Chapter 7: Execution

What Is Execution?

In their best-selling management book titled *Execution*, Larry Bossidy, CEO of Allied Signal and Ram Charan, consultant, author, and professor at the *Harvard Business School*, define execution:

> Execution is a systematic process of rigorously discussing hows and whats, questioning, tenaciously following through, and ensuring accountability. It includes making assumptions about the business environment, assessing the organization's capabilities, linking strategy to operations and the people who are going to implement the strategy, synchronizing those people and their various disciplines, and linking rewards to outcomes. It also includes mechanisms for changing assumptions as the environment changes and upgrading the company's capabilities to meet the challenges of an ambitious strategy.
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> In its most fundamental sense, execution is a systematic way of exposing reality and acting on it. Most companies don't face reality very well. As we shall see, that's the basic reason they can't execute. Much has been written about Jack Welsh's style of management—especially his toughness and bluntness, which some people call ruthlessness. We would argue that the core of his management legacy is that he forced realism into all of GE's management processes, making it a model of an execution culture
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> The heart of execution lies in the three core processes: the people process, the strategy process, and the operation process.[i[i]]

Executing: The Final Step

In the Introduction I listed the elements of execution from *What Really Works*:

1. *Execution:* Develop and maintain flawless operational execution.
   a. Deliver products and services that consistently meet customers' expectations.
   b. Empower front lines to respond to customer needs.
   c. Constantly strive to improve productivity and eliminate all forms of excess waste.

And from "The Anatomy of a World-Class Sales Organization" in the Introduction, these were the elements that involved execution:

Sales Process Design/Productivity

1. We provide an environment where account managers are empowered to make appropriate decisions and act on behalf of customers.
2. We have streamlined the sales process, such that it does not get in the way of the sale. Company is "easy to buy from" and "easy to sell for."
3. We aggressively digitize or offload low-value (and even some high-level) non-customer-facing sales activities to free up account manager time.
4. We provide the sales organization with easy-to-use, value-added tools (e.g. templates, technology) and accurate, relevant, and timely information.
5. We effectively leverage our senior-most executives in account planning and proactive, high-level interactions with our most important customers.

It has been said, "The Devil is in the details," and paying attention to the details is what execution is all about. Let's take a look at the new functions of management compared to the old functions of management from Chapter 6 so we have a framework for thinking about executing on the details involved in the three core processes mentioned by Bossidy and Charan: the people process, the strategy process, and the operation process:

<u>The New Functions of Management</u>	<u>The Old Functions of Management</u>
Strategic Planning	Planning
Coordinating/Aligning	Organizing
Empowering	Motivating
Facilitating	Controlling
Coaching	Evaluating

Strategic Planning

The concept of strategic planning differs from the old function of management of merely planning, because strategic planning is about planning to win. Old-fashioned planning was internally focused, not externally focused. Strategic planning must occur continuously, not yearly like old-fashioned planning. As detailed in Appendix A: How to Develop a Winning News/Programming Strategy for Local Television, strategic planning begins with continually monitoring the internal and external environment for any changes in the competitive landscape and in internal capabilities. Once changes are seen, they must be responded to immediately, which requires *speed* and *flexibility*.

Speed is vital in the upheaval caused by today's lightning-fast technological, regulatory, and creative changes in the media. And with these changes come shifts in audience tastes and preferences, which are acerbated by increasing media fragmentation and choices for consumers. So, when an organization detects changes, especially in the external, competitive environment, it must act with blazing speed so as not to be left in the dust by competitors. With speed so vital, a business or a unit of a business must be organized and trained to be extremely flexible and to make fast responses to changes in competitive strategies.

A large part of those organizing efforts must be in the area of systems that monitor and predict shifts in competitive pressure and in the marketplace. Systems that help monitor competitive pressure and the marketplace and, thus, aid in strategic planning are: competitive intelligence from salespeople, customer satisfaction surveys, a panel of experts, and business pending and business disposition reports.

Competitive intelligence from salespeople. Salespeople must be thoroughly trained to monitor a wide variety of indicators in the marketplace such as changes in competitive rates, in competitive strategies, in competitive sales forces, in competitive general and sales management, in competitive content (editorial and programming), in buyer perceptions, in buyer mood, and, for want of a better word, in street buzz. Sales managers should develop a list of indicators for salespeople to watch out for and report back on (verbally—written reports take too much time for the salespeople and sales management). Several of the best sales managers I know of made a practice of having all of their salespeople see them in person or call them at the end of each day. The conversations typically began with the question, "What's going on?", not, "What did you do today," because these excellent sales managers were more interested in competitive intelligence and street buzz than in what a salesperson did. Of course, the sales managers also learned about how each salesperson's day went and was able to give strokes, pats on the back, and encouragement as appropriate.

I adopted this daily communication system when I was sent to San Francisco and Chicago by AOL in 1998 and 1999 as the interim regional sales director to reorganize those offices. I found it an extremely valuable system and discovered the majority of salespeople welcomed the opportunity to communicate competitive intelligence and receive encouragement and feedback; they also relished the attention. Out of ten salespeople, only one considered it an intrusion and resented doing it, so rather than rigidly enforcing the system, I said, "Please call me when you have time." By giving the salesperson a choice of when to call, she felt she was in control and had a choice, so she usually called at least three times a week, which was more than adequate to give me the information I needed.

Customer satisfaction surveys. Customer satisfaction surveys can be formal or informal. Formal surveys can be conducted by an organization (but they must be done anonymously to hide the identity of the organization) or be conducted by an independent research organization (preferable). An example of a Customer Satisfaction Survey can be found in Appendix A of *Media Selling*.

Informal surveys can be conducted by top management or sales management of an organization. These informal surveys should be done in person on neutral ground—breakfast, lunch, or dinner—and with advertisers, agency executives, and agency buyers who all have direct contact with salespeople and are in a position to evaluate sales performance. Informal surveys tend to get more positive results than formal, anonymous surveys, but provide an opportunity for top management to develop relationships and rapport with customers and, most important, get them involved in the process of evaluating salespeople on a dimension other than just revenue production.

Customer satisfaction surveys should be conducted a minimum of once year, but twice a year is better and once a quarter is best.

Panel of experts. Every media organization should have an informal panel, or group, of experts that it can be polled two or three times a year to get their opinions about the economy, market conditions, retail sales, and so forth. A panel of experts for a local newspaper might consist of the president of a local bank, the advertising director of the largest retailer in a market, the head of a local advertising agency, an economics professor at a local university, and a member of the city council.

Business pending and business disposition reports. There are three things you can be absolutely sure about: death, taxes, and that salespeople hate paperwork. And the paperwork they hate the most is filling out reports. Because of this fact about salespeople, most sales managers relax their discipline and execution on paperwork and reports—they let the salespeople win. Don't do it. Don't listen to salespeople's gripes about paperwork, because they will always gripe no matter how much they have to do. Remember, competitive intelligence is knowledge and knowledge is power. The more knowledge you have, the more power you have—power over the future.

The two best ways to keep griping complaints about paperwork to a minimum are: 1) To give salespeople and realistic job preview when you interview them. Tell them that you require a certain amount of paperwork, and show it to them. Then ask them, "Are you sure you want to work in an organization that has these requirements for paperwork?" 2) To show in detail how you use the reports and how they make it easier to make more knowledgeable strategic decisions in order to beat the competition, which helps them and puts more money in their pockets. For example, business pending reports help sales management make pricing and inventory decisions. Business disposition reports give sales management feedback about competitive pricing, competitors' strengths, shifting demand by demographic, length of campaigns, and size of budgets so management can shift strategy if necessary.

Competitive intelligence analysis and communication. Competitive intelligence comes from a variety of sources, including daily conversations with salespeople, conversations with customers, and monitoring services such as CMR that track advertising in television and local monitoring services for newspapers. Rigorous, monthly analysis of business pending reports, business opportunity reports, business disposition reports, and conversations with salespeople and customers is a must. Remember, whoever has the most information (data and smart analysis of the data) wins in the long run (winning in the sense of getting more than your fair share).

Competitive intelligence and the resultant strategy must continually be communicated to a sales staff, in fact, to everyone in a media organization so that everyone is on the same page and working toward the same objectives.

The process of planning. Planning must be done weekly, monthly, quarterly, and yearly, not just yearly; it is a continuous process. The most effective planning system is management by objectives (MBO). Some management experts and consultants believe an MBO system is old fashioned and have given it new names such as strategic planning, action planning, even the euphemistic "tasking." This section on MBO and the Process of Planning can downloaded from www.chalreswarner.us in the "Papers By Charles Warner" link.

> **MBO.** MBO is a system of systematic planning of what needs to be executed in the short term to implement the most effective action to take advantage of opportunities and to achieve the goals of the sales department and of the organization. After Peter Drucker introduced the phrase management by objectives (MBO) in 1954 his book, *The Practice of Management*, American businesses began embracing the notion with what often amounted to evangelical dedication, and during the 1960s and 1970s MBO was the most fashionable of all management practices.
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> Many companies adopted some form of MBO, which, as Drucker originally proposed, asks managers to focus on results, or outputs. However, MBO has fallen into disuse and many original MBO systems have been altered past recognition and usefulness. What has happened to such a strong concept? Has MBO proven not to be as effective as first hoped? Has MBO failed? Management experts in consulting firms, in business, and in the academic community are in general agreement that the problems with MBO stem from the users, not from the system, which is still regarded as one of the best, most effective, theoretical management

practices ever conceived. The two biggest problems with MBO are lack of clear understanding of MBO procedures and hasty, inadequate implementation.

Management by objectives can work in any size organization if the procedures are understood and managers are patient in letting the system be accepted. First, MBO is an effective strategic planning and execution system; it is *not* an effective performance evaluation or reward system. Second, MBO is a bottom-up, process-oriented and team-oriented planning system, not a top-down command-and-control system.

Goals are defined as being relatively few and long-term in their focus. Objectives are defined as being relatively more numerous and short-term in their focus. The most important thing to remember about objectives is that the critical few are the ones to concentrate on. The critical few are the 20% of the objectives that will produce 80% of the results. One of the biggest problems many organizations have with MBO is that they set too many objectives, especially too many trivial ones. Set only those objectives that a unit or team can get their arms around—five to seven maximum—five is best. Also, remember that objectives are working tools, not public-relations statements designed to impress people. You cannot set effective objectives if you don't have a "systematic way of exposing reality and acting on it."

The first phase of the MBO process is planning in order to identify the critical few key result areas that will produce the vast majority of results. Some examples of key result areas for a sales department are:

1. High prices relative to the competition.
2. Share of advertising revenue
3. Revenue growth
4. Staff development and training

The second phase of MBO is execution. The process for implementing bottom-up MBO is:

1. People in the smallest units, usually teams, initiate a set of written performance objectives.
2. The team objectives should be action oriented ("What action do we need to take to improve the way we do our jobs?")
3. The objectives are discussed by associates (among themselves in self-managing teams, followed by agreement on the objectives to which everyone can then become committed.
4. Periodic review by the team itself to determine to what extent the objectives have been met or exceeded.
5. Communicate results to management. MBO is best used as a system for helping people in a department or team plan their objectives for an upcoming period. Top management can use the system with department heads, and department heads can use the system with their teams and associates.

Objectives should be set for the coming year and then updated and reviewed on a quarterly, monthly, and weekly basis. MBO should be used as a planning tool (what tasks are going to get done), and as a control tool (did people complete assigned tasks). When an analysis and review is conducted with a team, the emphasis must be on a coaching, supportive approach: Did the team get the planned results, could results have been better, what could have been done more effectively? No comparisons with other teams or salespeople should be made. The only comparisons that are effective are those to each team's and salesperson's own past performance.

If a manager uses MBO to evaluate a team or a salesperson's performance for the purpose of making salary or compensation decisions, then MBO completely loses its effectiveness. When teams and salespeople realize that they are going to be rewarded on the basis of the objectives they set, they will tend to negotiate to set them on the low side.

On the other hand, objectives and goals can have very strong motivating effects if they meet the MADCUD criteria, as detailed in Chapter 5 of *Media Selling*, pages 58-60. It would be a good idea to review the MADCUD criteria at this time.

Even though MBO is supposed to focus on action and results, the results it focuses on should not be based *only* on achieving financial objectives, there are other important objectives. Overall budget, billing, and revenue goals are sometimes ineffective in motivating people.

The idea that billing or financial goals might be ineffective is probably foreign to most sales managers, but it is in this area that the original concept of MBO has gotten off track in many organizations. Because top management is normally evaluated and paid on their bottom-line—making budget (which is not an effective way to reward top managers)—they often pass a revenue budget objective down to the sales department without taking the time or effort of translating this general, overall objective into more specific and helpful process, activity, and task goals. Overall revenue budget objectives often mean relatively little to individual salespeople. They are not overly concerned about how rich the owners become.

It is the top managers' jobs to work with their sales manager to help them articulate meaningful objectives and to design strategic plans and execution goals to accomplish these objectives, including improved revenue objectives. Objectives are easy and relatively simple to decide on; it is strategy that is hard and complicated. If the strategies are right, the revenue will come.

Accomplishing a department's sales objectives comes from the successful accomplishment of a variety of objective-oriented tasks. Thus, it is these tasks on which the focus should be, not on the eventual outcome of these tasks, profit. As Peter Drucker points out, the purpose of a business is not properly defined as making a profit, but as creating a customer. If an organization sets its objectives in such a way that it continually creates customers, then the profits will come.

Peters and Waterman's in *In Search of Excellence*, write about the president of Hewlett-Packard, who said, "In our strategic review, the critical point is the division general managers' three to five objectives (for the year). We don't need the financials. The only reason I use them is to keep the division managers happy. If they get those objectives right, the financials will follow." Objectives at H-P are tasks. For example, "to get the sales force in the Western Region spending 50% of their time calling on customers of type X rather than type Y by October 31."[ii][ii]

MBO is also an excellent control system. Objectives become a road map of how to get to a clearly defined distant target. By continually checking progress along the path of accomplishment at regular intervals, teams and people can easily get back on the right road when they see they have wandered. Without a map, they do not know they have wandered.

Finally, MBO requires time in order to work effectively. The Chief Executive Officer of one of the largest of the Fortune 500 companies said that it took five years to implement MBO in his company and ten years to get it right. If people are given time to get used to using an MBO system, and use it properly for planning and control (not for rewards or comparative evaluations), the system can serve any size organization well.

Steps in the MBO Process

1. Describe roles and missions: "who does what?"
2. Define key result areas.
3. Identify indicators of effectiveness: "what is good performance?"
4. Set objectives with a bottom-up process described above: "To (action verb) (single key result) by (target date) at (cost, if appropriate)." EXAMPLE: "To increase average spot prices 15% by the end of the second quarter at current expense levels."
5. Decide on task-oriented and process-oriented action plans.
6. The team monitors progress: information, reports, conversations, communication (constant, open, and informal).
7. Communication is the grease for the MBO wheel, it keeps everyone running smoothly. Teams must continually communicate to everyone (management included) progress toward achieving its objectives, and management must communicate with everyone how the organization is doing in meeting its objectives by using newsletters, wall charts, memos, and departmental meetings, for example.
8. Everyone evaluates results (management and teams), make necessary adjustments, and set new objectives. MBO must be a continuous process; it must be part of an on-going system. Leave out a step and the system breaks down. Team and individual performance coaching is an integral part of the system. MBO cannot work on just a macro level, it must be managed on a micro level and involve everyone in the process. Everyone must know what the overall objectives of the organization are and what the organization's department and teams' goals are.

9. Finally, the objectives in an MBO system must be inextricably linked to an organization's mission statement. Every objective must help accomplish the overall mission, then managers must "manage to the mission."

Coordinating/Aligning

Once realistic objectives have been determined in a bottom-up MBO process, sales management must coordinate the objectives and tasks among the teams and individuals. Sales managers become much more effective when they consider themselves coordinators who coordinate tasks, activity, and work that aid salespeople meet their objectives rather than bosses of a command-and-control operation.

Alignment means that sales managers must align an organization's goals with individuals' objectives. Of course, this means that sales managers must understand the needs, goals, preferences, style, and dreams of their salespeople and translate organizational goals and objectives into objectives that have meaning and resonate with each salesperson. Aligning organizational goals to those of a spotlight seeker might mean emphasizing internal competition and revenue objectives. With a gladiator a sales manager might emphasize recognition for working hard, appreciation for being a team leader, support and facilitation of paperwork and inside tasks, and revenue objectives. With a comfort seeker, emphasize your personal relationship ("don't let me down"), relationship with a team ("don't let your team down"), and recognition (lots of stroking) for meeting personal objectives and being a good team member ("doing your best"). Aligning corporate goals with individual objectives is one of the best ways to unleash people's individual self-motivation.

Empowering

Empowering people means giving them the authority, responsibility, tools, and systems to make decisions that will help people achieve their objectives. Empowering people also requires removing performance constraints. For salespeople, constraints on performance come from policies, rules, and systems, which are often out of date—designed for an earlier, less competitive, internally focused environment. An internal focus reflects an emphasis on organizational management, product, simplicity and convenience needs. External needs reflect an emphasis on customers' needs.

Most policies, rules, and systems in media organizations are in place because of habit, not because of proactive, strategy-focused decisions. As Schuster and Zinghein write, habit is the adversary of change.[iii][iii] The two most important set of policies, rules, and systems that affect sales performance are those that involve performance evaluation, or measurement, and compensation. Keep in mind the adage, "You get the performance you measure and pay for." I will cover performance evaluation and measurement in the Coaching section further on in this chapter, but for now, let's examine compensation, because compensation, or money, is typically one of the most important, if not the most important, motivators of salespeople. Or, stated another way, pay is one of the most important empowerers or constrainers of salespeople.

Compensating Media Salespeople

The following section can be downloaded from www.charleswarner.us in the "Papers by Charles Warner" link.

In recent years by many companies have incorporated rewards into their compensation systems for achieving company goals rather than individual goals, for teamwork and cooperation, and for customer service. This trend was confirmed by an article reporting on a sales-compensation survey conducted in 1995.[iv][iv] The survey showed that less than one percent of US salespeople were paid on a straight-commission basis, the dominant system in broadcasting and in many other media.

In a major reorganization of the Digital Equipment Corporation's (DEC) sales force in 1993, the compensation system was changed radically to reflect new corporate strategy. The new sales incentives were based in part on measuring customer satisfaction more accurately via surveys and factoring these customer survey results into compensation plans.[v][v] At the beginning of 1994, IBM restructured its compensation system to reward profitability and customer satisfaction. In the new system, 60 percent of sales commissions (about 35 percent of a salesperson's total remuneration) are based on the profitability of an order, not on overall revenue, and 40 percent are based on customer satisfaction, based on buyer surveys.[vi][vi] Customer satisfaction surveys are growing in popularity as a management tool, and according to a 1994 survey by Bain & Co. they are the second most widely used management tool in business.

Schuster and Zingheim compare the sales compensation plans of the best performing companies with those of the worst performing companies in their sample across several industries. The best performing companies always integrated their sales compensation plan with corporate goals and did not follow industry practices in designing and implementing their sales compensation plans. Also, the best performing companies gave rewards that were based primarily on performance on desired sales activities rather than just on volume or total revenues.[vii[vii]]

Cespedes reports that approximately two-thirds of U.S. companies use a combination of salary and incentive compensation. The reasons companies give for using salary-plus-incentive systems is that it helps them keep compensation costs flexible, it is helpful in setting performance standards that achieve desired company goals and objectives, and it allows management to maintain greater supervision and control over selling efforts.[viii[viii]]

Goals of a compensation system. A well-designed compensation system in should accomplish as many of the following objectives as possible, as suggested by three compensation experts, Edward Lawler[ix[ix]], Richard Henderson,[x[x]] and Allan Nash:[xi[xi]]

1. Aid in meeting an organization’s strategic goals.
2. Aid in communicating corporate goals, performance standards, and expectations.
3. Tie compensation directly to current sales performance.
4. Attract and hold good people.
5. Keep salespeople's motivation high.
6. Help in analyzing sales potential, planning account coverage, and allocating selling time.
7. Be understood by salespeople.
8. Be fair to employees.
9. Be fair to the organization.
10. Provide management control.
11. Enhance teamwork and cooperative effort.

Guidelines for a sound compensation system. Some of the guidelines for designing a sound plan are:

1. The variable portion (bonus or incentive) must be large enough to justify a salesperson's extra effort. An incentive that is over and above a salary should be at least 15 percent of the total compensation (in the period the incentive or bonus covers) to be effective. Incentives under 15 percent of total compensation are not effective and provide very little additional motivation or incentive.
2. There should be a good balance between security and incentive.
3. Rewards should be based primarily on an individual’s performance and effort, and directly commensurate with desired sales behaviors, activities, and results.
4. The plan should be competitive in the industry and in the area (market or region).
5. The plan should reflect the strategy and objectives of the organization.
6. The difference between the compensation of high and low performers must be significant—the highest paid salesperson should earn a minimum of 40 percent more than the lowest-paid salesperson.
7. There should be rewards for both hard (quantitative) and soft (qualitative, behavior-based) performance criteria.
8. There should be no perceived ceiling on earnings.
9. Opportunity for reward must be equal among all salespeople.
10. There is management control over what is sold.
11. There are some rewards for non-selling duties.
12. Incentive payments should generally be prompt and frequent, while remaining large enough to be sufficiently motivating.

Major problems with compensation systems. The biggest problem with most sales compensation systems is that they violate objectives number one and two: Aiding an organization in achieving its strategic objectives, and communicating corporate goals, performance standards, and expectations. These problems occur for two reasons. First, sales management has not thought of linking sales compensation directly to strategic objectives and, second, most sales departments have no clear idea of what their long-term goals, standards, and expectations are, other than "go out and get an order" or "bring in enough billing to make budget."

Definition of sales performance. As you learned in *Media Selling* and in Chapter One, objectives of a media sales department are:

1. To get results for customers (another way of saying "create a customer" that is specific to the media business)
2. To develop new business
3. To retain and increase current business
4. To increase customer loyalty

These are the objectives that should be rewarded, not merely getting orders, or making budget. In order to meet these objectives, salespeople have these overall strategies, as you learned in Chapter One:

1. Sell solutions to advertising problems
2. Reinforce the value of advertising and of your medium
3. Create value for your product
4. Become the preferred supplier
5. Innovate
6. Help the competition get rich

To carry out these strategies, salespeople have three primary functions, as you learned in Chapter 2 of *Media Selling*:

1. To create a differential competitive advantage in a buyer's mind
2. To manage relationships
3. To solve problems

Keeping these objectives, strategies, and functions in mind, following is a comparison of the positive and negative features of the three basic compensation methods commonly used by American businesses, reprinted from Wyatt Data Services' *Manual of Sales Incentive Plans, Volume II.*

FEATURES OF SALES COMPENSATION METHODS[xii][xii]

FEATURE	SALARY ONLY	SALARY PLUS INCENTIVE	COMMISSION ONLY
Sales Representative Income	Highest income security with lowest degree of income at risk.	Balances income security and income at risk.	Lowest income security, with highest degree of income at risk.
Sales Behavior	Easily used to encourage customer service and non-sales work.	Flexibility to tailor compensation mix to varied sales situations.	Tends to encourage aggressive sales at the expense of customer service and non-sales work.
Reward Flexibility	Lowest degree of flexibility to reward high producers.	Flexible reward mechanism through variable incentive component.	Highest degree of flexibility to reward high producers.
Design Flexibility	Relatively easy to change goals, territories and accounts.	May be difficult to change goals, territories and, accounts.	Difficult to change goals, territories and accounts.
Administration/ Communication	Easy to administer, understand, and communicate.	May be costly to administer, complex, and not easily understood by the sales force.	Easy to administer, understand and communicate.
Cost of Sales	Predictable selling costs with tendency to high fixed selling costs during business downturns.	Decrease in sales expenses during business downturns depends on variable portion of sal-ary/incentive mix.	Tends to increase cost of sales by automatically raising commissions paid without extra effort.

Following are the types of commission systems commonly used in many media industries.

Straight commission or commission only. A commission-only system typically pays a percentage commission on sales. In smaller market radio and television stations, the commission could be as high as 15 percent, in large-market broadcast stations such as New York or Los Angeles, it could be as low as .75 percent.

Billing vs. collection. Commissions can be paid on the basis of billing or collections. If commissions are paid on collections, the company is taking the precaution that salespeople do not sell schedules to advertisers who cannot or will not pay their bills. Many companies, particularly those in smaller markets where cash flow is often critical, use the paying-on-collections approach because few accounts pay their bills on a current basis. Many small accounts stay 60 or 90 days behind, and many smaller advertising agencies do not pay the media until their clients pay them, which usually means that local media outlets wait a minimum of 45 days for payment. Many larger agencies do not pay their bills for 60 or 90 days in order to use the float to their advantage.

Even though it may help cash flow and keep salespeople from selling to too many deadbeat accounts, paying on collections is hard on salespeople and is not recommended by experts.[xiii][xiii] Salespeople often do not see commissions on a sale for months after they have made it. Even worse, many companies make salespeople collect from past-due accounts, which is a further demoralizing element (the business office should be primarily responsible for collecting past-due accounts, in a nice, gracious manner, and in consultation with salespeople). If salespeople are responsible for collections, they can "get carried away, push too hard, and lose all sense of ethics."[xiv][xiv]

It is usually better to pay on billings than on collections. If companies pay on billing, there must be an accounting system in place that keeps track of collections so that salespeople can be charged back for billing on which they have been paid commissions, but which is not subsequently collected in 90 or 120 days. This charge-back system must be rigidly enforced in order to discourage salespeople from selling to accounts that are not creditworthy, or, worse, from placing phantom orders. Phantom orders are placed by unscrupulous salespeople for accounts that they know have no intention of paying their bills or who were not even solicited, just to gain unearned commissions.

Many organizations add commissions back to a salesperson's paycheck if an account subsequently pays after the 120 days; however, most of these stations deduct from these repaid commissions any costs that they might have incurred in collecting the past-due money. This deduction of collection expenses is a good idea because it reinforces to salespeople the importance of selling to accounts that can and will pay their bills on a timely basis.

Draw vs. guarantee. Salespeople on commission usually receive a *draw* or *guarantee* at the beginning of each month against anticipated commissions. This draw or guarantee is meant to tide them over until they get paid their commission on advertising schedules that are run.

One major problem with a draw is that it is very difficult for beginning salespeople to get started and see commissions begin to come in. It is not unusual for starting salespeople to have to live on a relatively small draw for several months and then see their first commission check disappear as the draws are subtracted from it. It is not a particularly good idea to have a compensation system that discourages new salespeople.

In order to overcome this problem, many companies give new salespeople a guarantee instead of a draw. A guarantee is a payment given at the beginning of a month that the organization promises will be the minimum compensation that salespeople will be paid.

Some companies give beginning salespeople a guarantee for three or six months and then change them over to a draw. This system might be workable in a situation where there is absolutely no chance of money being taken back, even in a slack month. However, in smaller markets where there is a possibility the salespeople might not earn enough commissions to cover a draw, this system is not a good idea. People are apt to take the guarantee for the protected period while they desperately seek another job that gives them a more secure feeling of a steady income. Some companies offer new salespeople a reasonable guarantee (say $1500 per month) and then reduce it by one-twelfth each month for a year in the hopes that a salesperson will have established a viable account list by the end of a year.

If compensation is based on commissions only, then the guarantee system is better. The draw system does not build trust or a feeling of loyalty or security. If salespeople cannot bring in enough billing after a few months to cover a reasonable guarantee, then sales managers have probably hired the wrong salespeople, trained them poorly, or have too many salespeople on the staff.

Commission-only is not the most effective system. A commission-only compensation system is not the most effective way to pay salespeople, according to Walter Kiechel, writing in *Fortune*:

> Yes, you can pay...on a commission-only basis, particularly if you just want them to ring as many doorbells as possible. But don't expect much managerial leverage that way. The sales staff will simply sell the products they have always had the most success with. What they probably won't do: push new offerings that, while important to the company, are hard to sell; spend a lot of time providing follow-up service to customers; spend time to cultivate new prospects. If you hope to have some say in what your salespeople do, you will have to treat them,

> in this one respect, like other employees: You may have to pay them a salary, which you then can supplement with commissions or a bonus.[xv[xv]]

One of the reasons commission-only systems are used is that the system meets several management administrative (as opposed to strategic) goals: It is easy to administer and its costs are in direct proportion to revenue. However, in other industries that sell services, sales compensation systems are typically more complicated because of the complex role of the salesperson.[xvi[xvi]]

Some media companies are following the trend in other industries and using salary-plus-incentive arrangements. There are several reasons why the commission-only system is being discarded:

1. A commission-only system does not aid in meeting strategic objectives. In fact, it often impedes objective setting. Since commission-only systems place emphasis solely on short-term billing, other vital sales objectives such as developing new business, effective use of inventory, selling for high rates, selling specials, and maximizing revenue are often given short shrift by salespeople.
2. It does not aid in communicating corporate goals or performance standards, because remuneration is based strictly on billing, which is measured quantitatively. There is no weight given to qualitative factors such as work habits, effort, cooperation, top-level-client prospecting, or ethical selling, for example.
3. A commission-only system often creates intradepartmental competitiveness and conflict because billing is based, to a large degree, on two variables: The quality of a salesperson's account list and the amount of inventory available to sell. Under a commission-only system, destructive internal warfare often develops over who gets the best account list, with no thought given to who can best sell a particular account. Secrecy and selfishness are often the result.
4. Maximizing revenue is forgotten as salespeople try to maximize their own billing, often by selling as much inventory as possible for whatever price they can get so they can sell it before someone else does.
5. It does not give management much control over inventory, and it makes account-change decisions difficult. Salespeople get extremely possessive about accounts, thus limiting management flexibility.
6. It creates short-term thinking to the detriment of developing long-term relationships.
7. The assumption underlying the commission-only system is that people are motivated only by money. This assumption was probably never valid, and is even less so in the more quality-of-life-conscious current generation of young people. People are turned on by friendly, cooperative co-workers, by challenges, by interesting work, by security, by caring and supportive management, or by growth-oriented situations, not just by money. People in the media today have a number of interesting and exciting alternatives for making money, and what they are looking for is satisfying, interesting work.[xvii[xvii]]

Super sports agent Mark McCormack wrote an article in *Sales & Marketing Management* magazine titled “The Case Against Commissions.” He writes:

> ...I made up my mind a long time ago that the best way to keep our company going was to encourage teamwork, communication, and cooperation. That's why I choose to compensate my salespeople on a salary plus a bonus plan. When the company gains, so do the salespeople. A commission structure, which tends to pit a salesperson's self-interest against the company’s best interests, doesn't seem to fit this scenario. [xviii[xviii]]

Arthur Leavitt, the ex-head of the SEC, believed that straight commissions were the cause of much of what was wrong in the brokerage business, such as unscrupulous salespeople churning accounts just to get commissions.

On the other hand, Mel Karmazin, soon after he became head of the CBS radio and TV stations, changed all the CBS stations’ compensation system from salary (about 75 percent of the total) plus commission or bonus to straight commission. In announcing the change, he remarked that anyone who wanted a salary should work for the Post Office.

However, many knowledgeable people agree that salary (about 40-60 percent of total) and incentive pool (60-40 percent of total) is the best system. Although, straight commissions can work well if the compensation level is high enough to attract the best salespeople available. Also, if agency and account lists are distributed fairly (perceived to be fair by the salespeople) and adjusted often to reflect performance and account shifts, straight commissions can function reasonably well, but it requires constant adjustment by sales management. Salespeople typically see commission-only systems as unfair and favoring the people who have been with the company the longest—the survivors.

Furthermore, it is possible to pay salespeople too much with a straight commission system. It was reported in a *Fortune* magazine article that a salesperson at WFAN-AM in New York, one of Karmazin's Infinity stations, made $400,000 in one year.[xix[xix]] That salesperson was probably great—he must have been to bill enough to make $400,000 on a station that does not consistently appear in the top ten in the ratings. But is any salesperson at a New York radio station worth $400,000? Would he have sold as just as much if he made $200,000? On the other hand, could a radio station be able to attract a top-flight salesperson for $200,000 in New York? Obviously, there has to be a balance and tradeoff between paying enough to get top salespeople and not paying more than necessary to attract good salespeople.

One of the many criteria for a sound compensation system is that it be fair to both employees and the company. Managers must balance their desire to pay their salespeople well with the need to keep costs in line.

Commission-only variations. There are two variations on the commission-only method that are occasionally used: graduated commissions and variable commissions.

Graduated commission plans go two ways: up or down. The systems either pay progressively higher commission rates as billing goes up, or pay progressively lower commission rates as billing goes up. Progressive and retrogressive commission systems do not to work in practice. The progressive system can quickly get out of hand and cost a company too much. The system also fosters internecine warfare among the salespeople for accounts. The retrogressive scale punishes people for selling more, which is totally counterproductive. It is simply a way for a company to save money and reduce a salesperson's level of opportunity—a condition that salespeople recognize immediately and hate.

Most variable commission systems don't work (they don't empower people to make the right decisions), except under certain conditions. A typical variable system might pay a different commission rate for new business, another rate for selling special inventory, or another rate for special packages or promotions.

If a higher commission percentage is given for new-business, it must be for *developed* new business, or business that salespeople can prove that they made an effort to develop by showing presentations, letters, and so forth. It is counterproductive to give a higher commission merely for "new" business that has not been active for 12 or 13 months that salespeople cannot prove they have made a *tangible* effort to develop.

Also, for a higher new business commission to provide extra motivation and empowerment, it must be substantially higher than the regular commission percentage. A new business commission must be at least 100 percent greater than regular commissions to have any hope of succeeding (otherwise the majority of salespeople will not bother).

The basic problem with most variable commission rates are the underlying assumptions that a relatively small differential amount of money will influence salespeople's behavior and that salespeople will have a significant degree of control over what clients buy.

For example, if a company paid a 10 percent commission on regular business and a 15 percent commission on new business (a 50 percent premium), then the assumption would be that the higher commission would motivate salespeople to concentrate on developing new business. Here is an example: If a salesperson could expect monthly billing of $30,000 from regular business, he or she could earn $3,000. In assessing billing potential, the salesperson would estimate how much new business could be developed. Next, the salesperson would estimate how much effort would have to be expended to develop new business. Then, the salesperson would make a comparison between how much new business could be developed with the extra effort versus how much additional regular business could be developed with the same effort.

Continuing the example, assume that a salesperson estimated that the extra effort could bring in 25 percent more business in the average month (or an additional $7,500 new business on an average monthly billing of $30,000), or $1,125 in additional commissions at the 15 percent new business rate. However, the same amount of additional effort might bring in the same 25 percent increase in regular business, or an additional $750 in commissions at 10 percent. The difference is only $375 in income for going after the more difficult to sell, long-term new business. Salespeople will usually stay within their comfort zone and settle for the lesser amount, assuming they decide that any extra effort is worth the additional money, which, of course, they may not.

A network-owned television station in Los Angeles tried a system of paying approximately one percent commission on regular business and 6 percent on new business—a whopping 500 percent bonus for developed new business. After several years, the station abandoned the system because it did not motivate any of its entrenched agency salespeople to bring in new business (they were probably comfort-seekers), while some of the retail-oriented salespeople (those who preferred to call on direct business—they were probably direct selling superstars) were compensated at such high levels that corporate headquarters questioned management's sanity. The motivation to develop new accounts is more a function of a salesperson's basic personality and selling preferences than it is of the amount of new-business commission premium.

Salespeople who view themselves as primarily agency service people (farmers) often cannot change their personalities and overnight become missionary salespeople (hunters). If a company wants to emphasize new business development, it should change its commission structure and see if it motivates people to get on board with the sales department's sales strategy, and then replace people who cannot adjust.

Many companies are dividing their sales staffs into two separate teams—a developmental or marketing team and an agency or transactional team—and paying them differently. The agency team is often on a lower salary and a higher incentive and the developmental team on a higher salary and lower incentive to encourage long-term thinking and reduce the pressure of closing business.

Salary-Plus-Bonus Based on Quota or Budget Achievement. Some companies use a system of paying salespeople a salary plus a bonus based on achieving individual monthly or quarterly sales billing quotas or budgets. For example, a company might pay a salesperson a $750 monthly salary plus a bonus (often a stated dollar amount) of $1,500, for example, for achieving a predetermined billing quota, budget, or target.

The problem with salary-plus-bonus systems is that they take a great deal of time to administer, since the manager must have monthly discussions with all the salespeople to set quotas, budgets, or targets. These discussions are often prolonged and heated because sales managers usually try to set quotas that have stretch in them, and salespeople want low quotas to assure that they get their bonuses. In these situations, the highest rewards often go to salespeople who are best at negotiating quotas or budgets and who have the best account lists, not necessarily best at selling. Also, it is extremely difficult to set quotas that are perceived to be fair by all salespeople.[xx[xx]]

Furthermore, quotas are often based on the previous year's billing level, which tends to focus on past performance success rather than on a realistic assessment of future opportunities and current performance in turning prospects into customers. Also, accurately forecasting or projecting future billing is quite difficult in the volatile media marketplace today. Making an estimate of future business for planning purposes is one thing, but it becomes more difficult when compensation is based on budget setting; lowballing by salespeople becomes common practice. Rewarding salespeople based on reaching a predetermined budget or goal works much better when advertising revenues are rising from year to year than when advertising revenues are declining. In the latter case, salespeople often have to work harder than ever and are still not able to meet the previous year's numbers (on which goals are typically based) and thus have virtually no chance of reaching the goals or getting a bonus.

By far the worst outcome to tying compensation to budget achievement is that the system virtually guarantees that salespeople will stop working as soon as they make the budget. They know that going over budget means that their budgets will subsequently be raised next year and in subsequent years, making it impossible to make a budget in the long term.

Also, paying based on making budget emphasizes billing, which means that whoever has the best list has the best chance of making budget. Therefore, compensating based on hitting a budget number causes salespeople to behave the same way they do under a commission-only system.

Thus, the purpose of setting demanding but achievable individual sales budgets or goals to help a company achieve its overall objectives is usually defeated under a salary-plus-bonus system. Additionally, under a salary-plus-bonus system, maximizing revenue is not a goal, making budget is. A sales department can make or miss a budget in any month or quarter depending on luck (ratings or circulation declines, decline in the economy, and so forth), but luck plays no part in maximizing revenue, a concept based on demonstrating an intelligent effort regardless of ratings, forecasts, budgets, economic conditions, or account movement in or out of the market or medium. We learned in Chapter 3 what Jack Welsh, ex-CEO of General Electric, thought about budgets. He said, "Making a budget is an exercise in minimalization.

You’re always trying to get the lowest out of people, because everyone is negotiating to get a lower number.”[xxi][xxi]

Salary-plus-commission. Some companies use a salary-plus-commission arrangement. The advantage of this type of commission system is that it provides some security for salespeople, tends to even out income over a year, and gives stations a method of rewarding non-selling activities such as involvement in company promotions and presentations. The salary-plus-commission system, depending on the size of the salary, tends to put a higher floor and a lower ceiling on salespeople’s earnings.

The disadvantage of this system is that salespeople continue to behave as though they were being paid under a commission-only system. It has all of the disadvantages of a commission-only system and none of the advantages of cooperation and teamwork of other systems, especially a pool system.

Salary-plus-incentive pool. Many media companies are using a salary-plus-incentive pool compensation system of one type or another. The typical salary-plus-pool system pays salespeople a base salary and also gives them a percentage of a commission pool.

Salaries can vary among salespeople based on a variety of variables such as seniority, ability, or past performance, for example. Following is how a radio station structures the salary portion of its compensation plan:

SALESPERSON SALARY AND COMPENSATION LEVELS
(Provided by WPKO/WBLL, Bellefontain, OH)

TITLE	
Sales Representative	
Monthly Salary	\$ 1,200 - 1,400
Annual Salary	\$14,400 - 21,600
Annual with Bonus	\$18,720 - 28,080
Marketing Consultant	
Monthly Salary	\$ 1,750 - 2,350
Annual Salary	\$21,600 - 28,800
Annual with Bonus	\$28,080 - 37,440
Senior Marketing Consultant	
Monthly Salary	\$ 2,400 - 4,500
Annual Salary	\$28,800 - 54,000
Annual with Bonus	\$37,440 - 70,200

The above system uses a wide variety of measurement and performance tracking criteria to determine salespeople’s salary level and bonuses. It recognizes and rewards improved skill development and increased job responsibility. Increases in the base salary are only provided on the basis of *demonstrated* merit, not for the cost of living, or length of time with the station. Bonuses are based on attainment of a billing quota (negotiated with and accepted by each salesperson) and multiple other performance measurements (time management, use of sales tools, prospecting, and sales presentations they create, for example). Promotion to the next title/pay level is based on demonstrated skill and performance improvement.

The above system is effective in that it has different salary levels based on performance criteria, but it is not effective in that it bases bonuses on making a revenue budget.

Designing a Pool System.

A pool system can be extremely effective. The amount of money that goes into a pool can be based on several factors, such as a percentage of a media outlet’s local or total billing. If a percentage of total billing (local and national) goes into the commission pool, then it tends to encourage local salespeople to work on national accounts. Some broadcast stations also give their national sales representative companies a commission (five percent, for example) on total billing in order to reduce the bickering over local versus national business.

The percentage of the pool that a local salesperson receives can be based on the percent of a company’s local revenue that the salesperson did the year before. Thus, if a salesperson did

29 percent of the local billing the previous year, he or she would receive 29 percent of the pool. These systems are not effective in achieving corporate goals because such a system has many characteristics of a commission-only system in which billing, thus account lists, are the most important factor.

Many companies that use a pool system base a salesperson's share of the commission pool on factors other than billing—sales effort and selling behavior are the key factors. Sales managers describe the behaviors they want and then award pool shares based on performance on the listed behaviors, effort, and activities. For example, a sales manager may want to reward salespeople for developing new business, getting high rates, and using qualitative research in sales presentations. At the end of the month or quarter, the sales manager evaluates each salesperson's performance on the desired behaviors and gives the salesperson an appropriate share of the pool. The behaviors and activities are determined in advance for all salespeople, not for individual salespeople, so that everyone can be evaluated on a fair basis.

Thus, the salesperson who did 29 percent of the company's billing the previous year might have done so because of a good list of accounts and might not have developed new business or done well on other performance criteria. The sales manager might reduce that salesperson's share to, say, 15 percent of the pool, while raising another lower billing salesperson's share to reward that salesperson's for making an extra effort on the desired, predetermined behaviors and activities, such as getting high rates or developing new business.

This type of pool system is better than a commission-only system or a pool system that rewards people based on their current or past billing, because it rewards salespeople for selling the way the company wants them to sell and for helping the company reach its strategic sales objectives. This type of pool system allows sales managers to reward people according to effort and cooperative, team-oriented behavior, not according to billing, which is determined in large part by a salesperson's acquired (usually through attrition of other salespeople) account list. A flexible management-discretion pool system also helps salespeople focus on how well the entire sales department and their fellow salespeople are doing.

The biggest benefit of a salary-plus-pool system is that it aids in building teamwork and cooperation. It can help stations get their salespeople to think of what is best for the company, not just for themselves. For example, salespeople are much more willing to trade accounts in a pool system. They want the salesperson with the best personality fit with a customer to call on that customer regardless of previous account assignments. The goal in a pool system is for the company's total revenue to increase.

Also, money from the pool can be used for special recognition awards, such as a $1,000 surprise award for landing a large new account, or money can be used to reward a salesperson for getting a major renewal or for stressing the importance of relationships and long-term business. Furthermore, a small percentage of the pool can be given to sales support and traffic personnel. A small percentage of the pool given to the usually underpaid support staff is invariably supported enthusiastically by salespeople.

The drawbacks of a salary-plus-pool system are that pool systems are often erroneously perceived as group rewards and not as individual rewards and salespeople can consider the system to be unfair and inequitable if they perceive that there is a great deal of disparity in ability and expended effort among the staff, especially if a few strong salespeople feel they are carrying several weaker ones. Also, if shares of the pool are based on past performance, such as previous year's billing, it tends to unfairly favor people with seniority and larger account lists regardless of current performance and effort.

Pool shares must be based on current performance and effort, with higher pool shares going to salespeople who make an extra selling effort and demonstrate the desired sales behaviors.

Implementing a Pool System. *Fairness* is the critical element in a pool system (in fact, in *any* compensation system). Before implementing a new compensation system, it is imperative that management get salespeople's input. In an article titled "Fair Process: Managing in the Knowledge Economy" in the *Harvard Business Review*, Kim and Mauborgne report:

> …the central idea that emerges from our fair-process research is this: individuals are most likely to trust and cooperate freely with systems—whether they themselves win or lose by those systems—when fair process is observed…Fair process responds to basic

human needs. All of us, whatever our role in a company, want to be valued as human beings…we want to be treated with respect for our intelligence…we want our ideas to be taken seriously…we want to understand the rationale behind specific decisions..” Fair process involves seeking people’s input—letting them have their say. Fair process is not decision by consensus—it does not set out to achieve harmony or win people’s support through compromise. Fair process gives every idea a chance and every one the opportunity to be heard.[xxii[xxii]]

For example, in every sales department, salespeople know who the best salesperson is. The salespeople see who works the hardest, who makes the most calls, who develops the most new business, who has the best relationships with clients, and who gets the highest rates. As long as the salesperson who others perceive to be the best earns the most money, and the second best earns the second most money, and so forth, the majority of the salespeople will perceive the compensation system to be fair.

A good rule of thumb is that salary should not be more than approximately 66 percent of a salesperson’s total compensation. If salary exceeds 66 percent of the average salesperson’s compensation, then complacency could develop. On the other hand, one of the best performing sales staffs in broadcasting (according to an agency survey) is paid a salary that is 75 percent of their total compensation. Relatively high salary levels tend to have the same effect that pool systems do. They give management more control, they foster cooperation and account switching among a staff, they give salespeople a sense of security (especially in difficult rating or economic downturns), and they tend to reduce staff turnover.

A Combination of Systems is Best.
The most effective type of compensation system for today’s media salespeople is a combination of systems.

Using the monthly billing levels in the above examples, below is how a combination system might look if an organization compensated six salespeople by giving them a monthly salary of $750, plus a share of a pool that is based on 12 percent of total local billing. Shares of the pool are paid quarterly (or monthly, if preferred) based on sales management’s evaluation of performance on several important, predetermined, specific, and communicated behaviors and activities. If pool shares are paid quarterly, salespeople can be given a monthly draw against expected pool shares. Pool share percentages in the example below vary substantially depending on the sales manager’s evaluation of a salesperson’s performance.

Sales-person	Monthly Billing	% of Total	Salary	$ of 12% Pool	% of Pool	Total Compensation
#1	$ 5,000	3.6	$ 750	$ 840	5	$1,590
#2	10,000	7.1	750	2,520	15	3,270
#3	20,000	14.3	750	1,680	10	2,430
#4	25,000	17.9	750	4,200	25	4,950
#5	30,000	21.4	750	4,200	25	4,950
#6	50,000	35.7	750	3,360	20	4,110
Total	140,000	100	4,500	16,800	100	21,300 (15.2% of 140,000)

In the example above, each salesperson has been given a share of the commission pool based on the sales manager’s evaluation of the salesperson’s performance based on several criteria that sales management communicated to everyone beforehand (you’ll find a list of performance criteria later in this section). Sales management has given salesperson #1 a slightly higher percent of the pool than the person’s billing might indicate, perhaps because that salesperson ranked higher on desired performance criteria than others did. Salesperson #2 has had his or her pool percentage more than doubled compared to the percentage of local billing, indicating a superior effort in achieving pre-stated performance criteria. Salesperson #6 billed 35.7 percent of the local total, but is given only 20 percent of the pool, because the salesperson ranked relatively low on the desired performance criteria for the period (month or quarter), the effort was below what was expected, and the effort (and subsequent pool shares) were not as good as the efforts of salespeople #4 and #5.

As discussed previously, salaries do not all have to be equal for all salespeople, although they are in the above example. Salaries can be based on years with the company or experience and can be negotiated individually, but they must be perceived as being fair.

The salary-plus-pool system is a powerful one that allows management to reward salespeople for activity- and effort-based performance (a quantitative element) and for qualitative, behavior-oriented elements. The salary-plus-pool system also allows compensation to be tied to sales performance on desired sales dimensions and for carrying out a department's sales strategy.

Implementing a Combination of Systems

The combination of systems described above comes close to satisfying more of the objectives and guidelines for a sound compensation system given at the beginning of this section than any other compensation system does. When designing a system using the above model, managers generally should keep the total incentive portion above 33 percent of a salesperson's total annual remuneration.

Also, when a system is used that includes a percentage of a pool based on qualitative, behavior and activity elements, it is imperative that the elements be clearly communicated to the sales staff before each evaluation period, and that each salesperson be given candid, specific feedback immediately at the end of an evaluation period (monthly or quarterly, but no longer than quarterly). When salespeople are told why they were awarded their pool percentage, desired behavior and activities are being reinforced and salespeople are being given specific feedback on what is expected of them to fit in with the department's selling strategy.

None of the evaluative elements should be billing or achieving an individual sales budget. If billing or making a budget are included as factors that are evaluated, then salespeople will behave as though they were working under a commission-only system—account lists become of utmost importance, they will not trade accounts and they will work for themselves and not the station.

Furthermore, there should be a significant difference between the lowest pool payment and the highest one. If salespeople perceive that the payments are relatively equal, the payments lose all of their reinforcing power, and salespeople come to expect an average payment as part of their overall compensation system—they do not view pool payments as rewards for good sales behavior or consequences for poor sales behavior.

When salespeople are informed about their pool share, they should also be told the range of all the of the other salespeople's pool shares in dollars and in percentages (top amount and share and bottom amount and share) and told what their rank position of pool shares is compared to the other salespeople so they clearly know where they stand in relation to the others. It is also a good idea to post a list of the ranks of the top half of the sales department where everyone can see it ("Mary #1 pool share for first quarter, Mike #2 pool share, and Jane #3 pool share," for example). The concept of publishing just the top half of the ranks is to reward those who do well and avoid embarrassing those who are at or near the bottom.

Listed below are some of the behaviors and activities on which pool-share payments might be made. According to David Cichelli, who runs the sales compensation design program for the American Compensation Association, "you have relatively few measures to reward the sales strategy that you want and not overload the compensation program…We generally suggest no more than three measures in a compensation system."[xxiii[xxiii]] So, choose three, or at most four, elements below (or make up your own) to use as a basis for periodic evaluations and change these elements from time to time based on a sales department's strategic selling needs.

List of Evaluation Elements

1. Performance on core competencies
2. Customer satisfaction
3. Developing new business
4. Individual goal achievement (not billing)
5. High rates
6. Selling special programs or promotions
7. Closing key target accounts
8. Creating added value
9. Cooperative attitude
10. Use of qualitative research
11. Depth of account knowledge
12. Selling ideas, spec spots or ads
13. Creative packaging
14. Vertical agency selling
15. Amount of long-term business
16. Co-op dollar development
17. Vendor dollar development
18. Collections
19. Renewal percentage
20. Knowledge of competition
21. Knowledge of market

22. Knowledge of competitive rates
23. Seeking management help
24. Meeting deadlines
25. Support of other salespeople
26. Accurate and timely paperwork
27. Observing policies
28. Effective time management
29. Active participation in sales meetings
30. Active participation in sales training
31. Effective prospecting
32. Effective category development

The Floating Salary-Plus-Pool System

Some companies allow both their salary levels and pool levels to go up or down in proportion to revenue. In other words, as revenue goes up, the amount of money in the pool goes up, as in previously described systems, and, also, as revenue goes up, salaries go up. This system is based on the principle that a fixed percentage of revenue is put into the salary pool rather than a fixed amount of money. Management can distribute salary increases (or decreases) in the salary pool evenly among salespeople or according to performance. This system makes salespeople very happy when billing goes up, because they share in the increases both with higher salaries and with more in the pool to distribute. The system provides less of a safety net for salespeople when revenue falls, but it does provide management with a lower potential floor on salaries. I recommend that the salary pool increases but never decreases with changes in revenue, it's too demoralizing when the pool decreases.

A Warning About Implementing a New System

Many sales departments have implemented a salary-plus-incentive pool system and found them highly successful. However, when switching from a commission-only system, one or two of the salespeople with the best account lists often quit. These salespeople are typically list jockeys whose account lists have grown because of attrition and who have top billings because of their lists, not because of their great sales ability or efforts. Companies are usually glad to see these entrenched list jockeys leave, and typically billing, new business, and, especially, rates go up after a commission-only system is dropped and the list jockeys leave. Therefore, when switching to a new system, expect to lose a few list jockeys or at least for the top-billing salespeople to be unhappy initially.

Confidentiality Or an Open System

If there are different salary and compensation levels among salespeople, as is inevitably the case, sales managers have to make a decision on whether to let everyone know what everyone else is making or to keep compensation information confidential. The arguments for *confidentiality* are: Salespeople do not necessarily know all of the details about other salespeople's performance (degree of difficulty of account list, amount of new business, creativity, initiative, average rates, and so forth), and, thus, it is sometimes difficult for them to evaluate each other objectively. In an open compensation system, if one employee complains about his or her remuneration level compared to someone else's, the sales manager has to give an elaborate explanation that might violate another salesperson's privacy. In an open compensation system where everyone knows what everyone else is making, some managers avoid the potential for conflict and give everyone close to the same amount. A general rule of thumb is that openness about compensation often causes the difference in pay between top performers and average performers to drop in half.[xxiv[xxiv]]

On the other hand, in open systems where sales compensation is regularly posted (monthly, for example), salespeople do not have to guess who is making the most money, they can see it. An open system tells salespeople where they stand; it is clear, measurable feedback. If, and it is a big if, a compensation system is fairly administered by sales management, an open system is an excellent way of demonstrating management fairness and how management rewards activities, effort, and strategic selling. An open system can generate a high degree of trust in management.[xxv[xxv]]

If management has something to hide—unfair account list distribution, playing favorites, rewarding seniority rather than performance—then confidentiality is probably better. If management has nothing to hide and wants to gain the trust of its salespeople, then an open system is probably best. Some companies communicate the pool shares but keep salaries confidential. This system seems to be a good compromise.

In either case, a 40 percent spread between top and average salespeople's compensation levels is desirable.

Bonus Based on Exceeding Revenue Objectives or Budgets

To make the above salary-plus-pool system even more effective, a bonus can be added based on the sales department exceeding its overall yearly or bi-yearly local or total revenue objectives, budget, quota, or target. For example, if a station's total sales budget is $2,000,000, all salespeople might be offered a bonus of 15 percent of their total remuneration as soon as they go 5 percent over the yearly budget. Thus, when total billing reaches $2,100,000 (105 percent of budget) at the end of October or November, a salesperson who has made a total of $45,000 so far that year would receive a bonus of $6,750. Do not give bonuses for hitting revenue objectives or a budget, that should be expected, but give one for exceeding revenue objectives or budget by several percentage points (105 percent is a good number). In this manner bonus money does not have to be paid if a station goes over a budget by a small amount, just $10, for example.

Bonus arrangements can vary a great deal. They might based on a percent of compensation to date, or a flat amount given to all salespeople, or as a higher percent of billing going into a pool on all subsequent business (but make it high enough to make a real difference). Whichever method is selected, the bonus should be a minimum of 15 percent of a salesperson's remuneration. This 15 percent rule holds true for contests or for any incentive award. It takes at least 15 percent of their salary to get salespeople’s attention. Paying salespeople a large bonus based on exceeding a budget is also an excellent way to create strong peer pressure on underperformers.

One of the big problems with paying bonuses based on making budgets is that making a company’s budget is very often not a function of sales performance, but of other factors such as ratings, circulation, or market growth, or the needs of ownership to pay back loans to bankers. It is possible to reward a sales staff for a below-average sales performance in a year of unexpected revenue growth (which makes top management angry) or, even worse, fail to reward salespeople for a spectacular performance in an off year when ratings drop significantly or market revenue declines substantially. In the latter case, it is easy for management to make salespeople feel like losers because they did not meet an unrealistic budget. Making people feel like losers is a poor way to motivate and retain them.

<u>Examples of a salary-plus-pool-plus-bonus system</u>:

<u>$60,000 Remuneration Level</u>	<u>$45,000 Level</u>
$36,000 Salary (60%)	$27,000 Salary (60%)
<u>24,000 Pool (40%)</u>	<u>18,000 Pool (40%)</u>
$60,000	$45,000
9,000 Bonus (15% for exceeding total local budget by 5%)	6,750 Bonus (15%)
$69,000 Total	$53,750 Total

Word of Caution

One of the common errors sales managers make is to believe that money motivates most salespeople most of the time (the “money-motivates-me-so-it-must-motivate-everyone-else” syndrome).

Research indicates that motivating salespeople with money is like trying to fool people. It works with some people all of the time and with all of the people some of the time, but it cannot be used with all of the people all of the time.

In addition to money, other rewards such as recognition, career opportunities, security, independence, sense of accomplishment, autonomy, client satisfaction, and friendly coworkers motivate salespeople. Different types of people give different levels of importance, or valance, to these rewards. In general, increased financial rewards are most highly valued by experienced salespeople and by those with large families, and other rewards, particularly promotion and opportunities for accomplishment and growth, are most valued by younger, less experienced salespeople, those who are unmarried, and those who have relatively high levels of formal education.

Flexibility Is Vital

The fact that different people are motivated by a fairly wide range of different elements is a good argument for having a flexible compensation system that allows management to tailor compensation packages to suit the needs of individual salespeople and encourage them to be as productive as they can be. In the media business today, selling is too complex to rely on ineffective, inflexible compensation systems that were designed decades ago for a simpler age of selling. For example, a company might have a salesperson who is inexperienced in selling and negotiating but handles retail accounts well and writes effective copy. In this case the salesperson might work more productively on a straight salary with participation in a year-end bonus.

The New Realities

Compensation expert Edward Lawler writes: "The world of business has changed dramatically in the last several decades, yet pay practices of most organizations have not. Fundamentally, they differ little from the practices of the 1950s when American companies dominated the world's economy."[xxvi[xxvi]]

Lawler goes on to indicate that he believes many organizations are more concerned with doing the wrong things right than with searching for the right pay practices. "They have pay systems that are driven more by history and what other organizations do than by strategic analysis of organizational needs."[xxvii[xxvii]] He indicates that "instead of trying to gain competitive advantage by doing different things, most companies seem happy to copy what other companies do and thereby avoid being at a competitive disadvantage."[xxviii[xxviii]]

Research over the last 20 years has made great strides in establishing the effectiveness of various new pay practices. The experience of such companies as IBM, Toyota, Honda, Herman Miller, Procter & Gamble, and Lincoln Electric can also serve as models of how innovative pay-for-performance systems can increase productivity. It is time for those in the media industries to look for new compensation systems.

Compensation Systems: Worst to Best

The ideal compensation system is one that rewards salespeople for achieving a company's strategic selling objectives, that is flexible and takes into account individual differences, and that, above all, is perceived to be fair by the salespeople and one in which their input—fair process—is included and their opinions respected.

Here are the compensation systems I have discussed ranked from least effective to most effective:

- Worst: Salary plus bonus (typically based on making budget)
- Draw against commission
- Guarantee against commissions
- Salary plus commission
- Fixed salary plus pool
- Best: Relatively high flexible salary-plus-pool-plus-bonus combination (salary paid monthly, pool paid monthly or quarterly, and bonus paid on exceeding a total department yearly revenue budget).

Sales Contests As Compensation

Many media sales organizations hold sales contests in an attempt to increase revenue and motivate salespeople. For example, the majority of radio and television stations in the U.S. hold sales contests, and the average number of contests stations hold a year are two.[xxix[xxix]]

There are several purposes for holding sales contests:

1. To make people feel like winners
2. To give recognition for good performance
3. To set performance standards
4. To provide a context for performance improvement and training
5. To develop team spirit
6. To boost morale
7. To make sales jobs more interesting and fun

Sales contests should be designed to accomplish specific objectives over short periods. A contest should have only one, two, or at most three objectives. Here are examples of some objectives that sales contests might have:

1. To obtain new customers
2. To secure larger orders per sales call
3. To overcome seasonal sales slumps
4. To get higher rates
5. To sell a higher percentage of retail, direct, or agency business
6. To sell special inventory or packages
7. To increase the use and quality of sales presentations
8. To secure a higher percentage of renewals
9. To improve customer satisfaction (as determined by before-and-after surveys)

The underlying goal of a sales contest is to maximize revenue, which can be accomplished in a number of ways, as suggested in part by the nine points above.

There are three requirements for a successful sales contest:

1. There must be an increased effort which leads directly to increased rewards for both salespeople and a company.
2. Contests in which just salespeople or a company benefits are doomed to failure.
3. Contests must motivate salespeople to increase their efforts.
4. Contests must assist salespeople in patterning their efforts along more productive lines and encourage them to continue these good habits past the contest period.

There are two types of contests: direct and novelty. *Direct contests* are straightforward, such as "achieve 15 percent higher rates," or "write 20 percent more direct business." *Novelty contests* are ones that "hunt for hidden gold," or "win the Super Bowl." Novelty contests are more fun, but many sales managers feel that they tend to insult the intelligence of more sophisticated salespeople. Novelty contests tend to work better with younger, less experienced, less jaded salespeople. Novelty contests can be fun for selling special inventory, special events, or seasonal packages.

Generally, there are four kinds of prizes for sales contests: Cash, merchandise, travel and special honor, recognition, or privileges. Many organizations use a combination of prizes, such as a cash award plus a trip plus several extra days off to winners, and smaller prizes to other finishers.

Cash. Cash is not the most effective prize, especially if salespeople are reasonably well paid. Their money and security needs are satisfied by their regular compensation, but their achievement needs for feedback and recognition often go only partially satisfied. Contests are excellent ways to satisfy these self-esteem needs. Also, cash does not act as a motivator unless it is between 10 percent and 25 percent of salespeople's base compensation for the period of the contest. Well-paid salespeople will generally not go to much extra effort for just a few hundred dollars. Cash does not fulfill any need for recognition and provides no tangible, permanent evidence of the achievement like a plague, a ring, or a trophy does.

Merchandise. Merchandise is better than cash as a prize; it is more permanent evidence of achievement. Also, companies can often get merchandise through trade deals or at wholesale prices, and thus give larger prizes than if cash were used. Furthermore, if people are allowed to have a choice of merchandise, rewards can be more closely tied to individual needs and preferences, and salespeople and their families can express their individuality in the prizes they choose.

Travel. Travel is becoming more and more popular as a prize, because of the status, prestige, glamour, and fun associated with an exotic or exciting trip. Trips can be promoted well too; they can be glamorized, and people love to fantasize about them. Also, trips can include spouses and partners, which helps get partners involved in contests and in a frame of mind to support the extra work and effort necessary to win a contest (if no extra effort is necessary, contests are a waste of time).

Special Privileges. Special privileges are a good reward, but they are often hard to get approval for in larger, more rigid companies (extra vacation, for example.). Special recognition, like being flown in to the home office to meet the company president or receiving special recognition and publicity ("Million Dollar Roundtable," for example) are sometimes easier to get approved in larger, more bureaucratic companies than days off.

How Many Prizes?

How many prizes are given in a sales contest is an important consideration. In general, it is best to make it possible for everyone to win something. The smaller the staff, the more important this element is in order to avoid destructive competition. Have several big winners (first, second, and third place), but also have a little something for everyone. Remember, in a six-person sales staff, if there is only one winner, five people feel like losers—not a good outcome.

Team Contests

There is strong evidence that team prizes are more effective than individual prizes. For example, it is a good idea to divide a sales staff into two teams and give a major prize to winning team members and nice consolation prizes to members on the second-place team.

Full-Staff Contests
It is also a very good idea to have a prize for all members of a sales staff if a sales department reaches a goal. In this manner a sales staff is competing against itself, and everyone helps everyone else to improve the department's performance. The full-staff contest is perhaps the best type of competition; it reinforces the notion that the enemy is outside, not inside. Full-staff contests are being used by many companies to reward sales staffs for exceeding yearly revenue goals or budgets. Technically these full-staff incentives are not contests, but they can be excellent motivators for staff cooperation and teamwork.

Use Improvement Criteria.
The criteria for awarding prizes should be based on each person's or team's current performance level. Thus, the rookie and the star should have an equal chance of winning, and the criteria for winning should be based on what is excellent performance for each salesperson at his or her level of productivity. Therefore, the rules of a sales contest and the criteria for winning should be based on some measurement of improvement. Give prizes to the people or teams who come the closest to reaching or exceeding a target or goal on a percentage basis. If everyone improves, everyone should be rewarded, and those that improve the most, should be rewarded the most.

Do not have sales contests merely as a device to give salespeople more money. Unless contests are designed to have specific improvement goals that reinforce a sales department's overall sales strategy for maximizing revenue, they will not force change or require extra effort, which is why you hold contests.

Also, do not design contests that use billing as a benchmark. Contests that reward total billing tend to be won by the salesperson with the best account list, which is senseless, because the person with the best list is already well compensated and probably reasonably well motivated. Base winning a sales contest on percentage improvement, then everyone has an equal chance of winning—a vital dimension for any sales contest.

Contest Duration. The duration of a contest should be no shorter than four weeks and no longer than thirteen weeks. Six weeks is a good duration for a sales contest—long enough to effect behavior and billing and short enough so that the salespeople don't get bored with it. Because contests must be relatively short to maintain interest, it is difficult to run effective sales contests that require long-term, developmental selling.

Contest Frequency. Do not use sales contests regularly, because then they are no longer special. In fact, salespeople come to expect the goodies they get from regularly scheduled contests and to see the rewards not as extras but as a normal part of their compensation package. Also, remember, that the competition generated from a hyped contest can cause morale problems, especially among those who do not the top prize. Spread out contests to avoid too frequent post-contest lulls. Two sales contests a year is a reasonable frequency.

Promote Contests. Promote contests well to keep the enthusiasm level high. Promote them at all levels of the organization, not just in the sales department in order to get everyone in the company involved and supporting the salespeople (even include vital support people in prizes). Promote the progress of contests on a weekly basis. Give feedback on how the individual salespeople or teams are progressing. Weekly bulletins are a vital element of contests in order to give feedback and to create both awareness and excitement.

Fairness. Fairness is the most important dimension in a contest. Participants must believe that a contest is absolutely fair and that no one has an edge at the beginning.

Simplicity. Sales contests should be designed so that they are easy to understand. Objectives must be clear and progress toward them must be simple and easily represented graphically.

Visibility. Contest progress must be visible to everyone in an office. Among salespeople there is often as strong a motivation not to lose as there is to win, so post progress reports daily so that both those ahead and behind will be continually informed.

Standard Setting. Contests help set performance standards. It is vital that non-winners (don't let a sales staff feel like losers) be given clear advice on ways to improve their performance. Offer additional sales training so non-winners feel they have a chance to win the next contest.

Finally, do not depend on contests alone to have an affect on long-term performance. Contests generally provide only a short-term improvement, and no contest can correct inherent sales force or sales management problems—training is the answer to these difficulties. On the other hand, contests do reinforce department values and good selling principles. Furthermore, sales contests can be fun, motivating, and help build team spirit if they are well designed to accomplish a few clear, realistic objectives. A well-designed and well-run contest can make salespeople feel like winners.

Compensating Media Managers

The following section can be downloaded from www.charleswarner.us in the "Papers by Charles Warner" link. This section on compensating media managers repeats several points that I made in the compensating salespeople section, but these points are worth repeating and reviewing, I believe.

A well-designed and effective management compensation system should accomplish the following objectives:

1. To help an organization communicate corporate goals, performance standards, and expectations
2. To encourage formulation of long-term strategies
3. To focus on improving stockholder equity in the long run
4. To aid in the management-by-objectives (MBO) process
5. To make executive compensation flexible to reward good performance, not necessarily seniority or other non-performance criteria
6. To attract and hold good people
7. To keep motivation high from year to year.
8. To be fair to both the manager and the organization
9. To provide stability
10. To provide top management control

Some of the guidelines for designing a sound management compensation plan are:

1. The variable portion (bonus or incentive) must be large enough to justify a manager's extra effort. An incentive that is given over and above a salary should be between 25 percent and 65 percent of the total compensation to be effective. Research has shown that any incentive under 15 percent of total compensation is not effective. Forty to 50 percent is what seems to be average.
2. There should be a good balance between security and incentive.
3. Rewards should be based primarily on the manager's unit's performance.
4. The plan should be competitive in the industry and in the area.
5. The plan should reflect the strategy and objectives of the organization.
6. The difference between the compensation of high and low performers must be significant.
7. There are rewards for both hard (quantitative) and soft (qualitative) performance criteria.

Major Problems With Compensation Systems

The biggest single problem with most executive compensation systems is that they violate objective number one, "Help an organization communicate corporate goals, performance standards, and expectations." This mistake happens for two reasons: Many media organizations have no clear idea of what their long-term goals, standards, and expectations are, and they haven't thought of linking managerial compensation to whatever goals, standards, and expectations they do have, no matter how fuzzy or unrealistic they are.

In his 1954 management classic, *The Practice of Management*, Peter Drucker wrote "There is only one valid definition of business purpose: to create a customer." Drucker understood that it is the customer who determines what a business is: "The customer is the foundation of a business and keeps it in existence. He alone gives employment. And is to supply the consumer that society entrusts wealth-producing resources to the business enterprise."[xxx[xxx]]

Drucker goes on to define the two entrepreneurial functions: "Because its purpose is to create a customer, any business enterprise has two—and only these two—basic functions: marketing and innovation."[xxxi[xxxi]]

One of the best-selling management books of all time, Peters and Waterman's *In Search of Excellence*, actually defines corporate excellence in terms of innovation. The authors said that excellence to them meant "continuously innovative big companies." Furthermore, "We asserted that innovative companies not only are unusually good at producing commercially viable new widgets; innovative companies are especially adroit at continually responding to change of any sort in the environment."[xxxii][xxxii]

You probably nodded your head in agreement when you read the above quotes—most business executives do. However, if I were to ask you what you are in business for or what the purpose of your business is, you would probably give me the standard answer, "to make money." Why is it managers can understand and embrace somewhat soft concepts in the abstract one moment and the next moment deny these ideas with hard, bottom-line answers? It is because most managers have failed to give much thought to what the overall purpose, objectives, and strategies of their companies are?

This failure is odd, because often the same top executives who have not thought out their company's purpose, strategies, and objectives usually require the managers who report to them to submit, at least yearly, a detailed list of objectives for that manager's operating unit.

Managers, in the absence of clear statements of business purpose, strategies, and objectives from above, typically assume that the overall objective is to make money (and make money in the short-term), and set their own goals accordingly. This objective of making money (narrowly defined as profit) in the short term is often reinforced by management compensation packages, which are typically based on either a bonus based on making a yearly profit budget or an override or commission on net revenue.

Business magazines are full of articles on the danger to companies and to our economy of having short-term, profit-only goals. The primary focus on quarterly earnings of publicly held companies by large institutional investors and money managers has been said to be responsible for many poor management decisions. If they are being judged and compensated for short-term results, that is what managers will focus on.

But what about long-term goals and softer, qualitative goals? What about increasing stockholder equity? What about increasing productivity, or increasing market share, or hiring promotable people, or being a good community citizen, or being close to the customer, or hiring and promoting minorities and having a diverse workforce? Don't these things count?

In the media business do you want managers to make a profit regardless of government rules and regulations? Of course not. Then it is obvious that most companies have a purpose, strategies, and objectives that are more complex and varied than merely to make money. However, these elements are too often implicit and not stated clearly in writing for managers to follow when setting their own units' goals and objectives.

Designing a Management Compensation System

In designing a management compensation system, start with a clear, concise written definition of your organization's guiding principles—write a mission statement. It is important to begin with principles in order to set your cultural values, to remind top management, and to communicate to employees what your organization stands for and what's important to you.

Think how your principles (or mission) will look to prospective employees. For example, if you owned a small business, how do you think a prospective employee would view the following principles: To maximize my own personal gain, to control expenses regardless of the human consequences, to get sales and other revenue by any means possible, regardless of the consequences, and to promote and maximize my own personal power, influence, and reputation? How many managers do you know who set objectives and take actions that seem to reflect similar principles?

Here are some guiding principles of successful companies:

<u>Hewlett-Packard</u>

- Belief in people; freedom.
- Respect and dignity; individual self-esteem.
- Recognition; sense of achievement; participation.
- Security; permanence; development of people.
- Insurance; personal worry protection.

- Share benefits and responsibility; help each other. Management by objectives (rather than by directive); decentralization.
- Informality; first names; open communication.
- Training and education.
- Performance and enthusiasm.

General Electric (1994)

- Lean: Reduce tasks and the people required to do them.
- Agile: Delayering.
- Creative: Development of new ideas - innovation.
- Ownership: Self-confidence to trust others. Self-confidence to delegate to others the freedom to act while, at the same time, self-confidence to involve higher levels in issues critical to the business and the corporation.
- Reward: Recognition and compensation commensurate with risk and performance—highly differentiated by individual, with recognition to total team achievement.
- Reality: Describe the environment as it is—not as we hope it to be.
- Leadership: Sustained passion for and commitment to a proactive, shared vision and to its implementations.
- Candor/Openness: Complete and frequent sharing of information with individuals (appraisals, etc.) and organization (everything).
- Simplicity: Strive for brevity, clarity, the "elegant, simple solution"—less is better.
- Integrity: Never bend or wink at the truth, and live within both the spirit and letter of the laws of every global business arena.
- Individual Dignity: Respect and leverage the talent and contribution of every individual in both good and bad times.

Other "100 Best Companies"[xxxiii][xxxiii]

1. Make people feel that they are part of a team or, in some cases, a family.
2. Encourage open communication, informing people of new developments and encouraging them to offer suggestions and complaints. Have bitch sessions.
3. Promote from within; let its own people bid for jobs before hiring outsiders.
4. Stress quality, enabling people to feel pride in the products or services they are providing.
5. Allow employees to share in the profits, through profit-sharing or stock ownership or both—gainsharing.
6. Reduce the distinctions of rank between the top management and those in entry-level jobs; put everyone on a first-name basis; bar executive dining rooms and exclusive perks for high-level people.
7. Devote attention and resources to creating as pleasant a workplace environment as possible; hire good architects.
8. Encourage its employees to be active in community service by giving money to organizations in which employees participate.
9. Help employees save by matching the funds they save.
10. Try not to lay off people without making an effort to place them in other jobs either within the company or elsewhere.
11. Care enough about health to provide physical fitness centers and regular exercise and medical programs.
12. Expand the skills of its people through training programs and reimbursement of tuition for outside courses.

The management team of KNSD-TV in San Diego developed an excellent mission statement when it began revitalizing the station in 1988. How would you like to work for a station that had a mission statement like the one following?

KNSD-TV MISSION STATEMENT

Our purpose is to provide San Diego with an unequaled source of news, quality television entertainment, and information about the place in which we live. We'll accomplish this through open communication in an environment where personal achievement, initiative and innovation are recognized and rewarded.

Our efforts will be focused on understanding and serving our community, benefiting the people of San Diego, attracting the largest possible audience, fulfilling the needs of our advertisers and increasing the profitability of our station.

The outgrowth of our work together will result in a sense of pride, a spirit of involvement, personal accomplishment and partnership. KNSD-TV will be a vital part of the community and reflect the excellence and unique character of San Diego.

After you have defined what you stand for, define your company's strategy. Strategy always has a long-term focus—one to five years in the future (tactics have a short-term focus). For example, "to attain the number-one rank position in the adult 18-49 demographic by offering an Adult Contemporary music format and clearly differentiating it from other 18-49-oriented formats," is an appropriate radio programming strategy statement. "To be top ranked in customer satisfaction," is an appropriate sales strategy statement. Strategy statements should focus on external and internal conditions, opportunities, and threats, as identified by research.

Finally, state the broad objectives that your organization will use to carry out your strategy.

Designing a Plan

Now you are ready to design a compensation plan that will carry out objectives 1-10 given at the beginning of this paper.

Begin by writing down a target figure that represents the total remuneration (salary plus bonuses, overrides, value of stock options, and other perks) of a manager who is an average performer. For example, you might determine that $100,000 is a fair, competitive remuneration level that will allow you to attract and keep an acceptable manager.

Next, multiply this target figure by 60 percent to arrive at a salary; in this case $60,000. The sixty percent figure is a guideline, but since the salary should be between 75 percent and 45 percent of the total remuneration figure, according to most experts, 60 percent is a good starting place.

Next, develop a list of performance standards on which you will judge the manager. These standards should include both hard (quantitative) and soft (qualitative) dimensions, as seen in Example 1 below for a radio station manager. Once you have developed a list of standards, put a weight on them in order of their priority to a company. It is imperative that performance on these standards be under the control of the manager.

<u>Example 1</u>

<u>Quantitative Standards (60%)</u>

1. Achievement of targeted market share(s) of audience. (25% of 60%)
2. Achievement of targeted market share(s) of revenues. (25% of 60%)
3. Containment of expenses to budgeted levels. (15% of 60%)
4. Achievement of profit budget. (15% of 60%)
5. Achievement of targeted diversity guidelines. (10% of 60%)
6. Improvement of productivity levels. (10% of 60%)

<u>Qualitative Standards (40%)</u>

1. Development of strategies for marketing and innovation. (20% of 40%)
2. Development and communication of clear objectives to carry out strategies. (15% of 40%)
3. Maintenance of station's current positive organizational climate, morale, and atmosphere of cooperation and teamwork. (10% of 40%).
4. Maintenance of station's positive image and reputation in the community. (10% of 40%).

5. Improvement of station's image and reputation in the advertising community. (10% of 40%)
6. Involvement of station in the community. (10% of 40%)
7. Development of promotable people at all levels. (10% of 40%)
8. Maintenance of job-related education and training programs. (5% of 40%)
9. Maintenance of continuous, clear communications upward to management, across to other managers in the company, and down to all employees. (5% of 40%)
10. Seeking appropriate help when needed. (5% of 40%)

Now you have a basis on which to award the non-salary portion of a total remuneration package.

Non-Salary Remuneration Vehicles

There a number of different ways to structure payments. In this paper, I will not discuss stock options, non-financial perks, loans, insurance, and so forth, but will confine my discussion primarily to yearly cash payments that are in addition to salary.

The first, and least effective, type of payment is a fixed bonus amount based on achieving either a revenue or a profit budget. There are a number of problems with this type of reward.

First, by not having a variable amount for the bonus, there is no way to distinguish between or either reward or punish for relatively good or relatively bad performance. In baseball terminology, there is either a home run or an out.

Because they either hit a bonus home run or are out, there is great pressure put on top management by lower managers to keep budgets low. There is a tendency to spend an unproductively large amount of time arguing and negotiating over revenue budgets rather than spending the time more productively discussing strategy and action-oriented objectives. Furthermore, this type of payment usually creates a situation where managers who are going to miss their bonus goes to top management at the end of the year and tries to negotiate a bonus regardless of the rules. Managers are convinced that they did a good job in spite of unrealistic budgets and terrible business conditions, and more often than not persuade top management of this. Top management usually breaks the rules, gives the bonus anyway so as not to lose or demotivate managers, and the system goes out the window. Now managers know they only have to come close or to have reasonably good excuses every year.

Because of the in-or-out, no-gradation nature of fixed-amount bonuses, there is no way to reward extraordinary performance. Even worse, there is no incentive, once budget has been achieved, to continue at the current performance level—there is a tendency for some managers to glide home once they see they are going to make a budget (certainly no managers in your company).

Bonuses based on budget achievement usually go to the best negotiators, to the most upwardly persuasive (politically inclined) managers, and to the luckiest managers, not necessarily to the best managers. Therefore, bonuses based on budget achievement are simply not fair.

The next type of payment is an override. An override normally is paid in the form of a percentage of local, national, or total revenue. Sometimes overrides are paid on profits. An override as the only incentive is a relatively poor, unrealistically simplistic way to give managers additional compensation. First, it focuses on only one aspect of a manager's job (even a sales manager's job)—generating revenue—and does not give any weight to the many other important performance dimensions. Revenue often is not under the manager's control. It is not sales managers' fault or something they can control if, for example, a station's ratings or a newspaper's circulation drops dramatically during the course of a year, which of course affects revenue, or if economic conditions in a market are substantially depressed.

Furthermore, there is no reward or punishment in an override system attached to an organization's goals or budgets. A sales manager could be significantly under or over budget and still receive the same override. On the other hand, unlike the fixed bonus amount, in an override system there is at least a relative link between performance and reward—the larger the revenue, the larger the reward. A billing override system is especially bad for general managers of divisions or units, who have expense as well as revenue responsibilities.

Finally, the same problem exists with an override system that exists with a straight commission system for salespeople: it is based on an assumption that people are primarily or solely motivated by money, an assumption that is especially dangerous to make about managers who might well be motivated by challenge, autonomy, power, achievement, career opportunity, learning, or belonging to a well-knit team.

Recommended System

I recommend that media companies use a variable bonus system designed to reward managers based on their performance on weighted qualitative and quantitative standards established by the organization, as shown in Example 1.

A company should establish a system of determining a bonus pool for managers. This bonus pool should be based on four elements:

1. Performance on the listed standards of an individual unit
2. Profit performance of the corporation
3. Increases over unit budgeted profit level
4. Contribution to a five-year award based on achievement of a targeted increase in a unit's market value

The most important element is #1 above, the performance of the individual unit, regardless of its or the parent company's profitability. Managers must have the security of knowing that their relative performance will be rewarded in some way.

For example, a bonus pool as a percent of unit revenue would be established. In #1 above, if a radio station has gross billing of $5,000,000, a company might put aside 1.25% ($62,500) in a bonus pool for the general manager.

In addition, for #2 above, up to another $10,000 could be added to the bonus pool if the corporation goes five percent (or some other reasonable and appropriate figure) over its profit budget. The purpose of this element is to give general managers a stake in the success of the entire corporation, not just their unit. These awards can be in cash or stock (I prefer stock because it gives them a stake in the future of the company).

Next, for #3 above several smaller fixed-sum bonus amounts could be set aside for achievement over budgeted unit profit levels: $7,500 for a 105 percent increase, $15,000 for a 110 increase, for instance. These amounts should not be too large compared to the other potential bonus awards so there is no major motivation to lowball on yearly profit budgets.

Finally, for #4 above another $10,000 might be contributed to a five-year account based on being on track toward a targeted $50,000 total contribution based on a 50 percent increase in the station's market value over five years (10 percent increase each year for five years). A manager does not get this money until the five years are up (the company can use the money in the meantime), but the total amount will be paid as long as the targeted value increase occurs. This value can be established by an independent assessment made by a reputable station broker or company that specializes in evaluating stations. Contribution to a long-term fund can be relatively more or less important than other bonuses depending on the objectives of the corporation, and can be in the form of cash or stock, preferably stock.

At the end of the year top management now has a bonus pool from which it can reward general managers based on their performance. Of course, the general manager had a list of the performance standards in advance and actively participated in and agreed to all of the quantitative ones: audience share, revenue share, expense and profit budgets, diversity targets, and productivity levels. The general manager also agreed to all of the qualitative performance standards and accepted them as fair and reasonable.
The general manager knew what was expected.

Let's look at several scenarios for awarding a bonus on top of a general manager's $60,000 salary (remember, I wrote that I felt the median remuneration for an adequate or average manager in the market was $100,000).

Scenario #1 (Best Case: Excellent Manager, Excellent Conditions)

Standard	Weight	Achievement	Score
Quantitative (60%)			
1. Audience share	25%	100%	25
2. Revenue share	25%	90%	22.5
3. Expenses	15%	100%	15
4. Profit	15%	100%	15
5. Diversity	10%	100%	10
6. Productivity	10%	100%	10
Total	100%		92.5 x 60% = 55.5
Qualitative (40%)			
1. Strategy	20%	100%	20
2. Objectives	15%	100%	15
3. Climate	10%	100%	10
4. Community image	10%	100%	10
5. Advertiser image	10%	100%	10
6. Community involvement	10%	100%	10
7. People development	10%	0	0
8. Training	5%	50%	2.5
9. Communication	5%	50%	2.5
10. Seeking help	5%	0	0
Total	100%		80 x 40% = 32.0
Total score			87.5

Total Bonus Pool	Corporate Profit Bonus (Achieving 105%)	Unit Profit Bonus (Achieving 105%)	Total Bonus
$62,500 (1.25% of $5 million)	$10,000	$7,500	$80,000 x 87.5 = $70,000

Salary	Total Bonus	Contribution to Five-year Pool	Total Remuneration: Best Case
$60,000	$70,000	$10,000	$140,000

Scenario #2 (Average Case: Good Manager, Fair Conditions)

Standard	Weight	Achievement	Score
Quantitative (60%)			
1. Audience share	25%	0	0
2. Revenue share	25%	90%	22.5
3. Expenses	15%	100%	15
4. Profit	15%	100%	7.5
5. Diversity	10%	100%	10
6. Productivity	10%	100%	10
Total	100%		65 x 60% = 39
Qualitative (40%)			
1. Strategy	20%	100%	20
2. Objectives	15%	50%	7.5
3. Climate	10%	100%	10
4. Community image	10%	100%	10
5. Advertiser image	10%	50%	5
6. Community involvement	10%	100%	10
7. People development	10%	50%	5
8. Training	5%	100%	5
9. Communication	5%	50%	2.5
10. Seeking help	5%	50%	5
Total	100%		77.5 x 40% = 31
Total score			70

Total Bonus Pool	Corporate Profit Bonus (Achieving 105%)	Unit Profit Bonus (Achieving 105%)	Total Bonus
$62,500 (1.25% of $5 million)	0	0	$62,500 x 70 = $43,750

Salary	Total Bonus	Contribution to Five-year pool	Total Remuneration: Average Case
$60,000	$43,750	$10,000	$113,750

Scenario #3 (Worst Case: Average Manager, Poor Conditions)

Standard	Weight	Achievement	Score
Quantitative (60%)			
1. Audience share	25%	0	0
2. Revenue share	25%	0	0
3. Expenses	15%	100%	15
4. Profit	15%	0	0
5. Diversity	10%	100%	10
6. Productivity	10%	100%	10
Total	100%		35 x 60% = 21
Qualitative (40%)			
1. Strategy	20%	50%	10
2. Objectives	15%	50%	7.5
3. Climate	10%	50%	5
4. Community image	10%	100%	10
5. Advertiser image	10%	50%	5
6. Community involvement	10%	100%	10
7. People development	10%	50%	5
8. Training	5%	50%	2.5
9. Communication	5%	50%	2.5
10. Seeking help	5%	0	0
Total	100%		57.5 x 40% = 23
Total score			44

Total Bonus Pool	Corporate Profit Bonus (Achieving 105%)	Unit Profit Bonus (Achieving 105%)	Total Bonus
$62,500 (1.25% of $5 million)	0	0	$62,500 x 40 = $27,500

Salary	Total Bonus	Contribution to Five-year pool	Total Remuneration: Worst Case
$60,000	$27,500	0	$87,500

Administering Systems

In administering a variable bonus compensation system, make sure a manager understands all the details of the system and knows in advance the potential size of the bonus pool. Go over the system with managers so they know exactly what type of performance is expected. What better way to tell managers what is expected of them than to tell them what they will be paid for?

Next, ask yourself if the system rewards the performance your company wants. Bonuses must be rewards for managing according to a company's values and principles, and there must be an obvious and significant difference between the payments for excellent and adequate performance.

Notice in the three scenarios above that there are various methods of applying weights to the standards. For example, the qualitative ones all have a three-level weight system which allows for some subjectivity in these areas on behalf of top management (subjectivity is desirable for these softer qualitative standards). For the quantitative standards, different type weights are used: 100 percent or no award, or either a 100 percent or a 90 percent award. The point is, make sure that the weights are logical, reasonable, and fair to both the company and the manager. Remember, pay for the performance you want. You do not want to pay 50 percent of a weight for reaching 50 percent of a profit budget—that’s too lenient—so come up with a reasonable gradation system such as: Within 90 percent of budget, 70 percent weight, within 80 percent of budget, 50 percent weight.

Some readers might complain that the proposed variable bonus system is too complicated to understand, communicate, and administer. It is complex, but so is defining performance in a modern media company and so is a manager’s job—enormously complex.

The most important time a manager spends is in hiring people; the second most important time a manager spends is in empowering the people that have been hired. People are empowered and motivated when they have a clear idea of what is expected of them and when they perceive there is a direct link between their performance level and their reward level.

The time spent in developing, communicating, and administering a multi-standard variable compensation system is worth the investment, as it will help attract and keep the most highly motivated people—the ones who want to be paid fairly on the basis of their job performance, a job that has a wide variety of elements and dimensions.

Facilitating

Sales management must not only be responsible for coordinating people's activities but also for facilitating them. Sales managers should be facilitators who help salespeople meet their objectives rather than bosses who issue commands and try to control every activity of a salesperson. Being a facilitator is infinitely more motivating than being a boss or a control-oriented manager, than telling people what to do, than being a top-down autocrat and order-giver (which makes people order takers, not creative salespeople), or than attempting to motivate people with fear. It always amazes me how many sales managers believe that fear and yelling at people motivates them. Being a facilitator means continually asking salespeople, "What do you need;" "What can I do to help you?"; "What can I do for you internally in order to keep you on the street making calls on customers?"

Facilitating also means working incessantly to simplify salespeople's jobs, primarily by reducing unnecessary paperwork so that salespeople can increase their face time with customers. It means doing everything possible to eliminate time wasters for salespeople. It means being the slasher and burner of red tape and being the chief architect and facilitator for a sales organization to be "easy to buy from and easy to sell for." Sales managers must take personal responsibility seeing that this goal is accomplished.

Sales managers coordinate and facilitate activities and work largely by means of meetings. If sales managers are to execute well, they must run effective meetings.

Effective Sales Meetings

There are two basic types of sales meetings, information and training; do not try to mix the two. Here are some rules to follow for having effective sales meetings:

1. It is vitally important that sales managers come to each meeting thoroughly prepared. You should bring and pass out copies of your agenda to the meetings.
2. Plan meetings and stay on plan.
3. If you don't finish a topic in the allotted time (never more than an hour), carry it over to the next scheduled meeting.
4. Do not call unscheduled meetings except in dire emergencies.
5. Salespeople must be able to plan their days and weeks in advance and stick to their plans. Therefore, your meetings should be scheduled at the same times every week.
6. The number of meetings you have should be based on your salespeople's training needs. With sales staffs that need a lot of training on product, client knowledge, research, and sales techniques, you might need a many as two or three brief (twenty minutes) early morning meetings a week. With an experienced staff, one information meeting a week and one training meeting every other week might suffice.

For most media sales departments, sales managers should have the following meetings:

1. *Monday or Tuesday morning sales meeting (Information).* Have a general sales meeting Monday or Tuesday morning in which you go over information that is relevant to everyone: pricing, inventory, competitive activity, kudos, and programming (or editorial, content), and promotion information. Keep this meeting brief (half-hour maximum) and cover only material that is relevant to everyone. Start the meeting at exactly 8:30 a.m. and lock the door. Don't wait to start the meeting until everyone arrives, by doing this, you reward people for being late. You must always start meetings precisely on time. Salespeople want to get out on the street by 9:00 a.m. Let them! Plan the agenda for the meeting in advance and stick to it. Remember, you are keeping a good sales staff off the street, so you'd better have something really important to tell them in every meeting—make them relevant, short, and informative. The main rule for a meeting is never

to talk about something unless it has relevance to everyone at the meeting. Don’t ask for individual reports of any kind; do individual reports them separately.

2. *Monday individual meetings*. You should meet individually with each salesperson for a few minutes to go over his or her weekly planner. The planner should include the calls the salespeople plan to make during the week and the tactics they are going to use on each call. You should emphasize tactical discussions with the salespeople: How they are going to approach a customer’s advertising problem, what they are going to offer, what their overall target is, what their rates are, what their presentation and packages are like, what their closing tactics will be, and so forth. The emphasis should be on planning and the future, and on tactics—rates, production, promotions, ideas, for example. Some salespeople will require more time, new ones perhaps as much as half an hour. Others who are well organized and right on target, will require as little as five or ten minutes. Have them leave a copy of their weekly planner with you (don't be too demanding of the experienced, successful salespeople on this request; if they are doing well, you want to use this individual meeting mostly for stroking and encouragement). By discussing the tactics on each account up front, you will be able to give your salespeople more autonomy and freedom to negotiate. Remember, your objectives are: To communicate to salespeople that you trust them and to keep their tires on the road. Plan your individual meetings better in order to keep them short and to the point. Plan account tactics in advance, so salespeople have more autonomy and don't have to come and check rates and other details with you. They are motivated by autonomy.

   The next week in the individual meetings, briefly go over the results of the previous week’s calls—orders, dollar amounts, and so forth. Then discuss the new week’s planner. In this manner you keep track of what salespeople are doing. Do not make negative comments or assessments when you first begin using this system, because you want to train people to use you as a coach and tactical resource, not to see you as a cop who doesn’t trust them and is checking up on them.

3. *Training meetings*. Start with positioning. Make sure salespeople understand how to position their product. Stress new business and key account development. Emphasize current research material. Have each salesperson rotate in presenting reports on competitors in training meetings. Don’t stress monitor reports, since often the only way to get business that is already running somewhere else is to reduce rates. In fact, every six months have each salesperson give a presentation on a major competitor and on competitive media as though they were selling for them. Become media experts. Also, become client experts. Have guests come to your training meetings: Agencies, clients, and research experts, for example.

   In these training meetings, do role playing on how to overcome objections. Use other role playing techniques, too. Give salespeople relevant selling problems to solve, pricing decisions to make, promotion ideas, list distribution exercises, and sales promotion material evaluation, for example. You should have hired bright, motivated salespeople, so get their input on what training they need and on what sales promotion material they need. They are the best judges of what training and knowledge will help them sell more effectively. Regularly conduct brainstorming sessions.

   Also, brainstorm with clients. An excellent way to create added value for clients is to have them come to your offices (and bring their agencies if they want to) and brainstorm with your salespeople about ideas that will improve their business: copy ideas, promotions, positioning statements and slogans, for example.

   When you cover material in training meetings, it is good practice to follow up with quizzes. Salespeople pay much more attention if they know they will be quizzed in some way on the material covered. Make the quizzes fun and give small rewards for high scores, such as $50.

4. *Monthly objective-setting meetings*. Meet with salespeople monthly to help them set their objectives for the coming month. Remember that objectives should be activity oriented: How many calls will they average a day, how many presentations will they give, what accounts will they call on, what are their unit rates going to be, what is their closing ratio going to be? Write down their objectives and keep a copy so that the next month you can go over with them how they did in accomplishing their objectives. Use these meetings as coaching sessions (see the Coaching section below).

5. *Quarterly review meetings*. Read carefully the Performance Coaching and Discipline Without Punishment section below. By having these formal quarterly coaching sessions, you will be able to give proper recognition to the superstars and help those who aren't meeting your standards to set appropriate improvement goals.

Guidelines for Running Effective Meetings

Key roles and responsibilities. The first thing to do before you conduct a formal meeting is to define the four key roles and responsibilities in the meeting:

1. Leader
2. Note Taker
3. Timekeeper
4. Facilitator (if applicable)

The leader cannot be the note taker because there is too much a meeting's leader has to do; however, the leader can be the timekeeper, although that function, too is best given to someone else. The note taker can also serve as a timekeeper. Taking notes is important in order to have a record of the meeting so that assigned tasks and projects can be followed up on.

Plan and Communicate. There are six elements of a meeting that must be defined and communicated to those attending beforehand so that they have time to prepare and know what to expect.

1. Define the purpose of the meeting:
   A. To give or get information
   B. To make a decision
   C. To solve problems
   D. To brainstorm
   E. To assign tasks
   F. To train
2. Identify meeting topics, the people responsible for introducing or explaining the topics, and set objectives for the meeting.
   A. Prepare meeting presentations if needed
   B. Determine participants
   C. Arrange for logistics
   D. Communicate with participants

Open the Meeting. It is imperative to start all meetings on time—wait for no one. Review the purpose of meeting and briefly go over the agenda. Then, introduce participants, if not everyone at the meeting knows everyone. Set people's expectations for outcomes of the meeting, and, finally, assign roles.

Conduct the Meeting. Observe the following rules for conducting a meeting:

1. The leader must structure the discussion and follow the agenda items.
2. The leader must stay on track and not allow the discussion to wander into areas not on the agenda. If an issue comes up that is urgent, put it aside and deal with it at the end of the meeting or set another meeting to deal with it if it is important enough. But do not let anyone hijack your meeting; if you allow it once, people will continue to hijack your meeting and take you hostage to their agendas.
3. Stay engaged and focused on the discussion.
4. Promote positive interactions among people. Do not allow people to get personal or sarcastic or to snipe at others. Meetings must be polite and positive.
5. Summarize each topic after people are finished discussing it. Summarizing clarifies the discussion and leads to cloture.

Close the Meeting. Summarize meeting outcomes and specify *next steps.* Action items or next steps are an important part of any meeting. If a meeting ends with no next steps or action items, then the meeting was a failure—nothing got accomplished. Ask everyone in the meeting to assess the effectiveness of the meeting. Did it meet their expectations, did it accomplish something, and was the outcome worthwhile? Finally, always (and that means always) end your meetings on time.

Follow Up. Send a quick "thank you" e-mail to everyone who attended the meeting and thank them for their contribution. Have the note taker write up and distribute a meeting summary. Complete any action items that were assigned to you and periodically check with others to see what their progress is on completing their action items.

Coaching

Coaching salespeople takes as much attention to detail and emphasis on execution as coaching a professional football or basketball team. It also requires a system for performance coaching and for establishing discipline.

Performance Coaching, Including Discipline Without Punishment

Imagine a professional football team whose coach never gives the players any encouragement or instructions on how to play their positions better. Instead, the coach takes notes on each game and then at the at the end of the season tells each player what he did wrong in every game, not what he did right. Also, during each week's practice, the coach never gives any encouragement or coaching on how to improve. The result would be a demoralized team that became worse each week, which is a certain scenario for losing, falling to last place, and staying there.

As extreme as this example might seem, it reflects the practices of many sales managers. They behave as though their job is to point out mistakes once a year in company-mandated, formal performance review sessions, which is clearly a losing strategy.

Being a pro-active, positive sales manager who conducts frequent performance-coaching sessions is the best way to ensure that salespeople improve and become consistent winners. Performance coaching is different from old-fashioned, human-resources-designed performance appraisal, evaluation, or review systems. Coaching focuses on what people are doing right and how they can take advantage of their strengths in order to improve.

The Purpose and Objectives of Performance Coaching

The primary purpose of performance coaching is to help salespeople improve their job performance. The objectives of performance coaching are:

1. To encourage people and teams.
2. To show people and teams how to build on their strengths.
3. To heighten people and teams' self-esteem and self-confidence.
4. To enhance cooperation, participation, and teamwork within a department and with other departments.
5. To stop and correct inappropriate behavior.
6. To build trust between management and team members.
7. To reduce fear and increase risk taking and innovation.
8. To align individual and team goals with organizational goals, and to get people and teams to realize that their self-interests and the organization's interests are inextricably bound together.
9. To establish consequences for continued inappropriate behavior and inadequate performance.

Expert, positive coaching motivates salespeople and sends a clear message that management cares. Good coaching empowers people, reassures them, helps eliminate isolation and fear, and transmits management's vision and values.

The Multiple Roles of Performance Coaching

There are four roles performance coaching play in an organization:

1. *Developmental*. To help people improve.
2. *Evaluative*. To measure, evaluate, and reward performance.
3. *Defensive*. To avoid potential problems and lawsuits resulting from personnel selection, evaluation, and dismissal actions. If sales managers want to fire someone, lawyers usually insist on having written evidence that covers a minimum of three, often six, months. Performance coaching sessions can provide the necessary paper trail.
4. *Indoctrinational*. To communicate and reinforce a company's mission, values, vision, goals, objectives, and strategies.

Coaching Avoidance
Conducting performance coaching sessions is not easy, and most managers would rather avoid them because they often bring about anger, anxiety, discomfort, guilt, embarrassment, and frustration in both salespeople and sales managers if they are handled in traditional appraisal, evaluation, and review style. Most managers are reluctant to "play God" and to hand out less than glowing reviews.[xxxiv[xxxiv]]

Timing of Performance Coaching Sessions
Frequency and timing of performance coaching sessions should not be based on administrative convenience, but should vary based on the development needs of a salesperson—quarterly formal sessions for most, more frequent for others. Performance evaluations that are done once, at the end of the year, are counterproductive and useless; they do more harm than good.

In general, sales managers should follow this schedule:

1. Quarterly departmental objective-setting and strategy sessions
2. Quarterly individual performance coaching and performance agreement sessions
3. Monthly individual objective-setting and performance coaching sessions
4. Weekly planning sessions
5. Frequent, usually daily, brief feedback

Structuring and Conducting Quarterly Performance Coaching Sessions
Before conducting formal quarterly performance coaching sessions, first, sales managers must know enough about a job to understand how it should be done. Next, sales managers must observe on-the-job behavior to determine if a person is doing a job well or not, just as coaches use game films to observe a football or basketball player's behavior. In too many organizations, sales managers isolate themselves in an ivory tower and do not know from first-hand observation if a job is being done effectively. After observation, sales managers are ready to share their observations in a formal quarterly performance coaching meeting.

Following are guidelines for structuring and conducting formal quarterly coaching sessions:

1. Be thoroughly prepared for sessions with specific examples of good job behaviors and those that need improvement.
2. Ask the salesperson being coached to fill out a Core Competencies Rating Form, as seen below. (See *Media* Selling, Chapter 4, pages 42-46 for a complete discussion of core competencies.) Ask salespeople to fill out a Core Competencies Rating Form as objectively as they can and bring it to the coaching session. You fill one out, too.)Blank Core Competencies Rating Forms are available for downloading at www.mediaselling.us/downloads.) The 48 core competencies listed in the rating form are based on several systems, such as General Electric's, Lucent's, and my own research. As indicated in Chapter 4 of *Media Selling*, sales managers should adapt the core competencies and desired levels to their own medium's and sales department's needs. If salespeople feel the core competencies are not relevant to their selling situation and environment, the system falls apart, so it is imperative that sales managers change the rating form to meet their needs and to be relevant to the job at hand.
3. Review the organization's mission statement, the sales department's objectives, and the department's current strategy with the person being coached. With senior salespeople who are thoroughly familiar with an organization's mission and the sales department's objectives and strategies, you can touch on these areas briefly, but the goal is always to put performance coaching in the context of carrying out the organization's mission, objectives, and strategies. If a sales department's objectives or strategy has changed, it is vitally important to inform salespeople of the changes.
4. Discuss a salesperson's personal objectives and try to align his or her personal objectives with the department's and organization's goals.
5. Review and discuss the salesperson's performance on the core competencies. Ask in a non-threatening and non-judgmental way, "How do you think you're doing on area number one, "Attitude?" Go over each of the seven areas (Attitude, Emotional Intelligence, Skills, Knowledge, Opportunity, Preparation, and Persistence) and make any positive and encouraging comments that are appropriate. If there is disagreement with a salesperson on his or her self-evaluation, do not say anything at this stage of the discussion; let the person finish the self-evaluation.

6. Facilitate the discussion by active listening, by the frequent recall of positive situations, and by the effective use of silence to encourage a salesperson to reflect and talk more.
7. Next, go over the Core Competencies Rating Form you have filled out. Give praise and encouragement and whenever possible, focus on strengths. Then, gently point out opportunities for improvement.
8. Never indulge in personal criticism. Focus on specific competencies and on-the-job behavior and attitudes.
9. Do not make any comparisons with other salespeople, and never use or indicate any ranking of a salesperson within a sales department.
10. Do not mention more than two or three competencies that need improvement, even if there are more on which people need improvement. People generally cannot handle more than two or three major improvement opportunities at a time. Think about coaching football. A good coach would not tell a player that he was doing 10 things wrong and then ask him to correct them all at once, it would be too confusing and demoralizing. Ask salespeople to concentrate on improving just two or three competencies. Refer to them as "improvement opportunities," not "weaknesses."

    Even though the coach's focus is on improvement, many people will perceive comments that are less than positive as criticism. Most people stop listening when they hear criticism, so coaches and managers have to use it very sparingly. Too often managers store up a bunch of negatives, mistakes, failures, problems, and criticisms and pile them on people in performance reviews. This practice is guaranteed to assure that people will dislike both the system and the manager. In such cases, people being reviewed become defensive and learn nothing. This is not coaching; it is abuse.
11. Make a list of the areas of agreement and disagreement based on a discussion of core competencies. Try to concur quickly on areas of agreement and then focus on areas of disagreement.
12. If a salesperson becomes hostile or angry during the discussion, never respond with anger. Even though it's often hard to do, remain calm. It is important to give people the sense that they are cared for as people, and that the intent of the session is to help them achieve what they want to achieve—competency.
13. If a salesperson resists change, be prepared to offer a solid business reason why they must solve the problem. Discuss how the problem is affecting other people in the department and other departments, how the problem is affecting the culture of the organization, or how it is affecting the salesperson's perception in the eyes of other people in the department.
14. Use probing questions to search for underlying problems and possible solutions. Often performance problems are linked to deeper, sometimes personal, problems. However, do not try to be a psychiatrist. You are not trying to discover why performance or competency problems exist, you are focusing on on-the-job attitudes, competencies, and behavior. If there seem to be deeper problems, advise professional counseling.
15. Coaching must be done in the context of a salesperson's total performance. It should never be based on isolated instances, but on an overall pattern of behavior and performance.
16. Never conduct quarterly coaching sessions in front of anyone else; do them one-on-one.
17. The focus must be on the future—future opportunities for improvement—not on past failures, mistakes, or problems.
18. Discuss a list of consequences if a problem is not solved. This list should include specifics of further disciplinary action such as a salary freeze, a promotion freeze, closer supervision (less autonomy), or less desirable agency or client assignments.
19. Take notes in coaching sessions and put the notes in the salesperson's personnel file.

Reactions to Quarterly Coaching Sessions

During quarterly coaching sessions, people often react defensively to what they perceive to be negative comments, even when these comments are placed in the middle of favorable ones. Presenting several negatives, a few positives, and then more negatives is referred to as the sandwich approach. It never works; people forget positive comments and only remember the negatives, the criticisms.

Criticism causes people to repress performance problems, to become defensive, or to deny problems exist. Defensiveness takes many forms: transference of blame to others or to inadequate sales tools or to the support staff ("it's not my fault"), apathy or indifference, and even outright hostility. Most people have ambivalent feelings about self-improvement needs. On the one hand, they generally have a need for greater competency, but on the other hand this need is often offset by a threat to self-esteem when coaches point out problems, mistakes, or failures. In general, the lower a person's self-esteem, the more apt he or she is to react defensively to any coaching and the stronger the reaction.

Also, some salespeople (usually men) crave independence and autonomy, and they often see coaching as a way to tell them what to do and resent it.[xxxv[xxxv]] In such cases, it is imperative to give the feedback in the framework of help: "I know you like to do things your own way, but I have a few suggestions, if you don't mind, on how you might make things easier for yourself."

Another common reaction to criticism is outright denial. If the criticism hits a particularly sensitive area, people will simply deny that it applies to them—they refuse to believe it. Repression, defensiveness, and denial are three reasons why criticism virtually never works in coaching situations. Because of this tendency to repress and deny performance problems and to be defensive, do not expect permanent behavior changes to come about as the result of one or two quarterly performance coaching sessions. Behavior changes only come about as the result of continual coaching, feedback, positive reinforcement, and if necessary, consequences for poor performance. Changes come when a salesperson concentrates on one or two areas for improvement, when the coach and the salesperson both agree on the objectives that need to be achieved in order to improve, and when the coach continually reinforces each improvement increment along the way, daily if possible, with positive comments.

Games People Play

In your performance coaching sessions, be careful about being sidetracked in a game in which people continually rationalize their behavior. The objective of all coaching sessions is specifically stated agreements between coach and salesperson.

Two of the most common rationalization games are "Yeahbut" and "I'll try." [xxxvi[xxxvi]]
In the "Yeahbut" game, for everything you say the associate responds with a "Yeahbut" rationalization.

"Yeahbut, my car keeps breaking down."

Do not try to counter the "Yeahbut" rationalization, you will just encounter another one.

"Yeahbut, I can't afford another car."

Cut the discussion short by saying, "Whatever the reason, you have to solve the problem."

The "I'll try" game is similar to the "Yeahbut" game. It is just as unacceptable. Trying does not count, doing what you are supposed to do is what counts. Counter the "I'll try" game with, "That's great, but what exactly are going to do to solve the problem. Tell me in action steps one, two, and three."

Improvement Memos/Performance Agreements

If a salesperson is exceeding desired core competency levels, write a positive, reinforcing, congratulatory memo or letter to the salesperson and send a copy of it to your boss—the next higher level up.

If a salesperson is under-performing, have him or her write you an improvement memo after a quarterly performance coaching session. In the memo, have the salesperson outline what he or she is going to do to improve in the few areas that have been discussed. It is important that the person gives you a specific action plan of how he or she will improve. This improvement memo becomes a performance agreement between a salesperson and a sales manager. If the salesperson cannot live up to the conditions and expectations set forth in his or her own agreement, then there is a much more reasonable, legitimate, and defensible basis on which to terminate the salesperson (allow him or her to pursue other opportunities).

Yearly Performance Evaluation or Review Sessions

As I've written above, conducting annual performance evaluations at salary review time is not effective. Once-a-year performance reviews are worthless and counterproductive.[xxxvii[xxxvii]] Imagine how a professional football player would feel if the only comments about his performance came during once-a-year salary negotiations. He would probably think all the comments about his performance were used to belittle him so the owners could use the criticism as an excuse to pay him less than he was worth. The same feelings about once-a-year performance evaluations exist in virtually all companies that use them. Sales managers must conduct formal, performance coaching on at least a quarterly basis, or do not do them at all. Doing them yearly is completely counterproductive.

Quarterly Departmental Objective-Setting Sessions
At the beginning of each quarterly coaching cycle, the sales manager and department team leaders should jointly examine the department's strategies and key objectives. They should discuss "what needs to get done to achieve our objectives in the next quarter?" Through analysis and discussion, the organization's mission, goals, and strategies are narrowed down to a few key departmental objectives that can reasonably be achieved in the next quarter to help accomplish the organization's objectives.

Studies have shown that one of the key elements in any effective performance coaching system is participation by team members in setting the team's objectives and performance standards. When people participate in making decisions, especially about objectives and performance standards, they are much more committed to seeing that those goals and standards are met.[xxxviii][xxxviii]

Monthly Individual Objective-Setting Meetings
Managers should meet with associates at the beginning of each month to help them set objectives for the coming month. These individual objectives must be consistent with the sales department's objectives and performance standards that have been agreed on in the quarterly departmental objective-setting and performance agreement meeting. Focus on individual objectives that build on salespeople's strengths. Review progress on a Core Competencies Rating Form. Follow the guidelines for monthly meetings in the Effective Meetings section above.

The majority of objectives, both individual and departmental, should be MADCUD ones (as detailed in Chapter 5 of Media Selling, pages 57-61. It would be a good idea to review those pages now):

1. **M**easurable
2. **A**ttainable
3. **D**emanding
4. **C**onsistent with company goals
5. **U**nder the control of the individual
6. **D**eadlined

Remember, improvements will come in small increments by raising the difficulty of the objectives a little bit each time. The secret of success in all coaching is to increase goal difficulty just the right amount to make objectives demanding enough to inch performance upwards and attainable enough not to discourage a salesperson or a team.

All objectives should be written down and the manager should keep a copy of them, then the following month sales managers can go over with salespeople how they did in achieving their objectives.

Weekly Planning Meetings
Weekly planning meetings are also an essential part of an effective performance coaching system. Follow the guidelines given in the Effective Meetings section above for weekly individual meetings.

Salespeople should leave a copy of their weekly planner with their sales manager. The next week in the planning meetings, sales managers should briefly go over the results of the previous week's calls and then discuss the new week's plan, call objectives, and tactics. In this manner, sales managers keep track of what salespeople are doing and, thus, have no need for call reports.

Sales managers must not use weekly planner meetings for policing. They should not make negative comments on or assessments of the previous week's activities. The objective is to give feedback and to train people to use sales managers as coaches and tactical resources, not to view them as policemen who do not trust salespeople and are merely checking up on them. If the meetings are kept positive, most salespeople will enjoy getting feedback, positive reinforcement, encouragement, and advice.

Brief, Frequent (Daily, If Possible) Feedback Sessions
Brief, frequent feedback and coaching sessions are an essential part of an effective performance coaching system. Salespeople need feedback on a frequent, often daily, basis on how they are doing. They also need continual encouragement and reinforcement of the good things they are doing. Salespeople never receive too many compliments, thank-yous, recognition, or appreciation. With frequent coaching, there are no surprises when the formal quarterly sessions come around.

Also, in these frequent, brief coaching sessions, sales managers must be open and honest with salespeople. If a salesperson does something a manager does not care for, the manager must be open and direct, and discuss the problem.

In these frequent feedback sessions, encourage salespeople to come up with solutions. Ask them, "what do you think is the best way to correct the problem?" Or, "How do you think you can improve?" Always ask, "What can I do to help?" If salespeople see sales managers as a resource, coach, and facilitator rather than as a judge, critic, and evaluator, they will tend to open up and to seek help and advice about ways they can improve.

Guidelines For Giving Feedback

Balance positive and corrective feedback. Most sales managers do not give enough positive feedback. Giving associates positive feedback helps build their confidence and makes it easier for them to accept corrective feedback. Most people want corrective feedback because they want to perform better. How a manager gives it is vitally important.

First, do not lie to people. Occasionally, there are times when there is no positive feedback that is realistic. Do not lie to people. Do not say, "You're doing a good job, but..." and then proceed with a string of examples of bad behavior. People hate being lied to even more than they dislike negative feedback. Be straight, say at the outset, "I have some concerns that need to be addressed," or put it on personal terms from your point of view, "I have a problem and I need your help," for example.

Reinforce desired behavior. Remember, positive feedback encourages desired behavior and negative feedback represses behavior. Therefore, in order to change behavior, people need both positive feedback (reinforces good behavior) and negative feedback (stops undesired behavior). Attempt to give feedback daily. Build giving feedback into your daily routine.

Do not withhold feedback. Withholding honest feedback will be perceived as dishonesty. People feel that it is better to get negative/corrective feedback than none whatsoever. Sales managers often do not give people enough credit for being resilient, so be candid in your feedback. Begin all feedback sessions with the message that you are trying to help, and that is the message they will hear. Also, if you eventually have to terminate someone and you have never given corrective feedback, you will wind up with a lawsuit on your hands.

Avoid generalities when giving feedback. Saying, "good job" or "bad job" does not have any reinforcing or corrective value. Salespeople need to understand specifically what on-the-job behavior, attitude, and action is viewed as good or bad. They must have specific instructions on how to make it better.

Be prompt in giving feedback. Using the telephone allows you to give immediate and effective feedback if you cannot see people face-to-face. Even though using the telephone is less personal, it is better to be timely than to be personal.

Remember, how you give feedback is more important than the content of the feedback. Body language, tone of voice, feelings, and attitude will transmit meaning in feedback sessions more than words do. Use some of the following phrases when beginning a feedback session:

"I know you want to improve, and if it's OK with you, I have a few suggestions."

"I know you like to do a good job. Here are some things for you to think about that might help you do it a little better."

"I know you really care about your work. Here are some things I'd like to suggest that would help me do my job better."

In giving feedback, always follow the rule "Be tough on standards, not on people."[xxxix][xxxix] People receiving feedback are in their most vulnerable state, so gentleness and diplomacy are vital. Before giving negative feedback, rehearse your approach and attempt to follow these guidelines:

1. Describe the performance discrepancy in behavior terms.
2. Explain the effects and consequences of that behavior, attitude, or lack of meeting a competency standard.
3. Listen to understand why the problem occurred, and listen for their understanding of the magnitude of the problem and your concern.
4. Offer or search for alternative behaviors/solutions to correct the problem.
5. Contract with the person for improved performance, and stipulate consequences if agreed-upon performance standards are not met.
6. Thank them for their openness and willingness to change (if you can be genuine).

Continually elicit feedback opportunities by spending time informally with your associates—by walking around—and solicit their opinions. Here are examples of the simple questions you can ask:

1. How are you doing?
2. What can I do to make your work life easier?
3. Are your expectations being met at work?
4. Is there anything you think needs to be changed to improve things around here?

Who Conducts Performance Coaching Sessions?
Normally, all performance coaching should be conducted by sales managers. However, in sales departments in which there are a large number of salespeople and a limited number of managers, team leaders or even senior, experienced, effective salespeople can conduct the quarterly and monthly sessions, and even the daily coaching and feedback with less experienced salespeople. It is vital that salespeople have feedback on their performance and that they receive the encouragement and coaching they need to reach their individual and departmental objectives.

Unleash People's Motivation to Improve
Effective managers unleash their salespeople's motivation to win and to improve by conducting frequent, honest, and effective performance coaching and feedback sessions. Remember, if people are not motivated or are not improving, it is often management's fault, not the salespeople's. It is management who hires people, who coaches them, and who communicates the organization's values and goals to them. As Napoleon said, "there are no bad soldiers, only bad generals."

Establishing Consequences
Another critical factor in an effective performance coaching system is establishing *consequences*. Consequences differ from punishment in that someone in authority decides to punish someone else in retribution after an activity has taken place. Consequences are clearly laid out in advance so that people know that if they do A that B will happen. If consequences of actions are described to a person before an activity takes place, then it is the person who makes the decision beforehand whether or not the consequences are worth enduring. If coaching should focus on encouragement, reward, and reinforcement for achieving reasonable objectives, then there must be some consequences for not reaching them. For the football team member, the upside is winning the Super Bowl and making a lot of money as a valuable member of a team; the downside is getting benched and eventually being cut from the team.

Consequences must be clearly communicated in advance and then strictly enforced. In a sales organization, if a salesperson's accepted objective is to develop two new business accounts in a month, if the objective is not met, there must be a subsequent consequence, such as having accounts taken away (if the person is paid primarily on commission) or being awarded a lower share of a commission pool or bonus pool (if the station uses a commission pool or bonus pool system). If the salesperson continues to miss objectives that he or she has accepted as reasonable after negotiating them in monthly objective-setting meetings, then he or she should be cut from the team. Doing less is unfair to those who are performing and achieving their accepted objectives.

In too many sales organizations, once a salesperson is hired, there are no serious consequences, short of getting fired, for not achieving reasonable, accepted, MADCUD objectives. A salesperson might get yelled at, but nothing more serious happens when they do not achieve reasonable, accepted goals. When salespeople do not improve in a department where there are no more serious consequences than being yelled at, many sales managers seem puzzled and ask, "I don't understand why he doesn't develop new business, I've told him to!"

Remember, by holding on to ineffective people too long, you are being unfair to your organization and, more importantly, to the effective performers on the staff.

Discipline Without Punishment
Most performance problems can be divided into three categories: Attendance (being at work and on time), performance (failure to reach objectives, failure to meet deadlines, or wasting time), conduct (breaking rules, performance standards, or dishonesty).

The traditional way of handling performance problems was to apply a progressive discipline system based on progressively more severe punishment.

Traditional systems begin with informal feedback, then move to formal discipline: Step 1: Verbal reprimand, Step 2: Written warning, Step 3: Suspension without pay/probation/final warning, Step 4:

Termination. Our criminal justice system is based on progressive punishment, so we are treating associates virtually like criminals.

In discipline without punishment, people are treated as responsible adults. When performance problems crop up, managers tell people there is a gap between performance and competencies and job expectations. If necessary, managers plan for additional coaching sessions so people understand clearly where the problem lies. If several coaching sessions fail, formal disciplinary action begins.

Discipline without punishment also begins with informal feedback, but includes positive coaching sessions, then moves to formal discipline: Level 1: Oral reminder, Level 2: Written reminder, Level 3: Decision-making-leave, Level 4: Termination.

Unsatisfactory performers receive one oral reminder to change their behavior. If that reminder fails, they receive a written reminder. If problems continue, associates are still not punished, instead they get a day off with pay. In such cases, management believes there has been sufficient discussion. It is now up to associates to change on their own, and they are given a day to make that decision.

On their return, associates must make an explicit commitment to correct the problem. Most people return to work having decided once and for all to change, because they know that if they do not change, they will be fired.

Managers that use discipline without punishment view it as a technique for saving people. Each step is an opportunity to correct a problem. Dismissal is not a conclusion of the process; it is a failure to save someone.

Evaluating Sales Performance

A sales manager should evaluate salespeople's performance in terms of how effectively they contribute to a sales department's achieving its overall objectives, to implementing its primary sales strategies, to carrying out the functions of a salesperson, and to reaching a desired level on core competencies.

Below is a Core Competencies Rating Form for use in monthly or, at a minimum, quarterly performance coaching sessions with salespeople.

Salesperson Core Competencies Rating Form **Name:** ___ _______

Attitude (12%)	Desired Level	Salesperson Rating	Manager Rating	Difference	Improvement Action Plan
Honest	5	_____	_____	_____	
Positive/Optimistic	3	_____	_____	_____	
Committed	3	_____	_____	_____	
Confident	2	_____	_____	_____	
Courageous	3	_____	_____	_____	
Competitive	2	_____	_____	_____	
Coachable (Open/Non-defensive)	3	_____	_____	_____	
Self-motivated	2	_____	_____	_____	
Assertive	2	_____	_____	_____	
Flexible	2	_____	_____	_____	
Cooperative	3	_____	_____	_____	
Nurturing	2	_____	_____	_____	
Emotional Intelligence (20%)		_____	_____	_____	
Self-awareness	2	_____	_____	_____	
Self-management	2	_____	_____	_____	
Social awareness	2	_____	_____	_____	
Relationship management		_____	_____	_____	
Internal	2	_____	_____	_____	
External	2	_____	_____	_____	
Skills (20%)		_____	_____	_____	
Communicating		_____	_____	_____	
Internal	2	_____	_____	_____	
External	2	_____	_____	_____	
Listening	3	_____	_____	_____	
Understanding people	4	_____	_____	_____	
Presenting		_____	_____	_____	

Individual	3	_____	_____	_____
Groups	2	_____	_____	_____
Creating Value	2	_____	_____	_____
Persuasion	2	_____	_____	_____
Negotiating/Closing	2	_____	_____	_____
Servicing	2	_____	_____	_____
Team leadership	2	_____	_____	_____
Knowledge (20%)		_____	_____	_____
Financial/economic/business/category	2	_____	_____	_____
Marketing/Advertising/Research	3	_____	_____	_____
Market	3	_____	_____	_____
Product (your medium)	4	_____	_____	_____
Competitors	3	_____	_____	_____
Competitive media	2	_____	_____	_____
Pricing	4	_____	_____	_____
Sales process	4	_____	_____	_____
Contract terms	3	_____	_____	_____
Opportunity (8%)		_____	_____	_____
Prospecting/Getting appointments	4	_____	_____	_____
Identifying problems (Discovery)	4	_____	_____	_____
Preparation (12%)		_____	_____	_____
Generating solutions (research)	2	_____	_____	_____
Strategic thinking	2	_____	_____	_____
Creativity/Problem-solving	2	_____	_____	_____
Organization	2	_____	_____	_____
Planning	2	_____	_____	_____
Time management	2	_____	_____	_____
Creating presentations	2	_____	_____	_____
Persistence (8%)		_____	_____	_____
Determined/Never giving up	3	_____	_____	_____
Follow-up	3	_____	_____	_____

Desired Level Rating Score = 124

Highest Possible Level Rating Score = 240

Total Core Competencies = 48

<u>Rating Levels</u>

5	Superior	Top 10%
4	Excellent	Top 25%
3	Very Good	Top 50%
2	Good	Bottom 50%
1	Poor	Bottom 25%

Putting It All Together

That's what execution is—putting all of the elements in this book together. It's paying attention to the details of strategy, structure, culture, hiring the best people, innovating, and leading. It's having the systems and the discipline to use them to do strategic planning, to coordinate activities and to align a sales force with corporate goals, to empower salespeople by using effective compensation systems and contests, to facilitate salespeople's efforts and make a company easy to buy and easy to sell for, and to coach salespeople to be the best they can be. Being a sales manager is an extremely challenging and complex job, but an infinitely rewarding one—like being the coach of a championship sports team. There are few things in life harder or more satisfying than being the architect of a championship team—it takes superb execution.

Test Yourself

1. What are the new functions of management?
2. What are the two types of customer satisfaction surveys?
3. Is MBO an effective performance evaluation system? Explain.
4. What do the letters in MADCUD objectives stand for?
5. What should an effective compensation system reward?
6. What are some of the reasons commission-only compensation systems are being discarded by many companies?
7. Why is cash not the best prize for a sales contest?
8. What are the two types of sales meetings?
9. What are the four roles of performance coaching?
10. Name two games people play in performance coaching sessions?
11. What the four steps in discipline without punishment?
12. Name several examples of soft, qualitative dimensions in a management compensation system.

Case Studies

1. "WQPZ-FM's Budget" case in "Case Studies" link on www.charleswarner.us**.**
2. "The Unorthodox Owner" case in "Case Studies" link on www.charleswarner.us**.**
3. "The Mileage Game" case in "Case Studies" link on www.charleswarner.us**.**
4. "Compensation Roundtable" case in "Case Studies" link on www.charleswarner.us**.**

Project

Download a blank "Core Competencies Rating Form" from www.mediaselling.us/downloads.html, rate yourself on the 48 core competencies, and then fill out the Improvement Action Plan column on those competencies on which you had a lower rating than the desired level.

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