

Improving the Measurement of Sales Readiness Initiatives

Capital 
Analytics

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Executive Summary

Accurate measurement of the impact of training is both critical and challenging for most learning organizations, but sales teams have one enviable advantage: they have outcome metrics that are readily available and easy to quantify. Yet while revenues, close rates and other sales outcome metrics are easier to measure than the impact of leadership or computer skills training, they only tell part of the story.

Far more challenging to pinpoint is the degree to which an organization's sales readiness initiatives, on-boarding procedures and related activities actually impact sales outcomes. After all, sales results can be influenced by numerous other factors, some of them outside the sales organization's direct control.

To accurately measure the effectiveness of investments in sales readiness, it is necessary to employ a variety of more advanced measurement techniques using comparisons and statistical models. Empowered with such information, sales and sales support leaders become more efficient portfolio managers who make smarter choices about which sales readiness initiatives are worthy of further investment, and which are not. Such determinations are among the most important tasks facing any sales department head.

Yet despite their clear advantage, sales organizations don't seem to be any more sophisticated than non-sales organizations in measuring the impact of their training. Why? According to research conducted by Training Industry, Inc., sales executives perceive the accurate measurement of sales readiness initiatives to be overly costly and difficult to

obtain. They also express uncertainty that the extra cost and effort are really worthwhile.

The result is a vicious circle. Since sales executives all too rarely invest in techniques that can precisely measure their sales readiness efforts, it is no surprise that they lack a high degree of confidence in their ability to accurately determine the impact of training and other readiness initiatives. And they find little incentive to alter that perception by investing in better measurement.

This dilemma poses three obvious questions:

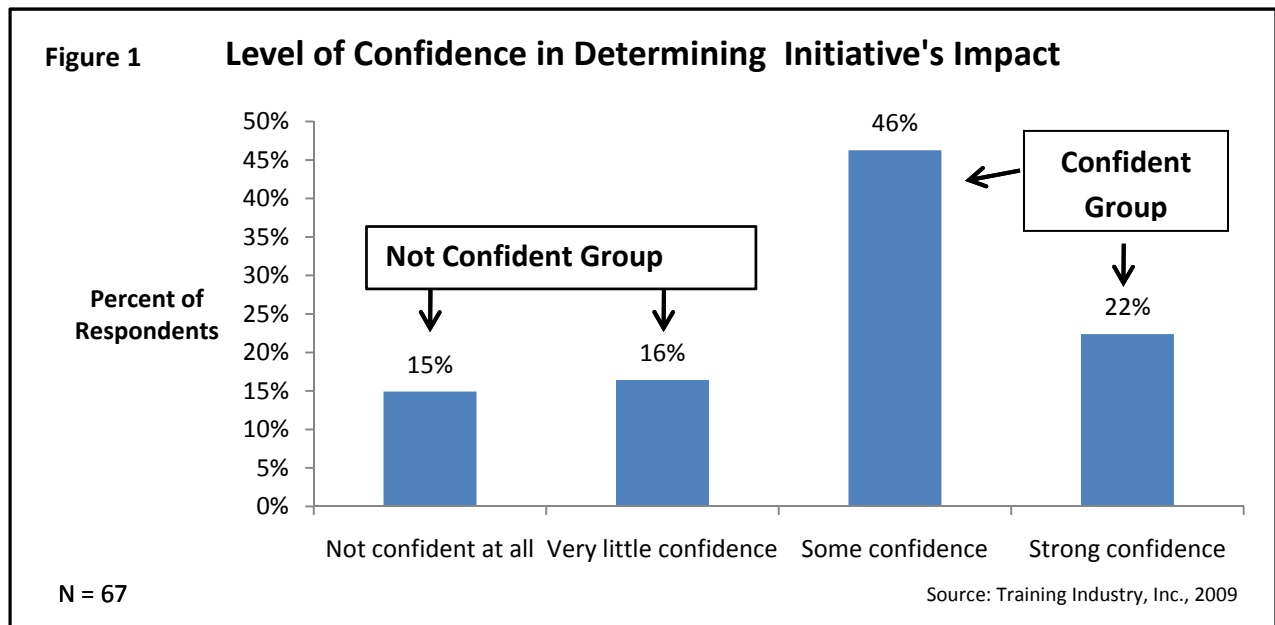
- (1) If sales departments can't muster confidence in their measurements of important initiatives, considering their close proximity to readily-available outcome metrics, what chance do other training departments have?
- (2) How much do the perceptions of sales executives regarding the questionable value of advanced measurement reflect reality?
- (3) In these difficult economic times, isn't it imperative that every organization attach the highest priority to ensuring the effectiveness of their sales readiness investments?

The purpose of this white paper is to describe current measurement practices in the sales readiness marketplace and explore the potential for more advanced measurement techniques. It was written to help sales and sales support leaders and training managers assess and benchmark their own sales readiness measurement activities, explore new measurement techniques, and overcome both the inertia and perceived barriers that prevent so many from measuring better and ultimately delivering the most effective readiness programs possible.

The Lack of Confidence in Effective Measurement

Confidence. It's an indispensable ingredient behind every successful business plan, marketing campaign and sales initiative. It's the language spoken by every sales and marketing leader, and the anchor to which every motivated sales representative is fixed.

Yet organizations that so earnestly undertake these practices seldom know the effectiveness of their sales readiness goals. That's because they don't display the same dedication to measuring the effectiveness of their initiatives that they do to conducting them. Indeed, only 22% of survey respondents felt strongly confident that they have sufficient information to conclude whether their initiatives had the desired impact (see Figure 1).



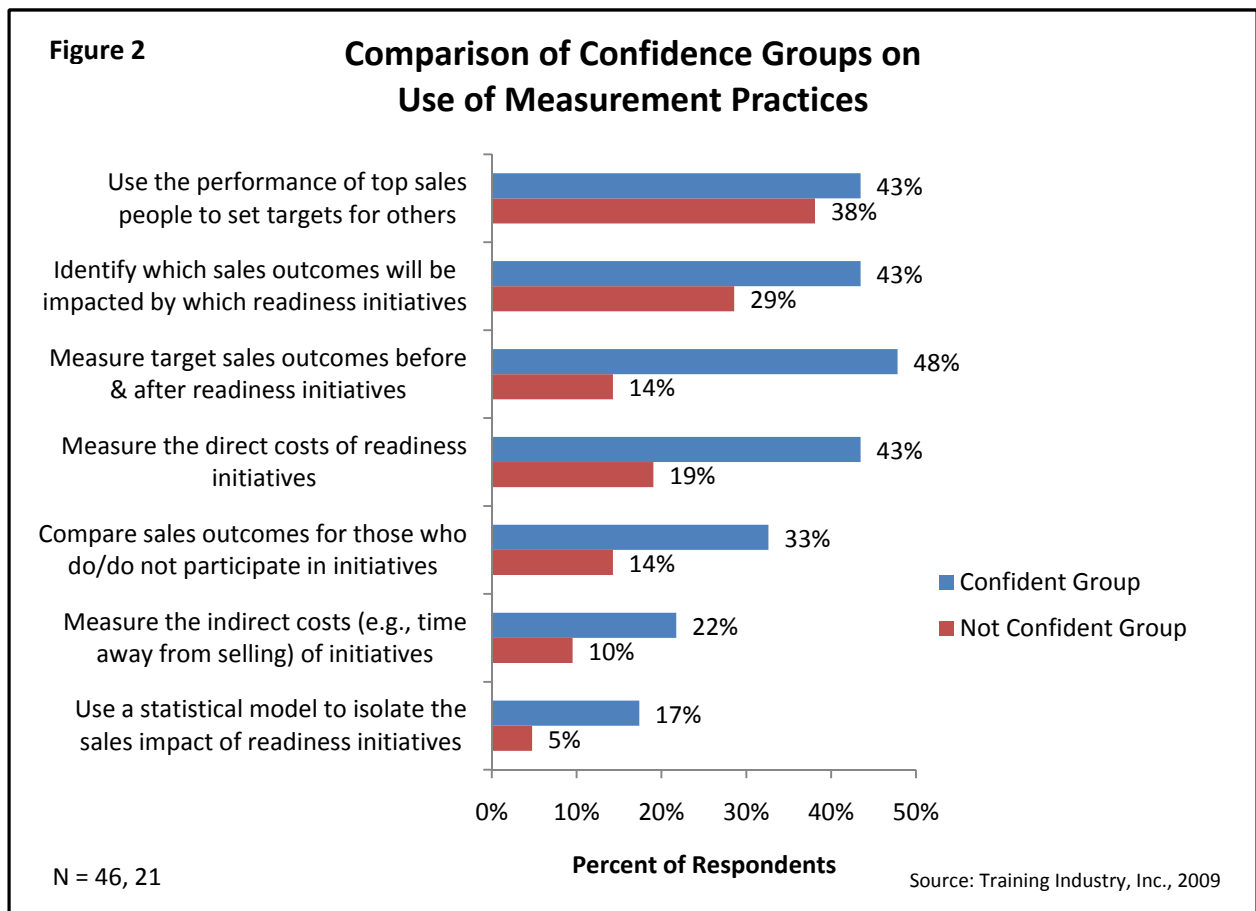
In sales leadership, confidence begins with ensuring a high level of professionalism of every individual who presents the organization's products and services to customers, and who represents its public face. To achieve that professionalism, organizations commonly employ a variety of sales readiness initiatives. Specifically, these include sales-focused training on topics such as overcoming objections and assessing customer needs as well as marketing-oriented information on topics such as competitive positioning and value propositions.

To underscore differences in the use of measurement techniques by confidence levels, Training Industry, Inc. divided survey respondents into two groups: the Not Confident Group and the Confident Group, as shown in Figure 1. Predictably, individuals in the Confident Group had higher adoption rates of all measurement techniques (and related information tools that store the data).

The survey also discovered how respondents who felt confident about the impact of particular initiatives utilized the listed measurement techniques (see Figure 2). In general, their use of measurement techniques declined as the sophistication level of the technique increased. Fewer than half of the respondents used *any* of the measurement techniques listed, and fewer than one in five used the most advanced technique at their disposal – statistical models to isolate the impact of readiness initiatives.

employ and appreciate more advanced measurement approaches.

But regardless of the methods used, some initiatives are just simply harder to measure than others, respondents agreed. Examples include “softer” sales training initiatives such as how to communicate with executives or assess customer needs and initiatives to drive awareness. In each case, it may be difficult to obtain good sales outcome data, driving down confidence levels in measurement.



The entire study consistently found that individuals who were least confident tended to rely on informal, indirect or group metrics while those who were most confident tended to

Enablers of Good Measurement

So what leads some companies to employ more advanced techniques and have more confidence in their sales readiness measurement techniques than others? Consider the careful measurement of sales readiness initiatives as a production for the stage. To ensure the most accurate measurements – and thus raise those lagging confidence levels – the stage must be set, sound and lights in order and performers at their places. Specifically, four enablers set the stage for meaningful measurement:

- **Leadership commitment.** Full support of a metrics strategy and framework must come from the top, along with backing for implementation and communications strategy. Interviewees discussed the influence of leadership in supporting a

Good Measurement Enablers

- Leadership commitment
- Adequate measurement resources
- Focus on analysis before action
- A robust data infrastructure

culture which values optimizing investments, bottom line results and taking action on metrics. For example, it was noted that leaders who demand numbers and provide “positive pressure to demonstrate ROI” help create a

The Range of Measurement Techniques

Which techniques lead to confidence and which do not? The Training Industry, Inc. study determined that there are six general approaches employed by sales organizations to measure sales readiness. They range in sophistication from a simple collection of feedback from sales representatives to the use of statistical models to isolate the impact or sales outcome benefits of initiatives. Here is a brief look at each.

1. Collect sales rep/user feedback (e.g., on material, delivery, instructors). This method includes collecting feedback through both informal verbal communications and formal surveys from sales reps. Feedback topics can include how helpful and relevant the training was, which materials and delivery techniques worked best, and perceptions of instructors.

2. Test or certify knowledge (e.g., written assessments and memos). Interviewees described testing or assessments in three ways: knowledge tests (e.g., of products), sometimes both before and after a curriculum; accreditations or certifications following demonstrations of sales skills; and self-directed online assessments so that reps can identify their learning needs.

3. Observe use or application of skills, tools or knowledge. This method ranges from simple observation of sales reps demonstrating their selling skills and product knowledge to formal scoring of individuals on their knowledge and activities. Measurement by observation is more frequent than testing for nearly all sales readiness initiative areas except product information.

culture where measuring impact is valued and supported.

- **Adequate measurement resources.** They include operations or support staffing resources, time and know-how to measure well and the ability of staff to create user-friendly, succinct metric reports for executives. Participants recognized that measurement is difficult, and that it requires dedicated staff resources. The need for additional investments was commonly cited.

- **Focus on analysis before action.** By performing analysis before designing readiness initiatives, an organization can generate a higher ROI. Two key elements must be considered in this process: 1) conduct adequate due diligence to determine the true needs of the organization to be trained; 2) design in the ability to measure the stated outcome (the true key finding). Performing the analysis will often establish critical buy-in with sales managers, who play an important role in reinforcing readiness initiatives through coaching support.

- **A robust data infrastructure.** Principal ingredients include consistent cooperation from those who enter data, adequate systems and tools, and partnerships between departments that “own” different data. Interviewees noted that they were satisfied with their measurement when they perceived the quality of data to be high, and were dissatisfied when they perceived it to be low.

4. Benchmark top performers to profile/model their skills. This sales readiness measurement technique is used to identify the behaviors and activities of sales reps who perform well by specific metrics. This information can then be used to coach or train average performers on the skills of top performers.

5. Compare performance of reps with and without training. Most interviewees used at least one of two types of comparisons. 1) Measure activities or performance metrics before and after an initiative for the same group of sales reps; 2) Compare one class or control group of reps to another similar class. Comparison groups are a frequent source of confidence in determining impact and knowing if initiatives worked well. Interviewees displayed the most confidence in their ability to measure formal, frequent programs such as onboarding and product training by using such comparisons, through which they demonstrated results in metrics like improved pipelines, greater quota attainment and less turnover.

6. Compare monetary benefits with costs of initiatives (e.g., to calculate return on investment). Only a handful of interviewees reported using any sort of ROI metrics to compare the net sales outcome benefit with the initiative’s costs. Those who did often expressed confidence in the results of the analysis.

Barriers to Good Measurement

When interviewees described why their companies were not employing more advanced measurement techniques, they offered five general reasons. But in our opinion, none of the five perceptions matches reality. So to explain the distinct differences between perception and reality, each of the five study findings is listed below, along with our perspective based on extensive experience measuring the impact of numerous human capital investments, including those in the sales readiness space.

<p>Perception: It cannot be done reliably. Some participants believe that it's impossible to account for the many variables that influence sales outcomes such as marketing or product design. They need to be convinced that extraneous factors such as changes in the economy are taken into account or "controlled for." Other difficult questions: How can one account for the cumulative effect of long-term relationship building? How can a measurement process account for unrelated factors that often influence sales such as the intervention of a CEO?</p>	<p>Reality: Although complex, it is indeed possible to reliably evaluate many variables. In a study evaluating the effectiveness of sales training program for an automotive company, we tested three hypotheses against 14 variables for more than 30,000 participants during a period of dramatic change in the external market. More than 40 statistical models were evaluated. We also compared participants as a test group to non-participants as a control group, evaluating one or more direct performance indicators against factors such as tenure, geography, or product line. In the first year under the new curriculum, we determined that training accounted for nearly 45% of the performance gap between untrained and fully trained participants. In the second year (2008), overall company sales were down, primarily because of negative market influences. However, the analysis illustrated that sales training was <i>even more impactful</i>. If the company had reacted to the downturn by cutting training – a common practice – sales would have been worse. In both cases, the ROI against the training expense was more than 250 to 1.</p>
<p>Perception: The costs are too high. Many participants believed that moving to a more sophisticated level of measurement would require not only investments in the data infrastructure, but more partnerships between business units and adequate staffing resources – potentially including the hiring of an external vendor.</p>	<p>Reality: The use of surveys, tests, or observational studies historically has unit costs: the more people you train, the higher the cost of measurement. Web-based tools have reduced these costs, but operational overhead and the inherent risks of respondent, test, and observer biases remain. However, using quantitative models/methods to measure the impact of initiatives may not require the company to do anything substantially different. It is often more of an issue of linking existing training, HR and operational (e.g., sales) data that are not already linked. Many companies already integrate their data through data warehouses or report metrics through dashboards.</p>

<p>Perception: The scale of initiatives is too small. If there is a small number of sales people or business units that would benefit from better measurement and training, the cost-per-unit can be unjustifiable. Within smaller organizations, some sales leaders felt that total training investments may be insufficient to justify the expense of measurement.</p>	<p>Reality: It is true that there is less statistical reliability and sophistication of the measurement technique with a small number of participants. But in the case of an automotive company client, the full cost of the training initiative was recovered after only three additional cars were sold. We have seen the effectiveness of good measurement from groups ranging from 100 to 30,000 participants.</p>
<p>Perception: The incremental returns over and above current measurement benefits are low. Some individuals are already satisfied with the knowledge or “sense” of impact based on observations. There is also a lack of perceived need of extra precision in pinpointing the exact impact of initiatives.</p>	<p>Reality: Many are not aware that advanced measurement techniques go beyond isolating the benefit of a particular initiative. For example, we examine which individuals are deriving the most benefit from the initiative. Doing so optimizes the investment rather than merely assessing it. One of our clients was facing a typical dilemma: how to do more with the same budget. Their solution was to focus the investment on their top sales performers. Our analysis found that top performers did indeed improve sales as a result of training. But we also found that training the bottom 20% of performers yielded five times the impact of training the top sales people. By simply reallocating and optimizing their training investment, the client realized a gain of \$27 million in annual sales. No internal investment or changes in new data tools, staff, or standard operations was necessary.</p>
<p>Perception: No news is good news. In certain situations, executives are not concerned about the direct sales outcomes of their initiatives under the assumption that doing something is better than nothing. More often, the motivation not to measure is to avoid the risk of learning that their initiatives are ineffective or actually harmful.</p>	<p>Reality: Is the glass half empty or half full? If no news is good news, then logic dictates that good news must be better news. This study and our experience illustrate that many companies don’t really know what works – and what doesn’t. Organizations that do know clearly have a competitive advantage. In another client study, we found that what was thought to be “good news” was actually not. The client, a call center, believed there was an opportunity to cross-train agents on two products. The sales training for both products was successful – by product. However, the net impact of trying to cross-sell both on the same call was negative. The training worked but the implementation didn’t.</p>

Concluding Remarks

As companies increasingly shift their focus from product-based to service-based business plans, they are suddenly discovering the true value of their investments in the so-called “knowledge worker” – their own human capital. The result is a steadily growing emphasis on business-oriented training, especially in the U.S. where the service sector now represents 80% of the gross domestic product.

In addition, the accurate measurement of training effectiveness is taking on new significance as organizations strive for an edge in today’s fiercely competitive global economy. Nowhere is this seen as more important than in sales-related training, which directly impacts the bottom line within most organizations. Yet companies that have prudently invested in ROI calculations to measure the return on their tangible assets have been relatively slow to measure their investments in human capital. In our view, that is an unwise and perhaps even reckless position to take.

About the Authors

Capital Analytics, Inc.

Capital Analytics, based in Durham, North Carolina, is a leading consultancy that enables organizations to measure and isolate the impact of their human capital investments. By applying business acumen, solid strategy and proven statistical methodology to previously “unmeasurable” human capital initiatives – including training, leadership development, social networking and employee engagement – Capital Analytics provides companies with actionable intelligence to predict outcomes, inform decision-making and impact the bottom line.

For more information, go to <http://www.capanalytics.com/>.

Bellevue University’s Human Capital Lab

Located in Bellevue, Nebraska, Bellevue University’s Human Capital Lab develops innovative and valuable approaches to unlocking the long-term potential of human investments. It works with organizations throughout the world to develop human capital and measure the impacts of intangible investments such as learning.

For more information, go to <http://www.humancapitallab.org/>.

Together, Capital Analytics and Bellevue University’s Human Capital Lab are strategically aligned to develop resources that measure the economic impact of learning.

About the Study

Training Industry, Inc., an objective and trusted expert on the marketplace for learning, conducted this three-part study in the first few months of 2009. The results of the survey portion of the study are included in a report titled, "Measuring The Impact of Training: A Focus on Sales Readiness," which is accessible at <http://www.trainingindustry.com/products/Research.aspx>. The survey was part of the overall research project that also included interviews and a focus group connecting with approximately 100 corporate training professionals, senior sales and sales operations executives.

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