Think! Inc.

business negotiation, redefined

Enable Your Growth Strategy

Achieving ROI on a $7.2B Sales Training Investment

SellingPower

Professional Society for Sales & Marketing Training

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SECTION ONE

Motivation for the Paper

Senior executives know that, beyond mergers and acquisitions, a company's growth is driven one deal at a time by the way direct and indirect salespeople sell and negotiate. That's why American corporations spend $7.2 billion[1] every year on sales processes, account management skills, negotiation, and opportunity management training. That's an average of $347,000 per company, according to *Selling Power*. But beyond proprietary (and perhaps biased) consulting reports and high-level academic papers on change, there's little information available on whether or not those investing the money are achieving a return on their investment that's at least equal to—if not better than—their cost of capital.

> *"…more than half of firms report investing $1500 to $7500 annually per sales rep in training…only a quarter of reps consistently use their company's accepted methodology more than half the time, only 10% resolutely (greater than 90% of the time)."* [2]

Even more important, particularly given the connection between sales and growth, there are virtually no industry standards how a company can link sales training initiatives to corporate growth strategies.

> *"Financial and human resources are precious and constrained assets. We frequently see companies with a slew of goals that have no clear connection to real value drivers, and that diffuse or dilute those assets. Organizations use up valuable resources with only modest connection to the highest impact execution priorities."*[3]

Research Methods

In an effort to define best practices in this field, we e-mailed links to an electronic survey to close to 30,000 sales executives and consultants. Participants were asked to complete the survey only if they had been involved with a sales methodology initiative that had become "deeply embedded into the DNA of the organization," that is, one in which the prescribed sales process was systematically followed by everyone in the organization rather than being just a one time event, or as it's sometimes called, *"flavor of the month"* training. The survey asked participants to identify:

- what they considered world-class implementation of sales methodologies
- the three main drivers of implementation
- the three main impediments to implementation
- involvement of cross functional leadership
- pre- and post-training activities that drove implementation
- how and to what extent success was measured

SECTION ONE

Executives in about 150 companies responded to the survey. The ratio of end user executives to consultants was approximately two to one, and most of the end users were in either performance management or sales management functions. After the results of the survey were tabulated they were shared with respondents in one-on-one interviews and/or in focus groups in order to obtain a deeper understanding of their significance.

SECTION TWO

Executive Summary

Based on responses to the survey, we found that 56.5% of our sample considered the standard of world-class implementation of sales methodologies to be one in which:

> *"use of the methodology is strongly encouraged, measured, and rewarded, and in which there are consequences for non-compliance."*

In fact, another 31% said use of the methodology was a "condition of employment." We see the emphasis on systematic measurement, rewards and consequences as that which drives this definition of world class.

Using information gathered from the *"best in class"* survey, follow-up interviews, and focus groups, we were able to determine that the companies that met this standard, that is, the most successful ones, shared three distinctive and disciplined practices:

- *Sales Training Directly Linked to Growth Strategy*
- *Strong Executive Sponsorship*
- *Coaches Who Measure and are Measured*

(1) Sales Training as Enabler of Corporate Growth Strategies

Rather than executing sales training simply for the sake of training, they recognized that sales training can and should be used to strengthen core sales competencies that directly enable key aspects of growth strategy.

(2) Strong Executive Sponsorship

Senior executives in sales as well as other functions sponsored and got directly involved not only in funding the initiatives but attending workshops and using the methodologies.

(3) Coaches Who Measure and Are Measured

Field sales management not only formally measured those who reported to them but were, in turn, formally measured by those to whom they reported.

We also learned that all training is not created equal. Sales training due to its direct connection to growth strategies needs to be held to a higher standard than traditional training.

Finally, considering the massive amount of priorities given to sales management and salespeople, even all sales training is not created equal. There is only so much bandwidth for the sales team. Only those sales training events that are directly linked to enabling an aspect of corporate growth strategy should be held to the world class implementation standard and subject to the three disciplined practices that drove that implementation.

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Of course, even training just for training's sake can result in a short-term bump in productivity. So, while 2–3 training programs might be rolled out, only one can be implemented at a world-class level.

> *"Eighty-seven percent of training is lost within one month."* (4)

So unless companies develop these three practices, no matter how much money they expend on training, it ultimately won't contribute to their long-term growth.

SECTION THREE

The Three Drivers of Success

One of the executives we interviewed as part of the follow-up to the survey—a vice president of sales in a multinational corporation focused on the semiconductor marketplace—told us a story that pretty much sums up what we heard in surveys and interviews by those companies who were *"best in class."*

> *Many years ago, when our company's president and I looked at our biggest clients, we realized that although we'd started out selling just to their plants here in the U.S., the clients had grown and our overseas offices were now selling to ten to fifteen of their plants around the world. Unfortunately, though, our salespeople were all acting like individual contributors, that is, we didn't have a standard way of selling. And because our client had a more organized approach to buying, they were picking us apart one deal at a time. We knew that with the emerging complexity of our business and—as a public company—our responsibility to shareholders, our business strategy required us to have an integrated sales plan around the world. But we also knew that if we left it up to the salespeople it wasn't going to happen.*
>
> *So we decided to implement a global sales process to address this global strategy problem. Our president not only kicked off the first training program but was there as a participant, of course…several other officers got involved as well. We had our senior managers not only sponsor the initiative but actually take the workshop and learn how to do it themselves. And we were not leaving to make phone calls—we were there 150%—because we were determined to set an example for field management and the sales force. And we kept this up until we went down as deep in management as we could go. That meant that everyone, including cross-functional departments, got involved. And once we'd gotten our act together here in the U.S., we brought in all of our worldwide presidents and had them go through the same program, then take it back to their own divisions.*

We heard similar stories over and over again from executives in successful companies. Once training was seen as a link to enabling an aspect of growth strategy, senior executive support came easily. Senior leadership support drives cross functional management support which in turn drive highly motivated field coaches and salespeople. In fact, in the example given above, this initiative had been in place globally for over ten years and was still "going strong."

SECTION THREE

Determining Standards for the Three Drivers

Having learned of the importance executives placed on these three practices, during the post-survey interviews and focus groups we asked our respondents to tell us what kind of standards they used to determine when they had achieved these goals.

(1) Sales Training as an Enabler of Corporate Growth Strategies

When asked how to determine if training is being tied to their company's growth strategies, some respondents said it occurs when it's:

"integral to the success of the organization,"

"part of a larger initiative to remediate certain issues/challenges that the company is facing,"

or "meant to achieve a business objective."

Other executives said it's when there is:

"specific pressure to achieve business objectives and specific metrics are set,"

or "a compelling problem senior sales and marketing management is committed to solving, and the sales training initiative solves it."

Although these executives expressed themselves somewhat differently, they are all saying essentially the same thing. That is, as was the case with the story we heard from the vice president of the multinational company, successful companies link certain sales processes as a means of driving aspects of strategy rather than simply as "training classes."

(2) Senior Management Sponsorship

We also received a variety of answers when we asked our respondents how to determine when executives are sufficiently involved in the process. It occurred, some said, when there is:

"engagement of top management,"

"a strong mandate and vocal leadership,"

or "ownership by senior sales management."

Other executives told us that it happens when:

"management sets clear expectations,"

"senior management is insistent and demonstrates involvement,"

"management understands the process and uses it themselves,"

or "executives hold management accountable for coaching and driving results."

SECTION THREE

As can be seen, though, regardless of the differences in the way our respondents defined success, the vast majority agreed that senior management needed to attend the sessions, be attentive during them, and be involved in using the process themselves. In other words, simply approving the budget and sending out emails expressing their support was not sufficient. One of our executives said "if you were going on a call with the CEO, you'd better prepare using the company sales process because the CEO sure would." The key point here is that whatever language, tools or evidence that the field salespeople were going to use, it also had to be adopted at all levels of cross-functional management who get involved in selling.

(3) Coaches Who Measure and Are Measured

When we asked about determining the effectiveness of field management coaching and measurement we also received the following type of responses. Some executives told us that it's effective when:

"rewards and consequences are in place,"

"key concepts and language become part of the organization's vocabulary,"

"management routines are created, expected, and inspected,"

or "the sales process is embedded in sales and Human Resources performance management systems."

Others defined success as occurring when:

"adoption is mandatory,"

"there is buy-in, measurement, and accountability,"

"the methodology must be completed to get resources for the sales campaign,"

"incentives are connected,"

or "there are clearly defined goals tied to metrics."

Again, despite differences in the way executives expressed themselves, we saw three themes here: use and coaching of the sales methodology had benchmarks that were embedded into the performance appraisals of line managers and salespeople, these standards were communicated and formally measured constantly, and effective use was rewarded and there were costs for non-compliance. All emphasized formal coaching and formal measurement of that coaching.

> *"Since sales revenue is the life blood of an organization, think of sales process as blood chemistry. If your cholesterol is way too high, you can positively impact this with diet and exercise. However, buying a gym membership has zero impact. You actually have to go to the gym and actively (and consistently) involve yourself in exercise to achieve any benefit."* [5]

SECTION FOUR

Why Everyone Doesn't Do It

Interestingly enough in those companies where training initiatives were not "deeply imbedded into the DNA of the organization," the three factors cited most frequently for failure to implement training initiatives were:

(1) the training initiative was not tied into a larger business strategy

(2) there was no executive sponsorship

(3) there was no reinforcement and measurement of the training at the field level

If, however, there is so much agreement among senior executives on the importance of these three practices, why don't more companies have the discipline to develop them?

> *In our interview with Dave Stein (CEO of ES Research Group) on this subject, Dave states that "in many companies sales is last on line with respect to the adoption and institutionalization of not only effective measurement mechanisms, but basic process as well. Standards and methods are employed by every other department within a company. Manufacturing has just-in-time, lean and the Toyota Production System (TPS). Finance has GAAP. And the list goes on. Sales has a lot of catching up to do to be depended on as a critical enabler of corporate growth strategies."*

- Competing Priorities
- Distributed Leadership
- Sales Training Lumped In With All Other Training

One root cause is that there are many competing training priorities. In addition to a variety of programs in core sales competencies, sales managers typically have access to between five and ten other types of training programs—including product training, systems training, government compliance, diversity, and others—that address the various competencies needed to be effective in today's increasingly regulated and sophisticated business-to-business selling market. Balancing these priorities is an extremely difficult task for sales managers and salespeople. Moreover, they have to do it in an environment in which they have numerous other tasks to perform, including forecasting, attending inter-company meetings, preparing reports, hiring and firing staff, conducting performance reviews, selling, managing customers, and a variety of other administrative tasks.

SECTION FOUR

Additionally, we found that many companies still practice distributed leadership as it relates to the way sales forces are trained. Regional Sales Managers very often have their choice of which key selling, negotiating and account management methodologies they purchase, the result of which is wide variance region to region in key customer facing activities. Given the potential for brand equity deposits and withdrawals due to inconsistencies, we see this as a dangerous trend. In fact, one sales manager said we need *"a centralized budget so regional managers can't kill it to make their numbers."* Distributed leadership works for many things, core sales competencies is not one of them.

> *But all training is not created equal. Because of the direct connection between sales and growth, the critical core competencies of the sales force—key selling, negotiating, and account management—must be differentiated from, and held to a different standard than all other types of training. In fact, they must be seen not simply as "training" but, rather, as efforts to raise organizational competence.*

> *"The pursuit of world class in all things for most companies leads to the proverbial "jack of all trades and master of none" status rather than the world class stature they seek. In contrast, companies that are selective about the improvements they pursue are able to deliver and sustain outstanding results."* (6)

In other words, management must learn to select the one or, at most, two training priorities that connect most directly to the company's growth strategy each year and focus on institutionalizing them, that is, making sure that they're sponsored by senior executives and that both the sales force and those who manage them are measured for their effectiveness. The various other types of training must continue, of course, but they should be viewed as *adding* to the salespeople's skills, and not be measured in the same way as the core competencies are.

> *"If an action does not enhance a core competency, it isn't strategic. If it isn't strategic, it isn't a key priority."* (7)

Additional Support Activities

An organization that's developed these three important practices is well on its way to successfully using sales training initiatives to drive corporate growth and achieve clear return on investment. We learned from our survey, however, that there are also a number of other activities that take place before, during, and after implementation of these initiatives that can provide support for them. We think of these items as risk factors, the more that are in place, the better your odds for implementing. Think of the below as a checklist with the percentages being correlated to that which is most important.

These items are necessary and non-optional for world class implementation:

- [x] Sales training directly connected as an enabler for corporate growth strategy
- [x] Strong executive sponsorship, use and adoption of the methodology
- [x] Coaches who formally measure use of the methodology and are measured

What Took Place Before the Training Event to Drive Implementation?

- [ ] 76.5 % of our respondents said executive sponsorship was the most important item in driving implementation
- [ ] 75% said executive sponsors attended overview presentations of the programs
- [ ] 67.5% said line managers sponsored the program
- [ ] 59% had the process embedded in sales performance appraisals
- [ ] 58.5% held planning and goal setting meetings with sales
- [ ] 57.5% had the processes embedded in both sales and coaching performance appraisals
- [ ] 42.5% held planning meetings with individuals from functions other than sales, such as human resources, legal, pricing, and production
- [ ] 41.5% required participants to be currently involved in a deal to which they could apply the concepts learned in the training
- [ ] 26.5% held pre workshop planning meetings with sales and human resources that focused on post workshop goals

(continued on following page)

SECTION FIVE

What Took Place at the Training Event to Drive Implementation?

- ☐ 65% said cross-functional stakeholders attended the sessions (not just sales)
- ☐ 56.5% of the participants in the training focused on live deals
- ☐ 56% said senior management and line management then field sales attended the sessions

What Took Place After the Training Event to Drive Implementation?

- ☐ 66.5% systematically communicated the results of using the new process
- ☐ 65% had sponsors at all levels provide ongoing coaching or sustainable reinforcement
- ☐ 64% collected positive results of the training
- ☐ 59% had mandatory coaching workshops
- ☐ 52.5% said live deals were followed-up by a coach
- ☐ 47.5% of coaches were rewarded for complying with the process
- ☐ 42.5% of the salespeople were required to present evidence of their use of the process to a coach
- ☐ 27.5% of coaches were penalized for not complying with the process

We were somewhat surprised to find that so many of the successful companies included such a large percentage of their cross-functional stakeholders (legal, HR, product managers, pricing, contract management) in the training events. It is good news, however, because sales training is not just an issue for the sales department, and by including staff from other departments these companies made it possible for everyone to speak the same language. In fact, only 6.5% of successful companies trained only their sales staff.

As these results make clear, the companies that were most successful in implementing training initiatives were those that provided follow-up to the initiative, that is, organizations in which use of the process and results were measured, those who followed the process were rewarded, and those who did not were penalized. On a final note, in order for results to be collected and communicated they need to be set up front with cross-functional leadership before the training takes place.

SECTION SIX

Measuring Success

The results of the survey did teach us a great deal about how "best in class" companies implement sales training to advance key growth initiatives. The area where even world class companies were performing most poorly was measuring ROI for the initiatives that were successfully implemented. Unfortunately, only 36% of the respondents reported doing any measurement at all. Of these, the two most common indicators cited were:

1. *sales/revenue growth*
2. *close/win rate*

There are, however, several problems with these measurements. The first of these regards the way they're typically measured. Most companies measure these items either by surveying salespeople or simply by collecting stories told by those who have gone through the training. "I used the new XYZ sales process," a sales rep writes in an e-mail to her manager, "and it helped me close a $1 million deal!" It's a good story, but it's not a very scientific way of measuring the success of a sales initiative. Even worse, as salespeople report these wins to their managers, their stories are often put into reports and circulated around the company as proof of success. In fact, it's not unheard of to see ROI calculations in the 500% range.

> *Dave Stein, CEOof ES Research Group says, "The lack of appropriate measurement mechanisms significantly inhibits a company's ability to improve their sales effectiveness. Unfortunately, many sales training companies, as well as their customers, depend solely on such meaningless measurements as 'smile' sheets filled in by participants at the end of a training class to determine whether that sales intervention was successful."*

Another reason measurements like sales/revenue growth and close/win ratios don't hold water is that there are many outside factors that can contribute to sales successes and failures that have nothing to do with the performance of the salespeople. For example, if an industry is experiencing rapid growth in the 20–25% range, and the sales team exceeds its sales targets by 18%, the initiative will be judged a success even though they may have lagged the market by five points. On the other hand, sales may experience a 3% decline and be deemed a failure when the market may have shrunk by 8% and the sales team actually beat it by five points. Mergers, acquisitions, raw material prices, strikes, political unrest, and other factors can also impact revenue growth and close ratios.

The third and final problem with these measurements is that they are, by and large, lagging rather than leading indicators. They're measuring the wrong things.

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> *"Traditional sales managers have focused on results; quota attainment, deals booked, new accounts opened. But nobody does results. Rather, results are the output of activities individuals do and how well they do these; research accounts, make calls, diagnose needs, propose solutions, these activities culminate in some result."* [(8)]

According to our interview with Max Bazerman, Jesse Isidor Straus Professor of Business Administration at the Harvard Business School, one of the best ways to determine the true impact of sales training is to set up randomly selected control groups and measure the outcomes of both groups using the typical sales cycle for that industry. Given the challenge is getting executives to run pure experimental tests, Dr. Bazerman supports creating the most precise set of leading and lagging indicators. Below is a live example of how this might work.

A firm in the data management and warehousing industry had promised Wall Street that it would increase gross margins, and accordingly made that their chief strategic goal. During their annual planning process, they decided one key way to accomplish that would be to raise the organizational competence around negotiation. They accordingly developed a three-step measurement process:

(1) determine the scope of the initiative
(2) agree on lagging indicators of success
(3) determine leading indicators directly tied to the lagging indicators

(1) Scope

In trying to decide on the most appropriate scope for the initiative, they realized that they needed to determine where they could get the highest return over the next six to nine months and increase their gross margin by three to four points. In the process they recognized that the most likely scope was not all salespeople and all deals but, rather, just the top 100 global account managers and deals over $100,000. That, then, became their target.

(2) Lagging Indicators

Agreeing on one or two lagging indicators for success was relatively easy as the strategic imperative for raising their organizational competence around negotiation was gross margin.

(3) Leading Indicators

Finally, in order to agree on three to five leading indicators, the company's cross functional planning team considered all the items that could add to or detract from margin. These items were then run through the filters of:

- Can our Global Account Managers actually move these items in and out of deals?
- Do we have readily available benchmark data on these items?
- Will their increase/decrease have a direct impact on gross margin?
- Can we easily measure movement on these indicators?

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Once this review was completed, they decided that there were only two items they wanted to stop doing. One example of these concerned the prevalence of free licenses in deals. Since free licenses was the greatest detractor from profit, they set a goal of bringing the percentage of deals that had free licenses from 60% down to zero. There were also two items that they wanted to do more of, one example of which was to sell more of a new product that gave the firm's customers better access to data and also provided a higher margin than the old product and they wanted their target to go from 10% to 75% of deals.

As should be obvious, this initiative went well beyond the traditional approach to sales training measurement and aggregating "stories" and labeling it return on investment. The CFO of this company strongly endorsed the notion that if these key leading indicators were to move over the next 12-month period, a valid computation of gross margin impact would be the outcome. And the company accomplished this, first, by developing the three traits the survey found to be prevalent in successful organizations, that is:

(1) Tying the negotiation initiative to the larger boardroom strategy of gross margin

(2) Rallying senior executives around the initiative as a strategic imperative rather than as training

(3) Building a coaching infrastructure in which both coaches and global account managers were measured on leading and lagging indicators.

Equally important, though, they took an important fourth and final step, which was determining the highest probability "scope" for the initiative. It didn't make sense to attempt to roll this out to the entire organization globally but rather start where the highest potential return was, build the organizational competency and look for lasting evolution rather than short term revolution.

SECTION SIX

Summary

We are aware that there are many levers management pulls to execute a multi pronged corporate growth strategy. The results of our world class benchmarking are designed to assist those who choose to use sales training as one of those levers to enable a specific aspect of growth strategy. The summary of lessons learned from those best in class companies are below.

- Sales training, because of its potential use as a growth engine, must be thought about—and measured—differently than other types of training.
- All sales training is not created equal, and given the demands on managers and salespeople, only those training initiatives that can be directly tied to a corporate growth strategy should be chosen for complete implementation.
- For those initiatives chosen for world class implementation, there are three imperatives:

  (1) a direct connection to the company's growth strategies

  (2) commitment and direct involvement of management

  (3) field sales management formally measures those who report to them and are, in turn, measured by those to whom they report

- Finally, because neither aggregating sales stories nor measuring lagging indicators alone provide meaningful data, key leading and lagging indicators must be agreed upon before, and measured after, implementation of the initiative in order to determine both its success as an enabler of corporate growth and its real ROI.

Think! Inc. provides immediate business impact
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