

Chapter 13: Assessing the Salesforce's Performance and Coaching for Performance Improvements

INTRODUCING THE CHAPTER

Sales managers evaluate the activities and accomplishments of their salesforces in order to know what is working, what is not, and, most importantly, why. This information shapes the daily decisions a sales manager makes to improve the performance of the salesforce. Of course, the sales manager's decision-making quality will be higher if the information emanates from objective evaluation efforts. To increase the probability that the salesforce will reach its goals, sales managers analyze their firms' sales, costs, and profitability measures. Sales information provides managers with an understanding of the revenue the firm generated. Cost figures relate the company's sales expenses relative to its sales goals. Profitability figures tell supervisors if a sales effort paid off. The analyses help managers identify deviations from the firm's plans. The deviations can then be investigated to understand why they occurred. If the firm's plans and goals are not achieved, sales managers must determine whether the plans were incorrectly set and/or if the salesforce did not perform up to par. Finally, based on the results of their analyses, sales managers can decide what aspects of the sales function, and the firm as a whole, need to be changed.

To ensure their sales representatives are on track, sales managers continually monitor their performance. Formal appraisals of representatives are usually conducted once or twice annually to evaluate their performance, potential for advancement, and qualifications for bonuses and raises. Because the duties of salespeople are complex, they are generally evaluated based on a broad set of metrics that include the inputs or efforts they make to sell the firm's products, plus the outcomes they achieve, such as the revenues and profits they actually generate. Professional development criteria are also included in the evaluations. By utilizing multiple measures, sales managers gain a more comprehensive picture of their salespeople. Sales managers must also be aware of the potential for bias to enter into the assessment process and must take steps to reduce it.

When sales managers perform regular, objective, and comprehensive evaluations, they will be more cognizant of both their salesforces and the markets for their products. This will allow them to make more informed decisions and improve the odds of success for themselves, their salespeople, and the firm as a whole.

Chapter Objectives

After completing this chapter, students should be able to:

- Explain why it is important to evaluate the overall performance of the firm's salesforce.
- List the advantages and disadvantages of sales, cost, and profit analyses.
- Understand the importance of profitability and the application of ROI and ROAM.
- Explain both input and output objective sales performance measures.
- Explain the differences between performance and effectiveness.
- Compare formal and informal evaluations.
- Describe how a sales manager can implement an effective performance review.

Chapter Outline

- I. Evaluation and Metrics: How Sales Managers Know What Is Working and Why
- II. Evaluating the Performance of the Organization and Its Salesforce
 - A. Sales Analysis
 - B. Cost Analysis
 - C. Profitability Analysis
 - D. Ratio Measures for Evaluating the Organization and Its Salesforce
 1. Return on Investment (ROI)
 2. Return on Assets Managed (ROAM)
 - E. Relating the Performance of the Salesforce to the Firm's Salespeople
- III. Performance Evaluations for Sales Representatives
 - A. Quantitative Measures of Sales Performance Evaluations
 - B. Activity Sales Metrics
 - C. Pipeline Sales Metrics
 - D. Sales Outcome Metrics
 - E. Ratio Measures for Performance Appraisals
 - F. Qualitative Performance Measures
 - G. The Problem of Evaluation Bias
 - H. Informal Evaluations
 - I. Reducing Sales Management Errors in Performance Evaluations
- IV. What Happens When Salespeople Don't Achieve Their Sales Goals?
 - A. Responding to Performance Appraisals
- V. Managing Your Career
- VI. Summary

MANAGING YOUR CAREER

As a new salesperson, it is imperative that you understand how and when you will be evaluated. Most firms identify and track data that tells them how you are performing as a salesperson. Often it is fairly basic information, like sales revenues generated, selling costs, the number of new customers, and the number of lost accounts. By understanding what is important to your employer, you will know where to allocate your time and effort. In effect, if you understand how and when you will be evaluated, there should be few surprises when you are evaluated.

Also, as a future sales manager, you now understand the different ways to evaluate your sales team and the positive and negative aspects of each evaluation process. By understanding the importance of evaluating your sales team on a regular schedule (annually or biannually), you will know to reduce the bias you may experience and will consider the same information for the same period for all members of the sales team. Although informal evaluations can provide salespeople with feedback, they are no substitutes for a formal assessment process designed to provide the members of the sales team with objective feedback on how they are doing — good and not so good — and why.

SUPPLEMENTAL VIDEOS DISCUSSION SUGGESTIONS

How to Fuel a High Performance Sales Team: Gerhard Gschwandtner from Selling Power interviews C. Lee Smith, CEO of Sales Fuel, about coaching a high performance sales team.

Why the Secret to Success is Setting the Right Goals: Venture capitalist John Doerr speaks on how organizations are often leading us toward the wrong objectives. In this practical talk, Doerr shows us how we can get back on track with “Objectives and Key Results” (OKRs), a goal-setting system that’s been employed by the likes of Google, Intel, and Bono to set and execute on audacious goals.

How to Rescue a Struggling Salesperson: This is an excerpt from the *Sales Influence* podcast with Victor Antonio who talks about sales training and motivation. This episode addresses “How to Rescue a Struggling Salesperson – B2B Sales Management.” The podcast addresses the following issues: Why is it that a salesperson can know what to do but still fail to execute? Why is it that a salesperson can understand the negative impact of not performing, but still isn’t “motivated enough” to perform? What is the “Hawthorne Effect” and how can you use it to rescue a failing salesperson?

QUESTIONS AND PROBLEMS

1. What is the relationship between managerial control and sales team evaluations? When managers make decisions without the benefit of accurate information, what is the likely outcome?

Students should recognize that the managerial control systems provide data to diagnose opportunities for improved performance as well as identify outstanding performance that can be modeled by other sales representatives. Therefore, when evaluating sales representative performance, the managerial control systems can inform managers on opportunities to improve an individual’s performance as well as calibrate individuals on their performance relative to the rest of the team. When managers make decisions without the benefit of accurate information, bias as well as ineffective coaching is the result. Managers may also be rewarding wrong behaviors. Students should discuss the type of bias that could affect the sales representative’s performance evaluation.

2. When sales managers detect a deviation from the performance expected by the firm, what are the two most common aspects they investigate?

Answers to this question should discuss sales representative ability and motivation. In either instance, the sales manager should devote additional attention to the sales representative to identify what specifically needs to be done to improve the sales representative’s performance.

3. What are the different goals of evaluation and assessment? That is, what types of decisions must a sales manager make, and how are these decisions linked to the type of evaluation information needed?

Students should mention that the role of evaluation and assessment is to make sure that sales representatives are aligned and contributing to the organization’s sales strategy. Further, it provides valuable feedback to the sales representatives on how they can improve their performance and/or advance their career. Further consistent feedback increases an employee’s commitment to the firm. Students should mention that a sales representative’s performance appraisal informs sales managers on how to coach sales representatives, making promotion decisions, and assigning territories. Students should also

discuss how performance metrics inform sales managers regarding policy, specifically those policies concerning sales expenses.

4. Why are sales revenues most likely to be used to evaluate the performance of salespeople? What are some limitations of considering only sales revenue generated?

Students should note that the purpose of sales representatives is to generate sales revenue for the company. However, by only focusing on sales revenue as a measure of performance, other things like sales costs, customer service, and organizational culture may weaken.

5. List three managerial decisions that are possible based on a cost analysis.

Three managerial decisions that could be based on cost analysis are budgeting for the sales department, the sales strategy, and product pricing

6. Review the data presented for Amira, Miguel, and Brent in Exhibit 13.8. In what areas do they excel? Which areas, as their sales manager, would concern you?

The question should refer to figure 13.5 and not 13.8. When you review the overall score of the sales representatives, students should note that Miguel has the lowest performance score. They should look further into the data and find that while Miguel had the lowest score he has the highest sales numbers. What is concerning about his numbers is that the number of new customers and demonstrations are below goal. It could be that Miguel needs support managing his customer relationships so that he is able to obtain new customers. Amira has the highest performance goal but the lowest in sales volume. The manager should make sure that Amira is pursuing larger-sized deals so that the sales volume increases in proportion to the number of new customers. Brent should focus on reducing his costs. He missed his goal of obtaining new customers by one account but he exceeded the sales costs budgeted for him by 10K.

7. Global positioning systems (GPS) allow a sales manager to track exactly where each sales representative has been and where the representative is at the moment. What do you think the pros and cons of using this technology might be? As a sales manager, would you use it?

Students should discuss the legalities of tracking employees. What are the expectations of privacy? Do the rules change if the company owns the car and the GPS systems that are being used by the sales representative? Students should consider the benefits gained by tracking employees' movements versus the effort it takes to analyze the data; further, it could be a deterrent to attracting and retaining sales representatives. Oftentimes individuals choose a sales career because of the independence typically given to people in this role.

8. If a salesperson made 123 sales calls and received 32 purchase orders during the month, what is the person's close rate?

The close rate would be 26%. (32/123)

9. In what ways can salespeople affect the profitability of their territories?

Students should know that sales representatives can affect the profitability of their territory by effectively managing their expenses. They could also use technology to reduce the costs of obtaining a sale or providing customer service. Examples of things sales representatives can do to reduce costs is to plan customer visits better, reduce customer visits, reduce the time and costs it takes to close a sale.

10. Against what standard should sales managers assess the qualitative measures related to their salespeople? Why?

Managers use the standard of an ideal sales representative if the goal is to improve sales representative performance. Managers will use the standard of suitability for management if the goal is to promote the sales representative to management. The goals of the evaluation are what determines the standard by which sales representatives are evaluated.

11. What challenges arise when firms evaluate a global salesforce's efforts?

When evaluating global salesforce efforts, cultural differences present a real challenge to the performance evaluations. Managers must have cross-cultural interpersonal skills as well as cultural competence and sensitivity to cross-cultural norms, laws, and customers.

12. Explain the common types of bias to which sales managers can fall victim.

The types of sales manager bias include evaluation bias, which means the sales manager lacks objectivity, leniency, or harshness tendency which occurs when they rate their sales representatives in extremes, central tendency bias which is to rate everyone in the center of the scale, and, finally, personal bias which occurs when the sales manager lets their personal feelings towards the sales representative influence their evaluation.

ROLE PLAY

Pittsburgh Industrial Controls Considers Changing Its Assessment Criteria

In this role play, students should design a better sales representative evaluation system. Divide students into groups of three, with each student in the group playing one of the characters. Prior to meeting, each person in the group should summarize a new set of objective and subjective measures of the company's salesforce based upon the priorities of the department. When they meet, the students should discuss points of agreement and conflict. Further, they should discuss how they will collect objective and subjective data on the sales representative's performance.

ANSWERS FOR CHAPTER CASELETS

Caselet 13.1: Happy Hannah: Did the Sales Representatives Meet Their Goals?

Case Questions:

- 1. Based on the performance data shown, what "deviations" would you focus on during your meeting with Ella?**

Ella not meeting sales goals two of three quarters and her lack of meeting demonstrations two of three quarters. Stress the need to increase input activities and determine why outcomes were not being met. Ask Ella for her rationale for not meeting expectations; ask how you can help, but stress the need to meet future expectations. It may also be wise to have Ella report each month to see how she is progressing against her demonstration quota.

2. Based on the performance data, what factors would you focus on during your meeting with Syd?

What approach would you take in your meeting with Syd?

One way to start the meeting with Syd would be to congratulate him on his sports prowess and ask him to explain why he has not met his numbers for the past three quarters. This lets Syd know you are aware that he has been devoting a tremendous amount of time taking his team to the national championships (and thus not giving that time to customers). Syd has met his input requirements, but the sales manager should question the quality of these demonstrations and look at sales to all customers to understand why Syd opened 5 new accounts the first quarter but then new account openings dropped to 3 and 2 respectively, while his total sales figures were below expectations for all three quarters! It appears that Syd is not making input numbers and he is not taking care of existing accounts. I would tell Syd he must improve his numbers and must reach his goals if he is to remain a salesperson with the firm.

3. Is Syd's participation in competitive sports relevant to his evaluation? Why or why not?

Only to the extent Syd's outside activities seem to be impacting his performance. A sales manager might expect that all sales representatives will be involved in outside-of-work activities ranging from child/parent care to fishing to gardening.

4. Would your response differ if Syd's team were sponsored by a religious or a civic organization?

The reason for Syd's not meeting expectations should not hinge upon his motivations. If a salesperson enjoys working for Special Olympics®, their church, or Habitat for Humanity® that is their right. However, starting from a point of neutrality, Syd is not meeting his expectations and the sales manager's responsibility is to help Syd see that he will need to allocate more time to his job or leave the workforce to be a professional athlete.

Caselet 13.2: Moworth Industrial

Case Questions:

1. Are all five categories used for ranking the salesforce equal in importance?

As currently configured they are, but in reality sales and profitability are more important.

2. What are the advantages and disadvantages of a ranking system?

A ranking system forces the sales manager to "rank" each of his sales members from "best" to "worst." However, another way to do this is to assign a weight to each category and then assign a grade for that category to each salesperson. For example, if Gordon exceeded his expected sales revenue he might be given a 10 and the weight for that category might be .3. His score for that category is 3. Rather than a forced ranking, a weight and grade evaluation provides a more valid picture of who is performing and at what level. Said differently, the sales manager would be able to gauge the distance between all salespersons' performances.

3. Under what conditions is it appropriate to rank one's salesforce?

Ranking is appropriate for promotions and retention only. But again, it is best to do such rankings objectively rather than fall into the trap of halo, interpersonal, or outcome bias.

4. What can be concluded if each category receives an importance weight?

That each of the categories' scores reflects the effort that the sales representative should place on achieving it.

5. What recommendations would you offer Fran?

That Puckett switch to a weight and grade evaluation based upon set expectations. Rankings are best for promotions and/or terminations — we need to promote one person to management. Who should we promote? We have ranked the salesforce based upon management criteria and feel that Thyssen is best suited for this promotion.

OTHER IN-CLASS EXERCISES

Divide students into small groups. Provide each group with a copy of a sales representative job description. If possible provide different job descriptions to each group rather than having each group work with the same job description. Have each group develop a 100-day training plan for the job description and develop an onboarding plan for the sales representative.

Have the students divide into small groups using the data from Exhibit 13.4. Assign each group one of the sales representatives Amira, Miguel, or Brent. The groups should decide what feedback they would give each sales representative, write up a performance evaluation and performance improvement plan. When each group presents to the larger group, the other classmates should present possible objections and concerns that employees will raise during the feedback session.