



## **SALES LEADERSHIP UP AND DOWN THE CHAIN OF COMMAND**

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This white paper highlights my keynote lecture on the subject of sales leadership and the challenge of creating consistent performances from salespeople and measurements of behavior that produce links to future sales results. After identifying the biggest sales leadership challenges, suggestions are provided that enable you to build sales success from an “operational perspective.”

Sales from an operational perspective means managing the performance of individuals by defining activities that are objective, measurable, and link to future sales results. Ultimately sales is nothing more than a series of situations in which strive you make the best tactical move. The results are in the percentages of any response or action you take in each situation.

The challenge for leaders and sales performers is the multitude of situations that one faces during the course of a day, week, and year. Success is in the preparation. The lecture you heard and this essay:

- Elaborate on the problem.
- Offer performance measurements that make sense.
- Shed light on recognizable sales situations and prepare you to discover the multitude of sales challenges you face during sales dialogues, logistic challenges, and even psychological obstacles.

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## SALES LEADERSHIP UP AND DOWN THE CHAIN OF COMMAND

### STATEMENT OF THE PROBLEM – Managing the Invisible

Sales measurement focuses on the wrong numbers. Too much emphasis placed on results instead of performance metrics that produce those results. You can't manage results, but you can manage performance.

Imagine a head football coach putting an offensive squad onto the field without a playbook, defined pass routes, blocking assignments, or running schemes. The coach merely watches the scoreboard and hopes that the points appear. As ridiculous as this sounds, it is not far from the game plan of many organizations in the LBM industry.

Ask executives to break down the measurements of cost control, i.e. business "*defense*," and they will easily identify commodity pricing, overtime pay, insurance, capital expenses, debt service, and other costs that are readily visible on numerous financial reports issued daily and weekly. Ask the same executives what numbers they manage to assure sales success, i.e. business "*offense*," and the only numbers they can state with assurance are the sales, product mix, and margins *after* they have occurred.

Several factors contribute to the lack of sales performance statistics including, most notably, subjective opinions about performance and the fact that salespeople provide inconsistent data upon which their performance is measured. These obstacles create critical management challenges. Unlike cost control information which is generated by a third party using highly accurate computer software to oversee performers, the only way to gain sales data is for the performer to be his or her own third party.

## SALES LEADERSHIP OBSTACLES

The requirement for acquisition of sales data is complicated by several obstacles including:

- Managing Invisible Performers.
- Presumption of Competence.
- Sales Measurement is Subjective.
- Coaching Abilities of Managers are Unproven and (also) Invisible.
- Contingency of Training Skills.
- Selling is Not a Team Sport.
- Cultural Shift is Difficult
- Therefore, the Only Remaining Measurement of Success is Results.

**Managing Invisible Performers.** Unlike every other performer in your organization, outside salespeople are “invisible” workers. They operate independently without supervision for a significant percentage of their weeks and careers. Worse yet, unlike other performers in your organization, outside salespeople are unable to see other outside salespeople, thus fail to get adequate performance models to observe and emulate.

**Presumption of Competence.** Organizational leadership takes a leap of faith that salespeople are performing competently because there is little other choice. The reporting is subjectively based on self-assessment of data and performance. It should be no surprise when salespeople become overly confident in their self-assessments. After all, they have been asked to provide feedback on their activity and hardly want to deliver a bad report card...or simply don't know what peak sales performance looks like. Sales reporting thus deteriorates into creative writing assignments.

**Sales Measurement is Subjective.** Creative writing is not an intentional deception, but merely a matter of subjective opinion. This creates problems when accurate benchmarking is desired. For example, one salesperson might have casual conversations with potential buyers and inaccurately report those buyers as “hot” prospects. Another salesperson might interpret the conversations differently. This doesn't mean that sales measurement *must* be subjective, only that it *is* for most organizations.

**Management Coaching is Unproven and Invisible.** A credible observer of performance and measurement is the only way to objectively assess sales performance. This requires coaching skills that are not commonly found in sales managers. The overseer of sales performance is often an operations manager without much sales experience or a former salesperson promoted to the management role without training for leadership and coaching.

Coaching sessions – i.e. time when the manager rides jointly with the sales performer – are too often ineffective. During sales calls, the manager performs in the role of “additional salesperson.” The manager feels the same pressure for results as the salesperson and, lacking the confidence to focus on long term performance improvement, defaults to the pursuit of short term sales gratification. The manager's motivation, in short, is not to coach, but instead on making the next sale.

Even when the manager is focused on purposeful feedback, coaching sessions take place out of sight from executives, thus making observation of management interaction invisible. Just as executives wonder if their salespeople are doing the right job, they wonder if the manager has the right mentoring skills to shape sales performance.

**Variability of Performance Levels.** A consistent impediment to a sales measurement structure is the variability of performance levels – e.g. sales veterans with many years of experience versus new hires. Thus a common challenge is getting veteran performers to adopt new reporting requirements that make sense for your organization as a whole. This results in forsaking the pursuit of performance sales measurement completely instead of taking the wins where possible and building an information structure upon which the organization can produce a sustainable economic sales growth model.

**Selling is Not a Team Sport.** Unlike football where the team shares in the points on the board, sales are rewarded individually. Many organizations intentionally set up internal competitions for awards among salespeople. Thus sales success within the organization becomes a competition instead of a club. The ideal situation is one in which salespeople have a stake in rooting for each other and sharing meaningful data that help each performer succeed.

**Cultural Shift is Difficult.** Cultural sales shift is often instigated with a training event. The stated goal, before the event, is to create a sustainable sales performance structure. Leadership planning, however, focuses on the content of the program rather than the more important implementation plan.

After the event, new practices are implemented only by the participants who have the initiative for change. Day-to-day distractions for most attendees quickly reduce the impact of the event. Additionally, turnover of salespeople means that new hires don't experience the past training events, thus adding to the problem. Most importantly, managers are not clear and/or capable about their role after the training sessions are complete.

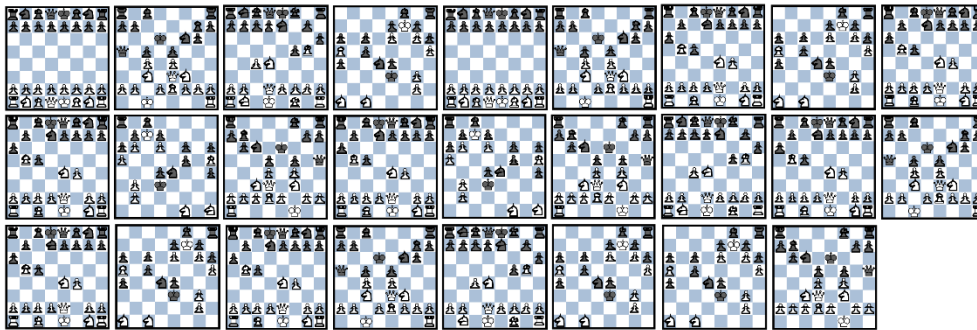
**The Only Remaining Measurement of Success is Results.** The default outcome for organization is to hire, hope, and wait for sales results. The primary measurements of success become sales volume and margins.

**CONCLUSION:** The vital aspect of the true sales leadership up and down the chain of command is a playbook that converts the sales leadership dialogue from results-based measurements into performance-based measurements.

## THE POWER OF SITUATIONAL ANALYSIS and TACTICAL RESPONSE

Alexander Alekhine is considered one of the greatest chess masters of all time. In 1924, he played twenty six simultaneous games of blindfold chess. It is still considered perhaps the greatest feat in chess history, not just because he set the record for most blindfold games of simultaneous chess, but because he was playing against other top players from around the world.

Picture a man sitting alone at a table with his back to twenty six opponents staring at their chess boards. Over the course of twelve hours, Alekhine recorded every move in his head and responded to the positions on 26 chess boards, 416 pawns, 832 pieces, and 1,662 combined squares.



Alekhine won sixteen games, lost five, and played to a draw in five others. Studies later showed that attaining the level of chess master requires a minimum of ten years to memorize over fifty thousand (50,000!) situations that might be encountered on a chess board. Alexander went beyond the level of Chess Master. He is considered one of the five greatest chess players of all time, perhaps second only to Bobby Fischer.

### Chess Mastery Applied to Sales

A sales expert will experience the similar challenge by encountering thousands of sales situations that require analysis and tactical responses. Just as the chess player has the potential for multiple moves, so too does the sales representative. To cite one example, consider the common situations salespeople face when searching for new client prospects.

A phone call to the prospect is often met with a curt response during which the potential buyer requests pricing to determine if the seller is in the ball park. The salesperson without a game plan typically responds by making an additional request for a meeting before caving to the request because he or she has not planned ahead.

## The “Bid Avoidance” Presentation

Just like a chess master, a salesperson will encounter thousands of sales situations that require analysis and tactical responses. Just as the chess player has the potential for multiple moves, so too does the salesperson. One typical example faced constantly by salespeople is the prospect who demands but is unwilling to take time to meet and discuss their situation. The salesperson, when confronted by this challenge, can pass, provide a price, ask the buyer to make an offer, or other tactical presentations. The presentation I have found most effective is the “bid avoidance” presentation.

**Situation:** A prospect with whom the salesperson has never had a dialogue requests (or even pressures) for a price.

**Strategy:** The salesperson must immediately recognize that the buyer is striving to create an advantageous negotiation stance by speeding up the sales process. The salesperson can offset the pressure by strategically responding with *a tactic that slows down the process*.

### Tactic: The “Bid Avoidance” Presentation

**Step 1:** Tell the buyer you will be too high and must take a pass under the circumstances. This opening salvo should be delivered calmly, perhaps even with a bit of humor. Remind the buyer that it is difficult to be competitive and take a pricing risk when so little is known about the situation.

**Step 2:** Define the information necessary to determine the right price level to offer the specific buyer. These pieces of information should demonstrate a mutual benefit the buyer can immediately see and include:

- Delivery Expectations – Time frame; number of deliveries; location; special needs such as boom trucks, fork lifts, etc.
- Service Expectations – Define how products will be ordered, unloaded, returned, credit expectations, and the like.
- Volume – It should never surprise a buyer that higher volume clients usually are provided lower prices. The salesperson needs to know if the buyer is making a one-time purchase or offering to start a new long-term relationship.
- Cross-Selling Opportunities – It probably is not good wording to use with the buyer – i.e. “cross-selling” – while still being a vital factor. Proper phrasing might suggest, “If there are other products to add to the mix, I can be more competitive.”
- How the Buyer Makes Money – This is an advanced subject that beginning salespeople should avoid, but a powerful factor nevertheless. An experienced veteran should have suggestions about scheduling, networking, marketing and sales that the buyer might value.

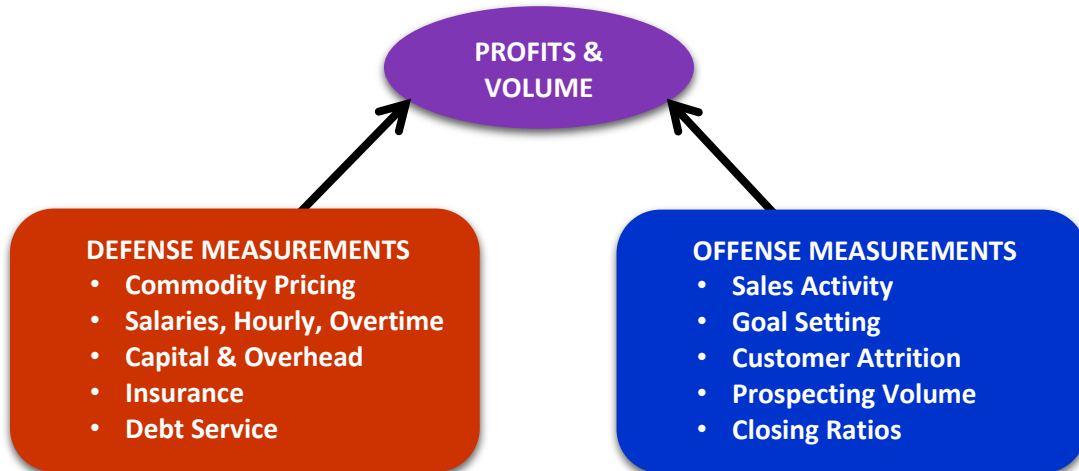
**Step 3:** Ask for the meeting by letting the buyer know you can definitely put your best price forward after the client offers a few moments to discuss these issues.

**OUTCOME:** If the buyer rejects the offer for a meeting, then the salesperson is still free to deliver a price, although should probably do so reluctantly at that point. If the buyer agrees to meet, then the tactic worked. Whether or not the tactic provides the desired outcome, like a chess master who may lose the game, it’s the right move in the heat of battle.

## TURNING SALES INTO A GAME

### Sales from an Operational Perspective

A sales department should run like any other in an organization. It includes prospecting protocols, listening skills, closing methods, and more. A good “offensive” sales plan demonstrates how each team member can contribute to organization success with consistent sales behaviors, prospecting values, closing ratios, and measurement of performance benchmarks related to future sales outcomes.



If the primary measurements of cost control are Commodity Pricing, Employee Compensation, Capital Expenses and other Miscellaneous costs, then the primary measurements of sales volume control are Sales Activity, Goal Setting, Customer Attrition Rates, Prospecting Volume, and Closing Ratios. The Executive Roundtable will emphasize methods to measure and communicate these data consistently up and down the chain of command.

### The Great Game of Business \_\_ Jack Stack, The Great Game of Business

The strange truth about sales prospecting is that the average closing ratio on new prospect opportunities is consistently lower than most salespeople would expect. It is also remarkably consistent between performers at all levels. Just like the baseball player who makes the Hall of Fame by getting a hit 30% of the time while a 25% hitter mires in mediocrity, a top sales performer closes only a few percentage points higher than average.

So if an organization is striving to increase its total sales by 10%, the company will likely:

- Lose 10–15% of its prior year sales through buyer attrition.
- Therefore need a 20–25% increase in new sales.
- Require as much as 1.5 to 2.0 times previous year sales in prospecting energy.

**Example:**

**Step 1: Calculate Overall Sales Goal**

Previous Year Sales	\$100,000,000
<b>(a) Goal for Upcoming Year</b>	<b><u>110,000,000</u></b>
Nominal Sales Increase	10,000,000

**Step 2: Estimate Retained Sales**

Previous Year Sales	\$100,000,000
Rate of Retention	<u>                    </u> x 90%
<b>(b) Retained Sales</b>	<b>\$ 90,000,000</b>

**Step 3: Calculate Actual Sales Increase**

(a) Goal for Upcoming Year	\$110,000,000
(b) Retained Sales	<u>          </u> \$ 90,000,000
<b>(G) ACTUAL SALES INCREASE</b>	<b>\$ 20,000,000</b>

**Step 4: Estimate Closing Ratio → KEY: Attrition is a Market Benchmark.**

Attrition is the rate at which you lose your existing clients. My studies have proven consistently that this percentage, presuming a flat market of demand and commodity pricing, hovers between 85-90%. This is not a unique datum for your organization. In fact, it is such a consistent piece of information that it begs the question: How can we retain more sales?

My studies also point to the fact that the majority of attrition comes not from the obvious measurements of large volume buyers, but from the many smaller volume buyers that fade away due to apathy, ignorance and inattention. For the sake of the prospecting model illustrated here, presume that your rate of customer retention (and your competitors') equals 90%.

**THEREFORE:**

Your closing ratio on target new business should be predicted at 10% which, by definition average market attrition, is the rate at which buyers shift to new suppliers in a given year.

If your goal is to increase your sales, in this example, to \$110,000,000, you may need to prospect \$200,000,000 in new target opportunities (**\$20,000 sales increase / 10% = \$200,000,000**).

Sobering logic, but at least the foundation of a game plan.



## “THE RIGHT PEOPLE ON THE BUS” \_\_ Jim Collins, Good to Great

### Stop Grinding Re-Treads

The typical recruiting approach in the construction industry focuses on hiring salespeople with past experience *in* the industry. Case studies of top companies have consistently proven that hiring practices means finding the right raw material first and then providing the skills training you need for sales success.



**Zappos**, the online shoe store, was founded in 1999 with the premise of out-servicing all alternative shoe-shopping venues. The company success begins and ends with people. As part of the recruiting process, candidates are flown to the Las Vegas headquarters where they are picked up by a driver who is, unbeknownst to the candidate, already assessing his or her demeanor and fit for the organization. After a one-month orientation program, each new hire is offered \$2,000 to quit the company. That is how the company hires the right people who will stick...and in 2009 sold the company to Amazon for over \$800,000,000.

**Enterprise Rent-a-Car** and its sister company, National, have emerged as a serious competitors to the big two in recent years by providing a unique customer experience based on customer service delivered by carefully selected associates. A lengthy interview process with multiple managers and associates weeds out the talent, which is chosen only from college graduates who have also experienced a minimum of one-year in a customer service position in their youth. The result is high-energy associates that other employers continually poach while Enterprise keeps fueling a pipeline of talent.

**Southwest Airlines** coined the phrase, “Hire for attitude. Train for skill.” Among the company’s many create recruiting tactics, the most interest might be the group interview. During this phase, several candidates are brought into a room and asked questions one at a time. The observers are watching, but not the speaker. Instead attention is focused on the candidates who are not speaking as a means to gauge their listening skills and empathy. This leaves little wonder why Southwest Airlines has the nicest, most engaging people in the airline industry.

Hire the attributes you are seeking in candidates – e.g. desire for growth, empathy, leadership, and teamwork. Then teach them the skills to succeed.

## **START SMALL**

It is a daunting task for one person to plan a \$5,000,000 prospecting campaign, let alone an entire company planning a \$200,000,000 prospecting initiative, particularly because you might not know if it works. You may wonder if the numbers will actually prove valid. Will the closing ratios be so low? How do you define a prospect? What is the value to attribute to the prospect? And so on.

These are questions on the learning curve I've answered over many years teaching a scientific sales process and guiding clients to success. The answers are at your fingertips and require experimentation, observation, and testing. One solution I can guarantee is that a companywide initiative of prospecting often falls flat. You have differing levels of experience and prospecting need.

Start by choosing only one or a few salespeople on your staff to test this process. Pick volunteers or new hires who come on board with the commitment to prospecting. As you gain momentum with one or two performers, you'll build a better process that you can roll out to others in your organization. You'll even discover that the process becomes contagious.

Confucius said the thousand mile journey begins with a single step. You will learn, if you endeavor, that the large scale prospecting energy you need for market power begins with a single conversation.

## **RECOMMENDED READING**

The Sales Secret by **Rick Davis**

Great by Choice by **Jim Collins**

Peak by **Anders Ericsson**

Grit by **Angela Duckworth**

The Great Game of Business by **Jack Stack**

Good to Great by **Jim Collins**

Outliers by **Malcom Gladwell**

**For an analysis of your sales organization's health:**

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