

THE INTERNATIONAL

Journal of Sales Transformation

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NOVEMBER 2016/ISSUE 2.4/ISSN 2058-7341

LEARNING TO CHANGE

Some components of the sales ecosystem are responding. Others stand rooted in the past.



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Sales talent: the final profit frontier – part 1

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Hiring, developing and retaining salespeople have been something of a dark art. It's often expensive and inefficient, but new talent-management techniques are bringing us into the 21st century.

In their 2015 *Harvard Business Review* article "The Best Ways to Hire Salespeople", Harvard Business School's Frank Cespedes and Daniel Weinfurter, who is an Adjunct Lecturer at The Kellogg School of Management, discussed the fact

that, while many firms talk about talent management, few deal systematically with a basic issue: average annual turnover in sales is 25-30%. Not only is that expensive; it's also inefficient – so surely there must be a better way.

Talking to the *International Journal of Sales Transformation*, Dr Cespedes is clear: "This means the equivalent of the entire sales force must be recruited, trained, and socialised in that company's sales process every four years or so. A resource allocation of that magnitude also makes (or, should make) sales talent a C-level issue."

Back in 1997, and again in 2001, McKinsey & Co highlighted the so-called "War for Talent" with significant



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▲ Frank Cespedes

work that helped shaped corporate thinking into this decade: organizations must constantly rethink the way they plan to attract, motivate, and retain employees.¹

Many businesses like to claim that their people are their most important asset and that talent is at the top of their agenda, particularly since McKinsey alumnus Jim Collins wrote his seminal work *Good To Great: Why Some Companies Make the Leap ... And Others Don't*.² He said: "We expected that good-to-great leaders would begin by setting a new vision and strategy. We found instead that they first got the right people on the bus, the wrong people off the bus, and the right people in the right seats – and then they figured out where to drive it."

In 2007, McKinsey's Lowell Bryan and Claudia Joyce³ looked at talent from the perspective of organisation design and came up with a simple conclusion that has far-reaching consequences for businesses today: your workforce is the key to growth in the 21st century. By tapping into their underutilised talents, knowledge, and skills organisations can earn tens of thousands of additional dollars per employee, and manage the interdepartmental complexities and barriers that prevent real achievements and profits.

However, in 2008⁴ and some 15 years on from the original War for Talent research, the authors of another McKinsey report had this to say: "Companies like to promote the idea that



▲ Andrew Dugdale

employees are their biggest source of competitive advantage. Yet the astonishing reality is that most of them are as unprepared for the challenge of finding, motivating, and retaining capable workers as they were a decade ago.”

So, have things really moved on? For some, the argument is simple: while the 20th century was the century of process – with businesses built around products, labour and capital – then the 21st century should be the century of talent. Yet this is too simplistic, as Collins points out.

Talent in context

Talent on its own is not enough, Collins argued back at the beginning of the century: “The old adage ‘people are your most important asset’ turns out to be wrong. People are not your most important asset. The *right* people are.”

Dr Cespedes concurs: “Sales process and talent are inherently linked. Talent is talent and performance is performance only in specific circumstances. In other words, despite all the glib generalisations, there is no such thing as “talent” in the abstract, independent of the context/relevant process.

“If Manchester United plays the NY Yankees, who will win? Both organisations have talented athletes, but it depends if they play baseball or football that day. Similarly, in sales, we all know about the firms who hire a ‘star’ from company X but who, in the different sales process relevant at company Y, is a failure. Boris Groysberg, in his book *Chasing Stars*, presents the research indicating how star performance is largely context-specific, not generalisable.

Andrew Dugdale, president of SalesAssessment.

Table 1:

What does an effective assessment tool look like for the sales profession?

According to Andrew Dugdale of SalesAssessment.com, it measures these five key factors:

1. **Behaviour** – how “comfortable” someone is in the role
2. **Skills** – how well trained someone is – specifically for their role
3. **Critical Reasoning** – a measure of applied intellect in a work situation
4. **Motivators** – what makes someone want to succeed
5. **Cultural Fit** – are they the “right person” for you and your business

Table 2:

Talent and getting access to incremental revenue

1. Understand your customer’s expectations.
2. Create a sales organisation structure that maps to those expectations.
3. Put the right salespeople in the right roles.
4. Develop your people to train the revenue-impacting gaps.

com agrees: “Having the *right* people in the *right* roles is what gives the most successful organisations their competitive edge. The most successful enterprises are being re-defined around their ‘thinking-intensive employees’; meanwhile, organisational design is being re-engineered to enable such people to thrive and optimise their contribution in the context of the digital economy.”

Dr Beth Rogers from the University of Portsmouth supports the position that process and talent are inextricably linked, adding: “I think some organisations do still have a variety of process issues to address: forecasting and pipeline management are still hot topics! However, process issues can be symptoms of talent issues as well. For example, if salespeople do not have the ability to understand in-depth what customers want and when they want it, this has a knock-on effect in forecasting and pipeline management.”

Increasing focus on talent

Meanwhile, both Dr Cespedes and Dr Rogers acknowledge an increasing focus on talent, in part because attracting, developing and retaining talent remains one of the great mysteries in sales management.

Dr Cespedes again: “Talent-related issues are indeed getting more attention in sales, for reasons outlined in Chapter 8 (“Hiring, Development, and Sales Organization”) in my book, *Aligning Strategy and Sales*. Companies are more aware, through software and other tools, of the big variance in performance among salespeople in their organisations, a variance typically much wider in sales than in other functions.

Dr Rogers adds: “Overall, I agree that there is more focus on attracting, developing and keeping talented sales professionals. We might ask why – in an environment where purchasing professionals make sure that they spend less time talking to salespeople. Should we be investing more in web portals? Well, it is important to make sure that customers can find our information, but what happens next?”

“If you have less time with key decision makers, you have to deliver more impact. That is only likely to happen if

the salesperson is highly skilled. Skilled professionals have credibility with customers, and you can’t afford to compromise the credibility of your brand by sending second-best into the field.”

Flawed approach to talent management

While the experts are agreed that finding and optimising the right talent for the right role is key, past approaches have tended to be flawed. “Talent management is a complex, multidisciplinary process and one that generally is not well understood,” SalesAssessment.com’s Dugdale declares.

“Consider how little research, analysis, and specification is carried out when hiring salespeople – or for that matter developing them to better fit their role. Too often sales managers seek to hire salespeople in their own image rather than using all the tools that are available to identify and select the right talent.

Beyond the interview

Asked whether there is a place for assessment tools in the hiring and development process, Dr Cespedes replies: “Yes, there is, and the assessment tools for sales hiring are getting better.” He refers readers to the “The Best Ways to Hire Salespeople” for a point of view.

“It’s also important to recognise how poorly most companies hire, not just in sales but also other functions. Companies, in their hiring, rely mainly on a few interviews. But there is now 60 years of research that consistently demonstrates a very low correlation between how candidates are assessed in interviews versus their actual performance on the job. In fact, some of this research indicates that many companies would actually have better results if they simply hired blindly and randomly from their resume pool without any interviews!”

Dr Rogers confirms the point. “Interviews are never enough. A variety of techniques such as simulation exercises, panels with potential colleagues, technical assessments and psychometric tests are used in assessment. There are even online assessment

Table 3: The right people in the right roles

For the sales organization, an effective suite of talent assessment and analysis tools opens the door to a valuable talent pipeline by enabling employers to:

- Hire people most suited to the roles available
- Understand what motivates individuals to perform and thrive within an organization
- Reassign under-performing employees to more suitable roles
- Confidently identify a suitable replacement should this becomes necessary.

centres for smaller companies.

Dugdale, whose organisation has conducted ten years' research in the field, adds that understanding how well suited a candidate might be to a specific sales role depends on a number of factors. "When hiring, you first need to assess a candidate's behavioural 'comfort' to perform the role, as behaviour is the hardest part of a salesperson's make-up to change. Then look at whether they are appropriately trained. Training alone cannot improve a candidate's performance in a sales role, but their performance will be limited regardless of how suited they are behaviourally if they are not well trained specifically for the role you are asking them to perform."

Avoiding folklore and bias

In their 2015 *HBR* article Dr Cespedes and Weinfurter highlight the need for "ongoing talent assessments to stay in-touch with changing tasks and required behaviors". They argue: "The good news is that the tools for doing such assessments, based on behavioral research findings, are more available and have more granularity and practicality for sales leaders.

"Conducting a skills inventory and determining the best fit for your sales tasks need not be the standard mix of folklore, various embedded biases by frontline managers, and the content-free platitudes about 'selling' that populate many blogs."

They conclude with this harsh but ultimately fair statement: "It's often said that many firms maintain their equipment better than they do their people. If so, you ultimately get what you don't maintain, especially in sales.

In the second and concluding article in this series we will explore the link between the "quality" of sales talent and financial performance.

Further reading

For a good review of the academic research around the lack of effectiveness of unstructured interviews, Dr Cespedes recommends: Jason Dana, Robyn Dawes and Nathaniel Peterson, "Belief in the Unstructured Interview: The Persistence of an Illusion," *Judgment and Decision Making*, Vol. 8, No. 5, September 2013, pages 512–520. In this paper, the authors sought to establish reasons why people might persist in the illusion that unstructured interviews are valid and what features about them actually lead to poor predictive accuracy.

Their paper concludes: "In addition to the vast evidence suggesting that un-structured interviews do not provide incremental validity, we provide direct evidence that they can harm accuracy. Because of dilution, this finding should be especially applicable when interviewers already have valid biographical information at their disposal and try to use the unstructured interview to augment it.

"Because of 'sensemaking'⁵, interviewers are likely to feel they are getting useful information from unstructured interviews, even when they are useless. Because of both of these powerful cognitive biases, interviewers probably over-value unstructured interviews. Our simple recommendation for those who make screening decisions is not to use them."

¹ Elizabeth G Chambers, Mark Foulon, Helen Handfield-Jones, Steven M Hankin and Edward G Michaels III, "The War for Talent", *McKinsey Quarterly* August 1998 and Elizabeth L Axelrod, Helen Handfield-Jones and Timothy A Welsh, "War for Talent: part two", *McKinsey Quarterly* May 2001.

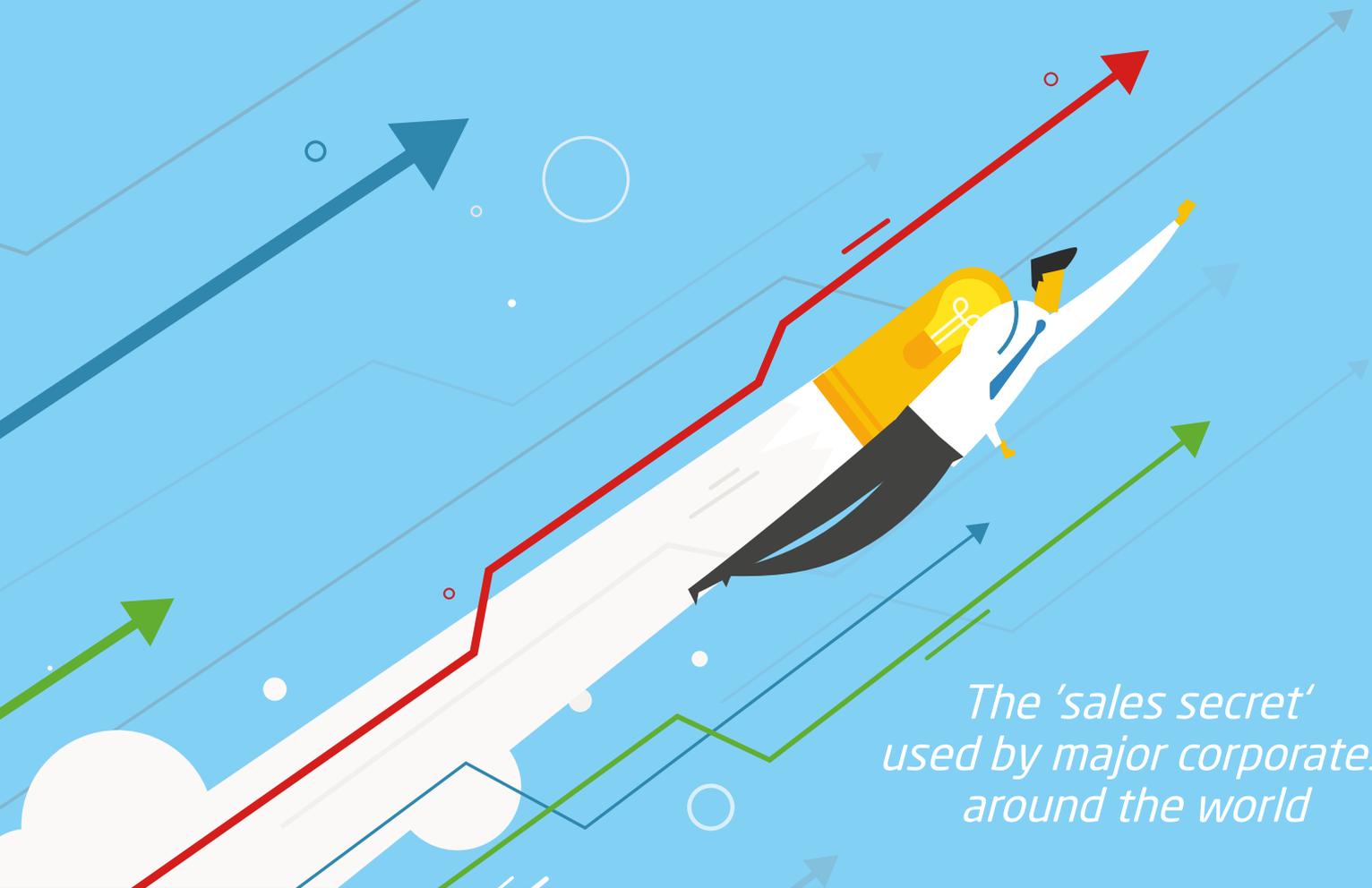
² Jim Collins. Good To Great: *Why Some Companies Make the Leap ... And Others Don't*, October 2001.

³ Lowell L Bryan and Claudia I Joyce, *Mobilizing Minds: creating wealth from talent in the 21st century organization*, McGraw Hill, 2007.

⁴ Matt Guthridge, Emily Lawson and Asmus Komm, "Making talent a strategic priority", *McKinsey Quarterly*, January 2008.

⁵ "Sensemaking" is the ability for interviewers to make sense of virtually anything the interviewee says.

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* Part of McKinsey's War for Talent study, a survey of 410 corporate officers found sales high performers to be responsible for 67% more revenue than average performers.