



## Why does it take so long for a sales rep to become productive?

*"My sales vice president says we'll have to pay new hires in his department a base salary for upwards of a year before they'll break even. That seems extreme. Any thoughts on how to shorten the process?"*

### Mike:

There are a few possibilities. My best guess is that your sales VP is simply hiring reps who need too much training on your product offerings and perhaps on basic selling techniques. If that's the case, you might suggest that he start hiring sales reps with more experience, even if that means he pays a larger draw up front. In addition, he should look for ways to start new reps on simpler deals--perhaps re-orders or follow-ups with older customers--that don't require much product knowledge. Waiting a year to see if a sales rep is worth keeping is asking for trouble.

However, there's another factor that might be affecting his numbers: the length of your typical sales cycle. There are a lot of situations where it can take at least a year to close a deal, either because of budget cycles or the complexity of the deal. Even the most talented sales rep will have a hard time earning commissions up front when the pipeline takes so long to clear. Paying a sales rep a draw for a year or more is just the price you pay for landing those big deals.

## Why is our business so volatile?

*"I've hired first-class managers, we have well-crafted performance incentives in place, and our market is pretty stable. Yet our year-to-year results fluctuate wildly. Why is this happening (and how can we fix the problem)?"*

### Mike:

It sounds like you've adopted a "paint by the numbers" approach to running your company. It's fine to adopt smart management practices and hire top-notch people, but—as you've discovered—that's not a guarantee of success or even consistent results.

Often, the biggest challenges a CEO faces are *outside* the company. For instance, your market share may suddenly shrink because a competitor has popped up with a much better technology, a lower price, or a new distribution channel. A new government regulation may scare away loyal customers because you're now "not compliant". Industry gossip may hint at executive turnover, financial troubles, or disgruntled customers. You don't control these things: At best, you can only react quickly and smartly.

You'll notice that world-class CEOs almost always spend much of their time on the road, talking to customers face-to-face rather than tinkering with internal org charts. That's because good CEOs know it's essential to hear unfiltered feedback about what customers want and what's going on in the marketplace. They may still get caught by surprise, but it doesn't happen often.

## What's a SAS 70 review?

*"My auditor tells me I should have a SAS 70 internal review done. What is this all about?"*

## MIKE

Many companies use outside service organizations for key operating areas, such as payroll processing, trust services, and e-commerce payments. If one of these service providers were to perform poorly, or go out of business, that could have a material adverse impact on the company's financial statements. SAS 70 reviews (from the "Statement on Auditing Standards No. 70") were proposed by the AICPA about 20 years ago and are audits evaluating the internal controls confirming that these services are in place and operating effectively.

Incidentally, you may have trouble attracting major-league board members if you haven't conducted a SAS 70 review, especially if you outsource your payroll processing.

Mike is a financial guru. He has 44 years experience as a director, advisor, financial consultant, CFO and auditor, and has helped companies deal with issues involving corporate oversight, financial management, financial reporting, forecasting and financing. His financial tools have been adopted by hundreds of companies, and he speaks frequently on finance and entrepreneurship. to read some of his comments.



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