



V3 PARTNERS

# ENTREPRENEURIAL TECHNIQUES

## CHAPTER 8 – TEAM BUILDING, DISTRIBUTION, SALES

“WE ARE WHAT WE REPEATEDLY DO. EXCELLENCE,  
THEN, IS NOT AN ACT, BUT A HABIT.”

- ARISTOTLE



# CONTENT

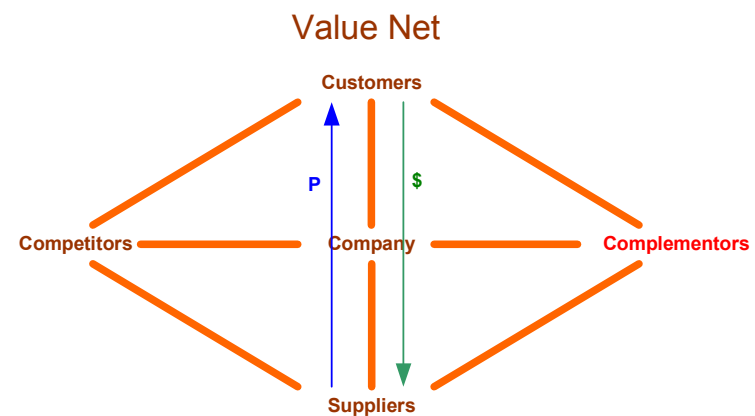
## team-building

- team
- organization
- leadership

## distribution

## sales

- motivation
- process
- forecasting





# RULES OF BUILDING THE TEAM

- I. first rate people hire first rate people, second rate people hire third rate people, and they hire the rest of you company. ergo don't hire second rate people.
- II. the talents you hire on your team must have complementary not same skills
- III. clearly define roles and responsibilities .
- IV. irrespective of size, there is room for only one management team
- V. mutual respect is the cornerstone of a great team



# RULES OF BUILDING THE TEAM

- VI. if an employee's value to the company is greater than his boss' then he should make more money the his boss
- VII. stuff you company with incentives.
- VIII. stock options, that is employee ownership in your company is essential if you are to keep good people. they must see an upside to their hard work.
- IX. the founder team must have a partnering agreement



# RULES OF BUILDING THE TEAM

- X. look for unusual, deviant, but high performance characters for your team.
- XI. all disciplines overlap at one area. that is where the core of your company's culture lies. if a discipline is allowed to distance itself from this core you are heading for trouble. you the entrepreneur are responsible for keeping this core alive and well throughout the life of the business.
- XII. POLC – plan, organized, lead, control.



# OBSERVATIONS

- entrepreneurial startups are high energy undertakings by highly motivated and dedicated people
- the all important goal is to produce cash flow as soon as possible. this is the single most risk mitigating aspect of a venture
- “remember nothing happens until somebody sells something”
- does not matter how good a team, system, organization, business model you have if they have not been tested in a real environment





# OBSERVATIONS

- you should expect many teething problems. it takes time and experience to build a company. the team must learn to work together.
- create a competitive environment where team members can make a difference.
- don't tolerate dishonesty, petty politics. root it out early into your venture, else you will fail.
- reward good performance immediately.
- care about your team. know when things are not going right.





# OBSERVATIONS

- take action when you see problems but do not act hastily.
- never make personnel decisions alone
- staff **basic support positions**: HR, operations, finance, administration, and legal with outstanding people







# ORGANIZATION IDENTITY

name	what it is known by.
constitution	its legal position
reputation	the way people think of it.
impact	the impression that it gives.



# ORGANIZATION

## PURPOSE

reason for existence	why does it exist
core values	essential beliefs that do not change
vision	what the organization wants to become
mission	what it needs to do to reach the vision
important policies	key guidelines for corporate behavior
target markets	for whom the organization produces



# ORGANIZATION STRUCTURE

deployment	why your company exists
functional decomposition	your essential beliefs
roles / jobs / assignments	what your company wants to be
work places	what your company needs to do to move toward the vision
reporting structure	guide lines for yor company's behavior
external infrastructure	who your customers are



# ORGANIZATION

## PARTICIPANTS, PLAYERS

owners	the ultimate bosses
managers	plan and control the operation
workers	part-, full-time employees, etc.
channels	how products get to customers
customers	users of products, services
suppliers	external providers of needed things
partners	cooperating organization
neighbors	those affected by your company
indirect participants	those dependent on your organization



# ORGANIZATION

## ENABLERS

real estate	land, buildings, waterways, airspace
technology	machines, equipment, software
intellectual property	patents, designs, texts, brands
information	data and interrelationships
skills	capabilities of people
core competencies	capabilities of the organization
relationships	useful contacts with others
financial resources	money and investment



# ORGANIZATION

## ACTIVITIES

line of business	producing products, services
support	making lines of business efficient
management	who does POLC
compliance	legal requirements
incidental	not included above



# ORGANIZATION

## DELIVERABLES

goods	produced by your company
services	activities performed for customers



# ORGANIZATION

## INFLUENCES

political	government action locally, nationally
legal	local, national laws, regulations,
regulatory	labor, safety, competition, zoning
economic	macro-, microeconomic considerations
social	racial, family, various groups
environmental	disposal, discharges, GM products





# ORGANIZATION

## CULTURE

management style	perceptions of management
rules, customs	expected, acceptable
social behavior	people relationship to each other
perks, benefits	expectations in addition to wages
personal development	how people can grow



# ORGANIZATION

## PERFORMANCE

scale	size, throughput, frequency
efficiency	speed of doing things
empathy	treatment of participants
innovation	ability and ease of making changes
financial	financial soundness of operations



# LEADERSHIP

“management is doing things right, leadership is doing the right things.” – P. Drucker

“leadership has to do with that vision thing.” – anonymous

“it is hard to lead a cavalry charge if you think you look funny on the horse.” – A. Stevenson

“the only safe ship in a storm is leadership.” – F. Wattleton

“the leader must have the courage to act against expert advice.” – J. Callahan

“if your actions inspire others to dream more, learn more, do more, and become more than you are a leader.” – J. Q. Adams

“the function of leadership is to produce more leaders not more followers.” – R. Nader



# DISTRIBUTION

## SOME DEFINITION

- **producers** – manufacturers, service providers
- **customers** – consumers or sales conduits to customers, consumers
- **consumers** – “end-users” buy and use products made by producers
- **representatives** – represents producers, not stocking products; value added: finding consumers/conduits for products (OEMs, big consumers, distributors, wholesalers)
- **distributor** – stocking or non-stocking, receives products from manufacturer, selling to: OEMS, big consumers, wholesalers; added value: services: returns, repairs, replacements (RRR), distributed stocking, deliveries, training, etc
- **wholesalers** – stocking products, selling to: small retailers, small OEMs, larger consumers; added value: aggregation of small of large, selling in volume at a discount, efficient stocking, limited services: RRR, deliveries, etc.
- **retailers, agents** – stocking products, selling to consumers; added value: location, merchandizing, coverage, volume selling, limited services, pricing



# DISTRIBUTION

- a chain of conduits consisting of any combination of
  - representatives
  - distributors
  - wholesalers
  - retailers, agents
- **examples** ([www.hoovers.com](http://www.hoovers.com))
  - producer: Procter & Gamble personal hygiene, etc.
  - retailer: Wall Mart
  - retailer/wholesaler: Metro (professionals)
  - rights distributor: European American Music Distributors LLC represents artists



# DISTRIBUTION

## EXAMPLES

Gordon Food Service (GFS) caters to the tastes of Americans and Canadians alike. A broad line food distributor serving schools, restaurants, and other institutions, the company offers more than 14,000 GFS and nationally branded food and foodservice products to its 30,000 customers in 10 US states and throughout Canada. The firm also makes its own foods (Gordon Signature). It also sells food and restaurant supplies in bulk through 100 GFS Marketplace stores, which are open to the public, in the Midwest and Florida. GFS's divisions include Bridge Brand, Distal, Henry Lee, M&S, and Neptune. Its Canadian operations are based in Milton, Ontario.



# DISTRIBUTION

## EXAMPLES

Distributor Aceto (pronounced "a-seat-o") is getting bigger through chemicals -- namely generic drugs. The company sources and distributes roughly 1,000 chemicals through four segments. Its most important segment is health sciences, which sources and distributes bulk generic drugs, advanced intermediates, and nutritional. Aceto's other major units include chemicals and colorants (which distributes intermediates and chemicals for coatings, inks, and electronics) and agrochemicals (herbicides, insecticides, and fungicides). It also distributes institutional sanitary supplies (cleaning solutions and deodorants). In 2005 Aceto announced plans to sell subsidiary CDC Products, part of it



# DISTRIBUTION

## EXAMPLES

wholesaler but....

With its no-frills stores (most don't have air conditioning or heating), 84 Lumber has built itself to be a leading low-cost provider of lumber and building materials. Through some 500 stores, the company, which is the nation's largest privately held building-materials supplier, sells lumber, siding, drywalls, windows, and other supplies, as well as kits to make barns, play sets, decks, and even homes. Its stores are in about 35 states, mainly in the East, Southeast, and Midwest; 84 Lumber also sells products internationally. CEO Joseph Hardy Sr. founded 84 Lumber in 1956.

agent retailer:

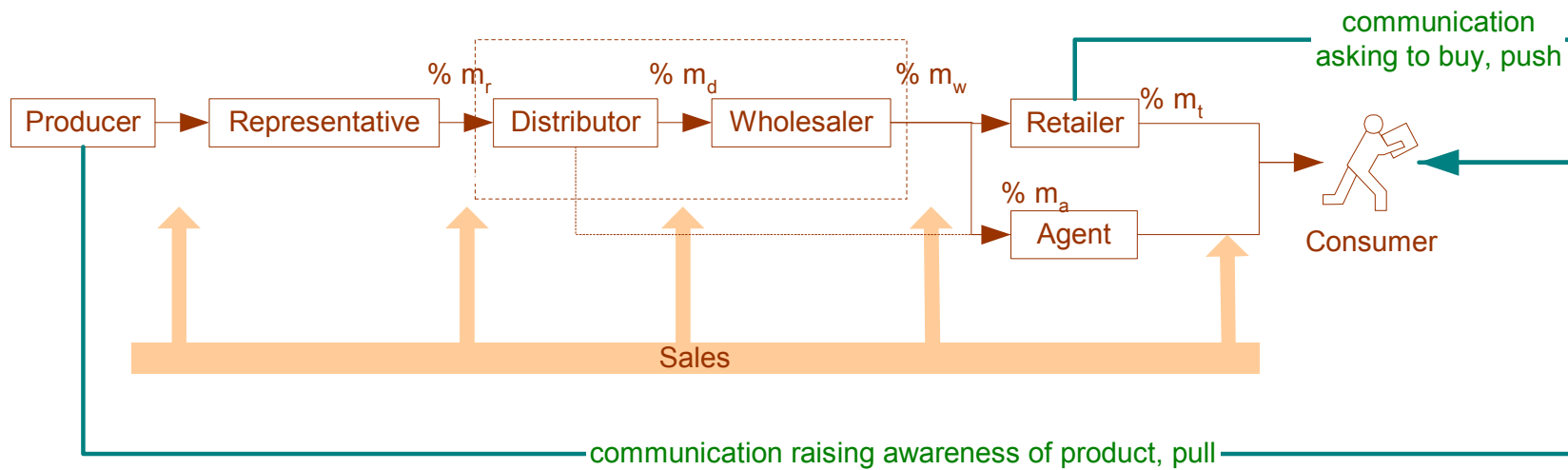
Brokernet, financial services, sells insurance and banking products to consumers





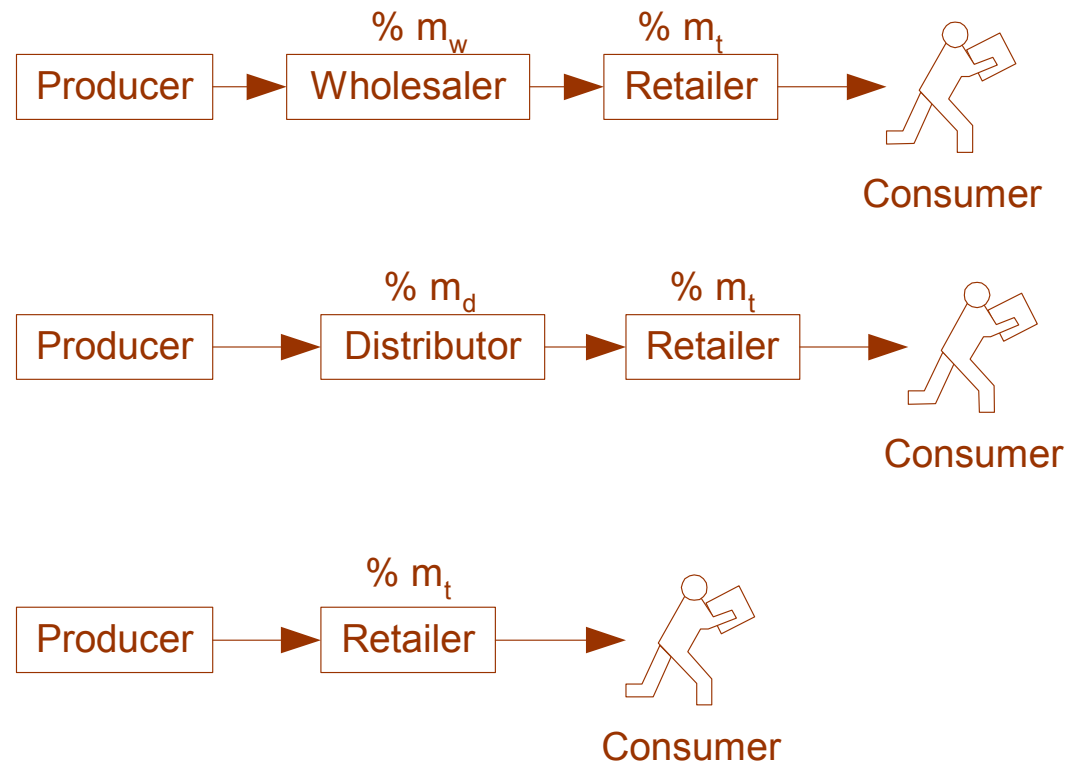
# DISTRIBUTION CHAIN

## old-fashioned full distribution chain





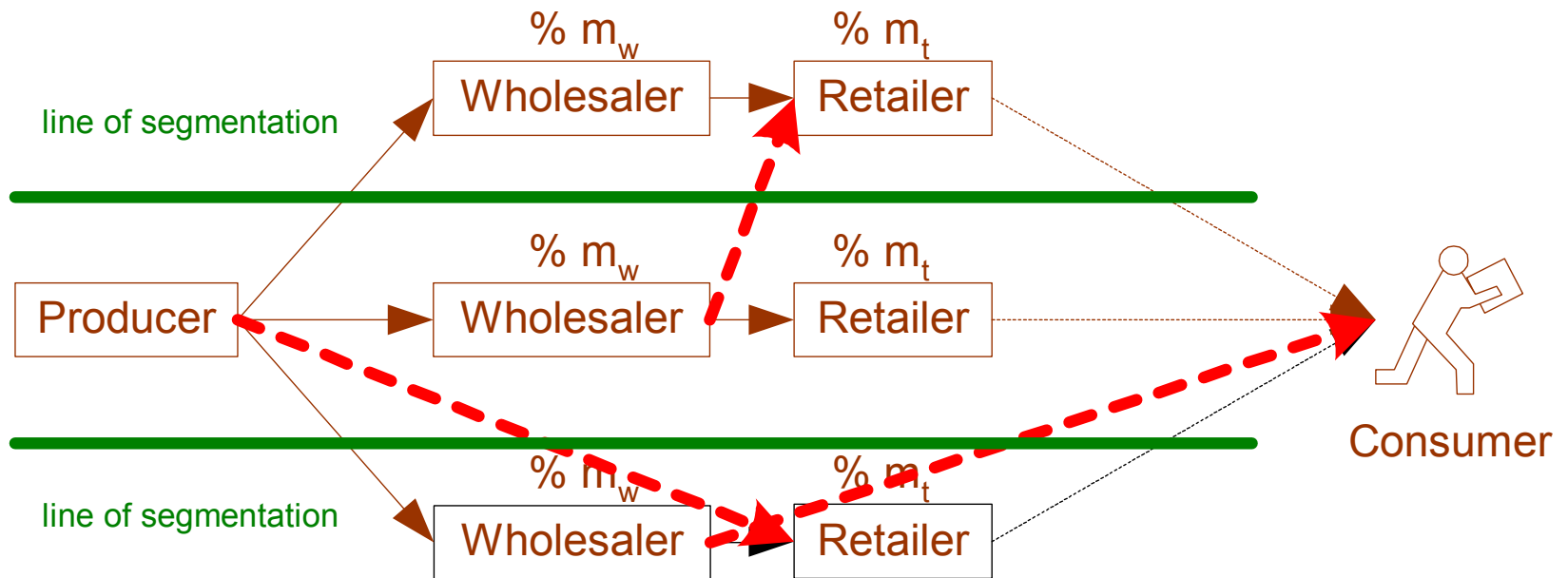
# DISTRIBUTION CHAIN VARIATIONS





# DISTRIBUTION

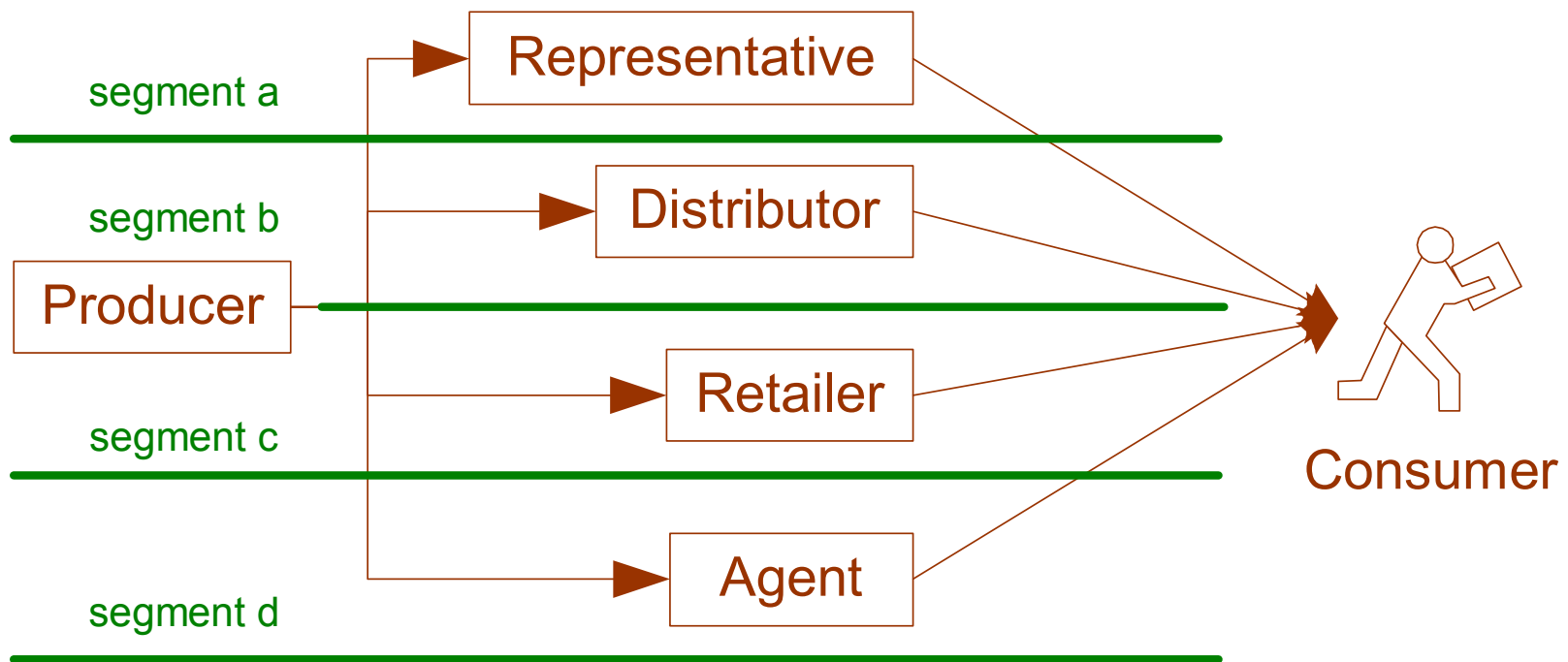
## leaky channel





# DISTRIBUTION

## channel conflict





# IMPACT OF INTERNET ON DISTRIBUTION

- integrates communication – push, pull at same place often in same time
- rearranges distribution channels
  - producer direct – removes middlemen, channel conflict
  - cost reallocation from sales to technology
  - market fragmentation – low barrier to entry, many players, eBay
  - micro-segmentation – “tail” phenomenon, eBay
  - often strengthens bm (bricks’n mortar) retailers with good logistics
- but not all channels



# SALES

- internet or not, people still buy from people
- service is important
- sales remains important for some time to come
- SO...
  - “no one buys anything, someone sells it to him”
  - sales is a process
  - sales must be POLC-ed (planned, organized, lead, and controlled)



# SALES PROCESS

## 8-STAGE VERSION

1. foreplay
2. establishing need
3. modular presentation
4. appetite whetting
5. interim close
6. final close
7. reinforcement
8. support



probability of closing increases



# SALES

- process is designed for optimum effort to overcome sales resistance
- % operational budget of manufacturers spent on overcoming sales resistance

R&D	8%
Manufacturing	2%
Administration	3%
Quality assurance	6%
Marketing	18%
Sales	4%





# SALES PEOPLE

- 2% outstanding, tries 5 closing trials before making a sale
- 75% of sales people know 4 closing schemes but use only 2, so repeat themselves or quit
- 45% good sales people
- 55% do not know the difference between real and fake objections



# SALES FORECASTING

## CONTROLLING SALES

- concept of effective sales calls
- sales is proportional to no. effective sales calls
- no. product presentations
- Wood tables



# SALES CONTROLLING

Sales associate	Weekly sales calls	Products discussed	% of calls are effective calls	% effective calls / close	# closes
Smith	40	3	20%	25%	5
Henderson	36	3	25%	30%	9
Welling	30	3	30%	50%	15
Houseman	40	2	10%	50%	4
Verling	10	4	50%	50%	10
Swenson	36	3	33%	10%	4



# EVALUATING SALES NETWORKS

no hard information. What to do?

averages:

- effective calls per close: 2
- products discussed per call: 3
- weekly calls: 40, effective 30%
- agents: A = 400, B = 40, C = 100, working 25% per week
- products carried: 5

$400 / 12,000 = 3.3\%$

$120 / 30\% = 400$

$1 / 5 = 20\%$

Network	Closes	Effective calls	Total calls	Total presentations	Result	Expected
A	60	120	400	12,000	3.3%	20.0%
B	40	80	267	1,200	22.2%	20.0%
C	100	200	667	3,000	22.2%	20.0%



# PRODUCT PORTFOLIO

Sales networks: 3 products get 67% of attention!

	presentations	expected
A	400	2,680
B	267	268
C	667	670

$$12,000 * 67\% / 3 = 2,680$$



# WOOD SALES TABLES

<b>Unit price</b>	<b>Quantity</b>	<b>Demand</b>	<b># effective sales calls</b>	<b>Customer type</b>
<b>€1</b>	<b>10,000</b>	<b>pioneering</b>	<b>14</b>	<b>Service company</b>
<b>€ 5</b>	<b>1,000</b>	<b>pioneering</b>	<b>6</b>	<b>Service company</b>
<b>€ 10</b>	<b>1,000</b>	<b>pioneering</b>	<b>6</b>	<b>Service company</b>
<b>€ 25</b>	<b>100</b>	<b>pioneering</b>	<b>14</b>	<b>Service company</b>
<b>€50</b>	<b>100</b>	<b>pioneering</b>	<b>14</b>	<b>Service company</b>
<b>€100</b>	<b>10</b>	<b>pioneering</b>	<b>7</b>	<b>Service company</b>
<b>€500</b>	<b>1</b>	<b>pioneering</b>	<b>8</b>	<b>Service company</b>
<b>€1,000</b>	<b>1</b>	<b>pioneering</b>	<b>3</b>	<b>Service company</b>
<b>€10,000</b>	<b>1</b>	<b>staple</b>	<b>7</b>	<b>Service company</b>
<b>€10,000</b>	<b>1</b>	<b>pioneering</b>	<b>7</b>	<b>Service company</b>
<b>€10,000</b>	<b>1</b>	<b>intermediate</b>	<b>7</b>	<b>Service company</b>



# MULTIPLIERS

	<b>multiplier</b>
<b>quality of training efforts</b>	<b>0.85 – 1.30</b>
<b>quality of motivation and sustaining efforts</b>	<b>0.60 – 1.30</b>
<b>quality of outside pressures and forces</b>	<b>0.50 – 1.30</b>
<b>increasing/decreasing GDP</b>	<b>0.95 – 1.05</b>
<b>lead/lag factors of geography east-west</b>	<b>delay</b>



# SALES FORECASTING

## averages per salesman per week

- sales calls per week: 40
- effective sales calls Wood table: 3  
pioneering product, sold to service company, at price €1,000
- multiplier: 0.95
- close rate: 50%
- effective call rate: 30%
- products presented: 2

revenue/salesman/week =

$$40 * 2 * 30\% / (3 * 0.95) * 50\% * €1,000 = €5,000$$





# SELECTED READINGS

best source:

Richard M. White,  
“The Entrepreneur's Manual”



# THE END

## CHAPTER 8