## Jim Elliott's Epiphany

I love it when readers respond to my columns, especially when it's complimentary. But I don't hate it when it's not complimentary, because the dialog is usually good for the industry. That's how I feel about Jerry Hill's response to my column in the July 2013 issue of *QP*, which was titled "In Praise of Micromanagement." Jerry's position is that "the key to solving this issue is to hire the right candidate in the first place, someone with the right skillset to ensure his or her success at your company."

I agree completely that if you *can* hire that person, you'll have far less of a management challenge. But Jerry also noted than *can* is a big assumption, in terms of knowing how to properly identify and screen for these skills. And it turns out that, even if you can do that, there's another issue in play, and that was the source of Jim Elliott's epiphany.

### James McKinney Elliott, Jr. 1924-2012

Jim Elliott was one of my all-time favorite clients. Along with his wife Gene, Jim owned and operated a very successful Insty-Prints franchise in Shreveport, LA. Jim passed away in 2012, and Gene recently sold the company to two former employees, who run the company under the Allegra banner.

I don't remember exactly when Jim had his epiphany, but I learned about it when my phone rang at about midnight one summer night. I answered, probably sleepily, and the caller said "I am *so* sorry! I didn't mean to wake you up. I was just expecting to leave you a message."

I said "No problem" and then asked "Who is this?"

He said "It's Jim Elliott, and I've just had an epiphany. I've just realized that I really can't afford to hire the kind of salesperson who has the skills and the experience I really want. So I have to figure out how to get better-than-average performance out of an average salesperson."

### Fundamental Truth

I think Jim's epiphany reflects a fundamental truth. Skills and experience have value. We're all part of an industry where underachievers make $50,000+, and where top achievers—even in the quick/small commercial segment—command six-figure incomes. The question I want you to consider is how much business a salesperson would have to generate in order to justify paying him or her $50,000 per year.

I have written before about *compensation load*, which I define as the total cost of employing a salesperson—compensation plus every other cost, including expenses, benefits and taxes. I consider anything under 15% to be pretty healthy, but I readily admit that you're unlikely to see that in the first year. Sure, it might happen if we're talking about an established salesperson who brings a book of business, but that doesn't happen often. (What does happen—too often!—is that the salesperson claims to have that book of business, but it doesn't materialize.)

Let's do some arithmetic. $50,000 to the salesperson would probably mean at least $60,000 in overall cost, and that would represent 15% of $400,000 in sales. That same 15% compensation load applied to $200,000 in sales—which I think most quick/small commercial printers would be very happy with in the first year—would represent a 30% load. Let's say that another $60,000 paid out in Year 2 does result in $400,000 in sales, but the overall picture would still be $120,000 out and $600,000 in over two years, or a 20% load. And consider this, will a person who requires a $50,000 guarantee in the first year be satisfied with the same amount of money in the second year? Probably not, if he or she is really the kind of person you're looking for!

Jim's epiphany was in realizing that he had a $30-$35,000 a year job to offer, so he had to find a person to whom that would be enough money, at least in the first year. And that meant a person without proven skills or experience. But with proper training and real hands-on management, he could hopefully turn that person into a good investment.

Which brings us back to micromanagement, which I still say is a good thing, especially if you can't find or afford the kind of people who can manage themselves.