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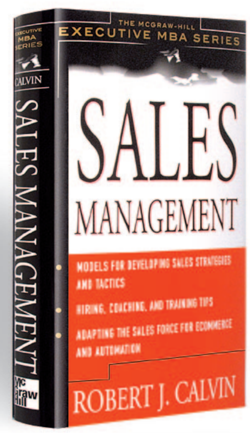
FILE: SALES



By Robert J. Calvin

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Creating and Managing Today's Sales Force

SALES MANAGEMENT

THE SUMMARY IN BRIEF

Sales managers in today's global marketplace must face and conquer a variety of challenges. Technology has shortened the life cycles of products and services, while lengthening the cycle time in which it takes to sell those products and services. Customers are more demanding and competitors more aggressive. The Web has leveled the playing field for purchasers and vendors.

Into these tumultuous times steps Robert J. Calvin, international consultant, teacher, entrepreneur and sales manager, whose book, *Sales Management*, lays out a detailed success plan for sales managers.

Calvin approaches his topics with three basic assumptions:

● **A sales force is no better than its management.** For a multitude of sales managers who complain about their salespeople, this can be a bitter pill to swallow.

● **A sales manager's job is to get work done through other people.** Your success depends on the success of the sales team.

● **A manager's job is to make heroes, not be one.** This applies to all functions, not just sales.

With these thoughts in mind, Calvin addresses in this summary the following essential, sales-focused topics:

✓ **Creating the Sales Force.** When hiring, plan carefully, anticipate needs, and choose candidates who will be winners for your company. Also, train your sales force not only for maximum productivity and capacity, but also to improve their confidence and enthusiasm through their performance.

✓ **Strategy and the Firm.** You must structure your sales force according to your company's channel needs (how will people find and purchase your products?) and architecture (how do you organize those channels for top effectiveness?).

✓ **Perfecting the Program.** You must facilitate excellence through regular performance reviews that measure, motivate and set the standard for success in your organization.

Feeling lost in the new world of selling and sales management? Your map is just a page away.

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SALES MANAGEMENT

by Robert J. Calvin

— THE *COMPLETE* SUMMARY

PART I: CREATING THE SALES FORCE

The Changing Sales Landscape

Business is a dynamic process. The future is a moving target, rife with change that sales managers must address constantly. Consider how the following changes will impact sales management process, strategy and tactics at your company:

● **Shorter product/service life cycles.** Product life cycles may shrink to the point where products are quickly "commoditized," making them difficult to differentiate. Companies that can reduce the time and steps between a customer's search and purchase will wind up the winners in this new environment.

● **Longer, more complex sales cycles.** The number of steps from customer search to purchase is expanding. A given transaction might require layers of specification research, samples, betas or trial orders before the client is ready to sign on the dotted line. Sales managers may need to hire people with experience in this more tactical selling, then train them on each step in their process (including how to document and track each step). Performance pay might reflect progress from one step to the next. The sales force also may need to be reorganized into teams.

● **Buying from experts.** In some industries, the people who make buying decisions have become extremely knowledgeable and experienced in the purchase of products, as well as in the products themselves. Salespeople must have more expertise than the purchaser, which means he or she must be appropriately trained in product knowledge.

● **Group decision.** In order to spread the risk of making major purchases, purchasing decisions will be made by groups — cross-functional boards that incorporate multiple aspects of an organization (finance, manufacturing, engineers, etc.). Salespeople must be trained in multilevel selling, to address the needs of each component of each group.

● **Intense competition.** Global markets and changing technology will drive competition to new levels of intensity, leading to shorter product/service life cycles and increased "commoditization." Start-ups are competing with giants, thanks to the Internet and Internet-related technology that has leveled the field. Sales managers must use competitive grids to train salespeople to identify present and potential competitors, competitive issues, and decision points for customer selection of vendors.

● **Less customer loyalty.** People who make buying decisions are becoming less loyal to particular vendors. The demand for cost reduction in many industries is forcing purchasers to focus on the bottom line. In addition, Internet access provides instant competitive product and price information, further reducing customer loyalty. ■

Hiring the Best

In order to avoid costly personnel mistakes, you need to approach hiring as a science, laying out your expected results (by determining the roles and responsibilities of the job and a profile of the ideal candidate) prior to conducting a step-by-step interview process. Hiring requires planning, anticipating needs, and working within an appropriate time frame. If you hire reactively or under pressure, you increase the risk of failure. One study reports an average of 4.13 months is needed to hire a qualified salesperson.

Before You Hire ...

Prior to beginning the interviewing process, develop a list of strategic duties and issues the new hire will be expected to address. Your list of strategic duties should answer the following questions:

● **What are the target accounts, markets and products the new hire will need to address?**

● **Do you want the salesperson to concentrate on**

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Hiring the Best

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new account development or further penetration of existing customers?

● **Do your existing accounts require a consultative approach to their long, complex sales cycles?**

● **Do your salespeople have a pricing window and/or the leverage to negotiate such terms as delivery and product/service customization (requiring that the new hire come in with experience and skills in negotiation)?**

● **Do you have a number of channels through which the salesperson will be required to sell?**

● **Will the salesperson be a solo performer or part of a greater team?**

Based on the answers to these questions, create a detailed job description that leaves no ambiguity regarding your expectations. Be sure to include sales and servicing duties, planning, reporting, company relations, administrative chores and housekeeping. Try to keep the job description to one or two pages. Review and revise the description on an annual basis to reflect rapidly changing products and services, competition, customers, technology and strategy.

The Interviews

Face-to-face candidate interviews are most productive if you do the following:

● **Know exactly what type of candidate you seek, and prepare a list of questions based on matching the candidate's résumé and personal history to the candidate profile and job description.**

● **Look carefully at the candidate's past sales performance.** Compensation history is a good indicator to review. If it was based on performance and increased each year, chances are you have a winner in front of you.

● **Don't assume you are more clever than the candidate, just because you're the interviewer.** In many cases, he or she has had more interviews than you've given.

● **Don't show the candidate the job description or discuss specifics about the position until after you have asked all of your probing questions.** Then discuss the position openly and answer any questions he or she may have.

● **Remember — the interview's purpose is to learn more about the candidate!** Tailor open-ended questions to the candidate's interviewing style and responses. The more he or she talks, the more you'll be able to surmise about that person, enabling you to make a better hiring decision. ■

Where Can You Find Good Salespeople?

Finding the best candidates for sales positions can be challenging and intensive. Try looking in one or more of the following recruitment resources:

Current employees. Your salespeople will often know other qualified salespeople who might find your available position attractive. They also have perhaps the best inherent understanding of the job requirements, and can make an honest and efficient in-house recruiter for your organization. Offer a staggered bonus for their referral — an amount up front when the new employee is hired, and another amount if the employee stays with your company within a specified length of time.

Competitors. Although perhaps the riskiest method of getting candidates, recruiting from your competition can provide both advantages and disadvantages. The good news is that you're getting a salesperson who knows your business' customers, competition and product or service. The bad news is they may lack credibility with customers, balk inflexibly at your sales process, be disloyal to your company, and bring bad habits picked up at your competitor's firm. You might wind up with a great employee; you might also wind up inheriting someone else's troubles.

Recruiters. Recruiters who understand your industry and corporate culture and have a database of salespeople who match your candidate profile, can help you search for qualified candidates. Look for recruiters who use all the tools of the trade — Web site job postings, online message boards, etc. — and who are expert at phone, e-mail and in-person interviews.

Internet. The Internet has quickly become an important source for salespeople. While your organization's Web page should advertise any job openings you have, the real treasure trove of candidates can usually be found in such online recruitment sites as the following:

✓ **www.salesclassified.com**
✓ **www.salesseek.com**
✓ **www.salesjobs.com**
✓ **www.monster.com**
✓ **www.careerpath.com**

Media Advertising. Determine first where you want to advertise (newspaper, radio, television; locally, regionally, nationally), then what you want to say. Regardless of medium used, your ad must contain an honest description of the position. Remember, the purpose of the ad is not to sell candidates on the position, but to produce a bulk of qualified applicants. You can do the selling to those who respond to the ad.

Train for Results

Training a sales force well not only increases their productivity and capacity, but also improves sales force confidence and enthusiasm, reduces turnover, and makes salespeople feel useful, important and valued.

To make sure your salespeople are receiving the proper training, create a training checklist containing topics a salesperson must understand to be successful at your company. Among the topics you will likely want to cover are the following:

● **Product knowledge.** Teach salespeople whatever product/service knowledge your customers require to make informed buying decisions. In some situations, the salesperson's product knowledge will not exceed the customer's, or the customer will ask questions the salesperson cannot answer on the spot. In these cases, the salesperson should know what resources are at his or her disposal to get more information.

● **Competitive issues and advantages.** Salespeople require knowledge, both of their own products or services, as well as those of their competitors'. To sell effectively, a salesperson must know the competitive advantages and disadvantages of each style, model or service in the marketplace. This knowledge of the competition not only allows the salesperson to sell more effectively, but to understand such strategic issues as market segments, differentiation and targeting.

● **Customer knowledge.** Customers are the most important asset of any organization; thus, salespeople need training in how to collect, organize and use customer information. Encourage (if not mandate) that they maintain customer profiles, use contact management software, and actually make use of the information they gather to help surmise customer needs, budgets, time frames and other decision-making essentials.

● **Selling skills.** A sales manager's job involves reinforcing and customizing his or her salespeople's basic strategic and tactical sales skills to the best use possible. Focus on the specific selling skills most important for success in your industry.

Riding Along

To reinforce training, sales managers will typically conduct field coaching, riding with the salesperson on a call in order to train, evaluate and motivate salespeople, as well as to create a rapport with customers. Field coaching enables you to observe salespeople in planning and critiquing a customer visit, along with observing their knowledge of selling skills. Some things to remember when field training includes the following:

- **Does the salesperson establish rapport with the customer by discussing personal interests from the customer profile before asking probing questions about the business?**
- **Does he or she demonstrate knowledge of decision-makers, influencers and the decision-making process?**
- **Does the salesperson demonstrate knowledge of the customer's business, operations, competitors, key drivers and usage of the product or service?**
- **Does the salesperson ask probing questions to identify key problems, need and opportunities?**
- **Does the salesperson suggest solutions, products and services?**
- **Does he or she properly present features, benefits and proof?**
- **Does he or she quantify benefits in dollars?**
- **Does the salesperson actively listen?**
- **Does he or she overcome objections?**
- **Does he or she appear well organized by using sales aids?**
- **Does the salesperson use a reference sell?**
- **Does he or she act like a consultant and think like a customer?**
- **Does he or she properly ask for the desired action (possibly an order or a trial)?**
- **Does the salesperson establish the next action (a next meeting or samples)?**

As a sales manager, you should know what you're looking for, set standards and be critical. After each sales call, do a post-call critique or analysis before driving to the next customer. At the end of each field coaching day, summarize key issues with the salesperson, acknowledging specific strengths and weaknesses and coming to an agreement on action items, objectives and a time frame for completion. ■

Compensation: Let Salespeople Know How Much They Cost

Sales force compensation plans can and should do the following things:

- **Reward specific activities or results that are important to your organization's success.**
- **Reward superior results.**
- **Reflect the complexity of the sale through the level of compensation.**
- **Reflect the salesperson's influence on the sale.**
- **Reflect the behaviors and results that are consistent with the model salesperson you wish to attract.**

One way to maximize the efficiency of your compensation plan is through the use of written individual

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Compensation: Let Salespeople Know How Much They Cost

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plans. Each plan should include specifics on salary, rates of commission and bonus, as well as details of expense reimbursements and fringe benefits (Medicare, Social Security, etc.). These written individual expense plans give you the opportunity to discuss with your salespeople their total cost to the organization [see box at right]. Because most sales managers never fully explain how much over and above direct compensation a salesperson costs the firm, most salespeople perceive their total cost as merely their take-home pay.

Each salesperson should sign a copy of their individual plan, but not before asking questions and acknowledging their understanding of their plan. Misunderstandings concerning direct compensation, reimbursed expenses and fringe benefits waste time and demotivate salespeople.

You and the salesperson will find mutual benefit in discussing these numbers. You can use this opportunity to discuss with the salesperson how to increase his or her productivity, using the written individual plan to quantify certain behaviors and help create targets for future achievement. ■

The Annual Cost of Putting a Salesperson on the Road

Name: Bill Locke	**Time Period:** Calendar 2002
Direct Compensation:	
Salary:	$ 48,000
Commission: 2% of sales	$ 30,000
4% of gross margin	$ 20,000
Bonus:	$ 3,000
Total Direct Compensation:	$101,000
Medicare, Unemployment Insurance, Social Security:	$ 10,000
Health, Life and Disability Insurance:	$ 10,000
Pension, Stock Options, Education:	$ 10,000
Total Fringe Benefits:	$ 30,000
Total Reimbursed Expenses:	$ 24,000
Total Direct Cost - Bill Locke:	$155,000
Percent of Sales:	10.3%
Cost per Day Using 240 Days a Year:	$ 646
Cost per Hour Using 8 Hours a Day:	$ 81
Cost per Customer Visit Using 2 a Day or 480 a Year:	$ 322
Percentage of time in Sales-Driving Activities:	33%
Cost per Hour of Sales-Driving Activities:	$ 243

PART II: STRATEGY AND THE FIRM

Organization and Architecture: Designing the Best Channels For Your Products or Services

The structure of your sales force is one of the most important considerations you must address as a sales manager. In determining the structure of your sales force, you must make two important initial decisions:

- **What channels are most efficient for reaching and serving target customers?** Determine whether your own direct salespeople are more effective, or whether some combination of indirect sales organizations/channel partners will do the trick. Determine, also, whether to use a combination of distributors, brokers, sales rep organizations, value-added distributors, retailers or other channels to get your products or services into the hands of customers.

- **How should you organize those channels?** Determine whether to arrange channels by product line, major customer/market segment, function or geography.

Channeling Success

Choosing the proper distribution channels depends on the type of selling performed by your sales force, the type of customers called upon, operating issues and the type of product/service sold. These factors must be reviewed each year to note changes and to see whether those changes require a change in channels. Let's take a closer look at each:

- **Type of selling.** Certain types of selling lend themselves to direct sales; others, to an indirect sales organization or channel partner. For example, long sales cycles with a great deal of consultative selling to first-time or one-time systems buyers lend themselves to a direct sales organization, while relationship selling to commodity buyers lends itself to channel partners.

- **The type of customers.** A large number of widely dispersed customers, frequently ordering small quantities of product, may be more efficiently reached by several outside indirect sales organizations than by your own company's sales force. To enter new market segments in which you do not possess a great number of contacts, you may want to consider bringing in a channel partner that does have those contacts.

- **Operating issues.** Issues such as inventory, spare parts, service, maintenance, repair, customization, engineering, design, installation, programming, customer training, just-in-time delivery, safety and credit services exert a tremendous influence on channel choice.

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Organization and Architecture: Designing the Best Channels For Your Products or Services

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● **Type of product/service sold.** Heterogeneous products that can be more easily differentiated (biotech or consulting services, to name two examples) lend themselves to a direct company sales force, while homogeneous products or services that are more difficult to differentiate lend themselves to channel partners.

A Solid Architecture

Once you have decided on what channel or combination of channels you will use to most efficiently reach the targeted marketplace, you must decide how to organize these channels. To establish the most effective channels, follow these guidelines:

- **If your company offers a wide variety of dissimilar or unrelated products or services (particularly if they're complex) or if your company's products or services are sold to totally different markets, you should consider a sales force organized by product line.**
- **If your company sells large quantities of products or services to a limited number of major customers, especially customers with many branches, you should consider a sales force organized by account.**
- **If your company sells similar or closely related products or services to a large number of widely dispersed customers in the same industry, you should consider a sales force organized by geographic territory.**
- **If you offer a product that requires considerable service after the sale and different skills for selling than for servicing, consider a two-tier sales organization with separate functions (new account development and current account maintenance, for example).** ■

Time Management

Salespeople resist training in time management. Most sales managers hesitate to become involved in such tactical issues, thinking that mature adults do not require assistance in these areas. This is an incorrect assumption; poor time management reduces sales force productivity and dilutes the positive affects of proper organization and architecture.

Be sure your salespeople do the following to ensure maximum time efficiency:

✓ **Plan their calls at least a week in advance, noting (in writing) who they will see and what they wish to accomplish.**

✓ **Use available technology (such as contact and calendar management software) to better manage their time.**

✓ **Call only qualified leads that have been properly screened, analyzed, evaluated or updated.**

✓ **Use the telephone and e-mail as often and as smartly as possible to communicate with customers daily.**

✓ **Analyze and reduce their paperwork load, when possible.**

✓ **Prioritize their day, listing their tasks by importance. In other words, make sure they're doing the important work, and not just the easy work, first.**

✓ **Set daily objectives and deadlines, focus on results and develop alternatives if those results are not satisfactory.**

How to Motivate Your People

Although we cannot force salespeople to be successful, we can help them to solve motivational problems and meet motivational needs. To motivate salespeople, you must first understand the specific needs and desires driving individuals and then the activities and rewards that satisfy those needs. Each salesperson is different, with a different set of needs and goals — many rational, some not.

Motivation represents an internal process of need satisfaction, one greatly influenced by external factors. You, as a sales manager responsible for helping salespeople satisfy their needs and reach their goals, represent one of the most important external factors. Other such factors include the following:

● **Recognition.** Salespeople want to be noticed, praised and appreciated for their performance. As sales manager, you should reinforce and reward positive action and results with recognition — anything from a casual thank-you over the phone to a formal awards dinner. You must create different levels of recognition for varying levels of performance (the higher the level of performance, the greater the level of recognition). Recognition is most effective when it is sincere, receives publicity, is recorded and involves top management.

● **Feeling useful, important and worthwhile.** Salespeople need to feel their work serves a useful purpose and makes a significant contribution to the company's success and well being. Training programs,

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How to Motivate Your People

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management attitudes, good communication, appreciation of their work, and sensitivity to their problems all contribute to their sense of feeling useful, important and worthwhile.

● **Challenge and achievement.** Most salespeople need recognition, but many thrive on the challenge of opening new accounts and increasing the volume of existing ones. They possess a high need to achieve that exceeds any monetary rewards they may gain. Generally, such high achievers enjoy taking personal responsibility for problem solving, are willing to take calculated risks, enjoy participating in management decisions and need constant feedback on their performance. Because they tend to be your best performers, you must continue to motivate them by providing outlets for their achievement-related needs.

● **Freedom and authority.** Many salespeople prize the freedom and authority available to them through selling — planning their own day, staying away from the office, representing their company to customers and making many of their own decisions. To satisfy the needs of these people in your organization, remove some of the controls on them, allowing them more freedom and authority. Allow them to work directly with customers on certain non-selling activities, hold them accountable for results, and even issue them titles in recognition for their efforts.

Many salespeople prize the freedom and authority available to them through selling

● **Esteem, status and respect.** Most salespeople crave the esteem of their peers and other company employees, management, customers, friends and family. For some, this esteem comes in the form of praise, recognition or money; for others, it is associated with one's status within the organization, represented by a job title. For still others, a more direct expression of esteem is required — things like impressive calling cards, or expense accounts, or some other sort of special treatment (company credit card, subscriptions to trade publications, a bigger company car, etc.). Be sure, however, that by motivating one salesperson, you do not demotivate others.

● **Sense of belonging.** Many salespeople need to have a strong feeling of belonging and participation in their organization. To accommodate this, make regular field coaching trips, schedule special events or meetings, communicate regularly and mark professional and personal milestones with a gift or some other sort of recognition. ■

How Is Your Leadership Motivation?

Salespeople require consistent, motivated and competent leadership in order to maintain their own motivation. A sales force is seldom more motivated or competent than its sales manager.

Five Common Traits

Successful sales managers vary greatly in style, but tend to have five common traits:

1. **They realize that their job is getting work done through others, and that their success depends on the success of the people who work for them.**
2. **Their styles, techniques and policies are consistent. They don't switch between autocratic and democratic, for example.**
3. **They believe in what they do, which creates strong, contagious personal motivation. They communicate this strong personal motivation to the sales force, who in turn displays it to customers.**
4. **They realize they are agents of change — they manage change, take advantage of change and modify people's behavior.**
5. **They set standards, are critical and provide fair judgment.**

Communicating One's Motivation

Most sales managers claim to be motivated, yet have a difficult time communicating that motivation to their salespeople. In order to make sure you're properly communicating your motivation, evaluate yourself quarterly, asking the following questions:

✓ How motivated do I appear to the sales force?

✓ Am I consistent in my style of management and my techniques and policies?

✓ Do I attempt to get work done through other people, or do I just do it myself?

✓ How much time do I spend training salespeople?

✓ Do salespeople have difficulty understanding what I want from them?

✓ How often do salespeople turn over in my division?

✓ Is each salesperson showing net revenue increases?

✓ Are the salespeople self-motivated, or must I continuously prod them?

✓ What percent of my time do I spend each month on administrative duties? Personal selling? Time with salespeople? Other responsibilities?

PART III: PERFECTING THE PROGRAM

Performance Evaluations Can Drive Sales Success

Salespeople have the need and the right to know what their sales manager expects from them, if those expectations are being met, and, if not, what corrective action is necessary. Companies benefit from giving salespeople that knowledge: organizations that regularly use performance evaluations for salespeople and hold them accountable consistently outperform those that do not.

Regular performance evaluations motivate salespeople through reorganizing positive action and results. Recognition of positive performance motivates a salesperson to do even better, and anticipation of such recognition stimulates self-motivation. On the other side, regular performance reviews also can provide vital legal help, enabling companies to document performance problems and justify termination.

In order to be most effective, performance evaluations should be performed quarterly so that you and the salesperson being evaluated can set goals and make development plans that can be effectively and promptly measured. Indeed, your evaluation process should include the following:

- **Deciding what you want to appraise.**
- **Developing metrics and performance standards for these categories, and creating a rating system.**
- **Holding the evaluation review meeting.**

What to Appraise

Your appraisal should cover both quantitative and qualitative measures, and should touch on many key aspects of the sales person's performance, including:

- **Sales results.** The metrics for sales results would include such items as market share compared to forecast/goal and previous year/period; total dollar and unit sales volume; and sales volume as a percentage of quota or forecast.

- **Sales quality.** The metrics for measuring sales quality would include such items as dollars and unit sales by product or service group; area coverage; pricing; and credit losses.

- **Expense control.** The metrics for measuring expense control would include such items as reimbursable travel/entertainment costs; samples; betas; in-service training; discounts and promotions.

- **Customer relations.** When measuring a salesperson's facility at customer relations, you may refer to customer satisfaction surveys. You may also judge the salesperson's ability to solve customer problems and satisfy needs, the timeliness of his or her response to complaints or service calls, and other service-related criteria.

How to Rate

After you decide what to appraise and what metrics to use for each category of appraisal criteria, you must establish a meaningful rating system that focuses on each category's goals, objectives and development plan. Devise a rating system that enables you to avoid taking the middle ground on an employee's performance, playing it safe for the sake of avoiding a confrontation over a problem area. You might also want to consider eliminating overall or total ratings, because such a compendium takes the emphasis off a meaningful discussion of goals for each category or topic.

Consider the following as a template for your rating system:

- **Rating 1:** Poor. Accomplishment is significantly below acceptable levels.

- **Rating 2:** Fair. Performance is close to but not yet at an acceptable level. Some improvement has been made.

- **Rating 3:** Expected. Performance is at an acceptable level, with accomplishments satisfactory.

- **Rating 4:** Very Good. Performance is above acceptable level, and accomplishments are satisfactory.

- **Rating 5:** Excellent. Performance and accomplishments are outstanding.

How to Give the Review

Here are some tips for giving a performance review:

- Several weeks before the interview, ask each salesperson to review their past performance, future goals and objectives. Using the format you will employ for the performance evaluation, ask them to rate themselves on each category and fill in necessary information on results.

- Create a relaxed, positive atmosphere at the start of the appraisal meeting. Give your total attention to the salesperson. After some small talk to set the salesperson at ease, review the reasons for the appraisal process and state what you hope to achieve. Discuss the previous quarter's evaluation and this quarter's overall guidelines, objectives, action items and so forth.

- Review each section of the appraisal form, soliciting the salesperson's assessment, then giving yours. Let the form become the basis for open yet pointed discussion, providing a starting point for talking about the job.

- Be positive, straightforward and helpful, asking probing, open-ended questions that encourage discussion. Use positive, non-emotional language, making sure to criticize the salesperson's work, not him or her personally.

- Do not overemphasize one or two skills, activities or results — this can lead to an unbalanced evaluation of the person's overall contribution. ■