



Who is Managing your Salesforce?

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**When your sales representatives get up in the morning,
do you know who or what dictates what they do?
You may be surprised at the answers.**

Working as we do with many sales organizations I am often amazed at comments I hear from senior management regarding what they believe the sales folk are doing versus what they would like to see them doing.

Some of these questions go like this:

- Why don't they spend more time with their customers?
- What do we have to do to get our sales force to take a longer range view, rather than just looking at what they can close this quarter?
- Why don't the sales people sell more of our services and not just our products?
- Why won't the sales people invest time and effort in selling our new offerings?
- Why won't the sales people use the CRM system?

Sound familiar? Well let me start by establishing two fundamental principals.

1. With the exception of a few organizations that use sales agents, your sales people work for you – they are salaried employees. And yes I know they get paid commission and often a bonus, but the bottom line is that they are your employees. Therefore you and/or your sales managers should be able to implement and enforce any reasonable behaviors the company sees fit as necessary to getting the job done. Sales people indeed might “write” their own checks but you sign them. I see this as no different for example than the various accountants in an organization being required to use the same chart of accounts, follow industry accepted guidelines, and prepare reports to a pre-defined standard.
2. Sales representatives are not bad people. They tend to be highly achievement oriented and motivated by a strong desire to succeed, and they are usually the only people in the organization who get paid directly and proportionately for the results they achieve. But if these intelligent and highly motivated individuals in the sales force are not doing what the company wants them to do, you have every



right to ask why. Who or what is actually dictating their behavior and activities? Legitimate questions to be sure, but my concern here is that these questions should be asked in different ways than what I usually hear.

Let's take a look at some of the most important areas that impact sales behavior.

Commissions

Commissions should never be viewed as a bonus added on to the base salary; they are part of the overall target income. In other words an often significant portion of the expected income for sales folk is held back until they achieve certain results. What more definitive a way can we communicate what we want and expect than to tie it directly to the income of an individual. Indeed if we applied this thinking across the organization, we would have an overwhelming majority of employees very focused on undertaking the activities that would result in a larger pay check at the end of the month. Why on earth would we expect any employee to be so self-actualized in Maslow's hierarchy of needs that they would put the attainment of some lofty corporate goals higher than paying their mortgage, saving for their kids' education, or buying a new BMW!

Often we need look no further than how commissions are earned to understand what drives sales performance. And I should state here that I do not believe in, nor rarely see a sales force of mercenaries, and I hate the term "coin-operated" sales. However as noted in my second fundamental principal, most sales people very much want to succeed so surely there is no clearer way to define the success they seek than to pay them for their results.

Some other home truths about sales commissions:

- If the commission system only rewards sales in this quarter, don't expect sales people to invest in next year's sales.
- If selling services only fractionally increases what they would earn selling products only, expect them to look for where they can sell more products and forget about seeing many service sales.
- If new offerings are going to require a lot of time and energy to sell, expect the sales force to dedicate their time to selling the offerings that they perceive as easier to sell.

And a final important point on the topic of commissions - organizations must be able to pay the commissions earned by its sales force in a timely and accurate manner. It is always a wonder to me in companies that are failing on this point when I hear the complaint that sales people are spending too much of their time checking and following up on their commission payments. I would suggest that it is to be expected and only natural that sales people will take on a counting-house role if their company can't administer commissions in a timely and accurate manner.



Metrics and Measurement

We should also look further than just commission plans to understand what else is driving the sales force's behavior. Another method of changing sales behavior would be the introduction of various metrics. How one gets paid can be just as important as what one gets paid and carefully designed metrics will significantly impact on sales behavior. However that behavior is sometimes influenced in quite a different manner than was intended with often surprising results.

As a real-life example of the un-intended consequences of metrics, let me share with you a situation from a few years ago.

A particular organization was having challenges with what they called "clean order rates". Their sales people were required to prepare quotations by configuring systems that would often have some 20 to 30 line items. Orders would then be placed by the customers that reflected those quotes. Unfortunately the configurations that the sales people quoted sometimes were missing a line item or had a line item that was incorrect. This led to multiple and costly issues to the organization. Orders would need to be reconfigured and then changed with the customer. In extreme cases, orders would be shipped to customers with items missing often resulting in systems that would not work correctly. This was clearly an important issue that had to be solved at source - i.e. get the sales force to issue correct quotes.

To solve this problem, the company chose to introduce a metric called the "clean order ratio". Simply put, it was the total number of orders submitted a month versus orders with configuration errors. The attainment of a certain percentage of clean orders was then a gate to a higher commission percentage. Seems right doesn't it? Surely the sales force would take more care when configuring a quote and the number of orders with errors or omissions should decrease.

Well the result was interesting. The sales force was quick to understand the importance of the new metric and the impact it would have on their pay. They went into action and the clean order ratios increased in every case to the required number. Problem solved you would think, but manufacturing was still complaining about all the orders they were receiving with errors and omissions - they were crying that there had been no improvement at all. How could this be - a metric had been introduced and the sales people were all making their goals. The answer lies in the fact that there are two ways to favorably impact a ratio. More clean orders - or simply get more total orders, and this was the unintended consequence caused by the introduction of this metric. The sales force simply went to their favorite customers and asked that they break down certain orders into multiple orders. Instead of an order for 32 items, they would bring in four orders of eight. And I happen to know that some expense account lunches and additional discounts helped persuade their customers to play along.



So the clean order ratio was achieved yet there was no positive impact on the business issue that the company was trying to solve - and the problem was actually compounded by a higher cost of sales resulting from those lunches and extra discounts.

The Role of the Sales Manager

This then brings me to who I think should be managing the sales force, and that is the sales manager. The sales manager should be held accountable for achieving certain results and in turn must hold those that are on the selling team accountable for achieving specific results. The sales manager must lead, coach, and direct the selling activities that will lead to those results. He or she has every right to insist on sales representatives behaving in a certain way and engaging in certain activities. Now not for one moment am I advocating micro-management - far from it. However if certain desired results dictate that the sales force must behave in a certain way and engage in certain activities, then surely it is the sales manager's role to communicate and implement those expectations. The sales manager must then inspire, assist, and insist that the selling team is embracing those behaviors and activities.

Too often the sales manager is fighting with the commission structure and other organizational metrics to gain requisite selling performance. If the sales manager wants the sales team to sell a certain new offering, but the commission structure is perceived to reward a different selling effort, then the sales manager is caught in a contest for the hearts and minds of the selling teams. The job of a sales manager is tough enough without having to fight this battle on a daily basis and it would take an extraordinary individual to motivate any of their sales people to put aside personal financial gain for the attainment of corporate goals. And it may not simply be the financial gains - the commission system, along with associated metrics, is often the "scoring" system that is used by the company and its employees, to rank, promote, and dismiss individuals.

In extreme cases I have witnessed sales managers simply giving up trying to influence what their selling teams are doing and turn all of their attention to either trying to change the commission system or simply maximizing their own performance within the same system.

Results, Results

Who then is managing your sales force, and what is driving their behavior? Is it the commission plan, is it measurements and metrics, or is it sales management? I suspect the answer is a combination of all three. Find out, and then ensure that these factors are aligned and coordinated to drive the behavior you would like to achieve. Behavior that will lead to your sales force dedicating its time to the appropriate customers, selling in an optimal fashion, providing the business information the company requires, and balancing the short and the long term aspirations of both themselves and the organization.



Sales people are probably more motivated than anyone in the organization to achieve a high score. If the company has put a commission plan and certain metrics into place then expect these to be used as the scoring system. The sales people will come to work each day with one thing in mind – increase their score. In so doing they know that this will significantly and positively impact their lives. They will earn more. They will gain the respect of their peers. They will be promoted. They will have a shot at “number one”.

There is likely nowhere else in the organization where we have such a clear scoring system than in sales, and there is likely nowhere else where we have a team of such competitive, dedicated, and achievement oriented folk than in sales. The chances of achieving the results we want will be significantly increased by giving them the tools they need and the management they deserve.

Action, Reaction

When new metrics are introduced or the commission system is changed, expect a reaction. And you can probably assume that some of the reaction will not be what was expected. You must anticipate and prepare for not just the intended results but more importantly the un-intended results of these actions.

The other very important factor to consider is that commission plans and metrics must be carefully designed to not only engender the desired sales behavior but to also facilitate the role of the sales manager. As previously stated I strongly believe that the primary influence in managing sales force behavior must be the sales management. The sales managers across the organization must be accountable, able, and equipped to manage the required sales behaviors and activities. If they are not, then address this as the problem.

I would suggest that when commission structures and/or various metrics become the driving force of sales behavior - i.e. a “pseudo sales manager” - the organization is going to achieve less than optimal results. These should be tools that *support* the sales managers in their roles, and not ones that replace them. I believe that ultimately the only answer to *Who is Managing Your Sales Force?* is the sales management.