first step in this process, Management created a detailed business plan for the Region that detailed specific territories, desirable market segments, target prospects, suitable applications and desirable solution partners. This plan was rolled out to the sales teams though a series of sales training sessions that were conducted with assistance from the corporate marketing office and business partners. These training sessions were conducted monthly for the first six months and then supplemental sessions were conduced each quarter. Constant training was an important component of enabling the sales team.

Each sales person was provided a subset of the overall plan that detailed the target accounts, suitable applications and business partners for his geographic territory. Management instructed the sales team to focus its primary efforts on executing this plan. Selling into the proper application segments increased Product Gross Margins by almost 100% to over 75% by the end of the first year.

A central part of the turnaround effort was to revitalize the organization's culture. Changing culture and implementing a new strategy requires constant attention to detail. Change does not occur as a result of big meetings or sales conferences. Change and improvement only happens when the local team leader assumes responsibility and drives the transformation each day. No plan could succeed without local management buy- in. Change had to be driven at the local level.

Accordingly, it was determined that in order to execute the revitalization plan, substantially all of the first level sales manager would have to be replaced. Existing management was set in its ways and defeated. They had lost the loyalty and respect of their teams by spending too many years making excuses for below quota performance. Five of seven first level managers were replaced.

In addition to replacing many of the first level sales, the new first level Sales Managers conducted aggressive performance management with the cooperation of the Corporate Human Resources Department. Within six months, approximately 20% of the sales people had been terminated and upgraded. The remaining sales people performed as well as or better than their peers in the best performing Regions once they were provided with the necessary programs, direction and local leadership.

Once the changes were implemented at the Sales Manager and Individual Performer levels turnover in the organization averaged around 10% per year.

After the changes, the Region consistently achieved its targets in the areas of Revenue, Revenue Growth, Salesperson Productivity and Operating Contribution or Profitability.

Key Success Factors – Use of the Four Quadrant Method

The turnaround of the Region was most influenced by two factors:

- creating an "Enablement Program" for the sales people
- rebuilding the first level of sales management

The overall talent of the sales unit was acceptable but the sales people were not well trained or directed. Once the team understood how to sell and where to sell, results improved almost immediately.

Implementation of the strategy and enablement program was accelerated by upgrading the first level of sales management. The first level of sales management forced the necessary behavioral changes by constantly focusing the prospecting efforts on the identified market segments and target prospects.

b. Geographic Area of a Storage Systems Manufacturer

Background

A Sales Area of an enterprise Storage System Manufacturer was underperforming. Revenue was almost 30% under plan. Voluntary turnover was high. First line sales management was feuding and undermining one another with management, employees and the corporate office. The overall team's attitude was defeatist and morale was low. The Area was ranked 12th among its peer group of 12 Sales Area's as measured by revenue attainment as a percentage of goal.

Within twelve months, the Area increased revenue by 155%; achieved 128% of its revenue assignment and was ranked #2 within its peer group. Revenue in the next six months exceeded the revenue from the prior twelve months. A substantial reorganization as a result of a corporate merger makes further comparisons impossible.

Improvement Process

Using the Four Quadrant Model as the basis of an audit, management concluded:

1. The company's products were well regarded by employees, customers, competitors and partners.
2. The first line sales managers did not trust or respect one another.
3. The AREA's culture had to be rebuilt into one that prized, praised, and rewarded individual accomplishment and accountability within a framework of teamwork and group success.
4. Significant customers and prospects were not being serviced as the organization recruited to fill sales headcount.
5. Prospecting activity had virtually stopped.
6. Multi-million dollar opportunities had the same resource devoted to them as opportunities valued at tens of thousands of dollars because of a sense of fairness and equality.
7. The employees did not understand the goals of the company or the Area or have any sense of their role in any plan to achieve the goals.

The first action taken by Management was too articulate the Area's goals in a way that was personally understood by each employee. Some examples included:

- Have 80% of our sales people be at least 90% of their quota
- Achieve the collective goals so that our technical people would receive a bonus
- Have 40% of our team go to "achievement Club"
- Have the Region ranked in the top 5 of all Regions
- Have some fun and learn something valuable this year.

Early on, management reorganized the three local sales offices in order to correct the coverage model so that every customer had a sales person assigned. Accounts long held by one geographical office were reassigned to another office as was required to ensure effective account coverage. Tradition should not be an impediment to efficiency and effectiveness.

As part of the reorganization, a review of all significant revenue opportunities was conducted. Those opportunities that were classified as attainable were allocated additional technical, sales, or administrative resources at the expense of smaller opportunities. Part of the strategy was to make reasonable “bets” on large payoff opportunities. Several of these opportunities were won and contributed significantly to the unit’s recovery.

Management personally interviewed every employee in the Area as the start of a Performance Management Review. It was determined that two of the first line managers were very well qualified; just under managed and that 90% of the sales people and technical people were capable – just discouraged and under motivated.

Area Management began a regular staff meeting with its local management teams. At this meeting, Area wide strategies and programs such as seminars, training, and partner programs were discussed and developed. All staff members were required to contribute and assume responsibilities for the success of various elements of the Area’s program. Any disputes among the managers were decided among the team at the staff meeting. Over time, the group began to work together as they began to develop a healthy respect for each other’s abilities and as each of their units and the Area began to succeed.

Every employee was issued a formal “Goal Letter” that outlined their individual responsibilities and goals in detail. The “Goal Letter” stated , “that while achieving one’s revenue goals was indeed the most important goal of every employee in the sales organization other goals would be considered as well in the annual appraisal process”. Employees must also conduct themselves professionally, forecast revenue accurately, maintain an acceptable level of prospecting activity, assist in the collection of Accounts Receivable, and positively contribute to team morale and success.

Monthly Reporting and Skip Level Reviews were implemented to reinforce the messages within the “Goal Letter”.

Close attention was paid to growing, managing and verifying the pipeline. Management constantly reviewed pipeline statistics with the group and with each individual. The importance that management placed on identifying new opportunities was evident to everyone. Management also stressed that it only wanted to forecast and commit opportunities that were well along in the sales cycle. The qualified pipeline increased from 1X the annual revenue goal to over 4X the annual revenue goal within the first six months.

Part of this expansion was due to simply convincing sales people to both improve their reporting habits and to involve sales management earlier in the sales cycle. Previously management had “committed” sales much too early in the sales cycle creating counterproductive pressure on the sales person and encouraging sales people to hide opportunities.

A quarterly meeting was implemented that brought the entire AREA together to:

1. Outline the Area’s goals and its business Plan
2. Review progress against the goals, key financial metrics, and areas for improvement
3. Recognize outstanding achievements and everyone that was ‘Year to Date’ against their revenue quota.

Key Success Factors – Use of the Four Quadrant Method

The primary Quadrant to be addressed in this case was Culture. The Sales Unit had a dysfunctional culture that distracted the team from the primary mission of growing revenue. The talent level of the Sales Unit was very high. Once the first level sales managers began to operate together on constructive programs, the attitudes and motivation of their teams improved.

A contributing factor in the Enablement Quadrant was to change the sales strategy and coverage model to best reflect the composition and distribution of both the sales team and the customer base. Once the reasoning behind the changes was explained to the AREA, the individual performers accepted them and quickly focused on execution.

Finally, the quality and total value of the Pipeline dramatically improved because management emphasized their importance by using Administrative Methods such as the Skip Level Review and Monthly Reports to focus the sales people's attention.

c. National Sales Organization of a Startup Developer of Customer Service software

Background

A developer of "shrink wrapped" self service software raised its Series B round of Venture Capital partly based on references from fours customers who had purchased but not implemented the software, first year revenue of $500,000 and a long pipeline with a gross value of almost $10 million.

Three months after the closing of the Series B round, none of the early customers had implemented the software and no new sales had closed.

After a review, sanctioned by the Board of Directors, it was understood that:

1. The software could not be implemented by non-technical users as advertised.
2. A successful implementation could only be completed by the Vendor's Professional Services Group because it required a deep understanding of the company's proprietary development language and tool set.
3. The company needed to grow revenues while the product was being re-architected.

During the following two fiscal years, annual bookings increased by 300% and 500% respectively; while, annual revenues increased 200% and 650% respectively.

Improvement Process

Management immediately implemented the Monthly Reporting process in order to understand the "true state" of the revenue forecast. When the $10 million Pipeline was segmented into Current Quarter Forecast, Next Quarter Forecast, and Pipeline it was clear there were no near term revenue opportunities. The Sales team had "fooled" themselves into believing that a long list of names was equivalent to a solid revenue forecast. Forcing the sales team to accept their true "relative position" to their goals was the first step in focusing the sales team on a new approach to selling.

In order to overcome the limitations in the software product, the company decided to provide the value promised in the software by adding a substantial amount of professional services to the software to create a “new” whole product. The “new” product offering had an ASP of at least $200,000. No order for the software would be accepted if it did not contain at least 90 man days or $150,000 in implementation services.

After conducting an Audit using the Four Quadrant Method, it was determined that the Talent, Sales Process and Strategy were not aligned with the character and attributes of the “new” product. Initially it was envisioned that software would be installed by non-technical users with an average selling price (ASP) of under $50,000. The initial hires in the sales force were all relatively inexperienced with backgrounds in selling “shrink wrapped” software or “plug and play” products.

Given the new higher price point and the higher complexity of both defining a prospect’s requirements and proposing a more conceptual solution, there was a mismatch between the experience level and background of the initial sales team and the talent requirements associated with a more “enterprise class” sales effort. 90% of the sales team was replaced with more seasoned “enterprise” sales people within a three month period.

Although the core value proposition of the original product remained, a new sales model and a new set of sales tools was required to sell the higher priced product to both the user department and now to the corporate IT department. These enablement efforts were completed in a joint effort by the Marketing and Services departments. Included in this Enablement program was a new user experience demonstration, new corporate presentation detailing how the product integrated with customers’ product and marketing databases and a tool to predict the ROI associated with installing the product.

The new Enablement program was rolled out to the sales team through a series of internal training seminars. In addition to the internally developed Enablement Program, the sales team was trained in “Strategic Selling “as a means to better understand and communicate the more complex selling environment.

Key Success Factors – Use of the Four Quadrant Method

Properly aligning the experience of the Talent in the Sales Unit with the new sales model and implementing a more sophisticated enablement program were the two most important drivers of the recovery.

Part of any turnaround is to first understand the “real” situation. Is the forecast solid or is it fiction. Proper Administrative Policies in the areas of forecasting and Selling Methodologies will quickly clear away any fog. In this case, implementing the Monthly Reporting Package and instituting a formal selling methodology were important elements in determining the true revenue position and transitioning the sales people’s thinking from a simple to complex sales model.

Conclusions

Turnarounds in underperforming Sales Units can be rapid if attention is given to the correct Quadrant of the Four Quadrant Model.

Too often, underperformance is assumed to be the result of poor TALENT levels. Most often, the fault lies in the area of ENABLEMENT. If the proper attention is paid to the strategy, tools and training needed for the average sales person to be successful, an organization will generally succeed. Truly exceptional sales people will figure it out themselves and succeed. ***Organizations succeed if the average sales person succeeds. Enabling the majority of the team is the fundamental building block of a high performing sales organization.***

The image of a successful sales leader is often the hard charging, fire breather who motivates through emotional outbursts and intimidation. Nothing could be more off the mark. The truly exceptional sales leader is the person who motivates through the force of ideas. People will follow when they believe the leader has a plan for achieving the unit's collective goal and is genuinely interested in their success.

V. Recommendations

Below are some simple recommendations for improving the performance of any sales organization:

1. Unify Marketing, Sales and Customer Service under one leader who reports to the CEO
2. Align sales expense and revenues so that each Sales Unit is contributing profits
3. Implement Monthly reporting to quickly assess the unit's true position against goal
4. Audit the Sales and Marketing functions using the Four Quadrant Method. Determine what quadrants need improvement.
5. Review all first line managers to assess if they performing at the highest level. Take the required action to upgrade the talent level where necessary.

Acknowledgements:

Most of the good ideas outlined in this article were told to me by the many talented people I have crossed paths with over the years. Any naïve ideas are my own. I owe special thanks to these people:

Ray Hermo, Richard Lefebrve, Jack Carsten, John Morgridge, Bill Thompson, Paul Tucker, Marty Sanders, Bob Stolz, Dick Tarulli, Bill Kunz, Bruce Cohen, John "Thunder" Thorton, Ed Hiller, Don Hayes, Mike McGuire, Randy Seidel, Mark Quinlivan, Rick Wilson, Jim Ball, Iida Haruyushi, Gary Voight, Rod Kittrell, Mariam Ganem, Don McKendrick, Dan Shepard, Eric Ward, Dave Gamache, Chuck Kane, Ron Sacrboro John Backus and Phil Kautzman.

Special thanks to Anna Tanato for help in editing this paper.

Resources:

Many important ideas for the sales person and the sales manager are contained in the following books and articles. Each has been a great contributor to my thinking in the areas of: strategy, time management, culture, the necessity of enablement, recruiting talent, visioning, planning and forecasting. None of them is about successful selling techniques. There is a message in that last statement.

Topgrading – How leading companies win by hiring, coaching and keeping the best people by Bradford D. Smart, PhD

Mind of the Strategist by Ken Ohmae

Good to Great by Tom Peters

The Sales Learning Curve by Mark Leslie

Crossing the Chasm by Jeffery Moore

Redesigning the Future by Russell Ackoff

Time Power by Charles Hobbs