

SALES MANAGEMENT: A KEY TURNAROUND SOLUTION

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With a daunting economic climate affecting nearly every industry today, even perennially profitable companies are facing uncertainty that is leading to proactive belt-tightening. This bunker mentality is forcing each functional department

head to evaluate its operations, processes, people and, most importantly, its accountability for results. But when the line is crossed and a financial crisis leads to turnaround measures, it is easy to dig into low-hanging cost cutting as the sole means of survival. While these measures are obviously essential, they may not be enough to change the downward momentum.

Recently, I was involved in a turnaround where we had to contact the company's dozen top customers to get them to agree on a temporary price increase. This increase would keep the manufacturer afloat until refinancing and cost cutting could be put into place. This manufacturer supplied a critical component that was essential to each customer's ability to go to market. We began the seemingly simple task of contacting these 12 customers to begin negotiations, only to be alerted to a much deeper problem. We found that the manufacturer only had ongoing relationships with four of these customers. Additionally, the company was unable to produce current contact information for three of the 12. Somewhere along the line, there was a basic lapse in accountability. Building new customer relationships in a weakened financial state does not provide for negotiating leverage.

For companies in a turnaround situation, a lack of sales accountability can't be left out as a potential cause of the business crisis. Falling into the trap of listening to economic headline recitals by the sales team will only lead to further erosion of the customer base and a longer road to recovery. This is the time to measure all facets of sales team production, processes and people. These measures should include

a complete evaluation of scorecard measures, territory characteristics, reward and recognition programs, and people and staffing procedures.

Most companies have a scorecard system in place that measures sales, gross profit and some timeframe equivalent. Many record long-term historical performance and track performance to budget on sales, profit and expenses. But a scorecard alone does not lead to accountability. Sales management must use this tool as a means of ongoing coaching, team member evaluation and performance improvement. It is important that trend information be evaluated over the short and long term to determine if the representatives are making an improvement. Key evaluation measures include number of calls made; market penetration; percent to budget; yearly, quarterly and monthly performance; profit; new business; and expense management. Depending on the sales cycle, a monthly face-to-face review with each sales representative is critical. These meetings should establish new areas in which the representatives should focus, encouraging increased follow-ups for reps who aren't meeting goals and making improvements. Finally, ranking representatives publicly against all of the key scorecard measures is important in establishing accountability. Top performers relish this and laggards often become more aware of their position and work harder to move up the ladder.

Another key area to measure is territory characteristics. In many companies, changing territory size and geography is often a sacred cow, but how many businesses, markets and industries stay constant over a period of years? Sales territory flexibility is essential due to the fluid nature of today's marketplace. Customers grow, decline and even exit, leading to an imbalance in territorial opportunity. Additionally, you must measure windfalls continually, ensuring that apples-to-apples comparisons are being made for sales representative performance and market penetration. Make sure your company culture dictates that territory ownership is not solely in the hands of the sales representative. In my past experience leading a sales force in a Fortune 50 consumer product company,

we changed territories routinely as an ongoing business process. This ensured that territory size was manageable, customers were receiving adequate coverage and compensation was in line with company objectives.

While compensation is an important part of the reward and recognition system in sales force leadership, it is not the only component. Many companies today are fooled into believing that the commission structure is a substitute for sales management and leadership. The "give them a good opportunity to earn more and they will sell more" philosophy is based on hope, and hope is not a strategy. With many industries facing eroding margins and customers asking for more concessions, compensation can't be counted on to drive "win-win-win" behavior. Your reward program must have the dual element of risk and reward, as a program that does not tie into a company's overall financial goals can be inefficient and detrimental. A sales representative's failure to achieve scorecard measures should have associated risk.

Conversely, significant achievement over budgets should provide the opportunity for significant financial reward. Recognition should also be consistent with company goals, and year-end sales achievement awards should only tie to sales growth that may lead to gross margins in the future.

Finally, when facing a tough turnaround, ongoing evaluation of company priorities should factor into the selection and retention of sales people, and managers should be tough-minded, research-oriented and unbiased. Not even the best sales processes can overcome failure brought on by poor staffing criteria and a refusal to replace poor performers. Develop a consistent hiring profile based on the characteristics of your industry, sales type, historical sales success traits and company culture. Look to your top performers as a benchmark, and be diligent and disciplined in your hiring process. Detailed background checks combined with behavior-based interviews should be routine. No mule has ever won the Kentucky Derby, so why settle when there are plenty of stallions available in today's market?