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IMPORTANT FACTORS FOR SALESPERSON EVALUATION

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Abstract

This paper examines the impact and role of models for evaluation in sales department through various companies. Recent research has suggested that the one of most difficult tasks for the sales managers is evaluating the performance of salespeople under their control.

We will describe behaviour based and result based models and give the comparison view.

Authors Anderson, Hear and Bush described that the results of salespersons depend on internal factors and external factors. We suggest a model which enables to explore three types of factors: external, personal (individual) and internal factors. This approach will enable better basis for analysis.

This study is based on data collection from salespersons and sales managers in companies from Belgrade in SCG. Our findings indicate important factors which have influence of salespersons evaluation.

On the basis analysis we identified how the policy of sales and organization of sales network were defined. We observed what the opinions of sales managers and salespersons about that.

We purpose guidelines for improvement of work in sales department and the possibility for efficient evaluation of salespersons.

Keywords: *salespersons evaluation, factors, behaviour model, result model*

1. INTRODUCTION

Recently these has been growing interest in evaluation the salespersons in companies. Knowledge of the types and the role of important factors in capturing value

from salespersons in selling process have a great importance for gaining the business results.

Much of the empirical research in management of salespersons particular research drawing on economic or behaviour theories. However, previous researches in this field concentrate on criteria of evaluation the work of salespersons and important role for sales managers in manage the performance of salespeople under their control.

The sales management literature provides and shows numerous illustrations of different factors and models that have influence of evaluation the salespersons (Futrell, 1998).

The aim of the present paper is to give the description and analysis of the current position and gaps of sales managers and salespersons in sales departments and the relationship between them and also the ideas for their improvement for efficient evaluation of salespersons. The study is based on data collection from salespersons and sales managers in companies from Belgrade in Serbia and Montenegro and assume economic and behaviour view.

This research at the level of sales manager focused on: compensation system, criteria for evaluation salespersons, the way of evaluation, criteria for organization the employees in sales department.

According salespersons research were oriented on topics: what are the reasons for not achieving the quota, establishing the best way of compensation, criteria for evaluation, how they gain the new customers and identification the reasons for inadequate distribution of tasks trough sales department.

2. THEORETICAL FRAMEWORK

Traditionally, the company's salesperson devotes substantial time to acquiring new customers. The salesperson heroes are those who are won important new accounts. The companies can growth in two ways, either finding new customer or by selling more to existing customers. Marketing and sales are changing focus on customer retention and loyalty building. Managers are training their salespersons in customer relationship building, cross-selling, and up selling as ways to increase growth. They also need the good evaluation process of salespersons to achieve these requirements. [7]

Salesperson evaluation is the comparison of salesperson objectives with results. A model of evaluation process is shown in Figure 1. It begins with the setting the objectives which may be financial such as sales revenue, profit and expenses, market-oriented such as market share or customer oriented such as customer satisfaction and service levels. Then, the sales strategy must be decided to show how the objectives are to be achieved. Also performance standards should be set for the company, regions, products, salespeople and accounts. Results are then measured and compared with performance standards. Reasons for differences are assessed and action taken to improve performance. [1]

Evaluation of salespersons is one of the key activities of sales management in the process of leading the employees. Sales managers have a duty to create and organize the sales department, plan the sales strategies and tactics and to evaluate the performance of every salesperson in the sales department.

The practice shows that evaluation of salespersons has not always realized because the manager are usually afraid that this activity can cause dissatisfaction of salespersons which had bad results.

What are the advantages of evaluation the salespersons and why the performance review needs? Performance reviews are usually conducted on an annual basis, although many firms conduct evaluations semiannually or quarterly. While these reviews are difficult to administer, they do provide valuable information for staffing decisions and serve as a basic to improve salesperson performance. The results of performance reviews can be used to answer a number of important problems such as:

- Performance review have important role for increasing the motivation.
- Performance review of salesperson is the basic for improvement quality of sales process.
- Performance review of salesperson is the condition for their training.
- System of performance evaluation is very important for creating the system of compensation.
- Planning and development the human resources depend on system that measures performances.
- Performance review of salesperson support the implementation of strategic approach of company. [2]



Figure 1 The salespeople evaluation process

Each of these decisions requires looking at a different set of evaluating criteria.

3. CRITERIA AND MODELS FOR EVALUATION THE SALESPERSONS

Performance evaluations used for the purpose of promoting a salesperson into a sales management position should focus on criteria related to successful sales managers and not just current salesperson performance. There are many procedures how we can measure salespersons. Development of system for monitoring and evaluation salespersons work represent well choice of criteria which are the basis for evaluation. We purpose the mix of criteria which need to be analyzed and match with defining strategy, market position, employees, competence of salesperson and the type of product. Proper performance evaluation begins with the development of the proper criteria. Performance criteria should be measurable, practical, relevant, discriminating, and stable and should encompass both results and activities. [5]

According to method of evaluation the criteria we have two types: qualitative and quantitative performance criteria. Quantitative criteria are numeric and they relate to number of new customer obtained, sales volume, average sales calls per day, gross profit by product/customer, sales orders.

Many organizations use qualitative performance criteria because they represent the salesperson's major job activities, and they indicate why the quantitative measures look as they do. Qualitative performance criteria are characteristics, behaviour or results of salesperson which can't express in number and the quality of these criteria may depend on subjective evaluation of reviewer.

Another classification of evaluation criteria if we analyse the content of evaluation, we can describe behaviour based and result based models.

Behaviour models are concerned with keeping track what happens at each stage of the sales operation. The most important common qualitative factors for individual evaluation of salesperson we describe in the results of research study (Chart 1.)

Behaviour based evaluation procedures can lead to knowledgeable and expert salespeople who are more commitment to the organization. Salespeople tend to be self-motivated and react favorably to peer recognition. They can spend more time planning their calls and provide sales support activities to their customers.

We describe three models of result based model. Four Factors Model based on individual's input is gauged by the number of days worked and the total number of calls made. The output of the salesperson is measured by the number and average size of orders. These factors are in relation which is present in the following equation:

$$\text{\$Sales} = \text{Days worked} * \text{Calls/Days worked} * \text{Orders/Calls} * \text{Sales\$/Orders}$$

Ranking procedure model also combine input and output measures of the salesperson output and are generally added up to give overall measure of efficiency.

Another model is the performance matrix which is constructed by dividing salesperson and contribution margin percentages into high and low categories. Then average is calculated for age, calls and contribution dollars for salespeople.

The model explained the differences between input - and output based systems and is shown in Figure 2. An example of salespeople why are evaluated on input measures of performance are those who receive the majority of their compensation in salary, such as pharmaceutical, cigarette, and alcoholic beverage salespersons. For this people number of calls, demonstrations and displays erected are key success factors. On

the other hand managers who direct stockbrokers and insurance and real estate agents who are paid on commission tend to emphasize output measures. Despite these preferences, neither group relies exclusively on input or output measures of performance. Sales jobs are multidimensional, and comprehensive evaluating systems must include multiply criteria. Dilemma is how to select and balance a set of input and output factors that will achieve the best result for organization. [3]

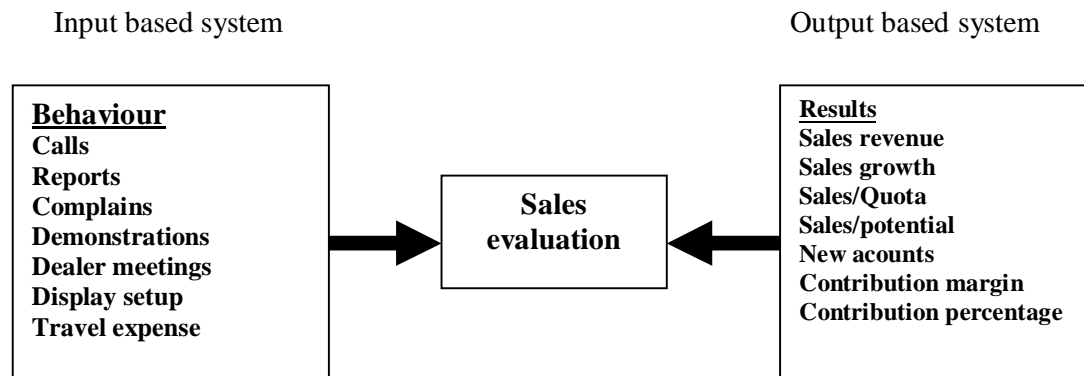


Figure 2 A model of salesperson evaluation

4. FACTORS THAT HAVE INFLUENCE ON THE RESULTS OF SALES DEPARTMENT

Many companies had figured that they can improve their business performance through the increasing results of sales department. It is very important determinate which are the factors that have influence on results in sales department.

According to Anderson, Hear and Bush which suggest two kinds of factors: internal (individual) and external factors. They are in close relationships.

The tasks of sales manager is to plan, organize, creation, lead, control and evaluation the performance of salespersons. The success of implementation of these activities depends on level of factors which have influence of salesperson performance. How well the territory disposition be adjusted and the training for salespersons may affect to the results.

Internal or individual factors are: motivation, talent, ability level, satisfaction of job, perception of role and personal factors which are characteristics of salespersons (age, education).

External factors may have positive or negative influence on salesperson performance and stimulate or decreasing the results.

Environmental factors include:

- Macro environmental factors: economical, social, cultural, legal, politic, technological factors.
- Organizational factors are corporative culture, human resource, financial resource, market position and the other element of marketing mix.
- Rewards: material (tangible) and intangible
- Leading: leadership and motivation, quota, evaluation, feedback of information [4]

We suggest a model which enables to explore three types of factors: external, personal (individual) and internal factors. This approach will enable better basis for research and analysis. The first group of factors presents individual factors of salesperson: motivation, talent ability level, satisfaction of job, perception of role and personal factors which are characteristics of salespersons.

The second type includes the factors in within organization: corporative culture, human behaviour relations, financial resource and the other elements of marketing mix. In external factors we suggests: PEST factors and factors from business environment: competition, customer, supplier, position on the market.

This framework obtains the better understanding the internal and external analysis of company. Also it is very important to recognize the individual part of person from psychological view.

Analysis of all factors and relationship between them the sales managers can improve the salespersons evaluation.

5. RESEARCH STUDY

The questionnaire data were collected from managers and salespersons in companies in Belgrade.

To be able to build a good understanding of this concept and ensure that the companies had similar problems in sales departments a number of companies were chosen in different types of business: FMCG (*fast moving consumer goods*) companies, gas oil retailers and the car retailers.

A total of 80 questionnaires were return providing the answers. Survey is given the arguments of factors and problems that different level of employees had in the sales departments. The surveys were organized in the three parts and include:

- General questions
 - Age, sex, educational level, position in the company
- Management level questions about the current evaluation system
 - How they make the organization of structure in sales department
 - How they create evaluation systems in company
 - What is the relation between the potential of individual performance and organizational distribution the tasks
 - What qualitative criteria of salespersons are important for sales success?
- Salesperson level questions
 - What is the best compensation system in company
 - How kind of quota they like to have in sales plan
 - What is the cause for inadequate organizational structure the sales department
 - What qualitative criteria of salespersons are important for sales success?
 - Factors that have influence of their result
 - How they gain the new customers
- Question for improvement the current position: relationship between sales and marketing?

6. RESULTS

The results show a negative relationship exists between managers and salespersons and their actual performances. We also summarize what the different levels of employees think about evaluation systems and what problems and factors which are important for achieving the better results. Salespersons said that the main factors that influence on the result are motivation (100%), job satisfaction (92, 6%) and sales skills (88, 9%), and competition and customers influence only with (63 %).

<i>Factors</i>		<i>Salesperson (positive answer) in %</i>
Individual factors	Motivation	100
	Job satisfaction	92.6
	Talent	81.5
Internal factors	Sales skills	88.9
	Human relations in company	77.8
	Corporate culture	77.8
External factors	Market position	81.5
	Business environment Competition	70.4
	Customers	63
		63

Table 1 Influence of different factors on the salesperson results

There are various ways in which managers can attempt to increase the motivation of their subordinates. Herzberg recommended better job design, various writer have suggested that subordinates' participation in decision making will improve motivation trough self-realization and empowerment. [6]

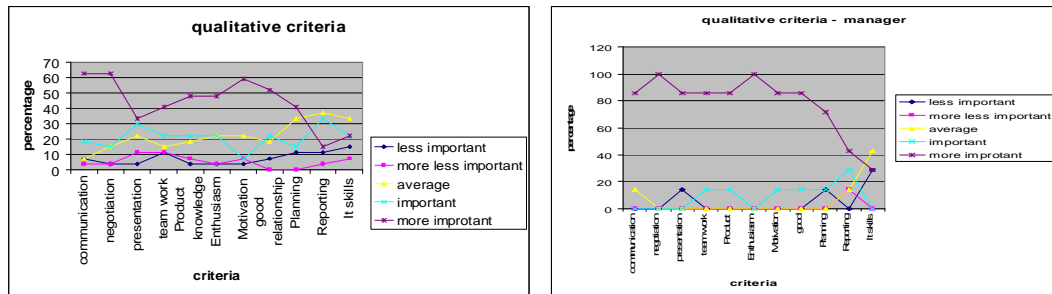


Chart 1 Comparison view about qualitative criteria performance of salespersons/managers

Reasons for not achieving the quota	PERCENT
Other	33,4
Lack of customer	25,9
Limitation in work	11,1
No procedure for sales process	11,1
No reward system	11,1
Dissatisfaction of work	7,4

Table 2. Reasons for not achieving the quota

Cause for inadequate distribution of tasks trough sales department	PERCENT
Subjectivity of manager	37,0
No plan for organization the sales department	14,8
Team work	14,8
Other	14,8
No recognition of individual potential of worker	11,1
No evaluation of salesperson work	7,4

Table 3 Cause for inadequate distribution of tasks trough sales department

Salespersons said that the main reason for not achieving the quota is lack of customer (25, 9%) and the cause for inadequate distribution of tasks trough sales department is subjectivity of manager (37%). Table 2, Table 3.

Managers often use compensation system with fix salary and fix salary and provision (42, 9%), fix salary and bonus only 14, 3 %.

The managers also set the quota for salesperson in the unit of goods (57, 1%), and salespersons preferred quota in the measure of their activities (33, 3%) and quota in the value of money (29, 6 %).

Managers often use combination of qualitative and quantitative measures (85, 7%) in evaluation the salespersons, but (14, 3%) use only quantitative measures. A few times in a week (42, 9%) managers carry out the salesperson evaluation.

Sales managers also identified the problems that have with marketing department in the communication. There are four ways to improve marketing and sales alignment: integrated marketing into sales funnel, starting form goals and growth strategies, splitting marketing into two groups and increasing upstream sales involvement. [9]

7. CONCLUSION

The aim of this research is to contribute the knowledge and understanding that the evaluation system which is used at all levels of the company.

A good evaluation system depends on many different factors. Salespersons performance has been evaluated according to many criteria: internal, organizational and external factors. There are many environmental changes that have influence on sales results. If the sales organizations are able to change with the marketplace then they include changes about salesperson success factors. In company AT&T management evaluate the salesperson not just in increasing the sales, but on a number of other dimensions such as competitor product knowledge, customer knowledge and attainment of personal goals. The main problems in sales department which we had identified in our research were the communication between the different level of management – sales manager and salespersons and also lack of cooperation in planning, coordination and communication between sales and marketing department. The salespersons need better understanding and support of sales managers which can be achieving by organizing the unformal meetings which have purposes to explain the tasks and coordination with other employees in team. They are motivated by positive feedback, specific and understandable goals and a compensation system that reinforces these goals.

The sales manager must interact and engaged the salespersons in evaluation process. They need feedback from salespersons about the problems that they have with customers, market position and other conditions that have influence on their results. They also must understand that sales results need to be compared with the potential available in each territory, because sales outputs may simply reflect differences in the size of territory. They can use methodology of organization the sales department: job design, delegation of responsibility, grouping the salespersons and coordination. [8] The manager should take care to minimize personal biases and subjectivity when evaluating qualitative performance criteria

The findings and results are the bases for the future research. We will try to create sales procedure which can help sales managers in the company to improve sales performances of salespersons.

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