SALES PERFORMANCE MANAGEMENT
CHALLENGES & TECHNOLOGY:
CONSIDERATIONS FOR THE HIGH TECH
INDUSTRY

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Few industries have as much complexity and constant evolution as high tech, with all of its various product and solution niches. High tech organizations commonly feature new product and service offerings, redefined sales roles, deployment models, and annually adjusted sales compensation plan programs. These incentive plans are essential to focus, motivate, and reward the salespeople who help drive optimal business results.

Many high tech organizations have evolved significantly over the last few years in terms of what and how they sell. Subscription-based offerings have become the most essential strategic imperative in many organizations, and the majority seek to continually strike the right balance of direct and indirect sales efforts. New plan measures, crediting models, and compensation philosophies seem to always be under consideration. Ultimately, complex products and solutions often require complex channels to market, and the sales compensation program needs to not only “stay out of the way” but serve as a strategic enabler of an organization’s overall success.

This paper provides an understanding of how Sales Performance Management (SPM) solutions can resolve common challenges related to managing and paying sales incentives across a wide range of high tech organizations. By identifying specific issues and needs, this paper will provide feedback on how a software solution can close performance gaps and improve operational efficiency. These and other issues should be considered when reviewing various SPM options and solutions to ensure a positive outcome; we have included particular feedback in the SPM Technology Alignment & Considerations sections.

Here are some of the most prevalent challenges and points of consideration for today’s high tech industry. Addressing these needs should be an important factor when selecting an SPM solution that can support your sales efforts, enable business outcomes, and ensure your maximum return on spend. The challenges addressed in this document include:

1. Complexity of product offerings and the rapid pace of product introduction
2. Unique volume-based plan measures and definitions
3. Creative opportunities to include effective non-volume measures
4. Coverage model complexity, sales role specialization, and multi-crediting implications
5. Separating indirect/third party/channel results, tracking, and programs
6. High reporting and analytical expectations of buyers
7. Access to sales performance data and reporting
SPM Technology Alignment & Considerations:

Effective SPM systems enable high tech companies to create and modify complex plan designs including commissions, bonuses, multiple measures, splits, holdbacks/true-ups, prior period recalculation, SPIFs, and a variety of payout frequencies. Over the last 20+ years, the technology leaders in the space have had to accommodate an incredible number of compensation plans and now have the technical aptitude to address 99% of the plans developed by sales organizations. These technologies facilitate good process from development, modeling, communication, and production of plan documents for sign-off.

SPM solutions also allow for quick adaptation to changing business needs by allowing administrators to use a UI that enables easy access to configuration attributes, which enables real-time changes. This meets the need to adapt to constantly changing products and services in the high tech industry. One important feature includes the ability to create effective dates for when various products should be included in the program. This capability provides users with additional flexibility in managing product launches as it relates to commissions.

CHALLENGE 1 | COMPLEXITY OF PRODUCT OFFERINGS AND THE RAPID PACE OF PRODUCT INTRODUCTION

The high tech industry is known for a wide and complex set of product offerings, along with rapid product innovation. While some industries advance more slowly and utilize consistent metrics such as revenue or some variation of profit, high tech business models often feature great diversity in what they sell to their customers, how customers purchase, and how solutions are delivered. These unique offerings often require various plan measures to best capture how a salesperson and the company perform.

Complexity of product offerings: While some high tech organizations may offer a single pure-play solution, a large number have offerings that cross categories, such as hardware, traditional software (perpetual or term), subscription or true SaaS, maintenance and services, as well as various types of professional services. Common challenges include clarifying succinct product and services strategies, then selecting the right measures for each offering, clearly defining and ensuring understanding of those measures, and tracking the data and using this information to calculate payouts. This can all involve high complexity, and addressing the complexity inherent in high tech is one consistent theme when considering the industry’s SPM requirements.

Rapid pace of product introduction: Another important dimension is in the rapid pace of product introduction. New versions are introduced, or in some cases, companies create dramatically new and different ways a customer can procure goods and services. The evolution from perpetual software deals to subscription-based or usage-based is widely observed across many high tech organizations. There are also cases where a customer once used hardware with software but now only uses a hosted solution. Each change requires a reconsideration of the metrics, tracking, and payment processing, and like few other industries, high tech companies move at a blazing pace of change.

New products can sometimes result in returns or product swaps, which can create tracking and timing issues if companies try to reduce credit for past results. Some prefer to remove credit in the current year when returns are known and a company's particular policies need to be reviewed. In this situation, the key SPM needs may be in the efficient use of effective date ranges and keeping clarity in what can often become a complicated and cumbersome process.
SPM Technology Alignment & Considerations:

Although leading technologies provide functional capabilities to help address compensation plan complexities, different providers offer various levels of functionality to support the needs of the high tech industry from a plan design standpoint. Solutions may require different approaches to implement, configure, and manage the sales compensation process in order to ensure that the plans can be administered in an effective manner without custom code.

CHALLENGE 2 | UNIQUE VOLUME-BASED PLAN MEASURES AND DEFINITIONS

As the high tech industry includes a wide range of company types and solution offerings, the administration of commission-related complexities and challenges may vary as well. There may be some organizations that primarily sell hardware or services, and these firms may rely on simple revenue metrics. Perhaps software entered the mix long ago, whether sold traditionally (perpetual or term) or more subscription-based. The notion of paying on contracts then becomes relevant, which opens up a pandora’s box of contract measures and definitions.

The same is true in legacy software companies, many of whom are evolving toward more subscription-based solutions. A sales incentive program needs to clearly define the measures, systems need to capture and track the relevant inputs, and an SPM solution needs to turn that data into accurate and timely sales incentive payouts.

In various high tech roundtables or forums over the years, we have seen the wide range of volume-based metrics companies can consider, as well as the various crediting approaches used to dial the focus – and compensation payouts – up or down. Some examples include:

- **Total Contract Value:** The full known or estimated value of a deal.
- **Annual Contract Value (ACV) or First Year Contract Value (FYCV):** A single year value of known or estimated value, whether the average over the life of a deal or just the first year.
- **Annual Recurring Revenue (ARR), Quarterly Recurring Revenue (QRR), or Monthly Recurring Revenue (MRR):** When customers buy expensive equipment from an account manager, these capture the all-important recurring revenue results defined in a contract and represented in various timeframes. ARR can be similar to ACV, though ACV may include some one-time purchases, implementation fees, or other professional services.
- **Traditional revenue-based metrics:** Tied to invoice or delivery, collection, or GAAP rules for revenue recognition. Professional services are often tied to a revenue event, and some of the newer usage-based solutions lead to uncertainty whether to pay on estimated contract value (with minimums), actual invoiced revenue from the usage, or a combination.

There is a time and place for each of these examples, along with pros and cons of course, and some measures align better to certain product offerings than others. Within these categories, some companies use other bells and whistles to incent the right behaviors and outcomes.
For example, a software company may settle on ACV as the right metric, but they may also want to offer some encouragement to secure deals beyond a single year, which may lead to the inclusion of a crediting uptick. A one-year deal may be worth $100,000, but a two-year deal gets a 10% uptick ($110,000 of credit). A three-year deal could get a 20% uptick ($120,000 of credit). Whether such adjustments fit any particular company’s needs, it is clear that there is a wide range of measure complexity in the high tech industry, which needs to be addressed by the right SPM solution.

SPM Technology Alignment & Considerations:

SPM solutions provide the flexibility to design, configure, and manage various types of metrics. This includes inputting raw data from source systems and then translating the data to support crediting. Once crediting is established, an SPM solution can append modifiers or adjusters based on the comp plan design to reward the sales team, for example when they exceed a threshold. Additionally, to manage a complex comp plan design, an SPM solution can also support any short-term incentives to drive new products or services. These incentives can be tracked with an SPM solution to identify the ROI or performance that a metric actually produced.

CHALLENGE 3  |  CREATIVE OPPORTUNITIES TO INCLUDE EFFECTIVE NON-VOLUME MEASURES

The high tech industry is one filled with bright, creative people known to innovate. Those traits can extend into the realm of sales compensation plan design, where you’ll often find some usage of non-volume measures and the need to track them and determine payouts efficiently. In some cases, companies may prefer to include some desired non-volume measures but lack the administrative confidence to do so.

While volume measures are the most essential element of one’s compensation program, high tech SPM requirements may need to consider the following:

- **SPIF Programs**: These special incentives are usually added in support of a core compensation program, in order to reenergize or refocus sales efforts. Studies by Better Sales Compensation Consultants find that SPIF spend can represent between 1-5% of a company’s variable incentive budget. Frequent product launches often lead to the use of SPIFs, which are most effective when targeted at particular sales results over a defined period of time.

- **Incentives for External Partners**: In some cases, companies may offer targeted payouts to specific channel partners, and these need to be administered in some manner as well. An example could be a hardware company looking to clear out aging inventory prior to the launch of a new offering.

- **Gamification**: Companies vary widely in the usage of this incentive category, and usage depends on industry practices and the sales culture. The application may include leader boards, efforts to drive administrative activities, or other outcomes that are not captured well by core volume measures. These programs can sometimes create added seller motivation but may come with a disproportionately burdensome administrative load.
• **Design Wins**: Found most often in the semiconductor industry or those with long product development cycles, Design Wins and similar achievements capture the upfront sales or persuasion efforts that are essential, yet may have significant revenue lag ranging from months to years. In some cases, a Design Win measure can be the predominant or only plan measure, so ensuring a way to capture, track, and pay out on these results may be one important consideration.

• **Event or Percentage Metrics**: For certain roles, a company may need other creative or specific measures to capture performance. A lead generation role may need a metric for Qualified Sales, while a renewal sales representative may feature a plan with Renewal Percentages, whether in account or dollar terms. Sales compensation plans should be designed for each specific sales role, and high tech companies often want to include and track a wide range of important and potentially challenging metrics.

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**SPM Technology Alignment & Considerations**

When considering an SPM solution, it is important to understand the agility of the system when creating SPIFs. Since SPIFs are typically time-sensitive, the focus on building, testing, and go-live for SPIFs should be completed within a short period of time. Having SPIFs centralized in an SPM solution gives the admin team the ability to run real-time analytics and provide insights on the sales behavior they are actually driving. When incenting an external partner, an SPM solution can perform the needed administration to either pay out or provide information for the partner to pay.

SPM solutions can help drive gamification by leveraging rankings based on agreed-upon components or a scoring approach. These rankings can then be shared on the homepage so each end user can see where they fall. This type of proactive and transparent sharing helps support the competitive nature within sales.

SPM solutions have the ability to track different types of data including quantity-based, percentage, and Year-over-Year measures. With business logic defined and supporting data available, SPM solutions can design, configure, and administer nearly all types of comp plan designs.

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**CHALLENGE 4 | COVERAGE MODEL COMPLEXITY, SALES ROLE SPECIALIZATION, AND MULTI-CREDITING IMPLICATIONS**

Compared to many industries, high tech companies often feature an extremely wide range of unique and nuanced sales roles. Complex products and customers necessitate complex coverage models. High tech companies commonly feature robust direct and indirect sales resources, while product specialization and complexity may necessitate not only technical specialists but product specialists as well. It’s common to find high tech organizations with 15 to 20 unique sales roles, if not more, which may include account managers, territory representatives, sales engineers, product specialists, inside sales, channel managers, lead generation representatives, customer success managers, renewal representatives, and more, as well as levels of sales management needed above each individual contributor role as well.
The wide range of roles and incentive plans require an efficient solution for tracking, assigning individuals to plans, and creating the necessary programming. Best practices suggest that sales compensation plans need to be considered for each unique role, while aligning around consistent compensation philosophies and plan frameworks. All of these roles and plans need to be diligently managed as well.

One of the greatest challenges involves the sales crediting model. In some cases, split crediting rules may be necessary, perhaps if direct sales resources jointly work on a sales opportunity. But in most cases, best practices suggest that overlay resources will result in a number of sales resources intentionally receiving credit for each individual deal. In a 2019 Quota Practices Study by Better Sales Compensation Consultants, respondents indicated that an average number of 8 to 10 members of a sales organization may get credit for a single major account sales transaction. This number likely includes a direct account owner, regional sales support, product specialists, sales engineers, perhaps a channel resource or two, and sales management. In a recent Better Sales Compensation Consultants High Tech Sales Compensation Round Table, a leading communications equipment manufacturer shared that they had a record 132 sales force personnel receive credit for a single extremely large and complex international deal. While certainly that serves as an extreme example, it is understood that any SPM solution needs to feature an efficient, user-friendly, and accurate crediting engine with an appropriate hierarchy of crediting rules to bring order to what could be perceived as a chaotic situation.

**SPM Technology Alignment & Considerations:**

SPM solutions provide the ability to develop, catalogue, and administer sales compensation plans for different roles across the organization. They enable consistency and harmonization across complex and unique business units. This facilitates the development of reliable processes for efficient, on-going program management. When designing territory models, SPM solutions have the ability to upload various attributes, goals, locations, accounts, and more, in order to systematically provide a balanced coverage model. These functional capabilities help support the quota or goal-setting process.

These technologies facilitate different performance measures and plan designs unique to each role and administered within one system. However, different SPM solutions have varying architectures, so these types of functional capabilities need to be evaluated against anticipated levels of complexity and the sales structure within the company. These systems give administrators the ability to roll up revenues and compensation expense costs at a divisional and corporate level for performance reporting at the executive level. SPM solutions can provide one or more hierarchies to be set up to handle the various ways credits can roll - direct, indirect, named relationships, and more.

There are also administrative situations that result in additional layers of complexity depending upon the frequency of payout, the requirement for commission splits, deals with multi-year sales cycles, and tracking and crediting of referrals. Typically splits are determined upstream in the data set prior to SPM solutions – however, given the right parameters, they can be derived within the system. Given the varying architectures of the SPM solutions in the market, a firm’s specific requirements for reporting will be managed differently by each system, creating another opportunity to differentiate the potential SPM solutions.
CHALLENGE 5 | SEPARATING INDIRECT/THIRD PARTY/CHANNEL RESULTS, TRACKING, AND INCENTIVE PAYOUTS

In complex sales models, tracking and properly crediting sales results can be a daunting task. An end user purchase may be driven, influenced, or fulfilled through a wide range of direct and indirect routes to market. The exact nature of the needs and challenges can vary based on a given high tech company’s sales model, and many organizations struggle to accurately track and attribute some of the deal-level sales results.

Sorting out sales crediting models that feature both direct and indirect results starts with data clarity. Ideally, companies receive sell-through information from channel partners to understand where a product or service actually lands. In traditional hardware models, companies look for “ship to zip” information, although buying centers and implementation hubs may often be different. In many high tech models, an enterprise customer may have direct sales coverage, but could purchase through a distributor or VAR. Perhaps different portions of that customer obtain goods and services through various delivery methods, and the question is how to attribute those sales dollars to the correct sales resources. In high tech, those sales resources could include a wide range of roles including direct reps, channel managers, specialists, and layers of management. The need for data tracking, appropriate crediting, and accurate payout calculations continue as omnipresent themes when sorting out the complexity of many high tech models.

SPM Technology Alignment & Considerations:

There are a variety of ways to support collaboration within an indirect channel. SPM solutions are designed to provide custom payment calendars that can facilitate quick payment of sales compensation to payees, including channel partners. During configuration, the client can define short or long payment periods that will be available to the company for on-going incentive compensation processing and payments. The capability to pay commissions to partners quickly and efficiently, with the ability to reconcile any returns on non-payment, means that high tech companies can create favor with their partners within an acceptable risk profile.

The analytics associated with SPM applications also allow the high tech channel sales reps and management to evaluate channel partner commitment and adjust commissions accordingly. Further, the exchange of sales data may be a contentious issue with high tech channel partners. This can be facilitated when tied to the high tech payouts through a secure and robust reporting platform.

Aside from leveraging reporting for communication of payouts, specifically tailored reporting or analytics dashboards developed within an SPM solution can greatly enhance the ability to ensure clear and effective communication with partners. This capability can often create additional differentiation against competition.
CHALLENGE 6 | HIGH REPORTING AND ANALYTICAL EXPECTATIONS OF BUYERS

The challenges posed by manual or spreadsheet incentive plan administration affect not only the accuracy and efficiency of the SPM program, but they also limit the utility of the sales and product data embedded in the transactions used for incentive calculation. These issues cross over industries but can be particularly frustrating in high tech.

Those who work in high tech are commonly known for being highly analytical and eager to use data to validate potential solutions and understand outcomes. What to sell, how to sell, where to focus time and energy – these decisions are rarely made without intensive analytical rigor. The same expectations and requirements are often applied to an organization’s sales compensation program.

While many high tech quantitative experts are masters in Excel, spreadsheet administrative efforts often leave many objectives unfulfilled. Challenges from cumbersome data integration, programming inefficiencies, or even overloaded company resources can lead to limited or delayed visibility to many of the ongoing analytics that a company would want to review. High tech companies often find it difficult to assess the effectiveness of their plan designs and programs - whether they are truly driving the right results and realizing the best return on the incentive spend. This information is often needed today, not tomorrow, and companies want to be able to compare results across years, sales teams, regions, and more. It is virtually impossible to manually assess overall program effectiveness without some form of performance automation, which includes archiving plans and payouts for each role as well as the analytical engine to conduct the evaluation.

High tech buyers want the flexibility to create dashboards and custom analytics, but they also do not want to reinvent the wheel every time. If an SPM provider with experience across hundreds of companies already has a well-defined dashboard of insightful analytics, that’s all the better. The key traits here are readily available analytics that can be easily captured, digested, and shared to make timely decisions. This visibility can also help sales management provide improved coaching to the sales resources, which is an extremely impactful focus area across all industries.

SPM Technology Alignment & Considerations:

SPM solutions enable the critical analysis across various plan metrics and evaluation of results from the effort to create sales focus through plan design. This ensures that stakeholders have access to data that will support decision-making on a real-time or when required basis. Being able to see this information on a daily, weekly, monthly, or quarterly basis also helps identify sales and product performance issues and identify opportunities or mitigate potential risks.

For annual plan design initiatives, these systems are designed to provide and organize pay-for-performance data to facilitate an assessment of proposed plan design changes.
SPM Technology Alignment & Considerations:

Beyond the impact on sales incentive design and performance payouts, SPM systems provide a wealth of sales information that facilitate analysis essential for high tech companies to remain ahead of changing industry trends. Data analytics have become a required tool in today’s competitive sales environment. This includes being able to analyze trends from the sales data and take a deep dive into a product category or evaluate the performance of sales channels. This capability hinges on having the required data to accomplish the analysis.

In a recent LinkedIn survey of 500 buyers and 500 salespeople, more than half of the responding organizations (51%) say their companies are using data to assess the performance of salespeople. For instance, 48% of respondents say they are evaluating patterns from closed-lost business—to apply these learnings to future deals.

Source: LinkedIn State of Sales Report 2020

Availability of transactional sales data by product, territory, customer, or channel provides the ingredients for trend analysis that can be used in assessing the performance against one’s overall sales strategy. A primary benefit of SPM applications is delivering real-time information in the required format for assessment of sales performance relative to targets. It also can provide insight into changes that are taking place in the buying patterns of their customers.

SPM systems archive ongoing and historical sales performance and incentive payout data that is integral to analyzing individual, group, company, and product sales performance. Only through the implementation of an SPM application can high tech and their channel partner companies conduct the analytics necessary to identify if their sales results are in alignment with sales and customer strategy and supporting delivery of the necessary sales results. Performance analysis requires an agile application, one that is responsive to change and can incorporate the sales metrics, focus and return-on-investment capability essential to success in the high tech marketplace.

This SPM capability of analytics can be tagged as a high priority for the organization and a significant input to the business case as it relates to the benefit of automation. It will be necessary to document future state needs for this process and request that solution providers showcase how these can be created and interpreted.

CHALLENGE 7 | ACCESS TO SALES PERFORMANCE DATA AND REPORTING

By nature, salespeople want to have things proven to them. They may not trust the sales incentive payouts or overall program just because they are told to do so. Salespeople want to have the ability to review the details, see the data, and understand the calculations. Similarly to other high tech stakeholders, they want visibility at their fingertips, not at a later point in time. Without it, this skepticism in incentive calculations can lead to low morale and lost productivity. “Shadow accounting” is a common roadblock to becoming a high performing and productive sales organization.
Additionally, the best high tech salespeople are often highly competitive and extremely driven. They want to know how they are doing now, how to do better, and what’s in it for them. They are money-motivated, so being able to understand the personal financial value of closing that next deal and putting in the extra work can help inspire them to achieve and exceed. A company that fails to provide visibility forgoes the opportunity to harness incredible salesperson energy and motivation.

Organizations that rely on spreadsheets to manage their sales compensation programs struggle to provide essential details to salespeople in terms of crediting and incentive payouts. Spreadsheets provide moment-in-time snapshots without drill-down capabilities for real-time insights, leading salespeople to be skeptical as to the accuracy of a single Excel view that may be outdated. SPM solutions can offer immediacy in terms of dashboards with product and customer results, and almost always provide better deal or transaction level drill-down. Performance tracking and visibility are essential to motivate salespeople to reach optimal results.

**SPM Technology Alignment & Considerations:**

An SPM system’s reporting capability is invaluable in the information that it can bring to high tech industry stakeholders. These systems can deliver valuable information that enable management to track and reward differently for direct and indirect sales and to target opportunities that drive overall results.

Further, some organizations find it difficult to roll up the sales figures from the field to higher levels of the organization and hold sales management accountable for their targets and incentive compensation payouts, often investing a great deal of time and effort to consolidate the data and perform the calculations. SPM solutions, through the internal setup of reporting relationships, have the capability to ensure accurate sales credit and to roll up transactions by customers in real-time. This supports the calculation of management incentive payouts with the same speed and ease as it does with salespeople at all levels of the organization.

Without an automated application to provide this kind of reporting, it is hard to develop trust and integrity for your sales incentive program among your salespeople. This leads to extensive “shadow accounting” where they personally track and calculate their incentive payouts, sometimes with the belief that management manipulates the payouts. Conversely, when the data and payouts are transparent and easily accessible, over time, there is trust that the numbers are correct and that they are being treated fairly. This means less time submitting disputes and more time selling.

In addition to facilitating compensation reports, an SPM solution enables management to run reports showing sales by product, category, territory, and salesperson or sales team. The reporting capability in SPM systems should only be limited by the quality and completeness of the data collected. These are process issues that must be built around the SPM system selected. The capabilities to track, credit, and access data for reporting in real-time makes it invaluable for decision-making and sales performance improvement.
SUMMARY

This paper provides insights into some of the unique issues and challenges facing the high tech industry. It demonstrates the capabilities inherent in Sales Performance Management systems that enable sales organizations to design, manage, administer, report and oversee the incentive compensation program in order to deliver superior sales results, demonstrate uncompromising integrity, and support the development of a world class sales culture.

Further, SPM solutions incorporate data that is essential for high tech companies to evaluate their sales strategies and wisely allocate go-to-market investments. In an ever-changing marketplace, those that invest prudently in technologies to provide efficient and accurate sales payouts and contribute to better sales and marketing decision-making will be the organizations that thrive and survive. It is essential for discerning high tech stakeholders to select the best SPM solution to address the myriad of unique complexities inherent in their industry.

ABOUT opensymmetry

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