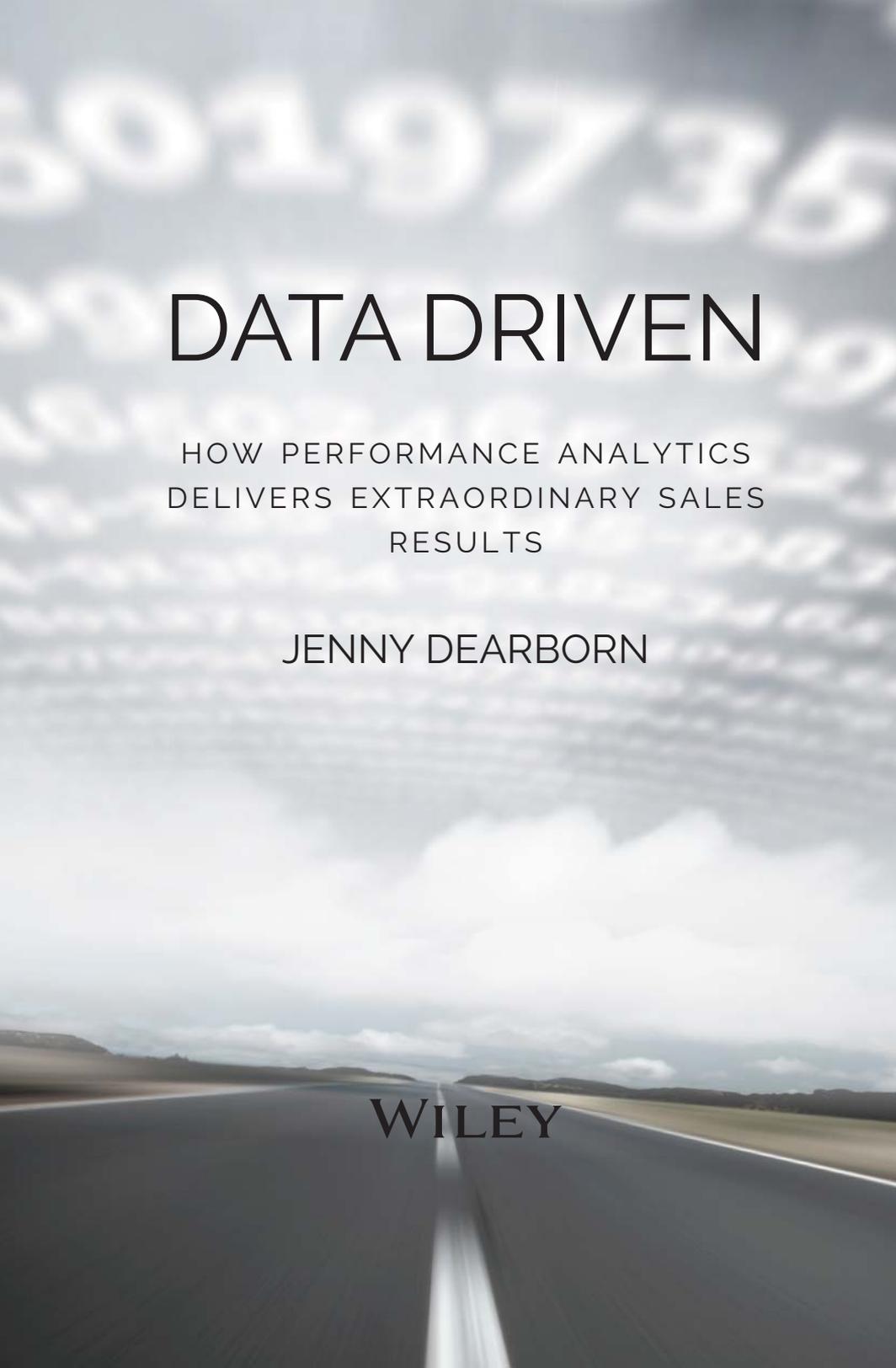
The background of the cover features a blurred, high-speed view of a road stretching into the distance under a cloudy sky. Overlaid on the top half of the image is a large, semi-transparent grid of numbers, including '0197350', '27-5509', '302405-027', and '3120945-007', which are out of focus and appear to be floating or moving rapidly.

JENNY DEARBORN

# DATA DRIVEN

HOW *PERFORMANCE ANALYTICS*  
DELIVERS EXTRAORDINARY  
SALES RESULTS

WILEY



# DATA DRIVEN

HOW PERFORMANCE ANALYTICS  
DELIVERS EXTRAORDINARY SALES  
RESULTS

JENNY DEARBORN

WILEY

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# PREFACE

A sales revolution is coming! The next decade will witness a sea change in the way large and medium-size businesses manage their sales functions. Companies that fail to adapt to the new realities and adopt the new practices risk falling behind their competitors who do.

If you're a business leader of an enterprise-level corporation who shoulders some measure of responsibility for sales effectiveness, you need to know about and prepare for this coming revolution. Whether you realize it or not, you and your business are heading toward a tipping point, from which there can be no turning back. In fact, some of your best customers have likely already tipped. They are thinking about the sales process in a different and more compelling way than you have in the past. If you don't react now, you risk losing them forever.

To succeed in this new competitive environment, your company will need to revolutionize sales function management. It must learn to harness the power of data analytics, not just as a tool, but as a mindset. Gone are the days you or your sales

leadership can work on intuition, gut feel, or past history. None of this is relevant in the new order.

## **HERE'S THE CRUX**

“Big data” isn’t just big, it’s huge. Data analytics and predictive and prescriptive analytics aren’t just buzz words. They’re a new reality that you and I and everyone else in the business world must understand, embrace, wield, and inculcate into our corporate cultures. Scores of books have been written about how these powerful tools can improve sales performance. But most restrict their attention to a few discrete applications, such as reducing customer turnover (churn), identifying fraud (shrinkage), perfecting and positioning products, and improving the hiring, training, and increased time to productivity of sales reps.

These applications are very valuable, but they fail to capitalize on the full potential of data analytics to holistically transform sales effectiveness in all functional areas of an organization. This type of transformation is possible. I know it’s possible, because I’ve taken the journey. My fellow travelers and I didn’t have a map, because we were going into uncharted territories. But as we moved forward, each next step revealed itself to us in a continuous process discovery, learning, adapting, and accelerating change.

This book is a map of sorts. I wrote it so that you, too, can take this journey. My goal is to help you find the path to greater success for your company’s sales organization by harnessing the power of data analytics. But like any other map, you have to know where you are going. You will need to adapt to your unique situation to fully leverage the opportunity for yourself and your organization.

## SHARPEN YOUR COMPETITIVE EDGE

In this age when companies are competing on a global scale at electronic speed, maintaining a competitive advantage is increasingly difficult. In their excellent book *Competing on Analytics*,<sup>1</sup> Thomas Davenport and Jeanne Harris put it this way:

*“Many of the previous bases for competition are no longer available. Unique geographical advantage doesn’t matter in global competition, and protective regulation is largely gone. Proprietary technologies are rapidly copied, and breakthrough innovation in products or services seems increasingly difficult to achieve. What’s left as a basis for competition is to execute your business with maximum efficiency and effectiveness, and to make the smartest business decisions possible.”*

That’s the kind of advantage data analytics can give you.

My insights about data analytics come not only from my own experiences of adopting and adapting to this new reality, but also from my ability to pull back the curtain on what other companies are doing. In my current role as the senior vice president, chief learning officer at SAP, the world’s largest business-to-business software company, and founder of my own company, Actionable Analytics Group, I regularly consult with corporations around the world about their human capital management and talent development strategies. I see how companies on the forefront of the big data and predictive analytics revolution are using these advanced strategies to drive breakthrough business results with their internal sales

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<sup>1</sup>Thomas H. Davenport & Jeanne G. Harris, *Competing on Analytics: The New Science of Winning*. Boston, MA: Harvard Business School Press, 2007, pp. 8–9.

talent. And I can say with considerable assurance that few, if any, corporations are using these tools in an integrated approach to comprehensively impact the sales cycle from start to finish.

The purpose of this book is to tell you how you can be a pioneer in this emerging field.

## **THE BIRTH OF A VISION**

One of the perks of living in Palo Alto, California, in the heart of Silicon Valley, is that at any given social gathering you can find yourself chatting with some of the top technical minds in the world. These are people who are truly changing the game, inventing solutions that no one ever thought of before, and showing the world that they cannot live without them. I particularly remember a cocktail party that took place some years ago in the home of a very successful venture capitalist. I was invited because the host and my husband had done some real estate deals together.

The setting was elegant, but relaxed. In one corner of the living room a musician hired for the occasion played Beatles songs on a grand piano, while a sharply dressed young lady circulated with trays of hors d'oeuvres. I wandered into an interesting conversation with three venture capitalists (VCs). All fit the stereotype: trim, tanned, dressed in jeans and long-sleeve, collared shirts rolled up at the cuffs.

The conversation ranged from physical fitness to travel, and finally to investing. All three of the VCs had recently invested in a tiny new startup called Google. (No one mentioned Facebook, because at this time Mark Zuckerberg was just starting high school.)

After listening to these three men talk about how they used return-on-investment calculations when making decisions, I said, “That’s what corporations should do internally. But in my job as a change management consultant at Hewlett-Packard, I see managers making a lot of bad decisions that are based more on gut feel than on data.”

“Corporations already use ROI when making decisions about purchases of new equipment and that sort of thing,” said Kevin, the host of the party. “What other kinds of decisions are you talking about?”

“For example, if they collected data on the performance of individual people in relation to the expected value of their roles, they could calculate the ROI of every hire,” I suggested. “They’d have a better idea about what types of people to hire and how to make them more successful. They could also tailor training programs to the specific needs of each individual, instead of merely running everyone through courses chosen by gut instinct or according to the latest fad. If they had data on the performance of these individuals, they could measure the ROI of every training. This would be especially powerful for high-impact roles in sales.”

“I’m all for making sales more of a highly structured, data-driven process, and less the domain of the ‘wild west cowboy’ types who excel in charisma, golf, and holding their liquor,” said another of the men.

“But how are companies going to get this data?” someone asked. “What system would this data tap into to provide relevant information that could drive business decisions or be used to make predictions?”

None of us knew the answers to these questions. This was back in 2000, when the Internet was still in its infancy. The data may have been there locked deep in the data center on endless spools of recording media, but the technology simply didn't exist to bring this data to life and to support such futuristic thinking. The discussion tapered off and our group dispersed.

Later that evening, Kevin, one of the VCs I was speaking with, came over to me. "I want you to come to work for one of my startups. I think you can help them."

I'm so glad I accepted Kevin's job offer. It gave me the opportunity to put into practice some of the concepts we had discussed that evening. Looking back, I believe I was present at the birth of a vision for the transformation of the sales function. It's been my privilege to be part of the revolution ever since.

## **WHAT YOU CAN EXPECT FROM THIS BOOK**

In these pages, I'll introduce you to PAM, the "Prescriptive Action Model" that my team and I developed. It is the first data analysis program that integrates sales, sales operations, sales training, marketing, IT, human resources, and other sales functions into a comprehensive system to dramatically improve sales effectiveness across an entire corporation. You will learn how PAM works and how you might adopt its concepts. And the information you gain will help you lead an initiative to transform your organization.

In addition to being informative and practical, I wanted this book to be accessible and enjoyable to read. So each chapter begins with a fictional story based on the lessons the contributors to this book and I have learned while working for more than

a dozen companies (such as Borland, Hewlett-Packard, Interwise, KPMG, Microsoft, Motorola, Oracle, Salesforce.com, SAP, SuccessFactors, Sun Microsystems, T-Mobile, Verizon) over the years. Much of the story I tell may seem familiar, because the concepts, themes, issues, challenges, and characters are universal to all companies striving for excellence.

As you read the story, perhaps you will identify with some of the characters. You might especially empathize with the trials and triumphs of the protagonist, the newly hired chief sales officer of Trajectory Systems, Pam Sharp, as she seeks under intense pressure to turn around the sales function of her company. I want to make clear, however, that the characters and situations in this story are purely fictional. As the announcers used to say on those old radio dramas, any resemblance to actual persons living or dead is purely coincidental.

After the narrative section of each chapter, you'll find a commentary section in which I offer comments and practical suggestions about how you can harness the power of data analytics to revolutionize the sales management function and ultimately the success of your customers.

Although the approach described in these pages is applicable to customer service, product development, production, or virtually any other aspect of a business, I have two reasons for suggesting that you initially apply it to sales. First, about 80 percent of any company is typically involved with some aspect of sales. An initiative that focuses on sales will usually attract significant buy-in across the organization. Once you have implemented PAM, this dynamic new approach within the sales function, you can replicate it in other functional areas of your business.

Second, increases in sales performance are usually easier to measure than changes in other areas of a company, and the potential benefits of a change are greater. In manufacturing or engineering, for example, the major goals might be to increase productivity and reduce costs. Although these are very important, they typically offer smaller potential rewards than improvements to sales, and the results can be more difficult to quantify.

## **GOING HOLISTIC**

Many companies have adopted bits and pieces of the approaches outlined in this book. But because these tools are so new, I know of no company to date that has fit them together into a comprehensive system that tracks and analyses customers, salespeople, products, and other data throughout the lifecycle of the sales process. But the proven value of data analytics makes this type of integration the logical next step. Creating a holistic, synergistic strategy and a systematic approach to data and sales is an idea whose time has come.

With this powerful concept, the whole is truly greater than the sum of the parts. There is no reason to wait to harness the power of data analytics. Smart companies will start the journey now, so they will be among the first in their industry to reach the peak and reap the benefits.

Speaking of peaks, I am a big fan of roller coasters. For me, one of the most exciting parts of the ride is the beginning. As my car lumbers up the first steep incline, I'm aware that awaiting me at the top is a tipping point. Once we go beyond that point, there is no turning back. We will pause there for a moment that seems like a minute. Then we will come hurtling down on our wild ride.

As a business leader involved with sales, you are about to experience that tipping point. Enjoy the ride.

### **IN THE BEGINNING ...**

I was profoundly shaped by events early in my career that drove me to a deep feeling of responsibility for the success of employees in my company. Many years before it was acquired by Oracle in 2010, Sun Microsystems decided to shut down a manufacturing facility in the Bay Area and send the work offshore. Part of my job was to help the people whose jobs were being eliminated to transition through retraining into new employment outside the company.

Sun had known for years that they were going to close the site and let approximately 700 manufacturing personnel go. But management waited until just a few months before the closure date to start retraining. Consequently, only a handful of these employees found other work inside the company; the vast majority were laid off.

It wrenched my heart that Sun did not do more to retrain and retain these skilled and loyal employees. At a highly technical manufacturing site, if only these people had been given more time for retraining, they could have successfully worked as service technicians, call-center agents, entry-level engineers, and in many other jobs. From that point forward, I knew it was my calling to enable employees to gain the knowledge and talents they would need to meet and even surpass future performance expectations, so both they and their employers would become wildly successful. To borrow an expression from Wayne Gretzky, I wanted to help people “skate to where the puck was going.”

I knew I had to start by mapping out my own future, so I chose sales as my area of focus. I naturally gravitated to sales, because in this field performance data is readily available and success or failure is plainly apparent. I'm a passionate, results-oriented, and competitive person, so the energy in sales is a great fit for my personality.

From that point on, I started gathering all the information I could about employee performance and about how I could build models to enable others to succeed. At most companies in the world, the learning and enablement function is antiquated. Even today, the majority of enablement departments report on attendance and Level 1 learner feedback, as if this makes a bit of difference. This is a sad situation, and I'm on a mission to turn it around.

The story of Trajectory Systems resulted from interviews with almost one hundred leaders who generously shared their insights and experiences with me. I am deeply grateful for their input. Their collective wisdom created PAM.

The journey that the sales leadership team traveled in this book is similar to the one that I and my contributing authors have taken in several different companies. It is my hope that the challenges they overcame and the successes they experienced while creating PAM will inspire you to embark on your own sales transformation journey.

Chapter 1

# PLAYING THE BLAME GAME



**P**am Sharp, chief sales officer of Trajectory Systems, paced back and forth across the front of the conference room as the seven members of her leadership team filed in and seated themselves around the table. She found their jovial banter inappropriate under the circumstances. They obviously didn't appreciate the seriousness of the situation.

When Exalted Enterprises took a majority share of Trajectory Systems three years before, Trajectory's revenues were growing at the rate of 40 percent per year, and profits were climbing even faster. Although the company's annual sales were only \$90 million, compared to Exalted's \$2 billion, people at Trajectory joked about how the little fish was someday going to swallow the big fish. That was more than a year ago, before Trajectory's sales began to flatline. Now, even though it was only two weeks after the end of the fiscal year, word had somehow reached the "Street" that this once-brilliant investment had turned in yet another disappointing annual performance. As a result, Trajectory's shares had tumbled 8 percent in the past few days and showed signs of dropping further.

Sharp had been brought in to turn the situation around. Since coming aboard three months before as chief sales officer, she had spent most of her time racing around the world to help sales reps close critical year-end deals, dropping by the home office only often enough to get a pulse check on employee morale. Now she was about to shift her focus from putting out fires to building a sustainable sales function. Somehow she knew this first sales leadership team meeting of the new year was not going to be fun.

"We did some things right this past year," Sharp began, extending her five-foot, eleven-inch frame to its full height

and making eye contact with each of her direct reports. “All of you and your people worked hard; sales of the new hospital system are off to a good start; and we hired twenty new sales reps who are now ramping up. Unfortunately, that’s the only good news I have for you today.”

On the other side of the large picture window that formed one wall of the conference room, the sun was shining brightly under a cloudless sky: another typical mid-January day in Palo Alto, California. The rolling green foothills that surrounded Trajectory’s corporate headquarters on Page Mill Road projected a feeling of serenity, but serene was the last thing Pam Sharp felt today.

Sharp continued: “The bad news is that our sales fell 17 percent short of our goal for the year that just closed, and they’re even 9 percent below the sales for the prior year. That’s unacceptable. And to make matters worse, some of you forecast as late as November at the company luau that we were going to come within 5 percent of making our quota. Remember that? The Pina Coladas, the limbo contest, the fake sales projections. I don’t like these kinds of surprises, and I’m sure you don’t either.”

An uncomfortable stillness fell over the room. Pam noticed that Cathie Martinez, head of sales enablement and training, was dejectedly hanging her head. Cathie’s was a good but delicate soul, and Pam thought to herself: “I’d better keep an eye on her confidence, because we’re headed for some even tougher times.”

Sharp didn’t have that concern about Joe Kirsch, however. If anything, her VP of North America sales was too self-confident for his own good. A former defensive back on

the USC football team, Joe still kept his 225-pound body in game-day shape. More than once, Pam had heard him brag about how he had ended the career of a UCLA running back with a helmet-to-helmet tackle. Now she wondered whether Kirsch wanted to end her career in a similar fashion. He clearly resented being passed over for the CSO position she was hired to fill. While most of the other people at the table were attentive, Kirsch looked downright combative.

Sharp continued: “When I came on board, I promised David Craig that I’d fix sales, and I will.” She didn’t have to elaborate. It was well known that Craig, the CEO of Trajectory, did not tolerate missed commitments. “At the national kickoff for our reps, our theme for the year will be ‘Go Big or Go Home!’ Well, that also applies to each of us in this room. If we don’t make our sales number this year, some of us, or maybe all of us, will be asked to go home.”

Barbara Acres, director of presales, didn’t appreciate Sharp’s implied threat. On the notepad in front of her she sketched a rocket ship crashing back to earth. Underneath she wrote “Trajectory’s trajectory.” Yuri Vosnov, VP of product development, saw the drawing and grimaced.

Sharp went on: “Today I want to know from each of you your plans to fix this problem. But first, let’s start with the numbers. Stacy, what can you tell us?”

Stacy Martin, director of sales operations, made her way to the front of the room. “Let’s start with an overview,” she said. She projected a slide onto the white board (see Figure 1.1).

## Sales Rep Performance Overview

Quota	\$120M
Bookings	\$100M
Attainment	83%
# Sales Reps	100
% Reps Meeting Quota	20%
Average Sales per Rep	\$1M

**Figure 1.1** Sales Rep Performance Overview

“Like Pam said, you’ll notice that we missed our bookings goal by \$20 million, or about 17 percent. Out of our 100 reps, 20 percent made quota and half were below 50 percent attainment.”

“That average bookings figure of \$1 million per rep looks great!” said Raj Kapoor, director of marketing.

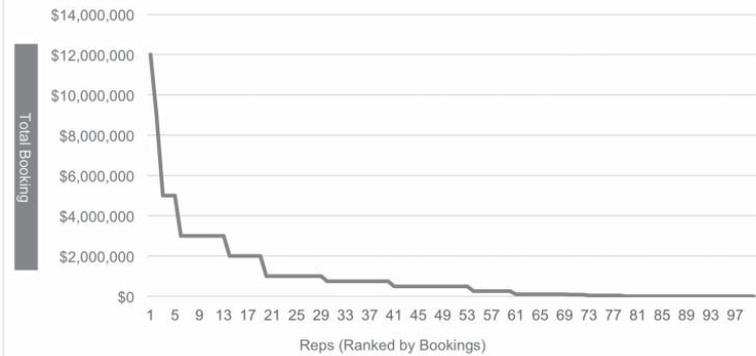
“Averages can be deceiving,” said Stacy. “That average is high because a few reps did very well. Here’s the booking distribution report (see Figure 1.2). As you can see, most of our reps averaged well below \$1 million, and we had eighteen reps who didn’t sell anything. I have a detailed leader board with names if you want to see it.”

“You can’t blame the reps for these results,” said Joe. “They’re doing the best they can with the products they’ve got.”

Sharp, of course, had known about the large variations in productivity. In her three months of meetings and ride-alongs with various reps (she’d never imagined she’d ever spend so much time in various BMW 3-series vehicles), she had noted serious issues and heard lots of complaints about reps not receiving enough training or support. But she had rather expected these kinds of gripes from an underperforming sales unit during a major transition. Now, as she saw rep performances represented visually, she realized that the problems were deeper and more pervasive than she had imagined. Something had to be done, but what? The data didn’t tell her what she really needed to know. She turned to Stacy: “Why did these reps miss their targets? Were they the wrong reps, or did they simply need more training? Was it a product issue, a territory issue, a pay incentive issue, or something else?”

“Probably a combination of all of those things,” Stacy answered, shrugging her shoulders.

### Rep Booking Distribution Last Year's Performance



**Figure 1.2** Rep Booking Distribution

“It looks like a few of our sales reps are playing a lot of golf,” quipped Andy Mahoney, Trajectory’s HR business partner. Most everyone sitting around the table snickered, except Joe. A two handicap, Joe’s clenched jaw (which not surprisingly was as muscled as the rest of him) indicated that he had taken the comment as a personal affront.

“Most of those strike-outs were turned in by recently hired reps,” explained Stacy. “It’s taking us longer than expected to ramp them up.” She put up the next slide (Figure 1.3). It showed an opportunity pipeline of \$500 million, a win rate of 20 percent, and an average deal size of \$100,000.

“That’s more like it,” said Cathie Martinez, the director of sales enablement. “An average deal size of \$100,000 is terrific.”

There was much less enthusiasm for Stacy’s next three slides, however. The first showed no year-to-year growth in the average deal size; the second slide showed that the win rate for deals marked probable (that is, deals on the short list in the final stage of the sales process) was a dismal 30 percent; and the third slide revealed that the abandoned-deals rate was approximately 40 percent.

Sharp turned toward her VP of sales. “Joe, what do you make of these numbers? What’s going on?”

“You can’t blame me or my reps for missing quota,” Joe countered. “My sales force is stretched too thin, and the new hires that came on board in the second half of last year aren’t productive yet. On top of that, the economy stinks, our prices are too high, our products’ technology is behind the competition, and our sales goals were too aggressive from the start. You know how they’re set. David holds up his finger to see how the winds are blowing on Wall Street. Then he tells the

## Pipeline Performance Overview

Total pipeline	\$500,000,000
Average pipeline created per rep	\$5,000,000
Win rate	20%
Total # deals closed	1,000
Average # deals closed per rep	10
Average deal size	\$100,000
Total # Trajectory customers	500
Average value per customer	\$200,000

**Figure 1.3** Pipeline Performance Overview

capital markets what they want to hear and passes the quotas down to us. I had no say in our targets.”

The fact was, Joe was right. And Pam knew it, but yet she still had a point to make.

“If the revenue goals were so unrealistic, why did you tell me in November that we’d come within 5 percent of making them?” countered Pam. “You had a full pipeline, and you projected which deals you would close. That didn’t happen. Yes, you closed a few deals in December that weren’t on your list, which is positive in one way. But it is also deeply concerning, because you didn’t see those deals coming. Overthrowing the ball is almost as bad as under-throwing it. I have the impression that sales is operating in the dark.”

“We need better leads, better advertising, and better support from presales,” argued Joe. “Besides, there’s only so much I can do with the current products. They don’t have the features that our customers are asking for, and our demos are so weak they put our prospects to sleep. We’re getting hammered by the competition.”

“I can’t give you better support unless I get more head-count or unless your reps do a better job of pre-qualifying leads,” interjected Barbara Acres, director of presales. “They’re constantly calling in and wasting my staff’s time. Things will improve as the new reps get more training and experience, but for now, I’m doing the best I can.”

“Your reps don’t need more leads, Joe,” said Raj Kapoor, director of marketing. “They don’t even follow up on all the leads we give them. I know for a fact that lots of leads go entirely untouched!”

Yuri rarely spoke at meetings like this. So when he raised his hand to offer an opinion, everyone was surprised. Pam knew this was good and necessary if things were going to change.

“I want to get back to something that Joe said about our products,” said Yuri Vosnov. “I can tell you for sure that our systems have features that our competitors’ products don’t have, and we’re adding new features all the time. The product analysts rate us number one in our industry, so the problem is not with the products but with our sales reps. They need more sales skills.”

“Hold on!” objected Cathie Martinez. “Enablement runs outstanding sales training programs. Class participation is up 40 percent this year, and the average participant feedback rating is 4.5 out of 5. I have a pile of emails from sales reps thanking me and saying how the courses have helped them.”

“Yes, but the proof is in the results, Cathie,” countered Pam, “and the results say their sales performance has not improved. Can you tell me which courses actually impacted sales results and by how much?”

“Sales performance depends on a lot of factors besides training,” said Cathie. “It takes competitive products, good sales support, lots of sales leads, and so on. I can’t give you data on the actual impact of specific courses, but I can assure you that we design our courses only after extensive interviews to determine the key needs that sales reps have. We’re giving them the exact training they say they want. Like I’ve said before, you should make our core curriculum mandatory, so more reps would attend.”

Sharp sensed the meeting was getting out of control. “All right, team,” she said, in a tone of voice meant to calm emotions, “let’s stop this blame game. Cathie, I can’t give you a bigger

budget unless you can demonstrate that your programs are having a positive impact. I need more than participant feedback reports.” She turned to her VP of sales: “Joe, are you going to be able to make an 8 percent higher quota for this coming year?”

“I’m not making any promises, but I can tell you that if I don’t get thirty more sales reps, we’re *definitely* not going to make quota,” said Joe, with a tone of finality that was clearly meant as a shot across the bow of this neophyte CSO. He was thinking that if the higher-ups had done the right thing and promoted him into the position of CSO, the sales team would be taking positive actions now instead of engaging in useless chatter.

“HR just hired twenty new reps for you in the past six months,” said Pam. “Why do you need more?”

“A lot of the people they’re sending me are not working out,” complained Joe. “We’ve only had one star performer out of all the hires last year, and six of them left after only three months. HR is sourcing the wrong kind of people.”

“Stop passing the buck,” Andy snapped, “and don’t blame attrition on us. That has everything to do with your leadership style and nothing to do with HR.” Now it was getting personal. Joe had gone red in the face, and Pam was about to step in, but Andy regrouped. “Joe, just tell me what kind of people you want, and we’ll source them. How am I supposed to know who works out and who doesn’t, unless you tell me?”

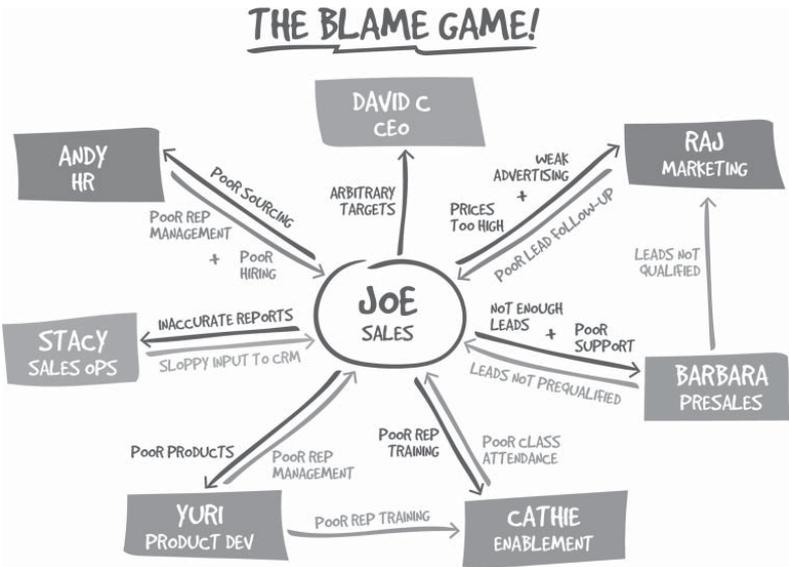
“I want passionate and experienced hard-chargers who have great relationship-building skills and are strong closers,” answered Joe with an insincere smile that looked more like a sneer. “Is that so hard?”

“It sounds like you’re looking for clones of yourself,” said Andy. Everyone in the meeting laughed. “Are you sure those are the kind of people you need across the board?”

The thought of more Joe Kirsches around the office caused Pam to cringe. One was more than enough. His attitude had soured so much when he didn't get the CSO job that many of his co-workers were beginning to lose respect for him. Actually, Pam was starting to think that Trajectory needed to transition to a different type of sales rep, or perhaps a variety of profiles to fit the different types of markets and buyers. But she didn't have time to think about that now. Out of the corner of her eye she caught Stacy Martin exchanging a "Get me out of here!" look with Raj Kapoor. This meeting was turning out to be even rougher than expected.

Throughout her life, Pam had always been successful. In high school she had been an all-state forward on the basketball team, president of her senior class, and a member of the national honor society. She had gone on to earn all-conference honors at Pepperdine University, while graduating cum laude. She'd succeeded in balancing a career and raising a family. During twenty successful years of increasing sales responsibilities and accomplishments in both big-tech companies and small start-ups, she had never failed at anything. She was a sought-after sales leader, known for driving turn-arounds in tough situations. But she had to admit that she was completely befuddled now.

Pam went over to one wall of the conference room, took a Dry Erase marker, and began drawing a schematic of the conversations she had heard in her short time at Trajectory, today's meeting being a typical example. When she had finished, she walked to the back of the room and gave the others time to take it in (see Figure 1.4). For a few moments there was absolute silence. People shifted uncomfortably in their seats.



**Figure 1.4** THE BLAME GAME!

“Pointing fingers and making excuses isn’t going to get us anywhere,” Sharp interjected firmly. “The only way we’re going to turn this around is by working together. Now, I want to go around the table and hear what each of you thinks is the one thing we should do to get our sales numbers up to where they should be. Joe, let’s start with you.”

“I already told you,” retorted the VP of North America sales. “I need thirty more sales reps. It’s very simple. Take my quota and divide it by average quota achievement of my reps. That tells you how many I need. I also need more sales leads and more features on our products.”

“That’s three things,” said Pam. “Okay, Barbara, what do you think we should do?” She shifted her gaze to the director of presales.

“If I had a bigger budget, I could hire more presales consultants and give Joe better service,” said Barbara Acres. “Then I’m sure all the little Joes would make their quotas.”

VP of product development Yuri Vosnov, seated to Barbara’s left, spoke next. “We have a great product line, but we need to keep updating it. Some of our top development people defected to the competition last year, and we’re understaffed. If I don’t get more product developers so we can make a bigger dent in our feature backlog, our sales are going to suffer. I also recommend giving the reps better training on our competitor’s products, so they can sell against them feature by feature.”

“The leader board says it all,” said Stacy Martin, director of sales operations. “We need to focus most of our attention on bringing the bottom-tier reps up so they achieve at least 50 percent of quota. I suspect they all could use more training, and we should probably let some of them go.”

“Our top priority should be on improving our win rate,” said Raj Kapoor, director of marketing. “And to do that, we need to do a better job of segmenting the market and creating specific messages tailored to each one. I can do that if you give me a bigger budget.”

“The most important thing we need to do is improve our on-boarding process for new hires,” said Cathie Martinez. “You saw all those goose eggs on Stacy’s leader board. That’s an indication of how much their slow ramp-up is costing us. What good will thirty new reps do Joe if they’re still not productive after nine months? Any increase in budget should go to enablement. Training is the key to sales success, and it’s the sales managers’ responsibility to ensure reps attend the courses.” Cathie glanced over at Joe, who seemed unfazed by her jab.

Everyone had spoken except HR business partner Andy Mahoney. “Andy, if you haven’t noticed, there’s a theme going on here. Do you guys need a bigger budget, too?” asked Pam.

“No. I feel everyone’s missing the major issue,” said Andy. “I think we should look at our sales management approach. We’re getting a lot of negative comments in the exit interviews.” As Andy continued on a diatribe that went on for several minutes, Pam’s mind wandered ... she wondered what she should do now. This had been a really discouraging meeting. Deep down she knew they were all passionate, talented people, but there’s was no agreement. The only thing they agreed on was that their problems were outside of their control. Everyone had started out blaming each other, and they ended up blaming their budgets. She knew that throwing money at the problem was not the answer.

Finally, Pam thanked everyone for coming. She had to catch a flight to Dallas. “I’ll have a draft plan when I get back. In the meantime, please document your recommendations and send them to me.”

## SUMMARY

Pam Sharp, the new chief sales officer of Trajectory Systems has been brought in to turn around the company’s struggling sales organization. She convenes a meeting of her leadership team shortly after the close of the fiscal year to brainstorm about how to return the business to growth and profitability. Although her people are looking at data and reports, they interpret them differently and come to different conclusions about what actions to take. Their discussion devolves into a blame game where everyone is making excuses and asking for a bigger budget. Joe Kirsch, the VP of sales, says in a combative tone that he will never attain his sales quota unless he has more people. The leadership team fails to agree on a plan of action, and Pam leaves for Dallas, promising to present a plan when she returns.

## COMMENTARY

Most of us would agree that Pam Sharp did many of the right things when she assumed her new leadership responsibilities at Trajectory Systems. She spent time in the field

getting to know key customers; she sought to add value right away by helping her reps close some deals; and she asked for suggestions and feedback from her people. But none of it has worked.

The atmosphere at Trajectory is filled with confusion, blame-shifting, and excuse-making. The members of her leadership team are focusing on the problems and offering very few solutions. Like any other executive, Pam would love to hear: “This is the problem, and this is how I’m going to fix it.” But all she’s hearing is, “It’s their fault, and I need more money.”

Regardless of whether you find the meeting portrayed above extreme or all too familiar, you can probably identify with many of Trajectory’s challenges. Sharp’s people are all well-intentioned and intelligent, but they seem to be more interested in protecting their own turf than in looking at the big picture. From the security of their own silos, they blame their circumstances and each other for their problems. And without real insights into what’s going wrong, that shouldn’t surprise us.

Sure, they’re looking at data, but they’re viewing it from their narrow functional perspectives. This naturally leads them to prescribe fixes only within their own domains. But their issues with data go far beyond classic turf wars. The key problem, as we’ll discover in the chapters that follow, is that they don’t have the *right* data. They know they have problems, but they don’t know why. What’s more, they

don't realize that the data they have isn't really helping them find the answers.

When quality data is lacking, it's difficult to arrive at useful insights about what drives sales. And without an understanding of what drives sales, it's hard to solve problems. We clearly see from the meeting portrayed above how inadequate data undermines focused action, which in turn almost inevitably leads to missed sales targets. The environment at Trajectory is characterized by dysfunctional behaviors, an absence of accountability and ownership, a silo mentality, an emphasis on efficiency instead of effectiveness, and a tendency to throw resources at problems. Pam Sharp's quandary is all too common among sales leaders today.

Sales leaders often bring in data about the *total addressable market* (or TAM) for their products, or sometimes they even have data about what sales competitors are earning in a given market. However, these approaches are rudimentary and lack sophisticated analytics. They may have worked in the past, but are inadequate for the operational needs of 21st Century businesses.

## **THE DANGERS OF MAKING DECISIONS WITHOUT THE RIGHT DATA, PART I: A PRIME SALES EXAMPLE**

Pam and the other leaders at Trajectory Systems all want to correct their sales problem. But there's no agreement among the leaders, because they lack the relevant data they need to

understand the issues, develop effective strategies, and make sound decisions.

Here's just one example—and a very familiar one—of what can happen when sales leaders operate without the right data. In our story, our VP of sales, Joe Kirsch, complains about the way the quotas for sales reps are set. His situation isn't unique. Many public companies follow the same procedure. After considering the expectations of Wall Street, leadership sets the corporate revenue target by dividing up the nut (revenue goal) and allocating it out to the various sales managers. The sales managers likewise allocate their goals to the supervisors below them. In the absence of sophisticated meaningful data, they usually make these distributions based on historical patterns and gut instinct.

Unrealistic sales targets can adversely affect the credibility and success of a company and the compensation, promotions, and morale of its employees. Unattainably high goals can create a pressurized environment that fosters anxiety instead of confidence. Not surprisingly, if targets are set too high, sales people may feel they're being set up for failure rather than enabled for success. We all know that the compensation structure for sales reps rewards success. People often say that sales reps are “coin operated,” and for good reason; their compensation structure is highly weighted toward successful sales transactions. If sales people don't achieve traction fast, they will attrite and go where they can actually make some money.

In the past, many companies have gotten by with a haphazard approach to setting goals and rewarding performance, but that no longer needs to be the case. Indeed, it should not be. Today, companies can obtain the data they

need to set accurate goals that motivate and facilitate successful performance.

## **THE DANGERS OF MAKING DECISIONS WITHOUT THE RIGHT DATA, PART II: SOLVING THE WRONG PROBLEM**

Worse than solving the right problem with the wrong data is investing in the wrong problem altogether. Tristram Brown is the chairman and CEO of LSA Global, a consulting and training firm that helps high-growth companies perform at their best by aligning their culture and talent with strategy. Tristram follows the maxim that what can't be measured can't be managed. (That's similar to one of my favorite expressions: "If you can't measure it, you probably shouldn't be doing it.") When talking with a prospective client, Tristram will always ask, "What problem do you want to solve? What specific metrics will you use to gauge success?"

Tristram recently told me about a phone conversation he had with the head of Sales who was interested in hiring his firm. When he asked the prospect to describe his problem, the answer came back rather brusquely, "Sales are bad. We don't know why. That's why we need you to come in and give a sales training program that will turn things around."

This prospect had no clue about what was causing his poor sales. While on the phone with the HR leader, Tristram did a quick Google search on his company. Within two minutes he found the latest analysts' reports, which stated that the company was having problems in Latin America, and that their cuts in R&D investment over the past two years had diminished the strength of their product offerings.

“According to your annual report, it looks as though you may not have a sales rep issue,” he said to the HR leader on the phone. “Have you explored potential product and territory issues that may be negatively impacting sales? While we could certainly come in and put a customized sales training class in place and get fantastic learner feedback scores, we would not feel confident that we could help you increase sales with such an isolated approach. Based upon over 800 training measurement projects, we know that only one in five people change their behavior from training alone. While the percentage of behavior change will increase dramatically with the proper assessment, coaching, reinforcement, accountability, and support systems, sales training, by itself, probably will not overcome the more foundational product and territory challenges that you face.”

The prospect got frustrated. “Do you want our business or not?” he snorted. “You were recommended to me and my job is on the line here. I need to put a training class in place, and I’ve heard that you’re the best. Either you come in and teach my people some sales skills, or I’m going to go find somebody else who will.”

Without a clear success metric that could be moved to make a positive difference for the client, LSA Global turned down this assignment. I told Tristram that I greatly respected him for making such an ethical decision. The client was not willing to dig deeply to probe for the real cause of poor sales. Unfortunately, this case is not unusual. Tristram told me that, in his experience, the vast majority of companies attempt to take corrective actions without understanding their root problems.

## **THE DANGERS OF MAKING DECISIONS WITHOUT THE RIGHT DATA, PART III: MEASURING EFFICIENCY WHEN WHAT YOU WANT IS EFFECTIVENESS**

Many of the members of Pam's team are trying to justify their performance based on *departmental efficiency* instead of *sales effectiveness*. For example, Cathie Martinez, director of enablement, points to the feedback she's received from course participants. She has no idea how much her courses are impacting the effectiveness of her clients, the sales reps. HR business partner Andy Mahoney judges his performance on how efficiently he fills job requisitions. He has no idea how individual sales reps are performing after they're hired. And product development VP Yuri Vosnov measures the success of his department by how fast his people bring new product features to market, not by how eagerly customers are adopting them or how much value they are contributing to the bottom line.

When the various functional areas of a business focus on improving their own performance first and foremost, with little knowledge of or regard for how their actions promote the overall goal of sales performance, a silo mentality develops. As they fight for their "fair share" of the budget pie, employees in different departments become competitors instead of partners.

A corporation with a data analytics capability, on the other hand, can measure success by the much more valid metric of how well new hires actually perform over time. It can gauge the success of training by how much its programs impact the key drivers of sales, which in this book we refer to as *key sales variables* or *key performance indicators (KPIs)*.

Measures of *effectiveness* promote teamwork and cross-functional collaboration, because they align all functional areas with the same business goals. Discussions about priorities and allocation of resources become more objective and less divisive. Motivation and accountability increase, and excuse-making and blame-shifting decrease.

A key first step, then, is to understand what drives sales in your organization. Surprisingly, many leaders try to impact sales without understanding all the pieces of a sales ecosystem and how they interrelate. That's like a doctor trying to treat a patient without considering the anatomy of the human body. That's where we find our Trajectory sales team today—but not for long.

## **MANAGEMENT BY GUESSTIMATE**

I have a confession to make. Over the more than twenty years that I've led enablement programs for companies, I suspect that some of what I've done has been a shameful waste of money. Sure, my initiatives to increase corporate sales effectiveness received favorable feedback, and no doubt they produced some benefits for individual employees, teams, and business units. But in the final analysis, most of the time I never *really* knew the financial return on investment from my efforts, because the data just wasn't available to answer that question.

This same kind of “management by guesstimate” is prevalent throughout every corporation today. Think about it. When a company's sales are trending below target, what's the typical reaction? Almost invariably it's to hire more sales people, conduct more training programs, expand into new territories,

add new products, or take other actions that may have worked in the past. But these kinds of knee-jerk reactions can be a tremendous waste of time and money.

Today, thanks to plentiful data and smart analytics, companies can gain the insights they need to diagnose problems and make sound decisions. In my own field of sales enablement, for example, I know exactly how my programs are performing. I know which sales enablement programs to drive, because data gives me insights about the sales pipeline and sales skills deficiencies. I know who should attend my trainings, what trainings they should attend, and when. After the trainings are completed, data tells me in dollars and other pipeline metrics what effect they are having. I can plan my efforts for maximum impact and measure the results in terms of sales productivity. What a huge improvement from management by guesstimate.

That's why I wrote this book. I want to give you actionable insights into how to use data and analytics to drive measurable business impact that will positively transform your sales organization. In other words, I want to help you experience this same exciting journey.