



# Ensuring Your Sales Force Realignment Results in Improved Profitability

Corey E. Miller, Ph.D.  
Associate Professor, Wright State University



Taking a Top Performer in one sales role and moving them to a different sales role is typically as effective as putting a square peg in a round hole.

## The Sales Research Database

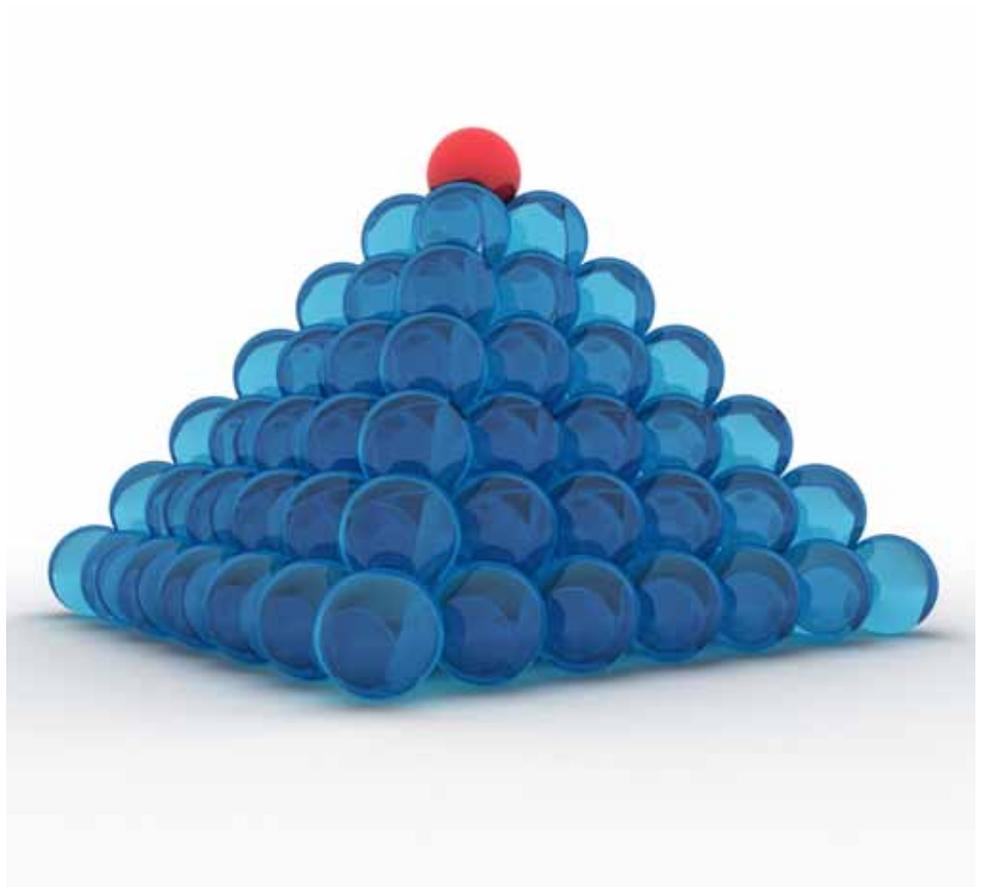
The Chally research is based on data from over 400 validation studies including: performance ratings, sales results and compensation data from over 900 sales forces. We also used the assessment results database of over 400,000 people to populate 14 types of Sales roles. Each of these roles has been validated across multiple companies. The main data analysis approach we employed was to identify the Top Producers (top 20%) in one role and statistically determine the likelihood they would be a top producer in a different sales role. For example, we selected the assessment scores of top 20 percent of salespeople assessed on the New Business Development (Hunter) profile, and determined what percentage of them would be predicted to be a Top Producer in the other 13 roles.

For example:

- Of the Top 20% B2B for New Business Development, only 7.3% of them would have scored in the top 20% on the Strategic Account Representative profile, and
- Only 30.1% would even be above average in the Account Management (Farmer) position.

### We also know that:

- The Top 20% of sales people average \$2.6 Million in sales
- The middle 60% average \$750 thousand, but
- The Bottom 20% average only \$150 thousand



One of the more challenging issues leaders face is sales force realignment. As markets change and mature, strategies for staffing must evolve as well.

Aligning a sales organization to the needs of a changing market requires both analysis and planning, for such adjustments can have a negative impact on revenue if not planned carefully.

### Successful sales force realignment depends on two factors:

1. Understanding the strategies needed to be effective at a particular stage in a product or service life cycle
2. Identifying personnel who have the skills, abilities and traits necessary to execute those strategies within specific roles

While realignment efforts can be a challenge, if approached strategically, they can strengthen the organization and improve its profitability.

## The Million Dollar Question:

### Will Top Performers in One Role Be Successful in Others?

A wide variety of sales roles can be found within any organization. From New Business Development to Account Management, competencies and skill sets are largely dictated by an individual's role or job function. (See Figure 1, How Sales Representatives are Categorized.)

When faced with market changes, leaders often pluck Top Performers from their jobs and reassign them to roles with markedly different requirements, assuming they will flourish in their new position. In many cases, however, the characteristics that make an individual successful in one role may not help them succeed in another.

For example, individuals engaged in New Business Development must have strong networking skills to uncover opportunities and initiate relationships with prospects.

A person in an Account Management role, however, may need to focus on cultivating and deepening relationships with existing customers, strengthening channels of communication, and understanding their customers' ongoing business challenges.

#### The question, then, becomes:

What is the likelihood that a Top Performer in one sales role will be successful in another type of sales position?

Chally Group Worldwide has conducted research that can answer this question.

Figure 1.

### How Sales Representatives are Categorized



Top Performers represent the top 20% of salespeople. Research conducted by Chally Group Worldwide reveals that Top Performers generate 52% of total sales revenue.



Dependable Performers are the bulk of the sales force and are above-average performers, which means they generate 45% of total sales revenue.



Poor Performers/Low Performers represent the bottom 20% of an organization's sales force--those who typically do not generate income sufficient to cover their loaded employment costs.

## The Likelihood of Sales Role Crossover Success

Through a series of over 400 validation studies conducted during the last 30 years, Chally has identified the types of characteristics, skills and traits needed for success in 14 different types of sales roles. (See Figure 2, Sales Specialty Map.) We also analyzed data from Talent Audits we conducted with more than 400,000 people to identify Top Performers in each of the 14 roles.

Chally researchers then evaluated the strengths and weaknesses of the Top Performers and compared them with the requirements for each of the 14 sales positions to determine their likelihood of success in the other roles. What we found was that the likelihood of Top Performers repeating their success in another role is slim.

A specific example illustrates this point: When the profiles of the top 20 percent of scorers in New Business Development (Hunter) roles were compared with the characteristics, skills and traits needed in an Account Management (Farmer) role, only 7.3 percent of those Top Performers would have the necessary capabilities to perform as a Top Performer in an Account Management position. Furthermore, only 30.1 percent would have a chance of performing at an above-average level.

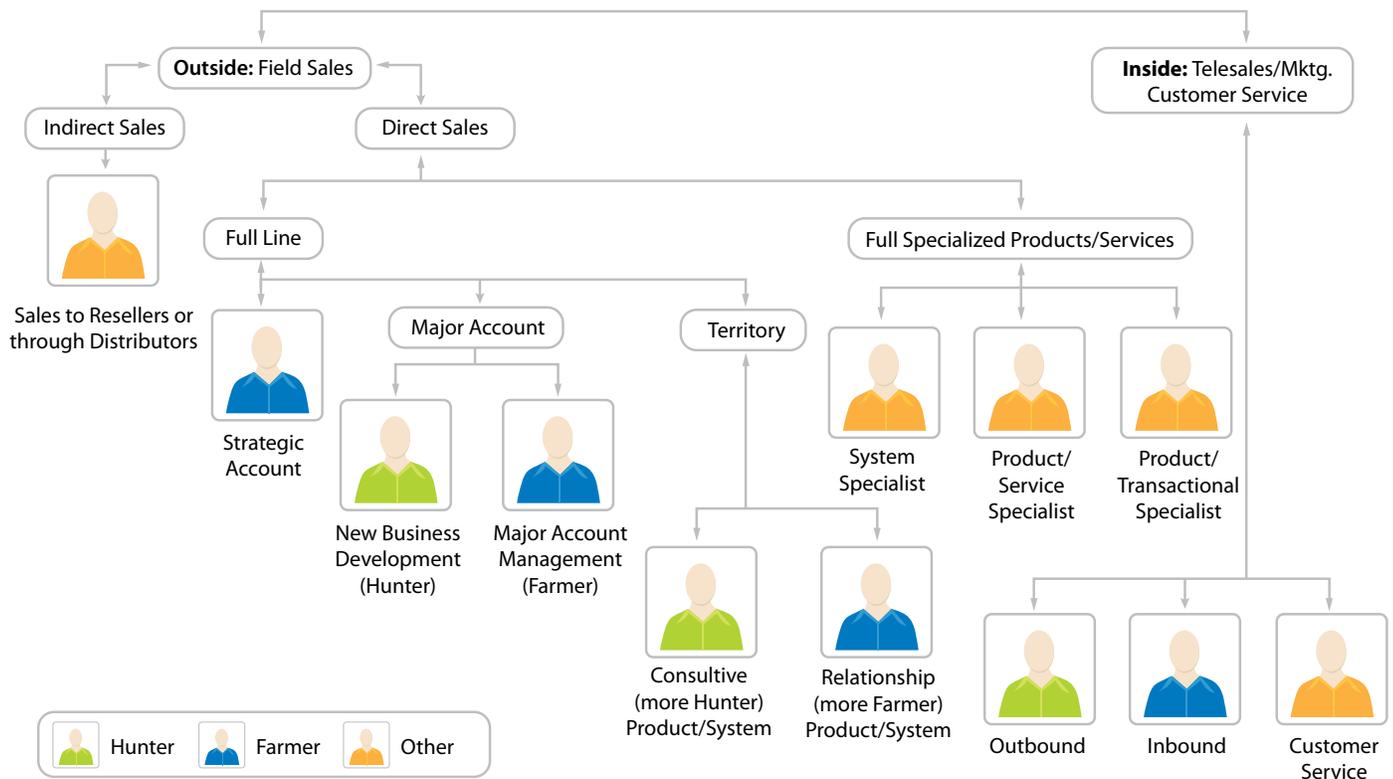
This research indicates that the factors that make one person outstanding in one role may not translate to positions with different requirements.

It is important to note also that the dependable performers (the middle 60%) have an above-average likelihood if being equally successful in several different (but not all) roles.

Figure 2.

## Sales Specialty Map

Top Performers are the elite of a sales force, and although they represent a small percentage of an organization's salespeople, they generate more than half of all sales revenue.



## The Costs of Sales Force Realignment

### (Or Why Shuffling Personnel is Not a Good Idea)

Since it is possible to determine an individual's likelihood of success in any one of 14 sales roles using the comparison outlined above, it is also possible to conduct a financial simulation to determine what the reassignment of Top Performers will cost a company.

According to our research, the top 20 percent of salespeople in any sales role generate 52 percent of a company's sales volume in dollars. In such a scenario, the average Top Performer would generate \$2.6 million in sales, while a dependable performer sales person (those in the middle 60% of performers) would produce \$750,000 of revenue on average.

If we reassign the 20 Top Performers in New Business Development roles, for example, we could expect that 1.46 of them would be Top Performers in an Account Management role and 6.02 of them would become Dependable Performers. And if we multiply the number of performers by their average respective production both before and after their reassignment, we can calculate the "opportunity costs" of sales force realignment. (See Figure 3)

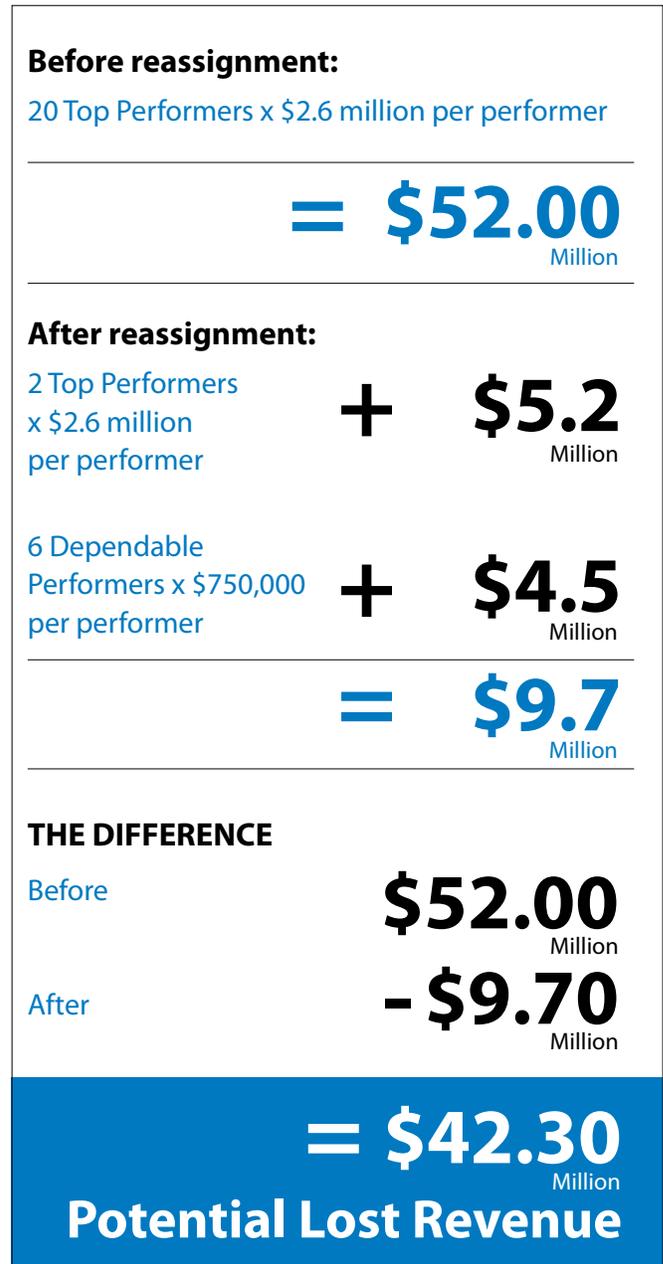
As markets evolve, a common sales force realignment mistake occurs when leaders encourage their existing Account Management team to concentrate on finding new customers in lieu of building business with existing customers.

Such a move is costly because, according to the study, only 4.3 percent of Top Performers in an Account Management role would be Top Performers in a New Business Development position. Furthermore, only 24.3 percent would be above average or Dependable Performers. The resulting loss of income from such reassignments is \$40,879,132.

Another example of a sales force realignment mistake occurs when leaders move New Business Development personnel into a blended sales role, such as a Territory Consultive position. Of the Top Performers in a New Business Development role, only 7.3 percent would become Top Performers in a blended sales position, and only 30.1 percent would become Dependable Performers. This reassignment would cost the company \$38,419,174.

Conservative estimates indicate that the severance, recruiting, "on-boarding" and opportunity costs associated with an unproductive or vacant sales position, and the time necessary to make a new salesperson productive, represent five times the annual compensation for that position (Alexander, Bartels & Drapeau, 2008, p. 28).

Figure 3.



## How Assessment Tools Determine Success or Failure

**Companies use a wide variety of tools to assess sales talent, most of which are ineffective. These include:**

- **Short Tests:** Many of these tests are used by companies because they require very little time to take. But assessments that require only five minutes to complete are analogous to a five-minute interview—they will be limited in the amount and type of information they provide.



- **Personality Tests:** These tests are designed to apply to a wide range of situations, whereas assessments related to hiring for a particular position should be narrow and specific.

(See Chally's *The Trouble with Personality Tests, Executive Brief*)

### **Benchmarking:**

- Benchmarking, or examining only the traits of Top Performers, is not an effective way to determine the traits that lead to successful performance. If employers wish to weed out less-than-successful performers, they must compare the traits of both types of salespeople and determine what separates the two.

### **Ipsative measurements:**

- Ipsative measurements use each individual as their own norm against which to measure their own individuals qualities. These measurements cannot be used to make comparisons between individuals nor can they be used to determine if an individual has the skills, abilities and competencies necessary to be successful in a job.

The largest contributor to turnover within an organization is poor hiring practices (Alexander, as cited in Hrehocik, 2007), and each of the aforementioned tests has faults that make them ineffective as selection assessments.

The only way to truly determine whether an individual has the potential to be a Dependable or Top Performer is through the use of a scientifically based method such as a predictive assessment. Likewise, only predictive assessment methods can determine whether a salesperson who fails in one role could be successful in other roles in an organization.

### **Why It's Not Possible to "Corner the Market"**

When individuals in charge of hiring realize that Top Performers generate nearly half of all sales revenue, they may conclude that only Top Performers should be hired. Although such a strategy may be logical, it is not realistic as it fails to consider a number of important factors.

Statistically speaking, Top Performers are rare, representing no more than one out of every 15 qualified applicants and no more than one in every five people hired. Furthermore, individuals who perform as Top Performers in multiple roles are exceptionally uncommon.

Another factor that is equally important to consider is competition. Google might have the reputation as the best technology company to work for, but Microsoft, Apple, Cisco, and Adobe aren't just going to throw in the towel when it comes to recruiting the top talent.

## Developing a Long-Term Investment Strategy

### **So how can a sales organization make the necessary adjustments to adapt to market changes without sacrificing profitability?**

- **Keep Top and High Performers for each role in place.** When restructuring, leaders must understand that Top Performers in one type of sales role are not likely to repeat their success in other roles. Different roles require different skill sets, abilities and traits, and most individuals aren't experts in a multitude of areas.
- **Replace Poor Performers/Low Performers with Dependable Performers that are appropriate for the market situation and specific role.** This will allow organizations to build their stable of Dependable and Top Performers, further enhancing the company's profitability and give the company more flexibility to move them to other roles.
- **Match individuals' skill sets and competencies with the requirements of the role in question when hiring new talent.** To ensure the best match for a position, it is important to use methods of assessment that are scientifically based and deliver predictive results. Such methods are tailored to specific positions and skill sets, and must be consistent and objective.

The best analogy for sales force realignment is one that relates to financial investing. Companies should keep their Top Performers, which offer a high return on investment, but also diversify by adding individuals with growth potential to their organization, for some of these individuals will ultimately generate higher profit margins.

## How the Chally Assessment Saves Money, Boosts Revenue

### **Predictive results lead to improved accuracy.**

- Chally's scientifically based predictive assessment methods improve selection accuracy by 25 to 30 percent over conventional methods.

### **Accuracy in hiring leads to improved on-the-job success.**

- The Chally Talent Audit evaluates individuals' abilities, skills, characteristics and traits, which, when evaluated as a whole, help determine their likelihood of success in a particular role.

### **Chally methods have been independently verified.**

- Chally's predictive accuracy has been supported by comparison with the most comprehensive reports by independent researchers. A leading university confirmed that Chally tools are substantially more effective than all other selection techniques.

### **Results are time tested.**

- The Chally Assessment is so stable over time that a study of 1,000 individuals who retook the Chally up to five years later resulted in scores that only changed by plus or minus 3 points on average.

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**Chally Group Worldwide**

3123 Research Blvd  
Dayton, OH 45420

937.259.1200 | 800.254.5995 | [www.chally.com](http://www.chally.com)

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