Harvard Business Review

The New Science of Sales Performance

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AS BUSINESSES GROW more optimistic about opportunities for growth, the pressure is on for sales organizations to meet ever-higher revenue targets. In a global survey on sales performance optimization by CSO Insights, 94 percent of respondents said their 2014 revenue targets were higher than last year's. It's no wonder that "capture new accounts," cited by 60 percent of respondents, topped the list of objectives for 2014 in the study.

At the same time, many sales reps are struggling to meet even their current quotas. figure 1 And in an Aberdeen Group survey, nearly half identified insufficient revenue growth as the top pressure motivating them to pursue sales management initiatives ranging from building out the capabilities of sales teams to improving management practices and investing in technology tools. figure 2

But the days are gone when "feet on the street" and promised incentives will win the day. Sales organizations today face an array of obstacles on the way to meeting their revenue goals, including power shifts in the buyer-seller relationship. Empowered with more information and digital connectivity than ever before, customers can now educate themselves about the value of a company's offerings, typically well before any contact with a sales representative. Meanwhile, in large corporations, buyers often operate within a fortress of processes guarded by procurement professionals, contractual agreements and approvals. "Even if procurement is not involved, there are multiple departments or executives involved in making purchases," says Dianne Ledingham, global leader of Bain & Company's customer strategy and marketing practice. "The buyer process is much more complex."

The seller's side of the equation has changed dramatically as well. Along with the growing number of communications channels to manage—think of social media postings, custom-built customer websites and internal sales organization portals—sales leaders and their far-flung teams face increased scrutiny from the C-suite. Executives are no longer content to invest in sales resources, whether adding more sales reps or investing in new technology systems, without a clear ROI justification.

For all these reasons, optimizing sales performance in today's knowledge economy calls for a more rigorous and data-driven approach to foundational sales processes, including strategic planning, territory allocation, resource planning and compensation programming. This new approach must be driven by actual data, not estimates, and sophisticated analytics, not gut instinct. An expectant drumbeat echoes from the C-suite for sales leaders to follow the

Figure 1

Percentage of Salespeople Making Quota

52%
2009

59%
2010

63%
2011

63%
2012

58%
2013

SOURCE "SALES PERFORMANCE OPTIMIZATION STUDY," CSO INSIGHTS, FEBRUARY 2014

paths of other departments—finance, customer service, marketing, manufacturing—that have already realized the key to optimizing performance lies in working smarter, not harder.
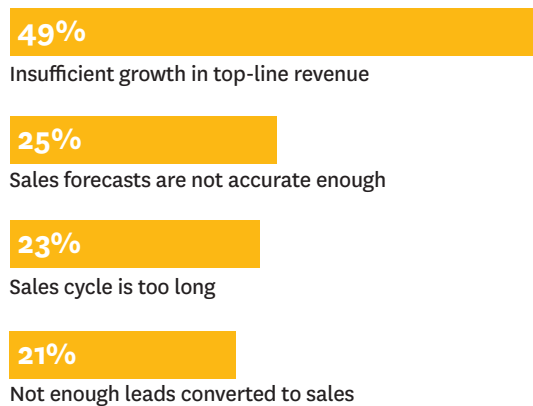
Of course, this means overcoming technology weaknesses and ingrained cultural tendencies of sales organizations that are likely more comfortable with familiar fixes—such as adding more human capital—than with emphasizing the use of data and analytics in their work, says Paul Vinogradov, vice president at consultancy Alexander Group. "A lot of sales leaders will lean in this direction," Vinogradov says. "They have to hit a higher number, so they hire more sales reps. They can attach a quota to each additional head added to the field. But that has a declining return. They are better off adding a head to interpret data—to help every salesperson be a certain percent more productive."

A New Approach to Planning, Executing and Monitoring Performance

Many sales organizations continue to operate as they have for years: At headquarters, executives work with sales leaders to set revenue targets for the year. Sales teams receive top-down goals, which cascade across product lines, channels and other business dimensions. The end result is an account-level target, which is assigned to a sales rep. Because most companies do not have an easy way to complete this process—nor do they use a common system of record—they must resort to the quickest and easiest mechanism at hand: spreadsheets, a nonscalable, single-dimensional solution that does not handle complete data sets. This approach also poses challenges across key sales management functions, including planning, execution and optimization. Such challenges range from the narrow (headaches with version control) to the broad (time-consuming gathering of scattered information, and a lack of a single view into business activities and results). The imprecise estimates and forecasts that result tend to erode executives' confidence in sales leaders. "The VP of sales or head of finance is often on the hook to answer

Top Pressures Motivating Sales Performance Management Initiatives

49%
Insufficient growth in top-line revenue

25%
Sales forecasts are not accurate enough

23%
Sales cycle is too long

21%
Not enough leads converted to sales

SOURCE "BEYOND THE QUOTA: BEST-IN-CLASS DEPLOYMENTS OF SALES PERFORMANCE MANAGEMENT," ABERDEEN GROUP, JANUARY 2014, HTTP://WWW.ABERDEEN.COM/ABERDEEN-LIBRARY/8787/RA-SALES-PERFORMANCE-MANAGEMENT.ASPX

questions like 'How are we going to land for the quarter?' It's not uncommon for them to not have a great story to tell about how they came up with the numbers and what they are going to do to manage to the goals," says Merritt Alberti, director of sales force effectiveness at Deloitte Consulting.
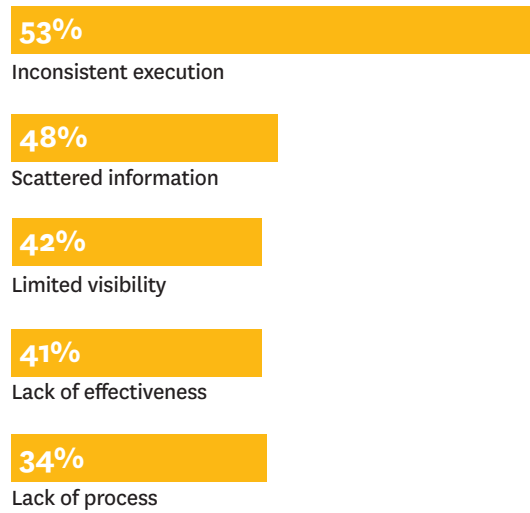
The advent of new technologies, such as cloud-based data analytics and planning systems, presents an opportunity to address this situation. Such systems enable sales information and top-to-bottom plans to be stored in one commonly accessible place, viewable by sales leaders, other executives and even sales reps in the field. This is largely enabled through in-memory technology, multi-core processing and the cloud. With one view of data and plans—accessible anytime, anywhere and on any device—sales leaders are better able to execute plans, monitor actual performance, and dynamically optimize resources to meet changing goals and market conditions. By applying sophisticated analytics to the shared data store, sales managers can test scenarios for how different compensation programs might work, measure performance in real time, prescribe improvements and use data-derived evidence to justify these decisions. Cloud analytics and planning systems can also keep all key aspects of the sales plan aligned and in sync, ensuring that sales territories and quotas are aligned with capacity and compensation plans.

Technology tools—particularly analytics and cloud-based data stores—are certainly a key change that sales organizations need to consider to optimize performance; indeed, half the respondents to a 2013 Ventana Research survey said they were considering investments in sales technology because of impediments in the sales organization. figure 3

But sales executives and other experts agree that technology is one piece of the puzzle. The issue is not just making data and analytics easily accessible to decision-makers but also appointing champions who embrace analytics and can realign people, processes and technology around three foundational aspects of sales performance: planning, execution and optimization. "The technology is there. Getting people to buy in and use it and adopt it is hard. It's a big change for most companies from past practices," Alberti says.

Figure 3

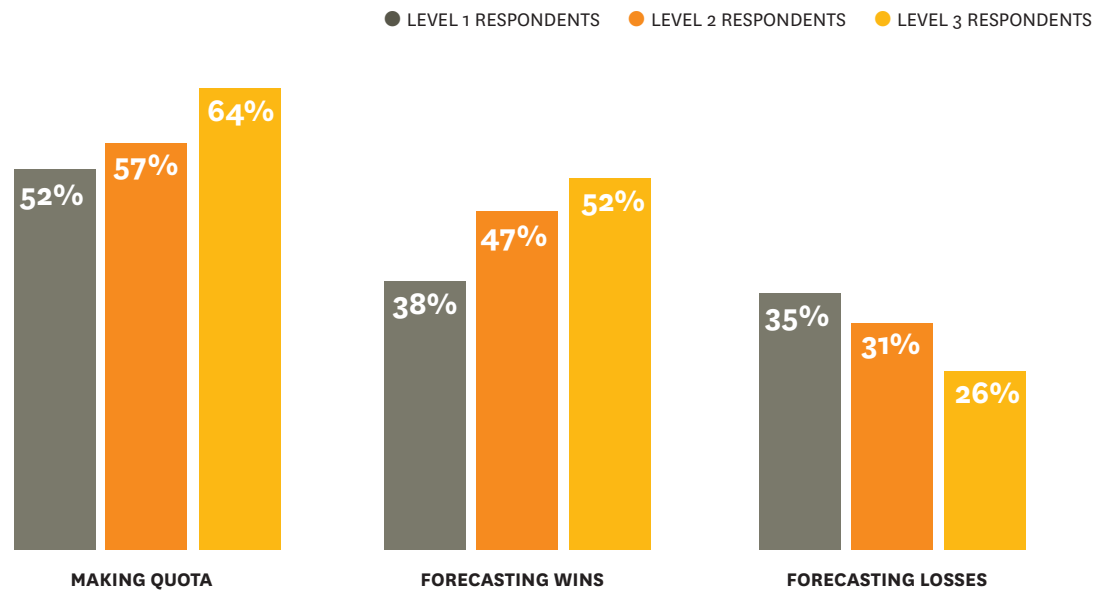## Weaknesses in Sales Motivate Tech Investments

53%
Inconsistent execution

48%
Scattered information

42%
Limited visibility

41%
Lack of effectiveness

34%
Lack of process

SOURCE "THE STATE OF SALES FORECASTING," VENTANA RESEARCH, NOVEMBER 2013.

Figure 4

Sales Leaders Use Defined Processes

NOTE Level 1: No standard sales processes. Level 2: Informal processes. Level 3: Formal processes that are monitored and measured.

● LEVEL 1 RESPONDENTS ● LEVEL 2 RESPONDENTS ● LEVEL 3 RESPONDENTS

	MAKING QUOTA	FORECASTING WINS	FORECASTING LOSSES
Level 1	52%	38%	35%
Level 2	57%	47%	31%
Level 3	64%	52%	26%

SOURCE "SALES PERFORMANCE OPTIMIZATION STUDY," CSO INSIGHTS, FEBRUARY 2014.

It All Starts with Planning

Planning is central to sales organization effectiveness—and as noted, it has been a widespread challenge to provide data-based insights that can improve decisions on everything from allocating sales representatives to channels and territories to assigning performance targets with associated compensation rewards.

Strong planning is also tied to more accurate forecasting, which is a weakness among many sales organizations today. In the Ventana study, inaccurate sales forecasts were the norm, with only 35 percent of organizations surveyed rating their forecasts more than 80 percent accurate.[1] Forecasting accuracy increases, however, the more that companies adhere to defined sales processes that are monitored and measured and even changed in response to results, according to CSO Insights. figure 4

Bob Slaby, vice president of global sales compensation at technology giant Hewlett-Packard, has been working for years to build out capabilities that allow him to infuse common, updated views of data into every phase of a performance incentive process that cuts across a wide range of sales activities for reps around the globe.

HP is now more than six months into deploying a cloud-based system that supplants hundreds of spreadsheets, while building on existing business intelligence tools and homegrown applications for managing the firm's compensation strategy, Slaby says. The cloud implementation will enhance the company's current process for developing and implementing performance incentives for its 25,000 representatives, he adds. figure 5

Figure 5

Cloud Analytics Will Improve HP's Five-Step Performance Incentive Process

STEP	ACTIVITY	IMPROVEMENT
1	Analyze the performance of business units selling hundreds of types of IT products and services. Identify outperforming sales roles among the range of market segments and sales channels.	Managers have a more precise and timely view into customer accounts and sales performance.
2	Design the next year's compensation process to improve results, including quotas and incentives.	Analytics models enable scenario-testing to determine best-case plans.
3	Allocate sales representatives to various territories, sales channels, business units and market segments. Determine incentives for account managers, technical sales, inside sales and channel sales, among others.	Because managers can see quota numbers, they can gauge whether sales reps are over- or under-deployed and dynamically shift resources based on need.
4	Communicate the compensation plan, with clear expectations for quota targets and incentives for results.	Executives share a common view of the deployment plan.
5	Measure outcomes and issue incentive rewards.	Data quality is elevated because sales planners are able to validate data in the cloud-based system more easily than with spreadsheets.

1 "The State of Sales Forecasting," Ventana Research, November 2013.

The cloud implementation, live since September 2013, has had a positive impact, according to Slaby. Executives can inspect a common view of their deployment plans before they actually start—an impossibility in the days of spreadsheets. They have a more precise and timely view into customer accounts and representatives by geography, selling role or other variable, and they can see quota numbers to gauge whether sales representatives are over- or underdeployed.

Slaby anticipates being able to shift resources more quickly than before to where they are needed. And data quality is elevated because sales planners are more careful about entering data into the cloud-based system, because they need to conform to the system's rules. "It's easy on a spreadsheet to provide incomplete information," he notes.

"For me, this is like a dream come true," Slaby says. "We have financial targets to achieve. We can accelerate the whole process by pouring those financial targets into a machine and then allocate them out across the organization."

Planning also involves territory alignment and resource allocation. According to a recent Bain study of senior sales and marketing executives at 24 B2B companies, the ability to deploy sales resources to the highest-value market opportunities is a defining factor that separates high-performing companies from their low-performing peers in winning market share.[2] And distinguishing profitable opportunities from poor ones requires useful data.

Executing the Plan

Under pressure from the C-suite to bring data to the fore, sales executives need to take a leading role in applying analytics to their operations. Overcoming the technology adoption and cultural challenges requires hands-on involvement, experts say, because incorporating analytics will change how sales representatives execute on their plans—and later, the performance of the enterprise. "The chief sales officer must be the champion," says Jim Dickie, managing partner at CSO Insights. "If you are not willing to commit your personal time, then don't start it."

Boston Scientific, a medical devices manufacturer, for instance, uses analytics to scenario-test new requests for proposal, product launch priorities, sales force resource allocation and compensation. The approach, says Jim Mayberry, vice president of operations and marketing for corporate accounts at Boston Scientific, is to incorporate data into every aspect of the business in an ongoing effort to combine objective and subjective analysis in decision-making.

The use of analytics at Boston Scientific informs sales operations and just about every other business process. Monitoring the status of customer accounts among its different divisions, for instance, can involve tracking thousands of contracts with healthcare institutions and monitoring whether actual sales comply with agreed-upon terms.

Mayberry's company is working on a pilot project of a cloud-based system to test how it can further enhance analytic capabilities. "You look at it through the entire financial chain. Everything from raw materials and forecasting for manufacturing, all the way through five-year strategic planning—it's all facilitated and enhanced by analytics," Mayberry says.

Paul Zuckerman, CEO of Fletcher Group's Formica and Laminex divisions, has a future vision for instilling a data-driven mindset into his global sales operation—but he acknowledges his organization needs to lay the groundwork in terms of both IT infrastructure and the cultural changes required to realize it.

In Formica's engineering-influenced culture, Zuckerman says, the idea of performance measurement comes naturally, and the time has come to apply those practices to sales. "We are a very manufacturing

2 Dianne Ledingham, Mark Kovac, Michael Heric and François Montaville, "Is Complexity Killing Your Sales Model?" Bain & Co., January 16, 2013.

product-oriented company, and we have a lot of engineers in the business," Zuckerman says. "Operators on the manufacturing line have many rules, including safety rules, they need to follow, and their outputs are measured minute by minute." The sales function, on the other hand, "is like a black box," he says. "How do they build relationships and keep the client? It's been more of an art form than a standard process."

Modernizing the company's sales organization is central to Zuckerman's effort. In Zuckerman's vision, data-savvy sales managers will use insights from in-depth market analysis and Formica's operations to manage a group of sales representatives—including those who work with clients in the construction, architectural, retail and e-commerce market segments. Looking outward, managers will track the sales pipeline (including proposals that may take two years to win) and prospective customer leads from all channels, picking up signals about new sales and marketing opportunities. In consultation with executive management, the sales teams will receive instructions about where the best growth opportunities exist and which mix of products from the factory floor carry the highest profit margins.

Further, there will be a coherent compensation and incentive policy to spur sales representatives to deliver on those varied channel opportunities. The result: a more effective sales organization, better management of manufacturing resources and costs, and a more profitable company. Even a small change in tens of thousands of interactions can lead to a big improvement in results, Zuckerman says.

Zuckerman says his company is evaluating new technology tools, including cloud-based systems, that give Formica flexible options for collecting and analyzing data—and for measuring the performance of sales processes. He knows Formica will see an ROI in terms of higher sales and better profit margins.

Cloud-based analytics systems represent an opportunity for enterprises to start small and build capabilities cumulatively, says Deloitte's Alberti. "It helps fill that gap on the technology side," he says, "and allows you to make smaller investments and balance those around strategy, process and technology."

Monitoring Performance; Responding to Change

Cloud-based analytics can enable executives to take the old saw about metrics—you can't improve what you can't measure—and turn it around like a shared Rubik's Cube, displaying views tailored to different users' needs, while the underlying structure is consistent. In managing sales operations, this ability to monitor performance trends introduces opportunities to respond quickly to changing market conditions or to adjust resource decisions based on a fresh understanding of events in the field.

At McAfee, Inc., executives share a common view of data collected from various enterprise IT systems, making the company's operations more transparent to decision-makers, reducing subjective judgments and elevating the use of data-based facts, according to Jeff Brobst, vice president of financial planning and analysis. Previously, according to Brobst, spreadsheets were used to summarize detailed data held by the company's ERP system. Executives would collaborate through shared updates to determine quotas and other issues for the company's 2,000-member global sales force.

Now that has changed, Brobst says. "Answers that in the past were not necessarily trusted or understood because executives didn't know what judgments were behind them—that sense of unknown is removed," he says. "And the sales management team is not questioning data that is being presented. You can see the assumptions by looking at the data."

Getting everyone on the same page has accelerated decision-making, as there is no need to wait for data-gathering. Shared analytics tools enable what-if scenario-testing for sales quotas, territory assignments, vertical market coverage, commission calculations and sales forecasts. "You are building quotas, territory assignments, assignments for verticals and commissions calculations," Brobst says, in addition to forecasting sales bookings. Because McAfee can quickly change course when opportunities arise, such as putting more sales resources into faster-growing markets, it is better able to realize profitable growth.

The transition to analytics-driven processes has been worth it, according to Brobst, because the benefits stretch beyond planning, to day-to-day operations. He cites a prototypical example of a sales representative in the field asking for approval of a multimillion-dollar sale with a large enterprise. She needs to know if the proposed pricing complies with company policies for this account. That means understanding the history of the customer account, the expense burden involved in this proposal and other factors.

With McAfee's cloud-based sales planning tool, Brobst can plug in the necessary data and quickly analyze whether this proposal falls within an accepted range, whether it is worth a counterproposal, or if it is not meeting the company's needs. The answer is immediate. And the system is ready to handle this kind of query for thousands of products. "You can't get thousands of products onto a spreadsheet," he says.

Conclusion: The Future of Sales

Even with the ingrained culture of traditional sales organizations, the importance of data and analytics is spreading to enterprise sales organizations, especially as the benefits become more clear. figure 6

"Today, the role of sales leaders and sales operations leaders has been revolutionized due to the adoption of dynamic practices and supporting technologies," says Peter Ostrow, vice president and research director for sales effectiveness and strategy at Aberdeen Group. "The advantage these executives have is that there are data and tools available to them that offer far more insights into the deals, the people and the markets they are selling into."

Many salespeople are creative, intelligent and passionate about success—all good qualities that will remain important as sales organizations enter a new age of analytics and a data-driven approach. But if they are not also comfortable with implementing data-driven plans to seize the customer opportunities before them, they will have a harder time meeting their quotas in today's marketplace, says Dave Stein, CEO of sales consultancy, ES Research.

Experts and practitioners point out that without analytics, sales organizations will continue to struggle with growing revenues and optimizing performance. The tools and techniques exist, Zuckerman adds, to gain control over the sales organization "and get more processes, messages, targets, monitoring and feedback—just like we do with manufacturing."

Figure 6

Benefits of Analytics for Sales Organizations

AREA	IMPACT
Resource deployment	The ability to monitor channels and assign sales representatives to areas where they are best situated to sell for growth, including by territory and customer market segment.
Compensation planning	Alignment of incentives with the most promising market opportunities and corporate growth strategy.
Forecasting	More timely, accurate and complete data from sales representatives about the sales pipeline, improving the quality of forecasts for management and providing insights into prospective customer accounts.
Executive management	More accurate forecasts, improved revenue projections, identification of growth opportunities and adjustment of resources needed to support sales. Insights can be delivered to supply chain leaders and the manufacturing function about upcoming market demand.

Driving Peak Sales Performance

In an era of winner-take-all markets and "grow or be irrelevant," sales leadership is constantly faced with an uphill battle in driving sales performance. How is it possible to grow top-line revenue and maintain healthy margins while remaining nimble to react to changing market conditions and new competition? Organizations that fail to quickly plan, secure cross-functional alignment and deploy resources face dire market consequences.

At the heart of this challenge lies a complex analytical and modeling problem that involves lots of data spread across lots of rigid systems touching lots of people. This problem is further compounded as the critical knowledge is spread over teams, geographies and, in many cases, even the external ecosystem. However, the smallest improvement in sales has a big impact; if a 500-person sales team with an average quota of $2 million can increase attainment from 80 to 82 percent, that would lead to an additional $20 million in sales.

Leading companies handle this problem by focusing first on creating a sales plan that is data driven and tying it to their execution across their organizations. They adapt as they execute by optimizing their resource allocations to the areas that matter most.

Better Planning: Firstly, for a complex or multitiered sales team to succeed, a sales plan that reflects the realities of the business is essential. This process starts with bringing together the vast amount of data across the organization in a single location and in a form that can be easily accessed and analyzed by everybody. Sales organizations can then align their top-down goals with bottom-up intelligence from the field. This ensures that the sales period starts off on a strong foundation.

Agile Execution: Plans have traditionally been artifacts of an onerous process that is not aligned to the practicality of execution. For a sales team to achieve velocity, reps need to have clear targets aligned to business goals. The plans need to be connected to the execution systems so they become living blueprints. Connected to CRM tools, district managers can have insights into the activities of their teams. Optimal coverage can be achieved through timely visibility into coverage gaps caused by attrition, movements of accounts, new product launches and other key business events.

Continuous Optimization: Modern sales organizations are complex machines with multiple teams working to close even a small transaction. But it is often difficult to determine where and how to optimally allocate resources. The third part of this puzzle is to leverage the rich data from both plans and execution to make continual adjustments to critical processes like territory planning, quota management, capacity planning, forecasting, deal optimization, etc., throughout the quarter.

Best-in-class companies go one step further. They leverage sales data and align it with other functions such as finance, marketing or HR. Fully integrated into the larger business context, leaders across the organization have real-time visibility into the health of the KPIs and execute to success.

Anaplan welcomes this report by Harvard Business Review Analytic Services as it brings to the forefront some of the core underlying challenges in driving sales performance and reinforces the importance of business planning and execution.

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