SiriusDecisions

Research Brief

Sales Operations: Planning Assumptions 2018

SiriusDecisions has identified five planning assumptions that should drive the agenda of sales operations leaders in 2018

Data scientists are the future of sales intelligence

Sales operations leaders must understand the accounting changes driven by ASC 606 (IFRS 15)

Commanding officer (CO) is the title given to the individuals who lead U.S. Army units from the size of a company (110 to 140 people) to a brigade (3,000 to 5,000 people). Behind every great commander is a meticulously organized XO (executive officer) who leads a staff supporting the unit's administrative and operational needs. Staff leaders are referred to with an "S" and a number designating their area of accountability: the S1's accountability is personnel; S2, intelligence; S3, operations; S4, logistics; S5, planning; S6, communications; S7, training; S8, finance; and S9, civil affairs.

Responding to demands to be more organized, chief sales officers (CSOs) created their own version of an XO – the sales operations leader, a role that requires no justification but often struggles to define its priorities. In this brief, we identify sales operations priorities and discuss five trends that will impact the function in 2018.

Sales Productivity Analysis: Justifying Sales Operations Investment

B-to-b sales organizations spend a lot of time, energy and resources improving the skills, knowledge and process competencies of sales reps, but often overlook the importance of investing in sales operations. When SiriusDecisions asked sales and sales operations leaders to identify their top growth strategies, the most frequently selected strategies were improving sales efficiency and adding sales headcount, followed by coverage model changes, channel variations and compensation plan changes. Investing in sales operations resources and competencies helps drive these strategies by improving processes, analysis and the use of technology.

Sales operations relies on seven core accountabilities to increase sales productivity, which are defined in our Sales Operations Accountabilities Sunburst model: strategy and planning, sales intelligence, process design and management, support and administration, deal pursuit, technology and project management. As the sales operations function matures, sales organizations should identify and add or enhance the specific competencies required within each accountability. Investing in training to build operations competencies that meet evolving business needs can yield outstanding results.

SiriusAction: Conduct an annual assessment of the sales operations function, roles and responsibilities using the Sales Operations Accountabilities Sunburst model (see the Core Strategy Report "Managing the Strategic Evolution of Sales Operations").

Focus on developing sales operations talent and team cohesion to improve overall sales productivity.

Sales Intelligence: Elevating the Role of Data Scientist

Pressure to produce intuitive and actionable data for all levels of the sales organization is fueling the need to invest in data science. Data scientists (mathematicians and statisticians) make sense of big data so that salespeople can see reality more clearly, often causing them to take actions that lead to more positive outcomes. Sales operations leaders are hiring data scientists to launch shared sales intelligence centers of excellence – but not quickly enough. Sales lags behind marketing, supply chain, operations and the C-suite in expanding data science capabilities.

Many sales operations leaders believe that one or a handful of analysts is sufficient to manage sales reporting, data governance, dashboarding, ad hoc analysis, business intelligence tools and administration, and other analytics functions. However, the analyst job has grown far more technical, and artificial intelligence is making it even more complex. In many cases, sales leaders, salespeople, and executive and board leadership teams are losing patience with sales operations' lack of sales intelligence capabilities.

SiriusAction: Start incorporating data scientists and/or data science solutions into sales operations teams, and recognize that these new resources are different from the sales business analysts and database administrators of the past. Task data science staff members with in-depth analyses in areas such as sales forecasting, churn and propensity-to-buy models, win-loss analysis and best-customer profiling. Ensure that data scientists become experts in sales intelligence and advanced analytics sales applications, and that outputs are insightful, actionable, intuitive and easily leveraged by the sales organization.

Incentive Management: Understanding ASC 606 (IFRS 15)

A new corporate accounting rule in the United States, ASC 606 (IFRS 15 is the international equivalent), changes the way commission expenses are recognized and will affect all companies by 2018 (see the blog post "What Sales Operations Needs to Know About ASC 606 (IFRS 15)"). Finance is now required to amortize commission expense for individual salespeople over the length of contracts if the contracts have a term of longer than one year (before, expenses would have been recognized immediately). ASC 606 (IFRS 15) doesn't change how commission expenses for supervisors are recognized; those expenses continue to be recognized immediately. Under the old standards, if a salesperson sold a three-year contract and was paid $100,000 in commissions, the entire $100,000 commissions expense would be recognized in the year in which the three-year deal was sold. ASC 606 (IFRS 15) now requires companies to capitalize the $100,000 and amortize it over the three-year period of the contract. ASC 606 (IFRS 15) doesn't force changes to sales compensation plan structures, although there might be attempts to change some plans to avoid compliance requirements.

SiriusAction: Understand how ASC 606 (IFRS 15) is being implemented within the company. Ensure that commission expense administrators can systematically differentiate between contracts of one year or less and longer ones. Commission expense administrators also must differentiate between commission expenses for frontline salespeople and supervisors. Ensure, or at least verify, that the sales compensation management platform can capture the data required to comply with ASC 606 (IFRS 15). Ensure that compensation plans continue to be structured to motivate sales and drive the right behaviors. Resist artificially changing compensation plans or deal constructs (e.g. ending multi-year deals) simply to adjust to the new rule.

Process and Infrastructure: Taking the Sales Rep's Perspective

Whether designing a new process, re-engineering an existing process, or upgrading or deploying sales technology, sales operations is always challenged to answer the "What's in it for me?" question from sales reps. There hasn't always been a great answer to this question, as the original impetus for most sales technologies (e.g. sales force automation [SFA]) was the increasing size and complexity of b-to-b organizations. Recognizing sales as a major cost center, software vendors developed technologies to capture data about leads, accounts, contacts and opportunities, then populate dashboards and generate forecasts. These systems often provided limited value to sales reps, so adoption levels remained low.

SFA vendors are now addressing the need for end-user value by investing in improved user interfaces that provide intuitive learning paths and easier navigation. They're also improving data integration to reduce manual data entry and augment sales and customer data. We also continue to see rapid evolution in opportunity management (also known as opportunity-to-close) tools. Often deployed to solve a sales forecast accuracy problem, these tools provide reps with instant feedback that gauges the probability of an opportunity closing by the projected close date, or the probability of it closing at all (see the Marketplace blog post "The Real Reason Reps Don't Update Opportunities"). Configuration, pricing and quoting tools represent a third category of rep-friendly tools that are driving adoption and productivity.

SiriusAction: Before investing in new sales technology to improve sales productivity, emphasize the importance of delivering capabilities that enhance sales reps' experience and level of engagement. Conduct an annual technology assessment to maximize the value of past and current technology investments and guide future investments in solutions, process improvements and skill enhancements (see the brief "The SiriusDecisions Sales and Marketing Technology Assessment"). Based on the results, refine a vision of the future state, including goals and objectives. Compare the current state to the desired state to produce a detailed gap analysis that identifies deficiencies in each technology category and application. View all technology purchases and process changes from the rep's perspective, asking the question "What's in it for them?" If the answer is "Nothing" or the changes will make their jobs more difficult, stop and rework the plan until it can deliver value for reps.

Sales Operations Functional Design and Development: Responding to Economic Pressures

SiriusDecisions research reveals that sales organizations devote between 3.6 percent and 5.9 percent of sales budgets to sales operations (see the brief "Investing in Sales Operations: How Much and How Many?"). While there is always pressure to keep sales operations budgets flat (or shrinking), sales operations must continue to cover the seven accountabilities in the Sales Operations Accountabilities Sunburst model while investing in advanced capabilities to drive productivity improvements. This situation is forcing sales operations leaders to centralize, decentralize, offshore, outsource, automate or eliminate lower-value activities. They must balance new investments with a careful review of staffing levels and potential cost reductions (see the brief "Sales Operations: What Can Be Outsourced, Offshored or Automated?").

SiriusAction: Reduce costs on routine manual activities like data governance, reporting and dashboarding through automation and offshoring. Reduce costs on routine cognitive activities like forecasting and ad hoc reporting by automating, improving process efficiency and controlling administrative expenditures. Reinvest the savings in non-routine accountabilities (e.g. strategy and planning, data science, program management, technology vision, sales operations leadership).

The Sirius Decision

It's an exciting time to be a sales operations professional, but leaders need to identify growth opportunities that will make a strategic difference for sales. Routine, manual and repetitive tasks such as reporting and data governance must be automated. Focus on enhancements in data science, sales process design and optimization, sales strategy and planning, user experience enhancement and overall sales productivity. Finally, the emergence of a chief revenue officer role in some organizations – a single leader whom sales and marketing report to – is evidence that companies expect seamless integration and cooperation between these functions. In this scenario, watch for the emergence of a revenue operations leader who will take responsibility for what we now know as sales operations and marketing operations.

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