The Sales Productivity Challenge

by

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If there is one good thing in the world of sales that the current economic climate has spawned, it would be that the topic of sales productivity is back in the spotlight. During the "go-go" years of the dot.com days, it appeared that the only challenges were: where to find more sales professionals, and how to shovel all the anticipated purchase orders into the system. Well, those days are gone - at least for the next few years. Organizations are, once again, being forced to examine how they sell and answer the question: *how can we increase sales productivity?*

The natural place to start the search for productivity is to look at how the sales force is spending its time. Organizations can interview and measure their sales professionals to understand just how much time is being spent on the seemingly necessary and wide number of activities that sales people are engaged in. They can then divide these activities into various categories. At the simplest level these categories can be divided into productive and unproductive activities. Unproductive activities would likely include such tasks as entering data into CRM systems, administration, checking on the status of orders, travel time, and anything else that keeps the sales professional from doing what they are hired and compensated to do - sell.

Companies that undertake such studies usually discover two things. Firstly, far more time than they imagined is being dedicated to non-selling activities, likely in excess of 33%. Secondly, that the sales force is involved with more areas of account management, trouble shooting, and administration than they had previously thought – certainly far more than is in the average job description.

The objective of such a study is that the organization, once armed with the quantitative data, can then embark upon a series of initiatives to turn the sales force's attention and time back to selling. Although this is a great starting to point in solving the sales productivity challenge, there are a number of possibly hidden issues with the approach. Even more interesting is that there are usually other aspects of the selling role that will likely lead to the discovery of greater gains in overall sales results. It is also common that, when an organization undertakes such a study and implements those changes, upon re-examining the situation at a later time, they are often amazed to discover that, once again, over a third of the sales person's time is dedicated to non-selling activities.

To understand the sales productivity challenge, I would like to offer a five-step process that builds upon the starting point of understanding current activity and has been shown to offer both significant and sustainable gains in overall sales results.

#1. Why is the sales force engaged in non-selling activity in the first place?

Initially, any study of sales activity must break down the selling tasks to a sufficient level of granularity to truly understand what the sales force is engaged in. It is one thing to know that a sales force is dedicating 18% of its time to administrative account management tasks, but it is much more meaningful to know that this breaks down into such tasks as, two credit checks a day which take 20 minutes each and, say, checking on order status an average of three times a week at 30 minutes.

Based upon this level of understanding we then have to search for the underlying root cause to why a sales person is dedicating the time to the task. At this stage, let's take a moment to explore a conundrum.

Sales people tend to be very aware of their quotas and are often competitive and achievement oriented. They want to close business and achieve their "numbers". Not only that, they usually represent the job in the organization that has the largest component of overall compensation (commission) tied to their results. So, we have the biggest productivity challenge with the people in the organization that have the most to gain from being productive! Doesn't this represent something of a conundrum? If you pay people to perform, wouldn't you then expect them to totally focus on the activities that will lead to maximizing results?

Why, then, do sales professionals spend any time on non-productive tasks that typically take in excess of a third of their total time? This is the big question, and underlies why so many attempts to increase sales productivity fail. In these situations we often see that the true root causes have not been discovered and attempts to solve the sales productivity challenge are only addressing the *symptoms* of the problem, and not the problem itself.

As an example of this situation we were asked to undertake a sales productivity engagement for a company selling technology training. It was known that their tele-sales organization was failing to make the target number of outbound calls. The immediately apparent solution was thought to be a combination of training, installing a new telephone switch with call monitoring capabilities, and then introducing a bonus system that would pay for achieving a certain volume of outbound calls.

However, after analyzing what was really going on, a more detailed, and different, picture emerged. As we often find, the sales people themselves were as equally frustrated as management by their inability to dedicate more time to out-bound sales calls. We also discovered that they were actually making fewer calls than was initially thought. So, what were they doing? We discovered that there were many tasks keeping them away from those sales calls. Not only that, but the fact that these sales folk were engaged in many of these specific tasks came as either a total surprise or, at the very least, the order of magnitude of time dedicated to them was significantly more than expected.

As examples, we discovered that over 35% of all registered students called the week prior to the scheduled class looking for directions to the training facility. These individuals only knew the 1-800 sales line, so who did they call? Each one of these calls spawned an average of 12 minutes of work in faxing out maps. Similarly, you may be amazed to know how many people leave a jacket, folder, or pen in a classroom, and then how long it takes someone to chase the lost item down and to orchestrate its safe return to the owner. How about students who misplace their training certificate, and then need a copy at a later date for a job application? And then there was also the whole area of credit checking and gaining a suitable form of payment. Each one of these activities, when considered in isolation, does not represent a critical issue. After all, don't we all have to accommodate "other associated duties?" However, when the total system is studied, these "exception" activities represented an alarming percent of time, that is often not visible or managed: essentially, activity that is "running under the radar".

This is just one example which hopefully serves to illustrate that, had management gone ahead with the initially perceived solution, there would have likely been little increase in sales results, even more frustration on the part of the sales force, and possibly a negative impact on customer satisfaction. Ironically, I would suggest that this well-meaning solution would have had an overall negative impact upon the business.

To achieve significant and sustainable increases in sales efficiency, an organization must understand what the root causes are for any unproductive activity that the sales force is engaged in, and then solve the real issues - not simply band-aid the process or address the *symptoms* of the underlying issues.

#2. Efficiency vs. Effectiveness

The second step in meeting the sales productivity challenge is to understand efficiency vs. effectiveness. For example, an organization may add support staff that will make the task of preparing proposals more efficient for the sales professional. The question that must then be asked is: how effective are those proposals? If the organization is just churning out more proposals, we are likely not going to see an increase in sales results. This is one area where the old sales adage of *more activity = more results* probably breaks down. In this example, the organization has to examine if these proposals are being presented to the right people, at the right time, with the right message? If all we do is enable the organization to churn out more proposals at a lower cost per unit, are we really going to see sales results increase? Unfortunately, we see far too many well-intentioned initiatives fail to yield expected results due to this equation.

The overall sales process must be engineered to ensure that the sales force is engaging in the optimal sequence of activities, against the right sales opportunities, in the most effective manner.

#3 Adding value to waste

The sales process, unlike classic process re-engineering, can never be based on a perfect 100% conversion with no waste. By the very nature of sales, we have to explore many sales leads and opportunities that, for a variety of reasons, will not be converted to customers. That is why we have a sales funnel and not a sales cylinder. Through the sales technique of qualification, the sales professional should be weeding-out those “bad” leads as soon as is possible. Any work that is invested in such opportunities, past the time when they could have been qualified out, is simply “adding value to waste”.

In organization after organization, however, we see a significant tendency to do just this - add value to waste. There are many reasons that the selling environment encourages this. Many people view a “full funnel” as a sign of health. Isn’t it better to have 12 sales proposals to be working on than, say, three? There is also a tendency to think that this “bad” opportunity just may be, for the first time in known history, the one that we actually manage to sell something to someone who doesn’t really want it, doesn’t have a budget, doesn’t have the authority to buy it, and is married to the CEO of our major competitor!

Key to solving the sales productivity challenge is the ability to qualify out bad opportunities as soon as possible, and then walk away from these without adding any further value to waste.

#4. Discover the real bottlenecks and constraints

For some purposes, sales can be likened to a manufacturing process. We need an amount of raw materials (leads) and then to take those materials through a number of sequential activities or steps. To use this manufacturing analogy, we can't just push more raw materials into the system and hope to see more finished goods come out. Neither can we just speed up part of the process, and again expect to see more finished goods.

Although understanding and, indeed, modeling the entire sales process can be somewhat overwhelming, it is the only way to truly understand where the bottlenecks and constraints are in the system. Such models will then allow us to assess the impact of making certain changes. We may see the total cost of the sales organization increase, as we bring on more sales support staff, but the increase in revenue may more than pay for the incremental investment.

Sales must be considered as an overall system, with a number of associated activities and resources. In order to gain increases in sales productivity the bottlenecks and constraints of the system must be identified and removed.

#5. Consider the wider impact of changing the sales process

Let's say that, by making changes in their overall sales process, an organization determines it can save the sales force five hours a week. Before declaring success, we should really understand exactly how those newly found five hours are going to be used – perhaps to drive to better golf courses? Unfortunately, this is not a joke. We have worked with organizations that have indeed freed up time for their sales folk, only to see that time being redeployed into other non-productive ways.

Let's take the example of five hours a week. What will that allow our sales force to do? Two extra sales calls a week; an extra proposal; maybe four new quotes; or possibly 100 new cold calls. The question then has to be asked - is this what is required and is there the capacity to support it? Are there actually 100 more names a week that we can get each of the sales folk to call, or are there enough good working prospects to support additional proposal or quote activity.

The organization must also consider the further impact on resources of changes of this nature to the sales process. What impact would there be on sales support staff, marketing, technical resources, administration, and sales management? Sales do not work in isolation - they are part of the entire organizational web. It is often the very ties into this web that inhibit change. For example, an organization may free up five hours a week of sales time, but then if the proposal resources are already max'd out, and marketing can't generate any more leads, the sales people may not be able to engage in an extra five hours of productive selling activity a week.

Alternatively, we could reduce the size of the sales force by ten percent, but this in itself spawns a series of other questions and complexities. Not the least of which is that we are still left with, although at a lower cost, an unproductive selling system.

As changes to the overall sales process are designed, the wider impact of those changes in the overall system must be considered and addressed in order to gain the desired results.

Managing the Sales Process

Finally, there is one further and critical aspect to the equation of increasing sales productivity that is often overlooked or avoided. If an organization is not measuring and managing the activities of the sales folk in the first place, any attempts to increase sales productivity will likely result in little change. If what the sales people do, and how they do it, is an unmanaged process, then it is almost impossible to implement any changes to that process. I am not suggesting either the micro-management of sales professionals or spoon-feeding individuals who should be accomplished in their chosen career of sales. I am, however, strongly recommending that there is an overall sales process with associated performance benchmarks that sales management manage as one of the most important aspects of their roles.

Summary

Most organizations are faced with the opportunity to make massive and sustainable increases in their overall sales productivity. However, there are few silver bullets that can be simply and quickly fired to realize these benefits. That being said, the formula shared above does not have to be tedious, or take an inordinate amount of time.

Organizations that have followed these principals often are both surprised by what they discover and delighted at how quickly and massively they can impact overall sales productivity – and results.

The Mathematics of Sales Productivity

Let's take a real-to-life example where we discover that 32% of a sales professional's time is spent in unproductive activity. From experience, there is always an element of such activity. I would suggest that the most this can be reduced by is 50%, representing an overall gain in sales productivity of 16%.

However we have found that, in most organizations, there exists the opportunity to increase the effectiveness of the productive time (in this example 68%) by 40%. This then represents a total gain of 27% or 168% more than simply taking out 50% of the unproductive activities.

Now, if an organization attacks both the efficiency and effectiveness equation, the mathematics then show that you get a 40% gain on 84% (rather than 68%), or a further 34% gain. More than twice the gain achieved with attacking just those unproductive tasks!

Interesting numbers, for sure, but do they play out in real-life? Given the results we have seen organizations gain from these re-engineering initiatives, the answer is an unqualified "yes".