

FOREWORD BY NEIL RACKHAM
BESTSELLING AUTHOR OF *SPIN SELLING*

CRACKING THE SALES MANAGEMENT CODE

**The Secrets to Measuring and Managing
SALES PERFORMANCE**

JASON JORDAN

WITH

MICHELLE VAZZANA

Contents

Foreword by Neil Rackham ix

PART 1

Metrics, Metrics Everywhere

CHAPTER 1 CRM, Reporting, and a False Sense of Control 3

The War Room 3

Got Control? 5

The Source of the Problem 6

How Sales Has Trailed Its Peers 8

PART 2

The Sales Management Code . . . Cracked!

CHAPTER 2 What Can We Really Manage? 13

Great Sellers Evolve into Great Managers . . . Maybe? 13

It's the Sales Manager, Stupid 15

Can You Manage a Number? 18

Our Journey Begins 19

The Question 21

Activities, Results, and the Stuff In-Between 24

The Code Begins to Crack 30

CHAPTER 3 Business Results—the Company's Health 37

Back to the War Room 37

Doing Well 38

The Problem with "Managing by Results" 56

| | | |
|------------------|--|-----|
| CHAPTER 4 | Sales Objectives—the Sales Force’s Mandates | 61 |
| | Smile . . . For a While | 61 |
| | Behold, the Sales Objective | 64 |
| | Stuff for Sales Management to Worry About | 69 |
| | The Sales Force as Ground Cover | 72 |
| | The “Capable” Sales Force | 77 |
| | Acquire, Retain, Grow, Repeat | 82 |
| | Sell Something . . . but Not Just Anything | 86 |
| | The Sales Force: Revenue Machine or Strategic Weapon? | 90 |
| | | |
| CHAPTER 5 | Sales Activities—the Drivers of Sales Performance | 97 |
| | The Missing Metrics on the Wall | 97 |
| | Sales Processes, You Say? | 99 |
| | The Building Blocks of Control | 103 |
| | Fact: Better Processes = Better Sales Performance | 139 |

PART 3

Using the Code to Manage *Your* Sales Force

| | | |
|------------------|--|-----|
| CHAPTER 6 | Building the Foundation for Control | 149 |
| | The Building Blocks | 149 |
| | Which Sales Process Is Best for Our Company? | 151 |
| | Rightsizing Your Sales Process | 176 |
| | Off the Shelf or Off the Mark? | 181 |
| | Does That Also Come in Gray? | 183 |
| | | |
| CHAPTER 7 | Selecting and Collecting Your Metrics | 187 |
| | If Sales Management Were a Snap | 187 |
| | Choosing Activity, Objective, and Result Metrics | 189 |
| | Bringing Back the Smiles | 192 |
| | The Shape of Things to Come | 195 |
| | Learning to Let Go | 197 |
| | Speaking of Reports . . . | 199 |

| | | |
|------------------|--|-----|
| CHAPTER 8 | Managing with Processes and Numbers | 207 |
| | Now It's Time to Manage | 207 |
| | Managing Call Managers | 209 |
| | Managing Opportunity Managers | 213 |
| | Managing Account Managers | 216 |
| | Managing Territory Managers | 220 |
| | And Sales Force Enablement | 223 |
| | Which Process for Which Objective? | 225 |
| | The Treasure Map | 231 |
| | An Advanced Degree: Selecting A-O-Rs for the Individual Seller | 232 |
| CHAPTER 9 | Mission Accomplished | 239 |
| | In Reflection | 239 |
| | The Ultimate Status Check | 240 |
| | And Finally . . . | 243 |
| | Appendix: Troubleshooting Guide | 245 |
| | Index | 247 |

Foreword

In the good old days, when selling was so much simpler, it was widely put about that sales success rested on the “three Ss” of good selling:

Selection: recruiting really high-potential salespeople

Strategy: helping them make insightful sales plans for each account

Skill: teaching them how to make effective sales calls

If you could get those three things right, then you had all you needed for a world-beating sales force.

At a conference in Europe last year, someone asked me whether I thought the three Ss still applied to the much more sophisticated sales environment of today. I answered that, yes, selection, strategy, and skill remain valid predictors of sales success. Really good people are still scarcer than gold, and if you can select the best, you are an automatic winner. Strategy and skill are just as essential to success as ever they were—although both have become more sophisticated in recent years. The questioner frowned at my response, and I could see that I had disappointed her. I hope she reads this, because I’d like her to know that, after the conference, her frown prompted me to do some deeper thinking about her question. If I had to bet on the three most important factors for sales success today, would I still put my money on the three Ss? Or has the revolution in selling that we’ve seen over the last 10 years so changed our understanding of sales success that there are now newer and more important factors?

I certainly don't want to underestimate the importance of selection, skill, or strategy. They remain essential ingredients to the success of any sales force. But it's increasingly clear that they are no longer enough. In recent years I've worked with some sales forces that have had good offerings, good salespeople, decent account planning, and an above-average level of skill compared with their competition. According to the three Ss, these sales forces should have a superior performance. Yet, in many cases, they were losing market share to the competition. Why? What did competitors have that was making them more successful? In some cases it wasn't a sales force issue. The competitor had superior pricing or marketing, a dynamic culture, or a distribution advantage. But, in more instances than I would have liked, a sales force strong on the three Ss of selection, strategy, and skill was being outsold.

I've pondered mightily on these cases, with the kind of thinking that you do late at night when there's a nagging issue troubling you and you can't sleep. After all, I made my name in the field of sales skill and sales strategy, so it wasn't easy to challenge a foundation of my own reputation. But, after much agonizing, I came up with my finalists. If I had to pick just three components of success in the new sales world, I would choose the three Ms:

Management, especially first-line sales supervision

Metrics that go beyond the usual activity-based measurement

Methodology, or working with a systematic and disciplined approach

Let's look more closely at each one to see why these three are the essential components of sales success for the immediate future. And, at this point, I should add that *Cracking the Sales Management Code* is all about the three Ms of management, metrics, and methodology.

MANAGEMENT

In my embarrassingly long career, I must have worked closely with more than 50 sales forces in an effort to significantly

improve their performance. I think it's fair to say that I've generally been successful in turning around poor-performing sales forces if the first-line managers I worked with had good potential, even if the salespeople themselves were mediocre. But I've never succeeded, even with half-decent salespeople, when it was the other way around. If first-line managers were of low caliber, no amount of effort, no reorganization, no training made any sustainable difference. For the last 10 years, whenever I've been asked to help turn around a sales force, my first questions are always about the capability and potential of sales supervisors and managers. So selection, one of the old "three Ss," is still a vital component of success. But in the ever more complex business environment where companies must compete for the future, it's even more important to select good sales managers than good salespeople.

However, the sales management problem doesn't end with the recruitment or promotion of talented people. There are many thousands of bright high-potential sales managers who are highly motivated to succeed and who are nevertheless struggling to survive. They are ready and willing to do the right thing. What they lack is help and advice on what to do. They can't rely on older, experienced managers within their companies who generally learned the sales business in the days when the definition of strategy was "simple tactics ruthlessly executed." And, unfortunately, many of these outdated senior managers are forcefully urging their juniors to do too many of the wrong things. Where can new managers turn for advice? If they were salespeople, they could go to the 5,000 or more books that give advice on how to sell. But, as we know all too well from the sad history of outstanding salespeople who have been promoted into becoming abysmal sales managers, selling and sales management are entirely different things. So what can the new manager read that's helpful? By my count, there are less than a hundred books on sales management, more than half of them out of print. Worse, many of the available books are general guides on how to manage people, just putting the word *sales* in front of the word *manager*. There's an acute shortage of good books on the specifics of sales management. That's why I encouraged Jason to write *Cracking the Sales Management Code*.

It's about the practical specifics of sales management in the new era—and it fills a void.

What are some of these specifics? Let me give a few examples. There's advice on what CRM (customer relationship management) can do and, even more important, what it can't do. There's a clear explanation of the steps needed to link sales activities to business results; there are practical tools to help sales managers wade through the deepening flood of control issues that come with increasing sales complexity. These are important and useful topics, and sales managers will welcome the advice that this book offers.

METRICS

I'm often asked by clients, "What one thing do my sales managers need to understand better?" "Metrics," I invariably reply. Perhaps the most misunderstood of all sales management activity is the design and use of metrics. The great scientist Lord Kelvin wrote, almost two centuries ago, "If you cannot measure it, if you cannot express it in quantitative terms, then your knowledge is of a meager and insubstantial kind." That, in a nutshell, is the justification for sales metrics. What you cannot measure, you cannot improve. Sales metrics are important because they allow us to measure, understand, control, and improve the performance of sales forces. But what does *metrics* mean to the average sales manager? Chances are that the word conjures up visions of activity management, measures such as call reports or calls per day, tracking of targets and quotas in terms of volume, and profitability per salesperson. These are the tried and true metrics of the old selling. *Cracking the Sales Management Code* convincingly argues that these classic measures are not only inadequate but, for most sales forces today, can be downright unhelpful.

Jason, Michelle, and their colleagues, working with that excellent organization the Sales Education Foundation, identified 306 metrics that were being used by the sales forces in their survey. That, you might agree, adds up to a whole cartload

of metrics. How do you see the wood from the trees in this smorgasbord of more than 300 choices? (Or, to avoid my ghastly mixed metaphor, perhaps I should ask, “Where’s the beef in this feast of choices?”) The main theme of this book is how to answer that question—what it takes to get the right metrics, how to select them, how to test them, and how to use them to run a high-performing sales force. I shan’t say more about the new metrics here because I wouldn’t want to intrude on the clear story that Jason lays out. But I would urge serious sales managers to invest time to thoroughly understand the important role played by metrics—and this book is a good place to start. The future will bring even more exciting developments in sales metrics. Companies like GE are already experimenting with Six Sigma metrics, and a fundamental understanding of measurement in these companies is a foundation skill for management success.

METHODOLOGY

The final *M* in my three new pillars of sales success is *methodology*. I choose the word because it’s a wide enough term to cover a range of methods, tools, and techniques that can be used to bring order and predictability to selling. The two most common forms of sales methodology are sales process—or its simpler versions, called *pipelines* or *funnels*—and CRM systems. The purpose of a sales process is to break down the sales cycle into sequential steps and to track the progress of each sales opportunity as it moves through the steps. Each step has a range of activities and measures associated with it that must be completed before moving to the next step. In this way, sales forecasts can become more accurate, and managers can diagnose and intervene when important opportunities need their help and guidance. That much is Sales 101. Almost everyone today has some form of sales methodology to organize and systematize their selling activity. Companies have spent many billions on sales process and CRM systems, generally with feeble and disappointing results. Partly this disappointment has come from

overselling of what CRM can do by software vendors whose understanding of sales sometimes borders on the nonexistent. But the companies who bought systems that failed to deliver on promises must shoulder some of the blame. They naively expected that the system would magically solve most of their problems and, with very few exceptions, failed to understand the enormous difficulty and hard work involved in implementing a sales methodology.

I go through all of this to explain why sales methodologies are often seen cynically by practicing sales managers. And that's a pity. In today's world, the success of a sales force may depend more on having a good sales methodology than on any other factor. One of the reasons I think *Cracking the Sales Management Code* makes such a useful contribution is that it takes a sensible and balanced view of sales methodology. It avoids both the breathless enthusiasm of the CRM junkies and the unwarranted cynicism of the detractors who have been victims of bad process and are revenging themselves in print. Such a balance is hard to find.

So read this book. It will give you practical help with all three pillars of the new selling—management, metrics, and methodology. And I wish you every success in applying the ideas to your selling.

Neil Rackham

PART 1

Metrics, Metrics Everywhere

CRM, Reporting, and a False Sense of Control

CHAPTER 1

THE WAR ROOM

So there we were. The war room.

Our Fortune 100 client was showing us the sequestered conference room where the company's senior leadership gathers weekly to review business performance and set strategic direction. On the walls hung a sea of performance reports showing everything from current financial projections to the number of customer-facing calls the sales force had conducted year-to-date. Literally hundreds of data points culled from the company's customer relationship management (CRM) tool were reported in vividly colored charts for the leadership team's real-time consideration.

There was data at an aggregate level. Data at the sales manager level. Data sliced by product line. Data sliced by region, by customer segment, and by the stages of the company's sales cycle. Data sliced and diced in every way imaginable—truly a world-class demonstration of performance reporting. It was a scene that would make any IT director stare in amazement and any senior executive turn green with envy.

Looking at the walls, it was easy to envision a typical weekly war room meeting, which might resemble the classic scene from

a World War II Hollywood movie in which analysts scurry about updating information on the walls, while leadership takes it all in and formulates a strategy to outflank the enemy. Except in this case, the generals are VPs of sales. The soldiers are salespeople. The battlefields are sales territories. The numbers on the wall are not enemy head count—they are product sales, pipeline size, sales rep activity, win/loss ratios, profit margins, and of course, revenue forecasts. Anything and everything that can be reported has a spot reserved on the war room walls.

The constantly updated numbers are key ingredients for the primary activity in the war room—to quickly identify trends (both good and bad) and dole out urgent directives to the field. Is the pipeline too small? Then have the salespeople do more prospecting. Profit margins down? Tell the sales managers to hold their ground. Forecasts inaccurate? Have the reps update the data more frequently. No doubt these weekly meetings are intense, focused, and perceived as high-impact. Ah, the war room. Who wouldn't want one?

This was not the first war room we had seen in a sales force. Several years ago, while conducting some research into sales management best practices, we encountered another similar lair. In true best-practice style, this leadership team even had military paraphernalia spread about the room. Reams of paper lined the walls displaying everything from territory coverage plans to benchmark performance data. Sales, it would appear, is a battlefield.

Most companies have their own scaled-down version of the war room—at least in spirit, if not in practice. They have a set of reports that they regularly examine to assess progress against their goals and to determine what actions must be taken in order to ensure the goals are met. The reports aren't always large-format color prints with pie charts, bar graphs, and scatter diagrams, but it is exceedingly rare today to find a sales force of any size that hasn't invested in some type of customer relationship management (CRM) or sales force automation (SFA) software for the primary purpose of increased reporting.¹

1. For the purposes of simplicity, we will use the broader term *customer relationship management (CRM)*, which typically includes sales force automation functionality.

In fact, we can't recall working with any sales force in the past decade that didn't have technology supporting at least a portion of its activities. CRM tools have become pervasive and will continue to grow in importance as technology integrates with an increasing percentage of our daily activities. This will in turn enable even greater reporting at increasingly granular levels of detail. Soon the battlefield will be perfectly in focus for sales management to view.

GOT CONTROL?

So what has all this reporting gotten us? Well, having all this data at our fingertips has become like comfort food for leadership. A real-time view of sales force performance makes us feel in touch with the organization. And increased transparency to field-level activities gives us the satisfying sense that we are somehow in control of the sales force's behaviors. However, visibility to an action does not equate to control over it. Let us give you an example of the life-threatening danger of this assumption.

When one of the my children was 18 months old, I left her with a babysitter while I made a quick trip to the store (I was no doubt as much in search of silence as I was in search of provisions). When I returned to my house and opened the door, I saw the terrifying sight of my precious child standing upright on a steep set of stairs, wobbling in her attempt to make it to the next step. Meanwhile the babysitter was sitting calmly across the room just watching the situation unfold. Witnessing the obvious terror on my face as I sprinted across the room toward the teetering child, the sitter attempted to calm me down by saying, "Don't worry. I am right here. I can see everything she's doing." Trying only halfheartedly to contain my anger, I responded, "*Watching* my daughter fall to her death is not the same thing as *preventing* her from falling to her death."

Similarly, watching the walls of the war room is not the same as directing the battle on the field. While seeing activity-level data such as Number of Calls Made or Percentage of Customers Contacted creates a sense of participation in the activities, in

reality, it is more akin to watching salespeople climb treacherous stairs from across the room hoping they don't fall to their deaths. You can see the disaster happen, but you can't control the outcome.

Despite the billions of dollars that have been spent to enable deep and wide reporting of sales force activities and outcomes, we have seen few instances of increased reporting capabilities actually leading to greater control over sales force performance. Greater visibility provides you with exactly that—greater visibility. Not greater control.

But before we gain a reputation as report haters, let us state clearly that we *love* good data. In fact, we would argue that it is impossible to manage successfully in today's sophisticated selling environment without reliable data to assess current performance, analyze events, uncover trends, and provide actionable direction to a sales force. It's just that despite all the analysis and discussion taking place in the war room, we all too often see the same directive emerge: "Field, do more."

Call on more customers, put more opportunities in the pipeline, close more deals—it's as though all things can be solved by simply asking for "more." It's somewhat concerning that given the highly sophisticated analytic capabilities that CRM affords us, very little direction is given back to sales managers and their reps other than to do more. The "do more" mantra may feel like exerting control, but it would be somewhat like telling my 18-month-old, "Don't trip." She wouldn't know what it meant, and the eventual (and potentially tragic) outcome would be left to chance.

THE SOURCE OF THE PROBLEM

In a nutshell, here is where we are.

Over the last 20 years, we have witnessed a technological revolution known as CRM. With few limits, we now have the ability to generate extremely detailed reports that allow us to see both the activities of our sales reps and the outcomes they create.

The amount of information that we have to help us manage is unprecedented in the history of sales management and is only getting bigger. Our challenge in the future is more likely to be an excess of data, not a scarcity of it. Even today, we observe “analysis paralysis” in companies for which information overload has crippled the very decision-making ability that reporting was meant to enable.

So with all this information at our fingertips, we are little more able to proactively influence sales force performance than we were billions of dollars ago. We are more enlightened about what’s happened—and even what is currently happening—but we have little more control over the future than we did in the past. What then are we missing?

What we are missing is quite fundamental:

We are missing the operating instructions for a sales force.

How do the numbers on the war room wall *work*? Of all the data points that we see on our reports, which are the inputs, and which are the outputs? Which are the causes, and which are the effects? If I want to move this number, should I push that one or pull another? What we don’t yet know is *how to work the numbers*.

If we did understand the relationships between all the numbers on the wall, then we could exert more control over them. Want more revenue? No problem—do this. Want more new customers? No worries—do that. This is the level of understanding that sales leaders do not have today. Instead, management concludes: Want more revenue? Do more. Want more customers? Do more. But sometimes the revenue and customers don’t come.

This is where CRM has left us. It has given us the power to *see* what the sales force is doing, but it didn’t come with instructions for what to do with that newfound visibility. We can get plenty of data from the magnificent reporting machine, but we haven’t been told how to use it. Basically, our ability to report data accelerated faster than our ability to understand it. For

better or worse, we cracked the CRM programming code *before* we cracked the sales management code.

HOW SALES HAS TRAILED ITS PEERS

Sales is unlike its corporate peers finance, manufacturing, and marketing in many ways. And as patrons of the sales function, we think it is not only different but also better. We could argue that it's more dynamic, more exciting, more challenging, more fun, and outright more important than its organizational siblings, but there is one place that sales has woefully trailed other business disciplines: discipline itself.

During the nineteenth and twentieth centuries, every other corporate function developed a body of knowledge that enabled it to measure and manage itself in a more consistent and predictable way. Consequently, corporate functions other than sales enjoy a fundamental understanding of their inner workings, and they are able to direct their day-to-day business with confidence toward their ultimate objectives.

Finance has a robust set of metrics with clearly understood implications. Any financial professional can easily analyze and discuss the relationships among income statements, balance sheets, and statements of cash flow. They have universal standards such as the generally accepted accounting principles (GAAP) that provide a common language with which to manage their business. They have a discipline.

Manufacturing too has a rich set of management frameworks that it uses to control and direct its outputs. Any plant manager can easily recite standard measures such as throughput, defects, quality, and cost while intuitively understanding the trade-offs of improving one versus the other. They have programs such as total quality management (TQM) and Six Sigma that guide them to higher levels of performance. They have a discipline.

Marketing was one of the last business functions to accept accountability and embrace a strict discipline of measurement and management. Nonetheless, marketers have long understood

and used key management concepts such as customer segmentation, market share, customer profitability, and profit margin to make decisions and gauge success. If nothing else, one can measure marketing's professional legitimacy by its prevalence as a major in our colleges and universities. It has a discipline.

Note that the development of GAAP, TQM, and other frameworks used to manage our functional peers developed well before the advent of the computer. They were created as their leadership recognized a need for structured thinking and a common language to diagnose business issues and implement proactive change. When information systems fully blossomed in the late twentieth century, their business functions became more efficient to manage, but the underlying operating instructions remained constant. Other business functions had already cracked their management code, and information technology just made their jobs easier.

And then there is sales.

Sales has somehow evaded the management rigor and professional discipline that has burgeoned in its peer groups. There is no sales equivalent of GAAP. There is no standard TQM framework for sales improvement. And there are currently fewer than 50 colleges and universities in the United States that offer a major or minor in sales. Compared to finance, manufacturing, or marketing, the discipline of sales is still in its infancy.

So when information technology eventually came to the sales force, there was relatively little to automate. Sales had no formal operating instructions for itself. In contrast to its organizational peers, sales' information systems were just layered on top of unstructured processes and inconsistent execution. Basically, sales forces automated their own forms of chaos.

Rather than beginning their automation projects by defining and mapping formal selling processes, sales forces began by designing reports. Rather than asking how the technology should support their critical selling activities, sales forces assumed that the technology had its own inherent value. (One of our past clients even confessed that its deliberate CRM implementation strategy was to *first* get the technology deployed and *then* worry about defining the processes. Two years later, there

we were . . . helping the client add structure to its automated chaos.)

We strongly believe this is the reason that CRM has failed to create a more controlled sales environment. It's not that CRM's expectations were overblown, nor that its implementation was botched. Senior leadership watched as technology revolutionized finance, manufacturing, and even marketing, so it was completely reasonable to expect a similar revolution in sales.

But the revolution didn't occur. It didn't occur because unlike our organizational peers before us, sales did not have a fully cooked management discipline. We had all of the pieces to the puzzle, but the overall picture had not yet come into focus. We had not cracked the sales management code.

This book makes one big step toward establishing a rigorous sales management discipline. Based on our research into how leading companies use metrics to manage their sales forces, we have developed a management system that will predictably link the activities in the war room to the battle on the field. It will help sales managers floating in a sea of data to focus their attention on the few metrics that really matter. It will help sales executives to drive their sales forces with a clear set of operating instructions. It will provide a framework for improved sales performance reporting. It will finally crack the sales management code.