

THE MEASUREMENT OF SELF-MONITORED SALESPERSON PERFORMANCE

Jack J.R. van Minden, Psycom, The Netherlands; Henley Management College
Paul Breman, Rabobank, The Netherlands; Henley Management College

ABSTRACT

In research relative (self-ranked) performance indicators generally show a higher response rate than the self-monitored absolute performance indicators., due to the sensitivity of these data and the possible effort for the informant to collect this information, but relative data may be less reliable. Therefore, this paper describes the importance of salesperson self-monitored or self-reported performance measurement and the various inherent problems and then moves on to a study carried out to test some commonly used self-report absolute performance criteria, namely sales volume, gross margin and gross profit and various relative (self-ranked) performance indicators. The results indicate that the self-monitored absolute performance criteria and the relative (self-ranked) performance variables hang together.

INTRODUCTION

Measuring the SP's² performance, the criterion and dependent variables in many business research studies, is an important issue because it is about gauging performance validly and reliably, although "the treatment of performance in research settings is perhaps one of the thorniest issues confronting the academic community today" (Venkatraman & Ramanujam, 1986). The literature and business practice offer a whole array of performance measures (Patty & Hite, 1988; Ingram & LaForge, 1992; Churchill, Ford & Walker, 1993; Futrell, 1994; Monoky, 1995; Hutt & Speh, 1995). Quite often prima facie performance information from the SP is used in studies, although these (unsubstantiated) data are of crucial importance.

Our interest lies in the self-monitored data, supplied by the interviewee (SP) himself. Self-ratings are home to many business studies (see for instance Kohli, Jaworski & Kumar, 1993; El-Ansary, El-Ansary & Harris, 1994). These data may in general be obtained easier by a researcher than going into the preferable details of harder and more robust corporate (and SM-supplied) data. But self-monitored data may also be sensitive to bias, since SPs have to reveal personal details, and not all of these may be positive or flattering in their view. However, hard corporate data are generally difficult to obtain. As Caruana and Pitt (1994) observed: "to measure performance it was thought impracticable to expect busy managers to collect actual performance data (...). Dess and Robinson (1984) who looked at the accuracy of such data hold that it is also of minimal use in explaining variation in performance between firms and recommend that researchers consider using subjective perceptual measures of organisation performance. Pearce, Robbins and Robinson (1987) show that such subjective evaluations are reliable means for measuring performance".

In research relative (self-ranked) performance indicators generally show a high response, but they may be less reliable than the self-monitored absolute performance indicators, that are expected to show a lower response rate (which was assessed in our study: see [table 1](#)) due to the sensitivity of these data and the possible effort for the informant to collect this information. Therefore it is useful to find out if both types of relative indicators hang together. In that case a researcher can focus on the relative (self-ranked) performance indicators and benefit from the high response without fearing lower reliability.

ABSOLUTE AND RELATIVE SELF-MONITORED PERFORMANCE INDICATORS

A differentiation can be made between absolute and relative self-monitored performance indicators. Absolute variables are straight indicators. describing an individual's self-reported outcome, while relative indicators are self-ranked data, for instance within a sales force. The following absolute indicators are used frequently in business research

A. Sales volume

Sales volume is widely applied, but not always suitable, because of the different products that are sold across a sample of companies. Some companies/SPs sell high-volume -, others low-volume products; some SPs handle big accounts, others small accounts.

² Throughout this paper two abbreviations are used: SP for the gender-neutral salesperson and SM for sales manager.

Furthermore, although on the surface these figures look objective, they may be affected by factors not under control of the SP, like working in a depressed area or concentrating on short term sales. In the not too distant past SMs kept track of their SPs by concentrating on sales results. A good performer was a SP who met or exceeded his objective or quota. According to longtime sales researcher Cravens (1994) "managers continue to monitor sales but also consider other measures such as customer satisfaction, profit contribution and customer retention". Jackson & Hisrich (1996) pointed out that if the SM only looks at sales volume the message is conveyed that volume is the only criterion that matters and is rewarded, thereby skipping for instance long-term commitments with customers, creating new accounts, selling costs, etc.

B. Gross margin

Gross margin as such appears to have face value as a (discriminating) dependent variable. However, it does not take into consideration the 'behavioral costs', or effort put in. Since gross margin may cut across volumes, accounts, companies and the like, this variable can also be applied as an performance measure.

C. Gross profit

Gross profit is sales volume x gross margin thus reflecting the SP's contribution to the firm, or the bottom line

Self-ranked performance indicators

Various self-ranked performance indicators seem to be appropriate to assess SP performance, like (again) sales volume and gross margin. Also of importance can be factors like business growth and professionalism, indicators of long-term success.

Vaccaro (1987) showed that SPs over-rate their performance on his six dimensions (communication skills, interpersonal relations, product knowledge, problem solving, self-management and overall) when compared with how SPs are rated by their SMs. In comparison to their clients, differences on these dimensions are small, whereby SPs over- and underrate their performance compared to their customers. Compared with their peers the congruence per dimension is very high.

METHODOLOGY

Population

As a population for this study served all 12 members of the Dutch Paper Wholesale Merchants Association, holding together an estimated 70-80% of the entire Dutch paper wholesale market. They are independent operators (from the mills), work nationally, are 'generalists' (non-specialized) and have sales forces consisting of more than one full-time outside SP. Prior to the start of the fieldwork two pilot tests were executed. All SPs of the targeted companies that consented (9) were approached indirectly, that is through their SMs and/or other 'bosses'. 153 questionnaires were sent out, resulting in 88 returned useable questionnaires, bringing the response rate up to 58%.

Criterion variables

The three earlier described absolute self-monitored performance measures were used as dependent variables.

-Sales volume.

-Gross margin (a percentage).

-Gross profit: annual sales volume (in Dfl.) x gross percentage profit per 12 months.

These measures were in line with the advice given by Churchill, Ford & Walker (1993), to judge sales people solely on factors over which they can exercise control. Furthermore, four relative self-ranking criteria within the sales force were applied: sales volume, gross margin, business growth and professionalism.

RESULTS

The response of the absolute self-reported data was considerably lower than that of the easier to quote relative data, as the following table shows:

Table 1. Response of self-reported absolute (A) versus relative performance indicators (B)

<i>Variable</i>	n	% (Based on n = 88)
A. Sales volume	58	65.9
A. Gross margin	47	53.4
B. Sales volume	83	94.3
B. Gross profit	82	93.2
B. Business growth	83	94.3
B. Professionalism	84	95.5
B. Self-rated performance	85	96.6

How do the absolute and relative performance indicators hang together? The correlations between the measures are as follows:

Table 2. Correlations between absolute self-monitored performance and relative (rank-ordered) and self-rated performance measures (Spearman, 2-tailed)

Self-rated > Absolute performance measure	Sales volume	Gross profit	Business growth	Professionalism	Self-rated performance
Sales volume	.3273***	.2531***	-.0134	.0842	-.0393
Gross margin	-.4565*	.2129	-.0476	-.1012	.0883
Gross profit	.2552**	.3934*	.0128	-.1231	-.0367

* p<.01 ** p<.10 *** p<.15

Sales volume as an absolute indicator and as a rank-ordered rating go together well, meaning that SPs are honest about their performance, or are 'lying' well. (Is this a 'moment of truth'?) This points to a possible replacement of an absolute indicator by a relative. The same holds true for the two gross profit estimates.

Self-estimated sales volume is significantly, but highly negatively, related to gross margin, which may have several meanings:

-A subjectively estimated high sales volume does not necessarily go together with a high margin (and vice versa). Selling a lot does not necessarily imply selling at the 'right price'.

-One of the two ratings may have been communicated with the SM, and the other guessed by the SP, reflecting different degrees of reliability.

-SPs are not sure about their real position in the 'pecking order' in their sales force, nor about their gross margin and underestimate one indicator and overestimate the other.

CONCLUSIONS AND DISCUSSION

In this study the results indicate that the self-monitored absolute performance criteria and the relative (self-ranked) performance indicators hang together, although self-ranked sales volume is negatively related to self-monitored gross margin. Therefore it seems acceptable for a researcher to concentrate on the relative (self-ranked) performance indicators and thus benefits from a higher response rate without fearing lower reliability. However, these kinds of indicators are still second best and therefore the future research agenda should include harder, objective sales data that could be used for cross-validation to check for possible interviewee bias. It is recommended that more theorizing and research on indicators of sales performance will be conducted. Stronger criteria will improve the quality of business research.

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Appendix: The items used in the research

Self-monitored sales volume: What is your current annual sales volume? (*If your volume covers less than 12 months, then convert this volume into one for a 12-month period*)

Gross margin: What is your gross margin percentage

Relative performance indicators: Please indicate your performance ranking within your sales force. (*In the last 12 months*). (1=lowest group, 3=average, 5=highest group)

Performance Criteria

- a. sales volume
- b. gross profit
- c. business growth
- d. professionalism (*your subjective opinion*)

Self-rated performance: How effective a salesperson do you consider yourself to be? By “effective” here, we mean the contribution you make to your company (*1=very minor contribution to 5=very large contribution*)