SALES BENCHMARKING

By Mike Drapeau

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FORGET THE PROGRAMS DU JOUR; TAKE A NEW TACK IN ASSESSING SALES PROBLEMS.

The past several decades have served as backdrops for the rise and fall of one improvement effort after another. The 1980s saw the emergence of Total Quality Management (TQM), which primarily impacted the manufacturing, operations, and distribution functions. TQM efforts were aimed at creating differentiation through lower defect rates and higher-quality products (or services).

During the 1990s, process reengineering enjoyed favor by boardrooms and management consultancies. Organizations sought excellence through unique business processes. With the advent of the 21st century, the industry shifted its focus to price, trying to drive lower costs through supply chain optimization, strategic sourcing, outsourcing, and off-shoring.

Executives who adopted these approaches became frustrated. No matter how well-intentioned and designed such programs were, the copycat effect eventually exerted itself, and the early adopters lost any competitive advantage they gained as the rest of the pack caught up.

WHAT AILS YOUR SALES TEAM?

Into the turmoil and uncertainty of today's business environment has arrived the discipline of sales benchmarking—a new technique to help diagnose what ails a sales organization.

To begin, sales benchmarking is not:

- Sales research – This is typically concerned with taking polls, surveys, and measuring changes over time in people's opinions; it is not based on empirical data.
- Sales analytics – This involves assessing internal performance using lagging indicators.
- Customer relationship management – This is a software system designed to automate certain sales tasks.
- Sales process – This is a methodology for how to accomplish the sales mission within the enterprise.

WHAT IS SALES BENCHMARKING?

Sales benchmarking is the application of the science of benchmarking exclusively to the sales function, resulting in an output of accelerated revenue growth and reduced selling expenses.

An organization accomplishes sales benchmarking through a rigorous analysis of its sales function, comparing its performance across leading (not lagging) indicators and comparing that to external, empirical data from a relevant peer group. Sales benchmarking helps organizations understand how to use data to uncover the root cause of individual sales problems, drilling down to the real issues preventing success and connecting the return to a quantifiable improvement in shareholder appreciation.

UNHAPPY SALES PROFESSIONALS

How do sales professionals respond to sales benchmarking? Sometimes, not well. Sales forces have largely resisted adoption of business initiatives, despite the improvements gained in other business functions. Sales professionals' reluctance to participate in self-improvement has extended even to those projects specifically crafted for them, such as customer relationship management (CRM) software implementations. Why has the sales force been so successful in avoiding such strategic improvement programs?

Two reasons are immediately apparent:

1. Executives have convinced themselves that sales is an art form, not worthy of or conducive to effective measurement.
2. CEOs rarely come through the sales ranks or, when they do, spend little time understanding the sales function itself.

SALES—ART OR SCIENCE?

Sales departments have harbored a curious resistance to the culture of measurement. Many sales executives and managers have, since their careers began, conceived of sales more as an art form than an objective discipline. Sales leaders rely on relationship building, active listening, buyer psychology, product knowledge, and other soft skills techniques that have reliably produced results in the past.

In an age of rapid commoditization, though, where margins are razor-thin and international competition exerts itself without respect to geography, vertical industry, service, or product, such techniques are failing.

For instance, prospects no longer rely on a salesperson to learn about the feature and functionality of a product; instead, they simply visit a website and educate themselves. Furthermore, prospects are overwhelmed with offers from salespeople, many of whom have overlapping, conflicting, or disconnected value propositions, making it hard for any one company to stand out.

CEOS—NOT FROM THE SALES RANKS

A recent study showed that only seven percent of Fortune 500 CEOs followed a path to the boardroom through the sales function. Most CEOs hail from finance, operations, or development. CEOs often consider sales a black box department and aren't sure how to effectively manage this critical business function. Still, they know sales force execution is a critical element in their strategy and that poor performance in that area can often overwhelm positive changes elsewhere.

Yet, when CEOs engage their sales leaders in dialogue about performance and data-driven decision making, they are often unable to communicate effectively, hampered by the sales leader's belief that sales is a normative task to which statistical measurement approaches yield little insight. Even more so, sales leaders fight against external peer group benchmarking, arguing that their sales force, product, service, channel, or organization is so unique that it can't benefit from such comparison.

Metric-oriented CEOs are finally waking up to the fact that sales is as intrinsically amenable to disciplined measurement and external comparison as any other business function.

SCIENTIFIC PROBLEM SOLVING

Sales forces are increasingly adopting scientific problem solving techniques, and growth-oriented organizations are analyzing the key drivers of sales force execution. One reason for this shift is the use of best practices and quality initiatives such as Six Sigma in sales departments. Another is the urge for sales leaders to go well beyond the reporting of data from a CRM system and further into the defined science of sales benchmarking. To accomplish this, executives must rethink how they measure, manage, and assess their sales forces.

Benchmarking is the key technique to inject science into sales management. Early adopters are quickly realizing remarkable improvement. Achieving sales force excellence through benchmarking provides a new source of competitive advantage.

AN ACCURATE PICTURE

The most successful practitioners of sales benchmarking gain comfort from combining data orientation with street smarts. By using benchmarking properly, they can draw an accurate picture of their operation environment, and from that picture, sales managers can judge exactly what resources they need to make their numbers.

SALES BENCHMARKING *(continued)*

Deploying sales benchmarking as a sustainable discipline allows organizations to better allocate their time, money, and resources so that they can focus selling activities on the best opportunities.

Be first. Be profitable.

Mike Drapeau serves as executive vice president of Sales Benchmark Index, a leading strategic advisory firm that helps executive leadership understand how well their sales force is performing relative to peer group and world-class levels. He, along with Greg Alexander and Aaron Bartels, is the author of Making the Number: How to Use Sales Benchmarking to Drive Performance.

For more about the discipline of sales benchmarking, please visit www.SalesBenchmarkIndex.com.