

CRM, Reporting, and a False Sense of Control

CHAPTER 1

THE WAR ROOM

So there we were. The war room.

Our Fortune 100 client was showing us the sequestered conference room where the company's senior leadership gathers weekly to review business performance and set strategic direction. On the walls hung a sea of performance reports showing everything from current financial projections to the number of customer-facing calls the sales force had conducted year-to-date. Literally hundreds of data points culled from the company's customer relationship management (CRM) tool were reported in vividly colored charts for the leadership team's real-time consideration.

There was data at an aggregate level. Data at the sales manager level. Data sliced by product line. Data sliced by region, by customer segment, and by the stages of the company's sales cycle. Data sliced and diced in every way imaginable—truly a world-class demonstration of performance reporting. It was a scene that would make any IT director stare in amazement and any senior executive turn green with envy.

Looking at the walls, it was easy to envision a typical weekly war room meeting, which might resemble the classic scene from

a World War II Hollywood movie in which analysts scurry about updating information on the walls, while leadership takes it all in and formulates a strategy to outflank the enemy. Except in this case, the generals are VPs of sales. The soldiers are salespeople. The battlefields are sales territories. The numbers on the wall are not enemy head count—they are product sales, pipeline size, sales rep activity, win/loss ratios, profit margins, and of course, revenue forecasts. Anything and everything that can be reported has a spot reserved on the war room walls.

The constantly updated numbers are key ingredients for the primary activity in the war room—to quickly identify trends (both good and bad) and dole out urgent directives to the field. Is the pipeline too small? Then have the salespeople do more prospecting. Profit margins down? Tell the sales managers to hold their ground. Forecasts inaccurate? Have the reps update the data more frequently. No doubt these weekly meetings are intense, focused, and perceived as high-impact. Ah, the war room. Who wouldn't want one?

This was not the first war room we had seen in a sales force. Several years ago, while conducting some research into sales management best practices, we encountered another similar lair. In true best-practice style, this leadership team even had military paraphernalia spread about the room. Reams of paper lined the walls displaying everything from territory coverage plans to benchmark performance data. Sales, it would appear, is a battlefield.

Most companies have their own scaled-down version of the war room—at least in spirit, if not in practice. They have a set of reports that they regularly examine to assess progress against their goals and to determine what actions must be taken in order to ensure the goals are met. The reports aren't always large-format color prints with pie charts, bar graphs, and scatter diagrams, but it is exceedingly rare today to find a sales force of any size that hasn't invested in some type of customer relationship management (CRM) or sales force automation (SFA) software for the primary purpose of increased reporting.¹

1. For the purposes of simplicity, we will use the broader term *customer relationship management (CRM)*, which typically includes sales force automation functionality.

In fact, we can't recall working with any sales force in the past decade that didn't have technology supporting at least a portion of its activities. CRM tools have become pervasive and will continue to grow in importance as technology integrates with an increasing percentage of our daily activities. This will in turn enable even greater reporting at increasingly granular levels of detail. Soon the battlefield will be perfectly in focus for sales management to view.

GOT CONTROL?

So what has all this reporting gotten us? Well, having all this data at our fingertips has become like comfort food for leadership. A real-time view of sales force performance makes us feel in touch with the organization. And increased transparency to field-level activities gives us the satisfying sense that we are somehow in control of the sales force's behaviors. However, visibility to an action does not equate to control over it. Let us give you an example of the life-threatening danger of this assumption.

When one of the my children was 18 months old, I left her with a babysitter while I made a quick trip to the store (I was no doubt as much in search of silence as I was in search of provisions). When I returned to my house and opened the door, I saw the terrifying sight of my precious child standing upright on a steep set of stairs, wobbling in her attempt to make it to the next step. Meanwhile the babysitter was sitting calmly across the room just watching the situation unfold. Witnessing the obvious terror on my face as I sprinted across the room toward the teetering child, the sitter attempted to calm me down by saying, "Don't worry. I am right here. I can see everything she's doing." Trying only halfheartedly to contain my anger, I responded, "*Watching* my daughter fall to her death is not the same thing as *preventing* her from falling to her death."

Similarly, watching the walls of the war room is not the same as directing the battle on the field. While seeing activity-level data such as Number of Calls Made or Percentage of Customers Contacted creates a sense of participation in the activities, in

reality, it is more akin to watching salespeople climb treacherous stairs from across the room hoping they don't fall to their deaths. You can see the disaster happen, but you can't control the outcome.

Despite the billions of dollars that have been spent to enable deep and wide reporting of sales force activities and outcomes, we have seen few instances of increased reporting capabilities actually leading to greater control over sales force performance. Greater visibility provides you with exactly that—greater visibility. Not greater control.

But before we gain a reputation as report haters, let us state clearly that we *love* good data. In fact, we would argue that it is impossible to manage successfully in today's sophisticated selling environment without reliable data to assess current performance, analyze events, uncover trends, and provide actionable direction to a sales force. It's just that despite all the analysis and discussion taking place in the war room, we all too often see the same directive emerge: "Field, do more."

Call on more customers, put more opportunities in the pipeline, close more deals—it's as though all things can be solved by simply asking for "more." It's somewhat concerning that given the highly sophisticated analytic capabilities that CRM affords us, very little direction is given back to sales managers and their reps other than to do more. The "do more" mantra may feel like exerting control, but it would be somewhat like telling my 18-month-old, "Don't trip." She wouldn't know what it meant, and the eventual (and potentially tragic) outcome would be left to chance.

THE SOURCE OF THE PROBLEM

In a nutshell, here is where we are.

Over the last 20 years, we have witnessed a technological revolution known as CRM. With few limits, we now have the ability to generate extremely detailed reports that allow us to see both the activities of our sales reps and the outcomes they create.

The amount of information that we have to help us manage is unprecedented in the history of sales management and is only getting bigger. Our challenge in the future is more likely to be an excess of data, not a scarcity of it. Even today, we observe “analysis paralysis” in companies for which information overload has crippled the very decision-making ability that reporting was meant to enable.

So with all this information at our fingertips, we are little more able to proactively influence sales force performance than we were billions of dollars ago. We are more enlightened about what’s happened—and even what is currently happening—but we have little more control over the future than we did in the past. What then are we missing?

What we are missing is quite fundamental:

We are missing the operating instructions for a sales force.

How do the numbers on the war room wall *work*? Of all the data points that we see on our reports, which are the inputs, and which are the outputs? Which are the causes, and which are the effects? If I want to move this number, should I push that one or pull another? What we don’t yet know is *how to work the numbers*.

If we did understand the relationships between all the numbers on the wall, then we could exert more control over them. Want more revenue? No problem—do this. Want more new customers? No worries—do that. This is the level of understanding that sales leaders do not have today. Instead, management concludes: Want more revenue? Do more. Want more customers? Do more. But sometimes the revenue and customers don’t come.

This is where CRM has left us. It has given us the power to *see* what the sales force is doing, but it didn’t come with instructions for what to do with that newfound visibility. We can get plenty of data from the magnificent reporting machine, but we haven’t been told how to use it. Basically, our ability to report data accelerated faster than our ability to understand it. For

better or worse, we cracked the CRM programming code *before* we cracked the sales management code.

HOW SALES HAS TRAILED ITS PEERS

Sales is unlike its corporate peers finance, manufacturing, and marketing in many ways. And as patrons of the sales function, we think it is not only different but also better. We could argue that it's more dynamic, more exciting, more challenging, more fun, and outright more important than its organizational siblings, but there is one place that sales has woefully trailed other business disciplines: discipline itself.

During the nineteenth and twentieth centuries, every other corporate function developed a body of knowledge that enabled it to measure and manage itself in a more consistent and predictable way. Consequently, corporate functions other than sales enjoy a fundamental understanding of their inner workings, and they are able to direct their day-to-day business with confidence toward their ultimate objectives.

Finance has a robust set of metrics with clearly understood implications. Any financial professional can easily analyze and discuss the relationships among income statements, balance sheets, and statements of cash flow. They have universal standards such as the generally accepted accounting principles (GAAP) that provide a common language with which to manage their business. They have a discipline.

Manufacturing too has a rich set of management frameworks that it uses to control and direct its outputs. Any plant manager can easily recite standard measures such as throughput, defects, quality, and cost while intuitively understanding the trade-offs of improving one versus the other. They have programs such as total quality management (TQM) and Six Sigma that guide them to higher levels of performance. They have a discipline.

Marketing was one of the last business functions to accept accountability and embrace a strict discipline of measurement and management. Nonetheless, marketers have long understood

and used key management concepts such as customer segmentation, market share, customer profitability, and profit margin to make decisions and gauge success. If nothing else, one can measure marketing's professional legitimacy by its prevalence as a major in our colleges and universities. It has a discipline.

Note that the development of GAAP, TQM, and other frameworks used to manage our functional peers developed well before the advent of the computer. They were created as their leadership recognized a need for structured thinking and a common language to diagnose business issues and implement proactive change. When information systems fully blossomed in the late twentieth century, their business functions became more efficient to manage, but the underlying operating instructions remained constant. Other business functions had already cracked their management code, and information technology just made their jobs easier.

And then there is sales.

Sales has somehow evaded the management rigor and professional discipline that has burgeoned in its peer groups. There is no sales equivalent of GAAP. There is no standard TQM framework for sales improvement. And there are currently fewer than 50 colleges and universities in the United States that offer a major or minor in sales. Compared to finance, manufacturing, or marketing, the discipline of sales is still in its infancy.

So when information technology eventually came to the sales force, there was relatively little to automate. Sales had no formal operating instructions for itself. In contrast to its organizational peers, sales' information systems were just layered on top of unstructured processes and inconsistent execution. Basically, sales forces automated their own forms of chaos.

Rather than beginning their automation projects by defining and mapping formal selling processes, sales forces began by designing reports. Rather than asking how the technology should support their critical selling activities, sales forces assumed that the technology had its own inherent value. (One of our past clients even confessed that its deliberate CRM implementation strategy was to *first* get the technology deployed and *then* worry about defining the processes. Two years later, there

we were . . . helping the client add structure to its automated chaos.)

We strongly believe this is the reason that CRM has failed to create a more controlled sales environment. It's not that CRM's expectations were overblown, nor that its implementation was botched. Senior leadership watched as technology revolutionized finance, manufacturing, and even marketing, so it was completely reasonable to expect a similar revolution in sales.

But the revolution didn't occur. It didn't occur because unlike our organizational peers before us, sales did not have a fully cooked management discipline. We had all of the pieces to the puzzle, but the overall picture had not yet come into focus. We had not cracked the sales management code.

This book makes one big step toward establishing a rigorous sales management discipline. Based on our research into how leading companies use metrics to manage their sales forces, we have developed a management system that will predictably link the activities in the war room to the battle on the field. It will help sales managers floating in a sea of data to focus their attention on the few metrics that really matter. It will help sales executives to drive their sales forces with a clear set of operating instructions. It will provide a framework for improved sales performance reporting. It will finally crack the sales management code.