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Boosting sales performance management through iterative lean start-up type approach

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Improving sales performance management is a straightforward way to focus efforts where they can bring most value. Developing sales performance management through lean start-up type methodology can help companies leverage existing growth opportunities more effectively without wasting resources.

Data is commonly recognized as a powerful lever to improve sales performance, and companies have widely adopted IT tools in sales. However, data initiatives often fall short of expectations. Implementation projects incur major cost overruns and implementation is slow, missing crucial deadlines. In addition, impact is less than expected due to insufficient integration and lack of buy-in among sales staff. As a result, top management lacks critical insights to make fact-based decisions, despite significant IT investments.

This article describes how a global manufacturing company developed a sales performance management program using the lean start up methodology. With more than a thousand sales representatives around the world, the company was going through restructuring and aimed to grow in a stagnating market. Using an iterative hypothesis driven approach, akin lean startup, in less than a year the company consolidated multiple reports into a standardized and transparent set of sales management dashboards, providing visibility into sales performance and enabling alignment within the sales function.

Using data effectively is a powerful lever to drive sales performance

Incorporating data into sales management provides visibility to performance, highlights gaps, and facilitates discussion between management and the sales team. To unlock further the potential of data, companies like GE or SAP have leveraged analytics and a scientific

approach to improve sales force productivity. GE Commercial Finance, a large group in a mature industry, attributed their additional sales of 300MUSD in 2015 (about 10% organic growth) to a transformation of the division's sales process. This transformation included switching from relying on sales representatives' intuition to using objective criteria to prioritize potential customers. As a result, new sales people could get up to speed faster, because "so much of the process of ramping up salespeople is just pointing them at the right targets", according to Michael Pilot, former CEO of U.S Equipment Financing, a unit of GE Commercial Finance. SAP America, under McDermott's leadership, more than doubled its software license revenue within three years after refocusing the sales targeting approach from budget-focus towards pipeline management. In addition to aligning quarterly targets with market potential, the SAP sales team was expected to maintain a pipeline with the value at least three times their annual quota on a rolling basis. Shifting focus to maintaining sufficient pipeline is more actionable and provides more forward-looking approach to sales management than results tracking.

Initiatives to integrate data to sales performance often fall short of expectations

Business intelligence systems such as SAP or Hyperion can require a long time to implement. For the case company, the project to integrate all existing ERPs into a single one was expected to take multiple years to complete. Similarly, implementing customer relationship management (CRM) platforms like Salesforce often require a long time for benefits to materialize, thus discouraging users from actively using them. Due to the demanding implementation of these systems, disruptions sometimes occur, which can significantly impact profitability. In fact, Gartner estimates that about 55% to 75% of all ERP projects fail to meet their objectives.

Even after implementation of ERP and CRM tools, lack of integration remains the most important challenge for sales management if benefits are to be gained from leveraging data. Much of the information required for decision making is usually available within the company, but is typically scattered across many applications, from business intelligence and CRM databases to multiple standalone spreadsheets. Even with ERP and CRM tools, often to generate the big picture requires manual efforts to collect and consolidate all the data, which can result in inaccuracies and slow decision making.

Analytics need not be costly or complicated, and can be developed effectively with lean start-up principles

In the last decade, technology companies started adopting a new methodology to launch products or business called the "lean start-up" approach. Popularized by Eric Ries and originated by Steve Blank, this methodology aims to reduce wasted time and resources in ineffective product development, and thereby improve success of product launches. Traditional start-up formula involves elaborate planning, execution in stealth mode with limited customer input, and intensive selling after launch. This approach is problematic as companies too often develop products or features that customers neither need nor want. The lean start-up approach addresses these issues based on three key principles. Firstly, entrepreneurs start out with hypotheses of how the company creates value for customers

and for itself. Secondly, they engage with customers to test the hypotheses in an agile way: a “minimum viable product”, or an MVP is quickly built with the purpose of gathering customer feedback. Thirdly, they employ agile development adopted from software industry to reduce waste by incrementally developing in iterative cycles, which are illustrated in figure 1. The Build-Measure-Learn process provides a start-up with a feedback loop to accumulate validated learning to complete product development. A key success factor in applying these principles is to minimize the time each loop requires.

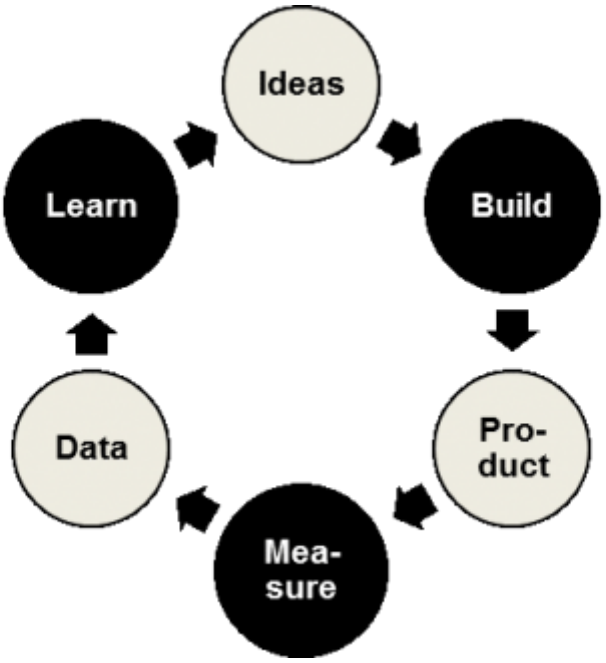

Figure 1: Build-Measure-Learn feedback loop

Sales organizations share many characteristics with start-ups. Firstly, deploying a sales performance management tool typically requires comparable amount of time and resources to building a new product in a start-up. Secondly, whilst there is no guarantee a start-up’s product will succeed, there is uncertainty whether the sales performance management solution will fulfill its objective. Thirdly, sales organizations need their representatives to engage with their performance management solution as much as a start-up needs their customers to value their products. Unlike production or finance functions where data is generated automatically or through standardized input, sales management relies on both the amount and quality of input from individual sales staff. Providing quality input as part of daily work requires discipline. Therefore, the sales performance management solution is effective only if sales representatives strongly support it.

Nevertheless, many organizations still develop sales performance management solutions using the traditional formula. Elaborate planning and procurement typically precede a lengthy deployment, and then the solution is “sold” to sales representatives, or the actual “users”, through extensive training. While some organizations use off-the-shelf solutions and others invest in customized solutions, the most significant issue is the lack of validation of the solution organizational fit with key stakeholders. Uninvolved, sales representatives can view the act of providing input as extra administration work and interference with their main tasks. Unsurprisingly, many sales organizations still find their sales team relying on dozens of

spreadsheets even after significant investment in a CRM tool. As a result, misalignment is common, and maintaining data accuracy is challenging.

The lean start-up type approach therefore benefits sales organizations in multiple ways: avoiding wasted time and resources, ensuring higher buy-in from users, and developing well-adapted solutions for the organization. The lean start-up type approach can be applied to sales performance management in at least two areas: (1) developing a sales performance solution, and (2) selecting KPIs to improve performance. Our case company applied the approach to the first area: building a unified sales performance platform based on integration of multiple data sources. Within a few months and a minimal budget, the company achieved a stable and reliable release of the solution. The solution, according the Head of Sales, provides “a common language for organization on the performance. Management became more comfortable with the numbers. The trends in profitability are clear and discussions can focus on real issues. The solution also enables faster reaction when corrective actions are needed.” Additionally, the solution allowed more efficient use of time by shifting the discussion focus from clarifying the data to agreeing on actions. For example, due to the global operations, fluctuating currency exchange rates has visible impact on the company’s revenue. By isolating the impact of exchange rates from organic growth, discussion between global head of sales and local sales team can fully focus on the drivers of real growth. Developing a common tool refocuses controller’s attention from ad-hoc data gathering and analysis to continuous development of the solution, and frees up time for value adding activities like developing business insights and recommendations.

A minimum viable product should be built quickly based on clear hypotheses

The case company started with defining users and their needs before initiating any technical development. Potential users were identified to include global sales management, controllers, head of local sales team, and frontline sales staff. Users were involved early regarding the types of decisions they made and the data and insights they required to make those decisions. Their input was used to scope the project and define the KPIs. Clear hypotheses were documented during ideation phase before testing, such as “users need to see instantly the performance of all countries in one view”, or “local sales team needs to see all data in local currency”.

A minimum viable product was built within four months, mainly to test user output and potential interactivity. The company started with an Excel spreadsheet and VBA, as this enabled quick prototyping and easy testing with users online. The tool used for prototyping is not important, as long as it enables improvement sales performance management. Initially, an output interface with illustrative data is sufficient to experiment with key users and to identify which value-adding features to develop. Lean development helps to avoid spending excess time and resources on developing unnecessary features or KPIs.

User feedback should be measured and taken to development iteratively with a lean, dynamic and well supported team

In the case company, a small core team was assembled to allow faster development. The

core team needs not only strong technical skills to build prototypes quickly, but also a variety of skills, such as communication, coordination and management skills. The team needs to be capable of reaching out to and gather input from a large group of stakeholders from top management to front-line sales people. Coordination is required with both internal functions, such as the IT department and external partners. Additionally, the core team needs strong management capability to deliver results regularly after each iteration. Maintaining development backlog is crucial across the effort. As many stakeholders are involved, many ideas are generated. The core team must document them to avoid losing ideas. The team then prioritizes and agrees on the order of implementation with the project owner (in our case a member of the management team).

Management-level involvement and commitment proved critical not only in ensuring sufficient staffing and momentum of the project, but also in building the culture of a data-driven and continuously learning sales force. The highest management level was effectively involved through monthly steering group meetings where progress was reviewed and bottlenecks were resolved. Decisions for following cycles were made during these meetings, leveraging data from user testing and the solution requirements. For example, after 100% of interviewed users indicated they absolutely needed to see data in local currency, the steering group decided to provide selected reports in local currency, despite additional development efforts.

Learn from user feedback and utilize learning to take implementation to the next level

After multiple rounds of build-measure-learn cycle, the team had built an in-depth view on what the needs of the organization are and how to meet them. With the first prototype stable, the team moved on to develop more advanced specifications with more confidence, such as an online platform for real-time analytics.

A common challenge to development is data availability and quality. All data is not obtainable and the available data is not perfect. In the case company, the core team nonetheless started by leveraging existing data, deciding first what was relevant before building it into the system. The data flow was thoroughly documented for later development. Controllers and other participants were also trained to develop a comprehensive understanding of the system.

With the first phase of the program coming to an end now, our case company has a stable and reliable sales performance dashboard. The scope has been extended to align and integrate the dashboard with product portfolio management. To address the needs of both sales and product management, a web-based application is being developed with improved availability and efficiency. Sales management requires visibility at a granular level, such as price development or profitability development at product level, and product portfolio requires solid trends tracking for strategic decisions. These diverse requirements set the basis for larger changes in the organization, from ensuring data quality in the system, to modifying ways of working. Management and sales representatives do not need to wait for any reports to be distributed, but instead can “log-in” online and see progress in real-time, or

receive daily automated reports. Although solution launch lies in the near future, the lessons validate that applying the lean start-up principles significantly saves development time and resources, and builds confidence for the execution of more advanced and complex solutions.

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