

# SALES PERFORMANCE MANAGEMENT CHALLENGES & TECHNOLOGY: CONSIDERATIONS FOR THE TELECOMMUNICATIONS INDUSTRY

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The telecommunications (Telco) industry has long been one of the most competitive, dynamic, and complex industries. Rapid, ongoing changes in technology mean that the frequent introduction of new products and services are essential to growth and profitability. However, revenue growth is elusive as new services often cannibalize their predecessors. With the changes in technology come entirely new competitors from software and high tech, along with a rapidly evolving partner and channel ecosystem. Furthermore, buyer behavior is rapidly evolving due to adoption of digital, app-based, and multi-channel sales and services, requiring sophisticated data management and dramatically different sales processes and skill requirements.

With the ongoing need to push the envelope to stay competitive, the telecommunications industry is among the most sales-oriented. Companies invest in sales training and sales management and build high-performance sales cultures, staffed with true sellers who are particularly focused on maximizing sales incentive earnings. In this environment, it is critical that sellers know exactly what they will be paid for their results and why. When that does not happen, **shadow accounting**, disputes, de-motivation, and turnover quickly ensue, resulting in steep erosion of revenues, market share, and profitability.



**Shadow accounting** is the practice of calculating incentive payout by individual payees apart from official accounting records, for the purpose of detecting errors. This is usually a feature of manual payout calculation processes because payees do not trust the calculation method or accuracy of payouts.

So, it is no surprise that telecommunications companies have been enthusiastic adopters of sales performance management (SPM) technology, to manage the complexity and pace of change of the industry, allowing them to pay salespeople accurately, transparently, and in a timely manner. Yet many companies have struggled to get the expected value from their SPM systems. It is particularly critical in this industry to select an application that is best able to accommodate the key challenges of each organization, set up data feeds optimally and with consideration of how they may evolve, and understand how each application can manage ongoing changes without a full-time staff of programmers.

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.

In this paper, we highlight five prominent challenges to sales incentive compensation in the telecommunications industry and offer insights into how SPM can help address them. These insights should shed some light on the most important considerations for selecting and properly implementing the best application for your needs.

- 1 | Designing and Modeling Sales Compensation Plans
- 2 | Accurate and Efficient Sales Crediting
- 3 | Motivating and Managing Sales Performance
- 4 | Managing Change for Products, Personnel, and Plans
- 5 | Auditing Results

## CHALLENGE 1 | DESIGNING AND MODELING EFFECTIVE SALES COMPENSATION PLANS

An effective sales compensation plan should do two things well:

1. Align with the financial and strategic objectives of the company
2. Align with the specific behaviors and results needed from each sales role

If the results expected from a sales role are unclear, or if it is unclear how and when a seller will be paid for sales results, the motivational impact of the plan is undermined. Furthermore, the longer the delay between the sale and the incentive payment, the lower the impact.

Some challenges for designing and modeling effective sales compensation plans for alignment specifically for Telco include:

- **Broad range of sales roles.** Telecommunications companies have a broad array of sales roles, often collaborating on a single sale or client. Depending on the customer and products being sold, these resources may be field-based, telephone-based, or embedded in retail stores.
- **Interdependence of sales roles.** Sellers should be paid on the results they directly control. However, in telecommunications sales, it is often impossible to objectively parse out the influence of each role. Double crediting and credit splitting are pervasive and fraught with complexity.
- **Balance of individual and team measures.** Plan designers must strike the right balance between individual and team measures so that motivation is strong, while keeping the plans transparent and manageable.
- **Rapidly changing products and services.** As new product and service offerings move through the lifecycle from cutting edge to commodity, the sales effort needs to change, often by assigning different resources or channels over time. This means the incentive plans must be highly adaptable to align with the revised objectives and priorities in each channel. This also includes constantly changing rebates and offers for different products and services.



### SPM Technology Alignment & Considerations:

Given the complexities related to the development of plan designs in the telecommunications industry, firms are looking to SPM solutions to help execute a more effective and efficient process for designing and modeling sales compensation plans. The areas that SPM solutions impact for design and modeling include:

- **Territory & quota development.** These solutions now provide specific capabilities to facilitate the mapping of territories and assignment of quotas across large and complex sales organizations. Once territories and quotas have been assigned and approved, many of these solutions allow users to simply import these metrics into the SPM solution for calculation of incentive compensation.
- **Sales compensation plan design.** Similarly to modeling territories and quotas, these solutions provide a modeling environment (or sandbox) allowing management teams the ability to run different sales scenarios against the plans to evaluate the cost and performance of these plans under certain sales conditions using the built-in reporting tools.

In addition to modeling and approving the plans, the solutions allow users the ability to migrate/promote new plans into the live environment with the added ability of locking in when plans will become effective.

## CHALLENGE 2 | ACCURATE AND EFFICIENT SALES CREDITING

Accurate and efficient sales crediting may be the top challenge to effective plan administration in the telecommunications industry for the following reasons:

- Multiple roles that may need to be credited on a revenue stream
- Dynamic services as customers add or subtract services and capacity as their needs evolve
- Wide array of products and services that may need to be credited differently
- Products and services that generate revenue based on different metrics over different time periods

For the last point, one scenario may be that certain services might be billed by monthly subscription, and others based on usage, perhaps with volume-tier pricing and contract minimums, with ultimate value of a sale unknown for months or years after the sale. This may require complex rules as to how contracted sales will be valued and then credited, with various claw-back or credit adjustment rules. In addition, quotas may be changed based on seasonality and changes to measures. On-network contracts may also pay initially for a sale and adjust as the network project is deployed and users are added.

Additionally, the proliferation of MAC (move, add, change) orders and the need to correctly credit them is a challenge that can seldom be met without an automated system able to handle complex rules.



### SPM Technology Alignment & Considerations:

Some key advantages to some of the more robust SPM solutions include their ability to handle:

- Highly complex crediting logic
- High volumes of data
- Various types of data sources that provide the measures needed for crediting

Though not all systems are up for this challenge, there are a number of SPM solutions that have successfully demonstrated the ability to manage complex crediting with high volumes successfully for large telecommunications companies (e.g. over 10k payees). Over time, these solutions have developed robust capabilities through advanced data management (e.g. ETL) and crediting logic capable of handling the most complicated systems. This includes efficient and accurate crediting on an ongoing basis, the ability to alter crediting rules to accommodate changes in plans or subsequent crediting logic and the ability to adjust credits systematically and exceptionally as needed.

When considering an SPM solution, companies need to compare alternative applications on the basis of how well they can accommodate complex crediting logic with the higher volumes that larger firms will require.

## CHALLENGE 3 | MOTIVATING AND MANAGING SALES PERFORMANCE

The primary function and benefit of any SPM program is to help motivate and manage sales performance. However, a prevalent issue for telecommunications firms managing large volumes of sales-related data within an ever-changing environment is being able to effectively deliver sales-related information in a timely manner to payees, managers, as well as senior team members responsible for managing plan design performance. Without this visibility, the companies struggle to ensure both engaging their sales force and effectively monitoring the health and effectiveness of the sales compensation plans.

Reporting needs for managers can be especially complex. They need to see what their teams are seeing, and they need to quickly identify performance issues and opportunities, with dashboards that show performance by product, geography, and customer segment.

Here are examples of challenges that may result from an ineffective reporting/analytics platform, by user:

- **Sales Rep:** Without access to timely detailed data, front line sales reps struggle to understand how they are being paid. As a result, they spend selling time developing and managing a personal accounting system to confirm they are being paid accurately (see *shadow accounting* on page 1).
- **Sales Manager:** Lacking summarized data with drill-down capabilities by teams, regions, and product types can inhibit management's ability to accurately assess the performance of the sales force. Without the data to drive strategic decisions and ensure the execution of the sales strategy, it is not uncommon for management

teams to miss critical coaching opportunities to help improve sales performance or adjust to changes in their ecosystems.

- **Administrator:** Admin teams are distinctly vulnerable when SPM programs cannot deliver or provide access to mission-critical data. Common issues arise when admin teams do not have the data they need to respond to sales leadership inquiries or assess the performance and alignment of the sales compensation plans, which can create significant issues for an organization.

Too often, firms underestimate the need to tailor reports and dashboards to individual roles. If a business intelligence strategy for sales compensation is not embraced by the field, it will fail. SPM can deliver the right balance of the need for conciseness and actionability with the need for detailed backup.



### SPM Technology Alignment & Considerations:

Assuming the underlying data is accurate and complete, and the SPM solution is configured appropriately, SPM solutions can deliver incredibly rich data sets that can be tailored for the specific users within an organization.

Over the last 20 years, SPM vendors have advanced their capabilities to deliver extremely insightful dashboards and intelligent analytics to support not only performance management but also ensure strategy decisions are data-driven. With these advancements, reps and managers can leverage drill-down capabilities within reports to see both summarized and highly detailed information regarding their commissions. As most of these systems are also highly configurable, clients have the ability to customize prebuilt reports or create new ones from scratch.

Here are some examples of reports and dashboards that can be provided through an SPM solution:

#### ADMINISTRATOR

- Admin Dashboard
- Quota Performance
- Pay-Plan Performance
- End User Communicator
- Web-Based Admin Functions

#### MANAGER

- Manager Dashboard
- Manager Performance
- Manager Pipeline
- MBO Summary
- Payout Summary

#### SALES REP

- Rep Dashboard
- Commission Statement
- Performance Report
- Transaction Detail
- Customer Sales Summary
- What-If Calculator
- Plan Communicator

## CHALLENGE 4 | MANAGING CHANGE FOR PRODUCTS, PERSONNEL, AND PLANS

Telecommunications companies must take into account product change, turnover of personnel, and the frequency of plan changes necessary to create an effective SPM system. There is always a risk that plan changes will result in unintended consequences if they are not modeled or planned for quickly and accurately. The need to utilize historical data in modeling changes and evaluate the likely performance and pay implications of plan changes, is often a challenge with not only the change but the timing of that change. Historically, this is one of the most under-utilized features of SPM applications. Because of the number of moving parts, it remains challenging to make the modeling process intuitive.

Keep in mind that each plan change involves some level of approval. The more significant the change, the more approvals are required. Handling and tracking approvals through email is time consuming and inconsistent. One great benefit of SPM systems is their approval and escalation workflow, which shortens approval time significantly and results in more consistent and auditable decisions.



### SPM Technology Alignment & Considerations:

With the ongoing level and variety of change in telecommunications sales, an SPM system can be a game changer in the following ways:

- Plan changes can be modeled to understand the likely range of outcomes
- This modeling produces intuitive, actionable reports with the most useful, actionable metrics
- Internal workflows manage changes quickly through the approval process
- Create auditable documentation
- Changes can be made efficiently by the internal admin staff

## CHALLENGE 5 | AUDITING RESULTS

Sales compensation auditing is a fact of life at any large company. First, finance needs to know how much to accrue for future incentive payments. In telecommunications, this can be trickier than in other industries because of the variety of types of revenue streams and how they are treated for sales crediting purposes. When incentive payments to budget exceed revenue to budget, as happens when contract sales are growing, the finance department needs to know why.

Business leaders need to validate that incentives are being spent wisely and in alignment with financial and strategic priorities and with maximum objectivity and transparency. So, when SPM alternatives are being considered, both finance and HR need a seat at the table.

Here are illustrative examples of challenges that may result from an ineffective reporting/analytics platform, by user:

- Will the application be able to efficiently provide the information they require?
- Can the application accommodate, or hopefully improve upon, current accrual and auditing procedures?
- What are the critical reporting needs, and how are they likely to change?



#### **SPM Technology Alignment & Considerations:**

SPM applications can significantly improve the accuracy, consistency, and speed of accrual and auditing. Because telecommunications companies have more complex needs in these areas, as well as different processes from one another, it is important to select the application that best meets their individual requirements. The applications often provide built-in reporting and auditing capabilities to address the nature of the industry, such as:

- Plan-level reporting for performance and the ability to filter to regions, teams, and individuals
- Audit traceability for adjustments with the high volume of credit assignment changes in sales
- Forecast reporting to manage cyclical changes in the business

## **SUMMARY**

We expect that this paper has provided valuable insights into the unique challenges of designing and managing sales compensation plans in the telecommunications industry and how SPM solutions can help. Because of the complexity and dynamic nature of telecommunications sales, SPM solutions are critical for this industry. A successful implementation for SPM requires detailed planning, including defining specific needs and priorities up front, involvement of all key stakeholders, and thorough training on how to get the most from the SPM system.

In an environment as competitive and quickly evolving as telecommunications, where sales agility can separate the winners and losers, SPM is becoming less of a differentiator than a baseline requirement.

For more information on Sales Performance Management for the telecommunications industry, please visit [opensymmetry.com](https://opensymmetry.com).

## **ABOUT** opensymmetry

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