



RESEARCH BRIEF

Sales and Sales Management Competencies

Designing, Implementing, and Maintaining Competency-Based Management Programs for the Sales Organization November 2008

SMA Research

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About The Sales Management Association

The Sales Management Association is a global professional association focused on sales management's unique business and career issues. The SMA fosters a community of interest among sales force effectiveness thought leaders, consultants, academics, and sales management practitioners across many industries.

Through training workshops, online resources, and research materials, The SMA addresses the management issues of greatest concern to practicing sales managers. The SMA's focus areas include management leadership, sales force performance coaching, sales planning, sales process management, enabling technologies, incentive compensation, and sales force support.

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Sales and Sales Management Competencies

Designing, Implementing, and Maintaining Competency-Based Management Programs for the Sales Organization

Attracting, developing, deploying, and retaining employee talent is a continual challenge for management in all functional disciplines. For the sales organization, it is a challenge fraught with special peril: capable sales and sales management personnel are highly sought after resources in the marketplace; they are more susceptible to job fatigue or “burn-out” than other jobs; their roles are among the most demanding and dynamic; and their contribution is among the most critical to the firm’s success.

Many organizations use competency-based management programs as an over-arching framework for managing talent. Competency-based management programs did not originate in the sales force, nor is their application unique to sales

management. Using competency-based programs in managing the sales organization yields significant benefits to many firms, and we believe it offers enormous potential to sales and human resources leadership keen to establish a competitive advantage based on their sales organizations.

Competency management programs allow companies to improve recruiting, employee development, performance management, and succession planning. Among competency programs’ benefits to sales and sales management personnel: answering with clarity the questions “What does success in our organization look like?” and “What kind of behaviors and performance matter?” Such clarity focuses training and coaching in ways that boost return on investment, employee morale, and sales force productivity.

This report provides sales leadership with a general overview of competency-based management principles, and several frameworks that can jump-start efforts to apply competencies to sales management practices. The report is organized as follows:

- Section 1 defines competencies, and introduces the concept of competency-based talent management.
- Section 2 provides an overview of competency modeling as a management discipline.
- Section 3 details how competencies are used by management within sales organizations.
- Section 4 offers guidance on how to develop and implement a competency model for the sales organization.
- Section 5 provides background on Hewlett-Packard's use of competencies in sales force management.
- Section 6 summarizes best practices associated with competency modeling and the use of competency management programs within sales organizations.
- Section 7 offers a summary of the Sales Management Association's supporting resources and tools for assisting members implement competency programs.

Section 1: Background Information on Competencies in the Workplace

Competencies are characteristics that underlie job skills and accomplishments. Their use in the business vernacular is attributed to US psychologist and management consultant David McClelland. Frustrated by poor results in hiring effective Foreign Service diplomats in the 1970's, the US State Department asked McClelland to develop selection criteria to improve upon the existing formula of aptitude testing and academic achievement. Carefully studying high performers, McClelland and his colleagues evaluated the activities, critical thinking skills and other characteristics that defined success among individuals working in the role. These various attributes were systematically organized into "competencies," and the process of identifying job competencies became a prevalent human resources management technique over the next several decades.¹

It's estimated that more than half of Fortune 500 companies use competency modeling today.² Competency modeling is used to define selection criteria for new hires, establish performance management criteria for current employees, guide training, coaching, and employee development programs, and drive succession planning. More than merely an individual job profiling tool, competencies can also define organizational objectives at the functional team, business unit, or firm-wide strategy level. Some organizations use a combination of job-specific and team- or business-specific competencies in their management frameworks.

The sustained use of competency-based management programs speaks to their impact on results for those firms that have embraced their use. Competency model development focuses on connecting desired business results with the employee attributes required for success. For this reason, the use of competency-based management techniques offers advantages to sales leadership, given the sales function's focus on accountability and performance.

Many managers are familiar with "knowledge, skills, and abilities" profiling, or KSAs. KSAs are frequently incorporated into job descriptions, performance review processes, and qualifications testing. Competencies typically include KSAs, but attempt to provide a broader description of a job attribute than KSAs³. A *competency* can be defined as follows:

¹ Spencer, Lyle M., and Spencer, Signe M., *Competence at Work*, New York: Wiley, 1993.

² Mansfield, Richard S., Research Notes: Practical Questions in Building Competency Models, www.workitect.com 2005.

³ New York State Department of Civil Service and the New York Governor's Office of Employee Relations, *Report of the Competencies Workgroup*, October 2002.

A competency is a detailed, behaviorally specific description of the skills and trait that employees need to be effective in a job.⁴

The way competencies are defined and applied varies significantly from one organization to the next, though the above definition approximates a generic definition broadly applicable to most competency-based management frameworks.

Section 2: Competency Modeling as a Management Discipline

Competency modeling is an attempt to define the essential collection of competencies that contribute to overall success for a job. It can also define broader success within the boundary of a specific environment - a firm, business unit, or team. Sales organizations often utilize a competency model that clarifies the competencies expected for all positions within the sales force, as well as individual competencies that define specific selling or support roles.

At the highest level, “organizational competencies” describe competencies common to all members within an organization. Competencies may also be defined based on function (e.g., sales), role (e.g., management), or job (e.g., Sales Engineer). Members of these sub-populations within the firm would share the same competencies.

Competency models typically list multiple competencies, organized into a small number (usually four to seven) of groupings - or “clusters” - associated with exceptional performance for a job or family of jobs. These higher-level competency clusters are sometimes referred to as “core competencies.” They often reflect strategic capabilities important for the firm as a whole, or functional priorities relevant to all sales roles. Individual competencies are defined and illustrated with specific behaviors - “behavioral indicators,” or “behavioral anchors” in HR parlance. These should reflect specific, observable behaviors and activities focused as closely as possible in the specific competency.

More detailed competency models provide multiple levels of behavioral indicators, illustrating performance at different levels of contribution. These scaled competency models, if accurately developed, are useful in mapping career progression and developmental priorities for a sales job. They clarify minimum-acceptable, target, and outstanding levels of competence; or illustrate increasing competence associated with elevated responsibility and performance within a role. In this fashion, competency development and career promotion paths across various jobs within the sales organization are easily communicated.

⁴ Mansfield, Richard S., *Building Competency Models: Approaches for HR Professionals*, Human Resource Management, Spring 1996.

Competency: "Prospecting"

Competency definition

Behavioral indicators: specific, observable behaviors that describe the competency.

Sales Representative Competencies

Prospecting <i>Develops new business for the firm by identifying, approaching, assessing, and closing new customers.</i>			
Threshold	Intermediate	Excellence	Mastery
Prioritizes effort to appropriately emphasize prospecting activities within the context of the assigned selling role. Remains motivated in the face of rejection or disinterest. Communicates company attributes, offers, and potential value to the prospect in a compelling and	Creative in finding new sources of customer leads. Cultivates lead referrals from customers and other prospects. Quickly assesses prospects' potential in order to focus an appropriate level of effort on each opportunity. Demonstrates continuous improvement in prospecting	Quickly establishes productive dialogue in large prospects with multiple buying centers. Determines large prospects' willingness and ability to buy without wasting lots of time and effort. Closes large, complex prospects quickly. Closes at least [two] very	Sustains a pipeline of referrals representing a self-sufficient lead source. Closes large, multi-location prospects with geographically dispersed buying centers. Closes at least four very large prospects (greater than [xxx] in [monthly revenue]) each performance period.

Multi-level competency scale describes varying levels of performance and contribution.

Competitor Awareness <i>Identifies and analyzes significant competitors; remains current in understanding their offerings, strategies, and differentiating characteristics.</i>			
Threshold	Intermediate	Excellence	Mastery

Scaled competency models serve as excellent recruiting support tools as well. By identifying the competency traits that separate high performers from average performers (these are sometimes referred to as "differentiating competencies"), a competency model can direct management toward candidates more likely to become high performers.

Section 3: Applications for Competency Models within the Sales Force

Considered broadly, competency models provide the sales organization with a blueprint for success in an individual job. Well-designed and up-to-date competency models are easily adapted into a range of management applications that support management's efforts to attract, select, develop, promote, and retain sales organization talent.

Arthur Anderson, in a 2000 study, noted that those firms who used competency models in multiple applications had the most effective programs.⁵

Specific competency model applications address the following sales organization talent management issues:

- Recruiting and selection. Competency models can identify the required capabilities, attitudes, and attributes needed to meet current and future sales force staffing needs. Specific applications that assist in recruiting and selection are candidate assessments, interview guides, and rating criteria.

⁵ LaRocca, Maggie, Career and Competency Pathing: The Competency Modeling Approach
http://edweb.sdsu.edu/people/arossett/pie/interventions/career_1.htm

- Sales training. Competency modeling reveals the skills that matter most to achieving sales results, allowing management to focus training investments in these essential sales competencies. Many firms tailor training to specific skills deficits uncovered by competency assessment.
- Coaching and development. Coaching diagnostic tools help management establish coaching priorities for individuals, based on specific deficits in knowledge, skills, abilities, or other characteristics as defined by the sales organization's competency model.
- Skill testing and credentials. Some organizations develop examinations, skill testing, and credentialing processes linked to the most relevant competencies for individual sales and sales support jobs.
- Performance management. Sales organizations can use competency-based criteria as a complement to quantitative, outcome-based performance criteria in formal performance review tools and periodic evaluations. Competency evaluations is most important – and therefore weighted more heavily – for sales positions with less direct influence on results, or for those involved in long selling cycle, complex sales. High-level relationship managers, executive-level global or strategic account managers are examples. For these sellers, competency evaluations can represent 50% or more of the overall performance evaluation criteria.
- Succession planning. Competency models can create a roadmap for career progression, by clearly communicating to individuals the competencies needed for promotion, and for management, by identifying promotable candidates with the requisite competency profiles.

Section 4: Recommended Approach for Developing a Sales Organization Competency Model

A review of competency model development projects reveals common aspects to project work plan design. The Sales Management Association provides a recommended approach below that can be adapted to meet the needs of most sales organizations. In addition to the work steps below, the Sales Management Association recommends:

- A cross-functional team made up of business and functional leaders is used to develop the competency model.
- Data collection and assessment steps in the work plan are emphasized in order assure the quality of the competency model.
- Care is taken to connect sales organization competencies with the organization's strategy.
- A means of developing future updates to the competency model is established.

Project Plan Steps

1. Establish project scope.
2. Define performance criteria for each position in project scope.
3. Establish draft core competencies.
4. Determine data collection sources:
5. Collect data
6. Assess and validate data
7. Finalize competencies
8. Assess organization's current competency
9. Identify applications for competency model implementation
10. Review and reassess

1. Establish Project Scope

Project scope should be defined based on the jobs and/or job families to be addressed by the competency model. Positions included should include all relevant jobs consistent with a core role, such as account management, or sales engineering. It is important to include jobs that may not necessarily belong to the same organizational function, but who have substantial interaction with positions in the initial scope. Customer service positions, for example, may represent an essential support position for account management jobs, and should therefore be included in the project scope.

2. Performance Criteria Definition

Defining performance in specific terms for each job profiled is critical to developing an effective competency model. Sales leadership should insure that performance is quantifiable and objectively determined, focusing on outcomes, rather than activities or expected behavior.

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The work team should profile both average performance and high performance, in order to better delineate those competencies contributing the latter.

3. Draft competency development

Developing a draft set of competencies provides a “straw man” model that serves multiple purposes. It allows the project team to incorporate senior leadership’s priorities and the organization’s strategically important initiatives into the competency model. These are typically reflected in a small set of competency clusters, sometimes referred to as “core competencies.” Subsequent work by the project team expands upon these. This allows a way for leadership to accommodate future competency requirements that may not necessarily reside in the current sales organization.

Developing a draft set of competencies should be done after reviewing existing data on-hand, such as job descriptions, and performance evaluation forms. If data are available, benchmarks that provide external perspective are also useful. Most helpful may be in-depth interviews with senior leaders, functional experts, and other carefully chosen internal management. It may be particularly useful to interview individuals who have successfully performed the job (or jobs) in the project scope prior to a recent promotion.

Draft competencies drive additional research and data collection, serving as the basis for surveys and interviews, and providing a useful starting point for comment and perspective from others within the organization.

4. Establish a Data Collection Sample

The data collection “sample” refers to the individuals to be interviewed, observed, or consulted in the process of identifying job competencies. The sample should include both high performers and average performers. Many authorities suggest that firms over-weight their sample with high performers, so that average performers make up significantly less than half of the sample.

5. Data Collection

Essentially, the goal of this effort is to identify the specific qualities of exceptional performers that lead to high achievement. Collecting, verifying, and assessing sales competency data prevents a common pitfall in competency model development: an over-reliance on management's un-validated assumptions of what makes high achievers special. Often working independently, salespeople develop skills and attributes away from direct management observation. Management assumptions of sales competencies are often directionally accurate, but miss the defining distinctions that separate average performers from superior performers. These distinctions are best brought to light through direct assessment and data collection, and good competency models are developed only after a significant amount of data collection.

Most large-scale competency model development projects – those typically managed with the involvement of HR consulting firms specializing in competency development – dedicate the largest part of the project timeline and budget to data collection. Many firms reduce this time investment by adapting competencies developed as part of a competency "dictionary" or resource guide (the Sales Management Association has developed a dictionary of sales force and sales management competencies available at www.salesmanagement.org). These generic competencies can then be adapted, based on insights gleaned from direct observation and data collection.

Data collection activities can include the following activities:

- a) Interviews with individuals in the jobs being evaluated, or individuals who've successfully performed the role and have been recently promoted. Interview groups are typically chosen to include both high performers and average performers.
- b) Interviews with managers supervising the position being evaluated.
- c) "Work-along" direct observation of profiled positions. These are typically done with high-performing individuals.
- d) Expert panels or focus groups made up of employees knowledgeable about the positions being profiled.
- e) Surveys of employees, customers, and other stakeholders (e.g., key suppliers or partners)
- f) Customer interviews or focus groups for customer-facing positions such as sales, service, or support.
- g) 360-degree assessments that secure feedback from peers, managers, subordinates, and even customers or other external constituencies in evaluating a specific position.

Data collection interviews for competency modeling purposes are sometimes referred to as "behavioral event interviews," and feature intensive, face-to-face discussions in which an interviewer asks the subject about "critical incidents," and documents what the performers were thinking, feeling, and doing during the incident. A critical incident is a characteristic and challenging event that embodies the most important aspects of the job.⁶

Interviewers may want to pay special attention to the differences in approaches among performers at different job levels, such as first-year Sales Representative, intermediate-level Sales Representative, and Senior Sales Representative. Competencies are sometimes constructed to model these differences as a way of highlighting career progression.

6. Data Analysis and Validation

Interview findings and other data collected should be used to develop a list of descriptive job behaviors associated with specific circumstances considered relevant to job performance. These should reflect the skills,

⁶ William J. Rothwell and John E. Lindholm. "Competency Identification, Modeling and Assessment in the USA." *International Journal of Training and Development*, (Oxford, UK 1999), 98.

characteristics, and judgments that contribute to success. Experienced interviewers are able to construct “themes,” or narrative threads connecting interview subjects’ acquisition of specific skills with ultimate job success.

Work teams are particularly useful in evaluating and validating information collected from interviews, panels, and surveys. Where possible, interviews should be conducted by multiple work team members, so that interview findings can be compared and cross-validated.

Most work groups fashion an initial, long list of competencies for each job studied, building upon the draft core competencies developed in step 3 above. This list is then shorted to the competencies considered most essential for success. This is typically done through work group discussion, but can be validated through surveys and expert panel input. These essential competencies can be further validated using analysis that correlates job performers’ current competency with their performance. This approach, often utilizing management performance ratings, can be used to prioritize the most important competencies, elevating only those competencies with the highest correlation to demonstrated performance.

7. Finalize competencies

A finalized list of competencies by position reflects the end result of the work team’s data collection and validation.

8. Assess organization’s current competency

There are many ways of assessing the sales organization’s current competency level in the competencies that matter (i.e., those in the final competency model). One method for doing so: “360-degree” assessments, in which ratings are solicited from not only incumbents, but their managers, subordinates (if any), peers, and customers. Many firms have automated this process leveraging web-enabled survey platforms, and provide solutions that can be reasonably implemented by sales organizations of any size.

Other methods for assessing current sales organization competencies are to collect managerial ratings of current incumbents. These may be combined with survey data and more qualitative input from expert panels or leadership interviews.

9. Identify applications for competency model implementation

Findings from the assessment should direct management in prioritizing how to apply the sales competency model for optimal results. The Sales Management Association has developed representative applications that are included in this document.

10. Review and reassess

Sales organizations should review and assess the competency model’s effectiveness on an annual basis. As sales roles and expectations change, it is inevitable that competency requirements also change. Conducting regular maintenance on the competency model and its various applications throughout the sales management suite ensure continued alignment with management practice and the firms’ sales force talent-management priorities.

Section 5: Sales Force Competency Modeling At Hewlett-Packard Company

Hewlett-Packard utilizes a sales organization competency modeling program, initiated in 2003, to maintain sales force quality and performance. HP began this initiative by establishing a Sales Competency Modeling Program team, and developing initial competency models after analyzing job collateral and securing team input.

These initial competency models became “straw models” for specific job roles, and included job requirements, competencies deemed critical to achieving success, “learning roadmaps,” and career paths. These straw models were treated as hypotheses, which the work team validated through one-on-one interviews with “expert performers,” or individuals currently achieving success in the designated role, and with managers supervising individuals in the role.

HP used their validated competency models to develop a Learning, Development, and Career Planning Toolkit, containing role-specific competency models, competency “inventories,” gap analysis tools – used to identify deficiencies in current performers’ competencies, “learning opportunity roadmaps,” and suggested career paths.

Maggie Larocca, Hewlett-Packard Learning Program Manager described the success of the sales force competency modeling program in this way:

To date, several thousand employees and managers in the sales function have undergone competency assessments, and the sales teams are rigorously using the learning roadmaps and career pathing information to improve overall performance.

Section 6: Summary of Best Practices in Sales Force Competency Modeling

1. Do not attempt to use the same competencies for all jobs. Competency models should be developed based on each job role or function’s unique and specific competencies.
2. Do not use competency models to catalogue every desired attribute of a successful contributor. Instead, focus on the essential few competencies that make the most difference, thereby creating focus around a specific job’s most critical competencies. Competency models with too many competencies are unmanageable, confusing, and much less impactful.
3. Define competencies based on behaviors that are specific, observable and defined as objectively as possible.
4. Ensure competencies are aligned with the company’s values, strategy, and culture.
5. Update and validate competencies regularly. Once per year is suggested.
6. Use your sales organization’s competency model for more than one thing (e.g., candidate selection, performance reviews, coaching objectives, establishing training priorities, succession planning, etc.)

Section 7: Supporting Tools

The Sales Management Association has developed several tools that serve as companion pieces to this article. They include:

- Sales Representative job description featuring an example competency model.
- New candidate interview guide, for use in selecting candidates for the example position.
- Performance appraisal form that includes a sample competency evaluation.
- The Sales Management Association's Sales Competency Dictionary with example competencies for sales and sales management positions.

These member resources are available at www.salesmanagement.org.