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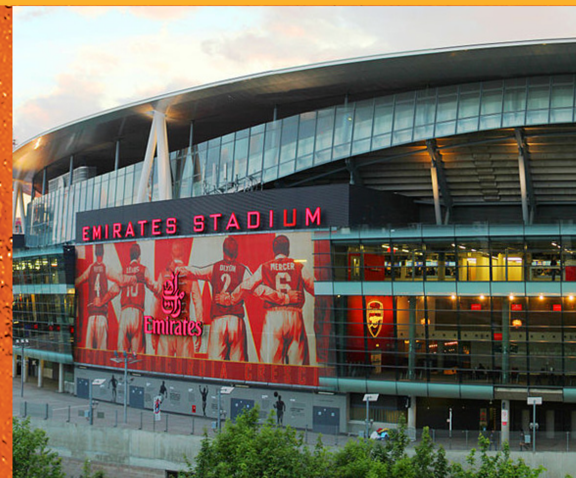

FROM TOP SALES WORLD
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What CEOs and Financial Sponsors Need to Know About Sales

Things are drastically changing in the world of the C-Suite. The number of executives reporting to the CEO has doubled since the 1980s, mostly an increase in functional specialists like CIOs and CMOs, not general managers responsible for cross-functional integration.

Meanwhile, the number of Fortune 500 and S&P 500 companies with COOs has decreased to about 35%. Three decades ago, COOs outnumbered CFOs in those firms. Business is more complex, data more abundant, and more specialists are needed to stay current with functional best practices.

One of the least understood specialist roles is that of the overall sales leader, typically titled the Chief Revenue Officer or Chief Sales Officer. In part, this is due to the fact that less than 20% of Fortune 500 CEOs started their career in sales or marketing. Most individuals who have sales experience obtain it in their first role upon graduation from college. It is safe to conclude that only a small percentage (less than 10%) of today's executives have actual on-the-ground experience as a quota-carrying salesperson. This is partially due to the pervasice issue that a career in sales is often not viewed as a discipline in the same fashion as engineering, finance or marketing. In fact, of the 4000 accredited universities in the U.S., only about 100 offer courses in sales. As the lack of sales education and sales experience converge, CEO's are often ill-equipped to fully understand the full array of strategies and tactics that can be implemented to successfully improve execution in their selling function.

This lack of understanding is not confined to large companies. While many institutional private equity firms have deep operating partner expertise in functions like strategy, human resources, or finance, very few have focused on providing strategic advice on improving the selling function. An informal survey conducted last year by GrowthPlay showed that less than 20% of West Coast-based private equity firms offered their portfolio companies strategic advice on the sales function. This lack of support is a glaring gap and presents an even bigger issue in smaller scale companies because there are fewer resources and experienced executives within the firm to draw upon.

This lack of focus on the sales function is highly ironic, since U.S. firms spend about $900 billion annually on sales. That's 3x their total ad spend, 20x their spending on digital marketing, and 50x their spend on social media. Selling is the most expensive part of strategy execution for most firms.

At the same time, despite the increase in specialist roles, and despite the billions of dollars spent annually on CRM technologies, the data suggests the results driven by the sales organization are getting worse. Evidence of this disturbing trend can be found in 2017 CSO Insights study, which showed that only 50% of sales professionals made quota last year, and sales organizations overall delivered on average only 80% of the enterprise sales plan. These performance levels have declined for the third year in a row.

What must a CEO or a financial sponsor do to address the knowledge and experience gap in sales to better drive growth? We suggest a strategic review of all the levers that can impact sales performance

However, not all of these levers impact performance equally. Some negatively correlate to improved performance in the short run. For example, changing a sales compensation plan is fraught with peril. It is true, sales professionals will look at the compensation plan to determine what management wishes for them to do. In the short term, changing comp plans may result in unintended negative consequences, specifically, unplanned turnover of the best performing individuals in the sales organization.

Our research suggests three levers that do correlate with improved salesforce performance.

1. Insure the firm has the right go-to-market strategy, organizational structure, role definition, and talent within the various roles to successfully and consistently execute the business strategy at the point of sale. If you do this well, you can double the revenue without an increase in headcount.

2. Equip the sales organization to be able to have the right value-based conversation at the point of sale. The goal is to ensure alignment of your sales, marketing, and product messages into a cohesive customer conversation that differentiates you from the competition, by your product and service offerings, and also by the way you sell. Firms that get this right can improve performance by 10%-30% in the subsequent quarter, a significant boost to overall firm performance on both top line and EBITDA.

3. Focus on the quality of your sales management, specifically your first line sales managers. These individuals are the linchpin upon which high performance is driven. They have responsibility to recruit, train, coach, motivate, and performance manage the sales team. They have the task of translating the overall business strategy into *consistent* execution of that strategy at the point of sale. They must be opportunity strategists, great at leading, managing and coaching, have exceptional judgment, and be capable of understanding and impacting performance on an individualized basis. Their job of attracting and retaining a high performing team is fully measurable every month, quarter and year.

It is imperative that your sales management function is equipped and supported for the task. If you don't have the right sales leadership, you will have difficulty pulling any levers for driving performance. Individual salespeople may come to work for your company, but the quality individuals will quickly leave if their manager is subpar.

CEOs should understand that improving execution in sales is a never-ending process. However, it is also highly measurable, and you will discover that a new-found emphasis on applying the same rigor and discipline that are common in other functions will have a high ROI when applied to the function that, more than any other, is responsible for the implementation of the firm's strategy. ■

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