

## Sales Performance Management 2012: Rewards and Recognition as a Vital Compensation Component

While many organizations are experiencing a recovery from the economic downturn, the distribution and pace of progress are not being enjoyed by all companies, industries or geographies. Firms are seeking to capitalize on every available competitive edge, and the potential of higher achievements among the human capital of their sales team may represent one of the most significant opportunities to grow revenue and market share by hitting quota more consistently. While the classic business-to-business (B2B) sales organization may traditionally be identified with a harsh “every man for himself” mentality among reps, and even Darwinian managerial techniques – “only the fittest survive” – is there a more user-friendly way to hit sales targets with motivators other than cold cash?

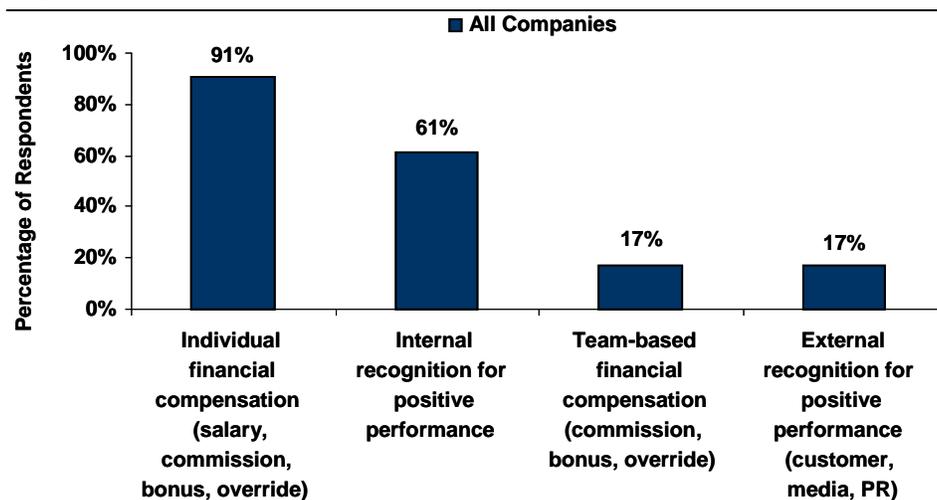
### “Show Me the Money”...Is It That Simple?

Aberdeen surveyed 291 companies in September and October 2011 in support of pending research on *Sales Performance Management 2012: How the Best-in-Class Optimize the Front Line to Grow the Bottom Line* (December 2011). As one would expect, professional sellers are principally motivated by their take-home pay. Figure 1 shows that to enable a high-performing sales force, one must reward individual contributors for their own accomplishments. Additionally, accolades or recognition for a “job well done” are seen as a surprisingly strong second-choice motivator by survey respondents (who were asked to name their top-two choices)—at more than 3.5-times the

### Research Brief

Aberdeen’s Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

**Figure 1: How Are Sales Professionals Motivated?**



n = 291

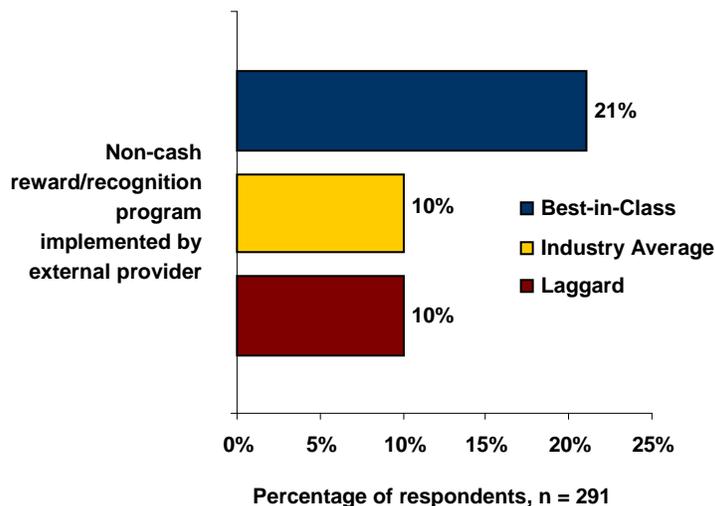
Source: Aberdeen Group, October 2011

popularity (61% vs. 17%) of team-based financial compensation. This type of accolade-oriented support is commonly associated with non-cash reward and recognition programs, which this Research Brief will discuss in greater depth.

### Best-in-Class Trends Around Sales Compensation

Wikipedia currently defines a “spiff” as an immediate bonus for a sale. Wise sales leaders recognize that in addition to base salary and commissions, sometimes a short-term incentive is an effective way to drive sales team behavior. Sixty-four percent (64%) of the Best-in-Class companies in this research (see sidebar) have a process to incentivize rapid activity around a particular product, an end-of-cycle push, or even a way to dispose of excess inventory using spiffs, compared with 48% of Industry average firms and 38% of Laggards. Another way to analyze the value of spiffs is to compare performance results among companies with them in place, versus non-adopters: the former report a 73% overall team achievement of sales quota, compared to 62% among companies without spiffs deployed, as well as a 17% higher customer retention rate (55% vs. 47%) and a 9.4% year-over-year increase in corporate revenue, compared with 1.4%.

**Figure 2: Top Performers Go Beyond Cash Compensation**



Source: Aberdeen Group, October 2011

Spiffs deployed to professional sellers fall into two main categories: cash and non-cash. The former is straightforward, with companies using payroll-based compensation to dangle money in front of sales reps in order to promote the sort of corporate instant gratification described above. Our focus here, however, is around the non-monetary rewards and recognition that can add significant substance and value to the health of the sales organization and the enterprise as a whole. In fact, Best-in-Class companies are more than twice as likely as all other firms (Figure 2) to specifically provide non-cash offerings, in this case offerings managed by an external provider. These rewards and recognition start similarly to cash-based programs, with published plans that

### The Sales Performance Management Best-in-Class

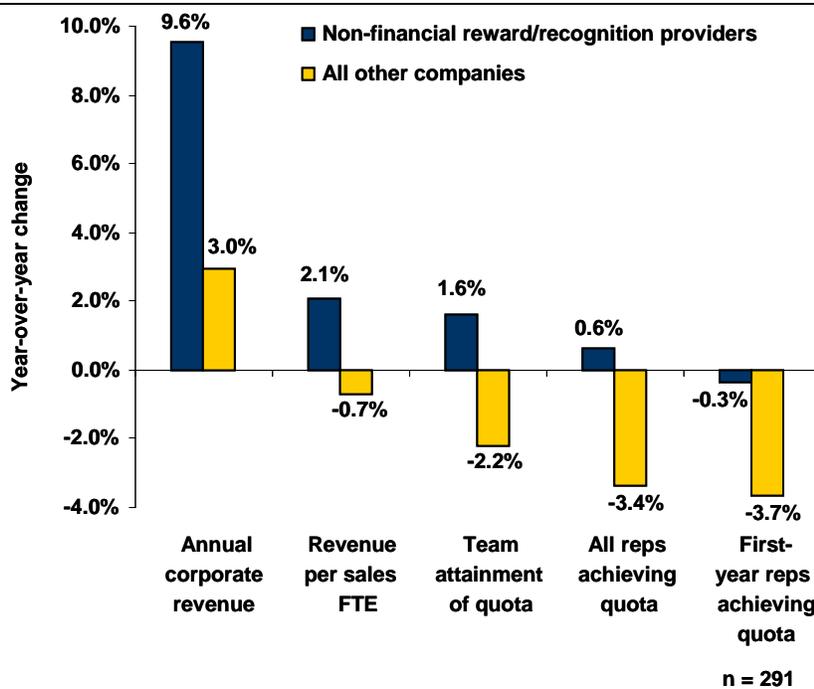
The top 20% of companies (the Best-in-Class) in the research on *Sales Performance Management 2012: How the Best-in-Class Optimize the Front Line to Grow the Bottom Line* (publishing December 2011) achieved the following average performance metrics:

- √ 83% of sales reps achieved annual quota in the last measured year, compared with 51% among Industry Average firms and 22% within Laggard companies
- √ 23.1% average year-over-year growth in corporate revenue, versus 7.2% for Industry Average firms and a 5.9% decline among Laggards
- √ 9.7% average year-over-year improvement in average deal size, compared with 1.9% for Industry Average companies and a 0.4% decline for Laggards
- √ 1.4% improvement in (reduction of) sales cycle, versus declines of (lengthening cycles) 0.9% and 7.1% for Industry Average and Laggard respondents

pre-define the specific selling opportunity, but then diverge from the payroll by introducing a wide variety of winnable options. These systems range from points programs in which staff members earn credits through selling accomplishments and corporate-desired behaviors such as completing training or wellness programs; merchandise or travel opportunities available for top performers; and even a quasi-cash reward such as pre-paid cards.

The common theme among all these items is that in today's fast-paced companies, where people struggle to achieve work/life balance, it can be wise to "force" the top-performing, "type A" members of the sales team to enjoy themselves. Given the current, uncertain economic environment, many of us are inclined to apply "found money" in the form of cash incentives to our credit card balance – but we may be better served in the long run by taking our family member out to dinner, our spouse on a cruise, or ourselves to a day spa. Rewards and recognition programs provide these opportunities in a way that payroll-based incentives cannot.

**Figure 3: Performance Benefits Associated with Rewards and Recognition**



Source: Aberdeen Group, October 2011

When we compare the year-over-year performance results of companies offering non-financial rewards and recognition with those not doing so, Figure 3 reveals significant deltas around both corporate revenue-centric key performance indicators (KPI's) as well as telling sales quota-oriented measurements. In fact, adopters of these approaches also report, on average, 34% shorter sales rep time-to-productivity (2.7 months vs. 4.07 months), as well as 10% shorter sales rep time-to-hire (2.15 months vs. 2.4 months). Aberdeen research published in [The Engagement / Performance Equation](#) (July 2011) provides further support for this

**Fast Facts**

- √ Best-in-Class companies formally optimize/evaluate their sales territories 1.76 times per year, compared to 1.28 among Industry Average firms and 0.71 times per year for Laggards.
- √ The fully-loaded cost of a typical field sales rep (salary, incentive compensation, benefits) is \$147k among the Best-in-Class, and \$133.5k among all other companies.
- √ 77% of Best-in-Class companies report high or very high levels of sales employee satisfaction; Industry Average respondents report a 76% rate and Laggards 62%.

practice: 65% of Best-in-Class organizations (defined as top performers around employee engagement and retention) had formal employee recognition programs in place, compared with 57% of Industry Average and 46% of Laggard companies.

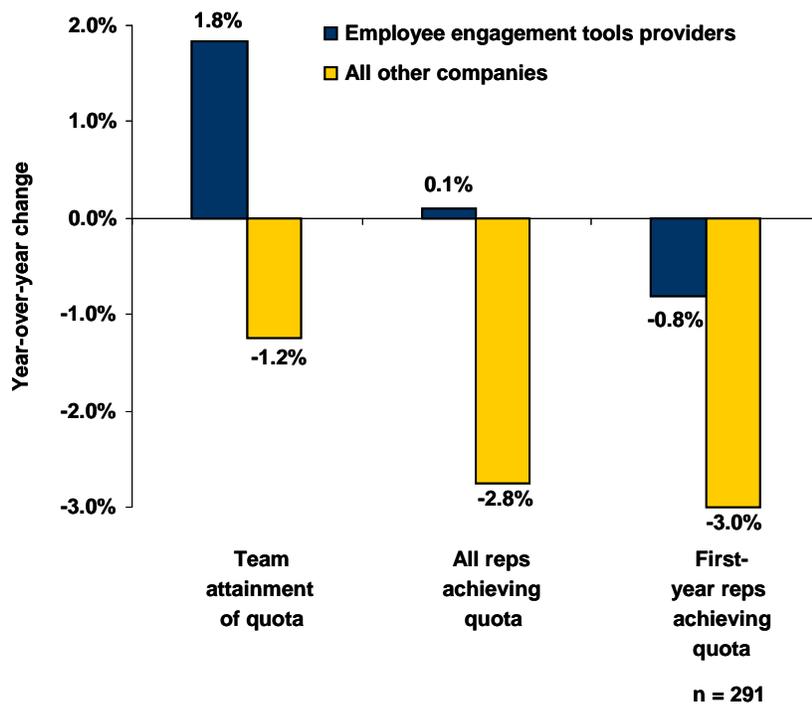
### Best Practices in Employee Engagement

The *Employee Engagement* research finds top-performing companies deploying a number of specific engagement-oriented tools more frequently than other firms, including portals or dashboards to track the kind of performance results that sales teams use to provide rewards and recognition (46% of the Best-in-Class, vs. 33% and 28% respectively among Industry Average and Laggard firms). Current *Sales Performance Management* data (Figure 4) shows that sales organizations which provide tools to support sales employee engagement report better performance than all other firms in each of the three year-over-year quota metrics surveyed. This is telling, since managing salespeople has been historically considered a black-and-white protocol: pay them commissions based on their achievements, and terminate them if they don't sell enough product.

#### Fast Facts

- √ 83% of Best-in-Class respondents offer organization-wide financial incentives for overall company performance, compared with 74% of other firms.
- √ 60% of Best-in-Class respondents offer organization-wide non-cash incentives for overall company performance, compared with 46% of other firms.

**Figure 4: Strong Quota Attainment Begins with Employee Engagement**



Source: Aberdeen Group, October 2011

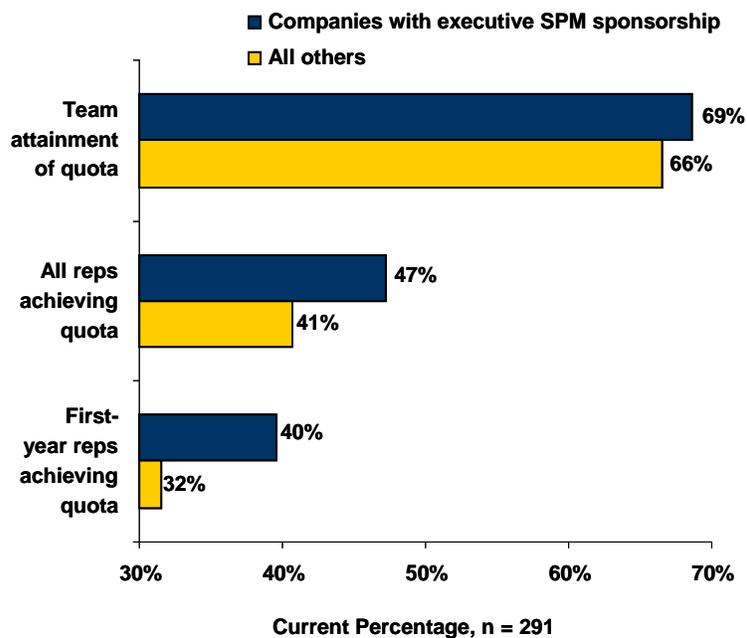
In fact, professional sellers need holistic support just like any other employee, with benefits and a support system providing measurable rewards and recognition. Aberdeen's research shows that companies which adopt this best practice achieve the best sales results.

## C-Suite Buy-In is Worth its Weight

Research from Aberdeen's *Learning & Development: Arming Front-line and Mid-level Managers to Deliver People and Performance Results* (October, 2009), shows that 76% of top-performing employers (ranked by manager performance ratings, employee turnover and engagement) in the survey sample of 529 companies formally sought executive sponsorship for management and leadership development within their firms. This theme is echoed in the current SPM content, in which most companies, but especially the Best-in-Class, said their sales performance management process had buy-in from corporate senior leadership—82% of the Best-in-Class, 77% of Industry Average and 74% of Laggard companies claimed this was true of their organization. We saw above that every available annualized sales quota metric (overall company attainment of the yearly sales goal; percentage of all staff hitting their number; percent of first-year reps attaining quota) favors employee engagement for the sales organization. The same is true of executive sponsorship of a sales performance management suite that includes rewards and recognition programs (Figure 5).

“The need to support professional sellers as holistically as any other employee, with benefits and a support system providing measurable rewards and recognition, is showcased here as a best practice among those companies achieving the best sales results.”

**Figure 5: Executive Sponsorship: Business Results of SPM**



Source: Aberdeen Group, October 2011

In firms with C-suite buy-in for SPM initiatives, 25% more of new sales hires hit their number (40% vs. 32%) on average. With Best-in-Class companies reporting 15.4% annual sales turnover, compared to 19.0% among other firms, and given the \$35,670 average cost to replace outgoing sales reps, it makes sense to ensure that as many incoming sales team members as possible are successful. The opportunity cost of replacing sales team members can and should be offset by supporting year-one sellers, and all variably-compensated staff, with the kind of rewards and recognition under discussion here.

### Fast Facts

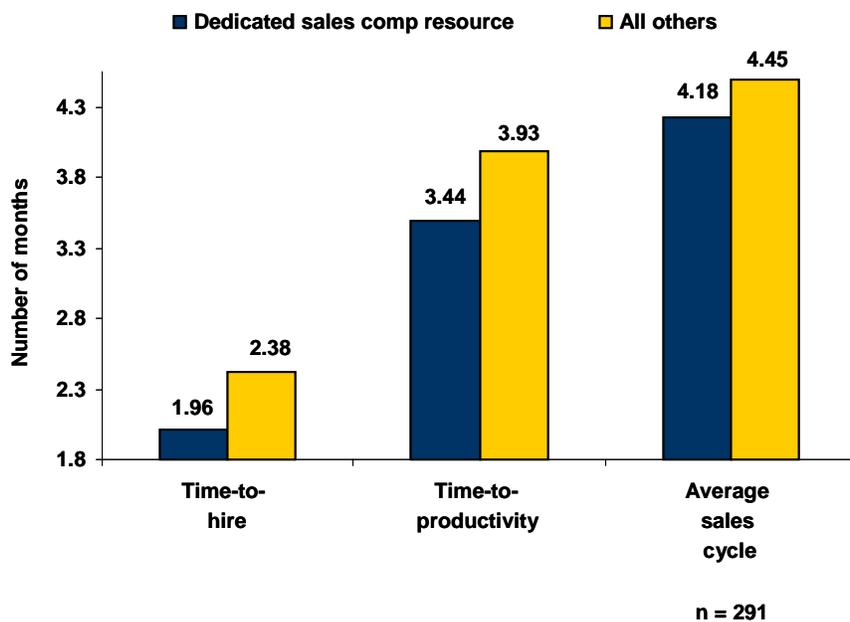
- √ Sales turnover is not all bad: Best-in-Class firms indicate 12.6% as the “ideal” amount of annual sales turnover, while Industry Average and Laggard companies report 12.2% and 7.0% respectively.
- √ The cost to replace a full-time sales rep averages \$37.6 for Best-in-Class companies, and \$36.1k among all others.

Leadership sponsorship of employee referral programs (“ERP” can mean more than “enterprise resource planning” software) can also result in improved performance. Employee referral programs help companies hire successful salespeople more effectively and rapidly. These programs, which commonly include non-cash as well as payroll-oriented rewards, are associated with three crucial sales performance management business results, when we measure sales teams with ERP against those without:

- 27% shorter sales cycle (3.73 vs. 5.14 months)
- 18% shorter time-to-hire (1.95 vs. 2.37 months)
- 13% shorter time-to-productivity (3.39 vs. 3.88 months)

Companies with shorter time-to-hire and time-to-productivity get first-year reps up and running faster; shorter sales cycles result from rewarding sales staffers for bringing like-minded, successful colleagues into the recruiting fold, as these colleagues are more likely to succeed faster.

**Figure 6: Dedicated Compensation Resources = Sales Efficiencies**



“Size clearly doesn’t matter when it comes to running a high-performing sales organization; the commitment and support to help its members be successful is much more crucial.”

Source: Aberdeen Group, October 2011

Seventy percent (70%) of the Best-in-Class have “a dedicated resource in charge of managing / handling sales compensation and / or incentives,” compared with 67% and 62% respectively among Industry Average and Laggard survey respondents. Looking at the same metrics above, which support the use of employee referral programs, we see 17%, 12% and 6% improvements respectively, on a year-over-year basis, when looking at adopters of this organizational capability versus all other firms (Figure 6). Putting at least one compensation-focused, full-time equivalent (FTE) employee into the sales operations support structure allows companies to:

- peel administrative responsibilities away from the quota-focused sales leaders

- create a ready-response environment that gives sales team members quick and knowledgeable support around their financial and rewards / recognition achievements
- reduce the wasteful “shadow accounting” among sales reps as they learn to trust their operational colleague...and spend more time selling

Lest it be thought that associating one or more full-time staffers with sales compensation and rewards is a luxury reserved only for large companies, it is noteworthy that the Best-in-Class within this study report average annual revenue of \$253M, compared with much larger averages of \$1.1B and \$1.2B among Industry Average and Laggard enterprises. Size doesn't matter when it comes to running a high-performing sales organization; much more crucial is the organization's commitment and support to help its members succeed.

### **Case Study: SFN Group**

---

Consider the case of the SFN Group, a \$2B staffing and recruiting firm with 3000 incentive-eligible employees. According to Dahlton Bennington, Director of Meeting Services, the company has implemented and seen significant benefits from implementing broad-reaching reward and recognition programs, particularly an annual four-day leadership forum for top performers. “Our program has been in place for 20 years, recognizing the top 10% of sales and operations team members,” Bennington explains. “We set qualifying criteria annually, re-evaluating the metrics to ensure that the desired performance is motivated,” as well as aligning these protocols with the overall compensation plans and company goals established at the executive level of SFN.

Bennington says that part of what makes the program so successful is the transparent communications throughout the organization about the accomplishments of potential qualifiers. “We consistently communicate the standings every month, showing where every eligible associate sits regarding their potential to attend this desirable event,” she explains. The sense of competition among top performers, especially considering the sales job role most of them occupy, is a positive element that further motivates the performance achievements required to qualify.

In terms of business-oriented results accrued by the implementation of this program, Bennington reports that the rise in production among repeat event attendees far out-paces that of other individual contributors. “When you look at the performance increases, compared to what we pay for the program (roughly \$4k per attendee), the ROI is enormous, not to mention the far higher retention rates within this group,” she says.

### **Summary**

---

The concept that “cash is king” is not completely wrong when it comes to motivating, retaining and creating high-performing sales professionals, but its power is not absolute. Salespeople might live in a more straightforward world when it comes to measuring their contribution – have they hit quota, or not?

– but supporting sellers in a way that contributes to corporate success requires as much holistic management skill, and as many tools, as supporting any other line-of-business employee type. Using rewards and recognition to guide sellers' behavior, provide them with job satisfaction, and promote better corporate sales results, remains a wise choice for practitioners looking to succeed as sales leaders.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

Related Research	
<p><a href="#"><i>Sales Performance Management 2012: How the Best-in-Class Optimize the Front Line to Grow the Bottom Line</i></a> (December 2011)</p> <p><a href="#"><i>Sales Training 2011: Uncovering How the Best-in-Class Sustain, Reinforce and Leverage Best Selling Practices</i></a> (October 2011).</p> <p><a href="#"><i>Leveraging the 360 Degree Customer View to Maximize Up-Sell and Cross-Sell Potential</i></a> (September 2011)</p> <p><a href="#"><i>"Chance Favors the Prepared Mind" - Understanding the Science of Sales Intelligence</i></a> (July 2011)</p> <p><a href="#"><i>Sales Forecasting: How Top Performers Leverage the Past, Visualize the Present, and Improve Their Future Revenue</i></a> (July 2011)</p>	<p><a href="#"><i>The Extended Sales Enterprise: Channeling Better Results</i></a> (March 2011)</p> <p><a href="#"><i>Streamlining the Top of the Funnel: How Inside Sales Teams Source, Qualify and Close Business</i></a> (February 2011)</p> <p><a href="#"><i>Sales Mobility: Quotas Untethered</i></a> (November 2010)</p> <p><a href="#"><i>Sales and Marketing Alignment: Collaboration + Cooperation = Peak Performance</i></a> (September 2010)</p> <p><a href="#"><i>Optimizing Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Sealing More Deals</i></a>; May 2010</p>
<p><b>Author: Peter Ostrow, VP/Group Director, Customer Management; Sales Effectiveness Practice Leader</b> (<a href="mailto:peter.ostrow@aberdeen.com">peter.ostrow@aberdeen.com</a>)</p>	

For more than two decades, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.5 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

As a Harte-Hanks Company, Aberdeen's research provides insight and analysis to the Harte-Hanks community of local, regional, national and international marketing executives. Combined, we help our customers leverage the power of insight to deliver innovative multichannel marketing programs that drive business-changing results. For additional information, visit Aberdeen <http://www.aberdeen.com> or call (617) 854-5200, or to learn more about Harte-Hanks, call (800) 456-9748 or go to <http://www.harte-hanks.com>.

This document is the result of primary research performed by Aberdeen Group. Aberdeen Group's methodologies provide for objective fact-based research and represent the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group, Inc. and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group, Inc. (2011a)