Psychology of Success. The transformation focused on creating a dynamic learning environment—one in which the sales force shifted from a "know it all" to a "learn it all" culture with help from others. The corporate mission statement was also reimagined to reflect the new culture. For decades, Microsoft's goal had been to place "a computer on every desk and in every home." Under Nadella, the focus shifted from the product itself to helping people use it: "To empower every person and every organization on the planet to achieve more."

IN DEVELOPING A new offering, a company needs to first identify the potential customers' pain point. Only then can it determine whether the customers' pain is sufficient to make the company's value proposition viable. These calculations are important, but they are not enough to create sustainable profit: The firm must also find the right sales strategy to effectively pair with the innovation to engage customers.

As more organizations shift their sales strategy toward consumption-based pricing and SaaS models, they must recognize the complexity of the transformation they are attempting. They are changing all the variables in the formula "how to sell what to whom." To increase their odds of success, firms must be ready to rethink their sales management and strategy the same way they reengineer their products.

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Selling After the Crisis

Senior executives must understand how dramatically the process needs to change.

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THE PANDEMIC AND resulting recession have brought cascading business bankruptcies, higher debt loads, tighter budgets, and more-prolonged purchasing decisions for the foreseeable future. In recovering from the crisis, the effectiveness of sales efforts will be of strategic importance for companies. Yet many senior leaders are out of touch with the activities of customer-facing colleagues and don't recognize that their sales models are badly in need of updating.

Over the past 25 years, as business has become more complex, the number of executives reporting to the CEO has doubled, on average. But most built their careers in specialties such as IT, finance, engineering, or legal, and more executives in the C-suite (including the CEO) have made it there without deep experience in sales, according to Heidrick & Struggles' 2019 *Route to the Top* report. Rather than behaving like practitioners of the art of profit maximization, they often treat sales as a mysterious black box—essential for meeting quarterly targets but sealed off from strategy discussions. And many sales managers like it that way, because it makes their jobs easier.

But when C-suite leaders don't understand or lose touch with sales, they compromise their ability to develop and implement a market-relevant strategy. This disconnect is all too common, as Christopher Wallace, of InnerView, and I discovered in our 2016 survey of 700 senior executives, sales managers, and reps. Executives told us they had a firm grasp on strategic priorities but lamented deficiencies in most sales activities, including training, performance reviews, coaching, tools, recruitment, onboarding, and the fit of sales reps and managers with their roles. For their part, salespeople said that the C-suite understood neither the sales model nor required sales tasks. Reviewing their comments, we could see why "I'm from Corporate, and I'm here to help you" is a perennial punch line in many sales organizations.

The disconnects are not limited to the C-suite and sales. Few companies have adequately adapted their sales models to fundamental shifts in the way customers make purchase decisions. Buying has long been framed in terms of a hierarchy-of-effects model in which customers move from *awareness* to *interest* to *desire* to *action*. However, the AIDA formula and its variants—the basis (often unconsciously) for sales activities in most firms—is becoming less relevant as buyers work through their own parallel activity streams in making a decision. Consider buying a car. J.D. Power data indicates that U.S. auto buyers now spend about 13 hours researching cars online and just 3.5 hours at dealerships prior to purchase. Although the vast majority of cars are still purchased from dealers, customers' expectations of them have changed. Buyers now come armed with prices, product reviews, and other information, and more than 50% say they will leave the dealership if a test drive is required to get the vehicle's list price. Nearly 40% will not patronize a dealer whose website doesn't list vehicle prices (many still don't), and about 40% will leave the dealership if prices aren't posted on vehicles. Yet many dealerships still train salespeople not to discuss pricing until after a customer has taken a test drive or committed time to the process, increasing dissatisfaction and hurting revenue.

Effective selling requires an understanding of where customers are, how they navigate between various streams of activity, and when to interact with them. Most products and services are part of a wider usage system that affects purchase decisions. In B2B markets, buyers often must justify a purchase decision as they compete with others in their organization for a limited budget. Some of that combination of economics, integration, risk mitigation, and organizational politics can be handled by customers online, but most buying journeys require knowledgeable sales help. In other words, solution selling and account management still matter—but the activities they entail are changing. For example, customer references remain important, but the traditional lists provided by the seller of a few satisfied customers (whose recommendation might be more a function of a price discount than their experience with the product) no longer cut it. Customers increasingly turn to sites such as PowerReviews, the SAP Developer Network, and Marketo's Marketing Nation for unedited versions of others' opinions, forcing sellers to offer more-compelling references.

Despite technology advances, most sales models are the ad hoc accumulation of years of reactive decisions made by multiple managers pursuing different goals. As companies try to rebuild revenue and profits in the wake of the recession, no single tactic (a particular selling methodology, "challenging" the customer, "digital transformation") will do. Senior leaders must set the foundational conditions for change; designing a sales model that aligns buying and selling is an organizational process, not a one-shot deal.

What Is Needed

Like perishable goods in grocery stores, any sales model has a sell-by date. Across a market life cycle, customers typically start as generalists and over time become more discriminating. As standards evolve and new entrants emerge, buyers have more choices and demand more in terms of quality and performance across vendors. Firms that fail to adjust to changing customer expectations lose advantage. Building and maintaining a relevant sales model—that is understood by everyone from executives in the C-suite to sales reps in the field—is the most important way that companies respond to market changes.

The sales model has implications beyond the customer, because it inevitably affects resource allocation across the business. For example, firms often rely on CRM systems that count up the number of leads and then forecast sales from that snapshot, assuming a certain percentage of those leads will turn into actual buyers. But the odds of a signed deal don't necessarily increase as prospects progress through the buying process—which means that many companies' revenue forecasts are likely to be flawed. Or consider financial management. In most firms, the biggest driver of cash in and cash out is the selling cycle, and accounts receivable are largely determined by what is sold, how fast, and at what price. Companies that do financial modeling based on a selling process that's no longer relevant will find that their financial projections are way off—a problem that extends far beyond the sales function.

A coherent sales model has three core components:

Customer selection criteria. Decisions about scope, or where you play in a market, are central to any business strategy and sales model. Time spent with the wrong targets increases SG&A, prolongs time-to-cash, and depresses a company's overall valuation. But in practice, scope is determined by sales call patterns—where reps' time and expense are allocated. Scope must also take into account opportunity costs. Money and time allocated to accounts A and B are not available for accounts C, D, and so on. Executives know that you can't be all things to all people, yet they fail to make this an explicit and managed part of their sales models. They basically tell salespeople, either directly in meetings or implicitly through compensation plans, to "go forth and multiply." With an eye to meeting their volume quotas, salespeople then sell to anyone, often at discounted prices, leading to lost revenue and damaged brand positioning. Profitable growth requires clarity about how to "separate the suspects from the prospects."

Consider TaKaDu, which sells software that lets municipal water systems identify leaks or bursts in pipes in real time. Water loss is a big problem globally, and few utilities are opposed to better management of that natural resource. But some are more motivated than others to invest in the software, depending on their transportation and treatment costs and whether they are penalized for leaks (as is the case in some countries) or can pass on the costs to consumers. In its early days, TaKaDu targeted any utility that collected data from sensors—a technical requirement for its software—as a potential customer. It found that 80% of utilities with sensors were willing to meet with TaKaDu sales reps, and of that 80%, about 25% expressed strong interest. And a quarter of those prospects actually signed a contract with TaKaDu. That might sound pretty good, but if you do the math—80% x 25% x 25%—you find that the firm converted just 5% of its prospects (one in 20) into paying customers and had to absorb the sunk cost of chasing the other 19. It was not until TaKaDu rigorously analyzed its customer base and clarified how it qualified prospects that it was able to scale profitably.

A company must also adapt its sales model as it pursues new customer segments. Software firms often start out by targeting small and medium-sized businesses (SMBs), which typically have a simplified buying process where the purchase decision maker is often also the

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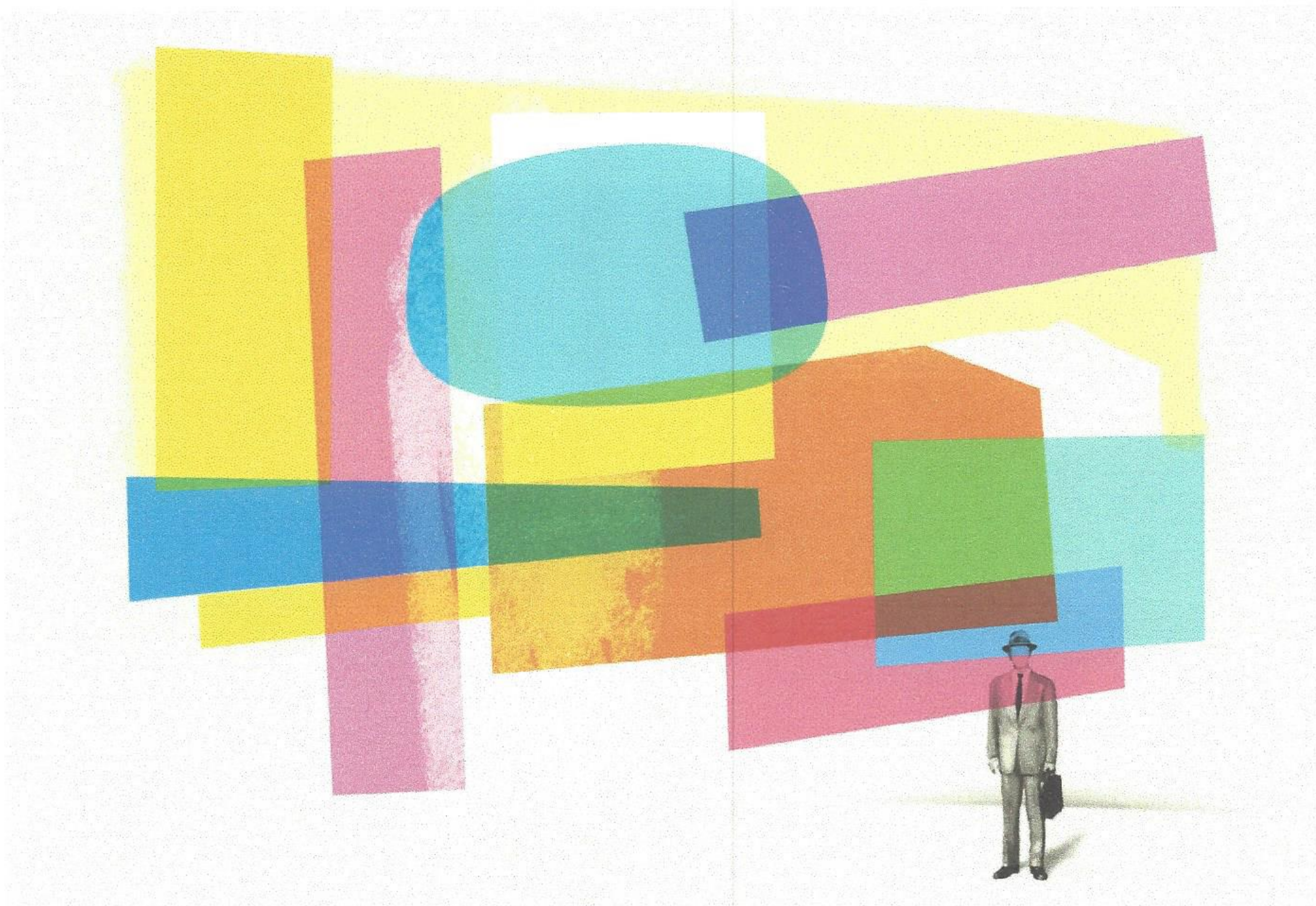

budgeting czar. As software firms grow and begin selling to large enterprises, their sales activities need to reflect those customers' more-complicated buying processes. Decision-making is likely to be more dispersed, for example, and integration of the product across functions will take on greater importance. The basis for establishing credibility also shifts: Salespeople's knowledge of the software and its applications becomes table stakes, and understanding the enterprise customer's business model and how the software fits into it becomes paramount. Selling to enterprise customers also requires different ways of demonstrating ROI, the ability to shepherd large accounts through the buying process, and salespeople trained in postsales activities. Notice that these are changes to the sales model driven by shifting customer requirements—not by product updates.

One of the fundamental requirements of effective customer selection is a strategy that leaders can articulate; no sales model can make up for an inadequate business model. Senior executives must then make sure that the sales force is using lead-qualification criteria aligned with strategic priorities. They should engage with sales managers about their guidelines for prospecting, determining account or territory assignments, and establishing incentives, and they should discuss those criteria in senior management team meetings regularly—because to whom you sell influences where the firm invests and has a domino effect on how resources are allocated across the company.

Clarity about your customers and their buying process. If all customers sound the same to you, don't try to make a living in sales. Customers differ dramatically in what they want from a product. Consider Oversight Systems, which sells software that monitors corporate purchase-card and travel-and-expense (T&E) spending. An estimated one in five employees submits at least one questionable expense item annually, and many routinely make errors in their expenses. Because most companies encounter this problem, reps might see their sales prospects as interchangeable—but they're not. Oversight's product covers a variety of use cases, even within the same organization. For example, a company's audit officer might be interested in the tool because she is concerned about reputational risk and compliance with regulations. Its T&E manager might seek efficiencies in handling a high daily volume of review and reimbursement transactions. Customers here are not simply "firms that spend a lot on T&E." Oversight specifies what problems potential customers are looking to solve and then adjusts its product, prospecting, and sales conversations accordingly. It has created a range of modules, branded as "Insights on Demand," each focused on a particular use case (T&E spend by region or function, Foreign Corrupt Practices Act compliance, duplicate-payment monitoring, and so on). This allows salespeople to better respond to and influence a variety of different buyers.

Customers also differ in how they respond to promotional actions. In many companies, affiliate marketing—referrals or sponsored posts by bloggers or content aggregators who may receive a commission for sales they generate—has taken on greater importance as TV viewership declines and ad-blocking devices increase. Before the pandemic, spending on affiliate marketing in the U.S. was growing faster than e-commerce sales. Estée Lauder reportedly spends 75% of its digital marketing budget on popular influencers such as Jaclyn Hill and Jeffree Star, who reach hundreds of thousands of followers via Instagram, Facebook, and YouTube. In many sales models, however, much of that spend is wasted by targeting prospects at the wrong time. For example, email continues to be a cost-effective way to deliver tailored messages at the right point in the buyer journey, but in many sales models reps send out emails indiscriminately—in effect training prospects to ignore their communications as spam.

Many executives try to make up for a lack of customer knowledge with unfocused appeals to "big data" and "AI." But data and technology are never a substitute for good management practice. Digital tools can help only if the C-suite asks the right questions before they are used. To improve clarity about customers, executives should start by asking the sales team: How do our target customers describe the problems or opportunities our company addresses with our products and services? What criteria do prospects use to evaluate sellers? Who gets involved in purchase decisions, and do those parties' selection criteria differ? Much of this information can be captured only in account reviews, and when reviews are sloppy, a vital flow of information is distorted. Senior executives need to manage this activity if they want "customer focus" to be an organizational reality, not a perennial slogan.

The go-to-market economics and metrics. The time and expense salespeople spend on various activities are key drivers of your growth requirements. "Wins" is the most common metric used to track selling performance, but wins (and losses) can be attributed to any number of activities in the sales model—product, pricing, selection criteria, sales deployment, incentives, and so on. Wins are also lagging indicators of growth, and in business the arrow of time points only forward. Conversion analytics can help to uncover leading indicators that you can use to improve your sales model, in two areas in particular.

→ ***Selling time.*** Most salespeople spend less than a third of their time interacting with customers. This represents a big opportunity. If you adjust your sales model to deploy reps where they have the most impact, you might increase their selling time by an additional 10% to 20%. In most businesses, that would dramatically widen the total addressable market.

When Microsoft looked at its sales teams' interactions with customers, it found that, on average, teams spent twice as much time and engaged with twice the number of contacts at higher-growth customers as at small accounts. On the basis of that insight, it analyzed the relationship between sales activity and revenue: Did the accounts have higher growth because sales spent more time with them, or did sales choose to spend more time with them because they were high-growth? Conversion data

Salespeople typically spend less than a third of their time interacting with customers. This represents a big opportunity.

showed that the more time and attention reps paid to customers—including lower-growth accounts—the better the results; in other words, the drivers of revenue were selling and account-management efforts. That insight led Microsoft to adjust its sales model, reducing the number of enterprise accounts per salesperson to allow more face time for each one across his or her account portfolio.

→ ***Mix of personal and online selling.*** Conversion analysis is also important for understanding the ROI of in-person and digital activities. For example, organizations typically measure how much time customers spend on their websites and track number of page views, using those metrics as indicators of positive engagement. But time-on-site numbers may be affected by a confusing or slow-loading website. New-visitor counts may be artificially boosted by the proliferation of devices among existing customers. In many sales models, credit for a purchase goes to "the last click"—that is, whichever email, online ad, or website page triggered the sale; in reality, purchases are usually motivated by a series of interactions throughout the buyer journey. Incorrectly identifying which activity led to a purchase can cause sales organizations to misallocate resources.

An effective sales model designates which in-person or online activities are appropriate for the various stages of the customer buying process. Early on, customers may not be ready to transact; thus content marketing, rather than a sales call, may be a better use of resources. At later stages, customers may seek ongoing engagement with a knowledgeable rep. Even when personal selling is desired, video meetings or other online interactions can accomplish many tasks while reducing time and travel costs, as the pandemic has demonstrated.

To make sure you're getting the most out of your in-person and online sales activities, take a fresh look at your sales model. Are you using ineffective or needlessly expensive resources for activities such as lead generation and demos? Are you optimizing inside sales resources to keep costs down and free up more-seasoned reps? A common assumption is that account size determines deployment: Use enterprise reps for larger accounts and inside reps for smaller ones. But a better approach is to deploy resources according to what the customer needs across the buying journey. Finally, consider the interactions between buying, pricing, and selling requirements. The sales cycle can shorten when you move to outcome-based pricing, as some firms did during the crisis. But the buyer, relevant value documentation, and sales conversations also change.

THE ORGANIZATIONAL SCHOLAR James March said that "leadership involves plumbing as well as poetry," meaning that, whatever they do or say to inspire employees, leaders also must help people deal pragmatically with the tasks they face. All executives should recognize the implications of sales productivity in service economies. Thirty years ago in HBR, Peter Drucker presciently argued that "the most pressing social challenge developed countries face...will be to raise the productivity of service work. Unless this challenge is met, the developed world will face increasing social tensions, increasing polarization, increasing radicalization, possibly even class war." Drucker used sales as an example, noting that salespeople "now spend so much time serving computers [and] filling out reports rather than calling on customers....This is not job enrichment; it is job impoverishment. It destroys productivity." Since he wrote those words, the situation has only grown worse. In the face of a global downturn and pandemic, companies' ability to maximize sales productivity will be crucial; to succeed, senior leaders will need to craft sales models that account for how buyers actually behave.

The economist Benjamin Friedman has documented the moral benefits of economic growth—that is, a rising standard of living—on diversity, social mobility, fairness, opportunity for advancement, social progress, and democratic values. CEOs who talk about serving stakeholders should take note. Selling is not only a core profit-building activity for which you need not apologize (most profit is reinvested in the economy, yielding societal benefits such as cleaner products and job opportunities that can address inequality) and for which you are paid a lot to develop; it is also an engine of growth, value, and civic engagement. Finding ways to help their organizations sell better is, in fact, a core social responsibility of management.

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