

**TOP THREE CHALLENGES
FACING SALES LEADERS TODAY**

WHITE PAPER

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What does it take to be a successful selling organization in today's marketplace? That's the question recently posed to a global audience of sales professionals during Miller Heiman's annual sales effectiveness survey, conducted in the Fall of 2004. Receiving more than 3,400 responses, Miller Heiman initiated a research effort to isolate specific challenges and opportunities facing sales organizations throughout the world. Benchmarking data against the previous year's results, the 2005 Miller Heiman Sales Effectiveness Study is considered one of the most comprehensive, statistically valid studies of its kind.

Throughout 2005, Miller Heiman will release a series of white papers addressing specific sales effectiveness topics. *Top Three Challenges Facing Sales Leaders Today* isolates these challenges that ranked highest in intensity and level of priority. The study itself focuses on a total of 40 different aspects of sales effectiveness. Each of these aspects, or key drivers, contributes to an organization's ability to achieve top line growth. The factors focus on talent, skills, and processes required to successfully find, win, and keep profitable business.

By isolating the top three challenges, we begin to understand the current priorities of sales organizations and the likely areas where time, resources, and money are being allocated.

During the study, the Miller Heiman research team was careful to consider an important environmental factor that occurred in 2004: a rebounding economy. Compared to 2003, the confidence and performance of sales organizations in 2004 reflect significant improvement. Respondents reported increased sales results and higher new customer acquisition rates. They improved both customer retention and the ability to drive incremental business from existing customers.

KEY OBSERVATIONS

- 70 percent of salespeople believe there were more opportunities to pursue new business in 2004 compared to the prior year
- 51 percent of sales leaders report new account acquisition increased during the past year
- 78 percent of sales leaders believe their salespeople are successful at retaining business from existing accounts (55 percent in 2003)
- 58 percent of sales leaders believe their salespeople are very successful at developing incremental revenue from existing accounts (32 percent in 2003)

One of the objectives of the *2005 Miller Heiman Sales Effectiveness Study* is to understand the top challenges that prevent sales organizations from succeeding, and therefore are considered areas where all sales organizations could look to improve in 2005.

To achieve this objective, the research team created a two-part criteria. Each of the forty drivers analyzed in the study were compared against these criteria. The criteria used were as follows:

1. Is there a high level of priority around achieving the sales effectiveness driver?
2. How difficult is it to solve this challenge?

We labeled the first criteria the “Priority Index.” The second criteria is considered the “Pain Index.” Each driver was then ranked in descending order beginning with the driver that ranked highest against these two indexes. The top three drivers featured on this list are considered the top three challenges. We believe companies who address these challenges more quickly and effectively than competitors will acquire a distinct and sustainable market advantage.

To further explore how each of these challenges is impacting sales organizations, Miller Heiman conducted additional interviews with sales leaders who participated in the research survey. Keep in mind that these people are not marching in lockstep with one another, but each one is well aware their efforts to produce a worthy top line must be highly effective and viable. They also know that a consistent approach to finding, winning, and keeping business is the reason they were hired and that practical information is a roadmap to the future. The following is a discussion of the top three challenges facing sales leader today.

1 LACK OF A WELL-DEFINED METHODOLOGY FOR IDENTIFYING THE RIGHT OPPORTUNITIES TO PURSUE

For Peter Foster, senior vice-president of global sales at Cardiac Science Inc., a nine-year-old firm that manufactures and sells automated external defibrillators, prospecting is putting new challenges on his sales team. “In our industry, we have more competition now. It’s more important for our representatives to drive business. They can’t rely on the company to drive business to them.” To empower a sales force to find new business, Foster feels a balance must be achieved between the structure and autonomy required to find the right business to pursue.

In his view, a member of the sales team is a part of the organization and must follow certain guidelines. “But you don’t restrict them in their territories. We tell them that they are business owners and that this business is theirs. This is their ground.” The downside of an unstructured workforce is chaos, he said—too many deals outside the guidelines.

Walking the line between too much structure and total freedom is a tough balancing act. Foster's company employs a lead tracking approach where each salesperson parks leads in a central system and then participates in a mandatory computerized debriefing session. Cardiac Science's marketing department manages the lead generation system by generating reports and executing against campaigns designed to drive leads.

KEY OBSERVATIONS

- When it comes to effectively defining a methodology for effective prospecting, 58 percent of sales leaders say they rank poorly
- 48.6 percent of sales leaders believe the responsibility of decision makers is moving up higher in our customer's organization, thus making it more difficult to sell
- 61.3 percent of sales leaders believe an increasing number of customers are delaying purchasing decisions

According to Bob Hayworth, chief operating officer and practice leader from Lockton Benefit Company, the lack of an effective approach to successful prospecting is the result of an absence of focus. "You must have a strategy for prospecting, which allows salespeople the ability to focus and find success," he says. And like Foster, Hayworth believes that solid structure to the selling stream is mandatory. "No structure means no implementation," he said, indicating he also has a number of tools in place to track and measure how new accounts are managed within his sales force.

Steve Kazaan, director of channel development for ShoreTel, oversees 200 distribution partners throughout North America. For Kazaan, a structured qualification process is critical. ShoreTel uses a 20-question qualification process to rank leads into three different categories: A, B, C. The "A" list is the most qualified list and is ranked highest in prioritization. "B" is medium and "C" is lowest in prioritization.

"We are trying to determine a couple things. First, we want to see if the prospect is a good fit. Second, we are trying to determine where in the sales cycle the prospect's process is; are we in early, late or just one time. We are also looking for impending events, or specific needs that create compelling events."

Some sales leaders are looking to pack the power of the Internet into their sales tool kits. Richard McKee, a sales director with AXT, a semiconductor manufacturing company based in Fremont, California, says his company gleans new opportunities through Web hits. “What we’d like to do is drive this so that the customers are compelled to pull the information, instead of us pushing.

“We want them to come to us. More and more people don’t want to make time to see you. We want to build a solid customer base built on email.” McKee would like to make the system more objective within the framework of his company allowing more people access to new customers. “The salesman would be freed up from chasing delivery dates and could start building effective business relationships,” he said.

KEY CONSIDERATIONS

- Have you defined your Ideal Customer Profile? Is it consistently embraced throughout your sales organization?
- Apply similar structure and discipline to uncovering opportunities within your existing customer base as you do prospecting new accounts
- New products must equate to providing value to the marketplace. What strategies are in place to allow new products to create new dialogue with prospects and customers?
- Creating new contacts with an account can equal new opportunities
- Do you know the key competitors of your top customers?

2 POOR SALES CALL ACTIVITY AND PRODUCTIVITY

This particular challenge is one of sales activity and sales productivity. Sales leaders reported their sales force were not meeting expectations when it came to making enough new sales calls to continually add qualified opportunities to their funnels. The objective is to have sales teams not only making more sales calls, but also ensuring each call is targeting the right prospect.

Office Max vice-president, Carlos Martijena manages nine district sales managers and 120 salespeople who service Nevada, southern California and Mexico. For him, improved sales activity and the productivity of sales calls requires better visibility and accountability.

“We have a customer management system that allows us to see what our reps are doing,” he said. “We do a tremendous amount of training—we know what part of the sales cycle they’re in.” Martijena said his sales force is extremely stable, focusing on selling a service rather than a product.

KEY OBSERVATION

- 33 percent of sales leaders believe their salespeople are making enough new sales calls to continually add opportunities to their funnels. Nevertheless, this is an improvement over last year, where only 20 percent of sales leaders believed their salespeople were making enough new calls to fill the funnel.

To Martijena, success or failure is no accident. “Success or failure is the result of a path that a person has taken,” he said. “Basically, you must watch and be aware of both strengths and weaknesses and reinforce the strengths so they continue to be successful or break the pattern of failure. This is why salespeople must constantly be accountable for what they do.”

Martijena said time, or the lack of it, is an important element in making sales calls. “You devise ways to get to your client. Like charity events or sporting events—you have to have imagination.”

AXT’s McKee is working with his sales team to increase sales activity by helping them sell higher within a prospect’s organization. “I command a stronger and deeper audience,” he says. “I bring along technical resources and upper management when I make a call; sometimes, the CEO.”

The *2005 Miller Heiman Sales Effectiveness Study* recognizes significant challenges remain for sales forces to access senior-level executives and win their approval. Bob Hayworth with Lockton Benefit Company agrees, saying that his team sometimes tends to shy away from C-level contact and he says he continually stresses the need to sell higher within an organization. Hayworth likes to use mentors—people within his organization who are successful at making quality calls at the executive-level.

Mentoring seems to be an important tool to some sales leaders. Foster also employs the technique. “Within the last few months, we have taken structured and solid steps. We do a lot of tracking now with a lot more hands-on mentoring—a sales force is an expensive resource.”

KEY OBSERVATIONS

- Buying decisions are moving higher in customer organizations
- 52 percent of sales leaders believe their salespeople are good at identifying and reaching key decision makers (compared to 28 percent in 2003)
- 47 percent of sales leaders believe their salespeople are effective at winning the approval of key decision makers

Kip Whitefield, director of insurance risk management at OraSure Technology is in a unique situation. His sales force prospects entirely within an existing customer and prospect base of 200 companies. Making more sales calls and improving the productivity of those calls requires really understanding your customer at a whole new level. By doing so, Whitefield addresses his number one challenge: the length of time it takes to win business. “Our sales problem is sales cycle time,” he says. “The decision process in insurance is like flowing molasses.”

However, Whitefield confides, he is winning the battle. “What we’re finding is, by the use of the Green Sheets, (the call planning tool based on Miller Heiman’s *Conceptual Selling*® methodology) that we’re very optimistic that we’re compressing the sales cycle by aligning our value proposition with the buyer’s concept.” He continues by saying that each buyer has a different concept of why he or she uses a certain company. “It’s a more refined way to handle objections. Each person is going to have a different concept and green sheeting allows alignment of what you can deliver.”

It should not be surprising to find two of the three top challenges relate to an organization’s ability to effectively prospect. Salespeople believe more new sales opportunities exist than in previous years, and more sales organizations are reporting they’re in a good position to bring on this new business. With increased optimism toward growing top line revenues comes increased scrutiny surrounding prospecting practices.

KEY CONSIDERATIONS

- Measure the number of sales calls being made on new and existing customers
- Find ways to increase the time you’re spending in front of customers uncovering something you can help them fix, accomplish, or avoid
- Craft compelling reasons why a prospect or customer should spend time talking with you, which are not specifically about your products or services.

3

LACK OF AN EFFECTIVE PROCESS FOR RECRUITING AND HIRING QUALIFIED SALESPEOPLE

With optimism toward improved market conditions expressed by sales leaders and sales professionals alike, Miller Heiman believes there is a renewed interest by sales management to add new sales people. With renewed interest, sales leaders are striving to better understand and implement effective practices for finding the right people.

It's clear the tough selling conditions of the past several years exposed poor sales performers and their actions. Costs associated with bad hiring decisions became readily apparent. With all eyes focusing on top line growth these experiences are helping reshape the hiring practices of many sales organizations.

KEY OBSERVATIONS

- Only 28 percent of sales leaders believe they have an effective process for recruiting and hiring qualified salespeople (compared to 32% in 2003)
- Only 35 percent of sales leaders quickly identify and move out poor sales performers
- Only 52 percent of sales leaders do a good job of leveraging the potential of strong sales performers

Bob Hayworth with Lockton Benefit Company says his organization benchmarks top performers, creating a comparison tool when looking at new sales candidates. He confides that he has his eye tuned to the competition when it comes to finding talented candidates to hire, while some savvy sales managers are turning to the Internet for hiring talented salespeople.

“We know what makes our people successful,” says Foster. “We make them better by making them better people once they get into the sales process—we definitely want to improve their close ratios.” Who does Foster hire? “We find people who’ve done business to business sales. We hire the right people. We trust them and we invest in them.”

Martijena says the hiring process can be a frustrating experience. He has pursued many avenues to find the right people including college recruiting, job fairs, the military and even headhunters. “It’s hard and it costs money,” he said. “Then you have three month trials and they’re gone. Developing people takes time and money, which are in short supply.”

Most concur that recruiting a qualified sales staff is a continuous and laborious task. “I think we have an educational and a general attitudinal situation in some parts of the country where people want to make a fast buck,” Martijena said. “They don’t have the patience to build the capacity to do the job and to learn the job so they can become highly effective. I say highly effective because just effective doesn’t cut it anymore,” adding that next year’s quota for his nine district managers will be 10 percent higher than the previous year.

According to Martijena, a sales manager is like a confessor—he must be aware of what he calls the “inner person” of each of his salespeople. Why else does a sales manager exist, he asks? “It’s important for the sales manager to recognize a loser or a winner—then you help that winner to become an even larger winner.”

KEY CONSIDERATIONS

- Have you profiled your top performers?
- Do you have an objective tool for assessing skills and characteristics of candidates?
- Do you have an objective tool for identifying development requirements of existing employees?
- Talk to your customers about what they value in salespeople. Do these attributes match the skills and competencies of your sales force?

APPENDIX

HOW MILLER HEIMAN CAN HELP ADDRESS THESE CHALLENGES

Miller Heiman believes increased structure and rigor surrounding prospecting efforts is required of sales organizations. This will help companies to excel well beyond simply benefiting from improved selling conditions. Several recommendations are especially critical in considering how additional structure should be applied to an organization's prospecting efforts.

EFFECTIVE PROSPECTING

- 1) Effective prospecting must be supported by adopting an organization-wide sales process and language. This process must address specific strategies and action plans required to consistently identify and manage sales opportunities. Miller Heiman's *Strategic Selling*[®] and *Conceptual Selling*[®] sales methodologies provide sales organizations the structure and discipline required to effectively find, win, and keep profitable business.
- 2) Create specific criteria to support your organization's Ideal Customer Profile. Sales leaders and sales professionals alike must rally around a common definition for an ideal customer. The goal is to be consistent and base this consistency on facts. Demographic and psychographic attributes of your best customers must be put to paper, tested, and applied to all of an organization's prospecting efforts, including traditional marketing activities.
- 3) Access senior-level executives and win their approval. Most sales organizations and salespeople believe they've made great strides in improving their ability to consistently identify and access senior-level executives and are equally successful at winning their approval. The problem is extensive research among C-level executives reveal sales professionals are not as successful as they think.

IDENTIFYING AND RECRUITING TALENTED SALESPEOPLE

The ability to identify and recruit talented salespeople requires an organization to utilize an assessment process, which can be used to evaluate potential candidates against benchmarked standards unique to your sales organization and selling environment. Miller Heiman's *Predictive Sales Performance* is an assessment tool used by sales organizations to consistently

ensure the right people are being hired and placed into the right positions to achieve specific sales objectives. Additionally, it's a tool to evaluate existing sales professionals within an organization to ensure talented people are aligned with appropriate sales functions. Consider the following:

- Are you identifying the individual strengths and weaknesses of individuals within your sales organization?
- Are you allocating training and coaching opportunities on the people and competencies that need it most?
- Is your assessment criteria based on the competencies and skills of your organization's top performers?

Sales organizations that grow market share in the coming years will lead all other sales organizations in their ability to deliver consistent results. With a common sales process and sales language in place, these organizations will further strengthen sales results by implementing, adopting, and consistently utilizing new methodologies for leveraging sales process throughout their entire organization. Their processes will become the foundation from which all improvements in sales effectiveness will originate. These organizations will use sound, objective data based on historical successes and failures to continually improve upon their top line sales results.

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