
A Rath & Strong Management Consultant Working Paper

The Art & Science of Selling: Applying Six Sigma to Sales



RATH & STRONG
Management Consultants

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This Rath & Strong Working Paper is one of a series based on our extensive research and consulting experience. It is intended to stimulate innovative thinking about the challenges facing today's business leaders. It is a "work in process." That being the case, we are more interested than ever in readers' comments, critiques, and reactions. Please direct them to the Working Paper's authors at Rath & Strong, 45 Hayden Avenue, Lexington, Massachusetts 02421, telephone 781-861-1700, fax 781-861-1424. Or visit our website at www.rathstrong.com.

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THE ART & SCIENCE OF SELLING: APPLYING SIX SIGMA TO SALES

Every sales force has a few outstanding sales reps ,who always deliver on and above target. What is it, in their way of working (process), which makes them so outstanding? If we identify these processes and give them as tools to the rest of the organization our belief is that we will increase Sales Force Effectiveness.

- Staffan Ternstroem, Managing Director, Johnson & Johnson Scandinavia

Introduction

Johnson & Johnson, a predominantly sales & marketing driven company, has show that not only does Six Sigma apply to sales and marketing, but the benefits are twice as great as one normally experiences in applying Six Sigma to operations processes. The approach described below addresses the typical concerns when a Sales Director is confronted with sending his best sales people to Six Sigma training:

- How to maximize the time spent “off-line” i.e., being trained in Six Sigma techniques or working on projects rather than selling?
- How to work on enough of the overall sales process to have a significant impact rather than divide into sub-processes e.g., qualifying sales opportunities, that by themselves won’t drive increased sales?
- How to avoid duplication of effort by mass training of sales rep who are all working with similar processes i.e., how to leverage and build on the experience of the first successful sales improvement projects?
- How to get buy-in of different sales people, by product line or country, to using the best practice sales processes?
- How to measure sales force effectiveness?

The Medical Device & Diagnostic business group of Johnson & Johnson in Europe took the approach of clustering Green Belt projects around core selling processes, consolidating training and coaching into a series of 6 workshops spread out over 10 months. Seventeen of the 18 projects launched were successfully completed with a net annual benefit of \$8 million.

The solutions developed are now being leveraged from the original 5 countries and two businesses involved to a total of 10 countries and 4 businesses for an expected annual benefit of \$50 million.

Background

The Medical Device & Diagnostics (MD&D) business group within J&J involved in this Sales Force Effectiveness initiative is a \$1 billion European business that sells medical products to hospitals: sutures, surgical equipment, diagnostic equipment and prosthetic devices. The customer is both the surgeon and operating nurse (primarily buying on clinical effectiveness) as well as hospital administrator (primarily buying on economic effectiveness).

Walter Hak, the Company Group Chairman for J&J Medical Devices & Diagnostics Europe Middle East and Africa (EMEA), initiated in January 2002 a Six Sigma effort to improve sales force effectiveness in the European sales and marketing companies. Olaf Lueneberg, President of Ethicon Europe, and Peter Steinmann, President of Ethicon Endo Surgery Europe, joined as Executive Sponsors contributing talent from their respective product businesses, enlarging the scope to include the four European markets (the UK, France, Germany and Italy) as well as the 22 multi-product (“umbrella”) sales and marketing companies. The initiative was lead by Staffan Ternström, then VP, Six Sigma and E-Business and Erik Lissner as project leader.

As predominantly sales, marketing and support service businesses, the EMEA companies and Ethicon, Ethicon Endo-Surgery Franchises wanted to deploy Six Sigma and see how it could successfully be applied to non-operations processes. The overarching goal was to improve those processes that contribute to more sales per sales representative. If Six Sigma could help identify, capture and keep more business with the same or fewer resources, then it could make a significant contribution.

Scope of the Projects & Selection of Project Leaders

The organizational challenge we faced was how to work on areas of improvement substantial enough to make a meaningful difference and yet not make the projects too complex. By clustering projects around a common theme (e.g., identifying qualified sales opportunities) individuals could work on sub-processes while contributing to a larger improvement (e.g., the overall tendering process). Workshops were conducted with sales executives to scope meaningful projects across the spectrum of sales & marketing processes below.



| | Project Area | Country |
|----|---|----------------|
| 1 | Territory Planning | Czech Republic |
| 2 | Account Planning | Scandinavia |
| 3 | Segmentation of Stakeholders | UK |
| 4 | Increasing Effective Selling Time | UK |
| 5 | Planning & Conducting Sales calls | Scandinavia |
| 6 | European List and Floor Price Setting | Europe |
| 7 | Changing European Floor Price | Europe |
| 8 | Increasing Pricing for Products below EFP | Germany |
| 9 | Defining / Qualifying Sales and Market Opportunities | Portugal |
| 10 | Developing Offers which Result in Winning all Qualified Potential | Italy |
| 11 | Tender Implementation | France |
| 12 | ROI on Professional Education Courses at ESI | UK |
| 13 | Impact of Professional Education on Sales (IPEoS) | Germany |
| 14 | Re-Launch Existing or Re-Designed Products | France |
| 15 | Capital Appropriation & Selling Process | Europe |
| 16 | Reducing the Cycle Time for Safety Conversions | UK |
| 17 | Improving the Sales Value of Consignment Stock | Germany |
| 18 | The process for Effective Use of Health Economic Related Information by Sales Representatives | Czech Republic |

Each project leader had two deliverables: a “to-be” process that solved the problem presented to him by his local sponsor and a “best practice” process that could be adopted by others across the region.

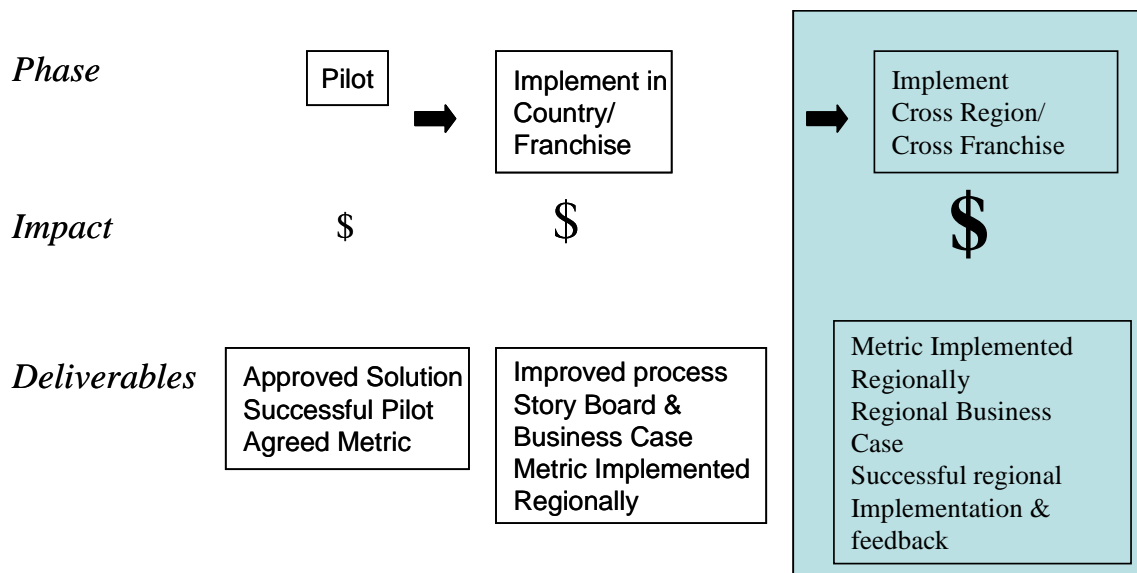
The participants were sales and marketing managers responsible operationally for the processes on which they were working. A number of the participants were clearly opinion leaders and respected as high performers in their respective businesses.

Structure of the Effort & Leveraging Across the Region

Wanting to create reference projects for the EMEA region as well as processes that could be adopted broadly, we needed regional representation in the project. The approach we took was to combine the formal Six Sigma Green Belt training with small group workshops and individual coaching. This allowed each project leader to present and get input from their regional colleagues while themselves learning the Six Sigma methodology.

We recognized from the outset that the biggest benefits to the business would come from leveraging best practices across the region. It was the responsibility of the SFE Steering Committee and the MD&D EMEA Presidents’ Council to drive leverage regionally.

Leveraging Business Benefits across Franchises & Regions



Several elements are critical to capturing “the big dollars,” namely process-oriented Dashboards reviewed regularly by local MDs and The Presidents’ Council, and the enablement of sales planning and execution processes.

Broken Myths About Sales & Marketing

The hardest things to learn are those things we believe we already know. The value of a structured, data-driven approach to improving sales force effectiveness is that it forced us to challenge assumptions about what drives sales. Some of the insights were:

- Sales Call Planning – Activities are managed more than objectives; Sales management tools control activity quantity rather than improve the quality of sales calls.
(EES Scandinavia)
- Stakeholder Management – Top performing sales people target stakeholders who are the most influential, while average performers call on their friends.
(Ethicon UK)
- Pricing – There is no correlation between price discounting and volume.
(Ethicon Germany)
- Professional Education – Formalizing selection and follow-up is critical for improvement of revenue generation.
(Ethicon Germany and EES UK)
- Capital Appropriation – Each country has a different forecasting method, but it's possible to harmonize the forecasting method.
(Breast Care Europe)
- Setting European List and Floor Price – No data driven process has existed for this critical issue in the past.
(EES Europe)
- Tendering – It's very surprising that we miss 27% of all minimum quantities considering this minimum is contractual commitment from customers.
(Ethicon France)
- Effective Selling Time – Out of 10.4 hours in a working day, sales reps spent 3.5 hours driving and 3.5 hours on non-selling activities.
(Ethicon UK)

One participant confessed, “I have been selling medical devices for 7 years, but it wasn't until now that I really understood what effective selling was about.”

Lessons Learned

During the course of the initiative, the project leaders went through the normal stages of a Six Sigma project: initial skepticism, hope, exasperation, insight and breakthrough. In retrospect the participants highlighted the following lessons learned:

- “Just by looking at our sales processes more closely through the Six Sigma lens, they start to improve.”
- “Sales people are interested in the science, not just the art of selling.”
- “The lack of standardized processes (for Professional Education), is a barrier to proliferating know-how across and between businesses.”
- “Standardizing the (tendering) process has reduced errors by 20% and time by 40%.”
- “Clear operational definitions of expected outputs, inputs and process steps is vital for a marketing process like product conversion.”
- “The fewer the steps and people involved in the (tendering) process, the higher the quality of our analysis.”
- “The time spent up-front clearly scoping projects with your Sponsor, pays off later.”
- “Jumping to solutions is bad business practice.”
- “Do not underestimate the workload involved in the Six Sigma project, but also don’t underestimate the value.”

We started as a very mixed group of people from 7 countries, different businesses and each with different understandings of how our individual businesses work. Through the experience we learned a common language that allowed us to get to the substance of what each of us is doing. That was the key to learning from each other and helping each other get to a new level of performance.

Conclusion

In sales & marketing, Six Sigma not only applies but can yield greater financial benefits than in operations, on average \$300,000 per project (unleveraged outside respective project scope). Because processes are initially less well defined, it pays to invest time in carefully scoping the projects with those sponsoring them i.e., conduct scoping workshops with sponsors before anyone goes to training. Cluster projects together that are related to get the full desired effect while keeping the individual projects manageable. Enroll senior management as project leaders. They will see that the “to be processes” get implemented. Maximize the use of the time sales & marketing people are spending away from customers, structure the training and project work into a series of shorter, more frequent workshops. Accomplish as much of the project work as possible in the workshops. When working across

business units and countries, create a very senior level Steering Committee to help identify and work toward common goals and leveraging of results. Dedicate someone full-time to structuring and managing the initiative. Keeping 18 opinionated sales and marketing managers aligned is a challenge. Beyond the financial contribution of the projects, the participants have improved their skills as managers and change leaders. Adding science to the art of sales can dramatically increase sales effectiveness.

ABOUT RATH & STRONG...

Rath & Strong Management Consulting is a management consulting firm headquartered in Lexington, Massachusetts. Founded in 1935, Rath & Strong helps clients achieve desired change by providing consulting services in four main areas: process and operations management, organization development, counsel to leaders, and customer connection. The firm specializes in helping clients address issues relating to these four areas simultaneously from a systems perspective.
