Rayel & Company's
Case Study #09

Critical Sales Performance Indicators

Find out what happens when you ignore your Critical Sales Performance Indicators.

THE SITUATION

A medium-sized technology training company was getting ready to do an IPO in a fairly warm market. For the last two and a half years, the company had been cleaning everything up and repackaging itself for that special day. Its growth and market positions were right where it wanted them to be. The IPO got delayed, however, and the company's revenues started to slip.

ANALYSIS

The company had a four-month sales cycle due to the way it acquired its clients. The company, however, was looking only at traditional sales performance indicators - i.e., deals booked and what the industry calls "butts in seats." The problem that the company didn't recognize was that an IPO takes a lot of time and energy away from the normal routine of running a business. In addition, they were not looking at their early sales performance indicators, which would had identified a decline in sales early enough to take corrective action with little or no negative consequences.

CHANGES MADE

TUnfortunately, the CEO had asked me for only a little consulting in his early IPO preparation days and had not used me on an ongoing basis. At the early stage, I had helped him to define some early sales performance indicators. But the CEO had a sales VP who chose to ignore the advice, and the CEO failed to hold the sales VP accountable. If he had, the CEO would have spotted the problem months in advance!

THE RESULT

The IPO was delayed due to circumstances beyond the CEO's control. At the same time, the company's revenues dropped significantly, which made an IPO impossible. Not surprisingly, the IPO never happened. Instead, the company went bankrupt and was dissolved a short time later.

THE COMMON MISTAKE

The biggest mistake is not defining and paying attention to your early sales performance indicators. To help illustrate this, think of a dashboard in an airplane cockpit. The pilot in the cockpit must always look at all the different gauges and make constant adjustments to reach the airplane's destination. If your company has a six-month sales cycle and you follow the traditional sales performance indicators, you won't know you have a problem for four months, and then it will take another six months to ramp back up. That is like waiting for your car to run out of gas before doing anything about it. If you do what I suggest, your sales and cockpit gauges will always tell you where you are!

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