

Opportunities to Achieve Revenue Growth in the Technology Industry



Industry Summary of the 2008
Miller Heiman Sales Best Practices Study



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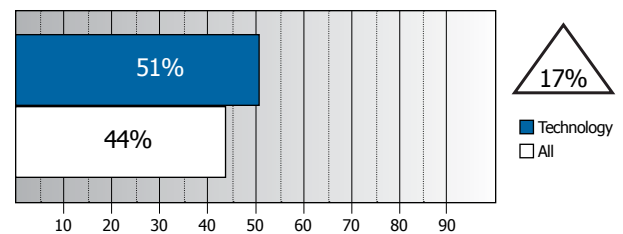
Selling organizations in the technology industry are better than most at identifying and connecting with key individuals who make buying decisions. According to the 2008 Miller Heiman Sales Best Practices Study, those selling in the technology industry are 17 percent more likely than respondents from other industries to say they develop influential internal supporters in their client organizations and are 10 percent more likely to know what clients think of their proposed solution. This behavior is resulting in greater visibility to what's happening within client organizations so opportunities are not lost unexpectedly.

The study also revealed areas of opportunity. Sales professionals in the technology industry could benefit from adding more methodology to their efforts and better aligning their products and services with what their customers want and need. When comparing technology sales organizations to Winning Sales Organizations (WSOs), it's clear how the technology industry can improve results in the coming quarters: by taking training beyond a new product's features and benefits, by systematically aligning sales and marketing efforts, and by using technology to supplement subjective measures to assess candidates for sales jobs. We put together a panel of industry experts and compiled their insights on these findings. This is what we learned.

TAKE YOUR OWN MEDICINE

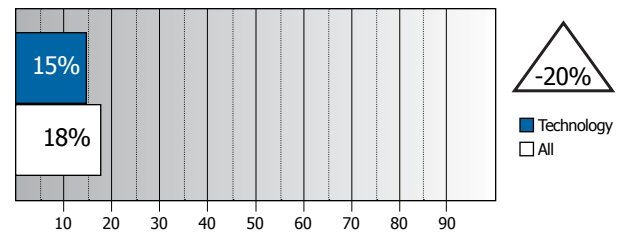
Good news for the industry: Compared to all survey respondents, respondents from the technology industry are 17 percent more likely to say they develop influential internal supporters to help them navigate large deals. Dave King, a Miller Heiman sales consultant with extensive industry experience, calls this a best practice that has evolved in the industry. He says people have seen obvious success, "so it has become a mantra that we need to develop internal supporters." Contract values are so significant that the salespeople need a referral to get in the door. Plus, he points out that "everyone in the industry knows everyone else in the industry," so identifying internal supporters may not be as tough as in other industries.

To help us navigate large deals, we always develop influential internal supporters.



"These are complex sales," says Steve Newman, a Miller Heiman sales consultant with an in-depth background in the technology industry. "Whether you are selling a country-size contract of laser toner cartridges or the IT for an air traffic control management system, these sales guys never sell on their own." According to Newman, they go in and look for coaches and sponsors – "anyone who will tell them what to do, how to do it and who to do it with."

We use web-based assessments to support hiring decisions.



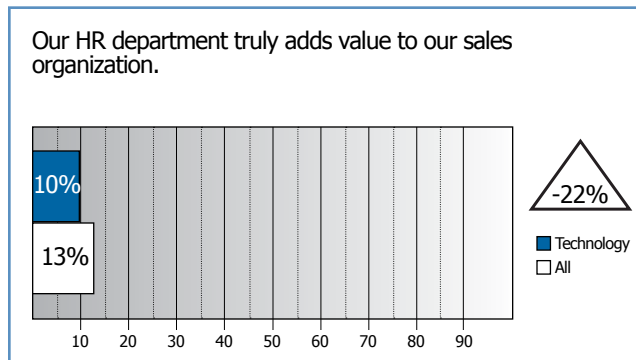
But the survey also points to a few areas where technology sales organizations lag behind other respondents. For one thing, the research reveals a gap between how technology sales organizations and other respondents approach the hiring process: tech sales organizations are 20 percent less likely to say they use web-based assessments to support hiring decisions. Miller Heiman sales vice president Rich Blakeman believes this goes to the portability factor, i.e., people

move around in the industry, so a lot of hiring decisions are based on what you know and who you know in the marketplace. “It’s less of a science,” says Blakeman. “It’s more personal. Managers often hire people they know, so they see less need for assessment testing.”

King says he wonders why the tech companies don’t “take their own medicine!” He says a lot of managers in the industry believe they can eyeball it better than the assessments can. He agrees with Blakeman that managers also hire a lot of people they know. “If you get a good referral, you go for it, and you don’t worry about an online assessment test.”

Greg Yates, a Miller Heiman sales consultant and industry expert, agrees that a lot of hiring in the industry involves people bringing people with them to their next job. “There’s a large pool of talented people, and people know people, they have networks.” Still, decisions are often subjective, emotional, and not the best fit for the company’s culture. He points out that Miller Heiman has tools to help companies do web-based assessments. “They don’t realize these tools are available and how well investments will pay off. The cost to an organization for a bad hire is more significant than proper vetting of a candidate. Proper vetting saves time, money, and is more productive.”

The survey found that tech sales organizations are 22 percent less likely to agree that their HR department truly adds value to their sales organization. HR may not be tech-savvy, says Stan White, a Miller Heiman sales consultant and industry expert. “So they may not have the respect or trust of tech salespeople to truly understand their market and business needs.”

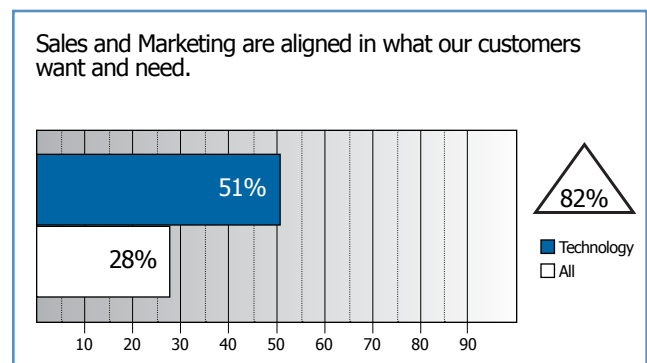


King believes this is similar to the web-based assessment finding described earlier. “HR is involved in following processes and procedures,” he says. “The tech firms are out there selling bleeding-edge products. They feel they need the mavericks. They don’t believe HR can come up with a composite of the ideal salesperson.”

OPPORTUNITIES FOR THE TECHNOLOGY INDUSTRY TO LEVERAGE TOP-PERFORMING PRACTICES

Asking Questions is More Powerful than Giving Answers

In the study, tech organizations were 45 percent less likely than WSOs to agree that sales and marketing are aligned with what their customers want and need. According to Blakeman, this is due in part to a tremendous amount of merger and acquisition activity in the industry. Value propositions have changed substantially, he says. “So, getting alignment at a sales rep level has been difficult.” Blakeman believes that marketing people in technology are more likely to be caught up in feature functions, especially in new product releases. They want to have the leading edge. But they may not be asking a lot of questions about what their clients want and need. That suggests a decisive advantage for those that do.

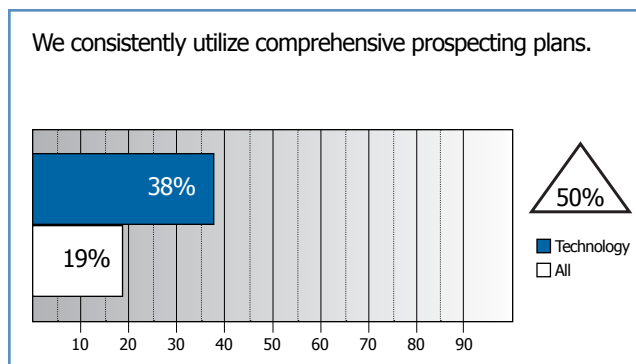


According to Newman, customers want to identify and understand a deal’s value and its return on investment. Newman believes one problem is that sales people in IT have been trained for so long to sell the features and negotiate the price that their sales process in many cases is “high-speed, one way and involves selective listening at best.” The winners in technology sales, says Newman, are talking less, listening more and realizing that asking questions is often more powerful than giving answers.

Yates says that WSOs provide a solution that shows the value that the company brings to the customer. By positioning the company’s total value, he says, customers are less sensitive to price. “The good companies have figured that out and compete on a value-basis solution. The ones who haven’t figured it out are focused on features and benefits. Great companies create value based on the whole package.”

A Plan for Prospecting

According to the study, technology sales organizations are 50 percent less likely than WSOs to say that they consistently use comprehensive prospecting plans. Blakeman calls this a “large volume, large number of licenses game.” He says companies that sell to smaller segments have more VARS or independent software vendors that will be selling for them or integrating it with their solution. Overall, Miller Heiman experts agree that prospecting in the software industry is a different activity than in other industries. “It may be less important in software, where they are under quarter-to-quarter pressure to deliver a volume of licenses to large existing account sales,” says Blakeman.



Some say that when a lot of time is spent supporting the sale, there's often too little time to prospect. “Managing the customer experience is tough in this industry,” White says. “That’s because the customer experience doesn’t start until implementation.” Also, White points out that there are a lot of people in the tech world hidden away in virtual offices – and it takes rigor to reach out to them. “In a lot of cases, companies have no organizational agreement about what prospecting is supposed to do for the organization – and what the measurements for success are,” says White. He adds that part of a good plan is “identifying what a good customer for your company looks like.” Some may think their Ideal Customer is a large chain store, he says. But if they analyze their best customers, they may realize that they didn’t land the big chain when it was a big chain. It was an aspiring big chain at the time. “So, go after aspiring big chains!” White says. “Clearly focus your resources and energy where you have the experience and success. There are customers you can create a lot of value for and others you won’t.”

Yates points out that not every sales organization understands priorities. “You get 50 leads from the Internet, and there is no sense on who to call,” he says, noting that very few are evaluating prospects against the

ideal customer profile. If you get a lead on a company that fits the ideal customer profile, wouldn’t you pursue that first? “The really good organizations don’t have good salespeople chasing bad leads,” says Yates. A good plan, he observes, applies your best assets to a sale you have the best chance of winning.

Quarter-to-Quarter Focus Can Kill a Deal

The study found that technology sales organizations lag behind WSOs in managing opportunities. They are 43 percent less likely than WSOs to agree they have an established procedure to know when to stop investment in large deals. Blakeman says this is indicative of the pressure that publicly-held tech companies face. “There is such a quarter-to-quarter focus, it drives a balance that says, if it walks like a duck... if it looks like something we should be going after let’s pursue it.” But technology companies are under pressure to keep costs down. In the tech industry, says Blakeman, there is a longer history behind big dollar items getting the most attention. If you have a big dollar prospect, a big customer in the funnel, Blakeman says you’ll tend to go after it rather than asking yourself some hard questions that may save you a lot of time and expense down the line.

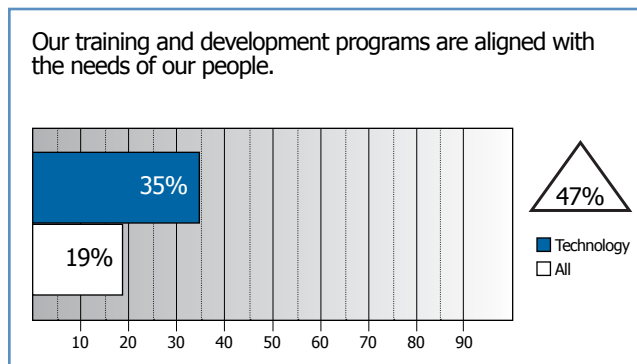
Newman agrees. He says the mandate to “make your numbers” means the organization will throw money at winning business. But is it good money? Will it always help? He advises that sometimes it is better to test how serious the customer is by seeing what commitments the executives will make to the sales process continuing before future non-guaranteed margins are eroded by over-promoting and undervaluing the opportunity.

King observes this phenomenon across the board. He says it happens when there is no formal review process, where there are a lot of virtual offices. King says that if their immediate managers are not in regular contact with salespeople, they won’t have a process in place – and they don’t know when to stop. “They’re optimistic, they believe they’ll win, but there is no consistent process for evaluating deals by the same criteria. They lack a picture of what a win looks like, other than on an anecdotal level.”

Yates calls it the paranoia we all struggle with. If we stop, he points out, we lose. But it’s not painful enough to lose – yet. The company doesn’t want to lose it, either. It takes rigor to know when to walk away. WSOs have a scoring system to know whether they are progressing toward a joint-venture win. Yates says that when investing in a large deal, “the resources you spend on deals you can’t win don’t get applied to deals you can win. So there is an incredible amount of wasted potential.”

Training: More than Just Features and Benefits

Technology sales companies lag behind WSOs in terms of their people as well. In fact, they are 47 percent less likely than WSOs to say that their training and development programs are aligned with the needs of their people. Newman points out that Microsoft, BT and Oracle might strongly disagree with this finding. “I think they do align at the top. But in the middle and lower echelons, where there is less of an infrastructure, you might think it is okay to throw comp money at people rather than training and development opportunities.” Newman believes it would cost less to invest in the training. “I think IT salespeople want to be well-rewarded,” he says. “But I think they would also love to learn more and expand in their current role. I think they want to know how to do more, especially in sales, to get sales flowing quicker and more predictably.”



White points out that there is confusion around product training and customer engagement training. “It’s a bandwidth issue,” he says. “There are always upgrades to the products and new versions to get to know, so there’s a tendency to focus on product training. It’s a good idea to weave some sales and customer engagement training into the product training and launches.”

The bottom line for technology sales organizations: to achieve the consistently high revenues and quarter-to-quarter growth of Winning Sales Organizations, the technology industry could benefit from using the resources they develop, like web-based assessments to help filter job candidates. Other opportunities to improve sales may involve including more sales training versus standard product training, adding established procedures for knowing when to walk away from a deal and using comprehensive prospecting plans to give sales activities a clearer focus.

CONTRIBUTORS

Rich Blakeman Miller Heiman Sales Vice President

Rich Blakeman has a unique business background combining sales and marketing executive leadership with consulting assignments at senior levels of global industry-leading firms. He has proven himself successful at creating organic growth and differentiation for companies through their sales strategy and its execution. Rich’s track record includes leading teams of cross-company sales leaders in developing and implementing enterprise models for strategic account management and sales effectiveness.

Steve Newman Miller Heiman Sales Consultant

Stephen Newman has spent more than 20 years working with clients on five continents. He built his own recruitment and HR consulting firm with partners, successfully selling the business after ten years. Concurrently, Stephen was founder and chairman of InterSearch, an international recruitment and HR consulting group with more than 100 offices in 35 countries. For three years Stephen stayed with the acquiring company, developing international business with Fortune 500 firms and overseeing the integration of a number of acquired businesses in Europe.

Greg Yates Miller Heiman Sales Consultant

Greg Yates has more than 20 years of sales experience in various high-tech sectors within the B2B marketplace. His most recent success was as Vice President of Sales for Inet Technologies, where he expanded the sales force from 5 to 78 people and revenue from \$20M to \$140M in just five years.

Greg became a certified Miller Heiman trainer for Strategic Selling in 1990 and since then, he has integrated the program for every sales team he has managed.

Stan White Miller Heiman Sales Consultant

Stan White has focused on working with technology and management organizations to increase their overall sales and business effectiveness by tactically developing and executing strategic game plans to accomplish their business goals

Throughout his career, he has instigated and executed a large number of sales and management development initiatives to improve the capabilities and competitiveness of the organizations he worked with in both direct and channel environments. Stan’s has been consulting with sales organizations since 2001.

David King
Miller Heiman Sales Consultant

David King has more than 30 years of sales and marketing experience with 25 years in the technology industry. He has demonstrated his ability to grow sales revenue through his experience with companies such as Computerland, Elcom, Compucom, Burroughs Corporation and Sperry-Univac. David is currently pursuing his MBA. He has been an Independent Sales Consultant and Facilitator of Miller Heiman's public and private programs since October 2002.

ABOUT THE MILLER HEIMAN SALES BEST PRACTICES STUDY

Miller Heiman's annual research study of sales practices, success metrics, and Winning Sales Organizations is recognized as the largest continuous research project dedicated to sales performance in the world. Sales leaders benefit from the resulting trends, insights, and best practices revealed by our research. Even more significantly, the research results support benchmarking exercises that enable companies to understand how they compare to their peers and how they can better identify areas for improvement.

Since the study was launched, more than 17,000 sales professionals have participated. Our formal research projects, day-to-day business relationships with sales professionals and the wisdom of our own top sales executives enable us to continually validate and refine our thinking in the real world.

Miller Heiman's research focuses on complex, business-to-business sales which, for this study, we've defined as having sales cycles longer than one quarter and more than four decision-makers influencing the outcome. To date, more than 5,500 sales professionals have participated in the current study, representing more than 21 industries including technology, healthcare, business services, finance and manufacturing. Respondent companies are located in the U.S., Europe, Australia, Asia, South America, the Middle East and Africa.

OBJECTIVES AND RESEARCH

Objective

To obtain a clear understanding of the complex selling environment, its challenges and trends in the current economic environment.

Research Method

The survey was designed as exploratory research to collect primary data using a structured design. Formal statistical procedures were employed to analyze the data. Such procedures included exploratory factor analysis, reliability analysis, and frequency analysis.

Survey Instrument

After the broad issues and metrics were reviewed and discussed with key informants, the instrument was subjected to a pretest. The final instrument contained seven challenge sections with a total of 55 closed-end questions based upon a 7-point Likert scale for responses of Strongly disagree, Disagree, Somewhat disagree, Neutral, Somewhat agree, Agree, Strongly agree. Twelve metric questions were added to this study. Finally, five demographic questions were included.

Time Frame

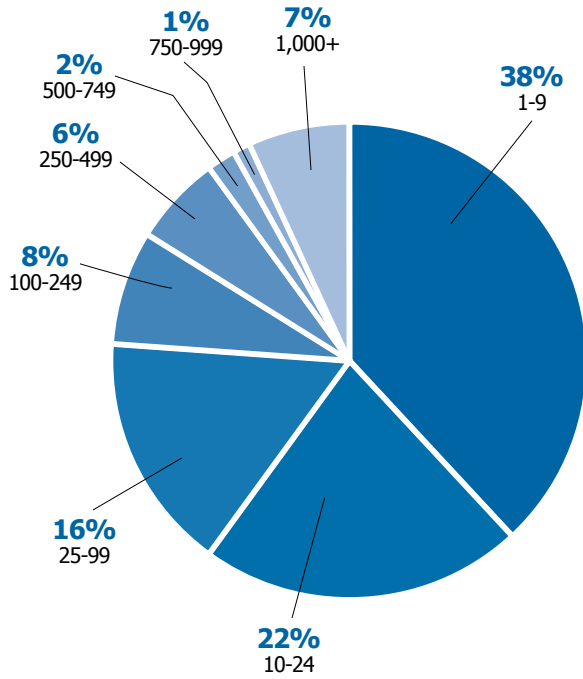
Data were gathered from October 1, 2007 to December 31, 2007.

Data Analysis

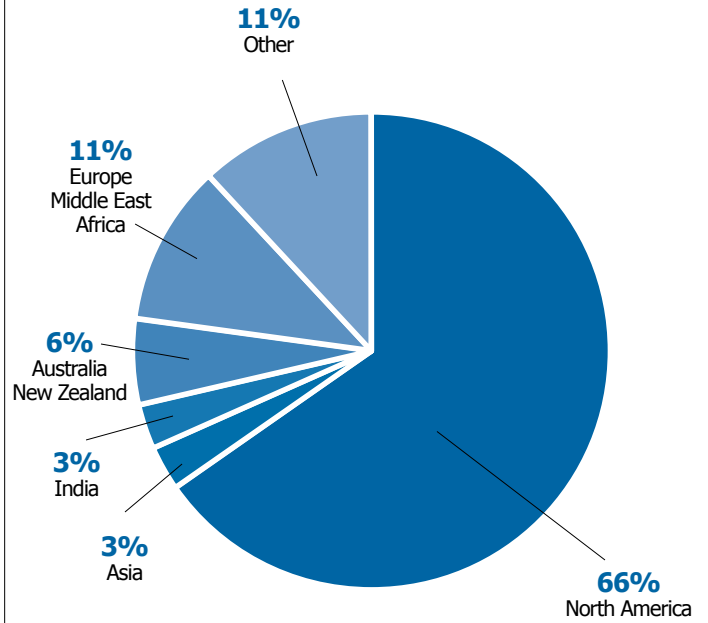
Upon receipt, all survey responses were initially reviewed by Miller Heiman staff and then subsequently cleaned and coded. A database was developed in the Statistical Package for the Social Sciences (SPSS 15.0). Survey data were entered for analysis. One phase of data analysis employed Factor Analysis as a technique that addresses the problem of analyzing the structure of the interrelationships among a large number of variables. Based upon this step a data reduction, if necessary, can be achieved which allows for a summarization of the data and subsequent interpretation. Also the structure of each Element area was assessed for the visibility of the underlying descriptors supporting the overall challenge. In all instances the KMO and Reliability of each factor was assessed and found to be acceptable for data processing.

STUDY DEMOGRAPHICS

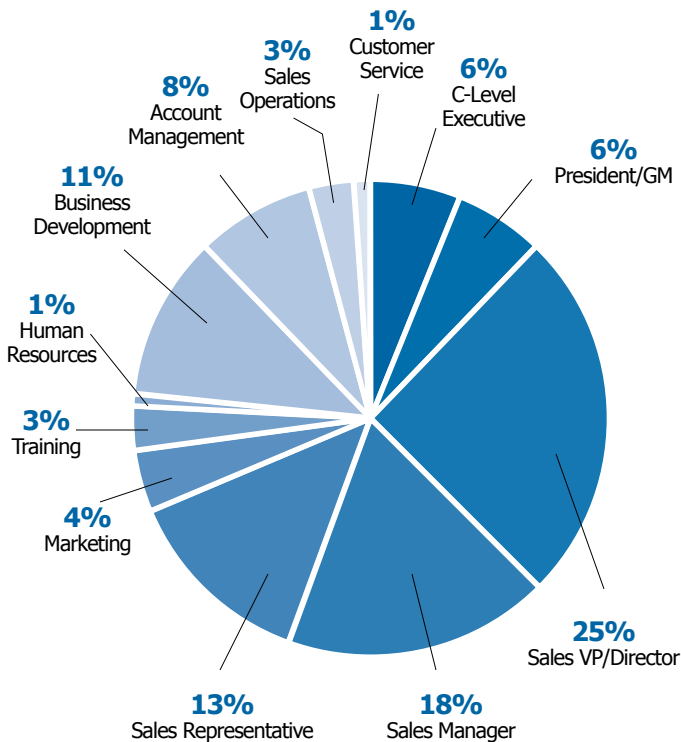
Sales Force Size



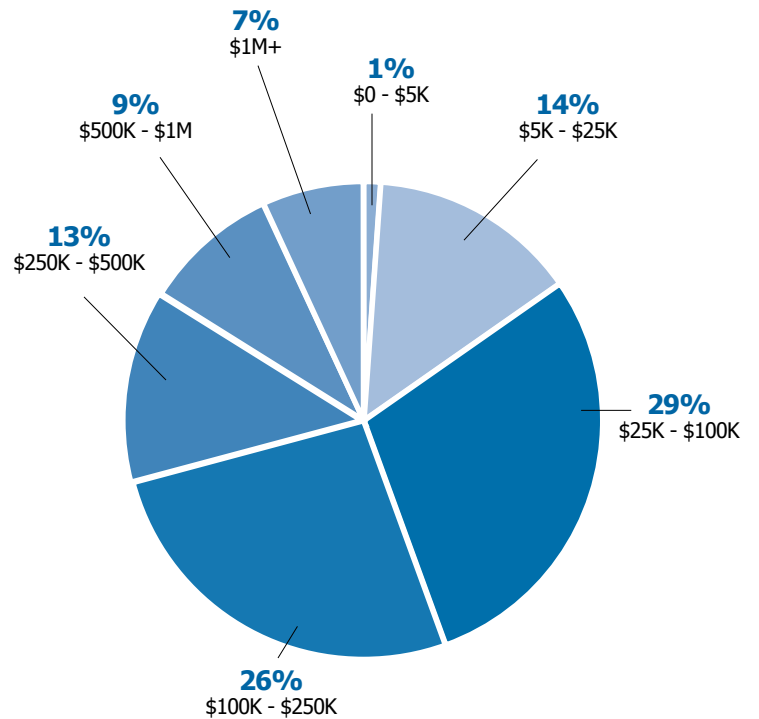
Geography



Titles



Average Deal Size



ABOUT MILLER HEIMAN

Thirty years ago, *Strategic Selling*® launched a company. Thirty years later, *Strategic Selling*® is just one part of what Miller Heiman offers sales organizations. Over the years, we have earned our clients' trust with our in-depth knowledge of the sales process and our demonstrated ability to deliver results.

At Miller Heiman, we help companies overcome the challenges that affect productivity and top-line growth. We go beyond treating symptoms by introducing *The Miller Heiman Sales System*_{SM} as a long-term commitment to understanding challenges and building solutions. With all of the appropriate tools and experience, we are able to quickly and effectively lead our clients to success.

Miller Heiman provides the processes that ensure results:

- Improving Sales Force Productivity
- Managing Sales Talent
- Transitioning from Product-led to Solution-led Selling
- Winning High-value Complex Deals
- Shortening Sales Cycles
- Improving Sales Forecast Accuracy
- Evaluating and Integrating Sales Forces Pre-and-Post Merger
- Protecting and Growing Strategic Accounts

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