

# Setting smarter sales performance management goals

*Use dedicated SPM solutions with analytics capabilities to improve sales performance*



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## Summary

Just about any organization that sells anything these days engages in sales performance management (SPM) efforts to administer their sales territories, quotas and incentive compensation plans. The alignment between those efforts and the strategic business goals the organization is trying to achieve can make the difference between success and failure.

Rather than relying on spreadsheets and homegrown solutions, organizations can use an SPM solution to help streamline and automate their business processes. As SPM solutions become more sophisticated, vendors that continuously improve and enhance these offerings are providing organizations with the solutions they need to positively influence the behavior of their sales teams.

Of course, the biggest challenge facing sales managers and compensation managers today is achieving their goals without increasing administrative activities, and while still enabling their sales representatives to spend as much time with customers as possible.

Unfortunately, more often than not, sales managers struggle with conventional spreadsheet tools such as Microsoft Excel as they try to piece together sales histories without any version controls or traceability tools. In such cases, the SPM approach they're using does not have the advanced analytics and reporting capabilities they need to succeed. The result is an endless cycle of extracting data into spreadsheets and reporting tools to continuously make adjustments to compensation plans before, during and after each fiscal year.

Worse yet, the spreadsheet tools that most sales managers rely on today don't provide access to analytics tools. Without analytics, sales managers can't model the business in a way that allows them to actually be more effective.

In response to these challenges, IBM has developed a portfolio of SPM solutions with advanced analytics and reporting tools:

- *IBM® Incentive Compensation Management solution*  
Used to automate and streamline the process of administering, calculating, reporting and analyzing variable-base pay
- *IBM Territory Management solution*  
Used to align sales territories with corporate objectives and streamline sales crediting
- *IBM Quota Management solution*  
Used to improve sales quota planning and dissemination to stakeholders

These IBM solutions are not only highly integrated with one another, they are specifically designed to pull relevant sales information from the entire enterprise into a single set of SPM and analytics capabilities.

## The benefits of analytics and reporting for SPM

Making use of advanced analytics within the context of an end-to-end approach to SPM enables sales managers and compensation administrators to more easily build a smarter sales force. They can reduce processing times by more than 40 percent, reduce the size of the staff required to manage the sales staff by as much as 50 percent and improve the accuracy of the payments made to sales representatives by 90 percent.<sup>1</sup> The capabilities provided by SPM solutions and analytics can address challenges in three distinct areas of sales management: setting and sharing sales objectives, optimizing sales territory and quota and territory management and tuning the incentive compensation plan.

## Setting and sharing sales objectives

It's the job of the sales operations team to process essential SPM functions in order to provide sales representatives with the motivation they need to effectively sell. That means making sure sales representatives have full confidence in the ability of the organization to recognize and reward their efforts. The only way that can truly happen is when all parties concerned have the appropriate level of visibility of how their efforts contribute to their own compensation and the overall success of the organization.

Setting and sharing accurate sales objectives is a critical first step in defining sales territories, quotas and the most effective compensation plans that drive desired selling behaviors. Organizations often overlook this first step. Organizational objectives and sales strategies should drive how the sales organization defines everything from sales territories and sales quotas to compensation plans. Without clearly setting sales objectives, the sales organization ends up blindly implementing sales plans based on a best guess.

The organizational objectives that often get ignored include everything from a need to focus on retaining customers, to upselling and cross-selling of additional products, to concentrating on vertical markets that may represent a particularly ripe strategic opportunity for the organization.

Without a well-defined sales strategy that is aligned with the organizational objectives, the sales team simply plans and implements their sales territories, sales quotas and incentive compensation plans without any direction. This often results in sales misalignment and lost revenue opportunities.

The goal of an effective sales strategy should be to deliver new products and sales models that achieve targets and drive bottom line results, enabling the organization to stay ahead of competitors. That requires an SPM approach that enables sales managers and compensation managers to adapt quickly to product innovation and sales model changes, communicate those changes and then manage all the associated incentives.

That goal can be difficult to achieve when relying on spreadsheets, homegrown solutions or an SPM approach that doesn't include advanced analytics. Another common hindrance is reporting tools that don't provide much in the way of actionable analytics, even when loaded with rich customer, product and transactional data. More challenging still, without those analytical capabilities to uncover insights that are not always obvious, sales managers can't rapidly adapt to changing business and economic conditions that should result in immediate changes to sales objectives.

However, by using an SPM solution, sales managers can analyze existing or historical data to find insights about customers, such as which ones are about to leave and which are likely to continue to purchase. They can analyze SPM data to figure out which sales representatives are achieving quota targets and which ones are missing those targets. They can analyze the data to figure out which sales territories might need additional resources. All of these capabilities make it much easier to accomplish the key goal of their sales strategy.

### **Optimizing sales territory and quota and territory management**

Organizations of all sizes need their sales teams to sell the right products to the right customers at the right time. Achieving that goal not only means defining and setting up fair and equitable territories and quotas; it means ensuring that the incentive plans are driving desired selling behaviors that are in line with the sales strategy.

SPM solutions can help sales managers achieve that goal by identifying the following key categories:

- Existing customers that have purchased similar products
- The sales roles needed to support a particular product launch
- The most sensible geographic divisions for sales territories
- Products or services that require a product specialist to support the sales staff
- The market potential for each sales territory
- The right sales quota to be assigned each sales representative

SPM solutions allow sales managers to be creative when setting sales goals. Instead of setting "vanilla" goals, sales managers can set quotas based on any number of granular factors that are linked to the company's overall objectives. Because sales managers have access to historical transaction information, they can create groups of quotas around a particular set of products to be sold in specific territories right down to the SKU numbers for each individual product. It would be virtually impossible to set those types of goals using traditional spreadsheets because of the level of manual effort required.

The sales territory and sales quota process should be a collaborative effort. By leveraging advanced analytics and reporting tools, the SPM solution can provide helpful insights that allow sales organizations to better make decisions about their sales territory definitions and sales quota assignments. Ultimately, that makes for a more motivated sales force because their incentive plans are derived from fair and equitable quota targets and their payouts are more accurate. In addition, senior management can clearly see that money is not being wasted compensating representatives for goals that were never actually achieved.

Just as importantly, sales managers can more readily justify how the incentive model they developed is increasing revenue via high-margin opportunities that will drive the greatest amount of possible benefit for the organization.

### **Tuning the incentive compensation plan**

Compensation plans should always be logical, fair and transparent. But, as with all things in life, unexpected changes occur. For example, new products can come to market in a way that sharply reduces demand. Instead of waiting weeks or months to make adjustments to incentive compensation plans, organizations need to be able to dynamically adjust to new realities in a way that doesn't leave the sales force idly wondering what they should be focusing on next.

Of course, one of the primary reasons that it takes months to build these plans is that the necessary data is often highly fragmented across the organization. SPM applications can make it much simpler to aggregate all that information in a way that becomes more easily accessible.

The end result is a means to design incentive compensation plans that clearly identify eligibility rules, the metrics that will be used to calculate incentive payments and the roll-ups attached to any of the sales managers that might be entitled to incentive compensation if their sales teams achieve their quotas.

Building flexible rules to create the right motivators for the field sales team is critical. Sales managers need to be able to customize accelerators, create advanced rate tables and have the ability to continuously model and monitor results. Data concerning commission statements, attainment reporting, club reporting, order and payout reporting all needs to be accessible via statements and dashboards. Using SPM software makes it possible for sales managers to define granular quota and attainment goals in a way that more easily drives complex bonuses, commissions and payments across multiple territories.

Just as critically, the SPM solution should significantly reduce the amount of time and labor associated with managing that process. An easier process leads to more timely results; for example, every sales representative knowing the size and scope of the sales opportunities in front of them immediately, rather than getting an incentive plan after the quarter has already started.

## Metrics help you identify sales goals achieved

The sales plan is a dynamic instrument for achieving a sales goal. After the sales strategy is in place and the sales territories, sales quotas and incentive compensation plans are complete and in alignment with the sales strategy, it is important to continually analyze and report or monitor the results. Sales managers need to be able to identify gaps in the sales coverage model for any of the sales territories. They need to know which sales representatives are in jeopardy of not making their sales quotas. Just as importantly, they need to know if any of the sales representatives are “gaming the plan.” In addition, given rapidly changing economic and business conditions, continual analysis can help organizations make adjustments to the incentive compensation plans or assign additional sales resources to specific territories.

### Proactive sales management

In any well-run sales organization, meaningful sales metrics and incentive plans are tightly coupled to key performance indicators (KPIs) that enable managers to easily determine how the organization is doing long before the period closes. With that information, sales managers should be able to more positively influence the outcome of any given period. However, to do this, sales managers need access to an SPM data hub that they can implicitly rely on to be accurate at all times. That means putting in place an end-to-end approach to SPM lifecycle management using proven toolsets for data warehousing and data integration, rule writing and report delivery.

The types of reports that sales managers need in order to affect those outcomes include:

- *Stack ranking*  
View visual feedback on how the sales representatives are performing in comparison to one another.
- *Product trending dashboards*  
See product sales trends and set better quotas based on those performance metrics.
- *Geographic and territory-based dashboards*  
Review relevant information about how a team is performing on key metrics.
- *What-if analysis*  
Determine new outcomes based on changes to attainment, sales, goals or other factors that influence compensation.

All too often the reports that sales managers get today are summaries or aggregated results that provide no actual insight into the sales process. An SPM data hub with advanced analytics and reporting not only provides more detailed information; it provides the tools sales managers and compensation managers need. With these tools, they can model the business in a way that gives them the flexibility to respond to opportunities or changing business conditions.

That same information is also critical for the finance team, which needs to be able to forecast how compensation payouts will affect the bottom line by geography, region, product and sales team. Ultimately, the goal is not to simply identify who on the sales team is getting paid the most, but rather who is the most valuable to the organization as a whole.

As the saying goes, “things measured tend to be things done.” In the case of SPM, that means giving sales managers and compensation managers enough visibility to enable them to positively affect outcomes long before serious problems arise.

## Conclusion

Better SPM capabilities that include advanced analytics and reporting can impact every aspect of the business. From figuring out how to allocate resources to the actual morale of the organization, SPM solutions are clearly a critical business tool. An end-to-end approach to SPM that includes advanced analytics and reporting essentially allows organizations to turn sales management into a trove of data that improves the performance of the entire organization. Even in the most systematic of sales organizations, real-time insight into sales operations can increase both profits and revenues, while at the same time providing business stakeholders from the manufacturing floor to the boardroom with actionable insights.

Not all sales managers are, obviously, endowed with the same skills. But access to advanced analytics and reporting tools optimized for sales performance management can make every sales manager smarter. The better the sales manager, the happier and more productive the sales force becomes. Not only are sales goals achieved, the profitability of those sales is maximized in a way that benefits everyone from employees to shareholders. That can only lead to the development of a smarter sales strategy that benefits everyone in the organization.

## About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management and risk management.

Business analytics solutions enable companies to identify and visualize trends and patterns in such areas as customer analytics that can have a profound effect on business performance. They can compare scenarios; anticipate potential threats and opportunities; better plan, budget and forecast resources; balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision making to achieve business goals. For more information, see [ibm.com/business-analytics](http://ibm.com/business-analytics).

## For more information

To learn more about IBM Business Analytics solutions, [contact](#) your IBM sales representative or visit: [ibm.com/spm](http://ibm.com/spm)



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<sup>1</sup> Source: Gartner, *MarketScope for Sales Incentive Compensation Management Software*, Michael Dunne, March 5, 2010.



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