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Gartner for Sales Leaders

Maximizing Sales Efficiency: A Deep Dive Into Performance Metrics

Typical seller productivity metrics tell a limited story. They allow managers to gauge performance using arbitrary targets but don’t reveal which success factors really drive individual performance. Comparative performance metrics enable chief sales officers to understand why top performers win.

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Overview

Key findings

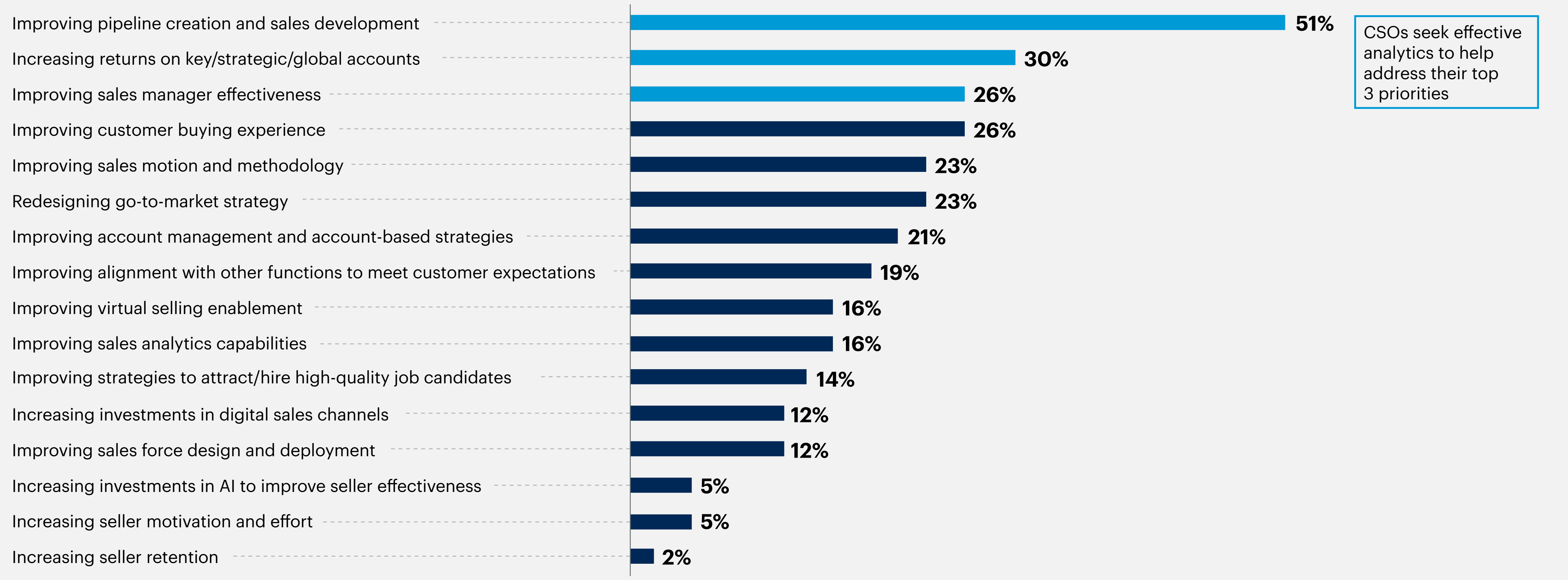
- Sellers typically view their performance using multiple disconnected lagging indicators but can't see how these measures combine to drive their overall success.
- Managers can't effectively tailor coaching for the seller without understanding the correlation between single measures and overall productivity.
- Sales enablement and sales operations functions can't objectively prioritize their efforts without knowing which activities have the greatest impact on productivity.

Recommendations

CSOs focusing on data-driven performance improvement must:

- Define comparative seller performance metrics and compare individual sellers against peers to objectively identify success factors.
- Coach sellers based on a holistic view of multiple indexed performance metrics to improve seller understanding and motivation.
- Analyze top performers' activities to understand the real drivers of performance and prioritize enablement and operations efforts to make the greatest impact on sales outcomes.

Figure 1. CSOs' Top Priorities for the Success of Their Sales Organization
Percentage of Respondents



n = 43 CSOs
Q: Please select the top 3 priorities for the success of your sales organization in calendar year 2022.
Source: 2022 Gartner CSO Priorities Survey

Unfortunately, sales leaders often rely on intuition when deciding how to quantify performance and guide their managers' coaching, especially since the drivers that move the performance needle in one sales role may be different from another. Meanwhile, sales operations and sales enablement leaders also lack an objective method for measuring what efforts will have the biggest impact on sales performance.

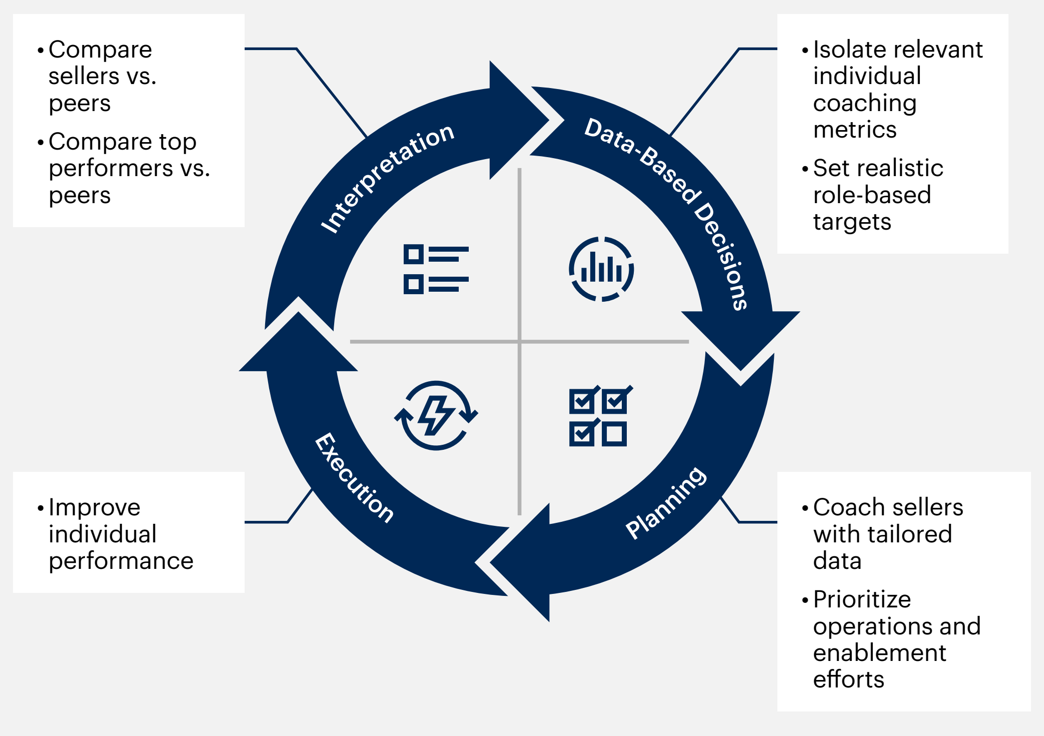
CSOs who want to use sales analytics to improve the performance of specific seller roles commonly ask:

- How can my sales managers be more objective and data-driven when coaching sellers?
- What observable behaviors separate my top performers from my low performers?
- How should we use performance metrics to motivate sellers and drive behavior change?
- What seller needs should my enablement and operations teams prioritize?

Finding data-driven answers to these questions creates a virtuous cycle of performance improvements as data-driven decisions guide planning and execution, leading to new and refined insights and decisions (see Figure 2).

CSOs who fail to base their seller performance improvement efforts in comparative analytics are essentially guessing at what seller actions and manager coaching will lead to success. CSOs must stop getting lost in data, and focus sellers and managers on activities objectively proven to drive success.

Figure 2. The Flywheel of Benefits From Comparative Seller Performance Metrics



Source: Gartner

Introduction

Chief sales officers (CSOs) currently prioritize the performance of three roles — sales development representatives, key account managers and sales managers — to drive their sales organization's success (see Figure 1). [1] The key activities that determine success in mission-critical functions differ between roles. To improve the performance of any specialized role, CSOs must arm their organizations with tailored analytics and insights.

Tailor the Definition of Productivity by Sales Role

There's no universal measure of productivity among organizations and sales teams. Since responsibilities are specialized for each sales role, the definition of productivity must be tailored to each role in question. Ideally, leaders should define productivity in value-based terms. How much revenue does a given role affect? Sales leaders should express productivity for each role in terms of potential or recognized revenue.

Going one step further, CSOs should deconstruct this definition of productivity into measurable activities that they can combine to calculate value-per-time-period for that role.

For example, if a sales development representative (SDR) is primarily tasked with making calls to generate leads, then SDR productivity can be expressed as the product of the number of calls made, the success rate of those calls and the eventual opportunity value that resulting leads contribute to the pipeline (see other example definitions in Table 1).

By tailoring the definitions of productivity with supporting metrics for each sales role, sales leaders provide their teams with a consistent method for evaluating seller performance. This approach also provides sellers a very tangible measure of their individual impact on the business.

Table 1: Defining Productivity and Supporting Metrics by Sales Role

	SDRs/BDRs	AEs or KAMs	Customer Service	Customer Success
Example Productivity Definitions	Lead generation based on quality and quantity of outbound calls	Revenue production based on pipeline progression	First call resolution rate (FCR) and abandoned call rate (ACR)	Customer satisfaction, retention and lifetime value (LTV)
Supporting Metrics (Multiplication Factors)	• Calls per time period • Success rate (call generates a lead) • Average lead value	• Pipeline creation (deal count) • Win rate or pipeline conversion rate ■ • Average deal size	• Calls per time period • First call resolution • Average annual customer value	• Renewal or expansion opportunity count • Customer retention rate • Average annual customer value

Source: Gartner

Compare Individuals With Peers Using the Comparative Seller Performance Index (CSPI)

CSPI for Sales Productivity

For a meaningful assessment of seller performance, sales leaders must understand how sellers are performing against their peers. To enable this comparison, sales leaders must introduce a comparative measurement that quantifies an individual's productivity and supporting measures with respect to their peers. We'll call this a comparative seller performance index (CSPI).

A CSPI is calculated as individual performance minus peer performance, divided by peer performance (see Note 1). A CSPI can be calculated for any seller performance measure. A zero value indicates performance exactly matches the peer average; a positive value indicates overperformance and a negative value indicates underperformance relative to peers.

The CSPI approach allows CSOs to calculate an individual's performance in each metric, purely in comparison to peers. This requires that leaders define peer cohorts using dimensions like sales role, tenure, region, customer segment, product and channel to ensure comparisons are valid for decision making.

CSPI allows CSOs to calculate how the individual's performance compares to peers, and how that individual's performance affects their total productivity. Figure 3 illustrates this calculation for an account executive (AE).

Figure 3. Illustrative CSPI Calculations for Account Executive (AE) Productivity
Compare Individual With Peers' Productivity
Account Executive (AE) Example

	Individual	Team Average	Comparative Sales Performance Index (CSPI)	Individual Productivity Gain/Loss
Pipeline (Count)	32	25	1 0.28	$189,000
Win Rate	30%	33%	(0.09)	($86,400)
Average Deal Size	$90,000	$110,000	2 (0.18)	3 ($192,000)
Productivity	**$864,000**	**$907,500**	**(0.05)**	

CSPI compares an individual's performance on each metric to the team average.

1 Seller is significantly outperforming peers — by 28% — in pipeline creation (0.28 CSPI)

2 Seller underperforms by 18% in deal size (-0.18 CSPI).

3 Further calculations can help drive seller motivation: "We could improve your productivity by $192,000 if we grow your deal size to match your peers' average."

Source: Gartner

Used in this context, the CSPI is an intuitive gauge of where strengths and weaknesses exist in the activities that directly lead to commercial success.

CSPI for Sales Velocity

The CSPI concept can be extended to include sales efficiency by changing the basis of the calculation from sales productivity to sales velocity. Sales velocity, calculated as productivity divided by cycle time, is a measure of how much revenue advances through the sales pipeline per day (see Figure 4).

Figure 4. Illustrative CSPI Calculations for AE Sales Velocity
Compare Individual With Peers' Sales Velocity
Account Executive (AE) Example

	Individual	Team Average	Comparative Sales Performance Index (CSPI)
Pipeline (Count)	32	25	0.28
Win Rate	30%	33%	(0.09)
Average Deal Size	$90,000	$110,000	(0.18)
Productivity	**$864,000**	**$907,500**	**(0.05)**
Average Cycle Time	90 days	100 days	1 0.11
Sales Velocity	**9,600**	**9,075**	2 **0.06**

Extend the concept to incorporate sales efficiency by replacing productivity with sales velocity.

1. Seller's cycle time is 10 days shorter (better) than their peers.
2. Though the seller's productivity was 5% below team average, their velocity is 6% higher.

Source: Gartner

Sales leaders should provide managers with coaching guidance aligned to each performance measure included in the productivity or sales velocity definition. For each performance measure, leaders must provide a set of additional metrics they should inspect and discuss with the seller (see Table 2).

Table 2: Example Metrics for CSPI Seller Performance Coaching

CSPI Metric Being Investigated	Additional Metrics to Inspect
Pipeline creation	• Lead response time • Outreach interactions per opportunity • Contacts engaged per opportunity
Win rate	• Meetings per opportunity • Sales stage success rates • Interaction frequency and volume ■ • Opportunity slip rate • Contacts engaged per deal
Average deal size	• Sales collateral usage • Cross-sell/upsell activities • Pricing exceptions (frequency and value)
Average cycle time	• Sales stage cycle time • Outreach interaction frequency • Overdue sales activities • Stalled deal count

Source: Gartner

Use a Comparative Sales Performance Index to Uncover Actionable Insights

Every sales leader has a set of favorite techniques for improving sales team performance, based on past experience. The "always be closing" adage, for example, implies that win rate is the most important supporting metric. Using CSPI can confirm or debunk that mentality.

The questions that sales leaders should be asking include:

- Which activities make the biggest contribution to success in each of our organization's sales roles?
- How do I provide that information in a way that motivates seller behavior?
- What enablement and operations efforts will foster and incentivize appropriate activities?

By identifying top performers (based on quota attainment or other appropriate measures) and comparing their CSPI results to the peer baseline, sales leaders can answer these questions. CSPI data will reveal which activities drive top performers' success and help leaders decide how those behaviors can be replicated throughout the organization (see Figure 5).

Figure 5. Assessing Top Performers Against Peers Using CSPI
Use CSPI to Uncover Hidden Insights
Account Executive (AE) Example: Top Performers vs. Peers

	Top Performers	Peer Average	Top Performer CSPI (vs. Peers)
Pipeline (Count)	30	25	2 0.20
Win Rate	32%	33%	(0.03)
Average Deal Size	$116,000	$110,000	0.05
Productivity	**$1,113,600**	**$907,500**	**0.23**
Average Cycle Time	95 days	100 days	0.05
Sales Velocity	**11,722**	**9,075**	**1 0.29**

What can we learn by inspecting our best sellers' performance? In this example:

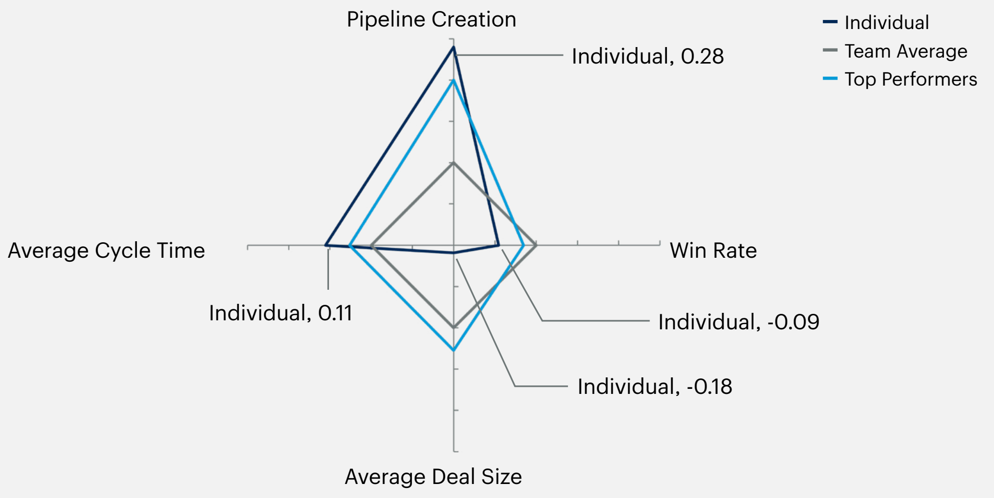
1. Top performers' sales velocity is 29% higher than peer sellers.
2. But pipeline creation, not win rate, is the difference in their performance.
   - **Conclusion:** Pipeline creation has a greater impact on seller performance in this illustrative example than win rate, deal size or cycle time (combined).

Source: Gartner

CSPI analyses enable sales leaders to challenge conventional wisdom with observable performance results. Using CSPI-based insights, sales leaders can make confident decisions on how managers should coach their teams and how sales enablement and sales operations will prioritize their efforts.

Understanding top performers' CSPI results enable sales leaders to set realistic targets that focus on the activities that are most relevant to revenue outcomes. Since CSPI results are unitless, they can be combined into a powerful visualization that summarizes all relevant supporting metrics. By overlaying individual CSPI data with team average and top performers' results, leaders enable managers to deliver more data-driven coaching to their sellers (see Figure 6).

Figure 6. Individual, Team and Top Performer CSPI Visualization
Account Executive (AE) Sample Visualization
Comparative Seller Performance Index



	Values			CSPI		
	Individual	Team Average	Top Performers	Individual	Team Average	Top Performers
Pipeline Creation	32	25	30	0.28	0.00	0.20
Win Rate	30%	33%	32%	-0.09	0.00	-0.03
Average Deal Size	90,000	110,000	116,000	-0.18	0.00	0.05
Average Cycle Time	90	100	95	0.11	0.00	0.05

Source: Gartner

The example in Figure 6 offers a sales data analyst multiple insights, including but not limited to:

- **Top performers are significantly outperforming the team average for pipeline creation.** Are there opportunities to provide all sellers in this cohort with tools, training and coaching to improve their pipeline creation?
- **The individual in question is struggling with low deal size.** What best practices from the larger team can be applied? Has this seller been assigned a disproportionate number of price-sensitive accounts? The sales manager now has objective evidence of where to begin investigating.

Caution! In some environments, comparative seller performance metrics will not produce usable insights. The validity of CSPI analyses is directly dependent on a few factors, including:

- **Validity of peer cohort definitions** — If sellers with comparable territories or books of business can't be grouped for comparison, the resulting insights will not be actionable.
- **Consistency of opportunity management processes** — If top performers neglect to enter opportunities they don't win, for example, their pipeline and win rate metrics will be incomplete and can't be treated as best practice.
- **Sample size** — If one to two years of historical data are not included in CSPI analyses, the impact of unusually large or long-lived sales opportunities can skew results.

Prioritize Sales Enablement and Sales Operations Investments

Analyzing top performers in specific roles against their peers offers sales leadership, sales enablement and sales operations a powerful tool for decision-making and planning. Based on top performers' CSPI results, sales leaders can objectively determine how to prioritize sales enablement and sales operations efforts (as shown in Table 3).

Similarly, leaders should analyze how low-performing sellers' CSPI metrics compare to average team performance. Don't assume their performance metrics will be the converse of top performers'. Isolating which activities and behaviors hinder low performers equips sales leaders with data-driven insights to improve team performance and avoid the costs of involuntary attrition.

Table 3: Examples of CSPI-Driven Decision Making

If Top Performers Excel in This Performance Measure...	...Consider Investing in These Actions, Capabilities or Solutions for the Larger Team
Pipeline creation	• Third-party prospecting data • Lead routing technology • Training on early stage qualification activities • Opportunity qualification methodology redesign • Channel program redesign and partner recruitment
Win rate	• Sales methodology training and tools • Account planning process and tools • Proposal creation, negotiation and objection handling • Sales collaboration technology • Virtual selling tools • Conversation intelligence technology • AI-guided selling • Digital sales rooms
Average deal size	• Cross-sell/upsell training and collateral • Third-party account data; revenue data solutions ■ • Pricing exception policy, process and tools • Territory planning
Average cycle time	• Sales collaboration technology • Seller productivity tools • AI-guided selling • Digital sales rooms

Source: Gartner

Evidence

This research is based on insights from Gartner for Sales Leaders analyst perspectives, client inquiries, briefings with revenue technology vendors and information obtained from secondary sources.

[1]2022 Gartner CSO Priorities Survey: This survey of 43 organizations was conducted online from February through June 2022 to understand the current business challenges and top priorities of chief sales officers (CSOs) or equivalent leaders. The survey sampled CSOs, chief revenue officers, executive vice presidents and senior vice presidents in sales, and heads of sales from a variety of industries including financial services, information technology, manufacturing, professional services, software, telecommunications and wholesale. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

Note 1: CSPI and Sales Cycle Time

For a metric like sales cycle time that is inversely proportional to seller performance, CSPI is calculated as peer performance minus individual performance, divided by individual performance.

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