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## GLOBAL

# Implementing Six Sigma in a Global Sales Organization

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**B**y now, most people have heard of Six Sigma, the business improvement method that combines statistical analysis with process improvement techniques to generate millions and even billions of dollars in bottom-line improvements. Since the 1980s, companies such as Motorola have been applying Six Sigma to their manufacturing, engineering, R&D and order fulfillment processes with astounding success. However, one area that has resisted the Six Sigma “phenomenon” is sales.

Nevertheless, in working with global sales organizations, our firm has found that many of the principles of Six Sigma, such as the identification of “critical to customer” requirements, data-driven analysis of processes and the elimination of non-value adding activities, can be highly effective in harmonizing an organization’s global sales

processes and capabilities to drive breakthrough sales growth.

### Six Sigma Legends

One of the most attractive aspects of Six Sigma is its ability to achieve truly extraordinary results. Consider the payoffs on Six Sigma from “legendary” practitioners (see Figure 1).

Why, with the acute awareness of the potential payoff from Six Sigma, have there been so few successful applications of Six Sigma to the sales process? The Corporate Executive Board’s Sales Executive Council has said that, “The central challenge of applying Six Sigma to sales is the inability of companies to measure current performance against dynamic customer requirements while also developing the necessary internal organization components (leadership, strategy, staff and technology).”

To this, one might add that defects in the sales process are often hidden and are usually a matter of opinion (*exactly which factor caused the lost sale?*). On top of this, there are typically fewer discrete events in the sales process, which can be measured and analyzed statistically, than in manufacturing or order processing.

### Applying Six Sigma to Drive Global Sales Capabilities

In our firm’s experience, Six Sigma methods and tools are particularly well-suited to support the development of an organization’s global sales capabilities. Specifically, we have found that implementing Six Sigma on a global scale in sales enables organizations to:

- Identify those sales activities that are critical (and not critical) to winning business;
- Standardize sales processes globally, based on best practices;

**Figure 1. Payoffs on Six Sigma**

Company, Six Sigma Start Date	Payoffs
General Electric: 1995	<ul style="list-style-type: none"> <li>• \$750 million in 1998, \$1.5 billion in 1999, \$5 billion in 2002.</li> <li>• In 2001, GE had more than 3,000 Six Sigma projects underway in its airline segment totaling \$400 million in savings for customers.</li> </ul>
Motorola: 1987	<p>In the first decade of implementation:</p> <ul style="list-style-type: none"> <li>• Five-fold sales growth.</li> <li>• Savings of \$14 billion.</li> <li>• Stock price gains of 21.3% annually.</li> </ul>
Johnson & Johnson: early 1990s	<ul style="list-style-type: none"> <li>• Integrated Six Sigma with signature of quality and lean manufacturing.</li> <li>• Has taken out \$3 billion in costs since 1994.</li> </ul>
Allied Signal: early 1990s	<ul style="list-style-type: none"> <li>• By 1999, Allied was saving \$600 million a year thanks to Six Sigma.</li> <li>• On aircrafts, the time from design to certification was reduced from 42 to 33 months.</li> </ul>

- Support a global account management capability with consistent, measurable sales processes and activities;
- Improve the predictability of sales processes and results;
- Improve the management of the sales pipeline, from expanding the size of market opportunities to increasing win rates; and
- Raise the level of performance of sales forces globally.

Six Sigma, when applied to sales, generates long-term, sustainable value—both for your company and your customers.

### Unique Challenges of a Global Six Sigma Implementation in Sales

In our experience, organizations encounter several major challenges in its implementation:

- 1. Managing sales as a process.** Selling is an “art” not a process! Salespeople resist managing sales as a process, preferring to think of what they do as a skill—partly dependant on a sales personality type and uniquely fashioned by the individual salesperson.
- 2. Measuring the sales process.** Selling does not have the type of consistent, repetitive activities that can be easily measured, analyzed, controlled and improved.
- 3. Committing resources to Six Sigma projects.** Successful Six Sigma projects require trained and dedicated project leaders, known as Green Belts, and other specialists, known as Black Belts. Because these people must be highly knowledgeable about the tools and techniques of Six Sigma and in addition be knowledgeable regarding the process being addressed, a typical approach is to involve line managers—initially for training in Six Sigma tools and techniques and subsequently in leading and / or coaching Six Sigma projects. The requirement of time taken from normal duties to focus full-time for

the duration of the Six Sigma project (at least) may be possible for some functions, but certainly not for the successful senior salesperson.

#### 4. Translating the standard Six Sigma tools and concepts into ones

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that are seen by salespeople as relevant and practical for their work. For example, Six Sigma analytical tools such as regression

analysis and hypothesis testing are typically applied using lots of “hard” quantitative data. In sales where such data is not available, however, analysis is based on qualitative input and the experience of senior salespeople.

Nevertheless, overcoming these challenges can result in significant benefits to the organization, including:

- 1. Significant increases in win rates on competitive bids.** Applying this to a large global industrial company can mean adding billions to the top line as well as substantially improving the bottom line.
- 2. Improved customer penetration and retention.** By systematically identifying “critical to customer” (CTC) requirements – the baseline for developing Six Sigma improvements – organizations ensure that all processes and activities deliver on the known, measurable elements that ensure customer satisfaction. The result is increased, customer satisfaction and ultimately, increased

share of customers’ business.

#### 3. Reduced non-selling time and increased sales force productivity.

In many organizations, non-selling time can make up more than half of the available time of a sales person. Six Sigma techniques focus on identifying and eliminating waste and non-value adding activities, resulting in significant increases in the time available for key selling activities.

#### Implementing Six Sigma in Sales on a Global Scale

Of course, the steps to overcome these and other challenges will be based on an organization’s specific situation (see “Are You Ready for Six Sigma in Sales?” later in this article). However, in general, we have found the following implementation strategy to be applicable for many organizations:

- **Estimate the size of the prize.** Like most major change initiatives, Six Sigma requires a serious and zealous commitment by senior managers. Gaining that level of commitment comes only from recognizing that there is a substantial financial opportunity to be captured from the initiative. Estimating the financial opportunity is done by analyzing two key results measures, called “big Ys” in Six Sigma parlance:
  1. Win rate %, which is the current level of business won versus the total proposed (an even better calculation of win rate is the level of business won versus the total opportunity, but this can be difficult and contentious to measure accurately in most organizations); and
  2. Share of customer or penetration rate. Estimating the potential Six Sigma opportunity requires determining the current level on either or both of these metrics, then estimating the additional revenue assuming these metrics were to increase substantially (i.e. doubling). Frankly, just gathering the data and doing the calculations – even if you decide not to pursue a Six Sigma

implementation – will make for an interesting discussion among senior salespeople!

- **Create process templates and tools.**

Before diving into the detailed process maps that are eventually required for most Six Sigma projects, it is useful to create high-level templates that broadly describe the different type of sales processes that exist in the organization. Sales organizations in different countries can then use these templates to develop more detailed process maps, called SIPOCs (for Supplier, Input, Process, Output, Customer) that reflect the unique elements of their local selling processes. At the same time, using process templates ensures that the key activities in the sales process are described consistently around the world.

- **Define sales process metrics,**

called X measures or “drivers.” The sales process templates are also used to develop the process metrics that will initially identify and prioritize Six Sigma improvement opportunities and will later guide the improvement actions and track improvements in performance.

- **Validate the sales process templates and metrics**

by applying them in several different countries. This step involves engaging local country sales organizations in creating a detailed SIPOC map for their sales processes as well as confirming that the data required to calculate the process metrics can be gathered without too much difficulty and that the metrics can then be calculated consistently.

As with estimating the “big Y” results measures, creating and validating standard process templates with process measures will, by themselves, provide valuable knowledge and insights for improving an organization’s global sales capabilities and systems, whether

or not the organization fully applies Six Sigma to its sales processes.

- **Identify and launch initial Six Sigma in Sales projects.**

Selecting the right initial group of projects to which Six Sigma techniques will be applied is critical to the long-term success of the program since these projects will be the proving ground for the first group of team leaders (Green Belts) and will ultimately confirm whether or not a sales Six Sigma initiative is viable for the organization. Therefore, it is important to select projects that address an important, visible and well-known issue and / or opportunity in the sales process. From



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a practical point of view it is also important to select a project for which “hard” process data can be gathered without too much difficulty.

Listed below are guidelines that can help people to identify potential projects that are both practical and meaningful:

1. **Look for sales processes or sub-processes that are transaction-based.**

For example, selling spare parts or selling commodity chemicals where there may be many individual sales transactions and the customer requirements are price, quality and delivery. We have found that in these projects it is easier for Six Sigma teams to define the process in detail and to gather data that can be used to drive improvements.

2. **Look for areas where the pricing and margin can be set on each individual deal.**

In these situations, Six Sigma techniques can be applied to determine

why some deals are consistently more profitable than others and how to create a process to ensure consistently profitable deals.

3. **Look for areas where the process depends on the quality and timeliness of bids.**

These processes tend to have lots of breakdowns and bottlenecks in the sub-processes and activities that can be addressed very effectively using Six Sigma techniques.

4. **Look for areas where there is an internal approval stage in the sales process.**

Often, when proposals are approved internally, there may be a significant rejection rate, which means not only that the sale won’t be made (at least not under the current terms), but also that all of the effort that has gone into the sale up to that point is wasted. If that situation exists, there is a significant opportunity to improve the “yield” in the sales process.

5. **And finally, look for areas where the sales process requires coordination of multiple, internal groups.**

If you have situations, for example, where there are hand-offs from technical departments such as engineering and design to salespeople, the opportunities for “defects” in the form of wrong information, errors, etc. can be significant.

While these guidelines focus more on the “transaction” sales process, another source of potential projects is an organization’s strategic account management system, which focuses on the “consultative” and “strategic” sales processes. Strategic account management is typically driven by a standard process, which includes steps such as establishing strategic customer relationships, understanding and addressing the customer’s value drivers, etc. In this type of sales process, Six Sigma can be applied to individual steps (or sub-processes) in the strategic account management process that are determined to have the greatest influence on

long-term account penetration and growth, as well as on win rates on individual sales within the account.

• **Design and Implement Green Belt Training.** Most organizations that have implemented Six Sigma in sales have realized that the training provided to team leaders, called Green Belts, needs to be adapted for the sales area. This means that instead of teaching Six Sigma tools and techniques using a traditional conceptual approach, the training should be based on applying the tools and techniques in actual sales situations such as winning major sales, improving penetration in strategic accounts or increasing margins on large contracts.

Another important consideration in training and launching “Green Belts” in sales is the amount of time required for training. Bearing in mind that it is very difficult to take sales people out of the field and away from meetings with customers and advancing sales, training “Green Belts” in sales requires that classroom time be kept to a minimum. One way of supporting Green Belts and their projects in the field is to use short but frequent coaching sessions, which can often be done online using Web meeting tools.

### Are You Ready for Six Sigma in Sales?

As one Six Sigma expert observed: “Implementing Six Sigma requires a near fanatical level of commitment from everyone involved and especially from senior management.” Successful implementations also require considerable time (typically one to three years) and investment of resources. Therefore, it is important before embarking on such a program to consider a) if it’s worth the investment and b) just how far your organization may have to go to benefit from it. This quick readiness assessment can help you do just that.

The first question deals with the potential gain from implementing Six Sigma in Sales:

*Compared to the industry, sales growth for our organization is...*



## THIS POWERFUL METHODOLOGY WILL CREATE A TOTAL TRANSFORMATION, NOT ONLY OF AN ORGANIZATION’S KEY PROCESSES, BUT OF ITS CULTURE AS WELL.

- a. Less than the industry;
- b. The same as the industry; or
- c. Greater than the industry.

The following statements help determine the degree of “readiness” of your organization to take on the challenges of implementing Six Sigma in sales. Answer each statement using the following 1 to 5 scale:

1. Not at all;
  2. Infrequently;
  3. Somewhat;
  4. Most of the time; and
  5. Always.
1. *Our salespeople understand their customers’ most important requirements.*
  2. *The performance of our salespeople is evaluated using sales process measures as well as results measures.*
  3. *We use metrics such as win / loss rate, response time on customer requests for proposals and salesperson’s selling time vs. total available time, to track the performance of our sales process.*


4. *We use the same sales processes consistently throughout our worldwide business.*
5. *Our sales processes are well-defined and documented.*
6. *Our sales support systems, i.e. Customer Relationship Management (CRM), pricing and estimating tools, etc., are effective at helping our salespeople to win business.*
7. *Our salespeople are directly involved in projects to improve sales processes.*
8. *Our salespeople believe that selling is a process that can be systematically measured and improved.*

If you answered that your organization is growing at the same or slower rate as the overall industry, implementing Six Sigma in sales can provide the kind of sales capability you need to pass the competition.

If you answered “most of the time” or “always” to all or most of the eight readiness questions, getting your Six Sigma in sales program up and running and contributing to faster-than-industry sales growth may not be such a monumental task.

If, on the other hand, you scored the readiness questions a one, two or three, consider this assessment to be a checklist to be used in prioritizing and guiding the planning and start-up of your program.

### Some Final Thoughts

As anyone experienced in implementing Six Sigma will tell you, this powerful methodology will create a total transformation, not only of an organization’s key processes, but of its culture as well. From the establishment of a total customer-focused attitude throughout the organization to the use of data and measurement to drive all activities, Six Sigma brings a discipline and performance orientation that will drive business results to levels never before imagined. As with any business transformation, people at all levels will continually ask—is it worth it? To that, the response should be: ask GE, American Express or Johnson & Johnson! 

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