

## Effectiveness Vs. Efficiency: What Happens When Your Sales Productivity Is Maxed Out?

By Barry Trailer, CSO Insights

The first time I read Stephen Covey's *The 7 Habits of Highly Effective People*, I was blown away—it all made so much sense. In that book, Covey talks about efficiency versus effectiveness and gives this example: Efficiency is climbing the ladder as fast as you can. Effectiveness is making sure it's leaning against the right wall. Hah!

That sounded good to me at the time, but what does it mean in a sales sense? Anything that takes me one rung closer to ringing the bell, to making my number is, let's face it, the right wall to climb. Or is it?

If I'm a sales rep, do I really care? Won't I do whatever it takes to make my number? And if I'm making my number, whether because of efficiency or effectiveness or some combination of the two, then let's have a beer and get ready to do it all over again.

I recently had dinner with the president of a software company who described it this way: "It could be the rider, the horse or the path that causes you to be unsuccessful." You want to make certain you have good people, that they're capable, competent, focused and have the right attitude. You want to be sure your company is in a viable space, that the path (market segment) you're pursuing has sufficient size and opportunity, need and urgency. And you want to ensure you have the right horse, that is, a product that will carry you forward, is reliable and still has future growth.

At CSO Insights, we've been gathering and analyzing loads of data for years now. A pattern that has emerged the past few years is disturbing to us. Quotas continue to climb: In the past year, quotas on average were up 20 percent over the previous year. Quota attainment increased from 49 percent in 2004 (reflecting the long tail of the tech bubble bursting) to 58 percent in 2005 and 59 percent in 2006. This is all clearly heading in the right direction.

The problem we see is that other sales performance metrics have held steady or actually declined during this same period. Such metrics as percentage of leads resulting in a first meeting, presentations resulting in a sale and proposals resulting in a sale have not increased.

Think about this for a minute. Your results have increased, but the various measures of productivity have not. How are you able to produce more? Answer: Work more and harder. And this is exactly what we've seen: sales reps putting in longer hours; chasing more "opportunities"; and participating in many more sales cycles to attain their results. Is this a bad thing?

### Sustainability

In our view, it's not a matter of good or bad but a question of sustainability and scalability. Can this continue indefinitely? I would submit the answer is "no." There is a finite number of hours in each week, a limit beyond which individuals burn out and a cost of high turnover. All of these converge to create an upper limit. That's where the efficiency versus effectiveness argument comes in.

Efficiency says you can generate 50 leads per rep per week and have all 50 automatically entered in the rep's contact database and schedule follow-up calls. Of these, 20 will connect, five will agree to a first meeting, two will ask for a proposal and none will close. If we double-down on our effort, we can theoretically double our input to 100 leads per rep per week with the same result: nada.

As one CSO told us: "I don't need my reps making more average sales calls, I need them making more great sales calls."

Effective asks if it's possible to generate 30 leads per rep per week; have all 30 automatically entered and scheduled; and connect with 20, having 10 wanting first meetings and three eventually closing. These may sound like unreasonable targets and, to be candid, I just made them up. But the thinking behind these numbers is, in fact, supported by performance of companies that excel in certain areas—starting with targeting. In a separate article, [Does Customer-Centric Selling Really Pay Off?](#) I compare the quota achievement of "world class" targeters (86 percent) to the general survey population (58 percent). Yet, most companies do not have a "perfect prospect profile (P3) that they continually monitor, refine, update and pursue.

Nor do these companies maintain an ongoing collection of responses, strategies and tools to deal

with prospects that are less than "perfect." Let's say your company is not the low-price leader and your P3 gives 10 points for a prospect that "is willing to pay for quality." The prospect before you scores 3, because executives there are exceedingly price sensitive.

A medical products firm armed their reps with three value statements for each of their higher-priced items. When a doctor would say, "I want your instrument, but your price is too high," the rep would respond with the first price justification: "Well it is higher than the one you own; however, we provide a 90-day warranty versus the industry-standard 30 days." The conversation would continue this way:

Doctor: "Yes, but the price is too high."

Rep: "Ours also has been the top-rated tool three years in a row by the AMA Advisory Board."

Doctor: "Yes, but the price is still too high."

Rep: "Did you know our unit is also made of tungsten carbide rather than plastic and lasts three times as long?"

The company found that typical buyers stopped raising price objections after three such responses. By using value statements, the firm improved its margins by 1.4 percent, all of which went directly to the bottom line.

There are many and varied CRM add-on solutions to address specific needs, such as lead enrichment done automatically to reduce research time; sales knowledge management tools to enhance sharing successful responses (as above); and best practices. The idea is to analyze what is taking up chunks of selling time with high activity and low results—then figure out what is causing this to happen.

With these insights, you can then take the next step of piloting a solution/adjustment and, if it works, automating it. In so doing, you'll be allowing your reps to become more effective *and* efficient!



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