

Chapter

Sales Management versus Sales Leadership

Let's begin by looking at our role as the sales manager. We choose the role we play—manager or leader—through our actions. Our unconsciously made choice, largely pre-ordained by our personality and background, will dictate our opinions and actions until we take conscious charge of the issue. Comparing the definitions of managers versus leaders suggests the following:

- An effective manager understands the desired result—and coordinates the tasks and activities needed to accomplish the goal.
- An effective leader inspires others with the will to accomplish the desired goal—and then provides the means for them to do it.

Let me ask you four questions:

1. Which role is more likely to develop and retain heavy hitters?
2. Which role is more likely to build a highly motivated sales force that constantly evolves into

an ever-stronger team able to sustain sales in good times and bad?

3. Which role is more likely to develop its sales-people into future leading sales managers?
4. Which role is more likely to be the first to discover, and then react quickly to, new developments in the marketplace?

If your answer to any of the questions is the “manager role,” your convictions may be rooted in the concept of “top-down management.” Top-down calls for decision making to be reserved to managers, with little or no input from those on lower levels.

By contrast, sales leadership encourages a strong flow of information and suggestions from the bottom up, and rewards market intelligence with warm recognition.

This management concept believes in mobilizing the brainpower and market knowledge of the entire team. In order to intensify everyone’s enthusiastic participation, and for many other reasons, decision-making authority is passed as far down in the organization as possible. Often this calls for encouraging decision making on lower levels in the hierarchy than old-line managers are comfortable with initially.

Changing the title of their sales managers to sales leaders or leading sales managers is an easy first step a company can take toward creating a more flexible, creative, and productive sales force. For this innovation to have significant impact, the easy first step must be followed by more steps in the direction of encouraging the development of greater responsibility on every level. However, greater responsibility on every level cannot be

effective unless it is accompanied by greater authority to make decisions.

■ THE FORMER-MIDDLE-MANAGER CHALLENGE

The inescapable realities of recent times have forced companies to tighten their organizations and get more production from fewer people. Slashing the ranks of middle management to the bone invariably became a significant part of the downsizing operation. This crucially affected two groups: the middle managers who left the company, and the remaining corporate executives who now had no one to delegate important tasks to.

Many former middle managers went into business for themselves. Becoming independent businesspeople meant they could no longer simply follow someone else's vision. Now they had to lead—often for the first time in their careers. Their business survival depended on how well they played this unfamiliar leadership role.

Lacking the hierarchy of large corporations, small business owners have to be managers of people as well as leaders with visionary capabilities. You have to be good at both roles. The emergence of the global marketplace has swallowed choice; now you must be a leading sales manager to prosper—even to survive. The ability to envision the future as it is most likely to impinge on your industry is also vital to your long-term growth and survival.

On the other side, with their task-oriented middle managers gone, company leaders must become good at execution in order to accomplish growth. You can be successful if you are dominant in one area and weak in the other. However, if you want to maximize your potential,

you need to develop your skills, knowledge, and effectiveness in both areas—become a strong manager of people, as well as a visionary.

Leading sales managers have certain characteristics, things they do very well. (See “The Nine Characteristics of Leading Sales Managers” later in this chapter.) We have identified these strengths through trial and error, and by observation while working with many companies. On behalf of Tom Hopkins International and my own company, Results Seminars, I have worked as a corporate trainer in many companies nationwide. I learned by observation the effects of good sales management and, sadly, what poor sales management looks like. The Nine Characteristics is an excellent checklist for managers intent on maximizing their effectiveness.

I call it a “checklist” for good reason. I fly small, single-engine aircraft. In them I’ve logged many hours privately and with the United States Air Force Civil Air Patrol. The takeoff procedure is the same whether the aircraft is a small private plane, a commercial airliner, or Air Force One. Before pilots radio the tower for permission to taxi out to the runway for takeoff, they go through a preflight safety checklist. If you ever get into a small plane and the pilot does not go through a checklist, what should you do?

Get out of that plane!

A safety checklist allows the pilot to make sure all things needed for a good flight are in order. Does a checklist guarantee a safe flight? No. Flying is not so simple. But if the pilot does *not* complete a checklist, it increases the chances of a preventable problem striking during the flight.

The pilot's checklist is a means to make sure that all pilot-controllable flight devices are functioning properly. It's the same with sales management, and for this purpose I present the following checklist for your use in analyzing your own unique mix of strengths and weaknesses.

As you go through the list, you can identify the skills and strengths you already possess, and focus on the areas where you need to change, improve, or acquire new skills.

If you fail to do these nine things well, here's my guarantee: You will suffer the multiple pains and heavy costs of excessive sales-personnel turnover. This means you'll be forced to work with an unskilled and unproductive sales force much of the time.

■ THE NINE CHARACTERISTICS OF LEADING SALES MANAGERS

1. Leading Sales Managers Are Dedicated to Building a Sales Team Committed to Consistent and Balanced Production

When considering checklist item one, focus on the key terms *committed* and *team*.

Committed in sales is defined as how much pain salespeople will endure before they quit—how many times they will get frustrated, rejected, and angry before they throw up their hands. Ask yourself these three questions:

- What level of commitment do I have?
- What level of commitment can I instill in our sales force?
- Am I willing to pay the price to retain the skills and earn the respect of the salespeople who report to me?

Your answers to those questions will largely determine how far you can go in management.

Commitment is a trait we are born with. At about the 10-month mark, infants attempt to walk—a beautiful sight when it’s your own child, an amusing display of poor motor skills when it’s someone else’s. As children learn to walk they fall, they cry, and then they pull themselves up and try again. They keep doing it until what happens? They walk. They don’t look up after a fall one day and say, “Mom, the stroller might be a better option.” They just keep trying until they succeed. Nothing short of walking will do. They don’t know that quitting is an option.

By the time we reach adulthood, the hard knocks of life have instilled a fear of such a high level of commitment. We go along doing something we strongly want to do. Then we slam into difficulties, complications, and obstacles.

We struggle for a while like a dolphin caught in a net, and when we can’t break free and swim through, we get frustrated. Bam! We can’t take it anymore. Often we check out just a bit too soon, sometimes when one more effort would bring success.

As a leader, what level of commitment do I want to create in my sales force: the life-weary adult’s questionable resolve, or the infant’s relentless determination?

It will come down to areas such as setting goals, understanding the corporate mission, and balancing production. You don’t want to rely on any one single salesperson, or even two or three, for your total production. Have you ever been in the position of relying on one or two big producers to make things happen? It’s a scary place to be. It’s also a place of high maintenance, because

high performers typically are difficult to manage. Moreover, getting too locked in with your top producers creates long-term growth challenges. I recall in the early days of my own company when I was struggling each month to clear payroll. I followed advice given to me at the time and put my “biggest guns on the biggest targets.” Consequently, I would give my best closer all of the best opportunities. It was not long before we found that he had the lion’s share of our business, and I had a recruiting challenge. New team members quickly figured out that they would have to survive on the morsels that were left and began leaving the company soon after they started. I did what any bright young manager would do in that case: I decided I needed to level the playing field and took back some of the big accounts. I am sure you can guess what happened next. Yes, the top producer left the company!

What’s the answer if you’re in such a perilous position?

Don’t take anything away from those high producers. Instead, instigate or intensify training and create incentives to inspire more of your salespeople to develop into heavy hitters. Review your territories to make sure your entire sales team has the opportunity to help create the balanced, broad-based production you’re seeking.

Team. Now let’s look at the other key word, *team*. Obviously we want to create a team that works well together, rather than a rabble of antagonistic individuals. We want a team whose members support each other, who are ready to cover each other’s shortfalls, who are not only willing to back up their fellow salespeople but are eager to do so.

I avoid phrases like “my people,” because I don’t own my employees. They are our team members, and they

work *with* me, not *for* me. If I am successful, it is the result of the efforts of our team members. Using positive language helps create a team atmosphere. As I do work for various clients on an in-house sales or sales-management training level, one of the first things I do is listen to how management describes their team and current situation. If leaders use language other than “we,” such as “them” or “I,” it becomes obvious that the company has a morale challenge, and probably a low level of commitment.

2. Leading Sales Managers Develop Personal Discipline, Live What They Teach, and Command Respect

Do your salespeople have to like you? No. Many sales managers are less effective than they could be because they have too great a need to be liked.

What you need as a leading sales manager—and what your salespeople need even more—is for your salespeople to respect you. Your salespeople *want* to respect you because their sense of personal security depends on it. When you ask them to do something, they need to believe it’s in their best interest to do as you ask.

When James Koch founded the Boston Beer Company, soon famous for its Sam Adams brand, he made a commitment to spend two days a week on the trucks delivering beer in order to stay close to his customers. His company quickly became very successful. Years ago he could have hired someone to do it for him—but he still rides the beer trucks every week. Koch began this practice to stay close to his customers, but an equally valuable benefit immediately emerged—closer relationships with

the salespeople driving the trucks. These relationships gave him priceless opportunities to pass on his company vision, to intensify enthusiasm and loyalty among all his employees, and to learn firsthand how the workforce felt about the company and its management. Had he elected to spend all his working time in the isolated comfort of his office, his leadership power would have been greatly reduced.

Jeff Bezos—founder and CEO of Amazon.com—regularly does his firm’s equivalent of riding beer trucks. He spends several hours every month working alongside Amazon’s floor employees, packing products for shipment to customers.

You have external customers, people who buy the products, and internal customers, your employees, for whom you are responsible. Many times we expend all our time and energy romancing the external customer and forget to take care of the internal customer. The natural tendency is to concentrate on trying to understand and anticipate the needs and dreams of our external customers, and to be far less concerned with the needs and dreams of our internal customers. However, if we don’t equip, empower, and inspire our employees, these internal customers of ours will not take the best possible care of the external customers.

James Koch stays in close touch with his salespeople through the shared experiences of delivering the product to real customers. Do you think knowing the boss might ride with them on any given day inspires every driver-salesperson to show up for work looking sharp? By his presence, Koch constantly elevates the levels of mutual respect and commitment to the company’s vision. He also

enormously increases his acquisition of vital market intelligence, which he gathers from the source.

“Windshield time” is crucial. Many of the things you will learn from and with your sales team behind the windshield of a car or truck will be items of commercial intelligence—some of crucial importance. Many of these items are of the sort you would never discover while holed up in your office, at least not in time to act on the intelligence before it’s too late. Spend time with your salespeople in the field doing what you ask them to do. It will speak volumes for your credibility.

3. Leading Sales Managers Exercise Businesslike Detachment and Do Not Play Favorites

This is a tough one to tackle sometimes. By nature, salespeople are highly sociable extroverts. We become friendly with our sales staff. If I spend too much social time with one or a few of the team, how will the other team members perceive this? They will suspect me of playing favorites, of unevenly distributing the hot leads or best opportunities. They will harbor this suspicion regardless of whether there is the slightest truth to it. Being a leading sales manager means you never forget you’re the whole team’s boss and no one’s particular buddy.

Your concern with inappropriate social actions should not be confined to your own behavior. An emotional or romantic relationship within the sales force is a recipe for failure. Within my company, I have had four instances (not me personally!) of managers having a romantic relationship with a member of their sales team. This renders them useless as leaders because they lose the respect of

the rest of their team. I have had to terminate managers over this issue. Unless the relationship meets two tests—(1) it's in the open when the salesperson joins the team and (2) it's a marital relationship—romance between a manager and a member of the sales team is a disaster. At least I've never seen it work.

4. Leading Sales Managers Develop Future Vision and Constantly Sell “Selling” to Their Teams

Selling, selling all the time. One of our key jobs is selling sales to the salespeople. We must always look to becoming the leader, and if the sales force doesn't handle change well—and most don't—you must implement each change by selling it to the people who must now live by it. If you must make changes in things like compensation plans or territories, don't be a dictator. Instead, be a salesperson. Otherwise, you will demotivate individuals, ignite negative energy within the group, and even lose good salespeople. Be firm but compassionate with your employees when you must make hard decisions. The new goals will not be achieved if the sales force doesn't believe in or understand them.

5. Leading Sales Managers Are Great Listeners and Attack Pending Challenges at Once

Being a focused listener is a key skill. Strong leaders must work at enhancing this vital trait. I personally struggle with this, and have to work very hard at focusing on conversations because I easily get distracted and try to multi-task instead of giving an employee my full attention.

Displaying distraction is a surefire way to make a salesperson feel unrecognized or not valued. The same applies to any staff member, or even to a spouse or other member of your family.

When a meeting with a salesperson is necessary, schedule time for it. Shut off your cell phone and have your switchboard calls held. Do what it takes to eliminate or at least minimize interruptions so you can give the salesperson your full attention. These actions deliver a convincing statement: You are important to this organization.

Doing less to safeguard your meeting—whether by being inattentive or by allowing phone or other interruptions to distract you—makes a bad impression. It conveys that you do not value the salesperson with whom you are meeting. When strong salespeople don't feel valued, it becomes more likely that they will move on to other opportunities.

As a manager I learned a great way to keep my focus: shorten the amount of time it takes to get to the point and tackle the challenge. Have you ever been asked by a member of your team, "Hey, do you have a minute?" Do they ever want just a minute of your time?

So how do you encourage people to get to the point? People will talk about the weather, about the ball game, about plans after work; and because I am busy I would go into multitask mode, checking e-mail, making notes, and so on.

This often left me feeling harassed and inefficient, so in desperation, I changed my working environment. Every chair in my office was removed and a counter-style desk was built against a wall. With a plug-in laptop and a

phone headset, this gave me a stand-up office environment. I became a stand-up worker.

That change of décor, which of course reflected a vast change in my personal working habits and philosophy, sent a message to the troops. The boss works standing up rather than lounging back in a leather chair; he's active, a hard charger—and he must surely admire and respect those qualities in others.

Without me saying a word, an interesting thing happened: the “hey-got-a-minutes” suddenly became fewer and shorter—more like a minute long. The time savings and reduced frustration made the change one of the most valuable things I've ever done.

Why did this work so well?

What is the first thing employees look for when they come into your office on a hey-got-a-minute mission?

A chair.

With nary a chair in sight, something disconnects and they get to the point of the conversation very quickly. The first couple of days as a stand-up worker are fatiguing, but you'll soon get used to it. Before long, it becomes refreshing, and you have more energy, especially in the afternoon. If you have long typing projects, you may want to get a height-adjustable desk, available in any office products store. I further recommend getting one of those large exercise balls to use as a chair when working for extended periods. It does wonders for strengthening your back. I can almost guarantee something here: No one will come in and sit on the ball!

Try an experiment. Conduct a regular weekly meeting without chairs. You will be amazed at how fast the

meeting will go and how quickly people will articulate what they have to say and then get on with their day.

Don't just hope challenges will fade away all by themselves. Confront them immediately and creatively. As is so frequently said but less often done: Think outside the box.

6. Leading Sales Managers Specialize in Developing People through Education and Training

Leading sales managers constantly encourage their salespeople to learn, grow, and become more skilled and knowledgeable about their business. We have been very successful at this, and have implemented numerous educational programs. Our business is selling and delivering sales training and education, so we routinely practice it in our office.

Send employees to seminars and classes; create budgets for training and tuition/admission fees. Go beyond. Attend with your employees whenever possible rather than just sending them. This is another form of windshield time, another of those priceless relationship-building opportunities. Offer training in all areas, not just in sales, because doing so creates more valuable workers.

Several years ago we implemented an automated sales force, a huge change for our company. We went from a paper system to a computerized system, in which all our salespeople synchronize schedules and contacts with laptops, thus eliminating a lot of paper. This demanded a huge mind-set change and tons of training. We had to really work at it, but now the people with us are more valuable, more productive in their work. If they choose to move on, they will have those skills on their résumés.

You may ask why you would want to improve your employees' value on the open market. As many companies do, we have two groups of salespeople, inside sales and outside representatives. The members of the inside sales team all live near our company's home office in Scottsdale; the outside representatives change base from one city to another.

Many years ago we realized the outside representatives typically stay only two or three years. They do the job well, but after a few years they're tired of basing in a new city about every eight weeks and are ready to settle in one place. To meet this challenge, we developed a "come grow and go" philosophy. When they come, we encourage them to grow. When they go, they will be more skilled and hence more valuable than when they came to us. On leaving, they discover their time with Results Seminars was a positive and enriching experience. The education they gained makes them more valuable while they are with the company and they take it with them when they move on.

This philosophy also benefits the company. It instills a higher level of commitment to our company's vision in our entire staff, and much referral business comes our way through former employees. When I began as a sales manager, I remember being taught by Tom Hopkins that I would need to help my salespeople to be as great as I am—almost. Obviously this means they must think I am pretty great!

The word *almost* bothered me. If some of my salespeople thought they were "greater" than me, they would want to be promoted or take over my company. Yet *almost* sounded as though I was being told to hold them back.

As I have grown as a manager, I have realized the real meaning: The person who has to continue to grow is me! With a rapidly changing environment, I have had to be at the forefront of technology; I have had to constantly grow and stay ahead, not hold my team back.

7. Leading Sales Managers Look at Change as Healthy, and Promote Risk Taking

Change gives us two choices: We can embrace it or fight it. We can move forward with new concepts, or we can stagnate with no-longer-the-most-efficient methods. Every time we opt for the second choice, we put a brake on our growth, profitability, and survivability. To make this welcoming-change concept work, you need to convince your team of another fundamental and far-reaching concept: It's okay to fail. You have to reinforce the proposition of this really being your attitude by praising rather than condemning failure. Unless you do, your team won't try anything new. Getting behind this concept means you choose the dynamic response to challenges and change rather than a static do-nothing response that guarantees being swept aside by change.

When you implement a change of some kind, remember there is pain in change for employees. Be sensitive to this.

8. Leading Sales Managers Praise in Public and Criticize in Private

Although it's plain common sense, many managers fail at this characteristic. My first exposure to this concept came

from reading Dr. Kenneth Blanchard's *The One-Minute Manager*. One of the management concepts he popularized in the book is that if you have something positive to say about an employee, round up everyone you can find and share the news. But if it's something negative, keep it private between yourself and the employee. Avoid having anyone else present during a negative interview. Key personnel who need to know about it can be informed later. Extra witnesses increase the employee's embarrassment, humiliation, and resentment, and some of this will spill over to other members of the staff. Don't talk around the water cooler about the issue either.

Most of us know this as a general rule, but when I didn't do it one time, I got a good wake-up call to follow this maxim without exception. I rode along with Bob, one of our top sales performers, and two people who were just joining our firm. I had asked Bob to do some coaching and wanted them to see a professional presentation.

"Hey Ron, how do you think I did today?" Bob asked at dinner. What was Bob looking for? Some praise in front of the new field guys.

"Hey, you're great, you're the best, but you got a little 'speaker fever,' buddy," I responded.

In our business, speaker fever is the kiss of death. Too much of it means you are convoluting the message so it loses its value, perhaps by sharing excessive amounts of the old "me, me, me." Maybe you have seen this. You train some brand-new team members in a specific presentation and give them the tools they need. Six months later, you ride along with one of them to observe, and you wonder, where did this presentation come from? It's so full of stories that you get confused—and you know what you're

selling! This is speaker fever. Well, the new people were aware of this. The subject was dropped and we went on with dinner. But the next morning, Bob pulled me aside.

“You know Ron, I really work hard for you. I’m one of your top guys. You made me look pretty foolish last night, and I don’t appreciate it.”

I thought about it, and agreed with him. I told him I appreciated his honesty. The praise of his strengths should have been shared with the group; the speaker-fever issue should have been discussed in private. It may also have been appropriate to discuss speaker fever as a topic with the new salespeople separately.

You have to be aware of how random remarks are perceived, as well. In a sales meeting, have you ever poked fun, cracked a joke, or tried to make light of something instead of dealing with the issue straight on? If your jocularity is geared toward a specific individual, he or she will feel picked on in front of the others.

Bottom line: If you have something good to say, fill the conference room with members of your team and ladle out the praise. The benefits are huge and fall into two slots:

1. The individuals receiving the public recognition are inspired to do even better, and their feelings of loyalty and dedication are intensified.
2. Everyone hearing the public praise sees that praiseworthy action is recognized.

However, if what needs to be said is controversial or in any way negative, it needs to be said in a one-on-one situation.

9. Leading Sales Managers Enjoy the Success of Others and Take Responsibility for Outcomes

You were pretty successful in sales before being promoted to management, right? Most companies get their sales-management personnel from their sales force.

Many times companies promote a top performer out of sales and into management. The reasoning is that a top performer knows how it's done and can best re-create his or her performance in others. However, unless the promoted top performers are given excellent training and orientation in their new responsibilities, their chances of doing well in sales management are less than 50/50. Most people who fail in management don't feel positive about going back to sales with the same company, so they move on. Imagine if a leading NBA basketball team had a policy of taking the leading scorer off the court each year and promoting him to coach. How long do you think such a team would continue to be a leading team? You're right—not very long!

Consider carefully before promoting top performers to management. They must have a strong desire and aptitude for the promotion; it must pay better; and you must be prepared to give the manager candidates the best possible training. Otherwise, you'll probably lose a top performer without gaining a leading sales manager.

Think about your top producers. When a sale is made, who gets the credit for the success? The salesperson. But when a transaction goes south, whose fault is it? The lead's, the prospect's, the company's, but not the salesperson's. Basically, salespeople accept the credit for success and delegate the debit for failure. Even on easy sales,

in which the customers almost beg you to take their money, salespeople will step up and take the credit.

How long would a top leader last if he or she always stepped up and said, “*I turned this division around, I did this, I did that*”? Not very long. A good leader must delegate success and accept failure—the opposite of what good salespeople do. Many of us are not good at this. If you are really challenged by this idea, you may have more success staying in the sales side of the business, which is okay. But getting excited about other people’s success is a genuine leadership quality.

All sales managers have a favorite success story they love to tell about an employee they helped mold into a more successful individual. One of my favorites is about John. I first met John as the potato chip guy who came around every week to fill up the vending machine at the office. He was a great guy; everybody loved him. We got to know John and talked him into joining our firm.

I don’t know what John made pushing potato chips—maybe \$26,000 a year. I do know that with training, guidance, and encouragement, John ended up earning from \$120,000 to \$130,000 a year with us. Wow! We took someone who thought \$26K is as good as it gets, and developed his skills and strengths until he achieved a six-figure level of success. Isn’t that cool?

The Unit of Nine

Those are the nine characteristics. For some of them, you may think, “Yeah, yeah, been there, done that, got the T-shirt.” Others may hit a nerve. Look at all nine as a unit. If you don’t do these nine things well, what are the results,

the costs? Get your house in order before you start working on everyone else.

If you really want to make a career based on leadership, one of the things you can and probably should do is to look outside your business for ways to practice and enhance the skills and competencies it takes to lead people. Go into your community and lead a group of volunteers. Reaching a leadership position in volunteer groups is almost always very easy—just volunteer to do the unpaid work. Want to spend more time with the family? Volunteer for an organization your family is active in, and do two things at once—spend more time with the family and boost your leadership skills.

Traditional management gives you carrots and sticks. The sticks are the “or else” and the carrots are the incentives. Whether the venue is your child’s soccer team, your house of worship, or your community, when you manage volunteers you generally work with your peers. This means you have lost the sticks and you don’t have a whole lot of carrots. To motivate and enlist the willing cooperation of volunteers, you have to use public praise, recognition, and achievement awards. You need to delegate as much responsibility as possible, not so much to escape doing the work yourself as to encourage participation and provide credibility for praise and recognition.

Volunteer leadership will sharpen your communication skills because it demands tact and thoughtful diplomacy in all your contacts with the peer-volunteers you’re leading. In other words, you’ll need all the things you know you should use at the office but somehow don’t.

When managing an activity for children, such as Little League, which I have done for my three sons over the

years, it's not always about the kids; it's more about the biggest challenge—managing the parents.

However, if you can get good at volunteer leadership, when you go back to the workplace, and get the stick and carrot back, you won't have to use them as much—which means you'll get more production for the peso.

Learning, practicing, and perfecting new leadership tools in arenas where no costly business mistakes can be made will increase your value as a leading sales manager. It also signals you are ready to take on greater responsibilities.

For example, if you are right-handed and you break your right arm, you are going to have to get really good at utilizing your left hand for simple tasks like brushing your teeth or using your cell phone. When you regain the use of your right hand, you'll be somewhat ambidextrous and have more tools to work with. If you're serious about becoming the best leader you can be, volunteer to manage volunteers.

This is also excellent advice if you are an executive manager responsible for grooming and promoting other managers. Before you give them the management assignment, ask them to take on the project of leading other volunteers. Make it a part of their apprenticeship program.

What is the cost of *not* performing the nine characteristics effectively? Weak leadership causes rapid, out-of-control turnover of your sales team. Turnover of salespeople can be good when management controls it, but when people are leaving before you are ready, and perhaps even taking other valuable people with them, it becomes a challenge.

One of the great tests of leadership is to simply look behind you. If no one is following, then you have a pretty good clue that your leadership skills need work.

■ THE COST OF SALES TEAM TURNOVER

In many countries the word *turnover* actually has positive connotations, as it represents the amount of revenue a company generates on an annual basis. In the retail world, it can be the number of times you sell through your inventory. In most companies, however, *turnover* has negative meaning, as it refers to people leaving your company, mostly prematurely. There are many “costs” to salesperson turnover. Disrupted relationships with clients and the negative impact on employee morale are two of them. The biggest cost, though, seems to be the money you invest in hiring new salespeople. This cost can generally be measured in three categories.

1. Cost of Acquisition

Acquisition cost begins with the advertising expense to bring candidates in for interviews, whether it’s via print, radio, or the Internet. Added to that is the cost of conducting the interviews, calculated in terms of the value of the interviewer’s time, plus the cost in managerial time or outsourced checkers to run whatever background checks and verifications of résumé claims are required by company policy. Thus, acquisition includes all the costs associated with getting to the point where you reach your hand across the table and ask the person to join the team.

2. Cost to Competency

The second element is the cost of taking new hires to the point where they can do the job on their own. This element includes training, any start-up salary paid during the training period, licensing, travel expenses—anything required to bring them to the company's standard of competency.

3. Intangible Cost

This final element, and the most difficult to manage, consists of two parts: opportunity cost and emotional cost.

Opportunity cost is the loss of sales an experienced salesperson would have made but the new employee did not. Missed opportunities can be costly.

Tony, one of our management-seminar attendees, told me during a break that the opportunity cost per new hire in his company is about \$40,000. In his experience, new people blow at least two sales, at \$20,000 a sale, before they figure out how to do it.

So opportunity cost can be substantial but hard to determine. You can calculate opportunity cost on the gross billing amount of the lost sales, on the projected net profit loss, or on some figure in between.

Emotional cost is the trauma that bringing in a new person inflicts on the rest of your sales force. When I hire a new member, I introduce the person to the rest of the team and share my confidence in the new hire's potential in our firm. Do you think the existing employees are thinking something along these lines?

“Oh, goody, here’s someone who will shoulder some of our burdens. We need all the help we can get.”

Not a chance. Your sales force perceives a new team member as someone who will take another slice of the pie.

Many salespeople think finitely, not infinitely—only a certain amount of business is available, they believe, so the more people sharing it means each gets less. We say they “think finitely,” but actually they don’t *think* finitely about this issue—they *feel* finitely about it. In other words, they react emotionally, not rationally, to the new hire.

The emotional expense comes in when we, as managers, recruit new people into the fold, and the existing sales force starts thinking about who will get fired, or whose leads or territory will be cut. Some will think, “There aren’t enough leads for me to run now, so how are they going to feed another mouth?” This causes negativity or anxiety within the sales force, and this immobilization will cost the company sales.

Take a few minutes to complete the Cost of Acquisition worksheet to help you determine what salesperson turnover could be costing your organization. You may need to get some input from the accounting team. Don’t expect they will have these numbers readily available for you. Most companies put all these expenses in various places on an income statement, and it may take a little recasting of the numbers to come up with accurate estimates, let alone the exact amounts. It will be worth it, however, as once you see what turnover is costing your company, you can go about the business of managing it.

Acquisition and turnover costs vary substantially from company to company. I have seen everything from

COST OF ACQUISITION	
Your company's ballpark estimate per person hired	
Classified and Internet advertising for salespeople	\$ _____
Travel and entertainment for recruiting	\$ _____
Hiring manager's time: _____ hours @ \$ _____ =	\$ _____
Referral or agency fees	\$ _____
Subtotal	\$ _____
Cost to competency	
Training fees:	\$ _____
Training manager's time: _____ hours @ \$ _____ =	\$ _____
Travel and entertainment for training period	\$ _____
Start-up compensation: _____ months @ \$ _____	\$ _____
Subtotal	\$ _____
Intangible cost	
Opportunity cost	\$ _____
Emotional cost	\$ _____
Subtotal	\$ _____
Total of all categories per person	\$ _____
Multiply by number of people hired per year	x _____
Total annual expense for company	\$ _____

\$6,000 to \$100,000, depending on the depth of training, signing bonuses, start-up salaries, and the cost of searching for new employee candidates.

The Employment Management Association, based in Raleigh, North Carolina, conducted a nationwide study over a six-year period that revealed an average amount of \$8,512 for the cost of acquisition and the cost of competency. It did not gather information on the intangibles, the opportunity and emotional costs, because too many variables are involved.

A key question: Is the \$8,512, or whatever amount you determine from this exercise, a cost or an investment? It's a cost when a new hire does not stay long enough to become productive. It's an investment when the new hire develops into a productive long-term member of your team.

Let's suppose I could give you a surefire plan guaranteed to provide salespeople who will stay with you for at least ten years, meet all sales quotas, do all the paperwork, and treat the customers well. Would you give me a check for \$8,512 for each salesperson you hire under my surefire plan?

Of course you would. Unfortunately, I can't promise to do it. However, as managers, we have no problem investing that sum for someone who will stay with us. But we hate putting so much overhead and effort into people who soon turn negative, and maybe take a couple of others with them on their way out. This drives us nuts. As leaders, we must understand what this expense is so we can manage it.

How do we break it down so we can reduce it and bring it into control? How can we keep productive people for a longer term?

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