THE SALES WIZARD'S

SECRETS OF SALES MANAGEMENT

COMMON-SENSE TECHNIQUES FOR MANAGING THE SMALL BUSINESS SALES FORCE

BRIAN L. JEFFREY

Dedicated to:

Lorraine Jeffrey

- Life-mate
- Best friend
- Caring spouse
- Business partner
- Severest critic
- Staunchest supporter
- Guiding light

The Sales Wizard's

Secrets of Sales Management

Common-Sense Techniques for Managing the Small Business Sales Force

Brian L. Jeffrey

The Sales Wizard's Secrets of Sales Management

ISBN: 0-9699491-0-3

For information contact; www.TheSalesWizard.ca
Or…
Brian L. Jeffrey
1451 Donald Munro Dr
Carp, ON K0A 1L0
Canada

Senior editor: Lorraine Jeffrey
Copy editor: Anita Murray
Cover design: Danny Covey
Line art illustrations: Paul Gilligan

Canadian Cataloguing in Publication Date

Jeffrey, Brian L. (Brian Lloyd), 1940-
The Sales Wizard's secrets of sales management: common-sense techniques for managing the small business sales force.

ISBN: 0-9699491-0-3

1. Selling – Personnel management. 2. Sales personnel. 3. Sales management. 4. Small business – Personnel management.

HF5438.4J44 1995 658"044 C95-920947-6

First Edition: November 1995

10 9 8 7 6 5 4 3 2

Preface

Preface to the first edition (1995).

They say that necessity is the mother of invention. While this book isn't an invention, it is mothered (or fathered) by necessity. I was busy writing a textbook for use with one of my sales training programs when I got waylaid by a large sales management consulting project. A book on selling soon became the furthest thing from my mind as I tackled that project.

When I'm hired as a sales management consultant, my ultimate goal is to do myself out of a job. I'm not there to become a permanent fixture. After I've done my "wizardry," someone in the company must be able to takeover and perform the sales manager's function on either a full- or part-time basis. Since I'm leaving behind a completely overhauled sales team and sales process, it can be a real challenge for that individual to carry on without some sort of "instruction manual."

And so, of necessity, the idea for this book was born. It is based on the time-tested things I do when I'm brought into manage the unmanageable (salespeople). Here are the systems I put in place and the concepts I apply while building or rebuilding a sales team. This is real world stuff that works. Every bit of it has been done, and done again, in a variety of organizations.

While there are a few neat academic theories in this book, the bulk of it contains lessons from the down-to-earth, been-there-done-that, seen-it, University of Practical Experience. You will find sound, common sense ideas on how to manage and build a team of winners.

I've done it… you can, too!

Preface to the second edition (2021).

There is a saying, *"the more things change the more they stay the same."* It's the same with sales and sales management. There is no "new and improved" sales management techniques to share with you. Just more of it.

In 2005, I realized that the original information in the book needed refreshing. I had learned a lot over the intervening 10 years at the school of hard knocks, so I took the original book apart, revised and updated each chapter, and published them as separate e-books. Those e-books are still available at www.TheSalesWizard.ca.

What you have here is the recombination of those e-books into one complete volume.

It is best to look at this book as the *"New & Improved Instruction Manual for Sales Managers."* Read on and sharpen your sales management skills.

You won't regret it.

Table of Contents

Introduction

(or… Getting My Foot in the Door)

While much has changed since I wrote the first edition of this book in 1995 selling and sales management remains a constant. People are still buying, salespeople are still needed and in demand in certain segments of the economy, and these salespeople still need to be managed.

And we still live in interesting times. Local, national, in world economies continue to swing wildly. Businesses crawl out of one recession only to fall into another. National and worldwide disasters are common. The good times don't last as long as they used to, and the down times are lasting longer. Consumers are still demanding high value, low prices, and excellent service while conveniently forgetting they can only have two of the three. Business life has never been more challenging.

When times and the economy are good, the market drives our companies. When times and economy are poor, we must drive our companies.

The Sales Wizard Says...

There are three types of sales managers:

1) Those who make things happen.
2) Those who watch things happen.
3) And those who wonder what's happening.

Whatever the business climate is today, it's a safe bet that it will be different tomorrow. Even in good times, we must prepare for potential downturns. As business people, we have to be sharp, make do with less, sell at lower margins, and make up for lost profits with increased volume. And who is going to get us those increased volumes? Our salespeople, of course.

However, like most employees, our salespeople are already working at top capacity (but not necessarily top efficiency). So how can we expect them to increase their activity and productivity levels even higher? This book contains some secrets that can help you and your people make a difference, even in difficult times.

Are They Really Secrets?

No, they aren't really secrets, but if I called them Really Neat Ideas for Sales Management, people wouldn't be as likely to read them. We like ideas but we love secrets. Secrets imply that we will know something that others don't and, to that end, the ideas in this book are secrets because few sales managers know about them.

What is worse, many who knows these secrets don't have the desire or the discipline to use them.

You see, having good ideas is not enough. We all have good ideas. in fact, some of us have more ideas than we will ever be able to use. It's the ability to put those good ideas to work that makes the difference. That's the real secret!

Is This Book for You?

If you have at least one salesperson, or you're planning on hiring one or more, or you're currently in sales and aspire to become a sales manager someday, this book is for you. You'll find some valuable tips on how to be the type of sales manager that salespeople want to work for. And you'll learn what it takes to transform your skills from sales manager to sales leader.

On the other hand, while I wrote this book for the *sales* manager, many of the principles and ideas it contains will be to value to any manager. How's that for covering all the bases. (I hate to lose the sale!)

One-Minute Sales Management

I haven't been a big believer in the one-minute anything ever since I found out that Minute Rice takes 5-minutes to cook. There are no quick fixes to long term problems. And increasing the productivity of your sales staff is one of those problem that requires thought and attention if you are to maintain a healthy bottom line.

In smaller firms with less than 5 salespeople, a full-time sales manager isn't always needed but the full-time sales *managing* is. If you only have a few salespeople, the sales management function can be handled by any senior manager providing he or she has a marketing or sales personality.

To put the care and feeding of your salespeople under the wing of the office manager, controller, or VP of administration is the kiss of death. It is like mixing oil and water and rarely works well. Neither group understands the other in the results are usually ill feelings and frustration.

Part-time sales management can work well if you choose your candidate carefully. The tendency is to give the job to your best salesperson, and this is usually a very bad idea. Really good salespeople are rarely team players, so you end up with a sales manager who is competing against the rest of the team. It's often best to leave your sales superstar doing what he or she does best –sell, and find someone else to carry the sales management load.

The Whole Team

For many years, a major Canadian steel company (Dofasco) used the slogan, "Our product is steel. Our strength is people." It's safe to say that your people are your strength as well.

Notice that I didn't say your "salespeople." Despite what they might feel, your salespeople are no more important than any of the others. They are part of a team and you want to keep help make the whole team as strong and as productive as possible. As a result, many of the ideas in this book will apply to all your people.

Disclaimer

The idea is you are about to read didn't occur in one minute, one month, one year or even one decade. They are the distillation of 50 plus years' experience as a salesperson, sales manager, and sales management consultant among other things.

This book is not intended to solve all your sales productivity problems. Having said that, you will find some damn fine ideas that have come from the real world of sales management.

The book's primarily objective is to highlight some of the key problem areas and offer some ideas that may help. Consider these ideas as sort of a pump primer. Use them to explore potential problem areas and to develop your own creative solutions.

Meet the Sales Wizard

Throughout this book you will come across some words of wisdom from *The Sales Wizard*. While some of these notes and sayings are original, others have been researched from the annals of time and represent some of the truths of selling and sales management.

The Sales Wizard acquired much of his wisdom at the knee of several Merlins who provided mentoring and guidance throughout his journeys. His down-in-the-trenches, real-life experiences, picked up over the past five decades are the basis for the ideas, hints, tips, concepts and philosophes presented in this book.

Discover the Sales Wizard's Secrets

Here, in capsule form, are *The Sales Wizard's* secrets for managing your sales force:

Chapter 1 – Hiring Smart
(or… Separating the Wheat from the Chaff)

Increase the odds of hiring winners by using these simple time-tested techniques of sifting the wheat from the chaff when selecting salespeople.

Chapter 2 – Breaking in the New Salesperson
(or… Paper Training New Puppies)

A new salesperson needs more than a guided office tour. Providing proper orientation and training will get your new recruit off to a flying start and up to speed (and profitable) weeks or months sooner.

Chapter 3 – Compensating Your Salespeople
(or… Feeding the Tigers)

Developing a compensation plan can be a nightmare. Finding out which plan best suites your situation will be a time-consuming effort. Here are some tips to shorten the chore.

Chapter 4 – Setting Quotas, Targets, Forecasts and Goals
(or… Challenging the Troops)

People rise to the expectations that they set for themselves. It's your job as a sales manager to assist your people to set realistic performance targets that benefits both the company and the individual. Settings and monitoring performance standards is a key function of your job.

Chapter 5 – Managing the Sales process
(or… Managing Chaos for Fun and Profit)

You can't manage what you don't understand. Understanding your sales process allows you the opportunity to fine-tune the sales cycle and shorten the time it takes for your salespeople to close an opportunity.

Chapter 6 – Holding Productive Sales Meetings
(or… Sitting Around the Sales Campfire)

Good coaches know the value of the pre-game locker room meeting that gets the team focused on the immediate job at hand. Your sales meetings can have the same effect of getting your sales team aimed in the right direction for success. Learn how to turn these dreaded meetings into profitable events.

Chapter 7 – Training for Skill
(or… Teaching Old Dogs New Tricks)

Hire for attitude and train for skill. No or poor training often results in no or poor sales. Find out exactly what training you should be providing your people with if you expect them to succeed in today's tight economy.

Chapter 8 – Building and Maintaining Morale
(or… Keeping the Troops Singing)

In these exciting economic times, it's important to help your people ride the crest of the business wave by building on their successes. Here you will learn what motivates and what doesn't and what you can do to create a positive atmosphere for your salespeople (and the rest of your staff) to thrive in.

Chapter 9 – Leading Your Sales Team
(or… Staying Ahead of the Pack)

You manage process but you lead people. People will work for a manager, but they will follow a leader. Learn the differences between leading and managing and develop your own leadership style. It's not as easy as it sounds!

Chapter 10 – Handling Problem Salespeople
(or… Beating Off the Alligators)

Your salespeople will be your greatest asset and your greatest challenge. They can also become the source of your greatest problems as well. In this chapter, we'll take a look at some of these problems and what you can do to minimized or eliminate them.

Chapter 11 – Cutting your Losses
(or… Firing with Finesse)

Whether it's a piece of deadwood, a chronic underperformer, or a disruptive superstar, there comes a time when you have to provide certain salespeople with a new career opportunity, preferably in some other company! Here is how to do it with the least disruptive manor.

Chapter 12 – The Close
(or… Time to Grab the Money and Run)

All good things must come to an end. Or is it perhaps really beginning?

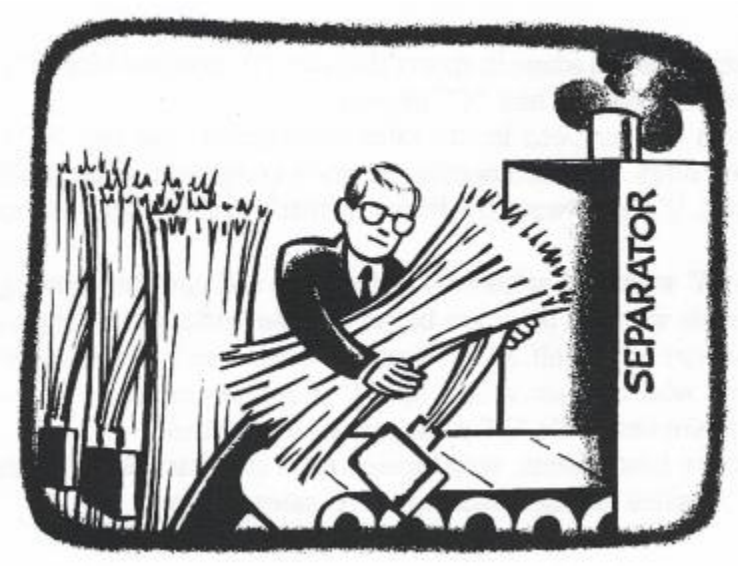
Start Anywhere but Get Started

Each chapter is designed to stand alone and can be read out of sequence as time and situations require.

If morale is dropping, read Chapter 8 on *Building and Maintaining Morale*. If sales targets are not being met, it's time to review Chapter 9 on *Leading Your Sales Team*. If you want to add more salespeople to the team, read Chapter 1 on *Hiring Smart*. And if you want to reduce staff, read the Chapter 11 on cutting your losses. You get the idea.

It's time now to look at each of these "secrets" in detail. So, let's begin!

Chapter One: Hiring Smart



(or… Separating the Wheat from the Chaff)

One of the most critical functions you perform as a sales manager is putting together the sales team. The right people, working together, can make business life a pleasure. On the other hand — hire the wrong people and your life can become hell.

If you want a salesperson, hire a salesperson, not someone with no track record of sales success of some kind. Take your time to hire the best you can afford. The cost of a hiring mistake can be crippling. Too many managers fall into the trap of hiring the first or second warm body that comes along in order to fill the open slot.

The Sales Wizard Says...
Be careful *who* and *what* you hire.

There's an old adage in sports that says "A" coaches hire "A" players, and "B" coaches hire "C" players.

When this happens in the sales department, and the "B" sales manager hires "C" salespeople, he soon complains about business being bad. It's not always the business that's bad, it's often the salespeople. An "A" manager, sales or otherwise, is self-confident enough to hire people who can be or are better in a particular job function than the manager is himself. A "B" manager's ego won't allow him to hire someone who may show him up. "A" managers strive to empower their employees while "B" managers go for control.

For the best results, stop hiring losers and start hiring winners. Be an "A" sales manager who hires "A" salespeople.

The High Cost of Hiring a Dud

Many managers, in an attempt to either save time or money, will circumvent many of the steps that are listed below. This is often a false economy and may result with the hiring of an unsuitable candidate.

In addition to all the time you lose by having to work with your dud, there is the lost business from existing clients, and the value of the lost opportunities that poor salespeople miss. Then there's the cost of your time in trying to discover why the person isn't performing properly and the impact of the non-performer on the rest of the sales team. Combine this with the costs involved in hiring the person in the first place, and the additional cost of having to replace the dud, and the investment becomes mind-boggling.

The Process

Not every company has the luxury of having a dedicated human resource or personnel department to guide and manage the hiring process and the task often falls on the shoulders of the sales manager. Mistakes in the hiring process can be extremely costly. If sales managers did more planning before they set about hiring salespeople, less hiring mistakes would be made. There are two major reasons why sales managers make hiring mistakes. One, they don't know what the hiring process is or two, they know what the hiring process is but choose to ignore or, as mentioned above, they short circuit the process by leaving steps out. Here are the steps of the hiring process:

1. Define the job.
2. Develop a list of mandatory and desirable hiring criteria.
3. Prepare and run advertisements.
4. Screen initial responses.
5. Conduct initial interviews.
6. Develop a short list of candidates.
7. Conduct second interviews.
8. Check references.
9. Rank and/or eliminate candidates.
10. Conduct third interviews.
11. Select final candidates.
12. Conduct fourth interviews.
13. Make a job offer.

Here is a look at the process in a bit more detail.

1. Define the job.

Make sure you have a written job description. This should cover:

- Job title
- Immediate supervisor/manager
- Job summary

- Major job duties
- Minor job duties
- Additional responsibilities
- Performance expectations
- Territory/account responsibilities

Here is a straightforward example of a job description for an outside sales representative:

Job Title: Account Representative

Immediate Supervisor/Manager: Reports to Field Sales Manager

Job Summary:
Account Representatives (ARs) maintain regular contact with existing accounts, develop new accounts within their assigned territory, pre- pare sales proposals and assist in trade shows. ARs are responsible for maintaining up-to-date account information and sales records.

Major Job Duties:

1. Maintain or increase sales from existing accounts.
2. Develop new accounts.
3. Follow up on orders over $10,000 to ensure client satisfaction.
4. Other duties as assigned by the Field Sales Manager.

Minor Job Duties:

1. Complete call reports daily.
2. Submit monthly sales forecast updates.

Additional Responsibilities:

1. Attend trade shows.
2. Submit monthly expense reports.
3. Assist in proposal generation.
4. Attend weekly sales meetings.

Performance Expectations:

First year sales quota:
$750,000
Interim quota targets:
1st Quarter: $100,000
2nd Quarter: $150,000
3rd Quarter: $200,000
4th Quarter: $300,000
All class A accounts to be visited at least once per quarter. All class B accounts to be visited at least twice yearly.

All class C accounts to be contacted at least once yearly. Ten percent of sales to come from new accounts.

Territory/Account Responsibilities:

Sales territory boundaries are Yonge Street to the west, Hwy 401 to the north, Pickering city limits to the east, and Lake Ontario to the south (see attached map). Assigned class A, B, & C accounts are listed in Appendix A.

2. Develop a list of mandatory and desirable hiring criteria.

To eliminate obvious misfits from the pile of responses you hope to get from your recruiting efforts, you need to have a filter through which you will pass the resumés and applications. You do this by developing a set of mandatory and desirable criteria. Some general categories of criteria are:

- Education
- Past applicable work experience
- Previous training (non-sales)
- Special skills
- Hobbies or interests
- Socio-economic level
- Personality traits
- Stability
- Sales training
- Organizational skills

Take the time to build a filter for a sales position in your company. Look at the categories above and decide which factors are "must-have" (mandatory) and which are "nice-to-have" (desirable) and build your list.

Rank your "desirables" as to what is most desirable, next most desirable, etc. This will help you select between candidates who may have many of the required criteria for the position (Table 1).

It's important to select your mandatory criteria carefully and thoughtfully. As you can see from the example, if a candidate came along with no computer skills at all or no formal sales training of some kind, the individual would be instantly disqualified no matter how many other criteria he or she met.

3. Prepare and run advertisements.

Here are the basic rules for making your advertisement reach out and grab prospective candidates:

Position/title. If you're looking for a salesperson, say so. The official title for the position might be "Senior Account Executive" or "Marketing Representative," but if the person's primary

function is to sell, make sure the words "Sales Representative" or "Sales Position" are prominent in the ad. You want salespeople's eyes drawn to your ad. You can include the actual title as well if you like.

List the minimum qualifications (your mandatory criteria). Hopefully, this will eliminate those people who are inclined to apply to every open-ended job ad. It also makes the thanks-but-no-thanks letters easier to write because all you have to do is state that they don't meet your minimum qualification requirements.

Table 1. Example of a typical filter that might be used by a company looking for a salesperson to sell high-end (expensive) accounting software.

Factors	Mandatory	Desirable	Desirable Ranking
Education			
Community college	•		
Undergrad degree		•	13
Applicable Industry-Related Experience			
Minimum two years' experience	•		
Five years' experience		•	1
Worked for a competitor		•	12
Previous Training (non-sales)			
Self-taught bookkeeping/accounting skills	•		
Has formal training in accounting		•	11
Computer Skills			
Uses a computer	•		
Uses Microsoft Office		•	3
Familiar with accounting software		•	2
Has used sales automation software		•	4
Hobbies or Interests			
Computers		•	5
Team sports		•	10
Socio-Economic Level			
Currently earning >$50,000/yr		•	17
Personality Traits			
Outgoing personality	•		
Team player	•		
High drive level	•		
Operates independently		•	15
Decisive		•	14
Stability			
Married		•	8
Owns home		•	9
Sales Experience/Training			
Minimum two years' sales experience	•		
Some formal training	•		
Formal training within last five years		•	6
Time management training		•	7
Organizational Skills			
Has successfully managed a sales territory	•		
Uses a time management tool (DayTimer, etc.)	•		
Uses a computer-based time management tool		•	16

Tell what they will sell. Briefly outline the products or services the salesperson will be selling. Some people are more comfortable selling one type of product or service over another. There's no use wasting time with a candidate who doesn't want to sell what you want sold. This is also where you sell the opportunity. Be careful you don't oversell or you'll succeed only in getting a pile of resumés from hopeful dreamers.

Compensation. Briefly state the type of compensation plan and potential earnings. Be truthful. If you're offering a commission-only position, then say so. You might as well eliminate those people who don't believe they can earn good money for you and themselves. When mentioning potential earnings, give a range that is truly attainable. A good approach is to list a range with the "from" being the income of one of your average performers and the "to" being the typical income of your top performer.

Fringe benefits. Mention their availability without going into detail. It's one of the little things that can make a big difference.

Include the company name. I don't recommend blind ads (ads without company names) for several reasons, including: (1) Some people are not comfortable responding to a blind ad. They're concerned they might be applying to their own company! (2) You want competitors' salespeople to see the ad in case any are looking for a change. (3) Your image in the marketplace may be enough to attract some good candidates.

Call for action. Last, but not least, state what you want the applicant to do; i.e., e-mail resumés to, fax resumés to, no telephone calls, etc. If you don't want to be bombarded by personnel agencies, you may also want to state "no agencies please" in the ad (Fig. 1).

Wizard Note: Some people will apply to any and every position advertised in the paper, so you may want to add the phrase: "We thank all applicants, however, only those under consideration will be contacted." This eliminates the need to send "thanks- but-no-thanks" letters in response to the resumés you receive.

Where you place your ad depends on where your job candidates are most likely to be looking. Advertisements for retail sales staff, trade sales, telemarketing positions, etc., can often be placed in the classified section. High-profile sales, professional products or services sales, high- paying sales positions, etc., are usually placed in the career or business section of the paper. Check with your local papers to see what days are popular for running employment ads.

Posting your opening on the Internet may get you a huge number of applicants but the quality may be lacking. The web makes it easy for the average person to apply for almost any position whether or not they are qualified. They just sit at home and send off a resume to any and every opportunity they can find. It's a type of selective spam that will clog up your hiring process if you let it.

You might also consider placing the opportunity on your own web site if appropriate. If someone has gotten to your web site and is also looking for a job, you may have a winner there.

Sales Representative
Softair Footwear Inc

We are looking for an Account Executive to market our line of upscale footwear to specialty retailers in southwestern Ontario. The successful candidate will have a minimum of five years's sales experience and be familiar with the retail/wholesale footwear market.

Attractive, open-ended commission plan with draw, expenses and car allowance. Company-paid benefit plan.

No telephone calls please. Email your resume to barry@softair.com or fax to 613-555-1212.

We thank all applicants, however only those under consideration will be contacted.

Figure 1. Example of a typical ad.

Wizard Note: Advertising isn't the only way to find job candidates. There are other sources you should consider which I will mention later?

---

4. Screen initial responses.

Attach a checklist to each resumé to help you filter the responses. Using your mandatory criteria, weed out and eliminate applicants that don't meet the minimum qualifications. Once you have enough resumés that meet your mandatory requirements, sort them again, this time in accordance to the desirable criteria.

If all goes well, you will have three piles: (1) interview; (2) maybe interview, and (3) interview if none of the others work out. If things aren't going well, you'll have a fourth pile titled "you've got to be kidding!"

5. Conduct initial interviews.

This is not the interview where you sell the company to the applicant. This initial interview is your second pass at eliminating candidates for the job. Use it to disqualify candidates as much as to qualify them. It's important to use a series of standard questions for use at the interview. I got so discouraged at watching managers mishandle the interview process that I developed a sales interview questionnaire to help them stay on track. The form has 17 must-ask questions to be used at the first interview and an additional 17 for the second interview, if you get that far. In addition to helping the interviewer stay in control, the form instills a degree of consistency to the process.

Here are just a few of the questions. The reasons for asking the questions are in italics.

What types of things have you sold in the past?

- Any similarity to our product/service?
- What product knowledge training is necessary?

What sales training have you taken?

- If none, how serious is he or she about a sales career?
- If yes, was it company-sponsored or did the applicant pay for it?

What do you feel would be good methods of finding prospects for our type of product/service?

- Does the applicant know our market?
- Does he or she exhibit some creativity?
- Does the applicant already have some prospects?

What's the worst day you've ever had in your selling career? How did you deal with it?

- How quickly does the applicant think under pressure?
- Was the situation handled in a reasonable manner?
- Did he or she salvage a bad situation or make it worse?

So that you don't have to reinvent the interview wheel and develop your own questions, download a copy of my Hiring Interview Toolkit from my website at www.TheSalesWizard.ca.

Be particularly aware of your first impression of the candidate. If the individual makes a good first impression on you, chances are he or she will do the same with your prospects.

Try to suspend judgment during this first interview. But if you find yourself really liking a candidate, try to discover why and make note of it. Do the same for those candidates you aren't too keen on. This will help you when you're developing your short list for second interviews.

Wizard Note: Here's an interviewing tip. Sometime during the interview, I like to ask a candidate if he or she is a reader. The response will usually be "yes." Then I ask, "What types of things do you like to read?" I don't really care what novels the person reads, although I've picked up a few good titles that way. What I'm looking for is whether or not the candidate reads trade journals or other material that pertains to the industry. The responses are often interesting. I know of computer sales- people who don't read any of the major trade magazines and car salespeople who don't bother keeping up on car reviews. If salespeople are not dedicated to their profession, how dedicated will they be to their jobs, your organization, and your clients?

At the end of the interview, explain to the candidate what will happen next. Tell him what will happen should you want to pursue the opportunity with him, and also tell him what will happen should you decide to go no further with the process.

You could say something like this, "Thanks for coming in today. If we want to pursue this any further, we will be in contact within 10 days to arrange a second interview. If, on the other hand, we decide not to pursue it, you will receive a letter from us within 10 days." A word of caution: Don't make any promises you can't keep.

I like to close the interview by commenting on one or two of the candidate's strengths that I noted during the interview. I want the person to leave the interview feeling good about himself as well as my organization.

Wizard Note: The initial interview is also a good time to test the applicant's knowledge of sales and selling. You can use a simple competency quiz such as the one included later in this report, or you can develop your own to suit your particular situation.

As a rule, I allow 45-50 minutes for an initial interview, but I'll cut it short if I think I've got a potential dud. If I've got several people to interview, I try to bunch them together with about 10-15 minutes between interviews. I use the time between interviews to make notes on the previous candidate and prepare myself for the next one. I like to review the person's resume before I sit down with him. This allows me to get my mind around the person and ask even better questions.

6. Develop a short list of candidates.

Review the results of the initial interview and eliminate those candidates who didn't make the grade. You may want to have everyone back for a second interview, particularly if you don't have a large number of candidates to choose from.

7. Conduct second interviews.

This is when you go more in-depth with the candidate. Once again, use a set of standard questions to get started, but let yourself explore other areas of interest as well.

You want to explore past performance in similar types of positions. Look for patterns of success. If the person doesn't have a successful track record, what makes you believe she will be successful now? Encourage the candidate to sell herself to you. If she can't sell herself, she'll have problems selling your product or service.

Here are some typical second interview questions:

- What is your standing among the salespeople in your current (or previous) company?
- How do you go about organizing a typical sales day?
- Do you call on all your customers with the same frequency?
- Do you think it's necessary to keep records on people you see regularly? Why?
- Do you plan how long each call should take? How accurate are your estimates?
- Do you prefer selling tangibles or intangibles? Why?
- What factors do you consider most important to successful selling? Why?

Another popular approach is to ask "situational" type questions, a sort of "What would you do if..." question. For example:

- Tell me how you would handle a customer who is angry about delivery delays.
- Tell me about your most difficult sale. What made it difficult and what did you do about it?
- Tell me about your most gratifying sale.
- Tell me about a time when you had to turn down a sales opportunity.
- Tell me about a time when you had a personality conflict with a prospect and what you did about it?
- Tell me about your worst job and what made it that way.
- Tell me about a time when you didn't see eye to eye with your manager and what happened.

The point of the situation-type question is to give you insights into how the candidate will handle certain situations. They also allow you to uncover potential problems before you hire someone, not after.

8. Check references.

You would be amazed at the number of companies that don't bother to conduct reference checks. Avoid this step at your peril. I usually don't bother to check the references included with the resumé unless they are immediate supervisors. An applicant is not going to give you the name of someone who isn't going to give them a glowing reference. Instead, obtain the names of past supervisors and/or co-workers and ask the candidate for permission to call them.

Wizard Note: You might ask the candidate what these people are likely to say about him. This question can provide interesting insights

---

Consider using a questionnaire during your telephone reference checks. It will help you stay on track and you won't miss any critical areas. Some typical telephone reference questions are:

- We're considering Sally for the position of (job title). How well suited do you feel she is for this type of position?
- On a scale of one to ten, how successful do you feel Sally was when she was with your firm?
- What do you consider to be Sally's greatest job-related strength?
- What's one area where you feel Sally could improve?
- Given the opportunity, would you rehire Sally?
- What would be your best advice to me on how I could best man- age Sally?

This may seem obvious, but don't call the candidate's current employer. However, do mention to the applicant that any offer of employment would be contingent on verification of current employment and suitable references. If the person is lying or seriously stretching the truth, he or she won't accept the terms.

When doing telephone reference checks, don't just listen to what is said. Listen to how it's said. With good performers, previous employers generally are enthusiastic and give very positive references. On the other hand, with poor performers they will usually volunteer only limited information.

When you're doing reference checks, you are primarily trying to avoid hiring a dud or a problem. Some people are hesitant to give references, good or bad, but particularly a bad one because of the prevailing laws regarding civil rights, etc. What happens is that they end up giving you cautious, generic job references that, in the final analysis, mean little or nothing.

Here is a technique that may work at ferreting out a potentially bad candidate from a reluctant reference. Call the reference after hours or on the weekend in order to get his voice mail. Leave a message explaining why you are calling and ask him to return your call only if the candidate in question was outstanding. You'll learn as much from the references who don't call as from those who do.

9. Rank and/or eliminate candidates.

Review the results of the two interviews and the reference checking and come up with your second short list.

10. Conduct third interviews.

If you haven't already done so, this is the time to bring an interested third party into the interview process. Let this person ask his or her favourite questions and don't worry if they're similar to the ones you asked previously. Listen to see if you're getting consistent answers.

Immediately after the interview, take time to compare impressions. It's important to do your comparisons immediately after each interview, not after you have completed several. It gets harder and harder to recall each candidate as the interviews go on.

Consider having some of the candidate's potential co-workers sit in on this interview. It gives them an opportunity to feel a part of the hiring process.

Beware of the dreaded halo effect. This is the tendency for interviewers to ignore potential problem areas because they like a candidate too much. The three-interview process will help minimize this situation.

11. Select final candidates.

Now it's time to make a decision and develop your final short list.

12. Conduct fourth interviews.

The fourth interview may actually be a series of interviews where the candidate meets with various key people within the organization. The fourth interview usually is reserved for senior or critical positions.

13. Make a job offer.

If you have successfully narrowed the field down to one candidate, then it's time to make an offer. If you still have two or three good candidates, offer the position to your first choice but DO NOT tell the other candidates that the job has been filled.

If your number one choice decides to decline the offer, you want to be able to make an offer to your next best candidate without making that person feel like he or she was your second choice. Your first choice may be just looking for a written job offer that he can take to his current employer in order to negotiate a raise.

After you have a signed acceptance, inform the other candidates the position has been filled. If you were filling a senior position, you may want to inform them personally. You want to leave a good impression with those who didn't get the position. Who knows, your number one choice may not work out and you want to be in a good position to re- approach your runners-up. And while I don't condone lying, consider telling each of your runners-up that he or she was number two for the position. It may be stretching the truth, but it leaves the candidates with a better sense of self-worth.

Your letter of offer should include something to the effect that your final acceptance will be dependent upon satisfactory references from the candidate's current employer.

Wizard Note: Make sure you check the current employer after you have given an offer of employment. If the company seems delighted that you've just hired away one of their key salespeople, watch out! Maybe the person isn't such a barn-burner as was implied during the hiring interviews.

Psychological Profile Testing

With the cost of hiring a salesperson ranging from $1,000 to $10,000 or more, making the right hiring decision is critical. I have found that psychological profile tests can be a valuable tool in the decision-making process. This type of testing is in addition to, not a substitute for, a well-conceived and properly executed recruitment program. I would never hire or not hire anyone strictly on the basis of one of these tests. At best, the results will confirm your feeling that you have a winner and, at worst, the results will raise a red flag that has to be put to rest during the reference-checking process.

Example: For over 20 years, I've used a hiring tool that I developed called the Sales Temperament Assessment (STA). On a recent consulting assignment, I was interviewing a candidate that looked good, sounded good, and had all the right experience. The STA, however, indicated that the individual might have a low drive level and be more inclined to socialize than sell.

When I did the regular reference checks, I got glowing responses until I asked the question, "I have the impression that Mr. Salesperson may spend a bit too much time chatting with prospects instead of get- ting down to business. Is that the case?" The response was revealing. The person started with, "As a matter of fact, that's very observant of you" and then went on to confirm a number of things that the STA had spotted. I was able to elicit this information because the assessment allowed me to ask a very pointed question.

A common sales management mistake is thinking that there are good and bad salespeople when, in reality, there are just people with varying degrees of certain traits — some of which can be managed and some which cannot. Some of these traits are well suited to the sales profession and some are not. A tool such as the STA helps uncover these differences. You don't want to hire a square peg to fill a round hole.

The Sales Temperament Assessment is also useful for evaluating current sales staff. By testing your best performers, you can develop a profile for a successful salesperson in your business. In addition to helping, you know what to look for during the hiring process, the assessment can be used to maximize strengths and minimize weaknesses of your current staff.

Competency Testing

As a sales manager, one of your responsibilities is to hire people who will get the job done properly. However, finding competent salespeople is easier said than done. There is no process in place to certify that a person is capable of performing as a salesperson. Even auto mechanics must take a four-year apprenticeship and join their trade with a certificate of competency. Not so with the selling profession. Anyone can claim to be a salesperson — and many do.

While there is no single secret to finding competent salespeople, here's an idea that will help you separate the wheat from the chaff during the hiring process and come up with potential winners.

If you were hiring an auto mechanic, you'd want to be sure that the person knew what the timing chain was for, the firing order of the engine, how to adjust the brakes, etc. In other words, you'd want to know the extent to which the auto mechanic understands the basics of his trade. The same applies when hiring a salesperson. You want to be sure that he or she knows the basics of selling.

Listed below are 10 questions you can ask to determine if you have someone who knows something about selling. Some salespeople will claim to know the answers to these questions, but when push comes to shove, they don't. That's why they often screw up more sales opportunities than they close.

Seasoned salespeople will have a reasonable answer for most of these questions. Their answers may not be exactly the same as mine, but they will make sense. "Wannabe" salespeople won't have a clue about most of them. Watch for the ones who believe that BS baffles brains and try to snow their way through the quiz. They will do the same with your customers.

I usually start this part of the interview by saying something like, "I'm going to ask a few questions to assess your knowledge of selling. You'll probably find that some of my questions are right out of Sales 101."

Ask the questions in a casual manner and allow reasonable latitude in the answers. Being close counts. Those people who have had sales training will recognize that most of these questions are pretty fundamental, while others who have not had any training may be completely stumped.

The questions are listed in order of difficulty. If you don't get reasonable answers to the first four or five easy questions, don't bother with the rest. It will be too painful to watch.

Mini Competency Test for Prospective Salespeople

1. What three things do you HAVE to know to qualify a prospect?
2. Give an example of two popular closing techniques.
3. Define a trial close.
4. What is the fastest way to get a prospect's favourable attention?

5. When you are describing your product or service to a prospect, what is the prospect listening for?
6. What is a "Unique Selling Proposition" and why is it important?
7. What is the main reason for the price objection?
8. What is the first thing you should do when you get an objection?
9. When are the four times that you can handle an objection?
10. When is an objection NOT an objection?

If a sales candidate can't answer at least half of these questions to your satisfaction, beware. You may be hiring a problem, not a solution. The answers to the above quiz can be found in my Hiring Interview Toolkit, available as a download from www.TheSalesWizard.ca.

If these questions don't suit your particular situation, consider making up your own mini competency test for your type of selling.

Role Playing

I'm not a big fan of asking the candidate to "sell" me something like a pen, glass or whatever. Most salespeople don't like role-playing at the best of times and a job interview is certainly not the best of times. The advantage of this approach is that it gives you an opportunity to see how fast the person can think on his feet. This puts a great deal of pressure on the other person and if he survives the ordeal, he probably deserves the job.

The disadvantage of this approach is that too often the interviewer doesn't really know what to watch for and if the candidate doesn't "sell" the way the interviewer "sells" the candidate fails the test.

Nevertheless, the "sell me" exercise can often give you interesting insights into how sharp a person is. I know of one situation where the salesperson was asked to "sell" the interviewer an ashtray. He began to extol the many benefits of the ashtray, one being that it was virtually unbreakable. At that point he demonstrated by dropping the ashtray on the floor where it shattered to pieces. The salesperson looked at the interviewer and said, *"We need to tighten up on our quality control a bit."* Now that's fast!

Role playing doesn't need to be elaborate or complicated. Two sample role play scenarios are included in my Hiring Interview Toolkit, along with a checklist and some ideas on how to do the dastardly deed. If the scenarios don't suit, simply make up your own.

The interesting thing about having a standard role play that you use consistently is that you get to know what to expect and his helps in the post-exercise evaluation.

The Audition

An extension of the role-play scenario is to do an audition. This is where the candidate is given some product information and asked to come to the next interview prepared to "sell" the product to the interviewer.

The advantages of this approach are that it gives the candidate time to properly prepare for the "sales call" and it gives the interviewer a better idea of the type of questions the salesperson uses to qualify a prospect (or to see if he qualifies at all).

The disadvantages of this approach are that you don't get an opportunity to see how fast the candidate is on his feet and it requires an additional meeting.

Where to Find Good Candidates for the Job

As mentioned earlier, advertising isn't the only way to find suitable job candidates. There are other sources worth considering. Here are some possibilities:

In-house.

Earlier in this report I said, "If you want a salesperson, hire a salesperson…" Well, there is an exception to this rule. If the sales position in question is an entry-level one, you may have some ideal candidates right under your nose.

People within the organization know the company, are familiar with its products and services, and understand how you do business. Current customer or sales support people can often make an easy transition into the sales function. Service technicians or engineering staff usually have excellent product knowledge, and the person who has been typing up proposals may surprise you with his or her depth of knowledge.

Employee recommendations.

Your current salespeople and others within the company may have friends or neighbours who would be delighted to work for your firm. When people read an internal job posting, they don't always think be- yond their own interests or needs. Make sure you ask the question, "Do you know a friend or neighbour who may be interested in this position?" Some companies offer a financial or other reward to staff who recommend suitable new employees. You may want to make the reward system multi-tiered. For example, you might pay $20 for anyone who is recommended and makes it to the interview stage, an additional $50 if he or she gets hired and a further $100 if the new person is still on staff at the end of one year.

Former sales staff.

If you had someone in the past who was a performer but left for greener pastures, consider giving the individual a call. Sometimes the grass isn't always greener, but the person might feel embarrassed about approaching you. Even someone who was a marginal performer may be worth talking to again. Time and experience may have matured the individual.

Personal contacts with other sales managers or networking groups.

Talk with other non-competing sales managers. Ask if they've seen or interviewed any potential candidates that they could pass along to you. If you belong to any networking groups or breakfast clubs, make sure the members know you're looking for someone. Bring along copies of your employment ad or job description to leave with interested parties.

Competition.

Don't be afraid to approach a competitor's salesperson. The advantages of hiring one are:

- he knows the product or service
- he knows the territory
- he requires less training investment
- he comes up to speed quickly, and
- you weaken a competitor while strengthening yourself.

Two cautions:

1) Be careful about starting a raiding war. You don't want your competitor to start raiding your staff. Make sure your people are content and loyal.

2) Be careful when interviewing a competitor's salesperson. He may be there only to find out as much as possible about you and your operation. Make sure you do the listening and he does the talking, not the other way around. Also watch to see how much talking the person does. Is he giving information about his present employer that you wouldn't want given out about you? Is he discreet?

If you want to approach a competitor's salesperson, it may be better to do it anonymously through a recruiting firm or neutral third party.

Customer recommendations.

Talk with some of your best customers. Who do they have calling on them now who have created a good impression? It doesn't have to be a competitor's salesperson, just someone who impresses your customer.

Recruitment agencies.

Agencies can be costly — 20 to 40 percent of the estimated first year's income — but they can save a lot of time. The good ones will take the time to understand your real needs and attempt to make a rea- sonable match between the candidate and those needs. The poor ones will simply send you a pile of resumés with the hope that something catches your eye.

If you decide to use an agency in addition to conducting your own search, make it clear to the agency that if you are approached by a candidate as a result of your own efforts and that candidate is subsequently recommended by the agency, you reserve the right to deal directly with the candidate and no agency commission will be paid. Put it in writing or expect a potential lawsuit. I recommend this approach even if you are using an agency exclusively.

If you use recruitment agencies, consider negotiating their fee, term, or guarantee. It's a tight, highly competitive marketplace and they want your business. Despite the danger of two or more agencies sending the same resumé to you, use more than one agency unless you're filling a high-level position and the agency is going to have to really work for its fee. Be sure to date-stamp all incoming resumés.

I feel that most agency guarantees are borderline useless. Most have a 90-day replacement guarantee but only if you pay the invoice within 30 days. If the person doesn't work out within 90 days, the agency will find you another body. Now think of it. The first body didn't turn out so why should the second (or third) shot at it be any better?

For most professional selling jobs, it takes a lot longer than 90 days to discover you have a loser. Winners, or top performers, usually surface quickly, often well within the 90 days. These people are rare, however. Most average performers take anywhere from six months to a year to reach their stride and come up to speed. By the time you decide the person isn't going to cut the mustard, the agency's guarantee period is long past. Unfortunately, during that time a poor choice can do a lot of damage.

Your best guarantee is good hiring practices. Take the time to hire right. Tell the agency that you don't want its guarantee and negotiate a reduced fee. You can self-insure by conducting thorough interviews and reference checks.

Final Thought

So there you have it — how to hire salespeople who can sell. It isn't an easy task, but it's a critical one. It's the one task that, if not done properly, will cause sales managers to read Chapter 11, Cutting Your Losses (Firing with Finesse) — something that I hope you never have a need to read.

Remember, hiring mistakes can be very costly. Not only in lost sales, but in lost customers and lost customer goodwill — to say nothing about your lost time. Cut potential losses by hiring smart.

Chapter Two: Breaking in the New Salesperson

(or… Paper training New Puppies)

Apart from not taking the time to hire smart, the next most common and disastrous tendency that many sales managers and companies exhibit is to not get the new hire started off on the right foot, or any foot at all. I've seen situations where the new salesperson has shown up at his new place of employment, all wide-eyed and bushy-tailed, only to be treated as an unexpected visitor and an interruption. What a great first impression and introduction to a new employer.

This first impression is critical. Keep in mind that the new person has taken a huge leap from a place where he was probably fairly comfortable into a new, and hopefully, wonderful company. If these hopes and expectations are not met to a satisfactory level, the new person may be inclined to go back to his former employer (if possible) or continue to look for the elusive perfect job.

Many of these new hires have had their résumés floating around the marketplace for some time. If they don't feel sufficiently welcomed at their new place of employment and another better looking opportunity comes up, they'll jump ship before it even leaves the harbour. The first days and weeks you have with a new employee are critical in determining whether or not you'll keep the person past the six-month point.

You've already invested a lot of time and money to find and hire the best person you can afford so doesn't it make sense to capitalize on that investment and not squander it? Of course it does. So why do so many companies mishandle the situation?

The most popular excuse for not providing proper orientation and training for a new salesperson is lack of time. Sales managers are already very busy, many to the point of overload. The arrival of a new salesperson on their doorstep just adds to the load. Consequently, they often fall into the trap of simply handing piles of product literature and catalogues to the individual, giving him a pat on the back, and telling him to "Go-get-'em, tiger."

The new salesperson takes an unguided tour through this pile of product mush, trying to remember key points that he prays will be of interest to someone, somewhere. And then he wanders off in the hopes of finding someone to "sell" to. Is it any wonder that these new hires don't work out as well as the sales manager had hoped?

Some organizations use the less than innovative "B-L-B" training technique (blind-leading-the-blind) where the new hire is teamed up with one of the more seasoned people who promptly passes on most or all of his or her bad habits. An alternate approach is to send the new person out with two or three different people, ensuring that the new hire becomes thoroughly confused.

Mind you, I prefer the B-L-B technique to the "swimming pool" training technique where the philosophy is, "Let's drop him into the deep end of the pool and see if he comes up." Some kind of training, even poorly executed training, is better than none. At least it shows you care.

Some managers like to train only survivors. They allow new sales- people to flounder around for a couple of weeks or months. During that time, the sales manager provides minimum direction and assistance (after all, he's already too busy putting out many fires). If the new recruit survives, the company will then provide some training. It's like sending a new soldier into battle without showing him how to shoot and then providing target practice if he comes back. The odds of survival are low.

Doesn't it make more sense to give your new salespeople a fighting chance by providing them with the tools and the training they need to survive up front, not after they've become discouraged?

The new salesperson has a thousand and one questions that need answering but, unfortunately, he or she doesn't know what all the questions are. It's your job as sales manager to answer these questions before they are asked and provide the initial training that gets the new salesperson off to a flying start.

The biggest payoff in providing training for your new salesperson is also the hardest to evaluate or put a dollar value on. A properly trained salesperson can become productive months sooner than one who is simply let loose into the world and expected to fend for himself. Unfortunately, there's no way to determine how fast or how slow a new salesperson will come up to speed if you don't provide training. But trust me, a week invested at the front end for training can often trim months off the naturally unproductive efforts of new salespeople, even experienced new salespeople.

Calculating a ROI on Your Training Investment

Providing proper orientation and training for the new salesperson usually has the result of bringing the individual up to speed (and profitable) weeks or months sooner than if he or she hadn't been trained in the first place.

For example, let's assume your average salesperson brings in $10,000 of gross profit a month and it takes a new salesperson five months to reach that productivity level. Let's also assume that providing some front-end training will get a new salesperson off the mark more quickly and get him or her to reach full production one month earlier. As you can see below, your investment has netted you a $6,000 return in the first five months, to say nothing about having a happier, more productive employee.

	Month 1	Month 2	Month 3	Month 4	Month 5	5-Month Total
No Training	$2,000	$4,000	$6,000	$8,000	$10,000	$30,000
Training	$3,000	$5,000	$8,000	$10,000	$10,000	$36,000
					Additional Income	$6,000

Creating a Good First Impression

How do you think a new hire would feel if, when he showed up at your company for that first time, he was warmly welcomed, brought to his workspace where he found a set of sales literature, his business cards, and an agenda outlining what he will be doing and where he will be going for his first week on the job? Pretty impressive!

Just the simple act of taking the time to order the person's business cards can make a difference. Many years ago, I joined an organization whose policy it was to not print up the business cards until you were there for at least six months. I realized within a few weeks of joining the organization that I had made a bad decision and I moved on at the first available opportunity. I ended up printing my own cards, which was a good thing, because I didn't last the six months.

Creating that all-important first impression isn't difficult. It just takes a bit of planning. The information that follows is your guideline for doing it right the first time because you may not get a second chance to create that first impression.

Orientation & Training Checklist

A new salesperson requires orientation and training in three areas:

- Company policies and procedures.
- Product knowledge.
- Sales training.

The following questions are typical of those a new employee might have but hesitate to ask. Use them to help you decide what information the person needs to know to become operational in the shortest amount of time. By taking the initiative and answering the questions before they are asked, you create that all-important good first impression.

Company Policies and Procedures

If your company is one of the few that actually has a policies and procedures manual, don't just hand it to the new hire and expect the person to read it. There's no doubt it will be read, but will it be under- stood? It's impossible to get clarification from a manual, and there may be a hesitancy on the part of the new salesperson to ask too many questions because he fears looking dumb. Take the time to review with the employee those items that are important in getting the person started. Some things regarding policy matters might be:

- Travel and entertainment expenses.
- What's allowed and what isn't?
- What expenses require receipts?
- What are the rules for out-of-town travel?
- What mode and class of travel is preferred?
- Can I use my own vehicle for out-of-town travel?
- Are there accommodation limits?
- What are the rules for entertaining prospects? Clients?
- Are there dollar limits for entertainment?
- What expense forms are used?
- When are expenses due?
- When are expenses paid?

Automobile expenses.

- Who pays for the gas?
- What parking expenses are covered?
- Does the company pick up parking tickets?
- Are mileage records required?
- What mileage rates are paid?
- What are the restrictions on the use of a company vehicle?
- Can I use the company vehicle for vacations?

Company credit terms.

- Do we extend credit to customers?
- What credit applications are used and when should they be used?
- Am I expected to collect overdue accounts?
- Who approves credit applications?

Product return policies.

- When will the company take a product back?
- When won't the company take a product back?
- Any restocking charges?
- Is there a special form for returns?

- What or whose approvals are required for a return?

Product/service warranties.

- What are the warranty terms?
- Who determines what is in or out of warranty?
- What is the normal turn-around time on warranty repairs?
- What are some of the extra costs not covered in the warranty?
- Who normally does warranty repairs?

Company benefits.

- What are they?
- What is the employee's portion, if any, of the cost?
- When does the benefit plan become effective?
- Who, besides the employee, is covered by the plan?
- What forms, etc., are used when making a claim for medical expenses?
- Where should completed claim forms be submitted?
- What are some of the special features about the company's plan?

Remuneration plan/commission structure.

- When is payday?
- How do I get paid?
- What holdbacks are there?
- What are the normal deductions?
- Is there a draw against commission?
- What are the limits on draws against commission?
- What happens if the draw exceeds the limit?

Wizard Note: Make sure your new salespeople understand the rules under which they earn their income. At the first pay period, take the time to review the rules to avoid any misunderstanding and aggravation. Always be cautious when dealing with a person's livelihood.

After you get the relevant policies out of the way, turn your attention to company procedures. Here are some of the things you will want to cover:

Internal contacts.

- Who does what?
- Is there an organization chart?
- Are there any part-timers?
- Who looks after customer orders?
- Who is the internal customer service contact?
- Who should I go to if I need direction?

Paperwork flow.

- Are there completed sample forms available? (Note: Provide samples of completed forms for use as examples and memory joggers.)
- What forms are needed when?
- How are the completed forms distributed? Who gets what form and when?
- Why are the forms important?

Wizard Note: This is not show-and-tell time. Get the new person to complete some of the forms.

Sales reports.

- What type of sales reports are expected?
- What forms are to be used?
- When are sales forecasts due?
- What reports will I receive from the company?

Wizard Note: Most salespeople despise paperwork. Be sure to stress the mutual payback that the reports provide. Some companies make payment of expenses dependent on timely completion of required sales reports.

Sales quotas.

- What sales do you expect from me for the first 30, 60, 90 and 180 days?
- How long should it take me to come up to speed?
- What is my annual sales quota?
- What are the consequences of not making quota?

Wizard Note: Make sure you get agreement on the ramp-up quotas. Be sure to monitor the new person's progress and feedback timely information to help keep him on track.

Commission sales.

- Are commissions paid on receipt of order, on delivery, on invoicing, or on payment?

- When are commissions paid? (Monthly, quarterly, 15-30 days after credited, etc.)
- Are there split commissions? How are they handled?
- What is the commission formula?
- Does the commission rate vary among the products/services?

Order processing.

- How are customer orders handled?
- Who looks after the internal process?
- Who can I contact if I have questions?

Some of these questions may not be applicable to your operation while other key ones may have been left off. The important thing is to take the time to make sure your new person has an opportunity to get her questions answered, even the ones she didn't think of!

Product Knowledge

Product knowledge can be broken down into two broad categories: the products themselves and the product lines in general. Of course, the term "product" is interchangeable with the word "service," depending on what you are selling. When explaining the product lines, here are some things to cover:

- Profitability.
- Which product lines or specific products are most profitable to the company?
- How do I handle low-margin products?
- Which products should I emphasize (push)?
- Which products should I downplay (why)?

Wizard Note: While there are always exceptions to the rule, companies usually want their salespeople to concentrate on those sales that will bring in the most revenue. Your salespeople, on the other hand, will want to work on those sales that have the highest personal return (commission) for the least effort.

Product history.

- What is the background behind the product?
- What is the history of the company's relationship with the supplier?

Product future.

- How does this product fit into the company's future plans?
- What are some of the follow-on products that are coming along?

Price lists.

- How do I read and use current price lists?
- What gets shown or not shown to customers?

In terms of the products themselves, your new salesperson will want to know:

Benefits.

- Are there feature/benefit sheets for the products?
- Why should customers buy the product?
- What are some of the exclusive selling features of the product?

Availability.

- What are the normal delivery times?
- How reliable is delivery information?

Reliability.

- What has the service history been?
- What should I be careful of?
- Where shouldn't I sell the product?

Competition.

- Who are our major competitors?
- How are we different from or better than our competitors?
- Are there any competitive product/service comparison charts?

Wizard Note: Be honest. If you have some dogs in your product line-up (a dog is a product that you have trouble giving away, let alone selling), alert the new salesperson to this fact and show her how to get around the potential problems. Don't let the new salesperson find out from a customer or, even worse, a competitor.

Sales Training

The final area that you should provide training and support in is selling to your particular market. Maybe it was because I was in the sales training business for so many years that I'm such a strong advocate of some kind of sales training for all salespeople, but particularly new salespeople.

It's a sad fact that most people who get hired into a sales position have had no formal sales training beyond product information. This means that, while they may be successful, they really don't know the more subtle nuances of their craft. Some actually have no idea at all of

what they are supposed to do. These are the ones who think that all there is to selling is to go around and talk to people all day long!

If someone isn't sure what makes him or her successful, it's difficult to repeat the process with any consistency. These people continue to make sales more by accident than on purpose.

It's interesting to note that there is the same number of "born salespeople" as there are "born engineers" or "born auto mechanics." Selling isn't an art. Selling is a skill... a skill that is acquired through hard work, learning, and experience.

When hiring salespeople, I feel preference should be given to candidates who have taken the time and energy to acquire selling skills in a structured manner. In fact, someone with a CSP (Certified Sales Professional) would receive very close scrutiny.

Before setting your new hire loose among your clients, take the time to provide the person with enough sales training so that they will handle the customers the way you want them handled. Even some informal sales training will give your new hire a sharper cutting edge.

Sales training can be broken down into three broad sections:

Customers/Prospects/Suspects.

- Who are current customers?
- Are there any house or protected accounts?
- Are there any split or shared accounts?
- What does a typical customer profile look like?
- Who has bought these products or services in the past?
- Who is a typical prospect for the product or service?
- How do I identify a suspect?

Wizard Note: The addition of a new salesperson is an ideal time to review your house accounts. Are there any house accounts that should be opened and reassigned and are there any open accounts that should be reclassified as house accounts?

Sales Territory.

- What defines my sales territory?
- What assistance will be provided in helping me organize my sales area?
- Will I have assigned accounts/clients/customers?
- Is there any historical sales information available?
- Who was handling the accounts previously?
- What problem accounts are there? Why?

Selling Techniques.

- What are some proven sales techniques for these products?

- What are some of the things to avoid?
- What prospecting techniques have worked in the past?
- What questions do I need to ask to properly qualify a prospect?
- What common objections am I likely to come up against and how do I handle them?
- What are some time-tested closes that work in this business?
- What do your best salespeople do well?
- How could your best salespeople be even better?
- What selling habits should I avoid?

Wizard Note: Eighty percent of salespeople have never had any formal sales training and won't know enough to even ask these questions. You have to ask and answer these questions for your new people.

Joint sales calls.

Should you send the new salesperson out on joint sales calls with more seasoned people? Yes, but only after they have had a chance to get acclimatized to the company and the other salespeople. This will probably take a few days to a week. I know you want to get them into the field as soon as you can but don't send them into battle prematurely. If you do decide to send them out on joint calls, I suggest you debrief new salespeople after the joint sales calls. Ask them what questions they might have as a result of the joint call. Also debrief the person the new body traveled with as well. What were his or her impressions of the new person? Were there any potential problems that arose? Do you have a keeper?

Wizard Note: Don't depend on joint calls to provide any real sales training. The best that can happen is the new salesperson gets to see how the old salesperson does it, and there's no guarantee the old salesperson is doing it right.

Don't do it all yourself.

There is no reason why the sales manager has to carry the whole burden of the new salesperson's orientation. Share the load with other key people within the organization. Let the office manager help with the internal procedures, policies, and forms training. Using some of the items from the checklist above, the administrative people can provide assistance with order processing and other internal procedures. The service manager can help with customer service questions, etc.

If one of your existing salespeople has aspirations towards sales management, give him an opportunity to prepare himself for a future promotion by taking on some of the responsibility to get the new person started on the right foot.

Not only does this remove some of the responsibility from your shoulders, but it also provides the new person an opportunity to meet and get to know others within the organization.

Take the time to do it right.

A common response to this list is, "It's going to take a lot of time to go through all this with the new salesperson and I don't have the spare time." You're right. It is going to take a lot of time, and you probably don't have any spare time. But this is not a project you do in your spare time. This is a prime-time project. That is why you have to plan it out in advance. That's why you have to clear your slate so you will have the time during the first few days (or weeks) to get the new salesperson up to speed as quickly as possible.

FINAL THOUGHT

Breaking in a new salesperson is like breaking in a new car engine. The more care you take, the longer it will last and the fewer problems it will give you. Make sure you "break in" your new hire properly so you get a good return on your investment of time and money.

Chapter Three: Compensating Your Salespeople

(or… Feeding the Tigers)

As you are probably aware, salespeople are not a philanthropic bunch. In fact, they can be downright mercenary when it comes to making money. This can be a problem. Some salespeople are so driven by money that they will say anything, promise anything, and do anything to make a sale no matter how bad the sale is for the customer and/or the company. These people are not sales professionals. In fact, some of them border on being con artists.

Sales professionals usually have personal goals they want to achieve for themselves and their families and they need money to do it. It's up to you to develop remuneration plans that will fairly compensate these people so that both they and you can reach your goals.

Salespeople should be made aware of where and how the organization makes its profit so they can help maximize your return on investment. Too many companies feel margins are none of the salesperson's business. Then they complain when their salespeople bring in unprofitable sales or seem to spend too much time on unprofitable opportunities. Good salespeople want to know how they can help their employer make the most money, if for no other reason than it affects their income. And this brings us to the subject of sales compensation plans.

Compensation plans should be set up on a win-win basis. I've seen plans where the more a salesperson sells, the less per sale he or she makes. That's not much incentive to sell. Consider making the plan tied to profitability if possible. The more profit the company makes, the more money the salesperson takes home.

A good compensation plan takes a long time to develop. Deciding the pros and cons between salary only, base salary plus commission, commission only and all the combinations in-between can be a real chore. There's no one plan that's right for everyone. What's good for one company is rarely good for another, at least not without some modifications or fine-tuning to meet the specific situation. While there's no need to reinvent the wheel, be cautious about adopting another company's remuneration plan in total. Use it as a guide only for developing your own.

Don't Overpay

As a sales management consultant I'm often asked, "How much should I be paying my salespeople?" Good question. Unless you're running a philanthropic organization or have more money than you know what to do with, you probably have asked the same question. "How much is too much?" is another good question and one I'll try to answer here.

Here's a quick test to see if you're paying too much. I modestly call it the *Jeffrey Theory of Direct Sales Compensation.* The theory states that direct sales compensation should be equal to or (preferably) less than 20 percent of gross profit. The lower the percentage the more efficient your sales operation is from a fiscal point of view.

That's it. I told you it was quick.

Direct sales compensation includes salaries, commissions, and bonuses. Indirect costs are taken into consideration in the more elaborate bean-counter or cost-of-sales method outlined next.

In order to determine whether or not you're overpaying, you'll need to calculate your true cost of sales. Some people do this incorrectly. They neglect to include the hidden costs such as benefits, expenses, and cost of supervision.

If you know your actual numbers, use them in the formula below. Otherwise use the percentages shown, and you'll be pretty close to reality.

The Cost-of-sales Formula

Start with the total yearly direct sales compensation (see above).

- Add 30 percent for benefits and taxes.
- Add 15 percent for supervision.
- Add in automobile expenses or allowances.
- Add in direct communication costs or allowances (pagers, cell phones, etc).
- Add yearly travel and entertainment (T&E) expenses.

The total is your annual cost of sales.

Now calculate what percentage your cost of sales is of your annual gross profit. The lower the percentage, the more efficient you are.

If it's less than 30% you're running a very efficient sales department. If it's between 30 to 35%, you're still okay but you may want to weed out any poor performers who aren't pulling their weight. If it's between 36 to 40%, you're running a high-cost, low-efficiency sales department. If your sales costs exceed 40%, you're in the danger zone and starting to pay too much for the sales you're getting.

Once your sales costs exceed 50%, you're running the business to feed your salespeople while you're probably starving.

Here's an example. Let's consider a sales department with five salespeople:

Total annual direct compensation cost	= $367,000
Benefits & taxes (30% of $367,000)	= $110,000
Supervision (15% of $367,000)	= $55,000
Auto allowances ($500.month x 5 salespeople x 12)	= $30,000
Cell phones	= $15,500
Annual T&E expense	= $48,500
Total	**= $626,150**

The annual gross profit was $1,897,000, which means the cost of sales was about 33 percent. While that's okay, it's a bit too high for my liking. I'd want to do the calculations for each of the salespeople to see if I have any problem children. If all the salespeople were about equal, I'd look at my overall margins to see if they're too low, my costs too high, or if my compensation packages are too generous.

K.I.S.S. (Keep it Simple Sales Manager)

Whatever plan you devise should be simple and to the point. Salespeople should be able to quickly calculate what they have earned from any particular sale.

I've seen compensation plans that are 15 to 18 pages long and take salespeople weeks to wade through and understand. A complex plan like that will have salespeople stewing for hours trying to figure out what they made on a particular deal when they should be out chasing the next opportunity. You don't want your salespeople spending more time working the plan that they spend working the street.

The Sales Wizard Says...
Remember the elevator rule. If it takes longer than an 11-floor elevator ride to explain your compensation plan, it's too complicated.

Here are some ideas, hints, and tips on sales compensation plans that will help you develop your own plan or fine-tune your existing one.

Start at the End

The most common approach to developing a compensation plan is to decide how much money you want your salespeople to make at a particular level of sales. For example, you may decide that at $600,000 annual sales, the salesperson should make $60,000. The numbers 600,000 and 60,000 are purely arbitrary, and I have chosen them for the sake of simplicity. Your numbers are likely to be quite different. The type of compensation plan you choose will determine how much the salesperson will make if his or her sales are less than or more than $600,000.

By starting at the end, you have a specific point to build your plan around. The end point is usually determined by what is being paid for similar effort within competitive firms. In other words, the employment market and economic climate will set the potential income level.

If you're not sure what percentage of your gross sales or gross margin you should be allotting for sales compensation, do a mini compensation survey. Talk with several other companies in the same type of business. If you can't find anyone local to talk with, call a few similar companies in other cities. Pick cities where the companies you call don't directly compete. Offer to exchange strategic information with the company president. Progressive companies will be delighted to talk with you because they aren't sure if they're overpaying or underpaying their own people and may welcome some outside input. Offer to share the blind results of your survey with all participants. Make sure the survey results are blind by stripping any identifying information. No company wants its confidential compensation plan spread around.

If you decide to do a mini compensation survey, keep the questions few and simple. For example, you might ask: "What would a typical salesperson's income be at $300,000, $500,000, $700,000 and $900,000 of gross sales?" Notice how the amounts bracket your $600,000 of expected sales. This allows you to get some idea of what the underachievers as well as the superstars might make.

The Perfect Plan

Brace yourself: There's no perfect plan! Some plans are likely to be better suited for your type of selling than others. There's nothing to say you can't have several types of plans in place if your company has several types of sales situations or product lines. However, each plan should use the K.I.S.S. principle and be simple and easy for the salespeople to relate to.

From a company's point of view, a well-designed compensation plan should have two main purposes:

1. To compensate the salespeople in relationship to the value of their contribution to the company, and;
2. To allow the company to help the salespeople focus their efforts in the direction that will benefit them while helping the company achieve its sales and profitability objectives.

From the salesperson's point of view, the perfect plan would probably contain the following elements:

- Adequate income for adequate performance
- Superior income for superior performance
- Incentives for special achievements
- A base income for security purposes
- No penalty for underperformance
- To be compensated for what they can control
- An open-ended plan for unlimited income opportunities
- Clear ground rules for payment
- A stable plan that doesn't change too often
- Easy to understand and use

And above all, perceived as being fair to the employee and the company

The Sales Wizard Says...
No matter how fair you make your compensation plan, someone will feel it's unfair.

The Top Six

With the exception of straight salary, most compensation plans will have some portion of the income "at risk." The "at risk" portion has to be "earned" by the salesperson. High-risk plans attract entrepreneurial-type salespeople and those who are motivated by money. No- or low-risk plans attract the more conservative, stable, security-conscious salesperson. Each plan has its place. The six most common compensation plans are:

- Straight commission (high risk)
- Commission plus draw (high risk)
- Straight salary (no risk)
- Salary plus commission (some risk)
- Salary plus bonus (no to low risk)
- Salary, commission and bonus (low risk)

The Sales Wizard Says...
The higher the risk,
the larger the reward.

Let's look at each of these plans in detail:

Straight Commission (High Risk)

The highest paid salespeople in North America are paid on straight commission. Only the most confident of salespeople will choose this plan. Many firms will include a guaranteed monthly income for the first three to six months in order to let the new salesperson come up to speed. During this ramp-up period, there's usually no commission paid.

Use straight commission compensation plans when:

- You are in an emerging industry or niche market.
- You are in a weak competitive position.
- You have limited financial resources.
- The sales cycle is short.
- Generally, only one salesperson handles a sale.
- Salespeople are expected to be self-managers.

Advantages:

- Appeals to the entrepreneurial-type salesperson.
- Minimum sales costs.
- Easy to calculate and administer.
- Financial motivation is maximized.
- Attractiveness of uncapped earning potential.
- Attracts high performers.

Disadvantages:

- Salespeople may be inclined to make bad sales (to get a commission).
- Low or no control over the salespeople.
- Insecure income.
- Discourages cautious but otherwise good salespeople.
- Salespeople are highly susceptible to competitive offers.

In North America, there is a difference in attitude between US and Canadian salespeople. In general, US salespeople are less risk adverse and are willing to go for the gold by accepting whatever compensation plan will provide them with the greatest income potential.

On the other hand, Canadian salespeople, for the most part, don't like straight commission. Perhaps it's their conservative nature. Being a Canadian, I can say this — we seem to be a nation of risk-adverse people. We don't like to take chances, even on our own abilities. Two of our key national traits are that we have more money in savings accounts, and we buy more insurance per capita than any other country.

Straight commission makes the average Canadian salesperson nervous so you're going to have to find some above-average ones if you want to use this type of remuneration plan.

A way to reduce the nervousness is to offer a variation on this plan. Pay a fixed guaranteed monthly income for the first three months and then reduce the guaranteed monthly income by 25 percent a month for the next three months while paying a commission. This has the effect of weaning the new salesperson off the guaranteed monthly income and on to straight commission (Tables 1 and 2).

Table 1: A straight commission plan with a fixed guaranteed monthly income for the first six months.

	Month						
	1	2	3	4	5	6	7+
Guaranteed Income	$2,000	$2,000	$2,000	$1,500	$1,000	$500	$0
Commission ?	No	No	No	Yes	Yes	Yes	Yes

Table 2: If you have the type of business where the salesperson can become productive quickly, you may want to revise the Table 1 format slightly by easing the transition to commission in a manner such as this.

	Month						
	1	2	3	4	5	6	7+
Guaranteed Income	$2,000	$2,000	$2,000	$1,500	$1,000	$500	$0
Commission ?	No	No	No	25%*	50%*	75%*	100%*

*of commission due

Notice that the percentage of commission paid increases as the guaranteed monthly income decreases. This format minimizes the problem of the salesperson who comes up to speed very quickly and collects a large guaranteed monthly income plus commission in month four as would occur in the first example.

The salesperson should be given the option of converting from guaranteed income to straight commission at any time during the six months. However,- once he converts to commission, he can't revert to a guaranteed income.

There are four basic types of commission plans:

1. Straight commission on gross sales.
2. Straight commission on gross margin.
3. Progressive commission.
4. Regressive commission.

Straight commission on gross sales.

This plan pays a fixed percentage of the gross sale. It's easy to calculate and easy to administer. If the commission rate is 10 percent and the salesperson sells $600,000 in the year, he or she makes $60,000. The best plans are open-ended, in that the more the person sells, the more he or she makes. The plan works best where the gross margins (GM) are similar between products and where management has good control over the GM (Fig. 1, page 58).

Straight commission on gross margin.

This plan pays a percentage, usually fixed, of the GM on the sale. Theoretically, this plan encourages the salespeople to sell high-margin products while in practice many salespeople still seem to sell what is easiest to sell, not what makes them the most money.

Make sure everyone understands what constitutes GM. Simply stated, GM is the selling price less the cost of the goods sold. For hard-to-cost-out items such as services, many

For example, on technical or repair services, the company might assume an across-the-board 35 percent GM for the sake of simplicity. That 35 percent might be adjusted on an annual basis as true costs were determined.

While difficult to administer, this plan is a good one to consider if your products or services have varying gross margins (Fig. 2, page 59).

Progressive commission.

The commission rate increases as the total sales volume increases. As shown in the example (Fig. 3, page 60), at $600,000 in annual sales the sales- person would make $60,000, the same as if she had been at 10 percent fixed commission. The difference is that there's a financial incentive to push for higher sales. The progressive commission plan can be used with either gross sales or gross margin.

Regressive commission.

Here, the commission decreases as the total sales increase. As shown in the example (Fig. 4, page 61), at $600,000 in total sales the salesperson would still make $60,000 but she would make less and less as her sales increased. This plan is often used where the initial sale is difficult but subsequent or repeat sales are easier or even automatic. The regressive commission plan can be used with either gross sales or gross margin.

The year end dilemma.

Whenever you have a plan with a varying commission rate, you have to decide what to do when you roll the plan over into the next fiscal year.

Salespeople who operate under a regressive commission plan are delighted to see the new year come and their commission rates go back to a higher rate. In some cases, salespeople have

been known to ask customers to delay submitting their orders until the new (higher) commission plan kicks in.

On the other extreme, salespeople on a progressive commission plan are prone to armed revolt if you reduce the commission rates.

You have two major options. One is to simply reset the plan at the beginning of each year and start it over again. What usually happens is that the plans are reviewed, and the quotas and commission rates are adjusted to take into consideration current economic conditions. Be very cautious about raising commission rates, even in good times, because it's exceedingly difficult to reduce them later, even when times get bad. Instead, consider some type of bonus plan based on exceeding company profit goals.

The second option is to keep the plan at its current level for as long as the salesperson maintains that level of sales performance. This works only with the progressive commission plan and its variants. For example, using the plan outlined previously (Fig. 3), if your salesperson is consistently performing at an annual sales performance of between $600,000 and $800,000, leave him at a constant 12 percent commission rate. Monitor his performance on at least a quarterly basis to assure yourself that the performance is still there. If it isn't, you can adjust the commission rate downward. If he's performing better than expected, you can be sure he'll soon be on your doorstep trying to negotiate a higher commission rate.

Commission Plus Draw (High Risk)

By providing a draw against commission, the company helps even out the monthly variations in a salesperson's pay envelope. A draw against commission also allows the salesperson to concentrate on his job, not on how to make his mortgage payment. Financial pressures don't always drive salespeople to be more productive. Sometimes it simply drives them out the door to another job.

A draw can be either recoverable or non-recoverable. A recoverable draw is basically an advance or loan against expected earnings. If the salesperson leaves the firm owing the company money, an attempt will be made to recover it. A non-recoverable draw is like a minimum salary, and failure to cover the draw is usually forgiven at the end of the accounting period. Some firms offer a non-recoverable draw for the first three to six months and then change to a recoverable draw after the salesperson is up to speed.

Use commission plus draw compensation plans when:

- The sales cycle is long.
- Salespeople are expected to take several months to come up to speed.
- You are in an emerging industry or niche market.
- You are in a weak competitive position.
- You have limited financial resources.
- Generally, only one salesperson handles a sale.
- Salespeople are expected to be self-managers.

A commission plan with a recoverable draw has the same advantages and disadvantages as the straight commission plan. A commission plan with a non-recoverable draw removes some or much of the risk (depending on the amount of the draw) and gives it the same advantages and disadvantages as the salary-plus-commission plan that we'll look at later.

Whatever plan is used, it's important that an accounting system be in place to closely track sales, draws paid, commissions earned, and balances outstanding

---

Wizard Note: It's important that salespeople understand what type of draw plan they are on, particularly if it's a recoverable draw. It must be made clear to them that the company is "loaning" them money to help them get established and they are expected to pay it back just like any other loan. If they leave, for any reason, and their payroll account is in a negative position, the company expects them to pay it back.

The amount of the draw is usually equal to or less than one-twelfth the expected annual income. Most often it's 15 to 40 percent less. For example, if a salesperson's expected annual income is $50,000 (about $4,167 a month), his or her draw could be in the range of $2,500 to $3,600 a month.

The draw should have an established dollar limit. Limits are usually equal to a one-, two-, or three-month draw. This means a salesperson drawing $2,500 could go to -$2,500, -$5,000 or -$7,500 before the draw is stopped, depending on the limit established. Don't cut off a salesperson's draw without warning and/or discussing it with him beforehand. A more humane approach is to reduce the draw rather than cut it off altogether.

The Sales Wizard Says...
Remember the rule on Draws:
Don't pay more than you're prepared to lose.

When the draw is close to or equal to the expected annual income, some companies don't issue a commission cheque until the commissions earned exceed the draw paid by a predetermined amount. For example, if a salesperson's draw is $2,000 a month, the company wouldn't pay any commissions until the amount owing the salesperson exceeded $6,000 (three months' draw). Any commissions earned over the $6,000 threshold would be paid to the salesperson. In essence, the company is maintaining an internal "bank" account for the salesperson and allows a

---

Wizard Note: Beware of the salesperson who has fallen two or three months behind without some valid reason or some high-potential opportunities in the wings. If someone falls so far behind that he doesn't think he can catch up, he may get discouraged and let his performance

drop even more. Sometimes a salesperson will do this in the hopes you will fire him and forgive the "loan." Make sure you talk to the individual long before the danger point is reached.

When to pay commissions.

There are four basic times that commissions can be paid:

1. On receipt of the customer's order
2. On delivery of the product or service
3. When the client is invoiced
4. When payment has been received

In general, you should reward (pay) salespeople for what you want them to do and for what they have some or complete control over. This usually means paying the commission after they get the commitment from the client (purchase order).

Most salespeople have minimum control over delivery of the product or service or when the accounting department finally gets around to sending the invoice. If you hold onto the commissions until the invoice gets paid, you run the danger of turning the salesperson into a bill collector, which may tarnish the salesperson's relationship with the client.

Straight Salary (No Risk)

This compensation plan is the easiest to administer. It's commonly used for salespeople in:

- Highly seasonal industries
- High-tech industries
- Retail sales
- Route sales
- Missionary or educational sales
- Team or group selling
- Order-taking-type sales
- Highly customer-service-oriented sales
- Long-sales-cycle sales
- When developing new accounts or territories

Use straight salary compensation plans when:

- Your industry is stable and has established buying practices, long sales cycles, and potential for long-term business.
- You are in a secure market position with established repeat clients.
- The sales function is highly service-oriented and/or substantially consultative.
- There is a great deal of pre- and post-sale activity on the part of the salespeople.
- You use team-selling.

Advantages:

- Appeals to the stable, conservative, security-conscious-type salesperson.
- Provides salespeople with a stable, predictable income.
- Allows management to stress team selling.
- Allows salespeople to service the clients without losing income.
- Easy to administer.
- Fixes your sales expenses.
- Makes it easier to assign accounts and territories.

Disadvantages:

- Lack of monetary incentives removes a strong incentive factor.
- Requires skilled sales management to keep staff motivated.
- Makes it difficult to attract and hold top performers.
- Existing staff are vulnerable to better job offers.

Because the salesperson's income is not directly tied to his efforts, many companies fail to monitor performance. This is a big mistake. If a person's sales cannot be determined, then his activities must be monitored to assure performance. A salaried salesperson must be kept as accountable for his results as his commissioned brothers and sisters.

Salary Plus Commission (Some Risk)

This is a variation of the non-recoverable draw against commission plan outlined above except the draw is never recoverable and the commission rate is usually less. Salary plus commission plans come in two flavours — low risk and high risk.

High base salary/low commission (low risk)

Use a low-risk (high base, low commission) compensation plan when:

- Your company and products are established.
- Your customer base is stable and loyal.
- Your advertising and promotional efforts impact sales.
- The salespeople have a low to moderate effect on the outcome of the sale.

Advantages:

- Appeals to security-sensitive salespeople.
- Base salaries can be varied to take into consideration the salesperson's experience.
- Sales expenses are relatively easy to predict.
- Relatively easy to administer.
- Reward for performance.
- Some financial incentive while maintaining the advantages of a straight salary.

Disadvantages:

- Actual financial incentive (motivation) may be low.

The Sales Wizard Says...
High base salaries can cause salespeople to become lazy.

Low base salary/high commission (high risk)

Use a high-risk (low salary, high commission) compensation plan when:

- The salespeople have a considerable impact on the sale.
- Your sales cycle is relatively short.
- You feel a need to financially motivate your salespeople.

Advantages:

- Appeals to entrepreneurial-type salespeople.
- Base salary acts as a guaranteed income.
- Base salaries can be set quite low.
- Base salaries can be varied to take into consideration the salesperson's experience.
- Financial motivation is maximized.
- Attractiveness of uncapped earning potential.
- Attracts high performers.

Disadvantages:

- Salespeople may be inclined to make bad sales (to get a commission).
- Reduced control over the salespeople.
- Salespeople are somewhat susceptible to competitive offers.

A typical plan could look something like this:

Base salary:	$30,000 per year
Commission:	5% on gross sales
Earnings at $600K sales:	$60,000

The ratio of salary to commission is variable and often negotiable. The higher the base salary, the lower the commission. The lower the salary, the higher the commission.

Examples:

Base salary:	$40,000
Commission:	3.33% on gross sales
Earnings at $600K sales:	$60,000

Base salary:	$20,000
Commission:	6.66% on gross sales
Earnings at $600K sales:	$60,000

Notice how everything revolves around the $600,000 starting (or end) point discussed earlier.

Whether the person gets a $20,000, a $30,000 or a $40,000 base is usually determined by his or her level of experience — or negotiating skills perhaps. Fig. 5 and Fig. 6 on pages 62 and 63 illustrate base salary plus commission plans.

Salary Plus Bonus (No to Low Risk)

This plan is usually the least desirable for many salespeople. That's because the bonuses are often discretionary and too many factors out-side the salesperson's control can come along to snatch the bonus away.

Use a salary plus bonus plan when:

- You have a very long sales cycle.
- Sales volume is not a total indicator of sales effectiveness.
- Salespeople have a low to moderate effect on the outcome of the sale.
- Your customer base is broad and varied.
- Targets and bonuses can be easily set.
- Sales teams rather than individuals are involved in the sale.

Advantages:

- Provides flexibility in performance management.
- Marketing objectives can be translated into financial incentives.
- Both selling and non-selling activities can be rewarded.
- Cost of sales is more predictable.
- Base salary provides income stability.
- Bonus plans allow teams to be rewarded.

Disadvantages:

- Calculations and administration can become complex.
- Bonuses can become "expected" rather than earned.

Bonuses usually range from five to 20 percent of a salesperson's annual expected earnings and should be based on specific, measurable criteria.

Here are a couple of typical plans based on performance targets:

Salary:	$57,000
Bonus @ quota ($600,000):	$2,500
Bonus @ $700,000:	$5,000
Bonus @ $800,000	$7,700

Salary:	$50,000
Bonus @ quota ($600,000):	$10,000
Bonus @ $700,000:	$10,000
Bonus @ $800,000	$10,000

The question always arises: If the salesperson sells $799,999, is she eligible for the last $10,000 bonus? While you'd have to be pretty hard-hearted not to pay it, where do you draw the line? You might want to consider a pro rata bonus. For example, if the salesperson sold $750,000 by year end, give her 50 percent of the bonus ($5,000). If you take this approach, however, you lose some of the incentive element that the bonus plan is intended to create.

Whatever you decide, make sure the rules are crystal clear or you'll have a real fight on your hands at year end.

An annual bonus can also be paid on reaching various performance points. For example:

Salary = $55,500
Quota = $600,000

Year-end bonus for reaching:

90 percent of quota	=	0.25% of gross sales ($1,350)
95 percent of quota	=	0.5% of gross sales ($2,850)
100 percent of quota	=	0.75% of gross sales ($4,500)
105 percent of quota	=	1.0% of gross sales ($6,300)
110 percent of quota	=	1.25% of gross sales ($8,250)
115 percent of quota	=	1.5% of gross sales ($10,350)

Bonuses can be paid on the company's profitability as well. This plan won't sit well with the salespeople if there's a lot of overhead or high-priced staff who don't contribute directly to the bottom line. Salespeople will perceive the overhead as eating away their potential bonus.

A caution on bonuses, particularly ones tied to the company's profitability. Even when profits are down, some salespeople may exceed their quotas and be anxiously awaiting their bonuses. They will view non-payment of anticipated bonuses with great despair and displeasure and it may prompt them to find employment elsewhere. Even though the rules will have been clear, they will be unhappy and may view non-revenue producing staff members as causing the profits to be down. The drop in morale can be substantial.

When to pay bonuses.

In some firms, bonuses are paid out once a year. Bonuses, like compliments, have a greater impact if they are paid close to the event that warrants them. Semi-annual or quarterly bonuses will have a greater motivating effect on the salespeople. Monthly bonuses are usually difficult to calculate and may lose their effect of being a "bonus" and become looked upon as simply part of the salary.

One way to minimize the problem of bonuses being taken for granted is to turn the presentation of the cheques into a bit of an event. And a good time to do this is at your sales meetings. Without telling anyone how much another person has made, present the cheques in increasing order of value with the last person obviously getting the largest bonus. Ask the group to give the top bonus receiver a round of applause. It acts as a resounding pat on the back for the person. This approach has the side effect of also putting the spotlight on the person who received the smallest bonus. You can avoid singling out this person by presenting all but the top bonus cheque in random order.

Salary, Commission and Bonus (Low Risk)

This hybrid plan is usually an attempt to be all things to all people and is often very complicated, convoluted and confusing. The plan's merit lies in management's ability to juggle dollars in tight times and to hold onto the discretionary bonus until it absolutely has to be paid out.

Use a combination salary/commission/bonus compensation plan when:

- You have a very long sales cycle.
- Your products have widely ranging profit margins.
- Sales volume is not a total indicator of sales effectiveness.
- More than one salesperson may be involved in the sale.
- Salespeople have a low to moderate effect on the outcome of the sale.
- Your customer base is broad and varied.
- Targets and bonuses can be easily set.

The advantages and disadvantages of this type of plan are similar to those associated with the high base salary/low commission plan noted earlier, but with the added aggravation of being a nightmare to administer.

Split Commissions

My first bit of advice is to avoid split commissions if you can. Having said that, there are some situations where a commission split is warranted.

A split commission is appropriate if you have a situation where two or more salespeople will be involved in a sales opportunity. A split commission is probably *not* appropriate if you try to split the commission between a salesperson and non-sales personnel such as technical support, telemarketing, customer service, etc. While these people are important to the sale, it's the salesperson who is on the firing line and whose income depends upon making the sale.

A split commission *may* be appropriate in the case where a salesperson is working on a house account and is doing more of an account maintenance function rather than the classic sales role, although this is usually a situation that warrants a reduced commission rather than a split commission.

The Sales Wizard Says...
Define commission splits
before the sale, not after.

How to split commissions? There is no easy answer to this question, but I have some ideas to share with you.

The key is to divide the sale into some natural occurring events or situations and then applying an appropriate percentage to each part. For example, let's assume the sale can be broken into four parts: lead generation, qualify and sell (I call this probe & prove), close, and post-sale support.

If a salesperson finds the opportunity, qualifies it and makes a sales presentation, closes the sale, and the product is delivered to his area where he is expected to provide after-sale support, then he gets 100 percent commission.

On the other hand, let's suppose Salesperson #1 finds a lead and passes it on to Salesperson #2 who then qualifies, presents, and closes the sale. The end product is delivered to Salesperson #3's area and he will be responsible for the after-sale support. Now we have a three-way split on our hands.

Now it's a matter of what percentages to assign to each portion of the sale. One way is to simply divide the commission into four equal parts, giving a 25% portion of the commission to Salespeople #1 and #3 and the remainder (50%) to Salesperson #2.

Rather than simply dividing the commission in equal parts, it makes more sense to assign percentages in proportion to the effort or difficulty involved. For example, a better split might be:

Lead generation:	10%
Qualify & Present:	50%
Close:	20%
Post-sale support:	20%

A typical three-part sale might be:

Lead generation:	15%
Qualify & Present:	70%
Close:	15%

These percentages are certainly not cast in stone but are presented here as guidelines. You may find that a typical split-commission sale only has two parts or perhaps as many as five to eight.

It doesn't matter how many parts you decide to divide the sale into. What matters is that you decide how many parts and you assign the percentages to each part *before* you have to actually split a commission.

If you wait until you have a bunch of burly salespeople standing in front of you with their hands out, all wanting more than their fair share of the commission for a big sale, you're in trouble… big trouble.

If you're going to have split commissions, make them part of your compensation plan. Spell out the details up front so everyone understands them.

Reduced Commissions

If you have situations where a reduced commission is appropriate, make sure they are spelled out in advance and documented in your compensation plan.

Examples of situations that might warrant a reduced commission are:

- Selling into a house account.
- Follow-on sales where the bulk of the selling has already been done.
- Sales of small margin products.
- Sales of end-of-line or inventory clearance items.
- Sales of supplies in support of a major item sale.

Make sure your salespeople know, in advance, that they will not be receiving their full or normal commission for this type of sale. If you don't, you're likely to have some annoyed salespeople to deal with.

Documenting the Compensation Plan

While they are not generally detail oriented, most salespeople will want to know about their compensation plan in detail. Here's a simple template to use in developing your own plan description:

1. Purpose
A statement of the importance of the plan, the role of the salesperson in the success of the company, etc.

2. Plan Overview
A brief summary of the plan's features.

3. Eligibility
Conditions to be met for a person's inclusion in the plan.

4. Plan Components
Description of elements of the plan—salary, commission, bonuses.

5. Plan Qualifiers
Details of all the qualifiers and conditions such as definition of a sale, payment thresholds, split commissions, house accounts, windfalls, shortfalls, caps, incentive earnings, etc.

6. Legal Statement
This section contains any of the usual relevant and/or company-specific statements indicating the right to change the plan and other standard legal gobbledegook.

7. Appendix
Put the supporting documentation such as salary ranges, commission rates, product categories in this section. It's wise to include a couple of compensation examples as well.

Avoiding Lawsuits

A lot of post-employment aggravation, where either a salesperson leaves you or you leave the salesperson, can be avoided if the compensation plan covers off the items in the checklist below.

Some of this grief is the result of simple misunderstandings and are worked out after tense discussions where both tempers and maturity are tested. Some end up in the courts where a judge will decide what was and wasn't intended by what was written in or left out of your compensation plan.

No checklist can ever cover every eventuality, but if you can cover off some of the major causes of potential grief you may well avoid lawyer's fees and court costs.

The Sales Wizard Says...
Have your salespeople sign off on your compensation plan showing that they have read and understand it.

Be Clear with your Intentions

As you go through my checklist, avoid the tendency to pooh-pooh what appears to be obvious.

For example, what is a sale? Is a lease a sale? Is a purchase order that has yet to be accepted by the credit department a sale? Is it only considered a sale after it has been invoiced?

What is the value of a multi-year sale with annual call-offs? Does the salesperson get credited with the full value of the contract or just the annual call-offs?

What happens if the product or service gets delivered after the salesperson has left the company? Is he still entitled to remuneration and if so, for how long?

Get the idea? Be clear with your intentions.

Compensation Checklist

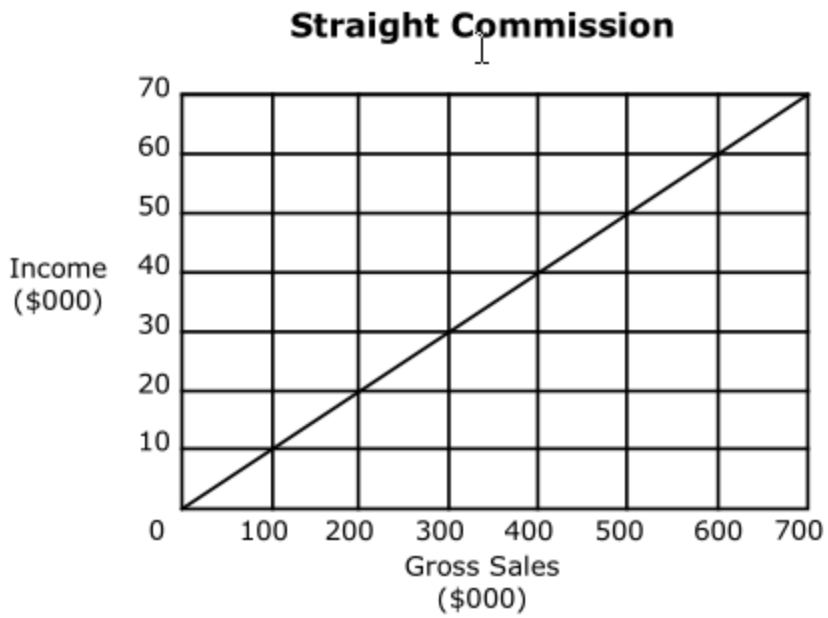
Here are some of the key issues that need to be addressed in the compensation plan documentation. The list is by no means complete but it's a great starting point.

- What constitutes a "sale"?
- How are low-margin sales handled? What is the value of a sale for commission purposes or credit towards quota?
- When is the salesperson credited with a sale? Some options are:
    - -upon receipt of the purchase order or contract,
    - -upon delivery,
    - -upon invoicing,
    - -upon payment.
- When are commissions due (or owed)? Some options are:
    - -when credited with the sale,
    - -upon delivery,
    - -upon invoicing,
    - -upon payment.
- When are commissions paid: weekly, monthly, quarterly, or annually?
    - *Note:* These last three points are particularly important if a salesperson leaves or is terminated.
- Do you provide a draw against commission?
    - -If so, how much and under what conditions and terms?
    - -What type of draw: recoverable or non-recoverable.
    - *Note:* Draws can be a financial minefield.
- Is there a bonus plan in place? If so, under what terms will a bonus be paid and how much will the bonus be?
- What happens if a salesperson doesn't make his or her monthly/ quarterly minimum sales targets?
- Are or should monthly/quarterly minimum sales targets be seasonally adjusted?
- How are bad debts, refunds, or returns handled?
- What happens in the event of a cancelled project, sale, or contract?
- Are assigned territories and/or accounts properly defined?
- Are there any house accounts? What happens on a sale to a house account?
- What happens when a salesperson leaves the company? When do commissions stop being owed?
- What happens when you fire a salesperson?
- Is there a need for split commissions? If so, how will they be split?
- In the case where an account is turned over to a new salesperson, how is the former salesperson compensated for residual business that might occur, and for how long.
- What dispute resolution solutions are available to each party?

Final Thought

Your compensation plan should be simple, fair, and competitive. You want your plan to focus your salespeople on the job to be done and to motivate them to want to achieve their personal goals. Nothing to it, right? Yeah, sure!

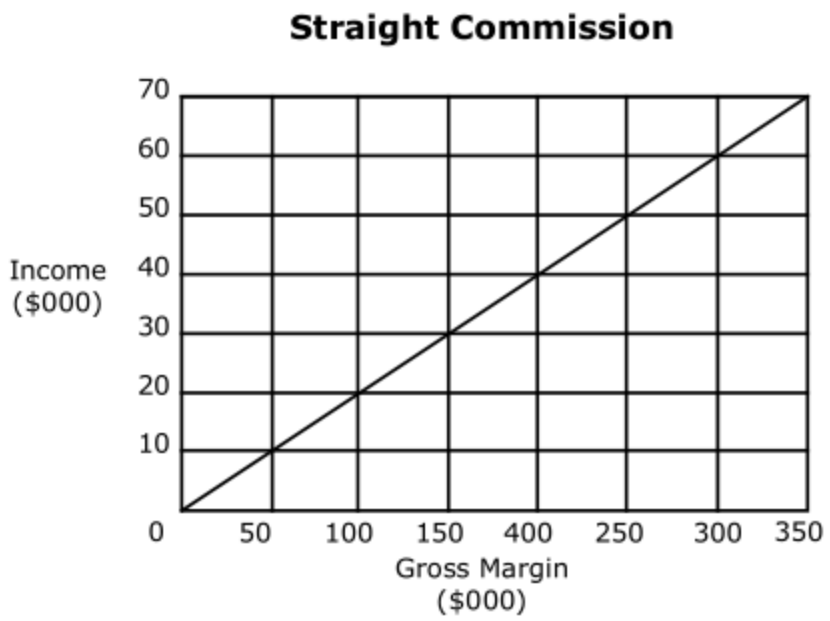
Figure 1:



Gross Sales ($000)	Annual Income ($000)
100	10
200	20
300	30
400	40
500	50
600	60
700	70
800	80

Figure 1. A straight commission plan based on 10 percent of gross sales.

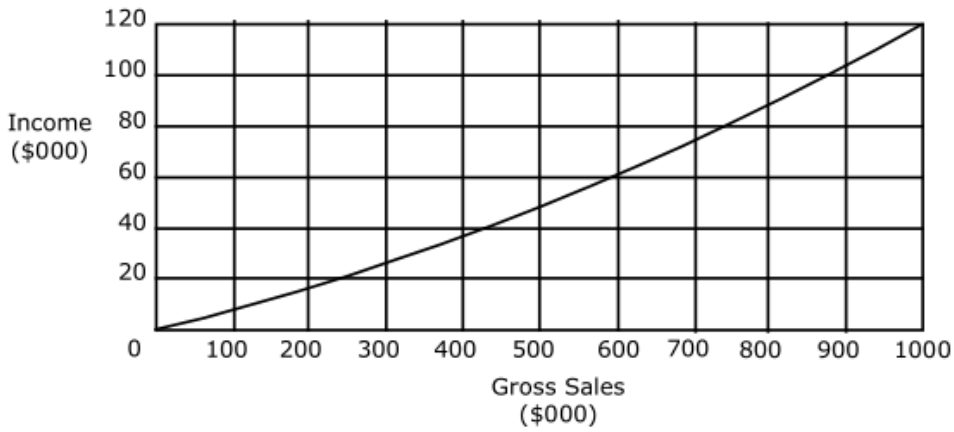
Figure 2:



Gross Margin ($000)	Annual Income ($000)
50	10
100	20
150	30
200	40
250	50
300	60
350	70
400	80

Figure 2. A straight commission plan of 20 percent on gross margin.

Figure 3:



Gross Sales ($000)	Annual Income ($000)
100	8
200	16
300	26
400	36
500	48
600	60
700	74
800	88
900	104
1000	120

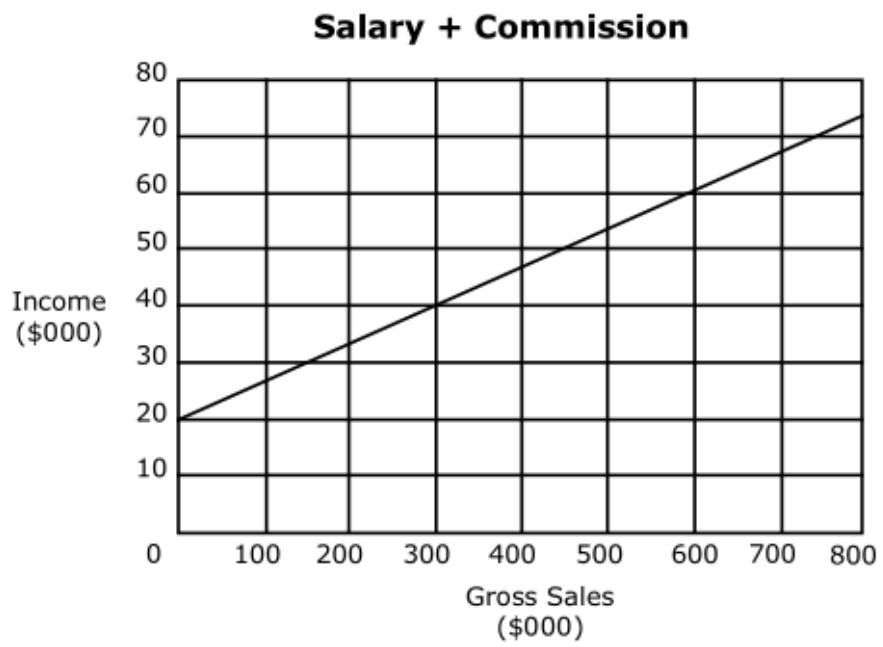
Figure 3. A progressive commission plan based on:
8 percent commission on the first $200,000 of gross sales
10 percent on the next $200,000 (to $400,000)
12 percent on the next $200,000 (to $600,000)
14 percent on the next $200,000 (to $800,000)
16 percent on gross sales over $800,000

Figure 4:

Gross Sales ($000)	Annual Income ($000)
100	16
200	32
300	45
400	58
500	68
600	78
700	85
800	92
900	96
1000	100

Figure 4. A regressive commission plan based on:
16 percent commission on the first $200,000 of gross sales
13 percent on the next $200,000 (to $400,000)
10 percent on the next $200,000 (to $600,000)
7 percent on the next $200,000 (to $800,000)
4 percent on gross sales over $800,000

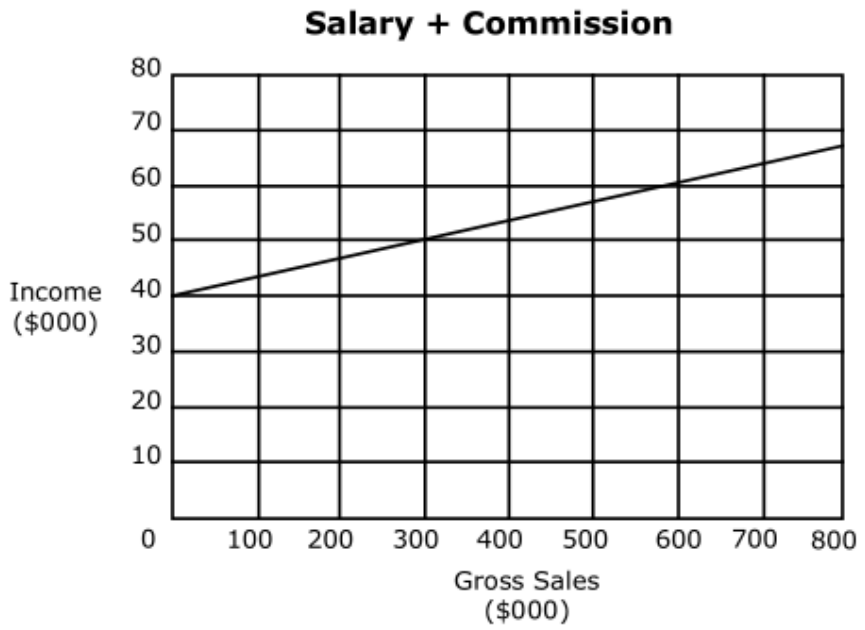
Figure 5:



Gross Sales ($000)	Annual Income ($000)
100	27
200	33
300	40
400	47
500	53
600	60
700	67
800	73
900	80
1000	87

Figure 5. A compensation plan based on $20,000 base salary plus 6.66 percent commission on gross sales.

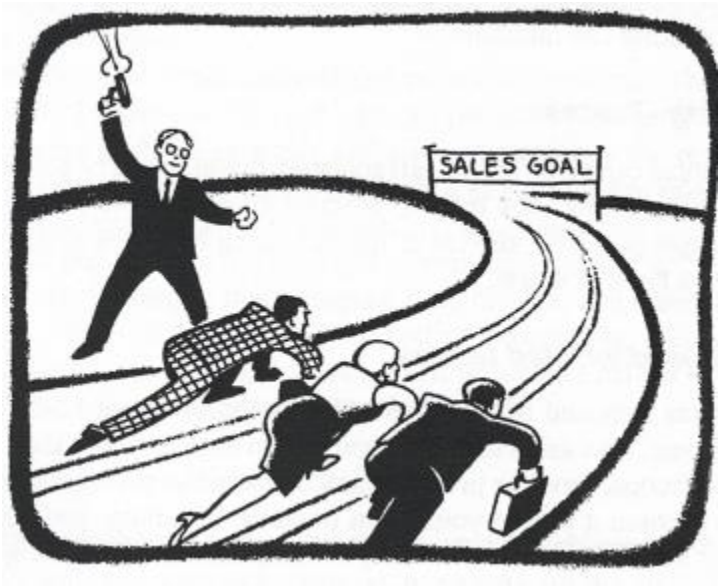
Figure 6:



Gross Sales ($000)	Annual Income ($000)
100	43
200	47
300	50
400	53
500	57
600	60
700	63
800	67
900	70
1000	73

Figure 6. A compensation plan based on $40,000 base salary plus 3.33 percent commission on gross sales.

Chapter Four: Setting Quotas, Targets, Forecasts & Goals



(or… Challenging the Troops)

As a sales manager, one of your annual tasks is to sit down with your salespeople and set mutually acceptable sales targets and quotas along with levels of sales activity. Then, for the rest of the year, you must ensure they're hitting their targets by monitoring their activities and results. And then, if they aren't "making quota," it's your job to find out why and help. That's a major part of what sales management is all about.

Sales Quotas & Targets

A sales quota is the gross amount of business that either a salesperson says he can do or the company says must be done. It's usually a *target* if the salesperson sets it and a *quota* if the company sets it. In either case, too many people generate the number using the SWAG method (Scientific Wild-Ass Guess). When you consider that hiring, product purchase, advertising, expansion, and other decisions are made based on the estimated future earnings, it's important they be set realistically.

I've seen too many companies hand down the numbers and then make operating decisions as though the numbers will come to pass, no matter what. This usually results in cash flow crunches followed by recriminations and scorn being heaped on the sales department for not making the numbers.

Creating Quotas

Sales quotas can be inflicted, extrapolated, dreamed-up or developed. Regardless of how they evolve, without agreement or buy-in from the salespeople, the exercise of quota setting becomes academic at best and a farce at worst.

Imposed/Inflicted Quotas

Quotas imposed from above and inflicted on those below are a closed issue. As a sales manager, you can do nothing more than motivate the troops, monitor progress and manage the process. Imposed quotas become a test of your team building, coaching, and creative thinking abilities. You have to keep rallying the team, coaching them for continual results while creatively dreaming up ways to make things happen.

Extrapolated Quotas

Extrapolated quotas are often the result of no real planning. In good times, the company simply states that this year's quota will be 10 percent (or whatever) higher than last years. In bad times, the company expects the salespeople to do at least as well as last year. No matter how bad the market situation is, it's a rare company that takes a look at the economic conditions and establishes a quota less than last year's.

Dreamed-up Quotas

A dreamed-up quota is usually a figment of the salesperson's imagination. It comes about because the salesperson knows she won't be held accountable for achieving it. The idea is that the salesperson tells her sales manager whatever he wants to hear. It doesn't matter if the numbers are unattainable.

Developed Quotas

A developed quota has the best chance of success because it's developed as a joint effort between the salesperson and the sales manager. A properly developed quota has a high possibility of acceptance on the part of the salesperson. If achieving the quota is tied to the salesperson's personal or business goals, the chances of success become even higher.

When developing sales targets and quotas, it's important that they be mutually established. If your salespeople aren't involved in setting the sales goals, they won't feel any responsibility for reaching them. No amount of brow-beating will get a salesperson to take ownership of a sales goal that he or she didn't have a key role in setting.

Mutual goal setting removes the salesperson's major excuse for not reaching the target. If you impose it on him, he will claim it was unrealistic. If he is part of the goal-setting process, he will accept responsibility for achieving the goal. And it becomes a matter of pride for the true sales professional to reach the goal.

Developing "Developed" Quotas

As a sales manager, you know what you must achieve for the upcoming year if the company is to be successful (or survive!). This number becomes the base on which you have to develop individual quotas with your salespeople.

One approach is to tell the salesperson what the proposed quota is for the upcoming year and see if she feels she can achieve it. If she says yes, you're almost home-free. Now you just have to assist the salesperson to develop a plan to achieve the desired results. This method differs from an inflicted quota in that the salesperson is free to say no.

Another approach is to ask the salesperson to turn in her own quota (best guess) and wait to see if her guesstimate equals or exceeds your base number. If so, all that remains is to develop the plan to make it happen. If her quota is less than the number you need, you have a selling job to do. At this point, disclose the base number and see what can be done about closing the gap. In other words, negotiate around the difference between her number and yours, not the total quota number.

For example, if you need a salesperson to bring in $500,000 of business and she estimates she can close $450,000, ask the salesperson to review her accounts to see where she might be able to develop an additional $50,000 worth of business over the next 12 months. Or you might ask the person: "What needs to happen for you to make up the difference in the numbers?"

In the end, as a sales manager, you must realize that if the numbers you need are reasonable and the person can't or won't do the numbers that need to be done, you'll have to find someone who can.

How to Eat an Elephant

Quotas can look big and imposing — just like an elephant. And just like an elephant is easier to eat one mouthful at a time, quotas are best looked at in smaller chunks. While quotas can be a simple annual number like $1,000,000 in sales, it's better if the annual quota is at least broken down on a quarterly or monthly basis (Table 1).

Table 1. Annual quota broken down on a quarterly basis.

Quarter	Sales History %	Quota Distribution $
1st	40	200,000 or 66,667 per month
2nd	15	75,000 or 25,000 per month
3rd	20	100,000 or 33,333 per month
4th	25	125,000 or 41,667 per month

Companies that have good sales records can tell what their general selling pattern is. For example, they can tell what percentage of the year's sales comes in each month or quarter and this information can be used to divide up the quota over the year. This makes the quota more palatable to the salesperson and allows the sales manager to track the sales progress for each salesperson as well as the company.

Quota-Setting Factors

There are three factors to take into consideration during the quota-setting process:

1. The estimated overall market potential of a salesperson's territory. This may be measured in dollar potential, number of units, population, etc.

2. What percentage of that market potential you can reasonably expect to capture?

3. The ability and past performance of the salesperson handling that territory.

Sales Forecasting

It's worth noting that sales quotas are different from sales forecasts. The quota tells you how much you hope to sell over a period (usually a year) and the forecast tells you where the sales will come from.

Sales forecasting is where you add the detail to your quota — exactly where does the salesperson expect the sales to come from or how does he or she expect to make the numbers.

In those situations where the salesperson is completely reactive, such as inbound telemarketers or inside salespeople, the least they can do is hope the telephone keeps ringing or people keep walking in the door. In other words, they hope opportunities keep presenting themselves. The best they can do is make sure they continue to hone their product knowledge and selling skills, so they improve their closing ratio and take full advantage of every sales opportunity.

Proactive salespeople, such as outside salespeople or outbound telemarketers, should be able to identify a large proportion of their sales opportunities. If they can't forecast actual sales opportunities, they should be forecasting what actions they are taking to make their numbers. By actions, I mean the number of calls to make, proposals to generate, new accounts to find, etc.

Effective sales forecasting then becomes a matter of either identifying specific opportunities or specific activities that will allow the salesperson to meet (or exceed) his or her quota.

Bluebirds

Bluebirds are those opportunities that fly in the window without any apparent effort on the part of the salesperson. If a company keeps good sales records, the value of potential bluebirds can be forecast based on past experience. In other words, a salesperson might estimate that 15 percent of

his monthly forecast will occur as a result of "luck." Often, this "luck" has been the result of a good salesperson's continuing efforts to be everywhere, all the time, meeting as many prospects as possible. In other words, the bluebird was the result of good old-fashioned hard work.

The Critical Factor

The most critical factor in forecasting is the sales manager's ability to make it happen. This can be exceedingly difficult because you have to hit the target through other people. Once again, this is where your abilities to motivate, encourage, chide, coach, and discipline become key factors in your eventual success. It's important to continually monitor each salesperson's progress towards meeting his or her quota and to uncover individual problems before they become disasters.

The Sales Wizard Says...
The company can succeed
only through the success of its employees.

Forecast Tracking Formats

Sales forecasts don't need to be long or complex. The simplest format is merely a number representing the estimated sales for the next month; i.e., Sales for July = $97,000.

A more usable variation on this format is to have the salesperson forecast for the next three months, i.e.,

Forecasting Month:	June
Forecast sales for July:	$97,000
Forecast sales for August:	$85,000
Forecast sales for September:	$105,000

Depending on the type of business you're in, a salesperson should be able to identify 75 to 90 percent of the specific sales opportunities making up his or her next month's forecast, 50 to 75 percent of the second month's forecast sales and 25 to 50 percent of the third month's forecast sales.

Fig. 1 is a forecasting worksheet I developed in conjunction with one of my clients. It's designed to keep a running record of the sales-person's forecast. By putting in the actual amount sold each month, the salesperson can compare his actual performance against his forecast performance and fine-tune his forecasting skills.

Even if a salesperson is consistently optimistic in his or her forecasts, by analyzing the completed form, the sales manager can develop a multiplier, or K-factor, that can be used to get closer to the actual amount. For example, if a salesperson consistently over-forecasts by 20 percent, you can simply multiply the forecast numbers by a K-factor of 0.8 (80 percent) to get a better approximation of expected performance.

Now that you've seen the form, let's see how it might work using a mythical salesperson, Sally Sellers, and the quota numbers from table 1 and figures 2, 3, 4, and 5.

Sales Forecast Worksheet Name _____ Year _____

Forecasts for Months of

Forecasting Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
DEC															
JAN	T- A-														
FEB		T- A-													
MAR			T- A-												
APR				T- A-											
MAY					T- A-										
JUN						T- A-									
JUL							T- A-								
AUG								T- A-							
SEP									T- A-						
OCT										T- A-					
NOV											T- A-				
DEC												T- A-			

T = Target A = Actual

Figure 1. Sample of a Sales Forecast Worksheet.

Sales Forecast Worksheet Name Sally Seller Year 2010

Forecasts for Months of

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
DEC															
JAN	T-67 A-														
FEB		T-67 A-													
MAR			T-67 A-												
APR				T-25 A-											
MAY					T-25 A-										
JUN						T-25 A-									
JUL							T-33 A-								
AUG								T-33 A-							
SEP									T-33 A-						
OCT										T-42 A-					
NOV											T-42 A-				
DEC												T-42 A-			

T = Target A = Actual Numbers are in $000

Figure 3. Sally's annual sales target, broken out by month, using the quota numbers from Table 1.

Sales Forecast Worksheet Name Sally Seller Year 2010

Forecasts for Months of

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
DEC	75	80	60												
JAN	T-67 A-														
FEB		T-67 A-													
MAR			T-67 A-												
APR				T-25 A-											
MAY					T-25 A-										
JUN						T-25 A-									
JUL							T-33 A-								
AUG								T-33 A-							
SEP									T-33 A-						
OCT										T-42 A-					
NOV											T-42 A-				
DEC												T-42 A-			

T = Target A = Actual Numbers are in $000

Figure 3. In December, just before the start of the sales year, Sally gives you her initial forecast for the first three months.

Sales Forecast Worksheet Name Sally Seller Year 2010

Forecasts for Months of

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
DEC	75	80	60												
JAN	T-67 A-70	70	75	40											
FEB		T-67 A-60	70	35	40										
MAR			T-67 A-83	30	27	20									
APR				T-25 A-24	28	30	35								
MAY					T-25 A-21	27	35	35							
JUN						T-25 A-22	25	40	40						
JUL							T-33 A-								
AUG								T-33 A-							
SEP									T-33 A-						
OCT										T-42 A-					
NOV											T-42 A-				
DEC												T-42 A-			

T = Target A = Actual Numbers are in $000

Figure 4. You're at the six-month point, half way through the sales year, and it is apparent from the numbers that Sally is a typical optimistic salesperson whose monthly forecast almost always exceeds her actual performance. Look at the July forecast ($25,000) versus the target ($33,000). We already know that Sally usually over-forecasts so the fact that her forecast is less than the target should raise a red flag. It's time to plan a meeting to see how she'll manage the shortfall.

Sales Forecast Worksheet Name Sally Seller Year 2010

Forecasts for Months of

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
DEC	75	80	60												
JAN	T-67 A-70	70	75	40											
FEB		T-67 A-60	70	35	40										
MAR			T-67 A-83	30	27	20									
APR				T-25 A-24	28	30	35								
MAY					T-25 A-21	27	35	35							
JUN						T-25 A-22	25	40	40						
JUL							T-33 A-20	35	35	20					
AUG								T-33 A-30	35	40	45				
SEP									T-33 A-28	45	45	30			
OCT										T-42 A-40	48	45	38		
NOV											T-42 A-45	45	60	75	
DEC												T-42 A-38	75	80	65

T = Target A = Actual Numbers are in $000

Figure 5. A year has gone by and you now have 12 month's worth of information on Sally's performance. Let's compare her forecasts against her actual performance. Her annual target was $500,000. Her forecasts totalled $533,000, while her actual sales totalled $461,000. So she was about 8% short of the target while her ability to accurately forecast was about 87%.

So, what does this mean to Sally? With an 87% forecasting accuracy, Sally better be looking for a minimum of $575,000 worth of business ($500,000 ÷ .87) if she's going to hit a $500,000 target.

What does this mean to you? You can reduce Sally's forecast by 13% (100 - 87 = 13) to get a more realistic number. This is Sally's "K" factor or multiplier.

So, in any given month where Sally's modified forecasted number (her number multiplied by the K-factor) doesn't exceed her target, you have an opportunity to take corrective action by encouraging Sally to make those few extra calls to stay on track for a stellar year.

Opportunity Tracking Format

Instead of just forecast dollars, some sales managers want to know where the dollars are expected to come from. Such a tracking format may include:

- Company/client name
- Customer contact
- Product/service to be purchased
- Amount of the opportunity
- Expected close date

One of the first things I do when I go into a firm as a sales management consultant is to set up a sales opportunity tracking system. I start with a simple paper-based form (Fig. 6) and migrate to a computer-based system where possible. My philosophy is that if you aren't tracking your sales opportunities, you aren't in control of your sales. And if you're not in control of your sales, you're in trouble!

If a sales forecast or opportunity tracking system is kept on computer, the results can be quickly sorted several ways:

- by value of the opportunity to see what prospects should take priority, or
- by month to see where the lean times might be, or
- by product to see if inventory may be a problem, etc.

How long should the forecast lists be? It depends on the type of business. For small-dollar-value sales, the list should be a lot longer than if your sales are large-value ones. An even better gauge than the number of opportunities on the list is their total dollar value.

For example, if a salesperson's quota is $25,000 for a particular month and she has a history of closing 40 percent of her sales, then she better have at least $62,500 ($25,000 ÷ 40 x 100) worth of opportunities ready to close that month if she expects to make her $25,000 quota. If you were monitoring this person's opportunity list early in the month and you saw only $35,000 worth of opportunities due to close, you'd quickly realize you've got a potential problem. It would be wise to have a mid-month chat with the salesperson to see what actions are being taken to achieve the monthly quota.

There is a difference between tracking opportunities and managing opportunities. We explore those differences in Chapter 5 on "How to Map & Manage Your Sales Process."

Sales Opportunity Report

Salesperson:

Date: Page:

Customer & Contact	Opportunity	Date	Brief Status/ Update	Stage	$ (000)	%	Review Date
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						

Figure 6: Sales Opportunity Report form.

Getting Forecasts from the Field

Forecasts are a good way for salespeople to keep score. They should be keeping them up to date at all times and you should be reviewing them at least once a month and sometimes weekly.

Forecasts should be used as a tool, not a club. If the turning in of forecasts is perceived as having minimum value to your salespeople or is used to discipline them, then you can expect a lot of resistance. On the other hand, once your people see the value in using the forecast as a monitor and gauge of their success, you will have fewer difficulties getting the information.

Salespeople will always give you the argument, "What do you want me to do — sell or complete paperwork?" The answer is "both," and serious sales professionals know it. Amateurs, part-timers and lazy salespeople will try to avoid it. They won't accept the fact that paperwork comes with the territory. The best you can do is make sure you keep your forecasting requirements as simple as possible and generate reports very relevant to the salespeople.

Performance Standards

The wise sales manager sets performance standards as well. How many calls do you expect your salespeople to make on an average day? If they're in telemarketing, how many calls per shift do you want them to complete? Hold your salespeople accountable for reaching the targets. Monitor their performance. Are they meeting the sales and performance goals you both agreed on? Are they doing things that will lead to more sales or are they getting bogged down in unproductive, non-selling activities? This is where a sales opportunity tracking system is invaluable in keeping salespeople focused.

Goals

A discussion on quotas and forecasts wouldn't be complete without a comment on goals. Goals tend to be non-financial in nature and are important because they are the hidden motivators that drive salespeople to hit their sales targets and achieve their financial quotas.

It's often been said that a goal is a dream with a deadline. I feel this simplistic definition falls short of truly defining a goal.

Smart Goals

A better definition of a goal, although one that still falls somewhat short of the mark, is the concept of SMART goals. A SMART goal is one that is:

Specific
Measurable
Achievable
Relevant
Time-based

Specific means you're able to define in concrete terms what the final goal is (looks like, sounds like, etc.).

To make the goal ***measurable***, you have to apply some numerical factors to it or some other solid way of knowing the goal has been achieved.

The goal must be ***achievable***. If you set the final goal too high, you do nothing more than create personal frustration. If you set it too low, there's no challenge.

It's the goal's ***relevance*** to your personal life that keeps it important to you personally.

And, of course, without a ***time-frame*** you have only a dream, not a goal.

Example: By the end of the year, I want to be one of the top three salespeople *(specific)* having attained at least 60 percent of quota by six months and 120 percent of quota by year end *(measurable, achievable, and time-based).* By being in the top three, I expect to get a shot at the upcoming district manager position *(relevant).*

The Sales Wizard Says...
A real goal is a SMART goal
with a secret ingredient.

The Secret Ingredient

We've all been there before. We've set goals (or dreams with deadlines) and yet things didn't work out as intended. Why? We can look to Olympic athletes for the answer. For the most part, participants in Olympic sports have a sense of dedication that's rare in professional salespeople. These amateur athletes are prepared to make an *unreserved, personal commitment* to achieving their goals.

This is the secret ingredient of turning SMART goals into *real* goals: ***an unreserved personal commitment to make it happen*.**

When individuals make such a commitment, they're prepared to go well past the extra mile it takes to make things happen. Without that personal commitment, a person has nothing more than a dream he or she hopes will come true.

The Sales Wizard Says...
You can't hand goals to people;
they have to pick them up themselves

Real Goals vs. SMART Goals

As a sales manager, it's very difficult (but not impossible) to get people to set *real* goals — goals that they are prepared to make an un-reserved personal commitment to. It becomes a matter of

motivation, team spirit and constant encouragement. Your second choice is to help your people develop SMART goals.

Remember, real or SMART, the goal must be theirs, not yours.

Importance of Non-Financial Goals

Non-financial goals such as a special vacation, new vehicle or boat, new home or cottage, etc., are very important because it usually takes money to acquire them and a salesperson gets his or her money by making sales of your product or service. If making more money for himself (and you!) is the pathway to what he ultimately wants, you have a very self-motivated individual. This is particularly true if the goal is something the person *wants* to have, not just something he would *like* to have.

Find out what your salespeople really want, and you've found the golden key to their self-motivation.

Final Thought

There's an old saying: *"If you don't know where you're going, any road will take you there."* Goals and targets tell us where we want to go. As a sales manager, you have a responsibility to get your salespeople (and your company) on the right road.

Chapter Five: Managing the Sales Process

(or… Managing Chaos for Fun & Profit)

Salespeople, even the superstars, are not noted for their organizational or self-management skills. Since most sales managers emerge from the ranks of the sales force, it's a wonder they can manage at all! Being a good salesperson is not a prerequisite for becoming a good sales manager. In fact, in some cases, when companies promote someone from the sales team to the exalted position of sales manager, they lose their best salesperson and gain their worst sales manager.

There's no doubt that having successful sales experience will make you a better sales manager. Other requisites are the skills and ability to motivate, develop, and lead teams. Salespeople who are involved in coaching a sport of some kind are inadvertently grooming themselves for sales management.

Another key requisite is the ability to organize oneself, either with or without someone else's help. Last, but not least, is an ability to see the overall picture and an understanding of all the pieces that make up the sales process.

The better you understand the sales process and the underlying elements you have to manage, the better you will be at providing your sales staff with the support they need to succeed. It's important that you and your salespeople understand both the internal and external forces at work in the sales process. Your people should understand your internal work flow, key personnel, credit requirements, paper flow, problem areas, who does what, what goes where, etc.

The Sales Wizard Says...
You cannot manage what
you cannot measure.

What it Takes to Succeed

Every business is different, and your salespeople need to be aware of what it takes to succeed in your particular business. They need to know what numbers they have to make and some basic information in order to manage their sales activities. For example:

- What is their sales quota or target?
- How many active sales opportunities should they have on the go?
- What is the typical closing ratio?
- What minimum dollar value of opportunities should they be looking for?
- What is the average sales value?
- Who are their top 10 (or 20, 30) prospects/accounts?
- What does a typical prospect look like?
- Where does the majority of the business come from?
- What are some of the areas to avoid in order not to waste time?

This information will help your salespeople keep their prospecting pipeline continually filled with potential opportunities.

Too many salespeople don't know they need this information to do their jobs effectively. They're the ones you have to manage. Sales professionals, on the other hand, know this information is critical to their planning and sales efforts. And so these people need to be led more than managed. In fact, you may not have to manage them at all. Just let them loose to do their thing, which is to make money for themselves and your company.

Pareto's Principle

If you're in the type of business where you get a lot of repeat orders, put Pareto's Principle (the 80/20 rule) to work for you. Just as 80 percent of your sales probably come from 20 percent of your salespeople, 80 percent of your income probably comes from 20 percent of your clients.

If you haven't gone through your customer list lately, you may be in for a surprise. Some customers that you thought were winners may turn out to be duds, while some of your sleepers may actually be winners. Prepare a list of your major accounts by sales volume and see how few customers account for 80 percent of your total sales volume.

Let's take a look at an account analysis summary of a small mythical firm called DoAll Industries with 85 clients who purchase on a regular basis (Table 1). Notice that, in the past year, slightly more than 80 percent of DoAll's income came from 17 accounts that make up 20 percent of its active client list.

DoAll's list should also be analyzed for account activity and unusual buying habits. For example, Capital Electric looks like a good client until you analyze the account activity. Capital made only one purchase over the last year and isn't expected to make that size of purchase ever again.

On the other hand, Merkly Associates also looks like a good client until you look at its account activity. Merkly sent DoAll more than 175 purchase orders during the past year for an average transaction value of less than $900. When you compare that number with DoAll's average transaction value of more than $5,000, you find that DoAll is jumping through a lot of hoops and processing tons of paperwork for this particular client.

Table 1. Account analysis summary of a small mythical firm called DoAll Industries with 85 clients who purchase on a regular basis. Notice that, in the past year, slightly more than 80 percent of DoAll's income came from 17 accounts that make up 20 percent of its active client list.

	Account	Annual Sales	No. of Orders	% of Total Sales	Accum. %
1	Williams & Sons	247,420	44	8.5	8.5
2	Carter Corp	206,950	31	7.1	15.6
3	FT&C Inc	192,640	35	6.6	22.2
4	Sal's Salvage	189,080	22	6.5	28.7
5	Western Builders	266,850	25	5.8	34.5
6	Jonas Supplies	165,780	26	5.7	40.2
7	Moran Bros	159,500	19	5.5	45.7
8	Merkly Associates	149,720	175	5.2	50.9
9	Harmony Flooring	135,8950	19	4.7	55.6
10	Cameo Shop	128,790	15	4.4	60
11	Arknell Services	107,220	17	3.7	63.7
12	Anchor Fuels Ltd	98,960	12	3.4	67.1
13	BLS Security	96,870	10	3.3	70.4
14	Capital Electric	86,750	1	3	73.4
15	A-Plus Medical	72,750	11	2.5	75.9
16	Malberg Ltd	65,760	10	2.3	78.2
17	**Carlson Plumbing**	**56,900**	**13**	**2**	**80.2**
18	Digel Electric	47,150	8	1.6	81.8
19	Regent Air	38,060	8	1.3	83.1
20	Washburn Services	22,190	4	0.8	83.9
21	Belcor Body Shop	17,850	4	0.6	84.5
An additional 64 firms averaging $7,000 each		448,000	64	15.5	100
	Totals	2,901,040	573		

The analysis doesn't mean DoAll should drop Capital or dump Merkly. DoAll may want to exclude Capital from the overall account list and recalculate the percentages. In fact, if you remove Merkly and Capital from the calculations, the average transaction value jumps from slightly more than $5,000 to just under $7,000. After reviewing Merkly's account, DoAll may decide it takes too many internal resources to handle the account in a cost-effective manner and may try to find another way to work with this particular customer.

Merkly and Capital aside, 84 percent of DoAll's purchase orders came from 21 customers (25% of the active client list). So where do you think DoAll's salespeople should be spending the bulk of their time?

Wizard Note: You might argue that these 21 customers don't need a salesperson's attention because they buy from you already and you are their prime supplier. That may be the case. It might also be the case that some competitor would also like the account and starts servicing and calling on the company enough to take it away from you. You can lose accounts due to complacency as well as poor service.

The remaining 80 percent of accounts that give you 20 percent of your income shouldn't be abandoned, but you certainly can't afford to spend the same amount of time on them unless they show real potential of moving into your key account listing.

If you have a lot of repeat business, I strongly suggest you take the time to analyze your past year's sales invoices to see where your income came from. It might be a real eye-opener. It's obvious that a list like this can tell you where your bread and butter is coming from.

I've had clients go through this exercise with as few as 50 and as many as a few thousand accounts and inevitably there are a number of surprises. There are always a few names in the top 20 percent key account listing that no one expected to be there.

It's important for you and your salespeople to be aware of who your key accounts are and how important they are to your company. Make sure your salespeople are actively developing or maintaining those key accounts.

The Sales Wizard Says...
Butter the bread that feeds you.

Understand the Buying/Selling Process

Make sure your salespeople understand the buying/selling process. This may seem like a strange thing to say until you realize that about 70 percent of all sales are made by accident! Often the salesperson who makes a sale doesn't really know what he or she did to get the sale and therefore can't repeat the process with the next prospect.

Most salespeople have never had any formal (or informal) sales training. You can reduce the sales-made-by-accident rate and improve your salespeople's success rate by providing them with professional sales training.

Avoid using the B-L-B sales training method (blind-leading-the-blind). This is where you pair off a new salesperson with an old pro. The old pro promptly proceeds to teach the new pup all the bad habits that he or she has picked up over the years, along with all the administrative short cuts that aggravate upper management. Most old pros have either never had any sales training themselves or have forgotten whatever training they did get.

Whenever I go into an organization and find the new salespeople are slow getting off the mark, I usually find the initial training period was either non-existent or very poorly executed.

Understand Your Sales Process

In addition to understanding the *selling* process (how to sell), it's important that your salespeople (and you) understand how the *sales* process works within your organization. Figure 1 is a simplistic representation of a typical business-to-business sales process.

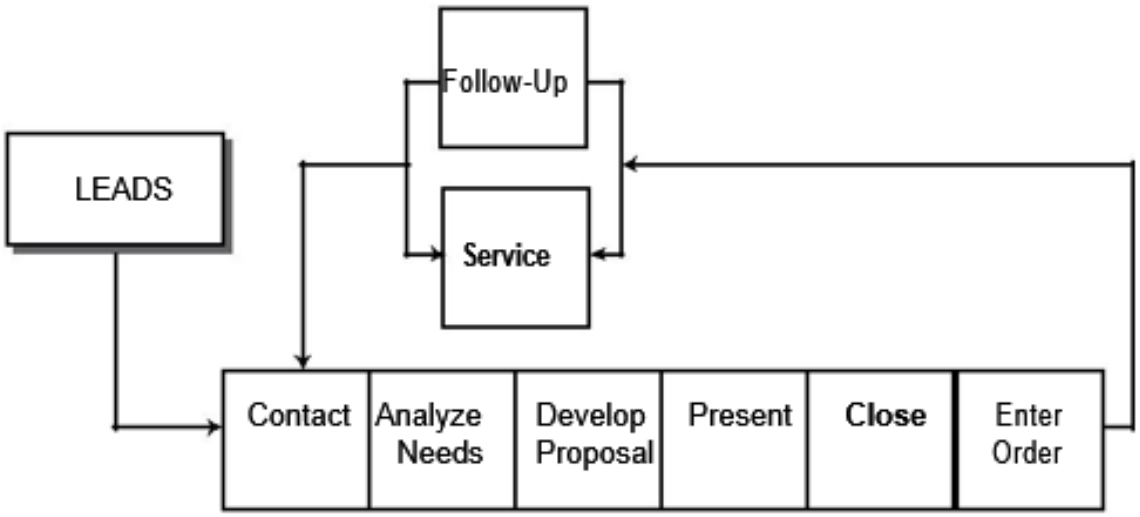


Figure 1. A simplistic representation of a typical business-to-business sales process from incoming lead through to order entry and after-sales follow-up and servicing.

By taking a close look at your own process and by identifying and analyzing the various interdependencies, you will be able to uncover hidden problems, goals, and strategies that need to be addressed. By doing so, you will discover simpler ways to solve internal problems and develop approaches that truly contribute to your business goals.

In my sales management consulting projects, one of the things I ask my clients to do is define the stages involved in their type of sale, from receiving the initial lead or inquiry to closing the sale. Several typical examples follow (Fig. 2 thru Fig. 6).

Stages of a Sale
ABC Training Corporation

1 - Interest
Prospect has expressed an interest in talking with us or has enquired about our services without necessarily having a specific or defined need.

2 - Needs Assessment
Qualify the prospect and determine which of our training programs or services, if any, would suit the prospect best.

3 - Proposal Generation
Develop the "Need for Training" and "Return on Investment" sections of the proposal template and send to marketing department for proposal preparation.

4 - Presentation
Present our proposal to the prospect and "sell" our solution.

5 - Proposal Under Consideration
Prospect is evaluating the suitability of our proposal to solve their problems. Competition may still be under consideration.

6 - Evaluation & Checkout
The prospect wants to check and evaluate our credentials by contacting references. This is an evaluation of our capabilities — not of our proposal, which should take place in stage 5.

7 - Other Considerations
The prospect has accepted our proposal and intends to go ahead with it subject to approval from an internal source such as getting CEO endorsement or outside considerations such as government funding approval.

8 - Final Negotiations
Decisions regarding pricing, timing, and location have been finalized.

9 - Contract Signed
The signed training agreement has been returned and any required deposit has been received or suitable arrangements for payment have been made.

Figure 2. A nine-stage sales process used in a training company.

Stages of a Sale

Simple Sales Process

1 - Interest
The prospect has expressed an interest in our product or services without necessarily having a specific or defined need.

2 - Contacted
Prospect has been contacted to determine his needs.

3 - Quoted
Prospect has been given pricing information.

4 - Awaiting Order
Prospect to finalize paperwork within ## days.

Figure 3. A simple four-stage sales process.

Stages of a Sale

Company Dealing with the Federal Government

1- Initial Contact
The department or group has a project it intends to take action on.

2 - Qualify
Prospect has the need, funding, and the approval to move ahead with the project.

3 - In-Process
Department requests have been forwarded to the purchasing agency for processing. Awaiting formal Request For Proposal (RFP).

4 - RFP Issued
Generating a response/proposal to the RFP.

5 - RFP Closed
Awaiting final decision.

6 - Contract Awarded
If won, complete the contract. If lost, generate lost sale report.

7 - Delivered
Contract completed and customer has been contacted.

Figure 4. Typical sales process for a company doing a lot of work with the federal government.

Stages of a Sale

Client/Server Computer Company

1 - Initial Needs Assessment
Initial client contact indicates there may be an opportunity for our products or services. An appointment has been made to assess the need.

2 - Qualify
We have ascertained that the client has a need, the ability and the authority to buy.

3 - Technical Review
Technical staff have met with the client and/or have reviewed the application and are prepared to commit technical resources.

4 - Presentation/Demo
Informal presentation or demonstration of our proposed solution.

5 - Proposal Generation
Proposal is being generated internally.

6 - Proposal Presentation
Formal presentation of our proposed solution (written proposal).

7 - Evaluation/Consideration/Negotiation
Client is going through their own internal evaluation, competitive analysis and approval processes.

8 - Close
Contract is signed.

9 - Follow-Through
(a) Track project process and client satisfaction levels. (b) Participate in a project post-mortum to determine areas for future improvement. (c) Determine possible prospects for a similar project.

Figure 5. Stages of a typical sale for a company marketing professional services in the client/server (computer) field. Notice that this company put follow-through as one of the steps in its sales process. As a result of this thinking, the firm was very successful in obtaining repeat business from its clientele.

Stages of a Sale

Computer Hardware Company

1 - Interest
The prospect has expressed an interest in talking with us or has enquired about our services without necessarily having a specific or defined need.

2 - Qualifying
We have an appointment or have met with the prospect to qualify him and determine which product or service best meets his needs.

3 - Proposal
We have made a sales presentation and the prospect has received a verbal or written quotation/proposal from us. The prospect is evaluating how well our solution meets his needs. In government sales, this stage is complete when the RFP tender documents have been submitted.

4 - Competitive Analysis
The prospect is investigating alternatives or competitive solutions, our credentials, or our capabilities.

5 - Benchmark
The prospect is going through a formal or informal benchmark to assess the suitability of our proposed solution to meet his needs.

6 - Final Negotiations
Final decision regarding pricing, terms, delivery, scope of work, etc., are under way.

Figure 6. A typical six-stage process for a company marketing computer hardware to the corporate and government marketplace.

Road Signs

What are the stages involved in your sale? It's important for you to know them. The stages of the sale are your road signs on the journey to a closed sale. Just like you might monitor your progress during a road trip, you should monitor your salespeople's progress as they travel towards a closed sale.

The Sales Wizard Says...
The stages of a sale are your road signs on the sales highway. They tell you where you are and how far you have left to go.

To help my clients get a start at defining their sales process, I use a simple form which I developed (Fig. 7). It usually takes several attempts before everyone agrees they have the process properly defined.

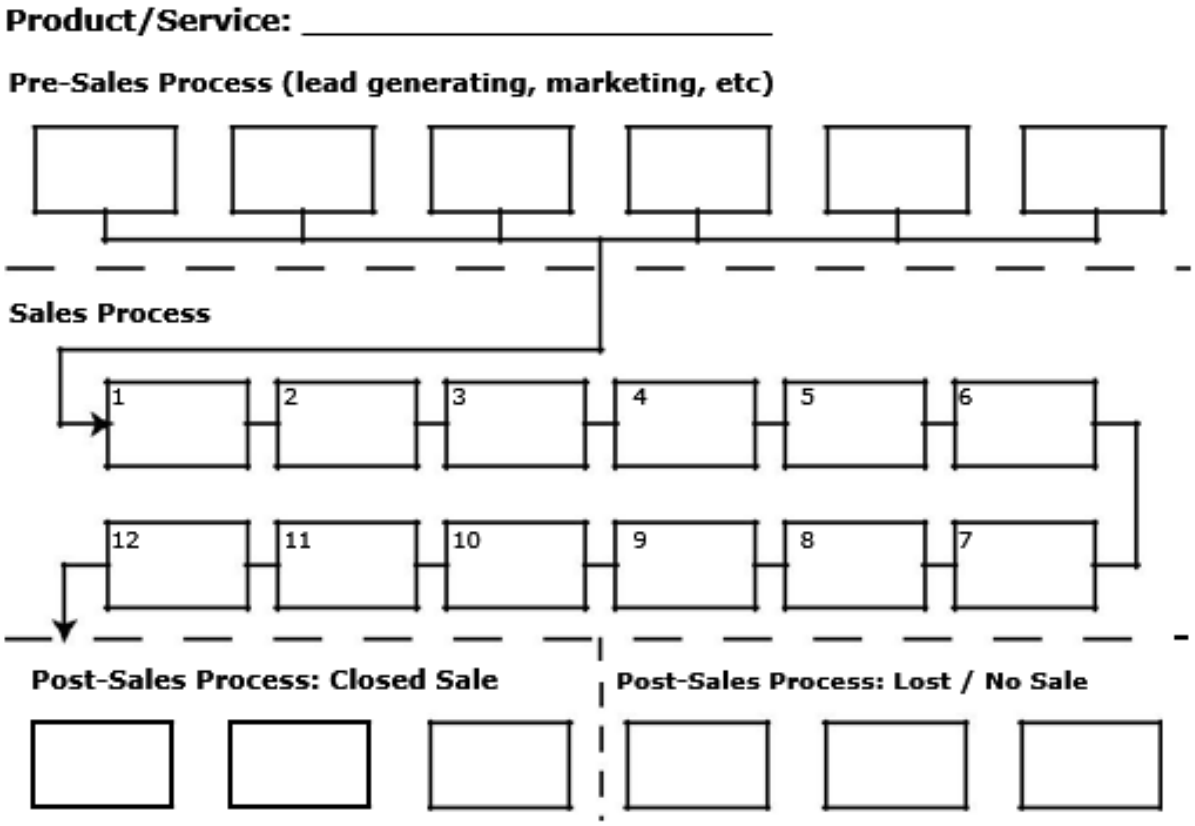


Figure 7. Worksheet for flowcharting the sales process.

The best way to use this form is to distribute a copy to each sales- person and anyone else in the company who is involved in the sales process. Have each person, including yourself, map out what he or she perceives is the flow of a sale in your organization. Once this has been done, get everyone together around a table and let the arguments begin.

It's a safe bet that no two people will initially agree on how a sale flows from lead to post-sale. Thrash it out amongst yourselves until you all agree on what the various steps of a sale are in your company, keeping in mind that different products or services may have different sales processes.

The form also allows you to define your pre-sale processes — the things you do to get leads and clients to start the sales process. If you have been keeping details on where your leads come from, you'll be able to refine your marketing efforts by putting your marketing dollars where they have the greatest impact. Figure 8 is an example of a completed form.

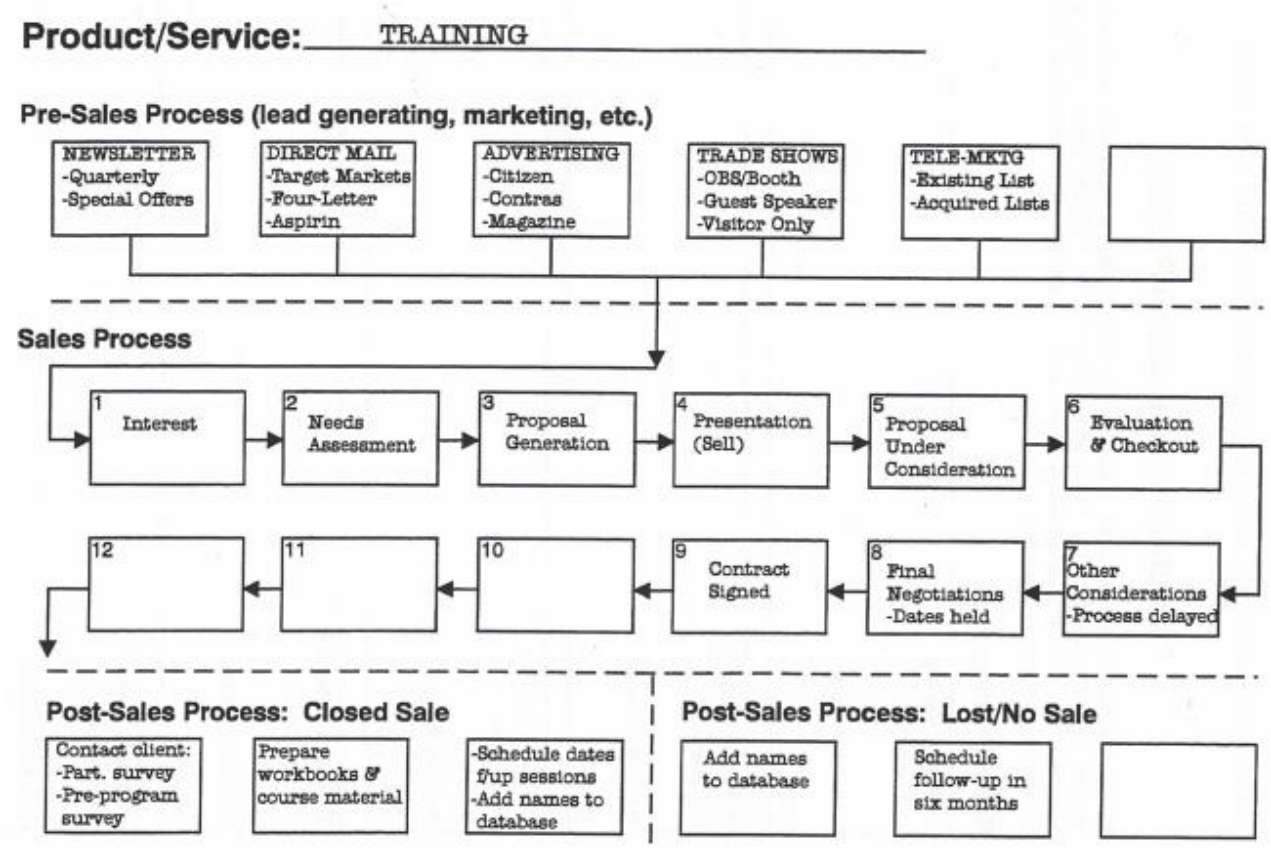


Figure 8. Example of a completed worksheet for flowcharting the sales process

Your next step is to flesh out the details of each stage. And for this, you will need to get the group together for another discussion (debate).

Using a form such as the one illustrated in Figure 9, discuss what happens at each stage and record the result in the "Brief Description" box. Use the "Pre & Post Requisites" box to record your consensus on what needs to occur before each stage and what should happen after.

By including your best guess of how long each stage will take (the "Timing" box), you will be able to uncover potential bottlenecks. Figure 10 is a sample of a completed form.

Tracking Versus Managing Sales Opportunities

When talking about sales opportunities, *tracking* differs from *managing* in terms of the scope of view. In a nutshell, you *track your sales* (plural) and you *manage each sale* (singular).

Tracking allows you and your salespeople to prevent opportunities from dropping through cracks and getting forgotten or lost in the everyday hurly-burly of surviving in the sales

arena. Tracking also tells you the state of your sales funnel and warns you if there's a danger of overflowing or if a particular salesperson is starting to run on empty.

Sales Process for:

STAGE 1 (name):
Brief Description:
Pre & Post Requisites:
Timing:

STAGE 2 (name):
Brief Description:
Pre & Post Requisites:
Timing:

STAGE 3 (name):
Brief Description:
Pre & Post Requisites:
Timing:

STAGE 4 (name):
Brief Description:
Pre & Post Requisites:
Timing:

Figure 9. Worksheet for detailing each stage of the sales process.

Sales Process for: TRAINING

STAGE 1 (name): **Interest**
Brief Description: **Prospect has expressed an interest in talking with us or has enquired about our services without necessarily having a specific/defined need.**
Pre & Post Requisites: **Pre: Acquire any available background information.** **Post: Secure appointment.**
Timing: **1-10 days**

STAGE 2 (name): **Needs Assessment**
Brief Description: **Qualify the prospect and determine which of our programs or services, if any, would suit them best.**
Pre & Post Requisites: **Pre: Ability to get appointment quickly.** **Post: Uncover a valid want or need for our services.**
Timing: One-half day

STAGE 3 (name): **Proposal Generation**
Brief Description: Develop the Need for Training section of our proposal template.
Pre & Post Requisites: **Pre: Request for proposal from prospect.** **Post: Required information sent to marketing.**
Timing: **1-4 days**

STAGE 4 (name): **Presentation**
Brief Description: **Opportunity to present our proposal and sell our solution**
Pre & Post Requisites: **Pre: Secure appointment with decision-maker.** **Post: Received feedback from prospect.**
Timing: **1-10 days**

Figure 10. Example of a completed worksheet for detailing each stage of the sales process.

STAGE 5 (name): **Proposal Under Consideration**
Brief Description: **Prospect is evaluating the suitability of our proposal to solve their problems. Competition may still be under consideration.**
Pre & Post Requisites: **Pre: Presentation made to decision-maker.** **Post: Positive response.**
Timing: **7-30 days**

STAGE 6 (name): **Evaluation & Checkout**
Brief Description: **Prospect wants to check and evaluate our credentials by contacting references. This is an evaluation of our capabilities (not of our proposal, which occures in stage 5).**
Pre & Post Requisites: **Pre: Provide suitable references.** **Post: On prospect's short list.**
Timing: 2-10 days

STAGE 7 (name): **Other Considerations**
Brief Description: Prospect has accepted our proposal and intends to go ahead with it subject to approval from an internal source such as getting CEO endorsement or outside source such as OSDO funding approval.
Pre & Post Requisites: **Pre: Verbal confirmation of intent to proceed.** **Post: Commitment to push for required approvals.**
Timing: **7-? days**

STAGE 8 (name): **Final Negotiations**
Brief Description: **Decisions regarding pricing, timing, and location have been finalized.**
Pre & Post Requisites: **Pre: Prospect's formalized intent to proceed.** **Post: Firm dates set.**

STAGE 9 (name): **Contract Signed**
Brief Description: **The signed contract has been returned and any required deposit has been paid or suitable arrangements for payment have been made.**
Pre & Post Requisites: **Pre: Training agreement completed.** **Post: Deposit cheque received.**
Timing: **1-15 days**

Figure 10. (continued)

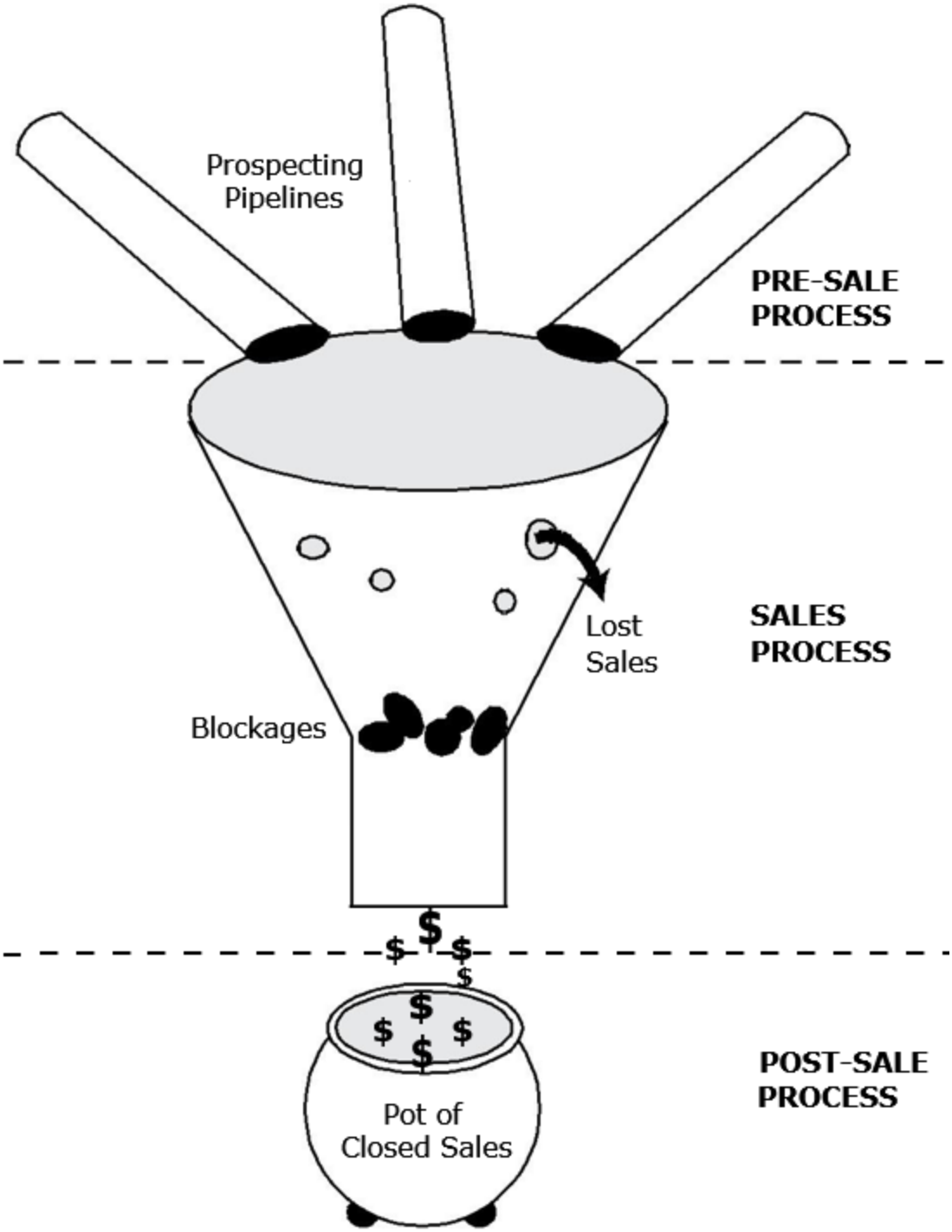


Figure 11. The sales funnel. It's important that your prospecting and marketing pipelines be continually pouring potential sales opportunities into your sales funnel. If your pipelines dry up, your pot of closed sales will become empty.

As Figure 11 illustrates, it's important that your prospecting and marketing pipelines be continually pouring potential sales opportunities into your sales funnel. If your pipelines dry up,

your "pot of closed sales" will become empty. On the other hand, you can fill your funnel to overflowing if you embark on an aggressive marketing plan or display in too many trade shows. While I would rather have too many sales leads than not enough, there's no use accumulating more sales leads than your people (the folks in the sales funnel) can manage.

Beware of blockages in your sales funnel. Blockages usually have less to do with the salespeople and a lot to do with the sales managers or management in general. Blockages are often the result of internal procedures or processes that slow down and sometimes kill a sale. The inability to get a proposal out in a timely manner is a typical blockage. The inability to deliver is another. Your job as a sales manager is to do everything in your power to eliminate or minimize these blockages.

Managing a sale is the process of moving an opportunity through your (and the prospect's) sales process (the sales funnel).

Tracking Sales Opportunities

One of the first things I usually do when I start working with an organization as a sales management consultant is to set up a sales opportunity tracking system, using a simple form such as the one shown in Figure 12. I used this form for years in my previous company to track our sales opportunities. Each week at our sales meeting, we reviewed the report, discussed what needed to be done next, and then updated the information.

There's no reason why much of this information couldn't be maintained in a computerized sales automation system, contact manager, or elaborate PIM (Personal Information Manager). If you're into computers, (and who isn't?) there are hundreds of software programs on the market that can help. I recommend you stay with one of the mainstream programs, so you have some assurance of continued product support and updates.

Number of Active Sales Opportunities.

There's no exact number of active sales opportunities that is right for every company. Most firms I've worked with seem to have between 30 and 70 sales opportunities per salesperson on the go at any given time, the bulk of which will be at the early stages of the sale.

It's a good idea to monitor what proportion of your sales opportunities are in the early stages of the sale (first third of your process), how many are at the midpoint (second third) and how many are in the final stages (last third). If a salesperson has the majority of his opportunities in the mid or final stages, his sales funnel is going to run dry in the near future.

A reasonable target would be to have 50 to 60% of a salesperson's sales opportunities in the early stages of the sale with the remaining 40 to 50% in the mid to final stages. The sales professional's job is to track and guide these opportunities through the various stages. Your job as sales manager is to make sure he or she does it.

Sales Opportunity Report

Salesperson:							
Date:						Page:	
Customer & Contact	**Opportunity**	**Date**	**Brief Status/ Update**	**Stage**	**$ (000)**	**%**	**Review Date**
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						

Figure 12: A simple form for tracking sales opportunities.

Managing Sales Opportunities

As noted above, managing sales opportunities means assessing and evaluating each opportunity and developing plans and strategies, no matter how simple, to move these opportunities to a close.

Some of the things to watch for are total value, weighted value, probabilities, and stage of the sale. Here's why they are important: ***Total value.*** This is your gauge as to how much time can be invested in an opportunity. The larger the potential value of the sale, the longer the salesperson can afford to spend on it. As a rule, most salespeople have little idea of the value of a "sales" hour and will spend too much time nurturing deals that provide too little income to the company and the salesperson.

A "sales" hour is the actual amount of time a salesperson has available to spend "selling" as opposed to time spent attending meetings, travelling, administration, waiting, etc. It's worth noting that independent time-usage studies consistently show that the average salesperson spends only 25 to 40 percent of his or her time on sales-related activities.

To calculate the value of a salesperson's sales hour, simply divide his annual sales quota by the number of hours he spends in selling situations:

Sales Quota ÷ Selling Hours = Value of the Sales Hour

So, if a particular salesperson has a quota of $1,000,000 and he's able to put in about 12 hours of real selling activity each week (30% of 40 hours), or 600 hours a year, then the value of his sales hour is:

$1,000,000 ÷ 600 = $1,667 per Selling Hour

This means that if this salesperson is working on a $10,000 sale, he can't afford to spend much more than 6 working hours on the deal ($10,000 ÷ 1667). In fact, if he's smart, he will consider pulling the plug on the opportunity at about the halfway mark (3 hours) in order to nurture more promising opportunities.

Weighted value. The weighted value assists the salesperson in setting priorities. To calculate the weighted value, simply multiply the dollar value of the opportunity by the percentage probability of making the sale. A $12,000 sale with a 75 percent probability has a weighted value of $9,000 ($12,000 x 75%). If the weighted value is close to the total value, then that opportunity has a high chance of closing and you may want to focus on it in order to wrap it up.

Wizard Note: Your salespeople should work first on those opportunities that have the greatest chance of closing (highest weighted value), regardless of the total value of the opportunity.

Probabilities. If five salespeople were all looking at the same opportunity and you asked each of them to estimate the chances of closing the deal, you'd probably get five different answers. This is common and not unusual because each salesperson would have his or her own gauge with which to measure the opportunity. Sometimes they simply go by what their stomachs tell them, which can be dangerous if they have just had lunch at a fast-food place.

Here's a simple four-phase, price/urgency/funds/competitive edge evaluation process I developed to minimize the problem. While it may not be perfect, it does provide some guidelines when assessing an opportunity and gets all the salespeople singing from the same song sheet.

Price Information

10% Prospect has written quote or price information
5% Prospect has verbal quote or informal pricing information
0% Not quoted as yet

Degree of Urgency

30% High degree of urgency. Prospect *must* buy something now.
20% Medium degree of urgency. Prospect *should* buy something now.
10% Some degree of urgency. Prospect *may* decide to buy now.
0% No or low degree of urgency. Prospect *doesn't need* to buy now.

Funds Approval

30% Opportunity funded to or above our price.
20% High probability of funds approval.
10% Good probability of obtaining funds.
0% Funds not yet available and/or approved.

Competitive Situation or Edge

20% Sole source, no other competitors being considered.
10% Good rapport, preferred or favoured vendor.
5% Competitors still being seriously considered. Who & why?
0% Sale possible only with difficulty.

For example, if I've given my prospect a written price quote (10%), the prospect should buy now (20%) but needs to get additional funds approval (10 percent), and the prospect is also looking at my competition (5 percent), I'd rate the probability of a sale at 45 percent.

Wizard Note: You'll notice that the best you can do under this format is 90 percent. That's because, in my opinion, a sale is never at 100 percent until it's delivered and paid for. Too many things can go wrong, even on a sure thing.

While this system isn't a one-size-fits-all solution to accurately estimating the chances of getting a sale, it is a system that can be modified and tailored for most sales situations.

These parameters can be used as guides to what needs to be done next to improve your chances of closing the sale.

Salespeople often can't affect the "funds" but they can make sure they are truly aware of the funding situation and are not just making a guess at it. The same thing applies to "competitive edge."

Too many salespeople use intuition rather than facts when evaluating a sales opportunity. Salespeople have to learn to ask their prospects for the information they need, not just guess at it. As a sales manager, you can use the same criteria to assess your salespeople's depth of knowledge of the opportunity.

Stage of the Sale. The question salespeople (and managers) should always be asking themselves is: "How do I move this opportunity to the next stage? What needs to be done and who should do it?"

If something needs to be done and you're the one to do it, get on with it! Put it into your daily planner or to-do list and make it happen. If something needs to be done and someone else should do it, then manage it! By managing it, I mean to set up, orchestrate, negotiate, co-ordinate, etc. In other words, make something happen to move the sale along.

As a sales manager, one of your functions is to make sure there's a minimum of internal impediments to the salespeople getting a sale.

Managing Salespeople by the Numbers

If you were managing a factory making doodads (a doodad is an updated widget), you'd keep a close watch on your material costs, production and rejection rates, cost of goods sold, expenses and other overhead. You'd do occasional return on investment calculations to ensure certain products are still worth the investment of time and money. In other words, you'd watch your production and operating costs very closely to avoid waste. This is called managing your assets.

Salespeople are Assets

Your salespeople are assets as well, and they need to be managed. Some are superstars (usually 10 to 20 percent of the sales team). These stars are solid cash generators, dependable, and low-risk investments. Some are dogs (also usually 10 to 20 percent of your sales team). They have out-of-line costs, low sale and are often more trouble than they're worth.

Most salespeople, about 60 percent, will fall somewhere between the two extremes. They're the reasonable performers in need of guidance, managing, leadership, and perhaps some training.

The trick is to identify who fits into which category so you can take appropriate action. This is where using the various reports I have been talking about can help. The numbers can help you manage your sales assets.

Depending on the nature of your business, the following are some of the numbers you might want to collect for each salesperson on a monthly basis. These are not the only numbers that can be used for managing salespeople. In fact, you may not use these numbers at all. For example, you may want to measure the number of units sold rather than the dollar value of the sale and so forth. The numbers and ratios used here illustrate the concept of managing your sales assets in order to maximize your return on investment for your sales dollar.

The Numbers

Here are some typical numbers used to evaluate sales performance:

Total Sales (S)
Total Expenses (E) (may include salary, etc.)
Number of Orders or Sales (O)
Number of Accounts Called (A)
Number of Sales Calls (C)
Number of Quotes or Proposals (P)
Total Value of Quotes or Proposals (V)

In the above list, the numbers for the first three items—*total sales, expenses, and number of orders*—can usually be taken from your internal administrative systems. Companies who can't find this information quickly are in serious trouble. A business has to know where it's at as well as how it's doing in order to get where it wants to go.

The numbers for the next two items—*number of accounts called* and *number of sales calls*—has to come from your salespeople. As you know, this will be no easy task. To say that salespeople hate paperwork is an understatement. Most salespeople keep inadequate information on their personal performance. Good salespeople don't do it because they're too busy making sales. Marginal salespeople are hesitant to do it because it might show deficiencies that they can't do anything about. Poor salespeople won't do it because it may show they're in the wrong profession.

The *number of accounts called,* and the *number of sales calls* is often different because it usually takes more than one call on an account to close a sale. If all your sales are made in one call, you can combine these numbers.

The numbers for the last two items—the *number* and *value of proposals or quotes*—apply only if you use this method of providing price information to your prospects.

Figure 13 is a form I've designed to help sales managers collect the information they need to do an analysis on their sales team.

Analyzing the Data

With these numbers and the form shown in Figure 14, you can do some ratio analyses that quickly show where your salespeople sit in relation to each other and what areas need to be addressed. Some of these ratios are:

Average value of a sale. (S÷O) *Bigger is best.*
Average sales value per sales call. (S÷C) *Bigger is best.*
Number of orders per account. (O÷A) *Bigger is best.*
Average proposal (or quote) value. (V÷P) *Bigger is best.*
Number of orders per proposal (closing ratio). (O÷P) *Bigger is best.*
Number of calls per account. (C÷A) *Smaller is best.*
Number of calls it takes to get an order. (C÷O) *Smaller is best.*
Expenses per sale. (E÷S) *Smaller is best.*

What Ratios Can Do for Sales Managers

These ratios will help you make better sales management decisions because you will have a subjective basis for evaluating your salespeople. The ratios allow you to separate the real performers (the eagles) from the mediocre performers (the chickens) and the non-performers (the turkeys).

The ratios also give you a sound foundation for making recommendations regarding sales activities, retraining, or other corrective actions. In extreme cases, you may find yourself suggesting to the non-performers that they seek new career opportunities. Using the ratios allows you to catch small performance problems before they turn into big ones. See the Appendix for an example of ratios at work.

Ratios can form the basis for performance appraisals and goal setting. By using the information with each of your salespeople, you're able to let them know where they stand in relation to others. This can often feed the competitive spirit that most good salespeople have. It also keeps the focus on the quotas, goals and sales targets.

These same records, kept over a period of time, will allow you to track market and seasonal trends as well as give you a good idea of what you can expect from your salespeople.

Monitoring Marginal Performers

In some cases, by comparing their actual performance figures with company averages, marginal salespeople will make the necessary self-corrections without the sales manager's suggestions. When used this way, both the sales manager and the salespeople have quantitative, identifiable and recognizable information to use in planning or for performance appraisals.

In the worst case, the ratios can serve as the basis for disciplinary action or termination. Using the numerical performance data becomes the basis for unbiased personnel decisions. Smart sales managers will build these ratios into their sales quota/goal system and make sure they are accepted by each salesperson. If a salesperson hasn't been living up to his or her

numbers and has been given the proper warnings along with an opportunity to improve, then disciplinary actions, including termination, can be justified and supported.

Can you manage salespeople by the numbers? Yes, if you know which numbers to watch for and what to do with them.

Sales Activity Management Form - Monthly Summary Month: 20

	Name	Total Sales (S)	Rank	No. of Calls (C)	Rank	Total Expenses (E)	Rank	No. of Orders (O)	Rank	No. of Accounts Called (A)	Rank	No. of Proposals (P)	Rank	Total Value of Proposals (V)	Rank
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
13															
14															
	TOTALS														
	AVERAGES														

Figure 13: A form used for collecting information from the sales team.

Sales Activity Management Form - Monthly Ratios

Month: 20

	Name	Avg Value of a Sale S ÷ O	Rank	Avg Sales Value per Sales Call S ÷ C	Rank	Number of Orders per Account O ÷ A	Rank	Avg Proposal (Quote) Value V ÷ P	Rank	Number of Orders per Proposal O ÷ P	Rank	Number of Calls per Account C ÷ A	Rank	Number of Calls to Close a Sale C ÷ O	Rank	Expense per Sale E ÷ S (x100)	Rank
1																%	
2																%	
3																%	
4																%	
5																%	
6																%	
7																%	
8																%	
9																%	
10																%	
11																%	
12																%	
13																%	
14																%	
	AVERAGES																
		Bigger is Best												**Smaller is Best**			

Figure 14: A form used for analyzing ratios.

Final Thought

As you can see, a lot of work goes into managing the sales process, and it takes a sales-oriented individual with good organizational skills to make it work well.

Chapter Six: Livening Up Your Sales Meetings

(or… Sitting Around the Sales Campfire)

Face-to-face sales meetings are the best way for communicating with your salespeople. Telephone, e-mail, voice mail and paper are secondary mediums. A well-run meeting can be a very motivating and invigorating event. Unfortunately, most sales meetings are not well run. They have all the motivating aspects of a funeral service and can be downright depressing, particularly if they turn into finger-pointing and bitching sessions.

Nobody starts out to have a poor sales meeting. But, like many other things, if you don't know what you should be doing, there's a high probability of doing it wrong.

When properly executed, the sales meeting is a two-way communication medium that helps keep problems to a minimum and builds team spirit. Potential problems can be brought into the open before they become too big. While the sales meeting doesn't eliminate problems, it sure can help catch them before they catch you. And, if everyone is involved in the solution-finding process, there's a sense of teamwork.

Frequency

With advertising, if it's not done often enough, the public tends to forget the message. Same with sales meetings. Whatever your message to the sales team, if they don't hear it enough, they'll forget it. And that's why salespeople lose their focus and get off track.

If you're not holding weekly or bi-weekly sales meetings, start doing so — particularly when sales are below par and morale is low. As the situation improves, meetings can be held less frequently, but you should have one every month at least. Some companies have an annual or bi-annual sales meeting and think they are effectively communicating with their salespeople.

Wizard Note: The basic rules for successful sales meetings are:

1) Hold them often (minimum one a month).
2) Keep them short (30-90 minutes).
3) Make them relevant (sales-oriented, not administrative).
4) Keep them on track (have an agenda).

What's the Purpose?

Use these sales meetings to build on your salespeople's successes and to help them learn from their failures. In tough times you'll have to talk about tough situations at your meetings. But don't start your meeting with problems. Plan to start off with some of the positive things that have happened since the last meeting before going on to more sensitive topics.

Keep close control on the meeting so it doesn't turn into a general "bitching" session. Use an agenda to gently keep the participants on track and on topic. End the meeting on some kind of high or inspirational/motivational note. Be careful that your motivational message doesn't come across as pure hype. Salespeople hate to be sold a bill of goods. You can avoid this danger by planning what you want to say and by being totally sincere.

Also use these meetings to monitor progress and to ensure your salespeople are setting weekly goals that are realistic and attainable. Be careful here. If goals are set too high and aren't achieved, morale will suffer another blow. When morale drops too far, the sales department becomes a major part of the problem rather than a key to the solution.

Enter Their Minds Through Their Stomachs

Here's an idea you may want to consider. Invest in a weekly, bi-weekly or monthly breakfast sales meeting. This combination of a social and work-related meeting can be a real morale booster.

Years ago, I had great success with Friday pizza luncheons where the entire company (about 15 of us) got together each Friday at noon. We got more accomplished in that informal hour-and-a-half luncheon than at most formal meetings. And the social aspect kept the morale high, even during tough times. Why? Because there was open communication, there were no taboo topics, and everyone was aware of our economic and sales situation at all times. The meetings eliminated the necessity for a grapevine within our firm. In this particular situation, I included the entire company at the luncheon because of the small number.

This same approach works well for just the sales department. And you can occasionally invite "guests" from other departments to join your meeting to discuss specific problems and challenges in an informal setting.

For those first-thing-in-the-morning meetings, consider designating someone to pick up some morning munchies such as donuts or muffins.

Keys to a Successful Meeting

The first key to making sure your meetings, sales or otherwise, are well run and successful is to have a good reason for meeting. Here are seven:

1. To inform.
Regular meetings keep your people up to date on what's happening, reduce rumours, and get new product and administrative information distributed quickly.

2. To plan.
A good way of generating ideas from the team to help the company get to where it wants to go.

3. To inspire.
Selling is hard, and people get down. A sales meeting is an opportunity to inspire and motivate.

4. To educate.
Meetings are a great time to do some product and sales training.

5. To reward.
Meetings present a super opportunity to recognize individual or team accomplishments.

6. To evaluate.
Let the troops know where they stand in performance on a year-to-date basis.

7. To build team spirit
Whether you meet once a week or once a year, the sales meeting is another opportunity to strengthen the bond that exists between team members and between the team and the sales manager.

Successful sales meetings have a number of features in common:

- They are short.
- There's a specific purpose for the meeting.
- There's an agenda.
- The agenda is sent out in advance.
- The meeting stays on track.
- The meeting starts on time and more importantly…
- It finishes on time.
- They are lively.
- The meeting room is comfortable.
- The chairs are soft.

- Someone is in control.
- Refreshments are available.
- There are frequent breaks (longer meetings).
- People leave on a high.
- There's a written summary.

Best Times to Hold a Meeting

The only general rule is that sales meetings (or any other meeting for that matter) should not interfere with prime selling time. So, if your prime selling time is early in the day, plan your meetings for late in the day and vice versa.

The earlier in the day you have your meeting, the better. Avoid mid-day meetings because they break up the selling day. End-of-the-day meetings are less successful because most salespeople are drained by the day's activities. The last thing they need is another meeting that's going to tax their minds.

Monday or Friday meetings are popular because they either kick off the week or end it. Keep in mind, however, that statutory holidays often fall on these two days. So it's better to schedule your meetings on the first or last working day of the week.

First-of-the-week meetings give you a chance to make sure people are on track and on target for a successful (or at least busy) week. End- of-the-week meetings offer the benefit of performing a post-mortem on the week's successes (or failures) as well as setting some priorities for the upcoming week.

Breakfast meetings are becoming more and more popular. Provide a continental breakfast (muffins and coffee) and have it available 15 minutes before the start of the meeting. This way you stand a better chance of getting your people to show up early (or at least on time). Make sure breakfast ends when the meeting starts. No eating during the meeting; it's distracting and potentially messy.

The danger of an early-morning meeting is that it can become open- ended. If a lot of discussion is going on, there's a strong tendency to keep the meeting going past the allotted time. Salespeople are aware of this and will often take advantage of this tendency. The longer they can prolong the meeting, the less time they will have to get out and make cold calls. You can lessen this problem by having an agenda, setting a firm end time, or scheduling late-in-the-day meetings. While not the best time, a sales meeting that starts at 4 p.m. is unlikely to run past 6p.m. no matter what kind of discussion is going on. In fact, it's often difficult to keep people past 5:30 p.m., particularly on a Friday.

Some managers hold Friday afternoon meetings simply to ensure their people are still on the job. A better approach is to hire people you can trust to do the job the way you want it done.

So what are the best times then? Here they are in order of effectiveness and general preference:

- Early morning, first or last working day of the week (Monday or Friday).
- Other early mornings (Tuesday/Wednesday/Thursday).
- Late afternoons, early in the week (Monday/Tuesday/ Wednesday).
- Late afternoon, Thursday.
- Evenings (Monday/Tuesday/Wednesday/Thursday).
- Any lunch time.

The poorest time? Well, the absolutely poorest time is never! Another poor time is late afternoon of the last working day of the week. People want to get the week's work wrapped up and get home to their families. The only way this type of meeting works is if it's a casual, semi-social meeting.

How about evening meetings? These are not very popular, but you can ease the pain with a bit of planning. One company I know allows their suppliers to come in and do product training seminars in the evening, providing they supply a snack for the salespeople. These pop-and-pizza sessions are acceptable as long as there aren't too many of them, there's enough advance notice, and they are truly beneficial and informative to the attendees. Hold evening meetings only once or twice a month at the most.

Another type of meeting is the "lunch-and-learn" session. These are single-topic training sessions held over the lunch period. The danger here lies in pulling your salespeople out of the field in the middle of the day. Once in the office, they tend to get stuck there (the sticky-rug syndrome) and are not inclined to make any more outside sales calls. They can always find something to do around the office.

Be careful with early-afternoon meetings. There's an incredible tendency for people to get drowsy around 2 p.m., particularly if they have had a heavy lunch. Your best defense against this wave of drowsiness is to be on a topic where everyone can get involved. This is also a good time to engage in interactive training activities.

Livening Up a Dull Meeting

No one ever sets out to have a dull meeting. Unfortunately, too many turn out that way. A key point to keep in mind is that participants will never be more enthusiastic or upbeat than the person in control of the meeting. If you're lively, the group will be lively. If you're quiet, they'll be even more quiet. If you're dull, the group will be even duller! So the next time you find your meeting dragging along at a painful pace, remember that it's your meeting, you're setting the pace, and it's your responsibility to liven it up.

Use involvement techniques to liven up the meeting. One way to get people involved is to have them learn about a new product and then present the features and benefits to the rest of the team.

Invite guest speakers or outside trainers to speak to your group from time to time. They bring a change of pace and new points of view to your meetings. In some cases, these people will come free of charge, but remember — you may get what you pay for!

Let other members of the sales team lead some of the meetings. They can often bring new ideas and fresh views to the table. It also allows them to develop their abilities to conduct meetings and improves their abilities to make group presentations. It will also give them a better appreciation for this part of your job.

Keep Meetings On Track & On Schedule

One reason why meetings get off track is because they don't have a track to run on in the first place. Here are some keys to keeping your meetings on track and on schedule:

Have a Printed Schedule/Agenda With Allotted Times

Here's a sample agenda for a one-and-a-half-hour meeting:

8:30 Opening comment (2-5 minutes)

8:35 Good news roundtable (5-10 min.)

8:45 Old business (5-10 min.) List the items to be covered.

8:55 New business (15-25 min.) List of your items to be discussed (This section may also include items that other group members have asked to be put on the agenda.)

9:20 Open to the floor (15 min.) Spontaneous items

9:35 Training (20 min.) Sales training, new product info, guest speaker, etc.

9:55 Close (1-5 min.) Time and place for next meeting. Who is responsible to do what and when. Thank members for attending. End on a positive note

10:00 Outta here!

The agenda should be in people's hands or their inbox—electronic or otherwise—before the meeting, preferably the day before. This gives people time to get their minds around the topics to be covered and be better prepared to actively participate in the meeting.

Keep to the Schedule

Beside each item on your copy of the agenda, mark the time it should start. This also lets you know at a glance when the previous item should end. This way you will know when to wind down discussion on a particular topic. If an item has not been completed during the allotted time, reschedule it to the next meeting. However, if the topic is important and you decide to carry on with it, quickly determine which of the remaining items can be postponed.

For example: In the sample agenda above, the open-to-the-floor item is slated to finish at 9:35. If the group is discussing a particularly important topic, you could drop the training item to

gain another 20 minutes of discussion time. On the other hand, if the meeting finishes early, shut it down. The idea is to end your meeting on time or earlier, not stretch it out forever.

Start on Time

There's a tendency to let the last person in the door set the start time for the meeting. I like to start my meetings on time. Latecomers must find out what they missed from one of the other participants after the meeting is over. I usually refuse to go back over material already covered just because someone hasn't the courtesy (or the ability to plan his or her schedule) to show up on time. I've been known to start a six- person meeting with just one other person in the room. The others will soon get the message.

If you want to start your meeting on time, yet don't want latecomers to miss the important parts, start the meeting with a filler. For example: Have each person share with the group one good thing that happened to him or her since the last meeting (good news roundtable). Unless you are in the midst of a major recession or other disaster, this technique has the effect of starting on a bit of a high. Make sure the comments stay positive. Don't let it degenerate into a bitching session.

Another way to encourage an on-time start for your meeting is to fine latecomers. A buck or two goes a long way to encouraging promptness and the resulting accumulation of funds can offset the cost of donuts or whatever.

Keeping Control

It's your meeting and you have the schedule. If a topic is beginning to run on or people are digressing, try summarizing the discussion to see if a conclusion can be reached. If that doesn't work, suggest that the topic be carried over to another meeting where there will be more time available. Use the agenda and your authority to stay on track.

Ensure outside speakers or guests know how much time they have been allotted. Be specific. Give start and end times for their presentations. Some outside speakers or even invited presenters from other departments can fall in love with the sound of their own voices and go on and on and on. Stress the importance of finishing on time. Ask for their cooperation and tell them you will give a five- to 10-minute advance warning.

Getting Involvement

Involvement starts before the meeting. Find out, in advance, what items people want on the agenda. This ensures a certain degree of interest.

Other tips for getting people involved are:

- Rotate the chair position.
- Give others responsibility for various parts of the meeting.
- Assign sales training or product knowledge segments to others.
- Ask someone to take brief notes and make a summary.
- Have quickie contests or quizzes (test their product knowledge).

- Role-play sales presentations (qualifying a typical prospect, handling specific objections, etc.).
- Use case studies (taken from your files).
- Conduct brainstorming activities.
- Have buzz groups where you break the larger group into several smaller ones so there's more involvement.

Remember, you don't have to do all the talking. In fact, it's better if you don't! Get others involved.

Handling Bad News

You want your meeting to begin and end on a positive note. In between, however, there will probably be a gamut of emotions and attitudes.

If you have some bad news to impart to the team, do it carefully. Use the sandwich approach — put the bad news between two pieces of good (or at least neutral) news. And be sure to plan what you will say in advance.

If others have bad news they want to talk about—like a lost sale, etc.—ask them to hold their comments until the open-to-the-floor section of the meeting. When it's time to cover the bad news, try to make it a learning experience. By simply asking, "What have we learned from this experience?" you may be able to neutralize a potentially negative atmosphere.

A chronic complainer, on the other hand, should not be allowed to vent at the meeting. His or her negative attitude will have an adverse effect on the others. Take these people off-line and let them vent in private. The spirit of your sales team depends on each person helping one another.

Avoid Dumping

Some managers use the sales meeting as a dumping ground for their anger and frustration. If things are not going well, dumping on the team is not likely to inspire them to increase performance. It's more likely to have exactly the opposite effect. Think about it. Have you ever felt inspired when someone shouted at you? Most of us walk away intent on getting even, not performing better.

If someone deserves to be dumped on, do it in private. If the entire team deserves to be dumped on, do it one at a time and in private. They'll compare notes about what happened, and you'll be respected for not using the situation to personally embarrass them.

Training Tips

Sales meetings offer an ideal forum for sales and product training sessions. Here are a few tips to get the most from these mini training sessions.

1. Keep them relatively short, 20 to 45 minutes will do.

2. Assign a topic to a salesperson and have the individual learn more about it and then train the others at a future meeting.

3. Get them to practice various sales techniques such as qualifying or handling objections with each other. If they won't practice in the safe environment of the meeting room, they won't do the real thing in front of a prospect.

4. Avoid role-playing unless the group wants it. Most salespeople find role-playing in front of their peers very painful. A better way is to divide the group into pairs and have each pair practice at the same time. That way, the spotlight isn't on any one person. Assign one of the pair to act as a coach to the other person. The coach's job is to help his or her partner fine-tune the skill being practiced. Allow two to five minutes before switching roles. After a couple of rounds, switch the pairs so that each person has a new partner to practice with.

A Word of Caution

I'm not a big fan of the Friday afternoon beer bust/meeting that some companies like to hold. This phenomenon got its start in the late '60s in California and quickly spread across North America. My concerns are three-fold:

1. With the whole subject of drinking and driving becoming a major issue, you may appear corporately irresponsible.
2. By condoning drinking on the job during business hours, you stand the danger of transmitting the wrong message to your employees.
3. If one of your employees has an accident on the way home from such a meeting, you may be held legally and financially responsible.

Managers tell me they limit the drinks at these affairs. That's fine, except you can't limit the number of drinks the person may have after they leave your facilities. You stand the chance of being accused of priming the pump. You don't need the aggravation of a lawsuit, etc. My advice: If you and your team want to quaff a beer or two, do it after hours and off premises.

Final Thoughts

Close your sales meeting on a high. You want your people leaving in a positive frame of mind. One approach is to wrap up the meeting by asking each person to quickly share with the group one positive thing he or she got from the meeting. If they're not leaving with at least one positive thing or idea, then your meeting isn't worth attending. Don't let that happen.

Plan your closing comments beforehand. Know what point, inspirational message, or thought you want them to walk away with. They will leave feeling pleased about this meeting and looking forward to the next one.

Chapter Seven: Training for Skill

(or…Teaching Old Dogs New Tricks)

In Sweden, employees receive an average of 200 hours of training a year. In Japan, the average is 170 hours. In the U.S. and Canada, the average is a pathetic seven hours! The lack of training in this country is causing problems. Managers often sit back, scratch their heads, become more frustrated, and wonder why their employees aren't performing and why profits are down.

Who's to blame? Are the employees at fault? Perhaps. Or could it be that employers are neglecting a crucial strategy that would help their salespeople and other employees make a difference — a difference to themselves, to their customers and to the company's bottom line? That crucial and critical strategy is training.

Too many companies seem to be suffering from management myopia. They fail to see the bigger picture. I've had managers say to me, "Why should I train my people and then have them leave to go to my competitor?" What they can't see is that trained employees are more productive employees. Productive employees are happy employees. And happy employees don't readily change employers.

Training can often improve morale by showing your staff you are prepared to invest in them and their future. If you're going to train, do it as professionally as possible.

Why Train?

Finding skilled salespeople isn't easy. If you've been looking, you'll know what I mean. There are a lot of people out there who've been laid off or downsized and need a job—any job—and sales can look pretty attractive from the outside.

Gone are the days when a sales manager could put a recruitment ad in the paper and be swamped with quality resumes. Oh, you may still get swamped, but the quality isn't always there. It's been my experience that most of the really good salespeople are gainfully employed and somewhat unwilling to change companies, particularly if the economic climate is such that organizations, both big and small, are closing up shop every day. In tough economic times, people stay where they are.

What do you do when you can't find suitable candidates? You're left with three choices: (1) Hire whatever warm body walks through your door looking for a sales job, or (2) invest in your current people, or (3) both.

This is why it pays to take a close look at your existing sales staff. Are they operating as effectively as they ought to be? Are they making the number of calls required to bring in the revenue? If they're making the calls and the revenue still isn't there, perhaps you have a skills gap. Maybe they're unable to capitalize on the opportunities they uncover. Don't be surprised if this is the case. Keep in mind that it's estimated over 80 percent of salespeople have never had any formal sales training. They are selling on instinct coupled with a heavy dose of good luck.

Increasing your salespeople's selling skills will lessen their reliance on luck and help them to go out and make things happen (like a sale) rather than waiting for something to happen.

That alone is reason enough to seriously consider training for your people.

Calculating a Return on Your Training Investment

As you know, providing proper orientation and training for the new salesperson can really have a substantial payback because the person will become productive more quickly.

But what about existing salespeople? Is it profitable to train them? Too many companies hesitate to train because of the perceived costs involved. In the end, it doesn't cost to train your existing people, it pays. Here's a fast way to calculate a return on investment for training:

$$\textbf{Training Investment} = \frac{\textbf{Gross Sales to Recover Investment}}{\textbf{Avg. \% Gross Margin}}$$

Let's assume you would like to provide sales training for your six existing salespeople, and you're prepared to bring in a professional sales training organization to do the job. Your investment in the program is

$15,500 and you estimate an additional $500 for other costs. We'll also assume you have an average gross margin of 20 percent on the sale of your product or service. Let's plug these numbers into the formula for a fast calculation:

$$\frac{\$15{,}500 + \$500}{20\%} = \frac{\$16{,}000}{0.2} = \$80{,}000 \text{ Gross Sales}$$

Let's assume you want to recover your investment in one year. Your sales team would have to sell $80,000 ÷ 12 = $6,667 per month more in gross sales than they are now. This means that each of your six salespeople would have to sell $1,112 more per month. Now the decision to train or not to train becomes easier to make. If you don't think your salespeople can recover the investment in a reasonable time, don't do it.

An alternate way to evaluate this training is to ask yourself, "Could I miss or lose $80,000 in potential business over the year if I don't train my salespeople?"

If you want to be more precise, use the same formula and add in other costs such as:

- Cost of training facilities.
- Travel and accommodation expenses.
- Cost of lost selling time.
- Planning costs.

Protecting Your Sales Training Investment

One of the major reasons companies give for not training their employees is that the employees often leave, taking their newly acquired skills with them and leaving the company with the cost of training. A point to keep in mind is that companies who train are fast becoming the employers of choice. It's likely that a better class of person will seek out your company when the word on the street is that you invest in your employees.

However, workforce mobility is a fact of life in this day and age. So how can a company protect its investment while still improving the skill levels of its employees? Here are some ideas:

Company Pays 100%

Where it is company policy to pay the full tuition, I strongly suggest that the company and employee have an agreement that should the employee leave prior to one year following the training, the employee will reimburse the company a pro-rata portion of the tuition cost. For example: If the employee leaves three months after the training, he or she will owe 75 percent of the tuition fee, at six months 50 percent, at nine months 25 percent, etc.

Company Pays 50%, Employee Pays 50%

Co-investment is an excellent idea. However, some employees may have difficulty coming up with their share of the tuition. The company can assist the employee by paying the full tuition

and then recovering the employee's portion through payroll deductions. For example: Let's assume the cost of the training is $1,800. The company would pay the full $1,800 tuition and then recover $75 a month for 12 months. The employee's investment is a mere $75 a month or $2.50 a day.

Employee Pays 100%

While this is cost-effective for the company, many employees simply don't have the excess money to invest in their training. As noted above, the company can assist the employee by paying the full tuition and then recovering the employee's portion through payroll deductions. As in the example above, the company would pay the full $1,800 tuition and then recover $150 a

Forgivable Loans

Some companies are prepared to convert the employee's portion (50% or 100%) into a loan that is forgiven under certain circumstances, such as reaching agreed upon sales targets or staying a certain length of time, etc.

There's hardly anyone in the world who wouldn't take a training course (or anything else for that matter) if it's free. Unfortunately, there's also a tendency to view things that are "free" as having a lower intrinsic value. By attaching a cost to sales training, you increase its perceived value in the eyes of your salespeople. When you ask them to "share" or co-invest in the training, interesting things can happen. Some won't want to take it! Now you have to ask yourself:

- How serious are they about their job or about professional sales?
- Are they planning on leaving soon and don't want to get stuck with the cost?
- How interested are they in a career with this company?
- Are they so good that training wouldn't be of value?
- If they won't invest in themselves, why should the company invest in them?
- How much of a team player are they?

The Sales Training Process

If companies do any sales training at all, they generally treat it as a one-shot event rather than an ongoing process. Sometimes you have no choice but to make it an event. If you have salespeople spread out all across the country, you can't fly them in for a series of weekly sales training sessions. That's why many firms do sales training at their annual sales meeting. One-shot training is certainly better than none. However, if you want your efforts to have a meaningful impact, training should be planned, organized, executed, monitored, and reinforced over a period of time.

There are actually two separate training processes. The first—and the most neglected by employers and salespeople alike—is the long- term process that is as much a career development process as anything else. The second is the short-term, shot-in-the-arm training that is necessary to keep your people sharp and on top of the day-to-day sales activities. Both processes can play a part in your company strategy.

Long-Term Training

This is the process of developing an individual's job-related skills and talents. It encompasses all the training that employers hope a new employee brings to the job but rarely does due to an educational system that doesn't provide it and aspiring salespeople who don't bother to seek it out themselves.

Most progressive employers are prepared to invest in the first two or three areas listed below, and they strongly encourage their people to embark on a program of self-development for many of the others. In some cases, companies offer fee reimbursement for programs taken at recognized educational institutions.

To succeed in a sales career, sales professionals need to develop their knowledge and skill in several areas including:

- Basic selling
- Time and personal management
- Advanced selling
- Marketing
- General business
- Human relations
- Writing
- Presentation
- Technical

Basic selling skills.

As a bare minimum, salespeople should receive some solid fundamental sales training. A course in "Sales 101" equips the salesperson with the tactics needed to start, develop, and close sales opportunities. Without adequate sales training, the best a salesperson can hope for is a stroke of good luck or a product that people will kill for — like selling $10 bills for $5!

I don't know why people think selling is natural, is easy, and anyone can do it. It's not natural. It's not easy. And it's definitely not for everyone. Selling is like any other trade or profession. To do the job well, a person needs to be trained.

Unless you are a large company with your own training department, basic sales training is generally best done by an outside sales training organization. The good ones understand sales and selling, and they understand training. They know how to make an impact on participants and can help them develop new skill sets. And because they come from outside your domain, they often bring new, refreshing sales ideas and techniques to help your people stand out from the pack.

Time and personal management.

If there is one thing that salespeople are not, it's well organized. Most salespeople, even the good ones, are usually an organizational disaster. For the most part, salespeople don't arrive on their employer's doorstep organized. So, as a minimum, if they aren't already using some kind of

daily planner, consider investing in a system for your salespeople and insist that they use it. These days, the more progressive salespeople are using electronic digital devices or computers to stay organized.

Next to Sales 101, a good time, territory, and account management course can have the greatest impact on your salespeople's efficiency. A well-organized salesperson spends less time looking for things and more time selling. Once salespeople are aware of the time wasters that eat into their day, they develop the ability to set priorities and operate more effectively.

Advanced selling skills.

If your salespeople handle large-dollar or complex sales where the sales process involves several buying influences and takes forever to close, you should consider some form of selling skills training beyond the basics. Programs that fall into this area usually cover the strategies involved in the sale rather than the tactics used during the selling process.

Another area of advanced sales training to consider is a program dealing with personality types and behaviour styles. Rather than having a one-sales-style-fits-all approach to selling, this kind of training helps the salesperson sell to various prospects the way each prospect wants to be sold to. In sales, the proper selling behaviour can spell the difference between success and failure with an account. Salespeople who are able to adapt their selling style to match the customer's buying style will build better rapport with their customers.

Wizard Note: Companies owe it to themselves to provide or support the above three areas of training, if only as a survival strategy in today's competitive marketplace. And smart companies will encourage their staff to seriously consider the other areas. If a company is to grow and thrive, the employees must do likewise.

Marketing.

With some marketing training under their belts, salespeople are better able to support the company's overall approach to the marketplace. An understanding of the six "Ps" of marketing—Product, Price, Promotion, Place, People and Profitability—gives them a better appreciation of where the sales role fits into the overall picture.

While salespeople needn't become marketing experts, they can benefit in the long term by taking a couple of good community-college- level marketing courses.

General business.

Whereas marketing training increases the salesperson's intrinsic value to the employer, general business training increases the salesperson's value to his or her customer. By having a knowledge of business in general, a salesperson can better understand the customer's business

and offer more meaningful solutions that more closely match the customer's needs. This type of training also helps the salesperson build stronger relations with customers.

Community colleges and universities offer numerous evening courses that can benefit the professional salesperson who wants to develop his or her career. I'm not suggesting that salespeople should embark on an MBA degree. But basic courses in finance, supervisory skills, communications, purchasing, etc., would certainly be of value.

Human relations skills.

A person's long-term success in sales is tied to his or her ability to get along with peers, employer, customers and prospects. We call this human relations skills.

While there are a number of courses available on the subject, the granddaddy of them all is the Dale Carnegie Human Relations Course. Although this program is often considered a public speaking course, it is much more. In the 10 years I was an instructor for this organization, I watched hundreds of people improve their ability to get along better with others, increase their communication skills, develop more self-confidence, learn to control worry and stress, and walk away from the training better equipped to deal with people in general.

An investment in this type of training is one of the best things a person could do for himself.

Writing skills.

If your salespeople are responsible for writing all or portions of their sales proposals or sales letters, and are having problems doing so, a one-day writing course will work wonders.

I know, I know — they should have learned how to write in school. Yes, they should have learned a lot of things there, but, unfortunately, too many graduates are coming up short in the "3Rs" department. They can't write well, their reading abilities often leave something to be desired, and they're no hell at arithmetic either!

Over the years I've come across salespeople who couldn't string two written words together in the proper order. They could speak reasonably well but when it came to putting pen to paper (or fingers to keyboard), something went awry. If they could just learn to write like they speak, they'd have a fighting chance… if it weren't for the spelling.

You may want to consider engaging a freelance community college instructor to provide your staff with some writing skills training in a series of evening sessions.

Presentation skills.

If your salespeople are expected to make formal presentations to purchasing committees or other groups, the ability to shine at the front of the room can be a big asset. While polished

presentation skills won't sell a bad product or proposal, poor presentation skills can kill the sale of an otherwise excellent product.

Of the top 10 fears of mankind, getting up in front of an audience is number one. Way down the list at number six is the fear of dying. That means a lot of people would sooner die than get up in front of a group!

The least expensive way to develop public speaking and presentation skills is through Toastmasters. This organization has helped thousands of people develop their public speaking skills. There is hardly a city or town in North America that doesn't have a chapter. Look in the white pages of your phone book for the chapter nearest you.

While the Dale Carnegie Human Relations Course mentioned earlier doesn't specifically focus on presentation skills, a by-product of the program is improved public speaking skills.

Technical.

If your salespeople are selling computers, they should know some- thing about computers. If they're selling electronic instrumentation, they should know something about instrumentation. If they're selling printing, they should know something about printing. If they're selling… well, you get the idea. Your salespeople need technical training. When I say technical training, I don't mean product knowledge.

I'm referring to the background information they need to make heads or tails out of the product information.

By learning about the "information behind the information," as it were, your salespeople gain an enhanced knowledge and understanding of the product benefits. As a result, they often know more than the prospect does (or competing salespeople) and they become somewhat of an "expert" on the product.

Sales professionals know that, if they are to use value-added sales techniques, they must know more than just what's on the spec sheet or marketing brochure. They know they have to develop their fundamental knowledge of the field they have chosen to specialize in and work hard at becoming experts.

You can help your salespeople by pointing them in the right direction. Provide them with information on courses to attend, books to read, and trade journals to subscribe to. Pointing is all you'll have to do with your top people. They'll take it from there. Your average salespeople, however, will have to be lead to the trough and the rest of the crew will have to be pushed if you want to get them to move.

Short-term training

Short-term training has the same purpose as long-term training — to develop your people's job-related skills — but the difference is the training is in short bursts rather than spread over an

extended period of time. Also, short-term training usually addresses the more immediate, day-to-day skill needs rather than long-term career development. Short-term training is the shot-in-the-arm training that helps keep your people sharp.

One way of accomplishing this is to add a training component to your weekly or monthly sales meetings. Nothing elaborate, just a 15- to 45-minute session on topics of value to your salespeople. It's a great way to end your sales meeting. To help you get started, here are 26 topics that could be covered:

- Dealing with the price objection
- Selling value over price
- Uncovering new business
- Getting repeat business
- How to get referrals
- Handling our five most common objections
- Outmaneuvering the competition
- How to ask for the business
- Uncovering the prospect's real needs
- How to quick-qualify a prospect
- Tackling time wasters
- Developing a two-minute sales presentation
- How to network effectively
- Feature/benefit exercise on specific products or services
- Dealing with client complaints
- Time utilization exercises
- Rejuvenating dormant accounts
- Getting past the gatekeeper
- Warming up cold calls
- Selling against the competition
- Better use of the telephone as a sales tool
- Setting sales call objectives
- Developing a unique selling proposition
- Getting appointments by telephone
- Getting to the decision-maker
- Effective client follow-up techniques

Don't feel you have to develop and deliver all the topics yourself. Assign them to your salespeople. Let them become "experts" in the topic and teach the others. This approach promotes increased participation and can improve your salespeople's presentation skills.

Distribute the list of topics and ask each salesperson to pick three that he or she would be prepared to present to the group. I suggest three because some may choose the same topic and you will have to decide who gets to do what.

Assign presentation dates at least two to three weeks in advance so they have time to prepare. Then watch the fun. There will be hesitation and resistance to the idea because no one likes to make presentations, particularly to his or her peers. Expect some people to fall strangely ill on the day of their presentation.

Wizard Note: Make sure you have a standby training session ready to go. I call these "back-pocket workshops" because you can whip them out of your back pocket at a moment's notice to dazzle the troops.

Final Thought

Training can be a manager's best tool. Good managers build good people and strong companies. Successful salespeople keep the companies that way.

Chapter Eight: Building & Maintaining Morale

(or… Keeping the Troops Singing)

There are two times when morale within an organization is high. One is when everything is going well, and sales are rolling in. The other is when everything is going bad and sales are just dribbling in, but no one realizes it yet! In the first case it's important to make sure that morale stays high. In the second case it's critical. When times and sales are good, it's easy to keep morale high. Almost anyone can do it. During difficult times, however, it's harder to do and that's when leaders, not just managers, are required.

In difficult times, the accounts receivable staff is usually the first to know. Word spreads quickly to other employees via the grapevine, often before management or the business owner knows what's happening. Before you know it, a pall hangs over the organization. As soon as it hits the sales department, the sales go from bad to worse and morale drops another notch.

Too often, management drops like a ton of bricks onto the salespeople with predictable results — panic. Or management puts on a brave face hoping their people will be fooled into thinking everything is all right. This is not the time to place a wall of silence between management and staff. It's the time for open and frank communication. Unsubstantiated rumours will destroy morale quicker than the worst truth.

So what do you do when times are bad? Call your salespeople together for a meeting. The purpose of this meeting is to make sure everyone is aware of the situation and to solicit their help in improving it. This is not the time to browbeat your salespeople into expending Herculean

efforts to turn around the poor sales situation. Hitting salespeople when they are down just drives them further into despair and may even drive them out the door to another company. This is the time to provide support, leadership, and direction.

Wizard Note: When using the stick-and-carrot approach to raise morale, you have to use both the stick and the carrot. Too many sales managers use only the stick. A carrot in the form of an encouraging word every now and then can make a big difference.

Talk with your salespeople individually. Find out what tools they need to help get things on the right track for success. Don't be surprised if you hear a lot of whining and finger-pointing. Salespeople are good at that. Hear them out. Then ask: "What can you do to help us turn around?" The situation will probably be too much for them to digest at one time so help them develop some step-by-step plans for increasing sales.

Rather than putting them on the spot, ask them to give some thought to the matter and schedule another meeting to discuss their ideas. The follow-up meeting should be held within five days.

By asking your salespeople for their input and ideas, you are helping them become part of the solution rather than creating the impression in their minds that you consider them part of the problem. Even if they are part of the problem, making them feel that way won't improve the situation.

Over my years of dealing with people, I've learned that there are three basic reasons why people don't do what you want them to.

1. They don't know what to do.
2. They don't know how to do it.
3. They don't want to do it!

As a sales manager, it's your job to show the "what" and "how" of the job. As a sales leader, you must establish an environment where your people "want" to do it. You do that by building and maintaining staff morale and creating a motivating environment to work in.

Motivating Salespeople

The word motivate stems from the words motive and activate. People become activated for their own motives, not someone else's. Your challenge is to understand what some of these motives are and to capitalize on them to activate your sales team into the kind of action that will achieve the desired results.

In order to motivate, you need to be sensitive to the inner needs and personal goals that drive salespeople's outer behaviour. It means spending some time exploring the various

motivation theories and how they apply to salespeople and others. Here's a crash course on motivation, condensed into a few pages:

Motivation Theories

The three most popular motivation theories belong to Maslow, Herzberg and McGregor. Having a brief understanding of their theories and how they mesh together will provide you with a good overview of motivation. You may have to leave some of your old beliefs behind (such as "money motivates") if you're to take advantage of this sales management tool.

Maslow's Hierarchy of Needs

Abraham Maslow, a noted psychologist, contended that people take action to satisfy the needs that are important to them and that their needs, and therefore their actions, will change. In other words, needs drive action. He further defined people as having five levels of needs (Fig. 1).

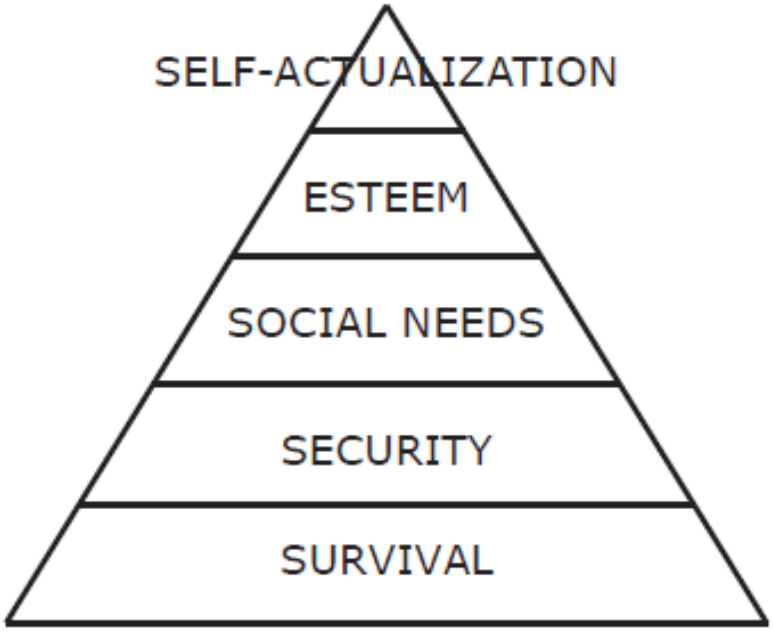


Figure 1. Maslow's Hierarchy of Needs

A person's position on the hierarchy can and does change. You can quickly go from Esteem to Security when you show up for work on Monday morning and discover the company is laying off staff. You may drop to the Survival level if you are one of those being laid off!

On a more subtle level, what's important to an employee a week before payday may not be so important after the pay cheque arrives. His needs have changed.

Table 1 on the following page will help broaden your understanding of Maslow's various levels of needs and what you, as a manager, can do about them.

Table 1. Maslow's Hierarchy of Needs and how they are satisfied on the job.

Need Level	Satisfied on the job by:
Survival & Physiological Needs	• Rest periods and coffee breaks • Minimum or reasonable wages/salaries • Comfortable working environment • Proper temperature and humidity control • Shelter from the elements • Ergonomic considerations
Security & Safety Needs	• Steady work • Safe working conditions • Sickness and accident protection • Job security • Safety programs • Life insurance • Salary continuation insurance
Social Needs	• Friendly co-workers • Compatible supervision • Team environment • Employee associations • Company-sponsored social functions • Company-sponsored sporting events • Peer recognition
Esteem & Ego Needs	• Praise and recognition from management • Good opinion of peers • Earning pay increases and bonuses • Project and job involvement • Job empowerment • Receiving awards • Honest and meaningful job evaluations • Group, project or team leadership
Self-Actualization or Self-Fulfillment Needs	• Job in line with aptitude, ability and training • Opportunity for personal development • Participation in decision-making • Creative and challenging work • Self-directed work • Flexibility and autonomy (empowerment) • Meaningful work

Herzberg's Two-Factor Theory

Frederick Herzberg, a noted sociologist, felt there was little a manager could do to satisfy the lower levels of Maslow's hierarchy. He concluded that only the upper levels were left for

motivational purposes. He called this higher level "Satisfiers" or "Motivators" and the lower level "Dissatisfiers" or "Maintenance Items."

The theory is that if the items under the Maintenance Items list are not met, they will cause dissatisfaction. On the other hand, if you satisfy people through job enhancement, you will be more likely to motivate them (Table 2).

Table 2. Herzberg's Two-Factor Theory showing the dividing line between Motivators and Maintenance items.

Motivators (Satisfiers)	Maintenance Items (Dissatisfiers)
• The job itself • Potential for personal growth • Advancement • Recognition • Responsibility • Achievement • Sense of belonging • Ability to influence events • Money	• Money • Working conditions • Job security • Relationship with co-workers • Quality of supervision • Status (job title) • Job location • Fringe benefits • Type of business

Notice that money is on both lists. As a maintenance item, if you don't have enough money, it becomes a dissatisfier. Yet money can act as a short-term motivator when used as a bonus or incentive for special effort. I say short-term motivator because it quickly changes from an incentive to an expectation.

For example, one company I worked for gave the employees a Christmas bonus whenever the company had a profitable year. They did this for five years and then had a very bad year. Even though the employees knew the rule about profitability, they still grumbled because they didn't get their monetary bonus. It had become an expectation, not a motivator.

Herzberg contends that your job as a manager is to enhance the satisfiers and minimize the dissatisfiers. In many cases you can have little influence over the dissatisfiers. Take location for example. If your place of work is not conveniently located for an employee, you are unlikely to move to another location. On the other hand, if you can arrange for the employee to do at least some of his or her work from home, why not?

Wizard Note: Your job isn't to create a balance between Motivators and Maintenance Items. It's to create a serious imbalance with the Motivators being in the majority.

Sometimes the best you can do as sales manager is to build on the satisfiers (motivators) and create an ever-widening gulf between them and the dissatisfiers (maintenance items) over which you may have little influence.

McGregor's Theory X & Theory Y

Douglas McGregor, a professor of management at MIT, describes two contrasting views about the nature of employees in relation to work. Based on these two views, managers will make certain assumptions about their staff and will act accordingly towards them (Table 3). McGregor's premise is basically a management theory rather than a motivation theory. It's mentioned here because Theory X and Theory Y managers take a much different view towards motivation.

As you can imagine, a Theory X sales manager will operate quite differently than a Theory Y sales manager (Table 4).

Table 3. A summary of the assumptions McGregor's Theory X and Theory Y managers make.

Theory X	Theory Y
The manager assumes employees: • Lack integrity • Are basically lazy • Avoid responsibility • Are not achievement-oriented • Are not self-directed • Are indifferent to department needs • Prefer direction by others • Need to be managed • Avoid decision-making • Are not too bright • Need to be watched	The manager assumes employees: • Have integrity • Will work hard when committed • Welcome responsibility • Desire to achieve • Are capable of self-direction • Want the department to succeed • Are not passive and submissive • Welcome empowerment • Will make decisions • Are not stupid • Can work well unsupervised

Table 4. How the roles of a Theory X and Theory Y manager differ.

Role of a Manager	
Theory X	**Theory Y**
• Persuade • Reward • Punish • Coerce • Control • Direct	• Create opportunity • Release potential • Remove obstacles • Encourge growth • Monitor results • Provide guidelines

While there's no right or wrong style, your style must be appropriate to the work environment and situation. The best sales managers will incorporate and use the best of both theories.

You will sometimes find a Theory X manager joining a company to help them "shape up." These people often have a heavy hand and the shake-up will cause the weak limbs to fall off the tree. The rest of the "branches" start to bloom real fast to avoid getting "pruned" in the shake-up process. If a manager takes too hard a Theory X stance, morale can all but disappear and the staff will find themselves in a race for the door.

Putting the Theories Together

The following (Fig 2) shows how the lower levels of Maslow's Hierarchy have the same impact on an individual as Herzberg's Maintenance items. It also shows that the Theory X management style works best with people who are at these lower levels.

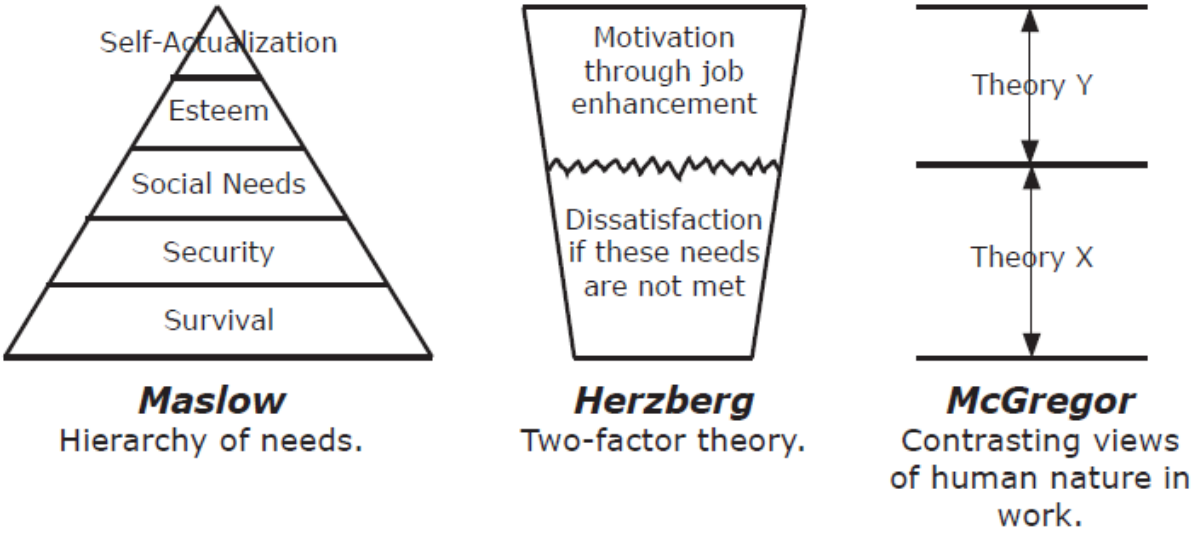


Figure 2. Shows how the lower levels of Maslow's Hierarchy have the same impact on an individual as Herzberg's maintenance items and that the Theory X management style works best with people who are at these lower levels.

Money as a Motivator

Money is a motivator; money isn't a motivator. Confused? You should be. We've already seen that money is both a satisfier and a dissatisfier. In a classic study several years ago, employees were asked to list the top 10 things they wanted from their jobs and their managers were asked to list the top 10 things they thought their employees wanted from their jobs. Managers consistently ranked wages as being number one while the employees consistently ranked income lower on their list (Table 5).

Table 5. Summary of a study. The list has been rearranged so the items appear in the order that the employees preferred them. The employer's ranking is on the right. When you look at the difference between the first three items, you have to wonder if management ever talked to the employees or vice versa!

What Employees Want From Their Jobs		
Employee Ranking	**Item**	**Employer Ranking**
1	Appreciation for work done	8
2	Feeling "in" on things	10
3	Sympathetic understanding of personal problems	9
4	Job security	2
5	Good wages	1
6	Interesting work	5
7	Promotion and growth	3
8	Management loyalty	6
9	Good working conditions	4
10	Tactful disciplining	7

The list is not cast in stone and priorities will change as economic situations change. In tight economic times, job security is likely to move higher in the employee's list and wages move even lower. In good economic times, you should expect the interest in wages to move up (a natural desire to share the wealth) but employees are still likely to put other priorities ahead if it.

Where a person places income really depends on that person's individual needs.

With Maslow's Hierarchy of Needs, money will play a much bigger part in a person's life if that person is in the first two stages (Survival and Security) and less a part as the person moves up through the stages. That's not to say that people who are at stages four or five (Esteem or Self-Actualization) aren't interested in making even more money, they just aren't as "motivated" about making it.

As we saw before in Herzberg's theory, money is at the bottom of the Motivator list and at the top of the Maintenance Item list. If the job motivators are low and the dissatisfiers are high, you better be prepared to pay top bucks to keep your people. On the other hand, if you have minimized the potential dissatisfiers and created a motivational environment to work in, you're not too likely to lose any good people to a competitor on money alone. You may lose them, but there will have to be extenuating circumstances beyond just remuneration.

You can argue that salespeople are different than other employees. Horse feathers! Beware of salespeople who are driven solely by the lust for income. They will sell more problems and get you into more bad "deals" than you really need in your life. I'll say it again,

beware! You just have to read the business press to see how some large corporations have fallen because of money-driven salespeople who bent the rules. Sure, everybody made money, including the companies, but where are they and their reputations now?

There is no doubt that salespeople like money, but money is not the primary motivator for most sales professionals.

If you want to use money as a motivator, find out what your salespeople want to do with the money they make. Now that's the real motivator! For example, if one of your salespeople is an avid boater, talk to him about boating and how his increased sales activities might allow him to get the boat of his dreams.

Practical Tips on Motivation

How do you take all this theory and make some practical sense of it all? Here is a list of 18 things, other than money, that motivate people to perform better. As you read through the list, note the ones you already do, the ones that you should do, and select a few you will do.

1. Peer Pressure
Salespeople are competitive. They compete in the marketplace, with other salespeople within the company, and with themselves. Foster this competitiveness in a non-threatening way and your team will excel. Set up friendly internal competitions between individuals or sales teams. Example: When I was managing a small computer store years ago,

I would plot and display the daily sales of each salesperson. Everyone was eager to see how they compared to other staff members as well as how they were doing towards their monthly targets.

□ Already do □ Should do □ Will do

2. Recognition
Public recognition, either inside or outside the company, helps give a salesperson a better self-image and enhances personal self-confidence. Some companies place newspaper ads to recognize their top performers, either as a group or as individuals. Plaques, certificates, movie tickets, or dinner vouchers, presented publicly, all help. Recognition is one of the top four ways to motivate. I'll share the other three with you later.

□ Already do □ Should do □ Will do

3. Credit
Credit is a close cousin to recognition. It's making sure that people get credit for their achievements. The more public (within the organization) the better.

□ Already do □ Should do □ Will do

4. Awards
This is a more tangible form of recognition. Plaques, certificates, pins, pens, etc., are all simple ways to recognize performers and say thank you. Consider varying the size and value of the awards so that people at the lower end of the performance scale also get something. Even a

booby prize can spur on a low performer. Make sure the award doesn't embarrass, however. If you can't make it fun, don't do it.

☐ Already do ☐ Should do ☐ Will do

5. Contests
Keep contests simple, easy to participate in, and fun. Contests can be particularly powerful if the salesperson's spouse can share in the rewards. Make sure the contest is fair and everyone has a chance to win, not just your top performers.

☐ Already do ☐ Should do ☐ Will do

6. Trust
This is the bond between salespeople and their sales manager that must be earned by the manager. Individuals work hardest for people they trust the most. The more trust you give, the more you will get in return. Trust and belief in your people will make them work hard for you because they'll want to retain the trust.

☐ Already do ☐ Should do ☐ Will do

7. Unlimited Earnings
An uncapped compensation plan will be particularly appealing to salespeople with big dreams and goals. Salespeople love "toys" and having the potential to buy more toys is hard to resist. Know what toys your people are looking for and help them get them. Be on their "toy team."

☐ Already do ☐ Should do ☐ Will do

8. Opportunity for Advancement
Everyone likes to feel they're moving forwards and upwards in their career. If the opportunity for advancement truly exists, it can be a powerful motivator for some salespeople. Advancement doesn't necessarily mean into management. It might mean taking over a better territory or account, increased responsibility, etc.

☐ Already do ☐ Should do ☐ Will do

9. Stability
Working for a stable organization can be a real motivator in times of turmoil. This doesn't mean you should shield your people from problems. It means you should manage your problems in a professional way.

☐ Already do ☐ Should do ☐ Will do

10. Good Products
Professional salespeople want to be proud of (or at least pleased with) the product or service they sell. They want to feel they're offering good value for the asking price.

☐ Already do ☐ Should do ☐ Will do

11. Decent and Fair Treatment
This is part and parcel of creating a work environment where people are motivated to give their best. The Golden Rule of Management is not "He who has the gold makes the rules." It is: "Do unto others as they want done unto them."

☐ Already do ☐ Should do ☐ Will do

12. Affection
Hire people you like! Or at least like the people you hire and make sure you show it. I'm not suggesting you go around hugging people, but a smile, an encouraging word, or an expression of genuine interest will go a long way.

☐ Already do ☐ Should do ☐ Will do

13. Realistic Goals
Help your salespeople succeed by setting realistic, achievable, attainable goals. Success motivates.

☐ Already do ☐ Should do ☐ Will do

14. Input
Give your salespeople a say in the goal-setting process. Make them a part of it so they can take ownership of their quotas. Solicit their input on sales-related items. Help them feel part of the team.

☐ Already do ☐ Should do ☐ Will do

15. Decision-making Responsibility
Giving salespeople the authority to make business decisions that affect their customers, such as price negotiations, helps build trust and involvement. Empowered salespeople are motivated ones.

☐ Already do ☐ Should do ☐ Will do

16. Training
Training shows you care. Training should not be an event. It should be an ongoing process. Turn your sales meetings into mini training sessions. You're never a prophet in your own land so it's wise to use outside training whenever possible.

☐ Already do ☐ Should do ☐ Will do

17. Variety
Don't let your salespeople get stale. Make sure the job has enough variety to maintain interest. Find special projects for them to get involved in like doing competitive comparisons or getting more involved in trade show planning.

☐ Already do ☐ Should do ☐ Will do

18. Achievement
A person's self-worth is tied to his or her achievements. Celebrate your salespeople's achievements, both large or small, both business and personal, and build morale.

☐ Already do ☐ Should do ☐ Will do

Tried & True Motivators

Here are the four biggies in sales motivation. They're all simple, easy to implement, and best of all — they work. Which ones can you make work for you? Review the list and decide which ideas you can put into place or reinforce to boost the morale at your company.

1. Recognition
Recognition for a job well done is rewarding the behaviour that you want repeated. When was the last time you publicly recognized one of your salespeople for a job well done?

2. Opportunity
An opportunity to succeed with the right product or service and lots of prospects for that product or service. Is it time to review your product/service offerings to get rid of the deadwood?

3. Support
The internal support systems to allow your salespeople to succeed. Build a supportive work environment where they're encouraged to excel. Do you use the POTB (pat-on-the-back) or KITA (kick-in-the-a**) sales management style?

4. Income Potential
Provide the potential to make an adequate income for your salespeople and their families. Is your sales compensation plan a win- win one?

Final Thoughts

Make sure you don't have blinders on. In my sales management consulting work, I've discovered that many managers suffer from management myopia and selective vision. They see what they want to see and don't see what they don't want to (but should) see. There's always the possibility that you are the source of the morale problem within your company. Frightening thought! If in doubt, get an outside, unbiased, honest opinion.

There's an old expression about trying to drain the swamp when you're up to your you-know-what in alligators. That's why it's hard for managers to even consider the morale situation when times are difficult. Their minds are quite naturally on other things such as meeting payroll, putting out internal fires, or even survival.

In tight times, sales managers adopt the Smokey-the-Bear approach to management and spend most of their time stomping out fires. It's too easy to collapse in on yourself and forget your manager/leader responsibilities. You need to remember you have a responsibility to lead the company out of wherever it is now to where it ought to be. How do you do this? Through the efforts of your employees. And that's why it's critical that morale stays high.

Chapter Nine: Leading Your Sales Team

(or… Staying Ahead of the Pack)

Nobody ever called Winston Churchill, John F. Kennedy, or Pierre Trudeau good managers. Leaders maybe, but not managers. The best sales organizations are not just well-managed, they are well-led. It's unfortunate but true that good managers don't always make good leaders and vice versa. To be a leader, you need followers. You can't demand that people follow you. You can you have to earn your staff respect so they want to follow.

Why Leadership?

So far, this book has been full of hints, tips, and ideas on how to be a good sales manager, so why raise the spectre of leadership? Because while managing without leadership *will* get the job done and leading without managing *may* get the job done, leading and managing is a sure-fire combination for success.

Let's face it. There are a lot more managers in this world than there are leaders. I have no idea why this is the case. My personal theory is that it's a lot easier to manage than to lead. Managing is largely a matter of dealing with systems and processes, whereas leading is primarily a matter of dealing with people. Many folks are more comfortable dealing with things rather than people. After all, things tend to be a lot more predictable and manageable then people.

The Sales Wizard Says…
Managers manage processes.
Leaders lead people.
And leaders lead by example.

People Skills Make the Big Difference

There is one big difference that separates leaders from managers, it's their people skills. They have highly honed interpersonal skills. Leaders seem to have an ability to influence, supervise, lead, manipulate, and control people.

Some of these qualities -- manipulation and control in particular -- can be destructive when used for purely selfish reasons and our powerful tools when used to move a sales team and organization towards success.

Leaders stand out from managers in two other areas as well, problem analysis and emotional resiliency. Leaders excel in their ability to identify, analyze, and solve problems. Emotionally they are stimulated rather than exhausted by crises and heavy responsibilities. They thrive under pressure.

You Either Have It or You Don't

I don't believe this for a moment. I certainly feel there are people who assume the leadership role more easily than others, but I don't feel leadership is a matter of having the right chromosomes. In other words, there's no such thing as a born leader.

Leadership can be developed and nurtured if you know what to look for. So, let's take a look at leadership from a sales point of view.

The "E" Factors

The 4 C's of effective leadership are:

- **Envision**
- **Excite**
- **Empower**
- **Educate**

What then is an effective leader? Effective leaders set corporate goals for their departments or companies, goals that their people can accept and work towards. They also established the standards and priorities required to reach those goals. They understand that while others are *responsible* for reaching the targets, they are *accountable* for the success or failure.

Your ability to *envision* the goal and communicate it to your staff becomes a measure of your leadership.

The ultimate function of an effective leader is to develop, encourage, *excite* and energized staff so that everyone is working towards a common goal. This common gold, or vision, is important if your people are to be able to focus their efforts.

Leaders allow their people to make mistakes. They do this by *empowering* their people and permitting them to make the decisions that directly affect their areas of responsibility. Insecure managers are afraid to empower their people.

Leaders also realize that mistakes are part of the *education* process. Mistakes are used to learn from, and successes are used to build upon.

You don't have to worry if you hired the right people. Leaders realize that people learn more from their mistakes than from their successes. I'm not suggesting you encourage your people to deliberately make mistakes in order to have a learning experience. But I am suggesting that good leaders have a high tolerance level for mistakes. However, if you have someone who is a specialist at making mistakes, you may want to have a word or two with them.

I believe in the baseball method of dealing with mistakes -- three strikes and you're out! If a person makes a big mistake, we'll have a chat about the lessons to be learned from it. If he makes the same mistake a second time, I want to know why. If he makes the same mistake a third time, he's out.

Sales Management Vs. General Management

General management is often seen as dealing with processes more than with people. Indeed, some of the corporate leaders today excel in performing the general management functions what are exceedingly poor people managers.

Sales management, on the other hand, is the reverse. A good sales manager must, first and foremost, be a skilled people person. Being a people person is not enough to make the grade, however. The degree of success that a person-oriented individual achieves in sales management will depend upon how well he or she masters the other management functions.

Sales managers hold a critical job. In addition to building sales, successful sales managers contribute significantly to the morale and bottom-line of their company. There is no magic trick to sales management. Successful sales managers know how to bring out the best in the people they manage. They know that the needs of the business are best met when the needs of the individuals they managed are met.

A sales manager is a manager of people, not projects. When it comes to sales there's no substitute for people management.

Key Sales Management Responsibilities

Here's a list of the primary responsibilities of most sales managers:

- Develop the sales strategies required to meet sales goals.
- Know the market, major customers, demographics, competition.

- Design the sales team.
- Direct the activities of the sales team.
- Staff and train the sales team.
- Analyze and evaluate sales efforts.
- Maintain comprehensive sales performance records.
- Provide accurate forecast information to upper management.
- Promote, demote, and terminate salespeople.

Ten Qualities of a Successful Sales Manager

There are a number of qualities that successful sales managers share. Here are 10 of them:

***1: They like people*.**
The best sales managers are extroverts who have a genuine interest in people. They operate under the principle that if you can't hire the people you like, then like the people you hire.

***2: They are well organized*.**
This is an important, but not necessarily and inherent quality, in most sales managers. The words "well organized" and "neat" are mutually exclusive terms. Some sales managers are organized but their desktop cry out otherwise. It's important for sales managers to put their hands on important information quickly in order to support the team.

***3: They have a sense of commitment*.**
Their commitment is to their organization, the organization's customers, the sales team, and the individual team members. They let the committee show in everything they do.

***4: They have a strong desire for responsibility*.**
They know where the buck stops and they're not afraid to go to the extra mile to get the job done.

***5: They're persistent in the pursuit of their goals*.**
They recognize that desire is something is not enough by itself. They realize that they have to have the discipline to make things happen. They also realize that they lead by example and they can't expect persistence from others if they do not display it themselves.

6: T*hey know how to bring out the best in people*.
Take care. They make an effort to know their people and they want the best for each of the team members.

7: They're tolerant.
They realize people grow as much from their mistakes as they do from their successes and they make allowances for when a team member stumbles.

***8: They're flexible*.**
Good sales managers have the ability to roll with the punches and still stay upright.

9: *They’re always open to new or different ideas*.
They maybe not always like them, but they will at least entertain them. They know that if they shoot an idea down too quickly, they might shut off the stream of other ideas from the team.

10: They’re enthusiastic.
Team members will never rise above their leader. If a sales manager is Low key, the salespeople will be lower key. If a sales manager is down and shows it, the team will be even more down. On the other hand, if a sales manager is up, positive, and enthusiastic, the team will be up there as well.

Keys to successful sales management

Here are some more insight into sales management and sales leadership that I picked up along the road of life:

Create a vision for the sales team.

Give yourself people a dream to believe in. If they don't have a target to shoot for, they'll just waste their ammunition.

Keep people aware of their goals.

You do this by taking the time to get to know your people and showing them how their personal goals and the organization's goals are tied together.

Create an environment where people are motivated to do their best.

Giving credit when credit is due and taking the time to compliment and encourage people has a powerful, motivating effect.

Recruit outstanding people.

Hiring mistakes can be extremely costly. By hiring the best people you can find, you build a strong, effective sales team that makes you look good.

Train your people.

Product knowledge ***and*** sales training are important. Training is not a one-shot affair. Products change and sales skills get rusty. It's important that you help your people stay on top and stay sharp.

Don't be a boss.

Be a coach, parent, adviser, teacher, or cheerleader depending upon the situation. This is where being flexible and empathetic is important.

Never stop learning.

Continually upgrade your own skills. Stay ahead of the pack by maintaining an attitude of continuous learning and improvement. Lead the way.

Wield the axe.

Part of the job is to terminate poor performers. This is a critical responsibility. If it becomes necessary to terminate someone, do it professionally and with compassion, but do it.

Leadership styles

There are a lot of books on leadership and leadership styles. Here's a brief definition of five major leadership styles:

Directive.

This is where the leader maintains tight control over the employee’s task performance. Work standards are unilateral set by the leader, who also makes all or most of the job-related decisions. Communications is mostly one-way – downward. Motivation techniques rely more on the stick than on the carrot. Heavy reliance is placed on power of authority. This is an authoritarian style and doesn't always wear well on people.

Persuasive.

Very similar to directive. The major difference is that the persuasive leader prefers to “sell” (rather than order) the employees on the merit of complying with the leader’s decision. People with this style of leadership can sometimes be considered as running a benevolent dictatorship.

Consultative.

The leader makes the final decision after receiving input from others. Control is lessened for more mature, confident employees who become self-motivated by the trust showing them and by the challenge and financial rewards of the job. Two-way communications becomes more desirable to the leader. Employees feel a bigger part of the team under the style of leadership.

Participative

The leader and the employees function as equal members of a team. Decisions are made with the consensus of the team rather than by the leader. Heavy emphasis is placed on understanding what motivates each individual. Communication is among all team members. The leader exercises nominal control because the team is self-directed towards task accomplishment. This style of leadership is widely accepted as one of the more effective styles.

Delegative

The leader essentially becomes disassociated from the task and from the task performers once delegation is made. Control is limited to seeking and accepting feedback from the team members. The climate is one of empowerment and self-motivation. What little communication is required is two-way in nature. Decisions are made by team members.

Which style is best?

None! The effective leader will be skilled in using all these leadership styles. This concept is known as the situational leadership and has become popular in recent years. An effective leader will select the proper style to use in a particular situation based on:

- The nature of the task to be accomplished;
- The experience level, skill and job responsibilities of the employee; and
- Other variables such as time, the need for creativity, resistance to change, etc.

It's also worth noting that different team members respond to different leadership styles. A person might respond best to a directive style today, but it will require a different leadership style as the task and his or her own behaviour and situations change. The effective leader uses his or her highly polished people skills to determine which approach and style is appropriate for a specific situation.

Consistency and Integrity

Having just said that you have to be vary your leadership style to suit the situation, effective leadership is based primarily on being consistent. This means you have to be able to vary your style consistently. Neat trick! In addition, leaders earned their employees' trust without necessarily being likeable or charming. Leaders live and breathe integrity. Leaders have the ability to excite inspire and motivate.

The Sales Wizard Says…
A leader without integrity is
a leader without followers.

Final Thought

A sales manager's job is hard enough. It's easy to see that being a leader can be even harder, which is why there are so few leaders in business today. By continuing to develop your leadership skills, you have the opportunity to make a real difference in the business world.

Chapter Ten: Handling Problem Salespeople

(or… Beating Off the Alligators)

Some people will delight in telling you that all salespeople are problems and nothing but problems. That's not quite true. But every now and then, despite all your best efforts at trying to hire the right person, you hire a problem.

Sometimes you inherit the problem — a salesperson hired by your predecessor, who didn't (or couldn't) solve the problem and it now becomes yours. Sometimes the problem simply springs up out of no- where — a formerly good performer gone sour, and you have to deal with it.

What you do about the problem depends on what the problem is and its magnitude. Sometimes there's nothing that can be done. Other times it's simply a matter of coaching the person. More serious problems may be solved with counselling while the biggies may require major surgery (termination).

Whether you hired the problem salesperson or inherited him, the problems generally fall into three categories:

- **Operational**
- **Personality**
- **Performance**

Operational Problems

Operational problems are generally created by the company's internal systems (or lack thereof!). They're often beyond the salesperson's control but can cause a great deal of frustration for the person and can create a demoralized sales team. Typical operational problems include:

- Excessive paperwork requirements
- Procedural quagmires
- Draconian credit approval process
- Lack of administrative support
- Asking salespeople to collect overdue accounts
- Prolonged delays in paying expenses
- Problems between departments
- Tight cash flow
- Lack of management direction
- Inventory problems
- Inability to quickly respond to customer requests
- Complicated sales process
- Needless reports
- Too many meetings
- And so on

Operational problems, while not directly related to the salespeople, are often blamed on them. Examples:

1. Stringent credit approval procedures that slow down the sales process and cause the accounting and sales departments to be at each other's throats. But the salespeople are perceived as being uncooperative and demanding.

2. Lack of administrative support to get written proposals generated in a timely manner resulting in lost opportunities. But the salespeople are blamed for the loss.

In most cases, operational problems are not evident to management because they are too close to the forest to see the trees. It sometimes takes an unbiased, outside view to uncover the real problem(s).

Wizard Note: Don't burden your salespeople with complex call reports that take hours to complete at the end of each day. Yes, call reports are important, but they should be simple, concise, and of more value to the salesperson than the company.

Be cautious about accusing a salesperson of being a problem until you're sure that the root cause isn't the system he or she has to work with. Listen to the person's concerns with an open mind. Sure, salespeople like to whine, but sometimes their whining can carry a powerful message about how you can make the operation more efficient.

Frank, round-table discussions can help get to the bottom of most operational problems. When the problems span more than one department, make sure all the key people have a say. Use standard problem- solving techniques to keep finger-pointing to a minimum. Remember the four problem-solving questions:

1. What is the problem?
2. What are the causes?
3. What are some solutions?
4. What is the best solution?

Brainstorming the answers to these questions will keep you moving in a productive direction.

On occasion you may face a situation where you are unable to solve the cause of the operational problem. Say, for example, that tight cash flow is causing delivery problems and one of your salespeople is causing havoc. You've made every attempt to explain the unsolvable situation, yet the salesperson is unable to understand or appreciate the circumstances and cannot or will not adjust to this reality. What should you do? Then it becomes time for the salesperson to move along to a new opportunity, probably with another company.

Wizard Note: It's difficult for salespeople to maintain their focus on making sales when they're drowning in paper, procedures, and interdepartmental problems. It's often the sales manager's job to act as a facilitator and/or arbitrator to get operational problems solved, or at least minimized.

Personality Problems

Some salespeople are like Dr. Jekyl and Mr. Hyde. They get along well with customers but aggravate their fellow workers, support staff, and others. You can rarely afford to have this type of person on staff because they are disruptive and destroy morale.

Let's face it, not everyone gets along with everyone else. People like people who are most like themselves and when someone comes along who marches to a different drummer, they don't always hit it off. Or when two or more people with big egos try to inhabit the same space, interpersonal conflicts can abound. It takes a great deal of maturity and effort to handle personalities that differ substantially from our own.

Personality problems and conflicts aren't likely to go away. A person's personality or temperament is pretty well what they are born with. Some people are more flexible than others and can modify their behaviour to accommodate others. But modifying your behaviour is not the same as changing your personality. Under stress, people will revert to their innate personality traits. So when times are tough, a person's real personality is likely to surface. Sometimes this personality is a shining light that guides the rest of the team out of the darkness. At other times, the person takes us into the darkness and we say he or she has a bad attitude.

Much like one bad apple can spoil the whole barrel, one bad attitude can poison the work environment.

Fortunately, most salespeople are positive by nature. Habitually negative people don't last long in sales, so when a salesperson's attitude turns sour, it's usually because some external force has overwhelmed the person. These external forces might be an operational problem, a change in compensation plan, a major lost sale, or general frustration with his or her performance level.

You solve attitude problems by getting to the bottom of the situation and correcting the problem. Even when you are powerless to correct the problem, just talking about it often relieves the pressure. Sometimes all it takes is a sympathetic ear.

If whatever is bothering the individual can't be changed, it's time to suggest that he accept the situation and get on with the job. If he can't manage that, perhaps it's time for him to move along to another company where the climate is more to his liking.

Performance Problems

Performance problems are sometimes difficult to diagnose. It's hard to know if your new salesperson is just slow off the mark or if he's a non-performer. And it's not easy to tell if a seasoned salesperson is simply having a bit of a dry spell or if she's developing into a chronic poor performer.

Uncovering performance problems is easier if you've been keeping proper sales records. These records will allow you to do performance comparisons to uncover the problem areas.

Performance problems seem to fall into four categories:

- non- performers;
- poor performers;
- over-performers, and;
- burnout.

Non-Performers

This problem generally surfaces with new salespeople although, occasionally, an old-timer can become a non-performer, usually because of burnout. To a great extent, sales is a numbers game. So, if a new salesperson isn't making his or her numbers on a continuing basis, it's time to part company. Sounds blunt but it's the only way.

The first thing to do is decide what is a reasonable time for a new salesperson to come up to speed in your company. Then provide the training, support and coaching, and monitor the results. Give the person every opportunity to succeed. If the results are not there within a reasonable amount of time and you can't identify why, cut your losses. You can't afford non-performers. No company can.

Poor Performers

A poor performer is usually someone who already has a proven track record, either within your organization or with another company, but is not performing up to par. Assuming the person is not suffering from burnout, it's time to monitor his or her activities more closely.

When things are going well, you can (and should) monitor results. When things are not going well, it's time to monitor the activities that lead to results. For example, is the poor performer:

- Making enough calls (if not, why)
- Qualifying prospects properly
- Spending too much time socializing instead of selling
- Poorly organized (spends more time preparing to sell than selling)
- Overly organized
- Planning properly
- Not following up on opportunities
- Not taking advantage of existing leads
- Having personal or family problems that are side-tracking his or her efforts

Sit down with your problem child and set mutually acceptable quotas, activity levels, and a timeline for reaching them. It's important that he be given enough time to bring his performance up to an agreed-upon level. Your job is to assist him to hit the targets, on time.

It's important that the targets be mutually established. If the salesperson isn't involved in setting the targets, he won't feel responsible for reaching them.

If a salesperson isn't meeting his sales targets, look at his sales activities. Is he making the required number of calls necessary to make quota? If he is making the required number of calls, what's happening or not happening on those calls? Why isn't he closing the business? This may be the result of a skills deficit and some training may be in order. If he's not making the required number of calls, why not? You may have an organizational problem or perhaps a lazy salesperson. (Or worse, a lazy salesperson with an organizational problem!)

Poor performers can usually be coached or counselled back to full production by a patient sales manager. We'll look at coaching and counselling later.

Over-Performers

While this may seem like an odd problem, having an over-performer on staff can be very disruptive. These are the people who sell more than any three of your other salespeople but create havoc while doing it. Required paperwork is incomplete or a mess, and other people are always having to pick up after them. Team spirit is shot to hell because the over-performer has his own agenda and isn't going to let something like team spirit or cooperation with others stand in the way of his commission cheque.

What do you do with over-performers? Sometimes nothing. Sometimes you can use the over-performer as an example for the others to emulate — providing the over-performer's bad habits aren't too bad and you're prepared to deal with the increased aggravation. Most often we simply tolerate the over-performer and vacillate between being sorry we don't have more salespeople like him and being glad we don't!

Wizard Note: In my experience, I have found that everybody has an aggravation level and a utility level. When their utility level exceeds their aggravation level and they're performing, I'm prepared to live with the problems. However, when their aggravation level exceeds their utility level, it's time for a change, and that usually means out the door!

While some over-performers are simply hard-driving, highly focused individuals (with the emphasis on "individual"), others have a tendency to self-destruct. In their zeal to make a sale, they do something unethical or dishonest and their world crashes down on them.

Burnout

Good salespeople are masters at hiding burnout. They may continue to appear positive and upbeat, but their sales numbers will tell the story. Other signs of burnout are failure to keep commitments, reports not being turned in on time, excessive forgetfulness, change in general attitude, and low or no motivation. The three major causes of sales burnout are health/medical problems, personal problems, and overwork.

As a sales manager, you're not really qualified to handle health or medical-related problems. You can, however, suggest (or in some cases insist) that a person get a thorough medical. A good general practitioner can also uncover personal problems, particularly if there are no major physical ones.

Many sales managers aren't qualified to handle personal problems. While I don't recommend you turn into an amateur psychologist, sometimes all it takes is a sympathetic ear and the problem becomes self-solving.

Overwork is an insidious problem. The person usually knows she isn't firing on all cylinders but can't afford to stop and get her internal engine repaired. So she tries to run faster, which only causes more problems. Sometimes the only cure is a forced vacation or rest. Watch for people who don't take their annual vacation. They may be building up to a performance breakdown.

Coaching & Counselling

Sales managers have been used to their "commander-in-chief" role where they give orders and the soldiers (salespeople) obey. Things are changing. Over the past few years, sales managers have been expected to take on the role of coach for their sales team, and the more progressive ones have also developed their counselling skills.

Coaching

Just like athletes, salespeople need to be coached if they're to perform at their best. Don't confuse teaching with coaching. Many sales managers fail to make the distinction between these two roles. Teaching is "show and tell." Coaching is "observe and suggest."

Teaching is something you do before you set the salesperson loose on your prospects. It's best done in the comfort of your office or during formal training sessions — although some companies use the B-L-B method (blind-leading-the-blind) where they send the new recruit out with a more seasoned salesperson, often with interesting results.

Coaching, on the other hand, is best done in the field, after the salesperson knows what he or she is supposed to do. I call this curb-side coaching. It's a way to build or improve on the strengths that the salesperson brings to your company. You may never be able to get rid of a person's weak points, but you can build up his or her strong points so that the weak ones become small in comparison.

Curb-side coaching doesn't always take place at the curb-side. With inside salespeople, it can be done in a quiet corner of the sales floor, in the stockroom, or during a planned coffee break. Telemarketers can be coached at their workstations during planned coaching breaks.

Guidelines for Curb-side Coaching

Curb-side coaching should be done immediately before and/or after the call. The best place is in the car, while it's parked, with the motor turned off and your minds turned on. Don't make a big deal of it. Coaching should be something that you do naturally and the salesperson expects you to do in your role as sales manager. The important thing is to do it systematically and properly. Whenever possible, confine the coaching to just one point or idea. Don't overwhelm the salesperson. Don't feel obligated to coach. If the call went well and there are no particular points to be made, don't make any. Simply compliment the salesperson on a strength you noticed and get on with the next call. When doing corrective coaching, always start with a positive — something that the salesperson did right. After you make your corrective point, finish with another

positive note. The idea is to keep the sales- person's attitude as positive as possible while helping her improve her selling skills.

Before the call, help the salesperson set some call objectives. Help her develop the habit of putting her mind in gear before opening the car door. After the call, compare the pre-call objective with the actual call results. Help her determine what follow-up activity would be appropriate. Ask the salesperson what, if anything, she would have done differently during the call and why.

Develop and Use a Checklist

This will simplify your notetaking during the call. Use it to check off the things the salesperson does right as well as those areas that need attention. Here are some items you could include in your checklist:

General Coaching Checklist

Personal Qualities:
Appearance: dress, posture
Courtesy: to fellow employees and customers
Decision-making abilities
Drive
Enthusiasm
Health and physical condition Initiative
Morale Reliability
Self-control
Stamina

Job & Product Knowledge:
Knows the product
Knows competing products
Knows company policies
Knows market conditions
Knows advertising and sales aids
Knows customers and prospects

Personal Organization:
Customer records in order
Has income goal
Knows how many sales to make to reach the goal
Knows how many calls to make for each sale
Organizes work in advance
Territory is organized
Makes good use of waiting time
Uses a personal organizer or other time management tool
Automobile is clean and organized
Sales literature is neat, clean and available

Sales Skills Coaching Checklist
Pre-Call Preparation:
Understands customer's business
Sets call objectives
Has overall account strategy

Opening the Sale:
Established rapport and got customer's attention
Set appropriate tone
Kept the sale moving along

Qualifying the Prospect:
Gained interest
Used open-ended questions
Encouraged customer to talk
Used questions to develop needs
Developed needs that we can satisfy
Determined who the decision-makers are
Determined financial limits and/or restraints
Uncovered competitive situation
Kept control of the sale

Selling Benefits:
Linked features and benefits to customer's needs
Knew at least five appropriate facts and benefits
Used sales tools
Used appropriate evidence
Kept the customer involved in the sale
Was aware of buying signals

Demonstrations:
Knew how to demonstrate the product/service
Demonstration was applicable to the sale
Got and kept the customer involved

Handling Objections:
Understood the customer's concerns
Put concerns in the proper perspective
Had a ready answer for common objections
Properly acknowledged objection before handling
Used appropriate techniques

Motivating the Prospect:
Fully understood how product benefits customer
Was able to verbalize how customer will benefit

Closing the Sale:
Recognized when to stop selling and start closing
Used at least one trial close
Attempted at least one close
Knows more than one closing technique

After the Sale:
Terminated the sale at an appropriate time
Has a clear understanding of the next step
Has a follow-up plan or procedure

***Prospecting*:**
Asked for referrals
Keeps a current list of suspects and prospects

You can use a one to five or one to ten scale to quantify each time and the complete checklist. Having a "score" allows you to compare the salesperson's score on subsequent coaching calls to see if there has been any improvement. It also allows you to rank the members of your sales team as well.

Counselling

Counselling goes beyond coaching. When you're in your counselling role, you're acting more as a mentor than a coach. Sometimes you'll find yourself acting more like a parent than a boss.

Counselling is a serious conversation with a well-defined purpose. It's not a social event, so skip the usual pleasantries and cut to the chase. Here's a five-step process that will help:

1) **State the problem.** Stick with the facts as you understand them. This is not a time for confrontation, but for realization that a problem exists.

2) **Get agreement.** If the salesperson doesn't acknowledge or agree with a problem, he doesn't have one. That doesn't mean the problem doesn't exist, it only means the salesperson doesn't see or acknowledge it. It's still there and it still has to be solved, so the more immediate problem is getting the salesperson to realize a problem exists. It's also a good idea to get agreement on the magnitude of the problem or situation.

3) **Listen.** Hear the other person out. What's his side of the story? Are there extenuating circumstances? What are the facts as the other person sees them? Stay neutral and keep your emotions in check. The other person may want to vent his feelings and, if you take the venting personally, counselling can quickly turn into conflict.

4) **Mutually develop an action plan for improvement**. Get specific. What needs to happen when, who is responsible for what, how will you both know when the target has been reached? Make sure the salesperson agrees to the plan and his part in it. Document the plan so that both people have something to refer to. If you think the

problem is serious enough to result in termination if it isn't corrected, get the salesperson's signature on the plan as acknowledging it. You don't want to get involved in an unlawful dismissal dispute where the salesperson says he never agreed to the plan.

5) **Monitor the results**. Schedule follow-up meetings to review the salesperson's progress. These meetings can be short, informal ones or formal, weekly sit-down reviews. It shows that you're serious and interested in the salesperson's progress towards improvement.

Coaching and counselling won't solve all your performance problems. But they're among your best tools for getting the job done.

Final Thought

While you might wish it weren't so, a sales manager's job is one of solving problems — performance problems, interpersonal problems, corporate sales problems, you name it. It's a big part of your responsibility. It's also what keeps the job interesting. Each day brings new problems and rarely the same one twice. And it's the people problems that are always the most challenging.

But, hey, without problems to solve, who would need sales managers anyway?

Chapter Eleven: Cutting Your Losses

(or… Firing with Finesse)

Replacing a salesperson is always the last resort but if it has to be done, do it right. Learn how to take the pressure off both you and the person who will soon be looking for a new career opportunity.

This chapter, like the actual event itself, is short but not so sweet. As a sales manager, one of the hardest chores we have to perform is to fire someone. You can call it termination, de-hire, lay off, downsizing, right sizing, or any number of other neat phrases, but the bottom line is that you're putting someone on the street and impacting his or her professional and personal life.

Firing someone isn't easy, but it's one of those tasks that comes with the territory. It's a difficult task that is sometimes made even harder by circumstance.

If you're fortunate enough to have a human resource or personnel department to do the job for you, I still recommend that you be there when it happens. The experience is a great incentive to make sure you hire smart and train well.

The Terminator

My initial experience in this area came about three months into my first sales management job. I was working for an Ottawa-based manufacturer's rep and our Halifax salesperson wasn't doing the job any more. He was an older gentleman who was burned out and didn't realize it or wouldn't admit it. After several salvage attempts, the company sent me to Halifax to terminate him.

Despite the fact he knew I was coming, he didn't show up at the airport to meet me as requested. I made my way to the hotel and checked in. When I tried to place a call to him, I discovered his phone number had changed and his new number was unlisted. I called our Ottawa office, obtained his home address, and then grabbed a cab to his home. I wish I had asked the cab to wait, but I didn't.

There I was, sitting in this gentleman's living room with his wife and three children. He knew exactly why I was there, and he was not about to make this chore any easier for me.

Years later, I was thankful for this experience. It doesn't get much worse than having to sit in front of a just-terminated employee with his crying wife and three bewildered children, waiting for a taxi that I had to ask them to call for me. While I'm still not immune to the challenge, the experience made me less vulnerable, although not less sensitive, to the process.

In this particular case, I had inherited a poor performer who couldn't be salvaged. But it doesn't matter if you inherit one or hire one. If you have a dud, take action quickly. You can't afford to tolerate sub-standard performance. A poor salesperson can affect the performance of the whole team. If a sales manager is seen as tolerating mediocrity, then the others feel they don't have to perform either. Pretty soon your eagles will start hanging around with the turkeys if they think they can get away with it.

Managing the Flock

Sales managers are the keepers of the flock. Pareto's Principle and the 80/20 rule notwithstanding, in any group of 10 salespeople, you're likely to find one to three eagles, four to six chickens and one to three turkeys. A sales manager's job is complicated by the fact that sometimes the chickens and turkeys are hard to tell apart. Part of a sales manager's job is to keep the eagles soaring, to get the chickens out of their comfortable nests and into the sales barnyard where they can hunt and peck with the rest of the flock, and to roast the turkeys.

But what if you've hired smart, provided the training, given the tools and the support they need to succeed, set targets and monitored activity, coached and reprimanded — and performance is still lacking. What do you do?

Well, you've reached the last resort. Now it's time to cut your losses and give the person a new career opportunity, preferably with another company (a competitor!). Let the person go. Do it properly and do it fairly, but do it. You can't afford to carry deadwood.

What's the Harm?

A poor salesperson can be an incredible drain on your resources. If he's on straight commission, you're inclined to think he isn't costing you anything. Don't kid yourself! This person is draining you of your most precious resource — your time. In addition, he can create a huge morale problem as he complains about how bad things are, etc. I've seen some of these whiners ground the eagles with their depressing attitude.

Sales managers are masters at rationalization. They tell themselves that old Fred is just having a bad week (month, quarter, or year) and he'll snap out of it soon. Or that new salesperson who isn't coming up to speed yet is going to be OK, even though their stomachs are telling them otherwise. Stop kidding yourselves.

Should You Fire?

Because firing someone is, if you'll excuse the expression, terminal, unless you are firing someone for ethical or integrity issues, you may want to think twice or three times before doing the deed.

Is the person salvageable? Have you done everything you can to help the person perform to his best abilities? Is there any additional training that you can provide? It's far better to retrain then replace. Is there a substance abuse problem that would benefit from an outside intervention? In other words, have you given the person every opportunity to succeed?

Is there some other place within the company that would benefit from the person's talents? Some underperforming salespeople can excel in customer service. Or maybe the person can move to inside sales or the order desk.

While extremely unpleasant, termination should never be a surprise to the person. It's important that this drastic option be made painfully clear to the salesperson well in advance of it happening. It makes absolutely no sense to give a person a good performance review and perhaps an increase in salary one month and then fire him the next. The salesperson should have been very aware of what he needed to do or what targets needed to be met to forestall the event from happening at all. As sales managers, we have not done our job if the firing comes as a surprise to the salesperson.

If you're still not sure if you should part company with someone, ask yourself this, "How would I feel if the person came into my office today and resigned?" If the answer is, "Whew," then your gut feeling has just been confirmed and it's time to move forward.

Paving the Way

As mentioned above, termination should never come out of the blue or as a surprise to the person being fired. In fact, termination should be a last resort, not a first choice.

If you have someone who you are remotely considering as a candidate for dismissal, I recommend you read (re-read) Chapter 10 on *Salvaging Problem Salespeople* before moving forward.

The path to dismissal needs to be paved with performance reviews, attempts to correct performance problems, as well as an acknowledgement on the part of the poor performer that termination is an option unless agreed-upon performance improvements are achieved within an *agreed upon* period of time. Note the emphasis on the term agreed-upon. This is a mutual plan for improvement or reassignment (termination).

Doing the Dastardly Deed

Once you decide to part company with a salesperson, do it very quickly. This is not the time for small talk. Don't beat around the bush. Arrange to have all the termination paperwork ready to go along with any final salary and commissions due. Collect all your sales material, customer information, computers, cell phone, company car, key to the front door, etc. If he drove into work that morning in a company car, arrange for a taxi to take him home. Don't drive him yourself.

The idea is to get the individual debriefed, dehired, and defused as quickly as possible. I'm not suggesting you give the person the bum's rush, but the whole exercise is going to be somewhat uncomfortable for both parties so you want to get it over with as soon as professionally possible. Above all, don't give someone two-weeks notice and expect him to hang around the office or continue to make sales calls. (Yes, I've seen companies do that with a devastating effect on morale.)

There's a certain wisdom to having another person with you, usually another manager, just in case a witness is required to collaborate what actually occurred during the termination. He or she should be seated on the same side of the table as the salesperson being terminated to avoid giving the appearance of two against one. This person's role is as an observer only and he or she should stay out of the conversation if at all possible.

In doing the deed, keep it short and simple. There's no need for you to offer long explanations for the company's decision, and you certainly don't want the individual to leave a broken person. After calling the person into a private office, you might say something like this:

"Fred, it's apparent to both of us that things have not worked out to either of our expectations. That being the case, the company has decided it would be best if we parted ways effective today. Here's a cheque covering the two-week notice period and other moneys due you along with your unemployment paperwork."

"Like you, Fred, I'm disappointed that things didn't work out, and I think it's best for you to get on with your career. In order to help you, I'd like to wrap up any loose ends as quickly as possible so you can get on with the job of finding a new job."

The idea is to drop the bomb quickly and then repair any collateral damage. Whatever you do, don't get into a discussion of what went wrong or who did or didn't do what, etc. This is not a time to dissect, rationalize, or explain the company's actions. If Fred tries to get into that discussion, you might say:

"Fred, it doesn't matter what did or didn't happen. The decision has been made and it's out of our hands. The important thing now is for you to get out there and find a new job."

If Fred persists, just keep repeating the above paragraph until he gets the idea that you're not going to be drawn into a discussion or argument about the wisdom of the firing decision.

Even if you are only the messenger and don't agree with the decision, don't say or do anything that shows that.

Again, never discuss, or even mention, the performance problems, or lack thereof, that lead up to the termination. It's not a matter that is open for discussion and you'll only get into a spitting match if you go there.

The dismissed salesperson will be somewhat dejected but not overly surprised. If there is any surprise, it's usually surprise that the deed wasn't done sooner. In some cases, the dismissed employee is actually relieved, as it can be an enormous strain to be performing at a substandard level for a prolonged period of time.

While this goes without saying, I'm going to say it anyways, Don't say or do anything that might be considered as putting the person down. Remember, it's not the person's behavior that was the problem, it was their performance.

The Exit Interview & the Exit

As soon as possible, debrief the salesperson, preferably with a tape recorder, on any activity he or she has going that you should know about. Review each account and opportunity and develop a list of what actions need to be taken. If you have a sales automation, CRM or contact management system in place, go through it in detail and make sure it's up to date.

Be sure you get this information from the person before he or she walks out the door. Terminated employees can become very selective about what they remember. They are not happy campers at this point and, given some time to think about it, they can convince themselves that they've been hard done by and refuse to co-operate.

Without being obvious, stay with the person as he cleans out his desk and removes his personal belongings. Retrieve all client files, contact reports, forecasts, etc, as quickly as possible. Make sure no company files, information, mail lists, etc, find their way into the salesperson's briefcase. Then escort the individual to the door.

If the salesperson has been working out of his home, or if he has company material at home, don't ask him to bring it in. Go yourself to pick it up or send someone else with the person. Be sure to keep the soon-to-be-departed person away from any computers. Disgruntled employees have been known to reformat hard drives out of spite and erase all the data on the computer hard disk.

Don't forget to recover any keys, company credit cards, and telephone calling cards. In some cases, it's often a wise decision to change your locks. Most keys can be duplicated and a seemingly calm and responsible person may ultimately decide that he or she has been wronged. The person could drop in after hours to cause some havoc or "borrow" some equipment or sensitive material like client information, etc.

When to Do the Deed

There's no good time to fire someone, but there are definitely some bad times. Firing someone on Friday afternoon or just before a long weekend or holiday is bad news. It's better to do the deed early in the week. You want the person to be out the next day looking for a new position. You

don't want him sitting around all weekend, particularly a long weekend, feeling sorry for himself, stewing about the perceived injustice of it all, and then visiting a lawyer on Monday morning to file an unlawful dismissal suit.

Use empathy and sensitivity to make the parting as professional and painless as possible. Your objective is to get the person out of your company with as little disruption to himself, to you, and to other staff members.

Don't Abandon the Dehired

While it's best to get the individual off the premises quickly, that doesn't mean you should abandon him. Unless the firing process went poorly and one or both of you lost your cool, there's no need to just dump the person onto the street with a good-luck-and-good-riddance attitude. You may want to offer the individual limited use of your facilities in finding a new position.

After the dust has settled and emotions are back on an even keel, there's nothing wrong with providing the person with an empty desk, use of an off-line computer to write letters and resumés, access to the photocopier, and some secretarial and telephone answering services. The length of time that you extend these services will depend on the seniority of the person. Two to 12 weeks is a reasonable time limit.

Outplacement Services

If you're releasing a senior person, you may want to consider the use of an outplacement service. These firms specialize in assisting terminated executives with the job search process. If a person has been with your firm for a long time, the whole process of finding new employment can be quite daunting. An outplacement specialist will help the individual with resumés, interview preparation, networking ideas, etc.

In addition to it being a somewhat humanitarian thing to provide, the cost of this service often outweighs the cost of a potential unlawful dismissal lawsuit.

Final Thought

While you may be disappointed and angry at the salesperson's poor performance, remember that you shared in the decision to keep the person on as long as you did. You may have even hired the person in the first place. Don't let the anger cloud your professionalism. Don't do what you would *like* to do, do what is *right* to do. And whatever happens, allow the person to leave the company with his or her self-esteem intact.

Chapter Twelve: The Close

(or… Time to Grab the Money & Run!)

To paraphrase another sales trainer I know, in selling there comes a time to close the sale, close your mouth and close the door. Well, it's now time to close the book, but it's never time to close your mind to new sales management ideas or close the door on new experiences. Just as the close of the sale is often the beginning of a long-term relationship with a client, the close of this book is also a beginning. For some, I hope that it will be the beginning of a long-term relationship with sales management. For others, the beginning of an even better understanding of the job you've been doing over the years.

Like selling, sales management techniques constantly change in order to adjust to market and economic conditions. It's important that sales managers always have their learning caps on and stay receptive to new ideas and concepts. It will be your ability to adjust with the times that keep you and your sales team ahead of the competition.

Don't Go Insane

There's an old saying that the definition of insanity is doing the same thing over and over again while expecting different results! Keep in mind:

The Sales Wizard Says…
If you always do what you've always done,
You'll always get what you always got.

It Ain’t Easy

Sometimes, being a sales manager is like being a blind, one-armed juggler, -- it's rather difficult. The job isn't for everyone. Over the years, I've known sales managers who have elected to return to the ranks of the sales professional. That's where they are at their best; that's where they belong. Their sales management experiences have allowed them to go on to be even better salespeople and to set examples for others.

If you're one of the few who has accepted the challenge of sales management, I hope that these “secrets” will help you manage your salespeople even better.

Final, Final Thought

When your skills exceed your luck, you were guaranteed a place in the Winner's Circle. Good luck and *good skills!*

Brian L. Jeffrey
a.k.a. The Sales Wizard

The Sales Wizard Says…
Don't just make a living --
MAKE A DIFFERENCE

Appendix: Managing Salespeople by the Numbers

Putting the Numbers to Work

In Chapter 5, I described a way of using sales call data to evaluate performance and catch potential performance problems before they get out of hand. Here's an example of how "the numbers" can help you make better decisions.

Let's assume you collected the monthly sales data from your five salespeople as represented in Figure 15, Monthly Summary. Using this information and a calculator, you are then able to complete Figure 16, Monthly Ratios. For example, by dividing *Total Sales **(S)*** by *Number of Orders **(O)***, you are able to calculate the **S**/**O** ratio *(average value of a sale).*

What the Ratios Tell Us

Alan:

Alan is below average in both his *average sales per call* ($357) and his *number of orders per account* (0.2). Although he is second in his *aver-age value per sale* ($5,715) and his expenses are in line, he is inefficient. Alan makes 16 calls before he gets a sale. The group is averaging 30 orders for the month, but Alan closed only 10. He ranks last in *number of orders per proposal* (0.45), which probably means he isn't qualifying his prospects well enough before generating a proposal. If Alan was a new salesperson or in a new territory, his performance would be acceptable. But as a seasoned salesperson, Alan's performance is weak.

Bob:

Bob's writing large orders on the average ($6,117). His expenses appear a bit high until you look at his *expense ratio* where he's less than the average. Like Alan, Bob isn't efficient. He got only 12 orders from his 120 calls. Bob's high *value per proposal* ($12,170) shows he has his sights set high. Perhaps too high, though, and he may be missing smaller opportunities or leaving money on the table in some situations. Bob's seeing his accounts less than twice a month (1.8).

Cathy:

Cathy's having her problems. She's calling on her accounts almost four times a month (3.6) but she's averaging only $1,005 per sale. Her expenses are running slightly above average ($543). It's apparent from her *average sales value per sales call* ($226) that Cathy is simply writing a lot of small orders. This may be because she's dealing with smaller accounts, or it may mean that she's only selling the small and easy-to-sell items. This suspicion is reinforced by the fact that her *average proposal* size is the smallest of the bunch ($4,384). The fact that she's making 200 calls could mean that she's busy making calls instead of spending time selling. Cathy needs help in handling her calls more effectively.

David:

David's a mess! He's out of line in almost every category. It takes him 7.4 calls to close an order, which is better than the average (8.1) but only because Alan's and Bob's numbers are so bad. The fact that his *sales per call* ($183) is the lowest probably contributes to his having the highest *expense ratio* of 1.6 percent. David needs to get more proposals out and improve his closing ratio.

Gary:

At first glance, Gary's expenses ($625) might cause you to blow your stack until you do the ratios and realize that Gary's the most efficient salesperson of the bunch. This is evident from his high *average sales value per sales call* ($646), his low *expense ratio* (0.6 percent), and his high *number of orders per proposal* (0.83). The areas that you might want to help Gary with are his *calls per account* (5.0) and his *average value of a sale* ($1,884). Gary may be over-servicing his accounts and may have his sales sights set a bit low, particularly when Alan and Bob seem to be finding larger-value sales while selling the same products. Gary also needs help fine-tuning his qualifying skills to increase his *average proposal value*.

The Fatal Trap

Avoid the trap of managing *only* by the numbers. The numbers are indications or symptoms of what's happening (or not happening). Much like a doctor uses information to come up with a diagnosis before prescribing a medication, you have to use this information in a similar fashion for maximum impact. Simply showing your salespeople the numbers and letting them draw their own conclusions is not enough. You have to provide guidance and direction so they will be able to eliminate bad work habits, sharpen their current selling techniques and develop new sales skills.

The Final Analysis

Yes, the numbers will help you manage your salespeople. But more importantly, the numbers will help you help your people make a real difference to your bottom line.

Sales Activity Management Form - Monthly Summary Month: 20

	Name	Total Sales (S)	Rank	No. of Calls (C)	Rank	Total Expenses (E)	Rank	No. of Orders (O)	Rank	No. of Accounts Called (A)	Rank	No. of Proposals (P)	Rank	Total Value of Proposals (V)	Rank
1	Alan	57,150	3	160	4	400	1	10	5	45	4	22	4	110,115	5
2	Bob	73,406	2	120	5	587	4	12	4	67	1	16	5	194,715	3
3	Cathy	45,212	4	200	1	543	3	45	2	56	2	58	2	254,300	2
4	David	31,115	5	170	3	498	2	23	3	50	3	32	3	168,000	4
5	Gary	113,030	1	175	2	625	5	60	1	35	5	72	1	328,107	1
6															
7															
8															
9															
10															
11															
12															
13															
14															
	TOTALS	$319,913		825		$2,653		150		253		200		$1,055,237	
	AVERAGES	$63,983		165		$531		30		51		40		$211,047	

Figure 15: Sales data collected from five salespeople for May.

Sales Activity Management Form - Monthly Ratios Month: 20

	Name	Avg Value of a Sale S ÷ O	Rank	Avg Sales Value per Sales Call S ÷ C	Rank	Number of Orders per Account O ÷ A	Rank	Avg Proposal (Quote) Value V ÷ P	Rank	Number of Orders per Proposal O ÷ P	Rank	Number of Calls per Account C ÷ A	Rank	Number of Calls to Close a Sale C ÷ O	Rank	Expense per Sale E ÷ S (x100)	Rank
1	Alan	5,715	2	357	3	0.2	4	5,005	3	0.45	5	3.6	3	16	5	0.7%	2
2	Bob	6,117	1	612	2	0.2	4	12,170	1	0.75	3	1.8	1	10	4	0.8%	3
3	Cathy	1,005	5	226	4	0.8	2	4,384	5	0.77	2	3.6	3	4.4	2	1.2%	4
4	David	1,353	4	183	5	0.5	3	5,250	2	0.72	4	3.4	2	7.4	3	1.6%	5
5	Gary	1,884	3	646	1	1.7	1	4,557	4	0.83	1	5.0	4	2.9	1	0.6%	1
6																%	
7																%	
8																%	
9																%	
10																%	
11																%	
12																%	
13																%	
14																%	
	AVERAGES	$3,215		$405		0.7		$6,273		0.7		3.5		8.1		1%	
		Bigger is Best										**Smaller is Best**					

Figure 16: Using the data in Figure 15, the monthly ratios are calculated and analyzed.

Acknowledgments

Acknowledgements (1995)

Over the years I've been most fortunate to have interfaced with a number of people who have influenced and shipped my career, my business, my professional development, and therefore the development of this book in the ideas in it.

My thanks to Doug Leach for giving me my first job as a sales manager and teaching me that solving a problem is more important than laying blame. Doug was not only a mentor but also became a good friend. (Unfortunately, Doug passed away in 2020 and will not see this retribute to his mentorship and friendship.)

A note of gratitude to Ray Jacobson for giving me my first opportunity to run an entire company and teaching me that people are both my greatest asset and my largest expense.

My thanks to Dennis Konchak for believing in me enough to give me my first sales management consulting project.

I'm indebted to Phil White for teaching me, among other things, to never pay someone for something I could set up for myself. This concept mobilized me into launching Lifestyle Seminars, which later evolved into my current company, SalesForce Training & Consulting Inc.

A special thanks to Jennifer Heagle and Jamie Johnson for the pleasure of working with two clients who believes that sales management is not just a matter of good luck but rather one of caring for their people and their business.

And to all my clients, thank you for allowing me to be exposed to your goals and challenges and letting me share my expertise with you.

Hi will be forever grateful to Lorraine Jeffrey, my business partner, spouse, life mate, and truly my best friend. Without her encouragement, chiding, editorial guidance, and general harassment, this book would not have been written. She was a major driving force and kept me on track. Where would I be without you!

And, finally, a special thank you to our daughter, Anita Murray, for applying her professional editing talents to the manuscript and proof-reading the final version

Brian L. Jeffrey
Carp, Ontario, Canada
November 1995

Acknowledgements (2021)

I have far too many clients and associates to thank over the past 26 years since I first wrote the first edition of this book that I would be remiss in trying to acknowledge them all. Then there is

the danger of leaving out someone who should be on the list but is not, because of my bad memory.

Having made that observation, there are a few people who must be acknowledged because of their impact on my life and my former businesses. So, with apologies to many, I want to recognize the following people (in alphabetical order):

Steve Barkhouse
Thom Bourne
Alan Boyce
Mark Christie
Gail Green
Paul Green
Kevin Ripp
Kelly Youngdale

A special thank you to Paul Crozier (Mr. Velcro) for his many years of dedicated service as a sales professional with me.

Finally, Lorraine Jeffrey, without whom nothing, absolutely none of this, would have been possible. You have been, are now, and will always remain, the love of my life.

Brian L. Jeffrey
Carp, Ontario, Canada
January 2021

About the Author

Brian Jeffrey, *(a.k.a., the Sales Wizard)* is a former sales management consultant, columnist, author, and sales trainer with over 50 years' experience. He's the author of *The Sales Wizard's Secrets of Sales Management, The 5-Minute Sales Trainer,* 18 e-books, and over 160 articles on selling and sales management. (All available at www.TheSalesWizard.ca.)

Brian's last company, Quintarra Consulting Inc, provided sales management consulting, coaching, and mentoring to business owners and sales managers. Previously, Brian was president and co-founder of Salesforce Assessment Ltd, before that he was president of SalesForce Training & Consulting Inc.

Prior to going out on his own, Brian held senior management positions in a number of organizations including three retail operations, a computer communications firm, a paging company, and a technical service organization. He proved his selling abilities in a host of fields, selling both tangibles and intangibles. He had many successes (as well as more than a few failures) and learned what works, what doesn't, and why—information he readily shared with others.

He combined his years of experience with a homespun humour that got the point across and made it stick. Always pragmatic and sometimes provocative, Brian was a dynamic and entertaining trainer/speaker who always left his participants with practical and profitable ideas.

Brian can be reach at:

Brian Jeffrey
1451 Donald Munro Dr.
Carp, ON K0A 1L0
Canada
Email: BrianJeffrey@Xplornet.com
Phone: 613-839-7355.

January 2021