ISG Research

Sponsored by: Anaplan

Viewpoint

**Stephen Hurrell**
Director of Research,
Office of Revenue

# Navigating the Shift from Sales to Revenue Performance Management

The way enterprises achieve revenue has undergone large-scale changes over the past twenty years as the internet has fundamentally changed marketplaces and given rise to entirely new digital products and services. At the same time, the customer journey has become more complicated to navigate—now spanning multiple channels, touch points and decision-makers with a more cyclical motion to support purchases and renewals. With the growing adoption of pricing models such as subscriptions and usage-based pricing, the economics of business transactions have also changed in that revenue is often now deferred across the lifetime of an engagement with the customer. This shift alters profitability metrics, reinforcing the need for sustained engagement as the way to build a profitable business.

Enterprises must now change how they think about the total revenue picture, including not just execution but planning for and investing in go-to-market (GTM) activities across multiple teams. The breadth of personnel and teams that are directly connected to revenue is far greater today than decades past. Activities such as responding to contact center enquiries or a field service technician's on-site visit are now opportunities to sell additional products and services. At ISG Research, we observe that Sales Performance Management must now expand to be thought of as Revenue Performance Management.

Under the simpler, traditional linear sales model, sales planning was relatively straightforward. With overall corporate revenue goals typically set by the finance office, sales planning then took the numbers and allocated them to territories and assigned salespeople and managers with quotas to each territory. Today, those with the responsibility to size markets and create integrated account segmentation, headcount territory, quota and incentive compensation plans are faced with a much more complex landscape. Planning is now a multi-dimensional problem that must account for multiple channels supported by multiple internal teams, with differing margin profiles for products and services, dependent on pricing models and the channel through which they are sold.

Enterprises are recognizing that the traditional approach of creating a fixed annual GTM plan is at odds with business needs given today's dynamic environments. Unforeseen events such as a new competitor, new competitive products, economic and political changes, or even just assumptions that prove to be wrong can all result in revenue performance that does not meet targets. Now, there are several crucial capabilities needed. One is the ability to track actual results and to use these results to project where enterprise revenue could end up as compared to targets. These projections can then be used to adjust plan components such as incentives, territories or hiring schedules to make corrections in response to actual results.

Having identified how customer and market changes are driving the need for a fresh approach to sales performance management, it should be noted that the solution cannot be achieved through just a change in tools or applications. A revenue performance management approach must also include corresponding changes in processes and roles. Our research shows that through 2027 over one-half of enterprises appointing a CRO will have done so from the sales organization, potentially leading to a focus that is too short-term to be effective. In addition, many organizations have changed their sales operations titles to revenue operations. In fact, over the last five years, revenue operations has been one of the fastest growing titles on LinkedIn with today over 45,000 at Director level or above. But as we have also seen with the adoption of Chief Revenue Officer titles, this needs to be more than an altered title to deliver the necessary changes to effectively accelerate revenue.


Completing this shift will require not just changes to planning activities, but it will also require the incorporation of feedback process that uses data from many different, separate applications. These systems include finance for revenue and marketing targets; marketing and product for direction on product and service level mix; customer support and service; HR for reporting structures and compensation guidelines; and other more traditional sources of sales-related information like the CRM.

For many sales organizations, getting this right will be the difference between hitting and missing targets. We recommend that enterprises review how they think about their approach to sales and revenue and ask some key questions. When thinking of revenue, is the focus on the traditional notion of sales being primarily to new customers and led by a sales team rather than the extended team? Is GTM focused only on sales enablement? Who is accountable for hitting revenue targets, and can they direct or influence all the teams involved in supporting revenue? Think about the planning process. Is it something to “go through” every year or is it an active, continuous process with planning, “what-if” simulations and analysis ensuring that the GTM and revenue teams are enabled for success? And is the technology stack something to work around or to work with? If the GTM process must be modified to accommodate existing applications, then you are using the wrong technology.

The shift from a sales-centric to a revenue-centric approach within the enterprise is crucial for competitiveness today, and it will require a holistic evaluation of how roles, processes and technologies are able to adapt within the ever-evolving economic landscape.

---

**Stephen Hurrell –Director of Research, Office of Revenue**
Stephen Hurrell leads the Office of Revenue software research and advisory expertise at ISG Research. His topics of coverage include digital commerce, partner management, revenue management, sales engagement, revenue performance management and subscription management.