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THE TRUE COST OF MANUAL SALES OPS PROCESSES

EBOOK

OVERVIEW

Sales organizations are undergoing a massive transformation, characterized by the digitization of CRM software, coaching tactics, and other disciplines—all designed to improve selling potential.

Historically, companies have looked to motivate and drive sales behaviors through incentive compensation. As companies evolved their incentive compensation processes, they started to understand the need and importance of accurate sales planning to hit revenue targets.

They've additionally met the continuous need for real-time monitoring to optimize sales performance. This has ultimately led the industry to evolve from solely reviewing Incentive Compensation Management (ICM) to holistically evaluating Sales Performance Management (SPM) solutions that improve sales productivity and drive business growth.

In spite of the investments made in ICM, CSO Insights reports that 69 percent of companies still aren't hitting revenue targets—and Accenture adds that companies continue to lose at least 6 percent in sales incentives due to poor target setting.[3] In addition, quota attainment is at an all-time low at 53 percent, down 10 percent from 2012.[4] The poor results can be attributed to the fact that 73 percent of companies are using spreadsheets to manage sales compensation, and nearly 50 percent of companies lack the insights needed to course correct in real-time.[5]

INCENTIVE COMPENSATION MANAGEMENT (ICM):

Incentive compensation management is the strategic use of incentives to drive better business outcomes and more closely align sales rep behavior with the goals of the organization.[1]

SALES PERFORMANCE MANAGEMENT (SPM):

Sales performance management (SPM) is the practice of monitoring and guiding personnel to improve their ability to sell products or services.[2]

This ebook will explore the implications of manual processes in sales performance management and how implementing a data-driven automated SPM solution will empower companies to improve sales productivity and increase revenue.

PROBLEMS WITH MANUAL PROCESSES

Manual processes, while inefficient, are also incredibly error-prone and difficult to scale. Additionally, data is not available on-demand leading to poor visibility into plans and the inability to course correct in real-time to changes in business conditions.

- In 2014, a spreadsheet mistake cost a software company's shareholders $100 million in losses. In another example, Fidelity canceled a dividend distribution when a negative sign was accidentally omitted from a spreadsheet. A reported gain was actually a loss and a mistake of nearly $2.6 billion.[7]

- In a commissions related scenario, Hewlett-Packard (HP) also had to pay a heavy price. At the beginning of 2019, a court ordered HP to pay $25 million as a result of antiquated and manual processes failing to appropriately track and pay commissions. This came after nearly a decade of lawsuits brought against HP by their salespeople.[8]

According to McKinsey, "effective pre-sales activities… can help B2B companies achieve consistent win rates of 40 to 50 percent in new business and 80 to 90 percent in renewals… That level of success requires close coordination from the front office to back, and while many B2B companies have done a good job automating the back office, they fall short when it comes to connecting those processes to the front end. That lack of integration can lead to multiple customer handoffs between functions, long turnaround times for quotes, missed delivery dates, and a proliferation of unnecessary technologies, applications, and data."[6]

AUTOMATED DATA-DRIVEN SPM SOLUTIONS TRANSFORM SALES ORGANIZATIONS

The growth in cloud-based solutions has led to the growth of data to make informed decisions that transform business operations. In sales organizations, the use of a data-driven, cloud-based SPM solution can dramatically improve sales planning and coaching processes to drive desired behaviors—while lowering error rates. The advantages of automated and cloud-based solutions also include:

Data Visibility and Availability

In order to create sound compensation plans, data needs to be clean and accurate. Unfortunately, sales organizations often question their own data—unsure of its availability and integrity.

With better access to data, sales reps have complete visibility into compensation plans which lowers the risk of errors and shadow accounting—leading to increased selling time. Having access to sound data empowers companies to analyze and automate SPM processes. This also creates a foundation of a single source of truth for all teams across the organization.

Cumbersome Plan Design

The Complexity of Plan Design Can Plague an Entire Organization

Because compensation is the primary driver of sales behavior, a complicated sales plan can both de-motivate and drive unwanted behaviors. Lack of transparency can result in incorrect payments, forecasting inaccuracies, and missed company goals.

Consider the following scenario: A comp admin needs to make modifications to individual sales plans and will need to incorporate a special formula to accommodate each. When completed in a spreadsheet, or another manual process, the comp admin will need to write specific formulas for the line of variance or create a different file in order to track everything together. Multiply this process by the number of reps with individual plan modifications, and the potential for errors grows exponentially.

The ability to course correct in real-time is crucial. With SPM, organizations can do this proactively and have the ability to streamline components that help reduce errors and increase accuracy. Companies should also establish a governance board in order to monitor plan performance, communicate effectively, and have the ability to make changes as needed.

Executing the Strategy

The largest component of the new process' success is the actual implementation to execute the strategy.

If a component is important enough to be in your plan, it should be included in your initial data. If reps can't see it, how are they going to trust the output? For example, more than 60 percent of companies are estimating their payment accuracy rate, which points to growing inefficiencies.[9]

Additionally, instead of a cohesive approach to planning, tasks are often assigned to different stakeholders or approached through siloed processes. For example, a sales planning exercise may be a brainstorming session with key stakeholders huddled in a room with a whiteboard. This practice does not lead to data-based decision making, but instead, decisions are based on anecdotal measures. A statement like, "This team can take one more rep!" carries more weight than it should—and it doesn't consider how long it can take for a quota bearing rep to be fully ramped, etc.

HOW CAN THESE CHALLENGES BE ELIMINATED?

The problem with manual processes is clear. If one value is missed, errors may never be discovered. Organizations need to decide what their priority is—whether that includes automation or demonstrating ROI for investing in technology to improve the process.

Regardless of the end goal, organizations should take the following steps to improve their manual processes.

1. **Focus on Customer Strategy:** Identify the "trigger" that's requiring a change—and then do something about it. Decide on the kind of experience you would like to provide your reps, comp admins, and various teams responsible for facilitating a data-driven sales organization. By creating a strategy that focuses on the "why," you can answer a number of those questions.

2. **Delegate an Executive Sponsor:** There must be an executive sponsor who champions these decisions. Without buy-in, SPM will never gain any traction. An executive sponsor is the key to success right out of the gate.

3. **Choose an SPM Vendor to Fill the Gaps:** A trusted vendor can help with the automation of error-prone, data-based processes—including sales planning, sales capacity planning, and comp plan design. Technology helps answer the "what" and the "where" questions of your organization. For example, Xactly has a strategic team to help with the design and simplification of the plans or implementing a tool like Xactly SimplyComp that is built on best-in-class compensation templates to help with automation, there is a better way.

Of course, you'll still have to deal with the "who" in terms of your interview style and who you decide to bring on board, but deciding to incorporate automation and ditching manual spreadsheets helps improve this process. A renewed focus can lead to a happier, more driven sales organization.

Sources:
[1]Tech Target
[2]Tech Target
[3]Sales planning like it's 1999? Take the guesswork out of target setting.
[4]2017 CSO Insights World-Class Sales Practices Report
[5]Analytics and Compensation for Sales Leadership, Ventana Research
[6]How B2B Digital Leaders Drive Five Times More Revenue Growth Than Their Peers
[7]10 of the Costliest Spreadsheet Boo-boos in History
[8]HP and Hewlett Packard Enterprise will pay a $25 million settlement to salespeople who sued over messed up pay
[9]Xactly 2018 Sales Compensation Administration Best Practices (Full Survey)

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ABOUT XACTLY

Xactly delivers a scalable, cloud-based enterprise platform for planning and incenting sales organizations, including sales quota and territory planning, incentive compensation management, and predictive analytics. Using this powerful sales performance management (SPM) portfolio, customers mitigate risk, accelerate sales performance, and increase business agility.

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