

SALES PERFORMANCE MANAGEMENT 2016: HOW THE BEST-IN-CLASS EVOLVE SUCCESS

December 2015

→ **Peter Ostrow**, VP/Research Group Director,
Customer Management, Sales Effectiveness



Report Highlights

p3

Best-in-Class sales organizations are 24% more likely to report significant or extreme Millennial-driven influence on their sales management decision-making.

p4

Among top performers, the importance of financial compensation in sales management has diminished 18x since 2013.

p7

Incentive compensation management solutions are deployed 105% more frequently by Best-in-Class firms.

p9

The Best-in-Class are 51% more likely to use compensation data to drive more effective territory, quota, or forecast management.

Managing B2B sales professionals grows more complex every year. The influx of mobility, social media, and analytics in recent years provide both challenges and opportunities in nurturing an ever-changing workforce increasingly comprised of Millennials. Add to the mix the growing popularity of game mechanics, non-cash incentives, collaboration initiatives, and the ability to drive B2B revenue — and beat quota — becomes an environment of continuous change for modern sales leaders.

2

21st century sales management necessities would make the *Horrible Bosses* turn over in their graves.

Among all the different kinds of jobs that exist in the modern enterprise, the sales position has traditionally been considered the most straightforward one to manage. Because of the deliberate pay-for-play approach to compensation associated with quota-carrying staff members, generations of business-to-business (B2B) sales managers have, in a sense, had it sort of easy: reps succeed when they hit their number, or fail when they don't. When your individual contributors are responsible for their own destiny, the softer elements of [human capital management](#) — such as employee satisfaction or engagement — need less leadership attention, right?

Times Have Already Changed. Have You?

Wrong. Whether or not the Internet — which is universally acknowledged to have changed just about everything in modern business and culture — is the prime catalyst for massive shifts in how employees expect to be managed, the fact is that they do, even in sales. Aberdeen Group's ongoing [sales performance management](#) (SPM) research tracks trends and developments proving that traditional 20th century sales management techniques continue to die out. They are being replaced by styles, processes, and technologies reflective of a more sensitive and flexible approach that, let's face it, would make *Horrible Bosses* or Blake from *Glengarry Glen Ross* turn over in their grave.

The fact is, Millennials now comprise the [largest segment](#) of the US workforce, and they don't react to the same motivational techniques, communications approaches, or compensation schemes with which previous generations of sales professionals responded. Coming of age in an era of ubiquitous online activity, collaborative interactions, and universal mobility, the under-35 crowd has just as much value to offer the modern sales leader who is willing to engage them with a different, updated tool kit.

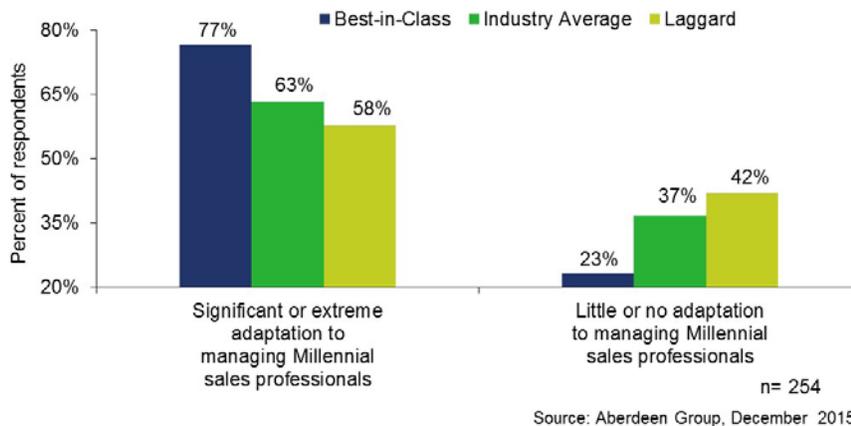
Definition:

Millennials, or Gen Y, refers to the demographic cohort with birth years ranging from the early 1980s to the mid-1990s.

3

New Aberdeen research into sales training and SPM competencies reveals, in Figure 1, that our top-performing, Best-in-Class cohort (sidebar) has made far more progress in evolving their sales management techniques to accommodate and leverage today's new breed of individual contributors:

Figure 1: Top Performers Adapt Sales Management to a Changing Audience



Here, we see that the most successful sales teams, defined by stronger quota attainment and sales cycle reduction results, are 24% more likely than under-performers (77% vs. 62%) to indicate a high or very high existing level of sensitivity to the dramatic changes that have accrued to the makeup of the traditional B2B sales workforce. The V-shape of the data presented in Figure 1 provides a compelling case for sales leaders to re-think whether “kids these days” are worth a different kind of management style. Conversely, while not a single Best-in-Class company reports to Aberdeen that “we’ve seen zero need to adapt sales management strategies or styles” due to changes in the modern selling workforce, one in five Laggard firms (21%) selected this response

The Sales Performance Management Best-in-Class Defined

In September through October 2015, Aberdeen surveyed 254 end-user organizations to understand their sales training and performance management best practices. The performance metrics used to define the Best-in-Class (top 20%), Industry Average (middle 50%), and Laggard (bottom 30%) among these sales teams are:

- 84% overall team attainment of annual sales quota, vs. 66% among Industry Average, and 26% for Laggard firms
- 79% of sales reps achieving quota, vs. 54% among Industry Average, and 18% for Laggard firms
- 7.8% average year-over-year improvement in (reduction of) the average sales cycle, vs. 3.5% and 15.1% worsening of (growth in) cycles, respectively, for Industry Average and Laggard respondents

4

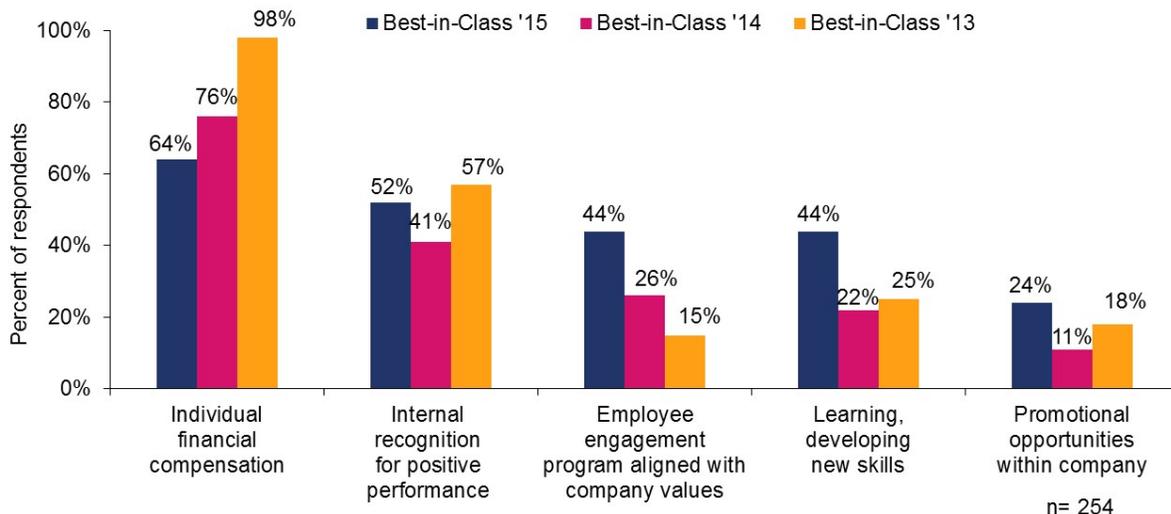
Coming of age in an era of ubiquitous online activity, collaborative interactions, and universal mobility, the under-35 crowd has just as much value to offer the modern sales leader who is willing to engage them with a different, updated tool kit.

to our Millennials question. Considering the poor overall performance of Laggards — their average year-over-year performance worsened in 11 of 12 tracked research metrics — it clearly is a wise choice to not follow their logical path when it comes to adapting our sales management style.

Show Me The...Pat on the Back?

Reverting back to a focus on the Best-in-Class sales organizations, Aberdeen's annual SPM research reveals a remarkable three-year trend that speaks to the heart of how Millennials command us to change our management approaches. Each year, Aberdeen survey respondents are asked, "In your opinion, what are the top three motivators behind superior sales behavior?" As we see in Figure 2, while financial compensation remains the leading contributor toward sales excellence, among top-performing companies, the balance between money and non-financial motivators has changed dramatically:

Figure 2: Money Isn't Everything to Millennials



Source: Aberdeen Group, December 2015

5

These data points show that among the most elite sales teams, the percentage of respondents **not** selecting money as a top-three motivator has increased from 2% to 24% to 36%, while the “softer” side of management levers have generally grown in importance. This is not to imply that base-plus-commission compensation structures should be abandoned. Sales professionals and channel partners alike obviously represent a clear persona that responds to financial incentives with the behavior that sales and executive leadership desire. And yet, a more holistic approach to inspiring individual contributor actions is informed by the research data above. Millennial sellers are not less likely than their predecessors to compete aggressively with one another in pursuit of money, points, or President’s Club — see new gamification findings in [What Motivates Best-in-Class B2B Sellers? You’ll Be Surprised](#) (October 2015) — but are definitely more desirous of recognition for a job well done, the opportunity to collaborate with team members, chances to increase their skill set, and overall career development. Only time will tell if one of the non-financial elements in Figure 2 eventually overtakes cold, hard cash as a Best-in-Class pathway toward quota-busting behavior; let’s all be ready to manage even more differently if the trend lines in this chart continue through 2016.

How Do I Deal with This?

Contemporary sales leaders are thus faced with a choice: do I adapt my traditional management techniques to this radically new audience? If so, what are the tools available to me? Fortunately for the reader, this research includes a tangible set of peer-recommended technology platforms (Figure 3) that Best-

While financial compensation remains, logically, the leading contributor toward sales excellence, the balance between money and non-financial motivators, has changed dramatically.

6

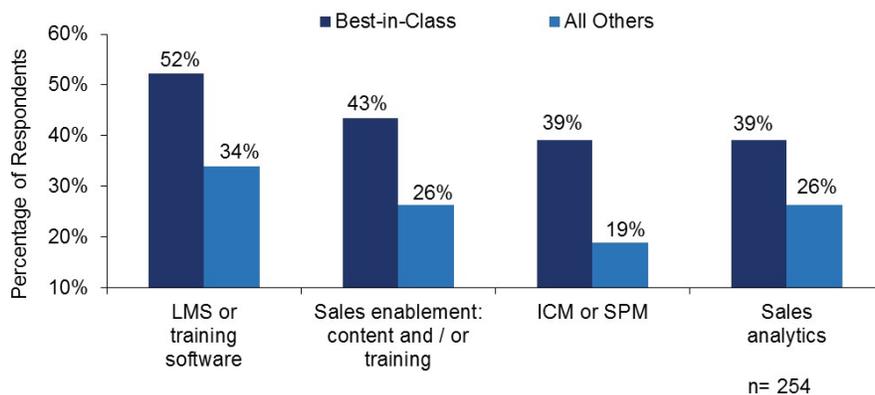
Millennial sellers are more desirous of recognition for a job well done, the opportunity to collaborate with team members, chances to increase their skill set, and overall career development.

in-Class firms are more aggressively deploying as they more fluidly adapt to the modern, Millennial sales rep persona:

- **Learning management system (LMS)** or training applications are frequently covered by Aberdeen [research](#), and yet the unique persona of self-confident professional sellers — “*I’ve got this, I know exactly what to do,*” etc. — often sees sales rep pride going before the quota-missing fall. In other words, the very hubris that informs success in the dog-eat-dog world of competitive selling makes admitting that learning new skills has value, anathema to the typical B2B sales persona. Why, then, are Best-in-Class firms 53% more likely than underperformers (52% vs. 34%) to invest in formal learning applications for their sellers? Because in an era when the first thing Millennials do upon waking up in the morning is consume content, they realize that top-performing reps and channel partners are hungry for any new edge they can get on their competition. The formal software that delivers training, best practices, product knowledge, and other fresh content — especially if mobile-friendly — helps enterprises efficiently scale the way they deliver expertise to the sales field.

7

Figure 3: Technology Enablers for Holistic Sales Performance Management



Source: Aberdeen Group, December 2015

➔ Speaking of fresh content, Aberdeen’s **sales enablement** research speaks directly to how much times have changed among the B2B sales personas we now employ. In [No Longer a Luxury: Why the Best-in-Class View Sales Enablement as a Must-Have](#) (November 2015), we see that Best-in-Class firms are 28% more likely than under-performers (68% vs. 53%) to implement a “*formal process to align content with key stages of the buyer’s journey,*” and more than twice as likely (79% vs. 39%) to report that “*sales playbooks help sellers develop and customize content most appropriate to their individual accounts or territories: ‘content in context’.*” Think for a moment about how Millennials buy stuff, in the lingua franca of modern B2B marketers: they become aware of a product offering through social media, they consider their need based on targeted micro-marketing, and they evaluate product options based on user-generated peer-reviewed content.

If we aren’t providing sellers with pre-positioned content for various selling conversations, that they can customize to their buyer’s specific needs, we’re not supporting the way modern commerce really works.

8

If we aren't providing sellers with pre-positioned content for various selling conversations, that they can customize to their buyer's specific needs, we're not supporting the way modern commerce really works. Hence the need for sales enablement solutions that deliver this functionality to the modern sales workforce.

- Next, enterprises deploy **incentive compensation management (ICM) and SPM** solutions to scale and improve the accuracy and efficiency of paying their sellers, and **sales analytics** platforms to keep everyone in the enterprise hyper-informed about the details. Let's consider again how times have changed, now in the context of what was once simple corporate reality: payroll. In the past, especially in working cultures where "do as you're told" was a more acceptable management attitude than today, the base salary and commission income earned by salespeople simply showed up in bi-weekly pay stubs. Aberdeen [research](#) into compensation platforms shows that stronger-performing companies pay more attention to Millennials' need for transparency and data. They support the more complex elements of the modern employee-employer relationship (such as gamification programs, referenced above) with ICM and SPM applications that reduce "shadow accounting" by reps distrustful of compensation accuracy, and therefore steal less valuable selling time away from their ever-shrinking attention spans. Best-in-Class firms also more openly recognize that in a highly connected world, the availability of and ability to manipulate data is seen by Millennials more as a democratic right than a management privilege. Hence the complex analytics tools that individual reps now use in forecasting both

Best-in-Class companies pay more attention to Millennials' need for transparency and data.

9

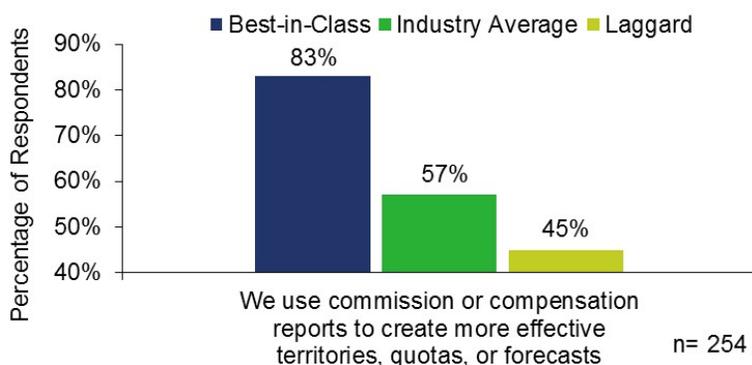
their deals and their take-home pay, and the automated links between them within ICM solutions that allow quota-carriers to conduct their own if-then analysis around what sealing the next deal will mean to their next commission check. In case the point is not being made clear: this generation likes to be in control of their data and demands the tools with which to do so.

Money and Data: A Match Made in Heaven

Speaking of the link between sales pipeline management and payroll, a telling data point from the research is revealed in Figure 4, that speaks to the inherent value of managing modern sellers in a data-driven environment. Here, we see that among Best-in-Class organizations, top-level sales management decision-making is more aggressively colored by an unusual data source: the payments made to sellers long after territories are designed, quotas assigned, forecasts fulfilled (or not), and commission checks approved.

This generation likes to be in control of their data and demands the tools with which to do so.

Figure 4: Wherever the Best Data Lives, That's Where the Best-in-Class Find Value



Source: Aberdeen Group, December 2015

10

We already know from [Why Analytics? Nine Must-Have B2B Sales Forecasting Competencies](#) (August 2015) that top-performing firms rely far more on logic than emotion when developing pipeline reports, utilizing predictive analytics solutions to accurately weight forecast data instead of taking reps at face value that “*I’ve got a great feeling in my gut about this deal.*” If we take this construct a bit further and ask: what is likely to be the most accurate source of data around any particular deal — the final sale price, the profit margin, the close date, when payment was received — there is little surprise in realizing that the compensation system, while not designed to do so, serves this very purpose. This is because, especially with Millennials who are one click away from posting negative anonymous employer reviews on Glassdoor, you simply don’t want to get their compensation wrong. By implementing an ICM solution dedicated to accuracy, the tail ends up wagging the dog in terms of generating the most accurate picture of the past, that in turn helps shape how we manage the selling team’s future.

Conclusion and Recommendations: What Does Great Sales Performance Management Look Like?

In the end, here’s a philosophical question that should be posed to modern sales leaders, even if they are not prone to chin-scratching contemplation: What is more important in sales, the success of individual contributors, or of the company? The research suggests that the annoying answer is...yes. The fate of enterprise’s corporate stakeholders still rests, last time most of us checked, in the hands of the people who drive the business forward, and no persona is more directly responsible for revenue than the folks on the sales team or in the channel ecosystem. These individuals have changed dramatically in the past two decades, driven by a newly wired world, and this is why

By implementing an ICM solution dedicated to accuracy, the tail ends up wagging the dog.

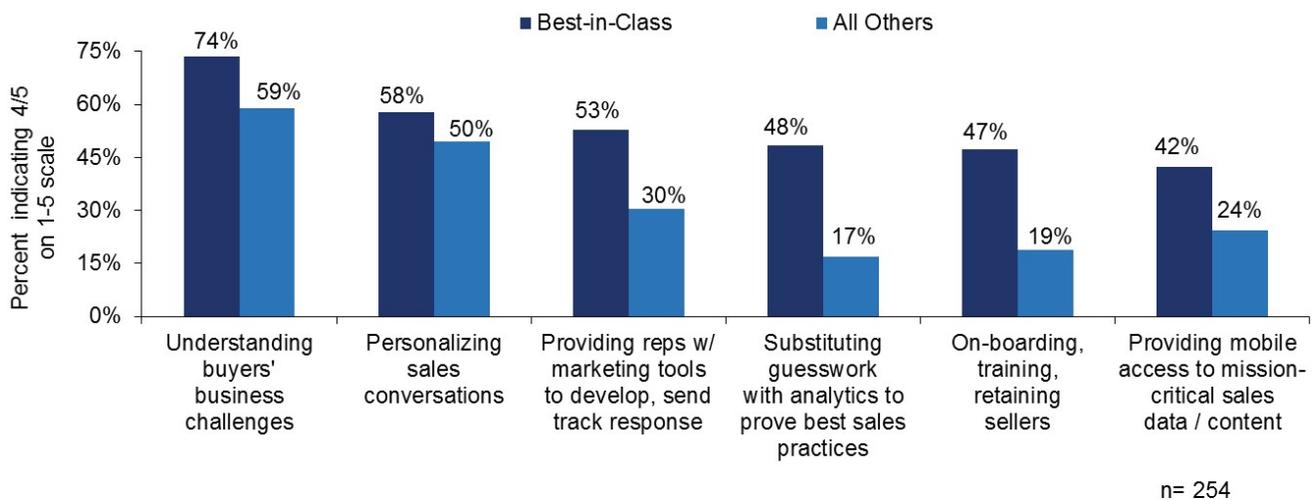
11

Aberdeen's [Sales Effectiveness](#) research channel is so popular: as much as individual contributors are always in search of a leg up on the competition, so too are their managers looking for better tools to automate better quota attainment and shorter sales cycles.

That these tools should include ICM, SPM, game mechanics, analytics, enablement, and the other technology enablers detailed above, has been proven by the research. But any modern sales leader who thinks that opening up a purchase order for software is all they have to do in order to understand and manage Millennials, is in for a rude awakening. Rather, they need to connect a new style of management-by-objective (MBO) core sales competencies to the selection and implementation of such technologies — Figure 5.

Any modern sales leader who thinks that opening up a purchase order for software is all they have to do in order to understand and manage Millennials, is in for a rude awakening.

Figure 5: What Should be on My 2016 MBO List?



Source: Aberdeen Group, December 2015

12

Every one of these core capabilities reflects the new normal in B2B sales management: recognizing that mobile, connected, data-driven, and collaborative selling are not only Best-in-Class attributes, but must-have essentials in putting the power of 21st century sales talent to work for the overall benefit of the enterprise. If the goals represented in Figure 5 aren't part of your 2016 sales management mission statement, change that document now. And if you don't have this broad-based kind of aspirational plan laid out at all, now is definitely the time to get started.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*What Motivates Best-in-Class B2B Sellers? You'll Be Surprised*](#); October 2015

[*No Longer a Luxury: Why the Best-in-Class View Sales Enablement as a Must-Have*](#); November 2015

[*Analytics Meets Enablement: Data-Driven Content in Context*](#); October 2015

[*A Tale of Two "C's": Serving up Value to the CFO and CRO*](#); September 2015

Author: Peter Ostrow, VP/Research Group Director; Customer Management, Sales Effectiveness (peter.ostrow@aberdeen.com)

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Boston, MA.

This document is the result of primary research performed by Aberdeen Group and represents the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group.