# Necessary Condition #9 – The Right Metrics

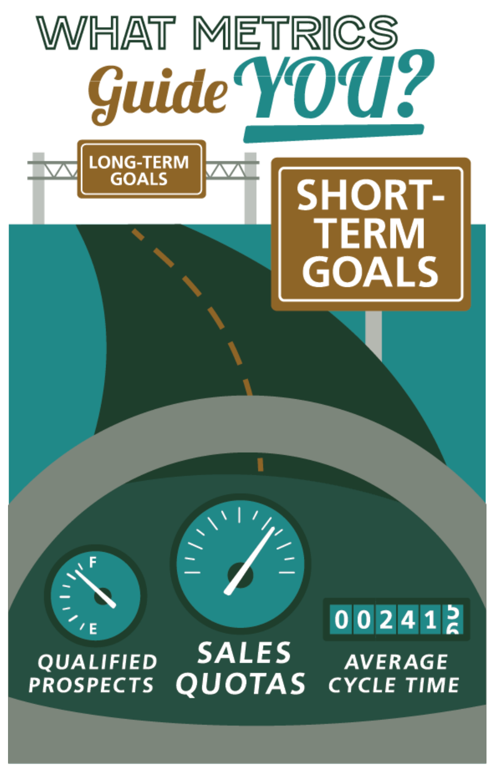
By Charles Fifield, MBA

*"If you can't measure it, you can't manage it."*
*- Peter Drucker*

Many sales organizations focus on measuring or tracking outputs or results with less emphasis on inputs, which is akin to telling a football team to stop the opponent from scoring without working on essential defensive skills such as tackling and pass coverage. It is estimated that over half of sales organizations don't measure sales performance at all, and the others depend largely on one measure – performance versus quota (ES Research Group 2009). A successful sales plan must focus on both the results and the critical activities necessary to achieve the desired results.

## Which Metrics Should We Choose?

Effective ongoing sales analysis and performance measurement are essential ingredients to achieving highly successful and sustainable sales performance. Deciding what to measure is critical to effective sales analysis, and many organizations employ either incorrect or inadequate metrics. *Sales quotas* as a key performance measure are insufficient because they are often extrapolated from historical results and may not account for key changes in the external environment. Quotas can be numbers be artificially mandated by management and may have little or no supporting empirical evidence. Another common sales performance measure is *percent increase in sales* compared to that of a previous time period. Knowing a salesperson is ahead or behind the scheduled increase offers little information for management. Consequently, leaders in this context focus on managing a result (the effect) as opposed to managing towards a *desired* result (the causes).




Setting solid, leading-indicator sales performance metrics is significant to achieving desired results. Salespeople want and need challenges and targets. For every metric, there should be clear understanding about expectations. Misunderstood or poorly communicated performance metrics can lead to counter-productive behavior. The key to developing the right metrics is to start by understanding the goals, or beginning with the end in mind. If the goal is to increase sales, then determine the method to be employed to achieve it, such as improved prospecting. Next, decide on quantifiable ways to measure and enable results-oriented progress over time with a long-term versus short-term focus. If this analysis is essentially a management initiative, then it is important to have sales team participation in its development.

Selecting the right metrics is like developing a recipe for a culinary treat. You must measure what the recipe requires and identify its proper sequence. If you want to improve the probability of your sales success, then you have to must also have the right recipe or formula. Selecting the proper metrics to produce the desired sales results is a crucial part of the process. Metrics serve as the primary tool for managing performance within the overall sales organization. Targets are set for each metric, performance is monitored and interpreted to yield timely feedback and corrective actions, if necessary, are initiated.

When you first start a sales career, you need to be disciplined in executing the behaviors prescribed by the sales success recipe. For example, start with a clearly defined, realistic annual sales or commission goal. Your recipe for success could include, but should not be limited to, the following:

1. The average size commission per sale
2. The number of presentations required to convert to a closed sale
3. The number of opportunities required to convert to a presentation
4. The number of first appointments or approaches required to produce an opportunity
5. The number of contacts required to convert into a first appointment
6. The length of your sales cycle

The initial numbers or performance standards for the above measures are often provided by management and based on the historical evidence from other successful salespeople. This quantity-driven approach should yield day-to-day operational measures to help achieve early sales success. If one maintains focus on the baseline numbers of contacts required to convert into a first appointment, then the desired result should be more predictable. Having these measures readily available (and preferably in real-time terms) will greatly aid the salesperson in properly assessing strengths and weaknesses and pinpointing certain skill development or training needs. As sales skills improve, especially in the quality of prospects, the conversion ratios should advance accordingly. Assuming that financial goals will also continue to grow, both the average size and total commission result should significantly improve.

As a salesperson's career advances, the success recipes typically do not change – the emphasis does. For example, a salesperson may be achieving an annual commission goal but begins to desire more personal time for other non-business related activities or interests. To gain additional personal time, the emphasis may be shifted towards reducing the length of the sales cycle time, which necessitates more thinking about how to remove waste from your selling process.

To remove process waste and gain meaningful productivity, the salesperson would need to analyze how to employ three strategic operational drivers and design appropriate measurements:

1. How to work smarter
2. How to work faster
3. How to perform work right the first time

For example, initiatives focused on working smarter could include establishing better target marketing, or increasing the number of "right" prospects approached in relation to total prospects approached. Other "working smarter" initiatives might include increasing the conversion ratio, or the total number of contacts required to convert to a closed sale. Initiatives focused on working faster may include better time management. This approach may have a particular emphasis on increasing interactive sales call activities and decreasing non-selling work or selling time per week in relation to the total amount of selling time per week. As noted in a previous article, Necessary Condition #3 – The Right Day-to-Day Operational Focus (*Keller Center Research Report* December 2010), research indicates that salespeople often overestimate their daily time allocation in actual selling activities.

## Designing a Digital Metrics Dashboard for the Sales Organization

The primary objectives of a "dashboard" are to identify and implement effective performance indicators and then to provide the necessary visibility so that the information generated is readily presented to both the salesperson and management. Necessary sales analytics can be captured with many Customer Relationship Management (CRM) and Sales Force Automation (SFA) systems and displayed visually via many different mediums, including most mobile devices. Some dashboards enable users to set up their own customized performance indicators that automate the needed calculations.

Today, digital dashboards are available to sales team users on an "anytime and anywhere" basis via the Internet. Not only do dashboards yield valuable real-time operational, customer and order data, but they enable sales team members to spend more time in pipeline-related activities and less time on-location. The dashboard's design should prioritize metrics based on alignment with defined goals and stated strategy.

Some of the benefits that will result from implementing a dashboard's capabilities include:

1. Gain a deeper and transparent understanding of the key drivers to improved sales productivity

2. Identify when and where management action is required to improve sales effectiveness and efficiency

3. Develop a standardized means for monitoring and improving performance

4. View sales performance from a variety of perspectives

5. Build consensus on key performance measures and drivers

6. Clarify accountability around specific measures

For more details about the design of a dashboard, see “Designing a Metrics Dashboard for the Sales Organization” (Rose 2006).

## Summary

Effective sales performance metrics and a customized metrics dashboard can help guide you on the road to sales success. If you want to improve your probability of success, then you must learn to stay on the road to success and to consistently read your dashboard’s operating performance indicators. Starting with the end in mind and mapping your path to the targeted productivity goal(s) are essential to a salesperson’s plan; however, effectively and efficiently traveling to the desired end is greatly facilitated by having the right metrics to guide your progress.

## References

ES Research Group (2009), “Guide to Measuring Sales Performance,” (accessed March 12, 2012), [available at http://www.esresearch.com/e/home/document.php?dA=Measuring_Sales_Performance].

Rose, Mike (2006), “Designing a Metrics Dashboard for the Sales Organization,” *ITtoolbox Business Intelligence*, (accessed March 12, 2012), [available at http://hosteddocs.ittoolbox.com/MRose62706.pdf].

## About The Author

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Chuck Fifield is a Senior Lecturer for Baylor University's Hankamer School of Business, Marketing Department and serves as the faculty coach to Baylor's Sales Team and Uproar Music and Entertainment Group, a student-managed business. He joined the faculty at Baylor University in 2001, teaching in the Graduate Business School (Operations Management), the Management Department (Negotiations and Conflict Resolution) and the Economics Department (Principles of Macroeconomics). Chuck has taught or guest lectured at other Texas-based Universities in the fields of sales, international business, money and banking and finance/investments. Professor Fifield has conducted sales research and training for several organizations, including most recently State Farm Insurance. Prior to joining Baylor, Chuck was a financial consultant for nearly thirty years to businesses located throughout the U.S. He owned and operated several financial service businesses in the fields of securities, real estate, oil and gas and insurance.