



Guide to Sales Performance Management



What is SPM?

Sales Performance Management (SPM) ensures that your sales force is helping your business reach its objectives.

SPM is an umbrella term that typically covers management of the following:

- Incentive compensation
- Territory management
- Quota planning
- Sales forecasting

Many functions are covered by Sales Performance Management, including:

- Planning
- Calculating incentive compensation
- Reporting performance
- Managing disputes
- Assigning territories and quotas
- Communicating sales plans
- Analysis

For smaller organizations with basic incentive programs, a typical SPM system involves manual spreadsheets combined with separate legacy and back-office systems. However, when more complex incentives are used for more extensive product lines, and sales teams grow larger, manual administration of SPM can become overwhelming, with higher risks of errors.

Legacy Manual SPM Processes Pose Multiple Risks

Data entry and miscalculation errors are not the only risks associated with outdated legacy and manual sales performance management systems. Legacy systems can be so error-prone and slow that salespeople find it necessary to track their own compensation (i.e. shadow accounting), which is not the best use of their time.

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A Forbes article about Data Governance

highlighted several risks of manual processes:

“Organizations that struggle with outdated systems and procedures will find themselves leagues behind those that embrace automation for metadata management and data governance... By the time data can be collected, documented, tied to meaningful metadata and cataloged for management, it has already become outdated and unreliable.”



Eliminate Manual Processes

SPM software solutions have been developed to meet the need for more efficient, effective incentive and compensation management. By eliminating manual processes, SPM solutions significantly reduce the risk of errors in calculating compensation.

This guide will explore how SPM can overcome serious business challenges, the benefits of SPM solutions for different stakeholders, the impact of an SPM solution, and SPM best practices.

Improve Payment Accuracy

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Improve Payment Accuracy

By automating incentive compensation processes and centralizing data, SPM solutions can significantly reduce the amount of time it takes to calculate payments. This time saved has multiple benefits, including the following:

- Reduced hours required by administrative staff
- Decreased risk for the business due to unknown amounts owing
- Less frustration for salespeople waiting to learn what their compensation will be

How SPM Solutions Overcome Business Challenges

Chapter 01



Many reasons may compel a company to switch from relying on a manual SPM system to implementing an SPM software solution.

Signs That an SPM Solution is Needed: Improve Territory and Quota Allocation

- Overpayments and errors due to inaccurate data are hurting the bottom line
- Compensation pay cycles are too slow
- Salespeople do not understand their incentive pay
- The incentives administration burden is overwhelming
- Territories are chronically under- or over-resourced
- Territory, quota, and incentive plan changes need to be better forecasted, modeled, and planned before rollouts
- Costly incentives are not having desired outcomes
- Sales activity is not aligned with corporate objectives
- Mistrust in the existing system is causing shadow accounting
- Advanced analytics are needed for better decision-making

Having accurate, up-to-date data available is invaluable when determining how to best allocate territories and quotas. Omnichannel sales has made territory definition complex, with many team members contributing to sales.

SPM solutions can identify coverage gaps and use mapping and modeling technology so that you can ensure that your sales team is best aligned to capitalize on the current market potential of each territory. Properly balanced territories and quotas make sales targets challenging yet achievable, and keep sales teams operating optimally, without being stretched too thin. However, not having an action plan in place for worst-case scenarios could leave an enterprise severely compromised in the event of an attack.

Reduce Administrative Burden

Automating calculations and eliminating manual data entry greatly reduces the burden on administrative staff.

In addition, by minimizing errors, administrative staff does not have to spend time fixing those errors. When an error does occur, an SPM solution makes it much easier to track down the necessary information and resolve the problem.

SPM solutions can also provide dashboards for better transparency. With a well-designed dashboard, salespeople can find answers to many of the questions that previously had to be fielded by administrative staff. SPM software also allows the sales team to be scaled up without requiring additional administrative staff to shoulder the burden of increased SPM manual tasks.

Improve Compensation Plans for Desired Outcomes

The point of compensation plans and incentives is to promote sales team behaviors that align with company objectives. Poor execution of a compensation plan can be a contributing reason why a company may fail to meet its objectives.

Rolling out compensation plans in a timely fashion is essential to success. Missing a market opportunity is a recipe for poor sales outcomes. Using an SPM solution to plan and roll out new compensation plans is much more efficient and effective than manual spreadsheet systems.

Earn Trust to Eliminate Shadow Accounting

SPM solutions that centralize data and provide accurate, timely information to the sales team become trusted hubs of information. When errors are common in manual systems, salespeople quickly learn that they need to keep their own meticulous records or risk being underpaid. This “shadow accounting” takes valuable time away from the selling activities that the salesperson should be engaging in, and causes frustration for salespeople who would rather be selling than taking on extra accounting tasks.

Leverage Advanced Analytics and Insights

Although fixing errors and inefficiencies are often the immediate, high-visibility SPM problems that get the most attention, there is another serious risk associated with not using a centralized SPM system. Legacy, manual systems cannot provide the same high-quality business intelligence and actionable data that a wellimplemented SPM solution can. The gap created by a lack of data-driven business decision making can be a serious detriment to growth

A Senior Research Director at Forrester

recommends that B2B sales organizations rely on insights, *“There is a massive untapped opportunity for sales leaders to mine and leverage both customer and seller insights to drive business and increase revenue and productivity. Sales leaders can capitalize on this opportunity by adopting an insightsdriven sales system (IDSS). An IDSS prioritizes the use of processes, infrastructure, and insights over relying solely on superstar talent to hit the number.”*

How SPM Benefits Multiple Stakeholders

Chapter 02



SPM software solutions offer many benefits to multiple stakeholders, including sales and finance managers, administration staff, salespeople, human resources, and customers.

Sales Manager



With an SPM solution, sales managers have an up-to-date view of what is happening so that any gaps or risks can be identified right away, and action taken to prevent your team from missing targets. The ability to drill down on a big picture view shows what is happening in each territory, for different product lines and incentives, and for meaningful time periods.

Sales Operations



With the capabilities of an SPM solution, your sales operations team can analyze what is and is not working, align compensation plans to your corporate strategy, and streamline the administration and automation of the process.

Salespeople



An SPM solution provides a dashboard view of current standings and ranking, eliminating the need to keep track manually. Incentives are most effective if each sales person knows where they are in relation to reaching a goal or in relation to competing with others. When sales performance is managed by an inefficient manual system, it can take days to generate reports which are then old news. With a wellimplemented Sales Performance Management system, the incentives are more immediate and effective.

Finance Team



An SPM solution helps finance run more efficiently by automating pay data, expenses, and accruals and easing ASC 606 compliance. With an SPM solution, finance managers have an immediate picture of sales status, so there are no end-of-month surprises when reports are finally run. Profit margin can be tracked along with the cost of sales, so that the true financial impact of sales can be measured.

Administration Staff



SPM removes the burden of collecting data and manually entering it into spreadsheets and back-office systems, along with manually generating and distributing reports. Administrative staff are freed to work on other projects. Also, since compensation calculations are available for salespeople to see in the system, the number of questions about calculations can be greatly reduced.

Human Resources



Sales performance management can be a powerful tool for attracting and retaining talent. By streamlining workflows and improving collaboration, an SPM can help improve employee satisfaction.

Executives



An SPM solution gives executives immediate access to reliable, upto-date information so they know what is going on without waiting for reports. Executive dashboards can be designed in SPM to provide both a big picture line-of-sight on overall sales performance, along with the ability to drill down on regional and individual performance.

The Total Impact of an SPM Solution on Business Operations

Chapter 03



A well-implemented SPM solution can have transformative effects on business performance that include saving time, reducing risk, and providing additional benefits. SPM projects are not one-size-fits-all. Some organizations are struggling with optimal territory distributions, while others are working through erroneous and unreliable incentive calculations.

Considerations such as budget, resource availability, risk tolerance and the runway to evolve your SPM approach are important factors. Our Total Impact Framework helps clients make the best SPM investment decisions by considering the full picture of a proposed SPM deployment.

Saving Time with SPM

An SPM software solution saves time in every task and step of every SPM process, for massive efficiency gains that accumulate every day, week, month, and year.



Task	Time Saved with SPM
Planning	<p>Hours of planning time are eliminated by using an SPM solution to create new incentive plans and revise quotas and territories.</p> <p>You can use an SPM solution to simulate and build models to better understand the implications of plan changes prior to rollout.</p>
Assigning territories and quotas	<p>SPM solutions can identify coverage gaps and use mapping and modeling technology so that you can ensure that your sales team is best aligned to capitalize on the current market potential of each territory.</p>
Communicating sales plans	<p>Using an SPM solution to plan and roll out new compensation plans is much more efficient and effective than manual spreadsheet systems.</p>
Calculating incentive compensation	<p>Incentive compensation calculations are also done automatically, eliminating the time needed for manual calculations.</p>
Meeting ASC 606 compliance	<p>SPM offers audit capabilities that make ASC 606 compliance much faster and easier than running manual reports.</p>
Identifying risks	<p>With an SPM solution, executives and managers have an up-to-date view of sales without waiting for manual reports. Being proactive regarding risks is much more effective than reacting to unexpected end-of-month results.</p>
Reporting performance	<p>SPM provides a central view of incentives and compensation so users can run their own reports whenever they are needed, eliminating the administrative burden of creating and distributing reports.</p>
Managing disputes	<p>By providing a high level of transparency, an SPM solution helps quickly settle disputes without requiring manual investigations.</p>
Analysis	<p>An SPM dashboard can be designed to provide each user group with the information they need, and the capability to drill down on data for analysis.</p>

Additional SPM Benefits

Time savings is easy to quantify to calculate return on investment, but the added benefits of an SPM solution go well beyond basic time savings.

Benefit	SPM Solution
Improved agility	With the faster planning and rollout capabilities of quota management, companies can react to market opportunities by mobilizing the sales team quickly.
Reduced frustration and turnover	Needing to do shadow accounting and waiting for payout errors to be fixed are problems that top performers would not endure for long. By improving operations, key personnel will be less likely to have job dissatisfaction due to problems that are solved by SPM automation.
Improve scalability	By reducing the administrative burden of sales performance management, the sales force can be expanded more easily to meet market demands without requiring an increase in administration for SPM.
Improved visibility and line of sight on sales	With dashboard views for managers, top-performing and underperforming individuals, teams, and regions can be investigated to quickly replicate successful strategies and remedy poor performance. For upper management, having reliable historical data and accurate current data is invaluable. The insights that can be derived by data analysis are critical for strategic decision making.

Best Practices

The return on investment for an SPM solution can be fast. In order to achieve excellent maximum ROI with SPM, it is important to follow best practices:

- Choose the best SPM solution for your specific business needs
- Plan and execute the implementation of the new SPM solution properly
- Train users on how to use the new SPM system
- Manage the ongoing maintenance of your SPM solution to ensure optimized performance

These best practices require technical resources which are in high demand and low supply. To ensure that in-house IT resources can stay devoted to your core business, you have the option to work with the experienced SPM specialists at Argano.



Contact us to learn more about how Argano can help you implement and manage effective, efficient SPM solution.

About Argano

Argano is the first of its kind: a digital consultancy totally immersed in high-performance operations. We steward enterprises through ever-evolving markets, empowering them with transformative strategies and technologies to exceed customer expectations, unlock commercial innovation, and drive optimal efficiency and growth. Learn more at argano.com.