

## Evaluating Sales Performance

By Janet Gregory

Yes, every company evaluates sales performance. It is a necessary part of sales compensation, quota assignment and sales team performance. Data gathering, analysis and interpretation are all vital. But, there's more to it than that... much more. You need to be thinking of individual performance, aggregate team performance, and how well your sales strategy is performing.

Evaluating sales performance is a lot like driving a car... whether it's a Ferrari, a mini-van or a Prius you still want optimal performance.

**The rear-view mirror.** Performance evaluation is a look in the rear-view mirror. Key data is gathered regarding past performance. The performance data is aligned against the goals that were set for the performance period. And that allows for comparative analysis and assessments to be made. Most companies will do this for both quantitative and qualitative performance metrics.

***“Past performance is the best predictor of future performance.”***

**The windshield.** You cannot drive a car by looking in the rear-view mirror. Likewise, you cannot run a business solely by evaluating past sales performance. Understanding what has happened is important information, but it is not enough. You need to look out the windshield and, by the way, more real estate is assigned to the windshield than is assigned to the rear-view mirrors. Likewise in business, the time spent planning, setting strategy and running sales operations should far out weigh the time spent evaluating past performance.

The real value in evaluating sales performance is connecting the past to the future. Like the quote above from Behavioral Interviewing, it is the same in all aspects of business planning, especially sales planning.

- Past performance provides the key to *identifying trends* so that future plans can be adjusted to accommodate them and performance can be optimized.
- *Best practices* emerge from past performance and provide a basis for repeatable success and benchmarking.

**Speed limit signs.** Connecting past performance to future plans also provides the basis to uncover areas worthy of new investment to help grow the business. Every business should conduct “controlled” experiments into new markets, new industries, new selling methodology and new channels to continually optimize performance. Every “controlled”

experiment or new investment should also be accompanied by trigger points where management will reevaluate to either increase investment or to stop loss.

**Regular maintenance.** Sales performance should be monitored continuously. No, this does not mean micro-management but watch the dashboard, keep your eye on key indicators. New “controlled” experiments need twice the expected sales cycle to determine success. Evaluate sales performance formally on fiscal cycles: annually, quarterly and monthly. Intervene as needed.

**Optimizing Performance.** Optimal performance comes from a balanced approach to performance evaluation. For a well-rounded view and the best overall picture, evaluation must be done from three, and sometimes four, perspectives. The three core performance evaluation perspectives are: sales, customer, and shareholder. The fourth is channel (if applicable).

- *Sales performance* begins with quota achievement, close rate, forecast accuracy and discount activity. It is the quantitative and qualitative aspects of sales rep, sales manager and sales team performance. Some argue that without sales reps closing deals and bringing in revenue, there wouldn't be any sales!
- *Customers* and buyer behavior is important to understanding the market place. Performance metrics such as average selling price, average customer discounts, sales cycle time, average deal size and customer satisfaction are keys to understanding market traction and competitive activity. Some argue that buyer behavior is the most important because without customers buying products, there would be no sales!
- *Shareholder* or business owner performance is critical to keeping the business running. Key metrics such as revenue (top line), profitability (bottom line), COGS (cost of goods sold), margins and new customers are vital indicators. Some argue that shareholders are the most important because they own the company and without their investment and return on investment, there would be no company!

All three perspectives are equally important for optimizing performance. If your business sells through channel that adds a fourth perspective that is equally important. The concept of a balanced approach to performance evaluation is a derivation of Kaplan & Norton's Balanced Scorecard approach to business.

**Speed checked by radar, aircraft or video.** Corporate transparency is vital. A company must be willing to share information internally and externally. *Fact...* Someone is watching. *Fact...* Expect high speed communication of misdeeds & mistakes. Things you don't expect will show up on email, in text messages, on the internet, on blogs and on Twitter.

A healthy business today has an “open-book” mindset. The company must trust employees, be highly self-critical and drive a company culture to “do the right thing”. Management needs to be accessible with interactive communications both internally and externally. It takes courage to accept criticism but that is a necessity in a transparent business world. Gone are days of “operating under the radar” or “sweeping things under the rug”. That will not happen in today's instant communication world.

**Have a great ride.** Evaluating sales performance is a necessary and vital part of business success. You want to study every aspect of your business. It is intensely

interesting and provides the means for looking into the future through trends, best practices and “controlled” experiments. Monitor performance continuously; don't micro-manage but do intervene as needed. Take a balanced approach looking at performance of the sales team, the buyers and the owner investment to form a well rounded view. Together, all of this will help you avoid pit falls and pot holes, optimize performance and have a great ride!

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