The Definitive Framework for Sales Metrics

Today's b-to-b sales leaders need more than their experience to understand what is driving their results, good or bad

A framework of sales metrics built on four core components provides visibility into facts and sales intelligence transparency

By looking at these metric categories through different lenses, sales leaders can pinpoint problem areas and point clearly to improvements

The captain of the Titanic learned the hard way about what's below the tip of the iceberg. Much like Edward Smith – that infamous captain's name for you trivia buffs – sales leaders who focus their metrics attention merely on expense and results are only looking at what they can see, while failing to understand the implications of what they can't.

Over the course of a number of past briefs that began with "Productivity: More Than Just the Topline," we have gone to great lengths to differentiate between the concept of sales (a noun) and selling (a verb). A metrics framework that employs aspects of both components gives us a complete picture of the iceberg, so to speak; in this brief, we will define this framework, and dive deeply into the specific metrics we believe should be both inspected and managed to by sales leaders.

THE EXPERIENTIAL DATABASE

Sales leaders are regularly asked three seemingly straightforward questions by their chief executives: What happened, what will happen and why are things happening as they are? One needs to do little more than query the order entry system for the first question, but engaging in the next two can be a positively terrifying experience. Peering into the future requires examining pipelines and forecasts, which are often based on judgment calls that are notorious for their incomplete nature, subjective basis and questionable reliability.

Pinpointing root causes relies much more on what we refer to as the "experiential database," or a series of assumptions, anecdotal evidence, political positioning and guesswork. While this may work when sales is humming along and making plan, it usually is called into question when the train runs off the track.

A best-in-class sales metrics framework is built on the understanding that while sales will always have its intangible attributes, crossing results with consistent, process-based, management reinforced measures of opportunities and productivity provides greater insight into what will happen, why and perhaps most important, what can and should be done to improve.

THE SIRIUS SALES METRICS FRAMEWORK

Our sales metrics framework is built on a solid foundation that allows for a comparatively dispassionate, unbiased view of sales and selling. The first component of the foundation is metric categories, which include:

- *Operational.* The starting point for sales, operational metrics examine the function's cost structure, including personnel, travel and entertainment, and program expense. This category also encompasses headcount data including open territories, man months, turnover (both forced and voluntary) and time to performance for new hires. Expense-related metrics are typically extracted from finance systems; headcount, from human resources systems.

- *Results.* This category comprises sales achievement, or absolute contribution for external financial reporting; and sales performance, which tracks the attainment of quota. Sourcing these metrics usually requires the help of corporate financial, performance management and incentive compensation systems.

- *Opportunity.* Our third category measures both demand creation and sales cycle data, basically the tracking of opportunities through their lifecycle. Individual opportunity data (revenue, products, sales phase and close date) is aggregated into the sales pipeline, with forecasts generated from subsets of pipeline data weighed against anticipated close dates. These metrics generally are sourced through the opportunity management module of a sales force automation system.

- *Productivity.* This final category is exceptionally powerful in answering the question of why things are happening as they are, as it measures both the efficiency (time and effort) and effectiveness (quality and relevance) of selling. Not only does it examine the volume, velocity and deal size of active opportunities, it measures the number of critical sales activities completed and the competency of salespeople to complete them in a quality manner. Organizations capturing metrics in this category generally use a combination of sales force automation systems and sales productivity systems that can manage attributes including training, knowledge and tasks.

The second component of our foundation, demographics, allows these metric categories to be examined across six dimensions, the specificity of which is only limited by the territory management capabilities of a sales force automation system. These demographics include geography (worldwide, region, team); channel (global, major, named, inside); vertical (financial services, healthcare); customer (size, status); product group; and time (quarter, month, week, day).

The final component of our foundation is metric type, of which there are three. A sales metric is sales data that is viewed by a demographic or set of demographics, such as revenue per district or leads per product. A sales ratio compares two sales metrics against a set of demographics, such as expense-to-revenue by region, or sales to pre-sales resources by vertical. A sales average looks at a sales metric against the entire sales data set, such as average deal size or average sales cycle length.

USING THE FRAMEWORK

Our Sales Metrics Matrix (below) depicts a series of specific metrics within each metric category that SiriusDecisions believes to be essential. Remember that these are guidelines, as every sales organization is unique; one recommendation that does not change, however, is the requirement for gaining buy-in on any change to your legacy metrics from the CXO level as well as the sales management hierarchy.

Once your framework is in place, establish fresh baseline measurements to provide a basis for comparison and the assessment of progress. Every strategic initiative undertaken to improve or optimize the performance of the sales function – be it focused on results, opportunities or productivity – must have a specific set of metrics to benchmark against both goals and overall impact.

As an example, while everyone may agree that sales training is important, few organizations are able to quantify its impact. By establishing a baseline for new hire time to performance, training organizations can monitor the impact of a redesigned on-boarding process. To truly understand the impact to results, however, segmentation and comparison of sales results for those reps that have been trained and utilize the process as compared with those who have not is required. This approach will eventually reverse the trend of deploying initiatives rapid-fire to the entire organization based on decisions derived from the experiential database.

SiriusDecisions Sales Metrics Matrix

METRIC CATEGORY

OPERATIONAL	PERFORMANCE	OPPORTUNITY	PRODUCTIVITY
Expense ■ Personnel ■ Commissions/bonus ■ Travel and entertainment ■ Programs: Training ■ Programs: Sales support ■ Programs: Sales tools *Headcount* ■ Active sales roles ■ Active/open territories ■ Man/month capacity ■ Sales tenure ■ Sales turnover (forced, voluntary) ■ New hire time to productivity	*Achievement* ■ Revenue ■ Units ■ Product ■ Margin *Performance* ■ Quota attainment: Revenue ■ Quota attainment: Units ■ Quota attainment: Product ■ Quota attainment: Margin	*Demand Generation* ■ Net new opportunities ■ Sales accepted leads ■ Sales qualified leads ■ Marketing/sales contribution to pipeline *Sales Cycle* ■ Opportunity data: Revenue ■ Opportunity data: Products ■ Opportunity data: Sales phase ■ Opportunity data: Close date ■ Pipeline summary data ■ Forecast to close ■ Forecast accuracy	*Performance* ■ Deal size ■ Sales cycle length ■ Win rates *Opportunities* ■ Number of active opportunities ■ Opportunity movement ■ Opportunity revenue ■ Opportunity fallout ■ Net new opportunities *Activities* ■ Cold calls ■ Value demonstrations ■ Proposals ■ Opportunity plans ■ Account plans *Competencies* ■ Process utilization ■ Skill assessment ■ Knowledge certification

Deploying the framework in a repeatable, systematic way will rely on sales technology. Whether it is a sales force automation, sales productivity or compensation management system or an overall dashboard that rolls up key metrics for reporting, sales leaders certainly have a lot on their hands to manage. Building the process behind this technology, as well as the discipline to mandate its proper use is the only way to ensure that any technology investment pays off, and that the metrics generated are both credible and accurate. Without them, you have merely purchased a series of very expensive systems to add up numbers.

THE SIRIUS DECISION

In the end, we believe the combination of the components of the SiriusDecisions Sales Metrics Framework is the only way that sales leaders will be able to survive the regular peppering they receive from both their management teams and their boards. By not committing themselves to the capture and analysis of metrics that are this robust, these leaders become slaves to their environments without any way to proactively effect change. We're pretty sure you would agree that it is akin to sailing through an ice field in the dark; disaster isn't a matter of if, but rather how soon.