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### The Sales-Balanced ScoreCard

*Measuring on turnover alone is not enough*

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**An important conclusion of a Dutch inquiry last year was that 80% of the sales organisations were dissatisfied about their performance measurement system. SalesPro Business Consulting has developed in cooperation with the Erasmus University Rotterdam a solution to overcome this problem: *the Sales-Balanced ScoreCard (S-BSC)*. The *S-BSC* enables sales organisations not only to formulate sales strategy and objectives, but also realize it!**

The current market can be characterized as that organisations try more and more to improve the effectiveness and efficiency of their organisation. Factors as stronger increasing sales costs (absolute and relative), increasing number of competitors and stronger demands of customers, strengthen the need to monitor sales organisations and processes quantitatively on their sales performance.

In above mentioned era the use of sales performance measurements systems is a must, but are most of the time insufficient. An inquiry concluded that 80% of the Dutch sales organisations are dissatisfied with their sales performance system. The reason lies in the fact that most of these systems are based on monitoring short term indicators (mostly financial indicators) or/and are only focussed on a part of the sales process (f.i. personal selling).

This new sales performance measurement system, described in the article, measures only on relevant factors (critical success factors), which have a substantial impact on the effectiveness and efficiency of the sales organisation or process in total. The main objective of the Sales-Balanced ScoreCard is to improve the sales performance on short **and** long term.

#### **Sales-Balanced ScoreCard**

The Sales-Balanced ScoreCard is based on the same four perspectives as the Balanced ScoreCard developed by Kaplan and Norton. In each perspective are a number of critical success factors (CSF's) defined which have a great impact on the sales performance of the total organisation.

To measure CSF's each one has to be specified in several key performance indicators (KPI's) and each CSF and KPI should be provided with a target, so managers can easily see if immediate action is required.

To monitor the sales organisation each KPI and CSF need to be analysed for differences (target versus reality) and sudden changes overtime. When necessary, as indicators shows numbers that are below expectations (= targets) or change extremely negative in a short period, management can make changes in an early stadium to still reach expected sales results.

Methods to find the right target value are:

- I) Use targets which are used by the company's (most important) *competitor(s)*.
- II) Use targets which are used in the *segment* where the company operates in.
- III) Use targets which are used by *Best-In-Class companies*, companies who excel in a specific CSF.

In short, the Sales-Balanced Score-Card gives sales management the possibility to monitor almost directly the current situation of the short and long term sales performance and to make the necessary changes in an early stage. In figure 1 are briefly describes the main advantages and disadvantages of the S-BSC.

<b>Figure 1</b> <b>Advantages</b>	<b>Disadvantages</b>
<p>The S-BSC:</p> <ul style="list-style-type: none"> <li>• improves the sales performance</li> <li>• increases the chance of higher sales results</li> <li>• shows all factors which are crucial for current sales organisations</li> <li>• is specific for sales</li> <li>• prevent information overload</li> <li>• makes it possible to compare with other business units and/or over different periods</li> </ul>	<p>The S-BSC:</p> <ul style="list-style-type: none"> <li>• has to be made specific for an individual sales organisation</li> <li>• success depends on the commitment of the organisation (top-down)</li> <li>• is a intensive process</li> </ul>

Figure 2 shows the Sales-Balanced ScoreCard including the Critical Success Factors for sales organisations in general. This does not mean that all CSF's mentioned in this model are important for every organisation. The S-BSC has to be made specific for an individual organisation. Each organisation need individually, dependant on their specific sales situation, define their own relevant factors. The organisation can use the CSF's mentioned in the Sales-Balanced ScoreCard, but not all CSF's and KPI's are relevant for each organisation, because an organisation can have specific CSF's or KPI's which have to be used. Therefore the S-BSC has to be made specific for an individual sales organisation. Finally, implementing a S-BSC results in a custom-made sales performance measurement system.

Factors that determine the specific sales situation are complexity of customers, complexity of produced products or services, dynamics of the market and defined mission, strategy and objectives of the organisation. For instance an organisation where account management is important, need to use other CSF's and KPI's than an organisation with a personal sales force.

Below the meaning of the four perspectives are in short explained.

### The four perspectives

The Customer perspective answers the question: “What do customers find important in our organisation”. This question is at this moment, because of the current focus on customer and customer values, very important within many companies.

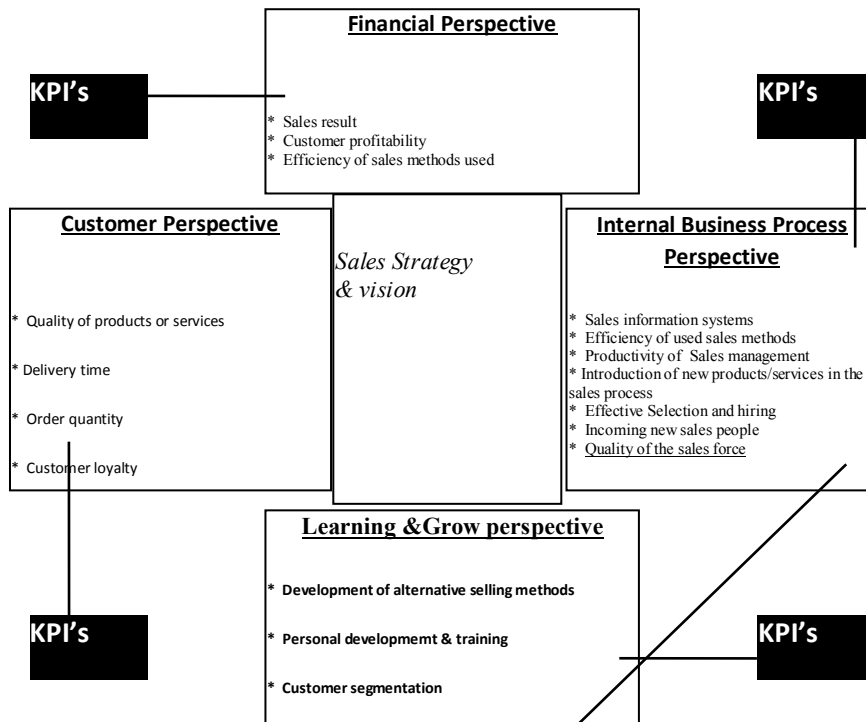
The Internal Business Processes perspective identifies factors which the organisation need excel in to retain existing customers and gain new customers.

The third perspective, Learning & Growth, shows the factors where the organisation need to invest in, to realise objectives defined in the other perspectives.

The final perspective, Financial perspective, shows traditional factors (sales and profit figures) used by most current organisations. Most of these indicators are defined as *lagging*. Lagging indicators give the result of changes made in the past. In contrary of the most key performance indicators defined in the other perspectives. These ‘*leading*’ indicators generate results which affect the organisation’s future success.

The KPI’s per CSF won’t be mentioned in this article, due to the huge amount of indicators included in this model. As an illustration is in figure 2 the CSF *quality of the sales force* of the internal perspective further deployed.

**Figure 2 Sales-Balanced ScoreCard**



**Quality of the sales force:**  
*The quality of the sales force is viewed internally as well from the customer perspective. Within the customer perspective the focus is on the professional level of the sales organization while within internal business processes the focus is on the productivity and efficiency of the sales.*

**Examples of KPI's**

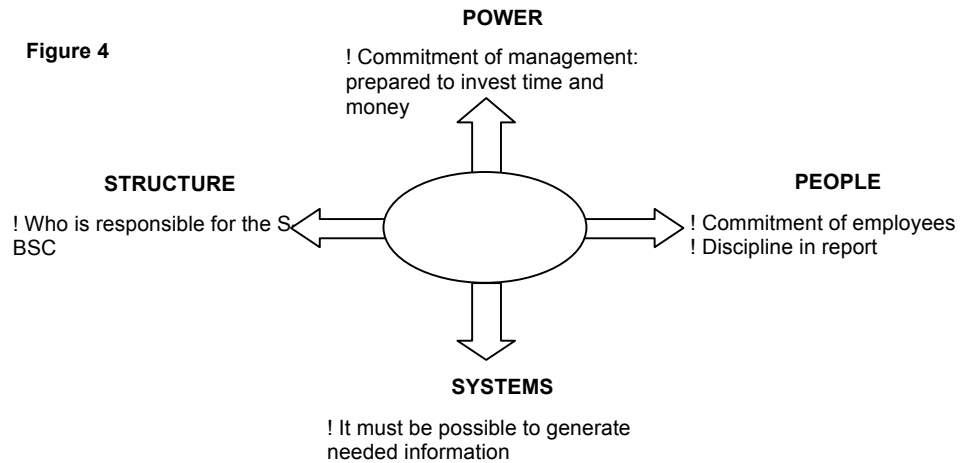
- Number of customers with no revenue in last 6 months
- Number of terminated contracts per sales FTE
- Number of new customers per visit
- Average revenue per visit
- Average revenue per sales FTE
- Average number of orders per Sales FTE
- % of use of different sales methods and approaches

derived from the existing bal-  
 s new because it provides a  
 factors and key performance

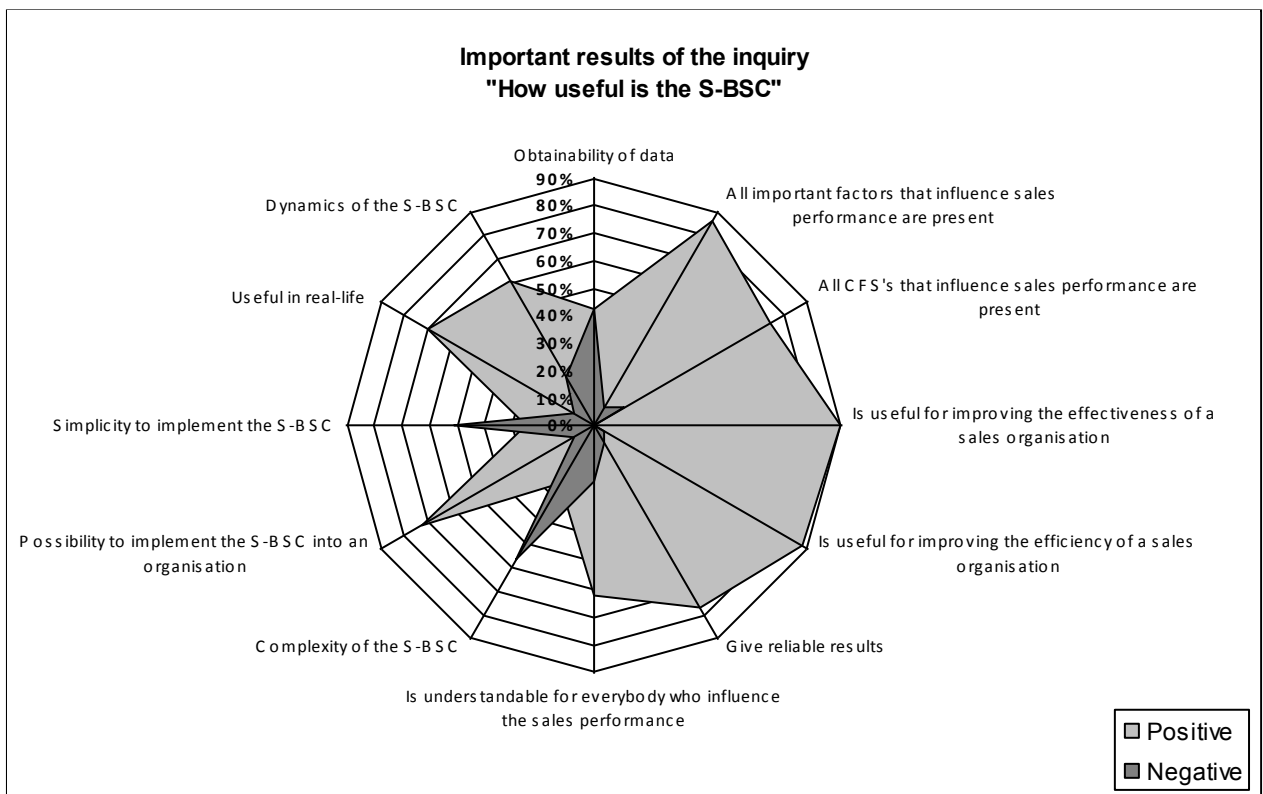
indicators which are for most organisations very critical. This can be useful in defining a sales organisation's own S-BSC. Using the Sales-Balanced ScoreCard helps managers improving the effectiveness and efficiency of the sales managers (see also figure 3).

### Success Factors for implementing the S-BSC

The most important factor to make the implementation of the Sales-Balanced ScoreCard a success, is commitment of the people in the sales organisation. As stated by Judson in his books about change management, all organisational changes need to be implemented strategically. Rash and abrupt implementation makes employees shivery in joining a project. This kind of problems can be minimized when the project is started with a number of sales persons. For other success factors see also figure 4.



**Figure 3**



## **Conclusion**

The Sales-Balanced ScoreCard is a model of several critical success factors and key performance indicators based on the specific sales situation of an organisation. This gives sales management not only the possibility to formulate strategy and objectives, but also realize it! Sales Management can easily monitor the sales performance (both short and long term) of the total organisation and when necessary make the required changes.

Solely the process of developing a S-BSC contributes to better sales results, because all sales employees understand which factors have a great impact on sales performance and implementing this system will raise the efficiency of the sales organisation.

Research and real life cases have proven that the S-BSC can be very useful for sales organisations. By using a scorecard derived from a specific sales situation, it enables an individual organisation to structurally improve the sales performance!

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