Business Performance Management

Part 7

Order Income per Sales Headcount

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Order Income per Headcount

$$OI = EXP * \frac{(1 + PPC)}{GMP}$$

The required order income of an operation is given by the operating expenses, *PPC* and *GMP*

Expenses:	$ 5,800
PPC:	30%
GMP:	100%

OI = $ 5,800 * 1.3/100% = $ 7,540

Order Income per Headcount

$$OI = EXP * \frac{(1 + PPC)}{GMP}$$

The minimum order income needed to break even is expenses over gross margin percentage

Order Income per Headcount

$$OI = \frac{EXP}{GMP}$$

$$PPC = 0$$

The minimum order income - to break even - is expenses over gross margin percentage

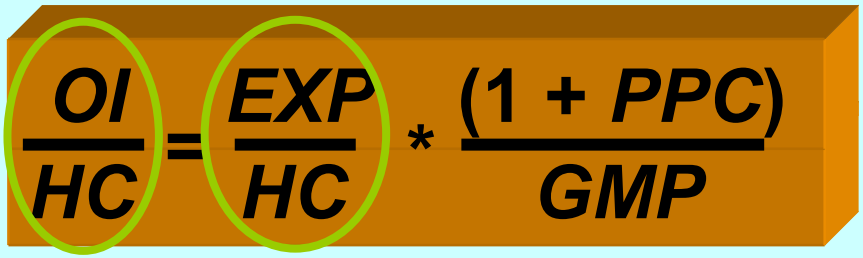
Example:
B2B, investment goods, sales:

$OI_{B\text{-}E}$ = 1000 k$ / 15% ≈ **6650 k$**

Order Income per Headcount

$$OI = EXP * \frac{(1 + PPC)}{GMP}$$

Order Income per Headcount



Operating Expenses per Headcount

Order Income per Headcount (OI_{HC} or $OIHC$)

Order Income per Headcount

$$EXP_{HC} = \frac{EXP}{HC}$$

Operating Expenses per Headcount

Expenses per Headcount are the total operating expenses over a business period divided by the number of employees

! Expenses per Headcount EXP_{HC} are *country* and *business* specific

Example (typical value):
B2B sales of investment goods:

100 k$

Order Income per Headcount

$$OI_{HC} = EXP_{HC} \frac{(1 + PPC)}{GMP}$$

Order Income per Headcount

Order income per headcount is determined by operating expenses per headcount and the financial key ratios (PPC, GMP).

Example: B2B, investment goods, sales:
Expenses per Headcount: 100 k$
PPC = 30%, GMP = 15%

OI_{HC} = 100 k$ *1.3 /15% ≈ **870 k$**

Order Income per Headcount

$$OI_{HCS} = OI_{HC} / HCP_S$$

Order Income per Headcount Sales

If the order income is provided by dedicated sales people (headcount HC_S),

HC_{VA} — Headcount "Value Add"

$$HCP_S = \frac{HC_S}{HC}$$

Percentage of Sales People

Order Income per Headcount

$$OI_{HC\ (max)} = OIS_{avg} * \frac{HR_{eff}}{HR_{OIS}}$$

Effective working hours per HC

Effort per Order in hours

Number of orders

Order Size (average)

Maximum Order Income per Headcount (based on working capacity)

Order Income per Headcount

Maximum determined by effort per order and capacity

$$OI_{HC(max)} = \frac{OIS_{avg} * HR_{eff}}{HR_{OIS}}$$

Plan determined by financial key parameters

$$OI_{HC} = EXP_{HC} * \frac{(1+PPC)}{GMP}$$

Break-even determined by gross margin

$$OI_{HC(B\text{-}E)} = \frac{EXP_{HC}}{GMP}$$

The absolute value is mainly determined by EXP_{HC} (country and business specific)

$$EXP_{HC}$$

Maximum

Order size OIS_{avg}	k$ 10
Effective working hours (per HC) HR_{eff}	1500 h/yr
Effort per order HR_{OIS}	20 h
Maximum OI_{HC} = 10 k$ * 1500 h/yr /20 h	k$ 750 /yr
You have 50% sales people (HCP_S= 0.5):	M$ 1.5 /yr

Plan

PPC = 30%, GMP = 20%, EXP_{HC}= 100 k$	
Plan OI_{HC} = 1.3/0.2 * 100 k$	k$ 650 /yr
You have 50% sales people (HCP_S= 0.5):	M$ 1.3 /yr

Break-even

Break-even OI_{HC} = 100 k$/0.2	k$ 500 /yr
You have 50% sales people (HCP_S= 0.5):	M$ 1 /yr

Summary of Key Ratios

Expenses per Headcount

$$EXP_{HC} = \frac{EXP}{HC}$$

Order Income per Headcount

$$OI_{HC} = EXP_{HC} \frac{(1 + PPC)}{GMP}$$