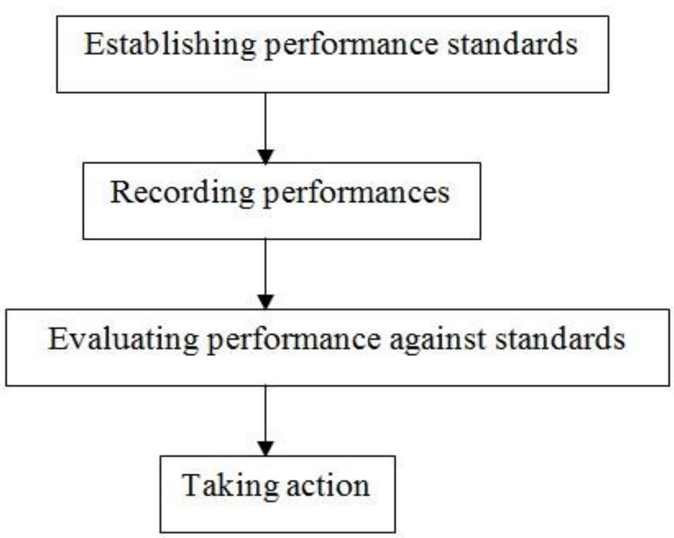
# Evaluation and control of sales performance

In order to understand the role of controlling in sales force management, it is necessary to understand the sequence of activities performed more or less in chronological order in the management process.

The management process starts when top management decides and declares the company's goals. The department heads, including the top sales executive, use them to derive departmental objectives. For the sales department, the next step is to formulate policies and plans to achieve these objectives. Then, the sales management team chalks out sales programmes and campaigns, determines specific methods and procedures, and takes other needed actions, including making indicated changes in the sales organisation to execute the policies and implement the plans. In performing these activities, sales executives coordinate the department's activities with each other and with related activities performed other departments and by distributive outlets in the marketing channels. Up to this point, then, sales executives focus upon planning, organising, and coordinating.

Four steps constitute the management process referred as the "management cycle," as shown below:

<u>Four steps of “management cycle”</u>



These four steps constitute what is known as control. Control has both static and dynamic facets. The first three steps are static and enable sales management to measure the progress toward achieving departmental objectives. The fourth step in control action is dynamic one without which the first three static steps cannot contribute maximally to sales management, despite the information they provide.

Depending upon specific circumstances, sales management may decide any one of the following:

(1) To take "no action" now

(2) To take action aimed to increase the degree of attainment of objectives

(3) To revise the policy or plan or the strategies used in their implementation to facilitate achievement of objectives

(4) To lower or raise the objectives or the standards or criteria used for managerial functions like planning, organising, coordinating and controlling

The decision to set sales performance standards (the first step in control) requires planning. Planning, in turn, means deciding where the sales department is going (that is, setting the objectives) and determining how the department is to get from where it is to where it wants to be. The initiation of control through standard setting is realistic only when the capabilities of the sales organisation are taken into account; it does little good to set performance standards beyond the capabilities of the sales force. For control to reach maximum effectiveness, management must coordinate sale planning with sales efforts. After sales force control is set in motion, more planning, organising, and coordinating are required. Indeed, the benefits of dynamic control, the initiating of action based on comparisons of actual performances with the standards, are not realized unless sales management takes further planning, organising, and coordinating steps.

## Standards of performance

Setting standards of performance requires consideration of the nature of the selling job. Sales job analysis is necessary to determine job objectives, duties and responsibilities, and the like. Performance standards are designed to measure the performance of activities that the company considers most important.

Setting sales performance standards requires considerable market knowledge. It is important to know the total sales potential and the portion that each sales territory is capable of producing. Marketing intelligence must provide evaluations of competitors' strengths, weaknesses, practices, and policies. Management must know the selling expenses in different territories. These items all bear on the setting of performance standards, especially quantitative standards.

Sales management takes still other factors into account in setting performance standards. The sales planning is reappraised to assure that it is the best possible under the circumstances. The policies and procedures being used to carry the personal-selling portion of the marketing program into effect are reviewed for appropriateness. Adjustments are made for the strengths and weaknesses of the individual sales personnel and for the differences in their working environments. Sales management puts together a combination of sales performance standards to fit the company's needs, its marketing situation, its selling strategy, and its sales organisation.

### Purpose of evaluation of salespersons' performance

- To ensure that compensation and other reward disbursements are consistent with actual salesperson performance
- To identify salespeople that might be promoted
- To identify salespeople whose employment should be terminated and to supply evidence to support the need for termination
- To determine the specific training and counselling needs of individual salespeople and the overall sales force
- To provide information for effective human resource planning
- To identify criteria that can be used to recruit and select salespeople in the future

- To advise salespeople of work expectations
- To motivate salespeople
- To help salespeople set career goals
- To improve salesperson performance

## Relation of performance standards to personal-selling objectives

Standards of sales performance facilitate the measurement of progress made toward departmental objectives. Specific objectives vary with changes in the company's marketing situation, but are reconcilable with the general objectives of volume, profit, and growth. For instance, a general objective might be to add Rs. 1 crore to sales volume, a figure in itself of little assistance for operating purposes. But using this objective as a point of departure, management drafts plans to expand sales volume by Rs. 1 crore. Through analysis of market factors, management may conclude that Rs. 1 crore in additional sales can be made if two hundred new accounts are secured. Experience may indicate that 1,000 calls on prospects must be made to add 200 new accounts. Thus, in successive steps, the general sales volume objective is broken down into specific operating objectives. Performance standards are then established for the business as a whole and, ultimately, for each salesperson. These standards are used to gauge the extent of achievement of general and related specific objectives.

The first quantitative standard that any firm should select is one that permits comparisons of sales volume performance with sales volume potential. From the sales department's standpoint, the volume objective is the most crucial and takes precedence over the profit and growth objectives. Before profits can be earned and growth achieved, it is necessary to reach a certain sales volume level. It is entirely logical for sales management first to develop a standard to gauge sales volume performance.

Quantitative performance standards also measure success in achieving profit objectives. Profits result from complex interactions of many factors, so the modicum of control over profits provided through the standard for sales volume is not enough. Standards to bring some or all factors affecting profit under sales management's control should be set. Performance standards, then, are needed for such factors as selling expense, the sales mixture, the call frequency rate, the cost per call, and the size of order.

Setting quantitative performance standards to gauge progress made toward growth objectives is even more complex. Growth objectives are met to some extent through the natural momentum picked up as a company approaches maturity, but performances by sales personnel impact upon growth. In an expanding economy, where the gross national product each year is larger than that in the year before, it is reasonable to expect individual sales personnel to show annual sales increases. However, this assumes that marketing management keeps products, prices, promotion, and other marketing policies in tune with market demand and that sales management's efficiency is continuously improved. If these are logical assumptions, then the standards needed for individual sales personnel relate to such factors as increased sales to old accounts, sales to new accounts, calls on new' prospects, sales of new products, and improvements in sales coverage effectiveness in addition to achieve higher sales volume and profit quotas.

## Quantitative Performance Standards



Most companies use quantitative performance standards. The particular combination of standards chosen varies with the company and its marketing situation. Quantitative standards, in effect, define both the nature and desired levels of performance. Indeed, quantitative standards are used for stimulating good performance well as for measuring it.

Quantitative standards provide descriptions of what management expects. Each person on the sales force should have definitions of the performance aspects being measured and the measurement units. These definitions help sales personnel make their activities more purposeful.

A single quantitative standard, such as one for sales volume attainment, provides an inadequate basis for appraising an individual's total performance. In the past the performances of individual sales personnel were measured solely in terms of sales volume. Today's sales managers realise that it is possible to make unprofitable sales, and to make sales at the expense of future sales. In some fields, for example, industrial goods of high unit price-sales result only after extended periods of preliminary work, and it is not only unfair but misleading to appraise performance over short intervals solely on the basis of sales volume.

Sales personnel have little control over many factors affecting sales volume. They should not be held accountable for "uncontrollable" such as differences in the strength of competition, the amount of promotional support given the sales force, the potential territorial sales volume, the relative importance of sales to national or "house" accounts, and the amount of "windfall" business secured. Ample reason exists for setting other quantitative performance standards besides that for sales volume.

Each company selects that combination of quantitative performance standards that fits its marketing situation and selling objectives. If necessary, it develops its own unique standards designed best to serve those objectives. The standards discussed here are representative of the many types in use.

The different quantitative standards that can be set:

1) Sales volume quotas by product, customer group and territory
2) Selling expense ratio
3) Territorial net profit or gross margin ratio
4) Territorial market share
5) Call-frequency ratio
6) Call rate i.e. the number of calls per day or week
7) Order call ratio
8) Average cost per call
9) Average order size
10) Non-selling activities



## 1) Quotas

A quota is a quantitative objective expressed in absolute terms and assigned to a specific marketing unit. The terms may be in money or units of product and the marketing unit may be a salesperson or a territory. As the most widely used quantitative standards, quotas specify desired levels of accomplishment for sales volume, gross margin, net profit, expenses, performance of non-selling activities, or a combination of these and similar items.

When sales personnel are assigned quotas, management must answer the important question, "how much for what period?" The assumption is that management knows which objectives, both general and specific, are realistic and attainable. The validity of this assumption depends upon the market knowledge management has and utilises in setting quotas. For instance, the first step in setting sales volume quotas is to estimate future demand for the company's products in each sales territory-hence, sales volume quotas can be no better than the sales forecast underlying them. When sales volume quotas are based upon sound sales forecasts, in which the probable strength of demand has been fully considered, they are valuable performance standards.

## 2) Selling expense ratio

Sales managers use this standard to control the relation of selling expenses to sales volume. Many factors, some controllable by sales personnel and some not, cause selling expenses to vary with the territory, so target selling expense ratios should be set individually for each person on the sales force. Selling expense ratios are determined after analysis of expense conditions and sales volume potentials in each territory. An attractive feature of the selling expense ratio is that the salesperson can affect it both by controlling expenses and by making sales.



The selling expense ratio has several shortcomings. It does not take into account variations in the profitability of different products-so a salesperson who has a favorable selling expense ratio may be responsible for disproportionately low profits. Then, too, this performance standard may cause the salesperson to over economize on selling expenses to the point where sales volume suffers. Finally, in times of declining general business, selling expense ratios inhibit sales personnel from exerting efforts to bolster sales volume.

Selling expense ratio standards are used more by industrial-product companies than by consumer-product companies. The explanation traces to differences in the selling job. Industrial-product firms place the greater emphasis on personal selling and entertainment of customers; consequently, their sales personnel incur higher costs for travel and subsistence.

## 3) Territorial net profit or gross margin ratio

Target ratios of net profit or gross margin to sales for each territory focus sales personnel's attention on the needs for selling a balanced line and for considering relative profitability (of different products, individual customers, and the like).

Managements using either ratio as a quantitative performance standard, in effect, regard each sales territory as a separate organisational unit that should make a profit contribution. Sales personnel influence the net profit ratios by selling more volume and by reducing selling expenses. They may emphasize more profitable products and devote more time and effort to the accounts and prospects that are potentially the most profitable.

The gross margin ratio controls sales volume and the relative profitability of the sales mixture (that is, sales of different products and to different customers), but it does not control the expenses of obtaining and filling orders.

Net profit and gross margin ratios have shortcomings. When either is a performance standard, sales personnel may "high-spot" their territories, neglect the solicitation of new accounts, and overemphasise sales of high-profit or high-margin products while underemphasizing new products that may be more profitable in the long run.



Both ratios are influenced by factors beyond the salesperson's control. For instance, pricing policy affects both net profit and gross margin, and delivery costs, which also affect both net profit and gross margin, and delivery costs, which also affect both net profit and gross margin, not only vary in different territories, but also are beyond the salesperson's control. Neither ratio should be used without recognition of its shortcomings.

## 4) Territorial market share

This standard controls market share on a territory-by-territory basis. Management sets target market share percentages for each territory. Management later compares company sales to industry sales in each territory and measures the effectiveness of sales personnel in obtaining market share. Closer control over the individual salesperson's sales mixture is obtained by setting target market share percentages for each product and each class of customer or even for individual customers.

## 5) Call-frequency ratio

A call-frequency ratio is calculated by dividing the number of sales calls on a particular class of customers by the number of customers in that class. By establishing different call-frequency ratios for different classes of customers, management directs selling effort to those accounts most likely to produce profitable orders. Management should assure that the interval between calls is proper- neither so short that unprofitably small orders are secured nor so long that sales are lost to competitors. Sales personnel who plan their own route and call schedules find target call frequencies helpful, inasmuch as these standards provide information essential to this type of planning.

## 6) Call rate

In consumer-product fields, where sales personnel contact large numbers of customers, it is desirable to set a standard for the number of calls per day or week. Otherwise, some sales personnel make too few calls per day and need help in planning their routes, in setting up appointments before making calls in order to reduce waiting time or the number of cases where buyers are "unavailable", or simply in starting their calls early enough in the morning and staying on the job late enough in the day. Other sales personnel make too many calls per day and need training in how to service accounts. Standards for calls per day are set individually for different territories, taking into account territorial differences as to customer density, road and traffic conditions, and competitors' practices.

## 7) Order call ratio

This ratio measures the effectiveness of sales personnel in securing orders. Sometimes called a "batting average," it is calculated by dividing the number of orders secured by the number of calls made. Order call ratio standards are set for each class of account. When a salesperson's order call ratio for a particular class of account varies from the standard, the salesperson needs help in working with the class of account. It is common for sales personnel to vary in their effectiveness in selling to different kinds of accounts-one person may be effective in selling to small buyers and poor in selling to large buyers, another may have just the opposite performance pattern.

## 8) Average cost per call

To emphasise the importance of making profitable calls, a target for average cost per call is set. When considerable variation exists in cost of calling on different sizes or classes of accounts, standards are set for each category of account. Target average cost per call standards also are used to reduce the call' frequency on accounts responsible for small orders.

## 9) Average order size

The order size in terms of money or unit numbers is another performance criterion. This signifies the selling capacity of the concerned salespeople.

## 10) Non-selling activities

Some companies establish quantitative performance standards for such non-selling activities as sales promotion, displays, obtaining dealer displays and cooperative advertising contracts, training distributors or dealers or their personnel, and goodwill calls on distributors' customers. Whenever non-selling activities are critical features of the sales job, appropriate standards should be set. Since quantitative standards for non-selling activities are expressed in absolute terms, they are, in reality, quotas.

In addition to the above-mentioned criteria, the other output measures, which are useful as evaluation criteria:

- Gross margin by product line and territory
- Orders in number and average money amount
- Closing rate

It is widespread practice to assign multiple quantitative performance standards. A company can assign different quantitative standards for a sales person.

## Qualitative Performance Criteria

Certain aspects of job performance, such as personal effectiveness in handling customer-relations problems, do not lend themselves to precise measurement, so the use of some qualitative criteria is unavoidable. They must be considered because they reflect broader dimensions of behaviour and are limited by subjective judgements of the evaluators. Some of the qualitative criteria are:

- Knowledge of products, company policies, and competitors
- Time management
- Customer Relations
- Personality
- Attitude

Qualitative criteria are used for appraising performance characteristics that affect sales results, especially over the long run, but whose degree of excellence can be evaluated only subjectively. Qualitative criteria defy exact definition. Many sales executives, perhaps most, do not define the desired qualitative characteristics; instead, they arrive at informal conclusions regarding the extent to which each salesperson possesses them.

Companies with merit-rating systems differ on the desirability of using numerical ratings. Most numerical scoring systems are in companies that rate sales personnel primarily for detecting needed adjustments in compensation. Companies that use merit rating primarily to improve and' develop individual salespersons usually do not use numerical scoring systems.

Executive judgment plays the major role in the qualitative performance appraisal. Written job descriptions, up to date and accurate, are the logical points of departure. Each firm develops its own set of qualitative criteria, based upon the job descriptions; the manner in which these criteria are applied depends upon the needs of management.

## Recording of actual performance

One of sales management's crucial tasks is to measure actual performance. Emphasis in this phase of control shifts to gathering performance information. It is necessary to define information needs, determine the information sources, and collect the information.

The choice of performance standards dictates the information needed. However, with increasingly sophisticated management information systems, the choice of performance standards is based as much on information availability as on the desire to use certain standards. It is good practice to review periodically the sales performance standards in use and the availability of other information that might permit use of different or additional standards.

There are two basic sources of performance information: sales and expense records and reports of various sorts. Almost every company has a wealth of data in its internal sales and expense records, but this information frequently requires reworking, or reprocessing, before it is useful for sales control purposes. Reclassified according to sales management's information needs, sales and expense data contribute to the determination and measurement of actual performances.

The methods of obtaining needed information depend upon the sources. Internally generated information, such as that from the data-processing installation, is provided on a routine basis, or in response to requests for special tabulations. Information obtainable only from sales personnel or field sales management personnel is gathered through formal reports; such information is also obtained through personal observation-by trips to the field or through field sales supervisors.

## System of Field Sales Reports

The fundamental purpose of field sales reports is to provide control information. Good communications require interaction between those preparing and those receiving reports. A good field sales reporting system provides both for communication from the field to headquarters and from the headquarters to the field.

Field sales reports provide sales management with a basis for discussion with sales personnel. They indicate the matters on which salespeople need assistance. The sales executive uses field sales reports to determine whether sales personnel are calling on and selling to the right people, and whether they are making the proper number of calls.

A good field sales reporting system assists sales personnel in their self-improvement programmes. Recording accomplishments in written form forces individuals to check their own work

## Purposes of field sales reports

The purpose a report is to serve determines the nature of the information it contains and the frequency of its transmittal. The general purpose of all field sales reports is to provide information for measuring performance; many reports, however, provide additional information. Consider the following list of purposes served by field sales reports:

1. To provide data for evaluating performance-for example, details concerning accounts and prospects called upon, number of calls made, orders obtained, days worked, miles travelled, selling expenses, displays erected, cooperative advertising arrangements made, training of distributors' personnel, missionary work, and calls made with distributors' sales personnel.

2. To help the salesperson plan the work-for example, planning itineraries, sales approaches to use with specific accounts and prospects.

3. To record customers' suggestions and complaints and their reactions to new products, service policies, price changes, advertising campaigns, and so forth.

4. To gather information on competitors' activities-for example, new products, market tests, changes in promotion, and changes in pricing and credit policy.

5. To report changes in local business and economic conditions.

6. To log important items of territorial information for use in case sales personnel leave the company or are reassigned.

7. To keep the mailing list updated for promotional and catalogue materials.

8. To provide information requested by marketing research-for example, data on dealers' sales and inventories of company and competitive products.

## Types of sales force reports

Reports from sales personnel fall into six principal groups.

***1. Progress or call report:***

Most companies have a progress or call report. It is prepared individually for each call or cumulatively, covering all calls made daily or weekly. Progress reports keep management informed of the salesperson's activities; provide source data on the company's relative standing with individual accounts and in different territories, and record information that assists the salesperson on revisits. Usually the call report form records not only calls and sales, bill more detailed data, such as the class of customer or prospect, and competitive brands handled, the strength and activities of competitors, best time to call, and "future promises."

***2. Expense report:***

Because most sales personnel are reimbursed for expenses and itemised expense records are required for income tax purposes, most companies have an expense report. From sales management's standpoint, the purpose is to control the nature and amount of salespersons' expenses. This report also helps the salesperson exercise self-control over expenses. The expense report reminds salespersons that they are under moral obligation to keep expenses in line with reported sales-some expense report forms require salespersons to correlate expenses with sales. The details of the report form vary with the plan for reimbursing expenses.

***3. Sales work plan:***

The salesperson submits a work plan giving such details as accounts and prospects to be called upon, products and other matters to be discussed, routes to be travelled etc. for a future period, usually a week or a month. The purposes are to assist the salesperson in planning and scheduling activities and to inform management of the salesperson's whereabouts. The work plan provides a basis for evaluating the salesperson's ability "to plan the work and to work the plan."

*4. New-business or potential new-business reports:*

This report informs management of accounts recently obtained and prospects who may become sources of new business. It provides data for evaluating the extent and effectiveness of development work by sales personnel. A subsidiary purpose is to remind sales personnel that management expects them to get new accounts. Comparing the information secured with data in company files, management evaluates the effectiveness of prospecting.

*5. Lost-sales report:*

This report provides information for evaluating a sales-person's abilities to keep customers and to sell against competition. Lost sales reports point the way to needed sales training, changes in customer service policies, and product improvements. The salesperson reports the reasons for the loss of the business; but receipt of a lost-sales report also causes management to consider further investigation.



*6. Report of complaint and/or adjustment:*

This report provides information for analysing complaints arising from a salesperson's work, complaints by class of customer, and cost of complaint adjustment. This assists management in detecting needed product improvements and changes in merchandising and service practices and policies. These data also are helpful for decisions on sales training programmes, selective selling, and product changes

## Reports from field sales management

In decentralised organisations, field sales executives have an important part in setting sales performance standards. Branch and district sales managers and, in some cases, sales supervisors assist in establishing sales volume quotas for salespeople who, in many companies, also are consulted on their own quotas. Branch and district sales managers, in addition, play roles in breaking down branch and district sales volume quotas to quotas for individual sales personnel, and to products or product lines and/or to types of customers occasionally, even to specific accounts. At the district level, especially in larger companies, profit and/or expense quotas are sometimes set for individual sales personnel and by product line.

The district sales manager's planning report is called a district sales plan, often prepared by compiling, with or without revisions, sales work plans, and covering the work or results that each district salesperson expects to accomplish during the month, quarter, or year ahead. District sales plans usually require the district sales manager to suggest standards for appraising his or her own performance, for example, the recruiting of a certain number of new sales personnel and the carrying out of some amount of sales training. District sales plans are subject to review and to revision by higher sales executives.

Field sales executives have responsibility for reporting information on personnel performance. Since they are in the most frequent contact with the sales force, they are well placed to observe individual sales personnel in the field. Consequently, field sales executives prepare "sales personnel evaluation" reports, often of the merit-rating type, which gather information on qualitative sales performances. In some companies, this is called a "progress report" and includes qualitative information on personnel performance and data comparing individual performance to quantitative standards. Sales personnel evaluation reports are prepared either periodically or each time a district sales manager or supervisor works with a salesperson.



## Evaluator of sales people

The primary evaluator should be sales persons' immediate supervisor because this person has direct knowledge having actually worked with the sales person. For some companies the immediate supervisor completes the entire evaluation including recommendations for pay raises and promotions. The evaluations and recommendations are then sent to the manager's immediate supervisor for final approval. The manager's supervisor accepts the recommendations without question.

In majority of organisations several managers evaluate each salesperson. The simplest approach is for the district manager and the regional sales manager to arrive at the evaluation. The other district managers in the region also may express their opinion when the region's entire management group gets together periodically.

Review is necessary

(1) To make certain that the appraisal form has been filled out properly.

(2) To check against personal bias or errors in judgment.

(3) To evaluate the ability of the rater to set performance standards and to evaluate sales personnel.

## The time frame of evaluation

Sales people should be evaluated at the end of each performance cycle. A performance cycle is a period related to specific product goals or job activities. For example consumer-goods manufacturers typically have some products they want to emphasise periodically. They may have six performance cycles during the year. Every two months sales force is given specific sales goals for five to ten different products. These goals should be compared with results after each cycle. In addition sales people are monitored monthly for other products they sell.



These periodic performance evaluations provide the input for semi-annual and annual performance evaluations. They provide important feedback to both management and sales people. A minimum of one formal evaluation should be completed yearly for each salesperson.

## Number of reports

The optimum number of reports is the minimum necessary to produce the desired information. Holding down the number of reports is important, since they are generally made out after the selling day. Report preparation places demands on free time, and, unfortunately, the best people often have the least time. All reports are reviewed from time to time to determine whether the information is worthwhile. When a new report is proposed, the burden of proof of its need is upon its advocates. Information obtainable through other means at no higher cost should not be gathered through field sales reports. Some companies, in assessing the worth of a sales report, discontinue it without notice or insert intentional errors in the form, thus learning whether the report ill essential and the use, if any, made of the information.

## Design and construction of reports

Each field sales report should be as short as is consistent with its purpose. This is especially important for those submitted by sales personnel-whenever possible, the form should provide for easy checking off of routine informational items. Similarly, sales report forms should be of conveniently portable size and shape.



Information on field reports should be so arranged that it can easily be summarized. There should also be set routines for transferring information onto other records.

## Details required in sales reports

The amount of detail required in sales reports varies from firm to firm. A company with many sales personnel covering a wide geographical area needs more detailed reports compared to a company with a few salespeople covering a compact area. The more freedom that sales personnel have to plan and schedule their activities, the greater should be the detail required in their reports. However, and in apparent contradiction, commission sales personnel are asked for less detail in reports than are salaried salespeople, probably because management feels that it has less power to direct their activities. In general, the higher the calibre of sales personnel, the less is management's need for details. High-calibre people are expected to exercise self-control, thus reducing the need for detailed formal reporting.

## Evaluating and comparing actual performances with standards

Evaluating the Sales Force

The job of sales managers is not complete until the total effort of the sales force is evaluated. First, it is important to determine if the sales function is meeting its quantitative objectives. If not, the sales manager must figure out the causes. Individual salesperson performance is normally measured against sales quotas for individual sales territories, even when compensation plans do not include bonuses or commissions based on quotas. Other quantitative measures, such as number of sales calls and sales reports, may also be used in the evaluation.



Many firms also evaluate their sales force on qualitative indicators of performance such as salesperson attitude, product knowledge, and communication skills. Increasingly, as firms focus on relationship management, the level of customer satisfaction is a strong qualitative measure of superior salesperson performance.

The most difficult step in sales force control is the evaluation step-the comparing of actual performances with standards. This is more than a mechanical comparison; this step is difficult because evaluation requires judgment. The same standards cannot be applied to all sales personnel-there are differences in individual territories, their sales potentials, the impact of competition, and the personalities of sales personnel and their customers. It is possible to take territorial differences into account by setting individual performance standards for each territory, but it is not possible to adjust fully for differences in the personalities of the salesperson and the clientele. Furthermore, complications often develop in relating individual performances to standards, for example, when two or more salespersons work on the same account or when an account deals both with the salesperson and the home office.

Evaluating sales personnel requires both a comparison of performance with quantitative standards and an appraisal against qualitative performance criteria. Sales personnel with poor performances, as gauged by quantitative standards, may be making offsetting qualitative contributions. Individuals who do not reach sales quotas or keep to prescribed call schedules, for instance, may be building for the future by cementing relations with distributors and dealers. Evaluating performance of sales personnel requires judgment and deep understanding of market factors and conditions.

Judgment enters into the evaluation of sales personnel in still other ways. Performance trends, as well as the current record, are relevant-an individual showing improvement but with still substandard performance needs encouragement. There is always the chance that something is wrong with a standard when an individual continually fails to reach a standard, management should investigate whether the standard has been set too high.

In comparing actual results with projected results, the general procedure in scientific work is to set up tests that measure the variable under observation while taking account of the effects of other variables. In the evaluation of sales personnel it is not possible to set up such tests. Each salesperson's performance results from complex interactions of many variables, some beyond the control of either the salesperson or of management. The time element changes and so do the sales personnel, the customers, general business conditions, competitors' activities, and other variables. However, some companies measure the impact of particular variables on personnel performance through careful design of experimental and control groups.

**Salespersons performance evaluation approaches**

1. Most evaluate on an annual basis

2. Most combine input and output criteria, which are evaluated using quantitative and qualitative measures

3. When used, performance standards or quotas are set in collaboration with salespeople

4. Many assign weights to different objectives and incorporate territory data.

5. Most use multiple sources of information

6. Most are conducted by the field sales manager who supervises the salesperson

7. Most provide a written copy of the review and personal discussion

**Performance evaluation forms**

Periodically each manager is supplied with performance appraisal forms for evaluating each salesperson. Several different types of appraisal forms exist and each can have numerous variations. We will discuss some of the ways to evaluate salespersons performance.

***a) Graphical appraisal scales***

It is the most commonly used form for evaluating salesperson's performance. The manager fills out a form appraising a salesperson's selling skills, which may look like below.

<u>Graphical appraisal scales</u>

| | Outstanding | Excellent | Above Average | Average | Below Average | Poor |
|---|---|---|---|---|---|---|
| **Selling skill** | □ | □ | □ | □ | □ | □ |

***b) Descriptive statements:***

This is a method of performance appraisal requiring the manager to provide a detailed, written description of each salespersons performance. Typically the manager has five to ten categories to evaluate such as selling ability, management potential, goal attainment, and territorial management. The manager is usually required to use these descriptive statements to rank the salespeople.

***c) Management by objectives:***

It is a result based evaluation programme. Salespeople are given objectives and their actual results are compared with the objectives to evaluate their performance

If salesperson has achieved objectives of three out of four criteria, the salesperson should explain to management why the specific product goal was not obtained and what is being done to make sure this objective will be reached in future.

***d) Behaviourally anchored rating scales Referred to as BARS:***

These represent an attempt to improve evaluation, which use descriptive cues or adjectives. With BARS critical incidents distinguish among values on the scale. The BARS evaluation method makes each performance category easy for the manager to interpret because each includes a detailed explanation of exactly what rating means. Such evaluation methods tend to be more reliable and valid, thus reducing rating errors. Also the response categories directly represent job tasks. Thus manager can better explain evaluation to the individual involved.

***e) 360-Degree feedback***

In this relatively new evaluation method, managers obtain feedback from an employee's peers, assistants, clients and even sales manager's supervisors in preparation for a performance review. The main characteristics are:

- This process helps salespeople better understand their ability to add value to their organisation and their customers
- Multiple raters like internal customers, external customers, sales manager, team members and also self-evaluation evaluate salespeople.



Effective job performance is essential for organisations to stay in business and for salespeople to keep their jobs. Performance evaluations are periodically conducted with each salesperson to determine success or failure in meeting past goals and to develop plans for obtaining future goals. The primary evaluator is salesperson's immediate supervisor.

Companies must develop performance criteria that are measurable, practical, relevant and stable. Firms use both quantitative and qualitative performance criteria. Evaluation method must effectively measure performance.

Performance evaluation serves to reward effective performers and penalise ineffective salespeople. Many difficulties can be corrected if performance evaluations are effectively conducted. The manager and salesperson must be prepared for the evaluation. Both should view evaluation positively. Performance should be honestly and openly reviewed. At the end of evaluation the manager should summarize the salespeople's past performance and together they should outline future performance objectives.

## Selecting and training the Evaluators

Evaluation, because of its complexity, must be preceded by an element of training. A person with a similar job profile need not necessarily be the right evaluator. The best salesman on the team is not the best judge of performance of other salesmen. An evaluator needs to have before him, a set of guidelines in addition to inputs through training and counselling in order to be able to produce a proper analysis of performance.

***The Skill set:***

Experience and insight when coupled with skills make for a good evaluator. The basket of skills must include:

- A cognisance of the metrics that are being used for evaluation.
- The ability to assess each salesman's results on the field.
- The ability to identify the interrelationships between the different performance indices.
- Making inferences based on the performance measures of the salesman's skills.
- By cross-checking the observations of the salesman with the evaluation evidence.
- The ability to identify the problems that salesmen have and seek remedial measures, so that they don't occur in future.
- The capability of evaluating a salesman's performance against the fixed standards, without being objective and unbiased. It also calls for not judging the salesman on the basis of his likes and dislikes but on his performance.
- The ability to deal with different personality styles and traits of the salesmen.

***Training Methods:***

The insights required for the sales performance evaluation of the salesmen should be imparted on to the evaluators in the form of training. The methods that are normally used for training evaluators are:

- Seminars: A seminar has to be conducted for the supervisors who are going to take charge as evaluators. This has to be done under the guidance and direction of skilled evaluators in which case studies and analyses, exercises in evaluation, and problems are taken up. When such an exercise is taken up, the trainees are given an opportunity to exchange their views and gain insights from the evaluators.
- Evaluation Guide: Guides provide the evaluator with the latest information, and also with a reference source during the evaluation process. The collective experiences of all the experienced evaluators are documented, so that the new evaluators can use it as a guide.
- Observation and analysis: This is a method in which an experienced evaluator is assigned to a new evaluator, to work together. The experienced evaluator looks at the way and the style the new evaluator evaluates the salesmen, and then passes his analysis for his improvement.



## Sales force control process

The evaluations, or comparisons of actual performances with standards, tempered and adjusted by executive judgment, point the way to needed action. If performance and standards are in alignment the decision may be: no action needed. Otherwise, the three alternatives are:

1) Adjust performance to the standards, thus increasing the degree of attainment of objectives
2) Revise the policy and/or plan, or the strategies used for their implementation, to fit better the achievement of objectives
3) Lower or raise the objectives or the standards and/criteria used in measuring their degree of attainment to make them more realistic. The actions resulting from these decisions, in turn, are conditioned by the executive's judgment, experience, knowledge of the situation, and administrative skill.

## Controlling sales personnel through supervision

Management also controls sales personnel through supervision. Regardless of who does the supervising, the objective is to improve the job performances of sales personnel. The executive with supervisory responsibilities establishes working relations with sales personnel for purposes of observing, evaluating, and reporting on performance; correcting deficiencies; clarifying responsibilities and duties; providing motivation; informing sales personnel of changes in company policy; helping to solve business and personal problems; and continuing sales training. Clearly, sales supervision is concerned mainly with the action phase of control-action aimed at enhancing personnel contributions to the achievement of objectives. How much supervision is enough? Too much is as bad as too little. It is difficult to prescribe how much supervision is enough, but there are some conditions under which supervision is needed. Among these conditions are:

- Sales personnel turnover rate excessive in a branch, district, or other organisational unit
- High turnover of accounts
- Increased complaints from customers
- Mail or phone orders increasing for no known reasons
- Low ratio of orders to sales calls
- Total number of calls very low or very high
- Increasing ratio of selling expenses to sales in an organisational unit
- Low morale, as implied by negative attitude toward company, lack of enthusiasm, signs of restlessness and job hunting.

These conditions can trace to the wrong kind of supervision as well as to too much or too little supervision. While this list is useful for appraising the effectiveness of sales supervision, those doing the appraising must recognise that many of these conditions may have their roots in deficiencies in other phases of sales force management.

It sometimes happens that the selling task in a company has changed to high-level, key account selling so that it now requires independent, self-reliant, highly educated sales personnel who can and must make their own decisions. But in that case, traditional supervision and the attitudes would stifle these newer types of persons working in more dynamic assignment. Hence the type of supervision should be adjusted to the type of salesperson.

## Who should supervise?

Depending upon the company and its organisation, sales personnel may be supervised by:

- Home office personnel
- Branch or district managers
- Field sales supervisors



Sales supervision may be either through executives as one of their job responsibilities, or through specialists whose jobs are mainly supervising. If the sales force is small and experienced, sales supervision is generally through the top sales executive or an assistant. Necessarily, control through home office supervision is minimal, but it may be enough, especially when the sales organisation is small and permits the development of close relations among sales personnel and executives and when little sales training is required. Companies having decentralised sales organisations sometimes assign the supervision responsibility to branch or district managers. Customarily promoted from the ranks, branch managers are presumably well prepared to supervise field sales personnel. However, even in companies with elaborate field sales organisation, limitations exist on the amount of supervision that branch managers should exercise. In practice, the branch manager is often a local general manager more than a specialised sales executive and in this capacity is responsible for the local conduct of all the company's affairs, not only for managing sales personnel but for warehousing, extending credit and making collections, providing service, and performing other work. Branch managers spend most of their time attending to details, so it is unusual for them to devote much time to personal supervision of sales personnel. But they should spend some time in doing that. Especially when branch managers have large numbers of sales personnel under them, the time they can spend with each one is limited, and, as is true of supervision emanating from the home office, they rely mainly upon sales personnel to supervise themselves.

## Qualifications of Sales Supervisors

Sales supervisors generally are selected from among the sales force, but besides having the qualifications required for selling success, they need other qualifications. They must be good teachers. They must recognise training needs, know how to train, be patient with those who have less skill, and be tactful in point out better ways of doing things. As vital links in the chain of communication go-betweens for higher sales management and the sales force alike-they must understand the needs and problems of both and reconcile them in the field. They must be skilled in handling people and be equipped to deal with many complex situations. Beyond these supervisory duties, some companies expo; sales supervisors to sell certain accounts personally, this being one way to motivate them to keep up to date on field selling techniques. The field sales supervisors job is difficult and, in most companies, one with comparatively low pay. Nevertheless, many salespersons are eager for promotions to supervisory positions, since they often are stepping-stones to higher positions.



## The supervision activity

Supervision refers to actual overseeing and directing day-to-day activities of salespeople. A manager can supervise salespeople in two ways: indirectly and directly.

***Indirect supervisory methods:***

A sales manager may be responsible for 3 to 12 salespeople. This is a lot of people to oversee. Most sales organisations employ the following methods to indirectly help their manager stay abreast of their people’s day-to-day activities:

- Call reports let the manager know which customers and prospects were contacted and on what day. Many call reports have a brief description of the salesperson’s activities and accomplishment for each call.

- Expense reports show where the salesperson spent the money, how much traveling was done
- Compensation directs sales personnel's activities. Commissions, bonuses, and contests influence the amount of time and effort salespersons will invest in their jobs.
- Sales analysis report shows what was sold and how much was sold.

***Direct supervisory methods:***

Three common methods for directly supervising people are the telephone or e-mail, sales meetings, and working with each salesperson.

- The telephone and e-mail are essential tools for contacting salespeople and for salespeople to talk with the manager. Both are faster and cheaper than traveling to see a salesperson.
- Sales meetings take place frequently, often once a month. This is a great time to provide information, training, and inspection.
- "Work-withs", often occurring once a month refer to the manager's routine visits with each salesperson. The manager meets with each person in his or her sales territory for reasons such as:
- Providing troubleshooting i.e. calling on a specific account to handle a specific problem plays an important role.
- Joining the sales pro in a team effort in which both combine their selling talents to close a certain account.
- Training the seasoned sales people to sell a new product or an established product in a new way.
- Introducing a seasoned salesperson to a new territory