What's Wrong With The Sales Engine?

A CEO's Guide To Transforming the Sales Organization Once And For All

EXECUTIVE SUMMARY

For many CEOs, the sales organization is a black hole and a significant source of frustration. Why can't the sales function deliver predictable, repeatable results and reliable measurement metrics like the rest of the organization? When they look to their sales leader for answers and solutions, they often get vague responses. Promises of improvement from new investments and sales initiatives go unfulfilled. The annual replacement of the bottom reps with better ones never yields an increase in overall performance.

But the blame cannot be placed entirely on the head of sales. For many CEOs, a long-term strategy discussion with their sales leader does not extend beyond twelve months, and the average tenure for the head of sales is now down to under two years. It is difficult for any sales leader to establish and execute a strategic plan when they are measured on short-term results.

The only way to permanently fix the sales engine is to increase the percentage of A-Players on your teams. To do so, companies need to change the way they source, qualify, hire, and coach salespeople. Leading companies have created the new blueprint for sales talent management. They are building sales organizations where the *majority* of sellers are driven, ultra-high performers. As a result, they are able to increase revenue by over 30% within three years, without adding headcount, and significantly decrease their cost of sales.

Only 16% of sales leaders believe they have the right talent to succeed in the future.

Transforming your sales force is not as difficult as it may appear; however, due to internal competing interests, priorities, politics, and biases, senior leadership must be responsible for driving this organizational transformation. With the proper focus and accountability, any company can create a sales force where the majority of their sellers are consistently overperforming against quota. Companies could produce an unstoppable revenue engine if they put the same amount of focus, and a fraction of the resources they spend on sales enablement efforts, into improving the quality of their sales teams.

Inside this report, we will show CEOs the steps they must take to lead the transformation of their sales organization and how to accurately measure its success. If at least fifty-five percent of your salespeople are not consistently over quota, then this needs to become a strategic priority for the organization.

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Why Sales 2.0 Enablement Has Failed to Deliver Results

US companies spent over $800 billion in sales enablement and training over the last decade. The overarching goal of this investment was to transform the sales organization to drive higher revenue and margins and reduce cost of sales. However, cumulative research confirms that the objectives of this investment fell short. Quota attainment, win rates, and revenue per salesperson declined, while rep turnover and sales costs increased. Many companies have successfully operationalized the sales function with repeatable processes, standardized methodologies, and a consistent management cadence; yet, they are unable to produce reliable business metrics that provide accurate financial measurement and predictability beyond ninety days.

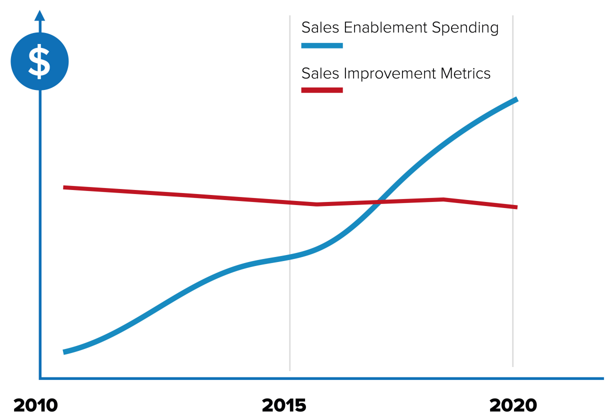
On average, sales organizations undergo some form of transformation initiative every twenty-six months. The ultimate goal of these transformations is the same: to improve revenue production per rep. These transformation efforts can include:

- Implementation of a new sales methodology or sales process
- Classroom and online training
- Deployment of CRM & sales enablement technology and programs
- Investment in business development resources
- Creation/Expansion of sales operations

Unfortunately, most of these initiatives fail to produce the expected ROI, and the promises of improved sales productivity do not materialize. If the majority of the salespeople lack the necessary capability and skills to compete in today's market, can't execute the company's sales process successfully, and are unable to interface with prospects effectively, then more investment in training, resources, and technology will be futile. As a senior executive of a SaaS company with 175 salespeople put it,

"Our investment in sales enablement technology managed to make us more efficiently ineffective. More of the wrong things get done by our sellers, but now we can just track it better!"

Further investment in sales enablement technology, training, and support resources will not produce the desired results because they do not address the core problem: Not enough A-Player salespeople.



A-Players are the top 20% of the sales force that usually delivers 65% or more of the overall revenue. Companies must rely on their 'Middle 60' to fill the revenue gap. The challenge for most organizations is that the middle sixty percent of salespeople have the most unpredictability and volatility. This group averages 55% of quota, and it's not consistent. They are the primary cause of missed forecasts, and their lack of success and inability to improve to reach A-Player status creates high turnover.

Contrary to the belief of many, sales is not a numbers game where only a few can be successful. The truth is that most companies have created this grossly imbalanced performance from their sales organization. No other area of the business would accept having half of its employees being submarginal performers, but it has become the accepted norm in sales organizations.

The only way to fix the sales engine is to increase the percentage of A-Players. To do so, companies need to change the way they source, qualify, hire, and coach salespeople. Leading companies have created the new blueprint for sales talent management. They are building sales organizations where the *majority* of sellers are driven, ultra-high performers. As a result, they are able to increase revenue by over 30% within three years, without adding headcount, and significantly decrease their cost of sales.

Companies could produce an unstoppable revenue engine if they put the same amount of focus, and a fraction of the resources they spend on sales transformation efforts, into improving the makeup of their sales teams.

It's Not The Engine – It's The Fuel

It does not matter how well the operational foundation of the sales function may be if a majority of the salespeople are below-average performers. Even the best structured CRM, buyer-aligned sales process, methodology selling tools, buyer journey maps, and value messaging cards will be useless in the hands of the wrong salespeople. Conversely, a sales organization with a majority of A-Players will consistently overperform and deliver consistent and predictable results. Even in the absence of a defined, well-executed operational structure and sales enablement tools, A-Players exceed quota. Regardless of the economy, competition, and even poor internal support from their company – they overcome any challenge. Alarmingly, according to a study by CSO Insights, only 16% of sales leaders believe that they have the right talent to succeed in the future. In most cases, it's not that they have bad salespeople, but instead, they have the wrong salespeople. Research shows that 55% of salespeople are in the wrong job. It's not a skills or training issue. No amount of coaching is going to make them become high B-level performers, much less A-Players. They are simply the wrong fit for the specific sales role and should have never been hired.

Selling has completely changed in the last 10 years. The prototypical salesperson of 15 years ago, who could get by through sheer effort and more activities will not cut it in this new decade. Buyers are now 75% into their evaluation and decision processes before they ever speak to a salesperson. Conducting more cold calls and prospecting activities to fill up the sales funnel is only going to produce more junk on the back end, as win rates have been on a steady five-year decline.

Companies with a Comprehensive Sales Talent Management Process Outperform Their Peers

	YES	NO
Salespeople have consultative selling skills	83%	46%
Our managers have strong coaching skills	88%	33%
Salespeople can accurately qualify opportunities	74%	23%
Salespeople can communicate value messaging	82%	43%
Forecast Accuracy %	81%	35%
Win rates (including 'No Decisions')	63%	38%
Quota Attainment	69%	34%
Turnover	6%	18%

Companies need A-Players who can have business discussions with their prospects and customers. The human element has been lost with the new breed of sellers who have communicated in the last decade in 140 characters, emojis, and texts. The core problem with the sales engine is not process or technology - it's the people - and fixing it permanently starts at the top.

To Get The Right Fuel, You Need The Right Refining Process

Research shows that only 17% of companies have a comprehensive sales talent management process, and it is no surprise that they significantly outperform their peers in all vital sales metrics. Companies that lack a formal talent management process have less than one-third of their salespeople consistently performing against plan. This simple quiz will determine the competency level of your organization's sales talent management process.

Sales Talent Management Process Competency Assessment

	YES	NO
1. We have a documented comprehensive sales talent management process that is based on proven best practices.		
2. There is one person within the organization who has total accountability for hiring the right salespeople.		
3. We have thoroughly assessed and documented the behaviors, traits, motivations, and competencies of our top performers to benchmark for hiring new salespeople.		
4. We have created talent scorecards to assess candidates and current sellers based on each sales role.		
5. We proactively recruit and hire salespeople throughout the year, regardless of our current sales headcount.		
6. We invest annually in specific coaching and development training for our first-line sales managers.		
7. We proactively evaluate our entire sales force every six months and create an eighteen-month hiring plan based on our future needs.		
8. We never make an offer to a sales candidate when they are not the right fit, even if we have an open territory, unexpected resignation, or we have set an internal hiring deadline.		
9. The percentage of A-Players in our sales organization has increased by 45% in the last three years.		
10. We have never had one of our top salespeople unexpectedly leave to go work for another company.		

If you answered affirmatively to less than nine of the above, then your company does not have a valid sales talent management process. There is not a scale or curve on the grading system – your company either does or doesn't have a proven way to find and develop the right sales talent.

In case you think that this grading may be too harsh, we would encourage you to review each item again. Other than #10, are the basic requirements for the other statements unreasonable for the organization to address? If you made comparable requirements to critical business processes in different functional areas of the organization, would this failure rate be tolerated? Likely not.

For most organizations, although entirely unnecessary, it is accepted to have the majority of their salespeople performing below expectations. This lack of performance accountability is the reason why companies have, on average, 45% more salespeople than they actually need. Nowhere else in the company would this level of failure be tolerated, yet many executives have accepted this as the norm in sales.

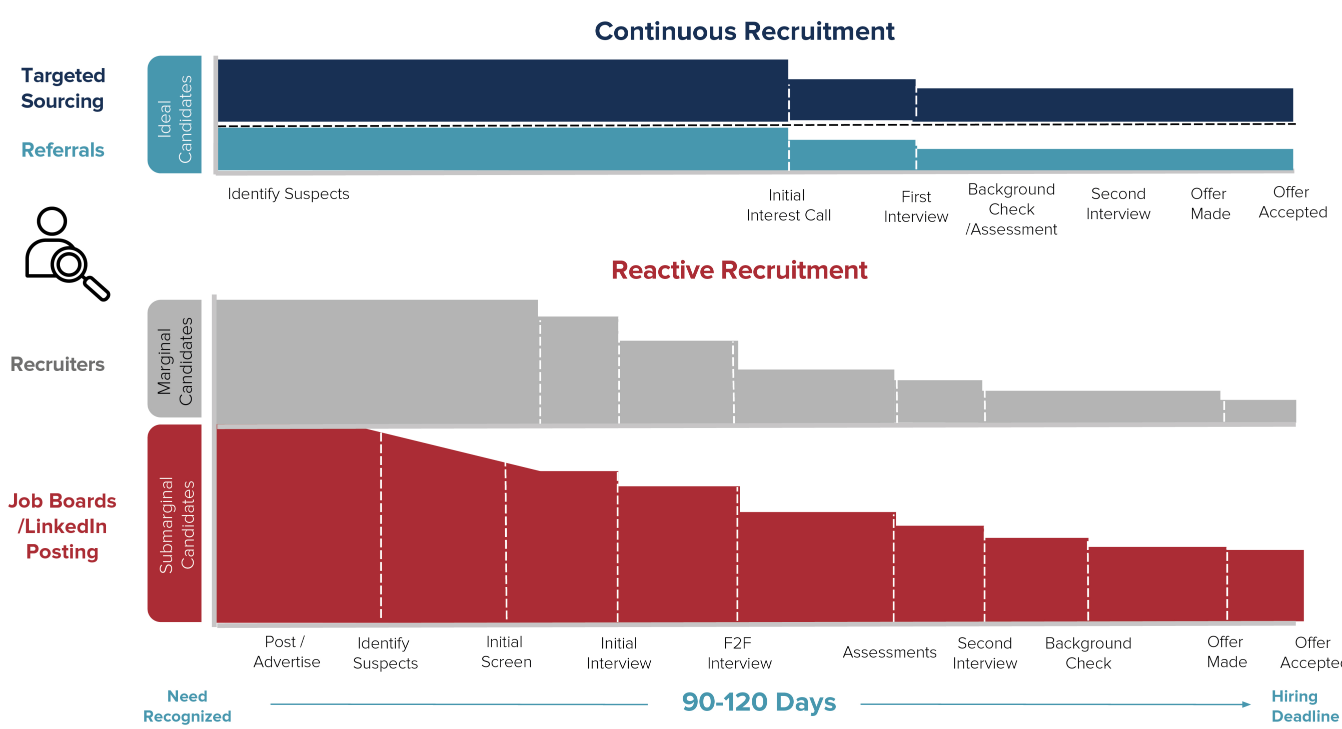
The breakdown in hiring A-Players for most sales organizations starts at the beginning. Eighty-five percent of sales hiring takes place between November through February, primarily due to:

- Replacing underperforming reps who will leave the company.
- Meeting new headcount needs for the coming year.
- Replacing unexpected voluntary resignations.

The entire process, from initial sourcing of candidates to their hire date, averages less than one hundred days. Ninety-five percent of the sourcing for the candidates comes from postings on job boards and outside recruiters, which causes two major problems.

First, A-Players do not apply for jobs or use job boards. The vast majority of salespeople looking for their next opportunity on a job board will become your next underperforming salesperson. They are typically running from something and just looking for their next job, and their average tenure in a position is less than two years. Buy many of these candidates are skilled at interviewing and will slip by the first screening. Job boards provide an endless supply of these candidates, and although the least qualified, they are the easiest for companies to source.

Some recruiters can be a better resource for sourcing than job boards, but most are dipping into the same candidate pool. Because recruiters spend all year looking for candidates they can place, they have already done the initial screening of marginal salespeople. In



most cases, when they present someone to be considered for a position, they pitch them like a realtor would a fixer-upper. "Good bones and potential, just needs the right owner and a little work." This is the second problem in the process because when companies are desperate to fill positions, they will mistakenly place too much weight on the recruiter's recommendation and hire their candidate.

Sales candidates that come through job board postings and recruiters are marginal at best, but companies rely on these resources for 95% of their hiring needs. This is the primary reason why sales organizations are unable to increase the number of sellers at the top and have consistent annual churn at the bottom.

The approach companies use to source their next top salesperson is similar to the approach that their worst reps use for prospecting. They fill their sales funnels up with unqualified prospects and take them through their sales process, hoping that some may actually make a buying decision. But unfortunately, in the hiring process, companies will 'buy' unqualified candidates to meet their hiring deadlines.

If this sounds chaotic and dysfunctional, that's because it is. For most companies, the hiring process for salespeople has remained unchanged for twenty years. But besides the obvious defects in this critical business process, there is also a tremendous financial burden on the company.

The Ugly Truth About Sales Turnover Costs

Very few CEO's and CFO's want to acknowledge the real cost that annual turnover has on their organization. The obvious direct costs of salaries, benefits, expenses, payroll taxes, training, and travel are obvious. But those are actually minimal compared to the overall financial impact on the business.

To illustrate the total financial impact, we will use a company with 75 salespeople, who each have an average salary of $75,000, quota of $750,000, with an annual turnover rate of 15% and net profit of 12%. Typically, involuntary turnover salespeople average just 25% of their quota. The total direct cost of this turnover on the organization is $1,857,656 over the course of their employment. There are also measurable indirect costs that have both a financial and morale impact, which we will ignore for this example.

The Total Costs Of Mishires

Hard Costs/Individual

Salary	$112,500
Recruiting Fees	$15,000
Training	$4,500
Onboarding	$5,000
Benefits/Taxes	$28,125
TOTAL DIRECT COSTS	$165,125
TOTAL INDIRECT COSTS	$28,125
TOTAL COST	$294,500

Revenue & Profit Loss/Individual

Revenue Miss	$1,012,500
Profit Miss	$151,875
Profit Contribution	$50,625
PROFIT LOSS	$101,250
REVENUE MISS	$1,265,625

Hard Costs/Company

Salary	$1,265,625
Recruiting Fees	$168,750
Training	$50,625
Onboarding	$56,250
Benefits/Taxes	$316,406
TOTAL DIRECT COSTS	$1,857,656
TOTAL INDIRECT COSTS	$316,406
TOTAL COST	$2,174,063

Revenue & Profit Loss/Company

Revenue Miss	$11,390,625
Profit Miss	$1,708,594
Profit Contribution	$569,531
PROFIT LOSS	$1,139,063
REVENUE MISS	$11,390,625
REVENUE NEEDED TO COVER LOST HARD COSTS	$15,480,469

Indirect Costs = Officing, technology, phone, travel, reimbursable expenses and manager's time.

The more substantial impact on the business overall is on the income statement. During the course of their employment, these salespeople missed their expected revenue and profit contribution to the company by $11.4 million and $1.1 million, respectively. However, the company needed to produce over $15 million in additional revenue to cover their costs without affecting overall net profit! CEOs and CFOs can no longer ignore these negative impacts on the company's overall financial health.

Why The CEO Needs To Require A New Process For Sales Talent Management

"What gets measured**,"** Peter Drucker famously observed, "gets managed." One might add that what goes unmeasured—or gets measured only superficially—risks being mismanaged. If your company lacks a comprehensive sales talent management process, it is likely that there is a lack of responsibility and accountability for sales hiring as well.

During our initial discussions with companies, there are three data points we want to understand. First, what has been the voluntary and involuntary sales turnover for the past three years? The responses are always vague and unsubstantiated; "Around 15%." The actual number is always higher.

Second, who has ownership of the entire sales hiring process? Again, the responses are unclear. Between HR and Sales, it is usually three or more people who are involved in the process, but no single person has ownership over the entire process. This leads to finger pointing when hiring deadlines are missed, or a bad hire is made.

The third data point is this: Who is accountable for a bad sales hire? This answer is always unanimous – the sales manager. First-line sales management is one of the most challenging and unrewarding jobs in every company. Sales managers are expected to oversee sales enablement, train new salespeople, coach and develop their existing people, help their team qualify and close opportunities, and manage the forecast. Most sales managers receive little to no training on how to properly coach and develop salespeople. To ask them to have a majority of the responsibility in the hiring process and all of the accountability is not just unreasonable, but patently unfair.

If your company lacks a comprehensive sales talent management process, it is likely that there is a lack of responsibility and accountability for sales hiring as well.

If this sounds like your organization, it should be obvious that an immediate overhaul is needed, and there are several reasons why it needs to be driven from the top.

- Revamping the makeup of your salespeople needs to be a strategic three-year plan. If you have more than thirty sellers in your organization, it will take a disciplined approach to getting more A-Players and increasing the competencies and production of the B-Players. The lagging indicators of success, such as production per rep and turnover, can't be measured for several months. Unless you are willing to gut your sales organization completely and start from scratch, you need to implement a thirty-six-month plan with measurable benchmarks and established leading indicators.

- Although it would appear that your head of sales should be leading this effort, it is impractical in most cases. First, many organizations treat their head of sales as a glorified sales manager, and they usually don't have a seat at the executive table. Long term discussions between the executive team and their sales leader typically don't look beyond eighteen months. Furthermore, very few sales leaders would have the capacity and authority to formulate the necessary steps to overhaul their talent management process. Unless your sales leader is an established officer of the company, it is unlikely that they will be able to lead this strategic project.

- While salespeople are obviously employees, the success of a sales talent management initiative cannot be the responsibility of HR. Through our extensive professional experience and research, we have dozens of examples where HR screened out qualified A-Players early in the process. The general reasoning was that the candidate was too
- The success of a comprehensive sales talent management program requires the support of the entire executive and senior leadership teams. Everyone needs to understand the strategic impact a successful program will have on the company as a whole. Leadership can support sales by having regular informal meetings with existing and new A-Players. Your A-Players are the primary revenue drivers and are closest to your customers. They can provide you with valuable insights about your company and markets. In addition, the primary reason A-Players unexpectedly leave companies is because they feel undervalued and unappreciated. Having a leadership team that is interested in their individual success is personally significant to A-Players.

The 3 Steps A CEO Needs To Take To Fix The Problem

Step 1

The first step in implementing a sales talent management process is to assess the quality of your company's efforts to date. Have HR thoroughly document the sales turnover for the past three years. Although this may take some time, the results from this process will provide invaluable insights into the current breakdowns in the process to avoid future mis-hires. This documentation should include the following for each mishire:

- Reason for Leaving. Make sure you understand the real reason the rep left, voluntarily or otherwise. It is essential to get granular here and not settle on a vague excuse like, "They were just the wrong fit," or "They didn't receive enough coaching."
- Quality of Hiring Process. Did the candidate go through a rigorous behavioral interview process? Were validated assessments used to understand the important traits, preferences, and motivations of the candidate? Was the candidate approved by all internal evaluators, or were they hired out of necessity to meet an internal deadline?

- Comparative Analysis. A bullet-point summary comparing the actual performance of the individual against what was documented during the vetting and interview process, noting potential red flags that were missed or ignored. If you used an external personality assessment, what were its conclusions of the candidate versus the actual performance?
- Direct Cost to the Company. Document all costs incurred for the employee during their employment, including salary, benefits, taxes, training, recruiting fees, onboarding expenses.
- Missed Opportunity Costs. Document the expected revenue and profit the employee was supposed to produce against their actual performance.

Step 2

The CEO and head of sales need to work together to understand both the success and failure patterns of the past. Before a productive conversation can happen, the head of sales will need to compile several key data points to understand root causes. Those should include:

- Evaluate the 3-year individual historical performance for all current sellers. This should include consistency of performance throughout the year.
- What were the reasons for any voluntary turnover of salespeople? Is it more prevalent on certain sales teams or regions? If so, examine if managers have the right coaching and development characteristics.
- Does sales leadership have a solid understanding of personality characteristics and qualities that lead to success for each sales role?
- Are role descriptions reflective of the actual performance characteristics of your top sellers, or are they just a generic list of qualifications?
- Stack rank sales managers as you would your sellers. Are there parallels between performance and coaching/mentoring ability?
- Document the specific coaching and development training the company has provided for each sales manager. Has it been done on a biannual basis?
- Does the comp plan disproportionately compensate top performers and offer non-financial motivators, such as trips, awards, and prizes?
- Comparative annual comp analysis by three performance categories against quota: 75-99%, 100-125%, and 126%+.
- Are established sales processes and sales enablement procedures, including CRM, used correctly and consistently by all sales teams?

> Transformations can take up a surprisingly large share of a leadership's and an organization's time and attention. They require enormous energy to realize the necessary degree of change. Herein lie the seeds of disappointment. Our most fundamental lesson from the past half-dozen years is that average companies rarely have the combination of skills, mind-sets, and ongoing commitment needed to pull off a large-scale transformation.
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> **McKinsey Study, *Transformation With A Capital T*, November 2016**

Step 3

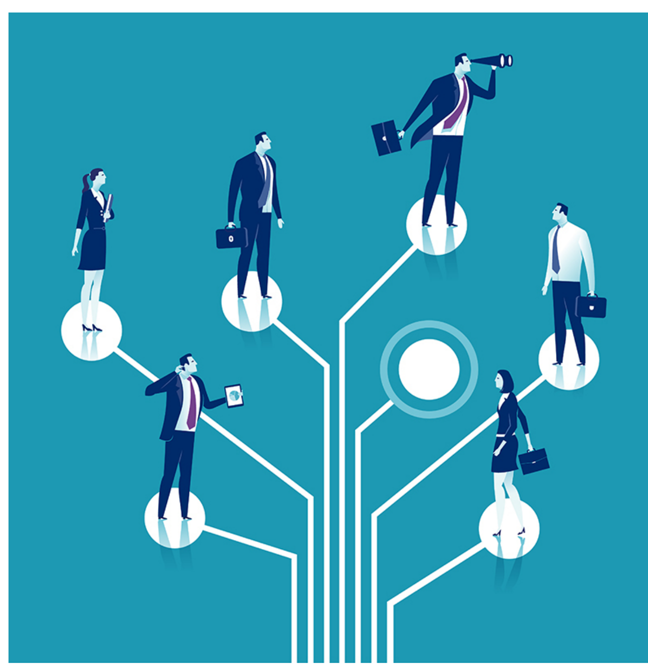
The CEO and head of sales need to establish a comprehensive three-year strategic plan transforming the makeup of the sales organization. The end goal is to create an organization where at least 65% of your sellers are A-Players – those who are consistently 100%+ of plan during the year. The rest of the sales team should consist of salespeople who are consistently 75%+ of quota. If this appears to be an ambitious objective – it's not. The outputs from Steps 1 and 2 will probably.

indicate that there has been very little focus and consistency in your sales talent management process, and likely no accountability. It is not unreasonable to require that the majority of sellers meet standard performance, which is meeting quota. The objective can be accomplished by establishing a comprehensive strategic plan with consistent measurement and accountability.

Don't be surprised to find that you don't have the necessary resources and personnel to execute to the plan. This may include the creation of the sales talent management program itself, including all of the essential elements required for its success. (We have provided some of the required elements for a successful sales talent management program in this report.) A six-year McKinsey study found that most companies do not possess the necessary skills and resources needed for a successful transformation of a strategic business process. You do not want to assign critical priorities and deliverables to current players in the organization who do not have the proper skills, capability, or capacity to execute. Due to the importance of the program's success to the organization as a whole, it would be advisable to seek outside resources to assist in the plan's development and short-term execution. Proven outside resources will have an objective perspective and provide an unbiased and unfiltered view to make the required recommendations for improvement.

Soliciting the expertise of experienced outside resources will also speed the implementation of the plan as well as minimize disruption on the organization. Although the execution of the plan may be painful in making some tough employment decision, it should not be a distraction to the business. New strategies call for new levels of expertise. If you don't have it within your company, then you need to partner with someone who does. At the Collier Group, all we do is sales force transformation. Our team of advisors and professionals have created and managed some of the highest performing sales organizations.

Regardless of how you choose to execute, the head of sales should have ownership and accountability of the plan and should be responsible for its execution and success. As CEO, you will need to establish a reporting system to communicate the progress of the program back to the executive and senior leadership teams. Creating a Sales Transformation Report Card is essential, as accountability and communication are of vital importance to the program's success. If a quarterly metric is missed, it must be immediately addressed, and corrective action taken. The best laid plans will fail if new priorities are allowed to take precedent. The organization will slide back to the status quo if accountability is not driven from top to bottom.



Conclusion

Transforming the character of your sales organization's personnel could be the most important undertaking of a CEOs career. A significant portion of a company's value creation rests with its sales force. The executives of companies that outperform see capability building for the long haul as one of their priorities. Underperformers are unable to create high-performing sales organizations that deliver consistent and predictable results, not just during challenging economic and competitive environments, but even in times of prosperity. With all of the focus, money, and energy spent on sales enablement and training to make the sales engine run better, it's time for companies to spend equal attention to the fuel source. Once the right salespeople are on board in the correct roles, sales performance will increase, and a culture of excellence will flourish. A team of sales professionals who are overachieving is infectious. It promotes healthy competition which drives even greater individual performance. Consistent revenue growth inspires the entire organization and boosts organizational health. A successful transformation is an organization-wide program and requires leadership from the top.

About The Collier Group

The Collier Group is a niche consulting, advisory, and managed services firm that works with B2B companies who have outside sales teams of 25-300 salespeople.

We help our clients restructure the makeup of their sales force, without additional headcount, to increase the number of top performers by 75% and grow net new revenue by an average of 28% over 3-years.

As a client-focused firm, we structure our fees to work within our client's current budget during the initial phase of the engagement, so there are no additional unplanned costs. We then work on a success fee basis, where we only get paid when our clients achieve their program goals. We do not have billable hours, nor do we allow for 'project creep' that increases expenses for our clients.

References

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- The Collier Group – Independent research from over 300 MidMarket and Enterprise companies.
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- Sales Benchmark Index

EXHIBIT A

Requirements of a Successful Sales Talent Management Program

- Validated, independent assessments of the top 15% of the salesforce that capture behavior traits, individual drive and goal achievement, resilience, flexibility, and emotional intelligence.
- Validated, independent assessments of the top 15% of sales managers that capture their level of coaching and mentoring capabilities, as well as performance drive.
- Assessments of all current sellers benchmarked against the results of your top performers.
- A commitment to not tolerate submarginal performance at any level, regardless of current headcount needs.
- If you want A-Players, you need to proactively recruit them. Treat them like professional free agents that you need to sell on the merits of joining your team. You are not doing A-Players any favors by asking them to come work for you. Go after them with the same intensity and focus as you would a top potential customer. This includes:
    - Year-round proactive outreach to A-Players at targeted companies by a dedicated individual(s) who report directly to the head of sales. If you don't have the right people on your team to do this function, then outsource it to a proven provider (not a recruiter).
    - A 'sell package' on your company and the position. This should include a video on the perks for A-Players working at your company.
- Establish a broad referral reward program.
- Top-performing organizations boost the return on their training by ensuring that it is personalized to the audience and unique to their organization and selling process. Salespeople don't need more generic sales methodology training, as research documents that a majority of sales training is ineffective. Today's sellers need specific social selling skills training, such as Emotional Intelligence for sales. It is the human element of connection that makes top salespeople so successful. Sellers need to be able to have candid business and personal conversations with potential buyers regarding perceived risk. top performers do not generally use off-the-shelf sales training materials. Instead, they customize training materials to match the specific needs and priorities across different roles and functions.
- Compensation plans that are not only highly competitive with the market, but also disproportionately compensate top performers without any caps on income earned.
- Make it impossible for your A-Players to leave. Create longevity performance bonuses (like pro athletes) that make it difficult for them to jump ship.
- Sales managers are the tip of the spear for driving performance. Identify your top sales managers and make them the master trainers, helping their peers develop their coaching and mentoring skills. These master trainers need to be compensated for their additional responsibilities, don't make it a career development assignment.