

Determining Your Value to the C-Suite

In the past, Return on Investment (ROI) was one of the determining factors C-level executives used to make what- and when-to-buy decisions. In the B2B world it often came down to, “What is the ROI and when will we see it?” Times are different now; ROI is less important. Why? Because, as one of my customers said, “Very few organizations actually go back and measure the value (or non-value) they did or didn’t deliver. ROI is just an over used and abused term.” Each year we ask hundreds of companies if they are measuring success after they implement a new purchase, and the response reveals (as it did six years ago in my book, *ROI Selling* (Dearborn Publishing 2004)) that less than 10% of the firms go back to check the ROI. This lack of follow-up effort is one of the key reasons true ROI measurements are going by the wayside.

That brings us to the question of, what now? I have studied buying patterns of corporations from \$20 million to \$750 million in annual revenue, and determined a major shift in who is involved in the buying process. Across the board there was a significant move toward more Controllers, VPs of Finance, and Chief Financial Officers (CFOs). This level of financial management tends to use their financial metrics to help determine trends based on regular (usually monthly) analysis of their companies current financial position. They use these metrics to forecast earnings, profit, cash flow, DSOs, etc. In addition they use these forecasts to determine budgets, make buying decisions, and establish strategic direction. A typical C-level executive will now know at any point in time their company’s current cash, line of credit, normal operating costs, and forecasted profit position.

As a consultative sales professional, it is your responsibility to understand what metrics are being used and what they mean to the C-level executive using them to direct the corporate strategy. For example, if a prospect is deciding to invest in a backhoe or a software accounting system, the decision is basically between a revenue generator (backhoe), and perhaps an added cost center (accounting system). The analysis that is typically performed to make the why-buy decision is partially based on the effect on what I will call C-Suite metrics. This strategic buying decision takes into consideration many factors. These C-Suite Metrics include cash position, debt to equity, and potential return on asset (ROA), Return on Equity (ROE), Net and gross profit, lines of credit, credit rating, DSO's, and more.

Below I will explore how these decisions are made and what you need to know (and do) to be a part of the decision-making equation as opposed to sitting on the sidelines watching.

How Strategic Buying Decisions Are Made

In the example above where the decision is to buy either a backhoe or an accounting system, pain plays an important role. An antiquated accounting system could lead to many measureable pains. For instance, if you are unable to get your billings out in a timely manner, it will lead to longer collection times, perhaps the need to borrow money or worse, the inability to collect receivables at all. Each of these pains is costly to the organization. If you have to borrow against your receivables, you are paying unnecessary interest and putting additional strain on your cash flow and the bottom line. In addition, you are losing interest income. If you are unable to make your payroll, your staff will leave and your ability to deliver, invoice and collect will most certainly decline.

Another problem this company may face with an inadequate accounting system is the inability to manage the purchasing process. Construction companies, for example, must track all of the materials they purchase for a job. They arrange delivery times, labor to install the materials when they arrive, pay the vendor for the materials, and invoice the owner for the percentage of work completed. This is an intricate process in that if any portion of the equation is off, the entire process costs the company money. If the labor shows up and the materials are not there, the labor costs for the job increase. If the materials are delivered and no labor shows up, the company is paying for materials to sit around. If they pay an invoice too quickly without receiving a discount for early payment, then they are reducing cash flow. If they pay an invoice too late, they end up paying fees for late payment. As you can see, each of these scenarios reveals the intricacies and pains in managing an accounting system.

From the backhoe side, most people would simply choose a backhoe because, “It will help complete jobs sooner, generate additional income and perhaps help us win bids with the additional abilities our organization is able to offer.” However, the decision maker must also consider the maintenance, fuel, added labor cost, and depreciation. The backhoe is not a slam-dunk decision.

Each of these examples is a potential increase in revenue, earnings, and likely profit. How does your buyer make the decision as to which asset to purchase? Do they reduce costs and potentially increase revenues with a new accounting system, or do they increase revenue and take on costs with the purchase of a new backhoe?

Pain level plays a significant role in this decision. However, the concept of pain here is as it relates to the impact on the C-Suite metrics. In our accounting system

example, the costs are going to increase the operating costs of the organization.

Depending upon how the company purchases the accounting system—capital outlay or SaaS —the impact will reflect differently on the C-Suite metrics and the financial reports.

On the other hand, a back-hoe is likely to be a major asset purchase and will contribute to an increase in operating costs, labor, and upkeep. The C-Suite metrics impact to consider is the effect on cash flow, borrowing, depreciation, and additional operating costs for gas, oil, services and repairs. All of these costs impact the bottom line (and the C-Suite metrics). They will affect Net Profit, Debt to Equity, Return on Asset, Earnings and, of course, Operating costs.

As the sales professional in either of these scenarios, do you really believe features, benefits, and ROI are the metrics the C-Suite is looking at to make the buying decision?

Here is another example: Consider the impact of expanding an operation. There are several decisions that must be made: Number of staffers for the new location, cost for that staff, infrastructure costs including phones, computers, printers, supplies, etc., and then operating costs like utilities, maintenance, signage, and so on. If your product affects the operation, the C-Suite executives are considering more than the ROI. They are looking at ratios like debt to equity, return on asset, and return on equity in addition to the usual impact of on-going operating costs and profit. If you are one of the vendors involved in selling an organization materials for a new operation, understanding the impact of your solution on their strategic decision-making process is critical.

Key Point: You do not need to be a financial expert to use these techniques. You need to understand the C-Suite metrics and how your products and services will impact the financial levers your prospect uses to make strategic buying decisions.

Identifying Your Impact

This is typically the point in the sales process when you demonstrate your solution to your prospect's problem. Be sure to align your solution to the pains identified. In other words, demonstrate your product's value against the pain you have discussed and agreed upon with the prospect. Too often I see sales professionals who are so excited about their products that during the demonstration portion of the sale they forget they are solving problems and veer off the path into the "cool" stuff. Stay focused on the prospect's problem and your solution.

Discuss the effect your solution will have on their pain in terms of financial impact. For example, suppose you are the accounting system sales professional from our previous example. If you demonstrate how the prospect will reduce the time it takes to enter and produce their monthly invoices, you are able to discuss more than the act of getting the billings out. You are able to discuss the potential reduction in labor cost, shortened time to collect on an invoice (DSO), reduced need to borrow for cash flow purposes (less interest payments), and potential revenue gains from interest income.

It is critical to understand your solution's impact and the financial effect on an organization. In a C-Suite discussion, your conversation must include your product's potential impact on the following:

- Reduced payroll as a percentage of sales

- Increased revenue per employee
- Reduced operating costs
- Increased earnings
- Increased net profit

In addition, by reducing labor costs, you are able to impact several C-Suite metrics—Earnings, Operating Costs, Net and Gross Profit Margin, Payroll as a Percentage of Sales, and Sales per Employee. The impact on these metrics can be measured almost immediately after the start-up period is completed. The first billing cycle will produce results and the impact will be reflected in their monthly financial reports.

Begin with the questions you have created that drive your prospects back to their pain and categorize the value you are capable of delivering. In the above example, we are discussing reducing and avoiding labor costs. Reductions come from less personnel needed to perform a task (create billings) and avoidances come from the fact that they don't need to hire additional personnel to keep up with increased billings.

In Summary, there is a financial vocabulary you will want to learn that includes items on the Balance Sheet and Income Statement, their function and purpose. In addition to the C-Suite metrics and why they are important to the financial analyst using them to make strategic buying decisions. Learning what metrics they are using will help you understand the health of an organization. If you are aware of an organization's cash position, debt-to-equity and current plans for expansion or contraction, then you are able to make an informed decision on whether to pursue a sales opportunity or not. If your sale will take more than a few months, it is worth the time and effort to dig deep into an

organization before you start the sales process. If they are not in a position to purchase, you are wasting your time. On the other hand, isn't it good to know if they are in a position to purchase?

There are many ways to research an organization's health. Publically held companies publish most of the answers you need on the website in the form of letters from the president to shareholders, Annual Reports, 10K filings and more. You also have the option of sitting in on a quarterly earnings call with analysts. Usually the CFO will give a state of the company report too. Your challenge is when you are trying to research a company this is privately held. In that case, the data is not so readily available. There are several pay-for-information websites (like Hoovers, Inside View or Zoom Info) that do the research for you. As an alternative, you can use sites like Jigsaw to get a name, phone number, and email address and do your own research on the internet. Look for articles, case-study comments, white papers, or research and you can make your own determination as to whether a company is a good prospect to pursue.

Take the time to understand a corporation's financial structure. Remember large organizations disperse financial decision making throughout the company. You don't need to work from the top. In large corporations, find the decision maker within the group you are working with. Ask your inside finance coach about the financial structure early in the sales process. Discuss the level of input the financial group will have on the buying decision.

Finally, it is your responsibility to:

- Understand the C-Suite metrics
- Identify your impact on those metrics and Financial Reports

- Create value and impact charts
- Learn to read a financial statement, 10K, Annual Report
- Get to know the prospect's financial structure
- Learn to interpret the language used by financial experts

Be sure to create your value inventory, develop your pain discovery questions, and correlate your value to the impact on the metrics. The more financial information you are able to collect and compare, the better equipped you will be to close a sales opportunity. If you are out there talking about features and benefits and ROI, then you are going to be left out of the buying decision process.

About the Author

Michael J Nick is the president and founder of ROI4Sales, Inc. and the author of several books including, ROI Selling (Dearborn 2004), Why Johnny Can't Sell (Dearborn 2006) (Foreword by Gerhard Gschwandtner) and The Key to the C-Suite (AMACOM 2011). Michael's company specializes in building sales tools to be used throughout the sales process. He can be reached at mnick@roi4sales.com.