

We at Sales Foresight have solved a problem that most sales executives wrestle with; how to determine the right number of sales people to have in their sales organization to make certain they hit their sales targets. This leads to the further questions of what level the people should be, how should they be organized, when should new sales people be added and how should you set sales quotas. Then once we have the people in place, how can you best improve your sales organization.

I want to share some of the work with you in this newsletter as these are questions we found were of great interest to most sales executives and business owners.

First, let me say that setting the right staffing level is critical to the success of your organization. If you have too many people and you will probably miss your profit targets. Too few and you most likely will not hit your revenue targets. The right balance can be difficult to achieve ... and planning for it is even more difficult.

Historically in most sales organizations, the question of how many sales people is usually answered by extrapolating from last year. We had 25 last year and we want to grow 20% so better add 5 new sales people. The line sales managers fight with the sales executives for the headcount and the sales executives take the fight to top management. The business cases to justify this additional headcount are generally very political and not based on repeatable calculations.

Sales quotas are determined in much the same manner. A percentage increase from last year is typical where we simply divide the total sales goal by the number of sales people to determine quotas. Or we divide the total sales goal by the target quota to get the number of people you need (total sales goal is \$50MM and individual quotas are \$2MM so I must need 25 sales people)

Sound familiar?

It is in everyone's best interest to have a model that helps make these decisions in an accurate repeatable and defensible way. Facts and hard data help you build a proper business case and arrive at the right staffing level.

While working on this problem for a client, the first thing we determined was that dividing dollars by dollars to get people didn't make any sense. (\$50MM divided by \$2MM equals 25 people) It was simple to see that this was not a very accurate way to plan.

With the assumption that the top sales target is a given (decided on by top management in the business plan), the challenge was to go from dollars to people using some logical formula. We had already seen that dollars divided by dollars doesn't get you people.

The solution we came up with was a four-step process where each step was a logical extension of the previous step. Here is what we concluded:

- Translate dollars to deals. You have to determine how many deals, and what size, have to be closed to make your sales target.
- Translate deals to opportunities. By using your win rate and other variables you have to determine how many total deals have to be worked to close the desired number of deals.
- Translate opportunities to time. Determine how much time it takes to work each type of deal and get a total time necessary to work the deals.
- Translate time to people. Determine the capacity of each level sales person in the organization so you know how many deals they can work. By divided the total time necessary by the capacity of each type of person you end up with the number of sales people necessary to make you sales target.

This four step process represents the "4" in our 4X12 system. Obviously there is an amount of detail behind each of the four steps. The mathematical models to complete the calculations are very complex. But, we have created a calculator that boils the process down to simply entering a few historical numbers and a couple of projections and the calculations are done for you.

The 4X12 model answered most of the other questions I posed at the beginning of this newsletter. You can see that there is now a model that gets you from sales target to the right staffing level.

Next month I will be giving you an overview of the "12" in the process which are the 12 ways you can consider to improve your sales organization.

Good Selling,

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