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**Business Development  
In a World That Never Stops Changing**

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# Focus of This Session

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- Consider some core issues about sales and profitable growth:
  - Relevant selling behaviors
  - Sales management requirements
- Then, step back and look more broadly at business development
  - What is and is not changing in sales across industries
  - Implications for hiring, training, and performance management
- Agenda:
  - Case Study Discussion . . . Break . . . Interactive Presentation

# Case Study: Cabot Pharmaceuticals

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- Real company, disguised name:
  - has an “excellent” reputation as a “good to great” firm
  
- Bob Marsh: 12 years with Cabot, gets fired, customers complain
  
- “The central question seemed to be: How could this possibly happen to someone like Bob Marsh in a company like Cabot?”

# Cabot case discussion

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# The Cabot Case Raises Some Key Questions About Business Development and Sales at Many Companies . . . .

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- What Is a Salesperson?
  - And, how good or bad a salesperson was Bob Marsh?
- What is Sales Management?
  - And, how well or poorly does Cabot manage this core activity?
- So What, Now What?
  - And, how important is this for profitable growth?

# What Is a Salesperson?

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- Volume Generator?
- Quantifier of Business Opportunities?
- Source of Market Knowledge?
- Seller's Advocate With the Customer?
- Client's Advocate Within Your Organization?
- Product or Solution Coordinator?
- Service Provider?
- Team Manager?
- Expense or Asset?

# Business Strategy

Value Proposition

Distribution

Market Selection

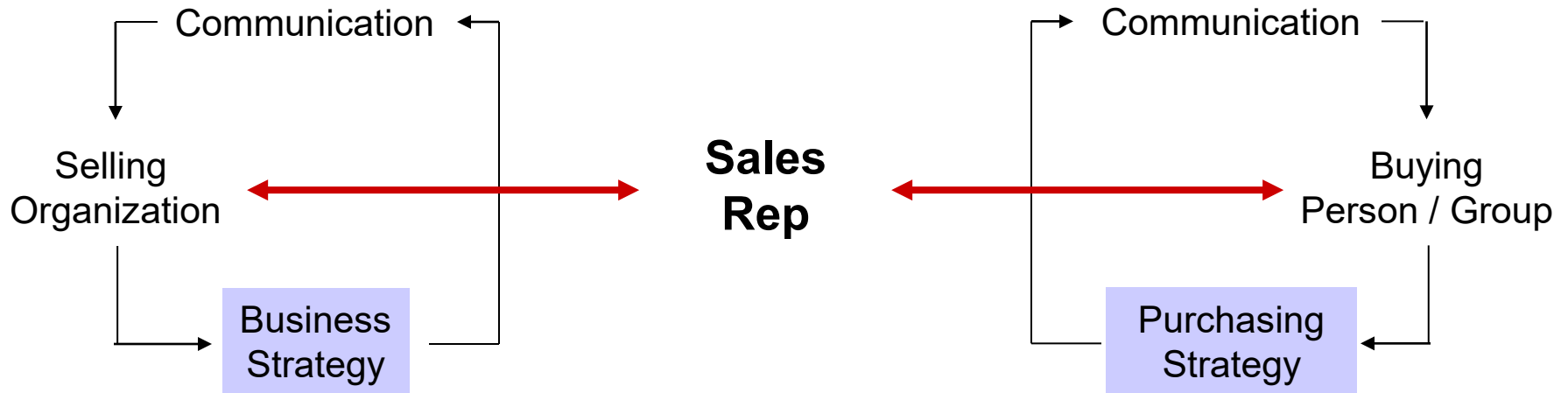
Pricing

Product Policy

Sales  
Person

# Boundary Role Person

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## Internal

- Other salespeople
- Sales managers
- Product specialists
- Service providers
- Operations support
- Finance, credit, administrative
- Owner/Top management

## External

- Gatekeepers
- Decision makers
- Customer perceptions of:
  - Needs
  - Our company
  - Our products
  - Our value vs. competition/substitutes



# What Is Sales Management?

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## Sales Management Task

## Cabot Pharmaceuticals

Recruitment & Selection

- Boy Scout Criteria; Ignores Selling Tasks

Training

- “On-the-Job” + Company Philosophy

Supervision

- Field Visits by District Managers

Evaluations

- “A Genius of Inadequacy”:  
Behaviorally Useless

Compensation

- Inconsistent with Performance Evaluations

## So What, Now What? How Important Is This Anyway?

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- Page 2: “Turnover in the Cabot sales force was . . . about 8%”
  - c. \$2 Billion in annual sales and c. 500+ sales reps  
= c. \$4.0 Million/Rep
  - 500 Reps x 8% Turnover Rate = 40 Reps/Year  
= c. \$160 Million in Sales Volume *at Risk* Annually

Note: Degree of risk depends upon how important you rate relationships vs. unique product or brand in your business

# Some Conclusions

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- Talent Comes In All Shapes and Sizes . . . especially in Sales
- BUT ultimately the sales person is NOT only an individual contributor: must be managed as an agent of business strategy
- Profitable growth requires that customer-contact people have an understanding and buy-in to firm goals, choices, and trade-offs:
  - This is a *leadership* responsibility, not only a sales requirement

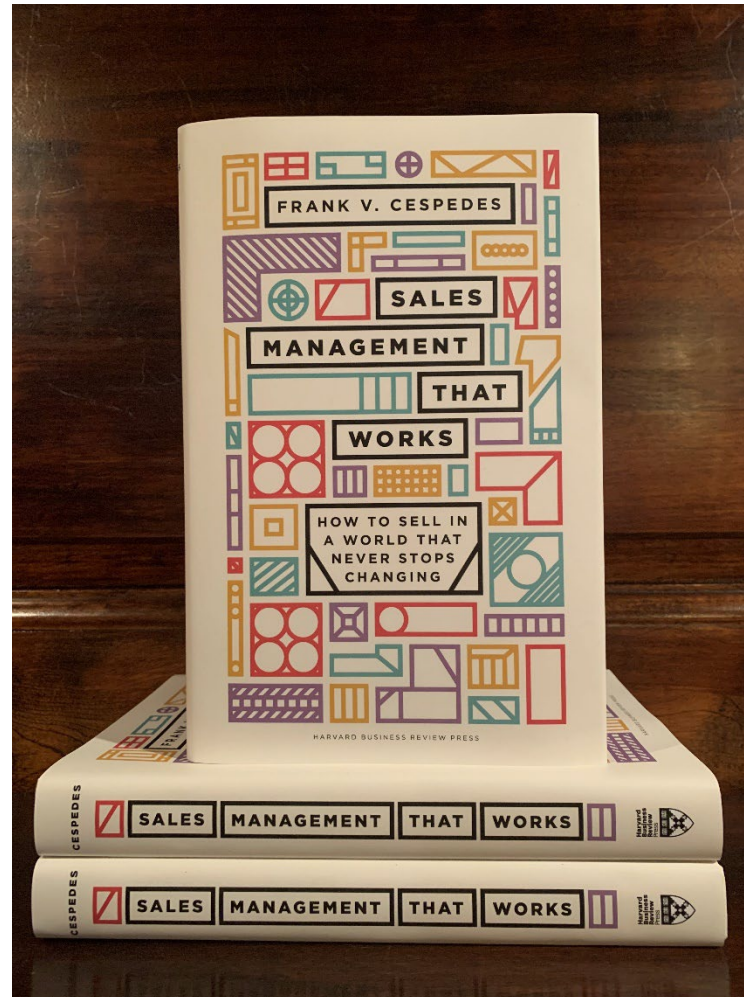
## Next . . . .

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- Use Some Research and Data from a recent Book to discuss:
  - What is and is not changing in business development
  - Implications for core areas of sales management
  - Your questions, comments, discussion . . .
  - Suggestions: People, Performance, Productivity

# Another Book About Sales!

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# Why This Book?

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- Sales is the most context-dependent part of the value chain . . . .
  - Selling Software vs Jewelry vs Services vs. Durables, etc.
  - Selling in USA vs LATAM vs Asia vs Middle East, etc.
- Yet a topic where people make huge generalizations . . . .
  - Usually unsupported by empirical data beyond  $N = 1$
- Impact of digital/online technologies on buying/selling is real . . . .
  - But the managerial implications are often misunderstood
  - And pandemic raised the stakes for getting this right

# A Common Assertion: Pandemic made online buying a “new normal”

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- After three decades, Ecommerce as % of total U.S. retail sales just before pandemic (Dept. of Commerce data) → 2019: 11.2%  
2020 Q1: 11.9%      Q2: 16.5%      Q3: 14.9%      Q4: 15.1%  
2021: 14.7%              2022 Q4: 14.6%              2023: 15.4%

“A major pandemic does not introduce something truly novel.  
It magnifies trends that were already under way.”  
-- Stephen Davies, *The History and Economics of Pandemics*

- *Accelerated omni-channel buying and made online marketing channels increasingly cluttered, expensive, diminishing returns: requires deep-pockets across multiple, changing platforms*
- *It is not a digital-eats-physical world: e.g., utilization of shopping-mall space in U.S. was 95% in 2023 and rents near all-time highs*

# Why This Matters

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- In business, if you don't separate fact from hype, then . . .
  - You will make bad decisions about priorities, what is (and is not) an asset, and how to allocate resources
  - You can initiate a self-fulfilling prophecy: getting better and better at activities that customers value less and less
  - You can talk about disruption or transformation, but you need a relevant go-to-market model to do it or avoid it
  - You fall victim to those who can separate fact from hype and link their digital and go-to-market investments with strategy

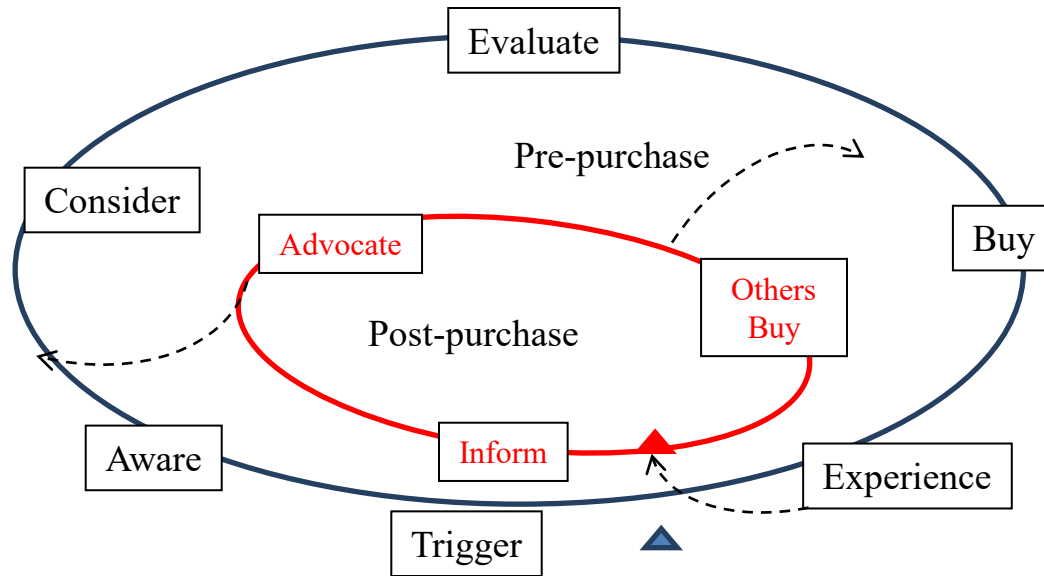


# What *Is* Changing, and Why

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- **Buying: From Funnels to Streams**
  - A sequential A-I-D-A hierarchy of effects model has been the basis for most sales pipeline, training, and CRM models for 60+ years
  - But buying journeys in most markets are now a dynamic process: explore, evaluate, engage in parallel streams via tech tools
- **Changes in Marketing/Sales Tasks and Requirements**
  - More emphasis on value-added in shorter customer interactions
  - Marketing & Sales are undergoing a data revolution: multiple impacts
    - Shift in productivity efforts to front-end of value chain: COGS has decreased but SG&A has *increased* as % of firms' costs

# Buying Journeys in a Digitally Connected World: From Funnels to Streams



**Not** a linear  
A-I-D-A  
funnel

- Parallel Paths with feedback loops; “post-purchase” ↔ “pre-purchase”: web, social media, review sites, influencers, stores, blogs, chat rooms, stores . . . .
- Role of Sales and Marketing: not marching consumers along a linear path; rather, *understanding multiple touchpoints throughout an omni-channel journey*

# In Most Categories, It's Omni-Channel Buying

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- Because buyers can access price, product reviews, user groups and other info online, this changes sales and channel tasks
- Avoid Either / Or Thinking about online and in-person
- Pure-play Direct-to-Consumer firms are no exception: Birchbox, Casper, Purple, Warby Parker, Wayfair, Amazon, Alibaba and others have added retail brick-and-mortar distribution. Why?

*“Consumers are online and offline at the same time. Customers shop with us on average for 2.5 weeks, consuming information multiple times on the website and in stores. . . . These different combinations are something we need to solve.”*

-- Philip Krim, Co-founder & CEO of Casper Sleep

# What Is Changing: Implications for Core Areas

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- People: Hiring, Training, Required Competencies, Evaluations
  - Inherent challenges in sales hiring and getting harder as selling becomes a more data-intensive activity
  - Companies already spend 20% *more* per-capita on sales training versus other functions, but ROI is disappointing
- Process: Sales Models and Relevant Evaluation Metrics
  - Many sales models are based on obsolete assumptions
  - Analytics (and pandemic) reveal resource mis-allocations
  - Processes need rethinking to increase prospecting/selling time and manage offline/online interactions

# What Is Changing (cont.)

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- Partners: Multi-Channel Go-to-Market is Now the Norm
  - Online *and* Offline are Complements, Not Either/Or Substitutes
  - Implications for required skills, data, training efforts
- Pricing: Data Analytics *Increase* Opportunities for Value Pricing
  - More tools available for price testing, but high inertia at firms
  - And relevant units of customer value are changing
- Productivity: In service economies, G-T-M productivity is a social and macro-economic issue as well as driver of company growth

**Questions? Comments? Discussion?**

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# Business Development in a World That Never Stops Changing: Start with People

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- Improving Hiring
- Getting Better ROI from Training
- Performance Management and Productivity

# 1. Hiring

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- Crucial decision (“You hire your problems”) and getting harder:
  - Time to fill open positions and ramp-up time have steadily increased in the past decade. Each hire is a bigger sunk cost.
- Individual sales performance is very variable in most businesses:
  - Top 15% of reps often generate 5–10x sales of *average* rep
  - In retail, results vary 3-4x among people *at the same counter*
  - Talent matters: There are sales “stars” in most firms.  
But stardom is not easily portable across firms



# Sales Hiring and Interviews

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- **Start with the relevant Buying Journey and Sales Tasks, *not* context-free abstractions about sales “personalities”**
- **Most managers vastly over-rate their ability to predict performance and “fit” based on a few interviews:**
  - Research indicates only a 20 – 40% correlation between interview ratings of candidates and their subsequent actual job performance
  - Some studies show a negative correlation: better to pick at random!
  - Cloning, first impressions, social biases, bracketing, etc.
    - For research reviews, see Dana, et. al., “Belief in the Unstructured Interview: The Persistence of an Illusion,” *Judgment & Decision Making* (2013); and D. Moore, “How To Improve the Accuracy of Personnel Selection,” *California Management Review* (2017).

# Improving Hiring and Interviews

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- Acknowledge these limitations and complement interviews with:
  - Role plays and task-specific assignments: it's about *behavior*
  - Job trials and internship-type hiring scenarios
  - Always get multiple opinions and perspectives
  - Role of deployment in focusing key tasks and broadening hiring pool
  - Clarity about what hiring managers mean by “experience” – the most common criterion used in sales hiring, and a tricky variable
    - \* Experience with a customer group?
    - \* Experience with the product?
    - \* Experience with selling?

## 2. Training and Development

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- Companies spend more on sales training than other functions
  - And it's an on-going expense due to turnover rates in sales, which average 20 – 30% annually in U.S.
  - This means the equivalent of the entire sales force must be hired, trained, on-boarded every 3 – 5 years in most firms
- And the nature of sales tasks makes company-specific training a key driver of selling effectiveness

# Problems with Current Sales Training Practices

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- Most sales training is episodic
  - Reps bombarded with information at a point in time (e.g., product introductions) and the “forgetting curve” is steep
- Over-reliance on classroom-type training
  - Versus task-oriented nature of learning behavioral skills
  - Talking about selling is not the same as selling
- Too much focus on a given selling methodology
  - Versus adaptive selling skills required to deal with diverse buyers and buying criteria that walk into the store

# Getting More From Your Training Spending

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- Link Hiring, Onboarding, and Training
  - It's difficult to train and develop a poor fit for the job
  - Effects of talent recruitment in sales are often cumulative
- Identify the Skills that Matter Most . . . Today, not Yesterday
  - Focus training on where the rep makes a difference  
(versus Product, Merchandising, Service, etc.)
- Understand Adult Learning and How Sales People Develop
  - Task oriented, J-I-T training, peer learning, modeling behavior
  - New tech tools can help here, when tied to learning processes

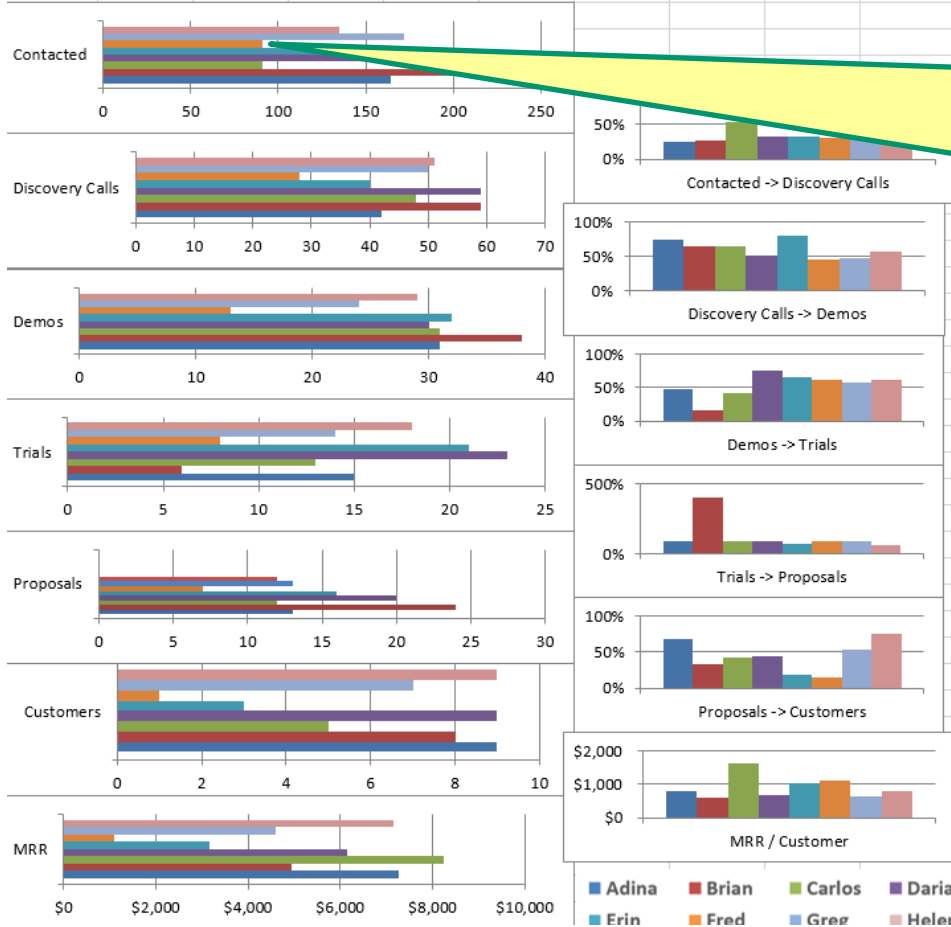
# 3. Performance Management and Productivity

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- Good coaching and reviews have a major impact on results
  - Yet Performance Reviews are probably the most under-utilized lever for affecting behavior in most organizations
    - Conflict avoidance and fear of backlash or sales “disruption”
    - Lack of process or training and “I’m too busy” rationalizations
    - Inability to clarify market vs product vs salesperson issues
    - Result is a sermon (“sell more . . . get better”), not development
- An effective review links to behaviors that can be coached
  - Prospecting and Opportunity Creation? Closing a sale?
  - These are distinct business-development and coaching issues. . . .

# Example: Prospecting/Opportunity Creation issues

Exhibit 3 - June Performance (by Account Executive)

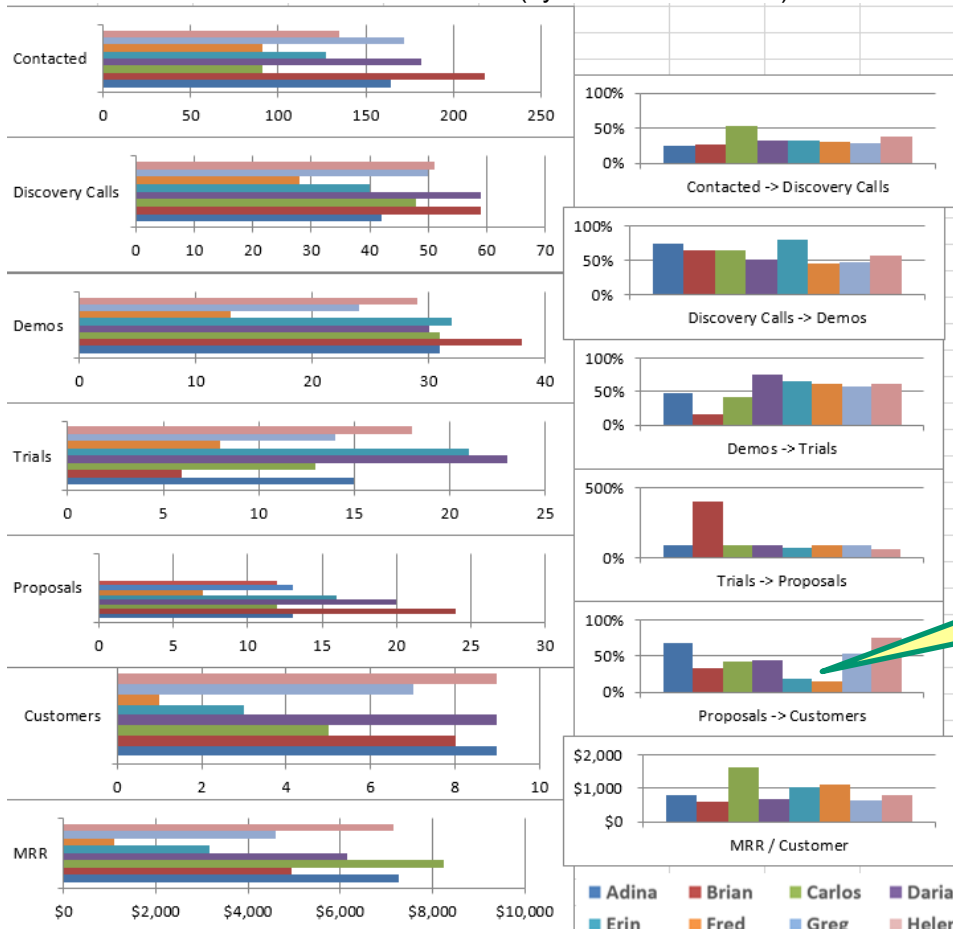


## Causes of Prospecting Issues

- Over-investment in unqualified opportunities?
- Time management issues?
- Lack of cadence/process?
- Call reluctance?

# Example: Closing issues

Exhibit 3 - June Performance (by Account Executive)



## Causes of Close Rate Issues

- Developing sense of urgency?
- Getting beyond surface needs?
- Reaching the buying authority?



# Improving sales productivity and customer management

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- Sales Productivity = a) capacity x b) close rate x c) profit/sale
  - a. Increase sales capacity by:
    - Longer hours, more calls, better lead generation
    - More focus on high-impact tasks, prospects, and people
  - b. Increase close rate by:
    - Better opportunity/deal selection criteria
    - Better account and/or channel partner management
  - c. Increase profit/sale by
    - Better pricing, product mix, and/or sales per customer
    - Lower selling costs and/or internal process efficiencies

# Thank You!

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- *And Best Wishes for Continued Success  
in Your Marketplace,  
in Your Careers,  
and in Life . . . .*
- *Stay Positive . . . but Test Negative!*

*Frank Cespedes*