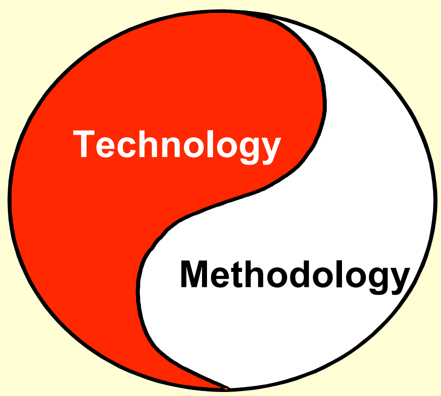
A Kappa White Paper

KappaWest
Management Consultants

The Yin and Yang of Sales Force Automation



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This white paper outlines the importance of an effective marriage between methodology and technology in the design and implementation of sales force automation.

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Founded in 1974, KappaWest, based in Tustin, California is a world wide strategic management consulting firm that delivers radical and sustainable improvement in competitive performance for its clients. Specializing in the field of corporate, marketing, sales and operations, Kappa provides quantifiable results through the application of its proven and practical tools. KappaWest has expertise that can positively affect all levels of an organization from strategic decision making to increasing sales effectiveness in highly competitive environments.

INTRODUCTION

Most medium to large companies have implemented some form of *methodology* to help bring a basic level of structure and discipline to their sales forces. Increasingly, some are moving to the use of *technology* in an effort to achieve a higher level of efficiency within their sales operations.

This white paper discusses several of the key issues involved in developing an effective marriage of methodology and technology so that the full benefits of sales force automation ("SFA") can be realized. The ideas reflected in it are based on KappaWest's experience over more than twenty years in helping client companies to institutionalize sales and sales management processes, models, tools and principles.

Questions or comments concerning any of the concepts in these notes should be referred to either:

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BACKGROUND

Most sales executives agree that some form of sales *methodology* is critical to success. Only by insisting that its sales force follow a fundamental doctrine and process, and use certain tools, can a company maintain a basic level of consistency, prepare reasonably accurate sales forecasts and develop the information needed to improve its plans and operations.

Too often, however, methodology is much less effective than it could be, for any of several reasons:

- Its use is not expected and inspected well enough by sales management.
- The methodology used is based on false assumptions or poor logic.
- The advantages of its use are neither real nor apparent to the front-line sales force.
- One methodology is dropped, just when it might become effective, in favor of a new one representing the latest sales management fad.

We'll be looking at an approach later in this paper that deals effectively with these concerns.

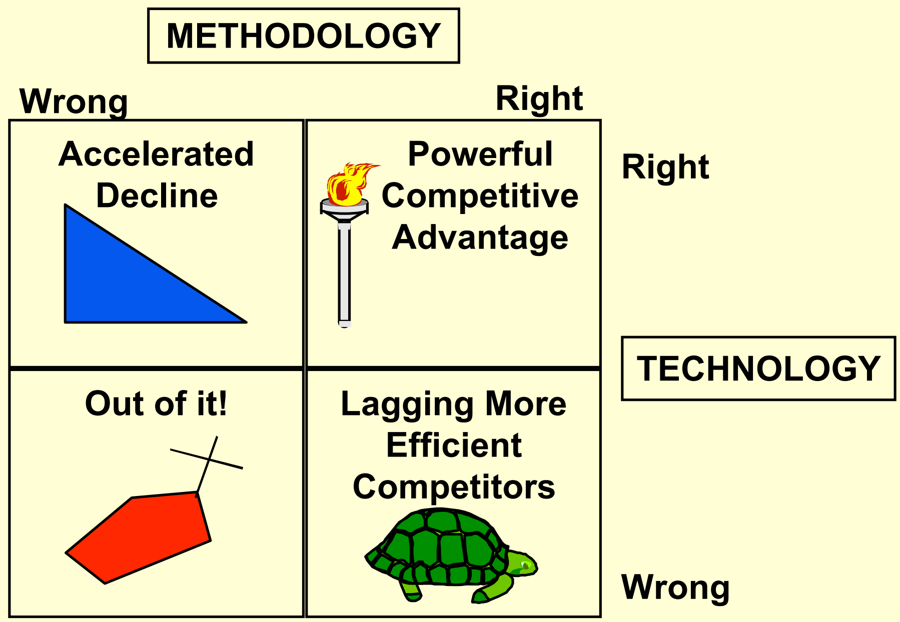
Now, many of these same sales executives have implemented or are actively investigating the use of technology to help automate many aspects of their sales forces operations. Surely, the move to the increased use of technology is a good one for a company's sales force? Perhaps.

If the move is made for the right reasons, is linked to the right methodology, and is implemented in the right way, it can be an excellent decision. Doing so can give the company a great competitive advantage. However, if the company automates its sales force for the wrong reasons, or simply makes the wrong methodology more "efficient", it courts disaster.

To be successful, sales force automation requires:

- The right *methodology* … one that is complete, logically sound and adaptable to the company's specific purposes and situation.
- The right *technology* … a powerful platform and architecture that will accommodate and support a flexible methodology.
- The effective marriage of methodology and technology to meet the company's specific objectives in its move to SFA.
- Careful attention to all aspects of the company's operations that should support, but which could impede, the full implementation of SFA.

[1] Kappa has helped companies in a wide variety of industries to implement this process. These include, for example: telecommunications, software, hardware, defense/aerospace, financial services, system integration and "Big 6" public accountants.



- **Highly efficient SFA technology with the wrong or no *methodology* is worse than useless. It might lead to an accelerated decline of sales performance.**

- **Solid methodology implemented on poor or no SFA technology will work, but leave the company lagging its more efficient competitors.**

- **The right methodology married with good SFA technology will create a powerful competitive advantage.**

Figure 1

SOME KEY ELEMENTS OF AN EFFECTIVE METHODOLOGY

- A sales *strategy* that establishes what the sales organization is expected to accomplish within the scope of the higher level marketing strategy and that defines the key sales thrusts.
- A sales *doctrine* that defines basic assumptions and shared values, and establishes key principles and guidelines for the sales force to help focus its behavior and efforts in ways the company believes will contribute most to the success of its customers, its sales force and itself.
- A defined sales *process* that reflects the realities of the company's markets, competition and own resources, to serve as a model of what will, in most cases, lead to sales success.
- A set of sales *tactics* … the day-to-day selling "how-to's". Only in rare situations should such tactics be mandatory. Making them so will reduce, perhaps fatally, the flexibility needed to fight and win in a wide variety of selling situations.
- A comprehensive set of sales *tools* … an appropriate mix of aids that will help the sales representative or team to do the job more effectively and efficiently. As suggested later, the use of some of these tools will be mandatory in a particular company's methodology while others might be optional.

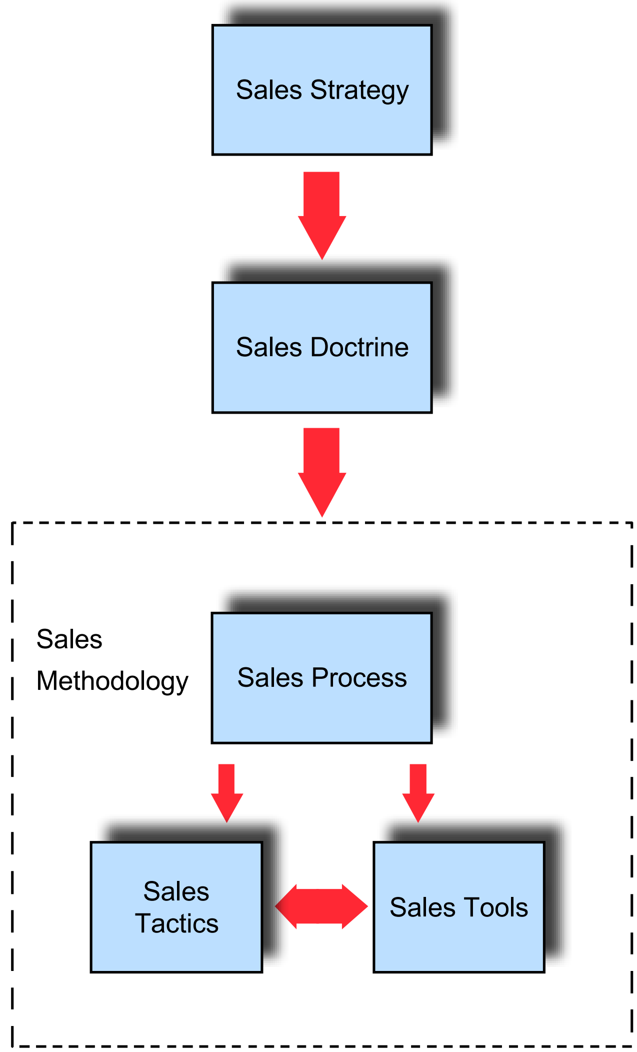


Figure 2

EXAMPLE OF SALES PROCESS AND TOOLS

As outlined earlier, a comprehensive sales methodology will incorporate a basic process, suggested tactics and a mix of mandatory and optional tools. Obviously the tactics and tools must be relevant to, and supportive of the process.

As well, it is critical that the SFA technology selected support all aspects of the methodology. (We will outline the implications of this linkage later.)

An example of a particularly well-proven sales process and tool kit is suggested in Figure 3 below.

This methodology has proven to be especially effective[1] in sales environments involving most of the following characteristics:

- relatively “big ticket” products or services
- complex decision-making processes
- very competitive
- “team” selling … sales supported by engineers, analysts or other specialists

The methodology is fully compatible with and, in fact, strongly reinforces “consultative selling” doctrine.

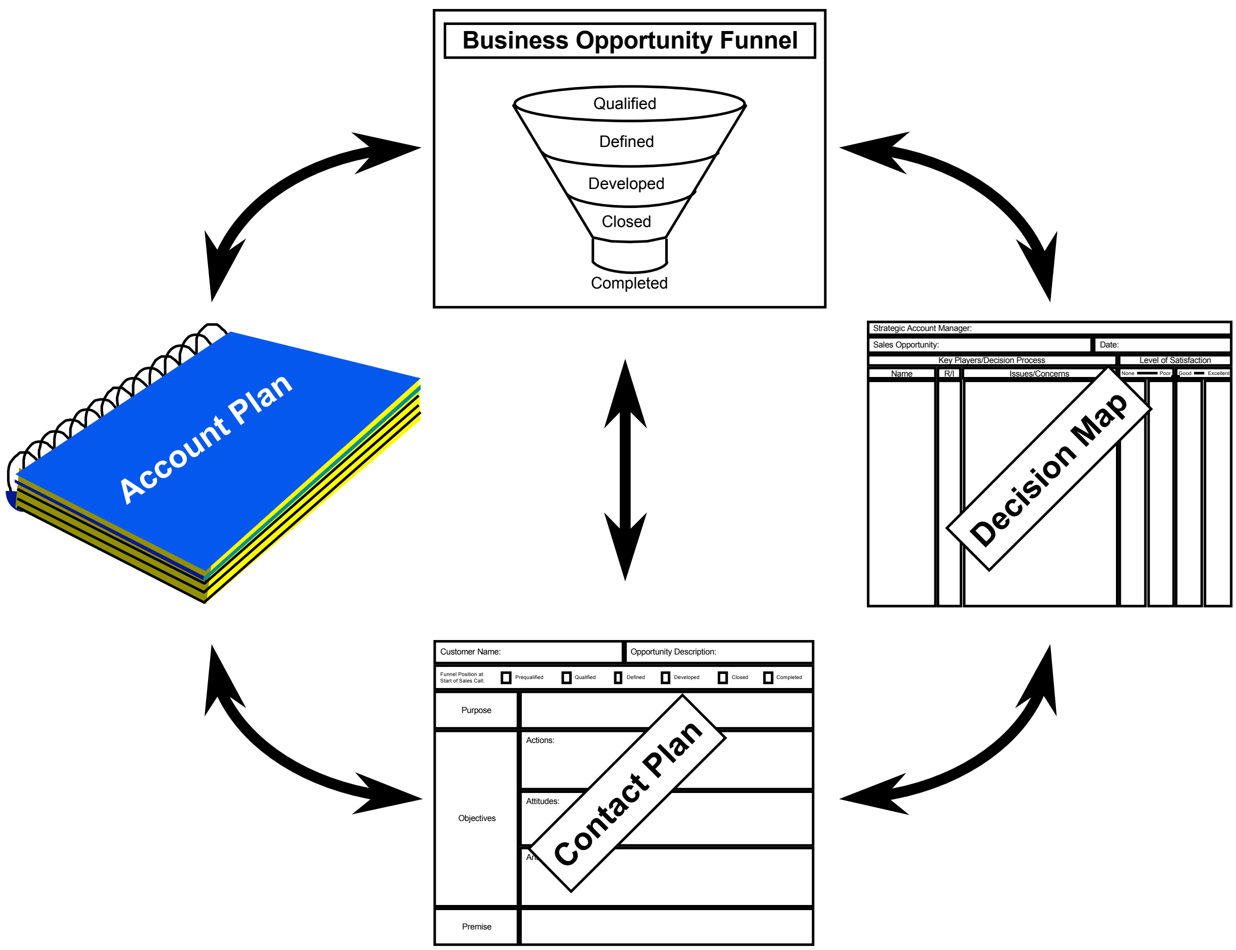


Figure 3

The methodology assumes a sales representative or team is concerned with four basic levels of management planning and execution (Figure 4).

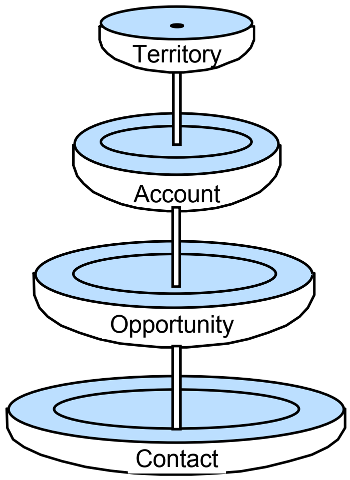


Figure 4

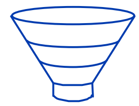
At the territory level, the representative or team's concern should be focused on ensuring that:

- priorities are based on the right prospects or accounts to win near- and medium- term business.
- work is always underway to plant seeds and to nurture long-term business opportunities.

At the account level, the *Account Plan* tool defines the representative's or team's overall mission and strategy for an existing account or prospect and the tactics it plans to use to improve its position within the account.

At the opportunity level, the *Decision Map* is an especially powerful tool designed to help "navigate the sales maze" that is almost always involved in moving a specific opportunity from the time it is first recognized until the sale has been completed.

Of course, all progress (at any level) results from contacts, whether in the form of presentations, demonstrations, proposals or traditional sales calls. At the contact level, the *Contact Plan* is a structured tool that helps ensure each such contact is effective.



THE BUSINESS OPPORTUNITY FUNNEL

Sales work at all levels is planned, coordinated and tracked by using the *Business Opportunity Funnel*. Because its proper implementation is so critical to the success of a sales methodology, we will examine it in more detail. As suggested in Figure 3, the *Business Opportunity Funnel* is a key tool in an effective sales methodology.

If it is used and managed properly, the Funnel can serve a number of purposes. For example, depending upon the options selected, it can be used to:

- Track and identify the real status of any particular opportunity.
- Provide early warning of sales problems.
- Increase significantly the predictability and accuracy of sales forecasts.
- Serve as a base for management coaching.
- Provide data for use in marketing and sales planning.
- Project requirements for pre- and post-sales support.

Assuming the right *technology* is used, Business Opportunity Funnels at the primary (i.e. account representative or sales team) levels can be merged (Figure 5) and processed to generate secondary level Funnels reflecting for example:

- The "Hot 5" opportunities of each sales representative reporting to a district manager to create his/her Funnel. If appropriate, this process could be carried forward to generate a Funnel of key opportunities at the corporate level.
- All opportunities across a district or region that are associated with a particular product, service or customer type. Such specific Funnels will be especially useful to Product, Industry and other Marketing Managers.

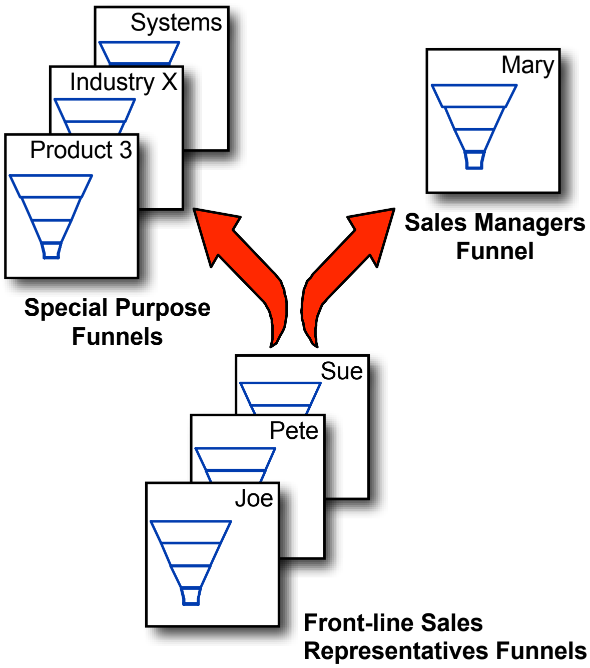


Figure 5

Why The Funnel Model?

Sales forces have been using the construct of a "sales pipeline" for decades. Why should it be replaced by the Funnel?

Basically, the Funnel displays graphically the reality of attrition in the sales process. Not every suspect or contact identified will (or should) result in a sale. The Funnel model demonstrates clearly the need to have many more opportunities in process that have to be closed to meet a sales objective.

As well, the Funnel concept is more amenable to the definition of phase lines that are used to plan and track the real progress of opportunities throughout the sales process.

While the proportions of the Funnel will depend on the type of customers and products involved (Figure 6), virtually all forms of selling reflect the basic pattern.

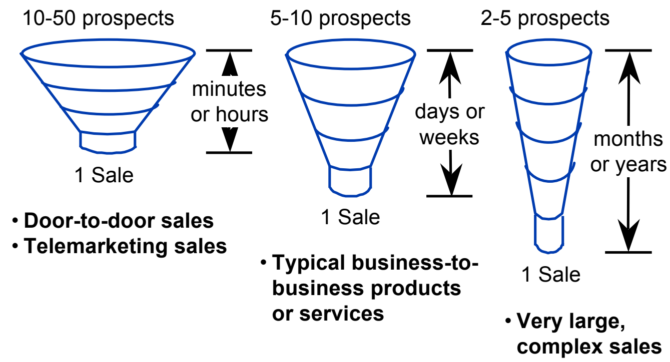


Figure 6

Accomplishment Based Phase Lines

Some methodologies available today have incorporated the Funnel and a version of its supporting phase line concept. However, they often incorporate a basic flaw in that their phase line definitions reflect *activities* rather than *accomplishments*.

What's the difference, and why is it important?

Activities tend to be defined in terms of what the seller has done, e.g.

- made an executive presentation
- conducted a plant tour
- completed a demonstration/benchmark
- submitted a proposal

Accomplishments track what has actually been accomplished through the sales process. They more often reflect the buyer's perspective.

We are not suggesting activities are not important. They might well represent a critical part of the process. But, simply having performed them does not necessarily mean anything has been accomplished. On the other hand, real progress has been made when, for example:

- the decision-maker[2] has acknowledged that the vendor has met all critical selection criteria to at least the threshold level.

[2] The terms decision-maker, approver, threshold, pusher, blocker, etc. are drawn from the *Decision Map*, another tool in the Kappa methodology.

- the approver has confirmed that if the decision maker selects the vendor, he or she will approve the selection.

- a key influencer has agreed the company best meets his/her pusher criteria and that he/she will recommend it to the decision maker.

- the sponsor has confirmed he/she has obtained financial support for the proposed procurement.

The definition of phase lines within an implementation of the methodology can be made very specific to a company's particular objectives, needs and situation. However, they must be:

- clear and well-defined, so that given the same picture of an opportunity, all sales personnel would locate it past the same phase line.

- binary, so that no opportunity sits astride a phase line … it is on one side or the other.

- on the way to the objective … phase lines that do not track real progress toward a sale are irrelevant.

- applied consistently across a geographically dispersed sales organization … otherwise it becomes impossible to aggregate information from all Funnels.

What Should Be Tracked?

The basic element to be tracked in the Funnel is the *opportunity*. Usually this reflects a specific piece of business that can be defined in terms of a need, product, or service that could or will lead to a particular procurement. While it might be expressed as a relatively vague need near the top of the Funnel, an opportunity should be defined much more precisely in terms of a specific solution as it moves down the Funnel.

Depending upon the set of purposes to be achieved through the implementation of the Funnel as part of an overall methodology, some mix of the following attributes might be associated with a particular opportunity:

- Prospect/customer name
- Industry classification
- Product/service type
- Estimated deal size

In some implementations, characteristics such as product type or deal size of an opportunity can be portrayed graphically in the Funnel through the use of different symbols (rectangle, oval, lozenge, etc.) by color, or size of symbol.

Once the opportunity moves down the Funnel, additional data might be maintained for it. These might include, for example:

- Elapsed time between phase lines
- Selling effort invested between phase lines
- Key competitors
- "Can win" and "will win" estimates
- Estimated close date
- Revised estimates of deal size

Again, assuming the methodology is married to the right technology, carrying this data will allow sales management to:

- Develop a "formulated sales forecast" by aggregating all opportunities targeted to close by a particular date and considering their sizes and probabilities.

- Determine where training and other sales support can best be applied to help shorten the sales cycle.

- Identify the more common problems or obstacles that should be addressed.

- Determine the relative effectiveness of different sales representatives, offices, districts, or products.

- Track significant changes in the mix and/or distribution of size of opportunities being processed through the funnel.

- Identify patterns of behavior and/or results that are successful or unsuccessful[3].

[3] A separate Kappa White Paper entitled "Making Sales Force Automation Work" describes approaches to dealing with key problems likely to be encountered in the implementation of an effective SFA process.

TECHNOLOGY - METHODOLOGY LINKAGE CONSIDERATIONS

Early in this white paper, we suggested the importance of marrying the right methodology with the right technology. We have also outlined some characteristics of a well-proven and highly effective methodology. Now we'll look briefly at some of the key considerations involved in linking that methodology to a technology.

To exploit the full power of the methodology in a SFA implementation, the architecture and platform on which it is based must:

1. Support linkage of all key tools in a well-aligned system, so that for example:

   - Opportunities identified in an Account Plan can be reflected in the Business Opportunity Funnel.
   - An opportunity in the Funnel can drive the preparation of a Decision Map.
   - The results of a Sales Contact can update as appropriate, data in the Account Plan, Decision Map and Funnel.

2. Permit flexibility in the definition of phase lines, attributes, metrics and other elements in the Funnel and other tools to meet the special requirements of different parts of the organization.

3. Support flexible sorting, merging and aggregating data reflected in different tools, especially the Funnel, to generate a variety of useful information and intelligence.

4. Allow full use of all key elements of the methodology on the fly from remote locations.

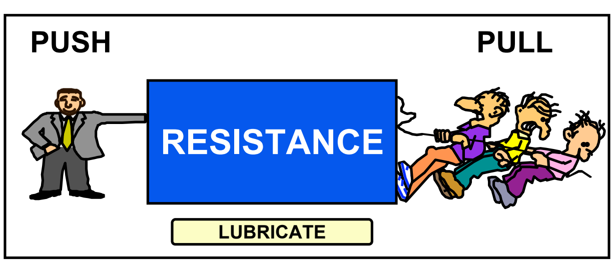


Figure 7

WHAT'S IT GOING TO TAKE?

As we've explained throughout this white paper, an effective SFA system must be based on linking the right methodology with the right technology. But what else will it take to realize the full benefits of SFA?

Experience shows there will very likely be significant resistance to the introduction of a new SFA system. For all kinds of reasons, sales personnel will resist it, and even if it is fully operational, will not use it as well as they could. To overcome this resistance, a company must work in three ways (Figure 7):

- **Push** … by demanding and inspecting rigorously the full use of the system.
- **Pull** … by creating powerful incentives for sales personnel to use it.
- **Lubricate** … by identifying and eliminating all significant obstacles to the effective use of the system.

Activities involved in the above might include for example:

1. Ensuring the sales compensation plan rewards rather than penalizes behavior consistent with the intent of the system.

2. Identifying and eliminating all existing procedures that replicate or duplicate functions incorporated in the new SFA system.

3. Training and indoctrination of management to ensure it understands and is committed fully to "inspecting and expecting" the proper use of the system.

So What?

Marrying the *yin* and *yang* of Sales Force Automation, technology and methodology can result in radical and sustainable improvement in competitive performance.

ABOUT KAPPAWEST

Founded in 1974, KappaWest is a worldwide management consulting firm specializing in the fields of corporate, marketing, and sales and operations strategy. We focus our efforts on companies in the telecommunications, computer, aerospace and related high technology industries, especially those involved in highly competitive environments.

Our Mission

To increase the effectiveness and profitability of our clients by providing customized consulting and training services in fields of planning, marketing, sales, service and management development -- created and delivered by experienced professionals.

Our Value Proposition

We deliver *radical* and *sustainable* improvements in competitive performance.

Our Services

KappaWest's services in support of sales and sales management are all aimed at improving the client's level of success. The following are representative examples of KappaWest's three major types of service:

(1) STRATEGIC FACILITATION

- Field sales workshops and reviews
- Sales strategy workshops
- Key account workshops
- Major opportunity wargames
- Win/Loss reviews

(2) CONSULTING

- Sales process institutionalization
- Conduct competitive intelligence analysis
- Identify major obstacles to sales success
- Undertake customer satisfaction surveys
- Develop sales compensation plans
- Design improved sales forecasting and tracking procedures

(3) TRAINING

- Competitive intelligence and tactics
- Managing the RFP process
- Selling "street smarts"
- Major account planning and management
- Team selling
- Financial selling skills
- Sales management and leadership
- Negotiating skills
- Territory and time management

Our Worldwide Clients

Although most of our clients are in the U.S. and Canada, we provide management consulting and training services worldwide. Our clients range from small high-tech start-ups to Fortune 100 companies. The following is a representative list of some of the industries we serve:

- Associations
- Chemical/Pharmaceutical
- Computer Systems/Services/Software
- Defense/Aerospace
- Financial/Insurance
- Food Distribution
- Lodging/Hospitality
- Professional Services
- Telecommunications Services/Equipment