HOWARDTECH ADVISORS

Sales Management for Non-Sales People

Over the past few years, I've heard many stories of business owners seeking to grow by hiring a salesperson. With big goals, unbounded optimism and great intentions, the effort kicks off with great promise.

Details and circumstances vary, but in nearly all cases so far the final result is less than anyone originally planned. This document outlines my thoughts on why salesperson success is so difficult to achieve for the small business. It is most difficult when the person's supervisor, typically the business owner, does not have a significant sales background.

Below are the Top 5 mistakes I've seen when non-sales oriented leaders manage sales people. There are likely plenty more, but these may serve as a starting point to evaluate your efforts.

1. Lack of Sales Process

   Most people are capable of following a process or system that has been proven to deliver a desired outcome. The inverse is also true – it's hard to drive a desired outcome if a person doesn't know how to do it. For many small businesses, early growth can often be attributed to some combination of the following:

   - Personal relationships – the business found initial success based upon engaging clients that already believed in or trusted the salesperson (the owner).
   - Some niche expertise – the firm filled a unique role in the marketplace, so differentiation was easy.
   - Owner actively involved in sales – the business owner needed to drive sales, as there was no one else on the team. He/she typically has more passion and enthusiasm for the firm's product/service, so it was easy to convey the business value.

   The early success was not based on a systematic or repeatable sales process, but rather a combination of other factors. Frequently, the business owner cannot specifically identify what drove the early success and therefore cannot replicate himself or the result.

   The salesperson arrives with great expectations, and relies upon those activities (cold-calling, networking, or other) that drove results in his previous positions. Maybe they work in this context, but maybe they don't. What do you do then?

   Some salespeople are smart and creative and enjoy the challenge of "figuring out" how to sell this product. Others obviously are not. The absence of a defined selling process leaves you at the mercy of good luck or timing or motivation, making it very difficult to predict results.

More importantly, unless a firm develops a repeatable sales process upfront, then all future sales hires will participate in the same unpredictable cycle. The company's growth should not be trusted to the good (or bad) luck of hiring the 'right' salesperson. A repeatable selling process will make future sales staff more successful, increasing the chances of the company's long-term success.

2. Setting Revenue Only Goals

Every sales scenario is different. Ideally, a new salesperson knows your market, has current relationships with relevant decision makers, understands your solutions and is well equipped to produce revenue immediately. This is usually fantasy. Most new team members require some level of education – on your products or target clients or marketplace or other skill in order to produce the desired sales goal. In the absence of a defined sales process, it's even more difficult to accurately predict sales results.

Each product in each marketplace has a different sales cycle, the overall workflow between identifying prospects and producing revenue. A well-understood product might be sold by phone or in one meeting, while some solutions take months or years to close. A business transaction is typically much easier and faster to complete with a small business than one for a large business or government entity.

Frequently the only goals set for the new salesperson are revenue oriented. When these are not hit within some (often) arbitrary timeframe, the owner gets frustrated, wonders that he made a bad decision, ultimately loses patience, worries about his spending and lets the salesperson go.

The salesperson may have some combination of excuses for why things didn't work out:

- Product wasn't ready for the marketplace
- Demand for the product is not there
- Pricing was too high
- Too much competition
- Sales goal was too high or unrealistic
- The company didn't tell me the whole story

There may or may not be truth to these complaints. No matter, the core problem is that revenue was the only thing being measured and achieving the goal within a tight time window may have been beyond the salesperson's control.

The best way to eliminate these excuses is to set both revenue and non-revenue goals. These non-revenue goals should be completely within the salesperson's control so there is no excuse for non-performance. Examples of these goals might include:

- Define the sales process – there are numerous details on what this looks like and can be further outlined in another document.
- Develop scripts – what to say, how to say it, and when to say things in phone calls, voice messages, presentation, etc.
- Appointments set – get people interested in a meeting or demonstration.
- Create an "Ideal Customer" profile – what are the characteristics of those companies and/or individuals likely to buy from your company.
- Produce a set of potential referral partners. Figure out which companies are naturally connected to your potential clients and how you might build value with them.
- Build a prospect database – compile a repository of all target companies, identify key decision makers, approval process and other things required to sell your products.
- Establish the value proposition, unique differentiators, answers to common objections and more. These items will be crucial to long-term selling success.
- Develop competitive intelligence – organize an analysis of your solutions and how they compare to alternatives available to your target customer.

While we'd all prefer to get revenue quickly, achieving these goals accomplishes many things for the business. Specifically, you want the new salesperson to document everything, so you are building a repository of tools to leverage with future sales people. Of course we want the new salesperson to work out, but if he doesn't – at least you'll have some tangible things to take away from his time with you. Frequently the salesperson focuses only on revenue, goes away in a few months and the business has nothing to show for it. It's a terrible waste.

3. Lack of Short-Term Success

As you set both revenue and non-revenue goals, it's important to measure progress in small chunks. What goals can you set which can be achieved in the shortest amount of time? The time required to hit a specific revenue number will vary by specific circumstances, but you can probably set non-revenue goals and deadlines fairly easily.

Your specifics may vary, but I'd suggest creating goals that can be measured in very short increments.

- What can be accomplished in the first 7 days?
- What can be done within 2 weeks?
- What can we achieve within 60 or 90 or 120 days?

You don't even have to set these, necessarily. Instead, give the salesperson whatever training you deem proper, then ask him to provide you with his milestones. Everyone likes to feel progress, so this monitoring is good for you and him.

It's much easier to make course corrections early, then it is after a lot of time has gone by. Many business owners feel they can "outsource" sales activities and don't like to deal with the messy work of holding a person accountable. While we can avoid this for a period of time and "hope" the person is on track, that sort of thing just delays the inevitable accountability.

If you want the person to succeed, it's helpful for him (and you) to give early and frequent feedback on progress toward tangible goals. If for some reason things don't work out and you let the person go, then no one will be surprised. Accountability is good for everyone.

4. Lack of a Customer Relationship Management (CRM) tool

Many people assume you need a sophisticated system to track prospects and clients, and therefore don't develop anything to keep track of conversations, meetings, etc. with these people. The tool itself doesn't really matter, the critical piece is to have something. Of course some tools are better than others, but the first step is to have something.

The critical things to consider in developing your tracking system are:

- Central Repository for Contacts – whether using a spreadsheet or post-it notes, your company should have a single place to track addresses, emails, phone numbers and more for your prospects and clients. This should not be left to the salesperson and her computer (Outlook or other), because you may lose this if the person leaves.
- Activity Tracking – salespeople complain about and owners don't want to manage the details of documenting all sales efforts with a given prospect. It is certainly work to track these but they are of huge value. Humans often forget things, so keeping notes is simply logical. Moreover, the business needs this information to continue efforts with the prospect if/when the sales rep leaves.
- Tailored to your Business – all tools will track basic things (phone numbers, email, etc.), but you should also track those items which you care about or are critical to your business. Depending on what you sell, there are key data points about your clients and prospects that would be helpful for you to know over the long run.
- Reporting – the ideal solution can easily deliver reports on the critical sales metrics that you care about. If your system is overly simple or too complex to produce information, then it's less than optimal. The more data you track, then the more details you need your sales reps to track (bad). However, more detailed tracking can provide more valuable reports (good). There is a healthy balance in the middle.

5. Developing an Appropriate Compensation Plan

This is a huge challenge for every business, and there's no "one size fits all" on how to develop a good compensation plan. Many times, the business owner has no prior experience with sales people or none that was successful. Therefore, he might ask the salesperson for his thoughts on this or get ideas from web searches.

This topic is worth much more discussion than the overview given here, but I'd like to offer concepts that are fairly consistent across different sales contexts:

- Sales Target or Quota – this is your revenue expectation for a given time period. It's important to use the appropriate revenue marker – gross revenue or gross margin. For product companies, revenue is often a good target, while for services companies it may be more appropriate to measure margin.

  Setting the target properly requires a fine balance. You want the number to be high, so the company is maximizing its productivity per salesperson. Yet you want it to be low, so the person believes he has a legitimate chance to hit it. If the person loses hope that he can hit the target, motivation and productivity will soon be lost. For the first year, I would err on the side of a little lower so the person builds confidence and success. Paying a little more in year one is better than unnecessary turnover.

- On-Target Earnings (OTE) – this is the salesperson's total earnings if he achieves the revenue goal.

- Base Salary – while the concept is easy, setting the proper base is challenging. You want the number to be high enough, so the person can live on it. Yet you want it to be low enough, so the person is not satisfied with his earnings. Often, I've set base salary at 50% of OTE, so a person with an $80,000 target would have a $40,000 base.

- Variable Earnings (VE) – This is OTE less base salary, and is earned by achieving goals. Typically, VE are sales commissions based on revenue. It's quite easy, though, to set aside a portion of VE for achieving non-revenue objectives.

In addition to the concepts above, here are some principles that I've used in setting sales compensation plans:

Shared Pain / Shared Success – between zero and the sales target, I want the rep to earn some commissions but at a slow rate. For example, if he hits 75% of his target, then maybe he earns 50% of his target commission. On the opposite side, if he sells 120% of this target, then maybe he earns 135% of his target commission. The details may vary, but you want everyone to be mutually incented.

Unlimited Commissions – Some firms might have a logical reason to cap commissions, but I've not seen it be productive. I'd like the sales rep to be motivated to bring in all the revenue he possibly can in the current time period (this month, quarter, year, etc.). If he sells too much, that should not be our problem. The company should encourage him to be as productive as possible.

Annual Compensation Plan with Revenue Periods – It is terribly demotivating for a rep to have his comp plan change. I suggest you have a plan that you're comfortable with for a twelve month period. The revenue period can be quarterly or six months, but at least the person knows what his structure is for the year. While you may have a framework in mind for subsequent years, you should only provide the plan annually. That way, you have freedom to set a different target in the follow-on years.

Summary

As you well know, there are many challenges associated with managing a salesperson. This document simply scratches the surface and each of these items may be explored in much more detail.

If the business owner stays actively involved with the sales rep and provides regular feedback or coaching, many problems can be avoided. The leader needs to lead, and cannot assume that the hassles of acquiring customers can be outsourced by simply hiring a salesperson. That approach might work, if you're lucky – just like winning the lottery. It's probably not a long-term strategy though.

My thoughts on working with salespeople are the product of twenty-five years of sales and sales management in a variety of industries. While my circumstances have varied over the years, I've seen people make the same mistakes over and over. My hope is you might avoid a few of them.

Feel free to contact me if you'd like to dig deeper on any of these topics. Good luck and happy selling!

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