Enhancing Sales Force Effectiveness Through Analytics and Decision Frameworks

The best sales organizations use analytics and decision frameworks for supporting sales force needs, diagnosing issues and finding opportunities, and designing and constantly improving the drivers of sales effectiveness.

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Sales Force Decision Making: Yesterday and Today

Leading a sales force to deliver profitable revenue growth in today's complex business environment is a big challenge. Not so long ago, when making critical sales force decisions, sales leaders relied primarily on their own judgment and experience, as well as on input from field sales managers and salespeople. Today, sales leaders need to do more. A perfect storm of data, technology, and analytic innovation is radically changing the dynamics of sales force management and allowing leaders to gain new insights for driving sales force success. Figure 1-1 summarizes key innovations affecting sales analytics today.

Explosion of Data	Enabling Technologies and Analytics
• Customer profiles • Direct sales transactions • Sales through distributors • Demographics/market potential • Competitive intelligence • Sales force activity data • Salesperson profiles • Social networks	• Mobile devices • Cloud computing • Business intelligence, sales force automation, and performance management systems • Advanced analytic and reporting tools • Descriptive, predictive, and optimization models • Decision frameworks

Figure 1-1. Innovations affecting sales analytics today

Whereas sales leaders were once piloting their sales forces with a set of tools comparable in sophistication to the cockpit instruments of the earliest airplanes, today they have available navigation tools comparable to those of the most modern jets.

In a transformed and turbulent world, savvy leaders can make better-informed sales force decisions. The examples shown in Figure 1-2 illustrate what is possible today, compared to yesterday.

Sales Analytics: A Powerful Tool

To compete more effectively today, companies need certain capabilities—a set of people and competencies, processes, data, and tools for using analytics and decision frameworks to *support* sales force needs, *diagnose*

Decision	Yesterday	Today
Should we expand the sales force?	• Ask sales managers how many people they need. • Calculate how many salespeople the company can afford.	• Use market-based sizing models that: – Segment customers according to needs and potential. – Determine what sales process and effort level are required for each segment. – Estimate the financial value of covering different segments. – Determine the best size. • Deploy sales resources to match potential.
Should we change the incentive plan?	• Ask salespeople if they like the plan. • Check incentive costs versus budget. • Evaluate plan administration for accuracy and timeliness.	• Use analytics to test proposed plan designs, compare alternatives, and reveal unwanted side effects and financial risks. • Monitor payout distributions and metrics showing a plan's strategic alignment, motivational power, and costs. • Proactively make adjustments to keep the plan on track.
How can we reduce sales force turnover?	• Brainstorm with sales managers and Human Resources (HR) to discover ways to reduce sales force turnover.	• Integrate data on salesperson attrition with data about salesperson performance and potential. • Match solutions for reducing turnover to the needs of high, average, and low performers. • Conduct periodic reviews to track retention and diagnose and address problems early.

Figure 1-2. Examples of the changing dynamics of sales force decision making

problems and opportunities, and *design* solutions for major sales force decisions.

Sales analytics capabilities can reside in a dedicated internal function, such as a sales operations or analytics department. Capabilities can also reside in other company departments, such as Finance or Information Technology (IT), or with outsourcing partners. Regardless of where the capabilities reside, the best sales leaders view the sales analytics function as a *partner* in setting the right priorities for constantly improving sales force decisions and leading efforts for positive change.

The Power of Sales Analytics at Roche Diagnostics

Bill Lister, formerly the senior vice president and general manager at global healthcare leader Roche Diagnostics Corp., is a firm believer in the power of analytics for driving sales success. Bill focused relentlessly on building and sustaining an analytics-based decision-making culture within the sales force at Roche. He led by example, guided by a vision and charter for using analytics to support sales force decisions.

Bill recalls a time when he and his staff proposed that the organization achieve the ambitious goal of increasing the company's market share by 3 points in just a year and a half.

"The sales force thought the goal was impossible to achieve," he says. "We spent weeks analyzing the data using numerous statistical models. When we broke down opportunities by market segment and major customer, we discovered a targeting and customer coverage strategy that could work. It took many meetings to educate the sales force and get the commitment we needed.

"The data and analysis were critical to that process. We could show salespeople exactly what they needed to do to achieve their goals, and we could eliminate much of the emotion involved. The data and analysis contributed greatly to our ability to achieve the goal."

According to Bill, "Developing an analytics-based sales culture starts at the top. It takes persistence and discipline, but the benefit is huge." Bill used the following tactics, among others, to create and sustain an analytics-based culture:

- **Bring in the right people with the right skills.** "You'll need people with strong sales support skills, but you'll also need individuals who are strategic thinkers."
- **Put the right processes in place.** "Educate everyone on how to use data and analysis to run a business. Conduct meetings with the expectation that decisions must be supported by data; insist that people consistently back up their line of reasoning with analytics. Hold everyone accountable from meeting to meeting."
- **Monitor progress and demonstrate ongoing value.** "People may be skeptical at first, so put metrics in place for tracking success. For example, after we started using a data-based approach to setting sales goals, we hit some very challenging numbers on a consistent basis. Pretty soon, the organization started to believe."
- **Elevate the role of sales analytics.** "Make the sales analytics function highly esteemed within the organization. Demonstrate its importance by making the leader of sales analytics a vice president–level position."

The Sales Force Effectiveness Drivers

Many decisions and processes are required to operate a sales force. These decisions and processes are key determinants of sales performance; thus, we call them the sales force effectiveness (SFE) drivers. Figure 1-3 provides a

Sales Strategy	Organization
• Customer potential • Customer targeting • Sales process	• Sales force size • Sales force structure • Territory design
People	**Activity Enablement**
• Success profile • Hiring • Training and coaching	• Incentives and goals • Dashboards and information • Performance management

Figure 1-3. The principal SFE drivers

list of the principal SFE drivers organized into four categories: sales strategy, organization, people, and activity enablement.

The SFE drivers influence and determine the sales team and its activities. Strong SFE drivers, enabled by analytics and decision frameworks, ensure that the right people are in place and are engaged in the right activities for driving success with customers and ultimately delivering company results.

Sales Analytics: Beyond Customer Analytics

Frequently, when people think about using analytics in a sales force, they think about customer analytics — using data about buyer needs and behaviors to prioritize customers, develop customized offerings, and create sales. As important as customer analytics are, there are many, many more sales force decisions that can benefit from the power of analytics. Sales force members, ranging from top leadership (e.g., a sales vice president) to first-line sales managers (e.g., district or regional sales managers) to frontline salespeople, all have questions that analytics can help address. Here are just a few examples.

Some Questions from Sales Leaders

- **Sales force structure and size.** What are the right sales roles (for example, generalist, product specialist, technical specialist, key account manager, inside sales) for our company? How many salespeople should we have in each role?

- **Sales force recruiting.** What is the right profile for success in the sales job? How do we attract, find, and select the best sales talent?
- **Incentive compensation.** How do we design, implement, and improve an incentive plan that motivates and drives results?

Some Questions from First-Line Sales Managers

- **Sales territory design.** How should I assign responsibility for customers and prospects to salespeople to maximize coverage and give all salespeople a fair chance to succeed?
- **Sales training and coaching.** What guidance can I give salespeople? What instructional programs should I suggest to help salespeople acquire and improve their skills and knowledge?
- **Goal setting.** How can I determine territory-level sales goals that are fair, realistic, and motivational?
- **Performance management.** How should I assess and diagnose the performance of salespeople? How can I help them succeed?

Some Questions from Salespeople

- **Customer targeting.** Which customers and prospects should I focus on?
- **Value proposition.** What offering is best for each customer?
- **Sales process.** What is the best way to interact with each customer to maximize my chance of success and deliver value profitably?
- **Sales force tools and dashboards.** What information do I need to plan my time, help my customers succeed, and achieve my sales goals?

Analytics can improve the quality of decisions made by salespeople, sales managers, and top sales leaders.

How Sales Analytics Add Value

Analytics and decision frameworks enable companies to enhance sales force decisions in four ways, as illustrated in Figure 1-4.

- **Support** ongoing needs to keep the sales machine operating.
- **Diagnose** concerns and discover new opportunities.
- **Design** SFE drivers that align sales effort with strategic goals.

Figure 1-4. Four ways that sales analytics enhance sales force decisions

- **Partner** with sales leaders to set priorities and direction for the sales force and to enact strategic and tactical sales force change.

Partnership requires developing the full range of support, diagnosis, and design capabilities needed to meet critical sales force needs.

Supporting the Sales Organization

Supporting ongoing sales force needs keeps the lights on for the sales force. Here are some ways sales analytics can support the sales organization:

- **Sales process.** Support the tools that enable salespeople's interactions with customers (for example, pricing tools and proposal generators).
- **Sales reporting.** Distribute useful, timely, and accurate sales dashboards and reports to salespeople and managers.
- **Incentive plan.** Administer the sales incentive program and ensure accuracy and timeliness of performance data and incentive payments.

Supporting Sales Compensation Plans

A 1,200-person sales force is organized into four selling teams, each with its own sales compensation plan. The four plans share some common features (all plans are goal-based), but each plan also has unique features. For example, the key account team ties a small incentive component to achievement of qualitative objectives, and a specialty team has an added bonus for goal achievement on specific products. Supporting the sales compensation plan requires the participation of the company's technology group, a third-party software vendor, and two full-time company analysts. The technology group processes the sales and account assignment data. Using sales performance management software configured by a third-party vendor, the analysts execute the monthly processing, working to ensure that the process is efficient and error-free. The company spends about $1 million a year, or about 5 percent of sales compensation costs, supporting the sales compensation program.

Support responsibilities tend to recur regularly—for example, distributing sales dashboards and making sure quarterly incentives are accurate and are paid on time.

Supporting a sales force with analytics requires processes, data, and tools that enable accurate, efficient, and reliable delivery of what the sales force needs. It also requires detail- and process-oriented people and managers with an operational mind-set.

Diagnosing Sales Force Issues and Opportunities

The best sales organizations improve constantly. Sales analytics are pivotal to diagnosing issues and discovering opportunities to improve SFE drivers. Here are a few examples:

- **Customer valuation and targeting.** Assess the value of the sales effort by customer segment, and identify opportunities to reallocate effort for improved performance.
- **Territory design.** Evaluate the distribution of workload and opportunity across sales territories, and identify coverage gaps.
- **Goal setting.** Evaluate territory sales goals to determine if they are set at a level that challenges salespeople appropriately.

Diagnosis tells the sales organization how things are going and when a course correction is needed. Diagnosis often begins as an ad hoc request from the sales force:

- "Which high-potential accounts are not getting enough attention?"
- "Is our incentive plan paying for performance?"
- "Is the turnover of high-performing salespeople too high?"

When the sales force finds the response to these requests valuable, the requests become part of ongoing support:

- The list of high-potential accounts is produced every month to help salespeople focus their time more effectively.
- The pay-for-performance analysis is generated at the end of each quarter so leaders can make adjustments for the following quarter.
- The salesperson turnover analysis is conducted every year to ensure that hiring and performance management stay on track.

Diagnosing the Effectiveness of an Inside Sales Team

A financial services company had an inside sales team that sold credit and lending products to small businesses over the telephone. At first, the team drove sales growth by making outbound calls to high-quality leads. But as market growth slowed and lead quality declined, it became harder for salespeople to engage less-willing prospects. Over a three-year period, the productivity of the inside sales team had decreased by half.

Sales analysts looked at millions of records and listened to dozens of calls. The diagnosis broke down performance in a number of ways, revealing several insights for driving sales improvement.

- **Time of call.** Calls to prospects at certain times of day produced three times the level of sales that calls produced in less-effective time slots. Analysis suggested that profits could increase by 20 percent with no change in capacity simply by taking advantage of time zone differences and shifting more calls into time slots when customers were likely to buy.
- **Customer targeting and call frequency.** Average sales per call varied widely across industries; in 7 of 14 targeted industries, average profits per call were less than call cost. Analysis showed that profits could increase by 16 percent if the sales team expanded the number of calls to high-value, responsive industries and reduced or eliminated calls to low-value, nonresponsive industries.
- **Sales approach.** Average sales per call varied across salespeople; top salespeople were two to three times as effective as the average. By comparing the customer conversations of top and average salespeople, the company discovered that top salespeople used a more consultative sales approach: they engaged customers more often and asked questions that led to customer understanding and better product recommendations.

These insights prompted a redesign of the company's targeting and selling approach, eventually leading to increases in sales and profits.

Being good at diagnosis requires people with an insight mind-set, as opposed to the process mind-set needed to support a sales organization. Diagnosis also requires processes and tools that allow both proactive analysis and flexible, quick responses to sales force queries. Diagnosis often requires merging data from multiple sources. A monthly report showing sales by customer is an example of support. The report becomes a diagnosis when data on customer potential and call activity are integrated to reveal opportunities to improve coverage.

Designing Sales Force Effectiveness Drivers

Every SFE driver has to be *designed* in the first place, and then it has to be *redesigned* as the sales environment evolves and diagnosis reveals opportunities for improvement. Examples of SFE driver design include:

- **Sales force size and structure.** Determine the right number of salespeople and the right mix of generalist and specialist roles.
- **Hiring and training.** Create a new sales force hiring profile, and design sales force training programs that align with a new sales process.
- **Incentives and goal setting.** Design a fair and motivating goal-setting process and incentive plan.

Design requires processes for addressing new issues, as well as data and tools that enable flexible analysis and modeling. The people participating in design need creative problem-solving, project management, consulting, and change management skills. They must work collaboratively across departments. Often, sales forces outsource or use partners for design work because the need for such work is so infrequent that it's hard to sustain internal expertise.

Partnering with Sales Leadership

Achieving partnership means that the sales analytics function has earned the respect of top leaders and of other departments and has a seat at the executive table. Respect has to be earned through a proactive and comprehensive approach backed by a record of consistently delivering on sales force support, diagnosis, and design needs.

Designing a New Sales Force After a Pharmaceutical Merger

When two global pharmaceutical companies merged, the sales analytics team was a key participant on the sales integration task force. The company merged sales forces in 40 countries under tremendous time and cost pressure. Leaders sought to minimize customer and organizational uncertainty and avoid a drop in short-term performance.

Using the structured design process shown in Figure 1-5, a cross-functional merger team consisting of company participants and outside consultants completed the steps required for designing the new merged sales organization on schedule.

Figure 1-5. A process for merging two pharmaceutical sales forces

The implementation of the design process required:

- **Fact-based decision making.** The team collected and organized data on products, customers, geography, and the location of company personnel to help with each decision.
- **Speed.** Just three months after the merger deal closed and one month after the company began operating as a single legal entity, plans were in place for sales force integration around the globe, and plans were fully operational just a few months later.
- **Communication.** The merger team orchestrated more than 300 meetings with over 500 company managers, organized routine teleconference question-and-answer sessions, and published newsletters to keep the sales force informed.

In the end, the new sales force design worked for customers. The combined sales force achieved the much talked about but seldom realized merger synergy, without the performance dip observed with prior industry mergers. Company leaders attributed much of the success to careful project planning and execution by the merger team.

Proactive, Not Reactive, Approach

A partnering sales analytics function helps sales leaders set priorities for what to do, not only by answering the questions correctly, but also by proactively asking the right questions, developing a solution approach, and enlisting the support of other departments (for example, Marketing, HR, Finance, and IT) to ensure the work gets done well.

Figure 1-6 shows an example of how partnering can work for one SFE driver: sales force incentive compensation.

Figure 1-6. An analytics–sales force partnership for incentive compensation

Comprehensive Approach Linked to Sales Force Needs

For some drivers, such as incentive compensation, the opportunity to add value through analytics exists across the support-diagnose-design spectrum. For other SFE drivers, the opportunity to add value is more focused. For example, analytics enhance sales force size and structure decisions through diagnosis (How good is the current size or structure?) that is followed by a primary emphasis on design (What new size or structure can better meet

Ch. #	SFE Driver	How Sales Analytics Add Value*		
		Support	Diagnose	Design
2	Customer potential estimation	✓✓	✓	✓✓✓
3	Sales process	✓✓	✓	✓✓
4	Sales force size and structure		✓	✓✓✓
5	Territory design	✓✓✓	✓✓	✓✓
6	Hiring and training	✓	✓✓	✓✓
7	Incentive compensation	✓✓✓	✓✓✓	✓✓✓
8	Goal setting	✓✓	✓✓	✓✓✓
9	Performance management	✓✓	✓✓✓	✓

*The number of checkmarks reflects the typical relative value that sales analytics can add.

Figure 1-7. The typical emphasis of sales analytics value by SFE driver

customer needs?). Figure 1-7 summarizes the typical opportunity for value creation, although the opportunity varies with each selling environment. Chapter 10 includes assessment worksheets to help determine the best opportunities for each situation as well as the capability gaps that need to be filled to realize those opportunities.

For some SFE drivers, the opportunity for sales analytics to add value is well established. For example, many companies have used analytics for decades to improve decisions about SFE drivers such as territory design, incentives, and goal setting. Others SFE drivers are emerging areas of opportunity. For example, there are more opportunities to apply analytics in areas such as hiring and training. A partnering sales analytics function takes the lead in bringing analytics to both traditional and nontraditional sales management decision areas.

Figure 1-8 shows that the emphasis on support, diagnosis, and design also depends on whether sales force needs are episodic or ongoing. Episodic needs are event driven (for example, integrating two sales forces after a merger) and tend to have a large design component. Ongoing needs (for example, producing weekly sales dashboards) are more focused on support.

Figure 1-8. Focus on meeting ongoing and episodic sales force needs

Well-Developed and Proven Capabilities

To partner with the sales force, the sales analytics function needs people and competencies, processes, and data and tools for meeting the support, diagnosis, and design needs across the spectrum of SFE drivers. Only when these capabilities are functioning well can sales analytics begin to mature to the partnership level. Partnering also requires people with characteristics such as:

> *It takes time to earn trust and build the wisdom required to achieve a successful sales analytics partnership.*

- The ability to earn the trust of sales and marketing leaders
- The wisdom to identify vital priorities
- The courage to develop and proactively assert independent thought
- The aspiration and experience to lead and orchestrate change in the sales organization, not simply execute it

Partnership can't be developed overnight. The leaders of a partnering sales analytics function usually have a proven track record of several years of successfully supporting, diagnosing, and designing programs for the sales force.

The remaining chapters of this book show the possible benefits that sales analytics and decision frameworks can bring to an organization, and they provide advice for overcoming the challenges inherent in putting sales analytics capabilities to work.