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Faculty of Technology Management
Industrial Management

**SALES PERFORMANCE MEASUREMENT AND STEERING
IN A MULTINATIONAL COMPANY**

Master's Thesis

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Examiners: Professor Hannu Rantanen
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ABSTRACT

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Subject: Sales performance measurement and steering in a multinational company

Year: 2011

Place: Lahti

Master's thesis. Lappeenranta University of Technology,
Industrial Management

95 pages, 8 figures, 2 tables, and 2 appendices

Examiners: Professor Hannu Rantanen and Professor Anne Jalkala

Hakusanat: Myynnin suorituskyky, myynnin ohjaaminen, mittausjärjestelmät

Keywords: Sales performance, sales steering, performance measurement systems

The objective of the study is to find out how sales performance should be measured and how should sales be steered in a multinational company. The beginning of the study concentrates on the literature regarding sales, performance measurement, sales performance measurement, and sales steering. The empirical part of the study is a case study, in which the information was acquired from interviews with the key personnel of the company. The results of the interviews and the revealed problems were analyzed, and comparison for possible solutions was performed.

When measuring sales performance, it is important to discover the specific needs and objectives for such a system. Specific needs should be highlighted in the design of the system. The system should be versatile and the structure of the system should be in line with the organizational structure. The role of the sales performance measurement system was seen to be important in helping sales steering. However, the importance of personal management and especially conversations were seen as really critical issue in the steering. Sales performance measurement could be based on the following perspectives: financial, market, customer, people, and future. That way the sales department could react to the environmental changes more rapidly.

TIIVISTELMÄ

Tekijä: Tuomainen Vesa Aleksi

Työn nimi: Myynnin suorituskyvyn mittaaminen ja ohjaaminen monikansallisessa yrityksessä

Vuosi: 2011

Paikka: Lahti

Diplomityö. Lappeenrannan teknillinen yliopisto, tuotantotalous.

95 sivua, 8 kuvaa, 2 taulukkoa ja 2 liitettä

Tarkastajat: Professori Hannu Rantanen ja professori Anne Jalkala

Hakusanat: Myynnin suorituskyky, myynnin ohjaaminen, mittausjärjestelmät

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Työn tavoitteena on selvittää kuinka myynnin suorituskykyä tulisi mitata ja kuinka myyntiä tulisi ohjata monikansallisessa yrityksessä. Työn alkuosa keskittyy kirjallisuuteen joka liittyy myyntiin, suorituskyvyn mittaamiseen, myynnin suorituskyvyn mittaamiseen ja myynnin ohjaamiseen. Työn empiiristä osaa on case-tutkimus, jonka materiaali pääosin hankittiin haastattelujen avulla. Haastattelujen tuloksia ja niistä löydettyjä ongelmakohtia analysoitiin ja erilaisia ratkaisuvaihtoehtoja vertailtiin työn loppuosassa.

Myynnin suorituskykyä mitattaessa olisi tärkeää selvittää järjestelmän tarpeet ja tavoitteet. Näitä tarpeita ja tavoitteita tulisi korostaa suunnittelussa. Järjestelmän tulisi myös olla monipuolinen. Järjestelmän tulisi myös vastata organisaation rakennetta. Suorituskyvyn mittausjärjestelmä tuottaa myös tärkeää tietoa myynnin ohjaamisen avuksi. Erittäin tärkeä tekijä myynnin ohjaamisessa on henkilökohtainen johtaminen ja erityisesti keskustelut, joiden avulla saadaan muun muassa tavoitteet viestittyä paremmin. Myynnin suorituskyvyn mittaaminen voisi pohjautua seuraaviin näkökantoihin: talous, markkina, asiakas, ihmiset ja tulevaisuus. Näiden avulla yritys voisi kyetä reagoimaan entistä paremmin muutoksiin toimintaympäristössä.

ACKNOWLEDGEMENTS

The thesis work at Stora Enso Packaging Oy has been a really magnificent opportunity for me; the subject was a challenging one and I have had a chance to meet really great and dedicated people. I would like to thank Kati Tanninen for helping me get this opportunity. I would also like to thank all the people I have met at Stora Enso Packaging Oy and who have helped me with my thesis work. Especially grateful I am to Jouni Seppälä for offering me this possibility and having time for mentoring and having interesting conversations throughout the process, despite his busy calendar.

After 17 years of education, I will be ready for one last graduation. I would like to thank all the great people I have met during my school years and especially those who became my good friends. My friends have offered me support, healthy competition, and joy through all these years. I am grateful to my family who has made studying possible for me and has always supported me on the road I chose. I would also like to thank all the teachers and professors who have given advice and help during these years.

Lahti, 28.4.2010

Vesa Tuomainen

TABLE OF CONTENTS

1	INTRODUCTION	7
1.1	Background of the study	7
1.2	Objectives	8
1.3	Research methodology.....	9
1.4	Structure of the study	10
2	SALES PERFORMANCE	13
2.1	Sales function.....	17
2.2	Performance measurement.....	17
2.2.1	Benchmarks	18
2.2.2	Desired metrics and measurements	21
2.2.3	Internally and externally oriented measures	22
2.3	Performance measurement in sales.....	23
2.4	General objectives for a sales performance measurement system.....	26
2.5	Different performance measurement systems	32
2.5.1	The Balanced Scorecard	33
2.5.2	Dynamic Multi-Dimensional Performance framework	36
2.5.3	Customized performance measurement systems	37
2.6	Possible metrics for a sales performance measurement system	39
3	SALES STEERING	42
3.1	Agency and organizational theory	43
3.2	Sales control.....	44
3.3	Sales function steering.....	46
3.4	Salespeople steering.....	50
3.5	Sales steering suggestions.....	55
4	CASE STUDY	57
4.1	Current situation	58
4.1.1	Sales performance measurement in the case company.....	58
4.1.2	Sales steering in the case company.....	59

4.2	Summary of interviews	60
4.2.1	Sales performance in the case company	61
4.2.2	Specific objectives for a sales performance measurement system	63
4.2.3	Metrics for sales performance measurement in the case company	64
4.2.4	Sales steering and salespeople motivating in the case company ...	66
4.3	Customized sales performance measurement system for the case company.....	67
5	SITUATION ANALYSIS AND COMPARISON OF OPTIONS	72
5.1	Analysis of sales performance development options.....	72
5.1.1	Overall objectives for a sales performance measurement system .	75
5.1.2	Analysis of sales performance measurement systems	78
5.1.3	Suitable metrics for a sales performance measurement system.....	80
5.2	Analysis of sales steering options.....	82
6	CONCLUSIONS	88
6.1	Answers to the research questions	88
6.2	Additional conclusions for the science community	93
6.3	Additional conclusions for the case company	95
6.4	Further research	96
7	SUMMARY	97
	REFERENCES.....	101
	APPENDICES	

1 INTRODUCTION

The contribution to the academic community will be achieved by gathering the key points from a variety of different researches that have been conducted from sales performance measurement and sales steering, and by comparing these literature findings to the results of the interviews performed. This way the academic community will get either more empirical support for the findings, or the findings might be questioned by the lack of empirical support. Another purpose is to find answers to the sales performance measurement related problems of the case company. This purpose sets the research objective and the research questions for the study because the company wants to find answers to certain problems. As a master's thesis, this study will also show the academic competence of the author. Going through the literature related to the subject and thorough consideration of the found issues, will increase the knowledge of the author.

1.1 Background of the study

The subject of this study is important for the academic world because performance measurement is constantly developing, and there is a constant need to evaluate existing theories and practices and develop new possibilities to be used (Geiger and Guenzi 2009, pp. 881). The performance measurement research has mainly concentrated on the level of the entire company and the specific functions within companies have received much less attention. The basic principles of the performance measurement mostly apply to the department specific performance measurement but there are always many things to be considered when a system is to serve a specific function.

From the company point of view the subject is also important (Geiger and Guenzi 2009, pp. 883). In the case company, there are currently organizational, managerial and information system changes related to the sales function in action. The company feels that there is a need to develop sales performance measurement and sales steering systems to optimally serve the new organizational structure and managerial needs. The research questions have been set to help the case company

find solutions to its problems.

1.2 Objectives

The objective of this study is to research how sales performance should and could be measured in a multinational company and how sales and sales performance could be steered into desired direction. Thus the main research question for this study is: *how sales performance should be measured and sales be steered in a multinational company?* This main question can be divided into smaller sub-questions in order to find the solution. These sub-questions of the study are:

1. *What kind of attributes should a sales performance measurement and steering system have?*
2. *What kind of metrics should be used to measure sales performance?*
3. *What kinds of metrics support the sales process?*
4. *What kind of sales performance management system can answer both the local and the global challenges?*
5. *How well are the current systems of the case-organization answering the previous questions and how could the systems be developed?*

Research method in this study will be a case study, because case study makes it possible to find solutions to the sales performance related problems of the employer. The interviews performed were restricted to the executives at the group level organization and to managers in country organizations. The executives were from different functions like procurement, business development, and controlling and the objective of these interviews was to get a comprehensive view of the topic over the organization. The managers were mainly from sales organizations in order to get more specific view about sales performance. Salespeople were not interviewed because it would not have offered much more information in regard of answering the research questions. Although, if the findings of this study would lead to some actions in the company, it would be necessary to organize meetings with the salespeople to offer a possibility to affect the system that would be part of their job in the future. The study is restricted to the sales function of the case

company and other functions are not considered in this study, but it should be kept in mind that one important criterion for the suitability of a system is further development. The study was performed during the winter and spring of 2011 and thus evaluates situation as it was at that specific time.

The main sources of scientific information for the study are scientific articles from the area of sales performance. The articles are mainly from recognized international journals related to marketing, performance or management. The information for the case study was acquired by in-depth interviews with the key personnel of the case-company and by going through documents and using systems. The case study will also search for support to the key findings of the literature review.

1.3 Research methodology

This study is part of design sciences where the objective is to solve a certain problem. By its nature, the study is prescription-driven as the general objective is to produce a solution through options and evaluation of these options. (Aken 2004) This approach has been chosen because comparison and analysis of the different options brings more support to the findings than evaluation of a single method. There is also greater possibility of finding a solution that matches the requirements of the case company when considering various options. The basic idea is to increase academic knowledge of designing sales performance measurement systems.

In the field of management sciences, the study is empirical and normative so the study has a constructive way of doing research (Kasanen et al. 1991, pp. 317). The use of case study causes that the study will be qualitative because the information has been acquired from in-depth interviews instead of using quantitative survey answers gathered from many different companies. The interviews have been performed by the author and have been more conversational instead of survey style, so the answers were highly qualitative.

After interviews, the answers were sorted by topics and compared with each other. On some topics, the answers were really convergent while on others there were great differences in the answers. Because the questions were from the single company, it was expected that the majority of the answers would be similar. The analysis of the answers was also done on a qualitative way.

1.4 Structure of the study

This study has seven chapters, which are introduction, sales performance, sales steering, case study, situation analysis and comparison of options, conclusions, and summary. The inputs and outputs of each chapter have been presented in the figure 1. The inputs mean what are the key sources of information for the study and outputs mean what is the produced relevant information for other chapters. The inputs are the leftmost column, the center column is the topic of the chapter, and the rightmost column is the output of the chapter.

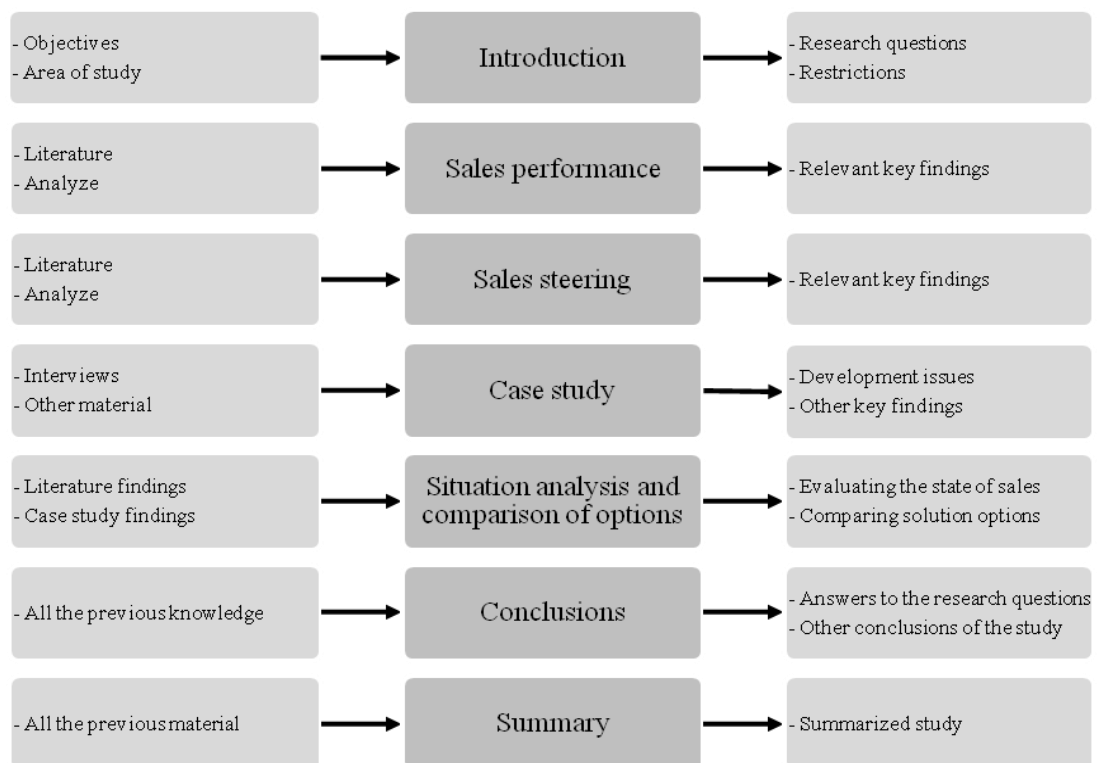


Figure 1. Input and output figure of the study

The introduction is formed by the objectives that were set for the study, and by the overall area of the study. The introduction uses that information to form the research questions and the restrictions for the study. The introduction also introduces the reader to the subject. After the chapter, reader should have an understanding of the general objectives and research methods of the study.

Two literature chapters are following the introduction. Sales performance chapter gathers relevant findings of the key studies related to the sales, performance measurement, and sales performance measurement. Sales steering chapter presents key findings of the literature regarding the sales function steering and individual salesperson level steering. The main inputs for both chapters are literature and analysis of the author. The outputs in both chapters are relevant key findings for this study from the literature.

The literature chapters are followed by the case study chapter. This chapter presents general information about the case organization and its current situation, summarizes the key findings of the interviews performed, and describes a customized sales performance measurement system designed for the case company. The inputs for this chapter are the interviews and other documents of the company. The outputs are the findings of most critical development issues and also other key findings.

Situation analysis and comparison of options chapter concentrates on finding possible solutions to the most important development issues. Certain options have also been compared. The inputs to this chapter are the literature and interview findings of the study. The outputs are thorough analysis of the situation and the comparison of the solution options.

All the previous data is used as inputs for the conclusions chapter. The chapter gives answers to the research questions based on the previous findings and also draws some other conclusions that are interesting from the science community's point of view or from the case company's point of view. These are also the outputs of this chapter. The outputs of the conclusions are probably the most critical

inputs of the summary chapter. The chapter uses all the previous information to summarize the study, which is the output of the chapter.

2 SALES PERFORMANCE

Many studies have concentrated on the area of sales performance. The earliest studies in the area are from as early as 1918 (Churchill et al. 1985, pp. 104). In the 1970's the area clearly became more interesting to the academic world because after that period the studies are plenty. There has been a constant stream of studies but the interest has changed a bit during this time period. Majority of these studies have concentrated on finding personal traits and attributes that are antecedents of salespeople performance (e.g. Churchill et al. 1985; Brown et al. 2002; Singh and Koshy 2010; Verbake et al. 2010). Lately there has been also studies that concentrate on the strategic side of sales performance, these studies are much more rare (e.g. Lebas 1995; Kim and Kim 2009; Panagopoulos and Avlonitis 2010).

Although, there are a lot of studies, there is no clear agreement on what sales performance means. Because of the varieties in where the studies focus, sales performance can be seen to mean many different things in the academic world. When Zallocco et al. (2009, pp. 604) interviewed sales executives, sales managers and salespeople, they found that there is neither a universal understanding in the business world. The interviews performed in this case study also indicate that different people understand the concept of sales performance in different ways. Thus, it is necessary to define what is meant by the sales performance in this study. Figure 2 tries to separate the two concepts of sales performance found in different studies as predecessors to the ultimate sales performance.



Figure 2. Sales performance in this study

Similarly to the findings in the previous studies, sales performance is highly related to the performance of the salespeople, and on the other hand, to the strategic decision making in marketing and sales strategy. In this study performance of the sales function is seen as a predecessor to the salesperson's performance. Sales and marketing strategies define for example customer, product, and segment selections. Today, there is a lot of competition in most of the markets, and thus it is necessary for companies to concentrate where they are strongest. The decisions made at the strategic level go through the whole chain and greatly affects how successful the company will be. For example, if the company concentrates on the wrong markets, the results will not be as good as they would be in the right markets despite how good the salespeople are. Even if the strategies would be perfect but the implementation or the management of the salespeople would be lacking, sales performance would be worse than ideal. In this sense, it is really important to include sales function performance to the concept of sales performance. Salespersons' performance is a necessary part of the sales performance because they are responsible for customer contacts and the majority of business to business selling still happens between salespeople and their counterparts at the customer company. Studies also indicate that the

performance of salespeople partly determines effectiveness of the sales organization (Babakus et al. 1996, s. 348). In bulk products selling, electronic auctions will become more usual, which will decrease the importance of salespeople's performance since only the price will matter. When selling more complex solutions or customized products, the importance of salespeople will remain high. Salesperson's performance can be seen to consist of personal level knowledge and skills, both of which can be developed to better excel in the selling, and from personal traits and attributes, which are set and cannot really be changed.

In this regard, it is necessary to take all these factors in to account when thinking of sales performance. Especially important it is in a company where the subsidiaries have a great amount of freedom and there are people from many different cultures working in the company. Cultural backgrounds will affect the salesperson's performance through different behaviors and perceptions of justice, for example. If the study would concentrate purely on people level performance, then it would be greatly biased; the researching situation in one country would not provide information about the situation in other countries and researching the situation in every country thoroughly is not a possibility in this study because of the too great workload it would require. Concentrating on the people level performance would also ignore the options in the strategic decisions which a multinational company has. If the study would only look into the strategic decisions, it would ignore one of the greatest factors in achieving sales: the personal influence of the salespeople.

The same rules that apply to performance measurement in general can mostly be applied to the sales performance measurement. However, there are some special factors that must be taken into account. In a sales performance measurement system, the special point of view will force emphasize on different things than in overall performance measurement system. For example, sales are the contact point to the customer in most of the cases and that makes the customer perspective critical from the sales performance point of view.

In the beginning, companies succeeded by adopting product orientation, then the products did no longer sell themselves, and the sales oriented companies took over the markets. Sales oriented companies gave room to the market oriented companies which understood the needs of the markets and sold the right products on right places. Today, the companies are adopting interaction oriented approach. The interaction orientated companies concentrate on individual customers. The change of orientation does not mean that the companies could forget the previous steps, but the companies must still produce superior products, sell smarter, and understand the markets. (Ramani and Kumar 2008, pp. 41)

In normal situation, customers will not buy enough products from a company without an effort from the sales force (Kotler and Keller 2006, pp. 15). Thus, it is necessary to have a sales force that sells the products the company produces. Sales performance ultimately defines the success of the company, as underperforming sales force does not bring enough sales or sells the products at too low price. Both of these situations will most likely have negative effect in the financial results.

Zallocco et al. (2009, pp. 604) describes sales performance in the following way: “sales performance is ideally an integrative part of an organization’s strategy. Sales performance measurement should be in line with overall organizational mission and objectives, and measurements should direct salesperson towards desired behaviors, and thus outcomes”. That description combines well the two sides performance measurement has; companies want to know how they are performing currently and on the other hand, they want to achieve more, which requires that the companies must steer the organization into desired direction. When the employees know how they are being measured, and the amount of metrics is low, they will pay extra attention to the actions contributing to performance in those metrics (Dumond 1994, pp. 28). Thus it is necessary that metrics have been derived from the strategy as Zallocco et al. said.

According to Singh and Koshy (2010, pp. 536) “performance refers to behaviors that contribute towards the realization of their organizational goals”. Likierman (2009, pp. 97) says in his article that executives “need make sure that today’s

measures are not about yesterday's business model". These descriptions are in line with the thoughts presented by Zallocco et al. All of these descriptions highlight the importance of performance measurement as a tool that helps to implement desired strategy in order to reach the goals.

2.1 Sales function

It is important to remember that sales are only a part of the value chain of a company. Thus, sales performance should not be developed so that the overall performance of the company would suffer. Because the most profitable products from the company's point of view may be harder to sell, and so result in lower rewards for the salespeople, they may not concentrate on the products that would be ideal for the company. The salespeople might also concentrate too much on certain products that do not allow optimizing of production. Because of this, even in function specific sales performance measurement system, it is necessary to think of the optimal result for the whole value chain. But it is also necessary to keep in mind that measured things must be such that the salespeople can influence on them (Babakus et al. 1996, pp. 347). This brings certain challenges to the system, in the sense of designing optimal metrics for the system.

When a company develops a new product, it is the task of the sales force to make sure that the customers knows the possibilities the product could offer (Dannenberg & Zupanic 2009, pp. 177). This is an important task, because a company must develop its product range in order to retain its competitiveness in the future. If the sales force does not sell the new products to the customers, there will be a point when the old products are no longer sufficient against competitors' products and the customer might change supplier.

2.2 Performance measurement

Performance measurement and control systems are used to present data that influences decision making and managerial action (Simons 2000, pp. 4). In order

to be able to present the data, it has to be gathered in some way. Often some metrics can be attained straight from other systems that already measure them (for example sales value and volume), some metrics just require re-calculation from the values in the databases, and some metrics require a totally new way to gather the data through surveys, for example. The data must also be precise and valid enough to be used in management.

The information achieved from a performance measurement system is used by managers to maintain or alter patterns in organizational activities (Simons 2000, pp. 5). These systems are normally designed to be management tools that help identify whether the actions performed are taking the company in the right direction. The performance measurement system should be based on the business strategy and goals (Simons 2000, pp. 6). Thus, it should tell how good the used strategy is. If the performance measurement system includes behavior based metrics, the system may help to recognize those behaviors that have positive effect on organizational performance and thus should be used more.

When discussing about sales performance and about performance in general it is important to understand the concepts of effectiveness and efficiency. Effectiveness refers to achievement of desired goals. Efficiency on the other hand refers to how much resources were required to achieve the outcomes. (Simons 2000, pp. 110)

2.2.1 Benchmarks

It is necessary to compare the results of metrics with some benchmarks for the measurements to be meaningful. Past performance could be used as a benchmark but it might make the company think that small improvements would be enough. If the competitors are developing more rapidly, these small improvements are not sufficient. It would be better to use strategic requirements as performance benchmarks. In this case, success or failure would be determined by performance against explicitly expressed aspirations. (McDonald 2006, pp. 264)

Most of the companies that measure performance use their own data for comparisons, either past data or a budget. The problem in the approach is that you may get information about how you are doing compared to the previous year or to the plan, but it does not give you any information about beating the competition. Companies should use benchmarks outside the company because they would indicate about the performance against the competitors. (Likierman 2009, pp. 98)

When interviewing sales managers and sales representatives Zallocco et al. (2009, pp. 603-606) found that measurement benchmarking tended to be over time and across operating units within the organization; competitors and industry standards were not used as benchmarks. They think that this kind of benchmarking shows a bias toward using more easily accessible internal information.

Therefore, it might be useful to think of these different data benchmarks and about their relative importance to the company. The data from past performance is usually most easily acquired because if some metric is in use, the past values are usually saved in some form. If the metric has not been in use and its components are not available, past values cannot be acquired. The data from past performance indicates how the company has developed in a given time frame. The biggest limitation is that it ignores any outside developments of the environment. The company might be performing efficiently, and strategies might have been effective at the moment the decision was made, but developments in the operational environment might have caused that the performance was bad.

Budgeted data as a benchmark is not without its own issues. If there are rewards connected to the measurement system, it might cause that it is in someone's interest to manipulate the budgets in order to get personal gain (Likierman 2009, pp. 99-100). Thus, it would be important to create necessary safeguards when using budgeted data or goals as benchmarks. These safeguards could include for example enough metrics, goals set together by a larger set of people, and goals set by the higher management instead of the ones that would get the reward.

Dannenberg and Zupanic (2009, pp. 177) found in their study that 94% of the

companies surveyed had formulated concrete targets for their sales employees. The top performers of the study had targets that are higher, more demanding, and more differentiated. Targets for customer satisfaction, individual product sales volumes or profit contributions were more frequently found among the average and low performers. Thus, there might be a correlation with harder to achieve targets and with better performance.

The third option is to use outside data as a benchmark. This data is hardest to acquire because it requires co-operation with outside entities. Companies rarely want to give accurate data about their operations or performance to the outsiders, especially to the competitors. The data could be achieved by outside professionals or by using innovative ways, like asking random sample of customers whether they will repurchase the product and use that as an indicator of market share development (Likierman 2009, pp. 98). Using outside professionals would bring additional costs and so it would be necessary to consider how necessary the outside benchmark data would be for each metric. Outside data is rarely available right away and is thus lagging. This will cause that decisions will also be lagging and the company might fall behind the development if it relies purely on the outside data as a benchmark.

The outside data should be used as a benchmark for the performance measurement data but because it is hard to achieve, it cannot be used in every situation. Also, it is not the most suitable option for every metric, for example there is no outside data to use as a benchmark for some internal processes. The budgeted data would be the second option to be used as a benchmark because managers can try to forecast the effects of the future environmental developments when setting the targets and goals. Goals will also drive the organization into better performance. Using own past performance as a benchmark should not be used if any other method is reasonably usable. A combination of using budgeted data and outside data as benchmarks in performance measurement systems is then suggested. However, this does not mean that performance should not be compared with past data; it just should not be the benchmark data.

Dannenber and Zupanic (2009, pp. 192) emphasizes that a learning process starts from the willingness to learn. Especially the experienced salespeople believe that they do not need additional competences. Even though the basic skills would be really good, there remains always something to learn in how situations are assessed and what the correct behavior in certain situations is. They suggest that the employees can be benchmarked against their colleagues to show their weak points with success rates and to explain the need for additional training. Thus, employee related subjective measures could be benchmarked against the performance of their colleagues. Another possibility in employee related subjective benchmarking is to use target values, and also the past values for comparison to determine whether there has been any development.

2.2.2 Desired metrics and measurements

The performance measurement systems must be constantly developed, and there have been some recent studies that indicate what kind of metrics should be used more in the performance measurement systems. For example, the majority of the interviewed respondents in the study of Zallocco et al. (2009, pp. 607) indicated that additional performance metrics should be classified as both internally oriented and indicative of sales effectiveness. Interviews also discovered that sales managers tended to focus on adding behavioral measures to sales. Kim and Kim (2009, pp. 479) say in their study: “Companies should give more attention to perceptual factors like employee and customer satisfaction – which are difficult to measure in a quantitative manner – because these kinds of factors are actually at the core of successful business strategy”.

Because the performance measurement is highly dependent on the situation where it is being used, these previous findings can be used as a checklist rather than as an actual guideline for the system. It would important to find out what kind of metrics managers lack in each situation, and then try to answer these issues in designing of a system.

There might be some critical activities, which are difficult to measure directly and must be made measurable; this will sometimes require subjective influence (Dannenberg & Zupanic 2009, pp. 176). In their research, Zallocco et al. (2009, pp. 603-606) interviewed sales executives and one finding of the interviews was that peer evaluation should be factored into performance assessment when the sales buying situation is group-based. Thus, subjective influence to performance measurement might be necessary and should not be feared. If there is subjective influence, then it must be as constant as possible to avoid inequality if it is compared with the past data.

In their interviews Zallocco et al. (2009, pp. 607) did find that some salespeople wanted less focus on group outcomes and more focus in individual accomplishments. Group outcomes are usually easier to measure and of greater importance to the senior management. The initiative for a performance measurement system usually sparks from the senior management and their desires are considered as the most important. The needs of the lower level management may easily get less attention. The information need greatly varies based on the position within the company and data at one level cannot answer to every need. Thus, it would be a benefit if the data could be analyzed in different levels. Sales people and sales managers would be interested in individual salesperson's performance, sales and country managers would be interested in country, team, and customer level performance, while group level senior management would be interested in country and key customer level performance.

2.2.3 Internally and externally oriented measures

Measures with focus on the operations of the organization or firm of interest are called internally oriented measures. These internally oriented measures tend to be derived from the use of the internal organizational resources used to develop the salesperson. Alternatively, externally oriented measures focus on the environments, most typically the customer or marketplace situation. (Zallocco et al. 2009, pp. 601)

In a performance measurement system, it is important to measure both of these dimensions. Internal measures indicate how efficiently the company performs in its processes and are the processes effective in order to achieve the objectives. External measures on the other hand indicate how the customers see the company, how the company performs against the markets and are the actions performed effective in external sense. It would be especially important to use outside data as a benchmark for the external measures.

There is also evidence that the external measures (e.g. customer satisfaction) positively relates to salesperson job satisfaction but internal dimensions such as selling skills did not (Harris et al. 2005, pp. 30). Job satisfaction most likely increases work motivation, and improved work motivation most likely increases performance of the employees. Therefore, external measures may be even more important than internal measures for increasing company performance.

2.3 Performance measurement in sales

Any measurement system should involve customer perspective, because the way the customers view a firm is probably the most important issue for the top management (e.g. Flapper et al. 1996, pp. 28; Ghalayini & Noble 1996, pp. 66; Kaplan & Norton 1992, pp. 72; White 1992, pp. 43). Satisfied customers mean stronger customer loyalty to the seller company. Stronger customer loyalty on the other hand means that the company will have more customers. Therefore, customer loyalty has a significant effect on the organizational profit and growth. (Heskett et al. 1994, pp. 164) Customer perspective is of special importance for the sales performance measurement since the sales department is usually the part of the company which is in contact with the customer the most.

Zallocco et al. (2009, pp. 607) suggest that there could be different measures depending on the customer type. The metrics for the major key accounts should combine characteristics of externally oriented (market feedback) and effectiveness

(sales outcomes). Mid-sized customers could be measured by measures combining aspects of internally oriented (salesperson skill development) with effectiveness (sales outcomes) to best serve a market characterized growth. For small customers, internally oriented measures combined with efficiency (selling activities) aspects of performance could ensure that salespeople are providing adequate market coverage to a large base of small businesses. Study by Ganesan (1994, pp. 14) offers support to Zallocco et al., since he thinks that metrics should be depending on customer orientation. Also, McDonald et al (2006, pp. 265) think that the key account managers should use specific metrics and levels of performance for each account individually.

Performance measurement systems have usually focused on measuring final outcomes (e.g. increased sales, and reduced costs), and nowadays it is becoming more important to measure factors that are antecedent or contingent of the outcomes, like employee satisfaction and diversity of suppliers (Churchill et al. 1985, pp. 116; Anderson & Oliver 1987, pp. 77; Ghalayini & Noble 1996, pp. 78; Kaplan & Norton 1992, pp. 75; Lebas 1995, pp. 34; Dannenberg & Zupanic 2009, pp. 183). Outcome measures are easier to acquire, and were primarily used to determine sales force compensation levels (Anderson & Oliver 1987, pp. 77).

Singh & Koshy (2010, pp. 541) concludes their study with a notion that organizations should find out what customer-centric activities are valued by their customers and develop the selling skills required to perform these activities. These activities should be used to measure salesperson's performance rather than individual-level characteristics. They also suggest that different models could be designed for specific sales situations because one model cannot be generically applied since every selling process and sales situations are different in every selling context. These specific models for every situation would only include those variables relevant for explaining the performance in those situations. In their opinion, in that way sales performance measures will be more meaningful and relevant for sales managers.

Sales performance measures must include behaviors that support immediate

transactions as well as future transactions in order to continue customer relationships (Ganesan 1994, pp. 14; Cannon and Perreault 1999, pp. 451). It is at least equally important to learn how the results were achieved, and via which activities, as it is to learn whether the results were achieved at all (Dannenberg & Zupanic 2009, pp. 180). Sales performance measurement system may help to identify the behaviors that are behind the organizational performance. This would require using the right metrics and the right analysis based on the data fed by the system. It is also important to keep in mind that even though present performance is important, it is at least important to ensure that the company is competitive in the future. This leads to the problem in the timeframe of the measurement.

Successful companies record a large amount of data in short time intervals in the context of sales activities/control. The time intervals in use are usually month, quarter, and year. The amount of activities they record is also greater than the amount recorded by their average, and less successful, counterparts. (Dannenberg & Zupanic 2009, pp. 183)

If the metrics are really short term, it makes sure that the information is as close to real time as it can be. This will benefit the company as the corrective decisions can be made earlier and thus the company is more dynamic to changes. However, there might be many reasons for the change in the values of measures and the wrong actions might also be made too hastily. The biggest problem in too short a timeframe in measurement is that it will easily lead to optimizing the short term performance at the cost of the longer term performance. On the other hand, the longer the timeframe will be, the more it might hurt the company's ability to react to changes because it would take longer to identify them.

A reasonable solution would be to use different timeframes simultaneously. Short term measures would identify any changes quickly and longer term measures would help to identify trends and slower developments. Short term measures could be from daily value to the quarter values depending on the metric. Longer term measures could be combined from the short term measures or presented by a trend line in a figure showing the present and the past values for the metric.

Zallocco et al. (2009, pp. 607) did also find out in their interviews that the salespeople were exposed to measurement overkill. One interviewed salesperson told: “It would be nice if they (management) streamlined it (measurement), and they bombarded us with less information and offered more help”. Dannenberg and Zupanic (2009, pp. 184) has similar findings in their study as they found that sales teams complain about having to input excessive amounts of data for reasons they do not understand. In this regard, it is critical to inform employees why something is being measured and equally important it is to make sure that the decisions maker understands the data. If an employee does not understand the data he/she feeds to the system, it will easily be flawed. Even if the data is perfect, but the data is analyzed in a wrong way and a decision is based on such a report, it will cause problems.

Because information, knowledge, strategies, tactics, and organizational processes are externally oriented, selling should also be externally oriented and sales outcomes should be evaluated based on their contribution to the external perspective (Zallocco et al. 2009, pp. 601). This suggestion by Zallocco et al. is reasonable because the sales function is in the tightest contact with the markets so the market information is most likely to flow into the company through the sales department. If the salespeople cannot react to market changes, neither can the other functions of the company, so it is important to make sure that the company can react to external changes through measuring external perspective.

2.4 General objectives for a sales performance measurement system

Managers and executives must ensure that sales activities and results are captured and measured to align with company objectives and strategy (Zallocco et al. 2009, pp. 599). The most important issue in every performance measurement system is that it should be related to the corporate strategy. If the system is irrelevant and does not thus have the support of the senior management, it might even hurt achieving the corporate objectives.

The system should balance certain organizational tensions. It is important to

balance profit, growth, and control, because bad performance in one aspect will lead to unwanted results. The system should also balance the short-term results and the long-term capabilities and the growth opportunities. Different constituencies also have conflicting expectations of performance, so it is necessary to balance these. Balancing opportunities and attention is also a key aspect for a performance measurement system, because there are a plenty of opportunities but only a limited amount of resources that can be utilized. Balancing the motives for human behavior is important, because one motivation for using performance measurement system is to influence human behavior, so it is critical to understand what motivates the employees. (Simons 2000, pp. 8-13)

Because the perspective greatly affects how certain situation is interpreted, using multiple viewpoints would provide a chain of evidence for the corporate strategy (i.e. internal versus external, financial versus non-financial and perceptual versus objective) (Kim & Kim 2009, pp. 478). This will also make it harder to foul the system for individuals, since it takes so many things into account (Likierman 2009, pp. 100)

Flapper et al. (1996, pp. 27-28) have formed a classification scheme for performance indicators (PI) based on the previous research. PIs are meant to keep managers on track of the performance system they are responsible for. The classification scheme is following:

- Financial versus non-financial. The traditional financial PIs are not sufficient alone to provide enough information about the company's health.
- Global vs. local. Top management requires PIs that are global whereas lower level management needs local PIs to effectively manage the area of responsibility.
- Internal vs. external. Internal PIs are required to monitor relevant internal performance of the organization. External PIs on the other hand are evaluating the performance experienced by customers or other external operator.

- Organizational hierarchy. The vertical relations between PIs are often following overall organizational structure of the company. PIs at the certain level aggregate in to smaller number PIs at the next higher level.
- Area of application. Different departments require their own set of PIs.

Ghalayini and Noble (1996, pp. 65) gathered a list of general limitations that the traditional performance measurement systems have:

- Lagging metrics. Financial reports are usually closed monthly and so the metrics are lagging. Lagging metrics give information about past decisions.
- Corporate strategy. Traditionally performance measurement systems have not been derived from the corporate strategy. Rather they have existed to minimize costs, increase machine utilization etc.
- Relevance to practice. Most traditional measures try to quantify performance and other improvements in financial terms. Often the measures are hard or impossible to quantify in such way (e.g. customer satisfaction and lead time reduction).
- Inflexible. Traditional financial reports have a unified form which allows little or no variance based on department specific characteristics and priorities. Measures should always be checked to be relevant to the company or department in question.
- Expensive. Producing traditional financial reports require extensive amounts of gathering data.
- Continuous improvement. Constantly rising target levels might cause that employees do not perform to their maximum to reduce future workload.
- Customer requirements and management techniques. Development in customer requirements and management techniques has caused that performance measures should be more real-time and reflect a more autonomous management approach.

These limitations of traditional systems can be turned into objectives a modern performance measurement system should have. The metrics should be more real-time or forward looking, so that the company could better react to changes. The

targets should be derived from the corporate strategy. The system should be able to use subjective and qualitative measures. The system should be customizable to answer the needs of different units within the company. The system should be kept light and inexpensive to offer the best possible gain/cost –ratio. The system should be constantly developed to work efficiently. It should also take the needs of autonomous management approach in to account.

Lebas (1995, pp. 35) conclude his study with a list of principles that a powerful performance measurement system should have. The system should allow individuals to be autonomous within their span of control; cause and effect relationships should be reflected in the system; the system should make people discuss and thus cause improvement, and the system should offer support to decision making.

Financial results indicate historical performance and so it is too late to take any action to change them. Thus, other parameters are needed to make sure that the companies are to keep track of action taken for their accounts. The majority of companies cannot assess the true profitability of their customers. The companies may monitor revenue and gross margin for the customer, but they do not monitor contribution after attributable costs. Thus, more sophisticated financial measures should be considered. (McDonald et al. 2006, pp. 265-266)

These previous issues listed by Flapper et al., Lebas, McDonald et al., and Ghalayini and Noble have common things but also some differences. Each author has noticed the limitations of the traditional performance measurement systems and tries to offer some solutions to the problems. The specific issues are partly congruent, but each list has their own issues that others have not mentioned. The list of Flapper et al. offers the most relevant guidelines, whereas Ghalayini and Noble have concentrated on the most critical issues, McDonald et al. concentrated on the financial measures, and Lebas offers some generic level objectives.

Jackson et al. (1983, pp. 43-44) thinks that it may be misleading to use only output measures in sales performance measurement system, because output

measures do not take environmental factors into account. Salespeople have little or no influence in the environmental changes, so it is necessary to derive used salesperson performance measures from the salesperson's job description. If salesperson's effort is closely related to results, output measures (e.g. sales volume, number of accounts, number of orders taken, and profit) may be more suitable. If there is only a weak relationship between the sales effort and the result, it may be more appropriate to use input measures (e.g. number of sales calls, selling expenses, and training meeting conducted).

As Jackson et al. said, the performance measurement system should be able to consider different roles of different salespeople. It is necessary to have different kind of salespeople with different roles that have been derived from their personal traits. If the system is not dynamic and does not allow individual customization, then it cannot serve the company to the best. However, the customization is not easily achieved, since it may easily increase the complexity of the system and thus make the system harder to use and more expensive.

Performance indicators can be divided into strategic, tactical and operational PIs. Operational PIs monitors daily activities, as their name indicates. Tactical PIs have a timeframe of weeks and months, when strategic PIs are related to decisions that have effect on issues with a time scale of several years (e.g. position in the market). Almost always a strategic PI has a relation to tactical and operational PIs. Understanding such relations helps to establish constant set of PIs for a specific company. (Flapper et al. 1996, pp. 29-30) The position within the company largely defines what kind of PIs are interesting to the person in question. PIs should tell about the performance in the area of responsibility. Senior management is especially interested in strategic PIs, middle management will be interested in tactical PIs, and lower management will be interested in operational PIs.

A good information system is important in determining the cause for some alarming data shown by the performance system. Information system should allow the managers to look behind the measure to identify the root for some number. (Kaplan and Norton 1992, pp. 75) Key to the management and the

measurement of sales employee performance is information (Dannenberg & Zupanic 2009, pp. 177).

A performance measurement system requires good information system for support so that the issues found can be analyzed and the reasons behind the numbers can be tracked down. The information has to be reliable and as up to date as possible. The modern information technology services makes it possible to easily transfer the data from one source to another, and most of the companies track the data related to sales already, so getting the quantitative information is easy in most of the cases. The qualitative data related to other necessary metrics might cause some problems since it usually cannot be straightly imported from another system and must be gathered in some way.

Sales activity can be divided into three categories: direction, quantity, and quality. Direction means the target orientation of an activity. Quantity is the frequency of an activity. Quality describes how well an activity is performed. (Dannenberg & Zupanic 2009, pp. 179) These attributes can be seen also as guidelines for measuring sales performance. It would be informative to know if the direction we are going to is right (specified in the strategy), if we are achieving enough in quantitative sense, and whether we are performing on the required quality level.

McDonald et al. (2006, pp. 266) says well that “the aspirations to be perfect should not be the enemy of doing better”. This leads us to the general rule that can be applied into every management tool: “keep it simple”. The system can never be perfect and even designing a system to be as near to perfect as possible would make it too complex compared to the additional gain it would give. Therefore, it is important to keep in mind that the optimal system often is not the one closest to perfection. The more complex systems are usually harder to use, and thus harder to train, they will not likely be used as frequently, and the most certainly they are more expensive.

2.5 Different performance measurement systems

There are various performance measurement systems, and systems that can be used for performance measurement. The best known system is probably the Balanced Scorecard (BSC) developed by Kaplan and Norton (1992). BSC and certain systems based on BSC have been looked into in the study, because these systems are seen as the most suitable for sales performance measurement. There are also other performance measurement systems, for example Performance Prism developed by Neely et al. (2002), Performance Matrix developed by Sink (1985), Performance Pyramid developed by Lynch and Cross (1985), Dynamic Performance Measurement System developed by Laitinen (1996), and National Quality Awards (e.g. Davis and Stading 2005).

Kaplan and Norton (1992, pp.72) describe the Balanced Scorecard in the following way: “Think of the Balanced Scorecard as the dials and indicators in an airplane cockpit. For the complex task of navigating and flying an airplane, pilots need detailed information about many aspects of the flight. They need information on fuel, air speed, altitude, bearing, destination, and other indicators that summarize the current and predicted environment. Reliance on one instrument can be fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously.”

Their description can be generalized to every performance measurement system, but there is a certain lack in the description. There should be a greater emphasize on the importance of monitoring the environment than on looking at the scorecard. To continue the airplane analogue: pilots spend most of their time looking out and only occasionally check their dials and indicators. With well designed instruments, it is possible to fly a plane without visibility to the surrounding environment but the risks are always higher when trusting information coming through the metrics. Thus, it is important not to put too great emphasize of the management work on the measurement system, even if it would be really well designed.

2.5.1 The Balanced Scorecard

Kaplan and Norton (1992) designed the Balanced Scorecard to help managers get a balanced presentation of both the financial and the operational measures. One idea of BSC was to reduce the amount of measures and thus minimize information overload of the managers. BSC forces managers to focus on a few measures, which are the most critical ones. Early experiences from the Balanced Scorecard showed that it brings together information about customer orientation, response time, quality, launch times for new products, teamwork emphasize, and long term management in a single management report. It also makes the company optimize its operations on the company level instead of sub optimizing. BSC consists of four different perspectives that are: Financial perspective, Internal Business Perspective, Innovation and Learning Perspective, and Customer perspective. The basic concept for BSC is presented in the figure 3.

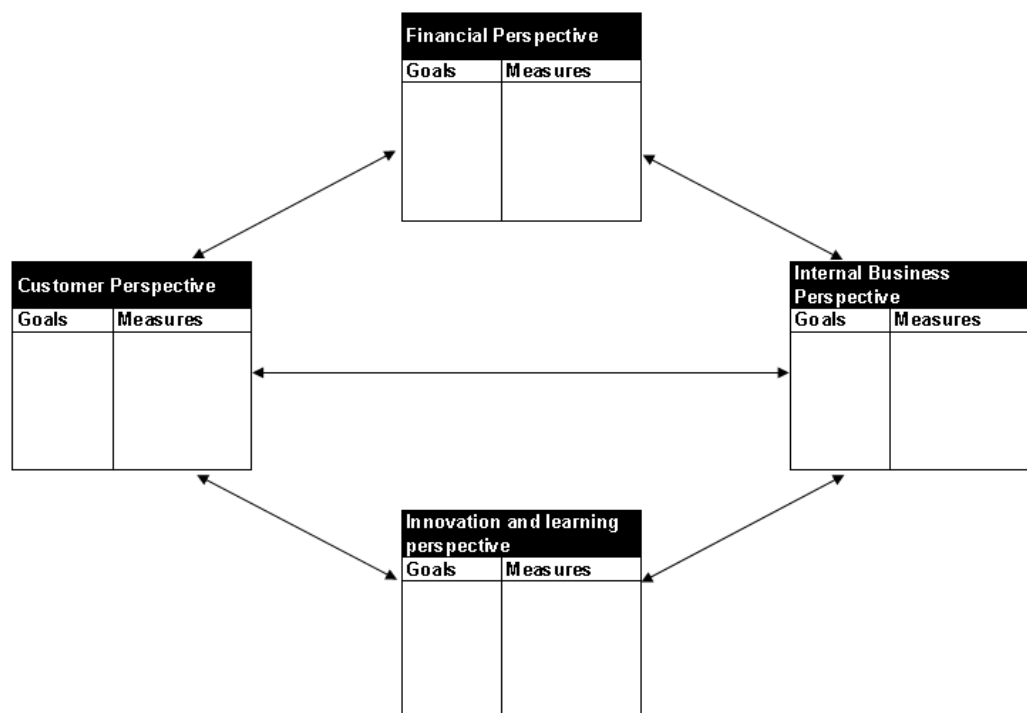


Figure 3. The Balanced Scorecard (Kaplan and Norton 1992, pp. 72)

Customer perspective has become a priority for the top management. The measures in the customer perspective should really reflect factors that customers

really consider important. These concerns can usually be divided into four categories: time, quality, performance and service, and cost. The company has to articulate goals for the critical concerns and then translate the goal into a measurement. Following the values of certain measurement, the company can see whether their actions have been successful. (Kaplan and Norton 1992, pp. 73-74)

Internal business perspective indicates what the company must excel at in order to reach the expectations of the stakeholders. These internal measures must answer to question of “what the company must do internally to meet its customers’ expectations”. Internal measures should also measure the core competences of the company. The process in setting up internal measurement is following: first the company must define and decide what processes and competencies they must excel in, set up the goals, and then generate a measure for each. (Kaplan and Norton 1992, pp. 74-75)

Innovation and learning perspective should indicate whether we can continue to improve and create value. Customer and internal perspectives identify the parameters currently needed for competitive success, innovation and learning perspective, and on the other hand, try to make sure that the company develops in the things necessary to succeed in the future. A company’s ability to learn, innovate and improve has tight ties to the company’s value. (Kaplan and Norton 1992, pp. 75-76)

The fourth perspective in BSC is financial perspective. The financial performance of the company is the most important issue for shareholders, and thus the company should ask how its performance looks to the shareholders of the company. This perspective indicates whether the company’s strategy, implementation and execution are contributing to the financial success. Actions measured by the three other perspectives may have been successful but if there have been no following improvements, or the selected strategy is wrong, there will most likely be no improvement in the financial performance. (Kaplan and Norton 1992, pp. 77-79)

BSC is probably the most used concept of performance measurement system with all its variables. The most important feature of BSC is emphasizing the links between the four different perspectives, as the previous systems had primarily concentrated on measuring financial information (e.g. Kaplan and Norton 1992, pp. 71; Ghalayini and Noble 1996, pp. 65). Limited amount of metrics also force the managers to think of the most important success factors, and also helps the managers with information overload. Kaplan and Norton have also continued to write articles and books about BSC, and also other authors and researchers have contributed their own effort to the literature related to BSC, so there is plenty of information regarding it. Kim and Kim (2009, pp. 480) thinks that “the Balanced Scorecard (BSC) framework provides the most integrative approach for measuring business performance, in other words efficient and effective business processes are implemented by internal resources and capabilities; the business processes relate firstly to a customer perspective; and the customer perspective eventually leads to superior organizational performance.” Simons (2000, pp. 203) points out that BSC introduces drivers of future financial performance while also retaining the key financial measures.

Even BSC is not without its critics though. BSC has, for example, been criticized for that it is more for controlling and monitoring than it is for developing and improving service, it is not dynamic, and even though it is said to optimize operations on global level, it offers no mechanism to achieve that (Ghalayini and Noble 1996, pp. 76-78). BSC has also been criticized for not being long-term, lacking focus on human resources dimension, and for not explaining cause-and-effect relationships (Maltz et al. 2003, pp. 190).

The most notable of the criticism is probably the accusation of not being dynamic. If a system is not dynamic, it cannot be used for development because it would not support constant development. If the system tells that the objective has been reached or environmental change has made the objective to be outdated, a new objective should be set. This is not so much of system dependant as is it user dependant. If the managers are well aware about the developments within and outside the company, they should be able to update the system as it is necessary.

But if the system is used to bring this necessary information about the micro and macro level developments and it does not work properly, it will cause that the company cannot react to changes and the system will remain as it was. In this sense, the criticism against BSC in not being dynamic is justifiable because it only monitors company level development while ignoring outside developments.

2.5.2 Dynamic Multi-Dimensional Performance framework

Dynamic Multi-Dimensional Performance framework (DMP) has been developed by Maltz et al. (2003) and it was developed by using BSC and Success Dimensions models as a foundation. The purpose of DMP is to address the problems noticed in the earlier performance measurement systems and drive the evolution of performance measurement systems even further. The structure of DMP is presented in figure 4, the system includes five perspectives that are: Financial, Market, Process, People and Future.

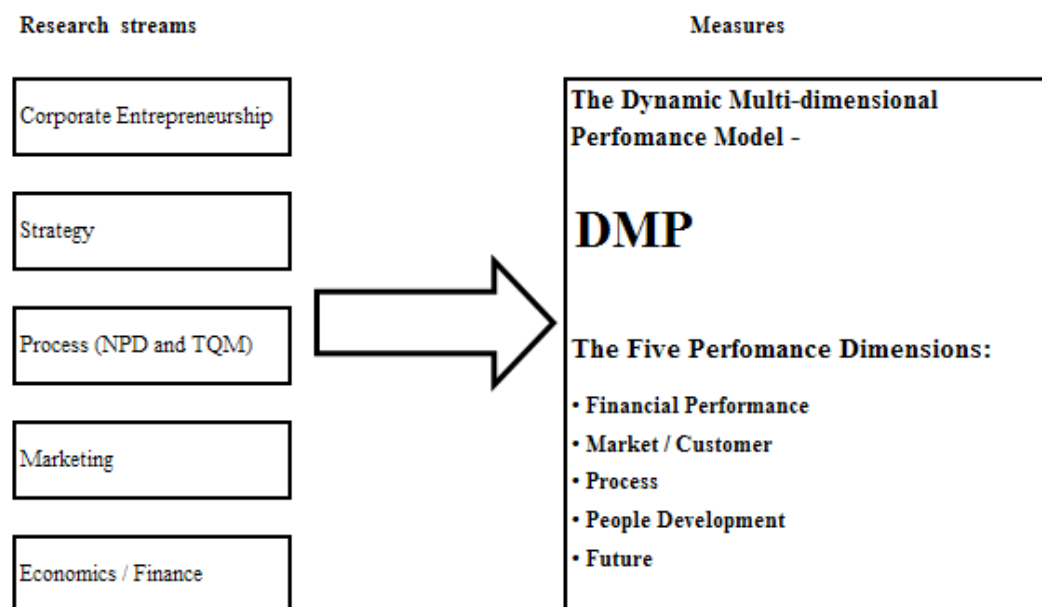


Figure 4. Dynamic Multi-Dimensional Performance framework (Maltz et al. 2003, pp. 191)

Financial perspective represents the traditional approach to organizational performance. The measures are indicating the financial success of the company.

Market/customer perspective represents the relationship between the company and its customers. Customer-centric companies understand what the customers want and need, make products that match the customers' needs, and keep the customers satisfied. The process dimension reflects the organizational efficiency and improvement view. People development perspective recognizes the important role of employees in organizational success. Future dimension gathers measures that indicate the future success of the company. (Maltz et al. 2003, pp. 193)

Maltz et al. (2003, pp. 194-196) notice that one set of metrics are not sufficient for every company and for every situation. Therefore key metrics depend on the industry the company operates in and the applicability of metrics they suggest for DMP framework should be tested in a sensitivity analysis. They also encourage the companies to use the framework as a starting point for planning and use those components of the framework that the companies consider important.

DMP does not vary from BSC so greatly that it would have much different strengths and weaknesses. The greatest difference is that DMP highlights the importance of the employees to the company and it does make DMP better for the human intensive companies, for example in service business. Sales are human intensive, and thus DMP would be well fitted into sales performance measurement.

2.5.3 Customized performance measurement systems

Ghalayini and Noble (1996, pp. 76-78) found some limitations from the most used performance measurement systems, that attempts to correct the limitations of traditional performance systems (e.g. the Balanced Scorecard). These systems are more for monitoring and controlling than they are for improving service. They are not dynamic. Some of these systems highlight the importance to optimize global performance versus local optimization, but offer no mechanism to achieve this. Thus, some improvements should be applied to the existing systems to overcome the detected weaknesses.

McDonald et al. (2006, pp. 265) think that the following metrics should be considered while designing a performance measurement system: financial, operations, implementation of strategy, and relationships. The financial measures are short term, and monitor the annual targets and profitability. Operation measures indicate achievement of key performance indicators. When designing the operations measures, the supplier companies should keep in mind that the buying company may have different key performance indicators. In such situations, the supplier might spend resources in the wrong things if the company does not know what the customer values. Implementation of strategy measures reports project progress and achievement of milestones. These measures might be more qualitative than quantitative, and thus might be more easily overlooked. Relationship measures include customer perception of relationship value, customer satisfaction and retention.

The metrics that McDonald et al. presented resemble a lot BSC thinking. Financial and operational metrics are included in both, and the relationship aspect is similar to the customer perspective of BSC. The real difference is that McDonald et al. highlights the importance of strategy implementation, while Kaplan and Norton emphasized innovation and learning as the fourth aspect. The suggestion of McDonald et al. is not directly comparable with BSC since BSC is a complete framework while McDonald et al. only suggested metrics that should be considered in a system. However, BSC has clearly affected a lot the suggestion of McDonald et al.

As Maltz et al. showed with their DMP framework, the existing performance measurement systems are not perfect for every situation and should thus be developed further to better fit the specific needs. BSC offers a basic concept that has been much used, and thus tested to work well in the corporate world. However, it has not been developed to be used for the sales performance measurement in specific. It is thus necessary to customize the existing systems or design a completely new system. A new system would be harder to make and riskier since it has not been used. It would also be more expensive to create, so the best solution is to use the generally accepted concept of BSC and the concept of

DMP for the design and customization of the system, consider the found limitations of BSC, and take the special needs related to the sales performance into account.

2.6 Possible metrics for a sales performance measurement system

According to research performed by Bain & Company improvement of five percentage points in customer retention rate can lead to profit improvements of between 25 and 85 per cent in the NPV (net present value) of the future flow of earnings (McDonald et al 2006, pp. 167). Thus it could be beneficial to monitor customer retention and try to improve it.

Zallocco et al. (2009, pp. 602) presents one set of overall external performance metrics, which includes market share, relative share, customer satisfaction, market coverage, product awareness, relative quality, relative price, customer preferences, relative new product sales, and response time to customer problems. These metrics that Zallocco et al. presented and their relevance to the corporate strategy should be considered as options when choosing the appropriate metrics for the system.

It is not sufficient in today's markets to control individual salespersons/teams or customers using sales volume targets to cover everything. With variety of products, a product range must be actively marketed. It is dangerous if only those products are sold to the customer that the customer demands. New and innovative products often have to be actively marketed. (Dannenberg & Zupanic 2009, pp. 177) It is necessary for the company to constantly develop its products so that it can serve the customers also in the future. If the new products do not bring sales, it may indicate that the company will have hard time in the future. Thus, it would be important to measure amount of new products introduced, or the amount of sales the new products bring to the company.

The top performers use different profit values as a control mechanism more often than the average companies. They use product profit margins to control sales

twice as frequently as the low performers, but in only every other case. They also rely more strongly on customer profit margins for control. (Dannenberg & Zupanic 2009, pp. 178) Using measures of profitability can reduce the incentive to maximize revenue at the cost of profitability when using sales value as a criterion (Anderson & Oliver 1987, pp. 77). A company must be profitable in order to benefit the owners of the company. So, the companies should aim to be more profitable and thus it is critical to measure the profitability in a performance measurement system.

Maltz et al. (2003, pp. 196) suggests various measures as a part of their DMP framework, that was presented in the chapter 2.5.2. Financial measures could include following: sales, profit margin, revenue growth, cash flow, earnings per share, and stock price. Suggested market/customer measures are: customer satisfaction index, customer retention rate, service quality, customer benefits from products/services, responsiveness, and market share. Process measures are: time to market with new products/services, quality of new product development (NPD) & project management processes, cycle time, quantity & depth of standardized processes. People development measures are: retention of top employees, quality of leadership development, quality of professional development, employee skills training, and quality of corporate culture development. Preparing for the future measures include such measures as: depth and quality of strategic planning, anticipating/preparing for unexpected changes in external environment, investment in research and development, investment in new market development, and investing in new technology.

Anand et al. (2005, pp. 19-21) presents many metrics that can be used in the Balanced Scorecard. Regarding the sales performance perspective, the most important of these metrics are: customer satisfaction (in term of quality, and in terms of service), image, reputation, and brand, percentage of sales from the new products, number of customer suggestions, ratio of number of skilled employees to total employees, sales per employee, employee cost as a percentage of sales, market share, new product development, and company cost vis-à-vis industry average. Some of these metrics are directly relevant to the sales performance

measurement, but some of these might require little adjustment. For example, the ratio of number of skilled employees to total employees could be changed to compare the amount of skilled salespeople to the amount of total salespeople, and new product development could be changed to new products suggested.

Customers could be classified by their primary reason for purchasing the products from the company. Such information would be useful for the management since it would offer information whether the reasons for purchase are identical with what the company thinks are reasons for the competitive advantage. If they are not identical, then some additional actions are most likely necessary and if they are identical, then the former actions and the strategy have been successful. These different classes could include for example price, technological attributes, professional services, and good relationships. Such information can be attained by asking it directly, through conversations, through analyzing the small signs that the customers give, and from customer satisfaction systems. When asked from the customer, the information will most likely be biased, since it is in the customer's interest to say that the price is too high even though it would be the lowest in the market. Thus, analyzing the small signs can give additional information, like how easily can the price rises taken into the product prices. If the customer is cooperative in the price change situations, most likely the price is not the primary reason.

In order to reveal the true profitability of the customer, activity based calculation could be performed in the company. However, if the activity based calculation is not seen as a cost effective way, same kind of results might be achieved by approximating the workload. This workload could be divided for example into following classes: high, medium, low. When several persons would approximate the workload, it might give relatively correct answers. If there would be two similar customers with identical sales amounts, both in the price and volume, but another would require high amounts of additional work while another would require only low amount of work, the later customer would be more profitable. Thus, the information regarding additional work required by the customer could be used in the customer selection process and in the price change negotiations.

3 SALES STEERING

Sales steering can be understood in many different ways but to be in line with the sales performance concept of this study; we can think that marketing and sales strategy steer the sales function to the desired direction and then the individual salespersons are steered by the managerial influence and by the tools in use. The sales performance measurement system supports both of these steering objectives. It does indicate how well the implemented strategy works and on the other hand directs the effort of individual salespersons to the desired actions.

However, there is no general agreement to what sales strategy is (Ingram et al. 2002, pp. 560). Panagopoulos and Avlonitis (2010, pp. 46) represent two perspectives presented in literature: “sales strategy conceptualized at the individual-salesperson level and sales strategy viewed at the firm level”. The sales strategy in this study means the firm level sales strategy.

Sales employees generally have a high degree of freedom in decision-making since they spend majority of their time visiting customers, as expected. This causes that there is a certain lack of awareness regarding where the employees really are, what exactly are they doing, and how long does it take to complete it. With their high degree of freedom and unawareness of their doings, it is necessary for the companies to have steering methods. With professional steering approaches, it can be ensured that sales people are focused on the targets and conform to the company strategy. (Dannenberg & Zupanic 2009, pp. 165)

Many studies have researched the problem of succeeding in sales, and thus there are a lot of suggestions how to better perform in sales. Some of these suggestions are related to the improving the current processes and some are related to directing the efforts to better targets. Both of these are important for the company and can be seen to be included in the concept of sales steering.

Dannenberg and Zupanic (2009) recommend certain courses of action that the companies, who want to achieve success in sales and customer management,

should pay attention to. Companies should concentrate on intrinsic employee motivation to improve employee performance. Companies should use variable remuneration systems as a control instrument, not as a motivation instrument. Companies should use reporting systems that are suitable to observe and monitor the results and completion of the actual sales activity. Companies should develop a real CRM (customer relationship management) strategy that includes how sales work can be optimized through the data system provides. Companies should also plan advanced training systematically and in a process-oriented manner. (Dannenberg & Zupanic 2009, pp. 194)

3.1 Agency and organizational theory

According to agency theory principals (i.e. the company and managers) and agents (i.e. employees) have divergent goals. This is something that should be regarded when designing control systems that realign the incentives so that both parties desire the same outcome. Agency theory offers own kind of views to the control systems: the first option is that, firm purchase information about the agents' behavior and then rewards based on it, another option is to measure outcomes and then keep the salespeople accountable. (Anderson & Oliver 1987, pp. 79)

Based on the assumption that agent requires a sufficient reward for his actions regarding the risk, the following conclusions can be drawn from the agency theory. Behavior-based control is less expensive than outcome-based control when measuring inputs is less expensive than measuring outcomes and when uncertainty puts the salesperson at risk. Accordingly, outcome-based control is less expensive when measuring outcomes is cheaper and when environmental uncertainty is low. (Anderson & Oliver 1987, pp. 80)

According to the organization theory, in a group with only partially congruent objectives which produces a single output (e.g. sales) the methods of assigning rewards to each individual team member may be inequitable. Individual rewards

will cause members to adjust their future efforts accordingly, and inevitably the entire team will be worse off. (Zallocco et al. 2009, pp. 599)

Anderson and Oliver (1987, pp. 83) summarize the agency and organizational theories regarding control systems: “environmental uncertainty, difficulty in the quantification or translation of sales outcomes, and risk averse, firm-specialized, or intrinsically motivated salespeople argue for behavior control whereas small firms with high relative measurement costs and direct links between sales effort and performance argue for outcome control.”

3.2 Sales control

By the definition of Anderson and Oliver (1987, pp. 76): “a control system is an organization’s set of procedures for monitoring, directing, evaluating, and compensating its employees. By accident or design, such a system influences employee behavior”. They further define different types of control systems into outcome-based and behavior-based control systems. In an outcome-based control system, relatively little monitoring of salespeople is involved by management, relatively little managerial direction or effort to direct is involved and straightforward objective measures of results are used to evaluate and compensate sales force. In behavior-based control system, there are considerable amount of monitoring salespeople activities and results involved, high levels of management direction of salespeople as well as intervention in the activities of salespeople are involve, and the methods used to evaluate sales force are subjective and more complex.

The evaluation methods in a behavior-based control system are largely based on what salespeople bring to the selling task, their activities, and their sales strategies, rather than sales outcomes. In behavior-based control, the salespeople are paid mainly with fixed salary. This is required to ensure cooperation of the salesperson. In behavior-based control, the firm assumes risk and gain control over the sales force. (Anderson & Oliver 1987, pp. 76-77)

In the outcome-based control, salespeople are given the freedom to use their own set of strategies to achieve results. Salespeople are often rewarded based on their performance and thus they bear the risk of success. This makes outcome-based control laissez-faire management, since the salesperson is made an entrepreneur. (Anderson & Oliver 1987, pp. 76-77)

It has recently been argued that the salespeople under outcome-based control allocate their resources more intelligently. Although, behavior-based control is tempting, because such systems can mitigate the negative relationship of product perceptions on salesperson's effort, relying purely on it does not result in optimal results. Salesperson should be allowed to optimally allocate his/her resources on the selling tasks. Current research also indicates that general strategy regarding sales/customer relationship management might be a mistake. Over-controlling sales force results yield in suboptimal results. Much of the important knowledge is not within any internal database but exists in the sales force. Thus, it is important that the salespeople have the flexibility to act on the knowledge as they see fit. (Ahearne et al. 2010, pp. 774)

Anderson and Oliver (1987, pp. 85-86) suggest that more the control system is behavior-based rather than outcome based, the more product knowledge, company knowledge, and integrated sales expertise the salesperson will have and the more professionally competent the salesperson will be. Another suggestion is that the preferred use of a behavior-based control system over an outcome-based control system makes a salesperson identify with the sales organization and feel committed to it, be willing to accept direction and cooperate as part of a sales team, accept the authority of the sales management, and welcome management performance reviews. Companies with behavior-based control systems are also more likely to attract, nurture, and retain risk avoiding salespeople. With the same basic assumption as above, the more a salesperson has high levels of intrinsic motivation, motivation by peer recognition, and motivation to serve the sales agency, the more a salesperson will spend time on sales support activities and operate on overall lower ratio of time spent on selling to time spent on non-selling related activities.

One of the downsides of using more a behavior-based control system than an outcome-based control system is that salespeople will perform more poorly on traditional output measures of individual-level performance. This happens because salespeople have to ignore certain immediate market cues in order to come closer to achieving sales organization's goals and serving customer needs. This will most likely result in a worse short term performance of the organization, because the purpose of behavior control is to influence salespeople to sacrifice in the short term to fill the firm's long-term strategic needs. (Anderson & Oliver 1987, pp. 86-87)

These arguments for outcome and behavioral based control make it impossible to define which system is better. Most likely the best outcome will come from using outcome-based and behavior-based metrics together in the performance measurement system. Since the behaviors are harder, and thus more expensive to measure, it might be beneficial to use more outcome-based than behavior-based metrics in the system. The combination would also take notice of both short term and longer term performance.

3.3 Sales function steering

According to Zallocco et al. (2009, pp. 601) the market-driven company understands and designs processes and information around the needs of individual customers and the marketplace. Market-driven also means that more specific operational processes are integrated into the organization's market driven perspectives and processes (e.g. the design and implementation of the sales and service functions).

Panagopoulos and Avlonitis (2010, pp. 53-54) found that uncertainty in demand significantly interacts with the sales strategy to improve sales force behavior and customer relationship performance. Especially when demand is unpredictable, customer preferences constantly change and competitor intensity heightens, engaging in sales strategy will improve salespeople's performance. They also

think that sales executives must monitor and analyze the nature of demand in the industry in order to understand how customer preferences change. According to Dannenberg and Zupanic (2009, pp. 178), successful companies control their market development with greater attention to detail, which allows them to identify errors and react earlier.

When a company is market-driven, it offers products that the market wants and can react to the changes in the operational environment quickly. A performance measurement system will be important in this sense, since it can indicate whether the company is keeping up with the market developments. But being a market-driven means also that the company must understand the trends in customer wishes and that requires additional tools on top of a pure performance measurement system.

Panagopoulos and Avlonitis (2010, pp. 48, 53) found in their review of the literature that the following key dimensions are contained in sales strategy: customer segmentation, customer prioritization/targeting, developing relationship objectives/selling models, and use of multiple sales channels. Based on their literature review and interviews with sales executives they offer a definition for sales strategy: “sales strategy is the extent to which a firm engages in a set of activities and decisions regarding the allocation of scarce sales resources (i.e. people, selling effort, money) to manage customer relationships on the basis of value of each customer for the firm”.

A sales strategy is needed because customers do not want to buy in the same way and neither does every customer represent similar opportunity for a firm. Sales strategy translates marketing strategies that have been defined to the target market level into sales strategies at the customer level. Sales strategy drives the interaction with customers and impacts greatly on the management of a sales organization. (Ingram et al. 2002, pp. 560)

Based on the definitions of Ingram et al. and Panagopoulos and Avlonitis, marketing strategy can be seen as a more generic level strategy, which defines the desired

segments, products and markets the company wants to operate on. Sales strategy on the other hand seems to specify which are the customers the company wants to operate with, what the company will offer to each customer, and what kind of relationships should the selling company and the customer have.

The research Panagopoulos and Avlonitis (2010, pp. 54) conducted provides the first empirical evidence that investing in marketing activities, such as developing a sales strategy, pays off. They found that the sales strategy influences sales force behavior performance, sales force customer relationship performance, sales force outcome performance and firm financial performance. It does appear that the sales strategy enables firms to better allocate resources across their customers. Their study also suggests that the companies engaged with sales strategy activities and decisions may have better knowledge about the customers who should be targeted through expensive sales channels (e.g. key account structures) and those who should be served by through less expensive channels (e.g. inside sales teams).

A clear sales strategy helps the salespeople with decisions they will counter in daily situations. When they have to spend less time to consider the effects of their decisions, they will have more time to spend for the selling tasks which will bring value for the company. Sales strategies would also ensure that important customers get the attention they require, which will increase customer satisfaction, which will ultimately result in better results for the company.

A well done sales performance measurement system can help to structure and evaluate customer potential from different points of view. Top performers use their performance measurement systems three times more frequently than their lower ranked performers for designing their sales activities. This supports the view that it is not about the existence of the system that matters for success but rather the way it is used. (Dannenberg & Zupanic 2009, pp. 185) Thus, the sales performance measurement system helps the company in strategic decisions regarding the marketing and sales strategy. The system should also be used to help the strategy formation. This will cause that the strategy process and use of sales performance process is a constant iteration process.

The main purpose of segmentation is to enable a business to concentrate its efforts in the most promising opportunities. The segment selection also has to be wide enough to ensure that the cost structure can be competitive or so well specified that the specialized skills in serving the segments will overcome the weakness in the cost structure. (McDonald et al. 2006, pp. 115)

Customer segmentation and prioritization of customers enables companies to efficiently and effectively allocate resources across different customers and enhance company performance (Homburg et al. 2008, pp. 126). In order to segmentation be successful, it is important for managers to determine which customers should be targeted on the basis of their expected contribution to firm's revenues and profits. Companies must also wisely allocate their resources to the customers after evaluating the essential activities that must be performed to effectively cater each customer. (Panagopoulos and Avlonitis 2010, pp. 54)

Firms should align their organizational structures, for example by creating key account structures for the most important customers. The senior management should also be involved in the customer relationship management of the most important customers. The implementation of customer segmentation scheme can be ensured by incorporating performance outcomes of customer prioritization into variable compensation system. (Homburg et al. 2008, pp. 126)

Segmentation is an important part of the strategy processes related to sales and especially segment prioritization is critical for a company that tries to improve its performance. When the salespeople have been steered to operate in the most important segments, the company will perform as efficiently as the strategy allows. Segmentation can be done for example by customer's industry, sold products, required attention, sales values, profitability, and/or decision making process.

3.4 Salespeople steering

Salespersons' performance depends on the personal traits and on the skills the salespeople have. The personal traits cannot be changed or developed, but with well designed roles for the salespeople, the people with special traits can work the most efficiently (Verbake et al. 2010, pp. 17). The salesperson's skills can be developed, and they also should be developed. The areas of developments depend on the salesperson's role, tasks, existing skills, and customer's expectations.

In knowledge-intensive economy, the salespeople must become knowledge brokers, because the customers are better informed. Salespeople must transfer knowledge about products to the customers: they must communicate how their products help the customer to solve the customer's problems. Salespeople who are capable of sharing analogies and can share "know-how" from cases (e.g. how early adaptors use the product) will most likely thrive. (Verbake et al. 2010, pp. 16-17)

A salesperson with a high need for cognition is attribute-focused and can match specific product attributes to specific customer needs. Such individuals enjoy intellectual challenges so they see customer objections as a temporary obstacle that they must overcome. Customer problems do not frustrate such salespeople but they welcome the challenge and are motivated to discover creative solutions. (Sojka & Deeter-Schmelz 2008, pp. 181, 185)

Certain attributes will cause that the salespeople will most likely find support from both the colleagues and the customers. These attributes are: being a leader, proactive, engaged and willing to work with and for others. Therefore dedicated salespeople should be motivated to maintain a proactive attitude and take responsibility for their job. (Verbake et al. 2010, pp. 18)

Combined bivariate and multivariate analysis that Verbake et al. (2010, pp. 15) did, showed that five drivers of sales performance can be used to predict sales performance. These drivers had an independent effect and are, in order of magni-

tude: selling-related knowledge (.28), degree of adaptiveness (.27), role ambiguity (-.25), cognitive aptitude (.23) and work engagement (.23).

These findings of Verbake et al., and Sojka and Deeter-Schmelz argue for importance of selecting the right kind of people for sales tasks. Salespeople should have a high level of product and market knowledge to be able to serve customers as the customers expect them to serve. To acquire this knowledge, salespeople must co-operate with different company functions, for example with procurement and production. Also dialogue with financial managers might bring important information to the salespeople (Likierman 2009, pp. 101). The type of the most appropriate selling approach depends on the product being sold. So, after a successful strategy and segmentation process the company should be able to assign the most appropriate salespeople to the selling roles that fit them. These problem-solving approaches are appropriate for important customers and for complex products. Usually, such customers are in a key account process of the company.

Employee satisfaction is also rising to become a key issue in the marketing literature. Losing a key contact employee may jeopardize a relationship with a customer. In these situations, customer is concerned about the time required to bring a new contact up to full speed. If there is a strong relationship with the company and the customer, the customer considers losing a key contact person as less of an issue. (Bendapudi & Leone 2002, pp. 86) This is logical, since the company has spent resources to identify the most critical people, to assign salespeople to the most appropriate positions, and to increase the salespeople knowledge; it certainly wants to keep them in the company.

Zalocco et al. (2009, pp. 600) summarizes the findings of literature review by suggesting that “managers should choose measures of performance to reward salespeople to not only “do the right things” (i.e. be effective), but also to do those “right things the right way” (i.e. be efficient)”. Reward systems in sales have two purposes. They offer employees an incentive to apply as much energy as possible to achieve the targets. The second purpose is to drive sales resources to the right

direction, ensuring that correct activities are carried out. (Dannenberg & Zupanic 2009, pp. 167)

If a sales performance measurement system is used for rewarding the salespeople, it is important to pay attention to the metrics used for salespeople rewarding. The metrics should steer the salespeople to do the right things, and this requires that the metrics align with the decided strategy. The company can use outcome- or behavior-based metrics for the rewarding, based on what kind of actions they want to reward. It is possible to use a combination of behavior and outcome measures in the reward system to highlight the important actions (for example, when implementing a new strategy) and on the other hand still allow salespeople to use their ways to achieve the targets.

According to Dannenberg & Zupanic (2009, pp. 166-167) it has been empirically proven that strong external incentives displace the intrinsic motivation, in so called “substitution effect”. In their opinion, it is also important to attach greater value to intrinsic motivation approaches than to extrinsic motivations. Thus, it would be important to pay attention to salespersons’ intrinsic motivation.

To encourage intrinsic motivation, immaterial elements (i.e. elements from corporate strategy, structure and culture that may have an incentive effect on employees) are generally more suitable than material elements (e.g. basic salary, variable remuneration and additional benefits). Companies should develop a coherent system of strategy, structure and culture. Because intrinsic motivation has a stronger and longer-term effect, energies should be invested in the immaterial elements rather than in the external elements. (Dannenberg & Zupanic 2009, pp. 169) Some ways to improve intrinsic motivation have been presented in table 1.

Table 1. Immaterial approaches for improving motivation (Wunderer 2000, p. 439)

Culture	Strategy	Structure
<ul style="list-style-type: none"> - Positive image of the company - Participation on the individual and entrepreneurial levels (e.g. by codetermination) - Identify and motivation potentials of the company - Trust and appreciation cultures - Motivating management and cooperation cultures 	<ul style="list-style-type: none"> - Participation in formation of strategies and objectives (Management by Objectives) - Empowerment (e.g. by delegation of competences) - Participative career planning - Human resource development - Internal advancement - More employment of women and young managers 	<ul style="list-style-type: none"> - Work structuring - Work contents - Autonomous workgroups (e.g. quality circle) - Arrangement of working conditions (job enrichment, job enlargement, project tasks, delegation of responsibility) - Information and communication structures (regular, prompt and extensive information)

From the table 1 can be seen that many immaterial actions are related to the steering. Majority of the points in the strategy and structure sub-topics are directly caused by steering actions or are necessary for the proper steering of salespeople. For example, role assignment relates at least to empowerment, internal advancement, work structuring, work contents, and the arrangement of workgroups. Sales performance measurement system on the other hand relates to the information and communication structures, so even a well structured performance measurement system may in itself increase intrinsic motivation.

According to Dannenberg and Zupanic (2009, pp. 186-187), when salespeople confronts with situations where they feel insecure or incompetent, they will attempt to avoid those situations. Employees must know how to implement planned procedures in order to so. This means that it is necessary to train salespeople to succeed. In their “Excellence in Sales” -study Dannenberg and Zupanic found out that top performers train their salespeople more than average companies. Top ten percent of the companies studied devoted an average of ten days to training of salespeople when the less successful companies (average and the lowest ten percent) provided seven days of training.

Dannenberg and Zupanic (2009, pp. 188) notice, that the training requirements for individual salesperson are rarely ascertained. Training needs are usually discovered through surveys which essentially resemble a collection of requests. Therefore, one solution would be to map the training requirements and the special skills of salespeople and then match the salespeople into small teams, where the skills could be trained from peer-to-peer. Such heterogeneous teams have been found to help to come up with innovative solutions, increase efficiency and quality, less redundancy, and increase employee satisfaction (Holtzman & Anderberg 2011, pp. 91).

Today it is no longer necessary to only rely on the presence training, because there are additional training methods like written and electronic information (e-learning). These new methods can well be used in product knowledge transfer. Behavioral training is much more challenging because materials are only rarely available in the form of audio books or videos. Also, the knowledge transfer is much more challenging via media than it is via dialogue. The top performers have adapted e-learning much more quickly than the average companies: they use it almost twice more often, and over twice more often than the low performers. (Dannenberg & Zupanic 2009, pp. 193)

All the earlier points make it clear that the training of the salespeople is necessary to develop the skills of the salespeople. However, the training does not have to be traditional attendance in seminars, since there are often also e-learning possibilities available that allow the training to be more efficient. Another possibility would be to transfer knowledge between the salespeople in the same organization. With co-operation, salespeople would be able to learn from each other but it requires an open climate within the company where the senior management encourages such actions. This is especially important in the key account structures, since the customers expect similar service throughout the world. Salespeople must be able to serve the best practices in some effective way to the colleagues in other countries.

Ramani and Kumar (2008, pp. 41) say that, “firms must adopt customer-based

performance metrics and institute employee rewards and incentives based on these metrics, instead of using aggregate-level measures, such as sales and market share growth, to evaluate marketing performance”. This means that when the companies change their operations to be more customer-oriented, the companies must also change their traditional rewarding systems to align with such a change. With such actions, the companies can ensure that the salespeople have the incentive to act in the desired way.

3.5 Sales steering suggestions

According to McDonald et al. (2006, pp. 247) documents in electronic formats are well suited to the key account management systems since they can be easily accessed and shared. The documents can be shared in specific databases where users have access based on their position. In these cases, the data may easily get fragmented into many different files. Some of these files may even be inaccessible for some people because of limited user rights.

Therefore, it might be a viable option to gather the data into a bulletin board style online system. This kind of system would enable that anyone with access to the system would be able to share the information achieved with everyone that it would involve. This system would be open, easy to use, cost effective, and relatively easy to maintain.

However, there are certain issues with the online bulletin board; even though the data would be in one place, it would be divided into many different posts, and the data would also be a possible target for data theft. In order to avoid the problem of information overflow for salespeople, they would have to constantly follow the online bulletin board. This would also be necessary to gain an advantage from such a system, because if the information is not adopted quickly, other systems would be equally sufficient. If a new salesperson would have to learn the information, it might be too great a task. Thus, it would probably be necessary to gather the most important data into some document from where it could be easily ab-

sorbed. The information theft is a possibility with every information system and it would be a risk that should be taken. The possible effects could be lowered by restricting user access to parts that are required to perform well.

A more traditional approach could be that everyone in turns would be responsible for analyzing and summarizing the most important things from the reports related to the key accounts/segments. This way it would be made sure that the salespeople would really spend time to absorb the information flow. When the most critical things would be summarized into a summary file, other salespeople and managers would not have to go through a lot of less critical information. This kind of qualitative summary reports could also be included as extra information into sales performance measurement systems. The extra information could help in finding the reasons for the changes in the customer relationships, in the profitability, and also help to react more accordingly.

Summarized reports would make it a lot easier to handle the information flow, since even a longer absence would not make it impossible to obtain all the new information. The risk of data theft is still present and maybe even greater since the data would already be summarized. When someone analyzes and summarizes some information, it is always based on his/her subjective decisions what to summarize as critical information. Thus, some kind of guidelines and training would be necessary. In order to find what kind of information would be important, some discussions would have to be done between the salespeople, their managers and higher managers.

4 CASE STUDY

The subject of the case study is Stora Enso Corrugated Packaging (group in this study), which is part of Packaging Business Area in Stora Enso. Stora Enso is a major Finnish forest industry company with a turnover of EUR 10.3 billion, and 27 383 employees on average in 2010 (Stora Enso 2011a, pp. 28, 35). Stora Enso Corrugated Packaging has approximately 3 000 employees and have production facilities in Finland, Sweden, Russia, all Baltic countries, Poland, and Hungary (sub business units/SBUs in this study). Sales operate also in the nearby countries. The company has announced the acquisition of majority in Inpac International which operates in China, India, and Korea, and had a turnover of EUR 82 million in 2009 and has approximately 3100 employees (Stora Enso 2010). Stora Enso Corrugated Packaging is thus multinational and by size definitions a large company (Business Dictionary 2011; Investopedia 2011; European Commission 2003). The corrugated packaging industry employs approximately 90 000 people in Europe (FEFCO 2010).

The main products for Stora Enso Corrugated Packaging are transport boxes and consumer packages. The corrugated cardboard is made by combining layer cartons with fluting carton. These cartons can be made from recycled paper fiber or from virgin fiber coming from trees. Then, the corrugated cardboard is cut into a desired size and taken to package manufacturing machines where the corrugated cardboard sheet is printed with desired colors and die cut into a form of a produced package. The manufacturing is finished with inserting required glues and/or staples to complete the package. The packages are then taken to customers where actual packaging happens by hand or by specific packaging machines. There are some certified package sizes, but a lot of the packages are custom made by customer's requirements and wishes. (Laakso & Rintamäki 2000, pp. 33-63, 96) Because packages take a lot of room compared to their light weight, they cannot be efficiently transported for a long distance. Thus, packaging business is pretty local.

The main reason to use corrugated packaging is to offer protection for the product

inside. Other reasons include that corrugated boxes are logistically easy to handle, they can be used to influence the consumer in a shop, they are recyclable, and they are hygienic. (FEFCO 2011) Corrugated packages can be used in packaging various different products, for example food, beverage, consumer electronics, and furniture. Aesthetic factors influence the consumer a lot when deciding which product to buy, because the package is what they look at in a shop, so a well designed package can give a competitive advantage to a company.

4.1 Current situation

The case company has had its sales organized by country organizations and the country organizations have been really independent, for example they are responsible for forming their own sales strategies. Currently, the company is implementing a new management organization for sales where the sales force will be managed by segment leaders in addition to the country organizations. At the same time, also sales reporting has been under development. Previously, every country has reported sales information separately and there has been no way to receive ad-hoc information about the sales situation. Now the company is implementing a sales reporting tool, called CorruStats that gathers real time information from different country organizations into one database from which it can be accessed to receive required information.

4.1.1 Sales performance measurement in the case company

To gather group wide information of the sales, there is a new tool being implemented to the service. This tool will gather sales data from the source systems in different SBUs to offer information of group wide sales of specific customers. This knowledge has become important since the company is in progress to drive key account management further. The sales reporting system will include only traditional quantitative sales data, such as sales volumes, average price and gross margins.

Stora Enso also uses net promoter score based system to measure the customer satisfaction; the system is called VOICE (Syngro 2010). There has been some criticism to the net promoter score (e.g. Likierman 2009, pp. 99). Despite the criticism it is a solid and structured way to manage customer satisfaction measurement. Using customer satisfaction data is an important part of moving from measuring pure financial outcomes to more comprehensive performance measurement. The net promoter score system implementation is also currently in process in Stora Enso Corrugated Packaging.

There are also some key performance indicators that are measured at a group level. The sales and country managers also use some additional metrics to help in management. These metrics were gathered from the interviews and include: sales value, sales volume, gross margin, gross margin %, number of visited customers, hit rate (orders received per offers issued), amount of new customers, potential sales value of the new customers, amount of lost customers, reasons why the customers were lost, weight of the products, standard price, profit contribution, market share, competitors market share, and number of design works made. The benchmarks for the metrics were historical and budgeted data. (Interviewees: A, D, F, I, J, K, M, N, K)

Thus, it can be seen that the sales performance measurement is developing to the right direction, but there is still room for improvement. The metrics are mostly financial and traditional, while qualitative and behavior-based metrics are not commonly used. This causes that the most of the metrics are looking backwards, and thus the decisions cannot be made as fast as they could be done with a better set of metrics. The metrics are also fragmented to many different systems and it requires some additional manual work to calculate some of the metrics. Thus, the overall image of the current performance cannot be achieved at a quick glance.

4.1.2 Sales steering in the case company

As said above, local country organizations are responsible for their own sales

strategies instead of forming a unified sales strategy at the group level. This has been seen to be necessary since there are differences in the market situations in every country. In some countries, the case company is a clear market leader on every product segment, but in some countries the operations have concentrated on few segments. The good side in this approach is that the SBUs have been able to take the local special needs into account. However, there is a risk that the local organizations may develop into too different directions, and the synergies in the group organization might become harder to achieve. With key accounts that operate in many countries, very different sales strategies might also cause problems. In the case company, the SBUs have developed into desired direction and there have been no big problems in this regard. To serve the key accounts in the best possible way, there are special strategies for the key accounts so that they will receive similar service throughout the company.

4.2 Summary of interviews

As said in the introduction the interviews were conducted as in-depth interviews to the key personnel of the case company. There were total amount of 14 interviews. 12 of these interviewed persons worked in the corrugated packaging and two persons were from the packaging business area. Six of the people in corrugated packaging were from the group level and six were from the SBUs. Some persons at the group level had also worked in the SBUs, and thus had local knowledge also. The positions held by the interviewed people can be seen from the reference list. The key questions can be seen from the appendix 1. In addition, there were some person specific questions and some of the questions were not asked from everyone since they would have been irrelevant and impossible to answer for the person.

The interviews were performed by the author. The lengths of the interviews varied between 30 minutes and two and a half hours, the average length was a bit over an hour. Eight interviews were performed face-to-face and six interviews were performed via telephone or via voice over internet protocol –system. 12 of the

interviews were recorded and in two interviews notes were made during the interview. The author of the study did go through the interviews in detail and write down the most important issues by topic into a spreadsheet file to make the comparison of answers easier. These answers were then compared with each other and the most relevant issues from sales performance measurement point of view are presented in the following chapters.

The answers were affected by the position held by the interviewed person (e.g. Interviewees E, G). This can be seen from the answers as the people working at the business area or at the group level gave more strategic answers while the people working in the SBUs gave more operationally oriented answers. This should always be kept in mind when analyzing the answers.

4.2.1 Sales performance in the case company

Since the previous studies had indicated that there is no general understanding for sales performance, it was necessary to map what was meant when the interviewed people talked about the sales performance. The clear majority of the answers (71 %) had the basic idea that the sales performance means achieving the previously set targets. The rest of the answers were much more complex and varied a lot. Two of the answers emphasized the wider aspect of sales performance; one answer emphasized the whole chain from the order to the payment, and another answer concentrated more on the strategic issues. One of the answers was related to the received value of the customers, and one concentrated on the salesperson performance. (Interviewees: A, B, C, D, E, F, G, H, I, J, K, L, M, N)

Since every interviewed person was from Stora Enso Packaging, and the most of them from the Corrugated Packaging business, it was expected that the most of the answers would be similar. There is no right answer to the question, but the different answers also indicate that it is good to define what is meant by the sales performance when talking about it. Different answers also indicate that the different definitions could evoke discussion. These findings also offer additional

support to the previous studies in the sense that there is no unified meaning for sales performance.

As the majority of interviewed persons said, ultimately the sales are responsible for the selling, and thus it is important to find out which factors are the most critical for a business-to-business selling process. The most of the answers were related to the salesperson's competence, to the management and steering, and to relationships. Other answers included, for example, implementation, resilience and technical capabilities. (Interviewees: A, B, D, F, H, I, J, K, L, M, N)

Salesperson's competence was divided into product, process, market, and customer knowledge, and selling skills. It was seen that the selling skills were critical up to a certain point, but when the necessary skill level is achieved, there is no longer as critical need to learn more. After that point the product, process, market, and customer knowledge became much more critical. The pure process and product knowledge is useless unless the salesperson is able to communicate the knowledge to the customer, and thus the selling skills (including communication skills) are critical. Salespeople must be able to identify the problems in the customers packaging operations, and that requires ability to combine and apply product, process, customer, and market knowledge. Customer and market knowledge are also really important when dealing with the demanding key accounts. It is necessary to make sure that the salesperson has all the knowledge related to the customer from the whole group and such market knowledge that it is higher than the knowledge of the customer. (Interviewees: A, B, D, F, G, H, I, J, K, L, M, N)

This is in line with the findings of Verbake et al. presented in chapter 3.4, that the salespeople must become knowledge brokers that transfer information to the customers. When there is greater amount of information transferred between the supplier and the customer, the relationships will most likely become stronger, since the customer will most likely value the information gained. With stronger relationships both can achieve competitive advantage: supplier with solid customer and customer with effective use of the product supplied.

Management and steering was seen to be critical for business-to-business sales success, because the salespeople require help in their work. They require steering through targets and objectives, and they require support from the managers, and supporting tools. The management must thus be competent and they must have the necessary tools in use in order to offer support to the salespeople when required. (Interviewees: A, B, D, H, I, J, K, L, M, N)

The relationships were the last of the major factors affecting to the sales success. The relationships included both intra- and inter-organization relationships. The relationships within the company are necessary to attain the required knowledge and also to sell the customer internally and thus offer required assurance of product flow even in difficult production situations. The relationships outside the company are important because the salespeople must make sure that the relationship to the customer is good, but also to attain the market information from different sources. Outside relationships might also offer customer clues that could lead to future sales. (Interviewees: A, B, D, H, I, J, K, L, M, N)

More specifically long term customer relationships were seen to be really critical for the business by the majority of the interviewed persons. However, it is crucial to constantly develop the relationships, to make sure that the customers also value the relationships, and to make sure that the customers are the desired ones. Long term customers offer a solid base to develop the business. Customer satisfaction is the key factor in customer retention. (Interviewees: A, B, C, D, E, G, H, I, J, K, L, M, N)

4.2.2 Specific objectives for a sales performance measurement system

The interviews revealed some objectives that a sales performance measurement system should have in a global company. These objectives are in the following list. The system should:

1. Be a tool for a transformation, feedback, and steering

2. Include both outcome and behavior based metrics
3. Generate conversations
4. Help to identify the segment specific critical success factors
5. Offer more real-time information
6. Be relatively light, easy to use, and not to have too many objectives
7. Accurate enough for management use
8. Should not try to substitute personal management
9. Should include both collective and individual targets (should ensure synergy but also motivate to create local initiatives)
10. Be group wide, common, and reveal the sources of profitability (e.g. total profitability of a customer on the group level)
11. Be open (Customer related information must be available for everyone in contact with the customer)
12. Be dynamic (e.g. should be able to react to the change of customer changing from local to global)
13. Should be based on the local needs
14. Selling, which is the primary task of the sales force, must be kept in mind
15. The relevance of different KPIs to the different salespeople must be kept in mind
16. Should have the same objectives as the current system has.

As can be seen, these objectives vary a lot as some are really general by their nature, like “generate conversations”, while some are quite specific like “the relevance of different KPIs to the different salespeople must be kept in mind”. Thus, realization of some objectives is much harder than realization of some others. While general objectives give more freedom in the ways how to achieve it, they might be harder to achieve. The more specific objectives might be easier to achieve but also give less freedom in the ways of how to achieve it.

4.2.3 Metrics for sales performance measurement in the case company

Even if the SBUs use the same metric, there may be differences in the calculation.

The formulas may not be exactly the same and different data could be included in the calculations, and the calculations are performed at different levels. All these things make it hard to compare and gather the data to higher levels. Making sure that the metrics would be exactly the same, and the calculations would be equal, requires a great amount of work. (e.g. Interviewees J, K)

The majority of the interviewed people said that both the outcome and the behavior based metrics are needed in the sales performance measurement. Almost everyone also said that if they would only have to use one kind of metrics, they would be outcome based. Thus, it is clear that outcome metrics are more recognized in the case company. (Interviewees: A, B, C, D, E, F, G, H, I, J, K, L, M, N)

The interviews also indicated that it was clearer for the group level management what kind of metrics they would like to have. The group level management desired metrics that were related to better knowledge of the profitability, competitiveness, and behaviors. The country level sales managers did not have any metrics that they would desire to have. (Interviewees: A, C, D, E, J, K, L, N)

It would be good to get information about the new product introductions. Some customers see the case company to be slow to introduce new kind of products and product innovations to the markets. Thus, real information about the situation would help the decision makers to act accordingly. (Interviewee M)

Salespeople could be motivated to do specific tasks that are crucial for the company success by using individual metrics that measure only whether the target was achieved or not. These on/off –metrics could be designed especially to match the personal traits and skills. This way the metrics could have a stronger motivational effect than the metrics the salespeople are only partially responsible for. These metrics would also have to be for a relatively short time period. To ensure the motivational effect, the metrics should be connected to the personal rewarding scheme. (Interviewee L)

4.2.4 Sales steering and salespeople motivating in the case company

Probably the greatest problem in the sales performance measurement and steering in the case company is that the current systems do not drive global optimization, but instead every SBU tries to optimize own profitability. Neither is it completely clear for the SBUs what is expected of them with all the changes in the organization. Because of the problems in the steering, the customer relationships are not capitalized to the maximum. A customer might be a big and important in another SBU, but in the region of another SBU the customer might not even receive an offer despite the customer also having operations there. (e.g. Interviewees B, D, J)

The strategic change within the company, where the key account structure and thinking are applied into action, requires some changes. There has to be common ways of working in every SBU and salespeople must also know what is going on in different SBUs (Interviewee M). Common ways of working conflicts with the unique sales strategies within the SBUs.

On the personal level of steering and motivation, the greatest problems are related to how the salespeople can be steered into right direction. The three areas that can affect to the motivation and steering are career planning, compensation, and work satisfaction. (Interviewee E) The rewarding systems are different in each SBU, and the different cultures in the different countries have an effect on experiencing the work satisfaction. Thus, the area of steering and motivation is really challenging.

Because the markets in the different SBUs are really different and they are responsible for the rewarding of the salespeople, there are big differences in the rewarding systems. More mature markets have a fixed salary system, while the developing markets have incentive based compensation. The metrics defining the compensation are different in the SBUs and not every SBU even use the profitability as a rewarding criterion. Different rewarding systems also motivate different kind of behaviors. (e.g. Interviewees A, D, J, N)

The need to increase conversations within the company was also mentioned in many interviews. The case company is seen as a hard company, with too much emphasis on the hard metrics. The conversations should be encouraged between the salespeople and their managers and also between the different SBUs. (e.g. Interviewees B, D, J, I) The conversations between the salespeople and their managers are necessary for feedback, personal development, and for proper steering of the sales force. The conversations between different SBUs could, for example, increase diffusion of best practices (Interviewee E). The conversations would also help in forming relationships within the company, so the salespeople could form a network from which to get help to appearing problems. Mentoring was also suggested in the interviews as a way to help salespeople steering (Interviewee L). Mentoring might also increase the intrinsic motivation of the salespeople and thus make the salespeople more indented to the company.

4.3 Customized sales performance measurement system for the case company

The sales performance measurement system should align with the structure and the needs of the sales function. To align with the structure of the sales function, the system should give information to every level in the sales function. When the sales have been organized into a matrix organization, a typical system with one dimension is not sufficient. There is a need to monitor sales from a country manager's point of view, and also from the segment and key account manager's point of view. So, the need to monitor salespersons' performance and overall sales performance of the whole sales function are similar in a matrix organization as they are in a hierarchical organization. However, in a matrix organization there are two paths from the bottom to the top: through the country organizations, and on the other hand, through the customer and segment organizations. Thus, the necessary levels are salesperson, team (if necessary), country, customer, segment, and the company. The relationships between these different levels can be seen from the figure 5.

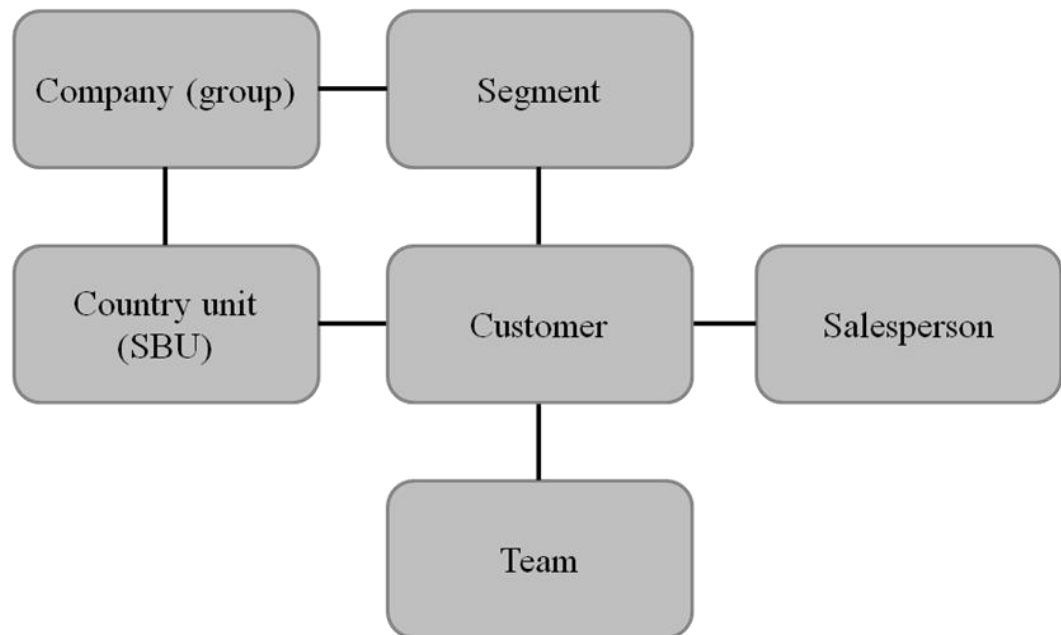


Figure 5. The relationships between the necessary levels in a sales performance measurement system of the case company

The needs of the sales function define what kind of information should be displayed in the system. Of course, this depends on the level the data is monitored. But more importantly, it depends on the general information needs of the sales function. The most important user group for a sales performance measurement system is the sales managers, but everyone involved with the sales should be able to use the system (Interviewees: A, B, C, D, E, F, G, H, I, J, K, L, M, N)

Both BSC and DMP have been designed to be companywide systems, so they are able to fulfill the information needs of the whole company. Both of those systems have process perspective in the framework. When the sales mostly depend on the people and their work, it is reasonable not to include process perspective to the sales performance measurement system. With the previous reasoning, the people perspective is really important for the system; DMP also highlights the importance of the people perspective. The importance of the sales function in the future performance of a company is high, so it would be justified to highlight the future as own perspective of the system. The financial and the customer perspectives are important for any performance measurement system, so both of them should be

included in the system. DMP combines customer and market perspectives, but from the sales point of view, they are both so important, so it would be better to separate them to be individual perspectives. Customers bring the cash into the company, so it is necessary to make sure that the customer base is healthy. Sales are responsible for the market share of the company and the salespeople also can detect the first signs of market development, so it is reasonable to monitor market as a perspective in a sales performance measurement system. This leaves five perspectives that should be included into a sales performance measurement system, these are: People, Future, Financial, Customer, and Market.

These perspectives should be arranged into some order to get the maximum benefit from the system. BSC arranges the perspectives into “diamond” form to highlight the relationships between different perspectives. DMP does not offer any specific structure for the different perspectives. It is clear that every perspective is affecting the other perspectives so that needs to be highlighted. However, it would be useful to arrange the perspectives so that managers could get a clear view about the current performance and about the expectation of future performance. This could be achieved with a linear setup starting from the financial perspective and logically ending in the future perspective. The other perspectives are harder to place and undoubtedly there are a lot of arguments for possible every order. They are placed so that the financial perspective is followed by the market perspective, which is followed by the customer perspective, which is followed by the people perspective, and the last in the chain is the future perspective. This order is presented in the figure 6.

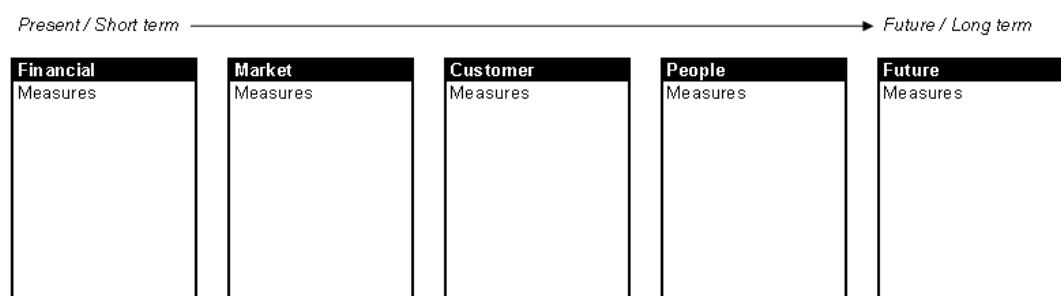


Figure 6. The order of the perspectives

When using time as a sorting criteria and then using some kind of color coding or other easy-to-see method to indicate the performance level of a specific metric, one can easily see what is the performance currently and how is it expected to develop. As previously stated, financial performance tells mostly about the past performance so it is a logical starting point. The second perspective is market. The market information may indicate about the future performance (e.g. expected development of the market) but it is mostly about the present situation (e.g. market share). The customer and people perspectives are equal from the importance to the future –point of view. If the customers are mostly long term, satisfied, and loyal, they are likely to remain in the future, and thus bring financial performance. People, on the other hand, can affect to the future through their competences: if the company loses key employees, it is likely to affect the financial performance of the company through lost customers. If knowledge of the salespeople increases, it is likely to have a positive effect on the financial performance. Future measures are completely concentrating on the ability to perform successfully in the future.

Every sub business unit defines their own marketing and sales strategies to match the local needs. The corrugated board business is local from its nature because it is not cost effective to transit pure corrugated board or boxes across large distances. Also, the differences in cultures, customers, and employees cause differences between the SBUs. Thus, using the same exact metrics is not suitable for every SBU. The metrics should also be derived from the strategy, so the SBUs must be able to affect in the metrics they use. But since the senior management wants to steer all the SBUs into same direction, some of the metrics have to come from the top. As it was stated previously by various authors, the performance measurement system should be dynamic. In this sense, being dynamic can be understood as an ability to change the metrics without a great workload. This can be achieved by defining, for example, 30 metrics that are important from group, or from the SBU point of view. These metrics could include some of the metrics mentioned in the chapter 2.6, they could include metrics used currently by the SBUs, and there could also be totally new metrics. These metrics would be monitored constantly but only a part of them would be displayed in the measurement system. To prevent

system users from information overload, a handful of metrics should be enough; this would mean something around ten. If and when the operational environment changes, the metrics could be easily changed, since the metrics would be available and ready to be implemented into the performance measurement system. There would also be historical data available since the metrics were already monitored before. Of course, there would be situations when there would be a need for a new metric, and the system should not try to prevent that in anyway.

However, there are some issues with such system. If the metrics are rapidly changed, the system might lose some of its integrity. Most of the metrics are such that the values are slow to change, and require a longer term actions. If such a metric is changed to another before the target has been reached, it might suggest wrong kind of behavior from the employees. Thus, every change of the system should be considered thoroughly. If the structure of the organization changes the system should be changed accordingly. The system can enable dynamic use of it but the actions that change the system must be taken by the users, which in the end cause the system to be dynamic.

5 SITUATION ANALYSIS AND COMPARISON OF OPTIONS

The interviews indicated some problems in the sales performance measurement, and also in sales steering. It is likely, that other problems could also be revealed through deeper analysis, so it would be beneficial to analyze the situation more deeply. There probably are also many solution options for each situation, so some kind of comparison in these situations would be in order.

5.1 Analysis of sales performance development options

The findings of this study offer partial support to the findings of Zallocco et al. presented in the chapter 2 about there being no general understanding on what is meant by sales performance. The majority of the interviewed people had a similar understanding of the matter, but almost a third understood sales performance differently. However, the group of interviewed people was quite small and they all were from the same organization, so if the question would be asked from a bigger group of people and from employees of different companies, the answers might differ a lot more.

The efforts to increase sales performance should primarily concentrate on the aspects seen as the most critical for the sales process and on the problems related to them. These aspects are salespeople's competence, management and steering, and relationships. The aspects were found in the interviews and presented in the chapter 4.2.1, and also the previous literature findings support these as critical issues in sales performance measurement.

Possibilities to improve sales performance through salespeople's competence include better allocation of resources through finding the optimal position in the organization for every salespeople and training of the salespeople. The optimal place for everyone can be found through experience, wishes, and personal traits. For example, a person with good analytical and communication skills might be the most suitable for a task in which would involve a lot of problem solving in

cooperation with the customer. Training offers much more options. It would be important to find out specific training needs for every salesperson instead of using collective training based on the surveys for whole sales force. Dannenberg and Zupanic suggested in chapter 3.4 that e-learning could be used much more in the companies. E-learning seems to be especially viable option in a multinational company where a common training would require a lot of travelling for the salespeople. E-learning material is also easy to distribute and thus e-learning could be utilized more often. The salespeople are also travelling a lot and could probably use some of their time on the travels for learning since the training would no longer be depending from certain time and place. A suggestion made by the author included that different salespeople could teach the special skills they possess to their colleagues. When the salespeople would supplement the skills of each other, there would be less need for outside training and the salespeople could develop their professional networks. The peer-to-peer training has the same problems as does the other kind of information sharing when variable remuneration system is in use. The salesperson may be reluctant to share information that is behind the personal success when sharing that with others might have a negative effect in the personal sales performance. Thus, it would be important to highlight the gains one would gain from the others when sharing some skills of their own. Training of product, process, customer, and market information would probably not be cost effective in conventional training, and therefore using e-learning and peer-to-peer training might be better solutions.

In order to find the best role for every salesperson, peer-to-peer evaluation could be utilized. If the salespeople work together, then the colleagues will most likely see things that might remain hidden for the managers. The roles of the salespeople can be set in a better way if the managers know more about their skills and traits. The literature review revealed that when the roles of the salespeople are clear and well set, the sales performance is affected positively.

Management and steering was the second factor that was seen as critical. Management can also be developed through training and by selecting the most suitable persons for managers. Steering can be developed by making sure that the

targets and objectives are clear to everyone by streamlining the management's responsibilities (in a matrix organization), and by developing the tools. The interviews indicated that the targets and objectives were not clear to everyone in the case company. Thus, it would be important to make sure that everyone knows what the company's targets and objectives are, and how their personal work can help to achieve the targets. This is related to the management competence and also to the tools in use. Streamlining the management responsibilities is related to the chapter 5.2 where the sales steering development is discussed in greater detail. The sales steering can also be developed by developing the tools used in the sales. The existing tools could be developed to be more accurate, the best existing systems in the SBUs could be shared to the other SBUs, new systems could be developed to replace the existing systems, or new systems could be developed to supplement the existing systems. Out of these options, the most logical and probably the easiest to do would be to develop the existing systems to be more accurate and to better serve the needs of the sales function. The interviews made it clear that the SBUs are not in the same line with their performance measurement tools, and thus it would be possible to find which SBU has the best tools for the task. However, it would require lot of resources and might even be impossible to implement some system to the other countries since the information systems in the SBUs are completely different. Development of new systems to replace the existing systems would probably not be cost effective since developing such systems would also require a lot of resources and the gains from them might be pretty small. A new system to supplement the sales performance measurement could probably be done, although it would also require considerable amount of resources, but if it would use the existing systems as much as possible, it might be cost effective. Therefore, the action that should be done would depend a lot from the overall direction where the sales performance measurement will be developed. If there seems to be no need for behavioral metrics, development of the existing systems would be the best option. On the other hand, if the outcome based measurement does not seem to be enough, there would be a need to develop a new system.

The relationships are the last critical aspect that was frequently mentioned. The

relationship development is also really hard to achieve since it usually takes a lot of time to succeed in and is greatly affected by the former factors. The relationships may be left to develop on their own or their importance could be highlighted which could encourage to take care of the relationships and to form new relationships with the colleagues. If the relationships are left to develop on their own, then it leaves other, maybe more important, things to be highlighted in the strategy. Highlighting the importance of the relationships is supported by the interview results in which long term customer relationships were seen to be critical (e.g. Interviewees A, C, D, J, N). Also, the relationships within the company are important especially in the key account structures, because then the necessary information can be gained quickly and the salesperson can sell the customer internally and assure the customer of the product delivery even during difficult times (Interviewee L). Thus, the relationships should be highlighted in the strategy if it is seen as one of the most important things by the senior management.

5.1.1 Overall objectives for a sales performance measurement system

General objectives for a sales performance measurement system from literature were gathered in chapter 2.4. The amount of objectives found from the literature was around 20, and many more objectives would also have been available from the general performance measurement literature. The case study revealed around 20 more objectives for the system; these objectives were presented in chapter 4.2.2. It is obvious that not every objective is viable and some of the objectives are even acting against other objectives. Thus, it would be necessary to gather the most important objectives for the sales performance measurement system.

The system should help the most important user group indicated by the interviews, the sales managers, in their work. The system should also help to steer the company into the desired direction. The objectives were listed and the most important objectives were determined with a very basic multi-criteria decision analysis, where two criteria were used with equal weights. The first criterion was how easily can the objective be achieved, and the second criteria was how

relevant is the objective for a sales performance measurement. Then, the relevance to sales performance measurement system was determined by the average of these criteria. The used scale was from 0-5, where 0 means no relevance at all, and 5 means very high relevance. The analysis was done by the author and it is expected that different people would give different values to the objectives. If there was an objective really close to another in the top ten, it would not be included in the following list. The following list presents the ten most important objectives, and the whole multi-criteria decision analysis is presented in the appendix 2:

1. The system should line up with company's targets and strategy
2. The system should have
 - a. Internal and external perspectives
 - b. Financial and non-financial perspectives
 - c. Perceptual and objective perspectives
 - d. Local and global perspectives
 - e. Short and long term perspectives
3. The system should be relatively light
4. The system should make people discuss
5. The system should be similar everywhere in the company
6. The system should be dynamic
7. The system should offer more real-time information
8. The system should be accurate enough for management use
9. The system should act as a tool for feedback and steering
10. The system should be open

Every performance measurement system must be in line with company's targets and strategy in order to be successful. If it would not line up with them, it would steer the company to wrong direction and encourage wrong kind of behaviors, and cause more harm than good. One general task for a performance measurement system is to summarize a large amount of information into an easily understandable form. Thus, the system can gather information from many different perspectives and translate it into a form which can be quickly checked by the users. Choosing the perspectives must be done carefully so that the system would still be light. Lightness is a key objective, because in that way the system

can most likely be cost effective and also easy to use. When the system is easy to use, it will be used much more than it would be used, if the system requires a lot of training before being useful. The wide use is a prerequisite for the success of the system and also necessary to make people discuss. When the system is similar in every location, the users will be able to discuss about different values in the metrics and maybe be able to share the reasons for local success to other SBUs. If the best practices are more effectively used, the company will most likely be more successful in the future. The discussions may also reveal some issues in the system which should be changed, so the system should be dynamic to allow this. Being dynamic also means that the system should be able to adjust to any personal needs. The system should also be able to adjust to the environmental changes that, for example, make some metrics be useful no longer. In order to be helpful for the sales managers, the system should offer as real time information as possible, so that the managers could make decisions quickly to react to the environmental changes. The system should also be accurate so that the decisions would be based on correct information. It is important to achieve required accuracy for the use of the management, but making the system too accurate does not serve the purpose, because the costs would easily grow too high and the system would no longer be cost effective. The managers in sales require information to be able to give feedback to their subordinates, and to steer them towards the desired direction. Equally important it is for the managers to receive feedback and steering. In this regard, it is important to remember that the system can only offer information for the feedback and steering but should not and cannot replace the managerial influence. The system should also be open for everyone in the sales and even in the company. Especially important it is that everyone involved with a certain customer sees the information regarding the customer. The openness is also necessary to make people discuss. In some situations, it might be possible that some information cannot be shown to everyone, but in those cases the metrics or the information should be restructured so that the secret information would be no longer included.

5.1.2 Analysis of sales performance measurement systems

The study has presented three different performance measurement systems that could be used for sales performance measurement. The first system was the balanced scorecard (BSC), the second system was the dynamic multi dimensional performance framework (DMP), and the third system was a customized system which adapts the previous systems. It should be noted that both DMP and the customized system have derived from the concept of BSC. Other systems were not taken into account because the literature review and interviews proved that BSC is widely recognized as a good method for organizing performance measurement and it is already known to the most of the people in the case company. This makes it easier to possibly implement a performance measurement system based on BSC, because people are familiar with the basics and can offer development ideas more quickly. Some key points of each system have been presented in table 2. The table is based on the findings presented earlier in this study and on the subjective views of the author.

Table 2. Comparison of BSC, DMP, and customized sales performance measurement system

	The Balanced Scorecard	The Dynamic Multi-Dimensional Performance Model	Customized System for sales
Dimensions included:	Financial Customer Inner processes Growth & Learning	Financial Market/Customer Process People Development Future	Financial Market Customer People Future
Designed for:	Manufacturing company where optimizing processes are critical	A company with high dependency on the employees	Sales function
Level of recognition:	High	Low	-
Strengths:	Widely used A lot of literature available Well structured dimensions	Dynamic Not widely used Has taken the criticism towards BSC into account	Designed especially for sales Tries to take criticism towards BSC into account Not widely used Dynamic
Weaknesses:	Not dynamic Widely used Not designed for sales	Not widely used Not designed for sales	Not widely used Additional work required Higher risks

When comparing BSC and DMP, the main differences are that DMP emphasizes the importance of people and future. DMP does include whole market situation in

the framework while BSC concentrates more on customers. BSC could be seen as a performance measurement framework designed for the manufacturing companies in which long term customer relationships are important and the importance of employees is not so critical. DMP on the other hand could be seen as a performance measurement framework for service companies that rely a lot on the employees, and the customers are greater in number and market developments are faster. If we think how well these frameworks would fit to the case company and especially into sales performance measurement, we can conclude that neither is a perfect match. BSC is great in the sense of customer relationships, but the sales department is highly dependent of the employees. DMP is a bit better for sales performance use, since it highlights the importance of the employees, but DMP does not give enough weight to the customers. The customized sales performance measurement system has been designed specifically for measuring sales performance, so the perspectives/dimensions have been chosen accordingly.

BSC has been widely used and researched, so the amount of literature related to BSC is strength, since there are solutions available for many problems. BSC has also been well structured unlike the previous systems, but the later systems that have been developed after BSC have also well thought dimensions and there are no complaints about their structure. The fact that BSC is widely used in companies throughout the world can be seen both as strength and a weakness. It is strength because the wide use means that the system is working well. But when most of the companies use BSC, it is hard to achieve competitive advantage with it. Another weakness is that BSC is not dynamic as stated in the chapter 2.5.1. BSC has also been developed to be a performance measurement system for the whole organization and not for a specific task, so the dimensions are not as good as they could be if the system was developed specifically for sales performance measurement.

DMP is dynamic; it was one of the objectives in the design of the system and it was achieved by a wide array of metrics that were divided into different dimensions. Because DMP has been developed after BSC, the limitations of BSC have been taken into account. Dividing metrics between inner processes and

learning & growth dimensions in BSC has been problematic in some situations, so DMP changed the dimensions accordingly. Unlike BSC, DMP is not widely used so there might be a possibility to gain some advantage over competitors with the use of DMP. But since it is not so widely used, there is a lot less research and material available regarding DMP so the problem solving might require more from the organization. Like BSC, DMP has also been developed for overall performance measurement in the company and has some issues regarding sales-specific use.

The customized performance measurement system for sales has been designed for the sales performance use, so it has an advantage over the other two measurement systems in this sense. This specific sales performance measurement system was developed after BSC and DMP and tries to take the criticism towards BSC into account and also by dynamic like DMP. Using customized system might also help to achieve competitive advantage over the competitors that are likely using similar systems based on BSC. Of course, the system should be successful to achieve that. Since the system is not widely used, there is no information available about the system and using it might require additional work. There are always more risks involved in implementing new systems than systems that have been widely used.

5.1.3 Suitable metrics for a sales performance measurement system

The interviews revealed that there may be differences in the calculations of the metrics. This is a critical issue to be fixed in a sales performance measurement system that is used group widely. The methods of measurement must be exactly similar everywhere if the values are to be compared. Different kind of calculations would cause serious issues into accuracy of the system, and thus the decisions based on the system would be flawed. Therefore, building a common system would require cooperation from every SBU and clear guidelines from the senior management.

The metrics of the system should give answers to the chosen perspectives, be in

line with the objectives that have been chosen for the system, and give some important information from the sales point of view. The interviews indicated that the interviewed people would like to have more behavior based metrics but emphasize should be on the outcome based metrics, because in the end the sales outcomes are what define the performance of the sales. However, the outcomes can be defined by quite a few metrics, which will all be kind of lagging. The steering of the sales force would require more sophisticated metrics that would indicate what should be done to be successful in the future. Thus, it would probably be useful to have greater emphasize on the behavior based metrics than the interviews suggested. The users can naturally emphasize the metrics they prefer but it would be good to offer them information indicating the future aspects. It also is clear that the sales managers are really familiar with the outcome based metrics, so pushing them to use more behavior based metrics, and thus away from their comfort zone, could force them to realize some critical things they have not noticed previously.

It would also be expected that the group level management would be more open for a group wide performance measurement system than the local managers would be, because the local managers did not clearly define what kind of metrics they would like to have. The SBUs might also feel that they are monitored more, which might cause some change resistance. The lack of metrics, the sales management would want, might indicate that they are experiencing measurement overkill, so the use of additional metrics might cause real problems if the other metrics are not removed. Change resistance could be lowered by allowing the SBUs to use their own systems if they see them necessary (Interviewee J). These things set some challenges to the communication which is related to the sales performance measurement development.

Of the metrics mentioned earlier in the chapter 2.6, the most appropriate ones should be chosen to be used in the system. For example, the new product introductions could be a good metric to use, since the interviews also indicated a lack of knowledge in the new product introductions. If a company would choose to develop a new sales performance measurement system, then there would have

to be some workshops, where the metrics and their pros and cons would be discussed in detail. The metrics are also always company and situation specific, and indicate strategic decisions. Therefore, this study will not go to company specific metrics in greater detail. However, it should be noted that the metric suggested earlier regarding the activity based calculation and management could give similar results to the actual activity based calculation (Interviewee G).

5.2 Analysis of sales steering options

The problems of the sales steering were described in the chapter 4.2.4. Probably the greatest problem was that the company currently optimizes the local SBU level performance instead of the group level performance. One way to overcome the problem would be to form a group wide sales strategy in a two-way strategy process with the SBUs. In this way, common ways of working could be achieved. Although, the interviews revealed that the ability to form local sales strategies is seen as critical for the success (e.g. Interviewee A, N). Thus, using common sales strategies would probably cause more problems than they would solve. Another option is to generate a clear marketing strategy at the group level which would set the boundaries for the local sales strategies. If the marketing strategy would be well planned, this would be a viable option. The problem in such approach is that it might not give equal weight to the key accounts in each country, and the key accounts are really important for the business. Third option could be to let the SBUs form their own sales strategies but to make sure that the key accounts receive enough attention by making a specific group wide sales strategy for the key accounts. This is much like the situation in the case company is currently. In this approach, it is critical to make sure that the SBUs know which is more important, the key account strategy or their own local sales strategy. To make sure that the right order is followed, some kind of incentive may be necessary.

Customer selection can be steered by segmenting, like the company currently is doing, but it might be beneficial to develop segmentation even further. Sales performance measurement system can be used to gather more detailed information

about the customer profitability and suitability to the corporate strategy. With this information, the customers can be divided into more specific groups to create sub-segments. The case company has created such a system as a part of their key account program (Interviewee C). The literature suggested that the performance improvement from customer prioritization could be implemented into variable compensation scheme. It might be pretty difficult to define which part of performance improvement has been caused by the customer prioritization when only using outcome based metrics in rewarding. Thus, it would be more viable option to encourage customer prioritization through behavior based metric, for example customer visits to selected customers in selected segments.

To motivate salespeople perform as they are expected and steered to do, some issues require attention. The interviews indicated that the three most important areas are career planning, compensation, and work satisfaction. Possibilities for career planning are pretty great in a multinational company, where employees will have a lot of options to advance in their career. A company could encourage its employees to search for the possibilities to work abroad for some time. That way, the salespeople could develop their professional networks and also offer suggestion on how to develop the local business abroad and bring some of the best practices back to other SBU when returning from abroad. This should especially be encouraged to the talented professionals with a promise to advance to the next stage in the career path after their return in order to get the maximum gain; similar actions have been performed for example in the Volkswagen Group (Vishwanath 2003, pp. 16).

The interviews also indicated that the compensation has certain problems in the case company. The fixed salary system in the mature markets motivates salespeople to perform tasks that do not directly results in sales. Such tasks could be personal training or spreading information. The problem with fixed salary is that the salespeople might not have enough motivation for the selling. The variable remuneration motivates people to spend as much time as possible in the selling tasks. Such system might also have a negative effect on the work satisfaction and also act against information sharing within the company because

one might see that sharing information has a negative effect on the personal sales (Interviewee E). If we suppose that the remuneration system is used as a control system, the previous findings are directly in line with the suggestions of Anderson and Oliver presented in the chapter 3.2. The knowledge was seen to be a critical aspect of a successful sales process. That would strongly argue for a fixed salary system but, on the other hand, variable remuneration would encourage the salespeople to spend more time on the selling tasks. Also, the negative effects of the variable compensation argues for the fixed compensation system: negative work satisfaction will make people feel less motivated to serve the company and not sharing information to others will hurt the overall performance of the company. The variable remuneration, on the other hand, would be better because it has stronger motivational effect on the salespeople to use as much time as possible on the selling tasks. Thus, neither system seems to be perfect. It should also be remembered that a combination of fixed basic salary and a large enough variable part to reinforce the system may be used. A suggestion would be to consider thoroughly what is wanted from the sales force and then choose the rewarding system accordingly. In most of the cases, the optimal situation can most likely be achieved by using a combination of systems.

As discussed in the chapter 3.1, according to organization theory, assigning rewards to each individual team member may be inequitable. If this is taken to the higher level where SBUs are seen as individual team members and the group as a team, we can presume that the individual targets for team members do not allow the global optimization. Thus, salespeople should probably not be rewarded on the base of optimizing local profitability but instead by using the group profitability as a key criterion.

Work satisfaction could be developed by encouraging more conversations in the company and by paying extra attention to the matters, which are seen to increase the intrinsic motivation. The employee satisfaction was also seen as a key issue in the marketing literature by Bendapudi and Leone in chapter 3.4. The interviews revealed that there are not enough conversations in the company and since no change can be achieved by working alone in a large company, conversations are

necessary. The individuals will most likely also feel that they are taken into account when the matters are discussed with them, and thus feel more committed to the company. When the employees are more committed to the company, the decisions made by them are more likely beneficial for the whole company instead of only to the people themselves. By conversations, it can also be made sure that the employees have understood the targets and how they should act in order to achieve them. As mentioned in the interviews, salespeople require feedback for personal development. Some factors affecting to intrinsic motivation were mentioned in the chapter 3.4. If the company pays attention to these factors, the salespeople will be much more motivated to act as the company desires. When the salespeople are motivated to act for the benefit of the company and they are satisfied when working for the company, they will most likely stay longer in the service of the company. When the employees are longer in the service of the company, they will digest more knowledge, which was seen as a key factor for a successful sales process. Thus, lower salespeople's turnover rate might have a positive effect on the sales performance of the company. The customers will most likely also value that the people, who they are in contact with, do not change often, so they know who to contact and what to expect.

The case company also searches for new ways of doing regular tasks on a better way: the program is called "rethink" (Stora Enso 2011b). Volkswagen group decided to encourage innovation diffusion by gathering the managers of their brands regularly to some place around the world to test the new products of the group and to sell own ideas to others (Vishwanath 2003, pp. 17). Combining these two ideas and applying it to the case company means that such an approach could work also in the case company where the SBUs have a lot of independency, like the brands in the Volkswagen. The idea would be to gather the managers (or certain salespeople) to same place with the new innovations they have created to introduce the innovations to the other SBUs more quickly. The negative effect of such a meeting would be that it would take time from the other tasks, and thus it would be necessary to actually get something from it. So, it would be necessary to have innovations that actually have a beneficial effect on the profitability of the SBU. To minimize the costs of such an arrangement, the meetings could be in-

cluded into other meetings where the same people would be gathered together in any case.

Mentoring, that was suggested in the interviews, would probably also have a positive effect on the employee satisfaction. If the salespeople would feel that they can get help when they require it, they would probably be not so afraid of the situations where they feel insecure or incompetent. That would help salespeople to offer more suggestions to the customers since the suggestions were seen to be lacking (e.g. Interviewees B, L). So, mentoring could be beneficial to improve employee satisfaction and also sales performance. Mentoring could also help to transfer skills and knowledge from one salesperson to another. Downside of mentoring is that it might be hard to motivate enough senior employees to act as mentors and if there would not be a mentor for everyone that wishes to have one, it might make employees experience discrimination, and thus have a serious negative effect on the employee satisfaction.

Sales steering suggestions in the chapter 3.5 included two ways of sharing knowledge in an electronic way. The first suggestion was to build an online bulletin board where the salespeople could post customer related information that could help other salespeople in the other SBUs. Another suggestion was a bit more conventional solution, where customer reports would be analyzed and summarized into an online database to be available for anyone involved. There are some pros and cons for both of the systems. The online bulletin board style could raise some conversations that are less formal, and thus could contain information that the salesperson does not consider critical but might actually be really critical for someone else. It might also be possible to post information anonymously, which could make people to tell difficult things more easily. However, it would be doubtful that true anonymous identity could be achieved because people are in touch with each other in their own SBUs. It would be almost certain that the online bulletin board would contain a lot more information than the online database system, and thus require much more time from the salespeople to go through the information, which could make the salespeople not actually use the system anymore. The online database system would absolutely require someone to

be responsible for summarizing the information into summary files. That would take time from someone, and thus cause higher costs, even if the system itself would already exist. If the reports would be strictly formal to reduce the work load of the summarizer, much of the information that might be important to others might be lost. On the other hand, if the reports would not have a formal structure, it might take too much time from the salesperson responsible for summarizing. Anyhow, from the summary file the information would be much more easily achieved than from the online bulletin board.

Both of such systems could be used to gather competitor information in the side of the customer information. A skilled salesperson can probe a lot of competitor knowledge from a customer with good questions (Interviewee L). When this information would be gathered at the group level, the company could get more knowledge about competitors' actions than it currently gets. If the company could see that a certain competitor is making some actions, for example introducing a product with higher technology, the information could be used to match the own actions accordingly. Competitor information could possibly be used also in the sales performance measurement.

6 CONCLUSIONS

The conclusions can be divided into several classes. The first part of conclusions concentrates on giving the answers to the research questions set in the introduction. The second part gathers some extra conclusions that can be drawn from the study that are relevant to the science community, and the third part concentrates on the extra conclusions relevant to the case company.

The findings of this study are based on a case study and results may not be eligible on another case, because there may be differences between industries, cultures and company specific behaviors. Thus, it is always necessary to consider the applicability of the findings presented in this study to the different case.

6.1 Answers to the research questions

To form the answer to the primary research question, the sub questions will be answered. The first sub question was *“what kind of attributes should a sales performance measurement and steering system have?”* The answer to the question was partially given in the chapter 5.1.1 in which the most critical objectives for a sales performance measurement and steering system were listed. In addition to the list, it should be highlighted that any system will fail if it is not relevant to the strategy of the organization and if it lacks the support of the senior management. The objectives from the literature review and from the interviews revealed that a system can never be in line with all the objectives the people would set for it. Thus, it is necessary to always think of the most important objectives for that special case. The objectives define the attributes the system has. In this case, the system should be able to display the performance at many different levels because of the organizational structure of the company. The system should be able to display the most critical information of that moment. The system should also forecast the future performance.

The second sub question was *“what kind of metrics should be used to measure*

sales performance?” One specific answer to the question cannot be given, because it depends on the way the company wants to steer the sales force. If the company wants to give a high amount of independence to the subordinates, then the outcome based metrics would be preferred. Outcome based metrics allow the subordinates to allocate their resource as they see fit, as long as the results, that the parent company or the manager requires, are achieved. Thus, the outcome based metrics are more suitable for a company with multidivisional organizational structure or for a holding company. The behavior based metrics on the other hand are better when the parent company or the manager wants to take tighter control of the subordinates. This could be the situation when the parent company or the manager thinks to have better knowledge than the subordinates, when required targets are not achieved by the subordinate, or there is a need to make sure that every subordinate act in a similar way. Thus, the behavior based metrics are more suitable for a company with functional organizational structure and for a company with matrix structure. Probably the best possible result can be achieved by using a combination of both the outcome and the behavior based metrics. Such an approach probably would be the best option for a company with transnational organizational structure. It would be easier for the users if the metrics would be structured in some way when using both the outcome and the behavior based metrics. Several structured approaches have been analyzed and no system seems to be clearly better than the others. Thus, it should also be considered in every case what structure is the best for that specific situation.

The third sub question was *“what kinds of metrics support the sales process?”* The support for the sales process can also be divided to the support for the managers, who define where to allocate resources, and to the support the salespeople can get from the metrics. The managers require knowledge about which segments and which customers are the most profitable ones, what are the factors for success, and what actions have negative effect on the sales performance. So, the metrics should show customer profitability as extensively as possible, and the metrics should also be able tell whether an action has a positive or a negative effect on the sales performance. So, the metrics that offer support to the sales process must be able to indicate how the sales performance has

developed, and the metrics must also be able to measure the actions that are supposed to be behind a positive or a negative effect. This indicates the necessity of both outcome and behavior based metrics to support the managers in the sales process. On the individual level, it is harder to define which metrics can support the sales process, because every salesperson is an individual and most likely needs different kind of help. It might be enough for some sales people to know how their own actions affect to the financial outcomes of the company, while some other might require more guidance in what actions to perform. The best result would probably be gained when the metrics are set jointly with the manager and the subordinate, so both can give their own opinions of the matter. To maintain the overall integrity of a sales performance system, it would probably be better if some of the metrics would always come from the management one step higher. The benchmarks for the data should also be developed: the historical data should be used less as a benchmark, and outside data, if available, should be used more. The outside data is rarely available so when it is not, the targets should be used as the benchmarks since the managers can try to take the outside developments into account when setting the targets. Because it is hard to forecast the future accurately, the time frame for target setting should not be too long.

The fourth sub question was “*what kind of sales performance management system can answer both the local and the global challenges?*” The answer to the question was formed mainly through the interviews and analyze since the literature offered only a little help. It became clear in the interviews that the system should be common everywhere in order to be useful for a group wide use. This would mean that the system would have common objectives, common structure, and common metrics. The common structure would mean that the levels are the same as they are in the organizational structure and the metrics would be structured everywhere in the decided form. The example of structure that is in line with the organizational structure has been displayed in the figure 7. The empty boxes display customer reports in a specific country. The salesperson level reports would contain information of those customers that the person is responsible for.

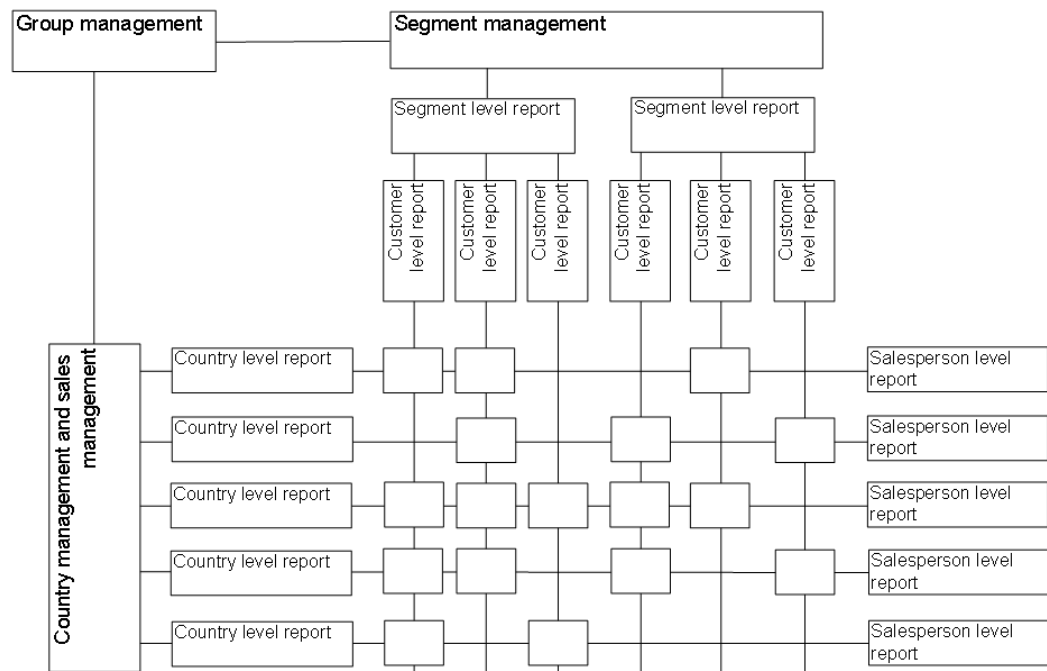


Figure 7. An example structure of a sales performance measurement system designed for both the global and the local needs

To achieve such a common system, the system would either have to be pushed from the top management or be designed and built jointly by the parent company and the different local units. Better results are most likely achieved when the system is designed jointly. It should also be acknowledged that a common system may not answer all the local needs so the local units should be allowed to customize the system and even use their own supplementary systems if they see it necessary.

The fifth question was “*how well are the current systems in the case-organization answering the previous questions and how could the systems be developed?*” As said earlier, the local SBUs have their own systems and it is not meaningful to compare every such system here. Thus, only the group wide systems are being evaluated. A year ago the situation in the case company was much worse than it is going to be in a couple of months. The current systems and the systems under development are not answering many of the objectives which an ideal system would have: the systems are for example not dynamic. The used metrics are too general to respond to the objectives. The metrics, which are in use, partially

succeed in supporting the sales process. The metrics are revealing the most profitable segments and customers in some level, but more detailed measures of the success factors and metrics supporting the salesperson level are lacking. The common systems in the group are working pretty well globally, since there are common objectives, common structure, and common metrics. The greatest problem in answering the research questions is the lack of behavior based metrics.

To develop the sales performance measurement and steering further, the company should concentrate on the following objectives:

1. Make sure that the new systems under development are well implemented
2. Clarify the most important objectives and targets at each level
3. Concentrate on the relevant metrics
4. Increase the amount of behavior based metrics measured
5. Summarize the information.

The primary objective for the case company is to ensure that the new systems, which are under development, will be accurate and produce relevant information. The new systems will allow the sales performance to be monitored at a basic level group widely. The interviews also revealed that the objectives and targets are not clear for everyone on the country unit level, so it would be important to clarify the most important targets for everyone in the organization. There is also a plenty of metrics that are measured but they are very general by their nature, and thus better selection of metrics could help the company to find the reasons behind the business success. Concentrating on a small amount of metrics will also make it easier to attain the important information from the metrics. There was also a clear lack in the amount of behavior based metrics, so it could be beneficial to increase the amount of behavior based metrics in a sales performance measurement. However, behavior based metrics should not be added just because they are behavior based, but it is critical to add such metrics that will help to identify the critical success factors for sales performance.

With the new systems, there will be a lot of good elements that are behind successful sales performance measurement but the information flow may grow to

be too large to be efficiently followed. Thus, a system that gathers the most important information to a common system could be necessary; the idea has been represented in the figure 8. The system would not have to be heavy: it might be enough to create a spreadsheet file where the values for the metrics would be displayed at different desired levels. However, it would be better to create a web based portal where the desired metrics would be displayed in a form that is easy and quick to look at, for example by graphs, and color coded values. If there is a need to go deeper into the values, the information systems that are providing the data to the system should be used to get the information. So, the sales performance measurement system would basically act as a summary file of the sales performance related information. When a limited number of metrics would be under focus and other metrics would be left without focus, the salespeople might feel less measured. In any case, it is important to reduce the amount of metrics and focus on the most important ones.

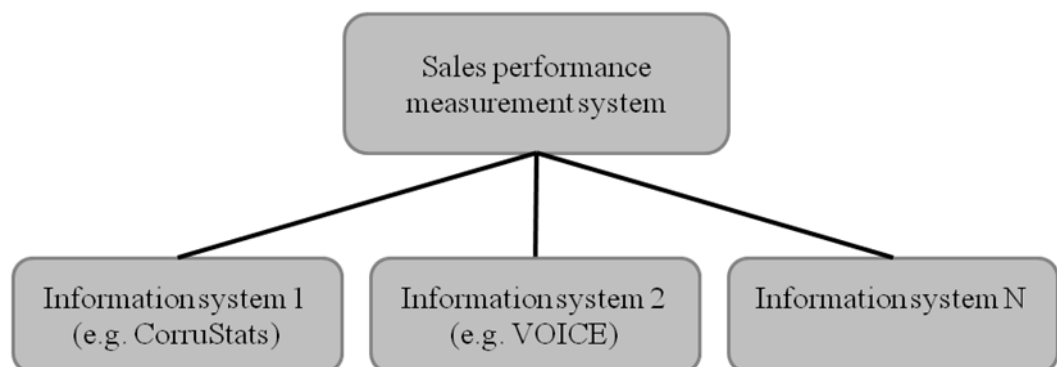


Figure 8. Data for the sales performance measurement system

6.2 Additional conclusions for the science community

The findings of this study support especially the studies of Zallocco et al. in sales performance and Verbake et al. in sales performance and sales steering. The relevant key findings of Zallocco et al. were related to what is sales performance, what should be measured, and to measurement overkill. It became clear that even in the same company, not everyone understands the sales performance equally, and thus it is really critical to define sales performance when talking about it. The interviews performed in this study also indicated that bigger customers should be

measured more thoroughly than smaller customers which offer partial support for the thought of Zallocco et al. that metrics should be depending on the customer type. However, it should be noted that many of the interviewed people also thought that metrics should not differ. Zallocco et al. had also found that the salespeople might experience measurement overkill in many of the companies that participated in the study. This study suggests similar findings, but no certain confirmation was achieved. The relevant key findings of Verbake et al. are related to importance of the knowledge in the sales performance, and to salespeople's motivation. Verbake et al. found in their study that salespeople must become knowledge brokers in order to be successful in the sales. This study offers strong support to the matter: almost everyone interviewed thought that the relevant knowledge is really critical for a successful sales process. The study of Verbake et al. also considered salespeople motivation as a critical issue for sales performance. This study also offered motivation of the salespeople as a critical issue of sales performance through different factors that were career planning, compensation, and work satisfaction. Support for the other studies presented in the chapters 2 and 3 were also found, but the previous findings offered strongest support.

The study also suggests that the management and steering have a strong effect on the sales performance. The subordinates require guidance from the management and must be steered into the direction the managers want. Through the management, the targets become clearer and the role ambiguity (that Verbake et al. found to have a strong negative effect on the personal level sales performance) will decrease. Thus, the companies, who want to improve, should spend resources also to develop management and steering.

Another factor this study suggests to have a positive effect on the sales performance, is the relationships. The interviews revealed that both the internal and the external relationships of the salespeople are important for the sales performance. The internal relationships are necessary so that the salespeople can get help to the problems they encounter, to share and receive best practices, and to sell the customer internally. The outside relationships can improve sales performance

through customer satisfaction, and market knowledge.

All the findings of the study also support the definition of sales performance made in the beginning of chapter 2. The literature made it clear that it can mean both the function level performance and also the salesperson level performance. The interviews revealed that the strategy, salespeople, and implementation are all important for the function level sales performance. On the salesperson level, traits and especially skills and knowledge were seen as critical factors of success.

6.3 Additional conclusions for the case company

The interviews indicated that there are different kinds of customers in the company. Probably the most important customers are the big multinational companies that can benefit the most from the services of a multinational supplier. There are also regional customers that have operations in some the regions of couple SBUs, and then there are the local customers. The multinational and regional customers may want to be served on a centralized way or through the local SBUs. (e.g. Interviewee F) The structure of the company must be able to serve both kinds of needs. This means that the sales performance measurement and the steering systems must be able to provide help for the salespeople with the both kinds of customers. The local systems may be able to serve the salespeople with the customers who want to be served locally but the systems under development are necessary for the customers that want to be served regionally or globally.

In order to develop the sales performance even further, it would be necessary to use greater effort to find out which things are valued by the customers, and also to find out what motivates the salespeople in the case company. It would have a positive effect on the sales performance if the company could concentrate the actions to the specific tasks that the customers consider as the most important. This way the company might receive competitive advantage over the competitors by specializing and make sure that the customers are committed to the company. It

must be remembered that the customers' preferences may change and it is important to constantly make sure that the company stays on top of the preferences.

Since the personal traits cannot be changed, it is necessary to put effort into the recruitment process of the salespeople. As was learned in the chapter 3.4, it would be beneficial for the company to recruit salespeople who are able to adapt, have cognitive aptitude, are engaged to work, are able to share analogies and "know-how", are willing to work with and for others, and take responsibility for their work. After recruitment, salespeople must be constantly trained in order to develop the skills that lead to success in sales.

6.4 Further research

This study revealed some matters that could be the targets of further research. It would be interesting to see whether a quantitative research for a larger group of companies would offer similar results. It would also be interesting to get empirical evidence about which has a stronger effect on the sales performance, the use of outcome based metrics or the behavior based metrics. The study also suggested that employee retention rate would increase sales performance, so it would be interesting to get empirical evidence of that.

It would also be interesting to get results of other studies regarding the optimal performance measurement system for sales. The case study performed in this study indicated that there is no single best system, but does one system increase sales performance more than the others when measured quantitatively? That study could of course contain also some other systems than BSC and systems that have been designed after BSC.

7 SUMMARY

The introduction of the study defined the main research question to be “*how sales performance should be measured in a multinational company?*” The second chapter defined what the sales performance means in this study; it was defined to contain both the function level and the salesperson level performance. The previous studies had indicated that there was no universal understanding on the subject. Limitations were also set so that the study would effectively and efficiently answer the research question and its sub questions. The research method was set to be a qualitative case study, and the main empirical evidence was attained through in-depth interviews with the relevant managers from the case organization’s country units and from the parent company. The study did not take the other functions into account since the objective was to answer questions related to sales performance.

Theoretical frames for the study were set by the literature review that concentrated on the sales performance, sales steering, and performance measurement. The main sources of literature were various scientific articles. According to the literature review, a performance measurement system can help managers to steer the sales force. Performance measurement systems use company’s own data as a benchmark too often. Measurement system must also change when organization or environment changes. Metrics used to measure sales performance should be derived from the strategy and measure critical success factors. Measurement system should have many perspectives instead of only using the traditional financial metrics. Customer satisfaction seems to have a positive effect on the sales performance. The literature also presents plenty of objectives for a sales performance measurement system.

Three different performance measurement systems were also examined in the study. The systems were chosen because they were seen to be suitable for the sales performance measurement use. The first system was the Balanced Scorecard (BSC), which is probably the best known and most recognized performance measurement system. The second system was the Dynamic Multi-Dimensional

Performance Model (DMP) that has been developed after BSC and takes the criticism towards BSC into account. DMP is much less known and there is not much literature available about the system. The third system was developed in the study after the literature suggested that the best outcomes could be achieved by a customized system. The customized system is made adapting BSC and DMP, and thus the influence of these systems is clearly visible.

Where BSC has financial, internal processes, customer, and growth and learning perspectives, and DMP has financial, market and customer, people, processes, and future perspectives, the customized system has financial, market, customer, people, and future perspectives. The customized system tries to take the special needs of sales into account in the performance measurement. This specific customized system has not been used in practice so there is no empirical evidence of its success in the task for this study. The comparison of these systems revealed that there is no system which clearly better than the others for the sales performance measurement. So, the case specific needs and how these systems answer to those specific needs should always be evaluated. It might be so that DMP and customized system give greater advantages to the company, because they might be more suitable and are at least less used.

The literature and also the interviews made it clear that the metrics should be set for every system on a case specific basis and the metrics are also changing when the situation changes. Thus, the study did not set any metrics that should always be used but gathered plenty of metrics from the literature and interviews, and also some new metrics were developed. The new metrics were: primary reason for customer's buying decision and a light metric to reveal the true profitability of a customer. The primary reason for customer's buying decision –metric is based on the idea that knowing the reason can help to identify the critical success factors of company's performance. The reason for buying can be identified through conversations with the customer, small signs given by the customer, and salesperson's analysis. The light metric to reveal the true profitability of a customer is based on the thought of activity based calculation. The salespeople will analyze the work load required by the customer and that may help to reveal if

the customer is truly profitable or actually causes losses for the company.

There were also many literature findings regarding the sales steering. It was revealed that the compensation scheme will affect how the salespeople will act. Control systems will affect how the salespeople will perform on specific measures. A good sales strategy has a positive effect on the sales performance. Segmentation helps to focus the efforts. Work satisfaction has become a key issue in the marketing literature. Motivational efforts should concentrate on the intrinsic motivation. It could be beneficial to gather customer and competitor information into an online bulletin board or online database to be available for all of the involved people. Both of these systems require effort from someone to summarize information to be more easily achieved.

The interviews offered mostly support for the findings of the literature review. There were differences in how the sales performance was understood. The used metrics were mostly outcome based. Salespeople's competence, management and steering, and relationships seemed to have the greatest effect on the sales performance. There are differences in the rewarding between different country units. Neither were the targets clear for everyone. The solutions to the problems that had been found and to the research question were formed through literature suggestions, analysis, and comparison of options. The sales performance measurement in a multinational company requires a system that has different levels that have been defined after the organizational structure, the system must answer to the special objectives that have been set for it, it must have the support of the senior management, and the metrics must be in line with the structure, strategy, and objectives. The global performance measurement system must also be common everywhere; that means there must be a common structure, common metrics, and common measures. Because there are additional local needs, the local entities must be allowed to use supplementary systems if they see they are necessary.

From the company point of view the greatest development issue is to finish the systems that are currently under development and then use their resources to continue development. The development should concentrate on the behavior

based metrics because the current and new systems will give the outcome based metrics pretty successfully. With more thorough measurement, the company could change the focus from lagging metrics to metrics that forecast future better. There might also be too many metrics in use currently, and the company should focus on smaller amount of metrics to handle the information overflow.

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Appendix 1: Key questions of the interviews

Questions for Corrugated Packaging key personnel:

Introduction:

- Could you please briefly describe your position in Stora Enso Corrugated Packaging (SECP)?
- What does sales performance mean in your opinion?
- Could you please describe an ordinary sales process in SECP? (E.g. what different parties are involved and how long the process is)
- What is your opinion about SECP sales/marketing strategy?

Current situation:

- What things you see as the most critical for a successful sales process?
- What things are the core competences in SECP sales force?
- How important long-term customer relationships are for SECP from your point of view?
- What kind of metrics you use to help you in the management?
 - o Are you aware if there is additional metrics available for the task?
 - o Why have you chosen the ones you use?
 - o How easily can you access the metrics you would like to see? (How fragmented the data is and how big effort does it take to view the data)
 - o How well does the metrics communicate about the success of decided strategy?
- What kinds of metrics are used to determine sales force reward compensation levels currently?
 - o How well do they work in your opinion?
 - o How well can the sales force affect in the numbers that determine the reward levels?
 - o How are the objectives set for the metrics? Short term versus long term
- What are the problems in the current sales performance measurement and what are the greatest of them?
 - o What issues you see in current sales performance measurement system regarding local-global thinking?
- What are the best features in sales performance measurement currently?

Future:

- What kind of objectives would you set for a sales performance measurement system if you would design one for SECP now?
- Who do you see as the most critical user group for a sales performance measurement system?

(Continues)

(Appendix 1 continues)

- Do you think one set of sales performance metrics works equally for every customer?

“For major account management, where building long-term customer relationships is key, performance measures that combine characteristics of externally oriented (market feedback) and effectiveness (sales outcomes) should be used. Here both the needs of the customer and the selling goals of the salesperson/organization can be best satisfied. For mid-sized customers, measures combining aspects of internally oriented (salesperson skill development) with effectiveness (sales outcomes) can be utilized to best serve a market characterized by growth. Finally, for small customers, internally oriented (skill development) with efficiency (selling activities) aspects of performance measures can ensure that salespeople are providing adequate market coverage to a large base of small businesses.”
(Zallocco et al. 2009, p. 607: A re-examination of B2B sales performance)

- What kind of metrics would you like to have for your use?
- Do you think it is more important to measure how the results are achieved or just measure the outcome?
- Do you prefer hard metrics (outcome based; for example sales value and gross margin) over soft measurements (behavior based; presentation skills of sales representatives)?
- What is your opinion of applying Balanced Scorecard (BSC) thinking into sales performance measurement? (see the appendix 1)
- How does the sales performance measurement needs differ locally and globally?

Appendix 2: Multi criteria decision analysis on the objectives

Objective	Achievability	Relevance to sales performance measurement	Relevance to sales performance measurement system
1. The system should line up with company's targets and strategy	5	5	5
2. The system should have	4	5	4,5
a. Internal and external perspectives			
b. Financial and non-financial perspectives			
c. Perceptual and objective perspectives			
d. Local and global perspectives			
e. Short and long term perspectives			
3. The system should be relatively light	5	4	4,5
4. The system should make people discuss	4	5	4,5
5. The system should be similar everywhere in the company	4	5	4,5
6. The system should be accurate enough for management use	4	5	4,5
7. The system should be open	5	4	4,5
8. The system should be relevant to practice	4	5	4,5
9. The system should be constantly developed	4	5	4,5
10. The system should be dynamic	3	5	4
11. The system should offer more real-time information	4	4	4
12. The system should act as a tool for feedback and steering	4	4	4
13. The system should be in line with the management systems	4	4	4
14. The system should include metrics that measure direction, quantity, and quality	4	4	4
15. The system should be able to react to changes when a customer transforms from local to global	3	5	4
16. The system should pay attention to the basic task of the sales people, selling	5	3	4
17. The system should reveal the total profitability of a customer on the group level	3	5	4
18. The system should not have too many objectives	5	3	4
19. The system should balance profit, growth, and control	3	4	3,5
20. The system should balance short time growth and longer term competence and growth possibilities	3	4	3,5
21. The system should avoid lagging metrics	3	4	3,5
22. The system should be cost effective	4	3	3,5
23. The system should answer to customer requirements	3	4	3,5
24. The system should allow required autonomy to the employees	4	3	3,5
25. The system should support decision making	4	3	3,5
26. The system should include more sophisticated metrics than traditional financial metrics	3	4	3,5
27. The system should show only those metrics relevant to the person in question	3	4	3,5
28. The system should allow deeper analysis of the metrics	3	4	3,5
29. The system should help determine the critical success factors of different segments	3	4	3,5
30. The system should not aim to replace personal management	5	2	3,5
31. The system should include both individual and collective targets	4	3	3,5
32. The system should be based on the local needs	3	4	3,5
33. The system should display cause and effect relationships	2	4	3
34. The system should not be affected negatively by the aspiration to be perfect	4	2	3
35. The system should be a tool for change	3	3	3
36. The system should have the same objectives as the current one	1	1	1