Stop Talking START *Doing*

Here are six key steps to becoming a consultative selling organization. – By Patricia M. Sherlock

With the collapse of confidence in the financial sector, market forces are profoundly reshaping the way products are sold. Sales professionals acting as human brochures explaining features and benefits to clients no longer match with how the customer's purchasing methods have evolved.

Today, customers are smarter and savvier than ever. They want insight – not just information from a salesperson. As products become completely interchangeable, much more like commodities, what differentiates companies is the ability of their sales professionals to create value for the customer.

This is why I believe a new era in sales is upon us. While consultative selling has been discussed often, the time has come for management teams to make it happen inside their organizations. As an IBM television ad says, "Stop Talking and Start Doing." The focus of this article is on the six keys to implementing a consultative sales organization.

It's a jungle out there

As any loan officer and account executive today will tell you, it's a jungle out there – with intense competition and price wars. What originators see daily is an abundance of lenders chasing a finite number of borrowers and brokers.

"Today, the customer can do business anywhere and with many lenders," says Paul Wyner, senior vice president and divisional manager for Flagstar Bank, Troy, Michigan. "The real question is: Why should they do it with you?"

What is not easily understood is that the sales-power equation has permanently shifted to the customer. The type of selling skills that were successful in the past will not be effective in the new environment. The customer now calls the shots. This change in the sales-power equation challenges sales departments to take business away from the competition and have sales professionals who are skilled at creating demand.

The fundamental flaw: Too many order-takers

Order-takers are everywhere in mortgage origination. Order-takers are people who are pleasant, but can't deliver results in a tougher production environment. The truth is, order-takers are suited to customer service rather than selling because they lack the characteristics that above-average producers possess.

Order-takers lack self-reliance (a need to achieve) and the ability to form a relationship with the customer (empathy) – both of which are needed to move the consumer through the sales process.

Order-takers' lack of sales talent is masked when the mortgage market is strong, but in a more difficult environment it is a real problem. These individuals fail because they need help from their lender to compensate for their inability to sell. The more assistance order-takers are given, the deeper the hole the sales organization digs because the actual problem is concealed and never corrected.

Consultative salespeople possess the right combination of social skills and a drive for achievement that pushes them to successfully complete the sales process. Furthermore, they do not depend on their companies for success or wait for their companies to provide them with help.

Simply put, top performers understand customers' problems, issues and opportunities and are able to show them better solutions. Thus, if a company wants to be successful in a crowded marketplace, it must not only recruit individuals with the ability to create value and provide insight, but it must train current sales staff to sell consultatively.

Six key steps

How do you move from an organization that is not meeting customers' needs to one that exceeds customer expectations by creating value? Over the last decade, my firm, QFS Consulting, has analyzed the best practices of top producers and managers, and used this proprietary research to transform sales organizations. In my experience, there are six steps to successfully turning an order-taking sales team into a consultative sales staff. To address those key steps, you need to ask these questions:

- What is the leaders' view of how to win in the marketplace?
- How do the first-line managers rate?
- What is the quality of talent of the sales professionals?
- What is the sales culture in the organization?
- How should the organization build sales force capability?
- Are compensation, sales policies, processes and practices in alignment with the new direction?

What is the leaders' view of how to win in the marketplace?

In a sales-turnaround situation, the first issue to tackle after analyzing current market conditions and customer needs is to understand why customers are not responding to the firm's strategies. The lack of customer response will be reflected in the financial performance of the firm. Increased cost of sales, lower margins and/or decreasing revenues are all obvious indicators of a dysfunctional sales organization in need of change.

Once a market analysis has been completed, the hard part will be deciding exactly what the company should do to change. Establishing a consultative sales organization should be a top priority, because differentiation stems from how the product/service is sold and not from the product itself.

It would seem a no-brainer that company leaders would be on board when it comes to the need to address an organization's sales problems. But sometimes that can be the last thing on their minds. During stressful times, deeply entrenched, outdated patterns can arise and hinder progress.

One solution is to hire a third party that is knowledgeable about the industry and the company to provide an impartial view and assist in bringing these issues to the surface. The third party's approach will include interviewing key members of the management team at the executive and field levels plus a sample of current customers.

Thus, the initial phase for any sales turnaround is to have the company's leaders define their dominant views on sales. To do this, it is necessary to ask for their response to the following questions:

- What are today's customer needs?
- What is the role of the sales function?
- What is an extraordinary value proposition for the customer, and how do you deliver it?

Again and again, many management teams answer these questions by selecting transactional strategies that do not match with the reality of today's marketplace. Industry research – QFS Consulting's and that of other leading firms – support the conclusion that a consultative selling approach is needed to succeed in origination.

From QFS Consulting's involvement in sales-transformation projects, we have found that management infighting, political agendas and just a simple resistance to change can kill the turnaround process before it even gets started.

During this initial phase, companies also are advised to select members for a committee that will be responsible for driving the sales-transformation process in the organization. The individual members of the teams (field and corporate) will be the in-house sellers of the changes to the sales organization. Outside third parties should not be in control of the committee and should only be a resource for the transformation team.

How do the first-line managers rate?

Sales performance is directly linked to the quality of a company's first-line management. The manager is the engine that fuels the sales race because he or she pushes sales professionals to improve their skills (See my June 2007 *Mortgage Banking* article, "Producing Managers: Time for a Change?," for more information on the core competencies of top managers.)

Sales success is like any complex activity, such as sports, chess or even a game of poker. It requires frequent practice to be good at it.

While having innate talent is certainly a critical foundation for sales success, continuing improvement is necessary to be a top performer. The better producers do not accept the status quo and do not let their business skills lapse. Thus, it is important that a producer with high potential be in an environment that gives him or her ample opportunities to learn and practice new selling behaviors. This is where the quality of the manager is critical because of his or her influence on the work environment.

Quality managers encourage their sales employees to take the next step in improving their skills by recommending training programs, suggesting books and industry material, and positively reinforcing new selling behaviors. Most important, they make learning and professional growth enjoyable so that new habits have time to become ingrained.

There are two ways to objectively evaluate managers' competencies: One is to have them take an assessment that benchmarks them to a database of top managers in mortgage banking. Second, have their direct reports rate them in a 360-degree assessment. The ratings would also include what their peers and supervisors think of their management skills in relation to the required managing competencies.

A 360-degree assessment tool should provide a report that specifically identifies where a manager is weak and provides direction as to how to improve. An outside party can also be helpful in determining whether further investment should be made in turning around the behavior of a manager.

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What is the quality of talent of the sales professionals?

The next component in turning around a sales force is evaluating the talent set of the individual sales professionals. Scientific analysis tells us that successful sales talent is a combination of learned behaviors and innate personality characteristics. This is similar to what makes a top manager.

My company has performed validation studies over the last 10 years (in good and bad markets nationwide), and has determined that there are nine personality characteristics that predict sales success for originators. Prior *Mortgage Banking* articles I have written discuss these characteristics.

While study after study reinforces what predicts success, some management teams still believe that only screening for experienced originators with a book of business will ensure a quality hire. The problem with this approach is it ignores the fact that when any book of business is moved to a new lender, at least half of the previous customers will be lost during the transition. Thus, the new recruit is bringing, at best, 50 percent of his or her previous volume and must rebuild his or her customer base.

When interviewing, it is fairly easy to determine if a candidate has social skills, but it is more difficult to determine if the prospect has the proverbial "will to win." The will to win is about an individual having the ability to persuade someone (a customer or broker) to take an action that will result in a closed loan. The salesperson's ability to deliver the action part of the sales process through questioning and listening skills is what separates superior performers from order-takers.

When evaluating a company's sales professionals, it is effective to divide them into three groups: top performers, middle performers and low-to-under-performers. The top performers are easy. Because these employees are clearly not the problem in a turnaround, a company should focus on how to generate more of them internally and how to teach their best practices to other less successful producers.

The low performers also pose a relatively simple challenge because they are clearly not performing and, in most cases, should be removed. That they are still at the organization and have not been terminated is an indication of management failure. It is the middle group of performers where the hard decisions must be made to achieve a sales turnaround.

Middle performers, especially those with an erratic performance pattern or a downward performance track, are a group that requires extra scrutiny. The middle performers should be divided into two subgroups: those who can't perform because they don't have the skills (they have training needs) and those who won't perform because of motivational issues.

If a salesperson falls into the "won't perform" category, no amount of training will correct his or her problem. In my company's experience, these individuals ultimately end up being terminated because of their resistance to change.

A company should conduct a gap analysis on its sales personnel. A gap analysis involves objectively analyzing the talent situation and determining the appropriate steps to improve the middle performers. Internal management is often too close to the situation to make the tough decisions that need to be made, so this is ideally left to an outside party.

What is the sales culture in the organization?

While there are thousands of mortgage companies that originate and fund loans, no two companies are exactly alike in how they operate and, most important, in what is valued inside the company. The reality is that each firm has its own values, beliefs, myths, heroes and symbols – all of which comprise its corporate sales culture.

Why is corporate culture important? Because corporate culture, or "the way we do things around here," has a huge impact on whether a company that attempts to recruit out of its sales problems will be successful. In my firm's experience, when a company wants to turn around its sales by hiring top producers, it doesn't recognize that any kind of cultural mismatch will derail the performance of the new salespeople.

If the company culture where the recruits are coming from doesn't match with what is valued at the new company, the hiring effort will fail.

If the company culture where the recruits are coming from doesn't match with what is valued at the new company, the hiring effort will fail. It is especially disastrous when a handful of new change agents come on board and there is not enough critical mass to change the company. While the new recruits may have had a terrific track record at their previous lender, the new lender brings its own set of dynamics to the table that may not easily mesh with the new recruits.

A better strategy is for management to implement a two-part effort that includes actively recruiting individuals who fit the new standard and removing current employees who are not suited to the new vision. The remaining sales force should receive training to match the new consultative-sales-model requirements. The strategy of replacing 100 percent of a company's sales force rarely works, because by the time all of the different components gel it may be too late for the company.

The governing system of a sales culture is powerful, and it requires focused effort to ensure that the new vision of consultative sales is given a chance to develop. A conflicting value system can quickly derail changes. In my experience, an effective method to create buy-ins is to train the managers first on the new consultative sales techniques.

How should the organization build sales force capability?

While the previously mentioned discussion points focused on reviewing what already exists in the sales organization, the next step involves instilling a new set of skills to move the group forward. Properly designed training programs that make the manager an effective trainer are a top priority. When organizations roll out a companywide, three-day training program on consultative selling and expect the sales force to immediately adopt the new behaviors, they are being unrealistic.

In order to take root, new sales behaviors require a combination of well-designed training programs plus excellent individual coaching by a manager or supervisor. While training programs are efficient tools for establishing initial proficiency in a skill, sales employees need more than classroom work to effectively incorporate these new behaviors. They need the manager to play a strong supportive or coaching role.

If the new information is not reinforced and practiced by the salesperson, the training material will not be retained. This is why the manager plays such a key role in any turnaround. The manager ensures that the new skills are practiced and utilized by the salesperson. In order for the manager to be effective, he or she should be taught how to coach the employee properly. Thus, a large part of the ineffectiveness of training is not the content of the training class, but the lack of proper follow-up by the manager due to lack of coaching competency.

The most efficient approach to building the sales team's capability starts with an assessment of each salesperson's knowledge of consultative sales strategies.

In consultative sales, there are six areas in which employees should be measured to indicate their knowledge of the sales process. They are:

- Prospecting
- First impressions/first meeting
- Presenting
- Overcoming objections
- Influencing/convincing
- Closing

Many sales professionals lack knowledge in three primary areas: prospecting, influencing/convincing and closing. Once the training needs have been identified, the next step is executing a training class program.

Regina M. Lowrie, CMB, president and chief executive officer of Vision Mortgage Capital, Blue Bell, Pennsylvania, and former chairman of the Mortgage Bankers Association (MBA), says that in her experience, "most mortgage companies are not good training organizations. Sales managers are bad trainers because they do not know what to train, and salespeople often do not seek help until they have an empty pipeline. The key here is to delegate sales training to highly skilled professionals, since they do it every day."

The first class that should be taught is on training the managers in coaching and consultatively selling. It is important that the class include sufficient time for students to practice their new skills. Not teaching managers how to coach/train the salesperson is a penny-wise and pound-foolish approach.

Are compensation, sales policies, processes and practices in alignment with the new direction?

There is no question that resolving the talent component is the most critical aspect of turning around a sales group – but it doesn't end there. There are still the thorny issues of compensation plans, sales policies, sales processes and practices. With a new direction, it is necessary to align all policies with the changes being made to ensure that new behaviors are adopted. Having policies that don't align and reinforce the new direction will reverse a turnaround very quickly.

When policies are not established, an atmosphere riddled with a lack of accountability thrives.

In my view, the likelihood of changing a sales force is minimal if there is no adjustment to the reward programs, including compensation. For example, if a company wants deeper relationships with its customers and wants to be a top three lender, does it make sense to compensate just for units sold or dollar volume of loans originated/purchased? Probably not. While unit and volume measurements are the standard compensation approach at most companies, the new environment requires a more comprehensive approach to compensation.

The guidelines for having an effective compensation plan are: keep it simple; retooling is better than scrapping the old plan; and an extensive effort should be made to communicate what the changes will entail and why they are being undertaken. The sales transformation committee is an appropriate vehicle for this. The sooner this matter is addressed the better, in order to prevent rumors that might encourage top performers to leave the company.

Similarly, sales policies and processes are the "rules of engagement" for the sales team and must be revised to account for the new changes. The policies and processes are what shape how the company conducts business and what actions are expected of its sales staff. If policies are not in place, the sales transformation is an ideal time to put them in writing. Written policies and procedures should be easily accessible to all employees and act as a reference point to guide new employees.

Additionally, policies can include what the company standards are for performance (surprisingly, many companies don't even have a performance standard – which is unacceptable); what consultative sales skills are required to be successful; and what training/knowledge acquisition is needed by the employee to meet the new direction.

When policies are not established, an atmosphere riddled with a lack of accountability thrives. Consistency cannot take root on issues if they are handled on an *ad hoc* basis.

Sales policy revisions help facilitate the efficient running of the sales force. With objective feedback on how competitors handle particular problems, the advice can help the transformation team manage the alignment of policies and practices. This is what should drive the review: Does the policy reinforce the type of behavior that will improve our sales organization? Are the policies congruent with each other? Do the policies reinforce the new direction?

Final thoughts

It is certainly true that turning around a sales force to embrace a consultative sales approach is not easy even in good times. But today the stakes are high. Not making the needed changes is tantamount to walking a path leading to certain business decline. As Albert Einstein famously said, insanity is "doing the same thing over and over again and expecting different results."

Shifting from a transactional sales mindset to a consultative sales structure is no longer a luxury, but a required commitment for mortgage companies. Customers have moved to a different purchasing model, and they are placing increasing value on how products and services are sold to them. "Companies often don't change because they think that it will take a long time. In reality, with leadership, change can happen very quickly, in my experience," says Pat Aritz, mortgage consultant and president of PJA Associates, Scottsdale, Arizona, and former senior vice president and national field manager with Radian Group Inc, Philadelphia, Pennsylvania.

Consultative selling is a more effective approach because it is all about asking customers what they need rather than telling them what they need. In the past, selling was more about making the effort and working longer hours. Now it is about selling smart and understanding that success is tied to delivering extraordinary value to the customer through a consultative sales approach. Now, stop talking and just start doing it. **MB**

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