

# Management By Objectives

This management framework underpins all effective Sales Performance Management.

It is based on the principle that while overall business targets may be set from 'above' through Sales Policy (driven by market opportunities and threats), the task of management is to ensure that those targets are achievable by examining the past results, activity and capability levels of their team, and then putting in place the right activity and personal development plans to hit or exceed their target. Activity drives the results, but the driver of activity is capability and unless individuals feel competent and confident to carry out the planned activity, it won't happen.

## Sales Activity Planning

Why is Sales Activity Planning so important? Without it forecasting and achieving targeted sales performance becomes merely guesswork (or Management by Hope). If the guess is wrong (whether too high or too low), it can have very damaging impacts on business planning as a whole, as well as investor confidence. The resources needed for operational support, follow up cross selling and other services are affected and ultimately customer service and satisfaction.

Past results are one element within sales activity planning, but trying to manage next month's/year's performance based solely on past results is like trying to manage by the Battle of Hastings – it's past history, you can't change it, and more importantly it may have no relevance to the challenges we face today.

## Q.D.Q

So, if we can't manage by past results, what can we manage? Well, we can manage the activity of our sales people today in order to generate tomorrow's result. This has three elements:

- **Quantity of activity**
- **Direction of activity**
- **Quality of activity**

1. The **quantity of the activity** is the raw effort our people put into their selling. The amount of time they spend *in front of customers*, as opposed to driving to meetings, administration/paperwork work, other relationship management duties, and internal meetings. It is the number of telephone appointment calls, prospect/customer meetings, and proposals we expect our team to make. All other things being equal if we can simply increase the relative proportion of time our people spend on 'prime selling time', our people will sell more.
2. The **direction of the activity** is about with which potential customers and introducers they spend their 'prime selling time'. Are they focusing their efforts in the right direction, seeing the right people, promoting the right products, or are they just 'busy fools' racing around developing relationships with prospects/ introducers who are never going to give us business. For account managers, how well have they analysed their portfolio to identify the 'best-fit' customers for cross

sales of identified products? For 'hunters', what selection criteria have they applied to the introducers/network? For both teams, how strong are those relationships and what are the plans to improve them?

3. Finally, the *quality of the activity* is about what they actually do when they get in front of the 'right' people. Are they fully prepared? Have they done their homework? Can they structure and control the meeting properly? Do they know what questions to ask to generate interest in the prospect and define needs and wants? Do they have a comprehensive understanding of the company's Sales Propositions and those for each product? Can they present the company solution effectively and persuasively? Can they handle any concerns and price pressure effectively?

These are the only things that a Manager can actually manage. To help him he can **analyse past results** – in all three areas, Quantity, Direction and Quality – to find out what worked, what didn't, and where his team has competency gaps. He can **plan future sales activity** – in all three areas, Quantity, Direction and Quality – to target his team, and ensure that the right personal development is planned and executed. And finally, on an ongoing basis he can **monitor current performance** – in all three areas, Quantity, Direction and Quality, to guide, make adjustments, and provide training & coaching to his team where necessary.

This is the essence of Management By Objectives, and it enables sales managers to plan the performance and development of their teams, and forecast with accuracy.

## Salesbase Activity Planning

1. Analyse the performance of the upper quartile of your sales team, those that have consistently hit or exceeded their sales targets in the last year.
  - How many Buying Customers/New Product sales per month did they generate?
  - How many proposals did they send out?
  - What was the conversion ratio of **proposals sent out: buying customers**?
  - How many prospects/customers per month did they meet?
  - What was the conversion ratio of **prospects/customers: proposals**?
  - How many suspects (by product) per month did they have?
  - What was the conversion ratio of **suspects: prospects**?

(It is often useful to use the average monthly figures for these salesbase items)

2. Now consider the business targets you have set for your team. Using the average ratios discovered in (1) above, calculate a backwards plan, e.g.:

Target = 2 buying customers a month per salesperson.

**Buying customer: proposal** conversion = **1:3**

therefore **6** proposals will be needed

**Proposal:prospect** conversion = **1:3**

therefore **18** prospects will be needed

**Proposal:suspect** conversion = **3:4**

therefore **24** suspects will be needed.

In other words, to be confident of hitting the target of **2 Buying Customers** every month, each salesperson must have in his current pipeline

**6 proposals** awaiting an answer

**18 prospects** whose needs have been defined

**24 suspects** with whom we would like to do business, but with whom an appointment has not yet been made.

3. Reality check:

- (i) Are these numbers realistic? They should be: your top performers achieved them last year.
- (ii) Consider the time involved for your salespeople to manage this salesbase:
  - How much time will they need to devote to appointment making (generating 18 prospect meetings from 24 suspects)?
  - How much time will 18 prospect meetings (including travelling time) take, and how many prospect meetings will be necessary to get to the proposal stage?
  - How much time will it take to produce 6 proposals?
  - How much time will you expect them to spend with Buying Customers (relationship development)?

Add this up, add time for administration/paperwork, internal meetings, holidays, etc., and then compare the result with the total number of working days available. Is the plan achievable? If not, you will need to re-think the salesbase numbers.

- 4. The salesbase tool will then allow you to monitor your team's performance and forecast accurately. If there are gaps in their current pipeline, either the number of suspects needs to increase or their conversion ratio at that point in the salesbase needs to improve.
- 5. In order to calculate the salesbase figures for new products you will initially need to make an estimate of the conversion ratios (based on similar previous products perhaps?), and then monitor and adjust according to actual performance.