# 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 36 month probation to prove their worth, managers saw trees axed just as they were about to bear fruit. 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 highrisk 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.