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Moving the Middle

Supercharge sales growth by focusing on the people in the middle of your bell curve.

When looking to increase sales, focusing on the top performers is far less effective than engaging the middle. Why? Greater numbers and more room for improvement make the middle tier more likely to produce additional revenue.

Executive Summary

When the business world discovered the "80/20 Rule" in the late 1940s, the concept was embraced as a useful insight by millions of business leaders. When applied to real-world situations, however, it led to significant misconceptions.

Following the logic of 80/20, the reasonable conclusion was to focus on top producers, a particularly common practice in sales organizations. Because of the perception that this smaller, easy to capture group controls the lion's share of the impact, that strategy made sense. Unfortunately, that perception is oftentimes incorrect.

A recent study by the Sales Executive Council (SEC) found that the top 20 percent is, on average, actually responsible for only about one third of revenue. This can vary based on the complexity of the sales environment, but even in highly complex situations, the top echelon routinely drives less than 40 percent of sales.

The same SEC study showed that, of more than 625 sales reps across 11 sales forces, a five percent performance gain from the middle 60 percent yielded, on average, over 70 percent more revenue than a five percent shift in the top 20 percent.[1]

The more subtle flaw in the 80/20 premise is the fact that top tier performers are already operating at or near capacity, leaving little room for growth. It is far easier to get additional lift from the middle of your performance curve as they have more headroom.

Once organizations have targeted the middle tier, managers must substantially shift their tactics to address this larger, more diverse group.

First, B-Players must be developed to tap into their latent potential. With more room to improve, skills training and a strong focus on coaching can have dramatic effects – especially when coupled with a potent incentives strategy.

Secondly, new incentive programs must augment winner-take-all contests. Emphasis should be placed on programs that utilize "open-ended" rule structures, giving individuals throughout the performance curve the motivation to achieve.

Overall, a focus on the middle of the bell curve may seem counterintuitive to many leaders, but the results are undeniable. More importantly, it is an area currently underutilized by many organizations, representing a new, powerful tool available to sales leaders always searching for additional revenues.

The "80/20 rule" has led business to focus on top-tier performers when they need lift. But it is actually the middle of the bell curve that offers the greatest gains.

The Great Mistake – The 80/20 Rule in Business

In the early 1900s, Italian economist Vilfredo Pareto observed an interesting phenomenon – 80 percent of the wealth in Italy was held by just 20 percent of the population. And with that revelation, the "80/20" rule was born.

Then in 1941, an engineer by the name of Joseph M. Juran found that 80 percent of all quality issues in manufacturing could be traced to 20 percent of the causes. He labeled his discovery as "the vital few and trivial many."

This work slowly entered the mainstream and began to be used as an explanation for many phenomena. Today, the 80/20 rule is everywhere. Acting in line with this general "rule-of-thumb," companies have built their compensation plans, human resource strategies, operational plans and sales strategies around it. And so this belief has come to represent one of the most widespread and significant misconceptions in the business world today.

The 80/20 rule led managers to focus on and nurture top performers – be it employees, customers, channel partners, and in particular, sales people. "The great mistake" made by many who believed in the 80/20 philosophy lies in the passive and widespread acceptance of the principle at face value, without questioning the assumptions at its core.

There are two critical flaws within the 80/20 concept. The first is the simple fact that the 80/20 rule is often incorrect. In a recent national study, the Sales Leadership Council found that the average top 20 percent of sales people actually only contribute about one third of the revenue, not 80 percent.[1] In many organizations that number is even lower. The B-Players of the organization almost always control the larger share of production – and thus are where companies should focus to drive bigger gains.

The second erroneous assumption is the belief that top-performer groups are easier to ask for additional performance. There is no question that the top tier controls a large stake and is vital to overall production, but it is not the place to get new, incremental improvement. Generating additional growth is more difficult at the capable, higher levels of a sales force because there is less room for improvement. High performers are typically operating at, or close to, capacity.

In most sales organizations, B-Players often have more room to improve if properly trained and motivated and there are more of them. Sales leaders who understand this dynamic can drive significant lift from a group that has traditionally been left in the background.

A five percent performance gain from the middle 60 percent can yield over 70 percent more revenue than a five percent shift in the top 20 percent.

The Benefits and Liabilities of the A-Player

It is easy to focus on top performers. They are the ones who devise the winning strategies, lead and develop strong teams, continuously exceed sales targets and streamline operations. A-Players come in many shapes and sizes, but most have two things in common.

First, top performers perform – often in spite of what is going on around them. Rarely does the top echelon need to be further trained, directed or pushed to succeed. By providing an infrastructure that allows them to do their job, they will find a way to get it done because of internal drivers inherent to their personalities.

Second, they must be continuously challenged. They need to see a clear growth path at all times. They are entrepreneurial and do not like to be told how to approach their work. They are flight risks who often leave for new opportunities.

It is important to take care of A-Players and provide the environment they need to perform. It is vital for management to reward, recognize and retain them – but not to develop them.

"The B-Player is the 'heart and soul' of any organization."

-Harvard Professor, Thomas J. Delong

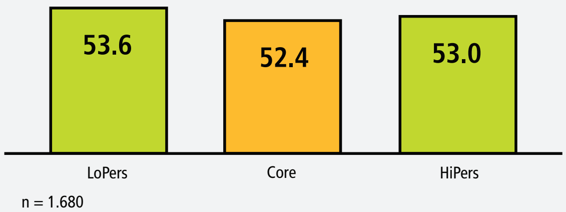
Who is the B-Player?

According to Harvard professor Thomas J. Delong, the B-Player is the "heart and soul" of any organization. They are loyal and do their work without fanfare or fuss. They are the keepers of institutional knowledge during hard times such as mergers or downsizing and they are the people who create the ballast for the organization.

The common misconception is that B-Players are simply average performers who lack the drive of their higher performing peers. The reality, however is that many of these individuals are competent producers that are capable of greater performance.

Research conducted by Delong shows that upwards of 20 percent of the B-Players in any organization are former A-Players themselves. Many have simply fallen from the ranks by seeking work/life balance, such as Baby Boomers who no longer have the need to earn at the highest levels. Others are talented, but young, entrants who have not developed the instincts or skills that help them focus their time on high value activities. With some effort, many can, and will, perform at higher levels.

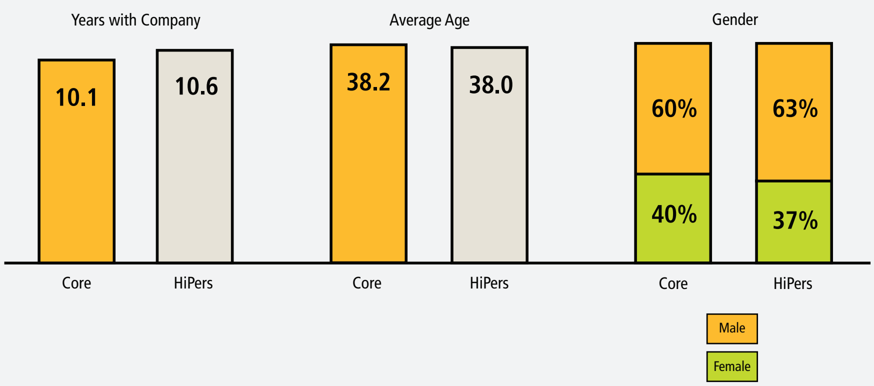
Comparison of High, Core, and Low Performer Work Week
Average Hours Worked per Week



Defining High Performance

High performers make up roughly the top 20 percent of the sales force, as measured by responding companies using sales, profit, cycle time, customer satisfaction, and/ or performance review data.

Demographic Comparison of High and Core Performers
13,050 Sales Reps



Source: Sales Executive Council and SEC Solutions research: CLC Solutions research.

B-Players are not characterized by any demographic criteria. In fact, there is virtually no difference between high and middle sales performers in tenure, age, gender or hours worked.

Shifting the Performance Curve

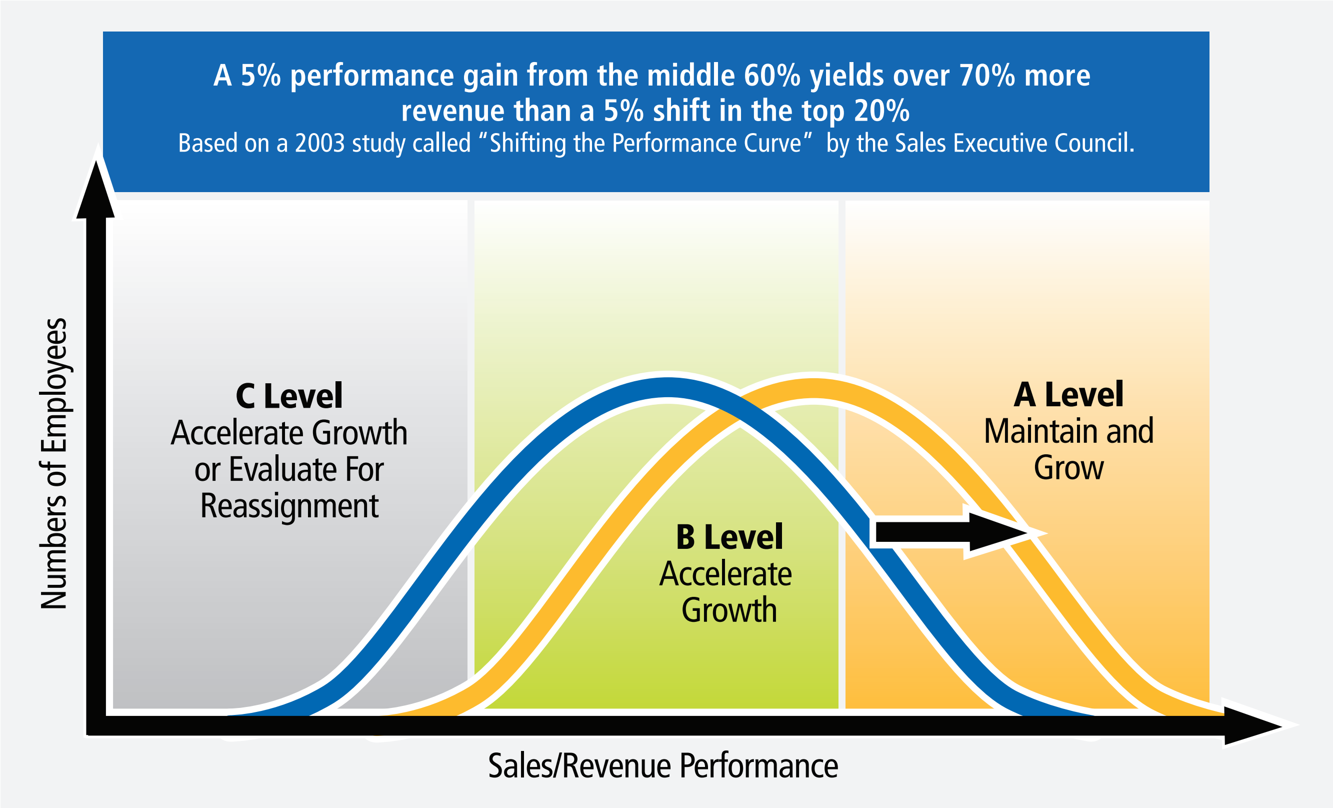
Getting more out of the middle requires a shift in philosophy for most organizations, but it can be done. With firm commitment from senior management and smart targeted investment, many firms have successfully shifted the performance curve, achieving higher returns across their sales forces.

In order to target and improve performance of the middle-tier, familiar concepts of development and incentives apply, but with some key differences. The two primary changes to consider are:

- An emphasis on coaching vs. traditional sales training
- Incentive programs that are open-ended and target a larger portion of the bell curve

Those two simple changes, when they are well executed, can generate surprising results.

Coaching is an extremely effective method of reinforcement that has been shown to improve performance by 88 percent.



Enable Them To Improve

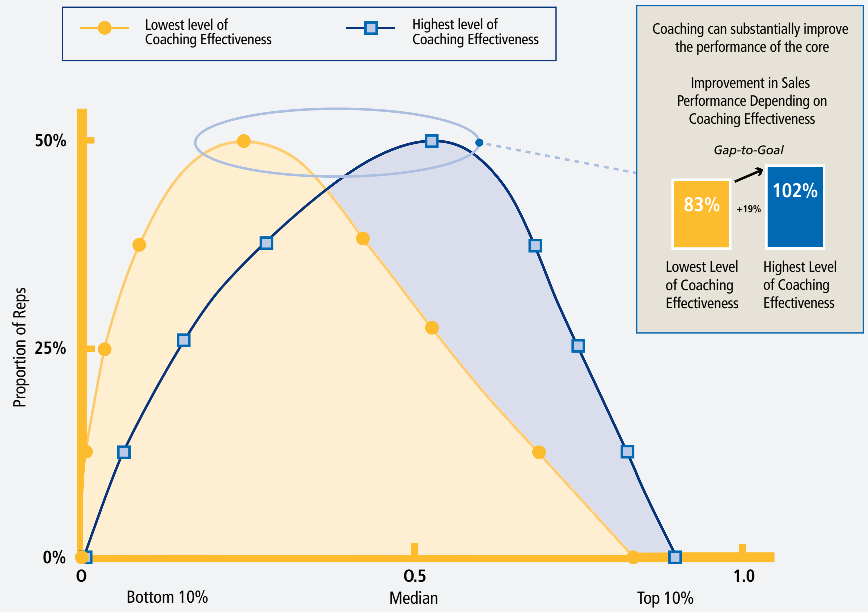
When tapping their B-players, many organizations mistakenly rely on traditional training curriculums alone. To actually enable higher performance, improvement initiatives must be broader than just sharing best practices.

To weave new skills and knowledge into the learner's daily life, those skills first must be remembered and then applied. Traditional training implemented as an event, although the most common intervention, is also very ineffective. After just 30 days, the learner's memory retention drops to only 13 percent.[2]

Memory retention can, however, improve greatly by engaging the learner with timely and active reinforcements. A strong coaching element can add the relevance and frequency needed. Coaching, specifically defined, is ongoing performance-based interactions that use inquiry to develop an individual's potential and create a feeling of responsibility.

Coaching is an extremely effective method of reinforcement that has been shown to improve performance by 88 percent.[2] Coaching empowers a sales rep to succeed by using inquiry to develop an individual's potential and create a feeling of responsibility. Coaching is performance-based and goal centric. It is about what your sales reps DO, not what they know. And it is about meeting goals.

Coaching Effectiveness



Source: Sales Executive Council research.

A Significant Improvement: Effectively coaching the middle can improve their performance by as much as 19 percent.

Coaching Effectiveness

Because of this, coaching cannot be considered a one-time event like traditional training. It actually picks up where training ends and is significantly different from managing. Using questions, an effective coach will work with his or her sales reps on a regular basis to develop them and improve their performance.

To do this effectively, he or she must be relatively selfless and keep in mind that it is about the sales reps, not the coach. It is a steep learning curve and not all sales managers are cut out to be effective coaches. However, with an effective learning program and the right incentives, it is possible to mold many sales managers into the role.

With a well-trained coach, an engaged sales representative, and an effective plan, coaching will have a dramatic impact on tangible business results. According to a recent national study, coaching the sales force increased deal size by an average of 71 percent and increased revenue per representative by more than 25 percent. The same study also noted that coaching increased the calls per representative by 76 percent for top performers. But it was the middle that saw the most dramatic improvement in call volume – an increase of 261 percent.[1]

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Meaningful Motivation

Typical incentive programs only target and motivate the top tier (or more specifically, only those right on the bubble of winning the top prize).

Many middle performers are de-motivated by this "winner takes all" approach. They may feel that they don't have a chance at a promotion or an award because the parameters are out of their reach. Often B-Players become alienated if they are not members of the exclusive club, losing confidence and drive. Many decide that they are underappreciated and overworked in a vicious, continuous cycle.

Ironically, sales managers are quite adept at managing their client portfolios across a spectrum that nurtures value at different levels. The same concept can apply to people, designing meaningful incentive structures to motivate your entire workforce.

	Middle 60%			
Bottom 20%	20%	20%	20%	Top 20%
Exit Quickly	Question Value	Nurture	Grow	Strategic Partnerships

Bottom 20%	Middle 60%	Top 20%
Allow to Flounder	Keep – Atta-Boy	Pay & Praise

Sample Program Structure

Participant Level	Participant Level	Over/ Growth Bonus	Move Up Bonus	Top Performer Award
A	0.75%	1.50%	3,000 Points	Travel award for top performers
B	0.50%	0.75%	2,000 Points	
C	0.10%	0.50%	1,000 Points	

A common assumption made by many organizations is that top performer programs will motivate the middle tier because anyone is eligible to win. In reality, top performer programs are recognition tools – they recognize and reward your best people to help retain them and keep them engaged. Put another way, these "winner-takes-all" programs only drive output from the narrow band of employees who know they will make the cut, or have a strong chance at doing so with normal output.

While it is important to leave the top performer award in place, a different kind of incentive structure is needed to move the middle performers. Emphasis should be placed on programs that utilize open-ended, tier-based rule structures to energize the middle of the bell curve. This is uncomfortable for many organizations because of the uncertainty in investment but if designed correctly, these programs are self-funding and have huge impact on growth numbers.

Open-structured programs allow all participants to compete against individual goals, creating a much broader incentive that pushes performance throughout the organization. Creating levels of achievement within the incentive program provides meaningful opportunity for performers at all levels:

- Establishing performance bands with appropriate goals — for example, five percent increase over previous year — and awarding participants for achieving up-to-objective drives incremental revenues.

- For those who exceed objectives, providing additional, higher value "over/growth bonus" awards for their increased effort will continue to drive performance once the initial goal is achieved.

- As a participant's performance moves them into the next level of achievement, providing a "move-up bonus" and rewarding production beyond that at the rate associated with the higher performance band keeps motivation high.

- Maintaining your top performer award works to retain your traditional top tier.

In reality, top performer programs are recognition tools – they recognize and reward your best people to help retain them and keep them engaged.

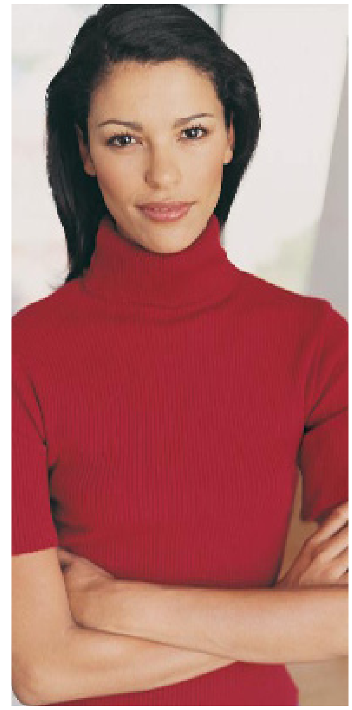
Award Selection

These types of expanded programs result in a larger number of winners and must contain reward vehicles that support different levels of achievement. The awards mix also needs to reflect the diversity that exists within the middle tier.

There are many popular options to reward an employee. They often include non-monetary incentives and recognition. Each has a different impact on the individual as discussed below. The key is in finding out what it is that will get them motivated and drive them to success.

Non-monetary incentives can include merchandise, travel, filtered cards or experiential awards. These types of awards are considered to be 2.5 times more effective than the same amount in cash.[4] They have halo benefits that include higher visibility across employee groups and more lasting emotional impressions. Additionally, these offerings can be customized for the target group through research and understanding of their drivers.

Recognition is also a powerful tool in moving the middle. Many employees actually prefer recognition for a job well done; however, it must be genuine and cannot be considered a substitute for non-monetary incentives. To keep the middle engaged, recognition should be part of a broader award strategy – combined with either monetary or non-monetary incentives.



The awards mix also needs to reflect the diversity that exists within the middle tier.

Conclusion

Driving incremental growth from the middle performers is critical to the success of any company. With upcoming talent shortages and inflated salaries it becomes more and more important to understand how to get the best from the middle tier, tapping into their capacity for growth.

A-Players will continue to be high demand. They fill an important role in the organization and should be reinforced and rewarded for their contribution. The B-Player, on the other hand, is the operational foundation of the company. They are as critical, possibly more so, as their A-Player counterparts.

Understanding how to get the most out of these middle performers requires both enabling them and motivating them with the right mix of rewards and recognition that is aligned with their personal drivers and within reach through stretch goals. Following this process correctly will lead to unprecedented success and sustained competitive advantage.

References

1 Sales Executive Council "Shifting the Performance Curve - Exporting High-Performance Sales Disciplines to the Core", 2003

2 Coaching and Mentoring: Enhancing Education by Mario Beranrd copyright 2002 CLOmedia.com

3 Sibson Performance Consulting

4 HRO Today Magazine: September 2006

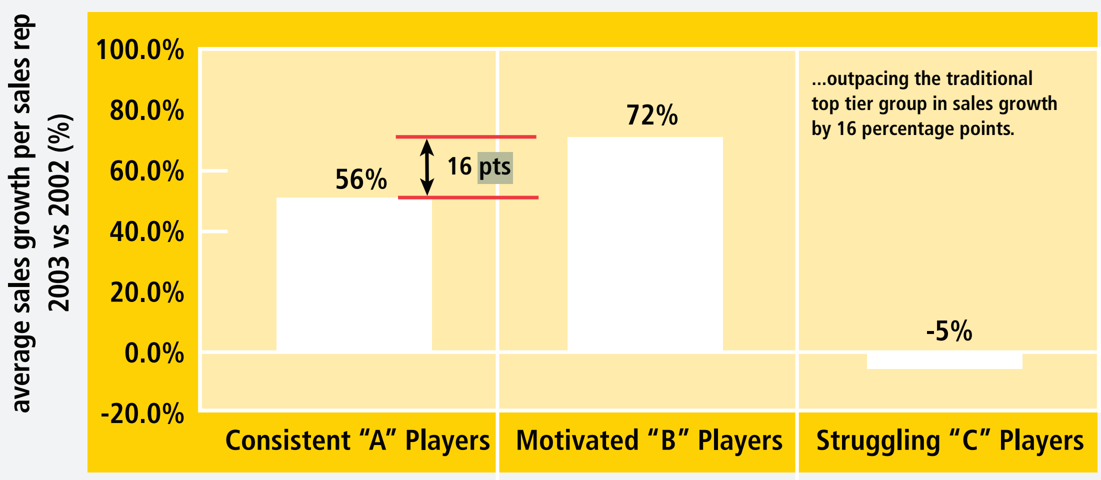
Middle performer growth outpaces A-Players by 16 percent at a financial services firm

Pacific Life was lagging the industry in new sales. While the industry had grown by five percent in the previous year, our client had shrunk by three percent. In order to shift this trend, we implemented a striking change in the company's non-cash incentive program. We persuaded the client to keep its top performer programs intact, but open up the rule structure so that anyone who achieved their objective won the award. An additional incentive was established for middle tier performers who exceeded their goals by 10 percent. There were no other structural changes to the sales force.

Our client saw expectation-shattering results the following year. Two-thirds of the mid-level performers now qualified for incentive reward (none had qualified previously). These B-players not only created $14 million in incremental profit, but also outpaced the growth of the top performers by 16 percent. The mid-level group contributed about 80 percent of the total sales growth for the year. And the client's sales growth increased at 47 percent – five times the industry average.

These B-Players not only created $14 million in incremental profit, but also outpaced the growth of the top reps by 16 percent.

Pacific Life Average Annual Sales Growth per Wholesale Sales Rep 2003 vs 2004



About Maritz

Maritz helps companies tap into the potential of people to achieve unprecedented results in unexpected ways. At Maritz, we help companies understand, enable and motivate employees, sales partners and customers to bring business strategies to life – delivering tangible results, reducing costs, increasing productivity and driving growth.

What we do

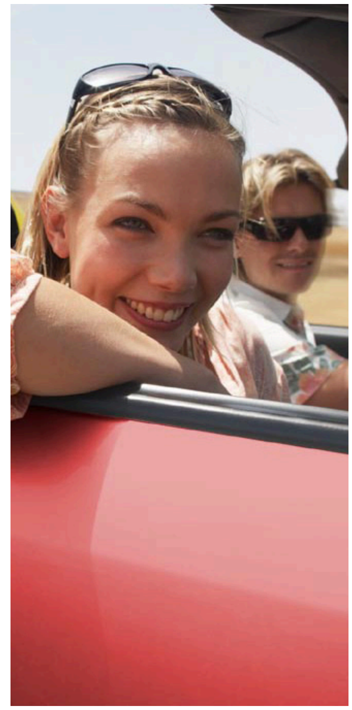
Maritz partners with companies to design and execute market research, creative communications, learning solutions, incentive programs, rewards and recognition solutions, customer loyalty programs, and event and meetings solutions. All of Maritz' services focus on helping companies drive greater performance through their people, often in ways they never thought possible.

How we do it

By combining creative thinking with strategic insights and advanced technology, we provide each of our clients with the optimal combination of solutions to their unique problems.

Who we work with

Our Fortune 500 clients understand that their business success relies on engaging and inspiring their employees, channel partners and customers. We have helped companies in the automotive, financial services, high tech, telecommunications, hospitality, retail and pharmaceutical industries exceed their business objectives and generate exceptional growth.



Maritz helps companies tap into the potential of people to achieve unprecedented results in unexpected ways.

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For more information visit Maritz at www.maritz.com or call (877) 4 MARITZ.

