

## Using Metrics to Influence Behavior: Lessons from NASCAR

### **NASCAR?**

I can't say that I've ever been an auto racing fanatic. I probably know as much about NASCAR as anyone else who knows very little, but I did have the opportunity to attend a race some time ago. One of our clients had a sales team working at the event, so we were invited to observe their salespeople in action and then watch the race. Very interesting indeed.

While the race was fun, I also enjoyed learning a bit about the annual NASCAR championship called the Sprint Cup. At the end of each season, the 'best' driver receives the championship title and a cash prize, which was \$7 million in 2007. I was most intrigued by the performance measurement system that is used to select the season's champion. It is one of the most ingenious incentive programs I have seen in using metrics to align people's behavior with business objectives.

### **Stay on Track**

When Winston became the first corporate sponsor of the NASCAR championship in 1971, it immediately instituted a new system to measure each driver's performance throughout the season. The new scheme included 6 metrics for which a driver accumulated points. Points were awarded for winning the race, of course, but points were also given for each lap completed and for finishing the race. In fact, the winner of a race may not have earned the most points that day, depending on how many laps they led and other factors.

Consequently, drivers have frequently won the championship without winning the most races. In 1973, the champion won only 1 race, while a driver with 6 wins finished 5<sup>th</sup> in the overall standings. This is a sore point for many race fans who believe that winning races should equate to winning championships. However, the system was brilliant from the perspective of the sponsor, who had its own objectives in mind.

If you sponsor a racing event, you don't really care who wins the contest. Your primary concern is that spectators come to watch the race and get bombarded with your advertising for as long a period as possible. Therefore, the points system was designed to encourage drivers to enter all of the races and stay on the track as much as possible to keep earning points toward the championship. If it's a small race that's inconvenient to attend, you still have to go. If you

break your transmission or tear off your bumper, you do what you can to get back on the track and rack up some points.

Therefore, race fans can almost always be assured that their most loved and most hated drivers will be on the track to cheer and jeer. The sponsor can then be sure that the fans will stay in their seats, spend lots of money, and see more advertising. This system of metrics has apparently been very effective in recruiting and retaining fans, since NASCAR claims to sell more than \$2 billion worth of licensed merchandise each year.

### **Case in Point**

NASCAR's point system is a superb case study in engineering an incentive system to elicit specific desired behaviors. The sponsor wants the drivers on the track to draw spectators, and the drivers do stay on the track to earn points. The performance metrics clearly communicate the sponsor's expectations, and the system rewards those who play along.

This is a good model for anyone designing an incentive compensation plan for their sales force. First, you need to decide exactly what behaviors you want to encourage in your salespeople. Think beyond just motivating them to sell, which is the equivalent of just getting the drivers to the race. Think through what you want them to do once they're in the field. If you want more revenue from new accounts, then measure and reward new account creation. If you want to dig deeper into existing accounts, then measure and reward recurring customer sales. Whatever your goals, you can design metrics to accomplish them by guiding particular sales force behaviors.

Secondly, you need to shift your metrics as your objectives change over time. Winston changed the rules of the game to accomplish their new goal – increased spectatorship. We've worked with companies whose focus shifted from growth to profitability, and we helped them create new metrics to measure a salesperson's profit generation. We've worked with companies who needed to move from transactional selling to a consultative model, and we helped them create new metrics to encourage customer intimacy. Any time your strategy changes, you should challenge your performance measurement system to ensure that it's still sending the right message to your sales force and rewarding the right behaviors.

### **Food for Thought**

Good performance metrics are critical for communicating expectations, measuring and improving performance, and rewarding excellence. The original corporate sponsors of NASCAR saw with brilliant clarity the behaviors they wanted to encourage and the measurement system that would help them achieve their goals. Even if you never make it to a Nextel Cup event, it is worth considering the cleverness of their metrics. Are your metrics really aligned with your sales objectives, or do you have your salespeople out driving in circles?