

Talent Optimization: A Study on Selection & Development of a Winning Sales Team

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ABSTRACT

At last all wars are down to implementation.

These are the rush hours for sales organizations. Rising cost, intense competition and top performers are jumping ship. To remedy the problem, many sales organizations look to technology, new incentive plans, and additional sales training for their Sales Representatives and Sales Leaders. While these initiatives may move the needle, they do not address one of the major sources of sales force ineffectiveness—the hiring and promotion process. This study has been conducted to learn more about the challenges facing sales executives and determine what they perceived to be the root causes of their problems.

For this specific purpose Vice Presidents of various reputed organizations have been surveyed and three major issues have been identified that are severely hampering their organizations' ability to sell:

- Substantial skill gaps among Sales Reps.
- Lack of leadership and coaching skills among Sales Leaders.
- The skill gaps are most dramatic among organizations undergoing significant change, such as rapid growth initiatives or shifting sales approaches.

These findings indicate that there are fundamental flaws with the hiring, promotion, and accountability systems used by many sales organizations. Fortunately, many of these problems can be avoided. With a clearer definition of their needs, and accurate assessment of sales candidates' skill levels and motivation, organizations can identify, hire, and promote higher quality sales talent that fit with their sales culture.

Keywords

Sales Team, Leadership, Skills, Selection & Development.

1. INTRODUCTION

At last all wars are down to implementation. These are the rush hours for sales organizations. Rising cost, intense competition and top performers are jumping ship. To remedy the problem, many sales organizations look to technology, new incentive plans, and additional sales training for their Sales Representatives and Sales Leaders. While these initiatives may move the needle, they do not address one of the major sources of sales force ineffectiveness—the hiring and promotion process. To learn more about the challenges facing sales executives—and determine what they perceived to be the root causes of their problems—

I have conducted a survey of 159 Sales VPs. Survey respondents represented a variety of industries, company sizes, growth rates, and sales strategies.

From these executives, I identified three major issues that are severely hampering their organizations' ability to sell:

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2. THE CHANGING SALES APPROACH

2.1 Finding 1

34% of Sales VPs plan to shift their sales approach over the next three years.

Stagnant or declining sales, new competitive threats, Product differentiation, Many factors go into an executive team's decision to shift their company's sales strategy.

Among Sales VPs responding to the survey, 34% plan to shift their sales approach over the next three years. However, it is never easy to get a sales force to shift on a dime. Sales Reps and Leaders who were thriving under the old strategy will be resistant to the shift. More importantly, a significant number of both Sales Reps and Leaders will either fall or be left behind because they do not have the "stuff" to adapt.

So what can senior executives do to mitigate the high risk associated with executing a new strategy?

Prior to the decision to shift, executives typically go through a detailed analysis driven by extensive and accurate information on competitors, win/loss criteria, and the size of potential sales pipelines. This same rigor needs to be applied to gathering and analyzing accurate information about the ability of each Sales Rep and Leader.

2.2 This requires:

- Isolating the right "Sales DNA"—Identifying the fundamental skills and motivations critical for success at each level within the organization.

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- Putting everyone through a “Sales MRI”—Assessing each individual’s strengths relative to the skills needed to handle the shift and rolling them up to assess the overall health of the organization.

2.3 Anticipating a Shift

The Sales VPs were asked to describe their current sales approach and their anticipated sales approach three years from now using the following definitions:

2.3.1 PRODUCT-CENTRIC SALES involves selling a well-defined product or service to customers who have predetermined needs and are primarily seeking a low price and buying convenience.

2.3.2 SOLUTION-CENTRIC SALES involves providing varied and customizable products and services to customers who want insight, advice, and help solving their problems.

2.3.3 BUSINESS-CENTRIC SALES involves entering into a high-level partnership with a customer who wants to leverage the core capabilities of your organization to realize a long-term business strategy.

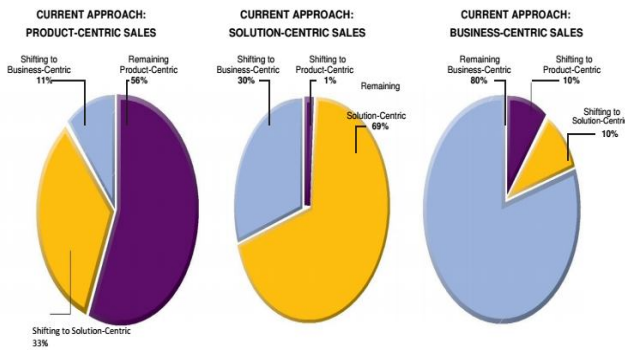


Figure 1: Anticipated Shift In Sales Approach Over The Next Three Years

3. SALES FORCE GROWTH

3.1 FINDING 2

79% of Sales VPs will grow head count over the next three years.

The good news is that after years of lean organizations, Sales VPs can now put more feet on the street. Among the respondents, 79% will grow headcount over the next three years—over one-third anticipate double-digit growth. The bad news is that this growth causes two problems:

- Companies are luring your top sales people away.
- Rapid expansion can lead to “The Darwinian Approach”—quickly hiring anybody and letting them either sink or swim.

Overcoming these problems requires a more disciplined approach to selecting and developing your sales force. Doing it the wrong way can risk destroying your sales culture. Sales tests, simulations, and competency-based interviews can give you a quick and accurate read on each candidate, producing new hires who fit the culture, who will learn how to sell your solutions faster, and who will remain within the organization over time.

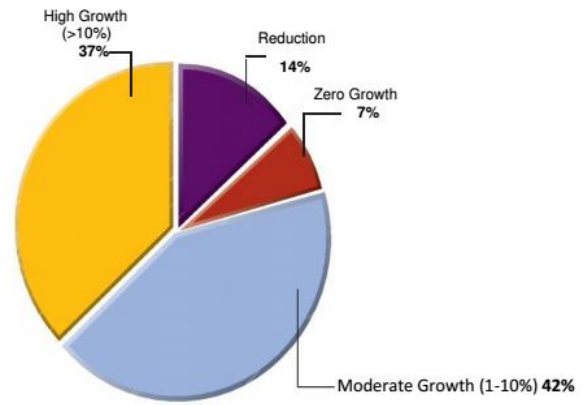


Figure 2: Change in Sales Force Size over the Next Three Years

4. SALES REPRESENTATIVE SKILLS

4.1 FINDING 3

53% of Sales VPs think that at least two in five Sales Reps don’t have the skills to do their jobs.

Over half of Sales VPs report that at least 40% of their Sales Reps can’t cut it. This epidemic clearly affects the ability to execute sales strategy. If 20-40% of your Sales Reps do not have the fundamental skills to do their job, what does that do to your bottom line?

From lost opportunities to chasing the wrong leads to high cost of sales, Reps with poor sales skills are a financial drain on your organization.

CRM, SFA, Training dollars. Everything has an ROI. Your people investments should be viewed through this same lens.

For example:

- **Speed-to-Productivity Costs**—How long does it take for a new hire to become fully productive? How many dollars do you lose each month until they are fully productive?
- **Mediocre Rep Costs**—What is the sales gap between your best and the rest?

Answering these questions gives you an understanding of where and how much you are hemorrhaging. The remedy is a combination of making better hiring decisions around the right success criteria and utilizing individualized development plans. Where necessary, it also means taking action on those that will never make it.

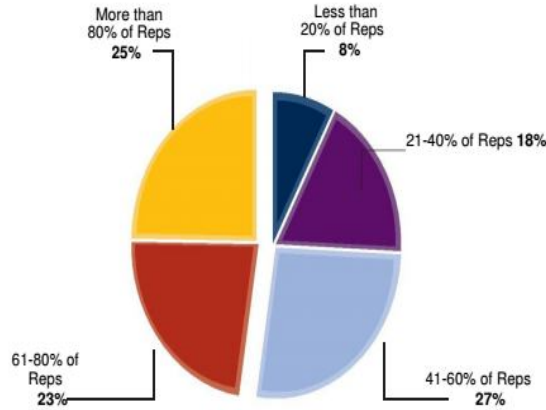


Figure 3: Percentage of Sales Reps That Have the Skills To Be Successful Now

5. SALES REPRESENTATIVE DEFICIENCIES

5.1 FINDING 4

I asked the Sales VPs why their Reps fail. “Lack of Industry Knowledge or Experience” was by far the top reason given—cited by 38% of respondents. But do the sources of failure vary depending on a company’s situation?

To answer this question, the respondents were classified into three categories—companies shifting their sales approach, companies growing their headcount, and stable companies that are neither shifting nor growing.

Table 1: The Major Reasons Why Sales Reps Fail to Meet Expectations

The source of Sales Rep failure varied significantly depending on

	Stable	Growth	Shift	All Sales VPs
Poor Selling Skills	44%	26%	35%	29%
Motivation to Sell	11%	24%	37%	28%
Industry Knowledge or Experience	28%	41%	33%	38%
Fit with your Culture	17%	26%	30%	27%

the company’s situation:

- 41% of growth companies cited “Lack of Industry Knowledge.”
- 37% of shifting companies cited “Motivation to Sell.”
- 44% of stable companies cited “Poor Selling Skills.”

Regardless of the situation, most companies view these failures as a training issue, instead of a selection issue. The fact is that you can’t train people on everything.

If someone does not possess the drive to sell, all the training in the world is not going to give it to them.

While motivation can’t be trained, it can be assessed during the interview cycle—asking questions and giving simulations that

measure not just the “can do” but also the “will do.” Assessment processes that closely parallel the sales challenges by competency can reveal an individual’s specific behavior and skill gaps. An effective development strategy based on these assessments, including training and coaching, can narrow skill gaps and improve the overall performance of Sales Reps.

6. LACK OF CONFIDENCE IN SALES LEADERS

6.1 FINDING 5

Two-thirds of Sales VPs say that 40% of Sales Leaders are not meeting expectations.

First- and second-line Sales Leaders are responsible for executing sales strategy. At the end of the day, the blame for sales teams not making their numbers falls squarely on their shoulders.

Two-thirds of Sales VPs said that less than 60% of their sales Managers are meeting expectations.

How many poor sales leaders can you afford?

The financial impact of having the wrong people in at least 40% of your sales leadership positions can be devastating. According to research conducted by McKinsey, each poor performing sales manager can cost a company \$10-20 million annually in lost opportunities.

Companies that are considering radical changes to their sales organization—such as aggressive growth or shifting sales strategies—need to take into account the ability of their Sales Leaders to execute the changes.

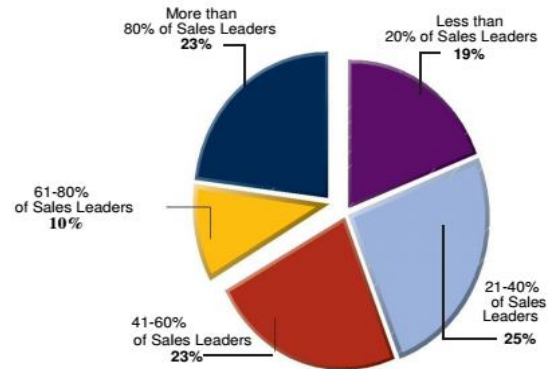


Figure 4: Percent of Sales Leaders Exceeding Expectations

7. SALES LEADER DEFICIENCIES

7.1 FINDING 6

Table 2: Why Sales Leaders are Deficient in Motivating and Developing Their Teams

	Stable	Growth	Shift	All Sales VPs
Unsatisfied to Neutral	44%	64%	80%	65%
Fairly or Very Satisfied	56%	36%	20%	35%

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Sound the alarm bells—nearly two-thirds of Sales VPs cite lack of “Leadership and Coaching Skills” as the source of their Sales Leaders’ failure. For companies shifting their sales strategy it jumps to 80%.

Poor leadership causes extended periods of poor productivity, lackluster morale, and high turnover. Dissatisfaction with a boss is the number one source of unwanted turnover.

I then asked Sales VPs why this is such an epidemic and found that it again varied depending on their situation (see Table 2).

- For stable companies, the main problem is a lack of training resources (39%).
- For companies shifting their sales strategy the situation is more complex—over half of respondents cite the quality of their sales coaching skills and the ability of Sales Leaders to accurately assess each individual’s development needs relative to the new job roles.

This problem usually stems from a lack of objective and accurate assessments of leadership potential and motivation during the hiring and promotion process. But, leading a sales effort and coaching others to carry it out require very different skill sets and motivations.

8. SPOTTING SALES LEADERS

8.1 FINDING 7

Only 35% of Sales VPs are satisfied with how they select sales leaders

Only 35% of Sales VPs are satisfied with how they identify and promote their senior sales executives. Even worse, this figure dips to 20% among.

It is critical for sales organizations to be able to identify and groom future

Sales Leaders so they are ready when the call is made.

There are still some pretty bad selection practices for Sales Leaders:

- **Promoting the Top Dog**—The best sales performer is not necessarily going to be an effective Sales Leader.
- **Hiring with the past in mind**—With a new strategy you need to hire for the new skill set.

How can you spot an effective Sales Leader?

Table 3: Satisfaction With Systems For Identifying And Promoting Senior Sales Executives

	Stable	Shift	All Sales VPs
No clear success profiles	17%	33%	27%
Assessing individual development needs	28%	53%	34%
Evaluating reps vs. new job roles	28%	53%	34%
Selecting outside sales reps	6%	7%	16%
Lack of training resources	39%	20%	32%
Quality of sales coaching skills	22%	53%	35%
Quality of 1st line promotions	11%	33%	11%

Perhaps more to the point, how can you identify those individual’s with the potential to be effective Sales Leaders, given the sales strategy you employ? Regardless of sales strategy, your Sales Leaders must be effective managers and coaches. Without systematic hiring and promotion procedures, including objective, accurate assessment of leadership motivation and potential, promoting your best Sales Reps is simply too risky.

9. CONCLUSIONS

The success of your sales organization depends on how you answer these two simple questions:

- Do your Sales Reps and Sales Leaders have the skills they need to succeed?
- In terms of culture and sustained competitive advantage, what kind of legacy will your current sales team leave behind?

The sales organizations we surveyed reported significant problems in terms of skill gaps and motivation levels among Sales Reps and Sales Leaders. These problems are most severe among those organizations undergoing rapid growth or changing in strategic sales direction.

This may be the reason why companies shifting their sales approach are unhappy with their current promotion systems. Of Sales VPs surveyed, 44% believe that they could have avoided hiring over two-fifths of their under-performing Sales Leaders if a better selection and promotion process had been in place.

Ultimately, the challenges faced by Sales VPs come down to a matter of identifying, hiring, and promoting the right talent. I have found that the most important factor in determining success profiles for sales positions is an understanding of the company’s selling strategy. Thus, the competencies and assessment process differs substantially based upon a company’s selling strategy.

Selection and promotion systems that take into consideration the organization’s needs, incorporate comprehensive success profiles, and perform accurate assessments of individuals will do a better job of hiring talented performers who contribute more and stay longer.

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