

Sales as a Source of Competitive Advantage

How sales people differentiate their offering

Executive Summary

New competitive realities are forcing organisations to re-examine how their sales force contributes to their competitive advantage. This paper reports on research Wilson Learning has conducted with five separate organisations to define the role of sales people in creating differentiation and competitive advantage. Work with these companies, representing different industries, shaped our understanding of the competencies required for today's highly competitive sales environment. Our research shows a 32% increase in top-line performance due to a sales person's ability to serve as both a business consultant and business strategist.

Sales as a Source of Competitive Advantage?

In this competitive era, understanding the factors that lead to sales force performance is critical to an organisation's success. Not knowing can have serious consequences: rising cost of business, loss of market share, lost customers, and the expense of supporting low performers.

Over recent years, Wilson Learning has had the opportunity to work closely with companies to uncover the sources of competitive advantage residing in their sales people and sales managers; to develop techniques for measuring skill levels; to develop these critical competencies in their sales forces; and to support application of these skills to their customer interactions. We have also collected sales performance data for many of these companies to analyze the impact of these skills on their organisation. This paper reports on five of those organisations, to independently show how these skills are improving each organisation's financial and customer success. These studies examine organisations that operate in highly competitive environments and have complex sales processes that require advanced consulting and business skills on the part of their sales forces. While the industries are all different, they all provide products and/or services that have multiple components and tend to have longer sales cycles.

In this work, we have come to some important conclusions:

- Effective sales professionals play two complementary roles—business consultant to their clients and business strategist to their own organisation.
- Skills in both of these roles are essential to effective sales performance. If either is missing, then overall effectiveness is lower.
- Sales performance is closely tied to the sales person's ability to fulfill both of these roles. Depending on the organisation, between 17% and 67% of the differences between high and low performers is attributable to differences in these skills.

Consultant and Strategist Skills

A New Era in Selling

In understanding the distinction between the consultant and strategist roles, it is often helpful to examine historically the role of sales people in creating competitive advantage. In the distant past, the successful sales person was a “persuader,” a good presenter, and a product/service feature expert. This sales approach suited a market, mostly in the 1950s–1970s, where customers had little information and were eager to buy in an expanding business climate.

In the 1970s and to some degree today, the sales person as “problem solver” became the sign of success. Sales people discovered their clients’ needs, aligned their resources to their clients’ problems, and handled buying objections.

For some of our clients, especially those offering highly flexible and complex product offerings, this problem-solver approach was failing to achieve competitive advantage. As we worked with these organisations, a new view of effective sales performance started to emerge. The hallmark of this new approach was that taking a single perspective—either a persuader or problem-solver—was no longer sufficient. Rather, sales people had to simultaneously wear two hats—the Business Consultant hat and the Business Strategist hat.

The Business Consultant Hat

When a sales person wears the Business Consultant hat, his or her focus is on *providing advantage to the customer*. Today’s sales people need to add value to their customers’ bottom line. They do this by discovering how the selling organisation can play a strategic role in the customer’s business, communicating credibly with senior executives, and understanding the customer as a value chain so they can see the sub-optimal steps in the customer’s processes and offer their products as solutions. Sales people as Consultants establish the value of their solutions in terms of profitability, cost savings, or improved competitiveness.

The Business Strategist Hat

When a sales person wears the Business Strategist hat, his or her focus is on *providing advantage to his or her own organisation*, by selecting high-yield targets and executing winning strategies. Sales people as Strategists understand that the cost of sale is greatly influenced by their win/loss ratio and make sure that, before pursuing an opportunity, they know that the customer is willing to buy from them, will buy, and will buy soon. A Strategist is not only keenly aware of the competition, but understands his or her competitor’s sales strategies, and creates an environment where the competitor’s strengths become their weaknesses. Business Strategists know that, once they choose to pursue an opportunity, they must use all of their ability and resources to win. They also know that it is better to walk away from an opportunity before a large investment in time and resources is made when the chances of winning are slim.

Sales Effectiveness Model

The roles of Consultant and Strategist are not contradictory; they represent two sides of the same coin—Sales Effectiveness. This is represented by the model below.



The studies were all conducted in the same way:

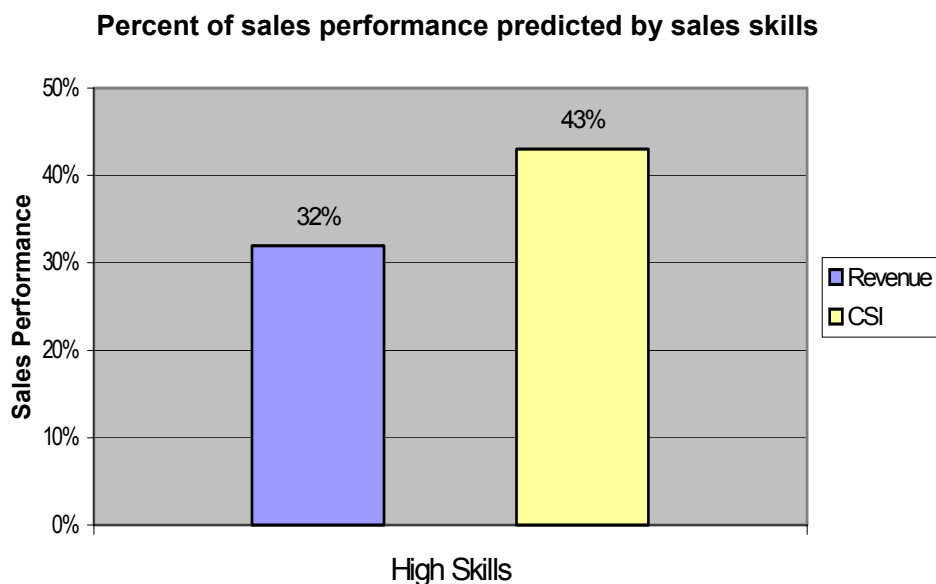
- We created a survey that measured the core sales skills described above. The survey consisted of 34 questions that had previously been assessed as a reliable and valid measure of these skills (more detail on the validation of all the measures is available).
- The surveys were distributed as a 360-degree feedback system. That is, sales people, sales managers, and customers all completed the surveys.
- The organisation provided us with each sales person's quota achievement from the previous 12 months.
- Along with the sales skills survey, we distributed a customer satisfaction survey to the customers to generate a Customer Satisfaction Index (CSI). This CSI had also been previously assessed as a reliable and valuable measure of customer satisfaction.

To prove the link between the sales skills and the two measures of performance, we used a technique known as multiple regression analysis. In brief, the analysis results in a percentage (referred to as R^2) between 1.00 and 0.00. This number indicates what percent of sales performance can be predicted by knowing the sales skills of the sales people. The higher the R^2 , the more impact sales skills have on sales performance.

Findings

Results of this study provide convincing evidence that the Business Consultant and Strategist skills are a strong predictor of both performance measures. That is, sales people with greater sales skills had higher revenue and greater customer satisfaction.

We cannot show you actual performance measures (both because this was confidential information, and because there was wide variety across the five organisations), but we can show the general pattern of results from these five studies. The graph below shows the percent difference in Revenue and CSI for sales people with high levels of Consultant and Strategist Skills, when compared to sales people without Consultant and Strategist skills. The high-skills sales people had 32% higher revenue performance and 43% higher customer satisfaction than did sales people without these skills.



Differences Across Organisations

There were also interesting differences among the organisations in how much the sales skills predicted the sales performance measures. This information is provided in the table overleaf. As the table shows, the proportion of revenue accounted for by the sales skills ranged from a high of 67% to a low of 17%, and for customer satisfaction from a high of 52% to a low of 36%.

Percent of sales performance predicted by sales skills by company

| Study Group | Revenue | Customer Satisfaction |
|--------------------------|------------|-----------------------|
| Optical Devices | 67% | 46% |
| Legal Services | 50% | 37% |
| Building Control Systems | 29% | 52% |
| Architectural Services | 23% | 50% |
| Business Insurance | 17% | 36% |
| Average | 32% | 43% |

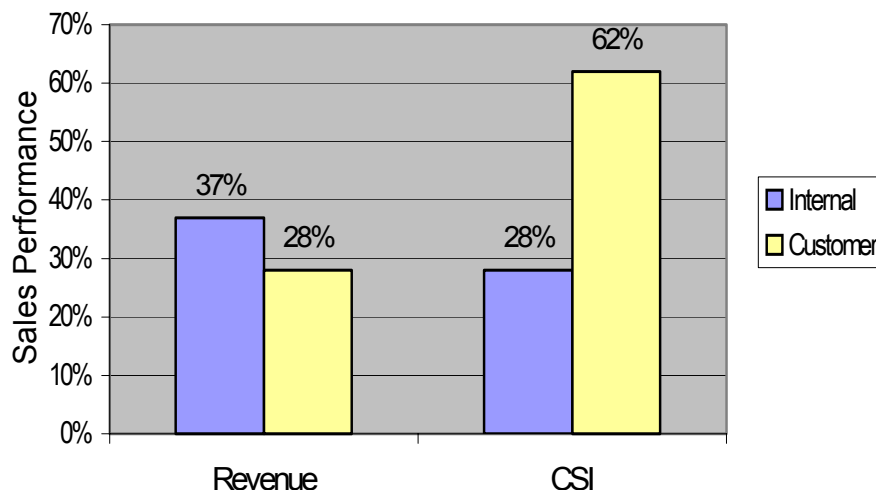
The optical devices company is an interesting example. In this market, prescription lenses have largely become a commodity, with very little that differentiates manufacturers today. Thus, in many cases, the company relies on its sales people to be its major, if not only, source of competitive advantage. Given this, it makes sense that such a high proportion of the difference between its highest and lowest performers is tied to their Consultant and Strategists skills.

Different Perspectives on Sales Skills

Another interesting finding was the performance differences related to who was rating the sales person’s skills.

As described earlier, the sales skill measurement was implemented as a 360-degree feedback system. Therefore, we were able to compare the customers’ views on the skills to the more “internal” view of the skills (that is, ratings by managers and peers). The graph below shows how well the sales skill ratings predicted the performance measures for the customer and internal ratings separately. While both internal and customer ratings predicted the performance ratings, the internal ratings predicted revenue slightly better than the customer ratings, and the customer ratings predicted customer satisfaction better than the internal ratings.

Percent of sales performance predicted by different sales skill raters

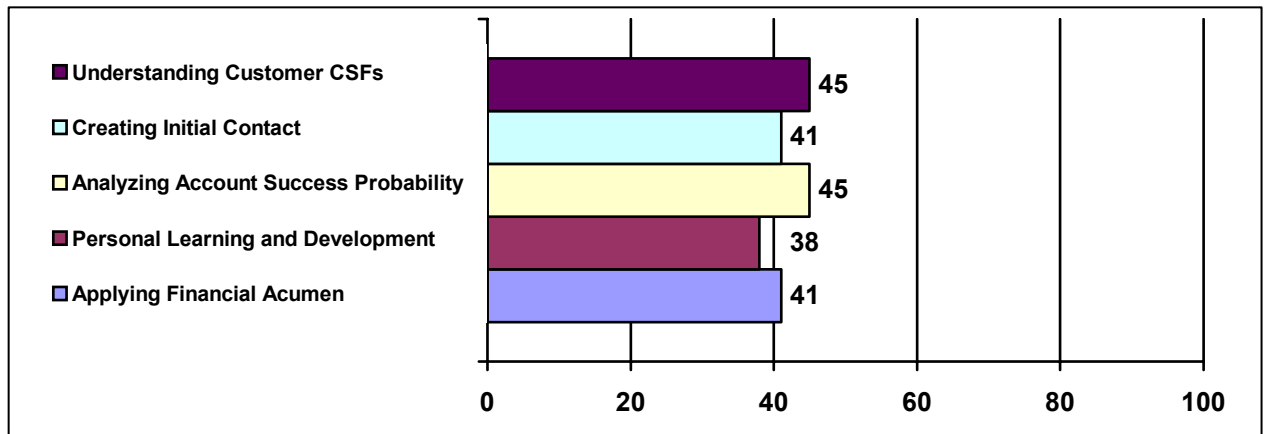


One explanation for this difference is the relative contribution of the Consultant and Strategist skills in each rating. It is reasonable that peers and managers placed greater emphasis on their ratings of the Strategist skills, while customers placed greater emphasis on the Consultant skills. Thus, this finding lends support to the idea that these two sets of skills are complementary and each contributes uniquely to the sales relationship. If a sales person has only Consultant skills, he or she may have highly satisfied customers, but because of a focus on *providing advantage to the customer*, may not sell against competition well. However, if a sales person has only Strategist skills, his or her sales might go up temporarily, but the focus on *providing advantage to his or her own organisation* will dissatisfy customers in the long-term; such customers will turn elsewhere for a sales person more focused on their strategic needs.

What Are the Critical Sales Effectiveness Development Opportunities?

While each sales person had individual strengths and weaknesses, and each organisation had differing broad priority development requirements, there were some consistent patterns that are revealing about the general needs of sales people today. The table below shows the five sales skills that sales people performed least effectively across all of the studies. Interestingly, there were critical skills in all four parts of the Sales Effectiveness model.

Percentage of sales people effective in that skill



1. The first skill, *Understanding Customer Critical Success Factors (CSFs)*, is a Business Consultant skill focused on a sales person's ability to gain knowledge of the customer's critical business processes and the factors critical to their success. This skill, only performed effectively by 45% of the people studied, is necessary for configuring products for customers' specific needs and positioning the solution as a strategic initiative.
2. The second skill, *Creating Initial Contact*, is a Business Strategist skill focused on the sales person's ability to leverage existing relationships and develop sales messages to gain access to senior executives in the client organisation. This skill was performed effectively by only 41% of the sales people.
3. The third skill is also a Business Strategist skill. *Analyzing Account Success Probability*, performed effectively by only 45% of the sales people, is the ability to analyze a sales opportunity to determine the likelihood of a win early in the sales cycle. The earlier a sales person can determine the probability of a win, the more he or she can focus resources on winning opportunities, rather than wasting resources on sales campaigns doomed from the beginning.
4. The fourth skill, *Personal Learning and Development*, is a Personal Effectiveness skill, indicating a sales person's ability to seek out and acquire new knowledge to help in his or her sales efforts. A sales person's willingness and ability to locate client financial and strategic information, or to develop a depth of knowledge in the client's industry, was the skill performed effectively by the least number of sales people—only 38%. This is not surprising. Sales people, as a group, are known for their preference for action and physical activities over more passive, contemplative activities. However, this provides strong evidence that sales people who do engage in self-development activities have greater sales performance.
5. The final skill, *Applying Financial Acumen*, is a Technical Effectiveness skill. This is a measure of the sales person's ability to analyze a customer's financial condition and willingness to purchase the product, based upon examination of key financial reports (P/L statement, balance sheet, cash flow, etc.). Only 41% of the sales people we studied were effective in this skill.

Conclusion

The results of these studies show the close relationships among sales skills, revenue performance, and customer satisfaction. The study suggests that by developing Business Consultant and Strategist skills in their sales people, organisations in highly competitive markets could see on average a 32% increase in revenue, and maybe as high as a 67% increase.

The study also points out the value of measuring and then developing sales skills. If any of these organisations had provided sales skills training without a deep understanding of which skills were most closely tied to success, they would have developed skills that were less critical than the ones they focused on, and valuable time out of the field may have been wasted. By carefully assessing current skill gaps, and the impact of those gaps on sales performance, development efforts are more targeted and more successful.

By focusing on development of the skills fundamental to performing the role of the Business Consultant and Business Strategist, these organisations were able to effectively improve the performance of their sales force. While the amount of improvement you receive depends on the solutions you offer and the competitiveness of your market, these skills can have the same impact on your organisation.

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