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## Dismantling the Sales Machine

**Selling today requires flexibility, judgment, and a focus on results—not process.** *by Brent Adamson, Matthew Dixon, and Nicholas Toman*





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**S**ales leaders have long fixated on process discipline. They have created opportunity scorecards, qualification criteria, and activity metrics—all part of a formal sales process designed to help their team members replicate the approaches of star performers. This is the world of the sales machine, built to outsell less focused, less disciplined competitors through brute efficiency and world-class tools and training.

For years, tuning this machine has been the primary means of boosting sales productivity. But recently sales has been caught off guard by a dramatic shift in customers' buying behavior. Even as leadership has tightened compliance with the processes that have served so well, sales performance has grown increasingly erratic. Companies are reporting longer sales cycle times, lower conversion rates, less reliable forecasts, and compressed margins. The sales machine is stalling.

The good news is that the way forward is clear. In our research at CEB, we have found that the very approaches that made the sales machine so effective now make selling harder. We have also identified the keys to winning in this new environment: Leaders must abandon their fixation on process compliance and embrace a flexible approach to selling driven by sales reps' reliance on insight and judgment.

## The Rise of Insight Selling

Until recently, customers seeking business solutions had to ask suppliers for guidance early in the purchasing process, because crucial information wasn't available anywhere else. But today customers are better informed than ever before. By the time they approach suppliers, they generally have a clear idea of the problem they need to solve, the solutions that are available, and the price they're willing to pay. In this world, process-driven sales machine approaches fall short, because they give sales reps no



room to exercise judgment and creativity in dealing with highly knowledgeable customers. They leave reps with little to do but compete on price. As we explored in our HBR article “The End of Solution Sales” (July–August 2012), the new environment favors creative and adaptable sellers who challenge customers with disruptive insights into their business—and offer unexpected solutions (see the sidebar “Selling to Empowered Customers”).

Such “insight selling” is flexible, in recognition of the many possible routes to a sale. Delivering the right insight in the right way requires determining what the customer has already concluded about its needs and available solutions, who the decision makers are (often not the usual suspects), and what it will take to change their minds. The most effective approach to a sale varies, sometimes radically, from deal to deal. As a result, in recent years sales has seen a dramatic uncoupling of specific sales activities and specific outcomes; the sequential tactics that once led to predictable progress in a sale no longer do.

How can sales leaders best support insight selling? To find out, CEB spent the past year surveying 2,500 sales professionals from more than 30 B2B companies representing every major industry, geography, and go-to-market model in our client membership. We zeroed in on the managerial and organizational attributes most closely associated with star reps’ success. And we corroborated quantitative findings through more than 100 structured

interviews with heads of sales, sales operations, and sales excellence, and with frontline sales managers.

The study showed that most large B2B organizations are still designed to achieve peak efficiency by ensuring that reps abide by an established “optimal” behavior. These organizations, all vivid examples of the sales machine, are marked by a strong process orientation, clear lines of authority, and close governance through formal rules. They particularly emphasize individual performance, nurturing a competitive atmosphere characterized by frequent contests, campaigns, and the regular updating of leaderboards. And they monitor sales reps through close attention to near-term metrics—especially cycle times and close rates.

When we look at the organizational climate most consistently associated with insight-selling behaviors, however, we find a mirror image of the sales machine, with two principal features: an organizational emphasis on the judgment of individual reps rather than their compliance with protocols; and a managerial focus on providing guidance and support rather than inspection and direction. Transforming a sales organization along those two dimensions is crucial for giving reps the support and latitude they need to win in the new environment.

### Changing the Organizational Climate

In a judgment-oriented sales organization, the climate is similar to what you’d find in other groups of highly skilled knowledge workers: Managers serve as coaches rather than as enforcers; the workforce self-manages to a large extent; the focus is on collaboration rather than competition; and the group is judged on long-term outcomes rather than short-term compliance with protocols.

To create this kind of environment, sales leaders must rethink how they manage and what they measure. Instead of demanding that a rep progress methodically through a checklist of sales activities, managers must focus on the customer’s behaviors, especially any signals that the customer would be responsive to a new insight about its business. Such signals include acknowledging that the status quo isn’t working, conceding that other suppliers’ solutions are less viable, providing information typically not made available to other suppliers, and revising purchasing requirements and specifications in a way that reflects the supplier’s advantages. This shift in focus gives reps greater latitude to use their judgment about the most-effective ways to drive a sale.

## The New World of Sales

### OLD WORLD: PROCESS-FOCUSED

- The customer expresses a defined need
- Identify a stakeholder with the authority to spend
- Demonstrate the value your solution provides relative to competitors’ offerings

### Qualification criteria

### Stakeholder selection

### Nature of the conversation

### NEW WORLD: JUDGMENT-ORIENTED

- The customer is in a state of uncertainty
- Identify a stakeholder who is open to change and can influence decision makers
- Disrupt the customer’s thinking and assumptions about its business

**Idea in Brief****THE PROBLEM**

The disciplined, process-oriented sales approach that has dominated for years is faltering. Sales cycle times are increasing, conversion rates are falling, margins are shrinking, and forecasts are becoming less reliable.

**THE ARGUMENT**

Because customers are increasingly savvy about their needs and available solutions, sales reps must challenge them by offering disruptive insights and unexpected solutions. They can't accomplish that by adhering to strict processes.

**THE LESSONS**

Superior reps use their judgment and creativity to promote the customer behaviors that signal progress toward a sale. To support them, managers encourage collaborative strategy development and problem solving; communicate broadly and informally throughout the ranks; and focus on long-term rather than short-term performance.

Our research points to a series of changes required to support a new organizational climate. First, our data reveal a strong emphasis in judgment-oriented sales organizations on creating demand early in the sales funnel rather than responding to it much later. This promotes pipeline building, not pipeline velocity. If compensation, dashboards, and sales campaigns all prioritize efficiency and speed, sales leaders unwittingly conspire with empowered customers to force their reps into the price-driven sale they were hoping to avoid. It's faster to close a deal with a customer that knows what it wants and is shopping for the lowest price than it is to challenge the customer's thinking and demonstrate that your solution offers the best value.

Second, the data highlight that managers in these organizations are giving reps greater latitude in the qualification, prioritization, and pursuit of individual opportunities. Our data do not suggest that process and structure are always bad. Nonetheless, reps are most likely to succeed in their interactions with empowered customers when they feel supported rather than directed, and when they are held accountable for outcomes rather than for performing certain activities. As one sales leader put it, "Today there's no 'single path to right,' only many paths to right that might equally be paths to wrong. So it's not the journey but the destination we have to focus on most."

Third, we observe a strong emphasis on encouraging innovation and a sense of business ownership among sales reps, with reps measured less on consistent execution of a one-size-fits-all approach and more on the overall profitable growth of their book of business.

These findings make many sales leaders nervous. The best reps will thrive in a judgment-oriented climate, but what about everyone else? Many average-performing reps benefit from—indeed, rely on—clear direction. It's important to note that providing

## Reps are most likely to succeed when they feel supported rather than directed.

the support those reps need doesn't mean returning to the sales machine approach. The key is to give them considerable discretion regarding their activities while guiding them through—and holding them accountable for—specific milestones on the way to a sale.

Let's look at two very different ways sales organizations today are creating a judgment-oriented climate. The first—a "customer-verified sales funnel"—is a well-known but infrequently applied approach rooted in the sales machine era. Traditionally in this model, salespeople and their managers have used a combination of rep activities and customer "verifiers," or behaviors, to track the progress of a deal. A simple example of a verifier is a customer's running a pilot application that a rep has suggested. Companies have tracked and measured such verifiers, but they have generally focused as much or more on the sales reps' actions leading up to the verifiers. Those actions are tracked in CRM systems, and the information is aggregated into a sales forecast or a pipeline review.

Leading sales organizations have embraced two important changes to this practice. First, they track and report only the customer verifiers, not the reps' actions. This change explicitly encourages reps to focus on achieving certain outcomes in the best way instead of simply executing activities in the prescribed way. As a result, reps are free to think more creatively about how to elicit certain reactions from individual customers. In a highly varied sales environment, specific activities may or may not be the

## Selling to Empowered Customers



Sales strategy used to center on answering a simple question: In a world where customers learn primarily from suppliers, how do you become the one that customers learn from first? Being that favored resource allowed suppliers to shape and ultimately win deals. The approach went like this: Identify customers early in their learning process; put a solution in front of them before anyone else does; highlight how it meets their needs; and push the deal through faster than competitors can.

Like their colleagues in manufacturing, sales leaders invested heavily in performance management systems designed to track how well reps complied with this process, and they continually tuned the performance of their sales machine. This approach worked well as long as suppliers offered discrete products and controlled the information about them.

But today, as suppliers have moved from selling individual, easily commoditized products

to offering complex “solutions,” customers—wary of the scale, disruption, and cost—have responded by scrutinizing deals more closely. They require consensus from more stakeholders than ever before; the days of the one-stop decision maker are over. IT sales executives complain that they must “sell beyond the CIO,” and medical device suppliers grumble about the need to sell to purchasing organizations. Worse, even after they’ve tracked down these stakehold-

ers and won them over, sales reps still need to stitch the buy-in of these individuals into an organizational decision.

Empowered customers now approach suppliers armed with a clear idea of their own needs, the potential solutions, and what they’re willing to pay. When suppliers encounter such customers, there’s often little left to negotiate but price.

As a result, a supplier’s biggest competitive challenge today isn’t so much the competition’s ability to sell as it is

the customer’s ability to learn. Whereas competing against a rival’s ability to sell requires superior sales discipline—more calls per hour, visits per week, and so on—competing against a customer’s ability to learn requires superior teaching skills, a talent for revealing novel and important information about the business that the customer has overlooked. The best sales reps excel at this kind of teaching and can link the insights that arise to the solutions their firm provides.

best way. Second, the most advanced sales organizations are verifying not only the behaviors late in the process that indicate whether a customer is closer to making a purchase but also the behaviors very early in the process that signal whether the customer is ready and willing to change. This selling approach is about creating demand, not simply responding to it, so verifying whether the customer is ready to change is a prerequisite to pursuing a sale. Tracking this shift in customer attitude requires deeper scrutiny. For example, in addition to noting whether the customer has scheduled a demo, sellers look at whether a buying group has conceded that its existing approach is significantly underperforming.

Consider how the customer-verified sales funnel works at ADP, a global leader in human capital management. ADP identified a series of verifiers that reflect how its customers make a complex purchasing decision. Understanding these verifiers enabled sales managers to design better tools and provide better guidance to the sales force. Pipeline reviews, for example, have taken on a decidedly different

tone. Instead of engaging in “spreadsheet coaching” (“Have you scheduled time with the decision makers?” “Did you determine whether they have a budget allocated for this purchase?” “Did you send our proposal?”), ADP managers collaborate with reps to think through how best to elicit specific customer verifiers. For example, if the verifier sought is “The customer agrees that the status quo is unsustainable,” the manager might ask the rep, “How do we demonstrate to the customer that its current approach will expose it to substantial risk?” If the verifier is “The customer confirms that it has the budget to purchase our solution,” the manager might ask, “How do we help the customer think creatively about funding if the money is not in this year’s budget?” ADP sales reps, managers, and executives get in-depth exposure to this way of thinking during a three-day insight selling academy.

A leading global manufacturing firm we’ll call Alpha Company takes a very different approach—one rarely seen in a large-scale field sales force—to creating a new sales climate. Alpha has assembled

three-person “market teams”—each comprising an account executive, a solutions design specialist, and a project implementation manager—tasked with growing anywhere from 50 to 150 customers in a particular territory. Each team serves as a kind of franchise of the company, reporting directly to the region’s general manager. Consequently, each team has full deal authority and P&L ownership to develop accounts however it sees fit, as long as the approach does not violate company policy. A team can follow a sales process or not. It can sell certain products and solutions or not. It’s up to team members, collectively, to figure it all out. The only requirement is to turn in a profitable growth number for the territory. As at ADP, reps are accountable for the ends they achieve, not the means they use.

Alpha provides each team with a sales manager who functions not as a director but as a peer-level guide, helping to identify and implement innovative approaches to stalled deals (a rewrite of the manager’s job we’ve never seen before). Although managers have the same objectives as the market teams they coach, the business holds the team accountable for delivering on them. Additionally, each team meets with a financial controller every two weeks to assess its strategy and review its likelihood of achieving growth.

After running the teams for a year now, the company has more than doubled its average deal size in these regions while reducing deal-level development costs by nearly 40%, and it is forecasting significantly higher revenue for the coming year. Moreover, sales reps from across the industry are now seeking employment with Alpha, attracted by its sales climate.

### Changing What Managers Do

Our rep surveys revealed that despite the pressure to create a judgment-oriented sales climate, sales managers in most companies still seek compliance rather than judgment and creativity (see the exhibit “Compliance Climates Still Dominate”). Nonetheless, a subset of managers—from companies such as Cargill, Oakwood Worldwide, Afton Chemical, Esri Australia, and Centurion Medical Products, to name a few—stand out for their ability to modify their local climates in order to encourage and support a new approach to selling. In interviews with them, we found that three behaviors separate them from the rest.

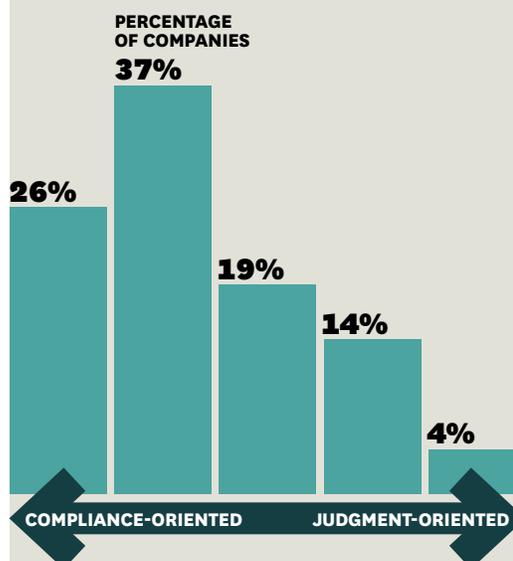
**Facilitation.** Rather than telling their teams what to do—or, as is common in sales, simply tak-

ing over deals—our exemplary sales managers serve as connectors within and beyond their teams, encouraging collaborative strategy development and problem solving. They live at the whiteboard, pulling team members into deal reviews and planning sessions. They encourage innovative thinking and push team members to challenge one another. As a result, reps on these teams know much more about activities in all territories than reps on other sales teams, and they commonly share ideas about how to handle an especially tricky deal or whether an opportunity is worth pursuing at all. One top manager, for example, made a point of having two new and two experienced sellers help tackle each challenge presented by a team member.

We’ve found from CEB’s extensive research on employee productivity both within and beyond the sales function that one of the most important drivers is network performance: how effectively employees use their network of relationships to improve both

## Compliance Climates Still Dominate

Sales reps need some latitude in how they engage highly knowledgeable and wary customers. But in many organizations—even those trying to adopt a new approach to selling—reps report that the sales climate is oriented toward monitoring their compliance with prescribed processes rather than encouraging them to exercise judgment.



## Climate versus Culture



Some sales leaders we surveyed expressed reservations about their ability to change the culture of their organizations in ways that would encourage reps to exercise judgment and creativity without changing the companywide culture—a tall order.

But they were missing the important distinction, as our colleague William Macey has described it, between “culture” and “climate.” Culture is made up of the deeply held beliefs and assumptions (sometimes unspoken) of a company’s leaders and employees and is reinforced by outside

stakeholders, including customers. It is hard for an individual leader to influence culture, because it arises from and is reinforced by tradition and history. Climate, as industrial and organizational psychologists describe it, is more pliable. It is a product not of implicit beliefs but of explicit organizational practices and activities. It reflects employees’ experience of their day-to-day work environment. Leaders can create a new climate within sales through the signals they send, the priorities they set, and the operating environment of their teams.

their own and their peers’ productivity. The exemplary sales managers we studied are experts at maximizing network performance within their teams; they encourage team members to build, leverage, and contribute to their networks.

**Informal communication.** These managers regularly communicate up, down, and laterally. They provide a constant flow of information. As a result, they are intimately acquainted with their reps’ territories, beyond what they read on a spreadsheet or hear in a pipeline review. Communication activities often happen outside structured settings, such as scheduled meetings. Likewise, managerial coaching isn’t restricted to deal reviews and pipeline meetings, nor is it based on a rep’s performance metrics in the latest dashboard. In fact, it’s often transparent, occurring through a continual dialogue. These managers are constantly in teaching mode, listening to their teams, asking questions, and offering guidance. As one manager told us, “I don’t have to force my team to compile call notes and deal reports, because

we’re always talking, even when my team is in the field. But I couldn’t manage this way if they were all out there chasing bad business. To be this informal, every conversation has to be meaningful and move business forward.”

**Long-term focus.** Rather than reward reps for short-term deal volume and velocity, these managers encourage them to cultivate business pipelines designed to generate substantial growth over the long term. It takes tremendous discipline to ignore the siren song of the close of each quarter, which leads reps to discount deals and sell simple products rather than complex solutions. Maintaining a focus on the long term requires managers to monitor customer verifiers, base sales forecasts on them, and direct reps’ creativity and critical thinking to the most promising opportunities instead of overseeing processes and activities across a broad swath of potential deals.

### A New Type of Talent

A judgment-oriented sales climate will divide the sales force, awakening the latent potential in many salespeople and leaving those who find reassurance in the directive world of the sales machine to struggle. As sales leaders recruit reps, they’ll need to rethink their approach to ensure that the new hires will thrive in this climate.

Using data CEB collected on more than 4 million business professionals around the world, we found that only 17% of existing sales employees score high on the competencies required for success in insight selling. What’s more, the sales labor market is skewed strongly toward emotional intelligence rather than IQ—reflecting a strong hiring bias in sales. But because sales today requires more judgment than ever before, the cognitive burden on the salesperson is significantly higher—emotional intelligence is not enough. In addition to using selection and assessment tools to identify the small percentage of salespeople who have a natural ability to succeed in this new climate, managers should consider hiring professionals not currently in sales roles who have excellent critical thinking skills and are willing to sell.

**Sales requires more judgment than ever before—emotional intelligence is not enough.**

## How Reps Use Judgment

Here are some of the ways reps use judgment at each step in the sales process.

STEPS IN THE PROCESS				
CULTIVATE THE OPPORTUNITY	ASSESS THE CUSTOMER'S RECEPTIVITY TO INSIGHT	CHALLENGE THE CUSTOMER'S THINKING	BUILD CONSENSUS	CLOSE THE DEAL
Determine if the opportunity is worth the investment of time	Make informed assumptions about the customer and its needs	Judge when best to engage key decision makers and other stakeholders	Tailor responses to stakeholders' highly varied objections and reactions	Assess the buying group's understanding of what differentiates the solution from the alternatives
Hypothesize about new ways to engage the customer	Identify atypical sources of information about the customer and its assumptions	Adapt the approach in order to generate buy-in	Creatively determine ways to revive stalled deals	Know when to stand firm or acquiesce in negotiation
Infer the scope of the opportunity on the basis of limited information about the customer	Exercise patience in order to allow an opportunity to develop	Assess the worthiness of the pursuit on the basis of the customer's reaction	Encourage and arm key stakeholders to influence detractors	Identify negotiation points beyond terms and conditions

To attract and retain such nontraditional hires, leaders must overhaul their employment value proposition in two ways: First, they must emphasize the importance of collaboration and judgment. This talent demands an environment that supports individual decision making. To that end, as a practical measure, sales leaders would be well-advised to strike the following from virtually every sales job posting: "Wanted: experienced sales professionals looking to maximize earning potential in a fast-paced, competitive sales organization." Instead, they should position openings this way: "Wanted: critical thinkers looking for an opportunity to exercise their judgment and assume significant responsibility for business growth."

Second, they must shift the emphasis from extrinsic, short-term rewards such as heightened variable compensation to intrinsic, long-term motivators such as autonomy and the opportunity to generate value for customers. There's an old saying that "salespeople are coin-operated." But our data (and the work of others, including Daniel H. Pink in "A Radical Prescription for Sales," HBR July–August 2012) demonstrate that although short-term incentives are useful for driving simple, transactional sales, the effectiveness of these traditional

pay structures diminishes as sales become more complex.

Our research shows that building a climate with the right incentives and rewards can boost the effort that salespeople make above and beyond their basic job requirements by 10% and increase their intent to stay by more than 30%.

**THE DEATH** of the sales machine is part of a much larger story—one that cuts across functions and industries and speaks to the changing nature of work. As the basis of economic growth shifts from transactional to knowledge work, management follows suit, turning its focus from building zero-error-rate manufacturing processes to recruiting and engaging high performers to drive innovation.

In sales, this shift is playing out before our eyes. The organizations that continue to embrace the sales machine model are watching margins fall as their solutions are commoditized and their best sales professionals seek different environments. As knowledge-work leaders know, the key to success, in the simplest terms, is to hire the best employees, create an empowering environment, provide the necessary tools and guidance, and then get out of the way. ♥

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