

Breaking Tradition to Enhance Success in the Energy Industry



Summary of the 2008 Miller Heiman
Sales Best Practices Study



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THE PERILS OF A MATURE INDUSTRY

For companies in the oil and gas industry, sales practices that have proven successful in the past may not be enough to produce similar results in the future. A recent study revealed several areas where the energy industry is underperforming compared to 20 other industries. This report challenges some of the long-standing methods of selling in this industry and highlights how changes can support an organization's ability to increase sales cycle predictability. While the energy sector is frequently affected by factors outside its span of control, this study identified highly controllable sales activities that deserve a closer look.

Among these are opportunities to adopt comprehensive prospecting plans, engage executives in the sales process and proactively terminate poor performers. Based on the results of the *2008 Miller Heiman Sales Best Practices Study*, there are numerous areas where energy sales organizations can replicate the practices of Winning Sales Organizations (WSOs) to grow sales and add discipline to their sales process.

GAIN A COMPETITIVE EDGE

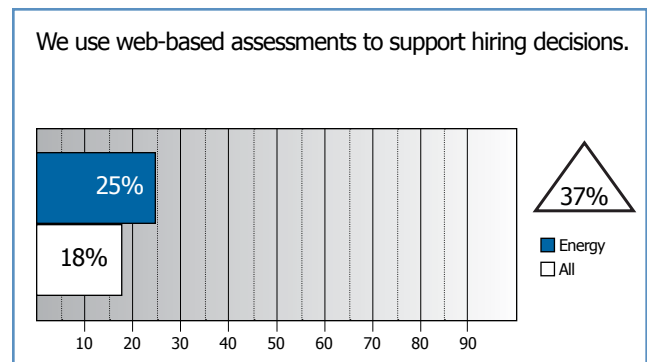
There is an interesting data point that suggests opportunities for improvement may spring from the oil and gas sector's traditional relationship selling model: energy sales organizations are 46 percent less likely than all survey respondents to agree that when they give price concessions, they always get comparable value in return.

According to Mickey O'Callaghan, a Miller Heiman sales consultant with extensive experience in the energy industry, tenured oil and gas sales professionals frequently make sacrifices to please the customer.

"In a culture with strong customer relationships, most salespeople don't evaluate what they get in return when providing a service to their customers. Salespeople fear losing a 10- or 15-year relationship," says O'Callaghan. He believes this underscores an opportunity for

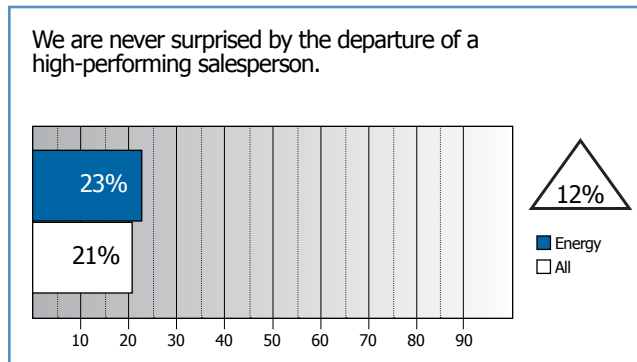
these organizations to clearly understand the value proposition. "Anticipate that you are going to be squeezed, that the technical buyers – the purchasing, procurement, logistics, supply chain, contract administration people – are being compensated for their ability to save the company money."

On the positive side, the energy industry does a great job of leveraging technology in recruiting and retaining talent. According to the study, energy sales organizations were 37 percent more likely than other industries to use web-based assessments in the hiring process. According to Leigh Hooker, Miller Heiman's executive vice president of sales and marketing operations, energy sales organizations have a reputation for sophisticated recruiting practices. "This includes a comprehensive interviewing process," Hooker said.



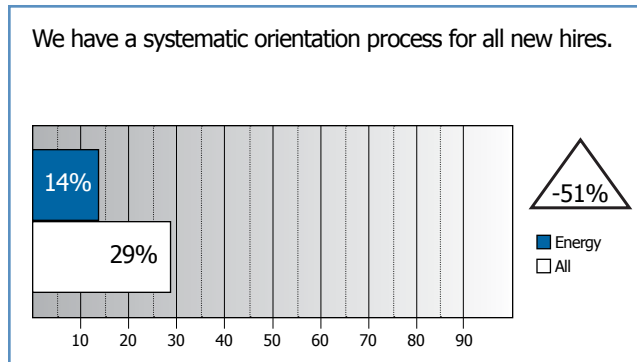
The same is true for communication with top performers. Respondents from the energy industry were 12 percent more likely to agree they are never surprised by the departure of a high-performing salesperson. "Energy companies have a high success rate of retaining talented, high-performing salespeople," says Hooker. "The compensation plans, succession planning and opportunity for growth within the organization drive longevity of tenure with high-performing individuals." According to Hooker, these factors make surprises preventable. "If a top performer

is looking to leave the company, they are more likely to communicate their concerns to sales leadership.”



In the study, companies in this sector were 51 percent less likely than all respondents to say they have a systematic orientation for all new hires.

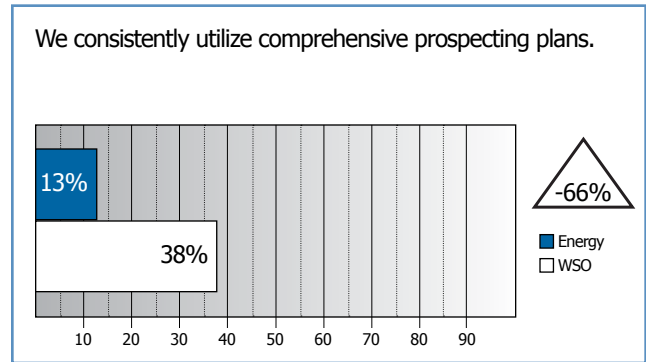
In fact, most use a very informal orientation process. “They either hire people who they believe have the skills and knowledge,” says O’Callaghan, “or they hire someone with a background with one client, or knowledge of one product. They often learn all about the business, but not about sales.” He adds that many salespeople in the sector come from operations, with little or no sales experience. Yet, they’re expected to sell. This presents an opportunity to improve the selling capabilities of these product experts.



George Lucas, another Miller Heiman sales consultant with experience in the field, agrees that most of the energy sector’s salespeople come from other functions in the organization. Not many are hired as salespeople; they are focused on engineering and delivery. “That’s a dangerous assumption. They need to train their salespeople to understand the key buying influence and get the attention of key decision makers. Those are very much sales process issues where training will give companies a competitive edge.”

BENEFIT FROM THE BEST PRACTICES OF WINNING SALES ORGANIZATIONS

The study found that oil and gas energy sales organizations were 66 percent less likely than Winning Sales Organizations to say they consistently use comprehensive prospecting plans. According to O’Callaghan, this may be because oil and gas is a mature industry. Most of the sector’s prospecting occurs inside existing accounts, and on an informal basis, he says. “There’s usually no marketing department feeding them leads. They are working with companies with whom there has been a relationship for decades in most cases.”

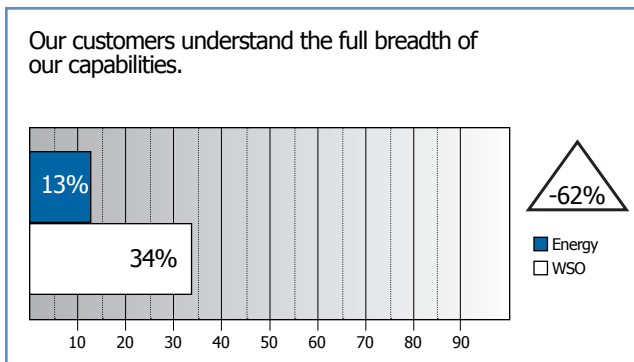


Hooker agrees. “When I think about this overall, it’s a mature industry with a known group of prospective customers. There is not a lot of new entry into the space.” O’Callaghan notes that changes in the oil and gas industry customer base occur primarily through merger and acquisition. This type of activity, he says, has gained momentum in recent years, along with occasional entry of independent oil and gas companies into a new market.

Miller Heiman sales consultant Eric Wasser adds another insight and another good reason for salespeople in the sector to put more structure into their process: the sale is becoming more complex. “There are more buying influences involved and salespeople don’t know who to approach,” he says. “Instead of looking at job titles, they need to find another mechanism to learn what roles people play and what solutions are likely to resonate with them.”

Another opportunity for the oil and gas sector lies in educating customers about their organizations’ complete offerings. In the study, energy sales organizations were 62 percent less likely than WSOs to say that their customers understand the full breadth of their capabilities. O’Callaghan believes this has to do with the swirl of M&A activity in oil and gas services. “The top five Oil and Gas Service, Technology and Product companies have acquired dozens of other

companies over the past few years. So you end up with a company with a makeup of brand names, product service lines and even salespeople who came from the acquisitions.” Unfortunately, he says, many take a silo approach driven by fierce brand loyalty. “There are a lot of redundant efforts. Salespeople call on prospects without knowing what other salespeople in sister divisions are doing. “They have extensive knowledge of the products and services from their area of expertise derived from their previous experience and background. However, they could bring much more to the table through understanding the full breadth of their company’s capabilities or through coordinating their efforts with their colleagues from other divisions. Once a selling organization reaches this level of diversity and complexity, the benefit and need for understanding and communicating clear value propositions along with implementing account management become very apparent.”



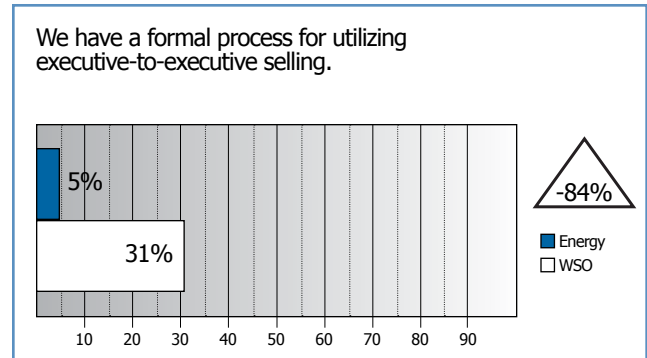
Hooker sees it as an opportunity to leverage the finite customer base to generate additional opportunities, and provide new products and services. “Leveraging what other people in other parts of the organization offer creates prospecting opportunities,” she says.

“Oil and gas is a mature industry full of people with a great deal of history,” says Wasser. “But that actually hampers some people in terms of how technology, for example, has changed.” He adds that salespeople may not know what the company brings to the table today in terms of technology and new products and services. “Tenured salespeople have been at it for 30 years – and that gives them great tribal knowledge, but they may not be up to date on all of their company offerings.”

MERGERS, ACQUISITIONS, AND MORE

In the study, energy sales organizations were 84 percent less likely to agree that they have a formal process for using executive-to-executive selling. O’Callaghan says that there aren’t many oil and gas

executives with a sales background. “They have operations experience, engineering, finance, or a technical background,” he says. “A lot of salespeople don’t see their executives as a good fit for getting involved in sales.”



“Absolutely true,” says Hooker. Looking at it historically, she says, a lot of opportunity management in the sector has been peer to peer – account manager to account manager relationships. “But you don’t see a lot of multi-faceted executive selling programs.”

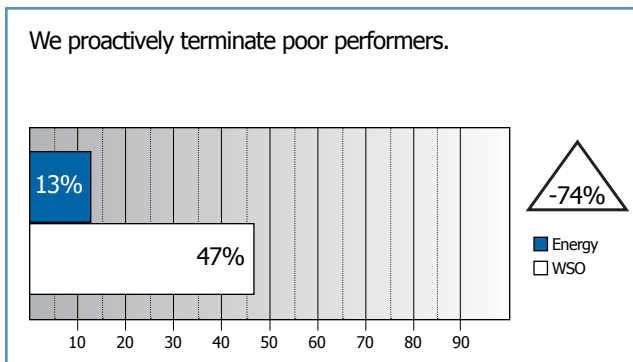
This represents a key area for improvement in this space. “Gain a better understanding of who in the organization is touching these accounts,” says Hooker, “and start identifying new opportunities.” She believes it ties back to customers not understanding the full extent of the selling organization’s capabilities. And oil and gas is not alone. Improving executive to executive selling – having a formalized process – is an opportunity even for WSOs, says Hooker. “You have to know how to do it effectively,” she cautions. “You have to know when to leverage these resources. For example, don’t get an executive involved at the technical level. It’s a learned skill.”

Lucas points out that oil and gas energy companies view themselves as delivery organizations, not selling organizations. “They think if they focus on providing world-class delivery and great service quality, the sales will come. They look at executives as people who are steering M&A activity, not as people who are available for participating in the sales process. They take pride in implementing quality process, but they haven’t transferred that discipline to the selling process yet.”

GETTING CLOSER TO THE SALES PROCESS

It stands to reason that in a mature industry where loyalty means a lot, there’s somewhat of a “job for life” culture. In the study, respondents from the energy sector were 74 percent less likely than WSOs to agree that they

proactively terminate poor performers. O’Callaghan understands why: “Until 10 years ago it was, ‘you get the job and if you do a good job, you have a job for life.’ And to an extent you still see it today – people with 30-40 years tenure.” O’Callaghan estimates that the average tenure of a sales team member is 20 to 25 years, even when you include the newest hires. However, notes O’Callaghan, the oil and gas sector currently has an abundance of salespeople and customers with more than 20 years of experience. These professionals are typically 45-60 years of age. “In the next 5-10 years, many of these reps will exit the industry having earned a good retirement or quit their companies and continue as consultants for a few years to pad the nest egg before retirement,” he says.



Hooker calls this a significant opportunity to be proactive. “These organizations tend to have reductions in force every few years due to the cyclical nature of the oil and gas industry. Top performers stay on, and poor performers get caught up in the reduction in force (RIF) actions. So, it’s not proactive.” What’s more, compensation plans, she notes, are not usually commission-based. A lot of the sales roles in this sector are salaried positions with bonuses tied to team or business unit results. “They have no control over external conditions such as the price of oil or service quality,” she says. “It’s harder to terminate poor performers.”

Wasser believes the sector relies too heavily on the idea that it is a relationship sale. “The sales managers put too much stock into the salespeople, not the process,” he says. He feels they’re afraid to fire salespeople because the salespeople have prized relationships with customers. “They are not close enough to their own sales process.” O’Callaghan notes that there is also a shortage of good salespeople in the industry, particularly in the 35-45 age bracket and sales managers know they will have significant challenges finding a suitable replacement or one that will not take a lengthy time to ramp-up and become effective.

The bottom line on sales forces in the oil and gas energy sector: The research suggests that organizations looking to grow their revenues may want to rethink traditional assumptions about relationship-based selling in a mature industry. By taking a proactive approach to training and development, getting executives involved in the sales process when necessary, and adding discipline and method to the overall sales process, sales organizations in this sector may be able to outpace their peers, boosting revenues and winning market share.

CONTRIBUTORS

Leigh Hooker
EVP of Sales and Marketing Operations,
Miller Heiman

As executive vice president of sales and marketing operations, Leigh Hooker is responsible for the overall direction, planning and leadership for national sales and marketing operations.

Leigh started her sales and marketing career with Shell Oil Company. During her tenure with Shell, she held roles of increasing responsibility including territory sales, sales management, strategic planning and head of business development.

Mickey O’Callaghan
Miller Heiman Sales Consultant

Mickey O’Callaghan brings more than 25 years of experience in multi-cultural, international sales, negotiating and sales force development. The majority of his clients are active in the Petroleum, Energy, Petrochemical and Refining industries.

Mickey served 21 years with Halliburton Energy Services where he gained extensive experience in petroleum industry operations, sales, sales management and account management. Following Halliburton, Mickey served as director of sales training and development for a Fortune 100 Houston-based energy corporation. He delivered sales and account management training for a sales force of over 350 and managed the organizational development and training function.

Mickey maintains membership in the Society of Petroleum Engineers and the American Society for Training and Development. He has published numerous technical papers and presented at petroleum technology conferences in the USA, Europe and the Middle East.

Eric Wasser

Miller Heiman Sales Consultant

A sales practitioner, Eric’s approach is practical and real world. He earned his experience as a sales leader for two Fortune 500 companies and as an independent business owner. Experienced in building sales organizations, driving CRM compliance, channel sales and implementing selling methodology, Eric is in-tune with the challenges and opportunities facing today’s sales leaders.

Currently a sales consultant for Miller Heiman, Eric focuses on improving companies’ sales organization performance by marrying those organizations’ priorities and goals with Miller Heiman methodologies. His current list of clients includes both fortune 500 companies and smaller businesses.

George Lucas

Miller Heiman Sales Consultant

George has more than 20 years experience in sales and operational roles delivering large, complex solutions. He has managed both direct and indirect sales organizations as well as information technology consulting groups.

Prior to joining Miller Heiman as an independent sales consultant, George gained experience calling on and delivering solutions to Fortune 1000 companies such as Ericsson, Sprint, ABB, GlaxoSmithKline, IBM, Florida Power & Light, Duke Energy, Nortel, Progress Energy, Danzas, VF, Dominion Resources as well as a variety of technology startup and mid-sized companies. His success stems from combining his technical background with his experience in implementing sales process into organizations.

ABOUT THE MILLER HEIMAN SALES BEST PRACTICES STUDY

Miller Heiman’s annual research study of sales practices, success metrics, and Winning Sales Organizations is recognized as the largest continuous research project dedicated to sales performance in the world. Sales leaders benefit from the resulting trends, insights, and best practices revealed by our research. Even more significantly, the research results support benchmarking exercises that enable companies to understand how they compare to their peers and how they can better identify areas for improvement.

Since the study was launched, more than 17,000 sales professionals have participated. Our formal research projects, day-to-day business relationships with sales professionals and the wisdom of our own top sales executives enable us to continually validate and refine our thinking in the real world.

Miller Heiman’s research focuses on complex, business-to-business sales which, for this study, we’ve defined as having sales cycles longer than one quarter and more than four decision-makers influencing the outcome. To date, more than 5,500 sales professionals have participated in the current study, representing more than 21 industries including technology, healthcare, business services, finance and manufacturing. Respondent companies are located in the U.S., Europe, Australia, Asia, South America, the Middle East and Africa.

OBJECTIVES AND RESEARCH

Objective

To obtain a clear understanding of the complex selling environment, its challenges and trends in the current economic environment.

Research Method

The survey was designed as exploratory research to collect primary data using a structured design. Formal statistical procedures were employed to analyze the data. Such procedures included exploratory factor analysis, reliability analysis, and frequency analysis.

Survey Instrument

After the broad issues and metrics were reviewed and discussed with key informants, the instrument was subjected to a pretest. The final instrument contained seven challenge sections with a total of 55 closed-end questions based upon a 7-point Likert scale for responses of Strongly disagree, Disagree, Somewhat disagree, Neutral, Somewhat agree, Agree, Strongly agree. Twelve metric questions were added to this study. Finally, five demographic questions were included.

Time Frame

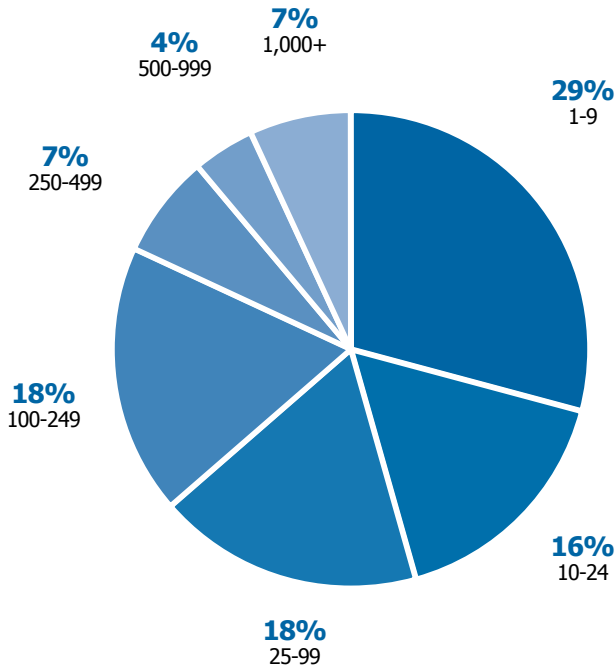
Data were gathered from Oct. 1, 2007 to Dec. 31, 2007.

Data Analysis

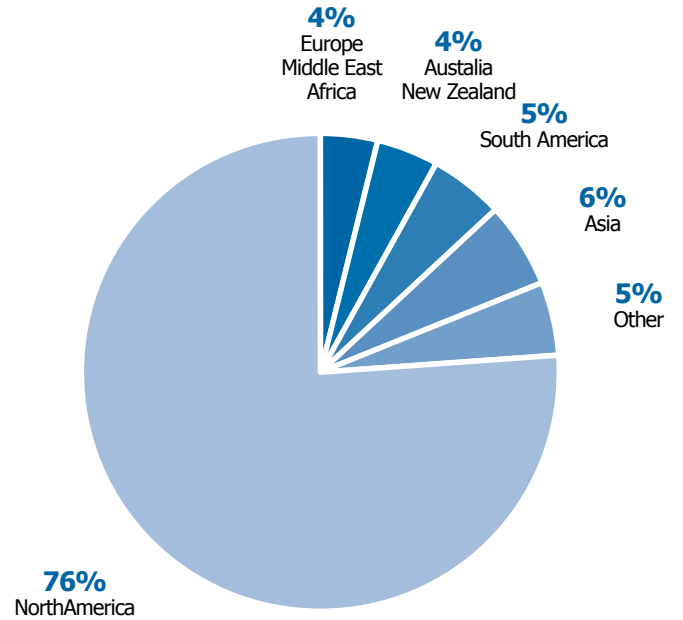
Upon receipt, all survey responses were initially reviewed by Miller Heiman staff and then subsequently cleaned and coded. A database was developed in the Statistical Package for the Social Sciences (SPSS 15.0). Survey data were entered for analysis. One phase of data analysis employed Factor Analysis as a technique that addresses the problem of analyzing the structure of the interrelationships among a large number of variables. Based upon this step a data reduction, if necessary, can be achieved which allows for a summarization of the data and subsequent interpretation. Also the structure of each Element area was assessed for the visibility of the underlying descriptors supporting the overall challenge. In all instances the KMO and Reliability of each factor was assessed and found to be acceptable for data processing.

STUDY DEMOGRAPHICS

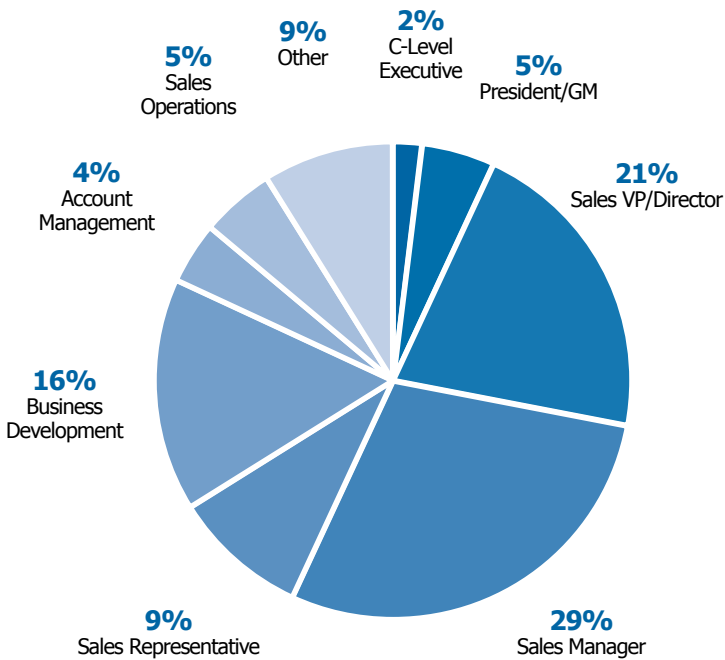
Sales Force Size



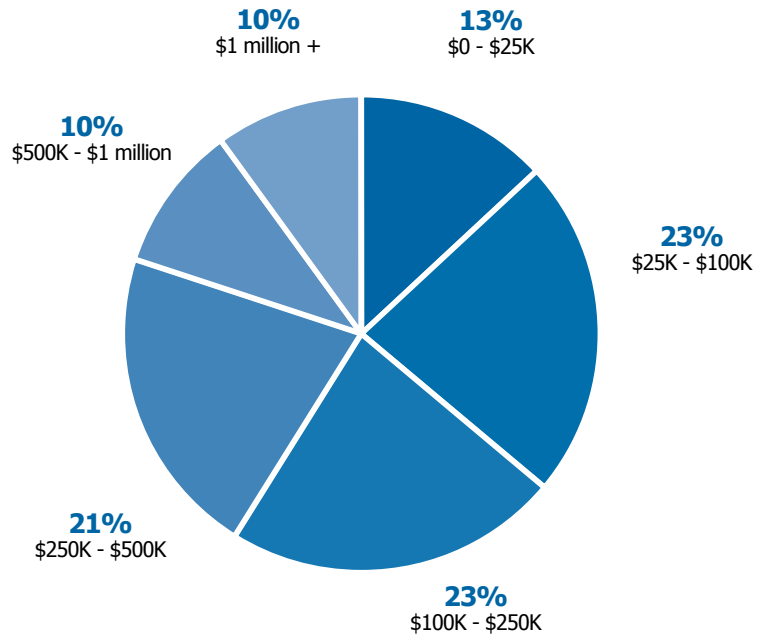
Geography



Titles



Deal Size



ABOUT MILLER HEIMAN

Thirty years ago, *Strategic Selling*® launched a company. Thirty years later, *Strategic Selling*® is just one part of what Miller Heiman offers sales organizations. Over the years, we have earned our clients' trust with our in-depth knowledge of the sales process and our demonstrated ability to deliver results.

At Miller Heiman, we help companies overcome the challenges that affect productivity and top-line growth. We go beyond treating symptoms by introducing *The Miller Heiman Sales System*_{SM} as a long-term commitment to understanding challenges and building solutions. With all of the appropriate tools and experience, we are able to quickly and effectively lead our clients to success.

Miller Heiman provides the processes that ensure results:

- Improving Sales Force Productivity
- Managing Sales Talent
- Transitioning from Product-led to Solution-led Selling
- Winning High-value Complex Deals
- Shortening Sales Cycles
- Improving Sales Forecast Accuracy
- Evaluating and Integrating Sales Forces Pre-and-Post Merger
- Protecting and Growing Strategic Accounts

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