Bob Brody leaned back in his chair, frowning. Corporate wanted another 8% increase in sales from his division this year, and guess whose shoulders that goal would fall on? Ah, for the good old days, when he could just announce a 10% target, spread it like peanut butter over all his territories, then count on the sales reps for each region or product line to deliver. Sure, some would fall short, but the real rainmakers would make up the difference. Today, the purchasing departments of Bob’s customers used algorithms to choose vendors for routine buys; pure economics often trumped personal relationships. For more complex sales, purchasing wanted customized end-to-end solutions. There’s no way one person could close those deals, no matter how much golf he or she played. Most of the time, you needed a team of product and industry experts, not to mention rich incentives and a lot of back-office support.

The fact was—he knew he’d have to face it sooner or later—Bob was overwhelmed. Nothing about the sales process was as simple or predictable as it used to be. Eight percent growth? He wasn’t even sure where to start.

If this little fable sounds familiar, it’s because managers often face similar problems. Over the past few years, we have worked through these sorts of challenges with dozens of senior executives in Brody’s position. Even though the world around them was changing, they were still handing down targets from higher management and religiously putting more feet on the street, hoping that some of those new reps would once again save the day. Even arbiters of best practice such as General Electric can recall the wing-and-a-prayer style that, until recently, characterized their sales efforts. The company would give each individual his or her patch and say,

The data, tools, and analytics that companies are increasingly using to improve their sales forces will not only help top performers shine, but they will also help drive sales force laggards to the middle of the curve.

The New Science of Sales Force Productivity
by Dianne Ledingham, Mark Kovac, and Heidi Locke Simon

The data, tools, and analytics that companies are increasingly using to improve their sales forces will not only help top performers shine, but they will also help drive sales force laggards to the middle of the curve.
“Good luck, and go get ’em,” observes GE’s Michael Pilot, who started his career 22 years ago as a salesperson at the organization and is now president of U.S. Equipment Financing, a unit of GE Commercial Finance.

Today, the savviest sales leaders are dramatically changing the way they run their groups. They are reinventing their sales approaches to respond to new market environments. They are expanding their lists of target customers beyond what anyone had previously considered. They are boosting their sales reps’ productivity not by hiring the most-gifted individuals but by helping existing reps sell more. (See the exhibit “More Reps, or More Productivity?”) As a result, their companies are growing at sometimes startling rates. Pilot’s division—a large group in a mature industry—added $300 million in new business (about 10% organic growth) in 2005 alone, an improvement he attributes specifically to a reinvention of the operation’s sales process. Similarly, SAP Americas, under president and CEO Bill McDermott, has more than doubled its software license business in three years, increasing its market share by 17 points.

What these leaders have in common might be called a scientific approach to sales force effectiveness. It’s a method that puts systems around the art of selling, relying not just on gut feel and native sales talent—the traditional qualities of the rainmaker—but also on data, analysis, processes, and tools to redraw the boundaries of markets and increase a sales force’s productivity. The goal isn’t to replace rainmakers but to narrow the gap between the top 15% or 20% and the rest of the sales force. Companies that use the tactic well have found that, while even top sellers do better, reps in the lower quartiles show dramatic improvement, with productivity jumps of 200%. Such increases enhance the performance of the sales team as a whole and enable a company to reduce the expense of hiring new reps. Some firms using the approach have seen their average sales per rep increase by as much as 50% in two or three years, though most gains cluster around the 30% mark.

No latter-day Arthur Miller is likely to write a play about the practitioners of the new method; the drama is in the results, not the details. But if “the future of business is to do things by design, not by chance,” as one sales leader put it, this new science may be what’s required of the men and women charged with bringing in a company’s revenue.

Putting Science into Sales
GE’s Pilot understands how extensive a reinvention can be. As recently as the mid-1990s, the company was still
expecting sales teams to assemble and prioritize their own database of prospects for their territories. The company’s field sales managers even manually classified all the names in the division’s database as either high priority or low priority. “We relied on telephone books,” recalls Pilot. “And newspapers. And signs on trucks as they went by or signs on buildings.” By 2004, says Pilot, he knew that GE Commercial Finance had to “put some science into it.”

Pilot’s first step was to revise the way he segmented customers—by using data that included records of past company transactions. The new database held information such as four-digit standard industrial classification codes, the type of equipment being leased, and so on. Then Pilot asked his field managers to create a list of prospective-customer characteristics, criteria that they believed would correlate with a customer’s likelihood of doing business with GE. He took the 14 features they came up with, ran regression equations against the database of transactions, and identified six criteria that had high correlations. If a prospective customer tested well on those six criteria—such as predicted capital expenditures and number of filings for new business transactions—the probability that it would do business with GE was high.

The division scored its list of prospects based on the six attributes and then worked the new list for a while. Something interesting emerged. “We found that the top 30% of prospective customers were three times more likely to do a deal with us than the bottom 70%,” says Pilot. In other words, that top group was made up of the new highest-priority prospects—and yet only about half of them had previously been classified as high priority by sales managers. The company had, in effect, identified 10,000 new high-priority prospects that it would otherwise have overlooked.

The management challenge is ensuring that you have put enough science into your sales organization to drive that productivity predictably.
Companies that use a scientific approach to sales force effectiveness have found that reps in the lower quartiles show dramatic improvement, with productivity jumps of 200%.

In some cases, that meant narrowing assigned areas based on the caliber of leads, reevaluating territories, or creating new territories entirely. “When you look at the market with that kind of scientific approach,” Pilot says, “you’ll never knowingly have territories that could intrinsically underdeliver.”

On the performance management front, the data allowed Pilot to get new and less-experienced reps up to speed faster. “So much of the process of ramping up salespeople is just pointing them at the right targets,” he says. “If you can do that, you’ll get a big boost in productivity.”

Pilot also used the information to support his sales force with new tools and processes for the field, such as targeted marketing campaigns that zeroed in on high-potential segments. Now every lead and piece of business generated gets tagged to a particular campaign. “It helps you think about what worked, what didn’t, and where to double down and spend dollars for greater return on the marketing side,” says Pilot.

The division’s $300 million in new business for 2005 reflects both an increased sales pipeline and a 19% higher rate of conversion, or closings, in a market the company once believed was maturing. That revenue, Pilot notes, “is coming from customers that we know we wouldn’t have been calling on” without the new approach. “At the end of the day,” he says, “it’s about building our business around customers and finding ways to help them grow.”

Setting Targets

Setting annual sales objectives is any company’s first step in creating a sales plan. Like our fictional Bob Brody, sales leaders have traditionally set goals based on high or low – either of which can demoralize and demotivate a sales force.

To see how the new science of goal setting works, consider how Cisco Systems uses technology to forecast sales. The company created a site where managers could log in and see up-to-the-minute sales performance – listed by region, product line, and so on – all the way down to the level of individual account executives. The site also contains data about reps’ pipelines, including the size of each opportunity, what kind of technology the customer requires, and who the competitors are. Managers hold regular pipeline calls and produce new forecasts derived from the data every week. They then roll up the numbers into weekly, monthly, and quarterly forecasts. “The forecast accuracy for our quarterly numbers tends to be within plus or minus 1% to 2%,” says Inder Sidhu, Cisco’s vice president for worldwide sales strategy and planning.

Like other best-practice companies, Cisco isn’t sitting still. Last year it provided its reps with state-of-the-art PDAs, and it’s building custom applications for the devices designed to boost productivity. One such program speeds up data entry; another lets reps check their customers’ recent activity (such as whether they have ordered parts or remitted an invoice). Cisco has also jump-started its reps’ motivation by developing an online personal compensation rate calculator. “People can actually go in and say, ‘OK, here’s where I’m at right now in the quarter,’” says Sidhu. “It tells them exactly what the deal will mean to them financially.”

Two years ago, Aggreko North America, a division of UK-based equipment rental company Aggreko, adopted a scientific approach to goal setting with dramatic results: In 2005, sales rose by 29%, and sales force productivity rose by 90%. Company president George Walker says that the process begins from the top down. Executives gather regional data on critical industry-level drivers in each of the company’s vertical markets – oil refining, home construction, and so on – and then they calculate the firm’s share of each market to set goals for growth. Next comes the bottom-up element: Armed with the data, area sales managers develop a view of territories, accounts, and quotas for individual reps by multiplying potential market size by target shares for each market. An iterative process between the local reps and senior management ensures that the expectations for individual salespeople are in line with overall corporate objectives.

Stepping Up Productivity

Traditionally, sales managers assumed that if you wanted to see significant growth, you had to look at last year’s performance and then try to gauge how many new salespeople you could add, given the potential market and the ramp-up time that each new rep would require before generating revenue.

Companies that follow a scientific approach take a much different course. They focus above all on increasing individual salesperson productivity. They
can do so because the question of how to boost productivity is no longer a mystery to them. (See the sidebar “TOPSales: A Science-Driven Approach.”) On the contrary, they have learned to use four levers that make productivity increases both predictable and manageable.

**Targeted offerings.** Most organizations already know how to gather the data that enables them to segment their customer base. But companies pursuing a scientific approach to boost productivity by taking segmentation one step further. They systematically divide their customers according to factors such as potential value of the account, share of wallet, vertical market, type of product, and type of sale. They define roles and support a team approach with a careful architecture and smart management.

**Sales force deployment.** Distribute your sales resources systematically, matching sales approaches and channels to the needs and challenges of each customer segment. Create teams for complex sales, and provide reps with support to help maximize their productivity.

**Performance management.** Measure and manage inputs, such as pipeline metrics and competitive installations you want to target, but reward based on outputs. Calculate the time it will take new reps to begin generating revenue, and factor that in to your sales planning. Provide training and tools to reduce that time. Incorporate metrics, incentives, and skill development into compensation systems to reward high-performing reps.

**Optimized automation, tools, and procedures.** Bolster your technology tools with disciplined sales management processes, such as detailed pipeline discussions, systematic account and territory plan reviews based on standard guidelines, defined lead distribution processes with tracking throughout the sales cycle for both reps and partners, and electronic dashboards for reps and territories.

**Targeted offerings.** Tailor your offerings to meet the needs of each segment, and make sure reps are selling the right wares to the right prospects.

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In today’s selling environment, it’s not enough to rely on your star reps and hope for the best. Any sales organization that wants to boost productivity should use a scientific approach to selling based on a set of four levers (which make up the abbreviation TOPSales).

**TOPSales: A Science-Driven Approach**

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and many companies are putting IT-based tools to work to improve sales force productivity. Aggreko North America uses CRM software with a “profitability predictor” that allows its reps to tweak an offering if margins aren’t where they should be. GE Commercial Finance has Monday morning sales meetings that are facilitated by a “digital cockpit” that lets managers peer into reps’ pipelines. Cisco, famed for its Web-based sales tools, knows that technology is effective only if it supplements and complements disciplined sales management processes (such as routine, detailed pipeline discussions based on a well-understood characterization of various stages in the pipeline and systematic channeling of leads to sales reps).

A dramatic transformation at SAP Americas, in particular, shows how important systematic processes can be. When McDermott took over in 2002, one of his first moves was to set standards for individual sales reps that reflected the market potential: $500,000 for the first quarter of the next year, $750,000 for the second quarter, and so on. The quarterly targets alone dramatically changed many people’s thinking; traditionally, SAP reps had always counted on a big fourth quarter to pull themselves through the year. Instead of allowing reps to scramble to meet annual sales goals at the end of each year, that would team up with SAP to close the deals.

For a company to rely on the persuasive or relationship-building powers of a small group of talented individuals is simply insufficient.

McDermott set a pipeline standard. He expected reps to have three times their annual sales quotas in their pipeline of prospects on a rolling basis, quarter by quarter. To ensure that business partners (like IBM Global Services and Accenture, which implement the systems SAP sells) would be drawn into the selling effort, McDermott decided that at least half of each individual pipeline should be assigned to a business partner that would team up with SAP to close the deals.

Merely setting such goals, however, is not enough. Supporting them with management processes, selling materials, and automated tools for measuring leading indicators and results is what makes outcomes more predictable. For example, reps are regularly informed about key industry trends and about which of SAP’s comprehensive product offerings will be most relevant and valuable that year for a target segment. When reps identify clients that could make better use of key SAP products to address an industry trend, “your whole marketing muscle and your pipeline muscle are really focused on letting those clients know that they’re leaving...
A New Role for Rainmakers

High-performing salespeople have always delivered the goods for their businesses. Can they be helpful in other ways as well? While we believe there is no substitute for the right segmentation strategy, processes, leadership, tools, and incentives, we also think that companies often fail to take full advantage of their top salespeople.

But that may be changing. Today, relationship sales consultants such as Andrew Sobel (coauthor of Clients for Life) and Tim Leishman (of consulting firm Leishman Performance Strategy) are taking a page from cognitive science and showing that it’s possible to teach the underlying behaviors of top salespeople. In our experience, the best companies are aiming to do this instead of first searching for new stars. They are defining a new role for their rainmakers as collegial mentors who can impart what appear to be instinctual relationship-building skills. These firms are also having their rainmakers teach new hires how to break customer-winning behaviors down into actions they can adapt to their own personalities.

One pharmaceutical services company took just such an approach: It created a three-step training initiative that paired sales stars (who brought in about half the company’s revenues) with new hires. During the “first steps” phase, the stars educated the newcomers about the market and took them on sales calls so they could observe firsthand how the high-performing veterans worked. During the “walking” phase, the newcomers made the calls—but the stars joined them, watched them, and offered tips and feedback. For the remainder of the year (the “running” phase), the stars met regularly with the newcomers to discuss progress and share ideas. The approach took about a year and capitalized not only on the high performers’ desire to share their skills but also on their desire to earn: They received a 1% commission on all revenue brought in by the mentee during the yearlong program.

Hundreds of millions of dollars of value on the table,” says McDermott.

Performance management. Most organizations have an expected level of sales attrition based on whether reps make their quotas over time. But some have added deeper levels of performance analysis that make sales productivity more predictable and thus more manageable. For instance, for each customer segment (such as global accounts, large-company accounts, and so on), SAP has analyzed how long it takes for new reps to become productive and how their productivity increases after that. They can also determine the average productivity rate for seasoned reps. This helps managers staff their segment territory plan more effectively. And it helps them know more quickly when a new hire isn’t meeting the standard. “People generally reach their productivity plateau at 12 months,” McDermott explains. “If they are not there, they are not going to get there. And that’s about 10% of our new hires.”

The key to retention is to set people up to succeed. That shouldn’t be a matter of good fortune; it should be a result of data-driven planning. Every successful company we studied measures inputs—a rep’s pipeline, time spent prospecting, or specific sales calls completed—as well as outputs, thereby helping the reps stay on top of the process. “If you’re not looking at the in-process measures and you’re simply looking at the results,” says McDermott, “you’re missing the most important element, which is the future.”

The best companies offer development opportunities to successful reps. Thus Citigroup’s Thomson, who also oversees the wealth management business of Smith Barney, a division of the company, notes that successful financial advisers at his firm not only keep a higher percentage of the revenue they generate but also are rewarded with professional development that enables them to broaden and deepen their wealth management practices.

Data-driven companies also align incentives with the behaviors that are critical to a rep’s financial success. That can entail adjusting metrics and commissions so that veteran reps can’t simply coast on past sales. Or it can mean tailoring compensation systems to the type of sale. For example, one of Aggreko North America’s business lines, called Aggreko Process Services, provides engineering services to supplement the temperature control equipment that the company rents to oil refineries (among other customers). Reps who sell these offerings—often involving a long and complex sales cycle—don’t work on straight commission. Instead, they are paid a relatively high salary plus a bonus based on achieving targets. Meanwhile, reps who sell less-complex rentals, such as those to construction companies, earn a higher proportion of their compensation in commissions.

Sales force deployment. How a company goes to market—how it organizes and deploys not just its reps but its sales, support, marketing, and delivery resources—is a critical part of the sales process. Any company that has watched its territory-based sales reps migrate down-market toward easy sales rather than profitable ones is facing a deployment problem. Its resources simply aren’t being put where they can generate the greatest return.

One simple way to fix a deployment issue is to create a demand map of the market using segmentation information and then to compare it with your deployment map. The point is to substitute data for gut feel to identify where the best prospects are and to synchronize that information with the companies that sales reps actually call on.

But an analytical approach to deployment goes well beyond simply matching up reps with particular prospects. Best-practice companies also typically benchmark themselves on whether approaches
to sales are paired up with the right customers.

Most companies, for example, utilize a range of sales channels: enterprise or other direct sales, inside sales, the Internet, dealers or value-added resellers, and so on. Having access to detailed information about the behavior and profitability of customer segments and microsegments allows sales executives to decide how best to deploy these different resources. For instance, inquiries about Aggreko North America’s commodity rentals are directed to the Internet or closed by telesales; inquiries about large consultative projects are sent to specialized sales reps. The ideal salesperson for the firm’s construction-related business, says company president Walker, isn’t necessarily a construction expert but a rep who “knows how to make 50 sales calls a week” and can close deals quickly. “The perfect rep for Aggreko’s refinery business,” Walker continues, “is someone who is comfortable with long sales cycles and complex, technology-intensive solutions.”

Another question that leading sales organizations ask themselves is, Are the field reps spending as much time as possible selling? When we measure salespeople’s “non-customer-facing time,” we find that it often amounts to more than half of their total hours. If sales executives uncover that kind of problem, they have a variety of tools at their disposal. They may be able to channel some of the reps’ administrative functions to support staff. They may want to reorganize territories to minimize time spent in transit. They also may simplify the systems that the reps are expected to deal with. Several years ago, sales executives at Cisco set a goal of reducing reps’ nonselling time by a few hours a week and charged the IT department with making it happen. The improvement led to several hundred million dollars in additional revenue.

All four of the levers help increase sales force productivity. What’s most interesting, however, is that they seem to have the greatest effect on lower-ranked performers and so narrow the gap between top performers and everyone else.

When we studied the results of a systematic sales force effectiveness program launched in several branches of a large Korean financial services provider, we found that the branches experienced a 44% rise in weekly sales volume, compared with a 6% decline in other branches. The top quartile of customer-service reps increased their product sales by 6%, the second quartile by 59%, the third quartile by 77%, and the bottom quartile by an astonishing 149%. A study of a comparable program in the Korean offices of another global financial-services firm found similar, though not identical, results. Increases in assets under management ranged from 2% in the top quartile to 33% in the second quartile to 54% in the third quartile, with the lowest quartile registering a 44% increase.

Beyond Best Practice
Finding, attracting, and holding on to talented salespeople is more difficult than ever. And companies can no longer afford to depend on them the way they once did. “It’s gotten incredibly expensive to hire stars from competitors,” acknowledges Citigroup’s Thomson. Relying on the persuasive or relationship-building powers of a small group of talented individuals is simply insufficient for predictable, sustainable growth. (See the sidebar “A New Role for Rainmakers.”)

Fortunately, sales executives like Bob Brody don’t need to depend exclusively on rainmakers to achieve their numbers. They can get much more out of their entire sales force by using a hard-nosed, scientific approach to sales force effectiveness. Like any science, of course, this one is evolving. The tools and processes we have described are today’s best practice, but in a few years, they will almost certainly be standard operating procedure for any company that hopes to compete effectively in the global marketplace.

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