Sales Management Optimization Study
2015 Key Trends Analysis
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Acknowledgments

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2015 Sales Management Optimization Key Trends Introduction

“Adapt or perish, now as ever, is nature's inexorable imperative.”

—H. G. Wells

If there was ever a time when sales was easy, now is not the time! We continue to see dramatic shifts in the “buy cycle” as prospects turn to the Internet as their first source for product information as opposed to contacting a sales person. New threats are emerging daily from increased global competition. Collapsing product life cycles are making it nearly impossible to turn what companies sell into a sustainable, competitive advantage. The threat of commoditization is present in all marketplaces. Concerns over the resiliency of the economic recovery continue to persist. And yet, in the face of all this, 94.5% of the firms that participated in CSO Insights’ 2015 Sales Performance Optimization study increased their revenue targets for 2015.

Raising the performance bar is a fact of life in sales. But those higher revenue targets need to be accompanied by specific changes in strategies, tactics, and support services that will truly help sales organizations increase their efficiency and effectiveness in order to be able to achieve those higher goals. So is that happening? To start to answer that question we conducted a review of the 2015 Sales Management Optimization study results and compared it to the 2014 Sales Management Optimization study findings. The data suggest that in the face of higher numbers, sales organizations are not only holding their own, but things are actually starting to get better. This is after a two-year decline in sales performance! Consider the following, on a year-over-year basis:

- The win rate of forecast deals increased from 45.9% to 47.9%.
- The percentage of salespeople achieving quota increased from 53.2% to 54.6%.
- The percentage of overall plan attainment increased from 85.9% to 87.5%.
A deeper dive into the 2015 Sales Management Optimization study data surfaced progress in the ability of salespeople to close deals. The chart to the right provides more detail on the numbers that make up the 47.9% win rate reported this year. There is noticeable improvement at the lower end of sales performance, as more companies have been able to climb out of the ≤25% basement—dropping from 24.2% of firms down to 16.7%. This coincides with an increase in the number of companies reporting a >60% win rate, from 20.3% to 23%. Clearly, this is good news. But in the wake of numbers going up again this year, sales organizations have to keep adapting and evolving how they sell going forward.

In the following 2015 Sales Management Optimization Key Trends Analysis, we focus on the current state of sales management’s performance. This is a related study to the previously released 2015 Sales Performance Optimization study which looked at the performance of salespeople. We highlight the current challenges facing the people leading sale teams, drill into why those problems exist, and provide insights into how to keep moving the performance bar even higher for this year and beyond.

As always, we hope the information presented in this analysis will help you to more effectively optimize your organization’s sales management efforts. While we believe the issues raised have broad applicability, we encourage you to use this information only as the basis for brainstorming and goal planning sessions for identifying and prioritizing your sales management objectives. Everyone can benefit from understanding the strategies and tactics other companies are using, but in the end, you must implement solutions that fit your specific business needs and not those of other firms.

To help you effectively design and implement the strategies and tactics needed to optimize the performance of your sales managers (and the sales force as a whole), we created a new resource to help you turbo-charge your sales performance going forward. The following link allows you to download The CSO’s Guide to Transforming Sales. The Guide augments our research reports with a go-to guide to help sales leaders understand why they need to transform their sales organization, why they need to do it now, and most importantly, how to do it.
The CSO’s Guide to Transforming Sales is based on twenty years of benchmarking best-in-class sales organizations, and provides a concrete roadmap for sales leaders to follow. There are two components to The Guide. The first is The Guide itself, which has four sections:

- **Why Sales Transformation Initiatives Fail to Fully Deliver.** This section outlines the nine pitfalls or mistakes a company can make to derail a project.

- **The Sales Transformation Pyramid.** This shows how to create a solid foundation for sales transformation and how to get buy-in from all stakeholders.

- **A Roadmap for Sales Transformation Success.** This provides guidelines on how to structure the sales transformation team to do the right things, the right way to ensure success.

- **Determining the ROI of Sales Transformation.** This overviews how to determine the ROI for the investments necessary and to clearly understand the payback.

The next part of The CSO’s Guide to Transforming Sales project provides tangible examples of what sales transformation success looks like, by accessing a compendium of real-world case studies from CSO Insights’ Sales Transformation in Action library of online briefings. As innovations in sales process, CRM technology, sales intelligence, big data/sales analytics, and sales and marketing alignment occur, you will be able to access current best practices on an ongoing basis.

If you have any questions or comments on the information presented in this report, feel free to contact us.

Jim Dickie  
Managing Partner  
CSO Insights  
(303) 521-4410  
jim.dickie@csoinsights.com

Barry Trailer  
Managing Partner  
CSO Insights  
(916) 712-9621  
barry.trailer@csoinsights.com

Pat Lynch  
Chief Customer Officer  
CSO Insights  
(720) 505-9150  
pat.lynch@csoinsights.com

**Note:** By way of demographics, 585 participants took part in this year’s research project. Of these, 58.5% worked for firms based in the United States and 41.5% were internationally based companies. By way of size, 17.1% were large...
Sales Management Optimization Study  2015 Key Trends Analysis

enterprises, 34.7% medium-sized companies, and 48.2% were smaller firms. The survey itself encompassed 100+ metrics related to sales management performance. A complete list of the study questions may be obtained by contacting Kim Cameron at kim.cameron@csoinsights.com.
Summary of Findings

An old business axiom is that “an organization elicits the performance it rewards.” Each year we view the trends as to how sales managers’ performance is measured and how they are compensated. The chart highlights a wide variety of metrics that sales organizations use to assess the effectiveness of their sales management personnel.

Topping the list is measuring and compensating sales managers based on their ability to have their sales teams meet their revenue goals—with nearly three-quarters of firms reporting the use of this metric. That number drops to less than half for holding managers accountable for individual salespeople achieving quotas. Our advisory board expressed interest in whether this makes a difference. As part of the 2015 Sales Management Optimization study we asked what percentage of revenues were generated by the top 20% of a company’s sales reps. That number came in at 60.1%. This posed a question: if managers are incentivized on just the team target, would they be prone to focus on their rainmaker reps versus developing the team as a whole? We found no evidence that this is the case, as there were minimal
differences in the percentage of reps making quota between companies that focused exclusively on tying compensation to the team’s number versus individual sales rep success.

The chart clearly shows that there are many areas where managers don’t have a financial stake at risk for not achieving certain objectives, and can have a noticeable impact on behavior. A case in point is forecast accuracy. When we looked at companies that neither measured nor compensated managers based on forecast accuracy, the win rate of forecast deals was 47.4%. When managers were measured but not compensated on forecast accuracy, the win rate was 48.1%. But when managers were both measured and compensated on this aspect of their job, the win rate jumped to 57.3%. Trends such as this suggest the power that aligning pay and performance can have on a sales organization.

Another compensation item worth noting is that pay packages for managers are increasing. The chart to the right shows the mix of targeted compensation ranges for first line sales managers. In the 2014 Sales Management Optimization study, 18.1% of the firms reported offering their sales managers pay packages of ≥$150,000. That number increased to 27.7% based on this year’s study data. This would suggest that sales leaders take a deeper look into their market to determine whether or not their total compensation packages are competitive.

We also looked at the makeup of these compensation packages. Over 96% of firms reported that there is a variable pay aspect of their plan in addition to a base salary. The average across all of the firms surveyed came in at 37.8% variable compensation and 62.2% base salary.
Key Findings

- Based on the hiring profile of new managers, most will require training.
- Sales training investments are increasing on a year-over-year basis.
- Majority of firms are building their own training programs as opposed to using a commercial package, which may not be the best choice.

Summary of Findings

This year, in looking at what companies cited as the primary source to hire first line managers, we found the following: (1) promoting existing sales reps to managers came in at 40.5%, (2) hiring experienced managers from within their industry was 35.8%, (3) hiring experienced sales managers from outside their industry was 17.2%, and (4) moving experienced managers with no sales experience from within their company into sales was 6.6%. Each of these cases comes with its own set of skills and knowledge development needs. The chart above summarizes the grades that companies gave their sales management training efforts in a variety of areas.

The study findings point to a trend that many companies see the need for improvement in the training they provide their salespeople. One area of concern is the rating for training managers to coach and mentor their sales reps. The percentage of firms that meet or exceed expectations in this area has been trending down the past two years. Going back to the hiring profiles, firms that focus on promoting sales reps into sales management positions had the lowest
coaching and mentoring training effectiveness ratings, with 65.4% of these organizations stating that their training efforts in this area need improvement. This points to a major disconnect. If management took solid individual contributors, put them into sales management positions, and then failed to adequately train them to support their sales teams, the tendency is for them to focus on the skills they already have and revert to being a salesperson. While they may be able to close the deal for their sales rep, they are not developing the skills of the rep.

A positive trend the 2015 Sales Management Optimization study surfaced is that investments in sales management training are on the rise. The chart to the right summarizes how much companies are spending annually to develop their sales management talent [Note: Data excludes travel expenses.] The 2014 Sales Management Optimization study found that 48.7% of firms that provided training were investing $1,500 or less per year. This year that number decreased to 41.2%.

We further asked study participants whether they created their own sales management programs or had a company specializing in sales training take on that task. There was roughly a 50/50 split between these two camps. This begs the question: does it make a difference? The answer appears to be yes.

Going back to how companies measure sales managers’ success, the key metric to review is whether their team achieved their goals. For the group of companies that built their sales management training programs, the percentage of overall revenue plan attainment for 2014 was 86.1%. That number came in at 94.2% for companies that utilized a commercially available sales management training program. That 8% difference in plan attainment is significant enough to warrant reviewing the types of training programs that are available, as opposed to taking on the task internally.

Advisory Services clients interested in learning how individual commercial sales management programs were rated may contact their CSO Insights Analyst.
Summary of Findings

We asked survey participants to share their company’s philosophy on adherence to a sales process. Historically, as part of our Sales Performance Optimization study, we see that companies gravitate to one of four types of sales processes: Level 1 – Random (each sales rep is left to do their own thing), Level 2 – Informal (reps are encouraged, but not required to use a specific sales approach), Level 3 – Formal (reps are trained on a sales process that managers require them to use), and Level 4 – Dynamic (systems are in place to continually monitor the usage of a formal sales process and detect changes in the sales ecosystem so managers can take proactive action to exploit opportunities and minimize risks). In the chart above, Random/Informal groups outnumber the Formal/Dynamic groups again this year.

It has been nearly nine years since we initially published the impact that sales process has on sale performance in Harvard Business Review, as shown in The Anatomy of a World-Class Sales Organization. Since then, we have repeated this analysis each year and found that the trends are typically the same. Here is what we found using the 2015
Sales Management Optimization study data, which drives home the fact that companies that don’t have rigor around how they sell are making a big mistake.

<table>
<thead>
<tr>
<th>Level of Sales Process</th>
<th>% of Reps Making Quota</th>
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<tbody>
<tr>
<td>Level 1 – Random Process</td>
<td>46.5%</td>
</tr>
<tr>
<td>Level 2 – Informal Process</td>
<td>46.6%</td>
</tr>
<tr>
<td>Level 3 – Formal Process</td>
<td>59.8%</td>
</tr>
<tr>
<td>Level 4 – Dynamic Process</td>
<td>72.2%</td>
</tr>
</tbody>
</table>

In assessing individual rep quota attainment success, there is essentially no difference in the performance between Level 1 and Level 2 firms. When looking at Level 3, however, there is a major jump in the percentage of salespeople meeting or exceeding their revenue targets. This increase is then repeated by Level 4 sales organizations. This is not a fluke. This has consistently occurred every year we have done the analysis. And yet, more than half of the firms have yet to do anything to address this issue.

Two trends are making the move to Formal/Dynamic Process much easier. The first is that there are a number of innovative sales methodologies available that companies can leverage as the foundation for their sales process. The second is the advances made in commercially available CRM packages—strategic account planning, relationship mapping, strategy mapping, sales engagement tracking, pipeline/forecast, and sales management analytics. Their capabilities provide sales teams and their managers with the insights needed to measure the effectiveness of their sales process and proactively make adjustments to take advantage of new opportunities and quickly minimize the impact of emerging threats.

To learn how to structure an initiative in order to get your sales organization to Level 4, click on the following link to access CSO Insights’ *The CSO’s Guide to Transforming Sales* or contact your CSO Insights Analyst.
Key Findings

- On the surface there is no change in the amount of time managers spend with reps.
- There is continued improvement in the ratio of sales reps to sales managers.
- Limitations on available coaching time builds the business case for virtual coaching investments.

Summary of Findings

It’s worth a moment to consider the long list of tasks sales organizations want managers to focus on when working with their teams, such as ensuring reps hit their quota, minimizing customer churn, enforcing the use of the sales process, improving CRM adoption, creating a positive sales culture, retaining top sales talent, etc. All of these activities require one thing—that managers have the “time” available to effectively do these tasks.

Above we see what the “typical” work week looks like based on the average time allocation from this year’s survey respondents. Internal meetings, management tasks, and other responsibilities consume about 36% of a manager’s time. That leaves them with 64% of their hours to spend directly supporting salespeople by actively selling with them, coaching and mentoring, or working with them to assess the health of the pipeline and update the revenue forecast. These numbers are in line with what we saw a year ago.
What is different is the number of salespeople vying for that time. In the 2013 Sales Management Optimization study, we reported a rep to manager ration of 7.2:1. That figure dipped to 6.7:1 last year, and this year the ratio is now 6.3:1. This represents a nearly one-person headcount drop, which means that sales reps now receive more of their manager’s time. This is a positive move, but is it enough?

In delving deeper into time allocation, we asked the survey participants to provide more specifics relative to coaching and mentoring time. The chart to the right shows how much time each salesperson is actually receiving in two areas: overall sales skills and knowledge development, and coaching to pursue and close specific deals.

Even with improved rep to manager ratios, many salespeople receive one hour or less of coaching support from their manager. Our benchmarking of individual sales forces shows that this amount of time has never been enough.

Based on this, we continue to advocate the concept of using technology to optimize coaching in two ways. The first is leveraging sales management analytics to conduct “sales coaching by exception.” These systems continuously monitor deal flow and alert managers as to what type of help reps need and on which deals. We previously published a case study on how this helped Stanley Black & Decker increase their win rates of forecast deals from 59% to 76%.

The second area of technology worth reviewing is the use of playbooks. These solutions give reps 24/7 access to virtual coaching on how to develop effective account penetration strategies, which sales tools to use at specific stages of the sell cycle, how to most effectively differentiate offerings from the competition, etc. While this is not a replacement for one-on-one coaching, 31% of the firms surveyed reported using these types of systems as a viable way for augmenting direct time with a manager.
Summary of Findings

Our long held belief has been that there are five tenets of effective coaching: it has to be timely, accurate, consistent, relevant, and individualized. This requires that sales managers have visibility into the activities of each of their salespeople. We asked study participants to share the key metrics they regularly turn to in order to assess which salespeople need what type of help on specific opportunities or help with particular aspects of skills development. The chart above summarizes their feedback.

Number one on the list is looking at pipeline activity. Most often this involves drilling into opportunity management data in a company’s CRM system, looking at active deals, which stage of the sell cycle they are in, planned next steps, etc. Items two, three, and five on the list are related and tie back to reviewing what insights can be gained by assessing how a salesperson has been selling, and surfacing insights into how to help increase his/her effectiveness going forward. All of the items on this list are useful, but based on this year’s reported win rate of forecast deals at <48%, those metrics alone are not enough.
What else could managers be looking at? Reviewing the list again, the majority of the focus is on what the salesperson is doing. This is only part of the equation. In addition to the sell cycle, there is also a buy cycle occurring at the same time. In fact, it might be fair to say that there are “buy cycles” occurring. CSO Insights’ 2015 Sales Performance Optimization study has been tracking an increase in the number of decision makers/stakeholders involved in getting to “yes” at the end of the sales process. Each of these individuals comes with an agenda regarding what they need to know and what needs to be included in the deal in order to get their buy-in.

So, what did companies tell us they are doing to track buyer behavior as well as seller behavior? They have four different approaches which are summarized in the chart to the right.

We were keen to understand how companies were able to continuously track buyer interest, and one strategy that surfaced was using technology to monitor a buyer’s digital body language. The way this can be done is by changing how sellers collaborate with buyers. For most companies, the method for sharing information and content with prospects during the sell cycle is to email items to them. This approach allows reps to see that the prospect opened the email and even downloaded the attachments, but did they actually consume the information? The answer is that the sales rep doesn’t know.

Innovations in sales engagement CRM technologies are changing this entire process. Using these solutions, firms can create a personalized microsite for each prospect and send them links to the content that resides on the site. Now, sales reps can see what content prospects reviewed or didn’t review, how long it was viewed, and if it was shared with others in the firm. Using this approach, a manager can easily see that the rep sent the prospect’s CFO the terms and conditions for the contract, but the CFO has not reviewed this information. Armed with these types of insights, the manager has another set of metrics to use to validate the status of each deal and provide more effective and proactive coaching.
Summary of Findings

Former President Dwight Eisenhower is noted for saying, “Plans are nothing; planning is everything.” What he meant is that a seemingly well designed plan can be rendered ineffective as soon as it is put in motion because of unanticipated variables. While the original plan has value, unless reps keep planning all the way through the sell cycle and adapt the plan as they go, they increase the likelihood of losing to a competitor or having the deal end up in no decision. As seen in the chart above, planning and plan management are far from core competencies for the majority of sales organizations.

This year’s study data surfaced some interesting trends that appear to be contributing to poor performance in this area. The first of these is a company’s attitude toward account planning. Only 39.4% of the firms said that account planning is a required activity (for at least key accounts) and that they have a formal process for doing so. The second issue is that very few sales organizations are leveraging CRM 2.0 innovations to support the creation and management of plans.

Key Findings

- The vast majority of firms find it challenging to develop account engagement plans.
- There are major issues with account planning methodologies and tracking processes.
- Rewards for making this a core competency are high.

Sales teams’ ability to develop and implement effective account plans.

- 13.3% Needs Major Redesign
- 59.7% Needs Improvement
- 23.0% Meets Expectations
- 4.1% Exceeds Expectations
It was reported that 52% of firms develop plans using Word/Excel/PowerPoint, etc., while another 29.1% develop basic plans using their firm’s opportunity management system. The third issue is how frequently the plans are reviewed once they were created, as 63.8% of the study participants reported that plans are reviewed only quarterly, at most.

Account planning often involves a lot of work, and even more to keep the plans current based on changes in the marketplace. But let’s share some metrics to help bolster the business case for increasing effectiveness in this aspect of selling.

We segmented the study data based on the category sales organizations fell into with regard to account planning and then looked at the average win rate of forecast deals for each group. The table to the right summarizes the output of this analysis.

With a win rate nearly double that of the firms that need to completely revamp their account planning and management approach, the exceeds expectations presents a strong potential ROI awaiting those companies that successfully deal with this sales challenge.

An emerging trend is the adoption of systems designed to facilitate plan creation and implementation. We found 17.4% of the firms are leveraging an internally or commercially developed planning system. The first advantage these applications provide is that they create a single process for planning (versus leaving it up to each rep to determine what should be included in a plan). Second, once the plans are developed they are often linked directly into a firm’s CRM system so that the plans are in front of the salesperson on a daily basis, versus sitting in a three ring binder on a shelf. Third, the most innovative systems allow managers to see how the implementation of plans is progressing and, if activities within an account start to slow down, they can proactively get involved to help the salesperson get the plan’s implementation back on track.

We are collecting case studies on how firms are optimizing account planning which Advisory Services clients may obtain by contacting their CSO Insights Analyst.
Summary of Findings

What comes out (or doesn’t come out) of the sales funnel continues to get a lot of sales management’s attention. However, more companies are beginning to focus on what is going into the sales funnel. As part of this year’s study, we put a new emphasis on assessing how effective sales teams are at prospecting, needs analysis, and opportunity qualification tasks. In the chart above, we see that many sales teams are encountering a number of challenges that are impacting their effectiveness at the beginning of the sell cycle.

Topping the list is helping sales teams with prospecting/new opportunity identification. If salespeople are going after low probability deals from the start, they are already at a disadvantage. We have previously shared the idea of developing a perfect prospect profile. The basic premise of this concept is that not all prospects are created equal. There is a certain segment in any market that is more likely to buy than another, and within that segment there are further subsets of

Key Findings

- Sales teams are struggling with several key tasks at the beginning of the sales process.
- Sales analytics and sales intelligence solutions hold the key to better prospecting and lead conversion.
- More rigorous coaching can help ensure salespeople focus on the right opportunities.

Sales force prospecting, needs analysis, and qualification effectiveness assessment.

- Optimize Reps’ Skills for Prospecting/Identifying New Opportunities
- Ensure Reps Understand Each Key Stakeholder’s Buying Criteria
- Assist Reps in Qualifying Out Low Quality Opportunities
- Ensure Reps Can Communicate the Benefits and ROI of Your Products
- Ensure Reps Identify All Key Stakeholders
- Conduct Opportunity Assessment Prior to Major Resource Commitments
companies that are very likely to buy. Advances in CRM technology are making this process easier for sales organizations to identify members/attributes of each sub-segment.

By using sales analytics solutions, sales management can start to mine the gold in their CRM systems. Looking at past wins, losses, and no decisions, they can surface specific attributes to use in doing a more sophisticated market segmentation. Sales organizations may find that they are more effective at selling into certain market segments than others; that they can more effectively engage certain stakeholders than others; and/or that there are certain competitors they should go after while avoiding others. Based on these analyses, they can help point their sales teams in the right direction from the very start of the sales process. The table below looks at the conversion rates of leads to first discussions based on prioritization effectiveness, and shows the improvement in prospecting that can result from increasing effectiveness in this area.

<table>
<thead>
<tr>
<th>Lead Conversion to First Call as Related to Prioritization Effectiveness</th>
<th>Lead Conversion Rate 51% – 75%</th>
<th>Lead Conversion Rate &gt;75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prioritization: Needs Major Redesign</td>
<td>11.0%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Prioritization: Needs Improvement</td>
<td>21.3%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Prioritization: Meets Expectations</td>
<td>32.8%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Prioritization: Exceeds Expectations</td>
<td>30.2%</td>
<td>27.9%</td>
</tr>
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Another best practice to consider is being more stringent in deal qualification. One manufacturing firm shared how they implemented a rigorous coaching review model before reps could add a deal to the pipeline or forecast. This included having the sales rep build a business case for what they were going to do with each prospect account, the stakeholders they were going to engage, the ROI for the prospect to do business with them, why they were better than competitive alternatives, and more. Initially, the firm experienced a 35% decrease in the size of the pipeline, which caused some concern. But, as the sales force became more effective at avoiding time with low probability accounts, revenue from closed/won deals increased by 47% on a year-over-year basis, demonstrating the benefit of being effective at needs analysis/opportunity qualification.
Summary of Findings

Purportedly, new innovations in sales methodology continue to generate buzz as solution providers advocate being challenging, co-creative, and/or more consultative during the sell cycle. What they promote doing are all logical activities. Some examples of these are the need to call high into prospect organizations, to create a sense of urgency for the prospect to do something, to meet the individual needs of the various stakeholders involved in the decision process, to differentiate a company’s offerings from the competition so the prospect chooses your company as a partner, and the need to sell value in order to justify your pricing model. So, how effective are your sales teams at adhering to this sage advice?

The chart above shows a mixed bag of performance. These are all activities that salespeople clearly need to do, but there are very few sales forces that excel at these tasks. What is standing in the way of solid performance at these clearly identified aspects of sell cycle execution? We can gain some insights by looking at the feedback we received when we asked study participants to share how easy it was for salespeople to gain access to the content and best practices they need to sell effectively. The following chart shows a clear disconnect.
Sales methodology training generally gets high marks for helping salespeople know what to do. But, in regard to how to do it, the chart to the right shows that many firms are struggling at making the content and best practices available across the sales force so they can execute on the what of selling.

More companies are turning to sales networking and collaboration systems—along with the innovations in content management and sales engagement technology—to help sales teams be more effective at executing these tasks. But, there is a specific task in which nearly all companies need to increase their effectiveness: reference management.

One of the most powerful things a company can do to get a prospect to buy in is to have existing users validate how good it is at supporting them in achieving gain or removing pain. We all know this. But, once again, this year’s study found that only 1.7% of companies excel at this. The table below shows the differences in sales execution based on how well firms are handling reference management. [Note: Because the exceeds expectations group was small, it was combined with the meets expectations group.] The performance numbers speak for themselves.

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>22.6%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Reference Management: Needs Improvement</td>
<td>39.6%</td>
<td>37.3%</td>
</tr>
<tr>
<td>Reference Management: Meets/Exceeds Expectations</td>
<td>64.1%</td>
<td>65.9%</td>
</tr>
</tbody>
</table>
Key Findings

- Sales managers are often hard-pressed to counter sales reps’ self-reported assessments.
- There is a lack of metrics that managers can look to in order to develop forecasts.
- Sales analytics systems are slowly making inroads to help managers with forecast management.

Summary of Findings

In the introduction, we profiled the analysis of the outcome of forecast deals. The dreary win rate of 47% demonstrates that sales organizations continue to struggle with understanding what is going on with key deals in the pipeline. Forecast inaccuracy doesn't just impact sales, but the rest of the enterprise as well. How does a CFO manage credit lines, or a VP of HR manage hiring, or a VP of manufacturing manage production, if they can’t trust the forecast data to make the right decisions?

To start to surface ways that companies can better deal with forecast management, we asked the study participants what barriers were negatively impacting managers being successful at this aspect of their job. Above is a summary of their input. At the bottom of the list, approximately 15% of firms feel they have their arms around forecast management. So let's take a look at what the other 85% of sales organizations are dealing with.
Topping the list is that many management teams are relying on salespeople to self-report the status of a deal—and the feedback is overly optimistic. How many sales managers have sat through forecast reviews where they asked each of their sales reps, “How’s deal ‘X’ going?” And the answer they got back was, “It’s going great. We are on the top of the list. Everything is on track like we talked about last time.”

The sales manager’s response to the rep should be, “Okay, let me share with you what my analysis of the deal tells me.” In order to do this, sales management would need access to metrics upon which to base an assessment. However, looking at items two, three, five, and six on the list, such metrics are often missing or incomplete. We asked study participants what tools they use to track/manage their forecast. Utilizing spreadsheets or the firm’s core CRM system topped the list.

Here is the problem with this approach. A manager knows that at the start of the quarter there was $20M in the forecast for the sales team. Thirty days later the system reports there is still $20M in the forecast. Now, is that a good or a bad thing? The manager doesn’t know. Is it the same $20M as when they started the quarter? Or have some deals dropped out, and new ones with lesser probability added? Have close dates slipped? There aren’t answers to any of these questions. But, this is starting to change.

A growing number of firms are turning to sales analytics/big data technology to enhance their ability to assess deals. These systems continuously monitor changes to the forecast and can proactively assess if there are enough deals in the opportunity pipeline, what has changed in the last week or day, which deals are at risk or could be accelerated, and more.

These technologies can also pull data from external sources. For example, leveraging big data capabilities, the systems can scan events in the markets you sell into and identify shifts in a prospect’s financial health, changes in key stakeholders, competitive announcements, etc. They can analyze those insights to see if they will have a negative or positive impact on a deal closing as forecast and alert the sales manager as they find meaningful events. Armed with analytics and big data metrics, managers are in a position to be much more effective at coaching and can take proactive action when deals start to get off track, as opposed to scrambling to respond when it may be too late.
Key Findings

- Relationship between sales and marketing is the rockiest.
- Rate of change in the sales ecosystem builds a case for more collaboration.
- Collaboration/internal company networking systems are poised to help foster better enterprise alignment.

Summary of Findings

In The CSO’s Guide to Transforming Sales, we profiled the concept of the Sales Effectiveness Pyramid. One of the key aspects of the Pyramid is that optimizing sales performance doesn’t stop with sales. Rather, it needs to become an enterprise-wide focus involving all functional areas that the sales organization collaborates with to find more deals, win more opportunities, and keep and grow more revenues. To get an idea of what sales/enterprise alignment looks like today, we asked the survey participants to share how effectively they engage with and are supported by other areas within their company. The chart above summarizes their answers.

Surprise! The area of least alignment is between sales and marketing. As part of the 2015 Sales Performance Optimization study, we assessed sales’ ratings of the leads they were receiving from marketing. A total of 69.2% of the firms stated the quality of leads needed improvement, and 72.5% felt the same way about the quantity of leads. It is worth noting that in our 2014 Lead Management and Social Engagement study, marketing also felt they needed to improve their ability in these two areas to support sales. The 2015 Sales Performance Optimization Find More Analysis highlights a number of best practices that companies are adopting to more closely align sales and marketing. This
includes (but is not limited to): developing a common definition of a qualified lead; implementing a lead scoring process; implementing a lead nurturing process; integrating lead management systems with their CRM to track the final deposition of all leads; and, increasingly, developing mutual SLAs (Service Level Agreements) from/to Marketing and Sales.

A key reason that sales leaders need to make sure they are optimizing enterprise alignment and collaboration is that sales organizations need to be constantly adapting how they sell to deal with a never-ending challenge: managing change. As part of this study, we asked companies to assess the rate of change their sales teams were encountering. The chart to the right shows their responses.

As change occurs, managers need to bring together the right subject matter experts within their company to determine the best ways to take advantage of new opportunities or minimize emerging threats. If this isn’t done, sales teams, being a resourceful lot, will come up with their own plans. That will be a waste of time, as each rep will reinvent the wheel. It can also cause issues with reps developing non-approved solutions to the problems they face.

A trend that can help facilitate cross-enterprise alignment is the use of internal company networking/collaboration technologies. We found that 37% of the firms surveyed have implemented an internally developed or commercially available system. At issue is formalizing how to use these systems. If your company starts down this path, managers need to put structure around the initiative. The main purpose needs to be making business collaboration easier and more effective. This means that the system should not be used to let colleagues know your child’s class is having a bake sale. Users need to know the system is the source for information and insights they need to do their jobs.

For an overview of best practices in this area, or for profiles into the various solutions available, Advisory Services clients should schedule an analyst briefing by contacting their CSO Insights Analyst.
Going Forward Analysis

Remembering back to a discussion we had with Kevin Kalkhoven when he was Chairman and CEO of JDS Uniphase, we asked him what advice he had for CSOs. As always, his answer was blunt and to the point, “The one thing I can guarantee you is that the moment you become fat, dumb, and happy in today’s highly competitive marketplace, you are dead!” With this in mind, while it is encouraging to see some signs of improvement in sales execution, sales leaders need to continually adapt.

The final question we asked this year’s survey participants was to share what was top of mind for them in terms of helping sales teams increase their performance going forward. The following chart highlights a number of priorities being pursued.

<table>
<thead>
<tr>
<th>2015 Top Sales Management Effectiveness Priorities</th>
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<tbody>
<tr>
<td>Improve Lead Generation Effectiveness</td>
</tr>
<tr>
<td>Improve Ability to Show Strategic Benefit/Value</td>
</tr>
<tr>
<td>Improve Ability to Increase Customer Loyalty</td>
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<tr>
<td>Optimize Sales Process</td>
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<tr>
<td>Optimize Sales Rep Coaching Skills</td>
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<tr>
<td>Improve Ability to Reach People with Power</td>
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<tr>
<td>Reduce No Decisions</td>
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<tr>
<td>Reduce Competitive Losses</td>
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<tr>
<td>Optimize Forecast Accuracy</td>
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<tr>
<td>Define/Redefine KPIs that Predict Sales Success</td>
</tr>
<tr>
<td>Identify Type of Coaching Each Rep Needs</td>
</tr>
</tbody>
</table>
At first glance, these are all legitimate areas for sales organizations to want to improve. However, the question that needs to be answered is whether sales organizations know how to accomplish these objectives. And the answer is “not always.” We say this because when we asked companies to share the outcome of their sales effectiveness initiatives that had been implemented over the past two years, what we found is summarized in the chart to the right.

Only 37.9% of firms met the majority or all of their objectives. For 46.9% of the firms, the end result was that they only achieved some of the objectives they were seeking. Because we are certain they didn’t launch their sales effectiveness initiatives with that lackluster goal in mind, we can’t consider these projects truly successful. Our message to the 6.6% that only met a few expectations or the 8.6% that didn’t try anything at all is to reread Kevin Kalkhoven’s words of warning.

So what should companies do going forward? First, we want to repeat our offer to have you download *The CSO’s Guide to Transforming Sales* for a detailed roadmap of how to approach the idea of optimizing sales performance from a more structured and field-tested approach than you may have been using in the past. This is available to you at no cost.

You can also tap into the case studies included in our *Sales Transformation in Action* online briefing series. This will help you see what “better” really looks like through a series of peer case studies that focus on solving specific challenges. We will continually add case studies to the library, and when we do, you will receive notices of new innovative approaches to increase the performance of your sales, marketing, and support teams.

The second piece of advice came from a member of our advisory board. During the course of brainstorming, one of the members pointed out an observation made by reengineering visionary, Michael Hammer. “Reengineering is not about doing everything a few percentage points better, but rather doing a few things an order of magnitude better.” You need to determine the few areas that hold the most promise for your company.
To help you do that, let’s revisit CSO Insights’ Foundation for Sales Management Optimization. As we have benchmarked best-in-class sales organizations over the past few years, eight key blocks emerged as the foundation for a great sales culture. The figure below summarizes these critical building blocks.

The following is an overview of each attribute:

- **Right Focus**: It all starts with knowing the company’s purpose in the marketplace. No company can be all things to all people, but with the right focus, it can be all things to all important people. Companies with the right focus know what problems they solve, which competitors they do well against, their real value proposition, and focus their sales teams on accounts that are the best fit for their solutions.
• **Right Team**: Best-in-class firms have a profile of the people they want on their sales team. This becomes more than an exercise of reviewing résumés. While résumés show how well applicants performed in previous employment, they are not always predictors of how well they will do within your company. Therefore, these sales organizations assess salespeople’s DNA as well as ensure they are a fit for the organization.

• **Right Motivation**: The right sales team needs to be given the right motivation. This requires sales management to analyze the message the compensation plan sends to the salespeople and, as noted earlier, to sales managers. How do incentive plans reinforce/enforce that companies want reps to build strong customer relationships? The same holds true for generating new orders, new customers, etc.

• **Right Prospects**: Best-in-class sales organizations ensure that sales and marketing are aligned with specific prospects to pursue. An analysis has identified the stakeholders to engage, and both sales and marketing have access to accurate data and insights on the prospects.

• **Right Planning**: Strategic account planning is not a buzzword. It is the foundation of the sell cycle, especially in key accounts. Sales teams at best-in-class firms know that proper planning is the key to their success.

• **Right Support**: Support within best-in-class firms comes in a variety of forms. These sales organizations assess the training needs of their sales force and invest in effective development programs. They know the CRM tools reps need and make them available. They ensure that the rest of the enterprise (i.e., finance, legal, product development, and customer support) have what they need from sales and build strong internal relationships to deliver support services.

• **Right Execution**: Planning the work is one thing; best-in-class firms ensure the reps work and adapt the plan. Sales managers are not in place to be super-salespeople, swooping in at the last minute to save the day and close the deal. Instead, they are coaches and mentors who continuously monitor how reps need help with specific deals. If a deal is going to be lost, they ensure it’s lost as soon as possible, allowing time to do the right things with other right prospects.
• **Right Evolution**: Best-in-class sales organizations realize that optimizing how they sell is never done. They understand that the sales strategies that work today may not work tomorrow. Changes in the economy, political environment, competitive landscape, etc. may necessitate changing how they sell. They strive to be proactive in making changes.

As you think about your organization, which areas come to mind for focusing your efforts in 2015? If you have a clear direction, we wish you the very best of luck. If, however, you would like help determining what to target, how to proceed, and how to be successful, then give us a call. Advisory Services clients have access to an annual peer group benchmark report and coaching session to answer any questions they may have. Others may contact us directly.

As always, we wish you good luck and good selling. We welcome your feedback; if you have any questions or comments please contact:

Jim Dickie  
Managing Partner  
CSO Insights  
(303) 521-4410  
jim.dickie@csoinsights.com

Barry Trailer  
Managing Partner  
CSO Insights  
(916) 712-9621  
barry.trailer@csoinsights.com

Pat Lynch  
Chief Customer Officer  
CSO Insights  
(720) 505-9150  
pat.lynch@csoinsights.com
Current Research Studies by CSO Insights

4,000 Firms Worldwide Surveyed Annually

Sales Performance Optimization

Key Trends Analysis
Sales Force Demographics Analysis
Sales Process Analysis
Find More Analysis

Win More Analysis
Keep & Grow More Analysis
Sales Management Analysis
Recommendations Going Forward

Sales Management Optimization Key Trends Analysis

Lead Management Optimization Key Trends Analysis

Sales Compensation & Performance Management Key Trends Analysis

Custom Surveys Addressing Key Sales and Sales Management Challenges Worldwide

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About CSO Insights

CSO Insights is a sales and marketing effectiveness research firm that specializes in measuring how companies leverage people, process, technology, and knowledge to improve the way they market and sell to customers. For twenty years, CSO Insights' surveys of over 20,000 sales effectiveness initiatives have been the standard for tracking the evolution of the role of sales, revealing the challenges that are impacting sales performance, and showing how companies are addressing these issues.