5 Steps to Better Sales Performance Management

Optimizing the Employee Lifecycle in the Lead to Money Process

The sales team tends to receive the brunt of the blame when they fail to meet their quota. But often, the problem is less about their execution and more about how we as managers prepare and enable them to succeed. These factors are elements of Sales Performance Management (SPM), a process Gartner Research defines as the "operational and analytical capabilities for automating and integrating the processes and functions for managing sales people and making them more effective and efficient."

> "It used to take 18 to 20 days for compensation disputes to be resolved, from start to finish. During which time, sales reps weren't at their most productive – they were worried about their commission check. Now, with CallidusCloud Commissions, it takes 3 days for a compensation dispute to get resolved. Because of our standard, automated compensation process, we've lowered the amount of disputes from 4,000 a month to less than 700. This adds up because it increases the productivity to the tune of 28,000 hours a year for the sales reps, which has led to dramatic cost savings."
>
> *Brian Greenberg*
> *Director of Compensation, Verizon*

The bottom line is, you want to support your sales team in the Lead to Money process without sacrificing your own productivity. But how? This paper describes the five steps to improving your business's SPM system to ensure that your sales team is able to perform at their full potential.

Step 1

Hiring, Onboarding and Training

The average amount of time it takes before a sales person is fully "functioning" is: (Length of sales cycle) + 90 days[1]

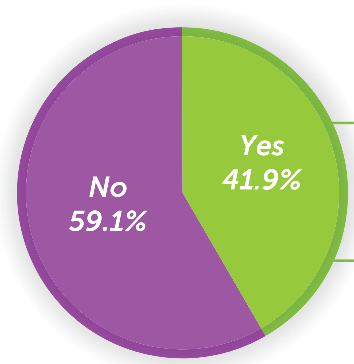
With an average sales rep turnover rate of less than two years, the return on investment can feel frustratingly slim.

Then consider the cost of a bad hire. It can easily reach hundreds of thousands of dollars when you consider the job search and interview process, onboarding and training, and time spent on the dismissed employee. And when you add in the customers lost because of the underperformer, the cost can reach into the millions[2]. Therefore, it's important that your hiring process is well thought out, and that your onboarding and training processes are comprehensive, well-defined, and rigorous[3]. Your SPM system should be able to offload most of the burden, ensuring your sales rep reach their full potential as fast as possible.

Prescreening and Selection

Eliminate bad hires by honing your prescreening and selection process. Below are a few suggestions how:

- Use assessment tests and online interviews to screen out all but a short list of candidates before you even begin the interview process.
- Conduct interviews virtually. As online face-to-face collaboration becomes the standard, it makes sense to have candidates use their webcams or smartphones to upload their answers to your questions. Further, you can follow their social trail by evaluating their LinkedIn profile to understand their background and previous positions, as well as their Twitter handle to see what they're interested in.
- Design a sales assessment that measures each candidate's abilities and temperament against your team's. You want to ensure that they will mesh with—and measure up against—your organization.



As part of your sales rep hiring process, do you conduct any formal sales aptitude competencies assessment testing?

SOURCE: CSO Sales Performance Benchmark 2013

Onboarding and Training

Get your new hires productive as quickly as possible with these steps:

- Verify each new employee's producer and agent data for background checking requirements.
- Perform accreditation and licensing checks with a system that integrates with leading licensing organizations.
- Establish a personalized training program, and track each new hire's progress.

Step 2

Planning with Quotas and Territories

Once you've trained your new hires and verified their credentials, the next step in the lead to money process is to tackle territory and quota planning. When assigning these to your agents, you're essentially planning out how and by whom the revenue and growth objectives of your company will be met. Therefore, you need to ensure that your sales people understand how their goals align with those of the company's.

Territories and Quotas

A 'territory' is defined as the existing and potential customers assigned to a salesperson[4]. This used to refer simply to the geographic region in which a sales rep operated. Those days are long gone. Today, 'territory' can be defined in many ways — segments, industry verticals, as well as geographies, thereby transforming territory management into a multi-dimensional problem. At base, defining a territory is a matter of which products are most likely to be sold, and how much.

Quotas go hand in hand with territories, and have traditionally been established using historical data as a basis. However, this approach often fails to reveal the inequalities in the different territories. This would be the case if an agent was routinely hitting quota without exhibiting the hard work and behavior you'd expect. Conversely, a salesperson could seemingly be underperforming when in fact his or her territory and quota could be misaligned.

In assigning territories and quotas then, it is important that they rest on knowledge based on objective market data[5]. Your SPM system should be able to cross-reference different sources of analytics to provide information on the number of potential accounts per area and their buying power. It should also be able to analyze each agent's capacity, calculating the amount of coverage needed from him or her in order to thoroughly capture the area. Potential and capacity are necessarily interwoven.

The spreadsheet method, simply collating numbers on a spreadsheet, is cumbersome and error-prone, making it easy to overlook, or worse, leak potential revenue. It also fails to provide the insight your SPM system is able to through its streamlining capabilities. In fact, it's been shown that sales quota and territory management software that refines business practices for territory sizing and balancing can add over 5% in sales from existing resources[6]. So take a step back and rethink your territories.

Step 3

Giving Appraisals and Coaching

To produce selling success, coach successful selling behaviors. Appraisals and coaching are important for the continued growth of your sales team, and yet, they're areas that are often neglected. Meanwhile, your sales people are eager to improve their game with productive feedback and best practices.

In the past, one of the difficulties of creating a meaningful appraisal system was the lack of data that gave managers insight into agents' behavior and techniques. It's easy to track and analyze the actions of your team. In turn, your sales force's best practices can be modeled after the behaviors of your most successful agents, moving your mid and low level reps up the performance curve.

A few of the metrics your SPM system may be able to capture automatically include:

- Frequency and length of phone conversations
- Number of in-person meetings
- Number of quotes generated and percentage of quotes closed
- Average size of quote
- Time it takes to go from quote to close

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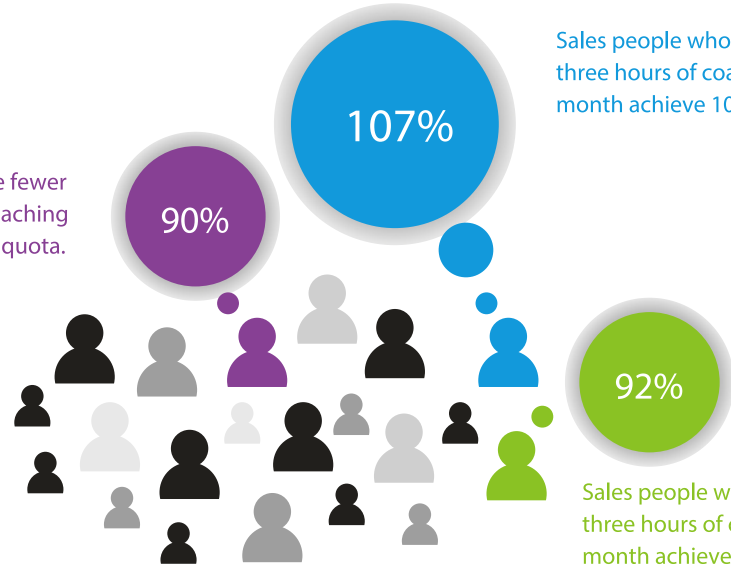


Others can be entered by sales managers:

- Phone conversation techniques
- Behavior at client sites
- Skills at asking qualifying questions
- Articulating value and key differentiators
- Behavior at trade shows and other events

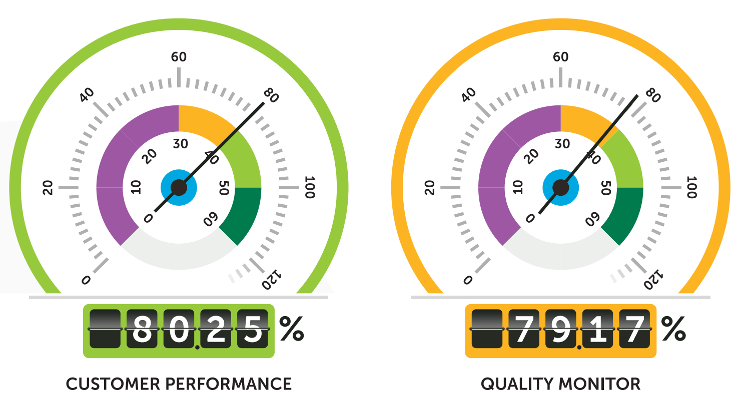
Be sure to inform your team of your oversight so they realize they're being held accountable for their actions.

Coaching Forward

Many coaching programs are little more than performance reviews from which agents receive very little value. They're often by-the-book, looking backward at performance and assessing progress against quota with little guidance in how to correct selling behaviors. This often leads to the same underperformers receiving coaching again and again.

Suffice it to say, a successful coaching program needs to be proactive, not reactive. Proactive programs are possible when the most pertinent data needed to measure performance is available and up-to-date. This is where SPM can help. By taking advantage of the insight offered by your system, you can examine your agent's behaviors and techniques and create a custom coaching program that equips them with goals on which they can focus. This way, your agent is always improving and always moving forward.

Use KPI dashboards to see how each rep is performing



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Online Training

With new regulations, techniques, and processes constantly on the rise, ongoing training is crucial to performance improvement. But many reps hardly rush at the opportunity to partake, preferring to spend their time selling. Naturally.

But training has received a makeover in recent times. Most curricula can now be completed online through the use of webcams and web conferencing tools, reducing the strain on both time and cost. Your SPM system can incorporate training programs into its fold, transforming teaching into a seamless and natural part of the agent's job.

Step 4

Establishing Compensation and Rewards

At its highest level, sales compensation is a tool used to improve both productivity and performance. Ideally, your company's compensation plan would motivate your sales reps to achieve—better yet, overachieve—the goals of the business. But the amount budgeted towards their compensation and rewards must make sense for your company as well. These costs can run high, high enough to be a major pain point for many managers, so it's crucial that the entire process is as streamlined as possible in order to deploy efficiently. Striking the right balance is a juggling act, and one that 90% of businesses reconsider each year.

Automating Compensation Management

There's often a disconnect between agents and their managers in the compensation process itself, impacting both trust and productivity. Many companies are turning to automated, user-friendly systems that include the following:

- Timely payments
- Transparent reporting in areas such as performance and the compensation process itself
- The ability to enact plan changes quickly and effortlessly It's been shown that when plans are visible and clear, businesses can gain 4 to 8 hours of selling time per rep each period . [7]

CSAA implemented CallidusCloud Commissions and:

- Used sales compensation as a proactive tool to drive revenue
- Reduced time to market for new products by three to six months
- Reduced time to make strategic changes to compensation plans by more than 50%
- Increased accuracy and timeliness of commission payments to 600 field agents with 50-75% reduction in call volume from field agents on commission/bonus issues
- Significantly reduced costs for IT administration and development

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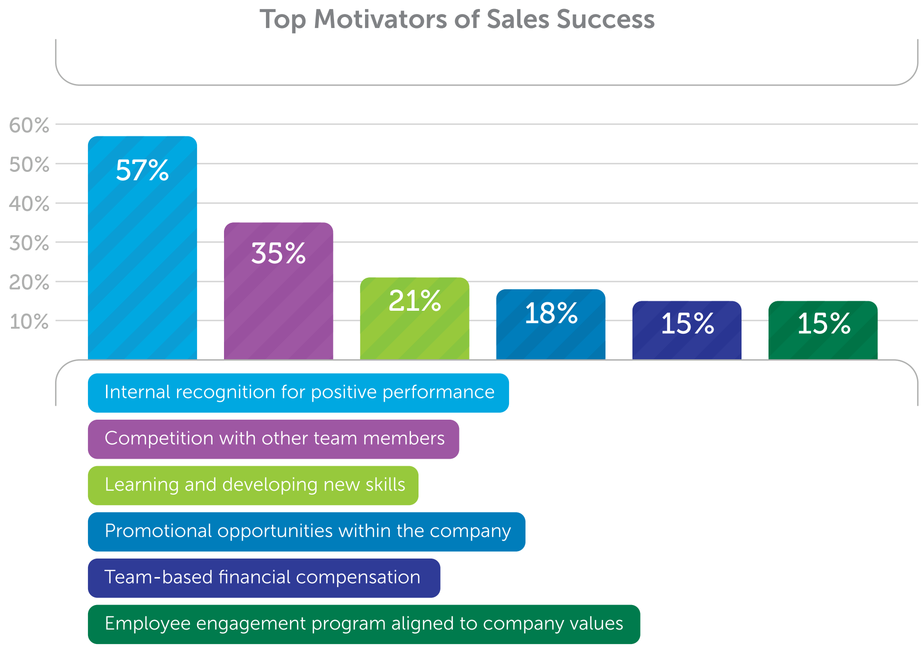
Variable Compensation

So what is the best way to compensate your sales team?

Straight commission, straight salary, a combination, salary plus spiffs, it's all been tried. The real question is, what's the best compensation strategy for your organization? Top tier commissions programs can allow you to model different strategies against your team and find the method that works best for your employees and for the bottom line.



SOURCE: ABERDEEN GROUP, NOVEMBER 2012

A multi-tiered compensation model achieves a 14% higher team attainment of sales quota on average[8]. It also pays off with 19% higher customer retention rate and 21% more sales reps achieving annual quota. Variable compensation reveals the complexity of incentive compensation – 91% of sales professionals are motivated by financial compensation, and 61% are motivated by positive internal recognition[9].

The important thing is to find a mix that motivates your agents and makes financial sense for your organization.

Step 5

Introducing Gamification Techniques

"You have to measure what you want more of." These are the words of Chuck Coonradt, author of The Game of Work and grandfather of gamification. He came up with the basic tenets of the theory after noticing the disparity between the way certain people treated work and recreation. He realized that, through a few simple principles, the same drive they invested in their hobbies could be harnessed towards work.

What if your whole team, not just the sales managers, could check on each other's progress in areas such as keeping CRM updated, developing close plans, and completing training assignments? This transparency would foster an environment of friendly competition between all the agents, causing them to measure themselves against each other.

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Gamification, according to Kris Duggan, Chief Strategy Officer of Badgeville, a company that specializes in increasing customer and employee engagement through gamification techniques, is defined as "taking techniques that make games engaging and addicting and applying them to things that are not games." [10]In other words, it's about creating a system of positive, non-financial reinforcements similar to those encountered in games to encourage favorable behavior. Compensation as a primary motivator has its limits. These strategies capitalize on an individual's inherent competitive drive.

Identifying Behaviors and Rewards

"The magic is in discovering the behaviors to encourage and then setting up rules systems to recognize them," says Duggan. The most important element of a successful gaming environment is identifying the parameters. They should be the behaviors you want to encourage in the areas you want to focus, whether it's sales and revenue, coaching, or anything else. And if your goal is extremely high-level, you should break it down into more manageable 'missions'

Popular Gamification Techniques

While each gaming environment will be different, a few you could consider incorporating into your SPM system are:

- Leaderboard for transparency and recognition
- Rewards for incentives
- Group board for group incentives

If any of this sounds familiar, consider your experience with LinkedIn, one of the most widely-used social networks, and a successful adopter of gamification techniques.

Gamification for Group Goals

There are some basic principles of gamification. CompensationAnalytics defines the first four principles as challenge, recognition, tracking and competition. While these all speak to the inherent competitiveness of a sales environment, the fifth principle is cooperation.w vAs much as people like to compete against each other, gaming techniques can also be used to drive collaboration. Creating a layer of group goals can ensure that everyone is working toward a common objective.

Benefits of gamification for employees:	Benefits of gamification for the organization:
Engagement	Revenue
Recognition	Time
Rewards	Engagement

Conclusion

Sales Performance Management touches upon all aspects of the sales organization, from hiring to compensation to training. It's important for organizations to understand what makes a sales person successful. Having this information is the only way to make decisions that impact revenue. Further, avoiding bad hires that can cost hundreds of thousands of dollars in lost sales and implementing onboarding processes that shorten the time it takes for new hires to show value are key drivers to the lead to money process. But the biggest challenge for any organization is understanding exactly what incentives drive successful selling behavior.

For too long, these separate components have operated in their own arenas, different jurisdictions with their own operational headaches. A cohesive system with a unified technology is central to improving the lead to money process. Without it, there is no way to improve efficiency and growth of your business, in turn motivating and improving the very people crucial to the bottom line.

To learn more please visit:
http://www.calliduscloud.com/solutions/sales-performance-management

Or call 1 866 512 5244

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