Releasing the Rear View Mirror

By Nicholas T. Miller

Sales coaches who manage their teams by focusing on sales results suffer the same consequences as drivers who steer by looking only in the rear view mirror.

Introduction

I drive many miles with two warp-speed children in my back seat. (Don't worry, they're mine!) Most sales managers laugh when I describe the fenders I've almost dented trying to manage the kids and drive while looking in the rear view mirror. "Sure," they chuckle knowingly, "we've learned, you have to keep looking forward." Yet when you look at how they manage their sales organizations, they're looking in the same place I am: the rear view mirror.

Every sales manager can tell you, with unerring accuracy, when their senior managers will ask: "How'd we do last month and are we gonna make plan?" Having driven more than a few miles with their teams, sales managers know what to do. They look at their sales revenue odometers and ask their sales team leaders and reps the same question I hear from the back seat: "Are we nearly there yet?"

The main problems with these questions are:

1. They're focused on revenue, which is a "rear view" indicator, rather than on activities, which are predictive indicators of what will be produced in three weeks, three months, or three years.
2. The reference point is completely internal -- how are we doing against plan, or how are we doing versus last year rather than how are we doing in terms of the number of opportunities that are available and up for consideration in the market right now.

Predictive Indicators and Coaching Frameworks

The back seat question "Are we nearly there yet?" should be: "Are we doing the activities in the right numbers in the right ways at the right times in order to produce the revenue we want in the future?" (Trips right off the tongue, and all the elements are important). The first step to improving sales effectiveness is to find ways to quantify and predict what WILL happen instead of what HAS happened. Without such predictive measures, sales managers essentially have one gauge with two readings: We're there/We're not there.

The first step is to define the business development process and identify predictive, leading indicators -- numbers of new leads, sales call activity levels, consideration rates, numbers of proposals sent, funnel conversion rates, and average deal size, to name a few. These numbers can tell sales management how their business development process is working and what revenue is likely three weeks, three months, or six months down the road.

With hard data connecting current activities and future results in hand, sales managers can model how the business development process is operating, note differences between expected and actual activities, and identify targets for coaching to improve performance. The business development process, and its related measurements and performance metrics, enables sales managers to benchmark performance and provides a common reference point for sales reps and sales managers.

THE KEY ELEMENT OF IMPROVING SALES EFFECTIVENESS IS TO ENGINEER WHAT HAS NOT BEEN ENGINEERED--THE SALES PROCESS. AND THAT'S A MANAGEMENT JOB.

Suppose we're looking at cumulative sales time (the cumulative number of hours sales people invest to close a single piece of business). We ask: "Is it important to reduce cumulative sales time?" All heads nod, "yes". We ask: "How high is it today?" Since very few companies have actually defined or collected this data, nobody knows. In the absence of such process metrics, sales managers revert to guessing and using the rear view mirror.

If we had defined process and measured performance, we might discover that cumulative sales time averages 20 hours. Further, we might see that the lowest cumulative time is 12 hours and the highest is 36 hours. This information allows us to consider two key statistics: the average cumulative sales time and "actual versus average" differences by sales rep and for the sales team as a whole.

If we're all measuring and charting cumulative sales time consistently, we'll create one view of our business development process and our likely future results. (If average cumulative sales time is increasing, future revenues will decline unless other variables change. Management's job is to improve the average and reduce the variations.)

If we identify and chart other predictive variables, our view of the road ahead will be even clearer. Sales reps, sales team managers, and senior executives will be able answer "Are we there yet?" by saying, "We'll be there in 3 hours" (or three weeks or three months)... or, in the worst case by saying, "Daddy's lost," and doing something about it before we run out of time and Mommy gets really mad.

External Reference Points

The other aspect of "How are we doing?" is the question, "Compared with what?" The usual reference points are how we're doing against plan and how we're doing against last period. Another rear view mirror. It sounds like this:

Us: How are you doing this year?

Sales Manager: Great! We're up 15% over last year. And, we're ahead of plan 5%.

Call me Goofy, but what I want to know is: **What percentage of the deals available in the market are you being considered for?** When we don't know the answer, we don't know how BIG sales COULD HAVE been. We know only that we're doing OK relative to what we expected. Even if you think the Marketing Department is supposed to figure that out, sales managers who don't know the answer can't deploy their sales reps very well because they don't know where the action was, is, or will be.

Statistics that reinforce this concept are available from Dartnell Research, Sales & Marketing Management magazine, and other sources. For instance, their research shows that approximately 87% of all trade show leads are never pursued. They have further found that, regardless of the lead source, fully 48% of all leads are not contacted at all. Roughly 90% of all salespeople abandon their selling efforts after the fourth attempt to close an account or sell a new product line into an existing account.

Because there are no good external reference points, few organizations know how much these sales leaks are costing them. As long as sales meet or exceed plan, everybody feels good.

Who's Responsible?

In both cases, the focus on revenues rather than activities and the use of internal reference points rather than external ones, sales managers have had their eyes trained on the rear view mirror, with the result that there are many fender benders -- clients that go away, sales people who burn out or leave in frustration, prospects that get away. The key element of improving sales effectiveness is to engineer what typically has not been engineered -- the sales process. And, that's a management job. To boost sales over time, managers must increase the value and effectiveness of their business system, not just demand that everyone drive faster while looking in the rear view mirror.

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