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Managing for Sales Success

By Bob Vinson

One complaint that I receive commonly from small business owners is "I've tried hiring salespeople but it didn't work out". In most cases this comes from small business owners that, initially, were their own sales force, establishing their business by selling to acquaintances, friends of friends, family members; to their own personal network, or, alternatively, to the personal networks of their investors.

Usually the owner gets tired of selling, or the operational demands of the business consume all his time. The business may survive for a while on word-of-mouth, but eventually, revenues decline and the owner turns to professional sales people, either by hiring or through outsourcing the sales function to telemarketers, independent agents, cooperative sales organizations and the like. Here's where the trouble starts.

Most small business owners, even if they have been sales people in the past, are ignorant of the basics of sales management. They don't know how to direct or evaluate sales efforts. They also don't know how to manage products or product lines in the market environment.

Successful sales efforts demand almost superhuman discipline, something that most sales people, and, in fact, most people, lack. Despite battling daily rejection, lack of emotional support, and general disapproval, we expect the sales person daily to bring his shiny shoes and engaging smile to the doorsteps of disinterested strangers and evangelize for our products. Given that it takes hundreds of emotionally stressful calls to make one sale; it's little wonder that the sales person tends to abandon the seemingly unproductive methods that we know ultimately lead to success. Even major league pitchers have, on the whole, a better batting average than most sales people.

Successful sales requires disciplined and persistent application of well-known method. Let's examine that general method and see how we sales managers (or business owners) can help our sales force to practice it.
First, let's look at the sales process.

Sales Process

Each product, or product line, has a well-defined, and if we think about it, a well-known, series of tasks and events that leads from market identification to post-sales support and repeat business.

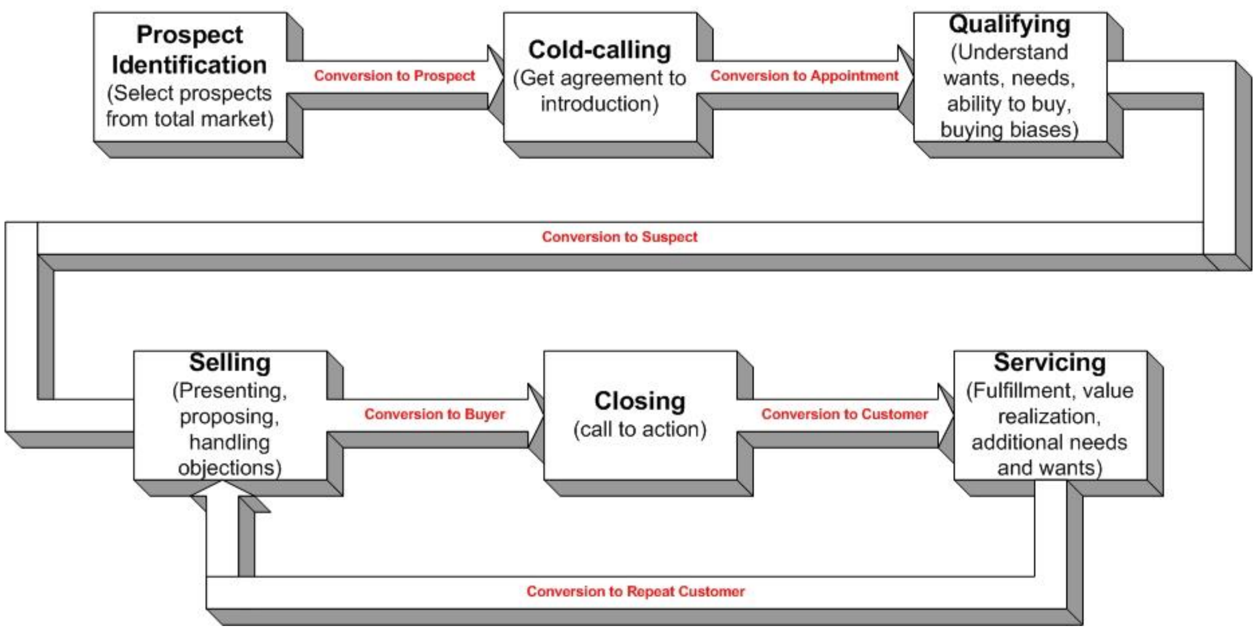

Figure 1 Generic Sales Cycle

The figure above shows a generic version of this cycle. Each task may be longer or shorter or may or may not exist depending on the product. The sale of a shirt to a walk-in customer in a haberdashery probably takes 30 minutes at most and may not include cold-calling. The sale of 10 jumbo jets to an airline may take 10 years and each task may last for several of those years and may be repeated several times during the cycle.

To be an effective sales manager, you must understand the sales cycle of each of your products and you must track each individual sales effort at least from the prospect stage including follow-on sales efforts to existing customers. Know who is at what stage and what are the issues to be resolved to move on to the next stage. Maintain and manage this information whether in your head, on a piece of scratch paper, in a spread-sheet, or using an automated sales management system on your PC or company mainframe. This is your sales management information system. Every good manager does at least these things:

1. Defines overall objectives
2. Defines efforts to meet the objectives
3. Evaluates progress toward these objectives and provides correction
4. Provides incentives to reach these objectives
5. Changes objectives and/or incentives immediately when necessary

Define Objectives

What is the general objective of a sales force? It is profit. It is not revenue, income, or any other measure. We want our sales people to sell deals that provide profit for our owners. Unfortunately, a quick look at our income statement will show what sales people always complain about; they don't have complete control over profitability. Price is set by product management; cost of goods is set by procurement, manufacturing, and operations; overhead gets tacked on; capital costs are subtracted; taxes taken out, before profit appears. It's impossible for most businesses to attribute any portion of profit directly to the sales effort. Usually the best we can do is keep tight control over deal margins. Set margin expectations by product and enforce them strictly. Control discounting and other pricing actions. Getting the deal does no good if it's a net loss. No one ever made up the difference in volume.

Also, know which customers are profitable, and by how much. Know which are not profitable, and by how much. Encourage the former and address the latter; by pricing action, service level adjustment, or elimination.

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Define Effort

As the sales manager, it is your responsibility to define the sales process for your people. Using our generic sales cycle, determine what are the things the salespeople must accomplish for each step of the process. Different products and markets will require different processes. The details of the process for a computer system sales effort is totally different from that intended to sell a used car, for instance. Each task in the generic model breaks down into sub-tasks and each subtask has definite objectives. For instance, in the Introduction phase of selling a refrigerator at

Sears, the objective is to engage the potential customer and get him to commit to reviewing the models that your store has to offer instead of going to the appliance store next door.
On the other hand, during the Introduction phase of a large computer system sale, one of the major objectives is to identify and meet the various participants in the buying team and to understand their various wants and needs.

Evaluate Progress

Evaluation of sales performance seems to be the great bugaboo for most business managers. How do you evaluate sales performance? We've already said that measuring profitability doesn't work well. Measuring deal margins works somewhat, but margin is the final result of the sales cycle. We'd like to have some interim measures of success so we can determine early in the cycle if the sales person's performance is satisfactory. Just evaluating the end result doesn't allow us to make any mid-course corrections.
Notice, in the generic cycle above, there are five interim critical outcomes that indicate progress:

- Conversion to Appointment
- Conversion to Prospect
- Conversion to Closing
- Conversion to Customer
- Conversion to repeat Customer

If any of these conversions fail to take place, the deal is dead. We can measure relative success of a salesperson by the quantity of prospects he has in the pipeline and the percentage of deals he converts from one phase to the next.
Here are the performance questions:

1. How many cold calls did you make yesterday/last week/last month/last quarter (depending on the performance review period)? When I worked for Burroughs Corporation many years ago, salespeople were required to make a minimum of five per day. A telemarketer makes hundreds per day. The airliner salesperson may never make one.
2. What percent of cold calls did you convert to appointments? Depending on the product and prospect base a good conversion rate may range from one percent to 50%.
3. What percent of appointments did you convert to prospects? Again, this depends on what you're selling and to whom.
4. What percent of prospects did you close?
5. And, finally, what percent of customers gave you repeat business?

These five measures, along with the margin level maintained by the salesperson, should be the primary performance indicators used in sales performance management.
By maintaining records of these performance items, you can determine which sales people are having trouble and exactly in what phase of the cycle. This information allows you to take appropriate corrective action, to provide performance feedback, to evaluate product and campaign performance, and to plan effective sales training and education. Having evaluated each salesperson's progress and the

	Identified	Cold-called	Qualified	Product Presentation	Closed	Order Fulfilled	Next Call
Prospect1							
Prospect2							
Prospect3							

Figure 2 Sample Sales Tracking Matrix

progress of each deal, the sales manager should immediately address any deficit. Most salespeople that I know want to be successful.

At a minimum, set up an Excel chart with column headings specific to each step in each product's sales cycle. List current prospects at the start of each row. At the intersection of sales cycle step with prospect insert the date that that step was completed for the prospect.

The picture on the previous page shows such a sales tracking matrix.

Provide Incentives

Inevitably the question comes up: "How can I incentivize my sales force to produce the best results?" Generally sales compensation comes in two forms: salary and commission.

Businesses pay salaries to people who participate in and support the internal operations of the company. They pay commission to the workers that generate business for the company. Sales people do both so it's logical that they should receive both forms of compensation.

While a sales person is doing forecasting, reporting, attending internal meetings, assisting in product development; he cannot sell. If we want him to support those internal activities, we need to compensate him for his effort in the form of salary.

However, the salesperson's primary function is business development. He should be appropriately rewarded for generating business for the company. That means commissions.

The relative balance of total compensation paid in either form depends on the relative amount of effort we want the salesperson to devote to each set of tasks: salary for administration and commission for sales.

There is a difference between a newly-hired salesperson and one that has worked for the company for a while. The new salesperson has proportionally more administrative work to do: learning the products, learning his trade, developing his book of business, so he should receive proportionally more in salary to start. However, since he is less productive, his overall compensation should be less.

However, money is not the only incentive available to managers. Many professional organizations encourage their employees, especially those at the partner or associate level, to create a "life wall"; displaying the credentials and awards they've earned throughout their careers. Recognition and respect are two of the greatest motivators; especially for sales people who daily face skepticism, rejection, and failure.

Make Immediate Adjustments

Effective performance management is about identifying and resolving problems immediately. Don't wait for the annual or even quarterly performance report to talk to salespeople about ways to improve their success. If someone is not performing, find out why right now and fix it right now. In most cases low performance has more to do with an employee's lack of knowledge and tools than lack of motivation. However, in either case, get your salespeople the things they need to be successful – training, experience, education, tools – and keep an eye on their daily progress.