



Motivate, Incent, Compensate, Enable:
Sales Performance Management Best Practices

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Executive Summary

The care and feeding of professional sales staff is one of the most crucial challenges facing today's business-to-business (B2B) companies, as competitive threats, savvy buyers and ongoing budgetary constraints put pressure on sales leadership and operational managers to do more with less. Fortunately, a select group of top-performing enterprises reveals, in this benchmark study, an actionable combination of best practices and technology adoption that successfully meets this challenge.

Best-in-Class Companies Set the Pace

Between September and November 2012, Aberdeen surveyed 274 end-user organizations about their sales effectiveness practices and accomplishments, specifically to understand how sales performance management (SPM) is most effectively deployed. Aberdeen used the following four key performance criteria to distinguish Best-in-Class companies:

- 83% of all sales reps achieved annual quota in the last measured year, versus 53% among all other firms
- 61% of first-year sales reps achieved annual quota in the last measured year, vs. 40% among all others
- 14.9% average year-over-year increase in corporate revenue; all others average 3.6%
- 3.6% average year-over-year improvement in (reduction of) average sales cycle, vs. a 1.7% worsening (lengthening) of the cycle for all others

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance share several common characteristics, including:

- 84% have a structured process via which sales managers communicate with their reps to provide feedback on their performance
- 84% provide under-performing sales reps with additional coaching and reevaluation
- 66% deploy a CRM or SFA that includes a compensation module or commission estimator

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Strike a balance between individual and team-based compensation, both around financial and non-cash rewards
- Emphasize the importance of sales employee engagement, beyond simply assigning quotas and paying commissions

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"Sales performance management, whether through an external program or an internal "home-grown" solution, is very important for the sales health of an organization. There are too many sales organizations that fly by the seat of their pants and just push towards revenue, while many others get caught up in the minutiae and don't even focus on the revenue. Sales performance management helps the organization determine what is important, what to drive towards and how it can roll up into the corporate strategy."

~ Darwin Rubeck, National Sales Manager, OEM Division, Radio Engineering

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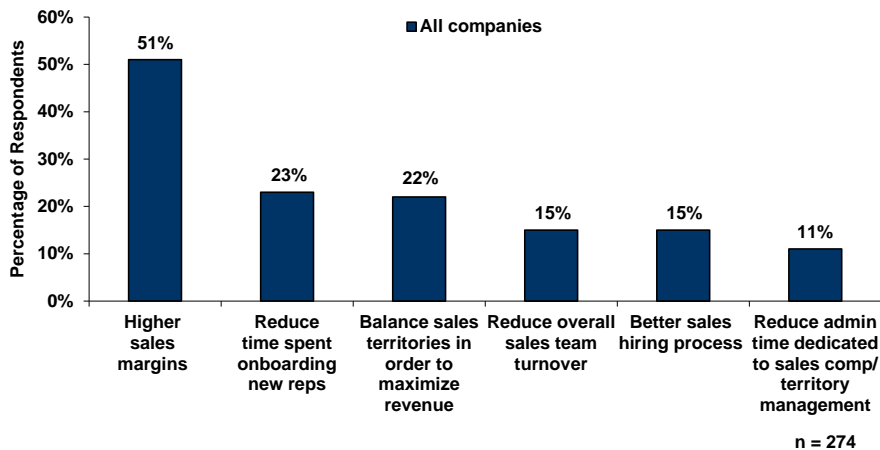
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Chapter One: Benchmarking the Best-in-Class

B2B sales environments of days gone by required little creativity from the management function other than cracking the veritable whip. If you handed your reps a territory, telephone and a call script, you pretty much let Darwin handle things from there: “survival of the fittest” determined who made President's Club, or were unlucky enough to be the bottom man on the totem pole if downsizing initiatives took place.

Today's sales professionals receive significantly more support from employers than did previous generations of cold-callers, and this is not simply an outcome of a kinder, gentler time. Rather, the strongest performing sales organizations have come to recognize that putting more effort into the motivation, sustenance, and management of front-line sellers has a measurable impact on both the top and the bottom line.

Figure 1: SPM Business Goals: Show Me the Profit



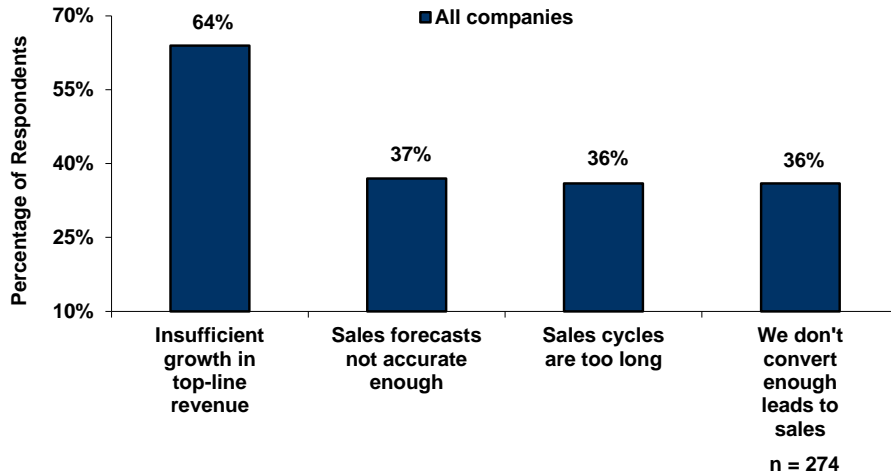
Source: Aberdeen Group, November 2012

In fact, when survey respondents were asked to select their top two business goals around sales performance management, we see in Figure 1 that the traditional focus on simply closing the maximum amount of business has been replaced by contemporary sales leaders who are tasked with running their part of the business with an eye towards profit and loss responsibility. This is evidenced by the fact that "higher sales margins" is more than twice as important a goal to end-users as all other options in the survey. The most valuable business currencies, of time and money, are reflected in the other top-two goals indicated: with an average time-to-productivity of 4.5 months among all companies, the value of reducing onboarding time is certainly clear; sales territory management best practices – discussed below – help ensure that under-performing or too-large-to-handle books of business are avoided; and reducing turnover is an obvious benefit when we consider the average reported \$35,360 cost, among all respondents, of replacing a typical sales rep.

Sector Definition

For the purposes of this survey, the term “sales performance management” referred to any process, strategy, or initiative focused on managing, compensating, rewarding, motivating, or promoting sales staff, in order to achieve optimal performance in revenue attainment and overall sales productivity.

Figure 2: Top Pressures Motivating Sales Performance Management Initiatives



Source: Aberdeen Group, November 2012

Still, there are no available profits without gross sales, and the leading business pressure that keeps sales leaders up at night is "the big number" of their overall bookings. Figure 2 showcases the top-two business pressures that motivate companies to deploy Sales Performance Management technologies and best practices. With "insufficient growth in top-line revenue" nominated 73% more often (64% vs. 37%) the other key pressures, the focus of today's B2B sales managers remains on getting as many deals over the finish line as possible.

We also know, from Aberdeen's benchmark study on [Better Sales Forecasting Through Process and Technology: No Crystal Ball Required](#) (July 2012), that better top-line sales results are directly associated with more accurate and easily accessed sales forecasts. This is because of the power of contemporary business intelligence (BI) and predictive analytics solutions to help sales leaders understand which current opportunities are more likely to close, and therefore more deserving of executive assistance, pricing discounts or other actions designed to get them over the goal line. With an average sales deal size of \$291,620 and sales cycle of 5.13 months reported by all respondents, too, the value of relieving pressure on the latter number by even a small margin, as well as improving the lead conversion rate, can result in overall improvement in sales effectiveness.

The Maturity Class Framework

Aberdeen used four key performance criteria to distinguish the Best-in-Class sales organizations from Industry Average and Laggard organizations:

- Percent of all sales reps achieving annual quota in the last measured year
- Percent of first-year sales reps achieving annual quota in the last measured year

"Team building is the best solution to motivating staff and driving the strongest sales force achievement."

~ Joe Winick, FACHE, Senior Vice President, Erlanger Health System

- Average year-over-year increase in corporate revenue
- Average year-over year improvement in (reduction of) average sales cycle

Organizations with top performance based on these criteria earned Best-in-Class status, as described in Table 1. For additional details on the Aberdeen Maturity Class Framework, see Table 6, The Competitive Framework Key, in Appendix A.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 83% of all sales reps achieved annual quota in the last measured year ▪ 61% of first-year sales reps achieved annual quota in the last measured year ▪ 14.9% average year-over-year increase in corporate revenue; 86% showed improvement ▪ 3.6% average year-over year improvement in (reduction of) average sales cycle; 41% showed improvement
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 66% of all sales reps achieved annual quota in the last measured year ▪ 50% of first-year sales reps achieved annual quota in the last measured year ▪ 4.9% average year-over-year increase in corporate revenue; 55% showed improvement ▪ 0.5 average year-over year worsening of (increase in) average sales cycle; 19% showed improvement
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 31% of all sales reps achieved annual quota in the last measured year ▪ 25% of first-year sales reps achieved annual quota in the last measured year ▪ 1.2% average year-over-year increase in corporate revenue; 43% showed improvement ▪ 4.1 average year-over year worsening of (increase in) average sales cycle; 15% showed improvement

Source: Aberdeen Group, November 2012

The Best-in-Class PACE Model

Achieving corporate goals with best practices in sales performance management effectiveness requires a combination of strategic actions, organizational capabilities, and enabling technologies and services summarized in Table 2.

Table 2: The Best-in-Class PACE Framework

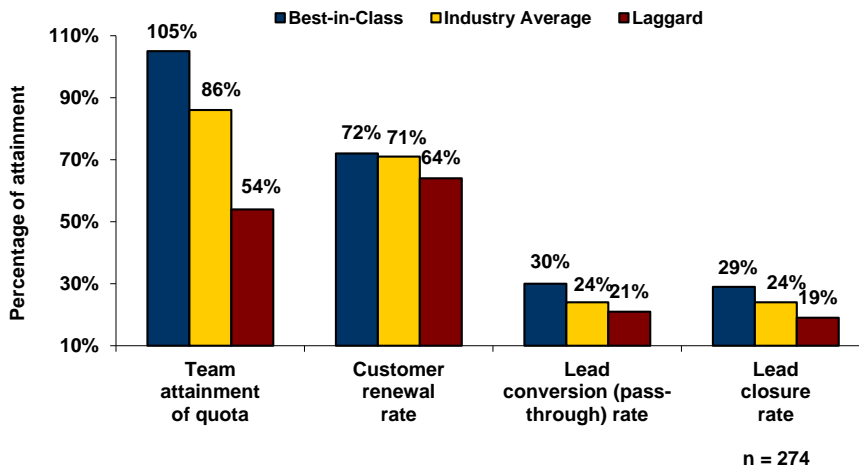
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ We're not seeing sufficient growth in top-line revenue ▪ We don't convert enough leads to sales ▪ Our sales cycle is too long 	<ul style="list-style-type: none"> ▪ Understand and replicate characteristics of top-performing sales people in our organization ▪ Adopt programs to improve sales management's ability to build and develop sales teams 	<ul style="list-style-type: none"> ▪ A structured process via which sales managers communicate with their reps to provide feedback on their performance ▪ Under-performing sales reps are provided with additional coaching and reevaluation ▪ We have a formalized on-boarding process for new sales reps ▪ Dedicated resource in charge of managing / handling sales compensation and / or incentives 	<ul style="list-style-type: none"> ▪ Performance dashboards / scorecards for both sales managers and reps ▪ CRM or SFA that includes a compensation module or commission estimator ▪ Quota planning / management solution ▪ Compensation management solution ▪ Externally provided sales training

Source: Aberdeen Group, November 2012

Best-in-Class Strategies Yield Envable Results

In addition to the current and year-over-year criteria used to determine the Best-in-Class within this research study, the Best-in-Class outperformed their peers on a number of additional key performance indicators (KPI's), as seen in Figure 3.

Figure 3: Best-in-Class Firms Beat Quota and Under-Performers



Source: Aberdeen Group, November 2012

Indeed, achieving better than 100% of the overall team quota number is an enviable corporate accomplishment, and is often accompanied by plus-100% performance by multiple individual team members who are rewarded with compensation accelerators, bonuses, spiffs, and other rewards for beating their individual number. These “A” players are obviously the most valuable members of any sales organization, and wise sales operations professionals

and sales team leaders search for ways to replicate the success of these top performers, by documenting their process, sales pitch, email communications style, etc. When we analyze the top-three strategies that companies pursue to alleviate the business pressures described above, Best-in-Class companies take exactly this approach far more frequently than all other actions – Figure 4. While many job roles provide management with the opportunity to identify the best performers and try to reshape “B” and “C” staffers accordingly, the sales function in the B2B environment is unique because of the significant reliance that is placed, necessarily, on an individual’s personality, persuasiveness, and trustworthiness.

The other key strategic actions that Best-in-Class firms take, after duplicating their top performers, are equal in popularity and predominately focused on building a better seller, and well-documented by Aberdeen’s Sales Effectiveness research. Enhancing the overall skill set of these individuals is well-documented in *Train, Coach, Reinforce: Best Practices in Maximizing Sales Productivity* (October 2012), which details how the most successful sales organizations empower both reps and managers with role-specific training that ramps up both positions quickly. Additionally, in *Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential* (September 2011), strategies for minimizing non-selling time are enabled by better customer data management: the most effective sellers are working with their prospects and customers to solve business problems, rather than diving into multiple client data silos to figure out the proper version of the truth regarding the right identity of the buyer, audit trails of current interactions, or other vital information they need to have in hand when communicating with their accounts.

“Sales staff should be motivated not only through financial incentives, but also through non-cash benefits, both of which are motivators for successful sales performance overall.”

~ Robert Munjanganja,
Executive Director, Business Development and Stakeholder Management, Macbeth Trading

Figure 4: Best-in-Class Strategic Actions: Building on Success

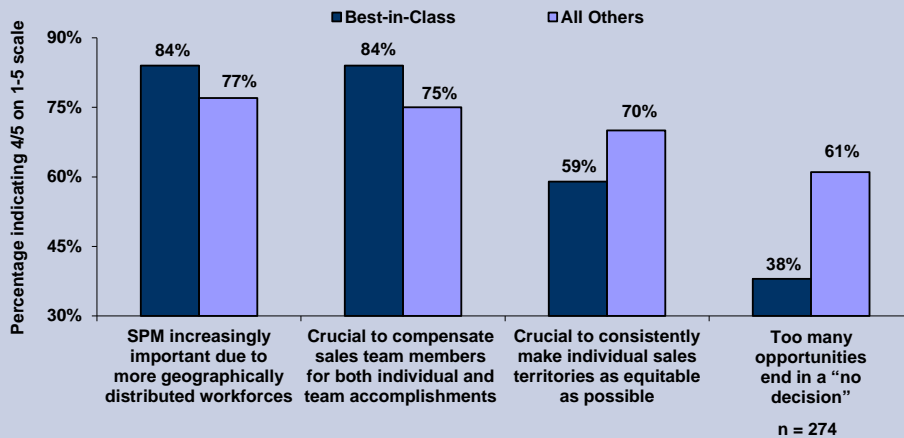


Source: Aberdeen Group, November 2012

Strategy Insight: Adding Nuance to Base plus Commission

Many observers casually look at the sales function and assume that it is very simple to manage: give the rep a territory, quota, commission plan, script, and communications support, and let them sink or swim accordingly. As we are quickly learning, however, the care and feeding of successful sellers requires a more holistic and nuanced set of capabilities. In Figure 5, we see that Best-in-Class sales organizations are able to concentrate their energies on initiatives that will help reps, managers, and companies on the whole, maximize their sales output.

Figure 5: Best-in-Class Are Able to Prioritize the Right Initiatives



Source: Aberdeen Group, November 2012

The top performers are more likely to recognize the changing nature of the modern workforce, by deploying Sales Performance Management practices and technologies in support of remote staff members. This can be as simple as providing web-based interfaces for compensation, incentives, and other employee management functions, or as robust as developing native applications for the increasing number of tablet computing devices carried by field staff. Best-in-Class firms also focus more on marrying individual and team-based compensation; more detail is provided in the following sections. Conversely, top performers recognize that Darwinian principles do in fact apply to the sales function: there will be winners and under-performers in any competitive employee landscape, so perfectly equitable sales territories are not as essential as one might think. Finally, the Best-in-Class are 37% less likely than others (38% vs. 61%) to fret about the dreaded no decision results of sales pursuits, because they are providing their team with better tools to develop, close, and even understand when to walk away from deals less likely to close.

Chapter Two: Benchmarking Requirements for Success

Effective sales performance management plays a critical role in helping an organization turn the strategies identified in Chapter One into profit. The following sections discuss how top performers distinguish themselves from other companies by implementing capabilities and enablers that support sales performance management.

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology/service** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Fast Facts

- √ The Best-in-Class report a 16% higher average sales quota than all other firms: \$1.208M vs. \$1.043M
- √ Best-in-Class companies raised average sales quota 13.7% since last year, vs. 8.1% among All Others
- √ Best-in-Class firms are 15% more likely than Laggards (69% vs. 60%) to onboard / train sales staff specific to individual job roles

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	A structured process via which sales managers communicate with their reps to provide feedback on their performance		
	84%	78%	47%
	Sales reps' compensation includes components that reflect BOTH individual and group performance against specific goals		
	59%	52%	29%
	Frequent win / loss analysis conducted on deals		
	53%	48%	31%
Organization	SPM process has buy-in from corporate senior leadership		
	81%	78%	56%
	Formalized on-boarding process for new sales reps		
	74%	64%	55%
	Provide sales managers with training / tools to help them provide better feedback to, and guidance for, their reps		
65%	55%	51%	
Knowledge	Sales reps use automated solutions to forecast their performance against goal and / or their likely compensation		
	45%	40%	37%
	Provide sales team with extensive cross-training into other company functions, such as marketing, customer service, procurement, etc.		

	Best-in-Class	Average	Laggards
	44%	22%	26%
Enabling Technology or Service	<ul style="list-style-type: none"> ▪ 78% Sales analytics solution supporting sales team member management ▪ 66% CRM or SFA that includes a compensation module or commission estimator ▪ 65% Performance dashboards / scorecards for both sales managers and reps ▪ 59% Externally provided sales training ▪ 54% Internal sales collaboration tools ▪ 53% Quota planning / management solution 	<ul style="list-style-type: none"> ▪ 65% Sales analytics solution supporting sales team member management ▪ 56% CRM or SFA that includes a compensation module or commission estimator ▪ 65% Performance dashboards / scorecards for both sales managers and reps ▪ 57% Externally provided sales training ▪ 55% Internal sales collaboration tools ▪ 43% Quota planning / management solution 	<ul style="list-style-type: none"> ▪ 51% Sales analytics solution supporting sales team member management ▪ 39% CRM or SFA that includes a compensation module or commission estimator ▪ 44% Performance dashboards / scorecards for both sales managers and reps ▪ 33% Externally provided sales training ▪ 41% Internal sales collaboration tools ▪ 43% Quota planning / management solution
Performance	Under-performing sales reps are provided with additional coaching and reevaluation		
	84%	77%	70%
	Defined metrics are in place for analyzing the impact of sales performance on our company's overall health		
	78%	58%	55%
	Customer loyalty is monitored to ensure quality of relationship with reps		
	61%	59%	38%

Source: Aberdeen Group, November 2012

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, the Best-in-Class demonstrate that certain corporate capabilities and technologies can lead to measurable business success in sales performance management. These capabilities help create the business results that define maturity classes.

Process

The simple question of "How am I doing?" is a commonly addressed priority that most professional managers understand is crucial to properly managing their staff members. Remarkably, fewer than half of Laggard organizations have in place a structured process for sales manager feedback to support the front line. Fortunately, 84% of Best-in-Class firms recognize the value of formalizing such conversations, which represent crucial touch points for

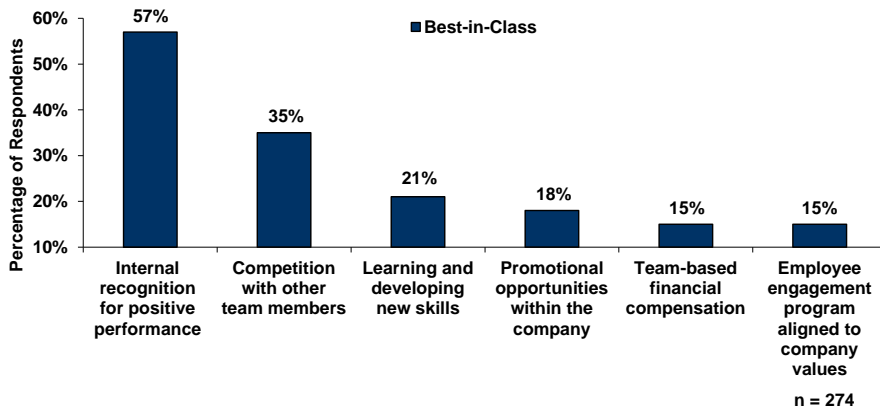
reps to understand how to amend or improve their performance, or to simply address general employment concerns that either party may have an interest in discussing.

Best-in-Class firms are also more than twice as likely as Laggards (59% vs. 29%) to compensate their reps not only for individual accomplishments, but for group- or company-wide achievements. This delta brings up the crucial subject of how to best motivate salespeople. While traditional sales compensation techniques represented a simple commission plan and perhaps an accelerator or bonus for beating quota, contemporary sales performance management practices recognize that while cash is king, financial incentives are not the only path to creating engaged and successful sellers. While 98% of Best-in-Class firms predictably indicate individual financial compensation as a top-three sales motivator, we see in Figure 6 that when we move beyond the money, even this classically hard-edged job role is highly susceptible to the value of being told, "Job well done." By a significant margin, the top-performing companies in this research study indicate that internal recognition for strong performance matters greatly to the sales function, followed by tangible cash and non-cash rewards.

"If you're not operating a program that covers every element within this survey, sales results will not be optimized."

~ Barry Dalton, SVP & General Manager, Multi-Channel Customer Engagement, Telerx

Figure 6: Top Best-in-Class Motivators of Sales Success



Source: Aberdeen Group, November 2012

Among the other non-cash motivators indicated by the Best-in-Class, the only incentive enjoying more than one-third popularity is that of competing with other team members. This brings up the subject of the relatively new Sales Performance Management focus on **gamification**, which is defined as the use of game mechanics to motivate or reward distinct behaviors. While only 12% of survey respondents currently report an active gamification initiative, 23% of them (31% among the Best-in-Class) indicate a plan to implement one within the next 12 months. Gamification is a natural fit for the sales function – it represents another dimension in which these naturally competitive team members can one-up each other – and will be covered in upcoming Aberdeen research.

The current data does tell us, however, that the following non-cash goals are most commonly addressed by such programs among all survey respondents,

in descending order: year-end sales recognition, achieving quarterly sales goals, ongoing progress toward sales goals, and achieving non-sales-related goals (learning, product knowledge, etc.). The same order of popularity applies to the most popular tools used in non-cash rewards: public recognition, intangibles, peer-to-peer recognition, gift cards, merchandise, travel, and events.

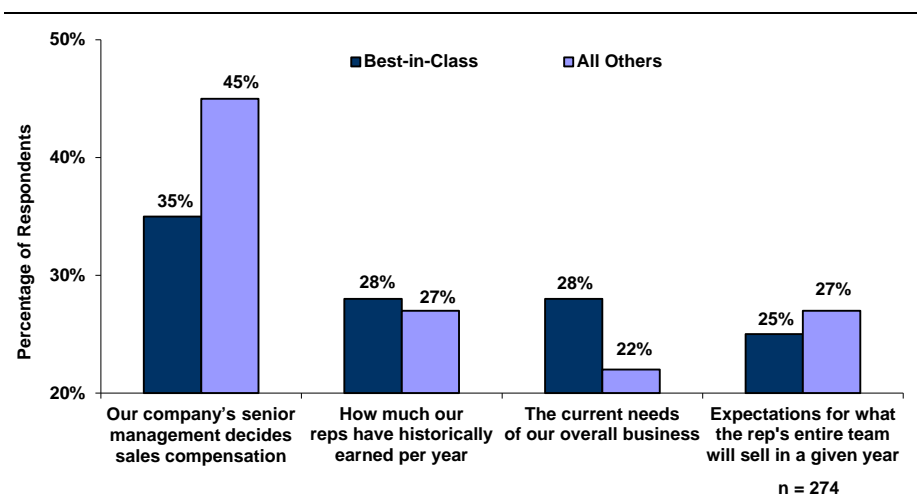
Organization

The leading organizational capability defined by all companies, and especially well-adopted by the Best-in-Class, is the support from the C-Suite of the SPM approach itself. While it is valuable to obtain this buy-in from above, especially in writing, the involvement of top corporate management in the specific compensation design for the sales team is not as advisable, however. In Figure 7, we note that while senior management involvement in determining sales company station is the leading compensation determining factor among all companies, Best-in-Class firms do not allow this top-down involvement to override other forms of input nearly as dramatically as Industry Average and Laggard companies. This is due to the distance, especially in large corporations between top executives and staff, in the trenches, to whom they might not easily relate. Rather, they balance the input more evenly with past and future corporate needs as well as the realities of sales incomes and goals. Where the Best-in-Class lead All Others, in particular, is in that they are 27% more likely (28% vs. 22%) to be more flexible in compensating their sales team around the current needs of the business. These factors can change very rapidly in today's economy, with mergers / acquisitions, newly passed legislation, executive job changes, and other trigger events contributing to the need to motivate and compensate the front line in order to take full advantage of short-term as well as long-range business needs.

“Set the right expectations of performance, whether for new hires or whether you are inheriting a new team. Do not gloss over deviations from these expectations but keep reinforcing standards of good business performance and business disciplines.”

~ Rick Marcet, Senior Director, Sales Productivity, Citrix

Figure 7: Sales Compensation Determining Factors, by Best-in-Class



Source: Aberdeen Group, November 2012

Another significant organizational capability, adopted by nearly three-quarters of the Best-in-Class and 61% of all other firms, focuses on a formal on-boarding process for new sales reps. The value of on-boarding is well documented in Aberdeen's benchmark study, [Onboarding 2012: The Business of First Impressions](#) (May 2012), in which Best-in-Class firms (those with the highest employee retention, time to productivity, and growth in hiring manager satisfaction) far out-paced other companies in terms of training, socialization to the company culture, performance goal-setting and the localization of on-boarding practices. With sales organizations frequently distributed to far-reaching geographic territories, this last element is particularly vital to sales effectiveness.

Knowledge Management

Fewer than half of all companies provide their sales reps with automated solutions to forecast their current sales performance against their goals and / or their expected compensation based on pending achievements. Still, top-performing firms are more likely than others to take advantage of the best practices and tools described in [Better Sales Forecasting Through Process and Technology: No Crystal Ball Required](#) (July 2012), which provide sellers with a real-time data on their performance results vis-à-vis quota. In the context of Sales Performance Management, the most advanced deployments of these technologies allow sales reps to perform quick what-if scenarios that delineate their exact income potential should any particular sales opportunity or set of deals close during the current selling cycle. Such visibility can serve as a strong motivator, considering the fact that 98% of Best-in-Class companies confirm the value of financial compensation as a prime motivator for the sales persona.

The Sales Performance Management Best-in-Class also place more emphasis than other companies on providing their front-line sellers with cross-training and other company functions that may include a customer touch requirement, such as the marketing, customer service, help desk, or other areas not traditionally associated with the sales job role. We know from [Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential](#) (September 2011) that the responsibility for maintaining and increasing the share of the customer's wallet has spread from the pure sales role to other customer-facing job responsibilities; it is safe to say that value exists in the reverse proposition, that sellers should know how their customers are experiencing the marketing, account management, and other line-of-business functions from their own organization.

“Salespeople will do what they are compensated for. Compensation must match corporate goals.”

~ Chris Buch, Sales Director,
Omega Plastics, Inc.

Technology and Service Enablers

A combination of external services and sales enablement technologies provides the strongest foundation for effective SPM deployments:

- **Sales analytics** empower both sellers and managers alike with the opportunity to work smarter, not just harder. Imagine an application that will tell you which of your pipelined deals are more likely to close, or to generate a higher margin / commission, based

on predictive analysis of what products, regions, industries, or other sales variable factors have represented the most or least effective closed deals in the past... this is the power of business intelligence, applied to the sales function.

- **CRM compensation integration:** because the customer relationship management (CRM) platform remains the standard sales home port for most enterprises, and money is the clear leading motivator of sales behavior, it makes sense to marry these two functions. Best-in-Class companies are 32% more likely than all others (66% vs. 50%) to integrate real-time compensation / quota data or a commission estimator into the CRM system of record. This enables reps to game out how their compensation will be affected by closing (or not closing) various deals in their pipeline.
- **Performance dashboards / scorecards,** also preferably integrated into the CRM, provide a quick visual status update to savvy end-users who want to rapidly digest the information they need to run their personal or group book of business. Ideally, such dashboards will be configurable all the way down to the individual user level, so that individual reps can select which data points – commission estimates, quota attainment, gamification status updates – are in front of them, and preferably with no distinction between the device or location of the end-user.
- User-generated content is rapidly growing in the B2B sales environment, and Best-in-Class companies deploy **internal sales collaboration tools** to support team-based selling and knowledge-sharing. Aberdeen research published in [Social Selling: Best-in-Class Targeting of the Right Message, at the Right Time, for the Right Person](#) (July 2012) addresses both internal and external use of social media to support effective selling in the age of LinkedIn and Twitter. This author has [blogged](#) about how millennial-aged sales professionals are far more comfortable turning to one another for expertise than Glengarry-era sellers; collaboration, rewards, and recognition tools are perfectly suited to this new and effective mind set.

Performance Management

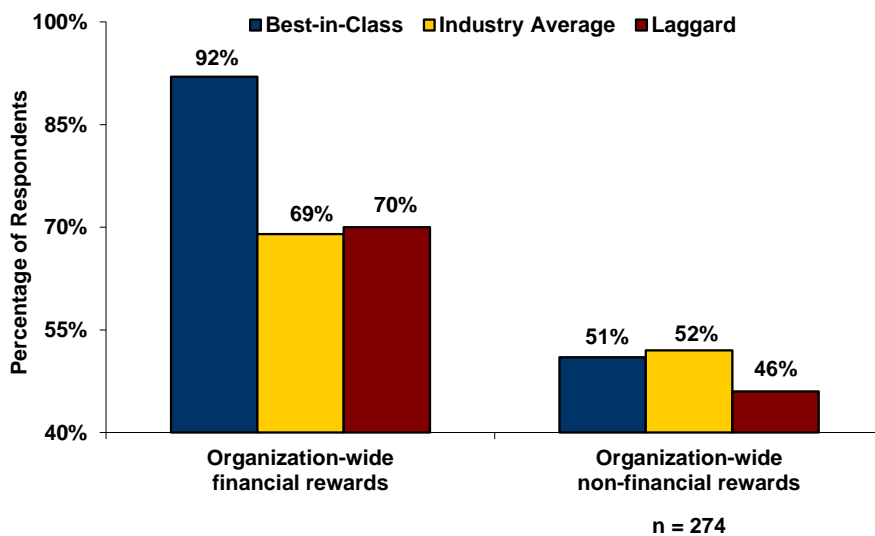
While the majority of all companies adopt the first to performance management capabilities as seen in Table 3 – coaching under-performing reps and linking sales performance to overall company success – the gaps between Best-in-Class and Laggard organizations are more striking around the competency of connecting customer satisfaction to sales rep performance. This 87% gap (61% vs. 38%) speaks to the keen understanding among top performers that the entire effort around sales performance management is lost if the end-customer does not accrue long-term benefits. Savvy sales and corporate leaders looked to independent metrics, such as Net Promoter scores, when they determine the compensation and non-financial success paths for their team members.

“Determine specifically what the objectives and desired outcomes are, and then chart a course backwards from these objectives. Keep a completely open mind and be prepared to challenge the status quo, as well as look internally AND externally at best practices and new ways of doing things.”

~ Patrick Agyeman, Sales Director, Client Retention, Datamonitor Group Ltd

When it comes to these cash-oriented and non-cash rewards, we see in Figure 8 that the classic assumption that sales people are only motivated by their own personal compensation is not supported by the data. The majority of all survey respondents, and particularly the Best-in-Class, provide organization-wide financial rewards for overall accomplishment of corporate goals; these targets can vary from hitting revenue numbers to achieving defined levels of customer satisfaction. Forty-eight percent (48%) of respondents also provide non-cash incentives on a company-wide basis, with a slightly higher percentage of Best-in-Class firms doing so. These incentives can be tied into the gamification process described above, and serve to further the point that while money remains the prime motivator and delivery model of an individual’s sales remuneration, it is wise to consider rewarding teamwork both via payroll and non-cash models.

Figure 8: All For One, One For All: Moving Beyond Individual Rewards



Source: Aberdeen Group, November 2012

“Structured Performance Management + Coaching = Success.”

~ Oliver Kitner, Global Director, Sales Excellence, Danfoss

Indeed, the value of rewarding and motivating teamwork is supported by further data: on a 1-5 scale indicating how important it is to overall sales success, 44% of Best-in-Class companies indicated an answer of 4 or 5, i.e. very or extremely vital, compared with 35% of Industry Average and only 30% of Laggards. Conversely, answers of 1 or 2 were favored by 39% of Laggards, versus 29% and 19% respectively among Industry Average and Best-in-Class organizations.

Case Study — O.C. Tanner

Consider the case of O.C. Tanner, a leading provider of employee recognition and appreciation programs. According to David Howe, Sales Administration Analyst, supporting the company's 150 commissioned sales representatives across 50+ offices with compensation and contests had, by 2011, "become almost a full-time job for me, just to patch and repair these homegrown systems that did not coordinate with one another." Tanner's internal IT team had earlier produced both the organization's sales compensation and commission system, as well as the tracking system for three standard sales contests that had a great deal of significance to everyone on the team competing for trips all year long. The problem, according to Howe, was that these systems were incompatible with one another: commission payments were paid based on invoices sent by the company to its clients, while contest data was associated with orders entering the system. As a result, "we had a lot of people continuously stressed out because they were getting mixed signals about their sales performance." Additionally, Howe estimates that the two IT resources permanently assigned to help him reconcile this incompatible data spent 30% - 40% of their time on this one project.

Last year, Howe led a project team to "help us try to untangle an entire spider web from a compacted little ball" of data. After meeting with a number of sales compensation solution providers they met at Salesforce.com's Dreamforce event, they selected a vendor and went live with an implementation in January 2012. Howe indicates that "there had been some internal rumblings about asking our IT group to rebuild one unified system, but I didn't see any value in digging a new hole when a perfectly good house had already been built." He also felt that rather than competing with other internal IT projects, the ability to hold an outside vendor's feet to the fire gave him more leverage in meeting the project deadlines.

Almost immediately after implementation, O.C. Tanner saw measurable results: the extensive ongoing IT resources supporting dual systems work completely pulled off the project and able to dedicate themselves to other technology challenges for the company; Howe was considerably freed up to tackle new sales operations initiatives; adoption by the sales team was rapid and clearly led to more time spent selling, and less time "worrying about their success and compensation rather than letting it happen reliably and automatically," Howe explains. He even adds that the top sales performer in 2012, who was one of the bottom-third performers in 2011, is well-known within the organization to have been the first and most aggressive adopter of the compensation management solution, using his tablet and smart phone devices to conveniently check on and capture data that, says Howe, "has never had a single mistake pop up in anyone's compensation or contest status."

Chapter Three: Required Actions

Whether a company is trying to move its performance in sales effectiveness from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions around sales performance management will help spur the necessary performance improvements:

Laggard Steps to Success

- **Layer the compensation** of sales personnel, as evidenced by Figure 8 above. Less than one-third of Laggards (29%) reflect both individual and group-oriented results in the compensation of their front-line sellers, while more than half of all higher performing maturity classes do so. While the balance between these two elements need not be 50-50 or anywhere near equal – socialism is not a particularly popular lifestyle among professional sellers – the benefits of even a small percentage of compensation accruing toward team or company success are reflected by the data.
- **Learn from the past** by conducting formal win / loss analyses of sales deals after they have closed. Only 31% of Laggards take this formal approach toward interviewing prospects / customers and analyzing data, to truly understand – without the emotional content naturally associated with the sales rep's perspective – what factors contribute to the success or failure of sales pursuits. More than half of higher-performing firms formally pursue this process capability.
- **Prioritize sales education** by supporting the team with externally provided formal sales training. Again, two-thirds of Laggards fail to give their sellers this vital tool, while the majority of other organizations make this worthwhile investment. Sales training is essential at many levels: the basics of product and price, advanced selling skills for consultative and solution sellers, and staying abreast of the latest trends in industry and concepts such as social selling.

Industry Average Steps to Success

- **Clear the way** for sales rep success by focusing more aggressively on on-boarding for new sales hires. Industry Average firms trail the Best-in-Class by 16% (74% vs. 64%) in laying out how the first day / week / month and ongoing ramp-up for their reps will most benefit all parties involved. This applies to sales forces both small and large; with the universally accepted concept that time is money applied aggressively to the sales organization, the maxim itself commands us to make sure that on-boarding is a priority.
- **Versatility wins**, especially when it comes to “providing the sales team with extensive cross-training into other company functions, such as marketing, customer service, procurement.” Industry Average companies are only half as likely as the Best-in-Class (44%

Fast Facts

- √ What is the “ideal” amount of sales turnover? Best-in-Class firms report 9.7%; Industry Average 10.1%; Laggards 12.3%
- √ What is the average fully-loaded cost of sales rep? \$152k among Best-in-Class organizations; \$148k for Industry Average; \$138k among Laggards
- √ Are Best-in-Class companies larger than others, and therefore more able to invest in SPM technologies? Actually, they are 18% smaller than Industry Average and Laggard firms, measured by revenue.

“Remember that teams associated with Sales need to be recognized and appreciated, whether its sales operations or employees from services, i.e. tech support to consulting to training.”

~ Victoria Darnbrough,
Learning and Development
Manager, ACL Services

vs. 22%) to recognize that successful B2B sellers have long since dropped their sell 'em and leave 'em attitude, and that representing other customer-touch lines of business positively will not only generate a more successful in frequent closed deals, but longer-term customer retention, and up-and cross-selling opportunities.

- **See the goal line clearly** by implementing a quota planning / management solution. Best-in-Class firms are 23% more likely than Average companies (53% vs. 43%) to use these technologies to develop aggressive-but-attainable quotas and territories for their reps, as well as to address the need to give all reps a reasonable chance at a fairly-sized book of business.

Best-in-Class Steps to Success

- **Embrace the Borg** by providing “on-demand access to best practices, knowledge or sales tools.” Best-in-Class firms lead others by 18%, but only create a formal tribal knowledge repository at a 40% rate. Given the higher degree of willingness to share best practices that millennial-aged employees have displayed in Aberdeen’s [Social Selling](#) research, the opportunity to capture and share the most successful sales pitches, content, and strategies is worth pursuing at a higher degree by all companies.
- **Connect the dots** by showing incentive information and what-if analyses without leaving the CRM. While only 24% of Best-in-Class companies provide this unique motivator, only 15% of all other firms do the same. With the CRM universally acknowledged as the sales platform of choice, it only makes sense to clarify for sales reps how far they are from quota – or President's Club – in the same system they use to track opportunities, contacts, and forecast data.

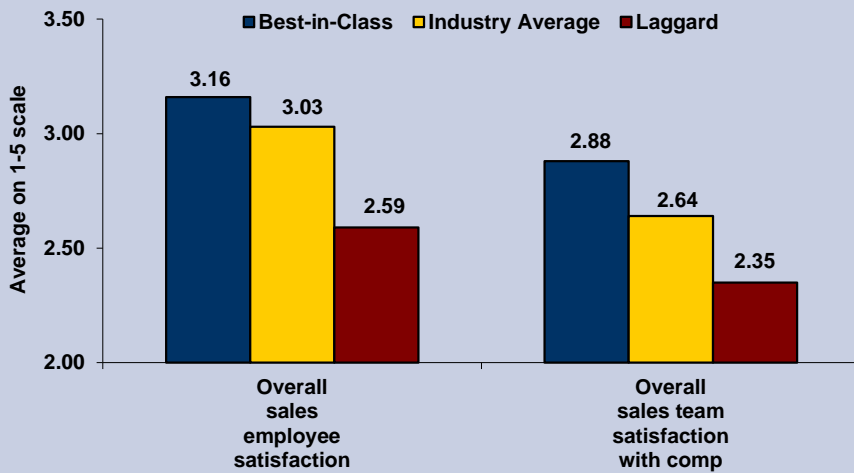
“I think it's important to scale into the competition and transparency. In a fast growth startup looking to scale, there is a very team-based approach early on that grows into a more individual-centric culture as you grow. It's important to marry the two again as you move more towards that steady state scale.”

~ Kyle York, Chief Revenue Officer, Dyn

Summary: Why Salespeople Are Worth Your Investment

The classic view of B2B sales people holds that they are cutthroat, selfish, and motivated only by their own W-2, with no loyalty to their co-workers or their employer beyond WIIFM – what’s in it for me. The current Sales Performance Management data tells a different story, however, especially among Best-in-Class companies. We have seen the value of emphasizing teamwork, career growth, non-financial rewards, and many other softer sides of managing salespeople most effectively. Furthermore, any contemporary sales manager who thinks of their staffers as disposable risks losing the \$35,360 average sales rep replacement cost more frequently than those who adopt SPM best practices.

Figure 9: The Rolling Stones Were Wrong



n = 274

Source: Aberdeen Group, November 2012

Alternatively, the most successful sales and sales operations leaders put energy and resources into developing long-term, happy front-line employees. Figure 9 demonstrates the clear link between sales staff satisfaction and peak performance. Enterprises with the strongest results around quota attainment, revenue growth, and shortening the sales cycle are selecting, on-boarding, training, motivating, incentivizing and of course compensating their sales team members – and managers – with a holistic view toward creating employees who are both productive and satisfied. Even when it comes to compensation, Best-in-Class and even Industry Average companies report better-than-neutral average satisfaction with how much their teams are paid: in these uncertain economic times, this is an enviable and ultimately profitable position to attain.

Appendix A: Research Methodology

From September to November 2012, Aberdeen examined the condition and experiences of 274 enterprises to investigate how companies in a broad range of industries use and understand the latest sales-related strategies and technologies.

Aberdeen supplemented this online survey effort by conducting interviews with select survey respondents, gathering additional information on their tactics, difficulties, and decision-making processes managing sales teams and implementing sales-enhancing technologies.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: EVP / SVP / VP (23%), CEO / President (21%), Director (21%), Manager (19%), General Manager/Managing Director/Principal (4%), and other (12%).
- *Department / function:* The research sample included respondents from the following departments or functions: sales and business development (54%), corporate management (15%), operations (7%), marketing (6%), human resources (4%), and other (14%).
- *Industry:* The research sample included respondents from software (24%), IT consulting and services (15%), education (5%), financial services (4%), market research (4%), telecommunications (4%), industrial product manufacturing (4%), health / medical / dental devices (4%), and other (36%).
- *Geography:* The majority of respondents (68%) were from the Americas. Remaining respondents were primarily from the Europe (20%) and Asia-Pacific (5%).
- *Company size:* 24% of respondents were from large enterprises (annual revenues above US \$1 billion); 28% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 48% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* 32% of respondents were from large enterprises (headcount greater than 1,000 employees); 23% were from midsize enterprises (headcount between 100 and 999 employees); and 45% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives, primarily in sales management and upper management roles, completed an online survey that included questions designed to determine the following:

- √ The degree to which sales performance management is quantified and evaluated, and the impact on achieving business goals
- √ The structure, effectiveness, and satisfaction with existing sales performance management implementations
- √ Current and planned use of SPM strategies and technologies to achieve desired changes in customer retention, sales team quota attainment, and lead conversion efficiencies
- √ The benefits, if any, that have been derived from sales performance management initiatives

The study aimed to identify emerging best practices in the use of the latest technologies and practices that impact sales teams and their results – and then to provide a framework by which readers could assess their own management capabilities.

Table 4: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, January 2013

Table 5: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, January 2013

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, January 2013

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [*Train, Coach, Reinforce: Best Practices in Maximizing Sales Productivity*](#); October 2012
- [*Better Sales Forecasting Through Process and Technology: No Crystal Ball Required*](#); July 2012
- [*Social Selling: Best-in-Class Targeting of the Right Message, at the Right Time, for the Right Person*](#); July 2012
- [*Sales Intelligence: What B2B Sellers Need To Know Before the Call*](#); June 2012
- [*Sales Mobility: How Best-in-Class Remote Sellers Are Replacing “See” with “Do”*](#); March 2012
- [*Lead-To-Win 2012: Managing People, Process and Technology to Optimize the Last Mile of the Sales Cycle*](#); March 2012
- [*Partner Relationship Management: Channeling Better Sales Results*](#); March 2012
- [*Sales Performance Management 2012: How the Best-in-Class Optimize the Front Line to Grow the Bottom Line*](#); December 2011
- [*Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential*](#); September 2011

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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