Make It Simple

Process does not manage; only managers do

by: Troy Harrison, Troy Harrison & Associates

In the last few years, I have seen a growing fad that I like to call "managing by process." Regular readers of this space know that I like processes — sales processes, sales management processes, customer service processes, etc. They are all very helpful when building a great sales program.

But you can have too much of a good thing. Many of the processes I have seen recently are overwrought and overwritten to try to cover every eventuality. The companies with such processes are attempting to substitute written processes for basic management and leadership. Helpful hint: They fail to do so. The two most common areas I see these in are compensation processes and activity management systems.

The best compensation processes are simple. You have a base salary for the position. This base salary, ideally, covers basic living expenses (at a minimum) and also compensates salespeople for work they do that is not directly tied to a sale — information gathering, paperwork, customer service, etc. It also includes a commission and bonus structure for overachievement.

On top of the salary, the commission is designed to compensate for sales achievement (i.e., making sales). The compensation structure can be, and should be, designed to incent the sales we want to make. More profit, longer-term contracts, better terms, favored products or services, etc., are all factors that can and should be considered. However, it is possible to overdo this. In a commission package, I prefer simple rather than complicated. I like a salesperson to be able to count his (or her) money as he is walking out the door with the purchase order. The most simple and effective commission packages are based on profit, with the salesperson being able to know how much actual profit is in a deal.

I have seen a lot of commission processes lately that try to micromanage the sales process by having deductions for this, kickers for that, bonuses for another thing and so on. I recently dealt with a client who had a three-page commission policy in an industry where a one-paragraph policy is common. When I asked the client to explain, he said: "Well, there are some types of businesses that we don't want, so we don't pay much for those."

This is a classic example of trying to substitute process and paperwork for simple management. "OK," I said, "If you don't want that business, why don't you just say 'no'?" The client looked at me open mouthed, astonished. Apparently, the idea at the company was that once the salesperson brought the deal to the table, it was sacrosanct. It is not. If you do not want a particular piece of business, do not take it. Further, empower your salespeople to say "no" to bad business. You will be surprised at how often they do.

Turning to activity management systems, you probably also know that I am a fan of activity metrics. The reason is that activity metrics are forward-looking; meaning that we can predict the results of a salesperson by having him perform certain activities in certain amounts. Remember the basic equation of sales achievement: Quantity of activity x Quality of activity = Results.

In other words, the more you do and the better you are at it, the better your results will be. Makes sense, right? So, to build activity metrics, we work backward from a desired result, using known ratios (from our history), to build a road map to success for our salespeople. Make it simple.

- Let's say we want one new sale per week. We know our closing ratio from proposals to sales is 2:1. Thus, we need two proposals per week.
- We know that half of our presentations request a proposal. Therefore, we need four presentations per week.
- We know that ⅔ of our discovery appointments result in a presentation, so we need six discovery appointments per week.
- And we know that it takes 10 calls to set an appointment for discovery. So, we need 60 phone calls per week.

And just like that, we have a set of activity metrics:

- 60 calls per week
- Six discovery appointments per week
- Four presentations per week
- Two proposals per week

That yields one sale per week. Bingo. We hit our target. Our metrics are simple. They are based on historical data and reps can understand them. By the way, I should note — the numbers here are hypothetical; work within your own goals and historical ratios to get to your metrics. If you do not have historical ratios, start tracking.

"But Troy," you're saying, "you just spent the first half of this article telling us that processes don't manage and now you've given us a process. What's the deal?"

The deal is that this process is simple. And it is a process to manage to — it is not a process that manages for you or attempts to.

The deal is that this process is simple. And it is a process to manage to — it is not a process that manages for you or attempts to. Where metrics go wrong is when they become overcomplicated. For instance, of those six discovery appointments, management says that two of them have to be with customer type A, three with type B and one with type C. That is where it gets overwrought or management attempts to insert unnecessary steps. For instance, years ago I worked for a company where the regional manager discovered that we had very high close rates when prospects came in for plant tours. So, we should encourage tours, right?

Nope. The regional manager mandated tours and sales went through the floor because it was so difficult to get every customer in for a tour. My team? We ignored the mandate and we were fine. (Yes, I ignored one of my bosses; ask me again why I am self-employed.)

The reason members of upper management put overwrought processes in place is that they lack confidence in their sales reps and sales managers. The problem is that overdone processes and procedures invariably result in higher turnover, lower job engagement and, ultimately, they do the opposite of what they are intended to do. Keep your processes simple, trust and manage your people and you will get the results you are seeking. ■

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