A re-examination of B2B sales performance

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Abstract
Purpose – The purpose of this paper is to contribute to the understanding of sales performance measurement by developing an organizing framework for classifying sales performance measures based on the various performance criteria used by researchers. Subsequently, the results of both a focus group and in-depth interviews with sales managers and salespeople will be presented using the classification framework developed. The objective is to determine whether gaps exist between how researchers and practitioners view and classify salesperson performance measures as well as to provide insights to effective sales management practices in areas such as salesperson skill development, goal attainment, resource allocation, and customer relationship management.
Design/methodology/approach – A qualitative study, using in-depth interviews, explores the relationship between sales managers and salespersons and their respective views on sales performance measurement. The interview questions were developed using information derived from a sales executive focus group. In-person in-depth interviews were conducted with eight sales managers and eight salespeople from eight organizations.
Findings – The paper proposes a new method for organizing the types of performance measures that are used, crossing effectiveness-efficiency with internally-externally-focused measures. The findings indicate that a gap appears to remain between the attributes of performance that researchers focus on and what occurs in the world of sales.
Research limitations/implications – The findings suggest that sales control theories can be used to present an organizing framework of sales performance based on sales outputs, salesperson skill/capability development, sales activities, and market indicators. Our typology might serve as a way to better understand certain research areas where there have been inconsistent findings, and should lead to new measure development for empirical research. In addition, a number of manager and salesperson recommendations for the practicing sales manager are reviewed.
Originality/value – This paper helps to clarify an area that is characterized by ambiguity and an identified need to identify new performance metrics.

Keywords Qualitative research, Business-to-business marketing, Sales management, Sales force

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

One of the most important issues in personal selling and sales management is the measurement of sales performance. The most obvious measure is a resultant sale. However, with growing recognition of the importance that customer loyalty, customer satisfaction, long-term relationship management, and customer knowledge management play in the strategic success of an organization, firms look beyond the transaction-based concepts of unit sales and immediate revenue when measuring and evaluating sales performance. Most recently, sales researchers have indicated a need to reevaluate sales performance metrics (e.g. Haines, 2004; Ingram *et al.*, 2005; Mazur, 2002). For example, in their review of new directions for sales leadership research, Ingram *et al.* (2005, p. 148), identify the following research question: "How do you measure sales success at the salesperson performance level?". Sales organizations are being asked to do more things, and the job has become more complex. Certainly accountability follows naturally as a performance challenge for the sales force (Brown and Jones, 2005). Given this emphasis on accountability, appropriate sales metrics must be identified and utilized. However, questions still loom as to which metrics are appropriate under what circumstances, and how they can best be developed (Ingram *et al.*, 2005).

This paper will contribute to the understanding of sales performance measurement in three ways:

1. to identify the performance criteria used by researchers, a review of extant research on sales performance and sales control frameworks will be presented;
2. an organizing framework for classifying sales performance measures will be developed; and
3. the results of both a focus group and depth interviews with sales managers and salespeople will be presented, providing an opportunity to map their thoughts on sales performance measurement with the classification framework developed for this research.

The objective is to determine whether gaps exist between how researchers and practitioners view and classify salesperson performance measures. Beyond salesperson performance measurement classification, the results should provide insights to effective sales management practices in areas such as salesperson skill development, goal attainment, resource allocation, and customer relationship management.

This important area is not new. In 1975, Finn recognized the importance of good performance measures and noted: "Clearly as strategies become more numerous and complex,

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some empirical method of studying their interactive and combined effects becomes even more important to the practicing manager" (Finn, 1975, p. 86). Yet, clear evidence that this is being practiced, or practiced well, has not been established. Obviously some good firms are doing this. For example, ThyssenKrupp Stainless built a sales metrics model to bring the sales organization into their customer relationship measurement. Customer value, retention, acquisition, brand equity, and fitness of the sales organization are measured. Salespeople are provided with checklists that allow them to assess themselves and emphasize the importance of building loyalty (Mazur, 2002).

However, in a review of practice in the IT industry, Haines (2004) points out that companies are not carefully considering metrics that are best for establishing a foundation for sales success. Managers and executives, in this industry at least, need to ensure that sales activities and results are captured and measured to align with company objectives and strategy. This may well be the case in a number of industries, where doing a good job with sales performance measurement is the exception rather than the rule.

Given the problems of measuring sales performance (Biong and Selnes, 1996), the focus of this paper is on further understanding how performance is best measured in business-to-business (B2B) relationship selling environments of moderately to highly complex business products and services. Retail sales or sales direct to consumers is not included and any results should not be extrapolated to retail sales situations, overly simple products, routine repurchases, or the like. We also concentrate on the measurement of individual salespersons. Sales teams, the overall sales function itself, and the performance of the overall organization, while obviously important, are not within the scope of our purpose here. So much of the literature has sought to develop ways to evaluate the individual's role and performance that we view this as an important first step in trying to classify and improve the measurement of salesperson performance. We begin with a review of the extant sales performance measurement literature and paradigms. We then develop a framework for classifying sales performance measures and use it to report the method and overall themes uncovered through our qualitative investigation of salespeople and managers. Finally, we conclude by considering the implications of these results for advancing both the theoretical/empirical rigor of the area, as well as implications for the practicing manager.

Review of research and theoretical framework

Sales performance

To begin, we discuss seminal research providing defining characteristics of sales performance. Anderson and Oliver (1987) conceptualized sales performance as the evaluation of salespeople based on what they produce (i.e. sales outcomes) as well as what they do (i.e. sales behaviors). Examples of the former include generations of sales units, revenue, market share, new accounts, profitability, etc., while sales behaviors include selling skills (e.g. adaptive selling, teamwork, effective communication, etc.) and selling activities (e.g. making sales calls, managing time and territory, etc.). Based on this view, salesperson performance has been studied relative to both salesperson outcome and behavior performance (Anderson and Oliver, 1987; Challagalla and Shervani, 1996; Cravens *et al.*, 1993; Oliver and Anderson, 1994). Regardless of how performance is defined, sales managers play a key role in ensuring that salesperson performance goals are met (Dalrymple *et al.*, 2001) and a major problem that sales managers face in doing this is the inability to accurately measure performance. To address this, two theoretical frameworks – i.e. agency and theory organizational theory – are useful in describing how managers can effectively deal with the issue of performance measurability.

Control of sales performance

Agency theory (Eisenhardt, 1985, 1989) emphasizes the alignment of goals and objectives between *principals* and *agents*. In the context of sales, agency theory addresses the problem of how the sales manager (the principal) can measure, monitor, and evaluate the salesperson's (the agent's) activities to ensure that organizational goals are met. The central premise here is that both have divergent goals and frequently do not share the same information. For example, the sales manager (principal) may want the salesperson (agent) to spend more time planning for sales calls, while the salesperson may wish to spend that extra time seeking out new accounts. Thus, the sales manager is faced with an uncertain situation as to how the salesperson will indeed spend that extra time. In light of this goal incongruence, the agency problem is to determine the optimal means to reduce the uncertainty (from misaligned goals) and ensure that the needs of both parties are met.

Several examples from the sales and management literature illustrate how agency theory can be used to assists managers in selecting optimal sales performance measurement and evaluation modes to reduce uncertainty. Wiseman and Gomez-Mejia (1998) suggested that to ensure that organizational goals are achieved, internal-organizational means such as sales performance indicators, compensation mix/design, and behavioral evaluation criteria should be used. Likewise, Basu *et al.* (1985) used agency theory to develop a methodology to derive optimal (variable commission) compensation plans for homogenous sales forces. Thus, agency theory has provided one useful framework for addressing the problem of salesperson performance measurement.

Another paradigm, *organization theory* (Ouchi, 1979) centers on the problem of obtaining cooperation among a group of individuals (e.g. a sales team) who share only partially congruent objectives. Typically, when this group produces a single output (e.g. sales) the methods of assigning rewards to each individual team member may be inequitable. Seeing this, members will adjust their future efforts, and inevitably the entire team will be worse off. Thus to fully understand individual performance, we cannot ignore groups. To deal with this problem of measuring and evaluating group sales performance, Ouchi (1979) suggests that one performance evaluation strategy is based on the notion that the marketplace will dictate the conditions of a sale (i.e. fair price, required service levels, acceptable quality, etc.). It is suggested that this is a very efficient form of performance control, in that when the required market conditions are met, goal incongruity (between buyer and seller) is reduced. Therefore, salesperson performance may be impacted by external organizational factors such as gaining/utilizing customer feedback, obtaining competitor knowledge, and staying abreast of technological developments. All this suggests that both (agency and organization theory) paradigms can be used to provide a theoretical basis for sales managers' utilization of performance evaluation strategies based on selling goals, tasks, availability of performance measures, and marketplace conditions.

Anderson and Oliver (1987) integrated these frameworks to suggest that sales control systems could be used by managers to effectively ensure the attainment of desired organizational objectives. They developed a series of research propositions suggesting that managers should choose strategies to manage their salespeople using a balance of outcome-based and behavior-based sales control systems. Outcome-based control systems involve relatively little monitoring of salespeople and objective measures of goals/results (e.g. sales units, revenue, profits.) Alternatively, behavior-based sales control systems require considerable monitoring of activities and results, while subjective methods of evaluating selling tasks are used. These propositions were later tested empirically (e.g. Boles, 2000; Brashear and Bellenger, 1997; Cravens *et al.*, 1993; Krafft, 1999; Mallin, 2005; Oliver and Anderson, 1994) to provide support for the relationships between the two types of control systems and specific sales force characteristics, performance dimensions, and sales organization effectiveness.

To further our understanding of sales force control systems, Challagalla and Shervani (1996) included a reinforcement dimension to account for the rewards and sanctions built into behavior-based control systems. They further delineated behavior-based sales control as *activity control* (e.g. efficiency of daily tasks such as making sales calls, time and territory management, product demonstrations, etc.) and *capability controls* (e.g. competence and skill effectiveness through training, coaching, mentoring, etc.). Other conceptualizations of sales control can be found in the literature. For example, Jaworski's (1988) classification identifies three formal controls (sales inputs, sales processes, and sales outputs). Furthermore, Darmon (1998) proposes three dimensions of sales force performance measurement modes (outcome-behavior based, quantitative-qualitative, centralized-decentralized).

All of this confirms that numerous interpretations of performance evaluation can be found, and because performance is viewed as possessing so many dimensions, it has been suggested that measures used in research have to be situation-specific (Behrman and Perreault, 1982). As a case in point, distinctions are made in the literature between outcomes indicative of sales effectiveness, behaviors reflective of sales efficiency, skills and capabilities driven by internal organizational development programs, and marketplace metrics determined by external organizational environmental factors. Consequently, it is evident that the conceptualization and measurement of salesperson performance has received diverse treatment by researchers.

We can best summarize the findings of this literature by suggesting that managers should choose measures of performance to reward salespeople to not only "do the right things" (i.e. be effective), but also to do those "right things the right way" (i.e. be efficient). For managers, this decision will be task-dependent. For example, as per agency and organization theory, performance measures based on sales outcomes should be used when those outcomes are readily measurable. Alternatively, when it is clear what selling behaviors are required for the selling task, and those (behaviors) are easily measurable, then performance measures based on selling behaviors may be used. When both (outcomes and behaviors) are cost effectively measurable, then a combination of the two may be used. This literature synthesis raises additional research questions as to whether managers in practice are using the right performance measures (i.e. outcomes-based versus behavior-based) in various sales situations. And if they are not, then what could be the reasons?

To assist the field in addressing these questions, we present a classification system of sales performance measures by delineating them based on two dimensions:

1 performance measure indicative of salesperson effectiveness versus efficiency; and
2 and internally oriented performance measures versus externally oriented.

Traditional interpretations of effectiveness (goal attainment and associated skills impacting effectiveness) and efficiency (resource input-output utilization and activities impacting efficiency) are used and are reviewed in the sections to follow. "Internally oriented" refers to performance measures that have an intra-organizational dimension to them (e.g. capabilities impacted through internal training, cost/sales, etc.). "Externally oriented" refers to more market-based measurements of performance (e.g. impacted by the competition, customer satisfaction, etc.).

Effectiveness and efficiency

A previous review of sales effectiveness was provided in 1990. One proposition emerging from that review is that although sales behaviors impact performance, a more comprehensive depiction of effectiveness is the sum total of sales outcomes of all sales individuals within the organization. Effectiveness, therefore, has more to do with attainment of organizational outcome objectives than with the performance of any one individual salesperson. The theoretical basis for effectiveness can be traced back to the sales control literature. This suggests that managers should evaluate salespeople using objective-based outcomes when faced with the inherent problem of evaluating and assessing more subjective individual salesperson behaviors (Anderson and Oliver, 1987). Furthermore, measuring salesperson skill and capabilities (via capability control) allows for adequate assessment of performance when behaviors can be readily measured (Challagalla and Shervani, 1996). For example, to determine the effectiveness of an entire sales organization, individual salesperson results (sales units, revenue, profitability) can be more easily measured and summated than the activities of each individual salesperson. This perspective is illustrated by Piercy *et al.* (1999), who differentiate among sales organization effectiveness and salesperson effectiveness, both of which are further distinguished from salesperson behavior performance. Likewise, Babakus *et al.* (1996) make this distinction by suggesting that sales organization effectiveness is a summary evaluation of organizational outcomes and are only partially attributable to the salesperson.

An alternative perspective to effectiveness is provided by Plank and Greene (1996). They suggest the concept of personal selling effectiveness is synonymous with individual selling performance, but distinct from selling behaviors leading up to a sale. Salesperson skills (interpersonal skills, general management skills, sales presentation, and vocational), along with the sales situation, impact sales behaviors (collecting, using and disseminating information), which, in turn, impact sales outcome effectiveness (success relative to others). Likewise, Plank and Reid (1994) propose that the quality and appropriateness of behaviors for a given sales situation leads to sales effectiveness. This body of research supports the notion that selling behavior alone does not guarantee sales effectiveness.

There is also a significant body of sales research that measures sales performance in terms of behaviors. This literature suggests that certain selling behaviors are effective; others are not. For example, Plank and Reid (1994) operationalize effectiveness as the reward and satisfaction outcomes that result from customer interactions. Such outcomes could be realized through the development of salesperson presentation skills, need assessment capabilities, and team building/management (Behrman and Perreault, 1982). Building on this, Piercy and his colleagues suggested that measures of salesperson performance include technical knowledge, adaptive selling, teamwork, sales presentations, and sales planning (Piercy *et al.*, 1999). Noteworthy here is that adaptive selling – i.e. the ability to adjust communications to meet buyer's needs – has been treated as a determinant of salesperson productivity as well as a measure of sales performance. For example, in their study, Pettijohn *et al.* (2000) found positive relationships between adaptive selling and performance ranking, sales volume, and closing ratio. Based on this review of the literature we suggest that effectiveness is a dimension of performance that represents measurable salesperson outcomes (e.g. sales units, revenue, profit margin) as well as harder to measure salesperson skill-based behaviors and capabilities (e.g. communication, presentation, and need identification skills).

Despite its apparent importance to managers, researchers have spent much less time studying efficiency. Ingram *et al.* (2002) define performance efficiency as the ratio of selling output (sales, new accounts, etc.) to selling inputs (number of calls, proposals, demos, etc.). Efficiency is different from effectiveness in that the emphasis is on the selling activity behaviors of the salesperson. Challagalla and Shervani (1996) suggested that behavior-based sales control can have an activity-control component whereby salespeople are measured based on activities such as making calls, conducting demos, generating proposals and letters, etc. Such activities are typically used to compute measures of efficiency. Examples of performance efficiencies that have been researched include closing ratios (Pettijohn *et al.*, 2000), customer relationship building activities (Pelham, 2006), effects of firm resources allocated to selling at tradeshows (Li, 2008), and attention to more profitable customers (Johnson and Bharadwaj, 2005). Some of the more recent research trends have explored the adoption and use of technology in mediating performance efficiency (Senecal *et al.*, 2007).

Internally oriented and externally oriented

Internally oriented measures of performance focus on the workings of the organization or firm of interest, while externally oriented measures focus on the environment, most typically the customer or marketplace situation. Challagalla and Shervani (1996) suggest that forms of sales control based on evaluating salesperson skills and capabilities are particularly useful measures when sales outcomes measures are not easily attained. From an agency theory perspective (Eisenhardt, 1989), an investment in the skill development of the salesperson (i.e. the agent) increases the likelihood that those skills will be used to achieve performance goals that are shared by the salesperson and the sales organization (i.e. the principal). These capability controls are internally oriented measures and include measurement of salesperson competencies, capabilities, and skills such as teamwork, product/technical knowledge, and communication (to mention a few). These measures tend to be derived from the use of internal organizational resources used to develop the salesperson. Examples include training, mentoring, and coaching necessary to develop salesperson communication and presentation skills (Johlke, 2006).

Alternatively, externally oriented measures of performance are market-driven and include knowledge of the competition, industry, and impact of technological developments. Much has been written on the value of organizations being market-driven. From this perspective (Ouchi, 1979), the marketplace will dictate the conditions of a sale (i.e. fair price, required service levels, acceptable quality, etc.). Therefore, external organizational factors such as gaining/utilizing customer feedback, obtaining competitor knowledge, investing in research and new product development, and staying abreast of technological developments will be performance determinants (Hutt and Walker, 2006; Tang *et al.*, 2007). The argument, supported by research, is that market-driven organizations outperform those that are not; therefore, the market-driven model is desirable (Day, 1994; Slater and Narver, 1994). A key related issue is the extent to which the sales function in general, and sales performance measurement specifically, parallels the overall organizational philosophy toward being market driven.

What does being market-driven mean for an organization? The basis is market knowledge providing the foundation for designing and delivering strategies and tactics appropriate for both market conditions and customer needs (Fink *et al.*, 2007). Market knowledge includes knowledge about customers (e.g. desired performance improvement and level of internal expertise), markets, and competitors, among other marketplace conditions. The market-driven company understands and designs processes and information around the needs of individual customers and the marketplace. In addition, it uses information to plan and develop strategies that are responsive to market needs and changes. Customer and market knowledge are then used to leverage distinctive competencies to provide value to customers and the marketplace. The knowledge customers possess is also leveraged to develop strategies that enhance competitive advantage.

In addition to customer and market orientations, market-driven means that more specific operational processes, such as the design and implementation of the sales and service functions, are integrated into the organization's market-driven perspective and processes. For example, Morgan *et al.* (2007) found that post-sale business services are a critical element in building a firm's brand image and equity. Since information, knowledge, strategies, tactics and organizational processes are externally oriented, a final component is that selling also be externally oriented and sales outcomes be evaluated based on their contribution to the external perspective. In support of this notion, Harris *et al.* (2005) found external measures (customer orientation) to be positively related to salesperson job satisfaction, while internal dimensions such as selling skills were not. One set of overall external performance measures was provided in 1997, and includes market share, relative share, customer satisfaction, market coverage, product awareness, relative quality, relative price, customer preferences, relative new product sales, and response time to customer problems. Many of these measures can be used directly to assess sales performance.

However, the relationship between external variables and market-driven focus is not absolute. For example, the behavioral measures used by Babakus *et al.* (1996) are internal variables, and the output measures (sales, market share, and new accounts) are external. In addition, most firms track market share, regardless of orientation.

The differences in salesperson performance/effectiveness based on the internal-external dimension have significant implications for an organization. Piercy *et al.* (1999) discuss the importance of this distinction. They suggest that organizational job descriptions and specifications would be different depending on the orientation. Furthermore, customer-oriented selling requires better training, more sophisticated salespeople with the capabilities of being flexible, being customer problem solvers, and having the financial and analytic tools to be truly externally focused (Jaramillo *et al.*, 2007; Keillor and Parker, 2000). An organizational structure and processes focus are necessary to adapt to the external environment. This implies that salespersons' need planning, forecasting, analysis, and strategic decision-making skills are critical.

Integrating the two dimensions

One thing that clearly emerges from the literature review is that researchers' performance metrics are diverse, used in a confusing fashion and lacking consensus as to what constitutes performance. To assist in clarifying this area of research, we propose that measures can be classified by crossing the two sets of dimensions – i.e. effectiveness-efficiency with internally-externally oriented. This may provide a reasonable typology for organizing existing measures. It also may provide a tool for firms to use to determine whether they are doing a good job of measuring and tracking sales performance, or whether they are under-utilizing important metrics that should be analyzed. Specifically, we propose that sales control theory is used in the classification of sales performance measures. Effectiveness measures consisting of objectively measured sales outcomes (based on units sold, revenue, profitability) may have an internally focused dimension (based on the development of salesperson skills and capabilities) as well as an externally focused dimension based on marketplace drivers (customer feedback, competitor knowledge, etc.). Likewise, efficiency measures consisting of subjective measured sales behaviors can be both internally focused on selling activities (sales calls, demos, etc.) as well as externally focused marketplace factors (e.g. close ratios).

After gathering a better understanding of the extant literature, we set out to investigate what, in reality, is happening in businesses today with regard to measuring sales performance, utilizing our two dimensions as a way of organizing and evaluating current practice.

Qualitative studies

Sales executive focus group

To begin, we decided to take advantage of a recent executive sales summit attended by 20 top business (sales) executives representing B2B organizations, by including a focus group session to explore sales performance evaluation issues. The executives were from a diverse set of firms, including industrial equipment manufacturers (three firms), suppliers of OEMs in the auto industry (two firms), industrial services (two firms), medical supply manufacturing (one firm), components parts supply (three firms), financial services (two firms), and paper products manufacturing (one firm). Three of the firms were large, with revenues of over $8bn, with the remainder fairly evenly divided between mid-sized and smaller organizations. All of the executives felt this was a critically important issue to them, and actively contributed to the session.

To prepare for the focus group sessions, each of the four faculty members involved independently prepared questions designed to elicit the concerns and experiences of each business with regard to sales performance. Each list of questions was circulated to all faculty involved, who then met to determine a final list of questions. It was observed that most of the questions fell into three broad categories:

1. understanding and measuring salesperson performance;
2. the role of technology and information management in sales performance; and
3. performance challenges and obstacles.

For each of these areas, three to four target questions were developed to encourage conversation on the topic. For instance, with regard to the first area of understanding/ measurement, we included questions like "What does your company focus on in measuring salesperson performance?". For the second area of information, targeted questions like "How is sales information management challenging?" were included. Questions targeting the area of challenges and obstacles included items like "How is your marketplace changing and is sales force performance keeping pace?".

At the executive summit, the sales executives were divided into two equal groups, each group with two faculty facilitators and two note-takers. The groups met in two separate rooms for approximately one and one half hours. Faculty facilitators were given the leeway to ask for clarification, probe for further depth, solicit additional responses, and so on, but were encouraged to allow the conversation to flow as naturally as possible between the participants. Note-takers recorded topics and general points or themes in their notes. The session was not recorded, at the behest of the summit organizers. As notes were not *verbatim*, we can only summarize overall findings. The findings reflect the observations made by the faculty facilitators following the summit, and confirmed by the notes.

Understanding and measuring sales performance

The first finding that emerged was the fact that the summit participants seemed to discuss performance differently. Some referred to very concrete sales data, and others were focused on behaviors or activities. The participants actually identified this difference themselves and then began to discuss how broadly the concept of performance was utilized. There was no real agreement on what it should be.

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When directed to measurement, the participants felt that what is currently measured is insufficient. For example, performance measures chosen should reflect "doing", not activities that often bottleneck the sales process such as inappropriate use of technology and paperwork. Too often management measures what is easy to see, rather than what is meaningful. Along these same lines, they felt that a critical measure of performance is the quality of personal relationships salespersons develop with buyers, although they clearly noted challenges in this particular area. At the other extreme, they advocated good quantitative measures of performance such as the percentage of a customer's business a salesperson is able to secure, managing costs, number of calls made, and profit margins. They felt repeat business and follow-up business (e.g. the amount of post-purchase service) should be measured to assess salespersons.

Participants in each room agreed that current assessment of sales performance is insufficient. One room indicated that salesperson behaviors should be assessed against company established sales processes or best practices, and compensation should be based on behaviors that reinforce how the company wants to do business. The executives in the other room considered another aspect of selling that is not currently being measured – that of brand building activities (displays, knowledge about products, etc.).

Technology and information management

Participants agreed that salespeople should be evaluated on their knowledge and information about the companies they are selling to, the market, and their competition. However, no one offered any consistent approach to doing so. The conversation turned to the possibilities of contact management and customer relationship management technologies and how they might impact the ability to capture this information. Participants in one room agreed that gathering customer information was critical and should possibly be rewarded and definitely be measured and captured.

Obstacles/challenges

Key challenges tended to differ in the two rooms. One focus group spent a significant amount of time discussing building stronger relationships, hiring the right people, and adapting to changing environmental conditions. The other room focused more on the issues of sales and marketing integration, making sure that the sales force supported the strategic plan, and how to standardize the sales process. Problems with measuring team performance emerged in both rooms and one room clearly indicated that peer evaluation should be factored into performance assessment when the sales buying situation is group-based.

After these discussions, it seemed clear that executives had ideas for performance measurement that did not necessarily reflect what was really happening within their firms. Defining and measuring sales performance emerged as a definite area in need of better practice. Finally, the results of this focus group were used to develop an interview guide for the second phase of the study (depth interviews) to be conducted with both practicing sales managers and field salespeople.

In-depth interviews with sales managers and sales representatives

The second phase of our qualitative study explored the relationship between sales managers and salespersons, and their respective views on sales performance measurement. The questions posed were designed to get respondents' overall views on sales performance. Interviews were built around eight questions designed to uncover how sales performance is measured and used within organizations. The questions were developed using input the information derived from the sales summit executives discussed above. Questions were asked to address the following issues:

- to determine whether there are gaps in how researchers and practitioners classify measures;
- to provide insight to effective sales management practice; and
- to further understand how business should best measure sales performance given the complex B2B selling environment today.

Given the sense of ambiguity in the focus groups relative to the performance discussion, we felt it was important to gain a better understanding of some basic performance definitions. To do this, we included the following questions:

- What does it mean to you when I say "sales performance"?
- How is "sales performance" different than "sales effectiveness"?
- How is "sales performance" different than "sales efficiency"?
- How is "sales performance" different than "sales competency"?

Based on earlier discussions, it seemed clear that performance measures were handled very differently in different situations. Therefore, we added could the following additional questions to help us better understand current sales management practices:

- What are all the ways that your firm measures/evaluates each of the above items?
- What things would you like to see measured or tracked that are not currently being measured or tracked?

Finally, while there were a number of different specific topics of interest that could have been pursued (e.g. team measurement, relationship measurement, etc.), we decided a better understanding of the basics was needed before investigating different types of selling. Therefore we wanted to explore, at the most basic level, the issue that sales does not necessarily integrate with the marketing plan or tie back to the firm's strategy. We also wanted to see how incentives related to performance. To do this, two final questions were asked:

1 How often do you measure each salesperson's (are you measured) performance on specific goals?
2 To what extent is your (salesforce's) pay dependent on performance on measurable issues beyond just growth in sales or gross profit?

To address all of these questions, in-person in-depth interviews were conducted. A trained graduate student interviewer conducted the interviews and was given the flexibility to probe for clarification and elaboration of responses. The respondents were eight sales managers and eight sales representatives representing eight different companies (one manager and one sales representative from each) engaged in business-to-business relationship selling. All eight organizations can be characterized as mid-sized to large. In order to ensure representation from a cross-section of industries, respondents were chosen from eight different businesses from the pharmaceutical, construction, and shipping/logistics industries, representing relatively complex business products that require salesperson expertise and relationship development (as reported by the firms themselves). Participants were selected from a convenience sample based on their experience and willingness to participate in the interviews. Responses were recorded and later transcribed. Transcripts were reviewed and analyzed independently by two researchers to uncover general themes, and any disagreements were resolved by discussion.

To organize these findings, researchers first independently organized subject responses into three broad categories:

1. overall perceptions of the meaning of sales performance;
2. understanding of the more specific efficiency/effectiveness and internal/external components of sales performance; and
3. methods used for the measurement of sales performance.

Next, the researchers independently developed themes from each response category. With regard to the overall perceptions, the researchers both independently observed that these perceptions focused around two different areas of strategy and relationships (discussed below). Additionally, they both felt that the methods were highly varied. Researchers had difficulty developing clear themes related to defining efficiency and effectiveness, and so worked on interpreting this data jointly. This difficulty was not surprising since the respondents seem to struggle with these concepts, as is seen in the discussion below.

Overall perceptions of sales performance

Ideally, sales performance is an integrative component of an organization's strategy. Sales performance measures should be consistent with organizational mission and objectives, encouraging salesperson behaviors that support desired outcomes. However, perceptions of this important performance dimension may differ between managers and salespeople as evidence from the following two quotes:

> It's all about the numbers; are you performing to what our expectations are ... are making their quotas daily. We require them to sell units – like two units per week; so are you meeting your weekly unit quota? Are you meeting your weekly start number and sales number; we have a lot of numbers to deal with performance (Sales manager).

> Sales performance is probably not all about just the sales. I think in our industry it's about the total package. It's about the service, the quality, the sense that the customer is being valued (Sales representative).

Thus, our study found that managers' and salespersons' understanding of the overall purpose of sales performance outcomes are inconsistent. A summary of respondents' overall attitudes toward sales performance shows that sales managers are more concerned with the ability to measure sales performance precisely than sales persons. Observations from sales managers included dimensions such as accountability, proper price, all about the numbers, profitable revenue, achieving metrics, managing cash and budgets. Salespeople tended not to identify these as performance criteria. As one salesperson said: "... we almost micro-manage and track things in too much detail. I would like to see track more on just final success".

Another area of inconsistency is in measuring relationships. Three managers referred to balancing accountability and building lasting relationships with customers. One manager referred to balancing company strategies and the customer's viewpoint to achieve satisfaction from both. Salespeople view sales performance as more intimately linked to customer service level and personal interaction with clients. To quote one salesperson:

> ... you've got objective guidelines and subjective guidelines are ... the ones that play as much role today as anything else. Integrity, how you perform day-in and day-out, your interest with others, a lot of them are subjective drivers that are key to your overall success.

Managers, on the other hand, report preferring the objective hard measures to predict overall success.

Two possible interpretations from these interviews emerge. First, it is evident that sales managers and salespeople do not participate in the formulation of upper-level organizational goal and strategy formulation. Therefore, their perception of the role of performance assessment is more short-term, localized, and inconsistent with both higher-level expectations than with one another. They simply do not know whether or not the performance standards they work to achieve are linked to overarching strategies and goals. The second interpretation is that a short-term transactional perspective to sales is emphasized and is perceived to be more important, even if longer-term goals and strategies are understood.

Sales effectiveness

Within the context of the traditional perspective advocated by Drucker, effectiveness concerns "doing the right thing". Translated into a selling environment, effectiveness means developing strategies (sales force alignment, target markets and market coverage, customer call patterns, sales product portfolio strategies, competitive positioning, communications, service, etc.) that are " in that they are consistent with and support the organization's mission, goals, and strategies. For the salesperson, effectiveness concerns issues such as contact method, contact frequency, delivering customer-focused communications messages, designing the right product/service package for customer needs, and delivering quality service throughout the relationship period.

Sales managers and salespeople, on balance, have a difficult time understanding and articulating the concept of effectiveness as it applies to sales performance and measurement. No other question elicited so much hesitation, uncertainty, and divergence of response. Often the response was no response at all. When there was a reaction, the responses indicated that managers and salespeople alike do not have a clear understanding of what effectiveness means. The observation of one salesperson was "That's a good question. Effectiveness strikes me kind of like being efficient in your methods". In his words, "have the numbers, but not necessarily using effective methods to reach your goals". Both groups seem to intuitively understand the importance of effectiveness and its relationship to sales performance, but have a difficult time articulating the relationship between the concepts. A typical answer by one manager was "sales effectiveness means if you are effective in sales you will drive sales performance". Perceptions of effectiveness tend to be behavior and activity-based, and equated to "good" training, negotiation, communicating, and detail work. For example, one subjected articulated:

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> Sales effectiveness is … your ability to do certain skills I guess as far as negotiation, persuasion, maybe just presentation skills and conveying a message, conveying value of your product, getting your information out into the marketplace (Sales representative).

Sales efficiency

Efficiency relates to use of resources. It is the ratio of input to output. Often referred to as "bang for the buck", efficiency can have a direct and short-term impact on margins and profits. Business decisions such as implementation of a JIT system, inventory management, allocation of budgets to marketing functions, use of communications media and sales force allocation, and the application of technologies to marketing and sales functions are all areas where use of resources impacts market and financial returns. Specific sales examples are the utilization of salespeople, use of field sales personnel versus alternatives, and the number and frequency of sales calls to specific customers.

Overall, respondents were able to articulate the relationship of efficiency to sales better than the effectiveness-sales relationship. Also, sales managers appear to have a clearer understanding of efficiency than salespeople. In describing efficiency, managers consistently used phrases such as "use of resources", "minimizing waste", "time and account management", "using the right tools to get the job done". For salespeople, descriptions of efficiency included time management, the quality of sales calls made, utilizing available tools, and being cost-effective. There were exceptions: a few salespeople were not clear about what efficiency means. One described it as the same as effectiveness. Another characterized efficiency as the ability to achieve goals – a classic interpretation of effectiveness.

Measurement of sales performance

The following quotes show a variety of ways that sales forces measure performance:

> We have what's called a GAR, "Goal Attainment Record", that evaluates ones sales performance, measuring attainment of quota on each product and their overall percentage of attainment for all their products combined. We compare that to their peers in the district, in the region, and in the company (Sales manager).

> Our mill typically sells out every month, so we don't have to go out and make sure our guys sell a quota. We don't have to track that because someone is going to buy our tons. So we don't really track sales statistics the way most organizations would track sales statistics (Sales representative).

> One thing that we do very religiously is that we have this one thing we call "accountability session" … like a quarterly review of where the territories are really micro-managed in that meeting, top to bottom. They're measured by the time they spend in the territory, the number of calls they made in their territory, the number of calls they made compared to the number of sales they close, the number of presentations they've made to the sales the close (Sales manager).

> … they measure everything – there's nothing that they don't measure. Its annoying … there's a report for everything (Sales representative).

What we see in this is the breadth and variance in measuring sales performance in practice. There seems to be a number of different ways to approach it. This variety supports the need for an overall definition in the area and a classification scheme for the types of measurement that might be employed.

A key objective of this paper is to gain a better understanding of actual sales performance measurements used in a B2B context and to classify them using the framework depicted by the dimensions developed here. As described in the literature review earlier, performance measures can be characterized as internally oriented (sales capabilities, contribution to organizational goals, etc.) or externally oriented (based on market results, end-user perceptions of salesperson value added, customer loyalty, etc.). Performance can also be measured using either effectiveness or efficiency criteria.

Performance measures reported by respondents are presented in Table I. Responses are coded into cells based on two dimensions:

1 internally oriented/externally oriented; and
2 effectiveness/efficiency.

Responses of both sales managers and salespeople are included. The number in parentheses after a measure indicates the number of respondents mentioning the measure. To ensure accuracy, independent coding was done by the two principal researchers in this study. Any differences in interpretation were identified, discussed, and only recorded after both agreed (agreement occurred 93 percent of the time).

Several interesting observations emerge from Table I helps us to better understand current practice. First, effectiveness measures are used much more frequently than efficiency measures, even though respondents struggled to interpret and understand the concept of effectiveness. Second, internal measures are identified more frequently than external measures. This gives us some idea that more measurement is currently placed on these internal effectiveness measures. This is possibly due to the fact that these measures may be the easiest to obtain. It can be seen that external measures are not as rigorously and systematically defined as internal ones. Struggling to define outside measures, managers may fall back to the easier to systematize internal measures. Third, even when external measures are obtained, interviewees indicated that measures from distributors and customers are usually informal, periodic, and not systematically integrated into salesperson performance. Fourth, in discussing effectiveness with study participants, both sales managers and salespeople indicated that customer satisfaction is not often measured and used to access performance. This clearly opens up a need from both a practical perspective and a potential area of academic study. Providing measures that allow the sales force to look more easily at external performance measures would be highly beneficial, a thought echoed by the participants. Fifth, any benchmarking examples of measurement tended to be over time and across operating units within the organization; competitors and industry standards were not cited as benchmarks. Again, this shows a bias toward using more easily accessible internal information.

While external measures were seen as important, but under-measured, efficiency measures were infrequently mentioned. The role that efficiency should play, especially from an external point of view, seems intuitive, yet at least in our limited sample, may be a highly under-measured area. Further research should consider the need for and role of these external efficiency measures. Finally, it should be noted that observations about performance measurement by sales managers and salespeople from the same company were similar. Only in one case, where the salesperson focused on the use of quotas while the manager identified a broader set of measures, were observations different.

Table I Performance measures used by interviewees

	Effectiveness (selling outcomes)	Efficiency (selling activities)
Internally oriented (selling skill, capabilities)	Competencies: – technical knowledge (2) – presentation skills (2) – communication skills – listening skills – supervisory skills – teamwork Quota attainment (5) Sales volume (5) Sales behavior Mix change (upgrading)	Productivity Profitability of sales Gross margin Time management Cash flow and account management (2) Number of calls Number of presentations Time spent in territory
Externally oriented (marketplace metrics)	Channel feedback/satisfaction Customer feedback/satisfaction Competitive understanding New accounts introduced to product Number of customers Level of interaction with customers Performance relative to opportunities Customers' success/goal attainment	Closing ratio – to number of calls – to number of presentations Sales penetration per account (2)

Discussion

Comparing the results in Table I with the summary of past research and literature presented earlier, we can note some differences. First, researchers utilize efficiency measures more than practitioners. One possible reason may be the difficulty in measuring key components of sales efficiency. For example, to accurately measure time management performance, managers must agree on a set of task priorities. This could vary based on the type of sales job (e.g. outside sales, inside sales), types of account-based (e.g. small, major, complex account), and strategic organizational goals (e.g. customer retention, growth, acquisition). Furthermore, defining what constitutes a "sales call" could impact the measurement of performance efficiency. A lack of consensus among managers as to the definition of a "sales call" could stem from factors such as the medium of the call (e.g. live, phone, teleconference), the buying center member(s) involved in the call (e.g. economic, user, coach, etc.), and call context (e.g. information gathering, solution presentation, social, etc.).

Second, there seems to be a lag in practitioner use of the recent research emphasis on profit management, margins, cost, account/product/service management, loyalty, and long-term relationships. Attempts to build relationship management into performance measurement are limited. One possible reason for this observation is the slow growth in the number of firms that utilize CRM systems to enable the sales organization to track customer lifetime value. In addition, sales force automation tools (such as ACT!, Salesforce.com and NetsuiteCRM.com to mention a few) used to manage customer relationships, report low adoption rates and/or high failure rates (Senecal *et al.*, 2007).

Relative to the responses collected from our sample, it is evident that a customer-focused, market-focused perspective to sales performance measurement is lacking. Concepts such as value-added services, competitive responsiveness, and long-term relationship management are not being measured. In addition, adaptive selling, flexible selling, and team behavior are not being measured and used as a part of sales performance assessment. Based on the collective observations from our sample, it is apparent that practice is lagging behind research in the area of sales performance measurement. Specifically, we can begin to better understand the gaps that exist between researchers and practitioners in the classification and utilization of sales performance measures. In addition, we can speculate the reasons for these gaps.

Implications for researchers

Our research utilizes the paradigms of agency, organization, and control theory to construct an organizing framework useful in classifying various sales performance measures. This is important because it enables academics to study sales performance relative to isolated dimensions that take into account the type of performance being measured (outcomes or behaviors) as well as the environmental context (internally/externally focused). Researchers conducting empirical studies designed to analyze factors which effect salesperson performance need to consider carefully what exactly they are intending to measure. It is possible that results could change based on which performance dimension is used. In addition, to the extent that they want the results to be relevant and useful to managers, researchers need to consider alignment of their measures with those most meaningful to practitioners. This study demonstrates a variety of ways where that may be done to achieve this outcome. In addition, researchers can design, validate, and recommend measures that will assist the practicing manager.

Managerial implications

When asked what additional sales performance measures they would like to see their organizations adopt, sales managers and salespeople had a variety of responses. Sales managers tended to focus on adding behavioral measures of sales. One mentioned more focus should be placed on behavioral activities, rather than final results, particularly for newer salespeople. Another wished for a more objective measure of customer satisfaction. A third mentioned better measures and more emphasis on sales interactions and conflict management skills of salespeople. A fourth also mentioned better methods for defining and measuring negotiation activities. An addition to better behavioral measures, other sales manager preferences focused on numbers, included a greater emphasis on profitability rather than sales growth exclusively (one manager), and more focus on end-results versus quotas (one manager).

The overall implication here is that the majority of respondents indicated that additional performance measures should be classified as both *internally oriented* and indicative of sales *effectiveness* (classified in the top left quadrant of Table I). For sales managers, this would confirm what researchers (e.g. Babakus *et al.*, 1994) suggest that management plays an important role in impacting salesperson performance by increasing the focus on sales training (to develop salesperson skill), mentorship programs (on the job skill development), and coaching (continual constructive reinforcement of selling behavior). Each can accomplish the goal of achieving desired performance measures relative to internally oriented measures. The mere process of developing salesperson capabilities will also serve to maximize sales outcome effectiveness as the skills developed (through internally oriented development modes) will be used to achieve sales goals. Thus, the combination of internally oriented effectiveness sales performance measures should be an area of emphasis.

A second managerial implication is one of speculation. The type of customer/market may dictate the performance measures to be chosen and used by managers. For example, for major account management where building long-term customer relationships is key, performance measures that combine characteristics of externally oriented (market feedback) and effectiveness (sales outcomes) should be used. Here, both the needs of the customer and the selling goals of the salesperson/organization can be best satisfied. For mid-sized customers, measures combining aspects of internally oriented (salesperson skill development) with effectiveness (sales outcomes) can be utilized to best serve a market characterized by growth. Finally, for small customers, internally oriented (skill development) with efficiency (selling activities) aspects of performance measures can ensure that salespeople are providing adequate market coverage to a large base of small businesses. Findings suggested possible need for companies to think outside the internal-effectiveness box and consider the broader role of performance evaluation (e.g. customer satisfaction, account penetration and so on).

There also seems to be inconsistency between salesperson and sales manager ideas about how measurement is conducted and used. When this is the case, it is unlikely that the evaluation is fully fulfilling its control goals. This implies that additional communication about the rationale and purposes of performance evaluation is needed, not just feedback provided about those measures. Overall, sales people had fewer recommendations than managers. Throughout the interviews, there were many references from salespeople that, in essence, they already are exposed to measurement overkill; therefore, it is understandable they tended to be reluctant to suggest others. To quote one salesperson, "It would be nice if they streamlined it, and they bombarded us with less information and offered more help". Two did mention that they wanted less focus on group outcomes and more focus in individual accomplishments, and one identified presentation skills as something that should be measures in their organization. The fact that salespeople and managers did not agree on the type and degree of sales performance management is not surprising. Such disparities could potentially be a result of salespeople perceiving their manager not adapting to the specific situation (e.g. customer environment, selling task, salesperson maturity/ tenure, relationship between manager and salesperson). Other reasons could include manager style (delegating, supporting, coaching, directing), whether appropriately applied or misguided.

A limitation of our study stems from our sample size. Our observations are the result of interviews with only eight sales managers and eight salespeople; however, patterns such as limited and imprecise measurement of market response to sales initiatives are suggested. A gap appears to remain between the attributes of performance that researchers focus on and what occurs in the world of sales. Another limitation is that the interviews were conducted on firms that characterize their sales process as at least relatively complex, and relationship-based. Additional research needs to be conducted to see how far these findings might be extended to other sales contexts. Other limitations that have implications for future research include the fact that the research was limited to individual performance, and to moderately complex B2B sales situations. We need to see how this applies in other situations including routine, highly complex, and team selling.

Conclusion

As professional selling continues to migrate towards building long-term customer relationships, the need exists for managers to move beyond the traditional (outcome) measures of sales performance to measures that integrate dimensions of salesperson development that facilitate customer relationship management. The organizing framework provided in this paper provides a means to do this. Furthermore, it bridges an apparent gap between how sales researchers and practitioners view sales performance. By highlighting the importance of combining salesperson skill and competencies measures with more traditional outcome goals of performance, our hope is that this research will spark further interest in developing the area of sales performance measurement. Ultimately, the salesperson, the sales organization, and most importantly, the customer will realize the benefits of doing so.

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Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.*

Men are from Mars, women are from Venus, said communication expert John Gray in one of the best-selling books of recent years. Sales managers and sales representatives too, can often seem to be from different planets – especially when they start talking about sales performance, effectiveness and efficiency.

Take these observations from a sales executive summit, for example. A summary of respondents' overall attitudes toward sales performance shows that sales managers are more concerned with the ability to measure sales performance precisely than salespeople. Observations from sales managers included dimensions such as accountability, proper price, all about the numbers, profitable revenue, achieving metrics, managing cash and budgets. Salespeople tended not to identify these as performance criteria. As one said: "We almost micro-manage and track things in too much detail".

Salespeople view sales performance as more intimately linked to customer service level and personal interaction with clients. To quote one: "Integrity, how you perform day-in and day-out, your interest with others, a lot of them are subjective drivers that are key to your overall success". Managers, on the other hand, prefer the objective hard measures to predict overall success.

Two possible interpretations emerge. First, it is evident that sales managers and salespeople do not participate in the formulation of upper-level organizational goal and strategy formulation. Therefore, their perception of the role of performance assessment is more short-term, localized, and inconsistent with both higher-level expectations than with one another. They simply do not know whether or not the performance standards they work to achieve are linked to overarching strategies and goals. The second interpretation is that a short-term transactional perspective to sales is emphasized and is perceived to be more important, even if longer-term goals and strategies are understood.

As for sales efficiency, managers consistently used phrases such as "use of resources", "minimizing waste", "time and account management", "using the right tools to get the job done". For salespeople, descriptions of efficiency included time management, the quality of sales calls made, utilizing available tools, and being cost-effective.

As one of the most important issues in personal selling and sales management is the measurement of sales performance, Ronald Zallocco *et al.* study business-to-business selling of moderately to highly complex services and products in order to provide insights into effective sales management practices in areas such as salesperson skill development, goal attainment, resource allocation, and customer relationship management. In "A re-examination of B2B sales performance" they develop a framework for classifying sales performance measures, noting that, regardless of how performance is defined, sales managers play a key role in ensuring that salesperson performance goals are met. A major problem in doing this is the inability to manage performance accurately.

When asked what additional sales performance measures they would like to see their organizations adopt, sales managers and salespeople had a variety of responses. Managers tended to focus on adding behavioral measures of sales. One mentioned more focus should be placed on behavioral activities, rather than final results, particularly for newer salespeople. Another wished for a more objective measure of customer satisfaction. A third mentioned better measures and more emphasis on sales interactions and conflict management skills of salespeople. The overall implication here is that the majority of respondents indicated that additional performance measures should be classified as both internally oriented and indicative of sales effectiveness.

For sales managers, this would confirm the view that management plays an important role in impacting salesperson performance by increasing the focus on: sales training (to develop salesperson skill), mentorship programs (on the job skill development), and coaching (continual constructive reinforcement of selling behavior). Each can accomplish the goal of achieving desired performance measures relative to internally oriented measures.

Another managerial implication is one of speculation. The type of customer/market may dictate the performance measures to be chosen and used by managers. For example, for major account management where building long-term customer relationships is key, performance measures that combine characteristics of externally-oriented (market feedback) and effectiveness (sales outcomes) should be used. Here, both the needs of the customer and the selling goals of the salesperson/organization can be best satisfied. For mid-sized customers, measures combining aspects of internally-oriented (salesperson skill development) with effectiveness

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(sales outcomes) can be utilized to best serve a market characterized by growth. Finally, for small customers, internally oriented (skill development) with efficiency (selling activities) aspects of performance measures can ensure that salespeople are providing adequate market coverage to a large base of small businesses.

There also seems to be inconsistency between salesperson and sales manager ideas about how measurement is conducted and used. When this is the case, it is unlikely that the evaluation is fully fulfilling its control goals. This implies that additional communication about the rationale and purposes of performance evaluation is needed, not just feedback provided about those measures.

(A précis of the article "A re-examination of B2B sales performance". Supplied by Marketing Consultants for Emerald.)