

MODERN SALES MANAGEMENT



OVERVIEW

Chapter 16 details the traits of today's top sales managers. This chapter is an excellent and thorough introduction to classes in sales management. It is based on real world, applicable material that future sales leaders can use in their role as a manager one day, as well as use to learn what the best sales managers are looking for in top recruits.



OBJECTIVES

- Examine the function of sales management.
- Understand what is required of a sales manager.
- Discuss the recruitment and selection process of salespeople.
- Learn the differences in qualifications between sales managers and salespeople.
- Determine specific responsibilities of the sales manager.
- Examine the distinctions of various compensation plans.
- Study orientation, training, and motivation practices used by managers.

Managing In Today's Business Climate

Marketing and sales companies historically used the 4P's—*Product, Price, Place, and Promotion* to formulate strategy. Now a fifth P is needed: *People*. A sales manager's job is no longer to rule over the sales force using the traditional authoritative or micro-management style. Individuals entering the sales world today have a different set of values. They have more education and sophistication, desiring managers who listen, encourage, teach, coach, and give them a voice in how they are managed. If the sales environment does not meet these requirements, they will search for one that does.

According to Dr. Ken Blanchard, co-author of the *One-Minute Manager*, young sales professionals are foregoing other aspects of the job, including financial considerations, to work in a caring, supportive environment. In a study by the Families and Work Institute, 3400 randomly selected men and women

ranked their three most important job considerations, which were:¹

- 1. Open Communication.** Information is power; do not withhold information as a way to abuse your management position. Tell your sales force everything you know that is pertinent to their job. Involve them in the decisions that affect them.
- 2. Effect on Personal and Family Life.** The explosion of two-wage-earner families and the growing number of families with single parents makes it more stressful to juggle all the demands of work and home life. Problems that did not impact the work place a generation ago, such as sick children or scheduling a day-care provider, means managers must find new ways to allow for greater flexibility and autonomy in individual jobs.
- 3. Nature of the Work.** Workers want to feel their job is important to the suc-



cess of the company. A wise sales manager takes every opportunity to let the sales force know how critical their efforts are in meeting company goals. Saying “thank you” frequently is easy, and best of all, it’s free.

The sales manager’s challenge is to walk the fine line between pleasing top management and keeping the sales force motivated. Sales managers must be coaches, facilitators, and cheerleaders for their people. Their main concerns must be how to shape a more supportive work environment and to find ways to help each salesperson be more productive.

Managers as the Vital Link

The sales manager is the link between individual salespeople and their customers and the organization’s upper management. In a smaller firm, the sales management function may be assigned to the marketing manager. A larger, more diversified company may have several sales managers classified by geographic area, customer type, or product line, and each may report to a district or regional manager who, in turn, reports to the chief sales executive of the company. Increasingly, sales managers in companies of any size interact with marketing personnel to develop and carry out marketing campaigns using email and social media, both with existing customers and with prospects.

Both sales ability and management ability are required regardless of how broad or how limited the sales manager’s job may be. The management ability required of a field



salesperson is primarily applied in the area of personal time and activity management. The sales manager needs excellent management ability in addition to the basic sales abilities that everyone in sales needs. The amount of time spent in actual *sales activity* versus *administrative activity* changes at each level of management. The manager who directly supervises field salespeople spends more time in selling activities than in administrative duties, but a chief sales executive who is separated from field salespeople by several levels of sales management may be almost completely involved in administrative activity. In any case, today’s sales managers and executives need a firm grasp of the available technologies to maximize their effectiveness on the job.

Sales force management plays a vital part in the overall success of any company. If salespeople do not sell the company’s products or services, no amount of effort in



sales or marketing planning will produce success. Although the failure of an individual salesperson to sell may occasionally be attributed to lack of ability or unwillingness to work, the failure of an overall sales force is more likely to result from a basic sales management problem: *The salespeople were improperly recruited, selected, trained, compensated, or motivated.* The costs associated with managing a sales force are often the largest single operating expense item for a company.

An Expensive Lesson

Most companies would agree that a good salesperson—someone who represents his company well, sells above expectations, and treats his position like a career and not just a

stopping point between jobs—is invaluable. But most sales managers also know that those types of salespeople are often hard to find. So, the real question then becomes, how much does it cost to hire the *wrong* salesperson?

Let's say you hire a new salesperson named Steven. After one month, it doesn't look good. After 90 days, it's worse. Finally, at the six-month mark, you decide to let him go. It's easy to believe that all you lost was six months of salary and benefits. Nothing could be further from the truth. In addition to salary and benefits you lost six full months of sales opportunities, management time, administrative costs and training costs. (See Exhibit

16.1 for a detailed list of those costs.)
*And these are just the obvious costs. Some of the hidden costs you may not have considered are vacancy costs, replacement costs, customer costs and employee morale costs. The final cost is loss of competitive edge. (Think of all the deals you got outsold in!)*²

The cost of hiring the wrong salesperson can really add up, but when it comes to

team leaders, the costs can escalate even more rapidly. In addition, the time invested in training a new salesperson ranges from eight weeks to two years. You start to get a clear picture of just how truly critical are the recruitment, selection, and training processes. And when you add in the *turnover factor*, you begin to fully understand that companies must have a process in place that provides them with salespeople who are committed and loyal for the long run.

EXHIBIT 16.1

The Real Cost of Hiring the Wrong Salesperson

HARD COSTS

1. Salary and Benefits for six months = **\$27,000** (based on an annual base salary of \$40,000)
2. Recruiting costs = **\$5,000**
3. Training classes and materials = **\$3,000**

SOFT COSTS

1. Lost Opportunity Cost: If Steven had been successful, how much revenue would he have generated? Based on Steven's annual quota of \$500,000, add 50% of annual quota to the total for lost opportunity = **\$250,000**
2. Lost Time Cost: His sales manager would have been more productive using his time working with someone who was generating revenue. Estimated cost is 15% of the manager's annual compensation of around \$110,00 = **\$17,000**

IMMEASURABLE COSTS

1. Employee Morale Cost: Good team members resent having a non-performer on the staff.
2. Customer Cost: Customers had to deal with a sub-par person, which can sour the relationship, and there is no way to calculate how much that cost the company.

TOTAL COST OF ONE HIRING MISTAKE: \$302,000 (without counting the cost of low employee morale or lost customers)



Hiring the Right Talent

If you want to be the best, you have to hire the best—and that isn't easy. Because of the intense level of competition in the world of sales (and due in part to the fact that sales positions are so plentiful), it can be hard to attract top talent to your team. Regardless of how hard the task may be, it must be done, because hiring right the first time around saves loads of time and money on training, while protecting yourself from failure six months down the road. It costs more up front to input a process and correctly, but it definitely pays off over time.

The Power of a Proven Process

When you have a team full of the right people, all the time and energy you used to spend worrying about your salespeople can be spent on more useful activities, like growing a team of superstars and posting impressive numbers. When you can trust

your team to work anywhere, any time, it's a liberating feeling. It's also exhilarating to discover this truth:

**If you hire the right people,
you shouldn't have to wonder if
they're working.**

Having a consistent, powerful interviewing process is what represents the difference between being an average team and a top sales team. The wrong candidate may say the right things in the interview or look good on paper, but soon after he or she starts, it becomes obvious that this person is not a good fit for the position. Once you onboard (hire, initiate, and train) the wrong hire, it can potentially be a long, arduous, and expensive journey before the person leaves, so it pays to stay faithful to a consistent hiring process.

Learning how to hire correctly is a *process*, not an easily implemented change. But with time and a solid, regimented plan in place,



Why do some organizations have such high turnover? Is it because all sales positions intrinsically have excessive resignation rates? That seems to be the case on the surface, but that's not the whole story. The real reasons why high turnover plagues the sales profession are far more likely to be the following:³

- Too many sales managers simply hire the wrong people for the job.
- Many leaders are pressured to hire quickly. This can cause costly and irreparable errors. It's worth waiting for the right candidate, not just any candidate.
- A large percentage of leaders are inexperienced with the hiring and interviewing process, and they are never given any formal training on how to run the recruiting side of their business.
- Compensation confusion is a common culprit that causes turnover. If candidates are improperly informed about pay or find out the pay potential was verbally inflated when they interviewed, they will move elsewhere.
- High turnover is also due to broken or inadequate internal processes that exist in areas such as customer service, tech support, billing, and other departments.
- Even top performers will look elsewhere when there is a lack of connection between a leader and a salesperson, such as in the case of a personality clash.

you'll never hire another person who "will do." You'll expect excellence and raise the bar on your own hiring standards.

Motivation Versus Experience

Because of historically high turnover and the fact that many of the best salespeople have come from other professions, it's increasingly difficult for managers to hire people based solely on their level of experience. Instead, the net must be widened to include other key factors. *Some sales managers even say that in*

many cases, internal drive overrides experience.

You can always *teach* the necessary skill set, but internal drive and motivation can't be taught. People either have it or they don't. You must look for this in every candidate you interview. It doesn't matter how desperate a manager is to hit their numbers; in most cases, hiring "just anyone" will backfire. It could take months or years to move an incorrect hire out of the organization. If you're having challenges attracting high quality candidates, your issue may be

compensation, the company, the product, the leader, a personality clash, or just bad timing. However, if you do have a competitive compensation structure and work for a good company, there is no acceptable excuse for closing your eyes and hiring the first person who walks through the door in order to meet your minimums.

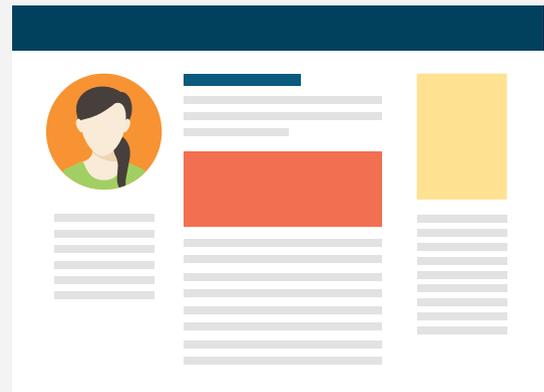
Winning leaders hire long-term team members, not temporary solutions.

Each sales manager learns through experience the best sources for finding recruits for specific types of sales jobs. Exhibit 16.2 provides you with a list of the most

EXHIBIT 16.2

Common Sources for Recruiting

- 1. Within The Organization.** Occasionally an employee in the production or service portion of the business qualifies for a sales job. Students often take part-time jobs on the maintenance crew or in the office and are eager to enter sales when their education is complete.
- 2. Network/Word Of Mouth.** Reach out to anyone and everyone who may be or know a qualified candidate. Consistently strive to put out feelers to existing contact lists, friends, family, neighbors, clients, centers of influence, and anyone else you know or do business with.
- 3. Job Websites.** Post ads on pages like craigslist.com, gethired.com, careerbuilder.com, ziprecruiter.com and other online job-hunting sites. Take advantage of all that the web has to offer, but online postings should not be your only means of recruiting.
- 4. Social Media.** All forms of social media are an option. Post messages about career opportunities on your Facebook business fan page and LinkedIn. Use your Twitter following to spread the word about your organization and the possibilities it offers.
- 5. Outsourcing.** Headhunters or employment services are an option, but such outsourcing will require a sometimes-significant financial investment. However, it may be worthwhile since excellent team members can be worth their weight in gold.
- 6. Targeted Lists.** There are countless ways to procure names and contact information. With the right purchased list, you can start a targeted direct mail campaign to a database of prospective employees.
- 7. Your Own Files.** Never throw away a résumé; categorize them and keep them. You just never know when you may uncover a hidden gem that could have been easily discarded. Keep every résumé that comes across your desk.



commonly used and recognized sources of recruiting for sales positions, from entry level positions to top executive positions.⁴

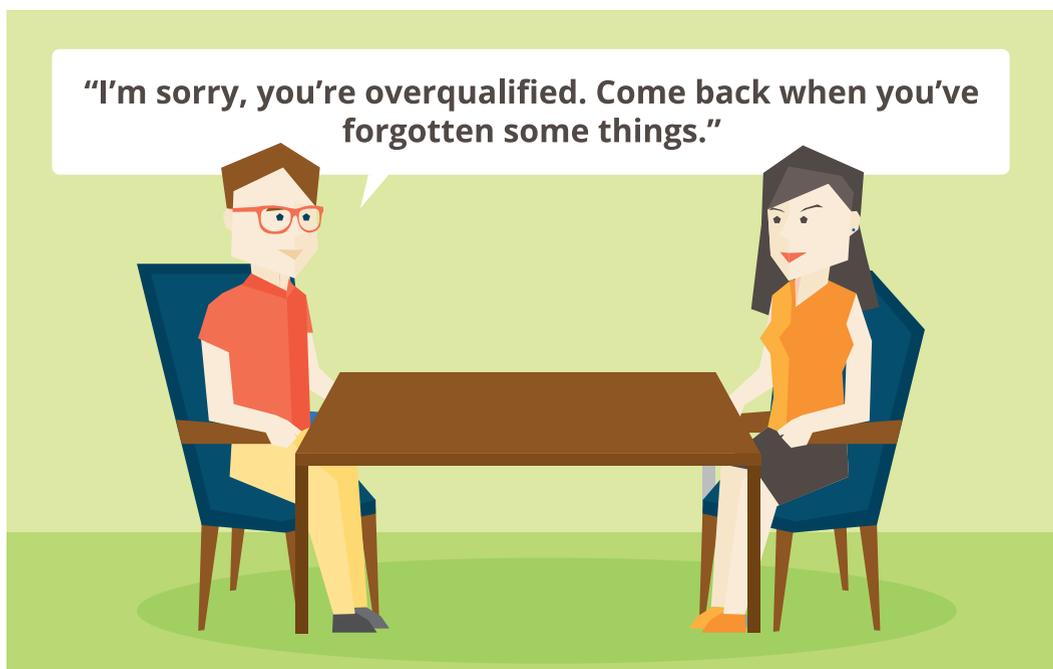
Do Top Salespeople Make Top Leaders?

It can be tempting for many sales leaders to promote top performers to become sales managers rather than go for an outside hire. It can be argued that top salespeople always make top leaders. It's a sound idea in theory—they excelled as salespeople, so now they can teach others the secrets to their success. Strangely enough, however, while some end up doing incredible jobs, many end up struggling intensely in their new role as leader and coach.

Why? It's because managing is not the same as selling—not even close. Many of the top performers are shocked and grossly overwhelmed when they move into a manage-

ment role. They must learn to gain a new level of respect from their peers. This is not always an easy task, and often times the newly promoted salesperson is met with several challenges. They jump in headfirst only to be met with much resistance and aloofness from their newly inherited team. Here are a few key things to bear in mind when considering promoting a salesperson to a leadership position:⁵

- They will now need to depend on others to make their compensation unless they are an active selling manager.
- They must resolve the issues of an entire team, not just their own.
- They will be required to perform managerial tasks such as doing reports, creating effective meeting agendas, participating in leader calls, inviting





guest speakers to calls and meetings, training new recruits, brainstorming new ideas for prospecting, and creating contests, shadowing reps on sales calls, and much more.

- They will also be required to resolve internal company or employee issues as well as external prospect and client issues.

Some people are not meant to be leaders or coaches, and that's perfectly fine. The good news is that there are many different elements to a winning sales team, and there is always room for more top performers. Every person has an important role to fulfill, and as the leader, you can ensure that there are no square pegs put in round holes.

The Interview Process

You will spend more time with your team during the workweek than you will with your

family; so don't take the hiring process lightly. A large selection pool will give you best odds of finding the best performers, so ask for as many quality referrals and recommendations from employees and partners as possible. The operative word here is *quality*. It's better to have five great salespeople than ten average producers.

After you have gathered all quality leads and referrals, look for consistent top performance and the presence of any *job-hopping*, which is a possible sign of lack of loyalty and/or performance. After reviewing qualified résumés and determining the pool of candidates you'd like to interview, move to the preliminary phone interview.

The Phone Interview

Before meeting any candidate face-to-face, schedule an initial sixty-minute phone interview, even though you may not need all sixty minutes. This allows you to use your

time wisely so you can efficiently weed out the low to average performers. You'll also be able to assess a candidate's phone skills. Are candidates energetic and well spoken? Do they have a good personality, directly answer your questions, take the time to ask thoughtful questions, and ask for an in-person interview? Examples of bad phone skills are interrupting, being unprepared, sounding unprofessional, speaking inappropriately, or being inarticulate. Ask the same questions to every candidate using a standardized interview sheet. Develop your own list of interview questions, and then make those questions available for your staff to use for phone and in-person interviewing.

In-Person Interviews

After the phone interview comes the in-person interview(s). Once you are face-to-face, probe and ask questions about past performance. Many hiring managers take résumés and answers at face value without digging deeper. Résumés and canned responses will not tell you the whole story; you have to search for the answers you need. Here are ten great questions to ask about performance:⁶

QUESTIONS ABOUT PAST EXPERIENCE IN SALES:

- 1. How did you achieve the performance listed here on your résumé [ask about specific numbers if they are given]?**
- 2. How long is your typical sales cycle? At what point do you ask for the close?**

- 3. What was the average size of the deals you close? [Note if it is larger, smaller, or typical for your company/industry.]**
- 4. What was your monthly or quarterly quota? How often did you exceed it?**
- 5. Tell me about your largest sale. Who was involved, and how long did it take to close?**

It's easy to throw some percentages on a résumé; it's hard to back them up with proof. These questions are excellent ways to break through fluff and inflated numbers. If candidates flounder or find it difficult to back their results it's usually obvious in the interview, so it's best to find that out now.

QUESTIONS FOR CANDIDATES WHO ARE NEW TO SALES:

- 1. If I called your current manager or supervisor, what would he or she say about you?**
- 2. What things would your manager say are your strengths and what areas need work?**
- 3. What do you personally feel are your greatest strengths and what areas need work?**
- 4. What kind of goals motivate you the best?**
- 5. Tell me about a sales experience that demonstrates your work ethic.**
- 6. How do you expect to close sales? How do you know when a buyer is ready to buy?**

The Next Steps

Tell candidates what the next steps of the interviewing process are going to be during the initial call. That way there are no surprises, and they don't have to sit by the phone wondering if or when they'll ever hear from you again. Exhibit 16.3 provides a summary of all steps of the interview and hiring process.

Take your time during the entire process. There is no set number of interviews that work in every situation. Meet with candidates again and ask different questions. Learning how to staff the right candidates takes time and practice. You have to ask the tough questions and consistently follow the same

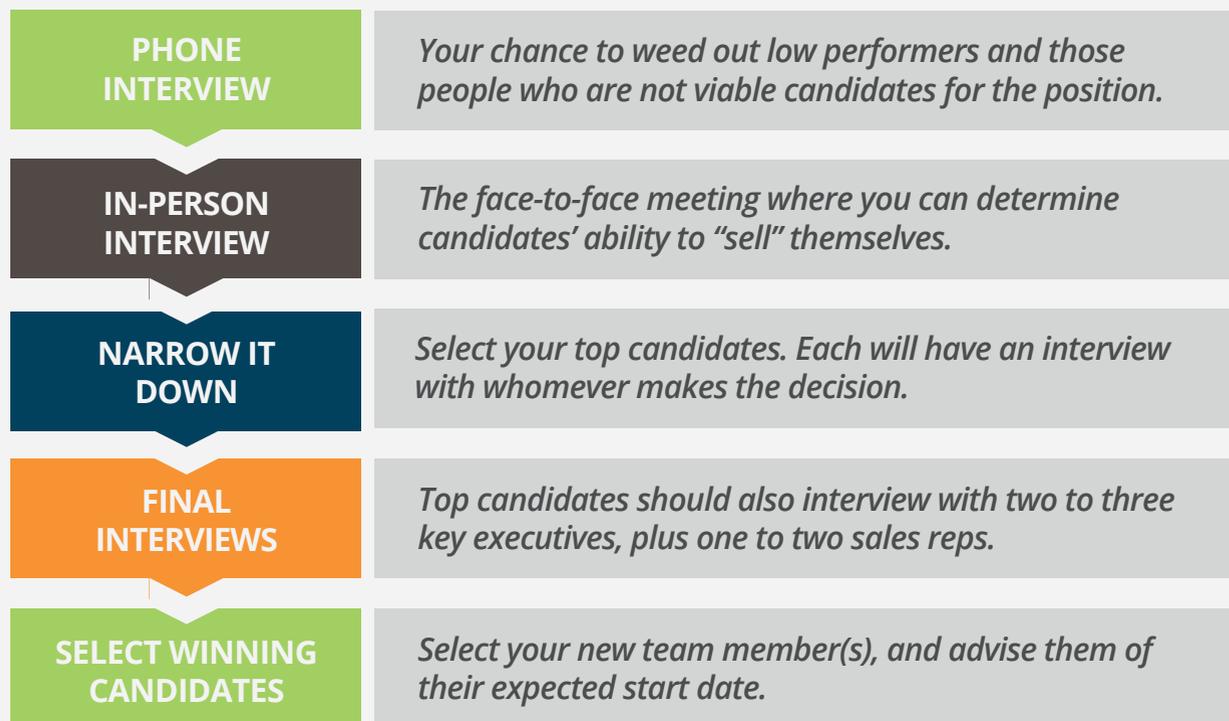
standardized hiring process to locate the ones who have got the “right stuff.”

The Sales Manager As a Leader

Pushing yourself to greater heights of leadership is not just a good suggestion—it's crucial for your company's survival. It's not enough to just say, “Keep up the good work.” Managers must create a motivational culture that challenges and inspires positive change in their salespeople.⁸ The pressure is on everyone in this economy, so managers must be ready to step forward and lead a sales force

EXHIBIT 16.3

Basic Steps in the Hiring Process





The Social Media Connection

USING SOCIAL MEDIA TO RECRUIT TOP TALENT

According to a recent survey, 73 percent of recruiters have hired a candidate they initially found through social media. LinkedIn is the favorite platform among recruiters, with 79 percent of talent departments using the site as a resource, while one third of recruiters have hired through Facebook and about 15 percent through Twitter.⁷ Here are two companies that have nailed social media for recruiting—and what you can do to imitate their success:

UPS. Delivery giant UPS uses Twitter and Facebook to highlight the company's **unique value proposition (UVP)**—a clear statement that describes the benefit of your offer, how you solve your customer's needs and what distinguishes you from the competition—for potential employees. For example, the UPS Facebook page highlights volunteer efforts and a diverse employee base. The company's pages also keep users and potential employees engaged by asking frequent questions and answering queries in real time.

To hone in on your **UVP**, figure out how to apply your value proposition to a diverse group of candidates. Is it that you're a community of like-minded people, or that you invest in your employees' individual growth? Whatever your unique employer value, be sure to remind candidates of it on social media.



Marriott. The popular hotel chain is doing a lot of things right with its careers page on Facebook, which has 1.2 million likes. People come to the site to scan current openings and apply for positions, but leave with a sense of what it would be like to work for the company. Candidates' questions are answered in real time by actual Marriott employees. The employees use their first names to humanize the process.

In your social recruiting efforts, encourage your employees to become part of the conversation in their own individual way. When individual employees answer questions, they're often more creative, genuine, and present a fresh face to which candidates can relate.



toward success. One of the keys of leadership is *motivating people*. Sustained motivation comes from day-to-day motivation—and that has to come from sales managers who are leaders themselves.

Sales may be the lifeblood of a company, but some smaller companies don't have a formal sales manager position—and others delegate that responsibility to an already

overworked producer, one who may be great at acquiring business but lacks the skill and will to lead others. “Our agency was profitable, but growth was not meeting my expectations,” says Ralph Hartwell, founder of the Hartwell Corporation (THC) in Idaho. THC shuffled the sales manager job among various executives, so no one was consistently responsible for setting sales goals, monitoring progress, or achieving

results.⁹ Hartwell finally recognized the importance of having a solid leader in order to break through to the next level of success. Bob Nelson, author of *1001 Ways to Energize Your Employees*, says, “For today’s employees, you can’t light a fire under them. You have to light a fire in them.”¹⁰ Exhibit 16.4 gives sales managers powerful tips on how to motivate employees and then keep them motivated.¹¹

EXHIBIT 16.4 Tips on Motivation

Motivation is Caring *not* Scaring. Fear should never be used as a motivation strategy. It may get managers what they want now, but it will set them up for what they don’t want in the future in the form of employee anger, resentment, and lack of enthusiasm and commitment.

Motivation Blossoms in the Right Atmosphere. When employees feel nurtured, appreciated, acknowledged, and respected, they’ll give 100 percent of their time, effort, and commitment in return. The job of the manager is to create a work environment that provides employees with the opportunity to attain their goals and experience what they value most in their professional lives.

Walk the Talk. Modeling the behavior leaders want from their salespeople is the most effective way to change any behavior. If they want motivated employees, they must become a role model for motivation.

The Law of Attraction. The law of attraction states that whatever we focus on we bring to ourselves. If sales managers focus on the lack of motivation in employees, they will find more and more examples of it. When they seek to learn more about motivation and create an atmosphere that fosters it, they will find more examples of motivation in the workplace.

Ongoing Commitment. Motivating employees is an ongoing process because people are continually growing and changing. As they achieve something they want or value, they seek to achieve more of the same. If motivation is not kept on the managerial front burner, sales managers see the fires in their employees slowly fade and die out.





TQM and Sales Management

Despite the widespread use of Total Quality Management techniques in many of today's corporations, a high failure rate of TQM improvement programs exists—60 to 67 percent—according to research studies.¹² These failures occurred not because of basic flaws in the principles of TQM, but more so because of ineffective implementation systems. So, what can a sales manager do to ensure his techniques are successful? Here are five leadership skills that a sales manager can use to more effectively put TQM fundamentals into practice.¹³

1. Provide employees with a sense of mission.
2. Create a work environment where salespeople feel free to stretch their talents.

3. Give immediate feedback on what salespeople need to improve on so they don't have to guess.
4. Offer praise and reward in an appropriate way so that individual salespeople are recognized as well as the team as a whole.
5. Help and support employees in developing their talents and careers.

These skills are the basis for the sales manager's approach to the task of sales management. You must remember that *leadership* isn't an event; it is a process. Sales managers must be able to diagnose what their people need and remain flexible enough to provide for those needs.

Based on the leadership skills outlined above, Exhibit 16.5 recommends a new management style. To maximize a team's performance, sales managers must break

away from the traditional management style and develop the winning style of management that will help their companies gain a competitive advantage. The idea is to lead, not to simply tell people exactly what to do. You

develop people and ask how they think a task should be handled. The winning manager takes the sales force to the next level—after all, they can't accomplish that without the help and support of their salespeople.

EXHIBIT 16.5

Traditional Managers vs. Winning Managers

**TRADITIONAL MANAGERS**

1. Stick to their old ways and resist change.
2. See themselves as cops or bosses.
3. Make all the decisions on their own.
4. Are reluctant to share information.
5. Demand action, effort, and long hours.
6. Neglect career-planning discussions and assume company will do that for them.

Adapted from: Dr. Wolf Rinke's book, Winning Management: Six Fail-Safe Strategies for Building High-Performance Organizations

**WINNING MANAGERS**

1. Thrive on, and relish, change.
2. Think like a coach or team leader.
3. Believe in group decision making.
4. Are eager to share news and information.
5. Expect progress and results to occur.
6. Take initiative for planning own career and assist sales staff in planning theirs.

Ask yourself: *Why do America's corporate giants invest many hours annually in supervisory and management development?* It's because they recognize that competent and consistent staff supervision is the principal

ingredient of an effective and efficient organization; but in order to achieve this, supervisors and managers need to be skilled in communications, planning, scheduling, evaluating job performance, coaching, counseling, team building, handling employee

problems and problem employees, resource allocation, and conflict management.¹⁴

“The key to management lies in always providing value to the people who work under you.” This is the definition of strong leadership according to Edward Berube, president of Conseco Insurance Group.¹⁵ Sales managers serve as champions to the people who report to them.

The qualifications that produce success for an individual salesperson are not necessarily the same as those needed for success as a sales manager. On one hand, a salesperson must possess a strong sense of self-discipline coupled with a fondness of independence. A sales manager, on the other hand, is continuously involved in interaction with a diverse clientele both inside and outside the organization. The freedom enjoyed by salespeople to arrange and manage their own time and activities is not as likely to be available to the sales manager who is held accountable for the overall effectiveness of a number of salespeople. Managing yourself and your own time is not the same as directing and managing other



people’s time and energies. Choosing the best salesperson for promotion to sales manager does not always work. A manager’s job is to do whatever is necessary to achieve consistent production and growth, both personally and in all members of the sales force, and to build top-performing producers while maintaining a profitable business.

Determining Compensation

There aren’t many other topics that a professional salesperson or a sales manager is more eager to talk to someone about than sales compensation. With all of the requirements and devices used, compensation plans can be quite complex. Compensation plans vary greatly depending on the company and the industry. In general there are three basic commission structures:

1.

Straight Commission

A commission is usually figured as a percentage of sales volume.

The plan might call for a simple percentage of total gross sales, or it could be based on a percentage of the sales less variable costs. The benefit of the latter plan is that it offers the salesperson concrete incentives for helping to keep selling costs low and therefore emphasizes profit instead of mere volume. The main benefit of a commission plan is the motivation it offers to salespeople for productivity. The disadvantage is that some salespeople are tempted to neglect activities that do not bring in short-term dollars, including service after the sale, helping

with installation, and completing needed reports and related paperwork. The straight-commission plan is the plan of choice when aggressive selling is desired.

2. Straight Salary

At the other extreme is a plan based on a fixed amount regardless of volume. Once more common, today only about 4.5 percent of companies use straight salary as their sole means of compensation.¹⁶ A straight-salary plan gives management the greatest ability to control the activities of salespeople. If the company has an unusual need for post-sale activities, developing new territories, or continuing technical training, salespeople do not feel that they are cutting their own income by giving time to that work. However, a salary plan offers less motivation for intense sales effort than the commission plan. Therefore, a salary plan is the plan of choice when management

needs to control salespeople's activities and when aggressive sales activity is not necessary.

3. Combination Plans

One method to exercise control over sales activities yet retain the incentive value of a commission is a combination of a base salary and a commission or bonus paid on sales above a set level. Another type of combination plan makes use of a commission plus a draw against future commissions earned. This plan protects salespeople in slow seasons or when some outside circumstance lowers productivity temporarily. The company sets a base amount that the salesperson is guaranteed to receive. If commissions earned fall below that figure, a draw is paid to bring income up to the base level. If the salesperson earns commissions above the base next month, the excess is used to repay the draw. Exhibit 16.6 shows how the draw operates.

EXHIBIT 16.6 Sample Combination Compensation Plan

Month	Commissions Earned	Commissions Paid	Draw* Paid (Repaid)	Total Income
January	\$1500	\$1500	\$0	\$1500
February	\$900	\$900	\$300	\$1200
March	\$1400	\$1400	(\$200)	\$1200
April	\$1500	\$1500	(\$100)	\$1400
May	\$1700	\$1700	\$0	\$1500
June	\$1200	\$1200	\$0	\$1200
TOTAL	\$8200	\$8200	\$0	\$8200

*Assumes company guarantees a base amount of \$1200 per month. Some companies do not require an actual payback as shown in the example. They use the draw as a yardstick for performance.



High price to pay for inadequate plans.

Although under-compensating salespeople may seem like an attractive cost-cutting strategy for companies in the short run, over time businesses pay the price for underpaying employees in the form of turnover and a general lack of loyalty. In a CSO Insights survey on sales compensation performance, 63 percent of companies said that the compensation plan generally drives the selling behavior of sales representatives, and 11 percent said it consistently drives selling behavior.¹⁷ It is obvious that compensation plans greatly impact the performance of salespeople, so companies must work to ensure that the impact is positive. Executives at FedEx realized they needed a new compensation plan for their sales organization because of the volume of complaints coming from field salespeople and sales managers about how confusing

and unpredictable the pay program was. In a little more than a year with a new clearly laid-out incentive pay program, there was a dramatic shift in the sales force at FedEx and consequently, much happier salespeople.¹⁸

Other Key Roles of a Manager

Sales managers certainly have to wear many hats. Not only are they responsible for picking the right people, hiring the correct number of salespeople, determining how best to pay them, and leading them through a proven sales process, but they are also responsible for the following:

Sales Training

Every authority agrees that ongoing sales training is necessary, but measuring the

benefits of sales training is a difficult process. In addition, what sales training should accomplish is also not clear, although almost everyone agrees that training is needed in product knowledge and in selling skills. Companies are interested in sales training because they want to increase sales productivity. The emphasis is largely on results. The chairman and chief executive officer of U.S. Steel expressed it this way:¹⁹

We support training and development activities to get results.... We're interested in the specific things that provide greater rewards to the employee, increased return to the stockholder, and enable reinvestment of sales revenue to meet the growing needs of the business. In other words, [we're interested in] those things, which affect the "bottom line."

Sales managers agree that company training programs should address the purpose of developing in salespeople the characteristics of success. These characteristics usually include the following traits:

1. Listening skills
2. Enthusiasm
3. Empathy
4. Planning skills
5. Personal organization
6. Problem-solving ability
7. Time and territory management

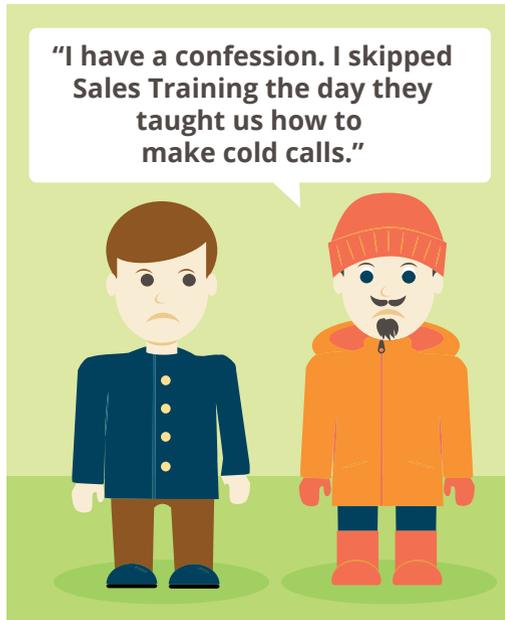
Designing and implementing the sales training program is the sales manager's responsibility. An effective program includes these basic elements:

1. Field training and observation.



It is a good idea to have both an experienced salesperson and a manager assist in training new sales reps. Traveling with a senior sales rep to observe selling skills, personality traits, and work habits reveals much about novice sales reps. New reps can also accompany different sales managers to pick out the strengths and weaknesses of each manager and eventually create their own style. Both managers and senior sales reps can impart more wisdom to a newcomer than many training courses might offer.





2. Group sessions.



Sales training sessions that focus on a single topic (such as prospecting, closing, or product knowledge) are valuable in sharpening skills for all members of the sales team. The group training session provides valuable interaction between salespeople and allows individuals to learn from one another. The *Cisco WebEx Training Center* is a great solution for online training of large groups spread over a wide geographic location.

A common form of training within group sessions is *role-playing*: One trainee assumes the role of salesperson and another trainee or the sales manager plays the role of a prospect. A third person may act as observer to critique the performance. They go through the various steps of the sales process to gain experience in using the sales aids, giving the presentation, asking questions, and handling objections. A session may cover the entire

selling process or concentrate on one specific step in the process. The audio or video of role-playing sessions can be recorded for later review.

3. One-on-one sessions.



The sales manager must be willing to spend time with individual salespeople to give specific feedback and encourage continuing development. One-on-one time can be used to pinpoint individual problems and help the salesperson to develop a program of personal growth to correct any problems discovered.

4. Interactive training.



Interactive training is a type of learning model where trainees are given audio or video presentations, slide shows, self-tests, and the capability to determine what they want to learn, when they want to learn it. Salespeople using an interactive format will have higher rates of retention, take less time to train, have easier access to information, and have a higher comfort level. Sales managers now have the opportunity to work with one, or one hundred, salespeople in front of a computer to watch and learn new techniques or practice what they do best.²⁰

5. Feedback.



The sales training program must provide for feedback on performance. When a skill is practiced in a training session, a method for tracking field improvement shows whether the training has been effective. When salespeople see that the training has made

a direct impact on their performance and their incomes, they are eager to receive more training and give their best efforts to learning.

The amount of time spent in sales training for recruits and for experienced salespeople varies from industry to industry and also from company to company. Time for training is affected by the complexity of the industry, the commitment of the company to training, and the company's experience with past training programs. The exact procedure also varies as a result of the same factors. Some companies conduct concentrated training for new recruits before they are allowed to go into the field. Others use a mix of training and field experience to help recruits learn by doing. A few still hand the recruit a sales kit and follow the *sink-or-swim* method. The training period for recruits tends to be shorter for manufacturers of consumer products than for manufacturers of industrial products. Service companies including insurance, banking,

Supervision and Motivation

A sales manager must see that salespeople call on their accounts with sufficient frequency, prospect for new business, keep up to date on new developments in the general market, and receive continuous training in new product technology or advanced sales techniques. Guiding salespeople in setting

realistic goals, offering appropriate incentives to trigger achievement of those goals, and rewarding them for success are the sales manager's responsibility. All of these areas are easy to track with the CRM software available today, as well as the ease of communication provided by smartphones and Wi-Fi access.

Motivation is at the heart of supervision. The sales manager's involvement in motivation is designed to provide an environment within which salespeople can develop the ability to motivate themselves. A sales manager is much like a professional sports coach. John Madden, legendary NFL coach, explained to a reporter his philosophy about motivating football players like this: "*I don't motivate them. I find motivated men and teach them how to play football.*"

The principle is clear: If the basic functions of recruiting and selection are successfully performed, training and motivation of the sales force become less of a problem and more of a solution to making more sales—and in turn, profit.

**The key to successful
leadership today is
influence, not authority.**

Ken Blanchard

SUMMARY

The functions of the sales manager differ considerably from those of salespeople, meaning salespeople don't always make great managers.



Sales managers are responsible for hiring right the first time to ensure that the costs of hiring the wrong salespeople are minimized.



A sales manager must be both a skilled salesperson and an efficient manager.



Sales managers stand between field salespeople and company management.



Great sales managers translate the goals of the company into strategies and goals that the members of the sales department can achieve.



Sales managers should be concerned with helping their team develop personally and professionally since personal and work life are inextricably linked.



Sales managers are responsible for building their team through recruiting and selection and designing a competitive commission plan.



They are also responsible for long-term success through training, supervising and motivating their salespeople.

Review Questions

1. Are top salespeople automatically likely to be good sales managers? Why or why not?
2. What are the key functions of a sales manager?
3. What are the most common components of sales training?
4. What does the sales manager need to learn through interviewing a prospective salesperson?
5. What do you consider the most important incentives for salesperson productivity that a sales manager could provide?
6. If a company wants to exercise a great deal of control over the time and activities of its salespeople and does not especially need aggressive selling, what kind of compensation package is most appropriate?
7. If the organization's goal is high-volume sales and management is willing to have salespeople structure their own time and activities, what type of compensation plan is most likely to result in achievement of that goal?
8. What are some of the most easily accessible sources of recruits for positions as salespeople?

IN-CLASS EXERCISES

The following exercises help build teams, improve communication, and emphasize the real-world side of selling. They are meant to be challenging, to help you learn how to deal with problems that have no single right answer, and to use a variety of skills beyond those employed in a typical review question. Read and complete each activity. Then in the next class, discuss and compare answers.

EXERCISE 16.1

Analyzing Job Descriptions

You should work independently on this exercise. Job descriptions for sales positions are routinely posted on the websites of individual companies and recruiting companies, and on websites like Monster.com or LinkedIn. These descriptions are typically written by management and might include very specific requirements expressed in the jargon typical of the type of product or service that is to be sold.

Select a field or industry category in which you are interested. Search for sales positions in that field or category, analyze at least 3 job descriptions, and record what you find.

- How much prior sales or marketing experience is required? Is the experience specific to the field or industry category?
- What is the educational level required or preferred? Must relevant education be focused on a specific field?
- What sort of general characteristics (e.g., excellent communications skills, team-building skills, ease of relating to diverse populations) are required?

- What sort of specialized knowledge (e.g., experience with specific software applications, project management certification, technical or scientific knowledge) is required?

Since these job descriptions pertain to a field or area in which you are personally interested, which requirements as stated in the descriptions surprised you most? How do you plan to fulfill these and the other requirements listed for the positions that you researched?



EXERCISE 16.2

The Perfect Sales Manager

For this exercise, the class should be divided into teams of 4 people each. On the basis of all the knowledge and experience you have gained in this course, you are about to find yourself working among colleagues in your first sales position. You will probably be a member of a small sales team that reports to a sales manager. As you get to know your colleagues, discussion turns to what makes a really good sales manager. On a periodic visit to your office, the regional director of sales announces to your group that a new sales manager is about to be appointed, and the regional director wants your collect-

ive opinion about the qualifications and characteristics that you think should be primary. Now is your big chance: *What makes a perfect sales manager?*

As a team, discuss the role of a sales manager and decide which characteristics, qualifications, and personality traits you would most like to see in your new manager. Bear in mind the needs of the company, not just the desires of those who must report to the manager. Rank your recommendations in order of importance for the regional director and provide reasons for your selections.

Case Studies

The following case studies present you with selling scenarios that require you to apply the critical skills discussed in the chapter and give you training through practical learning situations. They are meant to be both engaging and challenging, and like the exercises, don't have one right answer.

CASE 16.1—Musical Chairs

As Vice President for Sales for a major auto supply chain, Leonard Wirt was under a great deal of pressure. After six months on the job, he was due to report to the owners of this privately held company what he thought should be done to improve sales and profitability. Since his recommendations were radical, he knew that this would probably be the toughest sales call of his career.

For the past 55 years, the company had been managed in a very traditional fashion, chiefly by fear. Salespeople, working on strict commission, who failed to meet annual quotas were routinely fired and replaced. Store managers who failed to meet profitability targets were transferred or fired. Because the business required extensive product knowledge about a wide variety of products, district and regional sales managers were traditionally recruited from the top sales performers. But when their districts or regions fell short, heads rolled. Despite all of these changes in personnel, profits continued to sag, and the owners continued to be unhappy.

Based upon his experience and knowledge of more successful approaches to management, Leonard was prepared to recommend sweeping changes. What changes do you think Leonard should recommend? Which changes should be made first, and why? Which changes would have the most immediate, positive impact on the company's profitability? Which changes recommended by Leonard do you think would be most risky? What sort of quantitative measures, other than overall profitability, should Leonard monitor in order to gauge the success or failure of his initiatives?



CASE 16.2—The New Sales Trainer

Sam has been one of the top salespeople in his medium-size insurance company for about 6 years. He holds a college degree and had previous experience as a high school teacher before getting into insurance sales. Because of his sales achievements and his background in teaching, his vice president has asked him to take over as the new sales trainer for the company. As the vice president put it, “We’re not getting enough production out of our sales force, and adherence to company policy has been lax. We need someone who can teach us how to whip our training program into shape.” Not especially elegant, Sam thought, but clear.

The typical training program, not including studying for and passing licensing exams, for salespeople at Sam’s company is 3 weeks—3 short weeks. To revamp the training program, Sam must develop a curriculum and structure the way in which that curriculum should be presented.

Based on what you have learned in Chapter 16 and the rest of this course, how should Sam address the following issues?

- Which topics should be included in the training curriculum, and why?
- Which topics should be given higher priority and, hence, more time, and why?
- How can Sam hold the attention of new recruits for 3 weeks? What sort of presentation techniques should he employ for more effective retention and learning?
- How can Sam monitor individual progress so that he can address individual trainees’ problems before they get out of hand?



Endnotes

Chapter 16

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