

Managing Revenue Shortfalls: **The Keys to Organic Growth**

After years of slashing costs, trying to get every ounce of efficiency possible out of the organization in order to meet analyst and stockholder demands, CEOs have come to a conclusion: now is the time to grow the top line. Organizations will usually focus on ways to improve the effectiveness of their operations first; minimizing costs wherever possible. However, cost reduction does not grow the business, and pressure will continue to mount for executives to increase revenue and margin.

The hard facts

Unfortunately, many CEOs face a common problem: sales organizations that cannot fulfill their promises. Most sales organizations underperform and they do not have the ability to effectively execute strategy to grow the business at a sufficient pace. This is not to say there is neither talent in the organization nor the will to execute the strategy. On the contrary, most organizations have a certain level of talent they are confident will be successful in delivering sales plan targets. But, too many quarters of missing the mark or barely achieving numbers against sub-optimal targets leave most CEOs wanting more. Survey after survey over the past several years draw the same conclusion: Chief Executives need – and want – to grow the business, but do not have confidence in their organization’s ability to effectively do so.



Brand Pretorius (Africa), former CEO of the McCarthy Group:

“Inspirational leadership remains the most potent competitive advantage and the key source of every great achievement. To avoid price discounting and margin erosion, every effort must be made to optimize added value. These additional benefits should have substance through the customer’s eyes. Secondly, it is a fact that exemplary service adds immeasurable value and reduces price sensitivity.”

There is recognition that sales organizations do not operate in a vacuum and are dependent on other parts of the business to achieve success. However, the focus of this article is why sales organizations typically fall short. The four main reasons are:

- **Inability to move the performance curve**
- **Fear of pricing**
- **Management by assumption**
- **The CRM myth**

Inability to move the performance curve

After spending millions on the latest training programs, promising a significant uplift in the performance and subsequent motivation of the sales force, one thing remains clear: the same 20% of top performers are still generating two-thirds or more of the sales revenue after the training. Most training programs deliver theory, not skill development and transfer. Therefore, the financial impact projected as a result of the training does not materialize. Until sales executives take action on the bottom 10-20% (the non-performers), and implement solid coaching with viable metrics on the rest of the organization, it will never reach its full financial potential.

The development and skills transfer of any sales organization takes place in the field, in front of the customer. Those 60-70% of nominal performers are where the major improvements will occur and the greatest financial benefits will be realized. It is for this reason sales management must be responsible for applying a stronger hands-on approach to transform average employees into top-performers.

Fear of Pricing

As today's competitive environment increases, the pricing of one's goods and services becomes increasingly important. What it will address is the 'Fear of Pricing.' When organizations become apprehensive about aggressively pricing their products, the sales organization tends to be less confident in defending the price of the goods or services based upon their value. The more latitude a sales organization has to give discounts, the more price erosion will occur.

Those pricing functions that have a tendency to be overly influenced by the market, while lowering pricing benchmarks for fear of losing business, can potentially leave a significant amount of profit on the table. It is our belief that the price should reflect the value to the customer. However, setting higher pricing benchmarks and managing them effectively will require the sales organization to raise its game. Therefore, the inability of the sales organization to articulate the value and benefit of their product to the customer can have a devastating effect on the company's margins. All too often sales representatives will hastily discount price in fear of losing the sale. The number one reason given by most sales representatives for not making



Hank McKinnell (USA), former CEO of Pfizer: "The keys to a high performing sales force are training, product knowledge, selling skills, and for the first line supervisors, sales leadership training. Most importantly of all, value the role of the sales force. The product has no value unless your sales force communicates that value: the products, features and benefits. AIDA is a good formula to follow. Your sales force should be able to generate attention, interest, desire and action in each of their meetings with prospects."



Ed Hanway (USA), former CEO of Cigna: "Unless activity levels are set for all sales professionals at each step of the process, from initial call through sales close, your sales organization will perpetually underperform. Set the goals, measure and track them, and intervene early if they are not being met. Your best sales people will not like the discipline, but they will perform anyway and the mediocre sales people will get with the program and actually improve through oversight."



John Mathews (UK), former Chairman of Regus Group and former Chairman of Crest Nicholson: "I know a number of Chief Executives who are good at asking and demanding more from their sales teams. Only some are good at getting more. These CEOs involve themselves in the process and measure the effect of their different initiatives. They can set expectations at an unreasonably high level and then prove everybody wrong by achieving them. That focus, that knowledge of process coupled with that expectation, are not qualities that many have. Those who do add enormous benefit to the top and bottom line."

"All too often sales representatives will hastily discount price in fear of losing the sale."

the sale is price. Top performers will sell the product at fair or above value. Nominal and poor performers will look to discount every time. The more ability a sales organization has to discount product, the more money is potentially lost (just because an organization has a pricing authorization process doesn't mean it is effective). Addressing the sales representative's ability to effectively articulate the value proposition of the goods or services delivered is critical in today's competitive environment. Employment of the three C's (courage, confidence and conviction) is mandatory in preventing price erosion. Failure to do so will have chief executives struggling to maintain margins gained through hard-fought cost reduction programs. There is only so much cost that can come out of an organization.

Management by Assumption

Question: True or False? People who work on commission or are heavily incented by bonuses are self-motivated – requiring minimal supervision.

Answer: False. Recent trends suggest there are very few entrepreneurs or highly self-motivated people, even in sales. People will work to generate enough income to enjoy a certain living standard. Unfortunately, given that 80% of an organization's sales force are either nominal or non-performers, organizations are not growing at a sufficient pace. Sales executives usually consist of the 20% of top performers who are self-motivated and driven to succeed. They naturally assume the majority of other sales professionals fall into the same category, and do not see the need to rigorously manage them. Executives naturally think that by sharing the disciplines and best practices that made them successful, others will automatically embrace them to achieve a similar level of success. On the contrary, best practices and recognized success disciplines have to be properly implemented just like any other process or organizational change. Sales leadership has historically shunned this responsibility. The result is a more de-centralized sales organization where people play by their own set of rules. The paradigms and culture in these organizations have been ingrained over decades. It takes an extremely strong leadership team with the resolve and fortitude to make this happen. It also takes time to make it happen. Unfortunately, when sales leadership does not have the time nor the resolve they turn to the next best thing – the latest and greatest (and also very expensive) CRM platform to manage.



Mike Critelli (USA), former Chairman and CEO of Pitney Bowes:

“The key to a high performing sales force is getting the right offering to the right person at the right time with the right message through the right channel. Organizations with great products and services most often fail because of

flawed processes in determining the right decision-maker, or because they lack concise, powerful messages, or miss the optimal financial window. They also need to understand how best to get to a C-suite decision-maker through a trusted intermediary, or in a setting in which they are given ‘permission’ to present their proposal.”



Ed Hanway: “Often times sales organizations set goals based on a percentage increase over the previous year. The thinking being, as long as we are getting a little more each year we are growing. This ignores what the true opportunity may be in the market and results in goals that are artificially low and

not reflective of what could be achieved with much stronger sales management and execution. Great organizations set stretch goals that reflect what is possible, not just what is better than the previous year.”

“Addressing the sales rep’s ability to articulate the value proposition is critical in today’s competitive environment. Employment of the three C’s [courage, confidence and conviction] is mandatory in preventing price erosion.”

The CRM Myth

“If only we had this platform or that system we could knock it out of the park.” How many times do CEOs hear this excuse for not achieving strategic goals? It takes the right people to effectively manage personnel. All too often sales organizations and sales leadership have false hope that a new platform or the latest technology will be the ultimate answer to improving performance. Truth be told, most CRM platforms are underutilized. They store mass quantities of data which are useful, but often do not capitalize on system capabilities that enable sales leadership to effectively manage activities and key performance indicators that drive productivity. Combined with poorly laid out processes upon which the platform is designed and a lack of technical competence, the end result is a very expensive, underutilized CRM. There is no question a properly designed and utilized CRM is a valuable tool, however it is not a substitute for managing the sales organization.



Hank McKinnell: “Unfortunately, reputations earned over decades can be lost in minutes. Compliance needs to be an important part of the mix of sales force management tools, particularly in highly regulated industries. It should combine tone at the top, policies and training with prompt investigation, reporting, and remediation of violations of policy.”

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