

MILLER HEIMAN SALES PERFORMANCE JOURNAL

3 Key Drivers for Short and Long-Term Growth

Most CEOs' chief concern right now is top line growth. Generally, I believe many sales leaders have installed a lot of the right processes, systems and infrastructure over the past few years but there are still several other factors that come into play that prevent them from experiencing the growth they expect.

Committed organizations know that growth takes hard, heavy lifting and they are willing to change things deep within their own structure to enable and ignite growth; while companies that are pretending to drive growth look for slogans that run out of steam after a brief introductory period.

I've had the opportunity to sit in sessions over the last few months with customers in Europe, Australia and the USA. Everyone is talking about being more customer-focused and solutions-oriented. These sound like great starting points, but when you drill down you find that often there is no real execution plan to make this happen. Without a structured plan to work from, these directional statements become tombstones in the graveyard of failed initiatives.

For this issue of the *Sales Performance Journal*, we explore three of the key drivers to growth: achieving real customer focus, the role of the sales manager as a coach to drive productivity, and optimizing channel partnerships. Finding new opportunities requires a laser focus on activities that will produce results. Give these articles a read and share with us your thoughts on what your sales organization is doing to drive results now and into the future.

Good selling,



Sam Reese

President and CEO, Miller Heiman, Inc.

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Beyond Lip Service:

Achieving Real Customer Focus

Many companies throw around the term customer focused like it's the easiest thing to do. But mere lip service won't cut it. With customers becoming more discriminating, achieving real customer focus requires a significant commitment as it is a critical factor that will help companies meet their growth plans this year and the years to come.

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The Link Between Coaching and Sustainable Sales Growth

Instead of playing the role of "closer" where the sales manager steps into the sales process and plays a direct role in bringing the opportunity to a successful close, sales managers need to be the coach. Their responsibility should be to drive productivity and results through others, and to leverage the best practices of their top performers in the field to drive sustainable sales growth for the whole team.

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Maximizing Growth through Sales Channels

Whether a company plans to enter a new market, or grow its share in an existing market, it requires a well-thought-out plan to ensure the right partners are first recruited and, most importantly, retained. Many factors must be taken into consideration to ultimately get the desired return on its investment.

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BEYOND LIP SERVICE: ACHIEVING REAL CUSTOMER FOCUS

The business world is inclined to embrace catchy words and phrases because they sound witty. But over time, they've been used and abused so much so that one can only wince in pain and swear to scream if they hear "deliverables" or "bandwidth" or "maximize leverage" one more time. And so they end up in the growing list of business clichés you love to hate: visibility on this project, let's touch base after a week, be proactive, think out of the box, moving forward, at the end of the day, seamless integration... the list goes on.

The point is many of these words are quite useful but hackneyed over time with meanings so obscure they're subject to various interpretations. Unfortunately, a much favored phrase, *customer focus*, is turning up in several of these lists as well.

This is not to say that being customer focused has been rendered meaningless. On the contrary, it remains an important initiative as customers become more discriminating. In fact, being customer focused is one of critical factors that has helped companies weather economic storms and endure even after more than a hundred years in the business, as is the case for engineering and architectural firm, Freese and Nichols. And being truly customer focused, as opposed to paying mere lip service, will be the same critical component that will help companies meet their growth plans this year and the years to come.

The Hedgehog Concept

Freese and Nichols was a recipient of the 2010 Malcolm Baldrige National Quality Award. The Baldrige Award is a prestigious national recognition that promotes excellence in organizational performance. It recognizes the achievements of U.S. organizations and publicizes successful performance strategies. Nominees are evaluated in seven areas including *customer focus*.

A Miller Heiman client, Freese and Nichols embraces the Hedgehog Concept from Jim Collins' *Good to Great*. A chapter in the book relates the story of the fox and the hedgehog. The fox's constant attacks were countered by the hedgehog's simple defense of rolling into a ball of spikes. Not a very exciting strategy, but it's successful because it is

consistent. Collins compares top-performing companies to that little hedgehog – always focused on its consistent method of success. Out of this quaint story, Collins developed what he calls the Hedgehog Concept where the goal is not to be the all-around best but to understand what you can be the best at.

Freese and Nichols adopted that principle and made it its own: *Be the very best at client services resulting in long-term business relationships*. This principle has become the corporate culture and provided the company competitive differentiation. Employees even have little hedgehog stuffed toys on their desk to remind them of what the company stands for.

During the Baldrige Award ceremonies in November 2010, company executives shared how they make the Hedgehog Concept come alive:

Conduct regular customer satisfaction surveys - The company has a survey program called Top Box 5. On average, their client satisfaction score average is 4.7 on a scale of 1-5, but rather than focus on just the numbers and ratings, Freese and Nichols looks more closely at the feedback. An average of 4.7 doesn't offer any value if the feedback is not there.

Encourage complaints - The company representatives ask the hard questions from customers to get usable feedback. Capturing the voice of the customer maintains the relationship, and understanding the dissatisfaction provides Freese and Nichols a basis for internal development.

Understand what clients value - And then provide that value to them.

Strive to be a Partner - Key to the Freese and Nichols approach to customer focus is the utilization of Miller Heiman's *Large Account Management ProcessSM*, which uncovers how to best manage and grow strategic accounts by bringing the entire relationship into view. One of the key principles in this program is the Buy-Sell Hierarchy. The goal is to strive to be the right fit – from the customer's perspective as well as that of the selling organization's. For Freese and Nichols, it identified key accounts where the mutual goal of the company and the client is to bring the relationship to a level where it's viewed

as contributing to the customer's organizational issues and helping them improve their business, not just delivering products and services to them. The success Freese and Nichols has experienced from this approach is summed up in a statement from one of its clients, in which the Forth Worth City Manager declared that, "Unlike Freese and Nichols, most consulting firms haven't figured out that they must be a partner, not just a vendor."

Continue the Practice - The 117-year old company has clients it's been serving for over a hundred years. For these clients and for the company itself, *continuity of practice* is extremely important. A couple of components critical to *continuity of practice* are: understanding competitive differentiators through its Futures Committee, and leadership and ownership transition through leadership development programs.

- Futures Committee. The company created a futures committee which is essentially a client panel. Externally, it looks at what the client organizations plan to be in 10, 15, 20 years. Internally, it looks into the company to make sure it's ready with competitive differentiators and continues to be a relevant partner to these clients.
- Leadership development programs. In the Freese and Nichols University, courses are conducted to prepare future leaders to conduct the business the Freese-and-Nichols way.

Focus on the purchasing behavior - The company believes that the single most important skill in selling professional services is the ability to understand the purchasing process (not the sales process) from the client's perspective. This includes the personal Wins of each person who has influence on the buying decision.

To sum it up, Freese and Nichols aligned its core strengths to deliver innovative, practical, and outstanding solutions that drive better business results for its clients.

Not everyone has had the same success as Freese and Nichols and many struggle to get past lip service. Dana Palmblad, senior director of client engagement at Miller Heiman, explains why this might be the case. "Broadly, it comes down to a lack of alignment between the strategic initiatives of the company and the people, processes and systems that need to be aligned, to connect those initiatives to the workings of the business." He said in many cases, individuals and even teams within a company have varying interpretations about what being customer focused means. And those opinions may not be congruent with the "true strategic pillar in the company's plan."

He suggests that, "First, you have to have a definition that is clear and concise - what does it mean to be customer focused? What does it mean for the organization which claims it as its goal

and, more importantly, what would the customer say it means? Oversimplified to be sure, but one starting point is that you need a common language to even have these conversations. And, you need to have common approaches (systems, processes, methodologies, etc.) to put these concepts into action. You also need to create an 'ecosystem' to support the behaviors that make this concept a reality."

Nattalie Hoch, sales vice president at Miller Heiman echoes this viewpoint. "When other departments don't buy into it - when it's isolated - you won't achieve true customer focus. It has to be driven from the top, and sustained with multiple tiers of support," she explains. And it needs to be more than a tagline. Hoch says, "If it's simply lip service, if it's hollow, your customers will see through you. They already know a good deal about you before they talk to you due to their ability to quickly vet you out through online resources - don't underestimate what they can find out through your own website - as well as social media, so they're going to ask better questions."

When Go-To-Market Strategies Get in the Way

Hoch continues that, in certain situations, go-to-market strategies get in the way of achieving true customer focus. "In finance for example, you have intermediaries or brokers who have direct relationships with your customers. You are automatically one step removed." She said that the customer feedback has already gone through and been interpreted in various ways by the broker, making it difficult to get accurate feedback. In industries outside of finance you may still be using a version of a channel, or distribution partner. The channel model makes achieving the goal of being closer to your customers more complicated, but not entirely impossible. As she explains, "You just need to recognize that a roadblock exists and you have to work harder to filter through the noise - identify what is fact and what is anecdotal."

She suggests that for organizations with this business model, they can set up ways to get in front of their customers directly by communicating through social media, holding user conferences, and reading customer reviews about their product from their channels' websites and forums. They can also require their sales leaders to get involved with their most important customers. She recommends that organizations do not remove the intermediary, but work side by side with them to service the customer.

Bigger Than a Checkbox

"Being customer focused is a journey, not a destination. What satisfies in this environment today will not in the next few years as customers continue to evolve." Hoch cautions, "Being customer focused is not an item on a to-do list you can check off. We can't say we've done it and we're ready to move on to something else."

Going Beyond Lip Service is Complicated

Palmblad ties Hoch's point back to the earlier discussion on the Hedgehog Concept. "As Jim Collins describes the Hedgehog Concept, he is quick to assert this is not something you go into without a great deal of thought and planning. It is not like you go offsite for a couple of days and have a flip chart session to come up with your Hedgehog Concept. It's complicated. It impacts every aspect of your business and requires thoughtful planning, time, energy, enablement and empowerment to achieve."

Freese and Nichols knew this when the company adopted the principle and committed to it at every level and in every aspect of the business. While the Baldrige Award is one proof point that they got it right, an even bigger testament is the decades-old customer base that continues to believe in the value of Freese and Nichols' customer focus and the partnership approach it offers. You don't maintain that kind of customer loyalty by offering lip service. ■

THE LINK BETWEEN COACHING AND SUSTAINABLE SALES GROWTH

by John Adams | Miller Heiman Sales Consultant

Emerging from a severe and extended recession into a slow and uneven recovery, we now face stagnant growth and weak economies as well as greater uncertainty in the world marketplace. Most economists agree it will be years before the world's economies fully recover.

This economic strain has forced companies to significantly reduce their overall operating costs and downsize their workforces, including their sales forces, in order to maintain profitability and meet earnings expectations. The demand for top-line revenue growth is even more intense as a result of the sluggish economy.

With this kind of headwind, the question many sales managers are asking is: *How do I drive sustainable sales growth in this environment?* The answer to the question lies in increasing sales force productivity.

Significant research has been done over the last several years on sales force performance. A pattern emerged that essentially follows the well-known Bell Curve. This Bell Curve pattern suggests that top performers typically comprise 20 percent of the sales force, poor performers another 20 percent, and the

“The average performer, who is generally open to coaching and help, is often left to fend for himself.”

large middle group or average performers almost 60 percent. Top performers are defined as consistently achieving their goals and bringing in significantly more sales revenue per representative. While this group clearly outperforms the average and poor performer groups – while modeling valuable best sales practices – the greatest potential for revenue growth lies within the ranks of the average performers. Due to the sheer size of this group and the potential for sales-skill improvements, increasing the average performer group's productivity by 10-20 percent can have a significant impact on total revenues.

While the studies on the distribution of top, average, and poor performers provide a direction as to where sales managers should

focus their efforts, it begs the question: *How do sales managers shift average performers on the productivity curve toward top performers, and just as importantly, how do you make the shift sustainable?* The answer is coaching.

Barking Up the Wrong Tree

The role of the front-line sales manager has changed dramatically over the last several years. The pressure to drive results in both the current economy and an increasingly complex selling environment require sales managers to manage differently than they have in the past. Instead of playing the role of “closer” where the sales manager steps into the sales process and plays a direct role in bringing the opportunity to a successful close, sales managers are increasingly recognizing the need to drive productivity and results through others, and to leverage the best practices of their top performers in the field.

In the *2011 Miller Heiman Sales Best Practices Study*, we asked sales managers where they were spending their time compared to the activities that they valued the most. The findings indicate that regular one-on-one meetings with the sales team and coaching on selling activities were the most highly valued. Selling activities and internal meetings, however, were the top activities that occupied the majority of their time. While managers recognize the value in the one-on-one coaching, the activity takes a lower priority because they are focused on closing business themselves and fire-fighting internal issues. Unfortunately, even when one-on-one coaching time is scheduled, managers tend to spend more time with top performers and poor performers. The top performers are landing the big deals that drive immediate short-term results, and due to pressure from upper management to make their numbers, managers want to be sure the big deals continue coming through. The poor performers are another focus because managers disdain failure on their watch. They'll invest time to motivate and coach the salesperson for better results before putting them on a performance plan based on the achievement of specific sales numbers.

The one important lesson for sales managers to learn is that salespeople can't manage numbers. They can only manage their own behavior. If the poor performer does not see a reason to change or is not open to change, the manager's investment of

time is essentially wasted. Meanwhile the average performer, who is generally open to coaching and help, is often left to fend for himself.

Calendar it

To increase the productivity of the average performer group, coaching by the sales manager must be consistently integrated into her daily activity, and should be focused on the sales process and sales behaviors. Most importantly, it should be seen by the salesperson as a natural part of his professional development. If the sales manager views her salespeople as valuable corporate assets, then individual coaching is an investment that, over time, will increase the value of that asset and deliver sustainable long-term dividends.

It should be recognized that effective coaching will drive both immediate and long-term results. If the manager as Coach focuses on the present by proactively coaching current behaviors related to opportunity management and customer interactions, there will be an incremental increase in the probability of sales success today while also reinforcing positive sales behaviors for the future. To effectively do this, sales managers must follow the Socratic dictum of “Know thyself” and assess their own coaching style by asking themselves the following questions:

- Do I spend more time telling than asking in a coaching session?
- Am I focused more on the deal or am I focused on the person?
- Am I coaching observed behavior in the field or am I reacting to results?
- Am I coaching behavior after the fact or am I coaching proactively?

Too often managers just want to “fix” a situation and take the approach of here’s-how-I-would-have-done-it or here-is-what-you-need-to-do. By leaving the “critical parent” out of the discussion and coaching salespeople on sales process and discovery, managers create a Win-Win that satisfies the need for current results, builds momentum for future results, and moves more of their team to top performer status.

About John R. Adams

John is a licensed sales consultant for Miller Heiman, Inc. He specializes in sales effectiveness and business development strategies where he develops and installs custom sales force organizational transformation solutions tied directly to measurable revenue increases. His practice extends to clients in the United States, the Netherlands, Italy, Germany, France, and the United Kingdom. ■

MAXIMIZING GROWTH THROUGH SALES CHANNELS

by Mike Whittaker | Miller Heiman Sales Consultant

Whatever the reason for operating an indirect channel model, be it extending sales coverage and capability, reducing cost of sale, entering new markets – either geographic or vertical – or adding value to your current portfolio, the decision can be both complex and challenging.

Companies choosing when and how to enter a new market or grow their share in an existing market require a well-thought-out plan to ensure that the right partners are recruited and retained; and that they will get the desired return on their investment.

There are a number of factors that have to be taken into consideration before making this investment. First, you cannot assume that what is working in one market will work in another. Second, you need to know if the partner you invest in is open to a cooperative and collaborative relationship. Additionally, with existing markets and territories it is essential to stay close to the end users to understand their on-going and future needs.

“It is essential to stay close to the end users in existing markets and territories to understand their on-going and future needs.”

Most channel partners have limited capability in marketing. They are often pretty good at selling and responding to leads provided by the vendor, but they fall short when it comes to marketing their businesses, creating a presence in the market, and building a sales funnel.

The vendor who helps their channel partners grow their businesses wins. By identifying specific strengths of the channel partner, vendors can allocate Market Development Funds (MDF) in the most effective way to leverage this to a mutually beneficial effect.

Combating Fraud and MDF Misuse

There are many channel partners who “feed off” vendors and apply the MDF to their bottom line, which offers no value to the vendor. In most cases channel partners are now required to demonstrate how the MDF is to be applied, and often, the vendor will directly fund the activity rather than just provide the channel partner with

a sum of money. This has significantly changed the behavior of channel partners to be more proactive, and it has helped vendors identify those partners who are truly looking for a collaborative partnership. Today, most vendors review how they allocate their MDF to ensure it is used to grow mutual business.

An example of this is where a major IT provider identified that one of its mid-size channel partners had a very effective new business sales team performing way above expectations. The IT company decided to reallocate MDF from other similar, less effective partners to improving the people, processes and technology in the high-performing partner. The latter became one of its largest partners in Europe and “brand loyal” to the vendor, so it was very much Win-Win.

Many vendors now outsource this part of their business to companies who specialize in providing intelligence around the allocation of MDF and offer services to manage this on the vendor’s behalf.

Improve Marketing Efforts for Channel Partners

Marketing is one area where the vendor, as the subject matter expert, can shine when it comes to helping partners grow their businesses.

Effective channel strategies are those that enable your partners to succeed. They include:

- Identifying best practices. What’s working well and what is not. Vendors should be sharing this with their partners and replicating this throughout the channel.
- Consistent messaging. Provide the content either in raw format that they can incorporate into their delivery mechanism, or as finished co-branded pieces.
- Content Delivery Infrastructure. Enable your partners with comprehensive programs, based on your best practices and their local or market knowledge, which take your content to their customers and prospects.

When moving into new markets it is essential to evaluate the market potential. Look at factors such as size and growth,

competitive landscape, your ability to succeed, and potential partners. Also, consider some key questions such as:

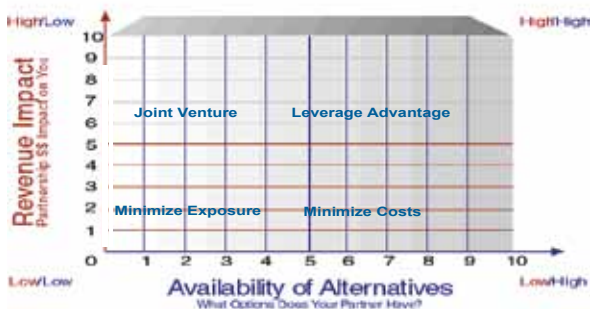
- What's the size of the market today?
- How fast is it growing?
- Who are the competitors?
- Who are the major players from a vendor or channel perspective?
- How can we differentiate?
- What type of partners do we need to succeed?

By carrying out a gap analysis, you can identify areas where you require:

- More coverage
- Product expertise
- Vertical market expertise
- Geographic presence
- Reputation

Selecting the right partner is essential based on the type of channel you want to operate. Using Miller Heiman's *Focus Alignment Model* you can develop your channel to suit your strategy in that market.

It may be that you need a specific type of channel partner or a mix of channel partner types based on your portfolio. For example, if you have a mix of high value and commodity solutions, you may require some "joint venture" partners who can add real value around the high value solutions and some more operational partners to fulfil the demand at the commodity end.



Source: Miller Heiman's *Channel Partner Management*SM program.

Key Points

- Create a mutually agreed upon plan.
- Focus activities on achieving your mutually agreed upon plan.
- Share knowledge and best practices with the partners and help them focus on success.
- Make sure partners focus maximum effort on being successful.
- Agree on clear timelines for investment programs.
- Develop programs to support your partner in selling through their Sales Funnel.
- Measure ROI in terms of contribution to the plan.
- Map consequences of marketing activities through the process.

By adopting this approach you can have an effective investment strategy that delivers results to both you and the partner. With that in mind it's important that you measure return on investment (ROI). This in itself can be challenging and many vendors outsource their whole MDF programs.

It is important that vendors understand the partner's sales process and can offer support and investment programs to support partner activities at each stage of the sales funnel.

About Mike Whittaker

Mike has experience working both within the vendor managing a channel and also as the SVP of a company working as a channel partner for a number of major ICT vendors where he revamped and refocused the solution portfolio to address their changing market.

On becoming CEO of their web services company, Mike set up partnerships with a number of major software vendors to leverage the expertise of his company to help the vendors grow market share in specific vertical sectors. ■