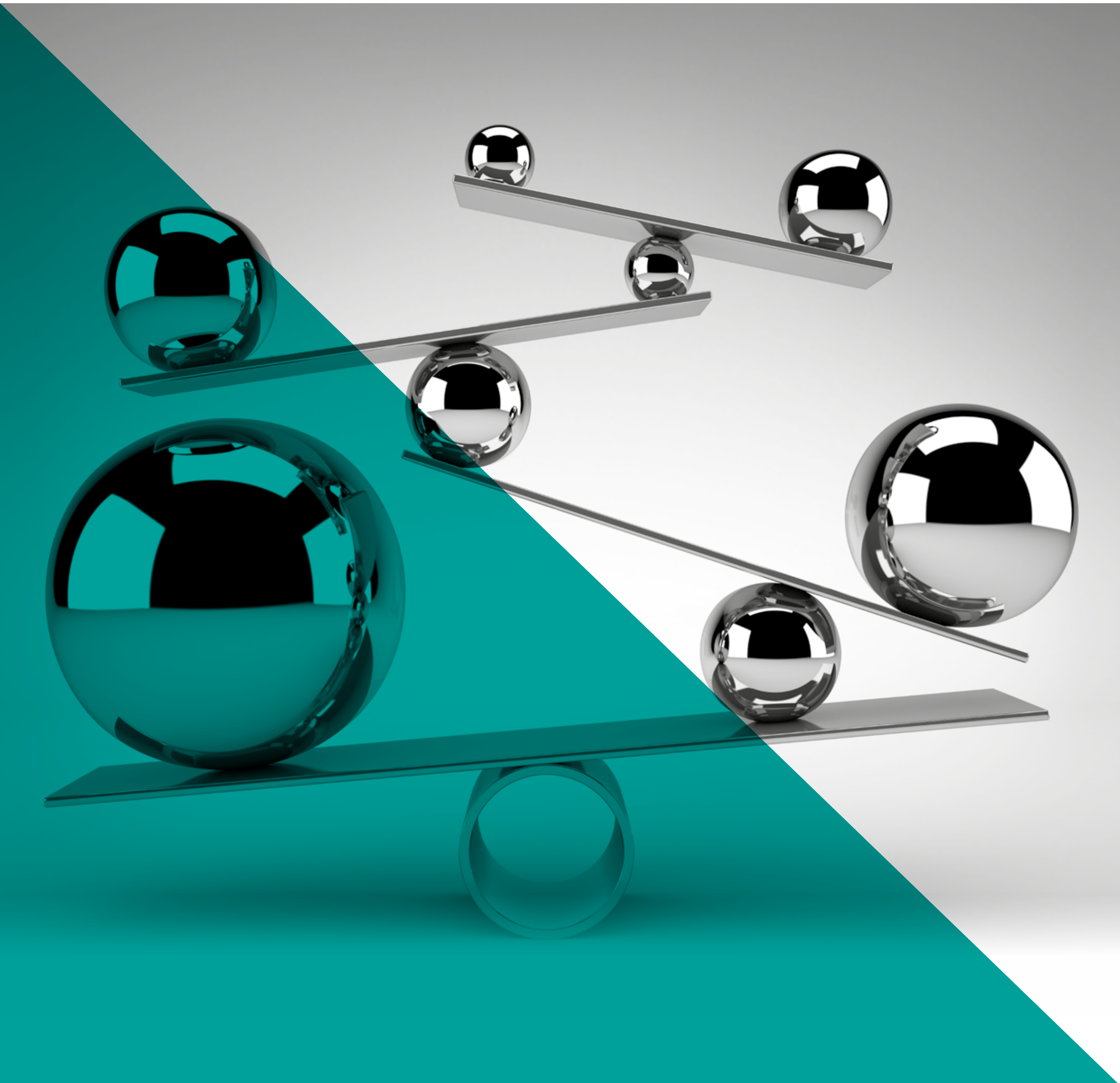
LRMGSALES OPTIMISATION

Judgement-based decision making:

The No. 1 skill sales managers should master in 2019

Performance Architects



Built-in bias means that sales managers do not necessarily get the accurate information they need from their teams. Conversion rates and forecasts are casualties, along with the potential to build trust and improve performance. Here's how to fix this common sales problem.

To improve funnel conversion ratios, sales managers need to have an accurate picture of how their sales team is performing and what their pipeline really looks like. Typically, that's not what they are getting. As a result, time and money are wasted on putting together no-hope proposals, genuine opportunities are not identified, and forecasting and budgets go out of the window.

When forecasts and results diverge

The key challenge for sales managers is that they rely on their teams to provide them with information about the market, and specifically what progress they are making in their own deals.

> This information is used to create and update sales forecasts, and ultimately feeds into the budget cycle.

Inaccurate information from sales teams thus means a growing divergence between the sales forecast and actual performance. It also makes it impossible for the sales manager to improve performance. Any attempts to coach or advise sales staff will themselves be ineffective because they are based on the same imperfect data, and the sales cycle will continue to be compromised. By contrast, better quality information would provide a basis for sales managers to identify problems accurately, and provide advice that will lead to improved performance.

The unconscious bias in the equation

One of the most common reasons for the tendency for sales information to be inaccurate is unconscious bias on the part of those providing it – the sales team.

A typical scenario is when a slew of optimistic pronouncements segues into excuses as the months go by. Some examples of this move from unwarranted optimism to failure, familiar to every sales manager, are: "We will be on budget by mid-year... I don't know why they haven't placed the order yet."; "The deal is in the bag, they have selected us or The client confirmed we had diagnosed their problem...They decided to stick with their old solution."

If this is sounding familiar, do not be disheartened – it's all too common in sales, probably because the typical sales personality is prone to bias of many kinds. At base, the typical sales person is energetic and enthusiastic, an incorrigible optimist and often something of an egoist who genuinely believes he or she has a special connection with clients or prospects. Many of them genuinely believe they are above the average in terms of brains, business acumen and so on. These characteristics are, of course, very valuable but they can predispose their possessor to see things through rose-coloured spectacles and can even prevent them from genuinely hearing what clients are saying.

These preconceptions make it hard for sales people to report the facts of a situation with anything like objectivity, thus creating an unconscious bias towards certain conclusions.

Some of the most common biases include:

- **Data bias.** When the first pain point mentioned by a prospect is enshrined as the highest priority by the sales person.
- **Confirmation bias.** When loaded questions are used to elicit a specific answer from the client/prospect.
- **Success bias.** When success using a particular selling strategy leads to its adoption for all future sales efforts.
- **Self-attribution bias.** When a call happens to go well despite a lack of planning, or a deal goes through, assuming that it is due to the sales person's efforts. This bias can also manifest when a sales person closes several deals in a row, and concludes that this pattern will continue.
- **Expert bias.** When the sales person fails to see alternative solutions to offer to clients because they are transfixed by 'previous experience'.
- **Commonality bias.** When the tendency to believe that recently emerged patterns will continue into the future, even though they contradict long-term data.
- **Gambler's bias.** A run of disastrous calls 'must' be followed by a run of luck.

No matter what the nature of the bias is, it will result in wasted time, diminished market share, unhappy customers and lost sales. Most serious of all, the company's all-important brand could be damaged.

The solution: Exercising judgement when making decisions.

Having understood that the information he or she receives is likely to biased, and having realised that some kind of bias is probably endemic to the traditional sales environment, the sales manager needs to find ways of overcoming that bias.

This can be done by consciously exercising his or her judgement when making decisions in order to identify and then correct bias.

Balancing the bias

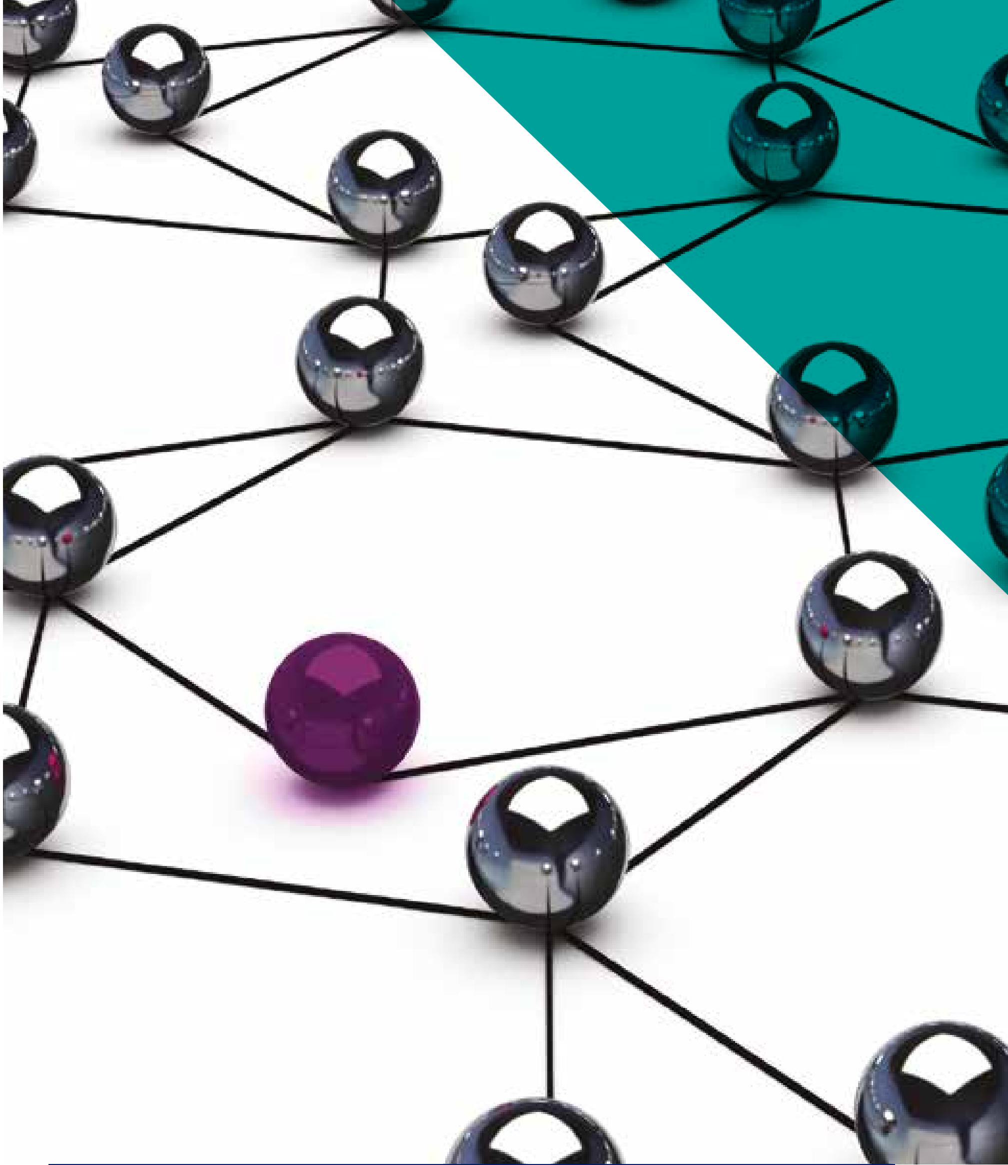
Judgement-based decision making is more of an art than a science, but it can be quite precisely defined as the process of drawing sound conclusions, forming opinions or making critical distinctions about people, situations, ideas or events through assessment, comparison and/or deliberation.

To put it into practice methodically, we have found the following steps to be valuable:

- Begin by ensuring that you are conscious that that the data received from sales teams may be biased.
- Interrogate the legitimacy or reliability of the source of the information. This includes understanding the track record of the sales person relaying the information, but also where he or she got it. An impression based on a single in-person sales call is not the same as a direct comment in an e-mail, for example. What questions were not asked?
- Assess the information for the specific biases outlined above, and filter the information accordingly. A useful technique here is to visualise the negative implications of the data, as the sales person will almost inevitably have emphasised its positive connotations.
- Assess the culture of the sales team and its impact on the data. Having assessed the data's reliability and the sales person's individual bias, it is important to consider whether the team dynamic is such that it creates an echo chamber, in which a common bias operates. In other words, is there an accepted way of doing things that is unconsciously affecting everybody's thinking?
    - The team must be prompted to acknowledge that better sales decisions result from balanced information about each sales opportunity, obtained from a diverse set of sources.
    - At the same time, sales managers must move away from demanding that team members know all the answers. Doing so will acknowledge that truth-seeking does not come easily, and that good decisions need reality to be honestly confronted.
    - Finally, at the cultural level, any tendency towards overconfidence (and thus a lack of perceptiveness) should be replaced by humility.

By following these steps, sales managers will become habituated to querying data methodically before they use it in decision making. In due course, this approach will naturally influence the way the teams themselves assess and use data, and thus the pipelines they present. In so doing, sales teams will be able to validate opportunities early on in the sales cycle, eliminating unsuitable ones before they consume too many resources. Teams will also no longer assume that the sales cycle will unfold as predicted, and will have contingency plans in place for the worst-case scenario.

The end result: sales pipelines that are truly realistic, and that become more accurate over time. That's a skill that's really worth acquiring.



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Michael Franks is a partner and managing executive at LRMG in Johannesburg. In his capacity as LRMG Sales Optimisation Lead he helps companies identify and diagnose barriers to sales performance, and architect smart, relevant, targeted solutions to drive sustainable improvement and bottom-line growth. He has held various positions in business optimisation and more specifically sales performance over the last 15 years, designing sales performance solutions for local and international blue chip companies. Past positions include Business Development Director with the London School of Business and Finance, Managing Director of The WOW Group and Human Capital Lead at Accenture Strategy, before joining LRMG in July 2015. Michael holds a Bachelor of Commerce Degree (Hons.) in Business Economics from The University of the Witwatersrand and has completed The Executive Leadership Programme at Wits Business School.

About LRMG

LRMG aligns people and environments to optimal performance through a unique understanding of the connected mechanisms and contexts that drive positive people and organisational outcomes. It has been delivering performance solutions that result in a measurable impact since 1997, and its solutions continue to evolve to address the skills and capabilities its clients will need tomorrow. LRMG has offices in Johannesburg, Cape Town, Kenya and Mauritius and representation in another 18 African territories.

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