

Achieving High Performance by Transforming Sales Operations

by Kevin F. Bandy



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Improving sales effectiveness to drive top-line growth

The drive to achieve high performance through sustained top-line growth is dominating the strategic agenda of most global companies today, and that has placed an even more intense focus on the productivity of sales organizations. Research supports this analysis of the marketplace. The most recent CSO Insights survey of C-level executives, for example, found that their current top-of-mind strategic objectives are driving revenue growth and increasing market share—both leading to a third objective, improving sales effectiveness.¹

Aware of the fact that generating growth and better sales productivity is a truly transformational undertaking, corporate leaders have been trying a variety of measures to meet the challenge in a comprehensive way—from

process improvements to cost reductions to sales tools to better capability development and training.

For most companies, however, sales results are not paying back the investment in improvement initiatives. Process improvement initiatives drag on. As the transformation agenda becomes prolonged, the cost burden increases accordingly, further impeding sales and revenue performance.

Overall sales performance metrics continue to be troubling. The time needed to get new sales representatives working at full productivity has gotten longer; the percentage of presentations leading to a sale has declined; sales cycles have lengthened.² Bundles of products and services are becoming more complex, and sales people are striving to sell solutions based on a deeper understanding of their customers' business needs. That's not easy.

In the face of these sales performance challenges, executives inevitably turn to new training programs and performance support tools to help their people perform more productively. But, although training and performance support are important parts of an overall strategy to improve sales force productivity, they just aren't enough.

What is the real key to improving sales effectiveness? Accenture research and experience point to the fact that many companies are devoting inadequate attention and resources to their sales operations—the processes, infrastructure and administrative support that underpin everything a sales organization and its people do.

If they are to achieve and sustain high performance, companies must focus their sales effectiveness programs more pointedly at the transformation of their sales operations.

Gasping for air: What's putting the squeeze on sales operations?

Why is the operational dimension so critical to achieving high performance through sales effectiveness? Operations serves as the vital two-way conduit between the customer and the rest of the organization. It's the essential layer that enables activities such as placing the order and working with finance, accounting and legal. It's directly responsible for managing the enterprise through the sales person to the customer, as well as from the customer to the sales person and back into the enterprise.

Unfortunately, back-office cost reductions have left sales organizations gasping for air from an operational perspective: Not enough hours in the day to meet sales quotas; too much time spent on administrative tasks and not enough time spent actually selling.

Think of holding a long balloon in your hands and then squeezing one end—all that happens is that the air goes to the other side. In like manner, the cost-reduction squeeze on the sales organization and/or back office functions has simply inflated the amount of administrative time spent by the sales force, leaving less breathing room for sales discussions with customers.

Here are some indicators that all is not well with the typical company's sales operations:

Not enough selling time

The percentage of time a sales person has to actually engage in selling has fallen over the past two years—from 48 percent to less than 36 percent. That means that almost two-thirds of a sales person's week is spent doing something other than selling. Time spent on meetings and administrative tasks rose 2 percent last year; time on account service calls rose 3 percent;

other activities including travel rose 5 percent.³ One of the issues here is that, in today's challenging sales environment, the sales force often must tend to a sale through the entire chain of processes—in part because of IT-led restructuring initiatives conducted in search of short-term cost reductions in the back office. The average sales person's time is being squeezed.

Processes out of alignment

Another recent research study found that almost 70 percent of companies surveyed experience a disconnect between the various sales processes essential to their performance.⁴ At a time when competition is intensifying and the complexities of the selling environment are rising, companies cannot expect to achieve high performance if they cannot address internal misalignments and get their sales processes aligned to their customers' buying processes.

A rise in "shadow accounting"

Deficiencies in sales operations often mean inconsistent and manually intensive incentive management processes, dependent on multiple data sources that have little or nothing in the way of audit trails and traceability. As a consequence, sales people become skeptical about how their compensation is determined. In the absence of reliable, detailed reporting on commission payments, sales professionals lose trust in the compensation system and create their own individualized "shadow accounting" processes—most often an automated spreadsheet or other tool they use to verify the accuracy of their paychecks and incentive payouts. While it might seem no harm is done with such a process, in fact it can be a drain on performance and productivity. Estimates of productive selling time lost due to shadow accounting activities can range from one-half day to two days per month per sales person. Regardless of what the actual lost time is for a

particular company, confusion in internal processes makes its way inevitably to the sales force, negatively affecting the way sales people interact with customers.

Customer churn

Retaining key customers grows more challenging all the time. A recent customer churn report showed that industries such as supermarkets and insurance have seen a steep rise in customer defection rates—7.6 percent since 2005. In industries such as mobile telecommunications, churn rates are above 38 percent. And the UK is currently suffering from the highest churn rates in western Europe—22 percent.⁵

An important factor behind churn problems is rising customer expectations. Because of the availability of information, a sales representative is now usually speaking with a customer highly informed about products, pricing and emerging technologies. In the most recent CSO Insights survey of sales executives, the percentage of respondents saying that rising customer expectations are having an impact on sales rose from 41 percent to 56 percent.⁶ Sales persons today are expected to know everything from the business and operations implications for a particular situation to how the product addresses that situation to the ROI associated with implementing the solution.⁷

The operations of the sales organization must be capable of helping the sales force meet these rising customer expectations. The connection between delivering an effective customer

1 Jim Dickie and Barry Trailer. *Sales Performance Optimization: 2007 Survey Results and Analysis*. CSO Insights. (Mill Valley, California: Sales Mastery Press, 2007), page 15.

2 Ibid.

3 Ibid.

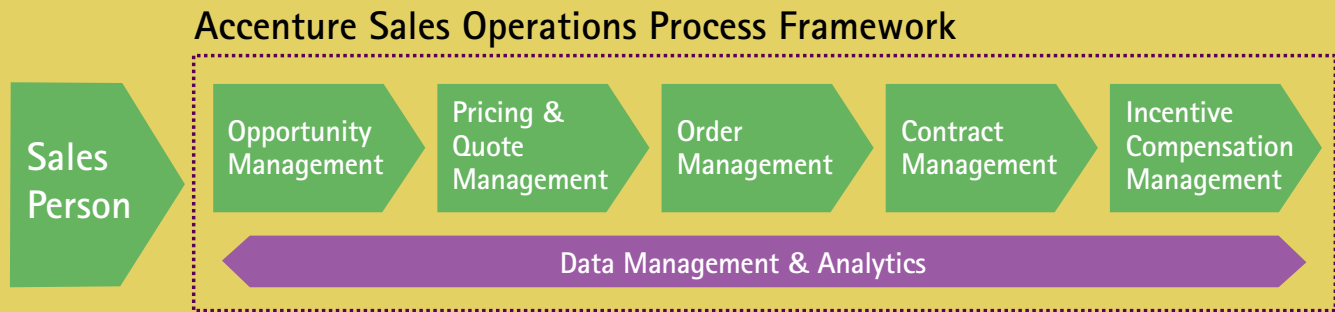
4 Aberdeen Group. "Contract Management: The Quote-to-Cash Cycle," December 2006.

5 Pitney Bowes. Group 1 Software Customer Churn Report 2007, <http://www.g1.com>

6 *Sales Performance Optimization*, page 134.

7 Harvard Business Review. "Understanding What Your Sales Manager Is Up Against," July-August 2006.

Figure 1: Accenture's comprehensive operating model for improved sales operations



experience—either in sales or service—and business performance cannot be overestimated. Customer service is estimated to be around 30 percent more effective in driving value than price or capabilities. And according to industry benchmarks, customers who receive good service are two and a half times more likely to buy than those who do not.

If a company's existing sales processes and operational capabilities are impeding utilization, then the return on investments in the sales organization will be slim. Improving the operational dimension of the sales organization requires a suite of approaches: diagnosing, improving and using shared services internally or outsourcing options externally where appropriate. Investing in individual training and development is essential. However, those investments need to be made within a larger context of the processes and operations aligned to the solutions and long-term strategies used by the sales organization.

Phases of sales operations transformation

Historically, sales operations has served primarily as an administrative function—not quite sales and not quite back office—with little credibility from a sales strategy point of view. That needs to change. To address the complexities of today's marketplace, a number of leading companies are reexamining the functions their sales operations group oversees, in addition to its existing responsibilities, to achieve greater effectiveness (See Figure 1).

Accenture believes that a transformation initiative with the goal of driving high performance through reengineered sales operations should proceed according to the following general steps:

Diagnose current sales operations spending and capabilities

The first step is a detailed analysis of where money is being spent and on what in the operation organization, and what capabilities are in place compared to a best-case scenario.

Companies often have inadequate visibility into how much they are spending on sales operations because the various related activities are splintered across other functions such as finance, IT and supply chain. Executives see the budget numbers at the aggregate level, but may not adequately understand where spending is redundant or broken at the process level.

Why is more holistic oversight difficult? Consider the six primary areas depicted in the Accenture sales operations process framework. The functions may sit across multiple business units and divisions, making an accurate assessment of total

Figure 2: Reconsidering "core" vs. "context": An example of a new operating model for sales operations

Core

Retained Organization

- Sales Advisory Role
- Customer Solution Support
- Contract Initiation & Approvals
- Escalation & Exception Management
- Operational Reporting
- RFP Proposal Management

Context

Shared Delivery Center

Sales Operations Shared Service:

- Quote Creation
- Pricing Administration
- Credit Approvals
- Contract Development
- SOW Template Population
- Contract Negotiation Support
- Incentive Comp Administration
- Compliance
- Contract & Pricing Data Input
- Contract Status Notification
- Amendment Creation
- Renewal Creation
- Order Accuracy Validation
- Order Management
- RFP Response Processing
- Contract Revenue Assurance

Client Sales Force and Agents

Client Customers

spending difficult. But that also means that companies have no way of really assessing the return they are getting on their investment, or how their current sales operations may be impeding progress toward top-line growth.

Part of the diagnostic involves examining sales operations from a detailed process and subprocess level. When companies develop a more detailed understanding of their pain points within those processes, and a sense of where their money is currently being invested, they can focus their investments and more quickly improve their sales effectiveness.

Until companies get down to that process level, they probably will not understand where redundancies or process impediments exist. Many companies, for example, are organized geographically. So for a company with European operations, each country may have its own set of processes, creating tremendous inefficiencies and needless expenditures. A fundamental first step, therefore, is

for these companies to reengineer their processes so they are more customer focused and less country focused.

Consider "core" vs. "context" processes

A critical step in getting a handle on the operations needed to support a sales team—especially one dispersed across geographical areas or an organization undergoing considerable change due to diversification of offers or because of mergers or acquisitions—is to consider what we call "core" sales operations activities versus those more appropriately considered as "context." If a company were able to reengineer its sales processes to more accurately reflect its business strategies, it could better define which processes are customer facing and which are primarily administrative (See Figure 2).

As shown in Figure 2, an example of a new operating model for sales operations might well retain certain core functions, such as the sales advisory role, customer solution support, contract initiation and

reporting. At the same time, a number of administrative activities such as quotes, credit approvals, contract development and order management can be done more effectively and at less cost by pulling them out into a shared service center—provided internally or by an external, outsourced service provider.

How can such a new understanding of core and context help drive better sales operations? Take just one example. If a solution or service is incorrectly priced during the sale, that is soon followed by an incorrect quote, which is then reflected in an incorrect manner of filling the order. So by the time a contract is in place, three layers of miscommunication and error are already baked into that entire transaction, seriously undermining the business case needed to make the sale profitable.

Sales automation has been the traditional answer to administrative and operational challenges in a sales organization. But when sales executives take a close look at what is happening with their sales

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operations, they often immediately come to understand why their previous sales automation initiatives failed to deliver an adequate return.

Tailoring a set of sales operations transformational programs to strategic goals and existing capabilities

With the diagnostic complete, including a consideration of core and context activities, companies then can design a transformational program right for them.

For example, Accenture partnered with a major electronics and high-tech company to help them transform their sales operations processes. The work began with a diagnostic of the company's existing sales operations—operational processes as well as the corresponding subprocesses. We also looked at the various kinds of tasks being performed by the sales force to determine where productivity gains could be found. If there were impediments to optimal

performance, were those rooted in the capabilities of the sales force itself, or the processes and operations in which the sales force worked?

Based on this preliminary analysis phase of work, we were able to help this company identify which processes could be treated as context rather than core, which led to the design of a shared services approach to reengineering their sales operations. Through this approach, many functions were redesigned to be shared across a common pool of people, so the work could be performed at a single location in a modular and methodical way. Once that analysis was performed, we put eligible services in a low-cost country to gain the advantages of arbitrage on labor costs.

As this company advances along the path of sales operations transformation, the result will be an operations function that is more effective in supporting the sales staff, producing better results at less cost and ultimately driving better customer relations.

Whether or not a company chooses a shared services or outsourcing solution as part of sales operations transformation, many of the advantages of the reengineering of sales operations processes will still accrue. That is, a company will still reap the benefits of standardized, modularized and consistent processes. Redundancies can be eliminated, support can be made stronger and the sales force gets to spend less time on administrative work and more time in front of customers. A company can streamline its business by taking out overhead or excessive costs from activities that they no longer see as core to their operating model.

An even greater opportunity is occurring as a result of the technical revolution around software-as-a-service (SaaS). As companies diversify their non-core operations they can also leverage their outsourcing provider to migrate expensive software solutions to more flexible SaaS models. This approach can lower costs, and can also address the need to more easily reengineer capabilities to stay attuned to evolving market demands.

Why transformation of sales operations is now on the executive agenda

Consider the experience of a major high-tech company that does business in an extremely competitive, increasingly commoditized marketplace where incremental improvements are very important. In recent years, the company has tried several types of IT-led initiatives, looking to expand into different businesses and to grow its roster of enterprise customers as sales in the consumer marketplace have flattened. None of those efforts had produced the kind of results they needed.

As the company considered its strategies and the capabilities of its sales organization to help execute those strategies, the company's executives had an epiphany of sorts: a new awareness

that they were being impeded by their legacy sales operations, and that a transformation program focused there could help them sell higher-value products and services at a lower cost of sale. Without improving and then standardizing sales processes, and putting in place a better supportive infrastructure, they would be unable to get to their goals of business expansion and an increase in enterprise customers.

Following an initial diagnosis and evaluation of their existing operations, the company took several steps that has advanced it toward high performance through transformed sales operations. For example, in order to create more consistency in operations, management

and deployment in the main sales organization, the company created a common methodology and a single governing body equally driven both by the business and by IT. By establishing more centralized control, the company believes it will be able to generate deeper insights across the business to understand how a more efficient sales organization will drive better productivity.

As this company is finding, transforming sales operations can result in improved sales performance and increased margin optimization. Companies can realize comprehensive benefits by improving sales operations: reduced expenses, an increased rate of sales, more repeat sales and improved margin optimization.

Achieving high performance in a complex selling environment

Many sales organizations are not designed to achieve and then sustain high performance. Their quarterly perspective means they are focused mostly on today's situation, instead of making a substantive contribution to the growth strategies they hear coming from their executive suite. As companies seek out new markets and customer segments—small and medium businesses, emerging markets, and the software and services marketplace—the sales operations organization must be ready to support the new behaviors necessary to succeed. And it must become more efficient to maintain and even extend the margins of what is being sold.

Where should executives begin with their sales operations transformation?

First, initiate a project to diagnose your current operations—not only from the perspective of cost, but also from the perspective of sales force effectiveness. Considering total costs can be a more complicated step than might be immediately apparent, so look for tested methods and diagnostics. Also, find a way to get an accurate, unemotional assessment from key members of your sales force as to where operations are helping them, and where they are falling short.

Second, consider the core vs. context issue. Based not only on your current sales strategies but also on how your company is going after top-line growth, consider what you need to retain in your core sales operations, and what might be performed more effectively, at lower cost, using a shared services and/or outsourcing model.

High-performance businesses know how to transform simultaneously along two dimensions: They can improve their company's ability to meet short-term quarterly expectations, even as they

are reengineering on the fly to support future plans—the next billion dollars of growth. As companies come to understand how much of their market value is predicated on growth and future value, they will increasingly turn to their sales organizations to deliver the operational capabilities that can drive high performance.

About the author

Kevin F. Bandy

Kevin F. Bandy is the global lead executive of the Sales and Marketing Transformation group of Accenture's Communications & High Tech operating group. Mr. Bandy oversees the development of strategies, assets and tools that help companies in communications and high-tech industries improve sales capacities, pursue large-scale transformation of sales organizations and enter new markets and geographic regions.

For more information, contact Kevin F. Bandy at kevin.f.bandy@accenture.com.

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