

SALES MANAGEMENT ASSOCIATION RESEARCH REPORT

Performance Measurement Trends in Sales Organizations

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Research Report: Performance Measurement Trends in Sales Organizations

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INTRODUCTION

Sales organizations typically use a variety of performance measurement approaches. They measure financial outcomes (like sales revenue or sales quota achievement), but also activity measures such as number of calls made, demos given, or proposals generated. Besides providing vital business intelligence, these measurements help evaluate salesperson performance or calculate incentive earnings. In this report, we provide a survey of these practices by sales organizations, including the adjustments they made in response to the 2020 global pandemic.

We find that many organizations shifted emphasis in sales performance measures after the pandemic's Q1 2020 onset, but most were caught out with inaccurate, incomplete, or ineffective measurement capabilities to adequately support these shifts. In many firms, the COVID-19 crisis caused managers to elevate the importance of activity-based measures, as well as those financial measures focused on customer retention, engagement, and satisfaction. Fewer than half of firms have effective performance measurement in place for these metrics.

The pandemic substantially diminished most firms' sales performance outlook for 2020. Prior to the pandemic's onset, 87% of research respondents expected to meet or exceed their 12 months firm sales objective; since, just 51% project doing so. Some firms however demonstrate greater resiliency and speed in adapting to COVID-affected markets. Our research finds that these firms – who expect to meet or beat their original 12 month sales objectives despite the pandemic's impact – are disproportionately better at tracking a wider range of sales performance measures than their lower performing peers. A key conclusion is that performance measurement effectiveness positively correlates with higher firm sales performance, and appears to be a contributor to firm resiliency and adaptiveness in coping with the pandemic's management challenges.



But not just effectiveness with any measures. High and low performing firms showed virtually no difference in their effectiveness in measuring overall firm or salesperson revenue generation, the bellwether metric for most individual contributor sales roles. Instead, we find effectiveness in measuring other performance metrics (in addition to revenue) made the difference. This is especially true of measurement effectiveness in customer-focused financial performance metrics such as retention, adoption, engagement, and satisfaction, and for performance measures related to selling activities. For firms that have it, a broad-based performance measurement capability offers a powerful measure of immune response to crisis conditions, by giving the organization sharper insights into performance. These insights are vital for assessing and course correcting adaptations in the face of crisis.

Looking ahead we see the strong likelihood of additional market volatility associated with the worsening crisis in the near term, but also the potential for accelerating recovery in the first half of 2021. We advise sales organizations to critically assess the breadth and accuracy of their performance measurement capabilities, and invest in new capabilities as a basis for building the sales organization's resiliency and adaptiveness.

USE OF SALES ROLES

Our research tracked the use of unique sales roles based on a generalized set of job descriptions. These generic roles, and their descriptions are as follows:

- **Sales Development Representative.** Identifies, qualifies, and/or cultivates new customer prospects.
- **Field Sales Representative.** Responsibilities pre-quarantine included making face-to-face calls on new or existing customers. Post quarantine these salespeople remain focused on their pre-quarantine responsibilities (though may now be virtually deployed) in winning new accounts, growing and retaining existing accounts.

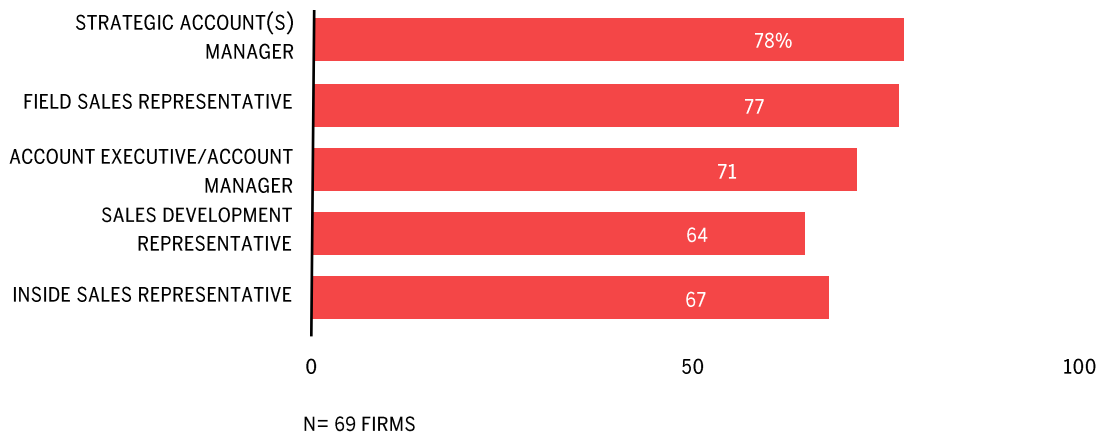
¹ Pre-pandemic, 59% projected exceeding the 12 months' sales goal, 28% projected meeting objective, and 13% projected underachieving objective. Post pandemic 23% project exceeding objective, 28% project meeting objective, 49% project underachieving objective (Cf Exhibit XXXX).



- **Inside Sales Representative.** Working predominately through phone and web, sells to customers and/or prospects. Deployed as “inside” salespeople pre-quarantine, and remain so now.
- **Account Executive/Account Manager.** Focused on retaining and growing existing customers, with little or no new customer acquisition responsibilities.
- **Strategic Account(s) Manager (or National/Global/Key Account(s) Manager).** Focused on managing relationships with the top-most (largest value) customers and or prospects.

FIG. 1. SALES ORGANIZATION’S USE OF SALES JOBS

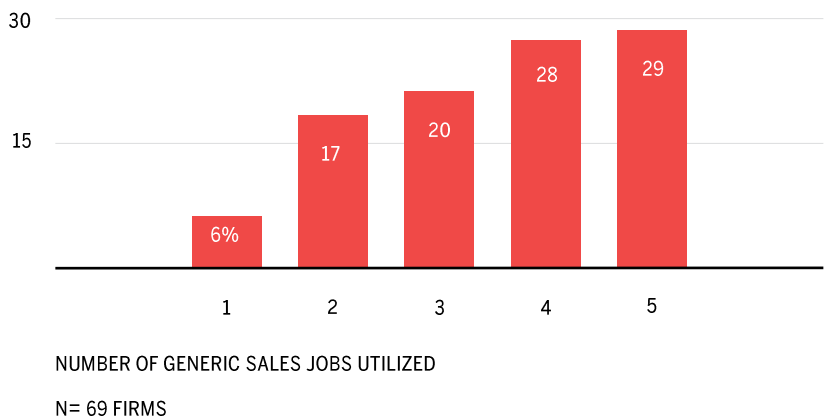
PERCENTAGE OF FIRMS USING GENERIC JOB ROLE



The vast majority of firms use multiple of these generalized sales roles. Fewer than 10% in our sample (which skews toward larger firms) use only one, and most firms use at least four (Fig. 2). Strategic accounts sales is the single most prevalent generic job role in use, in place in 78% of firms (Fig. 1). (Note that its use indicates that salespeople identified as such are assigned to the firm’s top-most customers and prospects, even if they do not have the term “strategic accounts” in their formal job title.



FIG. 2. NUMBER OF SALES JOBS IN USE
PERCENTAGE DISTRIBUTION OF FIRMS



MEASURING SALES PERFORMANCE: CURRENT PRACTICE, RECENT SHIFTS

We researched current practice in sales performance measurement related to each of the five platform job types described above. For each, performance measurement was categorized in one of four ways: (1) as the sole determinate of incentive compensation; (2) as one of multiple determinants of incentive compensation, (3) as a measure used in job performance evaluation, but not in determining incentive compensation, or (4) as a metric tracked and reported but not used explicitly to evaluate job performance or calculate incentive compensation.

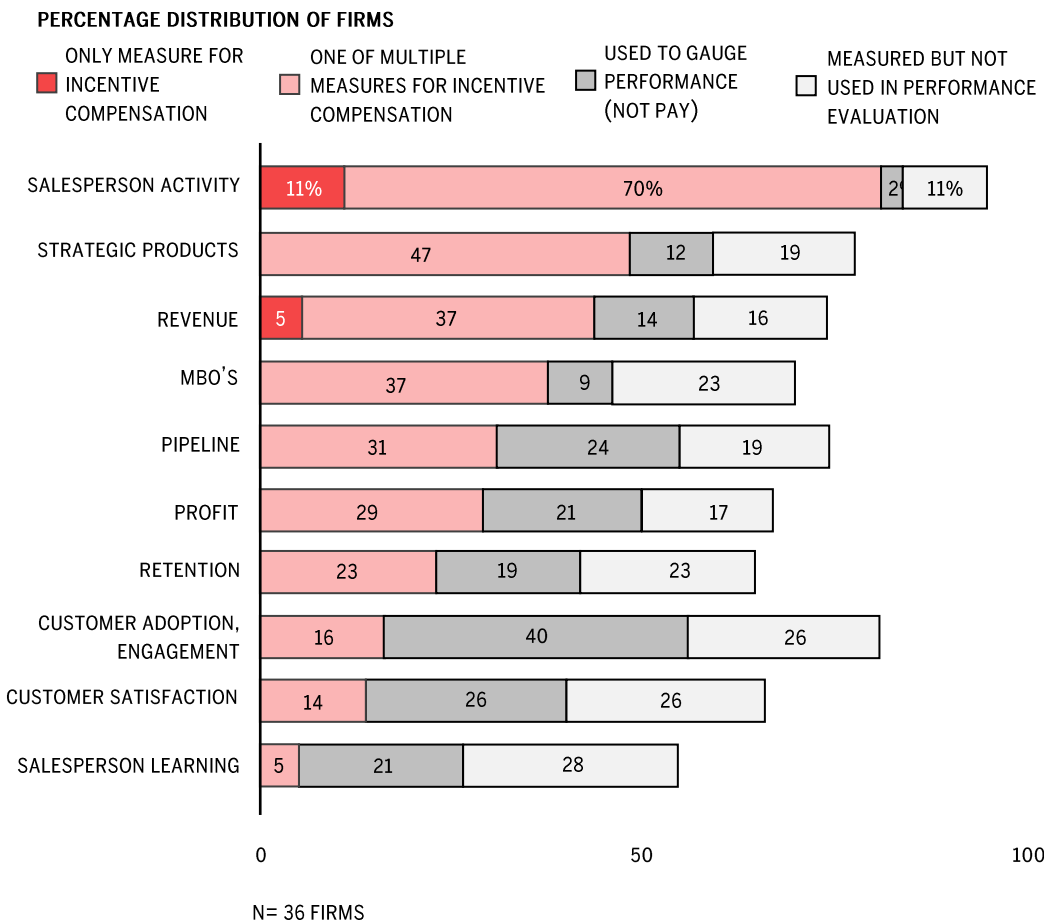
Revenue represents the single most emphasized performance measure. It includes revenue dollars attained or revenue quota achievement, and is also the most likely performance measure to be used for the purpose of determining incentive compensation.



Sales Development Representatives (SDRs)

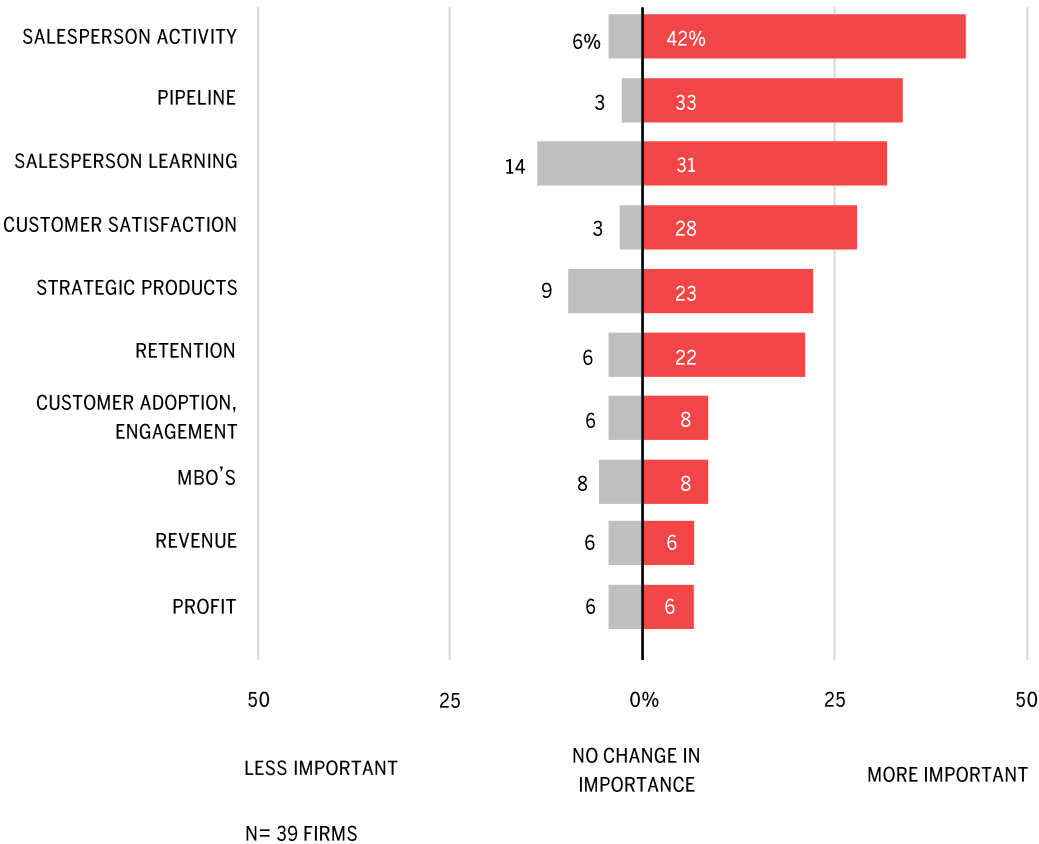
SDRs have the most divergent set of performance management practices and among the most varied approach to incentive compensation, reflecting the sizable variance in how sales development positions are deployed.

FIG. 3. USE OF PERFORMANCE MEASURES IN STRATEGIC ACCOUNT MANAGER POSITION



Since the pandemic's onset, performance measures receiving the greatest increase in emphasis for SDRs are activities, pipeline metrics, and learning.

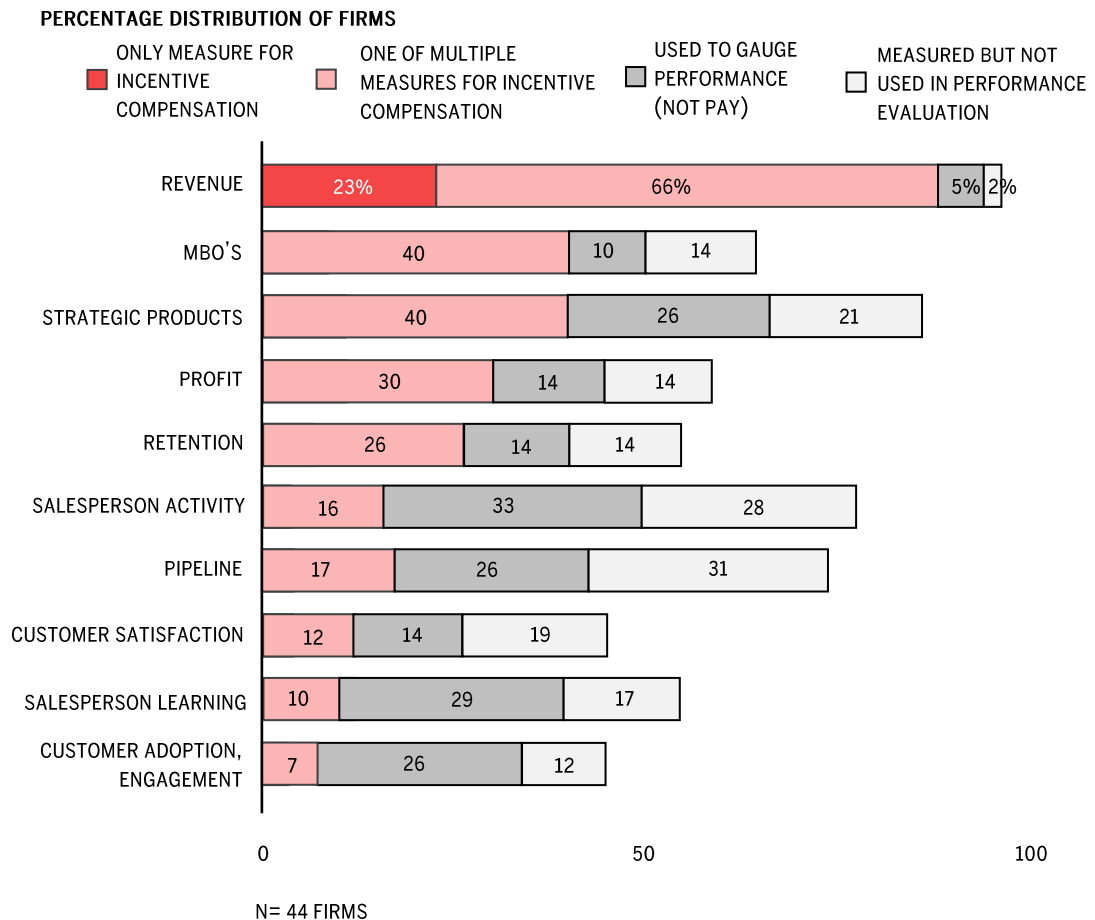
FIG. 4. CHANGE IN IMPORTANCE IN PERFORMANCE MEASURE FOR SALES DEVELOPMENT REPRESENTATIVES SINCE PANDEMIC ONSET
PERCENTAGE OF FIRMS WITH INCREASED OR DECREASED IMPORTANCE



Field Sales Representative

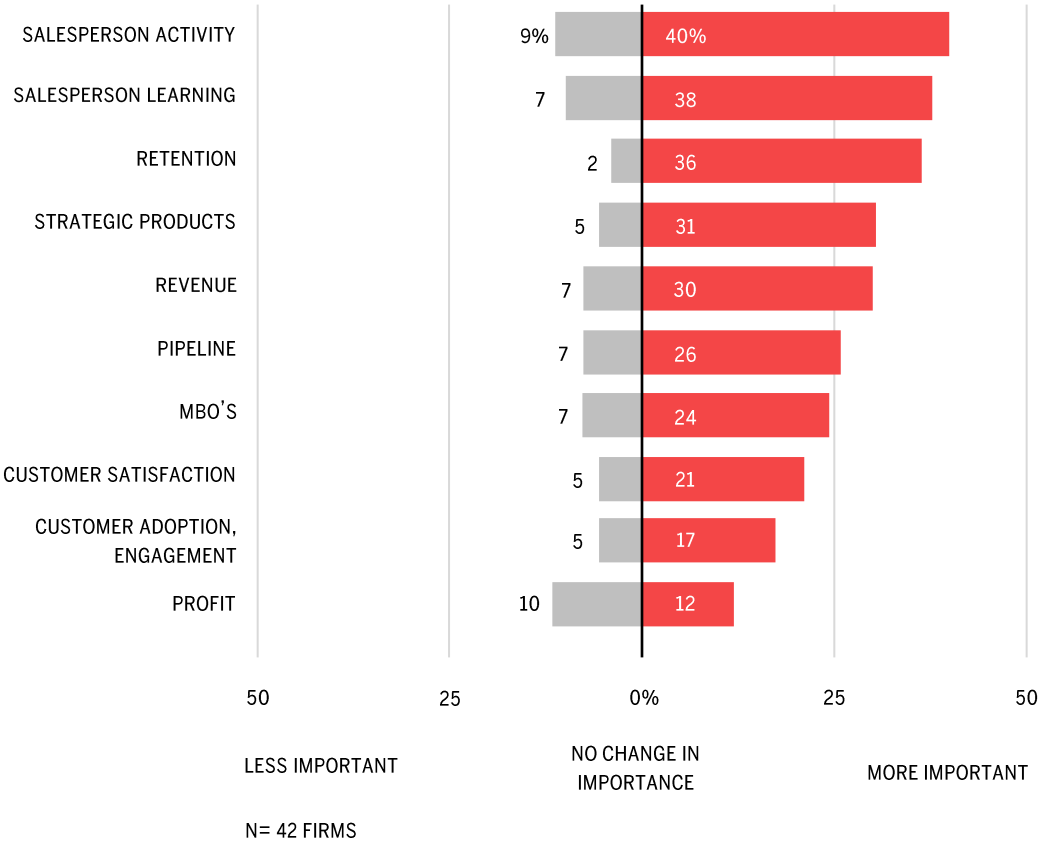
Most field sales roles are paid incentive compensation based on multiple performance measures, though 23% are paid based on revenue attainment as the only pay-determining performance measure.

FIG. 5. USE OF PERFORMANCE MEASURES IN FIELD SALES REPRESENTATIVE POSITION



For field sales, measures associated with selling activities, learning, and customer retention had the largest increase in emphasis during COVID.

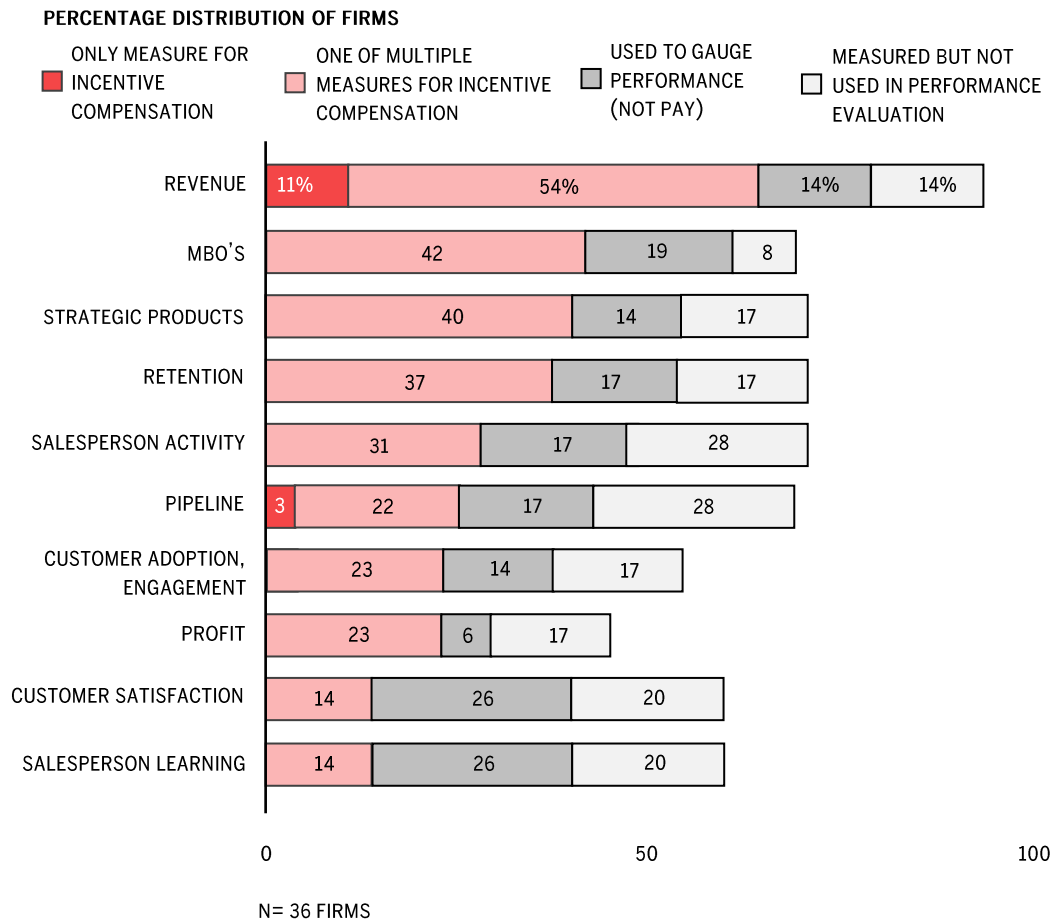
FIG. 6. CHANGE IN IMPORTANCE IN PERFORMANCE MEASURE FOR FIELD SALES REPRESENTATIVES SINCE PANDEMIC ONSET
PERCENTAGE OF FIRMS WITH INCREASED OR DECREASED IMPORTANCE



Inside Sales Representatives

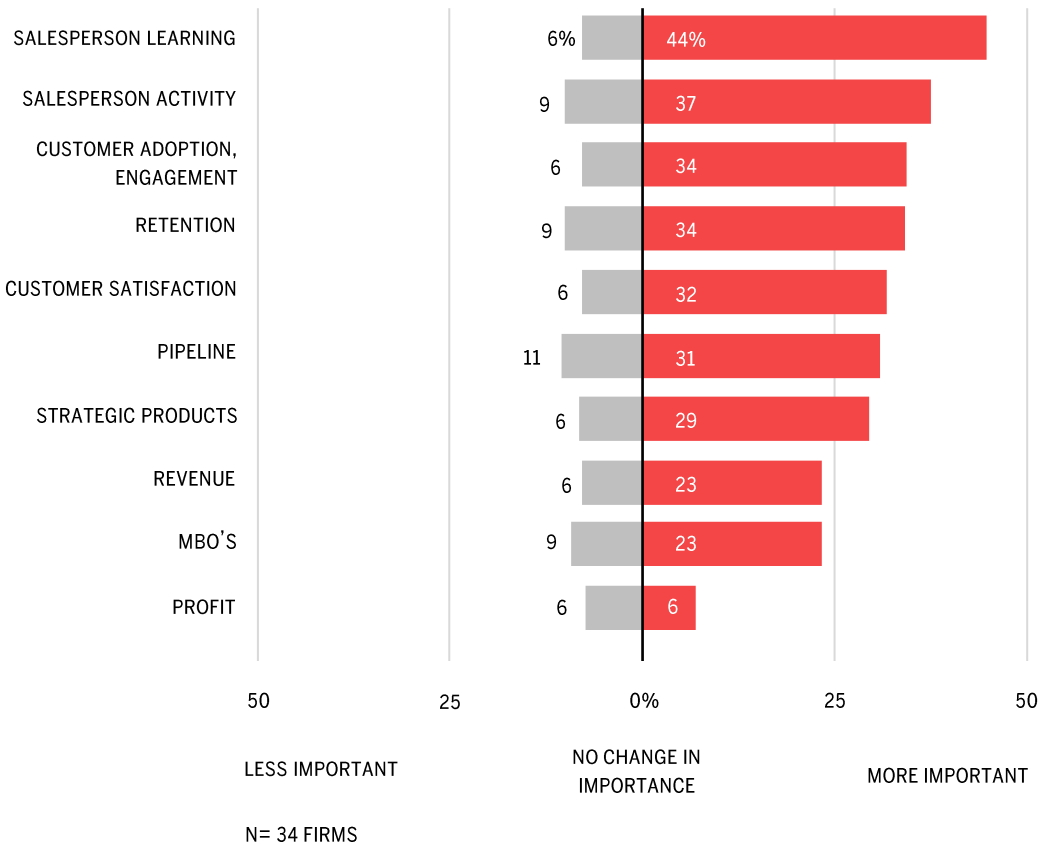
65% of inside sales roles utilize revenue as an incentive pay-influencing performance measure. A wide variety of measures are used overall, suggesting firms' varied approaches to deploying inside salespeople.

FIG. 7. USE OF PERFORMANCE MEASURES IN INSIDE SALES REPRESENTATIVE POSITION



For inside sales, measures associated with learning, selling activities, customer retention and customer engagement had the largest increase in emphasis post COVID.

FIG. 8. CHANGE IN IMPORTANCE IN PERFORMANCE MEASURE FOR INSIDE SALES REPRESENTATIVES SINCE PANDEMIC ONSET
PERCENTAGE OF FIRMS WITH INCREASED OR DECREASED IMPORTANCE

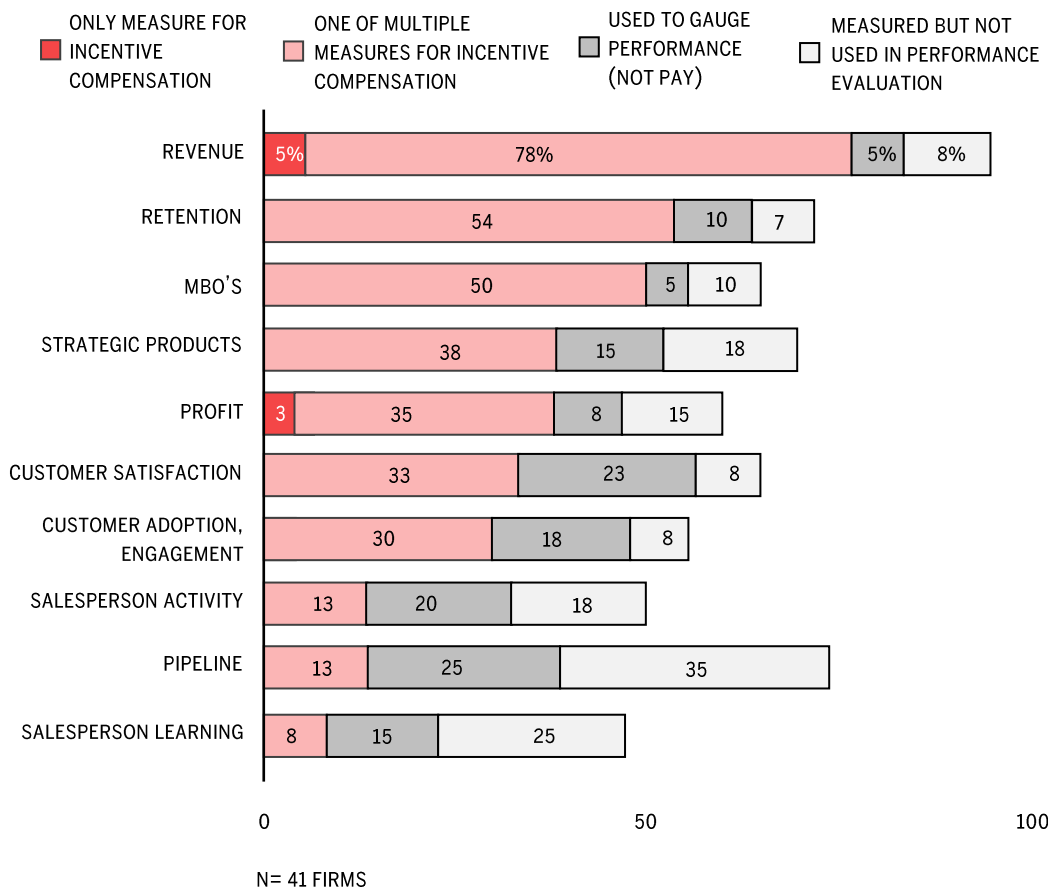


Account Manager/Account Executive

Account management positions are among the most likely to use profit to determine incentive compensation (along with strategic account managers), and least likely to use pipeline metrics for the same purpose.

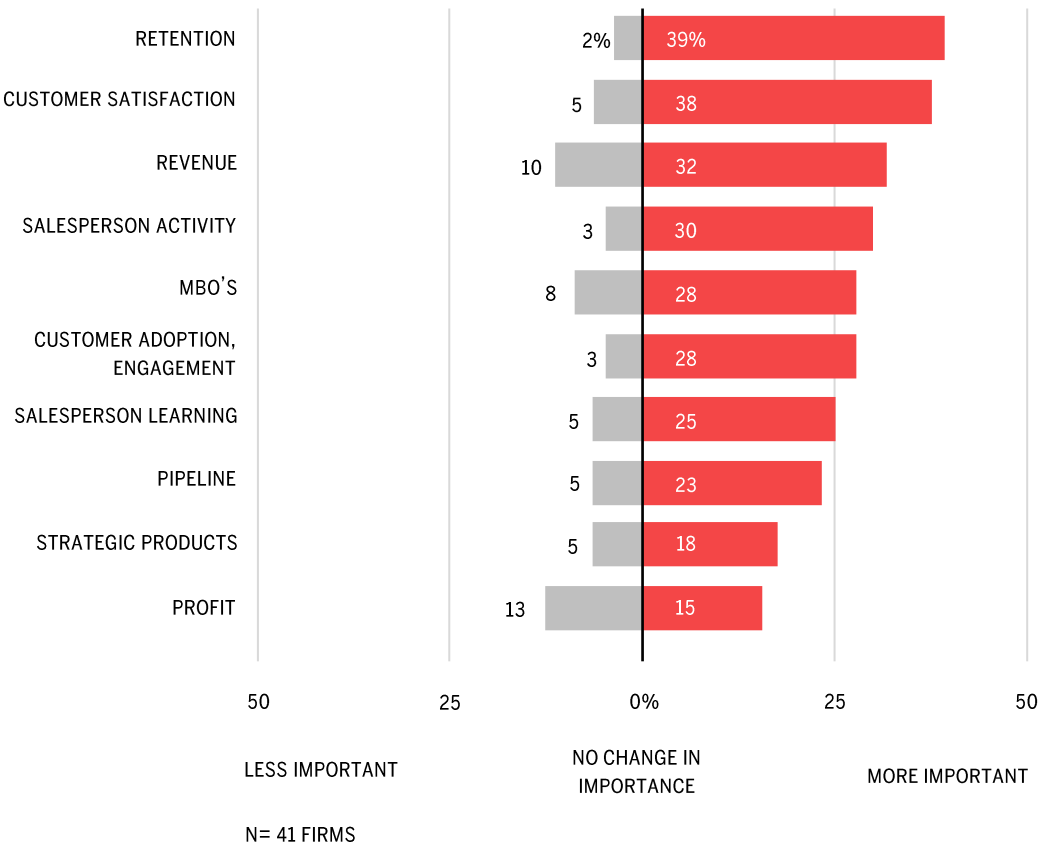
FIG. 9. USE OF PERFORMANCE MEASURES IN ACCOUNT MANAGER/ACCOUNT EXECUTIVE POSITION

PERCENTAGE DISTRIBUTION OF FIRMS



For account management positions, measures associated with customer retention and satisfaction had the largest increase in emphasis post COVID.

FIG. 10. CHANGE IN IMPORTANCE IN PERFORMANCE MEASURE FOR ACCOUNT EXECUTIVE/ACCOUNT MANAGER SINCE PANDEMIC ONSET
PERCENTAGE OF FIRMS WITH INCREASED OR DECREASED IMPORTANCE

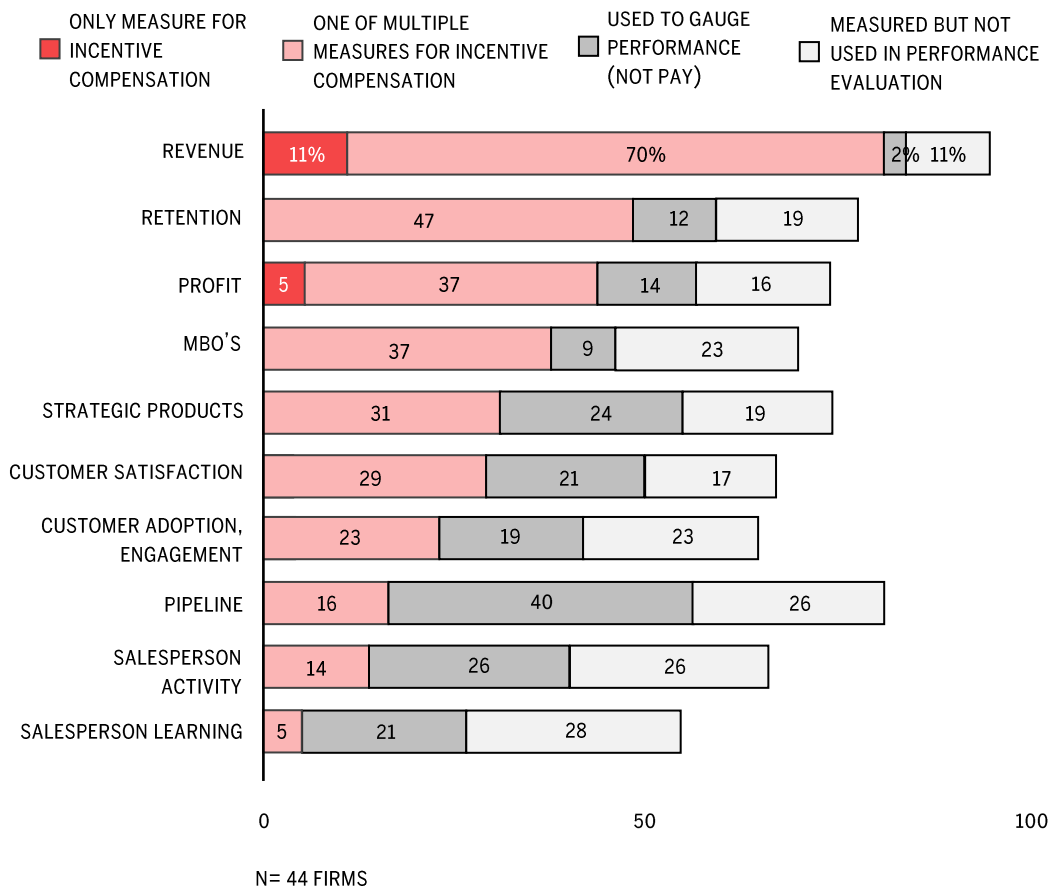


Strategic Account Manager (Strategic Account Executive)

Strategic accounts sellers have the greatest emphasis on customer relationship oriented performance measures, such as revenue retention and customer engagement or satisfaction, and are most likely to have a profit related performance measure that determines some portion of their incentive compensation.

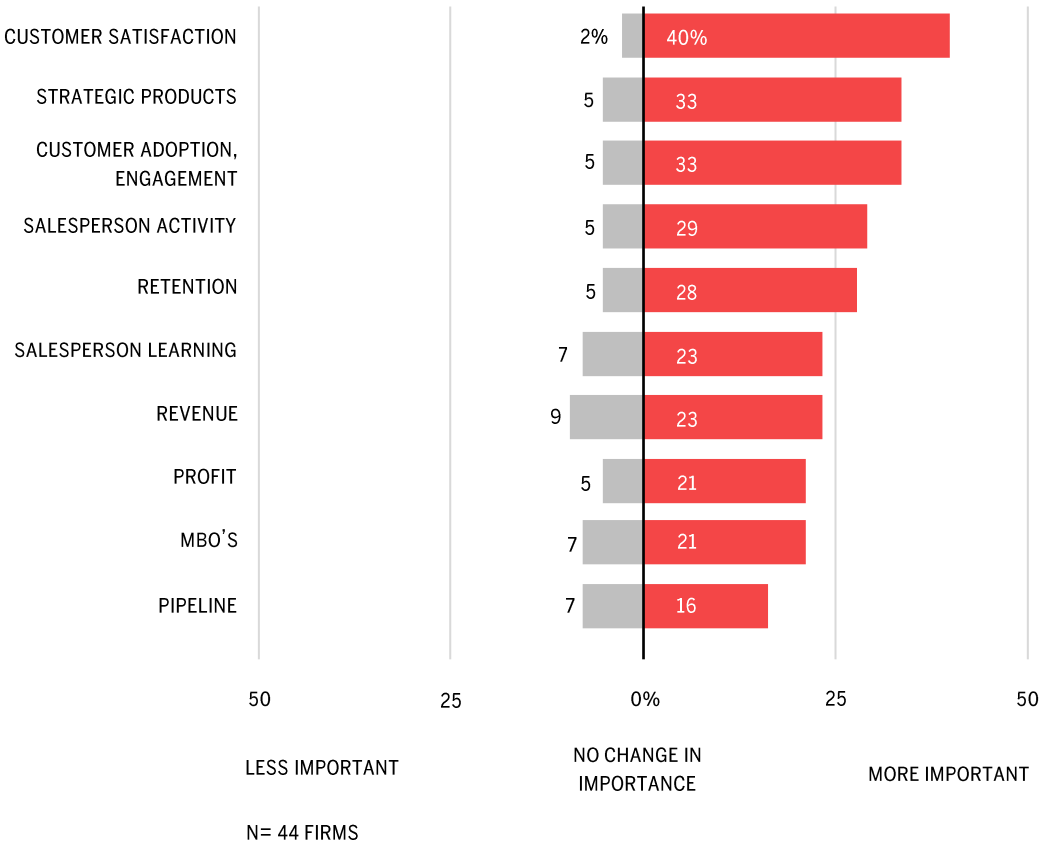
FIG. 11. USE OF PERFORMANCE MEASURES IN STRATEGIC ACCOUNT MANAGER POSITION

PERCENTAGE DISTRIBUTION OF FIRMS



Measures associated with customer satisfaction, strategic products, and customer engagement had the largest COVID related increase in emphasis for strategic accounts positions.

FIG. 12. CHANGE IN IMPORTANCE IN PERFORMANCE MEASURE FOR STRATEGIC ACCOUNTS MANAGER SINCE PANDEMIC ONSET
PERCENTAGE OF FIRMS WITH INCREASED OR DECREASED IMPORTANCE



USE OF FINANCIAL PERFORMANCE MEASURES BY SALES JOB ROLE

FIG. 13. USE OF REVENUE¹ BASED PERFORMANCE MEASURE IN VARIOUS SALES ROLES

PERCENTAGE DISTRIBUTION OF FIRMS

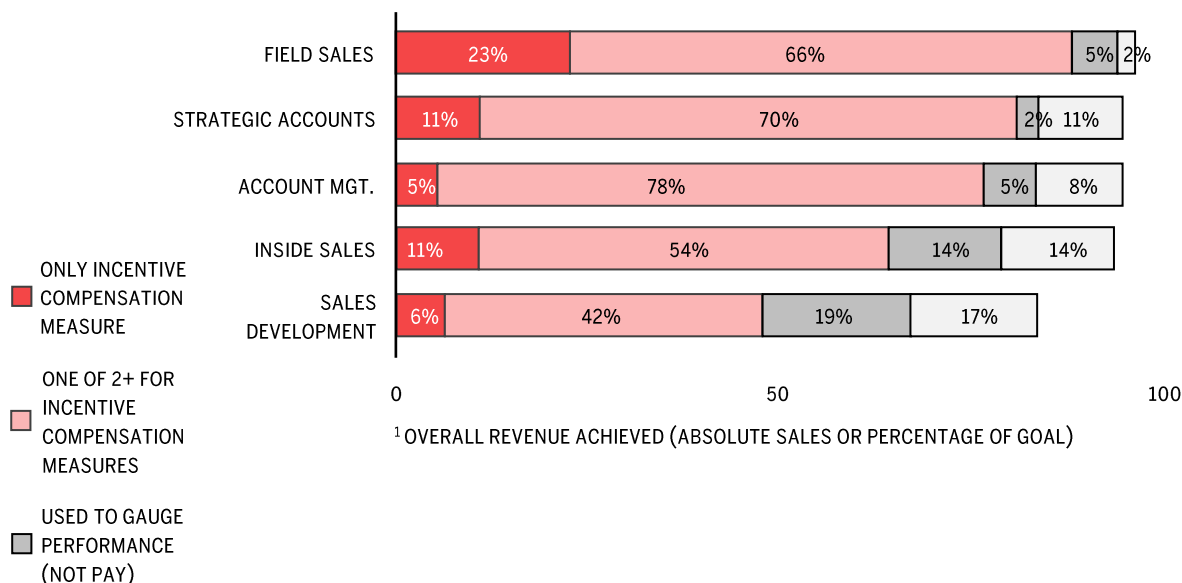


FIG. 14. USE OF PROFIT RELATED PERFORMANCE MEASURE IN VARIOUS SALES ROLES

PERCENTAGE DISTRIBUTION OF FIRMS

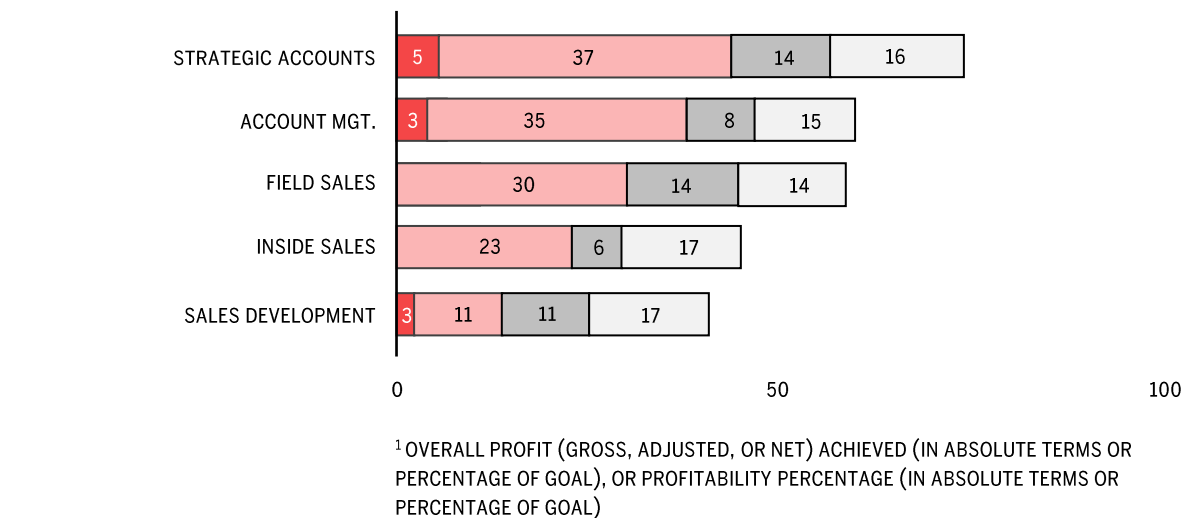
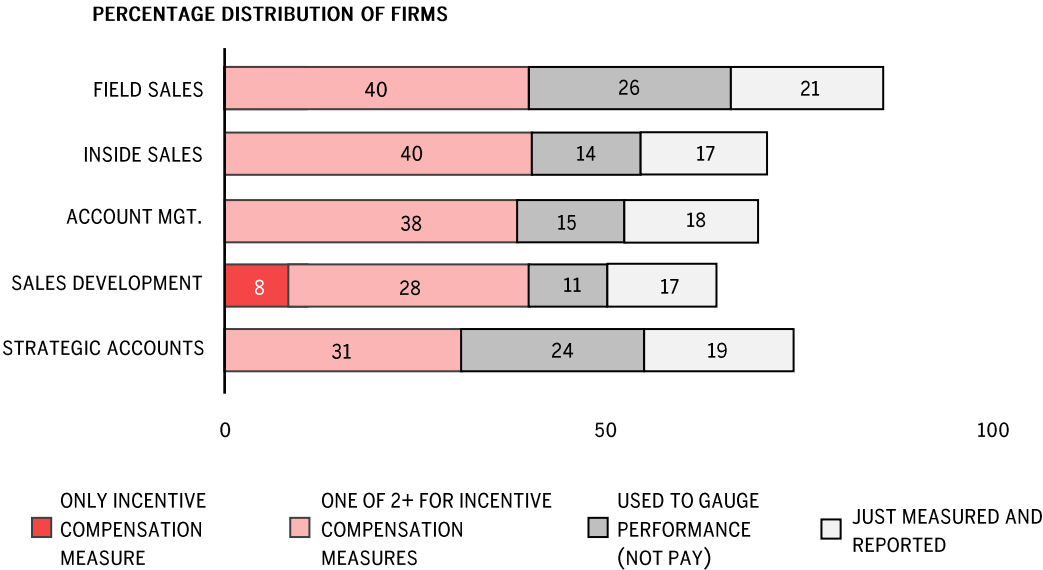


FIG. 15. USE OF STRATEGIC PRODUCTS RELATED PERFORMANCE MEASURES IN VARIOUS SALES ROLES



USE OF ACTIVITY AND LEARNING RELATED PERFORMANCE MEASURES BY SALES JOB ROLE

FIG. 16. USE OF SALESPERSON ACTIVITY BASED PERFORMANCE MEASURE IN VARIOUS SALES ROLES

PERCENTAGE DISTRIBUTION OF FIRMS

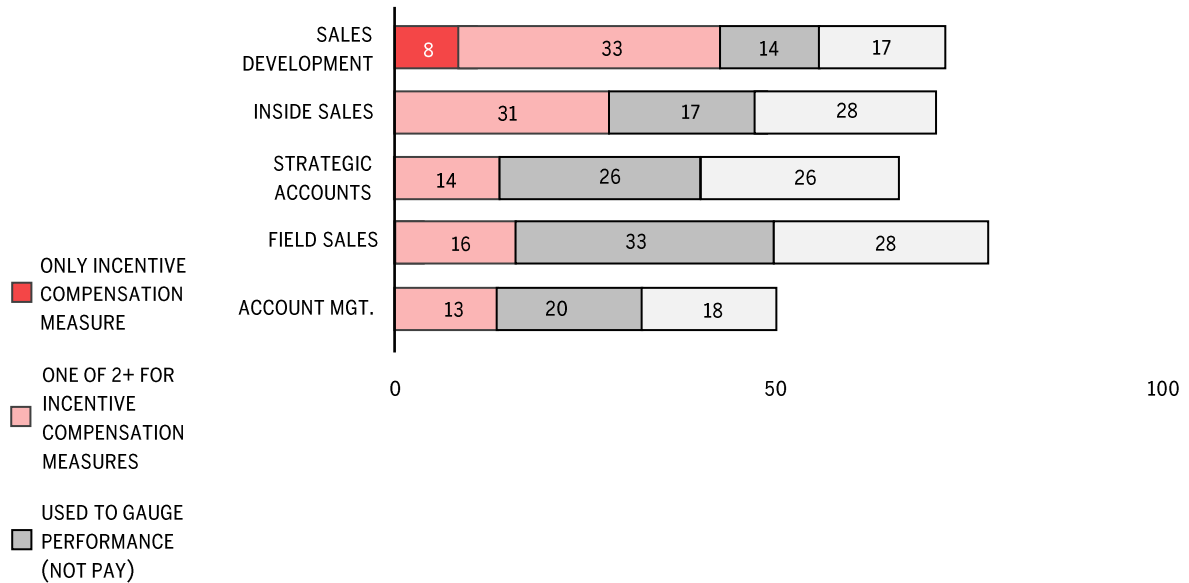
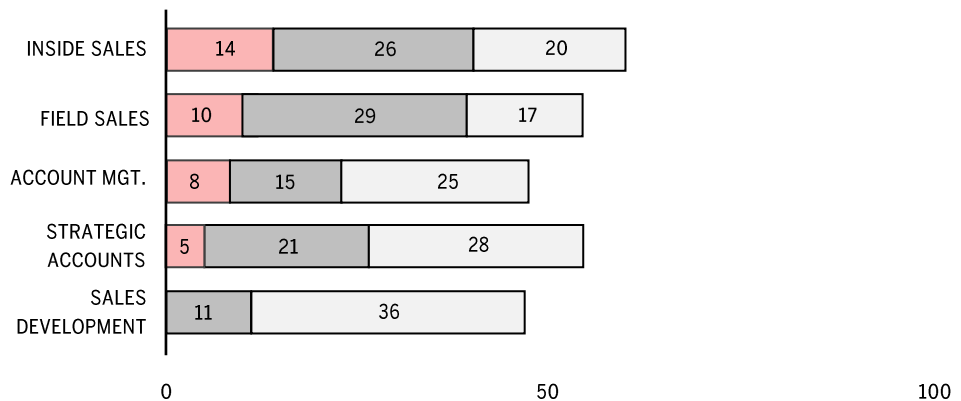


FIG. 17. USE OF SALESPERSON LEARNING BASED PERFORMANCE MEASURE IN VARIOUS SALES ROLES

PERCENTAGE DISTRIBUTION OF FIRMS



USE OF CUSTOMER RELATED PERFORMANCE MEASURES BY JOB ROLE

FIG. 18. USE OF CUSTOMER ADOPTION AND ENGAGEMENT BASED PERFORMANCE MEASURES IN VARIOUS SALES ROLES



FIG. 19. USE OF CUSTOMER SATISFACTION BASED PERFORMANCE MEASURE IN VARIOUS SALES ROLES

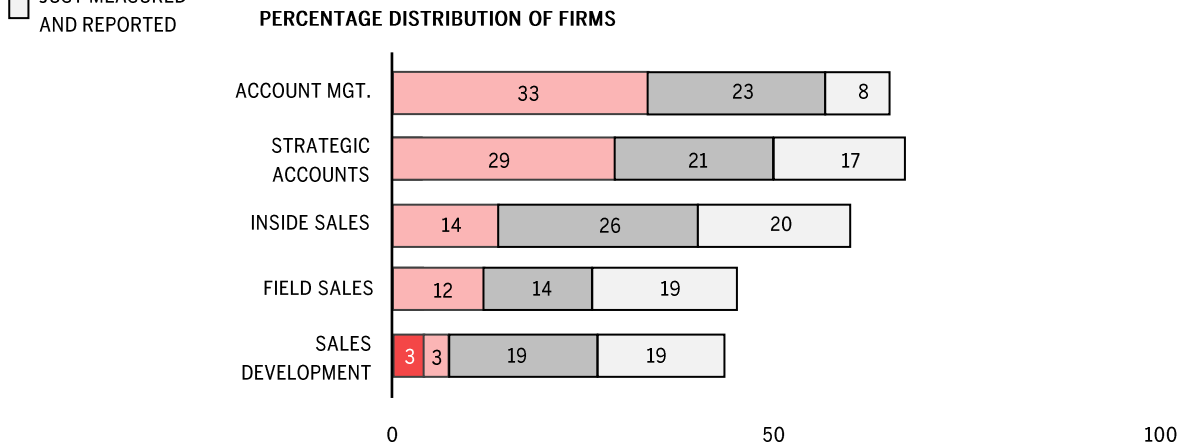
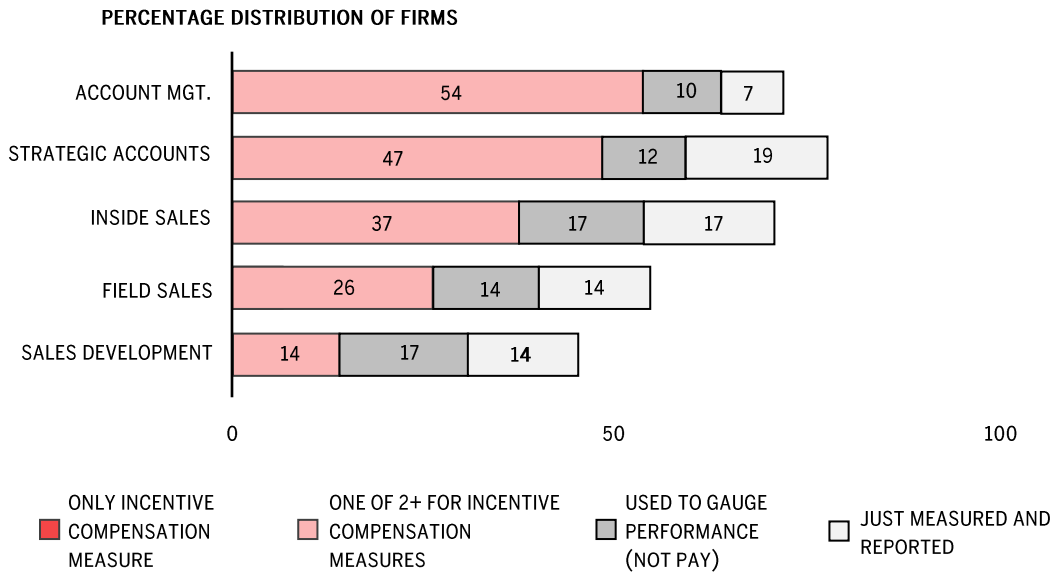
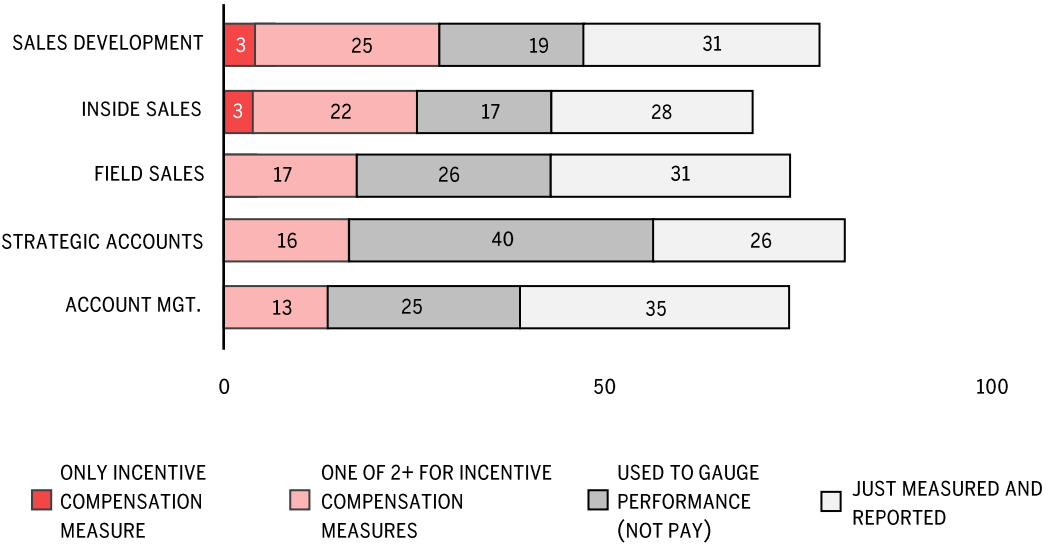


FIG. 20. USE OF RETENTION BASED PERFORMANCE MEASURES IN VARIOUS SALES ROLES



USE OF PIPELINE RELATED PERFORMANCE MEASURES BY SALES JOB ROLE

FIG. 21. USE OF SALES PIPELINE RELATED PERFORMANCE MEASURE IN VARIOUS SALES ROLES
PERCENTAGE DISTRIBUTION OF FIRMS



PERFORMANCE MEASUREMENT EFFECTIVENESS

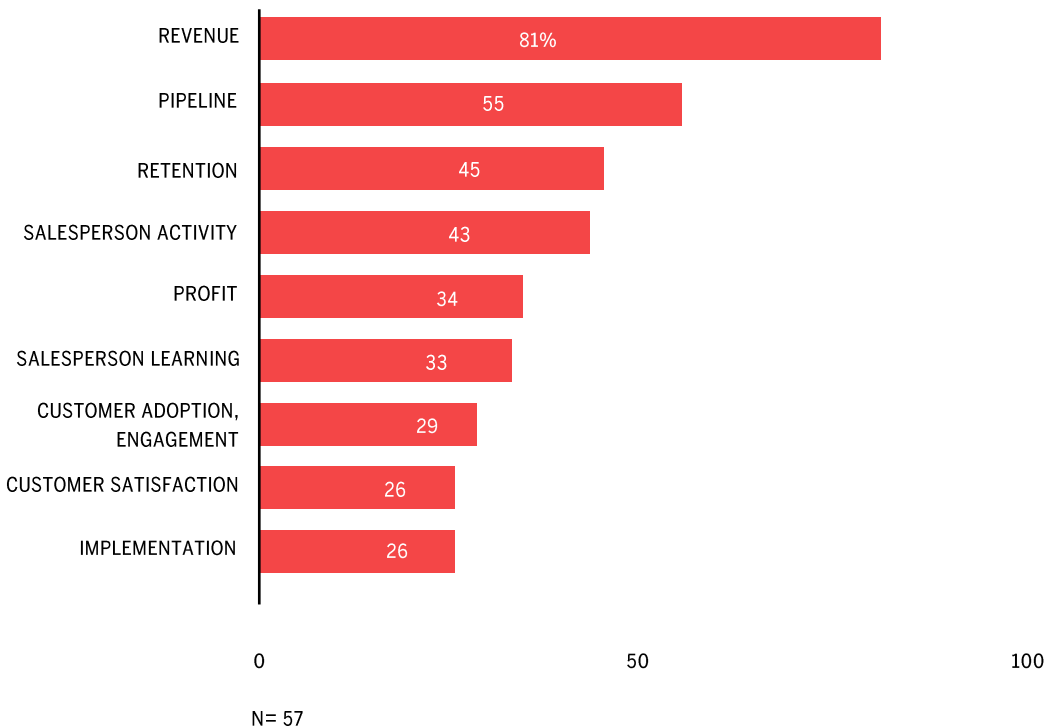
Just two performance measures – revenue and pipeline activity – are tracked effectively by a majority of sales organizations. Seven other sales performance measure types included in our research are effectively tracked by between one-quarter and one-half of firms.

Revenue related salesperson performance measures, such as total revenue attainment, revenue growth, or percentage of sales revenue objective achieved, is effectively tracked by the highest percentage of sales organizations (81%), compared with other performance measures.

Lowest in effectiveness is customer implementation success, a measure effectively tracked by only 26% of firms (Fig. 22).

FIG. 22. SALES ORGANIZATION EFFECTIVENESS IN TRACKING PERFORMANCE MEASURES

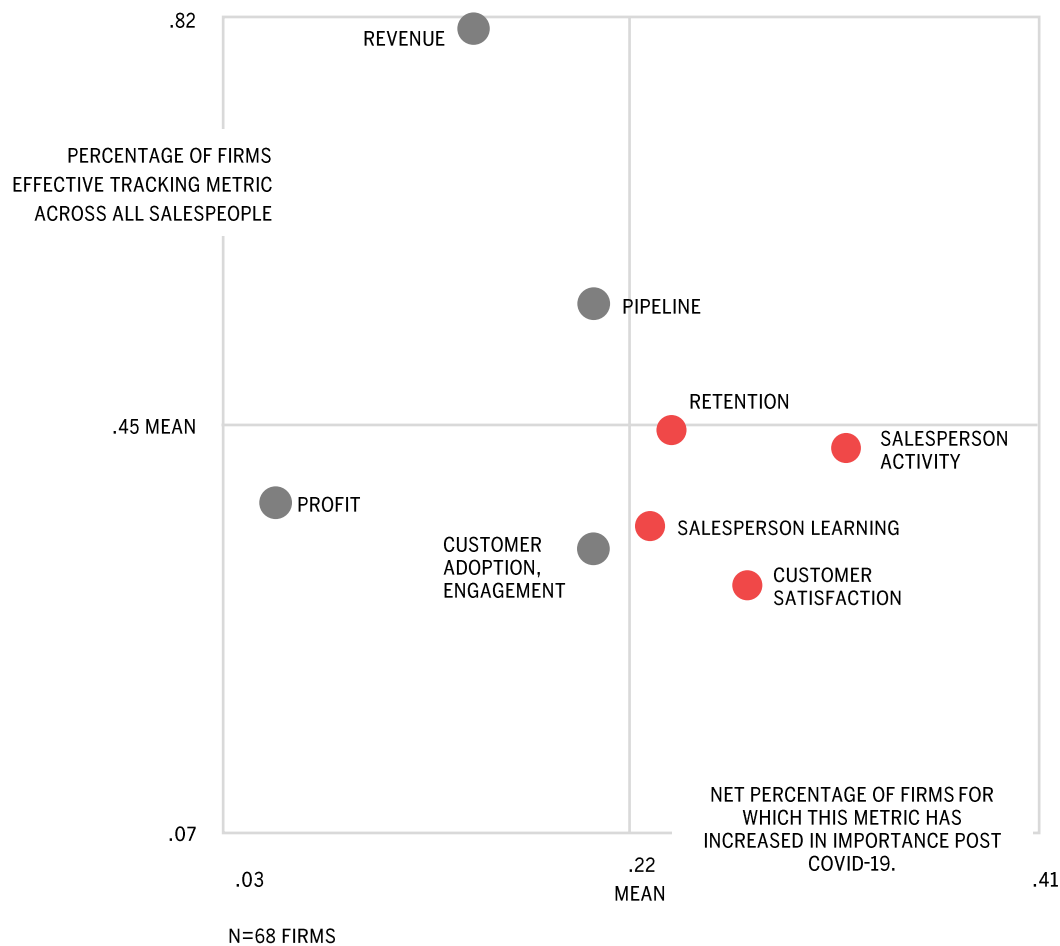
PERCENTAGE OF FIRMS EFFECTIVE



IMPROVEMENT PRIORITIES

Since the COVID pandemic’s onset, sales performance measures with the greatest increase in emphasis are also those that firms are least likely to track effectively. These measures include salesperson activities, customer satisfaction, retention, and salesperson learning. For the typical firm (that is, one that closely fits the composite profile of study participants), these four performance measures would represent the sales organization’s most important sales performance measurement improvement priorities (Fig. 23).

FIG. 23. POST COVID ONSET INCREASE IN IMPORTANCE, AND FIRMWIDE TRACKING EFFECTIVENESS BY PERFORMANCE MEASURE

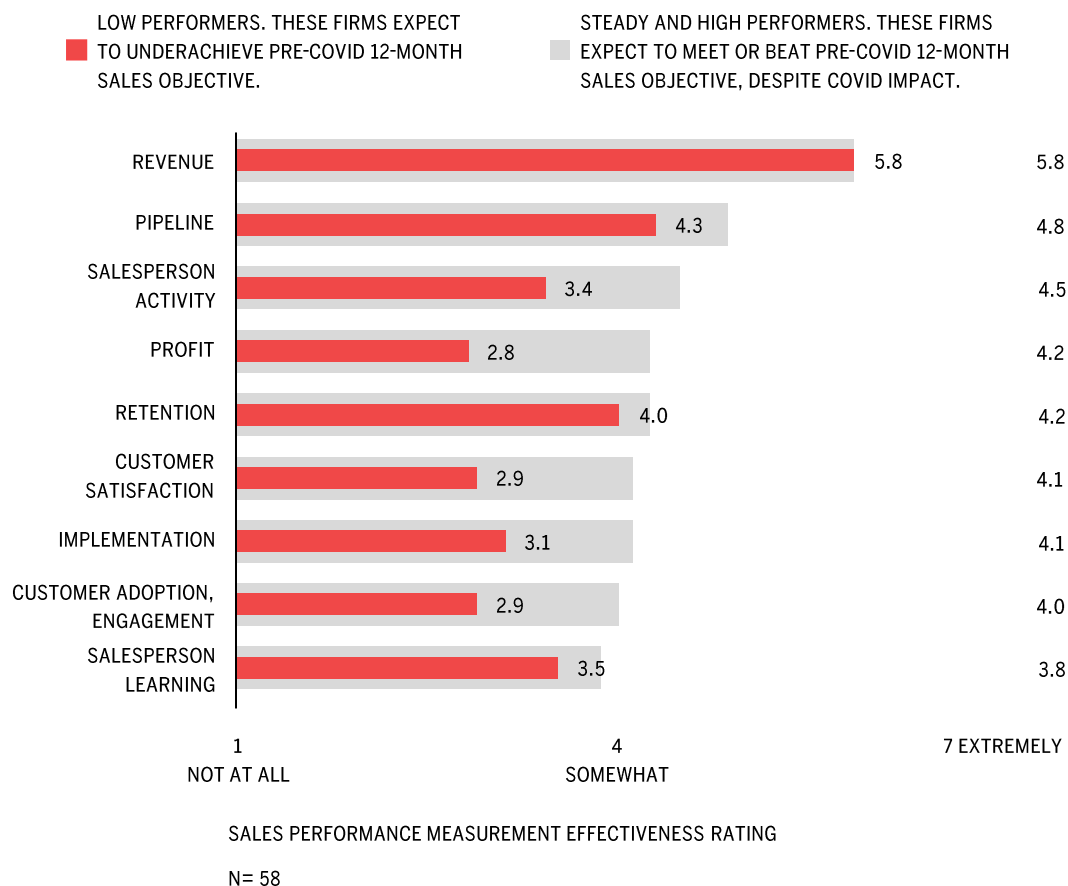


CORRELATING SALES PERFORMANCE AND MEASUREMENT EFFECTIVENESS

Effectiveness in tracking performance measures positively correlates with sales performance. Firms projecting 100% or greater achievement of pre-COVID 12-month sales objective are more likely to effectively track individual performance measures. This is especially true of customer related measures including retention, customer satisfaction, and implementation success. Effectiveness in tracking profitability also shows a wide variance between low and high performing firms. Also note the overall low effectiveness in both groups at tracking learning and development metrics (Fig. 24).

FIG. 24. SALES PERFORMANCE MEASURE TRACKING EFFECTIVENESS AND FIRM SALES PERFORMANCE

PROJECTED ACHIEVEMENT OF 12 MONTH FIRM SALES OBJECTIVE (TAKING INTO ACCOUNT COVID IMPACT)



RESPONDENT DEMOGRAPHICS

Firm Size

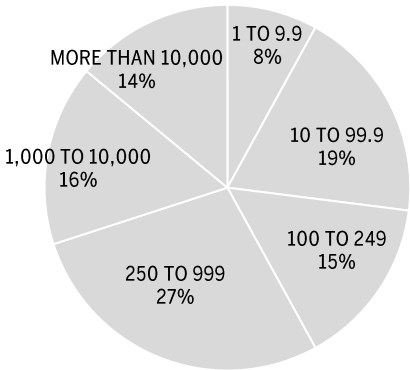
Seventy three participating firms ranged in size from small to very large, though skewed toward larger firms. Seventy two percent of respondents' firms have annual revenue in excess of US\$100 million; 30% are firms with annual revenues in excess of US\$1 billion. (Fig. 25.)

Job Role

Respondents are predominately sales effectiveness leaders in their firms. Sales operations, effectiveness, and related sales support roles represent 51% of respondents. Eleven percent of respondents are first-line sales managers (i.e., they directly manage salespeople). An additional 19% are senior sales leaders, managing sales managers, 15% are in non-sales-specialized senior general management roles, and 4% are in non-sales related management roles. (Fig. 26.)

FIG. 25. RESPONDENTS' FIRM REVENUE, US\$ MILLIONS

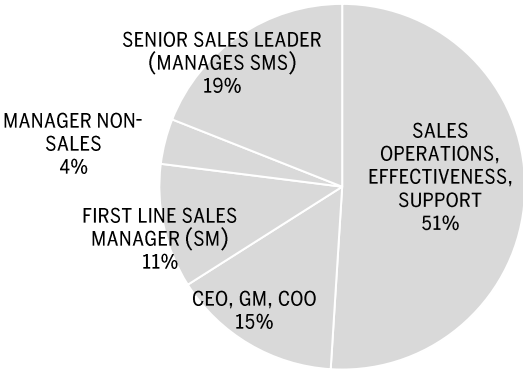
PERCENTAGE DISTRIBUTION OF RESPONDENTS



N= 73 FIRMS

FIG. 26. RESPONDENTS' JOB ROLE

PERCENTAGE DISTRIBUTION OF RESPONDENTS

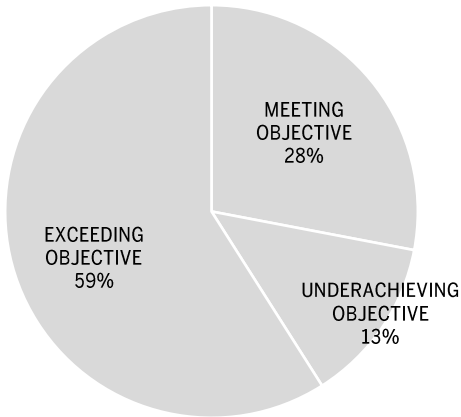


N= 73 FIRMS



FIG. 27. RESPONDENTS' ACHIEVEMENT OF FIRMS SALES OBJECTIVE, PRIOR 12 MONTHS PRE-COVID

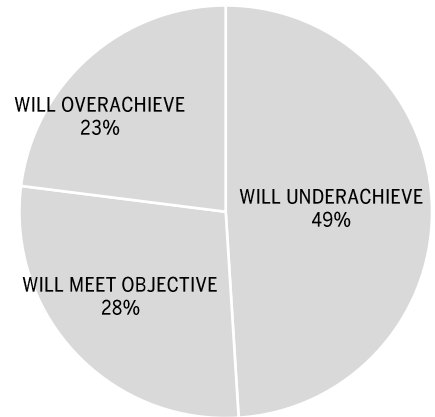
PERCENTAGE DISTRIBUTION OF RESPONSES



N= 69 FIRMS

FIG. 28. RESPONDENTS' PROJECTED REVENUE ACHIEVEMENT OUTLOOK, NEXT 12 MONTHS

PERCENTAGE DISTRIBUTION OF FIRMS



N= 69 FIRMS

Firm Performance

The COVID-19 pandemic substantially impacted sales performance of participating firms. Prior to the pandemic's onset, 87% were meeting or exceeding firm 12-months sales objectives (59% exceeding expectations, 28% meeting expectations), and just 13% underperforming expectations (Fig. 27).

Factoring in the impact of the pandemic, fully 49% of firms project underachieving the 12-month sales objective; 28% expect to meet objective, and 23% expect to overachieve (Fig. 28).

Sales Force Size, Structure, and Management Span of Control

Respondents firms have an average of 409 directly-employed sales managers, and 1,754 salespeople; this represents an average manager to salesperson span of control of 4.3:1. Corresponding median values are 60 salespeople per firm, and 12 managers per firm. (Fig. 29.)

FIG. 29. RESPONDENTS' SALES FORCE SIZE

	SALES- PEOPLE	SALES MGRS.
MIN	1	1
10 TH PERC.	10	2
25 TH PERC.	20	6
MEDIAN	60	12
75 TH PERC.	291	50
90 TH PERC.	1,200	400
MAX	37,720	9,500
TOTAL	121,015	28,208
AVERAGE	1,754	409

N= 69 FIRMS



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