

## EFFECTIVE SALES TALENT, THE ELUSIVE DREAM

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My Say, Contributor

GUEST POST WRITTEN BY

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U.S. firms today spend about \$900 billion annually on the deployment of professional sales organizations. That's more than 3x their total spending on advertising, more than 20x their spending on digital marketing, and more than 50x their current spend on social media. Selling is, by far, the most expensive part of strategy execution for most firms. At a minimum, CEOs and Senior Executives must fully understand what drives both efficiency and effectiveness within the sales organization. This is not always easy, as sales is generally not considered a discipline along the lines of finance, marketing, or engineering, and as such, many executives do not have the background or context to fully understand the levers that can be adjusted to improve overall sales effectiveness.



Investing time and effort to improve sales effectiveness will pay big dividends. There is no single area where the impact can be greater than in hiring and retaining the right sales talent. Just getting the correct talent can double overall firm revenue with no incremental headcount. Each mistake in a typical business to business complex sale environment is likely to cost more than \$1 million – each one. In recurring revenue models where valuations are driven off a multiple of revenue, talent mistakes quickly balloon into huge numbers from an enterprise valuation perspective – think \$4 to \$6 million unrealized enterprise valuation for each hiring mistake.

### THE IMPORTANCE OF TALENT

In many (I'd argue most) companies today, there is still a version of the 80/20 rule that exists. A small minority of the sales organization typically produces a disproportionate level of the results. Sometimes, this ratio is 90/10 (less than 10% of the total sales headcount drive 90% of the revenue), or sometimes it is 65/35. Regardless, in nearly all cases, the bottom 20% of the sales force is not remotely competent for the role they are in. This situation has largely remained unchanged over the past 30 years, due in no small part that despite overwhelming evidence that in the intermediate to long term, the quality of talent a firm is able to hire and deploy is the most important business discipline and the only sustainable competitive advantage for a business.

I learned this the hard way, many years ago, in my first managerial job after leaving GE; I was charged with overall responsibility for sales and operations in a private equity-backed IT services company. The company's business model was to grow organically by opening new offices in major cities throughout North America. In this model, we would recruit a general manager of the office, and then assist that person in building out an initial 6-person starting team comprised of sales and operations personnel. When we got the hiring right, the office performed well. However, if we happened to miss the mark on hiring, the office performed dismally. The outcome was binary – great or terrible.

The situation has not changed much in the past years. I spoke with the CEO of an early stage software company recently that has nine sales reps, five sales engineers, a couple business development reps and a head of sales. Four of the salespeople started in the first quarter as the company began its push to scale; they recently received a cash infusion from a private equity firm. As of this writing, the company is at 50% of its projected revenue for the quarter, with the upcoming quarter looking equally challenging. This company is spending 25% of its overall revenue on sales and marketing; getting this investment to pay off is essential to the viability of the enterprise.

And this situation is not confined to early stage businesses, even though I'd argue the situation is more acute in this world. According to the annual study performed by Chief Sales Officer Insights, in 2016, just over 50% of sales professionals in the US made their quota. Sales organizations overall achieved less than 80% of plan. Even more frightening, the performance levels are declining year over year for the past four years straight, despite the investment of billions of dollars in sales technology, lead generation capacity, and training.

How can this be? I'd argue this is due to the convergence of two factors. The job of a sales professional has become far more difficult, considerably raising the requirement for talent. At the same time, ironically, recruitment is also, in most cases, the least disciplined process in the business. Hiring is often done without the level of rigor and science that can, and should, be applied. Hiring decisions are made without a full understanding that every sales role for every company at every stage of the company's life cycle are different. Candidates are often selected after just a couple interviews, despite the evidence that even skilled interviewers are unlikely to be able to accurately predict performance based solely on interviews. Many firms still do not routinely use predictive assessment tools, or they fail to properly calibrate these tools to the roles that are unique to their company. Further, firms do not engage in a pattern of continuous recruitment and instead recruit only when there is a need, which leads to suboptimal hiring decisions.

Hiring talented, top-tier people with the potential to grow with the company is the most important goal of any leader. But how do you define talent in the context of the specific position? How do you recognize it in a candidate? More importantly, how are you enabling your front-line managers to assist in recruiting and continually coach the talent that you've worked so hard to get?

When deciding how to make the right hires, here are a few essential questions to consider:

- Should you value experience over potential?
- Do you have adequate training resources to bring the less experienced new hire up to speed quickly?
- How important are academic credentials?
- Do you hire age and wisdom over youth and enthusiasm?
- How much can you rely on the candidate's past success?
- What if a person has worked for you before in a different firm or in a different capacity in the same firm?
- How important is fitting in with the company culture?

Putting rigor behind the way you hire and retain high-performing sales talent is critical to your long-term success. Without the right people in place, you will struggle obtaining profitable revenue growth. Based on decades of recruiting, hiring, and retaining high-performing sales talent, the following five principles will improve your odds of reducing bad turnover and retaining top performers.

### **Principle One: Define the job and the selection criteria**

Before beginning a search for the perfect candidates to fill needed roles, you need to define each position in terms of its specific goals and responsibilities. Take the time, at the front end, to define the job and the criteria with sufficient rigor and discipline so that you'll be able to hire the right person.

### **Principle Two: Process and discipline**

Put in place some sort of recruitment process, and one that has process and discipline associated with it. Set up a procedure to follow that includes predictive assessments for all candidates that are calibrated to the role you are hiring for, and create a fact-based profile for candidates that correlates scoring with high performance. Implement a structured interview process with a set of questions specific to the role. Set up rigorous tracking for compliance, as field managers will otherwise ignore the process.

### **Principle Three: Don't settle for mediocrity**

Studies have shown that the cost associated with hiring the wrong person is far greater than the cost of leaving an existing position unfilled. If you are not very enthusiastic about the person you are considering hiring, keep interviewing. Settling on the best candidate of those that are left in the process, but not someone you are thrilled with, inevitably leads to suboptimal decisions and downstream turnover.

### **Principle Four: Enable your managers**

The impact that your managers have on new hires is significant. People will quit their bosses before they ever quit the company. Still, the role of the managers is often neglected, as most of the focus lies with rep level activities. Enable your managers with the right processes, content, and tools to (1) delegate and promote top performers, (2) train and develop "B" players, and (3) manage out lower performers.

### **Principle Five: Always be recruiting**

Good people can come from any number of sources, and you need to remain vigilant to find talent. You always need to be prepared for someone leaving, someone you need to fire, or the person who will leave your team because he/she has been promoted. Develop a rhythm around building up your recruiting bench. True top-tier talent is rare; you must be searching for it all the time.

In my experience with four different private equity backed business services start-ups that all grew from inception to considerable scale, one notion remains constant. My moments of greatest pain came from not having the right people in critical roles. Moments of greatest joy (and company performance) came from having a superior team who were aligned, engaged, and committed to success.

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