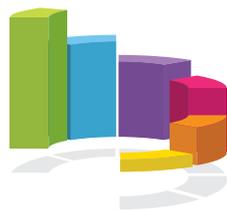


# The Profit Specialist®



## When Salespeople Think Like the CEO

### The Domino Effect of Sales Financial Literacy

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An Interview with Jeff Aarthun, CEO  
Aarthun Performance Group, Ltd.

by Ann Cain

"Finance does seem like a foreign language for sales. But it's the language of high-level decision makers.

"So if you're serious about calling on them, you'd better be able to speak their language when you get in front of them.

"This 'sales financial literacy' is transformational for salespeople. Not just one change, but a series of positive outcomes with increasing value, like a long trail of dominos being toppled by a single, strategic touch."





# When Salespeople Think Like the CEO

## The Domino Effect of Sales Financial Literacy

sales financial literacy

–noun

1. fluency, usually of sales professionals, in the language of the CEO and the CFO
2. a working understanding of how the customer's company makes money
3. the ability to quantify a company's value in pure financial terms

### Telecom

Verizon  
Motorola  
Nextel/Sprint  
TE Connectivity  
Avaya

### Beverage

Coca-Cola  
Pepsi  
MillerCoors  
Minute Maid  
Anheuser-Busch

### Chemicals

GE Power & Water  
ExxonMobil  
PPG Industries  
Rohm & Haas/  
Dow Chemical  
Lubrizol  
FMC Corporation  
ECOLAB  
Valspar  
Air Liquide  
Kodak  
Diversey Inc.  
Eastman Chemicals  
JM Huber  
Omnova Solutions  
ArrMaz  
BASF The Chemical Co.  
Ashland Chemicals

Over many years of observing my clients as they invigorate, elevate, and otherwise transform their sales efforts, I've often noticed that something is lacking. Some vital element that holds them back, preventing them from selling their total value higher in the client's organization.

Not until I talked with Jeff Aarthun did the deficit become clear: "Salespeople cannot speak the language of finance," Aarthun says. "They are not fluent in the language of the CEO and the CFO when, more than ever before, spending decisions at every level of the organization are increasingly driven by return on investment."

Aarthun should know. CEO and Co-Founder of Aarthun Performance Group, Ltd., he teaches "sales financial literacy" to sales forces at the pinnacle of corporate America – IBM, Coca-Cola, GE, Bank of America, and many others. His company creates customer financial simulations, teaches value selling, and evangelizes sales financial literacy.

I asked Aarthun to explain how he developed his solutions, how they work, and where and why. ~ Ann Cain

### How did you zero in on the concept of sales financial literacy?

It was what everybody was saying and almost-but-not-quite meaning. My clients would tell me, time after time, "I want my salespeople to understand the customer's business." But the moment I asked about the financial acumen of their salespeople, it was a quick back-track. "No-no. I don't need them to understand finance – we've got people who can do that. I need them to know the business."

I'm sorry, but understanding how customers "keep score" is the cornerstone of understanding their business. Financial acumen should be the foundation for all other sales training.

### You've worked with the sales forces of some of the best blue-chip companies in the country. What is the most important thing you've learned?

I've learned this one true fact: There is another level that salespeople can reach but most don't even realize it exists. If salespeople understood finance they would see more clearly how they can improve their customer's financial performance and how they can improve their own company's financial situation at the same time. Everybody wins!

And we're not singling out the salespeople on this. Think about it. How many people in most organizations really know even their own company's financials? Maybe five percent? That's corporate America's little secret – an enormous blind spot that afflicts employees throughout the ranks.

Fortunately, what we call sales financial literacy can be learned. And when salespeople learn, it is transformational. It is not just one change, but a series of positive outcomes of increasing value. Like a trail of strategically placed dominos being toppled by a single touch, each breakthrough gives energy to the next. Each insight informs the next. Each toppled domino represents the sales organization closing ranks around the company's profit margin.

# When Salespeople Think Like the CEO

## The Domino Effect of Sales Financial Literacy

When salespeople become sales financially literate, they immediately have better business conversations with the customer – not just about the numbers, but about the business strategies behind the numbers.

### Building Products

Pella  
Owens Corning  
Moen  
MASCO  
Lafarge  
Clipay  
McGraw-Hill Companies  
Holiday Builders  
Advanced Drainage  
Systems  
Armstrong World  
Industries

### Distribution

Grainger  
Cardinal Distribution  
Owens & Minor  
Ryerson  
BDI Solutions  
A.M. Castle & Co.  
Ashland Distribution

### Energy

ExxonMobil  
Cameron  
Chevron  
ConocoPhillips  
Anadarko  
Pan Canadian  
Encana  
GE Energy Management  
Burlington Resources  
First Solar  
GE Energy Oil & Gas  
GE Energy Power & Water  
Occidental Petroleum Co.

### How do salespeople experience that “transformation”? How do they know when it's happening?

Oh, there's no mistaking it. Here's what they tell us happens. First, when they become sales financially literate, they immediately have better business conversations with the customer – not just about the numbers, but about the business strategies behind the numbers.

They tell us that their better business conversations uncover five to ten times more opportunities for multiple products and services.

They tell us that they can better articulate the return on investment for the customer – real value that the customer will reap from the purchase.

And because they can speak in terms of customer value, they feel they have earned the right to call higher in the organization – up in that five percent of the organization who know how the company makes money and talk that language.

These financially literate salespeople clearly believe they have a better win-loss record over the competition who cannot speak the language of business.

### What example stands out as a by-the-book transformation?

One of my first and favorite was recently written up in Harvard Business Review in March 2006 (“Customer Value Propositions in Business Markets”). The GE division that sells water treatment processing to electric utilities was under great pressure to grow. We created a financial simulation for a water municipality for the division's salespeople.

Four months later, one salesperson came back and told about his experience at a \$200,000 account where he thought he had been tapping the full potential. He learned how the company was changing and he studied its profit drivers. He went back to them fortified with enough knowledge to hold a very different discussion about their business. In the course of the business discussion, he learned for the first time about a new high-priority water treatment project in the works, just one of five new opportunities he uncovered that involved a newly approved capital expenditure budget.

Now that account is six times larger – \$1.2 million. Having always been conscientious, this salesperson was stunned to discover how many opportunities he had been missing.

### So they learn how the customer makes money. Do they learn how their own company makes money?

Absolutely. That is one of the epiphanies of our work. It's critical that salespeople understand how the decisions they make seriously impact their own company's profits.

Let's say you are the salesperson for a \$1 billion revenue company. If you had a \$50,000 deal on the line, with the client pressing for a little 1 percent discount – just \$500, you would surely consider that a reasonable, even token, discount. Well worth it to gain the business. But if every salesperson made that reasonable decision on each of their deals, the company's operating profit before taxes would decrease by \$10,000,000!

# When Salespeople Think Like the CEO

## The Domino Effect of Sales Financial Literacy

No doubt about it – when salespeople realize how much impact they can have – it’s not just illuminating, it’s empowering. They change the way they work.

### Consumer

SC Johnson  
NewellRubbermaid  
OfficeMax  
Office Depot  
Valvoline  
Unilever: Alberto Culver  
Longaberger  
Maytag  
The Scott’s Miracle–Gro  
Company  
Abbott Nutrition

### Engineering

GE Energy Management  
Fluor  
Black & Veatch  
KBR, Inc.  
J. Ray McDermott

### Financial

Bank of America  
JP Morgan Chase & Co.  
Popular Community Bank  
Fannie Mae  
De La Rue  
Deluxe Corp.  
Talaris  
Wolters Kluwer

### Furniture

Steelcase  
Herman Miller  
HON Industry  
Spacesaver Corp.  
Kimball Office

### Food

Schreiber Foods  
Bunge  
Appetizers And, Inc.

And just as compelling, if your company operates on a 20 percent gross profit margin, that means you have to find an additional \$50 million of revenue to make up that \$10 million lost through pricing! Anybody want to sign up for a higher quota?

But pricing is just one way companies give up margin. Salespeople are shocked to learn that many of the deal sweeteners they have come to rely on are the very ways they give away that 1 percent over and over again. They give it away with sweeter payment terms, more deliverables, lighter conditions, more tech support, a more generous product mix, and so on.

McKinsey research exposed the discounting danger. They studied the impact of pricing in the S&P 1,500 and determined that on average a 1 percent pricing discount reduces operating profit by 8 percent. If that discount reaches 5 percent, it takes an additional 18.7 percent sales volume to compensate for it. Conversely, a 1 percent price increase, all else remaining the same, increases operating profit by 8 percent to 10 percent.

No doubt about it. When salespeople realize how much impact they can have, it’s not just illuminating, it’s empowering. They change the way they work. Case in point: We work with one client who does \$2 billion in revenue and who had seen their margins fall by 2 percent due to pricing. That’s a \$40 million drop in pure operating profit. Once the salespeople realized how their giveaways contributed to that pain, they came up with multiple ways they could get back that 2 percent. Their solutions included: holding the line on unearned discounts, showing the value of tech support so that they could charge for it, negotiating better payment terms, and capturing charges for change orders. Twelve months later, operating profit was up by more than \$50 million directly from those sales initiatives.

**Abbott Laboratories** is another great example. It is not easy for a \$22 billion company to change direction, but it becomes possible when you get top salespeople committed to the effort. Not just committed, but fully aware of how their day-to-day decisions affect the company’s profits and how to make better decisions accordingly. After they went through our Healthcare Business Simulation, they developed new action plans aligned to the company goals, and a new sales culture is being instilled throughout the sales operation.

**Grainger**, an industrial supply company, realized that to win more business in a highly competitive and fragmented marketplace, they needed to find a compelling financial reason for customers to switch from competitors to Grainger. We helped them implement a value proposition based on the profit improvement that could be gained if a customer consolidated their total industrial supply spend with Grainger. The customer could avoid unnecessary process costs of multiple vendors, they would get lower procurement costs, and they could reduce their on-hand inventory. Once we gave Grainger’s salespeople the financial understanding, they were able to articulate this powerful financial case for switching to Grainger.

### Today’s economic environment – is it hospitable to this kind of transformation?

It has never been more so. There are two powerful but separate trends that need to be integrated so companies can take advantage of them.

One trend is the growing influence of finance on strategic decisions – the rapid rise of the finance professional within the organizational hierarchy. Financial expertise has become a

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When salespeople can build their confidence and learn to have true business discussions, they discover the key to unlocking the customer account.

### Utilities

Constellation  
First Energy  
Pacific Gas & Electric  
Dynegy  
GE Power & Water  
Ashland Water Technologies

### Healthcare

Medtronic  
Draeger Medical  
GE Healthcare  
Cardinal Health  
McKesson  
Abbott Laboratories  
Owens & Minor  
Stryker  
B. Braun Medical  
AmerisourceBergen  
Cook Medical  
Steris  
Allscripts  
Amerinet  
Becton Dickinson  
Medimmune  
Covidien  
Karl Storz  
Gambro

### Insurance

Chubb  
FM Global  
Westfield Insurance  
Country Financial  
RLI Corporation  
Nationwide  
Motorists Insurance  
Allied Insurance

much sought-after skill in corporate boardrooms, and more CEO searches are being filled from the CFO position.

The other is the “sales to the fore” trend – the massive two-decade investment in the profession of sales. Not just sales-related technology like databases, CRM, contact management, and segmentation technologies, but sophisticated sales training and incentive schemes – all supplemented by the individual company’s training on how to sell their own products.

What’s interesting is how both trends rose, but somehow failed to intersect. Salespeople have not become wise at finance, and finance people have not translated their knowledge into usable sales information; proceeding in parallel paths, they somehow arrived at cross-purposes. All of this investment did not lead inexorably to profitable growth.

Here’s the point: If you can combine the power of those two trends via sales financial literacy, as I’ve expressed, it’s transformational.

### So is it primarily a matter of education at the sales level?

At its simplest, yes, it’s education. But we’re not the first to note that a lot of training gets left at the classroom door. What I am really talking about is a cultural transformation, one of the most powerful changes an executive could hope to lead. It’s not one change, but rather a trail of strategically placed dominos resulting in a series of breakthroughs.

Here’s what I say to my client’s executive leadership team: “Each domino represents knowledge so fundamental to your own ability to succeed in your job. How could it be irrelevant to the people who are supposed to bring in profitable growth for you?”

### A domino reaction. That does sound self-reinforcing, as a culture change should be. What is the first domino that sets off this chain reaction?

The first domino is having a business conversation with the customer. When salespeople can build their confidence and learn to have true business discussions, they discover the key to unlocking the customer account. Customers will begin to reveal how their business is changing and how they are responding with new initiatives to improve their business.

Think about that. Would you rather have to ask your customers, “What are your problems? What are your needs?” Or have them tell you, “This is how we are changing. This is the view of the company from the CEO’s perspective.” After all, the CEO’s view becomes the marching orders for every level of the organization.

And here is why it is so important that salespeople share that view: Money flows to change initiatives! If you know how a company is changing, you know how they are “investing.” If salespeople want to get funded, they must link their solutions to these change initiatives. Follow the money!

Jeff Immelt, CEO of GE, vows, “We will understand our customers’ businesses better than anyone.” I know from experience you can’t do that just by learning finance; rather, you must learn finance from the customer’s business.

When GE Energy wanted to increase the value their sales team delivered to their electric

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We led GE Jet Engines through our Airline Business Simulation, Coca-Cola, through our McDonald's Franchise Simulation, Cardinal Health through our Hospital Simulation, Bell Helicopter through our Government Purchasing Simulation, and Deluxe Financial Services through our Banking Financial Simulation.

### Manufacturing

GE Aviation  
Siemens  
Textron  
Georgia – Pacific  
Bell Helicopter  
Hobart  
ITW Welding Products  
SCA Tissue  
Modine  
Brunswick  
Cooper Tire Company  
Deluxe Corp.  
Bridgestone Bandag  
Ball Corp.  
Cessna  
Johnson Controls  
Stanley Black & Decker  
Life Fitness  
PPG Industries  
Diversey Inc.  
Sterling Trucks  
The Timken Company  
Wilco Winfield  
Finch Paper  
Tyco Fire Protection Products  
GE Consumer & Industrial  
BASF The Chemical Co.

### Government

Grainger  
LexisNexis

utility customers, we developed and led their salespeople through an Electric Utility Business Simulation. In the case of GE Jet Engines, we led them through the Airline Business Simulation. At Coca-Cola, it was the McDonald's Franchise Simulation. For Cardinal Health, it was our Hospital Simulation. For Bell Helicopter, it was a Government Purchasing Simulation. And for Deluxe Financial Services, it was the Banking Financial Simulation.

In every case, no matter how complex or arcane the business might have seemed at first, the salespeople were able to go from talking about their products to talking about their customers' businesses – financially and otherwise. Yes, even the business of the federal government!

**But salespeople don't go into sales because they want to learn finance. Isn't it like teaching them a new language?**

Exactly! Perfect analogy. Finance can seem like a foreign language, but it's the language of high-level decision makers. So if you're serious about calling on them, you'd better be able to speak the language when you get in front of them. Salespeople who speak only the language of products and services, in my experience, get to do so only at the lower levels within their customer's organization. If they want to get to higher levels, where decisions are made faster and competition is non-existent, then they must embrace this financial language.

The good news is that, in our experience, salespeople are eager for information that will give them an advantage over competition. Within the first few hours of our workshop, salespeople are understanding and using a new language to describe their customers' businesses. By the end of the day, they are scouring their customers' websites and annual reports, looking for key financial drivers. On day two, they are revising how they state their own value propositions in light of what they have learned.

It is a magic moment when sales leadership hears a salesperson say, "I get it! I see how I can improve our revenue and profitability and help this customer improve their profitability at the same time."

**So salespeople have a good business conversation that elicits essential information. How does that lead to improving their prospects' bottom line?**

It gives them a better foundation for the next step. It's not enough to come back with "Here's what we could do for you." They absolutely must quantify the value of their solutions for that particular customer. "Here's how much we can improve your bottom line."

One number is worth a thousand words. Salespeople have to be able to crack that financial code and articulate, "If you do this with our company, this will contribute X to your financial performance. And if you do more business with us, then we can even improve your financial performance to Y."

But they can never speak that language without a firm foundation in finance and customer knowledge. And here's the good news: Your customers are completely open 24 hours a day to talk about their two favorite topics – their business and how you can help them improve their profitability.

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### Oilfield Services

Halliburton  
Schlumberger  
Cooper Industries  
FMC Technologies  
Baker Hughes  
Hydril  
TransOcean  
CoreLab  
Stewart and Stevenson  
Weatherford  
International  
Express Energy Services  
Cameron  
Superior Energy Services  
National Oilwell Varco

### Retail

Office Depot  
Cooper Tires  
Chanel  
Eckerd's/Rite Aid  
JCPenney  
OfficeMax  
Advance Auto Parts

### Services

United Rentals  
U.S. Postal Service  
LexisNexis  
Underwriters Labs  
Carlson  
ModusLink Global  
Solutions  
Quad/Graphics  
Boart Longyear

**All right. Dominos being dominos, we can't stop with one...**

Right. When domino one falls – when salespeople have great business conversations – then they are welcome at higher levels in the customer's company. That's domino two – getting to tell your story and articulate your value at a higher level.

That is where they can leverage their newfound knowledge of the customer's business. Higher is where they make decisions faster. Higher is where they make bigger decisions – more products, more dollars – in short, more sales productivity.

**Everybody always says they want to get to higher levels. What's different about your approach?**

Let's be candid. Anybody can get to the higher levels one time. The question is, will you be invited back? Our experience in dealing with high level executives tells us that if you cannot show them that you understand their business, you will be told, "Get in the elevator and drop ten floors below and tell somebody there about your business. But if you want to talk to me, tell me more about my business and how I can improve my profitability, and then I will invite you back again and again."

**But can't everybody do that? Doesn't it get a little crowded in the corner office?**

No! That's just it. Domino three slams the door on your competitors. When salespeople are able to call at the highest levels, our experience shows that they decrease competition by as much as 75 percent. In addition, calling higher up automatically eliminates one of the biggest reasons for discounting your price – the pressure from competitors.

Competition operates on the belief that the safe and practical path is to sell products at lower levels, counting on them to take their message up the chain. From our experience, you need to be able to sell to all levels in an organization, not just at the lower levels where it is extremely crowded.

When you get in high, you've tipped the playing field in your favor. You sell improved customer profitability to high level decision makers; competitors sell price to low level contacts. You are seen as a strategic partner; competitors are seen as vendors. You help write the RFP; competitors fight to be included in the RFP.

**It sounds like there is another domino then, about keeping the business?**

You've got it. When it comes time to renew a contract, who has the advantage? Someone who has been having high-level conversations and has positively impacted the customer's profitability in the past, or a competitor who is coming in with a lower price? Domino four is all about retaining the accounts you already have.

One thing you can be certain of: In the next few months a competitor is going to show up at your best account, trying to steal your business with a lower price. With your current customers, you still have time to improve your position as a strategic partner. But to be viewed as a partner, you must be able to articulate how and how much you have improved their profitability in the past AND how you will keep improving their profitability in the future. If your customer views your salesperson as a profit improvement strategist, then your competition does not stand a chance.

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### Logistics

UPS  
C.H. Robinson  
U.S. Postal Service

### Technology

IBM  
Dell  
Compaq  
Hewlett Packard  
Yahoo!  
BMC Software  
Corning Cable  
Comark  
Emerson  
Pollett  
LexisNexis  
Tivoli  
eBay  
Analog Devices  
iGate  
Comsys Telecom & Media  
Océ: Canon Business Solutions

### Telecom

Verizon  
Motorola  
Nextel

### Transportation

American Airlines  
Northwest Airlines  
(formerly Delta Airlines)

### Utilities

Duke Power  
Constellation Energy  
First Energy  
Dynergy  
Reliant  
PG&E

**What would be your advice to an organization that is just realizing their sales force is not financially literate?**

I'd ask this: What would help you hit your profitable growth targets? Most companies answer this question with some version of the following points, "If we could just sell more products and services into each relationship... If we could get in there at a higher level... If we won more of those competitive situations that we lose... If we could get margins up by one percent... If we could protect our current customers. Our salespeople have great relationships with our customers, however..."

I would cue in on their great relationships and tell them, "Great, let's focus on your customer relationships, but not in the way they are currently being used. Let's learn how the customer's business is changing, and why it is changing."

Better sales financial skills are the key to growing business profitably. The information is all there, and your salespeople will get on board fast when they see how it makes the dominos fall.



~ Jeff Aarthur is CEO of Aarthur Performance Group, Ltd., which he co-founded 20 years ago. He teaches financial literacy skills to the top sales forces in corporate America – IBM, Coca-Cola, 7 divisions of GE, and 150 other Fortune 500 companies. His clients' salespeople learn how to understand their customers' businesses from a financial perspective and how to use that knowledge to expand the business. He has created financial simulations for more than 40 different industry segments such as healthcare, finance, manufacturing, technology, engineering, oil and gas, utilities, construction, transportation, education, federal, state, and local governments. He can be contacted at [jeff@aarthur.com](mailto:jeff@aarthur.com) or 281-580-5705. [www.aarthur.com](http://www.aarthur.com) or [www.theprofitsspecialist.com](http://www.theprofitsspecialist.com)

~ Ann Cain is founder of Ann Cain Communications, [www.anncain.com](http://www.anncain.com). Her work has appeared in leading general business, financial services, and sales and marketing publications in many countries.