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## RESEARCH NOTE THE FUTURE OF SALES PERFORMANCE MANAGEMENT

### THE BOTTOM LINE

Sales managers have faced the same challenges since long before CRM applications were invented. However, new tools and technologies are making their jobs easier. The future of sales performance management is integrated with CRM and social collaboration. It helps managers provide real-time coaching and motivation in context to drive better sales behaviors and, ultimately, better sales results.

Since the first inside sales team was built, sales managers have had the same challenges: how to find and train sales people, reinforce good sales practices, reward top performers, and correct bad behaviors. Today, with many companies now on their second or third generation of CRM applications, the same challenges exist:

- At a very basic level, companies need to drive effective adoption of SFA applications so reps are entering the information they need to accurately forecast pipelines.
- On an ongoing tactical basis, they need to be able to identify coaching opportunities and performance problems so they can take corrective action and provide ongoing coaching when it is most appropriate.
- On a strategic basis, they need to be able to identify top performers and their best practices and determine how to make more of their “B players” into top performers. Because average performers often make up the lion’s share of the sales team, the ability to improve their performance – even by increasing their close rates by a few percentage points – can have a significant impact on the top line.

Traditionally, sales performance management (SPM), sales training, and coaching were three separate activities, with SPM focused mostly on incentive compensation, quota planning, and territory management.

Traditional sales performance management (SPM) applications have focused on incentive compensation, quota planning, and territory management, and virtually ignored training, coaching, and recognition.

Sales training was typically handled once or twice a year through sales kickoffs and structured training sessions, and coaching was handled on an ad-hoc basis. Without coaching on a continuous basis to reinforce what was learned in training, the typical sales person retains fewer than 20 percent of what was taught. In most sales organizations

today, if coaching does happen it's typically undertaken by individual managers, without a system to scale coaching throughout a sales organization.

However, Nucleus has found that two main forces are changing the future of sales performance management. First, the next generation of sales force automation (SFA) applications are driving greater adoption and more entry of data into SFA systems. This is because they are designed to drive benefits for the individual sales rep, with features like social collaboration and content sharing within the context of the application and footprints that extend beyond the sales team.

Second, there is rising awareness of the potential benefits of social performance management, particularly for the millennials entering the work force (Nucleus Research *m148 – Top Ten Predictions for 2013*, November 2012). Although performance management has typically been the realm of human resources, social performance management is most effective when it is tied to particular work practices or processes so managers can provide feedback on specific activities in context.

These two dynamics are creating new opportunities for sales managers to increase their productivity, scale their reach, and drive a higher level of sales performance across diverse teams. The most successful sales managers in the future are taking advantage of these capabilities to coach within context, provide more consistent recognition, and automate many tactical sales performance tasks so they can focus on strategic management and coaching.

The next generation of sales performance management applications are integrated with CRM and include social capabilities for coaching, recognition, and correction.

Next-generation sales performance management enables managers to set event-based alerts so they can be more proactive in their coaching, more systematic in their recognition, and more able to correct bad sales behavior at the time of action – rather than pointing it out after the fact. For example, if managers know a sales person's deals are stalling between the short list and contract phase, they can be alerted on deals as they are reaching too many days in that phase of the sales cycle and be proactive in coaching the rep on how to move them forward.

## COACHING WITHIN CONTEXT

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The joining of performance management and CRM within the same application enables managers to easily follow sales activities, identify performance problems, and tactically address them as they occur to drive incremental improvements in sales performance. This works better than traditional coaching for two main reasons:

- It increases the volume of potential teachable moments. Because managers are seeing activity as it occurs rather than learning about it at scheduled meetings, they

are likely to have more specific and granular insight into a problem a particular sales person is having with an account than they would get with a weekly or scheduled update meeting.

- It makes coaching more actionable. Rather than being told after the fact what they could have done better (likely after it's too late to change course), in-context coaching enables managers to drive course correction on a more real-time basis, meaning sales people can take tactical advice they can act on and see the outcome.

Nucleus has found that when sales performance management is integrated and social, it can accelerate sales onboarding by 50 to 75 percent.

## RECOGNITION MATTERS

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Like all workers, sales people like recognition. Even top performers are likely to have more negative interactions in a day than positive, as deals push or leads turn out to be less warm than anticipated – which is why ongoing positive recognition and motivation is important to driving overall sales team performance. Despite the common belief that sales people are “coin-operated” and only respond to financial rewards, they actually respond to non-monetary recognition as well. Modern sales performance management enables managers to provide recognition on a more consistent basis.

With modern sales performance management, managers can use alerts within CRM linked to badges, competitions, and leaderboards to automate the awarding of virtual or actual incentives for good sales behaviors. Virtual recognition can be used to drive common practices across broad sales teams and be nearly or completely automated. Managers can streamline the virtual recognition process to spend more time on more strategic activities and in-person coaching and recognition.

For example, one company we found created a named badge that could only be given out by the head of marketing when he identified someone who had successfully overcome a sales objection in a unique way. Although there was no monetary award attached to the badge, recognizing such activities on a systematic basis drove more such behaviors – and the recognition led some sales people to be better mentors to others on their team.

Institutionalizing recognition within the context of the application can also help sales managers think more creatively about how they incentivize certain behaviors and experiment with new tactics because they can more quickly (and cheaply) see what's working. With sales performance management, recognition can also be extended across the team so competition, mentoring, and the sharing of best practices becomes a company-wide effort and not just the goal of managers.

## BALANCE TACTICAL AND STRATEGIC

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The greatest impact of future sales performance management capabilities are in their ability to enable managers to better manage the tactical and strategic demands of their jobs so they can free up time for strategic thinking and higher-level coaching. This is where the analytics capabilities of sales performance management come in: when managers have enough historical data in context to actually analyze the practices of top performance, they can stop managing by "gut feel" and put the tactical performance requirements in place to align all sales people's day-to-day activities with those of their "A" players.

Nucleus has found that managers adopting social sales performance management that is integrated with CRM can reduce day-to-day time spent on tactical management by 75 percent.

This can also help companies increase overall close rates, reduce turnover, and accelerate the onboarding process. Turnover in the sales team is impacted by a number of different factors and reduced turnover is a fourth-order benefit of improved sales performance management. However, sales coaching that both motivates top performers and gives direction and recognition to the broader team has been shown to increase sales win rates, which is likely to reduce turnover.

## CONCLUSION

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The marriage of social collaboration, CRM, and performance management presents new opportunities for great sales managers to scale their skills more effectively, and for good sales managers to become better by having a more methodical approach to tactical sales management.

Nucleus has seen companies employing social, integrated sales performance management today can increase close rates by as much as 10 to 15 percent. This is a key differentiator today. As more companies adopt new sales performance management technologies, they are likely to experience similar gains, and more effective sales management will level the playing field for all adopters. Although the market is in early stages of adoption now, those that don't adopt will slip behind their competitors.

Adopting social, integrated sales performance management today can increase close rates by as much as 10 to 15 percent.

In an increasingly challenging sales environment, even marginal improvements in sales management can have a measurable impact on top-line sales and bottom-line costs such as sales turnover transitioning and onboarding. Sales managers can likely justify the

investment in social sales performance management based on their increased productivity alone. As more companies adopt social, integrated sales performance management, those that don't will be at a competitive disadvantage.