Fundamentals of Sales Management
(For Entrepreneurs)
Or
"What I always wanted to know about sales management but was ***<u>too busy</u>*** to ask"

The Seven Keys to Effective Sales Management

(Seven things owners/sales managers must do to effectively manage their sales teams)

by Philip A. Nasser

"The task of the leader is to get his people from where they are
to where they have not been."
…Henry Kissinger

In this chapter we will explore the seven keys to effective sales management. Whether you are an entrepreneur/owner or a sales manager these basic rules apply to you.

How many times have you wondered if you had the best tools to manage your sales force? Or, just what the best tools for your industry are? Which tools, for example, give you the best up-to-the-minute "dashboard" of what is going on in your sales team's effort? Which tools offer the dual benefit of helping the sales force perform more effectively while, at the same time, making the job of sales management more efficient? How do you take advantage of the latest technology (customer relationship management and sales force automation systems)? How much, if any, training should you use?

Before we look at the seven keys to effective sales management, let's look at some of the typical difficulties sales managers face:

- Getting accurate forecasts and, therefore, being unable to predict revenue.
- Sales people not comfortable calling at the highest levels in a company (executive management).
- Sales people chase deals that are not qualified and then hang on to a deal they are unable to win for too long.
- Poor sales performance by the sales people is always blamed on the company's products.
- Pre-sales resources (technical experts, product experts) are not used properly.
- Turnover is too high.
- Skills learned in training are soon forgotten or simply not used.

These are difficulties faced by many (it's more accurate to say "most") sales managers. They are not new. They are solvable. If any of them sound familiar to you, let's look at how they might be overcome.

Tightly define the market served and the problems you will help them solve. There is a natural tendency to try to be "all things to all people"…particularly among new, entrepreneurial companies. Here is a frequent example. A sales person is working on closing a key customer and, during the sell cycle, the prospect asks for an extension/enhancement to the product that very few other prospects or customers will use. Because of the implied importance of the deal, and the need for sales, the request is approved and included in the product. This is not recommended for two reasons: first, as mentioned, very few customers will use the enhancement and, second, making the enhancement uses key resources that could be employed in other strategically important ways. A tight focus on the target market will help resist temptations to make these kinds of product enhancements.

By tightly defining the market served we mean defining the industry, group and North American Industry Classification System (NAICS) code(s) for your target market. Who are they? Where are they? What are the key demographics (revenue, number of employees, financial condition, etc.)? Once you have done this, it is time to determine how to identify the target companies by name. It is recommended you purchase lists from associations, list companies and other organizations to build your database of suspects.

We like to draw the distinction between "total" market and "available" market. To illustrate the point, we have a client who asked us to help in the development of their business plan. One product was being sold into a market that had 20,000 members. On closer inspection, however, there were only 5,000 companies who were of sufficient revenue size to realistically be able to support the market. We ended up building an aggressive growth plan but it was focused almost exclusively on the smaller 5,000 member segment. The important point for building a sales plan is being able to answer the question "what is the available market for our products?"

Brainstorm with your marketing department for ideas and programs to generate demand. These programs may focus on branding, webinars, seminars, direct mail, podcasts, newsletters, customer testimonials, alliances, speaking engagements, white papers, community marketing, networking and trade shows.

Define the "ideal" prospect. Among all the prospects in this tightly defined market, which ones are the "best?" In other words, who are the ideal prospects? Specifically, which of them have the business problems for which your company has a solution? Where is the "sweet spot" inside these prospects? How many of these ideal prospects are there? What characteristics do they have in common? To do effective market planning (revenue expectations, quota setting, product planning, territory assignment), it is very important to know how many prospects meet this requirement.

Armed with an ideal prospect definition, your sales team can start each qualification process with questions to learn how closely the prospect comes to meeting the requirements. When they identify a prospect who meets the requirements, they can immediately initiate a sales cycle. If the prospect does not meet the requirements, the salesperson can grade the prospect (see next section) in the Customer Relationship Management system and move on to the next prospect.

Using the tightly defined market and the definition of the ideal prospect, the marketing team can then design demand creation programs that speak directly to the inefficiencies and issues your product or service is able to address. The leads resulting from these campaigns will be better qualified than if they were addressed to a larger audience.

Of course, there will be prospects that do not exactly meet the ideal definition. They can still represent good business for the company. The important point here is all parties…the sales people themselves, management, executive management…will know the type and quality of prospects being dealt with. Concurrently, the quality of the prospect pipeline increases as adherence to the "ideal" standard increases.

Use a prospect grading system. As prospects proceed down their buy cycle (typical stages are recognition of their problem, making a decision to do something about it, deciding on criteria for a solution, evaluating alternatives, viewing demonstrations, inviting proposals, checking references), they become better prospects---assuming your company is able to meet their needs. However, to be able to recognize where the prospect is in their buy cycle, it is necessary to have a prospect grading system.

Simple grading would be A, B, C and D. For example, to be qualified as a "D" prospect, it may only be necessary for the prospect to be "in" the target market. An "A" prospect would have to meet many more qualifications, e.g., have seen your solution and agreed that it meets their needs, have the funds budgeted, checked your references and have shown a preference for your solution. There are many forms a good grading system can take. It is not realistic to manage a sales team or market effectively without one.

Why grade prospects? Grading each prospect in a company's pipeline accomplishes several important things:

- Forces a description of the characteristics/milestones at each level in the pipeline
- Gives everyone a more realistic view of pipeline value; salespeople, sales and executive management
- Places a dollar value on each stage in your pipeline
- Provides insight for future business
- Improves forecasting accuracy
- Helps marketing determine which prospects are responding to their demand creation efforts
- Identifies key deals that deserve more resources
- Motivates salespeople to perform activities that increase the number and value of the pipeline

Use a sales methodology. The easiest way to describe a sales methodology is: a sales process that works optimally for your company. In another chapter of the book we talk about the fact that the majority of sales methodologies work well. We point out it isn't important to have the "best" sales methodology…it is just important to have one that works exceedingly well for your company.

> *"It's just a question of results. Everyone wants results but nobody wants to do what it takes to get it done!"*
> *…Clint Eastwood as Dirty Harry, in Sudden Impact*

How appropriate for many sales people running a territory. Absent a goal, directions and the desire to do what it takes, there is little chance of achieving the desired objective.

If you know where you want to go, you need a map…and a sales methodology gives you just that. It will describe the sales behaviors needed at each step of the sales cycle or, more correctly, at each stage of the prospects buy cycle. What are the stages a prospect goes through in the process of buying a product/service? The sales methodology adopted will accommodate each of these stages and provide specific recommendations for what the sales people are to do at each stage.

A typical sales methodology would prescribe best-practice sales behaviors for the following stages; qualification, discovery of needs, availability of funds, verification of ability to meet the prospect's needs, demonstration of capabilities, proper and timely use of references, proposal preparation and final presentation.

To be most effective, the methodology would be customized to your needs. However, a standard methodology is better than none at all. If everyone in the organization adopts and adheres to the methodology, sales productivity will improve. Document the methodology in writing and train everyone on it. Make it a requirement for new hires.

Conduct sales training with tools from the methodology (e.g., models for qualification phone calls, initial discovery meetings, identifying major inefficiencies in the prospect operations, staying in sync with the prospect's buying cycle, demonstrations and proposals).

The real value of a sales methodology lies in the tools developed for the sales team and sales management.

Set sales person activity expectations. Define in writing the sales activities that are expected of a sales person. What, how many of each, over what period of time. One document our clients have used is titled a "Sales Expectation" or charter. It includes all the items from a traditional position description with one important addition: the specific sales activities that are expected of the sales people. These include expectations for the activities regarding prospects, customers, industry associations and administrative duties. The document is a great tool that can be used during the interview process to make sure all applicants understand what is expected of them and to make sure there is no misunderstanding.

If you want to increase sales, increase the key sales activities that lead to sales. This is actually the easiest way to increase sales…find out what the key sales activities are that lead to sales and do more of them. Notice we are talking about the “quantity” of an activity only…not the “quality”. We recommend clients start with the quantity component first, followed by efforts to improve quality. As it turns out, the quantity of sales activities are the easiest to improve…they can be installed with a salesforce in one week. Work on the quality component takes more management time and effort since there are many more subtleties. It is important to remember firms will experience an increase in sales productivity when there is an increase in sales activity.

Lastly, be sure to set quotas for salespeople. It has been said “you can’t manage what you can’t measure.” Sales quotas are a good management and measurement tool. Quotas are best if they have a stretch component in them. We recommend making quotas difficult but attainable. Accelerated quotas with a near-term, mid-term and long-term component are best. For instance, a system that includes a monthly, quarterly, and annual quota (and incentives/accelerators that are paid periodically) is better than just an annual quota since it provides a chance for success and payment at many points across the fiscal year.

Reward performance. Having quotas for salespeople is of fundamental importance…but making sure there are rewards tied to quota attainment is even more important. There must be some reward for focusing on a goal, working hard to achieve it and achieving it. Goals without rewards tied to them can be de-motivators. They can be seen as goals for the benefit of management only and that is not good.

What are some examples of rewards that are effective? While dollar bonuses are viewed by most as the best motivators, there are other rewards that are effective. Among these are formal recognition in front of a group, plaques, trips for the winner and spouse or significant other, gift certificates (for almost anything to almost any store/shopping center) and electronic devices (iPods, DVD players, LCD TV’s, Bose systems, Portable digital assistants, etc.).

Have fun-Make it fun!! Of course, some people argue that work, by definition, is simply not fun. We like to say that work can be made fun. Andrew Carnegie said "there is very little success where there is little laughter." After all, since we have to do the work, why not make it as fun as possible? This starts with having an honest, supportive environment at work. Assuming that is in place, why not hold frequent “all hands” meetings/team-building sessions and include on the agenda skits from the various departments? Business items can be included as part of the meeting as well. The skit topics can be anything that is company related. And it is OK to have good-natured fun with other departments, team-members, project leaders, bosses and executive management.

There are many other ideas for fun; theme dress days, birthday cakes for employees, intra-departmental athletic contests and special prizes and recognition for achievements by the company.

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