

Total Quality Management/ Total Quality Leadership in Sales

Dr. Jim Grant

Dr. Donelda McKechnie

The Authors:

Dr. Jim Grant (American University in Dubai, UAE) has extensive international experience as an academic educator and facilitator of workshops and seminars. He has conducted many programs throughout countries in the Pacific Rim and continues to build his international credentials in the emerging market of the United Arab Emirates.

Dr. Donelda McKechnie (University of Wollongong in Dubai, UAE) combines her industry management experience with her International credentials when facilitating workshops and seminars. Her successful business career and her understanding of developed and emerging markets enable her to discuss real-world situations in the classroom setting.

For questions or more information, contact Jim Grant at grantjim@usa.net

1. Introduction

The main idea of Total Quality Management (TQM) and Total Quality Leadership (TQL) revolves around continuous improvement. The processes require that informed and enlightened management and leadership apply measurement standards to assess the business areas that are operating outside the expected levels. Once identified, then the next step is to introduce modifications that are targeted at improving results.

Setting the expectations to be achieved is always a difficult task. It is made no less difficult regardless if the area for review is a small department or a large profit center. The level of surety - or the confidence level - of particular performances established will depend on many factors. Certainly cost and the risk of damaging failure are important considerations. However, failure has varying degrees where the extreme - endangering life - is typically not a factor in normal business decisions. Thus, in departments such as Sales, the daily activities of the sales people and sales management may have less risk/reward considerations

but TQM/TQL can be beneficial as well as contribute to more efficient and effective sales systems.

Typically, TQM/TQL has been applied in the production/manufacturing business areas. Implementation is generally much easier because it is facilitated by measurements and benchmarks that are embedded in a daily reporting system to management. Adopting TQM/TQL into service areas such as sales has been a slower process. It requires understanding about the high numbers of dependent and independent factors that have the potential to influence long term sales success. However, just because TQM/TQL has some limitations - which may make it more difficult at times - does not mean that it should not be used. The extra effort that is required is certainly justified by the results.

2. Sales - the candy and stick model

Too often sales operations are based on a fractured model that is 'candy and stick'. The sales people who perform well are given many accolades and various

rewards. Their names consistently appear on the top of the chart or list that is dutifully recorded on the whiteboard that adorns the sales area. In the 'candy and stick' model, they get the candy.

Those people who are occasionally or consistently at the bottom of the sales list or the bottom of the chart are likely to be disregarded - or worse - removed from the team. In the 'candy and stick' model, they get the stick. The idea is that the non-successful sales person is disposable and can be replaced by someone "better".

This completely disregards the learning and the experience of the sales person who is being shown to the door. Carried to the ultimate extreme, firing the bottom person could continue until only one person would remain – the one whose name is at the top of the list. At that point, this top sales person would be the bottom person! Should this person clean out his/her desk and proceed to the door just as the others have done in the months previous?

Despite the faulty logic behind the 'candy and stick' model, the approach is used by many sales organizations. The result is high turnover and the loss of much potential from previous learning.

3. Sales – the 80/20 reality

In reality, most sales managers face the situation that a small percentage of their sales people generate the largest proportion of the group's sales volume. This is the 80/20 principle. 20 per cent of the sales team brings in 80 per cent of the volume whereas 80 per cent of the team brings in 20 per cent of the total.

Additionally, these sales managers are likely to spend a significant portion of their time replacing personnel. Recruitment and training new sales people are required because of high turnover from both voluntary and forced departures. No one in the manufacturing or production end of an enterprise would consider turnover of 30 to 40 per cent – along with the associated experience lost through these departures - to be reasonable. Yet - within sales departments – seeing weaker people leave the team is expected and accepted.

4. Measurement with statistical logic

A long-term TQM/TQL approach which recognizes that change practices do not alter culture quickly can – to some degree - correct imbalanced performance.

The caveat – however – is that some sales people will always under or over perform when benchmarked against the group norms. Simply, the measurement sets the standards which – in turn – affect the outcomes.

Thus, it is important to measure total sales results for each of the respective sales people within the department or on the team.

Another important element to keep in mind is 'how' the performance measurement is derived. A reasonable statistical measurement will identify the sales people who are truly outstanding - or very poor - beyond some reasonable expected range. Thus, if expectations are set based on real-world sampling of time and market conditions the sales manager can determine the amount that individual performances deviate from the norm. Or in statistical terms – deviates from some set confidence level.

Then, once a real-world, average level of sales – in unit volume or revenue – is established it is easier to determine if particular individuals are truly outside the normalized levels on either of the high or the low side.

The breakpoint may be two – or even three – standard deviations from the targeted average. This would place the sales person 47.5 per cent – or 49.5 percent – from the center. The performance level at the two and three levels of standard deviation would happen by chance only 2 ½ times in 100 occurrences or 1 time in 200, respectively.

If various sales people on the team repeatedly fall outside the acceptable range – either plus or minus – the problem is often likely to be with the sales management rather than the individual sales people. Questions that sales managers should be asking include:

(1) why is the top sales person so much higher than the norm? (2) why are the results of the 'non-performing' sales people so low? The answers may be any of a wide range of causes. Or the answers may be related to the skill and the extreme effort being put forth by the top performer whereas the failing sales person has little motivation.

5. Continuous improvement in performance

The job of the sales manager – and management as a whole – is to develop a system that helps all sales people achieve a reasonable volume accomplished by a reasonable amount of work. For sure some people will not achieve the sales numbers as high as the sales manager may want – or expect. However, the question to ask is whether the sales person's performance is still within the set confidence level. On the other hand, some sales people will continuously outperform the average. However, once again, it is necessary to check the degree that the results vary against the calculated limits for the group or team. If the performance of one of the sales people truly is outside the confidence limits in either direction, then it is the sales manager's task to find out why. A key question to ask is: is it the individual or is it the way that the sales department's system is designed?

The sales person who is under performing may have any number of personal difficulties that are interfering or taking his/her mind away from the task at hand. Problems like home life, marriage or relationship difficulties, money worries, children issues, and health concerns are examples that can detract from performance. It only takes one although typically they pile up and the result is the sales person's loss of optimum concentration. An effective sales manager should have enough perceptive skill to identify when sales people are coping with more than just daily activities in the workplace. To a limited degree, the sales manager must find the balance between being a boss and being a friend with the intent that such actions will help alleviate the stresses that are causing the sales person to experience work blockages and low sales volume. Ultimately – however – the boss must be a boss and not a social worker if the external situation continues to negatively impact the sales person's performance. Everyone has ups and downs in life and fortunately people normally work through these difficulties in reasonable time frames. This is something for the underperforming sales person and the sales manager to keep in mind.

6. Continuous improvement in the system

In the case of low sales output, the reason may not be the sales person because people do not purposely fail.

If sales output is high, then consider that even the 80/20 rule does not explain extreme repeated deviations. The advice is: look to the system first.

Despite any number of issues that may impact sales people's performance, if it is underperformance that is the concern then the cause is more likely to be an internal organizational system weakness. This can be any of a wide range of errors caused by actions or even lack of actions. The training program, territory assignments, travel requirements, lead generation, product knowledge or fit, as well as time and support issues are recurrent system shortfalls. The over-performer may have certain advantages that go unrecognized in the weaknesses or factors that create limitations in the system. Performance above the norm may be because the sales person's load is lighter.

The good sales manager learns the true picture and adjusts accordingly. This might mean using the skills of the over-performer – if he/she is truly exceptional – to train the sales people who are lower down on the monthly lists or output charts. Alternately, adjustments may mean making additional structural changes so the sales person who is selling less is in a better position to improve.

7. Measuring sales performance – a place for TQM/TQL

Implementing a TQM/TQL program within the sales department does not just measure the final sales volume alone. Sales volume is the after-the-fact result of many activities and/or steps leading up to the sales person closing the order. The processes involved in the full sales process - prospecting, approach, presentation or demonstration, handling objections, close, and post sale service - should be measured. However - in addition to selling - sales people are involved in a variety of tasks which often fall under the customer service umbrella. They are expected to expedite orders because product has been in a back order situation, circumvent

shipping difficulties, find or hand deliver lost orders or even – rush product to a customer rather than wait for the order to be processed through the system. A key element throughout is that sales people must manage information both up and down the communication channels between the customer and their company. The sales person is closest to the client. The sales person has the responsibility to feedback problems and ideas - effectively – from the customer to decision makers in his/her organization. In the other direction, the sales person must supply technical information as well as product usage training to customers. Thus, the evaluation process does not stop at simply measuring unit or monetary volume of sales. It must also look at a host of other output, input and behavioral activities that the sales person and the sales team are required to accomplish. Some of these activities can be classified as non-selling actions. However, the true picture is that the behaviors often are designed to move the customer closer toward satisfaction – or more preferably – delight. The normal output items that are typically reviewed are related to orders - amount, number, orders by type, size of the average order and number of dropped orders - and activities related to account type – new accounts, repeat business, customer switches taken from the competitors, lost accounts, active prospects, and payment status of accounts.

While performance output is the ultimate goal, an effective sales manager is aware of the ‘need to know’ input statistics like (1) calls per day, week or set time range, (2) scheduled calls, (3) new prospect calls, (4) time used for travel, paperwork, education and other activities when the sales person is not in front of the customer. It is the input that will eventually generate sales. The number of phone calls, contacts made, presentations delivered, and proposals and bids submitted all need to be tabulated and subjected to some statistical range or acceptance level to identify if the sales person is within the performance deviations from the norm. The sales manager needs to keep costs and expenses in view as well. Usually a host of ratios are also considered such as cost per sales call, expenses per sale as well as the penetration and the account

development type. All of these input measures should be held up – just as the output results are monitored - against various norms and confidence levels that are developed by sampling from real-world performance of the sales team over reasonable time frames.

8. TQM/TQL – making it work in sales

The last word about TQM/TQL in sales is to say that it is more than a series of objective measurements that look at individual behaviors and the outcomes that result. TQM/TQL is a system that strives to continuously move toward better levels of performance rather than just hold to current levels or standards. To do this, the sales people need to be given enough freedom to make mistakes once in a while without the fear of strong negative sanctions when they err. The sales manager needs to recognize that the human element is not always perfect while staying with the message of continuous process improvement. It is the long-term, continuous, positive orientation that eventually makes TQM/TQL a winning approach. To make TQM/TQL happen, top management - as well as lower level sales management - must be committed to creative, decentralized systems which allow for an open culture with limited rules, yet one that measures both the hard quantitative numbers as well as the subjective qualitative indicators.

Once the individual TQM/TQL system is solidly established, the next step is to move toward a team approach where everyone is measured and rewarded for increasing long term customer satisfaction and maximizing greater life-time average customer value. The day of the individual effort in sales is becoming harder to justify given the increasing effectiveness of relationship marketing and the customers’ desire to deal with fewer suppliers. These customers will require partner-type relationships that build more than a quick sale. The sales person alone cannot do it all anymore. The sales team – including the sales manager - must be measured and rewarded with real-world developed norms and confidence levels. Making room for TQM/TQL in a sales department has definite benefits over the long term and short term.