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Designing Sales Management's Dashboard:
Integrating the Balanced Scorecard into Sales Performance Management
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Through training workshops, online resources, and research materials, The Sales Management Association addresses the management issues of greatest concern to practicing sales managers. The Sales Management Association's focus areas include management leadership, sales force performance coaching, sales planning, sales process management, enabling technologies, incentive compensation, and sales force support.

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Overview

Tracking the right performance metrics is critical to any sales organization's success. But getting the right performance results into the right managers' hands represents a daunting challenge in a complex selling environment. A tool of pivotal importance in this process is the performance dashboard: an efficiently displayed summary of essential metrics offering a quick understanding of current performance.

What should go into the dashboard? And who makes sure dashboard metrics appropriately reflect corporate strategy and objectives? One tool for bridging the gap between sales and corporate objectives is the "balanced scorecard," a widely-used management system aligning corporate vision with business activities. In this paper and in the accompanying case study, we review how management can use the balanced scorecard as a critical design input for sales management dashboard development.

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The Approach

Corporate vision guides the development of metrics that represent an organization's sales objectives, strategies and tactical goals. At the tactical level, these metrics serve as the primary vehicle for managing performance. Targets are set for each metric and performance monitors provide timely feedback and opportunities to initiate corrective actions
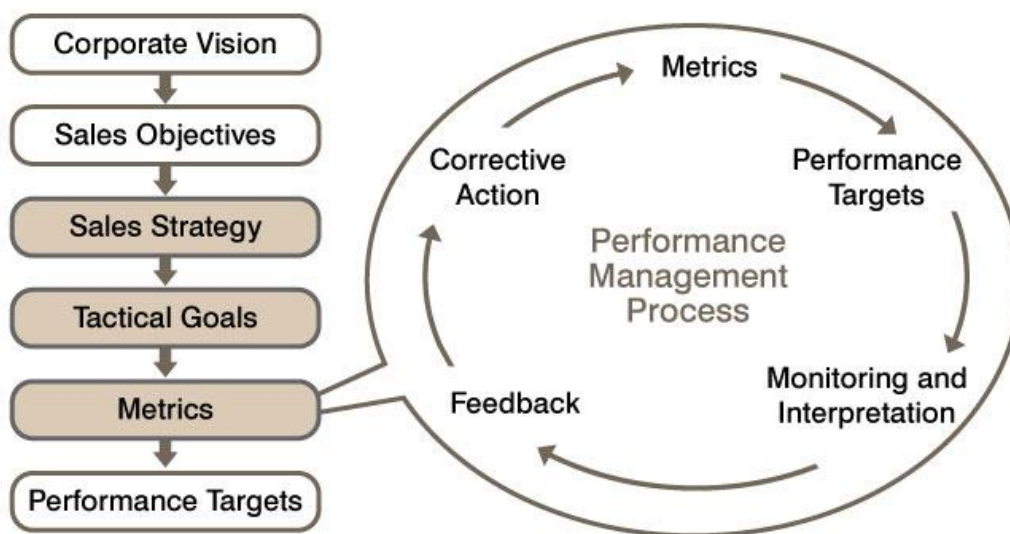

The first step is to identify the metrics that we want to build our scorecard around. We begin by creating a framework to organize and prioritize all the available metrics. This framework consists of two dimensions: a corporate perspectives dimension and performance dimension.

The corporate approach takes a 360 degree view of the organization from five distinct perspectives: customers, employees, partners, investors and internal processes. This approach is typically utilized in the "Balanced Scorecard" approach.[1]

Five Views of the Corporate Organism

A thorough examination of each corporate perspective is initiated, and appropriate individuals identified to provide a list of metrics appropriate for each sector.
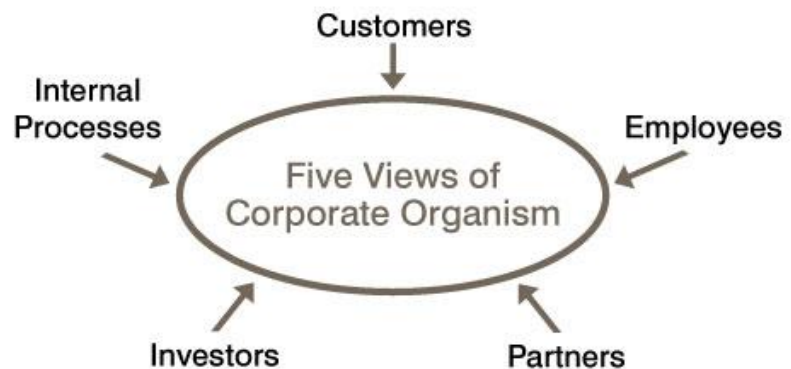
The sales performance dimension consists of four elements: readiness, productivity, efficiency and effectiveness. We define these elements in the graphic below and offer examples of metrics that exist within each element.

One example of this relationship is as follows:

Sales Performance = [#reps*total hours] X [$/deal] X [deals/hour] X [%wins] = Revenue
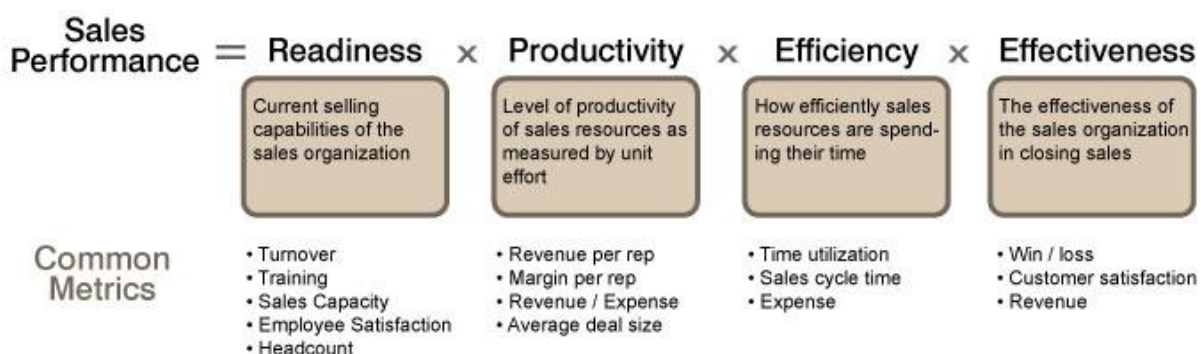
Once we've completed our fact-finding and categorized our metrics by corporate perspective and sales performance, we can create a matrix with these two axes and populate them with the

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appropriate metrics. Now we're ready to create our scorecard.

The Balanced Scorecard Creation Process

The scorecard is created in three steps: metric selection, design and implementation. The principles associated with each step are outlined below.

Metrics selected must meet one or more of the following criteria:

- Support stated objectives, strategies and goals
- Can be directly impacted by sales management
- Can be measured in a cost effective and timely fashion
- Reflect one of the four key dimensions of sales performance (readiness, productivity, efficiency and effectiveness)
- Enable performance benchmarking with industry competitors and best-in-class companies

Scorecard design principles should accomplish one or more of the following objectives:

- Reflect senior management priorities
- Balance internal and external metrics
- Include measures of past performance and indicators of future performance
- Minimize the number of metrics in order to facilitate management interpretation
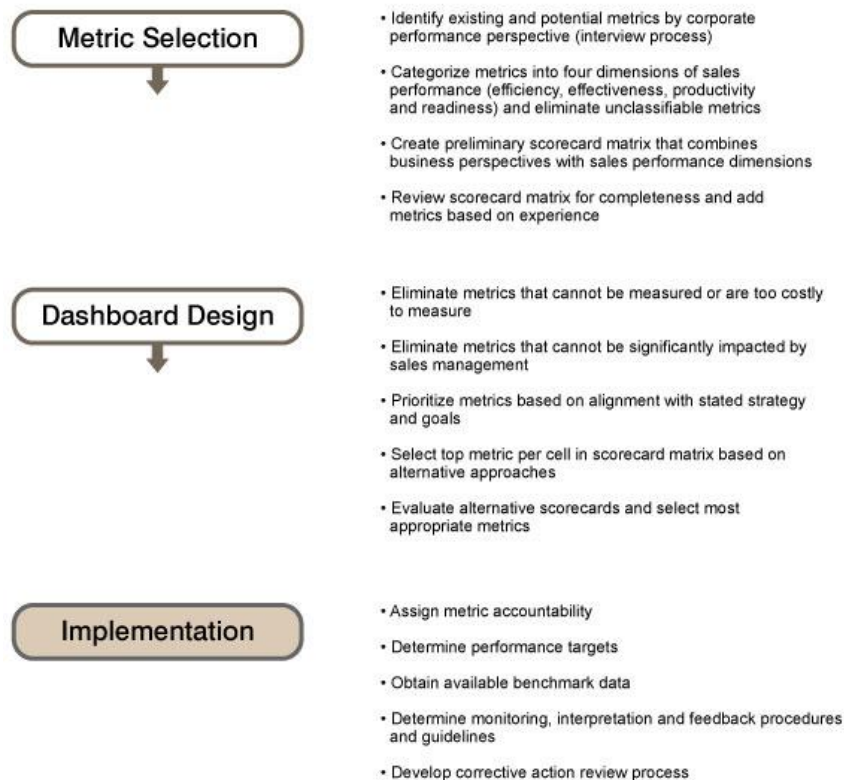
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The design process and detailed steps involved are outlined below.

Metric Selection

- Identify existing and potential metrics by corporate performance perspective (interview process)
- Categorize metrics into four dimensions of sales performance (efficiency, effectiveness, productivity and readiness) and eliminate unclassifiable metrics
- Create preliminary scorecard matrix that combines business perspectives with sales performance dimensions
- Review scorecard matrix for completeness and add metrics based on experience

Dashboard Design

- Eliminate metrics that cannot be measured or are too costly to measure
- Eliminate metrics that cannot be significantly impacted by sales management
- Prioritize metrics based on alignment with stated strategy and goals
- Select top metric per cell in scorecard matrix based on alternative approaches
- Evaluate alternative scorecards and select most appropriate metrics

Implementation

- Assign metric accountability
- Determine performance targets
- Obtain available benchmark data
- Determine monitoring, interpretation and feedback procedures and guidelines
- Develop corrective action review process

Matrix Design

To facilitate scorecard design, create a matrix for the various metrics uncovered in the fact-finding process. Because each metric can be understood in terms of sales performance as well as a business perspective, the matrix combines business perspectives along the horizontal axis and sales performance dimensions along the vertical axis. Each metric is then placed

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within its most appropriate classification with respect to these dimensions. This tool has the following benefits:

- Creates a framework around the metrics selection process
- Balances business perspectives and sales performance views
- Provides a systematic approach
- Facilitates prioritization
- Allows identification of particular areas of emphasis
- Highlights areas with no metric coverage

Example Matrix:

	Customers	Employees	Partners	Processes	Investors
Effectiveness	• Win/loss	• % to Plan Incentive Pay	• Number of deal involving partners		• Product Revenue (Total or as a percent of total) • Revenue growth • Market Share
Efficiency	• Ease of doing business	• Customer face time	• Inventory (Days on Hand)	• Sales cycle time • Quality of qualification	• Expense
Productivity	• Deal size	• Revenue per head • Revenue/ expense • Margin /head	• Indirect revenue (wholesaler)	• Quota $ per rep • Prospect attrition rates	• Margin
Readiness	• Customer satisfaction • Customer reference-ability	• Turnover % • Number of performance appraisals completed • Days training per employee	• Partner coverage	• Pipeline coverage • Forecasting accuracy • Resource capacity	

Criteria for Eliminating Metrics

Eliminate metrics that might be too difficult or costly to measure.

Example:

- The amount of effort exerted on business approvals

Eliminate metrics that cannot be directly impacted by the sales organization

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Examples:

- Customer's growth rates
- Customer profitability
- Partner satisfaction
- Number of deals involving per partner
- Share of partner revenue by platform
- Partner's profit margin
- Partner churn
- Rate of technology transfer
- Number of certified consultants
- Number of certified partners

Rules for Metrics Prioritization

Each cell in the metrics matrix may contain many metrics. These must be prioritized according to some basic rules:

- Alignment with stated strategy and goals – Use metrics that align with the strategy of the organization
- Frequency and intensity of emphasis during fact-finding – Use metrics that are emphasized in more than one corporate perspective.
- Experience – Use metrics you know from experience are important.
- Availability of benchmark data – Use metrics for which benchmarks exist

Preliminary Scorecard

After the metrics matrix is completed, create a set of display graphics for the top metrics from each cell. Feedback from management can help determine if additions or alternative metrics are required.
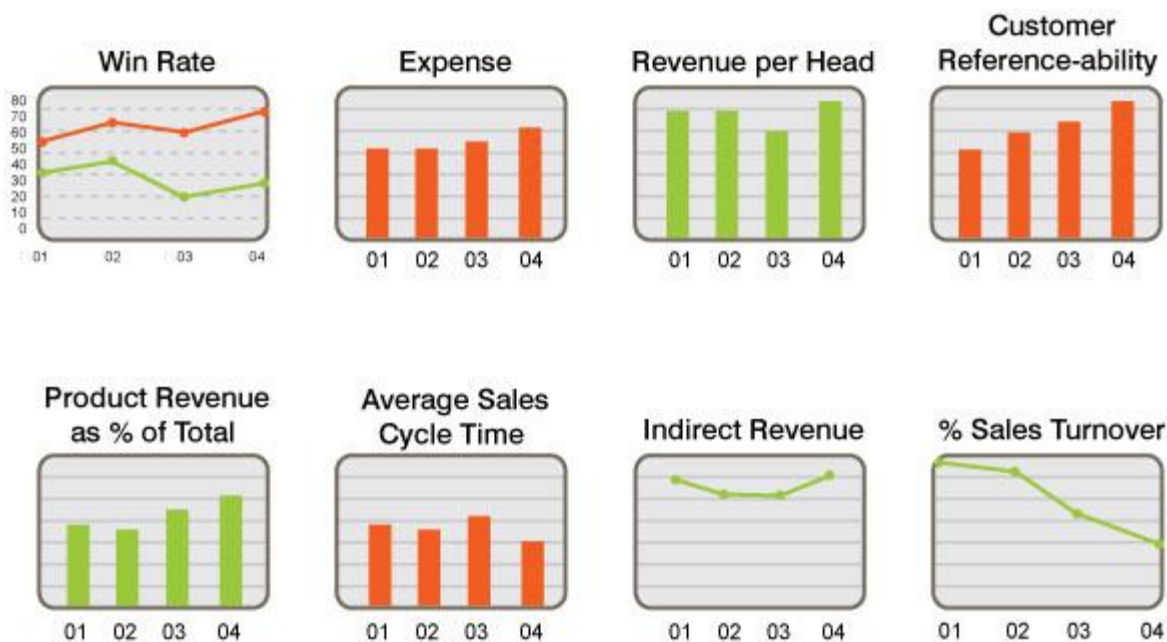
Scorecard Implementation

After agreement is reached on scorecard design, the implementation process may begin. Effective scorecards require live data feeds and multiple data sources that may complicate the data integration process. Here is a list of the steps involved in implementation.

- Select final scorecard metrics
- Identify data sources
- Assess feasibility
- Assign metric accountability
- Develop an action plan
- Create a timeline

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- Populate initial metrics
- Establish internal and external benchmarks
- Determine targets
- Determine procedures and guidelines for monitoring, interpretation and feedback
- Develop a corrective action review process

Best practice allows for online scorecards that can be customized to suit a particular user. For example, an online version of the matrix tool described above might give the user the option to select the metrics they were interested in and build their own scorecard. Additionally, users may want the ability to drill down to other levels in the organization (i.e. a district manager wants to see his district's data).

In conclusion, designing an effective scorecard is a complex process, requiring detailed research, data integration, online application development and a comprehensive analysis of a corporation's current position and its goals for the future. But the benefits far outweigh the costs, providing management with a methodology to track those metrics and the ability to use that information to guide the organization toward success.

Notes

1. The Balanced Scorecard: Translating Strategy Into Action; Kaplan, Robert S., Norton, David P., Harvard Business School Press (September 1996).
2. Designing a Metrics Dashboard for the Sales Organization; Mike Rose, SalesLobby.com (2002).

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