

Case Study

Background

Company:

A Chicago-based distributor of maintenance and repair (MRO) consumable products, Lawson Products, has supplied high-performance products and services to customers since 1952. It is a \$300 million company that sells more than 300,000 products at every price point and performance level. The company comprises 1,500 employees, including more than 900 sales representatives and nearly 100 sales managers and directors.

Problem: A Recent History of Declining Sales

From 2007 – 2013, Lawson Products had been experiencing a yearly decline in sales, as well as profitability, posting losses in six of the seven years. During this declining growth period, Lawson Products approached APG to conduct a one-day training of **The Profit Specialist**[®] financial simulation at a sales rally in 2009. Throughout the next few years, Lawson made many changes to its management, business model, and operations to turn around performance.

In 2012, Michael G. DeCata took on the role of president and CEO. He pledged to investors that the company would continue to focus on enhancing efficiencies and lowering operating costs, as well as growing sales by developing under-served territories and increasing the productivity of the sales force. Senior management team members began doing sales rep ride along, and Lawson Products reinstated the North American Sales Meeting, which it had not hosted in several years due to cost-cutting.

By the end of the year, quarterly sales were trending upward, the sales team was growing larger, and sales productivity began showing improvement. Lawson Products hired 49 sales reps in 2013, adding an additional 110 net new reps in 2014 – bringing the total sales force to more than 900. The company continues to add more sales reps and expects to grow the team well into 2016.

The Need: Training to Ensure Continued Sales Growth

Beginning in 2014, Lawson Products returned to growth mode after several years of declining sales and mounting losses. To ensure continued growth, it is focused on capturing a larger share of the MRO consumables' market. To capture additional market share, the company is increasing the number of sales reps hired each year, recognizing that the current investment they are making in salespeople now will benefit them in the future. A growing sales force requires a higher investment in sales rep training, and Lawson Products is committed to educating members of its sales team.

Case Study

The Solution: The Profit Specialist® for North American Sales Meeting

Based on the success of the 2009 training and reinstating the North American Sales Meeting in 2013, Lawson Products approached APG this time to implement **The Profit Specialist®** in a large group setting at the "Lawson Products North American Sales Rally 2015," a sales meeting that would bring together more than 900 members of the sales force from across the U.S. and Canada.

With many other training solutions available, Lawson selected **The Profit Specialist®** program based on previous experience and the relevancy of the training it provides:

- **Hands-on training:** Participants learn hard skills that are applicable to their daily work lives and decision making while on the job.
- **Staying power:** A culture of common language is created to facilitate how employees look at the business of Lawson Products as well as that of their customers.

Creating a Fully Customized Training Solution for the Lawson Products North American Sales Meeting

Jeff Aarthun, APG founder and CEO and David Stavros, National Sales Manager, met with key members of the Lawson Products management team at the company's headquarters in Chicago. Together, they gathered information for the development of a customized business simulation built around the company's key financial drivers, strategies, and performance management objectives.

This meeting allowed executives to collaborate and develop a storyline of how Lawson Products could be run during a three-year period – incorporating realistic examples of positive and negative events affecting the company. This collaborative meeting also allowed APG to design the simulation to address some of the key challenges faced by Lawson Products:

- **New hires:** Having hired more than 100 sales reps since 2013, Lawson Products had a high number of new employees who needed to be familiarized with key aspects of the company.
- **Improve operational knowledge:** Employees needed clarity about their role in the sales organization and to understand company operations and key financial metrics – driving profitability, smart pricing, managing gross margins, collecting receivables, etc.
- **Need for sales increases:** Lawson Products has significant infrastructure in terms of distribution centers and IT capabilities. In order to grow revenue, without having to add additional resources or infrastructure, it is important to increase sales to become more profitable.

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The Solution: The Profit Specialist® for North American Sales Meeting (continued)

The Profit Specialist® Training at the "Lawson Products North American Sales Rally"

In February 2015, the "Lawson Products North American Sales Rally" took place in Chicago over several days. More than 900 employees participated in breakout sessions, a supplier trade show, training programs, special events, and an awards banquet celebrating sales leaders. Customizing the programs for a large meeting setting, APG implemented **The Profit Specialist®** training programs for Financial Acumen and Value Selling over the course of two days with key employees participating in sessions relevant to their positions.

Day 1: The Profit Specialist® – Financial Simulation

On the first day of training, 215 sales team members, including sales leadership, strategic account managers and marketing, and corporate employees attended **The Profit Specialist®** Financial Acumen training. Employees were divided into teams (40 tables) where they participated in the customized financial simulation. Unique to Lawson Products, the simulation allowed sales employees to take on a management role and go through the motions of running the company for three consecutive years, learning about company operations, key business issues, and financial drivers along the way.

The simulation required employees to make important business decisions during extreme financial challenges, collaborate on solutions that would turn around financial results, and implement strategies to improve business performance. It also gave them the opportunity to share and discuss these types of strategies with management. New employees learned how the company operates and remain profitable, while long-term employees gained a deeper understanding of their role in the sales organization and how their day-to-day activities and decisions impact the bottom line.

This level of customized, hands-on training enabled employees at all levels of the organization to understand the language of finance, financial statements, and key financial metrics.

At the conclusion of the session, CFO Ronald Knutson spoke to participants about where Lawson Products had been and where it was going as he presented current company financials using the same format as the simulation. This effectively reinforced the financial training to participants and demonstrated its applicability to their positions.

Financial Simulation – Playing the Management Game

- **1st Year – The Challenging Year**

During the first round of the simulation, participants experienced what it would be like to run the company during a challenging business year. To make the simulation as realistic as possible, Lawson executives came up with real life scenarios such as low collections, poor sales, excessive inventory, etc.

Throughout the simulation, Lawson Products employees worked their financials (Income Statement, Balance Sheet and Cash Flow Statement) and collaborated on solutions that would improve financial results.

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The Solution: The Profit Specialist® for North American Sales Meeting (continued)

Financial Simulation – Playing the Management Game (continued)

- **2nd Year – The Do Over Year**

During the second round, each team took a management role, brainstorming and devising strategies to turn things around and improve business performance, answering questions such as:

- What should be done to increase sales?
- How can we decrease costs for the company?
- How do we manage expenses and redeploy assets?

Team members agreed on appropriate strategies and were then given the opportunity to implement their ideas during the simulation, allowing them to experience the financial implications of those actions. Employees also had the opportunity to share their strategies with executives, opening up the communication channels between them and the C-suite.

- **3rd Year – The Dice Year**

The dice year gave sales employees the opportunity to redo financials based on the business decisions of each team. This allowed all participants to see how a few positive changes can help increase the overall profitability of the company.

Day 2: Value Selling Training for a Sales Organization

About 40 employees took training a step further and participated in **The Profit Specialist®** Value Selling program on Day 2. This group consisted of sales managers and strategic account managers who were responsible for calling on Lawson's largest accounts or conducting new business development. Directly related to job responsibilities, the purpose of this training was to help salespeople learn about their customer financials and business language, identify customer profit improvement opportunities, and quantify the value of their solutions. The workshop also allowed them to build their value selling skills as they developed a draft of a "value sales presentation," based upon what they knew about prospective/new clients or an existing account with growth potential.

At the end of the day, some participants were given the opportunity to make their presentation to the entire group. This exercise allowed their peers to pose challenging questions and get the group thinking about how this type of conversation may sound with their own customers. Presenters found that the constructive feedback they received from their peers helped them to see their sales presentations in a different light – from the client's perspective.

APG received positive feedback from participants who stated that it was an overall great experience and found that it had better value than other trainings they had attended. One participant stated that he particularly enjoyed learning how to present financial drivers and profit value to differentiate himself.

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Case Study

The Profit Specialist® Impact:

The Profit Specialist® was one of many initiatives Lawson Products implemented over the past couple of years to improve sales performance and productivity. The North American Sales Meeting proved to be an ideal environment to conduct the training as sales team members came from all over North America to gear up for a new business year, learn about new products and initiatives, and interact with coworkers across the business. The Profit Specialist® training programs implemented at this meeting had both immediate and long-term impact on participants.

- **Leadership Visibility**

While the program did not require their presence, Lawson Products' leaders participated in the simulation alongside their co-workers on Day 1 of training. Over the course of the financial simulation, different Lawson executives stood up and reinforced some of the points that were being made – giving them even more relevance. Their level of engagement and interaction modeled great leadership behavior and positively impacted their employees. At the end of Day 1 training, Lawson Products president and CEO, Michael G. DeCata, addressed the group stating, "This was an incredible day for me personally," expressing his excitement for what he and his sales force had experienced.

- **Knowledge Building**

Ultimately, Lawson Products wanted to focus on building employee knowledge and capabilities. Executives desired to get all participants onto the same page by creating a culture of common language in terms of how they looked at the business and measured financial results. Based on feedback, not only did first-time participants find the training engaging and relevant, but for many employees, it proved to be a valuable learning experience the second time around. Comments received from participants who took the class in 2009 indicated that APG's truly customized approach made the 2015 simulation particularly realistic as it used language and business issues specific to Lawson.

- **Take Away Skills**

Not the typical Sales Meeting motivational speech or informative lecture, The Profit Specialist® program teaches employees hard skills that are applicable to their day-to-day job responsibilities. Participants learned how to work financials and speak the language of finance, quantify the value of solutions, identify profit improvement opportunities, and gain a deep understanding of how they contribute to the company's financial "scorecard."