



What Lies Beneath

Uncovering the True Reasons
for Stalled Growth

A WHITE PAPER FROM MYDLACH MANAGEMENT

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The Challenge: Sales Have Stalled

Many companies experience slowdowns that they can't explain. After a run of success, growth stalls for no apparent reason. When you look around, you see capable leaders and a capable sales team, yet the problem persists. In some cases, the reasons may be lurking beneath the surface.

To root out the causes, you'll need to be determined, persistent and committed to self-assessment. What's more, you may have to learn to look at your sales organization in new ways. By assessing data and trends through a new lens, you'll achieve a big payoff: creating profitable, sustainable growth that benefits all stakeholders.

As a performance improvement coach who spends a fair amount of time on the sales side of the house, I've helped many organizations overcome the stalled growth challenge. Most of the time, the solution lies in asking the right questions, creating greater visibility about performance, and putting the right sales structure and team into place.

Ask yourself if any of these situations are true for your sales team:

- Regardless of performance, our sales team appears to be solid and capable.
- Our sales efforts produce consistent, predictable results.
- Selling performance is well balanced between all or most producers.
- Management feels as if one top performer is holding them hostage.
- Your clients feel well cared for, and they purchase everything they "should be" purchasing from you which suggests a valued relationship.
- There's a regular employee performance review process in place (weekly, monthly and annually).
- We have a strong focus on people development throughout our sales organization.
- One or more sales positions are constantly vacant and/or always under-performing throughout the year.

- Constant recruiting occurs to ensure we have a pipeline of qualified candidates to call when a position opens up.
- Communications, teamwork, problem solving and root cause analysis are an effective part of a highly refined business management process.

Start with Top Management: Visibility & Courageous Communication

Sales management is responsible for establishing a culture of high performance. Managers' expectations and behaviors set the tone for the entire sales team. Have they established a culture of open, honest and respectful communication? Is everyone's performance visible to the entire team? Are they willing to ask the hard questions, mine the data and, perhaps most importantly, act on the findings? Action with the appropriate sense of urgency creates momentum for the sales organization.

Managers must be willing to engage in "courageous communication" with team members. This means discussing issues frankly, but with respect and compassion, so that team members never feel belittled or bullied. The goal is to create visibility around performance without engendering a culture of fear or intimidation.

Once sales management is committed to creating full visibility about performance and engaging in courageous communications, it's time to start taking a hard look at the sales team and structure.

IDENTIFY CHALLENGES WITH AN INTERNAL ASSESSMENT

It all starts with evaluation. Do you have the right players in the right positions? Is there one sales rep who appears to be the star performer generating a disproportionate amount of the revenue? Are all reps given the opportunity to develop and realize their full potential? Do you have the proper structure in place to ensure consistent performance and growth?

A simple discovery process can quickly reveal the truth about sales teams' performance and the challenges that may be hiding beneath the surface.

Case in point: Several years ago, I had a coaching engagement at an organization that was stalled. It had missed its sales goals four years in a row.

On the surface, it seemed like this organization was doing everything right. There was a healthy corporate culture with a solid leadership team, including the sales manager. So what was contributing to the lack of growth the previous four years?

Using a simple assessment tool, I helped management evaluate the sales team's performance through a different lens, a lens that revealed some subtleties that were previously unseen.

This discovery process involved evaluating less than 10 data points which very quickly revealed several challenges. A significant challenge that was uncovered revolved around their top producing sales rep.

From all outward appearances, this guy had it all. He was a rock star rep who definitely knew how to get things done. The top performer in company history, he sold six different products, had a long-standing work history of success and a high average order size.

In fact, his only number that wasn't at peak performance was new client acquisition. And it was this clue that led me to dig deeper and look at the same data through a different lens than the company had used previously.

That's when it became clear that our rock star was only doing half his job.

Looking deeper, he:

- Had no new clients
- 38 of his 276 clients generated 80% of his annual revenue
- Had not made contact with nearly 180 clients in over nine months

You may be tempted to think, "So what? He's delivering killer results!" His manager thought the same for years, but the reality of lost potential couldn't be ignored. In fact, this top performer's lack of contact with nearly 200 clients left the door wide open to the competition.

The truth was that this "star" had found a way to manipulate the CRM system so that every time a rep left the organization, he would cherry-pick a handful of the highest producing customers, and reassign them to himself. At face value, his productivity was impressive, but the reality of his situation revealed no prospecting, untapped and lost growth potential, and an open door for the competition.

Our goal was to develop a sales culture based on equity, performance visibility and courageous communication that would ultimately attract top talent, create a culture of high performance, and diminish, if not eliminate, dishonest or underhanded performers.

A Sales Structure That Minimizes Risk & Jumpstarts Growth

Many organizations that have stalled have the added challenge of being “held hostage” by their top- performing sales rep (or reps). Every once in a while there is a star player who becomes a little high maintenance, and a little hard to handle; they may even have developed some bad habits, or potentially their egos or greed have gotten the best of them.

In many of these situations, these reps know that they’re in the driver’s seat, because if the underperforming company lets them go, it means putting the organization at risk of losing a significant portion of its revenue. In short, the company is being held hostage.

Developing the proper sales team structure will:

- Diversify the lead gen efforts and results
- Diversify the revenue gen efforts and results
- Improve sales rep alignment and focus on the activities and opportunities that best fit their skill set
- Create a farm team by providing opportunities for continued growth for developing sales reps
- Provide continuity in coverage when a territory is temporarily vacant

A well-developed sales structure differs from the traditional model of only having an outside selling team. A highly functioning sales team will include traditional outside sales reps, account managers, and inside sales reps (lead generators), and depending on your business, a product specialist and renewals specialist.

ACCOUNT TIERING ENSURES BETTER ALIGNMENT

Sales leadership begins by assessing its entire client roster and classifying each client as an A, B or C account. It's important to note that these classifications aren't an assessment of the client's importance; all accounts are massively important. The A/B/C tiering is an indication of the client's current support needs, and future revenue potential.

"A" clients are those with the highest revenue potential, while "C" clients are still massively important, but have a lower revenue potential going forward. Once this assessment is complete, each client can be aligned with and assigned to the appropriate rep (skill level) within the organization.

THE RISK OF THE OLD SCHOOL SALES MODEL

The traditional sales model relies fully on outside sales reps to do all of the selling, all of the account management, and all of the prospecting.

For example, if an organization has six outside sales reps, the expectation might be that these folks spend one third of their time in each of the three activities. The truth is, this ratio very rarely plays out in the real world. At least one of these activities will get ignored, and often times more.

Sales reps might accumulate hundreds of accounts under their name in the company CRM and can then spend almost 100% of their time servicing these existing accounts and bringing in new business by hunting on the farm where they know sales potential exists. The rest of their clients don't get the attention and support they need, and prospecting is usually the first thing to get dropped.

The result, the company is at risk of losing these untouched and unsupported clients to the competition. And because no consistent prospecting effort exists, the company won't be adding many new clients to the roster. When a competitor does swoop in and provide these clients with the service they need, clients leave creating greater risk for the stalled organization.

The New Model: Outside Sales Reps



An experienced outside sales rep is someone with strong company and industry knowledge, outstanding customer service skills, strong prospecting and closing skills. Under the new sales model, this rep is still responsible for servicing existing clients and prospecting for new logos to bring into the company.

Shrink to grow: Under a new, more balanced sales structure, outside sales reps are asked, on an annual basis, to choose 75-100 accounts to keep on their roster for the coming year. This request tends to make reps nervous at first, but invariably, data will show that 80% of a rep's annual revenue generally comes from a significantly smaller number of clients. You'll find that Pareto's Principle (also known as the 80-20 rule) is at play in most organizations. For example, if an average order size is \$10k-15k, an average sales rep will produce 80% of his annual revenue from just 35-55 customers.

Contact frequency: With a scaled-down client roster, outside reps can spend more time managing and establishing solid relationships with existing clients while developing new relationships as well. Sales management must establish an appropriate frequency for reps to contact existing customers (i.e. once every four months). Your organization's CRM system should be able to provide each rep with a report of which clients haven't been contacted within that time period. Sales managers should review this report with each of their reps every 30 days. If a rep can't contact all of his clients within the established time period, it means he either has too many accounts, is disorganized, is under-motivated, or is blocked by some other obstacle. Bringing any of these issues to light and solving them will help jumpstart growth.

The New Model: Account Managers



Account managers typically service existing client relationships. They have great relationship skills, strong customer service skills, and have junior level sales skills. They service and sell to all of the “C” clients that were identified in the account tiering process.

Part support and part sales, the account manager makes contact with every single client at least once every four months. He seeks to fully understand the client’s needs and challenges, and when he sees an opportunity to add value, he provides a solution from the company.

Along the way, account managers are developing their sales skills, soaking up industry knowledge, creating deep relationships with clients, and generally evolving into experienced sales reps who can be promoted into outside sales reps when positions open up.

Some experienced account managers may not be interested in becoming an outside rep; those individuals will use their talents and abilities to solidify client relationships, adding value and generating revenue. An account manager typically works from inside the office.

Typical benefits of adding the account manager’s position to your sales organization are:

- Increased efficiency and productivity because they do not leave the office
- One person can service and sell to 300 to 400 “B- and C” level clients
- The annual revenue production is typically 60% to 90% of an average outside sales reps annual production
- An experienced account manager can provide temporary coverage when an outside sales rep leaves suddenly
- The company has reduced risk by diversifying its revenue stream

- Account managers provide value and generate revenue from previously ignored and underserved clients
- Company selling costs are reduced through better alignment of roles, responsibilities and client assignment

The New Model: Inside Sales Reps (Lead Generators)



An inside sales rep is typically an entry level position. These reps are 100% responsible for lead generation, which is mostly accomplished through cold calling and uncovering needs. Sales professionals typically stay in this position for a year or two while they acquire company and industry experience, then move up to the next position in their career path.

By evolving from a traditional sales structure to the new multi-position sales structure, management can stabilize the organization and accelerate profitable growth. Creating and filling these new positions with the right talent reduces risk and creates the foundation to scale (grow).

The New Model: Recruiters



The new sales structure only works if the right talent is available to fill these positions at the right time. With this sales structure, your success is not bound to only one or two top-performing super stars. You can hire and grow less experienced reps, and train them properly along the way. You're creating a growth path internally and building your "farm team" long before you have an urgent need to fill a position.

The responsibility for recruiting the farm team rests with the final position in the new sales structure: the recruiter.

Turnover occurs on sales teams for a variety of reasons: reps are recruited to other opportunities that will contribute to their professional growth, they leave because they think the grass will be greener somewhere else, or they're underperforming and need to be released. At any time, a sales territory is guaranteed to be without one or two FTEs as reps exit, and new employees onboard.

Wouldn't it be more conducive to company growth if there were already a perfect candidate in place for the open position? The addition of a recruiter will ensure you have someone who is charged with identifying and qualifying potential candidates for sales and other positions throughout the organization. With a talented recruiter on your team, you will develop a candidate pool to choose from when sales positions open up. And even if the candidate pool is thin, a dedicated recruiter will reduce your average time to fill each position, keeping production and growth on track.

Recruiters' success should be benchmarked by the average time it takes to fill an open position. A capable recruiter should take an average of 90 days or less to fill an open position in most situations.

The company referenced in this white paper hired a part-time recruiter and achieved the following results:

- Reduced the time a territory was vacant (average time to fill was reduced by 90 to 120 days)
- Increased the number of qualified candidates for every position within the company
- Eliminated the sales manager's feeling she was being held hostage by top-performing, bad-behaving, or underperforming, unmotivated reps

It's important to note that there are many professional recruiters, looking for a part-time commitment, available for a very fair price with no success fee attached. When you consider the value of the lost revenue not being generated due to a territory vacancy, the nominal investment to acquire a recruiting capability is a no brainer.

Bringing Solutions to the Surface

When growth stalls, the reasons are usually waiting to be discovered just beneath the surface. It all starts with an examination of your organization's sales performance by rep, sales structure, culture, roles and responsibilities. Often times, this requires looking at performance measures differently, and might require a fresh set of eyes from an experienced coach.

ABOUT THE AUTHOR



Phil Mydlach is a results-oriented executive and management coach, speaker, workshop facilitator and consultant who helps clients fast-track their company's growth by blending the science of management performance with the art of building healthy cultures and effective communications. In short, Phil gets teams to work together to achieve significant results.

Phil draws on the tools and techniques developed over three decades of business ownership to help accelerate growth for his clients.

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