

A Puzzle Solved

A Workplace Story by Fred Nickols

Mona Johnstone was puzzled. She had been appointed sales manager about six months ago and an odd pattern in sales and attendance data had caught her attention: the data indicated that some of her better sales reps were taking sick days in the middle of a hot selling streak. Moreover, Mona was reasonably certain that the sales reps in question weren't sick. This pattern wasn't a recent occurrence; according to the sales records it had been going on for quite some time. Why, she wondered, were sales reps who were racking up sales at a blistering pace calling in sick? It didn't make any sense.

But Mona had more important and more pressing matters to deal with so she decided to take advantage of the presence of a consultant sent out by the home office to do "ride-alongs" with members of her sales crew. James Ellis, the consultant, was easy enough to work with and he seemed to know his way around the sales scene, so Mona decided to fill him in on what she had spotted and ask him – as a favor, not as an official request – to see if he could figure it out in the course of his ride-alongs with her sales crew.

About a week after the breakfast meeting at which Mona asked Ellis to look into the matter, he approached her after the end-of-week sales results recap meeting and told her he had solved her sick days puzzle. Delighted, Mona asked him to join her for dinner and added it would be her treat if he really did have the answer.

Later, seated at dinner and with the usual pleasantries out of the way, Mona said, "Before you tell me *what* you found out, I want to know *how* you found it out."

Smiling, Ellis answered, "I bought a lot of beer and I played a lot of pool."

Mona laughed and said, "Okay, so tell me – what's going on?"

“In a nutshell,” replied Ellis, “they’re managing their paychecks.”

Mona’s quizzical look led Ellis to continue, “Basically, they’re keeping their paychecks from dropping down because of a poor string of sales calls.”

“How are they doing that?” asked Mona.

“It has to do with the way the compensation system works,” said Ellis. “Paydays are every two weeks – every other Friday. The commissions from any sales during the two weeks preceding a payday aren’t paid until the following payday so the reps are always two weeks behind with respect to commissions. However, sick time, which is paid based on the reps’ running sales average, is paid at the end of the pay period in which the sick days are taken – and in addition to any commissions from the preceding two weeks. So, if the reps have a bad day or two during the two weeks immediately following a payday, the pay check for the following pay period will be lower as a result. However, if they take sick time during the two week period right before that next payday they can bump up their paycheck because the down days will be offset by the addition of sick day pay.”

Mona sat silent, pondering what she had just been told, then said, “I don’t suppose there’s much I can do about that, is there?”

Ellis shook his head and said, “Not without changing the compensation system itself. You could pay everyone based on their average sales rate, with some kind of periodic reconciliation against actual sales, but that would be a hard sell to senior management and the HR people would probably fight you tooth and nail. They’re firm believers in the power of commissions and probably don’t want to hear that people are managing their own paychecks. And a change like that would frustrate the reps who believe in making hay while the sun shines.”

“So tell me again how you tumbled to this,” said Mona.

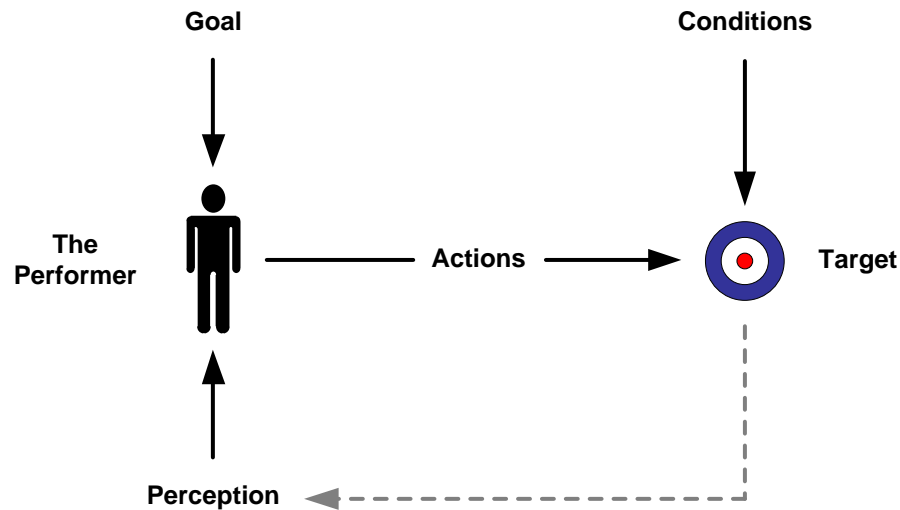
“Well, like I said,” answered Ellis, “I spent a lot of time hanging around with some of the sales crew at the end of the day, drinking beer and shooting pool. After they got to know me a little better and were comfortable with me hanging around, I told them I had found this odd little pattern in the sales and attendance data. I also said it wasn’t a big deal and that I wasn’t going to make anything out of it but that I would bet they were managing something and I was curious as to what that something was. They all looked at me for a moment and then one of them said, ‘Our paychecks.’ I asked him to explain, which he did, and that’s what I’ve just told you.”

“Why did you ask them what they were ‘*managing*’?” inquired Mona, leaning forward in anticipation.

Leaning back, Ellis replied, “Ah, that’s a trade secret.” Laughing, he added, “If you have a few minutes I’ll run you through the model that guides my analyses of human behavior and performance.”

“You have my undivided attention,” said Mona.

Retrieving a tablet from his briefcase, Ellis quickly sketched out a diagram similar to that shown below. He then began talking Mona through it.



“Most people are pretty good at getting what they want,” began Ellis. “To do that, they manage various aspects of the world around them. I find it useful to think of the things that people try to manage as “targets” in the world out there. That’s what the little bulls-eye in this diagram represents. In more technical terms, you can think of that as a ‘controlled variable.’ For some of your sales reps, the controlled variable or target is their paycheck.”

“People also have goals or preferred states for the things they’ve targeted. Goals are represented by the letter G. The goal of some of your sales reps is the minimum amount they want to see in their paychecks.”

“I’m not sure I see the difference between goal and target,” remarked Mona.

“Think of it this way,” replied Ellis, “A target is the thing you’re trying to control. In the case of the sales reps, that ‘thing’ is the amount of their paycheck. A goal refers to some specified state for the thing they’ve targeted. For the sales reps, that’s the minimum amount they want their paycheck to meet. For one of the reps, that’s about \$2,500; for another, it’s closer to \$3,000. The target is the paycheck; the goal is the minimum amount they’ve set.”

“Okay, I get it,” said Mona, “a goal is like a standard or specification a target must satisfy.”

“Right,” agreed Ellis.

“People keep tabs on how they’re doing,” Ellis continued. “They compare what they see with what they’re after – perceptions of the current state of their targets are compared with their goals for those targets. That comparison tells them how they’re doing. What people perceive to be the case – their perceptions – are represented by the letter P.

“If what they see and what they’re after doesn’t line up, there’s a gap and if there’s a gap they act – they do something about it and that’s what the A stands for: Action.

“In the case of your sales reps, the action in question is calling in sick so as to bump up their paycheck. They are managing the target – which in this case is their paycheck.”

“I see,” said Mona. “So what does the C stand for?”

“None of us lives or works in a vacuum,” replied Ellis. “There are other actors and factors at work that affect the same variables we’re trying to manage. These other conditions – and that’s what the C stands for – can upset or disturb the state of our targets and so we have to compensate for their effects. In the case of your sales reps, their paychecks are affected primarily by commissions and those in turn are driven by the number of sales they make and the dollar value of those sales. If these go down, so do their paychecks and the way they remedy that is to call in sick.”

“Well, aren’t they trying to control commissions, too?” asked Mona.

“Probably,” replied Ellis. “People are usually trying to control all kinds of things, from paychecks to promotions to careers to something as simple as staying in their own lane while driving their car.

“Think about those other conditions in relation to commissions. Commissions tie to sales or orders and these are affected by all kinds of other influences or conditions, ranging from the health of the business on which your reps are calling to how the prospect feels that particular day.

“Let’s turn things around a bit. Consider your own situation, Mona. You’re clearly trying to manage sales – among other things. Let’s call your target ‘sales’ and let’s say that it refers to both the number of sales and their dollar value. You also have goals for this target – specific values you want to realize. As a sales manager, you probably have another target you’re aiming at, something along the lines of the level of effort and success rate of your sales reps. And you probably have goals in terms of what you’d like to see in those areas. So, when you see sales reps calling in sick and your logic says they ought to be out there making calls, you have a gap: what you see in the way of level of effort and

what you think the reps ought to be doing doesn't line up. But your other goals, the number and dollar value of sales is pretty good so you have no reason to be seriously alarmed.

"As a matter of fact," continued Ellis, "if you really leaned on those sales reps who use sick days to bump up their paychecks and tried to get them to come to work instead, you'd be setting up a confrontation because doing what you want means a lower paycheck for them. You've suddenly become one of those 'other conditions' that interferes with their control of their paycheck. You'd have a hard time convincing them they ought to take that hit. Remember, they only call in sick when they're anticipating a paycheck that will be less than the minimum dollar amount they've set as a goal. That doesn't happen a lot; most of the time they're out there hitting the bricks and making their sales quotas. This sick day thing only happens once in a while and it's subject to some very real limits: they have a finite number of sick days and they sure don't want to use them all to manage their paychecks.

"But," he added, "they do pretty much use them up by the end of the year, so they're managing their annual income as well as the minimum amount of each paycheck."

"So," said Mona, "they've figured out how to get paid for all their sick days instead of leaving them on the books."

"Looks that way," said Ellis, nodding in agreement, "but that's as much a function of the 'use it or lose it' policy as it is a matter of them 'gaming' the compensation system."

"Jim," said Mona, "Are there ways I can use this framework to help me do a better job of managing sales?"

"Sure," said Ellis, "but explaining that will take a lot longer than a few minutes. I can tell you this – figuring out ways of doing that is why corporate sent me out here.

"But let me ask you a question," he said. "What have you gotten out of this discussion?"

Mona thought for a moment, then said, "One lesson seems clear: It's difficult to make sense out of what people are doing unless you know their goals."

"True enough," concurred Ellis.

"And," Mona added, "it occurs to me that I'd better spend some time working with my people to make sure my goals and theirs aren't rubbing each other the wrong way."

Ellis nodded and said, "What that translates to for me is the notion that, as a manager, you're better off working with people to help them set goals that they will commit to achieving than you are in simply mandating a set of goals for them to achieve."

It was Mona's turn to nod.

"Just as important," said Ellis, "is the twist this puts on the role of the manger."

"What do you mean?" asked Mona.

"Well," Ellis replied, "it means that your job is as much or more a matter of working with your sales reps to figure out how you can support them than it is a matter of you trying to make sure they're doing things your way."

"You mean I should 'support' instead of 'supervise'?" said Mona.

"Something like that," said Ellis.

"What did I miss?" asked Mona.

Ellis frowned briefly and then said, "About the only thing I'd add right now is the rather obvious point that people vary their behavior so as to keep results constant. Your sales reps, for example, call on all kinds of customers with all kinds of needs and in all kinds of settings and circumstances. No two sales presentations are even close to being alike. Moreover, the customers ask different kinds of questions and make different kinds of comments. Through it all, the sales reps are adapting and adjusting, sometimes asking for the order outright and sometimes easing the customer into placing it; sometimes they press ahead and sometimes they back off; sometimes they dominate or lead the interactions and sometimes they simply play off what the customer does. But, in the end, the result is the same, whether you call it a sale or an order: revenue gets booked.

"So, for you," he said, looking directly at Mona, "that means helping them cope with all the different kinds of customers, customer needs and requirements, and settings they encounter in the course of making their sales calls – instead of doing what some of the folks at corporate want done – namely, trying to enforce some kind of standardized sales pitch or call preparation process."

"That's a lot to think about," mused Mona.

"I know," said Ellis, "but we can talk about it from time to time."

"I'm glad to know that," said Mona. Smiling, she added, "Dinner is on me."

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