How to Build a Highly-Efficient Sales Structure

Part 3: Defining Your Sales Team Requirements
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Building a highly-efficient sales structure is not complete – nor even possible – without people. But before you can begin recruiting and hiring specific sales talent, you'll need to define your sales team requirements. That begins with the right background – in particular, the types of backgrounds that top-performing sales resources should possess.

Another fundamental consideration before hiring begins is identifying what types of sales resources you need to add to your team, and how many to add. We present key questions to help you zero in on the gaps in your sales team so you can fill those gaps and create a team with the right skills.

It is also essential to factor in where your company is in its business life cycle. The numbers and types of sales resources you hire (if any) should be influenced by whether your organization is in start-up mode or in the growth, maturity or decline phases of its life cycle. Knowing this, high-functioning sales teams can structure and deploy their sales talent in response to market conditions.

Also, before recruiting and hiring sales talent, it is important to consider whether to search only within your industry or look beyond. There are definite benefits to looking outside your industry for fresh sales talent with transferable skills. You will also need to factor in interpersonal dynamics and the "chemistry" it will take for new salespeople to succeed in your internal and client cultures.

Finally, before adding to your sales team, make sure your Sales Compensation Plan is in order. Many critical factors make a sales comp plan attractive, fair and motivating. We describe those factors in this section.

This White Paper is the third of four in this series from Sales Xceleration. For more information about how Sales Xceleration Advisors can help your company with sales strategy, process, and execution, contact us today at 1.844.VP4SALES.
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Moving Forward Begins with Background

In Part 1 of this White Paper series, we described how building a highly-efficient sales structure begins with clearly defined visionary goals and objectives. In Part 2 we detailed how to build on this foundation by building the most effective sales territories and carefully delineating your sales team's responsibilities. These are essential background elements you'll need to accomplish before you can move forward to put your full structure in place and your plans in action.

The same is true when defining your sales team requirements. Before you can put your best team in place, you'll need to consider their individual backgrounds. The goal is not to staff your team with clones who share common (even if stellar) backgrounds. No, the goal is to create the best team; and that usually means having the right players in the right roles. Think of it like a General Manager for a professional football team. Sometimes they don’t draft the best overall player with the best college stats. Instead, they sign the player who fills a need. They sign the best role player. That, of course, demands that they thoroughly scout for the player with the best background to fill their immediate and future needs.

This is also true for the Sales Manager (or company executive acting in that role) who is building or expanding a sales team. In this case, the Sales Manager should consider the types of backgrounds that sales candidates should possess by asking questions like these:

- How much experience should prospective salespersons have? (Should candidates be polished pros, raw rookies, or somewhere in between?)
- What types of decision makers should sales candidates have experience calling on? What level in the organization are they comfortable, and capable of, selling to?
- Should candidates have experience in B2B or B2C selling environments?
- What type of sales cycle should they be proficient operating in? Transactional? Strategic? Short selling cycle? Long cycle? Cycles that require working with a single decision maker or groups and committees?
- What about industry experience? Is this an absolute requirement, or are you perhaps better served by looking for a salesperson with transferable skills from another industry?
- And what type of personality should sales candidates have in order to fit in with your existing internal and customer cultures?
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The answers to these questions will be built on your vision for your sales organization, your defined goals and objectives, and based on the sales territories you have established and the sales team responsibilities you have delineated. The answers to these questions are, indeed, part of the background you’ll need to establish in order to move forward with building – person by person – a highly-efficient sales structure.

Now, let’s take a closer look at some of these components:

What Types? How Many?

In Part 2 of this White Paper series, we looked at "Aligning Your Sales Team Responsibilities." In that section, we focused on how to determine how many – and what types – of sales personnel are needed to achieve your objectives. We noted that the answers to these considerations should be based on several critical factors including the types of accounts you currently have and want to pursue, the total sales potential by market area, your preferred type of sales territories, and the strengths and workload of your current sales personnel.

From there, we described how to align your current team with your needs by addressing these questions:

- Do you need and prefer specialists who focus only on acquiring new clients (especially larger customers), or should you use generalists that handle all aspects of sales and account management?
- What "roles" will they play in performing their duties? Will they be hunters pursuing leads or farmers nurturing existing clients?
- Will they be inside salespeople, junior level Sales Reps servicing smaller accounts, or senior level salespeople focusing on key, larger accounts?
- And finally, to whom will each sales staff member report? A Sales Manager? The owner or CEO? Another key staff member? An outsourced sales leadership consultant, like an Advisor from Sales Xceleration? A senior salesperson acting as “Player/Coach”?

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What Types? How Many?  

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These are, essentially, the same questions you should ask (and answer) regarding the gaps in your sales team, and the types of new salespersons who can help you fill those gaps to create a team with the right skills and backgrounds.

How many new salespeople will you need? What types? If you have undertaken the analyses we suggested in Part 2, you probably already have the answers. Simply contrast what you have identified as the composition of your ideal sales team with what you currently have in your sales organization. Then recruit and hire to fill those needs.

Sales Force Structure and the Business Life Cycle

Before you put out the call for new sales team members based on your current perceived needs, however, you should also factor in where your overall organization is in its business life cycle.

The BUSINESS LIFE CYCLE is that movement of a company from development (or start-up) and introduction through phases of growth, maturity and decline.

Depending on where your company is in the business life cycle, you will want to factor in whether your sales staff should be growing, remaining static in terms of numbers of salespersons needed, or downsizing.

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Why does your company’s place in the business life cycle matter? Because the size of your sales organization should match your life cycle position, especially as it pertains to the direction your company is heading. Typically, if your company is in Start-up or Growth modes, your sales team should be expanding. If your company is in the Maturity phase, or is growing more slowly or nearing the peak of its likely expansion, the number of sales team members will likely hold steady. If your company has seen its peak sales and has started to decline – perhaps due to industry changes, marketplace shifts, or the desire of the company owners to exit the marketplace – your sales staff should probably be downsizing as well. Keep in mind, not only should the size of your sales team expand and contract; you may also want to shift people into different roles. You might actually expand some roles, like an Account Manager, to reduce account erosion, while still reducing the overall size of the team.

Keep in mind that if your company serves multiple industries or has various product lines, your individual sales concentrations could be in different life cycle phases. This requires faster analysis and adaptation.

Of course, where your company stands within the business life cycle isn’t just about numbers; it is also about the appropriate deployment of skills to match what the market demands. In other words, high-functioning sales teams know how to structure and deploy their sales talent in response to market conditions and an ever-changing competitive landscape. So, even if your company remains in the Growth phase of the business life cycle for years, that doesn’t mean that your sales team – in terms of numbers and skills allocation – should remain static. In fact, the Start-up and Growth phases tend to be the most dynamic life cycle periods. What this means, of course, is that analyzing your sales team structure is a continual process. Until your company or your particular sales division within the company no longer exists, your job in analyzing and adapting the best sales team structure is never-ending.
Sales Force Structure and the Business Life Cycle

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To undertake this analysis throughout the business cycle, consider these four factors:

- Roles your sales team and its strategic sales partners play
- Size of your sales force
- Your sales team’s degree of specialization (salesperson by salesperson)
- How your salespeople spend their time and effort across customer types and product lines

These variables can affect how adeptly your sales organization can respond to market forces and opportunities. Not only will they influence where and how your sales team spends its time; they also will affect your company’s costs, revenue, and margins. Left unchecked and unchanged, a static sales team structure could be slow to respond in the marketplace and leave your company unprepared to capitalize on opportunities. This can give your competitors a clear advantage.

Before making adjustments in your sales team composition, ask these three questions:

- Where is your organization in the business life cycle?
- What are your current sales goals and objectives?
- Is your current sales force structure set up to be responsive to your customers, shareholders and employees while also maximizing results?

When changes are indicated, keep in mind that salespeople are people. And people typically resist change. By changing the sales team structure relative to where your company is in the business life cycle, you may – at least in the short term – impact their role, territory, geographic focus and income. Because most businesses tend to shift their sales team structure only as a reaction to significant market forces or events, sales personnel are likely to resist. To help minimize resistance, remember that communication is key. And remember, too, that smaller, real-time responsive adjustments are easier for your sales team to accept and support.

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Sales Force Structure and the Business Life Cycle

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Don’t assume that salespeople who are successful in one role will automatically be good in another role. Determine whether each sales resource has the skills to transition to a new role or set of expectations. You should also consider whether they need additional training. Don’t fall into the trap of moving someone into a different role and then looking back and wondering why their performance dropped off; it is often the fault of leadership -- put them into a new position that wasn’t a good match for their skills.

Once you have considered your place in the business life cycle and factored in your ideal sales team composition, it's time to make it happen.

Looking Beyond Your Industry

When looking to augment your current sales force with new sales talent, it is tempting to constrain your search to those candidates within your industry. But oftentimes the best approach includes looking beyond your industry for salespeople with transferable skills. In fact, it is almost always better to look for fresh talent over stale experience. Here’s why:

- **Hiring from within the industry can bring old approaches and burn-out.** While people with direct industry experience are expected to provide speed-to-revenue while saving on training expense, they can also bring bad habits or may already be burned out selling existing product lines. Breaking them of bad habits or outdated techniques requires training. So you might as well invest that training time in providing fresh talent with product knowledge.

- **Industry insiders seldom bring customers with them.** Change is difficult, so clients rarely follow a salesperson to a new company, no matter how good the salesperson/client relationship might be. Focus on someone who can "fish in any pond," rather than someone who promises to "bring you fish." If the allure of your new salesperson bringing you their current clients doesn’t work, you don’t want to be stuck with someone that can't find new clients.
Looking Beyond Your Industry

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- **Expanding your search brings new sales talent to the surface.** Talent is scarce and getting scarcer. By opening up your talent requirements to various skills sets from other industries, you can expand the organization’s talent pool. Start with related (and relatable) fields whose top performers mirror the traits needed for success in your industry.

- **Focusing on results yields performers with better track records.** A top salesperson who consistently makes over 100% of quota will usually have the fundamental skill set and discipline for doing the same thing regardless of industry. Winners typically win wherever they go!

- **Rapid response can be shown by flexibility and adaptability.** Successful sales performers today need to be able to rapidly respond to changing markets by using new strategies. Candidates with track records of success in a variety of industries have already shown the ability to adapt and perform. And if your onboarding process is efficient, the new hire will get quickly up to speed regardless of industry experience.

The Interpersonal Dynamic

Another aspect to consider when you have determined you need to add to your sales staff is that of the interpersonal dynamic. In other words, it is helpful – before you begin any recruiting or hiring activities – to think about the type of salesperson that will have "chemistry" not only with your team, but also with your company’s customers and prospects.

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The Interpersonal Dynamic

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First, of course, you'll need to take a step back and think about your company's employee and sales cultures, not as sum totals of employee personalities, but as living, breathing organisms in their own rights. You will need to consider and truly understand the interpersonal dynamics of your overall corporate culture, the organizational personality of your Sales department, and the buying characteristics and personality traits of your customers. From that baseline, you can finally picture your ideal candidate not solely in terms of written-in-stone qualifications, but also based on personality, behavioral style and professional demeanor. Ask yourself this: "What kind of person – what kind of personality – will succeed as a valued contributor to our sales team and as a trusted sales resource in the markets we serve?"

Answer that question and use that mental image to help design your job advertisements and recruiting language. You can also use this ideal profile to help craft interview questions when meeting with sales position candidates. If you're not comfortable or confident in how to embark upon this type of salesperson personality modeling, take the time to learn and apply the principles of DiSC®, MBTI® from Myers-Briggs, or similar personality and psychometric assessment systems.

When you model your ideal salesperson, however, don't overlook the value of diversity as a benefit to your sales team. In fact, as Mark Thacker notes in his book, Beyond the Mountaintop: Observations on Selling, Living and Achieving, "embracing what makes each of us different is an important first step in assembling the right team." He writes that, while it is "important to work with people of like character…we must also celebrate our differences. To be successful, a team requires a group of individuals with diverse talents."

As Mark Thacker writes in Beyond the Mountaintop: Observations on Selling, Living and Achieving: “We must... celebrate our differences. To be successful, a team requires a group of individuals with diverse talents.”
Planning for Compensation

One final component to have firmly in place before recruiting and hiring is sales compensation. Here are the fundamental components you should include when designing a productive and effective Sales Compensation Plan:

Salary

When paying your Sales Reps a base salary, keep it low enough to make sure you have a "leveraged plan" – one that allows your salespeople to meet their ongoing financial obligations, yet still doesn't guarantee them such a high wage they are no longer sufficiently motivated. Ideally, the base salary should range between 40 and 60 percent of anticipated total compensation. This should be a sliding scale: as the salesperson gains more incented sales, the ratio of salary to total compensation will fall.

Commission

One option for a Sales Compensation Plan is to forego salary and instead pay the salesperson a straight commission. Certainly, it can be tempting to base compensation on results. But straight commission compensation could be a disincentive that might keep potentially outstanding Sales Reps from joining your organization.

Whatever portion of the total compensation package is comprised of commissions, you can structure those commissions based on sales or gross profit. Be careful to avoid basing commissions on sales whenever the Sales Rep has any control over pricing. Why? Sales Reps are human; and basing commissions on flexible pricing only invites price reductions to make the sale.

A commission could also be in the form of a draw or recoverable draw. There are many occasions where it is appropriate to pay commissions prior to when a Sales Rep "earns" the commission. This is most often applicable in the early stages of a Rep’s tenure when pipelines are first formed. The decision to make the draw "recoverable" revolves around your desire to collect commissions paid if they are not "earned" within a particular time frame.

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Planning for Compensation

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Bonuses

Adding a bonus structure to a sales compensation plan can incent the salesperson to aim higher and reach new levels of success. Normally, bonuses should be paid after the end of the year for meeting or exceeding sales goals. The key benefit to an annual bonus is that you are paying this additional sum after your desired performance is already attained!

Other Incentives

Other incentives are generally non-monetary compensation such as trips or gifts. These are often associated with sales contests, but can also be a strategic and attractive part of a Sales Compensation Plan. Incentives like these are best used for achieving short-term results, but should be significant enough to get the Sales Reps "revved up".

Regardless of which combination of components your Sales Compensation Plan includes, you should seek to structure it to achieve essential goals. In general, your Sales Compensation Plan should:

- **Benefit both the company and the sales team.** A well-constructed plan has compensation tied to at least two of three essential elements:
  - Individual sales performance
  - Departmental performance
  - Company sales performance.

If a salesperson’s compensation is tied only to performance, the company may perform poorly, yet the salesperson is paid well. Alternatively, if the company achieves its sales goal, then each salesperson should benefit from the company achieving its overall goal. –Remember: how much an employee’s compensation is tied to each component should be determined by how much their individual effort and performance can impact a departmental and/or company sales goal.

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Planning for Compensation

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- **Incent desired sales behaviors and performance.** Good salespeople read the *Sales Compensation Plan* and then determine how to best exploit the plan for personal benefit. They then spend the most time on the activity, products or accounts that can make them the most money. If a *Sales Compensation Plan* is written correctly, this "activity" is spent on exactly what the company and its leaders prefer!

- **Be easily understood, implemented and managed.** Good sales comp plans are easy to implement and to follow, so keep it simple! Salespeople need to know what they can do to earn an incentive and what exactly that incentive will be. If the sales compensation plan involves tracking a lot of detailed performance indicators, it will waste management's time and confuse the employee. Focus on big-picture performance results: Did sales go up or down? Did client retention remain high? Is productivity increasing or decreasing?

- **Strike the right balance between guaranteed and variable compensation.** Finding the balance between salary and variable compensation is often the toughest challenge. How do you keep salespeople motivated with a modest salary, yet pay enough to attract the kind of salesperson you want working for you? How do you minimize the risk of overpaying a salesperson who has a poor sales year?

There are many different solutions to this dilemma. The key issues to consider are the expected annual percentage of client retention, annual growth needed, introduction of new products and focus on new sales verticals. If significant sales growth is needed, then paying a much larger percentage on "new business" is required. If modest growth is expected and client retention is crucial, then a higher sales commission percentage on retained sales is required. If new products are being introduced or new verticals are being pursued, then higher sales commission percentages are needed on the new areas of focus.

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Planning for Compensation

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- **Reward top performers.** When is the safest time to reward a salesperson with extra compensation? If they have achieved 100% of their quota and hit all the required elements of the plan, reward them. You must also keep paying salespeople handsomely beyond their quota. Here are 3 key reasons why:

  1. *They did what you asked them to do.* Write the plan so salespeople receive a large bonus when they achieve 100% of their sales quota. You will only be paying this out to those that have done their job.

  2. *You will empower individuals to continue pushing through to the end of the year.* Thus, "sandbagging" should become a thing of the past. Salespeople who experience an escalation of their bonuses and commissions beyond 100% sales quota attainment, work even harder. Don’t place a limit on their earnings. In a great year, your top salesperson may be the highest earner in the company. This should be encouraged; don’t let managerial envy or greed interfere.

  3. *You can acquire better salespeople with bonuses and escalators at and beyond 100% of quota.* Every good salesperson will take a job after looking at what they can make at 100% of quota attainment and above. Providing escalators above 100% will allow you to gain a better-qualified salesperson. If they aren’t looking at what they would make at 100% and above, you don’t want them!
Conclusion

Before you can begin to staff your sales team with the best talent possible to achieve your goals, there are many building blocks to put in place. Establishing your initial company vision, along with your overall goals and objectives set the foundation. From there, you need to set up your sales territories as well as your general sales reporting and responsibilities. Now, as described in this section, you’ve focused your attention on what it takes to get ready to begin the hiring process. It is a complex series of processes that are essential to successful sales team organization and management.

The experienced professional Advisors representing Sales Xceleration and our proven sales systems can help your company set up the sales structure best suited to your industry, your market, and your sales culture.

To learn more about how a Sales Xceleration Advisor can assist your organization, contact us at 1.844.VP4SALES (1.844.874.7253). We look forward to discovering your needs and discussing how we can help you achieve your sales success goals.

Looking Ahead to Part 4 in This Series

Having a clear vision, a strategic plan, well-established sales territories, and appropriate salesperson responsibilities are important elements in a highly-efficient sales structure. On top of that you will need to define your sales team requirements as described in this section. The final component, of course, is what we'll cover in the final section of this White Paper series: Recruiting, Hiring and Onboarding Top Sales Performers.