# Salespeople: A Canary in the Economic Coal Mine

BY BEN LAKER AND NICHOLAS READ

**Since 2008, sales performance was restored to a modicum of health. But the metrics are starting to backtrack again. Solving the problem requires a reboot of interdependencies across a wide gamut of sales, marketing, support, technology and compensation issues – a field rarely owned by a single executive and therefore difficult to pull off.**

Findings from our recent sales research are concerning, and suggest that a decline in global sales effectiveness will trigger another downward economic cycle.

If company policy is to stop hiring in a tough market, sales managers are bound by the same rules and told to make do with what they have or lose the headcount. This draconian policy flies in the face of every assembled statistic that shows a sales team that is pruned and replenished annually remains more competitive than those where the weeds are allowed to grow.

Those managers lucky enough to have open slots find the average time for a new salesperson to become profitable is almost eight months. This means where sales reps were given a 3-6 month probation to prove their worth, managers saw trees axed just as they were about to bear fruit.

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Often the wrong person is hired into an open sales role. There are several reasons. Cronyism, lack of inspection, or being under time pressure to fill the slot rate high. Then there's the coup of departments managing to transfer their own problem children to "try their hand at selling", which amounts to a high-risk game of musical chairs.

Whatever the cause, a poor recruitment choice will cost an organisation 1.8 times the direct salary of the non-performing salesperson. This does not include the ancillary costs of training, recruitment, and the drain on the manager's availability, nor the cost of lost opportunities as a poor seller burns their territory. Some analysts project the total cost of a bad hire is closer to 3X a role's basic salary.

When an organisation makes a good hiring decision, but the talent leaves in the first year, more than $1 million in enterprise value walks out the door with them. Retention has never been more important, but only if it's retention of the right people. This is why more companies are adopting psychology-grade competency and behavioural assessments as part of the hiring process: it's now possible to know if a candidate is a 10% fit or a 90% fit to any product or service sales role.

The advances in this field are nothing short of breathtaking in their accuracy, leaving no excuses for talent not working out. Yet more than 86% of companies still cling to the "I'll know talent when I see it" approach to sales recruiting.

The numbers speak for themselves on how well that's working. Over the past eight years, performance metrics in the average sales organisation worldwide have plummeted. This doesn't just affect the end of quarter or fiscal year-end numbers; this collapse is endemic at all stages of the sales process. Is this new? No, we've seen this before – in the years immediately preceding the 2008 global financial crisis. And it appears to be happening again.

Back in 2006 a retrospective analysis of sales effectiveness measures showed the number of calls converting into leads had been dropping steadily since 2004. So too were the number of leads converting into first calls or meetings, meetings to presentations, presentations to proposals, and proposals to contracts. Across the end-to-end process, a 97% reduction in effectiveness was recorded.

The salesforces of the world didn't know it at the time, but the belt-tightening they were fighting in their pipelines was a canary in the economic coalmine, a bellwether of things to come across global markets.

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Buying decisions of large enterprise service or sales solutions now take almost six months to go from "Hi" to "Buy". Thirty-two percent of sales leaders expect this to lengthen as risk-averse decision-makers take more purchasing decisions by committee.

As sales thinker Neil Rackham commented, "When the economy goes down, the decisions go up".[1] It may be sage and timely advice.

Another problem area is that the average salesperson spends only one-third of their available time actually selling to customers. The number of calls or meetings needed to move "from contact to contract" is increasing, with 70% of companies reporting that 3 to 9 well-prepared presentations are required to secure major deals. The other 70% of selling time is spent on internal administration and meetings.

As one software president commented: "Using only 30% of our time to sell is like sending salespeople out on January 1 and calling them back on April 20, never to go out again. We pay them to do more non-selling than selling. What's wrong with this picture?"

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The usual remedy is to raise targets and wring more effort out of the salesforce. This might have worked in the past. It won't work anymore. Here's why:

A national workplace study conducted across 12,000 executives by a major healthcare brand produced some shocking but irrefutable findings:

- More than 62% of employees feel burned out.
- 57% report low morale.
- 63% are irritated and stressed.
- 56% are exercising less, spending more time at their desk.
- 69% report a serious erosion of their work/life balance, leading to absenteeism, a malady that's easily obscured by the fact that salespeople don't always work from the office.
- Most critically, 78% fear they personally lack the capacity to take on any new challenge in the year ahead.[2]

## When a sales manager invests a minimum of three hours per month coaching their salespeople, the number who hit their end of year target jumps from an average of 46% to 107%.

Consider this last statistic. Before you even hand your salespeople their target for the year, nearly 80% are telling themselves they can't do it, whatever the number is.

A soon-to-be-published book, *The Salesperson's Secret Code* (LID Publishing, 2017), notes that "working harder" is a trait of the bottom five percent of salespeople doomed to remain tactical and reactive, with the belief that the more calls they make, the luckier they'll get. Perhaps they're right: even a blind squirrel finds a nut now and then.

Faced with higher team quotas, emotionally detached sellers, better-informed buyers and broken internal processes, sales managers must pick the targets of their attention carefully. They can't boil the ocean.

Some devolve to "salesperson behaviour", riding shotgun on every large deal, unwilling to leave anything to chance. Some paint a new veneer of sales training over last year's varnish. Some performance-manage the life out of their weakest salespeople, making them the team's sacrificial lambs to explain underperformance. Some round on Marketing and the Inside Sales call centre for not sending better quality leads.

Despite investment in CRM systems, less than 44% of sales opportunities ranked at higher than 75% probability on the forecast are actually closed on time or on target. It is important to note that this isn't the entire pipeline of opportunities, but those with an assigned revenue value, a close date, and a commit from the salesperson as being closable. Of these, 30% result in a loss and 21% result in "no decision". The last statistic has been trending upwards in recent years, either the result of insufficient qualification upfront, or inadequate justification at the close.

A related finding is that while it's taking longer on average to close large deals (146 days) compared to smaller less complex sales (84 days), it takes longer still to report the losses (231 days).

This indicates that salespeople are keeping deals on the forecast longer than the date of the customer's decision to buy from a competitor or to not buy at all. In some cases this is because the customer hasn't disclosed their decision, leaving salespeople to chase them for answers in the hope the deal might be resurrected.

Sometimes it's because salespeople record a new "contact" as a new "opportunity", even when there is no formal project on the horizon. At other times the anomaly is from salespeople inflating their pipelines to avoid prospecting duty, or by pursuing opportunities incapable of being closed.

When sales managers are asked if they received any formal training on how their new role is different to being a salesperson, 92% disclose their job promotion included an orientation on their reporting and HR responsibilities, yet nothing on how to plan territories, select winners, design compensation plans, or provide coaching and leadership. Most new managers take what they knew as a salesperson, mimic what they saw their old manager do before them, adapt as needed and hope for the best.

Improvements in sales management will readily yield high returns. The Sales Executive Council reports that when a sales manager invests a minimum of three hours per month coaching their salespeople, the number who hit their end of year target jumps from an average of 46% to 107%.[3] But despite having the science, few follow it.

## Implications for Executives

76% of CEOs say they plan to improve their organisation's sales performance effectiveness in 2017. But 63% cannot define the steps and dependencies of their existing sales process, and of the remaining 37%, a little more than half had confused sales training or CRM with the sales process itself, and so learned they didn't have a process in place at all.

These statistics confirm that while executives are aware the old world is gone and sales performance needs a reboot, the questions of what and how have not been thought through with anywhere near the level of rigor required. Part of the problem stems from too many junior or mid-level staff with limited sales acumen being placed in roles where they make decisions about the tools, training and steps that salespeople will use on the job.

A final source is that too often, companies abdicate the sovereignty they deserve to map their own sales process, because they hand it over to a piece of software or training vendor they're buying from, whose methodology or tool becomes a defacto business process in the absence of the company designing one itself.

However, there is hope. Evidence exists that a paradigm shift is underway on what constitutes competitive advantage, with clear implications for the sales process.

Until recently, competitive advantage was thought of in terms of Porter's model; an amalgam of innovation, labour, product, pricing, routes to market and barriers to entry. In other words, the "what". Today, it's shifting to the "how", and with that CEOs are more interested in having business processes transparent enough to be inspected, improved and sustained. Top-line growth is the new frontier for value creation.

Understanding the end-to-end sales process allows board executives to cut through the veil of mystique, hearsay and false assumptions that too often shroud the sales department, and obtain clarity about what is working and what is not.

Armed with these insights, executives can know which levers to pull, in which direction, and which activities to discard altogether. But they can only do so when they map sales as a mission critical business process and not something that only happens below decks.

Porter's 5 Force Model


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