



McKinsey&Company

What you sell or who you sell to - Successful sales reps differ

Education Technology Cohort Summary

November 30th, 2016

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Half of the companies we surveyed
see **more than 50%**
of their sales reps fail... in three
years or less

And having a great sales team is critical to driving growth

“While entrepreneurs often expend vast efforts to recruit and retain the best engineers, they seldom put much thought or energy into hiring the best salespeople”

– **Gerhard Gschwandtner**, Sales Thought Leader
Selling Power Magazine

“The ability to attract, hire and onboard successful sales reps and execs is an enormous competitive advantage, especially if you're up against ossified incumbents...the more repeatable and sustainable you can make this process, the faster you can sprint”

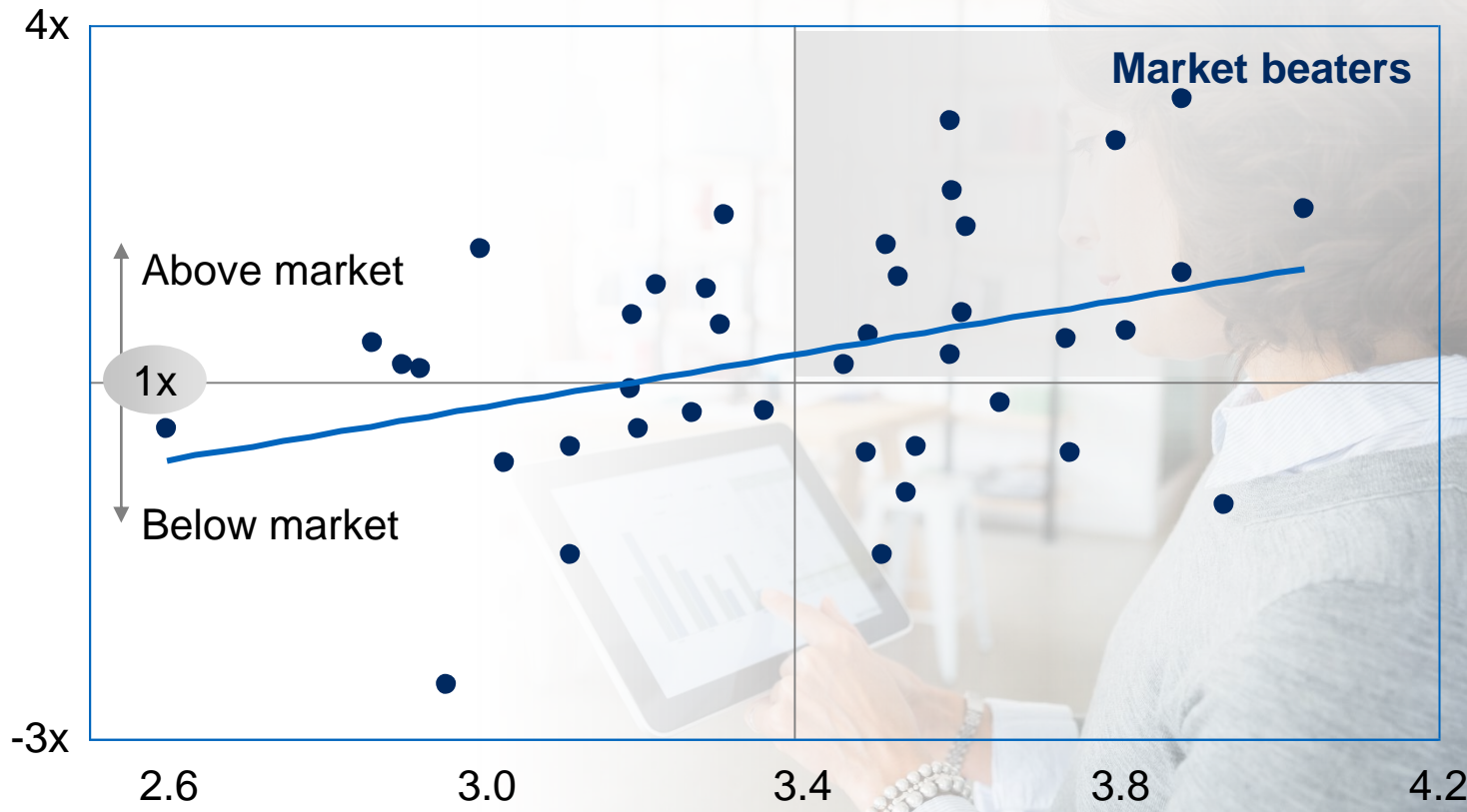
– **Peter Kazanjy**, Co-Founder, TalentBin
FIRST ROUND REVIEW

Commercial capabilities are also critical to growth

Growth above market

Based on scores on 1-to-5 scale

Company's performance relative to market
(revenue growth multiplier)



Company's average M&S capability score
Score 1 to 5

McKinsey surveyed growth tech companies in order to identify the characteristics that define successful sales organizations

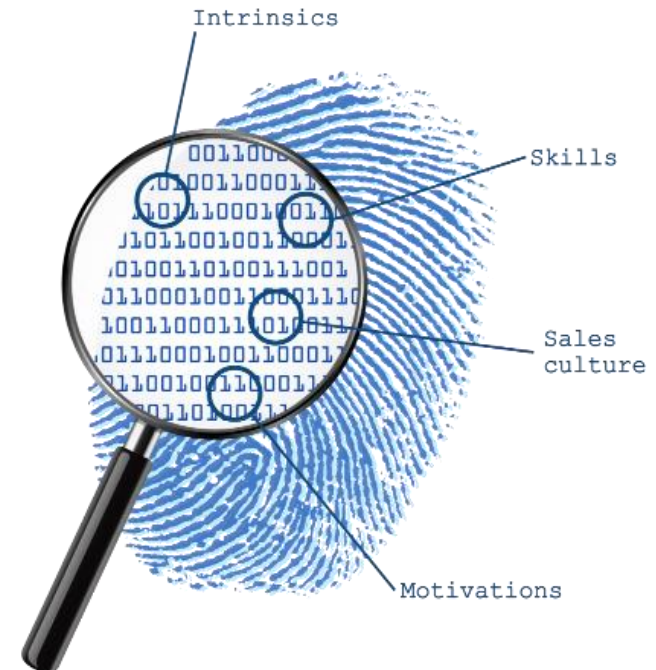
44 growth tech companies surveyed

511 sales reps assessed on **72**
attributes covering **skills,**
intrinsic, motivators, and
cultural enablers

35 commercial capabilities
assessed across **price &**
contract management,
innovation & product
management, sales &
account management and
sale support

We used proprietary McKinsey tools to assess individual sales rep and companies' commercial capabilities

- **Sales DNA** assessment tool co-developed with a professor of leadership and management at Notre Dame
- **CCAT** measures the commercial capabilities of any sales organization
- We have used both tools with 100+ clients
- Different from competitors (i.e. CEB Challenger model) because it doesn't impose a generic "best practice" on the sales force; identifies key traits for unique sales models



Taking a 360° view of what drives sales performance enables targeted, high-impact capability building investments

Companies were segmented into 3 cohorts based on their selling focus

Vertical

- Companies that sell into only one or two industries
- Products and solutions include, mortgage vendor management platforms, merchant POS systems, and real time in-store retail data analytics

Ed tech

- Companies that sell into K-12 and higher education markets
- Offerings range from online learning tools for students to classroom operations tools for teachers

Horizontal

- Companies with a functional offering that can be used across sectors
- Offerings include payment cycle management solutions, HR services solutions

Participating companies on average were above \$35 million in funding and \$40 million in revenue

Financial demographics: Investment and revenue

Outside investment received to date, % (Sum=100%)



Revenue last year, % (Sum=100%)



Summary of findings for Education Technology Companies



High performing Ed Tech reps look a lot like sales reps for any other Fast Growth company – motivated by money, persistent, and good at sales strategies and network building



Ed Tech companies can improve their interviewing processes and coaching and training, focusing in particular on those traits that define their top performers



Ed Tech companies could likely materially improve the candidates they attract and retain if they put more compensation at risk



Ed Tech companies have particular weaknesses in their commercial capabilities in tactical marketing, pricing and contract management and talent management



High performing reps have significantly different personas relative to weak performers in their cohort and relative to other selling models

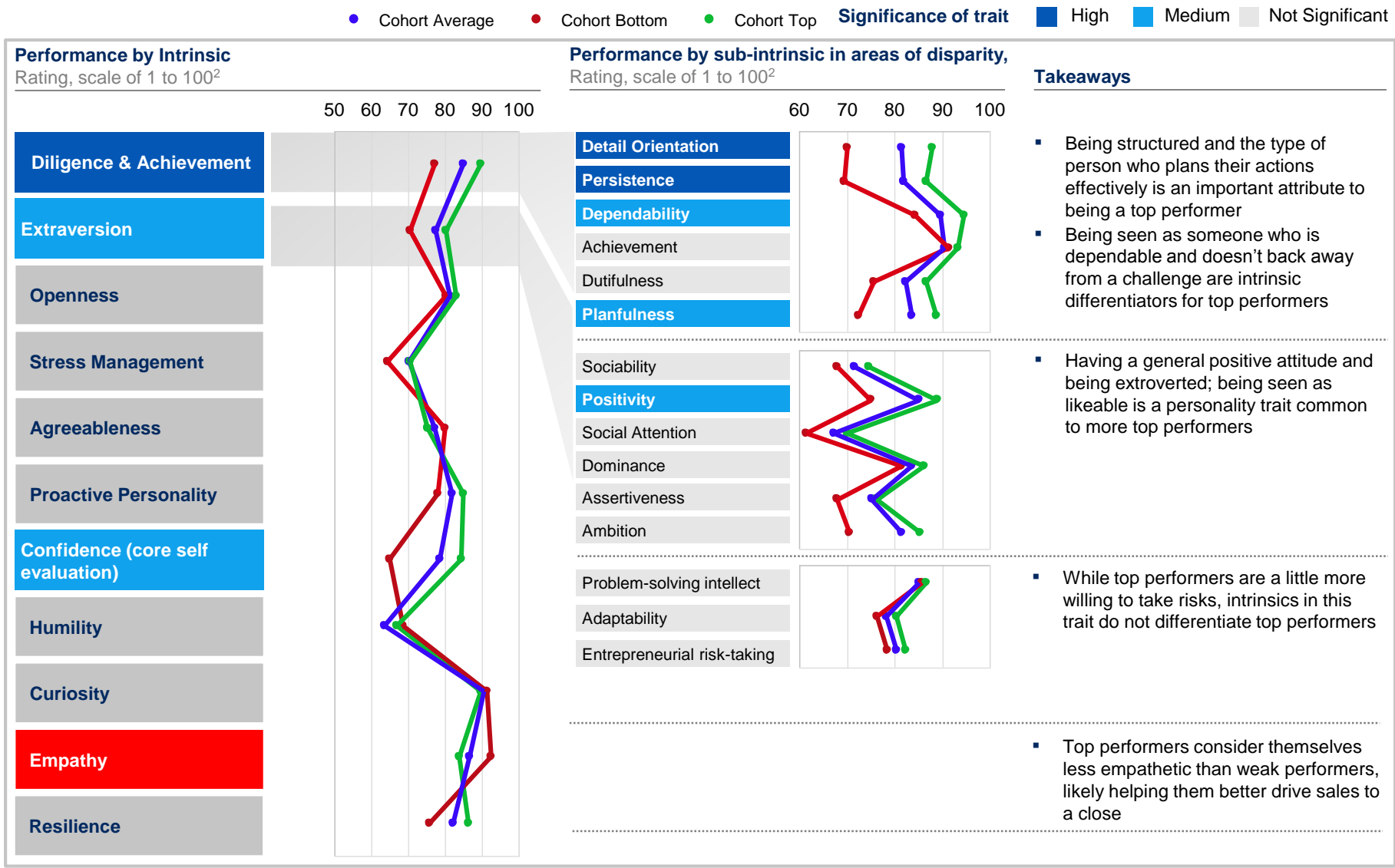
Selling Model	Vertical focus	Ed Tech focus	Horizontal focus
	Selling industry-specific tools (retail store analytic solutions, mortgage vendor management) to all companies in one sector	Selling online learning tools for students to classroom operations tools for teachers, from K-12 to higher education	Selling function-based solutions (HR service solutions, payment cycle management software) to companies across multiple sectors
Distinctive Sales Rep Persona	Able to convince the customer <i>“I know your business better than you do”</i> using <i>trust building, strong objection handling, and problem solving intellect</i>	Likely able to succeed in any growth company. <i>Builds trust and leverages experts, is good at targeting setting, motivated by rewards, and less empathetic than less successful reps</i>	Excels at <i>pipeline management and has deep product knowledge. Enjoys tailoring value propositions to the specific client situation. Internally motivated to be the best they can be</i>

The Top Performing Rep persona was identified by finding traits that were statistically different between top and weak performers

Ed Tech Top Rep

Skills	Intrinsics	Motivations
<ul style="list-style-type: none">▪ Building Trust and Networks is key for top reps to drive platform adoption; they succeed through offering clients the right planning and resource management to implement the solution, and do so for a wide network of clients▪ Target setting helps top reps calculate targets and objectives for each customer, and develop a detailed sales strategy and account plans accordingly▪ Understanding customer needs is a key attribute to succeed as a top rep; they engage in discussions where they probe on core customer needs and leverage experts to close a sale	<ul style="list-style-type: none">▪ Diligence, orderliness and persistence help top reps convince clients on the value of their product and their dependability; they are most likely to succeed in promoting complex solutions with multiple moving parts▪ Extraversion is a key trait of top reps in this industry; they are driven by their realistic high level of self-confidence▪ Less Empathetic than weak performers, top reps are probably more hard charging and willing to push to close a sale	<ul style="list-style-type: none">▪ Financial rewards and Autonomy motivate top reps, thus requiring a compensation structure where higher productivity means higher pay

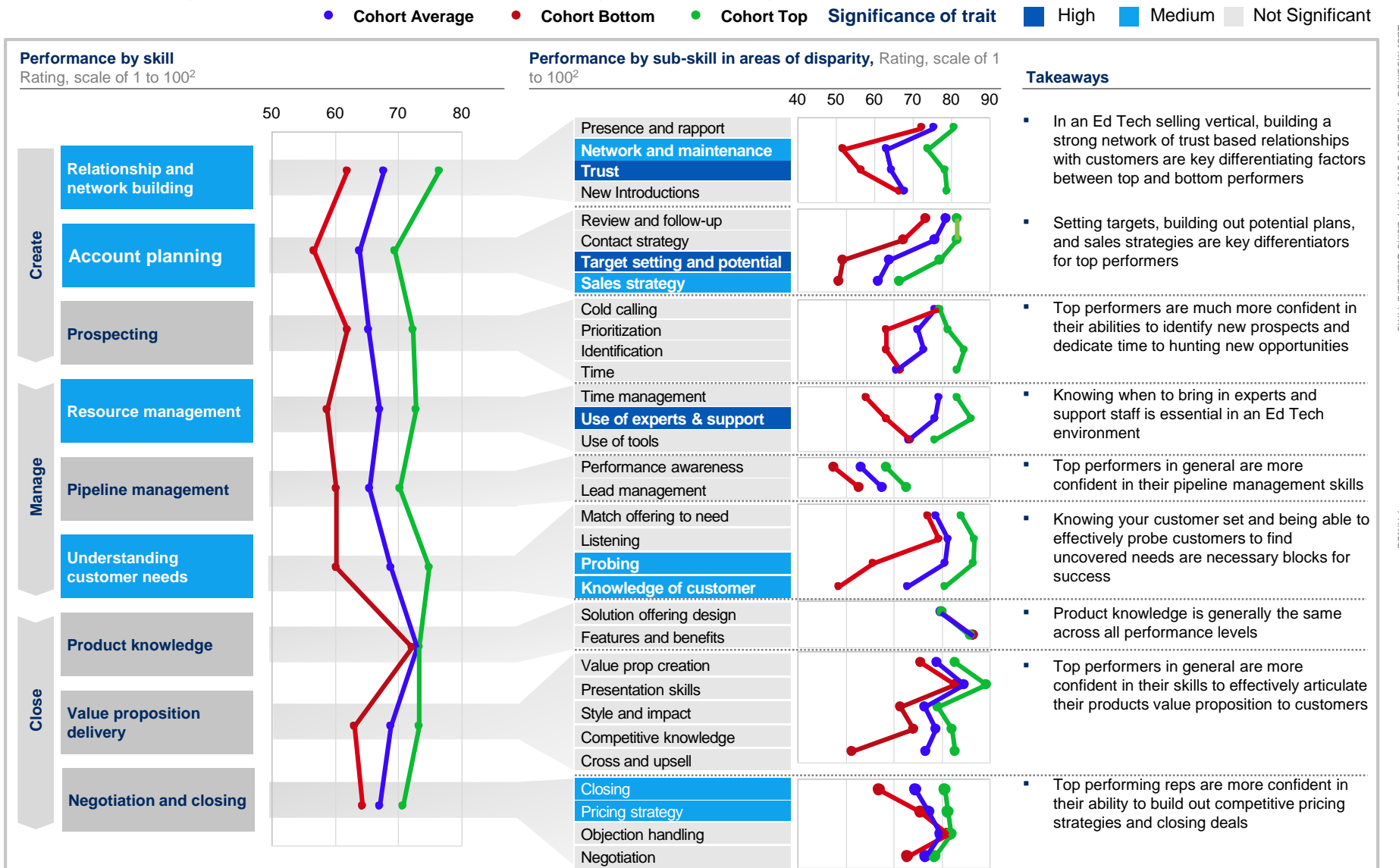
Top performing Ed Tech reps differentiate themselves intrinsically in their confidence, diligence and positivity while being less empathetic



1 Sample sizes were 83 overall, 7 for bottom performers, and for top performers

2 Values should be viewed relative to each other rather than based on absolute definitions

Top Ed Tech performers strongest skills are building trust-based networks, developing specific sales and target strategies, probing and use of experts



1 Sample sizes were 83 overall, 7 for bottom performers, and for top performers

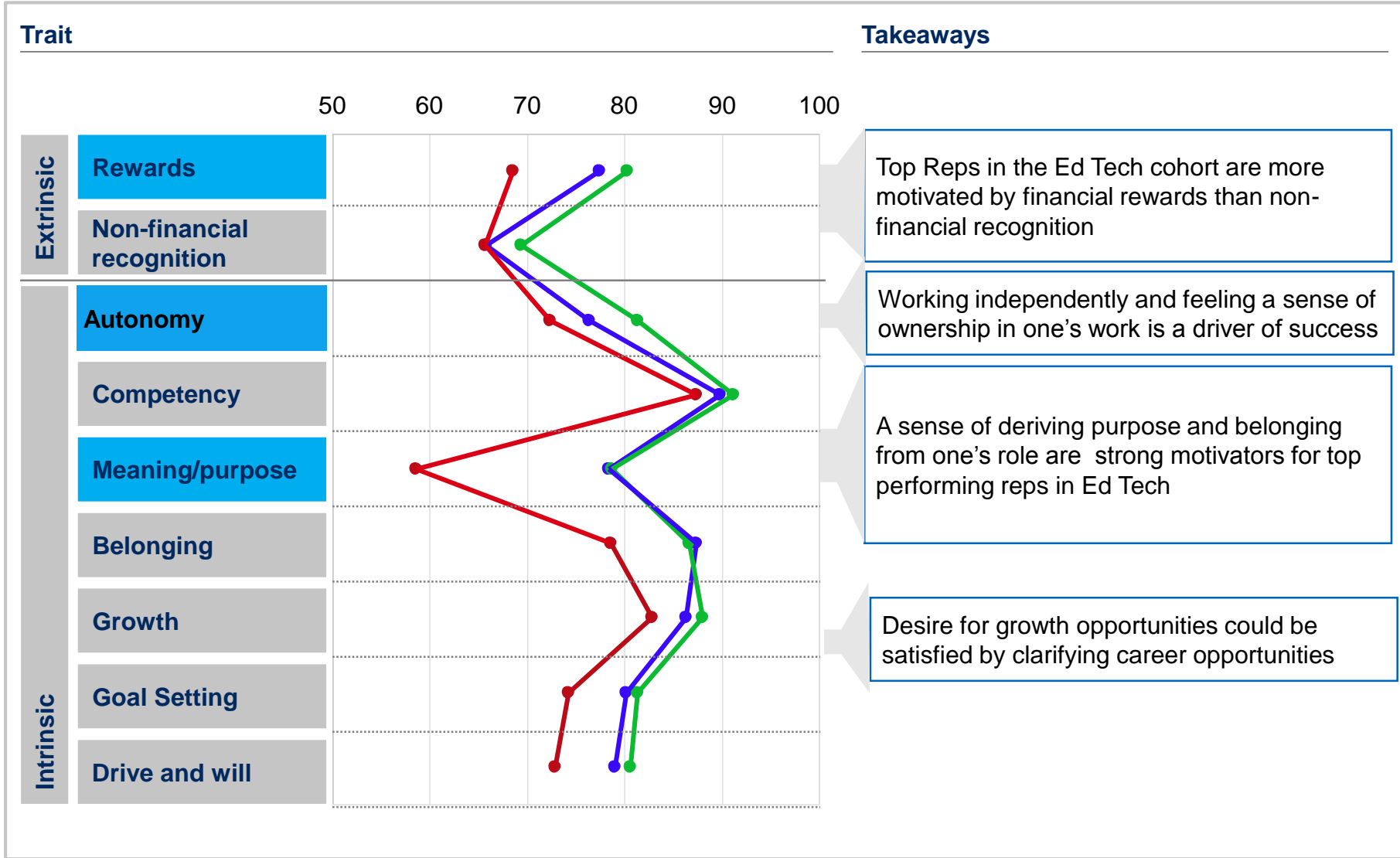
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Top Ed Tech reps are most motivated by financial rewards, growth opportunities, belonging and a drive to perform better

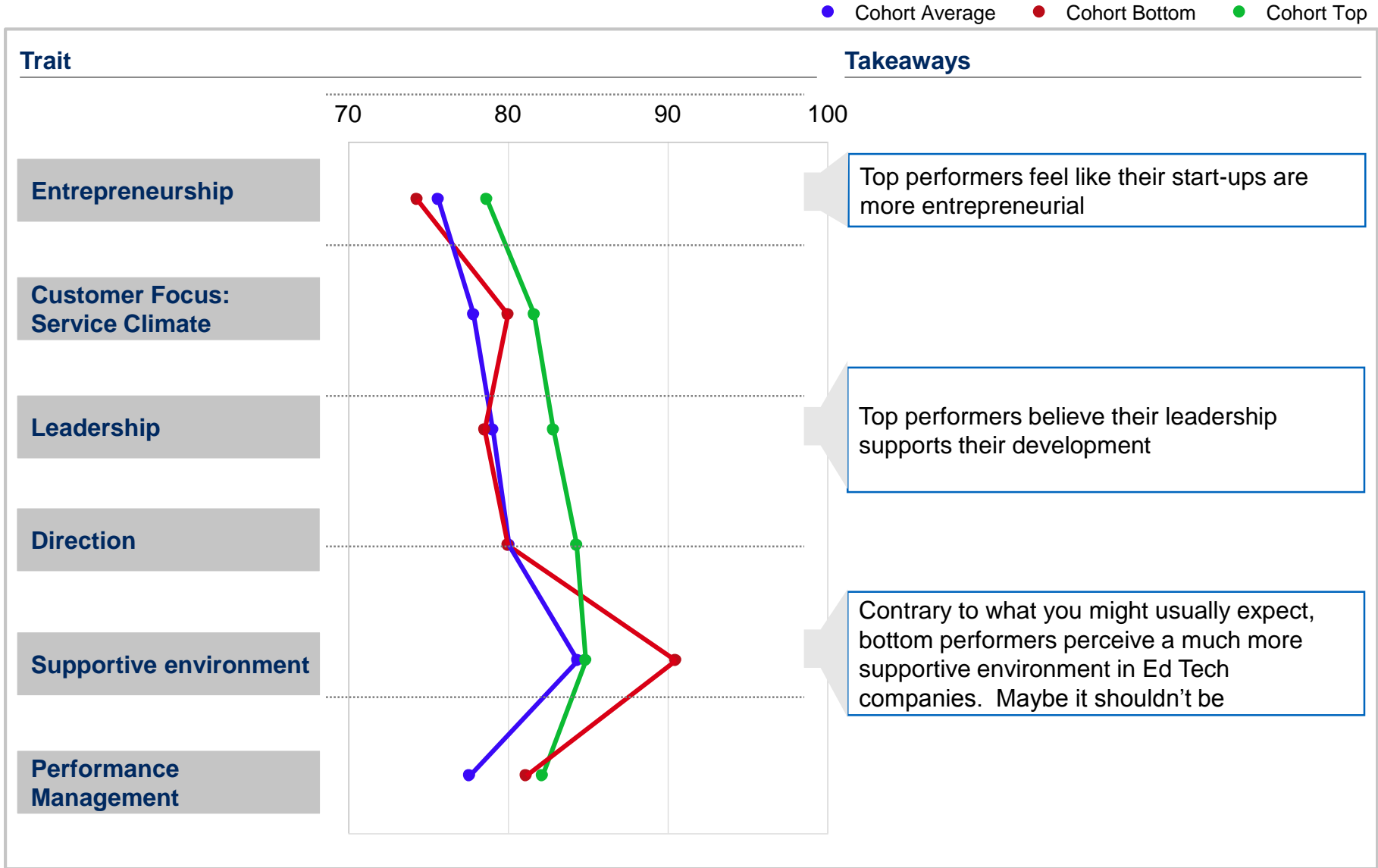
● Cohort Average ● Cohort Bottom ● Cohort Top **Significance of trait** ■ High ■ Medium ■ Not Significant



1 Sample sizes were 83 overall, 7 for bottom performers, and for top performers

2 Values should be viewed relative to each other rather than based on absolute definitions

Most top performing Ed Tech reps succeed in a culture that provide entrepreneurship opportunities and are customer focused



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Summary of findings



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Ed Tech companies can improve their interviewing processes and coaching and training, focusing in particular on those traits that define their top performers



Ed Tech companies could likely materially improve the candidates they attract and retain if they put more compensation at risk

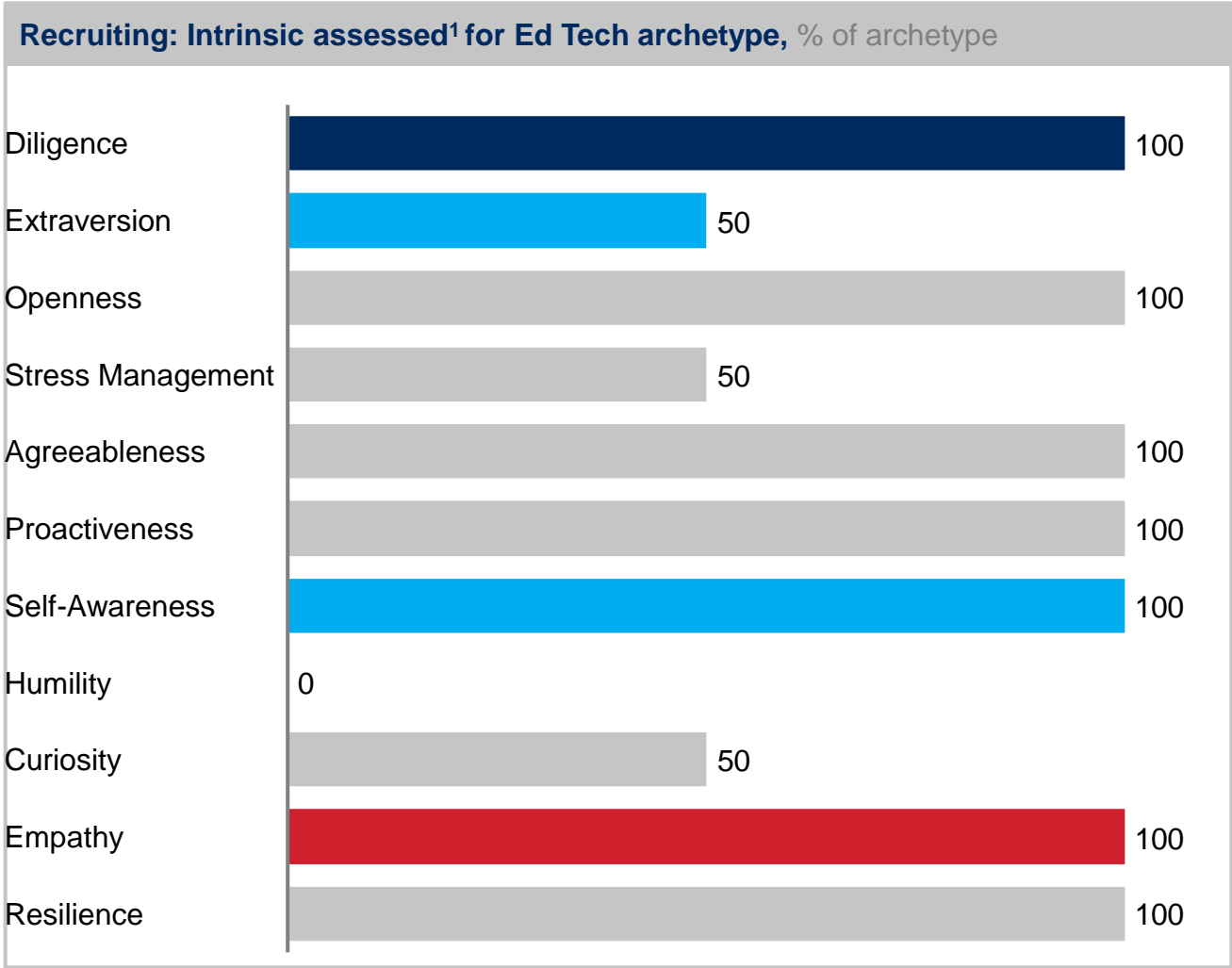


Ed Tech companies have particular weaknesses in their commercial capabilities in tactical marketing, pricing and contract management and talent management



Ed Tech companies seek empathy when high performers are less empathic

Correlation to top performers ■ High Significance² ■ Medium Significance³ ■ Not Significant ■ Neg Significance



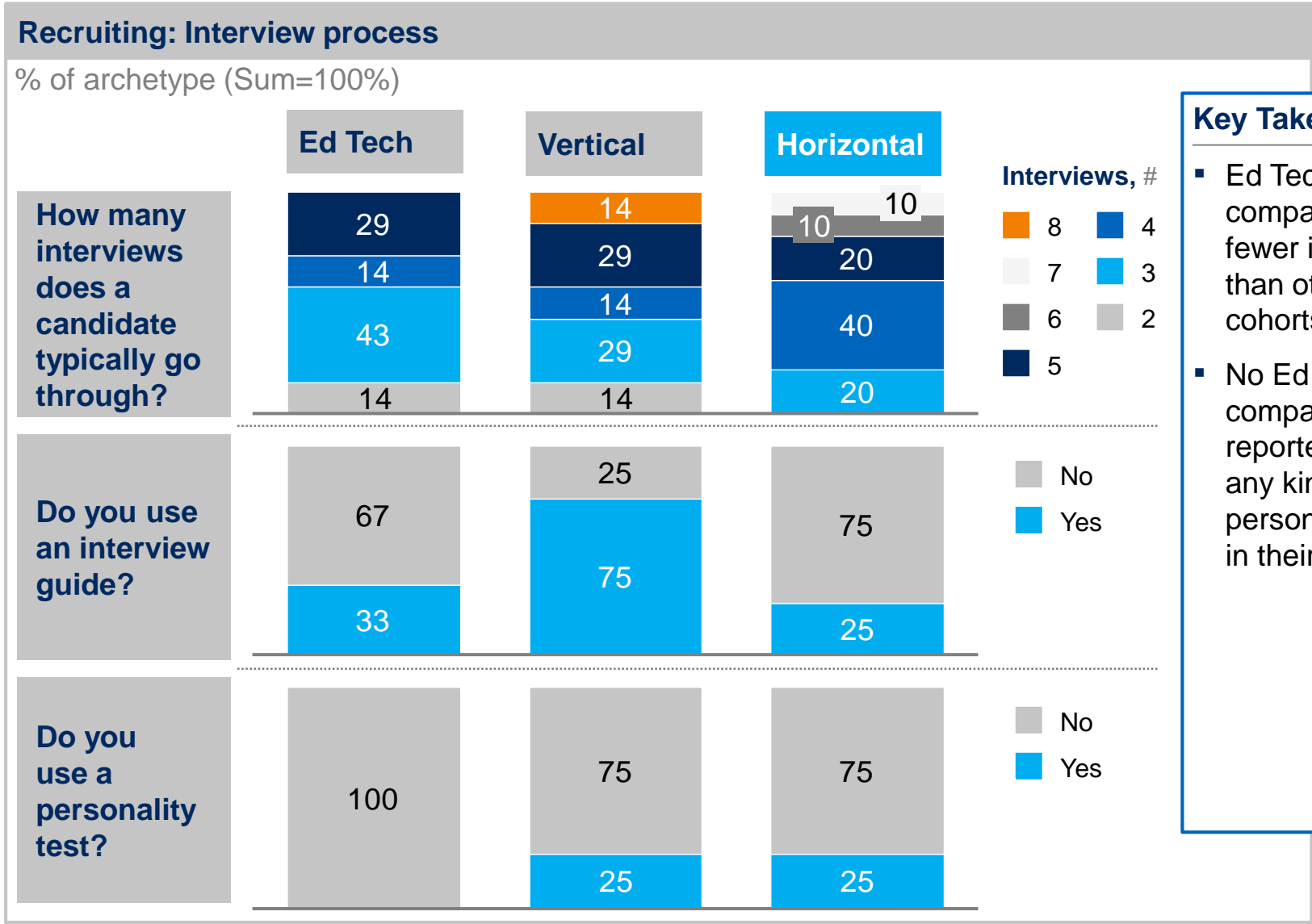
Key Takeaways

- Not enough Ed Tech companies are assessing extraversion
- All Ed Tech companies assess empathy, yet McKinsey has found top performers perceive themselves as less empathetic
- All Ed Tech companies assess diligence, a high significance trait

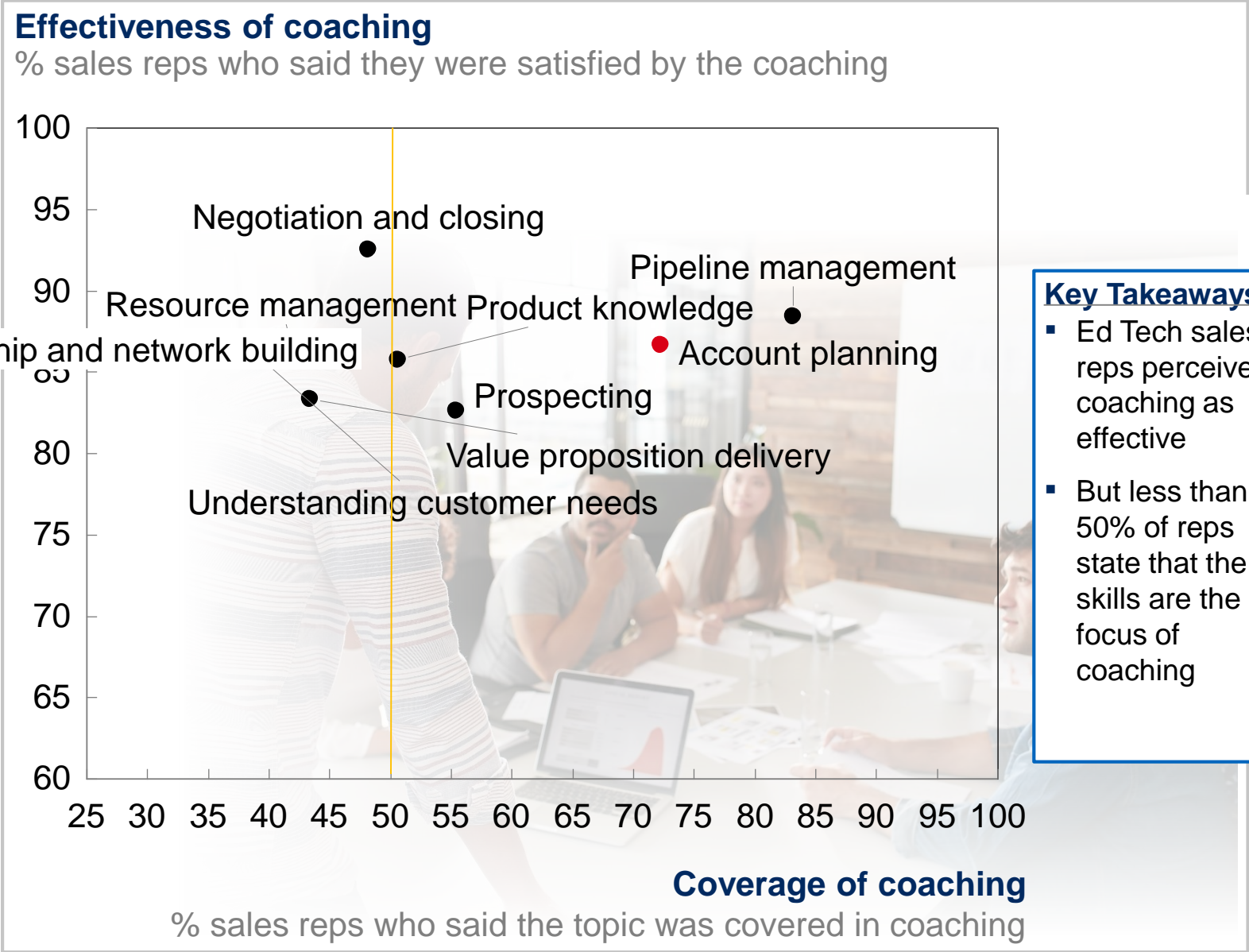
¹ Mastery Prep did not complete this question in Head of Sales Survey
³ 90-95% confidence difference between top and bottom performers

² 95-99+% confidence

Ed Tech companies can improve their interview processes



- Key Takeaways**
- Ed Tech companies have fewer interviews than other cohorts
 - No Ed Tech companies reported using any kind of a personality test in their process

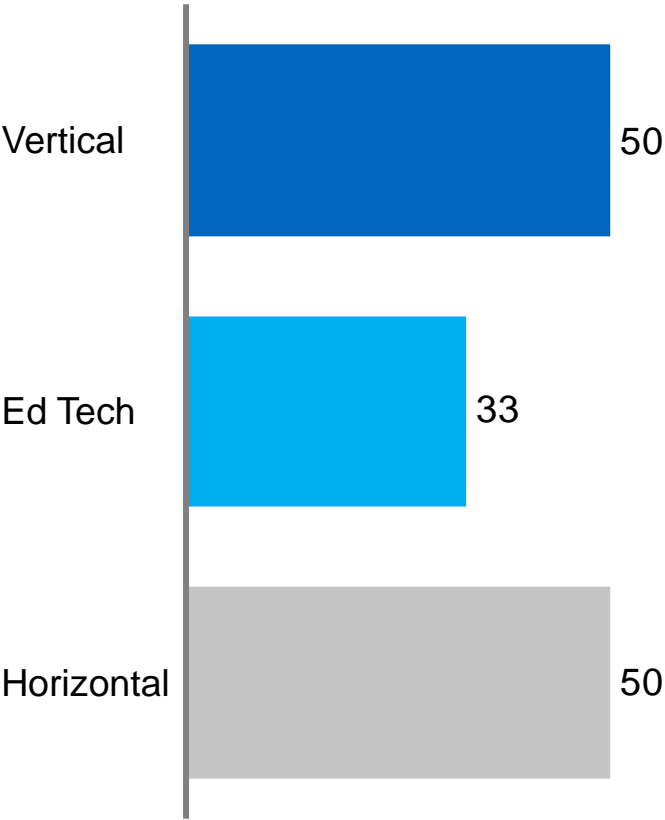


Key Takeaways

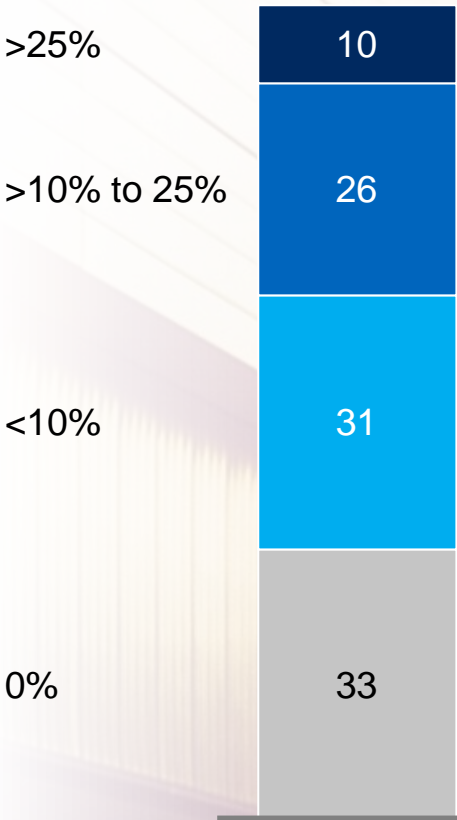
- Ed Tech sales reps perceive coaching as effective
- But less than 50% of reps state that the key skills are the focus of coaching

Participating companies have a real need to better attract and retain high performing reps

Percent reporting 50+% of sales rep hires in the past 3 years were unsuccessful
% of segment



Percent reporting >10% of successful sales reps left in less than one year?
% of participating companies (Sum=100%)



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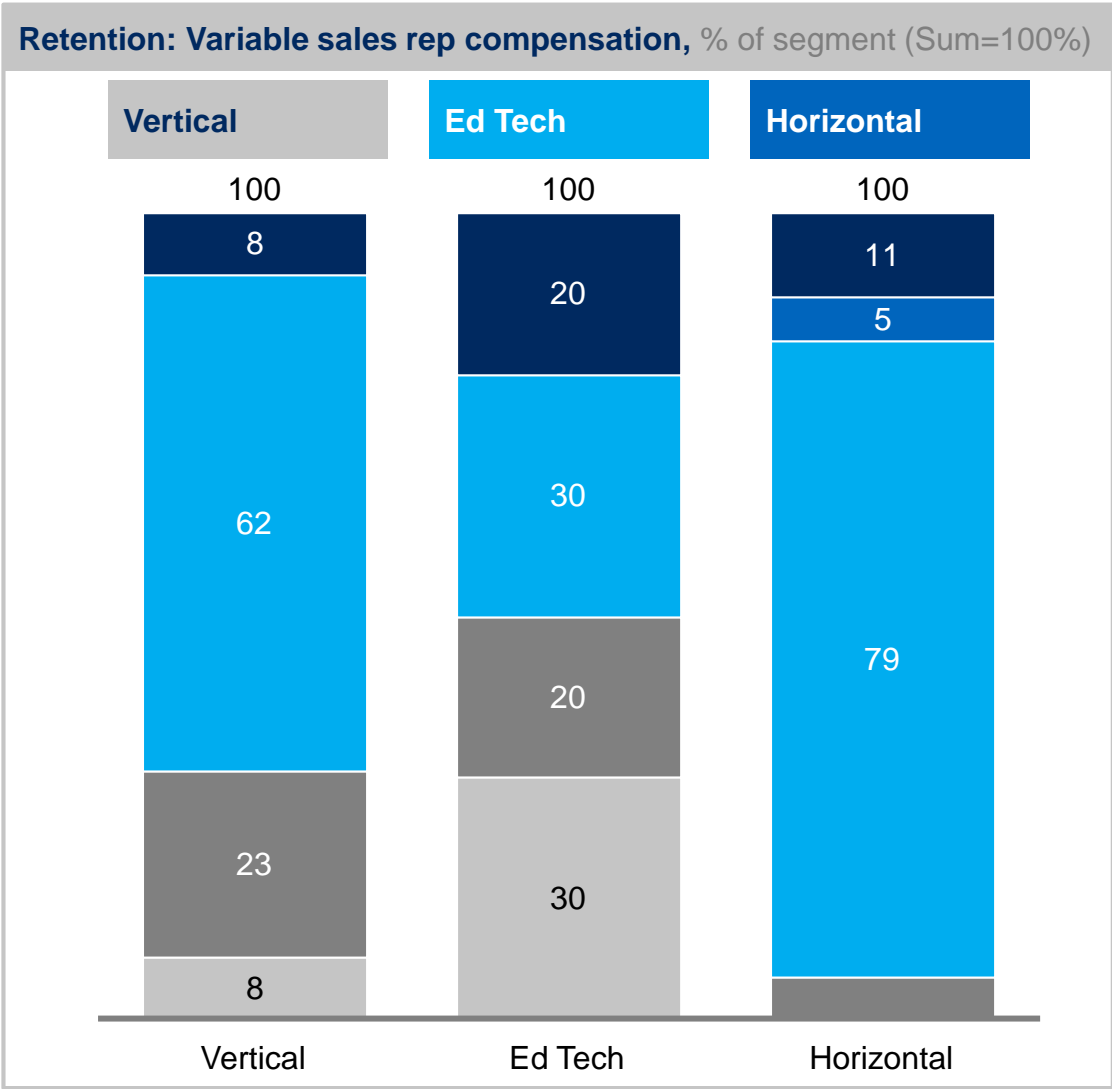
Ed Tech companies could likely materially improve the candidates they attract and retain if they put more compensation at risk



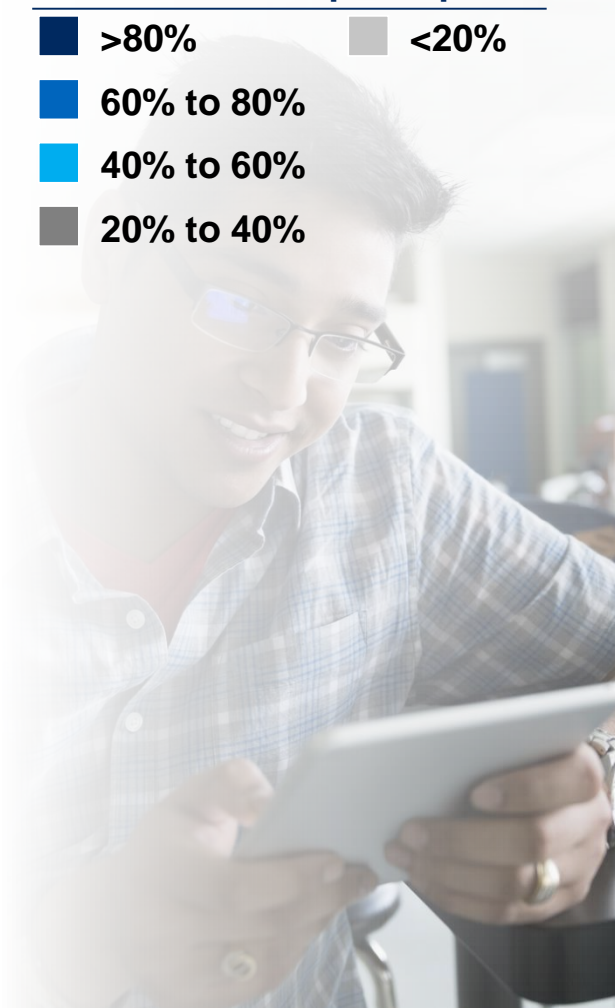
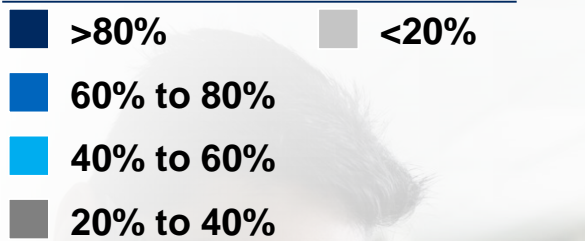
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Ed Tech can likely materially improve the top performing candidates they attract and retain if they put more compensation at risk

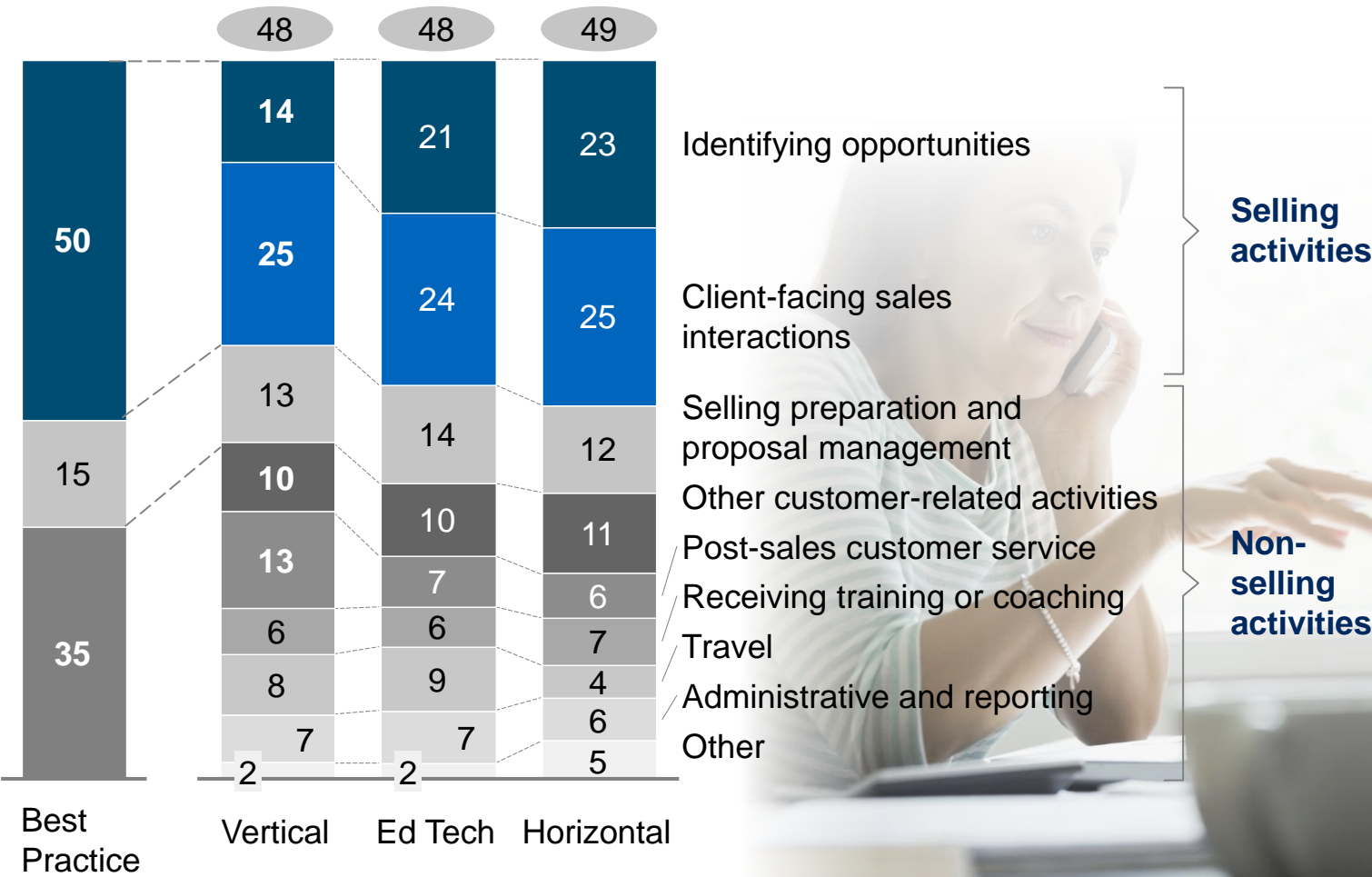


Variable Sales rep compensation



Ed Tech Reps spend more time on selling prep than best practice

Breakdown of sales reps' time by activity
Hours per week, Percent of time (Sum=100%)



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Commercial Capabilities by Cohort

Vertical

- **Strengths**
 - Strategic marketing
 - Innovation & Performance management
 - Tools & Information systems
- **Opportunities**
 - Pricing & Contract management
 - Go-to-Market Design
 - Talent management (capability development and learning)
 - Tactical marketing
 - Customer Service

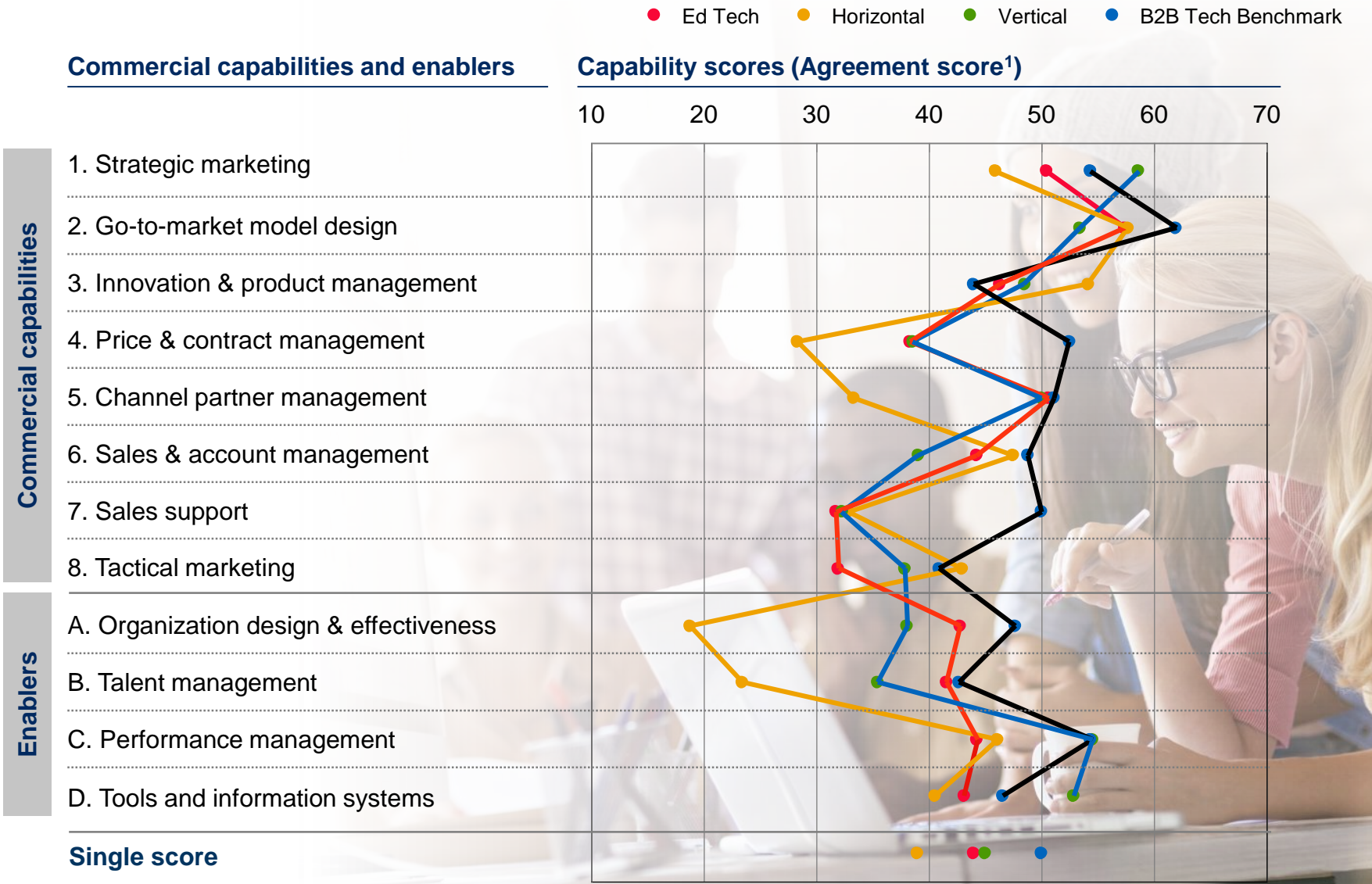
Ed Tech

- **Strengths**
 - Strategic marketing (especially customer segmentation and value proposition)
 - Innovation & Performance management
- **Opportunities**
 - Pricing & Contract management
 - Strategic marketing
 - Talent management (capability development and learning)
 - Tactical marketing
 - Tools and information systems

Horizontal

- **Strengths**
 - Strategic marketing (except marketing planning)
 - GTM model design
 - Innovation & Performance management
- **Opportunities**
 - Pricing & Contract management
 - Org Design & Effectiveness
 - Talent management (capability development and learning)
 - Tactical marketing
 - Customer Service

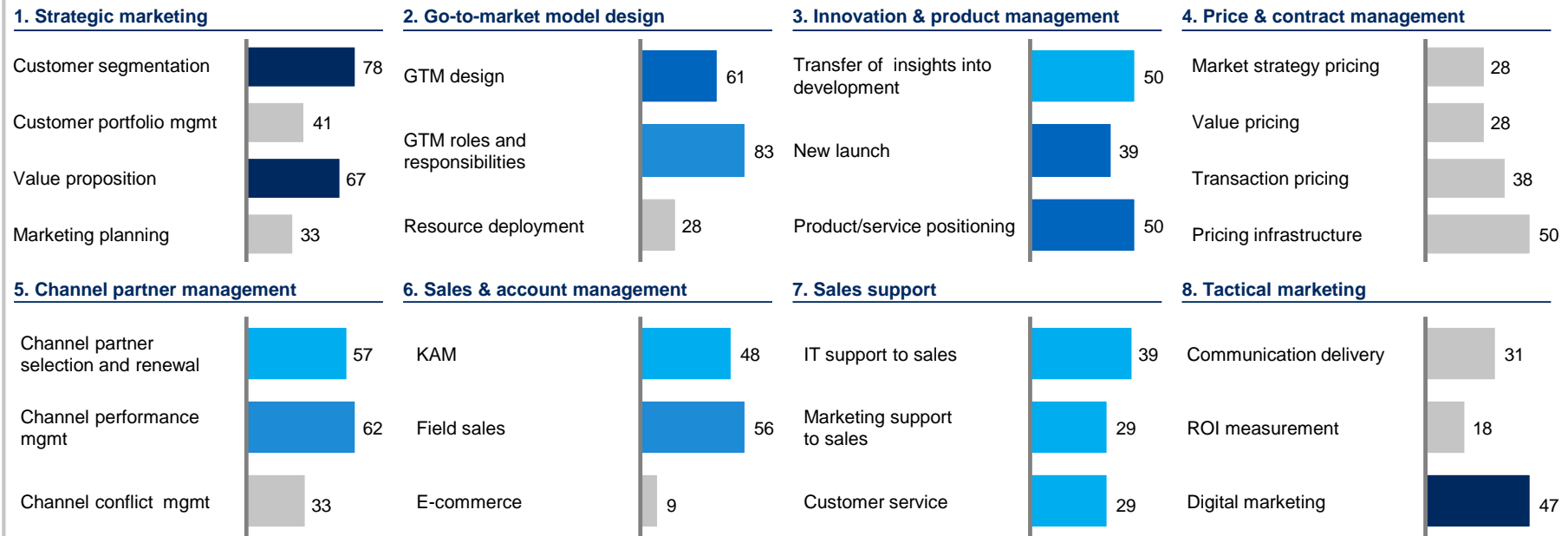
While FGT companies excel in their innovation, channel partnership, and go-to-market model, there are clear capability gaps compared to mature B2B companies



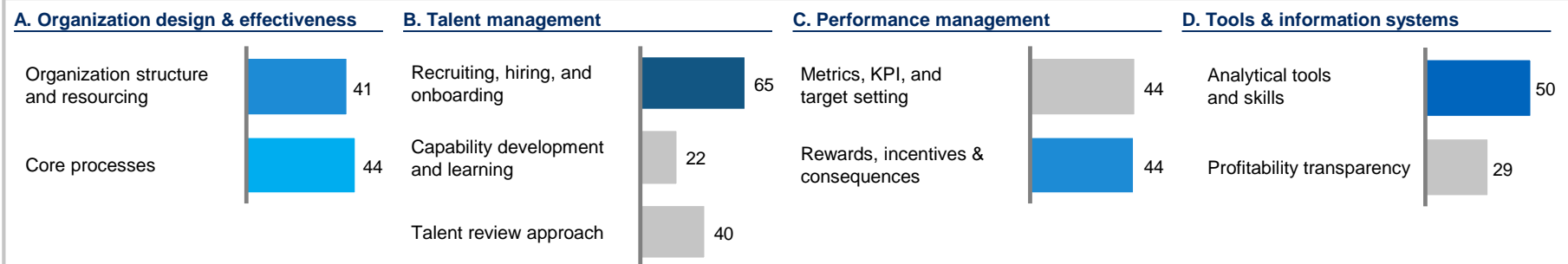
Ed Tech has particular opportunity in pricing and tactical marketing

Agreement score¹

8 capabilities



4 enablers



¹ Average percentage of participants that indicate best practice is 'often' or 'always' achieved

Major Takeaways for Ed Tech

Hiring

- Hire great sales people and coach on core sales skills
 - Focus on persistent, diligent and extraverted reps who may rub you the wrong way because they are less empathetic and hard drivers
 - Who have demonstrated traditional sales skills – ability to build robust networks, develop specific targets and sales strategies, customer probing and using experts
-

Supporting processes

- Improve your interviewing, training, and compensation practices
 - Increase variable portion of compensation
 - Increase coaching on the key skills that top reps have
 - Provide subject matter experts for support
-

Commercial capabilities

- Strengthen key capabilities:
 - Improve tactical marketing to drive more leads
 - Increase pricing capabilities across the board – strategic price setting, contract management, and tactical pricing decisions

Appendix

Sales DNA attributes (1/2)

Skills			Description
	Relation & networking	Presence and rapport	Ability to develop deep relationships at all levels
		Networking	Ability to maintain a wide network of clients
		Trust building	Ability to build trust based relationships with customers
	Account planning	Review and follow-up	Ability to communicate with customer after conversation has ended
		Contract strategy	Planning mode, frequency and recipients of customer communications
		Target setting and potential	Ability to calculate targets and objectives for each customer
		Sales strategy	Tendency to develop detailed account plans
	Prospecting	Time dedicated	Ability to dedicate time to hunt for new customers.
		Prioritization	Ability to prioritize opportunities, time and resources
		Identification	Ability to find and identify new customers
	Resource management	Time management	Ability to set deadlines and manage time effectively
		Use of experts & support	Understanding how to leverage specialists and support resources
		Use of tools	Knowledge on how to use tools efficiently
	Pipeline mgmt.	Performance awareness	Forecasting performance based on pipeline; accurately assessing likelihood of close
		Lead management	Actively managing a list of leads
	Customer needs	Match offering to need	Ability to identify and prioritize customer needs
		Listening	Success in listening to customers and picking up on cues
		Probing	Asking probing questions to uncover unmet needs
		Knowledge of customer	Determination to identify and prioritize customer needs
	Product knowledge	Solution offering design	Ability to tailor the solution to the customer's needs
		Features and benefits	Being knowledgeable about features and benefits of the company
	Value proposition	Presentation skills	Ability to communicate effectively
		Style and impact	Ability to tailor communication strategies
		Competitive knowledge	Distinguishing offering from competition
		Cross and upsell	Acting on opportunities to cross and upsell
	Negotiation and closing	Pricing strategy	Determination to adhere to discounting guidelines; selling based on value
		Objection handling	Success in overcoming objections
		Negotiation	Ability to adjust negotiating strategy based on context

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Sales DNA attributes (2/2)

Intrinsics	Extraversion	Sociability	Tendency to be outgoing and friendly toward peers and customers
		Positivity	Willingness to express emotions to others
		Dominance	Tendency to take control of situations
		Assertiveness	Predisposition to confidently state opinions and take action (e.g., close sale)
		Ambition	Desire to succeed at current sales role and move upward in the organization
	Openness	Problem-solving intellect	Ability to find / understand problems and develop solutions
	Diligence and achievement (Conscientiousness)	Detail orientation	Preference for organization over disorder
		Persistence	Determination to pursue sales in spite of adversity
		Dependability	Tendency to be trustworthy and reliable
		Achievement	Predisposition to successfully accomplish objectives
	Other intrinsics	Planfulness	Inclination to arrange activities (e.g., meetings) ahead of time
		Empathy	Ability to understand the feelings of others
Confidence		Realistically high level of self-confidence	
Stress management (Emotional stability)		Tendency to stay calm and composed in stressful situations	
Resilience		Ability to persevere through adversity	
Motivations	Extrinsic motivators	Rewards	Degree of motivation based on external rewards
	Intrinsic motivators	Autonomy	Pleasure gained from sense of ownership over work
		Professional growth	Degree of motivation based on professional development opportunities
		Goal setting	Motivation derived from setting landmarks and goals to attain
Culture	Drive and will	Degree of motivation based on individual drive to succeed in one's role	
	Entrepreneurship	Belief that company encourages reps to take risks to grow the business	
	Customer focus	Perception of company dedication to providing service to customer	
	Leadership	Perception of leadership commitment to rep development	
	Direction	Degree of clarity surrounding company's direction	
	Supportive environment	Expectation of assistance from peers and manager	
Performance management	Degree to which reps are held responsible for results		