



SALES MANAGEMENT

Performance Evaluation and Motivation

PERFORMANCE EVALUATION

- Every sales manager is engaged in the task of appraising and evaluating his salesmen continuously, in an informal way.
- Informal evaluation however is not enough
 - to arrive at realistic and
 - smart assessment of the worth of a salesman
 - in absolute or relative terms.
- The ultimate goal of any evaluation program is to make a salesman more valuable to the company

PERFORMANCE EVALUATION

- Evaluating salesmen's performance is a complex task
 - not only because salesmen are required to perform a variety of activities,
 - but also because different types of selling situations require different kind of selling skills,
 - which may not lend themselves to equitable comparisons.

PERFORMANCE EVALUATION

- Performance evaluation consists of setting performance standards,
 - both quantitative and qualitative and
 - then periodically comparing them with actual sales performance
 - to judge salesmen in terms of their contribution to the sales objective.

PERFORMANCE EVALUATION

- A salesman is considered to be productive only
 - when the results achieved by him
 - offset not only the costs incurred by the company on his account,
 - but also show some contribution towards the corporate profit.

EVALUATING AND CONTROLLING THE PERFORMANCE OF SALESPEOPLE

- One of the most important responsibilities of sales managers is to evaluate the performance of their salespeople.
- However, performance evaluation process is time consuming.
- It is also a difficult process,
 - particularly for the sales manager
 - who has to tell poor-performing salespersons how and
 - why their performance is not up to the expectations

EVALUATING AND CONTROLLING THE PERFORMANCE OF SALESPEOPLE

Purposes of Sales Force Performance Evaluation and Control

- The basic objective of the performance evaluation of salespersons is
 - to determine how these salespersons have performed.

EVALUATING AND CONTROLLING THE PERFORMANCE OF SALESPeOPLE

Purposes of Sales Force Performance Evaluation and Control

- The outcome of sales force performance review
 - can be used for other sales force management purposes.....
- Improve the salesperson's performance.
- Decide the appropriate increment in pay and incentive payment based on the actual performance of the salesperson.
- Identify the salespeople who may be promoted.
- Determine the training needs of the individual salesperson and the entire sales force.

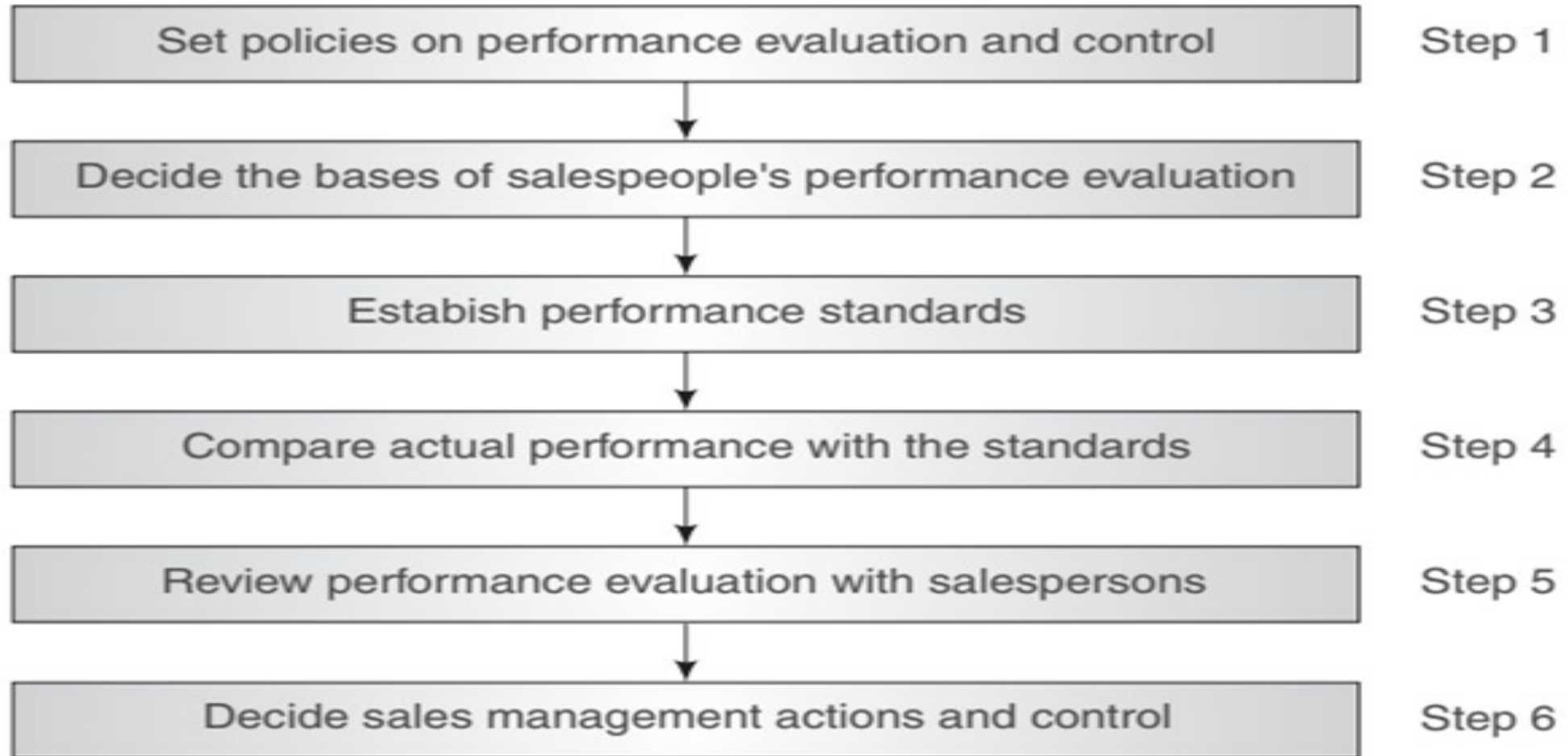
EVALUATING AND CONTROLLING THE PERFORMANCE OF SALESPeOPLE

Purposes of Sales Force Performance Evaluation and Control

- The outcome of sales force performance review
 - can be used for other sales force management purposes.....
- Identify the salespersons whose services may be terminated, after giving adequate chances for improvement.
- Motivate salespeople through adequate recognition and reward for good performance.
- Find out their strengths and weaknesses.

EVALUATING AND CONTROLLING THE PERFORMANCE OF SALESPeOPLE

- Procedure for Evaluating and Controlling Sales force Performance



Procedure for Evaluating and Controlling Sales Force Performance

Step 1 Set policies on Performance Evaluation and Control

- Before evaluating the performance, the company management should establish the basic policies.
- Several studies have generated information on general policies followed by most sales organizations.
- **Frequency of Evaluation**
- **Who Conducts Evaluation?**
- **Assessment Techniques**
- **Management by Objectives (MBO)**
- **Sources of Information**

Procedure for Evaluating and Controlling Sales Force Performance

Step 2 – Decide Bases of Salespeople's Performance Evaluation

- Before deciding on bases or criteria for performance evaluation of salespeople,
- while evaluating salespeople's performance a sales organization should decide whether it will give importance to:
 - (i) outcome (or results) based viewpoint,
 - (ii) behavior (or activity/effort) based viewpoint, or
 - (iii) both outcome and behavior-based measures,

Procedure for Evaluating and Controlling Sales Force Performance

Step 2 – Decide Bases of Salespeople's Performance Evaluation

➤ Criteria/Bases for Salespeople's Performance Evaluation

Quantitative Result/Output Criteria/Bases	Quantitative Behavioural/Activity Criteria/Bases	Qualitative Behavioural/Effort/ Activity Criteria/Bases
<ul style="list-style-type: none"> • Sales volume <ul style="list-style-type: none"> (a) In value (Rupees/Dollars) (b) In units (numbers, tonnes) (c) To previous year's sales (d) As a percentage of quota and market potential (market share) (e) By products and customer groups • Accounts (Customers) <ul style="list-style-type: none"> (a) Number of new accounts (b) Number of lost accounts • Orders <ul style="list-style-type: none"> (a) Orders are divided by calls (b) Sales are divided by orders • Profit margin by products, Customer groups 	<ul style="list-style-type: none"> • Customer calls <ul style="list-style-type: none"> (a) Number of customer calls (b) Number of calls per day (c) Number of calls per customer • Nonselling Activities <ul style="list-style-type: none"> (a) Number of reports sent (b) Number of days worked (c) Selling and nonselling time (d) Number of customer complaints (e) E-mails/letters to prospects (f) Dealer meetings held (g) Service calls made (h) Overdue payments collected • Direct selling expense <ul style="list-style-type: none"> (a) as a percentage of sales (b) as a percentage of quota 	<ul style="list-style-type: none"> • Personal efforts/skills <ul style="list-style-type: none"> (a) Communication skills (b) Selling skills (c) Team player (d) Time management (e) Planning ability • Knowledge <ul style="list-style-type: none"> (a) Product (b) Competition and customers (c) Pricing (d) Company policies • Customer relation/goodwill generation • Personality and attitudes <ul style="list-style-type: none"> (a) Cooperation (b) Enthusiasm, Resourcefulness (c) Initiative and aggressiveness (d) Punctuality Appearance and health

Procedure for Evaluating and Controlling Sales Force Performance

Step 3 – Establish Performance Standards

- Performance standards are generally called sales quotas
- Some companies call them as
 - sales objectives,
 - sales goals or
 - sales targets.
- Setting performance standards is a difficult, but an important task.
- Salespeople's actual performance is measured against the performance standards

Procedure for Evaluating and Controlling Sales Force Performance

Step 3 – Establish Performance Standards

- Performance standards for quantitative output or results
 - have a close relationship with the company's sales forecast or
 - sales budget and quotas for
 - territories, regions, branches, products, and salespeople.
- This is because the sales quotas are derived from
 - the company's sales budget,
 - which depends on the company's sales forecast
- Sales managers must ensure that performance standards are fair and reasonable

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

- In this step, the individual salesperson's actual performance is measured and
 - then compared with the predetermined performance standards.
- Sales managers can use different methods for measuring the performance of salespeople.
- Periodically, sales managers are required to evaluate the performance of each salesperson in a permanent record

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

- Companies use different forms or methods for evaluating salespeople.
- Some of the commonly used forms are:
 - (i) graphic rating, (ii) ranking, (iii) behaviorally anchored rating scale (BARS), (iv) management by objectives (MBO), and (v) descriptive statements.
- Sales managers are supplied with these evaluation or appraisal forms for evaluating each salesperson.
- No one method or form provides a perfect evaluation.

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Graphic Rating:

- This method is most commonly used in sales organizations.
- It is particularly useful in evaluating salespeople's qualitative behavioral or efforts related criteria.
- A semantic differential type of graphic rating scale uses opposite adjectives on a five or seven point scale.
- Numerical values are assigned to each level and the manager can check any one of them

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Graphic Rating:

- Graphic rating scale has many positive characteristics, such as
- **comparability** (it is possible to compare results of individual salespeople),
- **job relatedness** (it can be designed to meet the needs of each sales organization),
- **practicality** (it is easy to understand and implement in a short time), and
- **standardization** (measurement instrument and evaluation process are similar throughout the sales organization).

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Graphic Rating: Example of Graphic Rating Scale

Selling skills	Excellent	7	6	5	4	3	2	1	Poor
		●	●	●	●	●	●	●	
Team player	Superior	7	6	5	4	3	2	1	Inferior
		●	●	●	●	●	●	●	
Product Knowledge	Excellent	7	6	5	4	3	2	1	Poor
		●	●	●	●	●	●	●	
Attitude	Positive	7	6	5	4	3	2	1	Negative
		●	●	●	●	●	●	●	
Customer relations	Excellent	7	6	5	4	3	2	1	Poor
		●	●	●	●	●	●	●	
Time management	Superior	7	6	5	4	3	2	1	Inferior

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Behaviorally Anchored Rating Scales (BARS)

- Also referred as behavioral expectation scales,
 - this method links salesperson's behavior with specific results,
- This method is a repetitive process and
 - allows different sales managers to arrive at more consistent and objective evaluations,
 - since the rating scales have similar interpretations.

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Behaviorally Anchored Rating Scales (BARS)

- Constructing a sales-oriented BARS include four steps:
- *Identify Decisive Events*
- *Improve Decisive Events into Behavior Anchor Statements*
- *Rate the Effectiveness of the Behavioral Statements*
- *Select the Behavioral Anchor Statements for the Performance Dimension*

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Behaviorally Anchored Rating Scales (BARS)

Performance result: Cooperation with Other Sales Team Members	
Performance Categories and Definition of the Dimension	Behavioral Anchor statements
Very High : This indicates a strong willingness to cooperate with other members of the sales team	10 Could be expected to cooperate when help or assistance is requested by other team members.
	9
	8 Could be expected to go out of his or her way to help the team achieve its goals.
Moderate : This indicates an average amount of cooperation and willingness to be part of the sales team	7
	6 Could be expected to occasionally support the team members with field sales problems.
	5
Very Low : This indicates an opposition and nonteam oriented effort, which hurts group performance	4 Could be expected to contribute half-heartedly to the team effort to achieve goals.
	3
	2 Could be expected not to care much about the team and its members.
	1 Could be expected to oppose members of the team and act against the team goals.
	0

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Management by objectives (MBO)

- Steps followed in a typical MBO method are as follows:
- (i) the sales manager and the salesperson discuss and set specific objectives or sales quotas for the salesperson for a specific time period,
- (ii) they also prepare an action plan for the achievement of the objectives,
- (iii) they review actual performance periodically against the stated **objectives, sales quotas, or performance standards** and take corrective actions.

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Management by objectives (MBO)

Performance Criteria/Bases	Objective/ Quota	Weight	Actual Performance	Performance Index	Weighted Performance Index
• Sales volume	₹72,00,000	4	₹80,00,000	111	444
• Number of new accounts	24	3	20	83	249
• Number of calls per day	6	2	7	116	232
• Number of reports sent	24	1	24	100	100
	Total	10			1025
• Overall performance					102.5

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Descriptive Statements

- In this method of performance evaluation,
 - sales managers are required to write either a short or
 - detailed description of each salesperson's performance on specific criteria.
- goal attainment,
- selling ability,
- territorial management,
- job/product knowledge,
- and customer relations.

Procedure for Evaluating and Controlling Sales Force Performance

Step 4 – Compare Actual Performance with Standards

Performance Evaluation Methods

Descriptive Statements

- Another method, used by some organizations,
- includes writing a profile about
- the individual salesperson's specific
- **performance, abilities, and potential.**

Procedure for Evaluating and Controlling Sales Force Performance

Step 5 – Review Performance Evaluation with Salespeople

- Once the salesperson's performance has been evaluated,
 - the sales manager should conduct performance review or
 - appraisal session with the salesperson.
- This is a very challenging part of the sales manager's job,
 - because it can be a very sensitive occasion.
- It is difficult to point out the salesperson's weaknesses or failures to meet the standards.
- The sales manager should contact the salesperson and
 - set a time and place for the performance review meeting

Procedure for Evaluating and Controlling Sales Force Performance

Step 5 – Review Performance Evaluation with Salespeople

Guidelines useful while reviewing performance:

- First, performance criteria or bases should be discussed.
- The salesperson should be asked to review his own performance.
- The sales manager should present his view on the salesperson's performance, by first highlighting good qualities of the salesperson.
- Corrective actions on weak areas should also be discussed.
- Mutual agreement on the performance must be established.
- If disagreements or serious differences of opinion occur, the sales manager should carefully explain the reasons to the salesperson.

Procedure for Evaluating and Controlling Sales Force Performance

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Procedure for Evaluating and Controlling Sales Force Performance

Step 6 – Decide Sales Management Actions and Control

- The performance evaluation procedure followed so far gives
 - a very important information about performance of salespeople.
- It is the responsibility of the sales management
 - to use this information for improving the performance of individual **salespeople, sales teams**, and
 - the **operations** of the sales organization.

Procedure for Evaluating and Controlling Sales Force Performance

Step 6 – Decide Sales Management Actions and Control

- Another use of the performance information is
 - to identify **problem areas**,
 - find the **causes of the problem**, and
 - decide **sales management actions** to solve the problems.
- The sales manager, during the performance review meeting,
 - should also highlight good performance areas,
 - appreciate the salesperson for the good performance, and
 - reward him suitably.



SALES FORCE MANAGEMENT DURING DIFFERENT PHASES

MOTIVATION



MOTIVATION

- What do you understand by Motivation?

MOTIVATION

- Some salespeople are ambitious and self-starters.
- They put forth their efforts without any special training or incentives from the management.
- However, the majority of salespeople need encouragement, training, and motivation.
- The first level branch/district sales manager's performance depends upon the composite performance of the salespeople.
- That is why they are interested to know the factors influencing salespeople to achieve desired performance.

MOTIVATION

- Motivation is originally derived from the Latin word “movere”, which means “to move”.
- The desire to spend effort to fulfil a need is motivation.
- In a sales job,
 - motivation is the number of efforts the salesperson makes
 - to complete various activities of the sales job.
- Examples of these activities are:
 - meeting prospective customers,
 - identifying their needs,
 - making sales presentations,
 - overcoming their objections and
 - closing the sales.

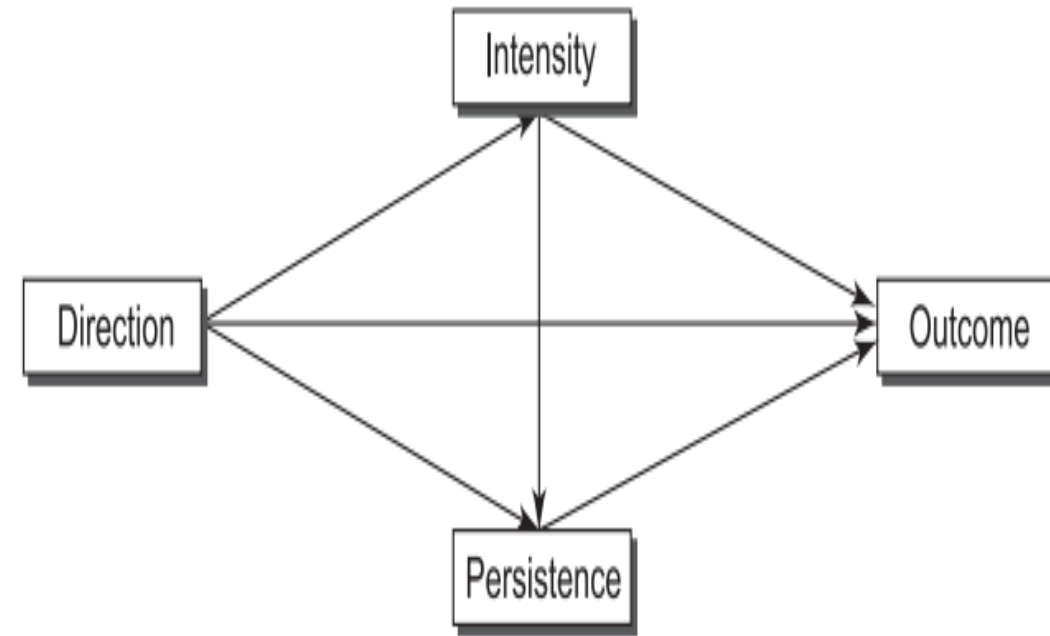
MOTIVATION

- Further studies on motivation conclude that
 - the most commonly used definition of motivation includes three dimensions:
 - intensity, persistence, and direction,

❑ **Intensity** refers to the amount of physical and mental efforts the salesperson spends on a given task.

❑ **Persistence** describes how long the salesperson continues to put forth effort.

❑ **Direction** suggests the salesperson's choice of actions among various job activities.



MOTIVATION

- Motivation can also be looked at as intrinsic or extrinsic.
- If salespeople consider their job as essentially rewarding
 - (or providing satisfaction), they are **intrinsically** motivated.
- However,
 - if salespersons are motivated by the rewards given by their organization,
 - such as financial incentives and recognition, they are **extrinsically** motivated.
- Although a salesperson's overall motivation can include both intrinsic and extrinsic motivation,

MOTIVATION

- some salesperson will seek
 - **intrinsic rewards**
 - (such as challenging work,
 - feelings of personal worth and
 - a sense of accomplishment),
- other salespeople will prefer
 - **extrinsic rewards**
 - (such as salary,
 - fringe benefits, and
 - promotion)

MOTIVATION

IMPORTANCE OF MOTIVATION

- ❑ The company management recognizes the importance of sales management and salespeople
 - ❑ because the financial performance of the company
 - ❑ depends upon the achievement of sales volume objective,
 - ❑ which is the primary responsibility of the sales management.
- ❑ Sales managers find the task of motivating salespeople difficult and important due to the following factors:
 - (i) changes in marketing environment,
 - (ii) conflicting company objectives,
 - (iii) unusual nature of the sales job, and
 - (iv) separate motivational package.

MOTIVATION

RELEVANCE OF MOTIVATIONAL THEORIES TO SALESPEOPLE

- ❑ Motivation has been researched for many years.
- ❑ Motivational theories are relevant to the motivation of salespeople.
- ❑ Some of these theories or behavioral concepts in motivation are:
 - (i) Maslow's hierarchy of needs theory,
 - (ii) Herzberg's dual-factor theory,
 - (iii) Vroom's expectancy theory, and
 - (iv) Churchill, Ford and Walker model of sales force motivation.

MOTIVATION

Maslow's Hierarchy of Needs Theory

- ❑ Abraham H. Maslow proposed five levels of needs that every individual seeks to satisfy.
- ❑ Maslow argued that the needs form a hierarchy.



MOTIVATION

Maslow's Hierarchy of Needs Theory

- ❑ If the salesperson's physiological needs are not satisfied,
- ❑ the sales manager should offer an acceptable **income and benefits package**
 - ❑ because money and financial rewards can buy the products and services to satisfy these needs.
- ❑ Another salesperson may look for **job security** and for satisfying that need,
 - ❑ the sales manager should **remove the fear of failure**
 - ❑ by guiding the salesperson to perform well to achieve the sales goals.



MOTIVATION



Maslow's Hierarchy of Needs Theory

- ❑ For fulfilling **social needs**,
 - ❑ a sales manager arranges sales meetings and social functions,
 - ❑ sets up selling teams for key customers and mentoring programs.
- ❑ For satisfying **esteem needs**,
some of the actions the sales manager takes are
 - ❑ promotions,
 - ❑ public recognition of achievements, and
 - ❑ appreciation letters.

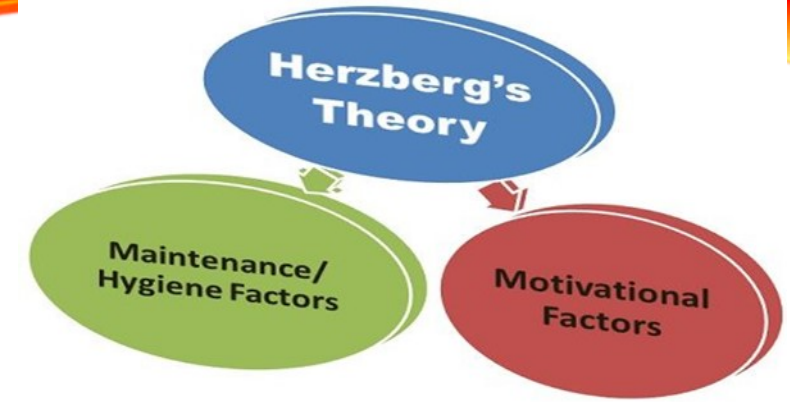
MOTIVATION

Maslow's Hierarchy of Needs Theory

- ❑ Self-actualization needs are rarely identified at the level of salespeople,
- ❑ but if it is found,
- ❑ a sales manager may consider special assignments
- ❑ with higher authority and responsibility like mentoring new salespersons.



MOTIVATION



Herzberg's Two-Factor Theory

- ❑ A theory of motivation developed by Frederick Herzberg is called dual-factor theory,
 - ❑ in which sources of dissatisfaction and satisfaction are grouped into two groups:
 - ❑ hygiene factors and motivation factors.
- ❑ Examples of hygiene factors are
 - ❑ working environment,
 - ❑ security,
 - ❑ type of supervision,
 - ❑ interpersonal relationships,
 - ❑ salary,
 - ❑ fringe benefits, and
 - ❑ company policies.

MOTIVATION



Herzberg's Two-Factor Theory

- ☐ Fulfilling the hygiene factors would bring up motivation to a theoretical zero level, or a neutral point,
- ☐ If positive motivations were to be achieved,
 - Attention would have to be given to motivation factors. These include
 - ☐ recognition,
 - ☐ responsibility,
 - ☐ achievement,
 - ☐ challenge,
 - ☐ opportunities for growth, and
 - ☐ the interest value of the work.

MOTIVATION



Herzberg's Two-Factor Theory

- ❑ Dual-factor theory has two important conclusions that can be drawn:
- ❑ (i) The sales management should provide good enough **working environment, sensible supervision, job security, and reasonable compensation** to salespeople to prevent job dissatisfaction.
- ❑ (ii) The management should also provide **opportunities for growth, recognition, and responsibility** to motivate salespersons.

MOTIVATION

Vroom's Expectancy Theory

This theory assumes that a person's motivation to make efforts depends upon his expectations for success.

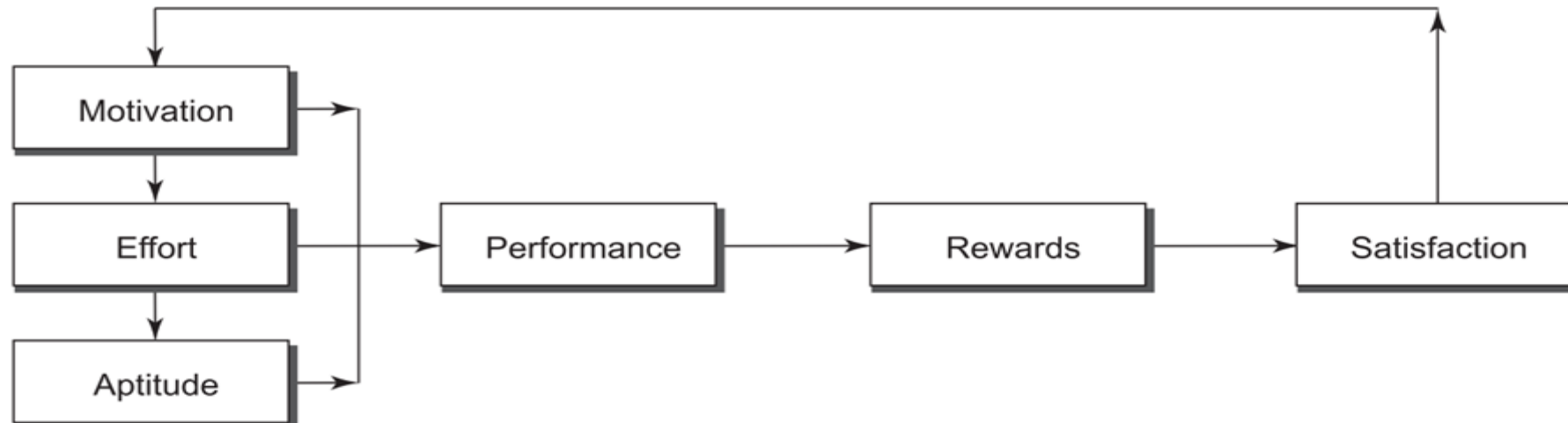


Vroom based his theory on three concepts:
expectancy,
instrumentality, and
valence.

MOTIVATION

Churchill, Ford and Walker Model of Sales Force Motivation

The problem of motivating salespeople is studied by Churchill, Ford, and Walker. They have developed a model, as shown in Figure.



This model is derived from Vroom's expectancy theory.

MOTIVATION

SELECTING AN EFFECTIVE MIX OF MOTIVATIONAL TOOLS

For designing an effective motivational mix (or an optimal reward system) the sales manager should first know each salesperson and understand his specific needs

Financial Rewards/Tools	Non-Financial Rewards/Tools
<ul style="list-style-type: none">• Financial compensation plan	<ul style="list-style-type: none">• Promotional opportunity
<ul style="list-style-type: none">–Salary	<ul style="list-style-type: none">• Sense of accomplishment
<ul style="list-style-type: none">–Commission	<ul style="list-style-type: none">• Personal growth opportunities
<ul style="list-style-type: none">–Performance bonus	<ul style="list-style-type: none">• Recognition
<ul style="list-style-type: none">–Fringe benefits	<ul style="list-style-type: none">• Job security
<ul style="list-style-type: none">–Combination	<ul style="list-style-type: none">• Sales meetings
<ul style="list-style-type: none">• Sales contests	<ul style="list-style-type: none">• Sales training programs
<ul style="list-style-type: none">• Team compensation	<ul style="list-style-type: none">• Job enrichment
<ul style="list-style-type: none">• Global compensation issues	<ul style="list-style-type: none">• Effective supervision
	<ul style="list-style-type: none">• Praise and encouragement

MOTIVATION

GUIDELINES FOR MOTIVATING SALESPeOPLE

the sales manager should first know each salesperson and understand his specific needs

Some guidelines for motivating salespeople, described as follows in brief,

- ***Difference Between Can't Do and Won't Do***
- ***Include Individual Needs into Motivational Programs***
- ***Plateaus Salespeople***
- ***Proactive Approach and Good Communications***