

## Review Sales Performance

03/12/07

I'm getting ready to review sales performance. I have 2 sales people, and I think one is doing much better than the other. What should I take into account? How should I handle any request for pay increase?

Good questions. It is that time of year, for many sales people. Both employer and employee need to be sure they're on the same page, as they plan for the upcoming year. One of the best ways to prepare for next year is by laying a foundation, through a review of last year's results.

Let's look at some of the key elements of a sales person's evaluation. Document performance in writing, and look for areas of mastery, and opportunities for growth. Discuss how improved performance relates to increased income. Hold the sales person accountable for hitting specific goals. Set realistic increases.

Take time to analyze past year's performance. You may ask your sales people to do a presentation for you, to get their perspective. Look at volume in the pipeline – number of accounts, number of pending deals, average and total value of deals pending. Do the same for business sold during the past year. Review both revenue and gross profit.

One of the easiest ways to see how a sales person has performed is to graph out activity.

If you have more than one product line, look at activity by product line. Same thing, if you have a variety of account sizes or types. You want to know if your sales people are doing especially well, or poorly, in one area or another. For example, some sales people are very good at nurturing existing accounts, but not so good at bringing in new ones – and vice versa. Some people grab onto new products, others get stuck in a rut selling the same old products every year. Some people have trouble selling above a certain dollar amount; others don't want to spend their time selling below a certain size. You need to know where your sales people stand. More important, help them see where they stand, so they can focus on improving.

Talk with your sales people about how to sell the most profitable items for the company. In my experience, a lot of sales people figure that any sale is a good sale. They don't know enough about what drives profit. A little education can go a long way towards helping a sales person contribute to the company's bottom line.

During the review, your sales people are likely to ask about a raise – most people do when they are being reviewed. However, for sales people, there are often special considerations. People are, or should be, in sales, because they understand that

sales is where the rubber meets the road – where they can prove results, and get paid for direct outcomes.

Sales people usually raise their personal income through increased sales volume, or by improving the quality of their sales. If your sales people are paid on commission, and earn a percent of gross revenue or gross profit, remember that every time you raise your prices you're giving your sales people an increase. If sales people have upside opportunity in their commission plan, don't assume that it's your responsibility to provide a raise. Let them earn it. On the other hand, if compensation is mostly salary, you can offer increases in the form of expanded commission opportunity, which ties performance to reward.

If you had specific goals last year, review how your sales people did at hitting them. Consider an overall bonus if they hit most, or all, of their goals. Put them on a draw, and issuing a warning, if performance is below expectation. Discuss what it took / will take to get, and keep, sales on track – for last year, and for this year.

Look at how your commission payout compared to what you expected to pay out. Make sure you're paying the right amount of commission, going forward – not too much, not too little. Don't be



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afraid to make changes in the commission plan. Annual changes are normal, as a company changes its' strategy, or evaluates the unintended consequences of a sales compensation plan.

When discussing 2007 goals, be realistic. Typically 15% is a good overall increase. Many good sales people get overwhelmed trying to hit big increases in short periods of time, and then don't perform as well as they used to.

Discuss growth opportunities. Most sales people are ambitious. Show a growth track, that includes skill development, plenty of time to still focus on sales, and a chance to start climbing the management ladder if they so desire.

Looking for a good book? Try *Managing for Results; A Fast Action Guide to Finding, Coaching and Leading Sales People* by Ronald A. Marks.

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