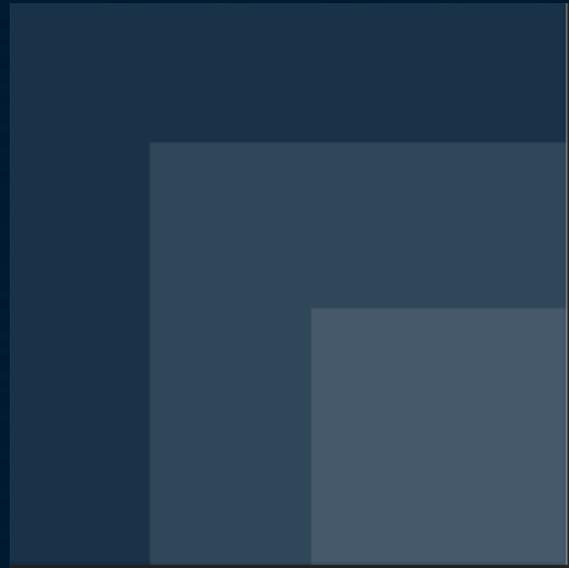




Principles for Effective Sales Performance Management

How commercial leadership set up
decision-making for consistent target
achievement & performance
improvements



About Kvadrant Consulting

In B2B, the way customers are buying is changing.

From being mostly in-person to including a blend of digital and physical touch points and more stakeholders.

This shift has massive ramifications for the way companies should structure and run their sales & marketing functions.

At Kvadrant Consulting, we help companies navigate this complexity, make the right choices and configure their sales & marketing engine to generate profitable organic growth.

Being deeply specialized and senior-driven, we help companies within domains such as commercial strategy, value propositions, organizational design, product launches, sales & marketing operating model design, lead generation engines, capability building, sales enablement and advanced analytics.

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Growth requires doing, but it also requires ongoing decisions on where to do something and what to do.

The simple logic for selling is that customer engagement drives sales to those accounts, with three factors influencing how much growth we get out of our selling activities:

1. **Activity level:** Are we engaging enough to drive activate –and drive forward buying decisions towards a close?
2. **Activity focus:** Are we engaging with the right accounts and people on the right opportunities at the right time?
3. **Activity quality:** Are we engaging in the right way?

The level, focus & quality of our selling activities drive the output we can expect in terms of sales and growth.

It's doing that drives sales.

But as any commercial leader knows, just blindly having the sales –and marketing organization do isn't likely to deliver the results we need on our specific growth targets and commercial KPIs

Achieving specific outcomes requires deliberate and informed decisions about which focus areas and actions are most likely to deliver those. We can't manage outcomes, but we can manage the actions that delivers them.

Sales performance management is the discipline of proactive, deliberate, and informed decision-making about actions required to meet commercial targets and improve performance.

Mastering it is a prerequisite for any effective sales organization, sales leader and salesperson.

Fig 1. The causality chain from sales strategy decision-making to sales results



8 Principles of Effective Sales Performance Management

The purpose of Sales Performance Management (SPM) is to continuously –and proactively make the right decisions about actions required to achieve defined business goals, based on current –and projected performance numbers.

It's at the core of what business management is and as such for the vast majority of larger professionally run organizations it's less a question of whether they do it (they all do) and more a question of how well it is done.

Just as important as SPM is to goal achievement, just as challenging it is to get right.

Lofty goals and targets set at the beginning of the year never followed up on at a more frequent quarterly or monthly basis. Disconnects between strategic business goals set by the company executive suite and the more operational sales performance goals being pursued at the front-line.

Making decisions about actions required to achieve future goals based only on how things have already gone in the past.

The road to consistent commercial goal achievement is paved with good intentions (we all want to do well and do better) but also many pitfalls to actually getting it right.

Here are 8 principles that the best business leaders use to build –and run their sales performance management engine to consistently deliver on their performance targets:

- 1 Don't mix SPM up with other sales management disciplines. Establish it as its own.
- 2 Start by deconstructing your strategic business goals into commercial KPIs and targets.
- 3 Install sales performance management into different frequency cycles.
- 4 Establish SPM at a discipline from front-line sales to the executive suite
- 5 The person who owns the numbers own the actions.
- 6 Build your dashboard and reports to enable effective analysis over deep discovery
- 7 Focus on decisions about the future rather explaining the past
- 8 Only make decisions based on pipeline & performance numbers you can trust

1

Don't mix SPM up with other sales management disciplines. Establish it as its own.

Sales leaders and their direct reports conduct many different types of sales management disciplines to continuously perform and develop.

Deal and account development coaching sessions to make decisions on actions required to progress specific deals or customers. Skills coaching sessions to make decisions on actions required to improve salespeople's ability to sell. Customer meeting preparation sessions to make decisions on actions –and approach required to ensure an important customer meeting goes well.

Sales Performance Management is just one out of many sales management responsibilities for people in the commercial organization.

The problem is that these different disciplines often gets mixed up with each other leading to poor (or absent) decision-making about actions required to reach overall business goals.

The purpose of a Sales Performance Management meeting is to make decisions on actions required to meet defined sales performance targets.

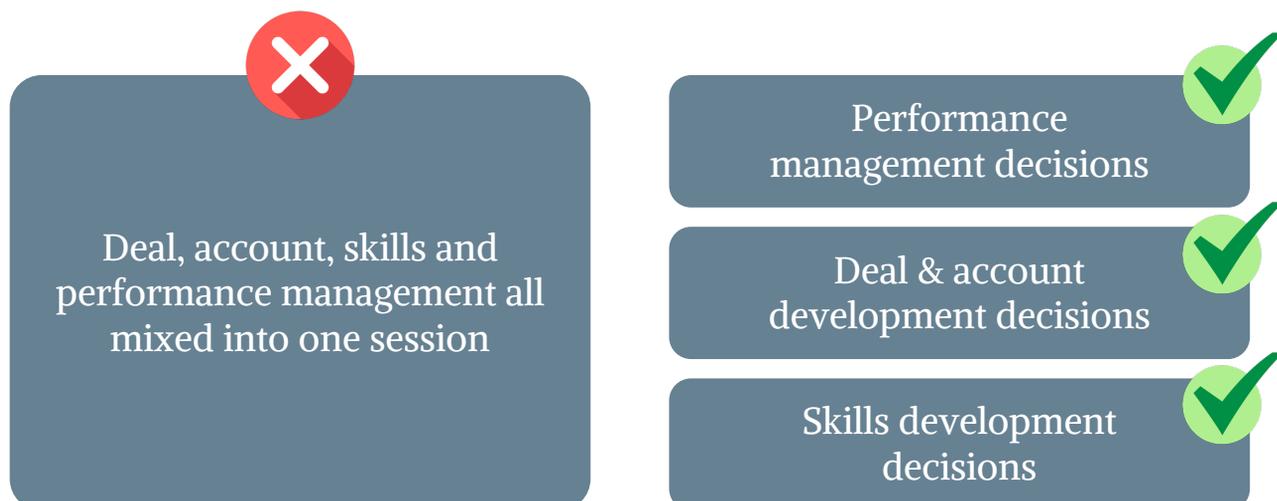
The purpose of a deal –or account development coaching sessions is to make decisions on actions required to win on a specific opportunity or account.

If we mix up the two into one session where the target for what we are working to making decisions on keeps moving, we are unlikely to make good decisions on either.

Recommendation

You can have sales performance management meetings as part of a larger meeting where deal, account and skills coaching is also on the agenda, but make sure it's split into distinct parts where different types of decisions are in focus for different parts of the session.

Fig 2. Structuring different management disciplines into distinct decision-making sessions



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Mixing up decision-making on how to improve performance with how to progress a deal isn't likely to result in good decisions for either...

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Start by deconstructing your strategic business goals into commercial KPIs and targets.

For sales, performance ultimately comes to their ability to deliver on three key metrics:

- 1. Sales:** Have we signed enough contract value with the right customers to enable our company to reach their overall revenue goals?
- 2. Margin:** Have we sold the right solutions at the right prices to enable our company to reach their profitability targets?
- 3. Cost of sales:** Have we been able to sell at a cost to enable our company to reach their profitability targets?

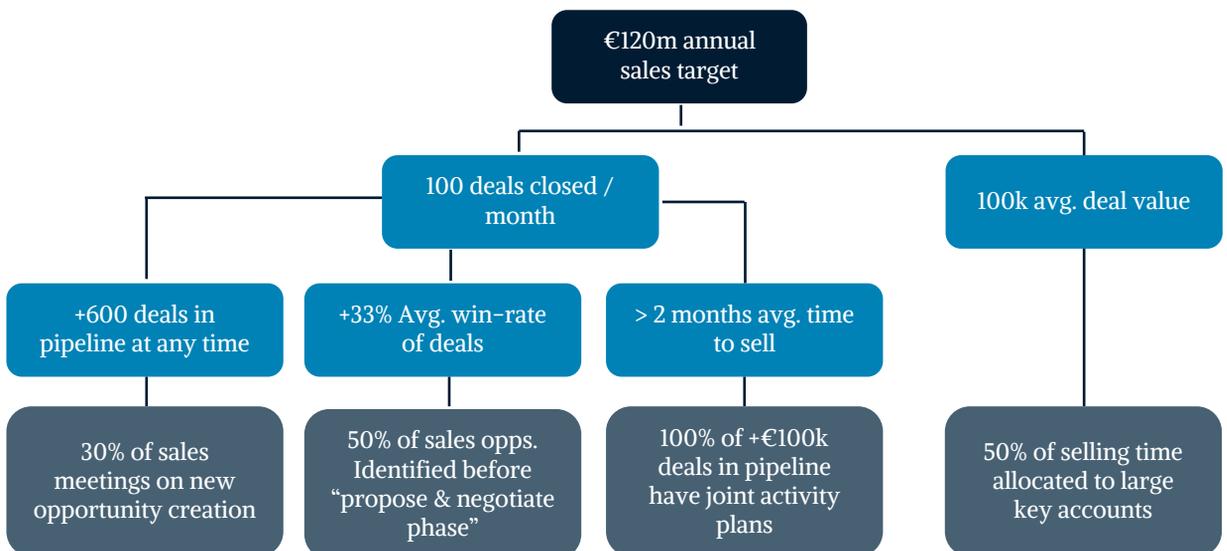
The role of sales is to enable the company to reach its overall revenue, profitability and strategic goals and the purpose of sales performance management is to ensure that we consistently do so.

Although performance on these metrics is ultimately what we are managing for they are however not good metrics to manage by, for two reasons in particular;

- (1)** they are very broad, making it difficult to decisions on actions required specific enough and
- (2)** they are only backwards looking, making it difficult to take action before it is too late.

To make performance management more manageable the first thing leaders need to do is to deconstruct the overall metrics and targets into ones that are more specific in terms of guiding action and more “leading instead of lagging” in terms of being able to proactively make decisions in good time.

Fig 3. Breaking down overall sales goals and targets into action oriented KPIs



If we need to achieve a sales target of €100m by the end of the year, how many new deals do we need to create every month and what should be the average deal value of those?

If we need to deliver gross margins of 50% on the solutions we sell, what should be the maximum discount level and which products should we be selling the most of?

If cost of sales can't be more than 10% of total sales value, how much of our selling should be done online or virtually vs. face-to-face?

To make sales performance management as effective as possible we need to make the metrics we manage by as specific as possible.

Recommendation:

Break down your strategic business targets (sales, profitability, cost..) into more specific metrics and targets that enables more focused action-taking in a timely manner.

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3

Install sales performance management in different long, medium & short-term cycles

Sales performance management is making decisions on actions required to reach defined goals that the sales organization is responsible for, typically set on an annual basis (following the fiscal year of their company).

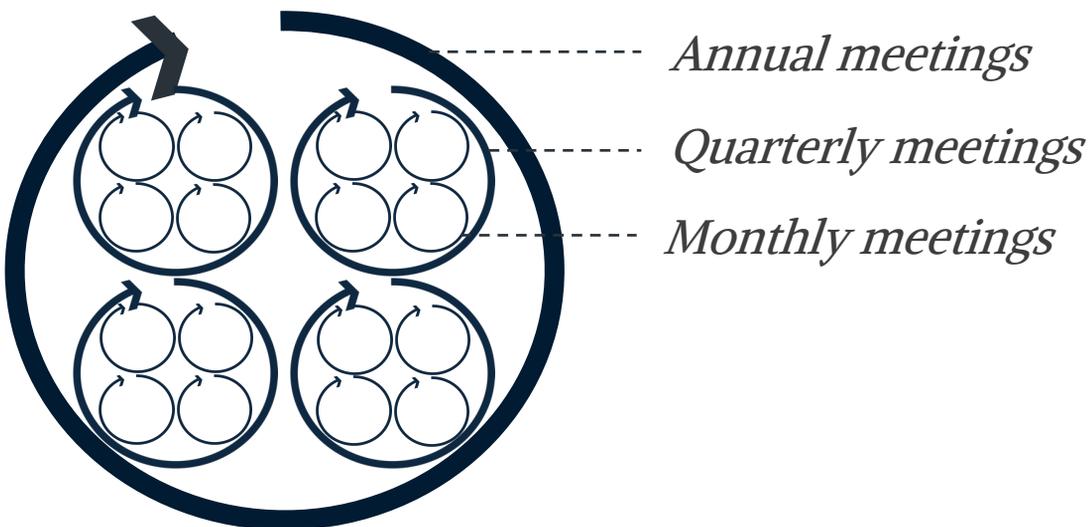
Every year we agree on targets for sales outcome KPIs we want to achieve (sales, profitability, cost of sales, most often split out by different geographical regions, business units and or customer segments) required for the company to reach their revenue, profitability, and strategic goals and deconstruct those into more detailed and actionable metrics and targets to pursue.

But if we only made decisions once per year about actions required to succeed, we would likely find ourselves coming up short for two reasons:

1. Predictions about the future are hard. The actions we thought would be needed to succeed may turn out to be wrong and sticking to them bullheadedly won't help.
2. The world is constantly changing. Circumstances may change and waiting a year to adjust our actions to accommodate these changes is a long time.

Similarly, only conducting weekly or monthly meetings about performance increases the risk of short-term achievements becoming disconnected from the long-term strategic goals.

Fig 4. The typical rhythm of Sales Performance Management



To balance our ability to make more long-term decisions about action-requirements (e.g. participate in 4 regional industry conferences over the year) vs. more short-term ones (e.g. increase activity level on opportunity creation meetings with existing key accounts), sales performance management is installed through 3 connected cycles running at different frequencies

1. **Annual** sales performance management (low frequency)
2. **Quarterly** sales performance management (medium frequency)
3. **Monthly** sales performance management (high frequency)

Although some types of selling may require even higher frequency sales performance management cycles (e.g. inside sales running weekly or bi-weekly sessions for decisions on need for action taking), this is the standards

Recommendation:

Install your sales performance management discipline through low, medium and high frequency decision-cycles, differentiated through the types of decisions that should come out of them (long, medium -and short term actions) and connected by the metrics and targets that are being analyzed.



4

Establish Sales Performance Management as a discipline from the front-line to the executive suite.

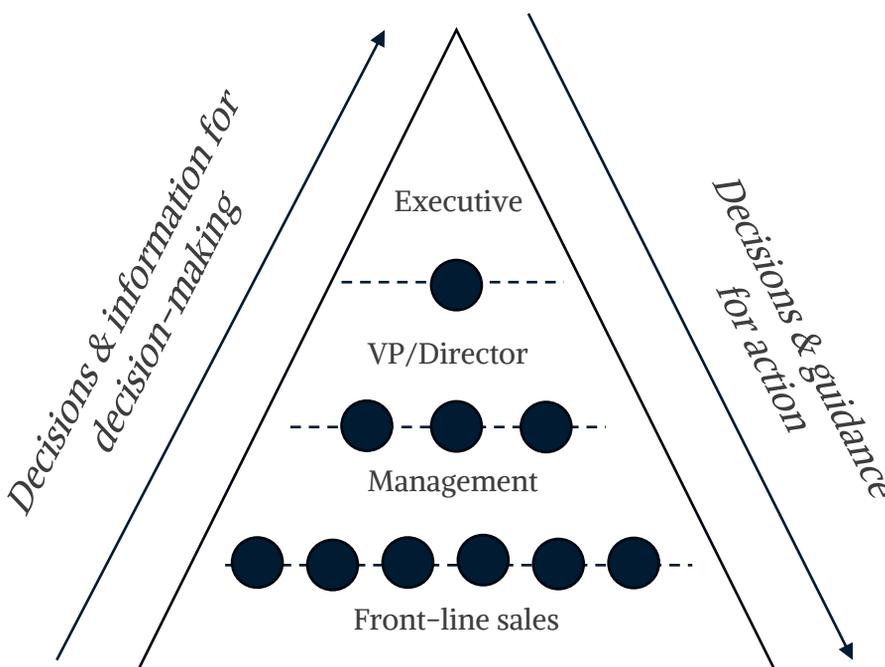
Selling is the responsibility of the people at the front-line of the commercial organization (salespeople, field-marketers, customer success reps etc.) and as such they are also responsible for managing their own focus - and activities to reach their targets.

But just as the salesperson is responsible for growing sales within their specific geographical area or customer segment, the manager of the sales team is responsible for the performance of the team as a whole, the sales director responsible for the collective performance of the sales managers and ultimately the business executives responsible for the collective performance of their commercial organization.

Sales performance management is a discipline for the front-line, but problematic if it is only a front-line discipline, because different decisions on action requirements to succeed with sales is made at different levels.

- Sales executives make decisions on actions required by themselves, based on analysis of performance & pipeline data for themselves.
- Sales managers make decisions on actions required by their team, based on their team's performance and pipeline numbers.
- Sales directors and business executives make decisions based on the aggregated numbers of the sales unit or the commercial organization as a whole.

Fig 5. Different levels of sales performance management for decision-making and decision-guidance



While individual sales executives can decide to turn up or down their focus on specific activity types, customer segments or solutions leadership at the manager, director and business executive level are required to make decisions like changes to budget allocation to sales -and marketing activities, changes to strategic priorities or hiring and firing.

Collective front-line performance guiding decision-making higher up and decisions higher up guiding front line actions.

Recommendation:

Establish annual, quarterly and monthly sales performance management interactions as a fixed part of the operating model for your salespeople, managers directors and executives, joined by the specific performance metrics and targets for success they are looking at but distinguished by the scope of those numbers and the types of decisions they need to make.



5

The person who owns the numbers own the actions

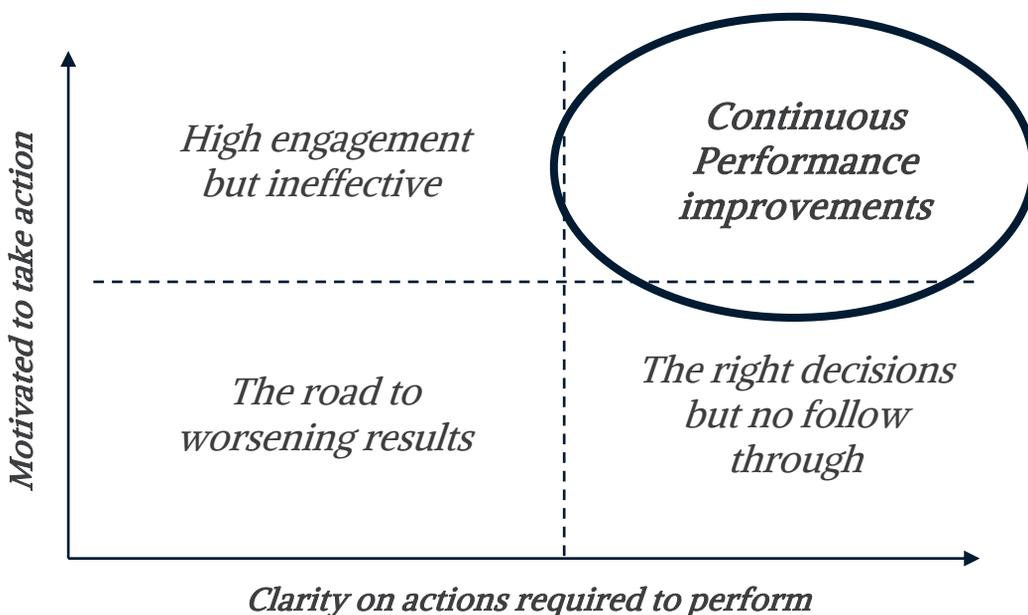
Decisions about actions required to reach performance targets are made through the monthly, quarterly and annual meetings about this, taking place between the leader and their direct report.

- Between the sales executive and their sales manager to align on actions required by the executive and support from the manager to succeed.
- Between the sales manager and the director to align on actions required by the team to succeed and support needed to do so.
- Between the sales director and the executive to align on actions required at the organizational level.

What can happen sometimes in these sessions is that they become more about what the most senior person in the room think are the important areas to focus on and actions to take, rather than the person in the room who actually have to go out and do something about it, causing two typical problems:

1. **Poor decision-making**, because the person defining the actions required is also the one furthest away from the action.
2. **Poor motivation to act**, because the person who needs to go out and do something isn't the one who decided what needs to be done.

Fig 6. The purpose of Sales Performance Management sessions



Sales performance management sessions aren't "review & instruct" sessions from the manager to the salesperson. They are sessions for the salesperson to get clarity on what to do and motivation to act, facilitated and helped by their leader.

The one who owns the numbers, be it at the individual, team or sales unit level, owns the actions and ultimately owns the decisions on what actions are required to succeed.

This principle encourages ownership and a sense of responsibility at all levels of the sales organization. It's about empowering individuals and teams to take control of their outcomes, fostering a proactive and results-driven culture.

Recommendation:

Structure sales performance management sessions as interactions where the leader is there to help their direct reports succeed in making the right decisions, get clarity on actions to take and feel motivated and engaged to take action.

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Build your dashboards and reports to enable effective analysis over deep discovery

Sales Performance Management is the process of analyzing backward –and forward–looking performance numbers to guide decision-making about actions required to realize defined goals.

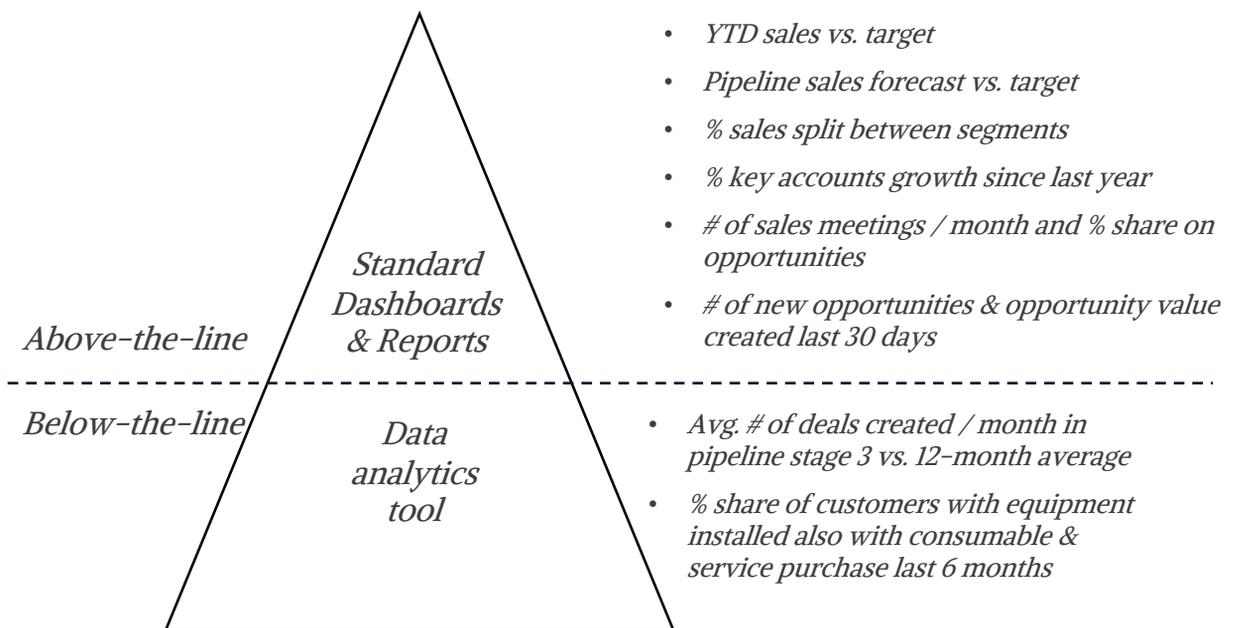
Analyze the data. Identify focus areas that needs improvement to reach targets. Specify actions required to do so. Act. Repeat.

While the conclusions of the analysis (where to focus and what actions to take) will vary from session-to-sessions, the process is always the same and the greater the volume and detail of the data the better the ability to make a precise analysis.

The problem with having too much data –and detail for analysis is however that it can leader to ineffective decision-making, because information overload can lead to the analysis taking too long or important details being blurred out in a sea of information, especially for salespeople at the front-line who only spend a fraction of their time analyzing sales performance numbers.

For this reason, we don't just give salespeople the raw performance & pipeline data, but a processed version of it in dashboards or reports, to better enable them to conduct their analysis and identify important focus areas and actions to succeed.

Fig 7. Prioritizing insights that needs to be “above-the-line” vs. “below-the-line”



For the sales leadership responsible for designing the dashboards and reports to enable decision-making it means they need to make very deliberate decisions about two things

1. **What is “above the line” and goes into the standard sales dashboards:?** The most important insights from data to monitor and make decisions based on (YTD sales vs. -YTD target, sales split between product types, expected sales going forward based on pipeline opportunities vs. sales targets etc.)
2. **What is “below the line” and goes into the data analysis tool for investigation when needed:** The details about performance that may be needed for specific occasions when identifying potential problem causes and solutions (e.g. avg. seasonality fluctuations in consumable sales vs. targets per quarter over past 2 years).

Recommendation:

The dashboards & reports that people in the organization open up month-after-month, should be designed to only include the insights needed to make the most typical and important decisions about where to focus and what actions to take. The rest should be left for finding in the company’s data analysis tool.



7 Focus on decisions about the future over explaining performance in the past

In sales performance management we distinguish between two types of metrics that we use to guide decision-making about actions required to meet targets in the future:

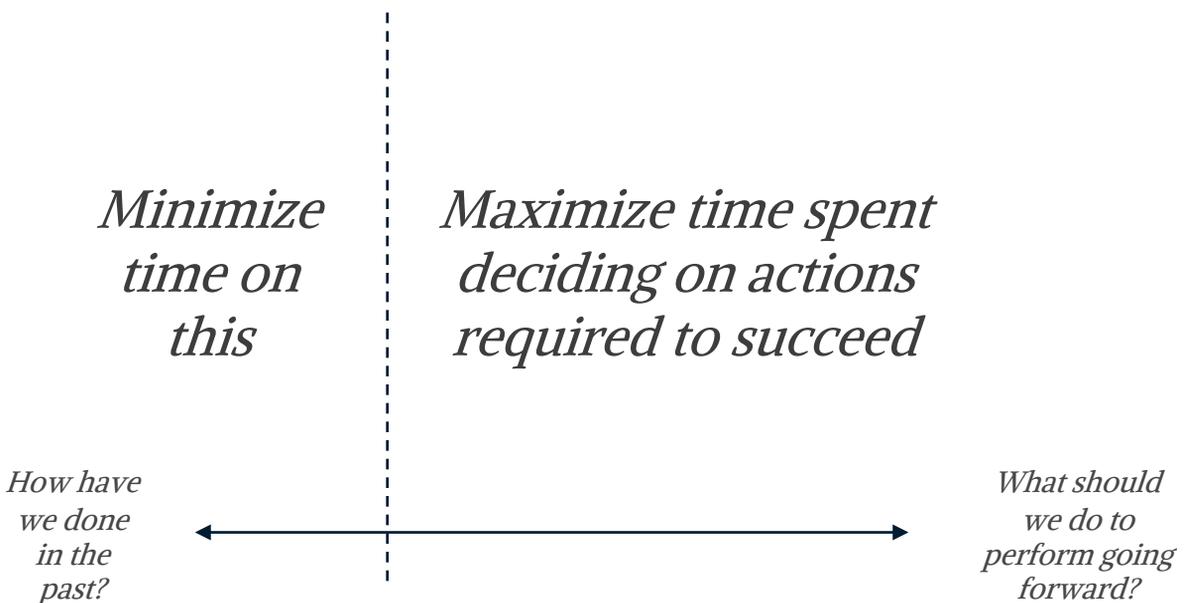
1. **Historical performance:** Based on what has already happened (how much we sold, what we sold, who we sold to etc.), where might there be a need for action to achieve targets?
2. **Expected performance:** Based on what we are expecting will happen (how much we will sell based on what is in the pipeline, what types of offerings we will sell, what kinds of customers will buy etc.), where might there be a need for action to achieve targets?

While both can give valuable insights about need for action it is important that we don't conflate the type of data we are looking at with the types of decisions we are making

Although we might use historical data about the past, sales performance management isn't about trying to explain or justify why the numbers are what they are. It's about making decisions on what to do going forward to succeed with our targets there.

If there is a gap between how much we have sold year-to-date vs. how much we should have sold to reach our end-of-year target, it's a good indication that we need to ramp up selling activities going forward.

Fig 8. The purpose of Sales Performance Management sessions



If we have predominantly been selling our old equipment to customers in the first half of the year although we have a strategic goal of getting new solutions to market, it's a good indication that we need to increase focus on selling our new solutions going forward.

This principle emphasizes the importance of using historical data as a guide to inform future strategies rather than as a scorecard for past actions. It's about learning from the past, then quickly pivoting to strategic planning for the future.

Recommendation:

Structure sales performance management meetings to prioritize future-oriented decision-making and planning. Use historical data to identify areas for improvement, but shift the conversation towards action plans and strategies for upcoming periods. Encourage a culture where lessons from the past are used as stepping stones for future success.

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8

Only make decisions based on pipeline and performance numbers that you can trust

Sales performance management is the discipline of continuously making decisions to a set frequency (monthly, quarterly, annually), based on analysis of data on historical performance and expected future performance.

But as with any analysis the conclusions we draw from it are only as good as the data we draw those conclusions from.

Garbage in, garbage out.

While making sure that historical sales data is correct isn't an easy task, most companies have it in order because so many other things depend on it (financial reporting, production & logistics, customer service etc.).

The bigger challenge is more often around the future, where discipline about accurately estimating what will be sold going forward by when is more of a challenge, with two main causes of poor forecasting accuracy:

1. Poor ability to estimate win-rates, close-by-dates and final deal values. For sales, most typically in the overoptimistic direction.
2. Poor discipline around keeping opportunities in the pipeline updated.

To ensure that your sales organization makes decisions based on accurate data about expectations for the future, leaders typically install four metrics that they check as part of their sales performance management sessions:

- % deviation between actual sales per month vs. forecasted start of month
- # of opportunities in the pipeline with close-by-dates past the current date
- # of opportunities in the pipeline not updated for past 60 days
- # of opportunities with expected close by date in the next 30 days, but only in the initial stages of the sales process

Performance metrics not only on how well it looks like the salesperson or sales team has been doing or will do, but also about how much trust you can have in those numbers to make decisions based off them.

Recommendation:

Include performance metrics that centers around how much you can trust the forward-looking numbers and if those indicate that estimations might be off or opportunities not updated, get that solved first before making any decisions about other actions required.

Five steps to get started

The benefit of installing a strong sales performance management discipline from top-to-bottom of the organization is clear;

Higher likelihood of reaching -or exceeding commercial performance goals through better -and faster decision-making.

While consistently getting sales performance management right is challenging and requires constant work, getting started is more straightforward with 5 simple steps.

Sales performance management isn't difficult to get started, but developing -and maintaining it as a strong discipline can be.

Assessing yourself and your organization on how well you are living up to the 8 principles of effective sales performance management is a good place to check whether you are on the right path.

- 1 Specify the decisions to be made at (a) different levels of the organization with (b) different frequencies: What decisions on action requirements need to be made at salesperson, manager, director and executive levels and with which frequency are these decisions made?
- 2 Define the metrics needed to provide insights for decision-making: What numbers do we need transparency into in order to make informed decisions?
- 3 Design & build the dashboard/reports: How should the numbers be presented to enable fast -and effective decision-making, in the form of a dashboard or report?
- 4 Specify the process: How should the different types of sales performance management sessions be run (agenda) and what should the process be around it (preparation and follow-up)?
- 5 Train, run, improve: How should we equip our salespeople, managers, directors and executives with the knowledge, skills & motivation required to make sales performance management work and how do we continuously ensure that the system works?

Any further questions? Reach out to



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