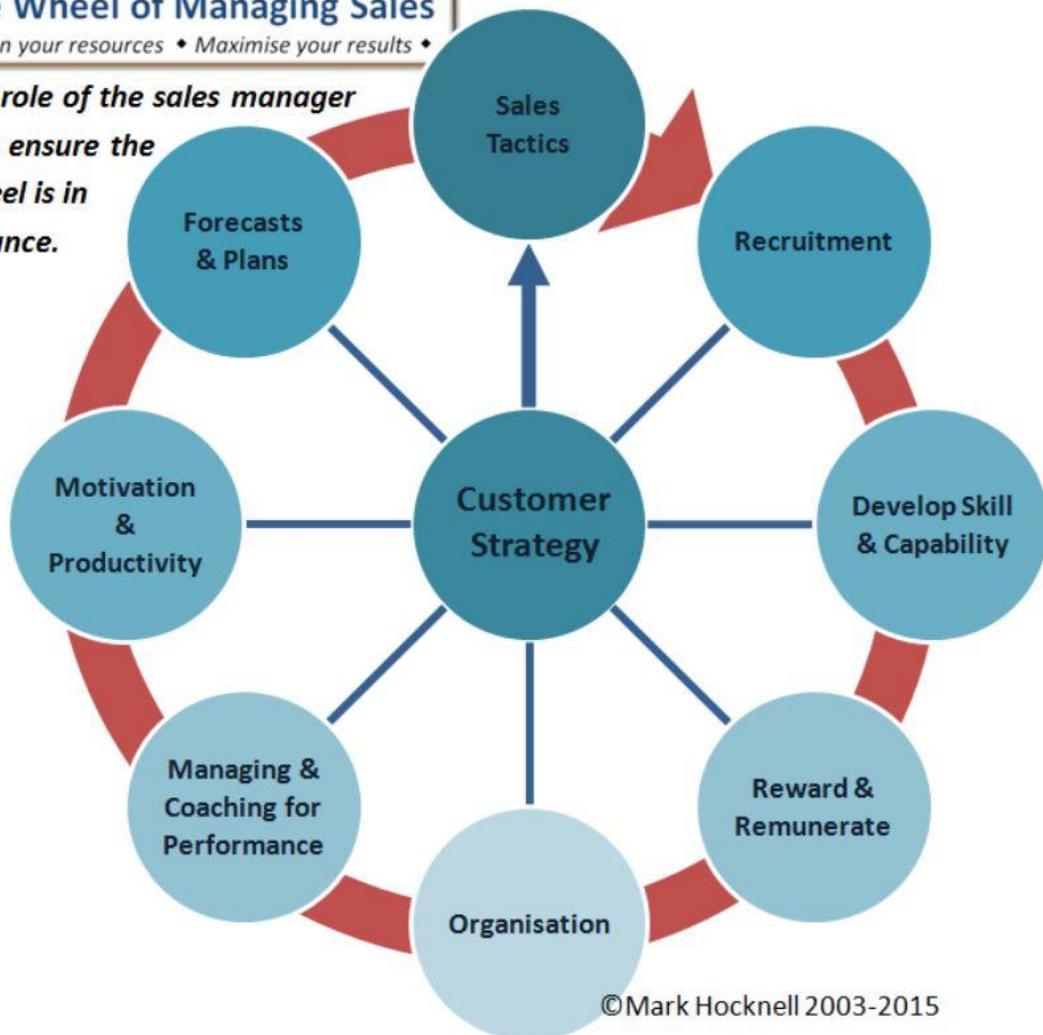


The Wheel of Managing Sales

• Align your resources • Maximise your results •

The role of the sales manager is to ensure the wheel is in balance.



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Introduction

All too often sales leaders will attempt to recruit 'good' sales people and then let these "guns" loose on their customers, without really considering how to create an environment where or how these people could excel. The Wheel of Managing Sales identifies all the elements that the sales leader needs to fine tune to suit the unique environment of delivering sales and customer value, in your context. For example, we often see sales teams with a high portion of "at risk" pay, when in fact they are in an account management role and visit the same customers regularly. In this context the account managers will have a high self interest in getting "orders" rather than understanding their customer's business so they can be an effective partner. Conversely, if the role of the sales person is to find new customers in an emerging market, then there should be a reasonable portion of at-risk remuneration, to reward their efforts in finding the right new customers for your business. The *wheel* needs to be in balance.

Sales teams in Australia (from experience and reviews of literature) shows that up to 90% of sales teams lack effectiveness. The two primary reasons are (1) the lack of organisational skill at the sales manager level (often promoted from sales roles without effective transitioning) and (2) a lack of appreciation about the Australian psyche and therefore poor implementation of remuneration, motivation and other tactics.

The Wheel of Managing Sales approach is unique. The Wheel of Managing Sales breaks down the core functions of sales management into the areas where competence is required to create and maintain a sales force that delivers customer value and achieves business results. Sales management is only a sequential series of steps when first establishing a sales force, with an existing sales team these functions are *interdependent* - each task is not independent - each has an effect on all the other functions that need to come together to produce an effect that is greater than the individual functions. Alignment of resources maximises the achievement of results.

In this interdependent manner these functions can be seen as the spokes of a wheel, at the hub of the wheel is the organisation's Customer Strategy. When the spokes are all the same distance, evenly balanced and operating in harmony with the hub, the wheel will operate at an optimal level and effect.

The purpose of this paper is to use the Wheel of Managing Sales to familiarise sales leaders with the knowledge and techniques required to align their resources and maximise their results.

The Customer Strategy

At the hub of the Wheel is the Customer Strategy. The Customer Strategy is an articulation of the business strategy in the context of the customer. Often business strategies are based on achieving a set of numbers, revenue or profit margin targets. Sometimes these documents will have some actions or approaches in them about implementing new products or getting into new markets. The Customer Strategy takes these objectives and converts them into a cohesive set of guiding principles, actions for the sales team, for each customer group. The Customer Strategy translates the business strategy and objectives into a playbook for the sales team.

In the example below (used in a B2B organisation with a national sales force), The Customer Strategy is built upon the values and goals of the organisation, and uses segmentation, but not only in terms of monetary value, but also in the context of the customer value attributes. This model of categorising customers allowed the business to focus the sales force on the customers that would be most responsive to their strategy, and importantly, not have sales people waste their time on customers that represent less value (or return) to the business.

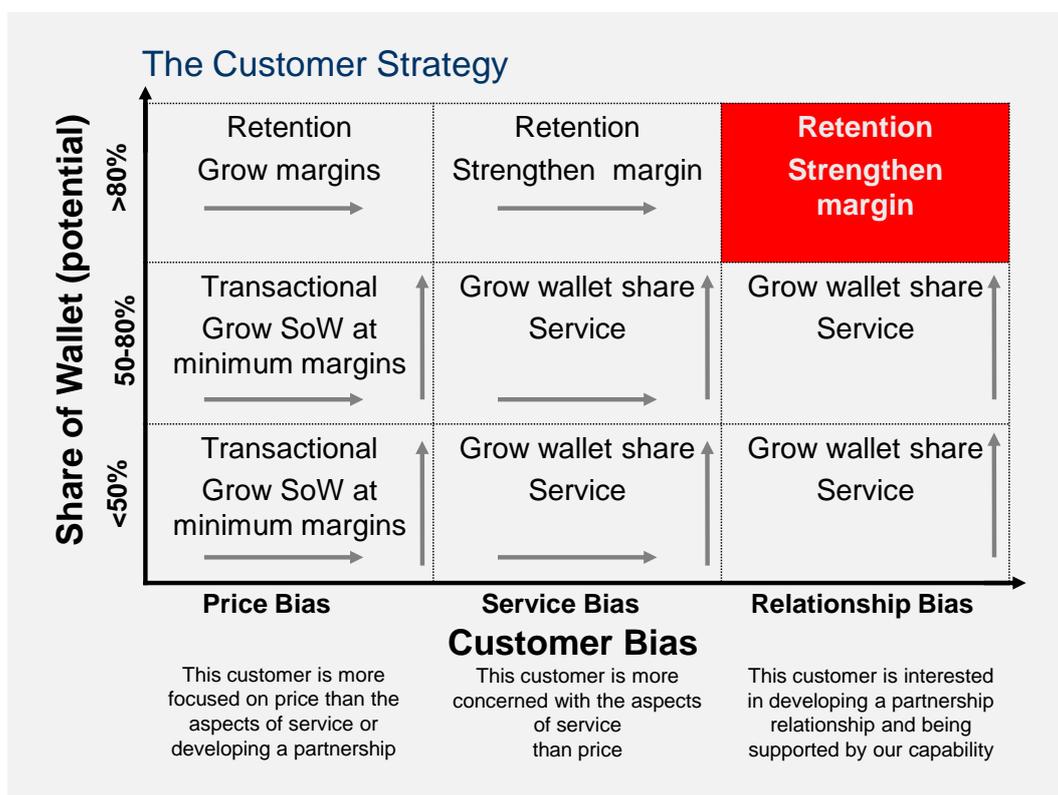


Figure 1: Customer Strategy Example

The Customer Strategy matrix (above) shows the Customer Bias on the 'x' axis and share of wallet on the 'y' axis. This matrix was then applied to specific customer groups with potential wallet size. The goal then (or strategy) for every customer is to develop a strong relationship with a corresponding share of wallet of greater than 80%. Within this context every customer can be plotted on the matrix, therefore providing clear direction for the sales and service people in what to do with each customer and how to do it. This sales approach is then supported with a set of customer account planning tools and methods along with new customer acquisition processes. The Customer Strategy, guides the sales activity to be alignment with the organisational objectives and can conjointly be used by marketing to ensure efforts are aligned.

Sales Tactics

Once the Customer Strategy is in place, the sales leader can then direct the sales team towards an aligned approach in the market place.

B2B

Continuing with the previous B2B example, for customers that display a "Price Bias" (that is, the customers are always looking for discounts, and buying from suppliers that offer a cheaper price), the sales person is to offer products at a set price and not get involved in discounting or negotiations on price. Similarly, if the sales person was to discuss the benefits of a longer term supplier relationship (which is the strategy of the business) then these messages are likely to be lost with this customer. Therefore the sales tactic is for the sales person to attempt change the customer's perspective about the value of service, and demonstrate value to their business from leveraging from the service offered by the selling business.

B2C

Let's apply sales tactics now to a B2C context. Using a financial services contact centre sales team that help customers and potential customers with enquiries about home loans. If a first home buyer calls and wants information about the product, fees, rates and pre-approvals. Mortgage providers know that first home buyers - with no experience - shop around a few providers that have been recommended by friends, family, or work colleagues, their concerns will be about the process of selecting a home loan provider that will help them achieve their goal of purchasing their first home. The objective of the call for the sales person in this context will be to take this customer out of the shopping market, to build rapport, provide information, build confidence so that the customer feels that "the people are the right ones for me". Potentially, the sales person would offer to take contact details to follow up later, have someone come and visit the customer. Alternatively, if the sales person takes a call from a property investor, someone who has done this a few times before, the objective of the call is to take the application - make sure this customer does not go somewhere else, as this is probably the only call they will make to this business.

Sales tactics are the operational approaches sales leaders put in place to realise the objectives of the Customer Strategy, and in turn the Business Strategy. The role of the sales leader here is to know their business, understand their customers (and prospects) and by collaborating and coaching their team, they will understand the optimal tactics to put in place. This ensures the resources and efforts are aligned with the business goals and through ongoing coaching and monitoring these tactics can be finetuned and shared across the sales team.

"Failure to start with a buying model had led hundreds of sales organisations into designing a series of selling steps that are unrelated to how their customers buy and have little or no positive impact on sales performance".

Neil Rackham and John DeVincentis

Recruitment

The sales leader ensures the position description is accurate, up to date and a candidate profile exists that reflects the characteristics and skills of the good-to-top performers. The sales leader needs to develop strategies to identify quality candidates and oversees the process of selection.

Cost of poor recruitment

There is a significant cost to the business if the sales leader gets recruitment wrong. Firstly, (aside from the costs of recruitment) there are the direct costs associated with of lost people's time, the effort and cost of training. Secondly, there is the cost of having the wrong people in front of your customers. This can affect brand, business reputation and lost current and future sales with these customers. Thirdly, poor recruitment will affect the morale of the sales team. It often occurs that when the sales leader recruits someone that does not fit with the business or customers, that it is the other sales people who first realise this. The flow on effect can be a loss of confidence in the sales leader, not to mention to effort and time the sales leader will put in place to manage the individual out of the business. Therefore, prudent sales leaders invest time into selecting the right people to join their teams, and rarely outsource this task.

Position or Role Description

The position description (PD) can often be seen as more of an administrative task, however, for many candidates (and even recruiters) the PD defines the job to be done. Therefore, from a sales leader perspective the PD needs to be one of the key tools to, firstly deselect people who are not suited for the role and secondly, give confidence to those who are suitable. This means a clear PD will dissuade certain individuals from applying for the role when are not really suited¹ and likewise suitable people would be encouraged. As we have seen so far there are many different contexts for sales people and types of sales people, the sales leader wants to only invest their time with ones that are suitable. So the PD should cover the following:

- The type of products/services sold - not that product knowledge is important at this stage (it can be taught), but to provide the context of the selling activity
- Buyer behaviour and profile - further context about the type of typical buyers and the process they follow - does the candidate understand these types of customers..?
- Style of selling and channel, B2B or B2C - as we have seen there are different styles of selling, so does the candidate suit this style, are they comfortable (or proficient) in this style..? Is the channel outbound telesales, person-to-person, relationship selling or finding new customers...the candidate needs to feel they are comfortable with this approach.
- Company culture - describe what it is like to work here, what the actual expected values, behaviours and ethics are. It is far better to get this out there early, rather than bring a new recruit onboard and then not appoint them following the probation period (3-6 months) based on a values or ethics non-alignment. The cost is too great to the business, exposing your customers to these people is not good and the risk of demonstrating to the sales team that the sales leader gets it wrong creates other problems (that can often be disastrous).

¹ Sales people in between jobs will often apply for roles that may not fully suit their skills, experience or truly what they have to offer as a sales person. Sales leaders need to be able to identify these people early or there will be lost time in the recruitment process as the sales person in between roles attempts to convince the sales leader they are the one - they are *sales* people after all...

- Provide an overview of the sales duties, post sale servicing expectations (if any), level of decision-making, being specific about the job at hand, as gain this will deselect those who are not suited for the type of sales role you are seeking.
- Key Results. To be clear, a result is not an action or something we do, it is an outcome or a result of the efforts we put into our workⁱⁱ. Describe the results you are looking for. Using the B2B example from earlier, results for the sales person might be:
 - Grow share of wallet (existing products, and perhaps the introduction of new products)
 - Retain Customers (includes maintenance of share of wallet and margins)
 - Customer Account Plans are in place (developed and actioned)
 - Price Biased Customers are Converted to a Service Bias.Using the B2C example from earlier, results for the sales person might be:
 - First Home Buyers trust us for advice
 - First Home Buyers agree to stay in contact with us
 - Investors agree to proceed with us on the first call
 - Second (or subsequent) home buyers agree to proceed with us on the first call
- Performance Measures, provide objective evidence that we are progressing, over time, towards the results we have definedⁱⁱⁱ. The sales leader could include in the PD some indications of the measures. The measure, for example is: Share of Wallet - as a percentage, the average dollar value of sales the customer has with us each month compared to how much they spend on similar products (or products with competitors each month. This is the measure, the target, or standard of performance is something to be agreed between the sales leader and sales person (see the section on Managing or Coaching for Performance).

"...it is always better to use results-based, rather than activity-based measures..."^{iv}

Neil Rackham and John DeVincetis

Candidate Profile

Candidate profiles, developed by the sales leader, support the selection and recruitment process. These profiles are based on the sales leaders understanding of their top performers as well as the characteristics of the person who has the potential to be optimal in the specific sales role. For example, high levels of empathy and an ego that is checked^v are general characteristics of a successful sales person. Therefore if our customers are general managers of manufacturing businesses then someone that can empathise with the buyer by connecting with their challenges and problems can ensure the sales person's success in that role. Likewise and particularly in a retail context, the candidate has to also be suited to be able to interact (in a short period of time) with the target demographic of the customers.

The candidate profile can also cover preferred levels of experience in a range of key capabilities, sometimes education achievements, a proven professional achievement orientation, but not always sales experience.

Recruitment summary

Recruitment is arguably the most important task for the sales leader to get right at first. The people of the sales team can become a competitive advantage for the business (or not) as a sales force is really only as good as its people. There is open conflict in various marketplaces for the 'right' talent, but often sales people in between roles will apply for anything. So the role of the sales leader is to follow two maxims; first is to know the person who is likely to be optimal in the specific role, and second is hire the talent and passion (for the role and the customers), these people will always be able to learn about the products and services offered.

Develop Skill and Capability

It might seem a given that the sales leader needs to continually focus on the development of the skills and capability of the sales team. However, in the fast-paced, all-too-busy business world of today, many sales leaders neglect to realise this need of their team. Additionally, selling is a combination of algorithmic and heuristic task execution. Algorithmic tasks are where you follow a set of established instructions and steps to a conclusion as the algorithm for solving the problem. Heuristic tasks are opposite it requires experimentation and creating solutions^{vi}. Sales people need to learn the algorithmic skills and then apply heuristic capability to ensure each prospect and customer feels a great experience.

Induction training content needs to be fully understood, selected and approved by the sales manager, but all too often this task is delegated to a training team, or even to one of the sales team who has to "show the new person the ropes". The sales leader needs to guide the development of this content based on a practical knowledge of the needs of the sales force. At a minimum the on-boarding training for a new sales person needs to cover the elements of the Wheel of Managing Sales, and:

- ➔ Product and service training, ideal customers
- ➔ The Customer Strategy and the supporting sales tactics,
- ➔ What customers value and how to articulate the business value proposition to the various, customer groups,
- ➔ Company ethics, values and how to overcome ethical dilemmas,
- ➔ The key customer journeys,
 - to fully understand the customer perspective to assist in empathy building,
 - the associated processes and teams involved in the journey,
 - the desired outcome at each step in the journey for the selling business,
- ➔ Customer buying and decision-making process,
- ➔ Scripts and questioning methods that are optimal,
- ➔ Time and activity management within the context of the selling business,
- ➔ Marketing approaches and alignment with selling activity,
- ➔ Lead and opportunity management processes, marketing support for sales activity and
- ➔ Key business rivals (competitors), their tactics and approaches.

The objective for the sales leader is not to train the sales person, but to build their capability so that they can deliver meaningful interactions with the customers (and prospects) that will generate sales and new customers. This capability development does not happen in a training course, it can start in the course, but it happens over time. Therefore the sales leader needs to commit to developing this capability within each sales team member. More on this in the Coaching for Performance section, ongoing coaching is the sales leader's commitment to the culture of the sales force, supported by a relevant toolkit of development opportunities.

Unfortunately, many sales managers send their sales people on the "new sales-person course" and puts them in front of customers with little else. Additionally, when sales managers are not achieving their results - instead of looking at their own wheel of managing sales and seeing what is not in balance - they will look to send some sales people of a selling course. There are many "selling" courses available at any given moment. When under some pressure sales managers often seem to

want to be seen to be doing something, and throwing training at the team is, seemingly, a quick response to the problem. This does not work. The sales courses may provide some benefit to some of the team, but all too often the courses will provide ideas or methods that are not aligned with the chosen sales tactics. These courses will introduce new language to the sales team that may or not be adopted by whole team and will often cause dissent among the team. The sales leader ensures that any sales training provided is aligned with the Customer Strategy and chosen Sales Tactics. Any scripts, methods, questioning techniques (etc) need to be common across the team. This does not mean that we are looking for robotic sales people. Once the basic skills and process are learned, selling is predominately a heuristic task that is built upon knowing these foundation techniques and processes and then applying discovery and problem-solving to achieve the results with customers and prospects.

"...heuristic...it's the opposite of the algorithmic work that defined much of the industrial revolution...you need to experiment to discover the path that will best achieve the objective^{vii}."

Jason Fox

Reward and Remunerate

"You should first pay sales people more than they are worth, then make them worth more than you pay them"^{viii}.

Robert J. Calvin

The quote above is apt because it shows confidence in the selection and recruitment of sales people, and also shows that the sales leader's role is to develop the individuals in their team. The remuneration system is a hygiene factor² from a motivational perspective and further supports Calvin's quote, because if the sales person feels well remunerated then they get on with the job at hand. The remuneration system needs to guide the sales people to team-harmony, a clear focus on the customer and their results. Sales leaders need to design the remuneration system that meets the needs of the sales person and the business, that delivers the required balance of motivation, quality and productivity, retains the top performers, and attracts quality candidates from the market. Sounds easy right..?

Let's start with the definition of a few key terms in relation to the remuneration system.

- ➔ Direct compensation – fixed pay or base salary plus bonuses and/or commissions
- ➔ Retainer/Fixed Salary - base salary only.
- ➔ Bonuses - typically based on achieving previously agreed criteria - sales or activities, quality; can be paid monthly, quarterly, annually.
- ➔ Commissions - typically a percentage of the dollar value of the sale, or percentage of the margin.
- ➔ OTE (on target earnings) is a term often used to refer to a base salary plus a commission/bonus paid if the sales person is 'on target' (activities and/or sales).
- ➔ Reimbursed expenses – some sales people cover their own costs (travel, entertainment, communication, stationary etc), some companies pay all, or a portion - can be considered as the overall financial package for the sales person.
- ➔ Fringe benefits, for example: access to a vehicle, phone, membership or access to certain clubs or facilities, share/stock options can be used as bonuses or a fringe benefit, education support, discounts on products/services from the company; medical/health insurance, life insurance (more so in the USA).
- ➔ TEC - refers to Total Employee Cost, from the business perspective and include gross payments, including superannuation, vehicle costs and can vary from business to business.

² This is reference to Frederick Herzberg's research on motivation in the workplace in the late 1960's and his two-factor theory, where hygiene factors are considered sources of work dissatisfaction.

In essence there are three types of remuneration schemes for sales people.

1. Fixed salary
2. Commission only
3. Fixed Salary plus commission and/or bonuses

Most sales people^x are on a fixed salary with some sort of bonus or commission applied, the percentage of up-side, or at-risk pay will depend on the context of the selling and the mindset³ of management. Salary-only is useful for team selling scenarios or where there are negotiation periods, or for B2C environments it is more about what the selling business is wanting from the customer - longer term relationships, repeat buying, then salaried sales and service people are more appropriate. Sometimes during periods of economic downturns, businesses will retain sales people on a salary to provide them with some security and also to ensure the business still has a sales force when the economy turns.

Commission only remuneration is often used when the sales person is perceived to have significant influence over the sale. For example, door to door sales people are expected to...knock on doors and keep themselves going through rejection after rejection until they find someone that can they can engage and influence. With this much influence over the sale (and their personal motivation) these types of sales situations often lead to commission only. Additionally, commissions can play a large part where the company might have a new product or service to offer to a chosen market. When the product/service is required to be purchased by Innovators or (very) Early Adopters⁴, of which there are so few of them, sales people can be commissions to *find* the right customer (as the challenge in this selling context is not selling the product but finding the right buyer).

In 2014 the UK news agency, The Guardian, reported a story on door-to-door (or door-step) sales people for Sky^x. Among many claims of dodgy sales practice the key driver of this behaviour was reported to be the high levels of commission the salespeople and sales managers received. These door-to-door sales people had a base salary (retainer) of £14,000 per year with commissions on top with some earning up to £60,000.

In B2B selling or some account management roles the typical split of total compensation is around 70-80% salary and 20-30% made up of commissions, or bonuses or a combination of both. However, some account management roles where the 'selling' is more regular-visits, order-taking and or relationship management with the customer, then it is totally appropriate to have 100% salary. This is about ensuring the focus of the sales person is on the best interests of the customer, not themselves. Their performance can be managed through other the agreement of results and key activities that produce the results.

³ Referring here mainly to Douglas McGregor's Theory X and Y, where managers with a 'Theory X' mindset tend to believe that people are lazy and unmotivated to work - and therefore need to apply extrinsic motivators, like high commissions.

⁴ Reference to Roger's adoption of innovation curve - see accompanying paper: Assemble Sales Activity.

This now brings us to the timing of commission/bonus payments, to me these should be as close to the event as possible to ensure there is a connection with the reward and the action. Quarterly bonuses are quite common, commission payments could be made soon after the sale is finalised. The situation we do not want is gaming of the system, for example where there is an annual bonus or commission payment where we often see efforts to hit the targets in the quarter leading up to the annual payment.

Remuneration and compensation schemes need to ensure the needs of the salesperson are met, and the needs of the business are met. Systems that are simple are better, we want the sales people to focus on their customers and the key activity to achieve results, not working out the commission schemes and having their own spreadsheets to calculate what they think they are "owed".

Remuneration plans will have an effect on the type of salesperson that is attracted to the role. High proportion of fixed salary for account managers will attract people who are focused on relationships with their customers, high levels of commission will attract risk-takers and "hunters" (those that are finders of prospects).

In terms of misalignment, this element of the Wheel attracts a lot of attention as managers attempt to manipulate outcomes with sales people by engineering complex remuneration systems to 'keep the sales people honest'. Having a remuneration scheme that is not optimal for the selling context or the sales team will produce all sorts of problems that will appear to have symptoms in other areas (such as recruitment, sales tactics and organisation).

Money is not the universal motivator and incentive, it is the remuneration for the work done, a hygiene factor. Recognising this sales leaders can focus people on the value of their work, making the activities and work rewarding, recognising the specific behaviours and actions that produce the desired outcomes.

"Salespeople have a genius for doing what's compensated rather than what's effective^{xi}."

Neil Rackham and John DeVincentis

Organisation

Here the sales leader is concerned with the structure of the sales force to ensure the most effective channel and resource allocation is utilised. Segmentation is used to focus the sales force on regions, industries or customer markets or segments. The sales manager has a communication system in place and ensures maximum selling time is available by minimising administration demands on the sales force.

From a design perspective, the structure is often best where it is customer or market oriented. This will also ensure that management does not become too distanced from the customers. This means that the structure is organised around customer groups or segments (type, size of account etc), this may transcend boundaries or territories. This will ensure that a solid customer knowledge is retained and even a specialisation could be achieved for these customer groups. Also the structure is best when designed for the delivery of the activities that are optimal for achieving the strategy with these customer groups. This is not centred on individuals within the team but a clear understanding of what work needs to be done, then a structure to make that work. Additionally, the sales leader then needs to ensure that the team has all the delegations in place to fully own the work, the activity and the results with the customers. Remove the common barrier where sales people feel they are not empowered to achieve.

The role of the sales manager is to ensure the sales team are focused on customers and delivering the agreed activities that lead to sales, poor structures or constantly meddling with the structure distracts people from the job at hand. The sales leader also ensures there is good coordination across the structure and with other departments of the organisation.

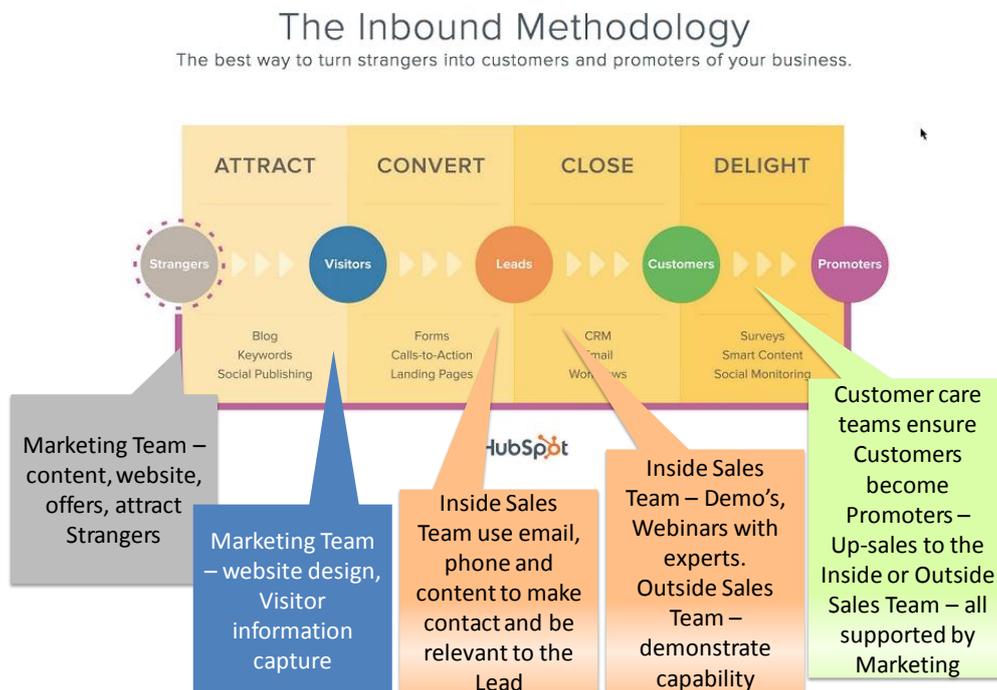
The sales leader will need to examine these activities and then choose how and where the activity should be delivered. Potential role choices include:

- Inside sales teams made up telesales, counter-sales, prospectors, marketing campaign coordinators or even sales appointment setters that will maximise the sales person time in the field by managing their calendars
- Outside sales people, new customer acquisition focused, existing customer management or account managers, or pre-sale technical people, sales teams focused on demonstrating capability
- External agents - intermediaries that find customers or manage customer on behalf of the selling business.

The objective of sales force design is to maximise the resources available on the optimal activity.

The example of the following page provides an illustration.

HubSpot^{xii} is a US based and global inbound marketing software platform that helps companies attract visitors, convert leads, and close customers. They use and apply the inbound method that they espouse with their customers. It is a great example of how to design the selling team along the sales method, that is based on the customer-decision-making process. Hubspot integrate their marketing activities with the 'inside sales team" who then collaborate with the "outside sales team" to open the relationship with customer.



The sales leader needs to align the resources available to optimise the results.

In terms of misalignment, this element of the Wheel can reflect symptoms across into the overall achievement of the sales team or the increasing cost of sales. If there is poor alignment and organisation the selling team will - more than likely - be unable to compete with more progressive selling businesses and therefore will lose market or customer share.

Managing and Coaching for Performance

Managing performance can have all sorts various connotations today, typically is we hear of someone who is being 'performance managed' we will get the message that the individual is receiving a series of warnings, or they are being scrutinised to meet certain targets or they will be exited from the business. Based on this I prefer to use the term 'coaching for performance' as sales leaders will be in the coaching role for (at least) 80% of their time, and if needed turning to managing the performance of an individual occasionally. By taking this focus the sales leader is actually managing the performance of the whole sales team.

By taking a coaching for performance approach the sales leader will:

- ➔ Be following a process that achieves the business goals
- ➔ Motivate the sales team by engaging in the core motivational drivers of the team (see next section)
- ➔ Create action plans and develop the capability of sales force skills,
- ➔ Identify and manage poor performers early (actually with this process, poor performers are more likely to exit the company early before it gets to 'managing performance',
- ➔ Provide recognition for effort and results,
- ➔ Reinforcing key behaviours and share best practices across the team.

To under the basics of how this approach works we will look into the *triad of the emotional contract* and the structured one-on-one process.

The triad of the emotional contract

There are three contracts in place for each employee.

Firstly, there is an employment contract between the organisation and the sales person, the second is referred to as the "psychological contract". The psychological contract is the reciprocal extension of trust and discretion that creates a social exchange of obligations extending beyond those of economic exchange in the employment contract. The psychological contract is how the team member feels about working for the organisation, are they proud to say where they work..?

However, most businesses ignore *the triad of the emotional contract*, the third and possibly the most important contract. Understanding this mental-model helps sales leaders realise their responsibilities towards the sales people and provides the mindset to develop effective, behavioral based relationships with their people. The reason most people leave a role is the declining quality of the relationship between the person and their manager/supervisor. "*People don't change jobs, they change managers or supervisors...*"

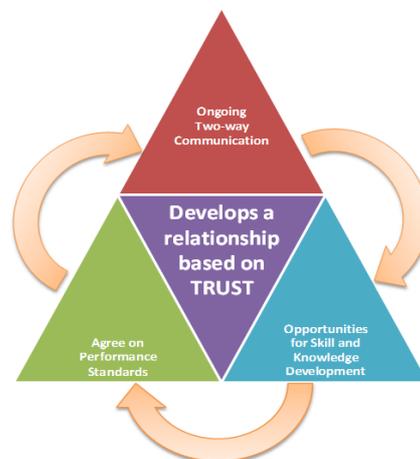
When we look into the relationship between the sales leader and the team member, the view presents two perspectives, 1) the "rights" of the team member and the corresponding "responsibilities" of sales leaders, as represented in the table below:

Sales team members	Sales leaders, therefore need to...
...have the right to know what is expected of them	Gain agreement on performance standards
...have the right to know how they are performing	Provide opportunities for open, two-way communication on the achievement of the agreed standards of performance
...have the right to be developed	Provide opportunities for skill and knowledge development

Following on from this then the *triad of the emotional contract* describes the framework for establishing a relationship based on trust between the manager and sales person.

To develop a healthy emotional contract between the two, the manager needs to proactively set up opportunities to:

1. Establish ongoing, two-way communication, that
2. Gains agreement on the specific standards of performance and (over-time) provides feedback on performance
3. Offer opportunities for the development of skills and knowledge.

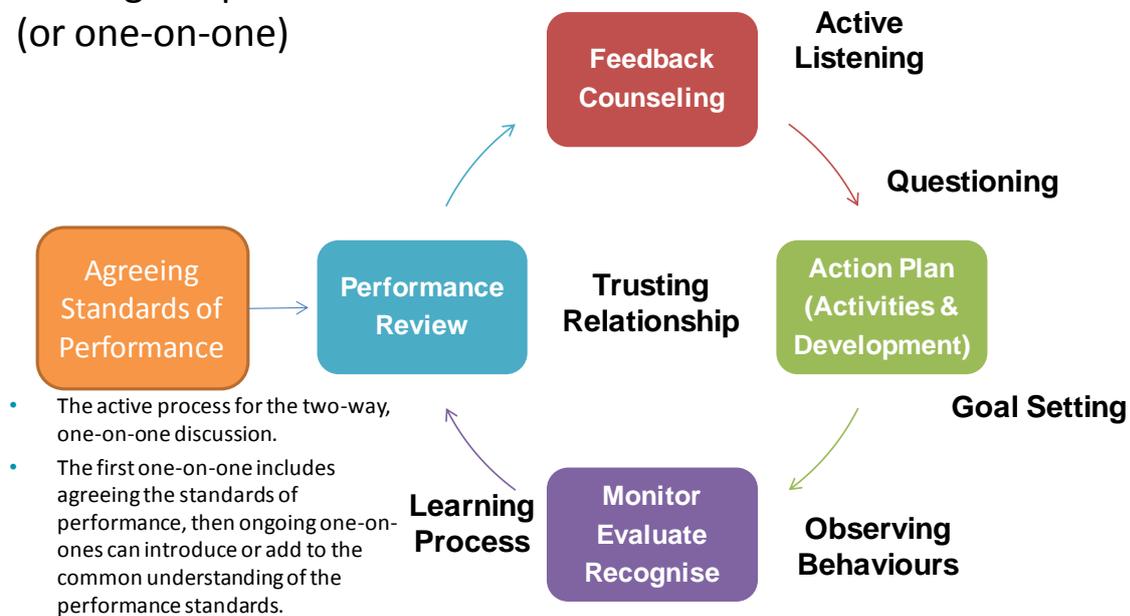


This is typically done through one-on-ones, fortnightly or three-weekly and these discussions will collectively form the basis of managing performance – however the focus of the sales leader will be *coaching for performance* and if the sales person does not respond to the coaching, then the manager may step into the management of performance role for that individual.

Performance discussions

The model below shows the key steps in the process of the performance discussion along with the key skills used by the sales leader (active listening etc). This forms the basis of a structured one-on-one discussion.

The regular performance discussion (or one-on-one)



The above process is applied as an agenda for a regular meeting between the two people. That is, the sales leader and team member meet to Review Performance, the manager can provide Feedback and Counselling, together they develop an Action Plan for both the development of capabilities and the actions to be undertaken against objectives in the performance plan. A key part of the Review is to evaluate the extent of completed actions/effort from the previously agreed action plan. Monitor, Evaluate, and Recognise occurs within the meeting, but also daily between the regular meetings. Executed well and consistently, the regular performance discussion process provides motivation for team members by:

- Providing a basis of trust between the sales leader and the team member;
- Demonstrating that the manager is interested in the team member and their personal development;
- Facilitating open and focused two-way communication;
- Providing opportunities to improve capability and performance; and
- Allows for best-practice sharing.

Motivation and Productivity

Motivation is often one of the first topics raised when it comes to talking about sales people and teams. It is almost as if everyone recognises the problem, but not a lot is done – systemically - to address the challenges sales people have with saying *motivated*. Motivation then, is almost always linked to productivity, if results drop, if the activities are not getting done then it seems all too often that a "gee-man" is called in to boost motivation, a new training program, or there is 'team-event' to get things rolling again. In reality all the sales leader needs to do is understand their people, use effective leadership, coaching and management to make the work meaningful, and in turn ensure the environment allows the sales team to be motivated and productive over the long term.

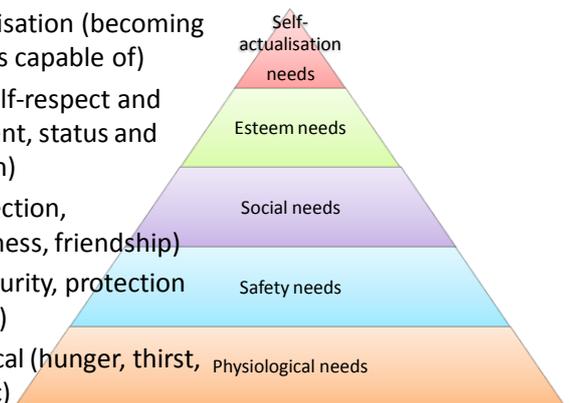
In the operation of the sales force the Sales Manager is an agent for change and continually improves the efficiency of processes and administration.

In endeavouring to understand motivation in practice with sales leaders and sales people we will start with some theory.

Let's start off with the basics of motivation and therefore the needs of individuals.

Abraham Maslow^{xiii} (1943 and 1954) developed the popular theory of a hierarchy of needs, the higher order of needs being self-actualisation and esteem and the lower order being social, safety and physiological needs. The Physiological needs address the most basic of needs such as, food, water shelter etc. Safety then looks at the needs for security and protection in the events of daily life. Social needs bring in the need for belongingness. The human need for love, affection, and a sense of identification with other people.

- Self-actualisation (becoming what one is capable of)
- Esteem (self-respect and achievement, status and recognition)
- Social (affection, belongingness, friendship)
- Safety (security, protection from harm)
- Physiological (hunger, thirst, shelter, etc)



The next two Maslow refers to as the higher-order needs. The need for esteem of others, respect, prestige recognition, self-esteem and a personal sense of competence. The highest level is self-actualisation which is the need to fulfil one's self, to grow and use their abilities to the fullest extent. This as a theory is useful in recognising there are different needs, however, it is rare that the needs literally move up the hierarchy in a step fashion. Maslow was very popular in Australia during the 1980's and his theory is still used. The problem – it is a theory and lacks any empirical proof. In third world countries where the lower order needs are important then it applies. If we were dumped in the Australian bush to fend for ourselves – then lower order needs is where we would start.

For sales people (or any workers in the west these days) these needs are useful to help us categorise the various needs.

Clayton Alderfer's theory^{xiv} categorises needs into **existence, relatedness and growth needs**. Existence needs are about the desire for physiological and material wellbeing. The need for relatedness is the desire for satisfying interpersonal relationships. And growth needs are concerned for the continued personal desire for personal growth and development. Whilst Maslow's theory suggests that, as a person realises their first level of needs they look then to the next level, Alderfer contends that more than one need can be activated at one time. By having all the needs operating simultaneously, the ERG theory seems to be a more useful model for understanding the sales persons motivational needs than the Hierarchy of Needs.

The ERG theory reminds us that people have needs and that drive their motivational forces at three, concurrent levels that relate to survival, personal relationships, and, personal growth and development; existence, relatedness and growth.

Jobber and Lancaster^{xv} (2012) put forward Likert's Sales Management Theory, based on research into on methods used by Sales Managers they developed two styles of management, 1) a monopolist and 2) a Group Method. Likert suggested that to produce a highly motivate sales force, the sales manager should have performance goals and then encourage analysis and discussion of sales people's performance and problems through the group method. To my mind this connects with the ERG theory, for the sales person the group meets the needs of; Existence (by a focus on achieving the goals) Relatedness (collaboration with the team and the manager) and Growth through problem solving and learning from colleagues in the group setting.

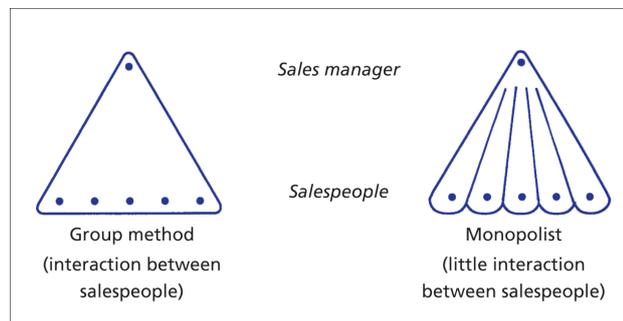


Figure Likert's Sales Management Theory

Jobber and Lancaster^{xvi} (2012) also presented research on the top motivating factors for sales people, with the top two being; 1) *individual meetings with supervisor to discuss career, job problems etc;* and 2) *Regular accompaniment in the field by the sales manager.* These two factors also appear to support the ERG theory, where both of these factors are about the sales person's relationship with their supervisor (Relatedness) and success in the role (Existence) and learning from the sales manager (Growth).

The previous sections on the *Triad of the Emotional Contract* and *Coaching for Performance* each build upon the ERG needs of the sales person, as well as supporting the development of a trust-based relationship with the sales leader that is about achieving standards of performance and continual improvement. This is a core framework for ongoing motivation within the sales team.

Now with this background, let's discuss goal setting.

Goal setting is defined as the process of developing, negotiating and formalising the targets or objectives that a sales person is responsible of accomplishing^{xvii}. The theory says that specific and difficult goals can lead to higher performance. We typically see this today in the forms of KPIs (that are actually a performance measure and an associated target or goal). The goals themselves should be developed in a consultative and participative approach, with a focus on continually gaining feedback to monitor how the people are reacting to the goals. Goals setting should be done collaboratively, we know that if the goal is more specific it is more likely to be achieved, likewise people need to receive feedback^{xviii} on how they progressing towards the goal to keep them motivated.

Research has also shown there are three key factors^{xix} that influence the success of goal setting as a strategy for motivation.

1. Goal commitment from the sales person - that is, how committed is the team member to the goal itself
2. Adequate self efficacy and the willingness of an individual to produce output, supported by the self-belief the person has that they can achieve the goal, and
3. The national culture of the people (for example, Americans and Singaporeans tend to be particularly goal focused) and by extension, the work culture.

So in terms of motivation in practice, a lot of it comes down this the behaviours of the sales leader and if they can create an environment within the team that supports the ERG needs of the sales people. Additionally, using techniques like the *Coaching for Performance* approach will support the three needs as well and building trust, collaboratively setting targets and providing support in the attainment of the goals.

Again Jobber and Lancaster (2012) quote research into what motivational factors Sales Directors value highly, the top two being, competitions/prizes and incentives based on target setting. Looking back on the previous page at the top two motivators for sales people, we can easily see why motivation if one of the key topics of discussion in sales management.

Alignment problems in motivation will reflect in symptoms across the wheel of managing sales.

Positively motivated behaviour "depends on three nutrients: autonomy, mastery and purpose. It is self directed...devoted to becoming better and better at something that matters. And it connects to that quest for excellence to a larger purpose... Science confirms that this sort of behaviour is essential to being human - and that now, in a rapidly changing economy, it is also critical for professional, personal and organisational success of any kind".

Dan Pink^{xx}

Sales competitions

So within the context of motivation and productivity, let's make one thing very clear. For the sales leader to keep the team motivated and productive to the optimal level, there is one key principle: competition is external to the sales team. Competition and rivalry only belong in the market place, not *within* the sales team.

It is common practice for sales managers to run sales competitions, there are four central myths^{xxi} the managers use to justify competitions. Firstly, they say competition is part of life and human nature, second they say competition motivates the team, drives a focus on attaining targets and that it is a way to have fun at work. Lastly they will say the competition builds character. these myths have been conclusively busted by behavioural and motivational theorists.

"Competitions trivialise the nature of teamwork and turns it into a set of behaviours used to achieve victory. When organisations set teams against each other in some kind of contest, the message is that the only reason for a bunch of people to work together effectively is so they can defeat another group of people working together...rewards and punishment are two sides of the same coin..^{xxii}."

Alfie Kohn

But managers will often take the 'sales competition short cut', perhaps just for the sake of doing something. And I confess I have run many sales competitions in the past and it is only from researching this topic and reflecting that I realised that there were five key issues I now have with this practice.

1. Competition breaks teamwork as sales people are encouraged to compete with each other. Consider the research in this section on what drive positive behaviours and actions, Likert's work with sales teams, the need for the team to work together, collaborate, share good practice and success stories. Sales competitions break this bond and minimise, rather than build-upon the human needs within the ERG theory.
2. In most cases the team will know who will win – it's the same few each time. The it is either the better sales people, or the ones driven to win at any cost - and they will ensure they do, manipulate the system or the measures to win (hold back sales, push forward, put their needs above the needs of the customer). Competitions do not motivate the whole team only a few.
3. Competition drives the wrong behaviours. Does not build best practice sharing, coaching, nurturing of the new sales people, or the 'rank and file' team members. Can foster 'gaming' bringing sales forward, holding off till the start of the competition, inflating the sales price, not counting the "did-not-wins". Competition actually drives complacency among the core members of the team - not the super stars because they get extra rewards from this - but the core team members that do a good job, day in day out. For these core team members, it can even reduce their confidence in the sales manager.
4. Creates winners and losers within the team. Instead of the sales manager creating a team of winners all feeling adequately rewarded and recognised, there are a couple of winners and a lot of losers. Surely not what we set out to achieve...
5. Competition needs to be external not internal. The focus of the sales team needs to be on their prospects and customer, to edge off approaches from rivals and competitors. Selling is a tough enough environment as it is without create competitive tensions within the sales team.

And yet sales managers continue to run internal competitions...

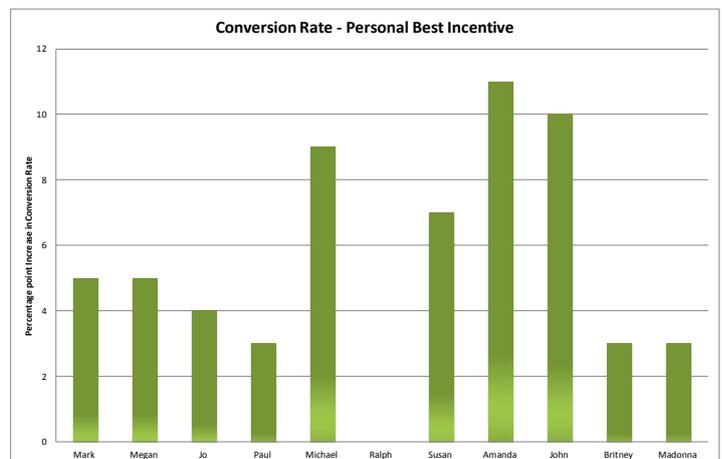
The image to the right is a typical representation of a sales competition *League Ladder*. Typically a stretch target is set, along with a deadline say the end of the month/quarter. In this scenario there are five days to go and Mark is well ahead. Megan and Jo might be motivated to try and catch him...but "*he has won all the competitions before, so what's the point...?*" Well maybe it is Jo's time so she is going hard to catch him. The rest of the team gave up long ago. They are just doing their job, "*forget the competition*". And yet based on the performance criteria set by the sales manager, the mid group are performing as required. The lower performers need some attention paid to them.

Sales Person	% of Stretch Target
Mark	145
Megan	137
Jo	135
Paul	115
Michael	100
Ralph	91
Susan	85
Amanda	81
John	76
Britney	49
Madonna	46

So what if we could change the context of the internal competition..?

Let's stay with the sports analogy that our Australian culture adores, we could shift from the *League Ladder* to the focusing on their *Personal Best*. In the same way that swimmers, golfers and other athletes pay micro attention to their form (their stroke, swing, feet placement etc) and improving each micro-part of their technique and endeavouring to get a personal best.

The chart (on the right) is the same team during the same sales competition. No *League Ladder* but a chart that takes one criteria, conversation Rate (as a percentage) and looks at the improvement in conversion rate by sales person. Each person can then focus on their achieving personal best, and building their skills. An approach like this is likely to foster more team work and sharing of ideas. If Mark's conversion rate is - relative to other team members, low - how is he winning the sales comp's..? Probably working lots of leads and still exceeding the targets. What could he learn from Amanda, John or Michael..? What could they learn from him...?



If we must have sales competitions, then let's ensure we have a focus on building teams, on building skills, creating many more winners than losers.

Misalignment - where sales managers depend on sales competitions to motivate the team, they will have ruptured relationships within the group, poor sharing of information, distrust and more often than not, lots of gaming with the performance measures. problems that will display symptoms across the Wheel.

Forecasts and Plans

In terms of forecasting and planning the sales leader collects objective and subjective information to develop a sales force micro-plan. Additionally the sales manager provides upward leadership in the business and manages the gap between the sales force, marketing and corporate goals. Much of what needs to be covered in a sales force plan and forecast will be informed by the Customer Strategy, however if the organisation does not have one, then the sales leader will need to fill this gap prior to working on forecasts and plans.

The Customer Strategy will provide a guide to the types of customers to be acquired, retained and perhaps those not to be pursued. Detailed Customer Strategies will also provide context into the Customer Lifetime Value⁵ and therefore guide the value that the organisation will realise from those customer groups.

Essentially the purpose of planning is to guide the activity of the sales team towards predefined and agreed goals. Without a plan, results achieved happen by accident, the sales team are likely to feel they have no direction and with little direction the motivational aspects of making progress are lost. Additionally, developing the sales plan (whilst often seen as a chore) can in fact help bring the sales team together to improve cooperation and coordination of the selling activity, as well as providing opportunities to collaborate across the broader business.

Sales forecasting and planning methods abound in sales management text books, ranging from top down, autocratic approaches to the bottom up planning techniques. These approaches will also include all sorts of quantitative and qualitative forecasting techniques⁶, which all sound reasonable in theory and do have a place when, perhaps, the business is a start up. However in practice, based on whatever rationale, the sales leader is often in a situation where they have a dedicated set of resources, a budget constraint to work within and sales target that is often a number, higher than the previous period. Planning and forecasting in this context is, firstly about working out how to align the resources to maximise the results, and secondly about implementation. Most planning is done so that we can learn from what is working and what is not⁷, therefore implementation is not about sticking to the plan, but working the plan and learning what works best.

So with this said let's look into the components of a triangulated planning and forecasting approach.

⁵ CLV is a discounted cash flow method to understanding the value from a particular type of customer, or from the group of products/services the customer is using. CLV is derived from, knowing or estimating the margin from a customer (revenue less costs), this value is then 'discounted' based on the retention rate of the customer group, and the cost of capital for the business, or the hurdle rate they use (similar to NPV calculations).

⁶ Such as work load methods for account/territory management, time series and historical forecasting that applies flawed moving averages methods that apparently gives "exponential smoothing".

⁷ Reference here to Action Learning Cycles

Triangulated Planning and Forecasting



Sales Team Micro Plan

The first step, typically, is to develop a plan from the ground up, based on knowing the sales people and the customers. The following example of the steps for a territory based, national sales force should provide a basis for the development of a Sales Force Micro Plan (called micro as it is build from the smallest point, each customer).

1. Territory Manager to understand Sales history for the corresponding period last year.
2. Take into account any variations based on planning for current period.
3. Customer Account Management Plans with key customers, using the Objectives of these plans - what additions are there for the forecast.
4. Take into account any budgetary expectations
5. Review with Regional Manager.
6. Finalise Branch 3-to-6 month forecast.
7. (Review monthly for accuracy, apply learning to revised forecast.)

From here the regional managers can combine to create the national, sales micro plan.

Overarching Business Outcomes or Expectations

This part of the process is for the Sales Leader to understand what the business is really expecting from the sales function. In lieu of these being reflected in the Customer Strategy, the expectations can be described as:

- Results to be achieved - such as dollars, revenue, profit, cost targets etc
- Customer markets to break into or to achieve increased penetration
- Regions to be entered
- Other outcomes to be achieved, such as Net Promoter Scores, collaboration with Marketing and such like.

Where do we want to go..? What could we achieve..?

This is where the sales leader, probably supported by key people within their team, create a view of what they would like to achieve, or where they would like the sales team to be - not based on current performance - but on looking at the market, customer segments and marketing and sales functions and designing something from a blank canvass. This is to think beyond current boundaries and creatively develop possibilities. Once developed the possibilities can be assessed, evaluated and prioritised for potential implementation - or more likely for further testing, learning and applying.

From these three components the sales leader can develop a Plan and Forecast for the sales function that not only meets various needs, but is soundly based on current knowledge of customers and creative ideas to be tested and applied.

Conclusion

Managing sales is managing a system. The Wheel of Managing Sales outlines the key functions of the system that is made up of parts - with the people being the main part. How this system of sales all comes together - and operates in balance - is the key to the understanding how the results achieved by the selling activities of the business. This understanding then enables the sales leader to finetune and continually improve the selling system. However, sales managers often get addicted to fixing symptoms – rather than addressing root cause problems (Shifting the Burden^{xxiii}) – which in turn causes more symptoms to quickly fix.

For example, as discussed, having a remuneration model that attracts the wrong sales people will affect all elements of the results. Sending sales people on random sales courses will decrease motivation and productivity – rather than coaching for performance, and having a defined customer engagement model and sales tactics. Having a root cause problem in one of these functions will reflect pain across the other functions. If the sales leader is addicted to symptom fixing then the pain will continue to become worse.

The role of the sales leader is to ensure the wheel is in balance, to align resources and maximise the achievement of results.

About the author

Mark is a speaker and consultant based in South-East Queensland Australia. He is regarded as a thought leader in customer centric business, selling and sales management, and in the implementation of performance measurement and performance management frameworks.

Mark seeks to free organisations from management thinking and practice that does not work - to align their resources, continually improve and deliver value for their customers and maximise the realisation of business results. With an extensive career (spanning 25 years) in management consulting, executive management, and academia, Mark uses his skills to help lift the performance of organisations and businesses to achieve the change and results they are striving for.

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