

Sales Management 2.0

Managing Sales in a Virtual World



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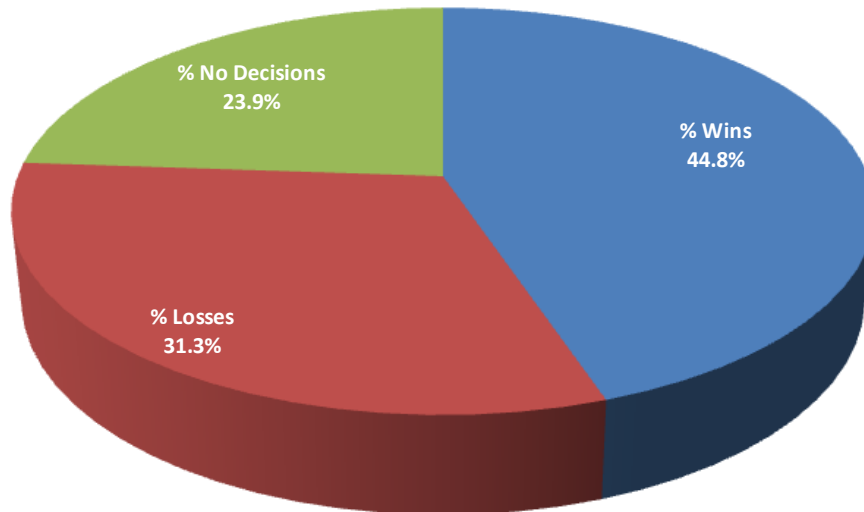
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INTRODUCTION

Over the past two and one-half years, we have witnessed a significant drop in sales effectiveness, as measured by the percentage of salespeople achieving quota. At the beginning of 2008, that number stood at 61.1%. CSO Insights' most recent Compensation and Performance Management study pegs the number today at 49.1%. This precipitous decline in performance is getting the attention of many executive management teams. Questions are being asked as to what is causing this to occur, and more importantly, what do you do to reverse this trend?

To help answer the first part of this question, we looked at the results from our 2010 Sales Performance Optimization and Telemarketing/Inside Sales Performance studies, and found one key metric that is clearly a contributor to the problems we are facing. In the 16 years we have been doing our annual studies, win rates of forecast deals are at an all-time low, as seen below in Figure 1.

Outcome of Forecast Deals



Source: CSO Insights 2010 Sales Management Optimization Study

Figure 1

It is important to remember we are talking about opportunities that are "forecast," not deals in the pipeline. These represent the opportunities that we have the highest confidence in, the ones that sales reps and their managers are saying will close. Yet less than 45% are ending up in the win column.

We have written over the past few years about factors that can impact "win" rates. But in retrospect, most of our analysis has focused on what salespeople can do to improve their performance to close more deals. But there are other players that are part of the forecasting process: sales managers. These are the individuals that validate each rep's forecast, and then monitor how forecast deals are progressing. Assessing their

effectiveness also deserves attention as we look for ways to get sales performance headed back on an upward curve.

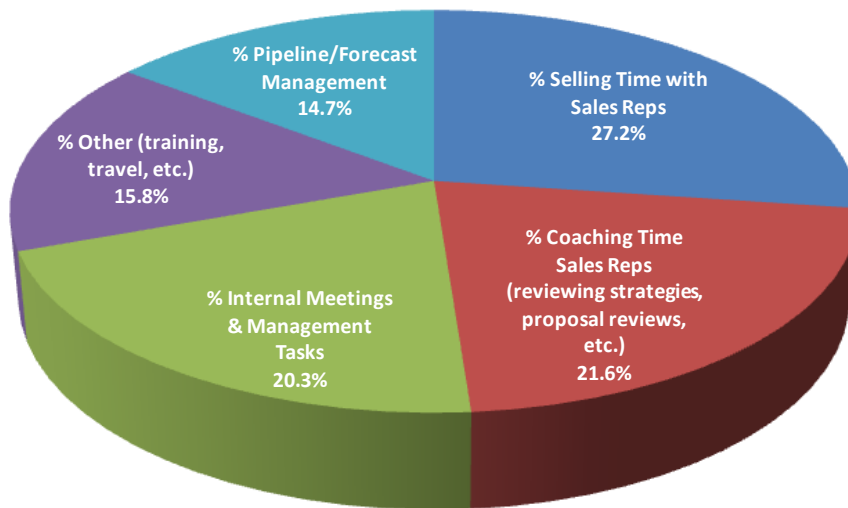
In this white paper, leveraging the results from our inaugural 2010 Sales Management Optimization (SMO) study, we will start to explore the tasks that we are asking the people leading our sales teams to perform, how they are doing so, and how they can become more effective at helping their direct reports be more effective at closing deals.

WHAT SALES MANAGERS DO

As a basis for understanding how to make sales managers more effective, let's first start with an examination of what these individuals currently do. As part of the 2010 SMO study, we first asked the participating sales organizations to share with us the ratio of sales rep per sales manager. The study data showed that the average manager oversees just over six salespeople.

We then looked at the question: How do these managers spend their time? In Figure 2 we see a breakdown of a typical work week.

Sales Manager Time Allocation



Source: CSO Insights 2010 Sales Management Optimization Study

Figure 2

Three of these five areas deal with sales managers interacting directly with their sales teams: selling time, coaching time, and pipeline forecast management. Above, we see these activities account for 63.5% of a manager's work week. They would appear to have time available to work with their teams. So, the question then becomes, "Are they making the most effective use of that time?" Let's explore what each of these aspects of sales management entails.

Selling time involves making calls with your reps. Logical times to involve a manager directly in customer meetings can be to audit the performance of a new sales person to see how they are applying the lessons learned in training, conducting presentations, reviewing proposals, negotiating contracts, etc. The issue to consider is that, in the case of working with field-based sales reps, if a manager is out of the office making calls with one rep they may well be unavailable to the rest of their team that day.

Coaching and mentoring time often involves one-on-one sessions with salespeople. Here, the manager focuses on reviewing tactics the reps will be executing: discussing the account penetration strategy the rep has designed, reviewing the results of the needs analysis the rep has conducted, brainstorming ideas for linking products to needs or coming up with creative pricing/packaging offers, etc. A reality of coaching today is that more and more often, reps are working remotely from their managers, so these sessions take place over the phone. The issue then becomes: How do managers make these sessions as effective as possible?

Pipeline/forecast management is a seemingly never ending process. Managers and reps are continually examining the status of the deals being pursued so that better guidance can be given to the rest of the company. As a part of this process, other functional areas such as finance, manufacturing, customer support, etc., may need to be involved so they know what to plan for. Again, the issue is: How do you optimize these sessions?

OPTIMIZING SALES MANAGEMENT

As part of the 2010 SMO study, we asked the participants to identify the best sales management practices that contributed to improved success of salespeople. The results did not vary significantly between under-performing and over-performing sales organizations. But knowing what to do is one thing, finding innovative ways regarding how to do things is another. In looking at the "how," we see one trend worth exploring, which we are referring to as Virtual Sales Management (VSM).

A cornerstone for VSM is the intelligent use of technology to help sales managers do their jobs more effectively. One of key tools in this arsenal is leveraging sales collaboration applications. Hosting virtual meetings is becoming an increasingly more important tool for marketing, as webinars are an effective way to virtually engage prospects. Sales managers are finding this is a useful method for engaging their sales teams, as well. Consider the following.

Virtual Selling

Under the traditional model of co-selling with reps, managers jump in a car or jump on a plane and go with the rep to the customer's location. On average, reps today are making 1.2 calls per day, so a manager will likely see only one or two clients in the course of spending the day with a sales rep.

Here is how that would work differently in a virtual sales environment. A manager blocks off three to four hours a few times a week for his/her reps to schedule the manager to take part in virtual sales calls. At the time of the call, the rep, prospect(s), and manager

all sign in to a Web-based meeting. Once in the session, the participants can share their computer desktops and the call can proceed just as if they were face-to-face.

For example, from their computer your client might start the call by bringing up the RFP documents they have created related to a new purchase they are considering, a sales rep could share a PowerPoint file on their laptop and the rep and the manager co-present examples where their company has solved similar problems for other prospects, or the sales manager might bring up a draft of a contract they want the prospect to sign and all sides could work through any changes in real time so they can come to an agreement that works for all parties.

All the tasks that would be handled face-to-face are now done within the virtual meeting. Under this model, the sales manager can make three to four calls per day, and these calls can be with three or four different reps. Plus, the rest of the manager's day is now freed up to handle other tasks versus tied up traveling.

Virtual Coaching

When managers want to work on coaching or mentoring individual reps, they can also take a virtual approach to these tasks. Regardless of where they and the rep are physically located, they can set up a Web-based session for their meeting. Again, by sharing computer desktops they can accomplish a number of tasks more effectively than by just talking over the phone.

For example, a sales rep may want some help customizing a proposal for a client. They can bring up the Word document and together make changes to tailor the proposal to meet the client's specific needs. Or, say the manager wants to ensure the rep understands the new pricing model the company has announced. He could bring up a spreadsheet template and walk the rep through a number of scenarios to make sure the sales person knows how to calculate the right prices, and can also justify the new pricing to their client.

Virtual Pipeline/Forecast Management

Having each sales person bring up their CRM application and review all the opportunities they are working on can be an extension of coaching and mentoring time. By virtue of the fact that the manager and reps can both view opportunities in their CRM application, they can run through all the stakeholders the rep is working with on a deal, review all the meetings and correspondence they have had with those individuals, walk through all the assumptions that lead them to believe they can close the deal as forecast, etc. This helps managers validate the deals in the forecast. This can be particularly useful if sales managers have remote reps.

In addition, managers can set up virtual meetings with other functional areas of the enterprise to ensure deals do not get derailed by things happening outside of sales. For example, they could set up a Web-based review of the customer's shipping requirements against manufacturing's master schedule to ensure the products can be delivered on time. Or, they could set up a virtual session with finance to jointly develop a response to a customer's request for flexible payment terms. This way, even when managers are out of the office, they can be working with others in the company to keep deals on track.

VSM Recording

Another benefit of VSM is that Web-based meetings can be recorded. This provides several benefits. First, sales trainers can receive feedback on how the lessons they have taught are being applied in the field, and which tactics and techniques are working and which are not.

Second, as managers make virtual calls with reps, or conduct mentoring sessions, best practices can emerge. Sales managers can then easily share those ideas with other sales teams so they can learn from the first hand experiences of their peers on how they can improve their own effectiveness.

Third, feedback can also be shared with the rest of the enterprise. For example, the customer's comments after they have seen a presentation can help R&D know if their products are meeting market needs, or marketing can see how effective their messaging is at influencing buyers.

OUR ADVICE

Ultimately, VSM is not about doing different things, but rather doing the things we already know we have to do differently. As we reviewed in depth in the 2010 Sales Performance Optimization Study Key Trends Analysis, optimizing sales process contributes to a number of hard-dollar benefits, including increasing win rates, increasing margins, helping new salespeople get fully productive more quickly, and decreasing sales rep turnover.

Optimizing sales management performance is key to making this happen, and for many organizations VSM can play an important role. Giving managers the opportunity to work with their sales team in selling, coaching/mentoring, and pipeline/forecast management virtually—by leveraging sales collaboration technology to conduct these activities via the Web—provides them the option of balancing efficiency and effectiveness. In doing so, they can make the best choices for how to support the sales teams they are leading, and increase everyone's performance.

Comments or questions on this analysis can be directed to:

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