



Sales Performance Management in the High-Tech Industry

A Thought Leadership Whitepaper

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Why InnoVyne for High-Tech

> High-Tech Industry Today

Studies have shown that the global information technology industry is set to reach over \$5 trillion in 2020. Digital technologies have had a profound influence on businesses and societies globally. Technology has become a critical determining factor of international competitiveness for economies and nations across the world. The very fabric of personal lives has changed as people heavily rely on technology to stay connected and bring automation and efficiency to daily lives. The sector itself has been noted for three key elements:

1 Market Evolution & Disruption

Technology companies sit at the forefront of today's civilization as pioneers of global change. From solving complex problems to making daily tasks more efficient, technology leaders face societal, economic and political issues head-on in their quest to make the world a better place. On one hand, smart home devices have introduced a sense of luxury into daily lives. On the other hand, technologists around the world are striving to find a cure for COVID-19, a pandemic affecting lives, families and jobs across the entire world. Driven by its passion to change the world for the better, the technology industry sits in the eye of proverbial storm as markets evolve and lives are disrupted by controllable as well as uncontrollable factors.

2 Speed of Innovation

Characterized by a high degree of innovation and speed of change, the technology industry has changed our lifestyle, our society and our culture. Recently, the world has seen the effects of incorporating solutions around data analytics, augmented artificial intelligence, blockchain and IoT technologies to enhance professional competitive advantage and personal comfort at home.

As companies race to become the first mover in bringing new ideas to life in a rapidly evolving industry, the pace of innovation which has been beneficial to society has brought new challenges to technology and tech-enabled firms. From struggling to create successful lean business models with minimal costs and investing in R&D to overcome the larger market players, tech firms have their work cut out for them.

3 Competitive landscape

Growing economic and technological advancement have given rise to a global economy. For the high-tech industry, this expansion is a double-edged sword. With the distinct attraction of low barriers to entry, the technology space attracts passionate inventors worldwide and levels the playing ground for both large enterprises and budding startups alike. However, this unique industry characteristic, while largely positive, has fueled fierce competition and poses a significant threat to organizational sustainability. While market penetration is easier than most industries, tech giants are continuously expanding their global reach and pouring staggering investment dollars in R&D, making it much more difficult for newer, smaller market entrants to survive.



With such a volatile landscape, cutthroat competition and constantly changing market, companies in the high-tech industry face the almost insurmountable difficulty of hiring top talent to maintain their competitive edge and sustain business profitability. In this talent tug-of-war among innovative enterprises, organizations have started to expand their incentives and rewards programs in the hopes of attracting and retaining the crème-de-la-crème of talent. The second difficulty is ensuring that businesses drive the right type of employee behavior to promote rapid, exponential but long-term business growth.

Sales performance management (SPM) - the innovative practice focused on driving optimal performance by motivating, enabling and monitoring personnel to improve their ability to achieve set targets - is the foundational component in a technology institution's ability to sustain long-term profitability.

> Sales Performance Management Challenges: A High-Tech Perspective

High-tech companies face unique problems when it comes to sales performance management due to the layer of complexity embedded in incentive compensation plans and lack of adequate systems to provide the required visibility.

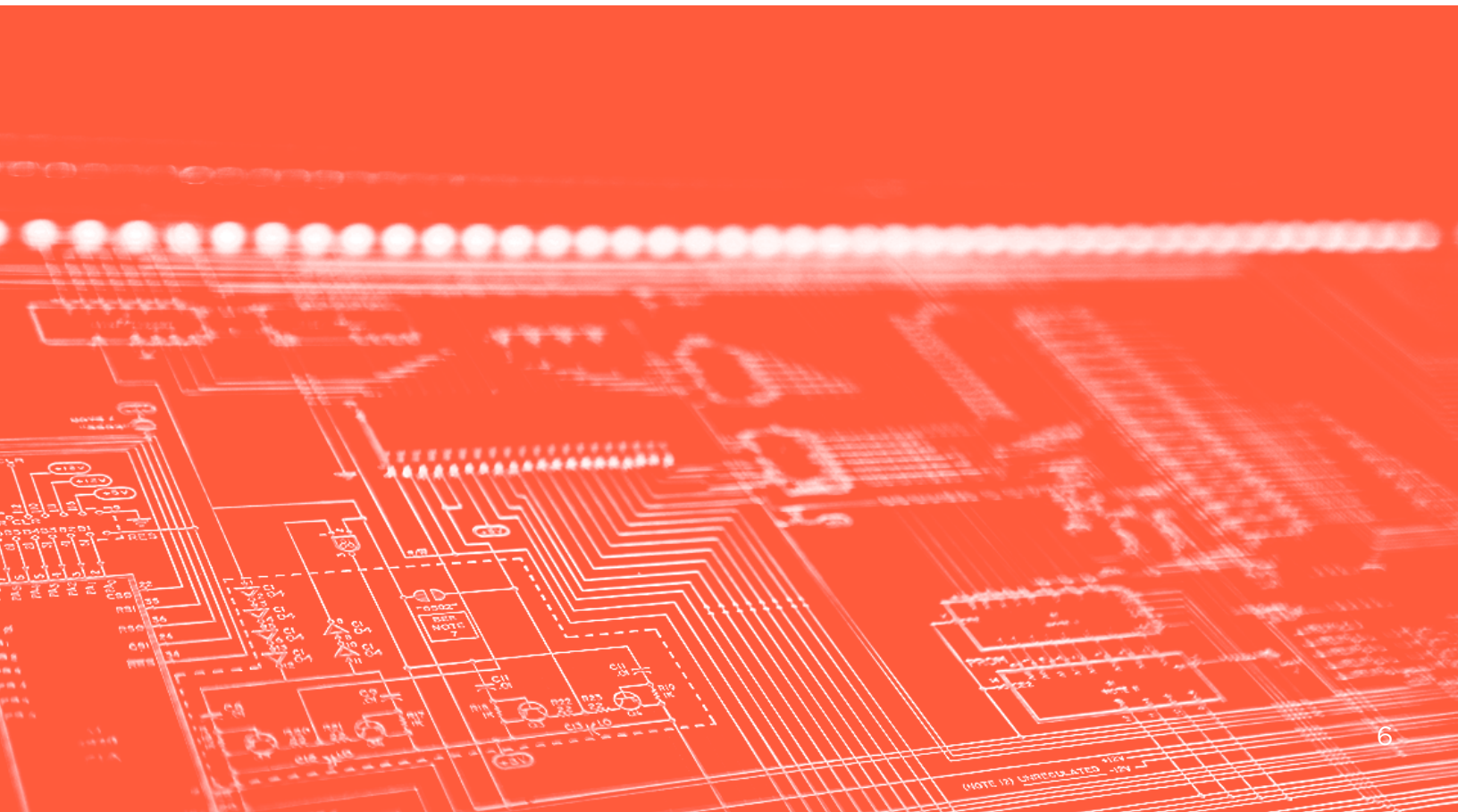
The challenges highlighted below are flagged by technology companies as the core difficulties associated with managing sales performance.

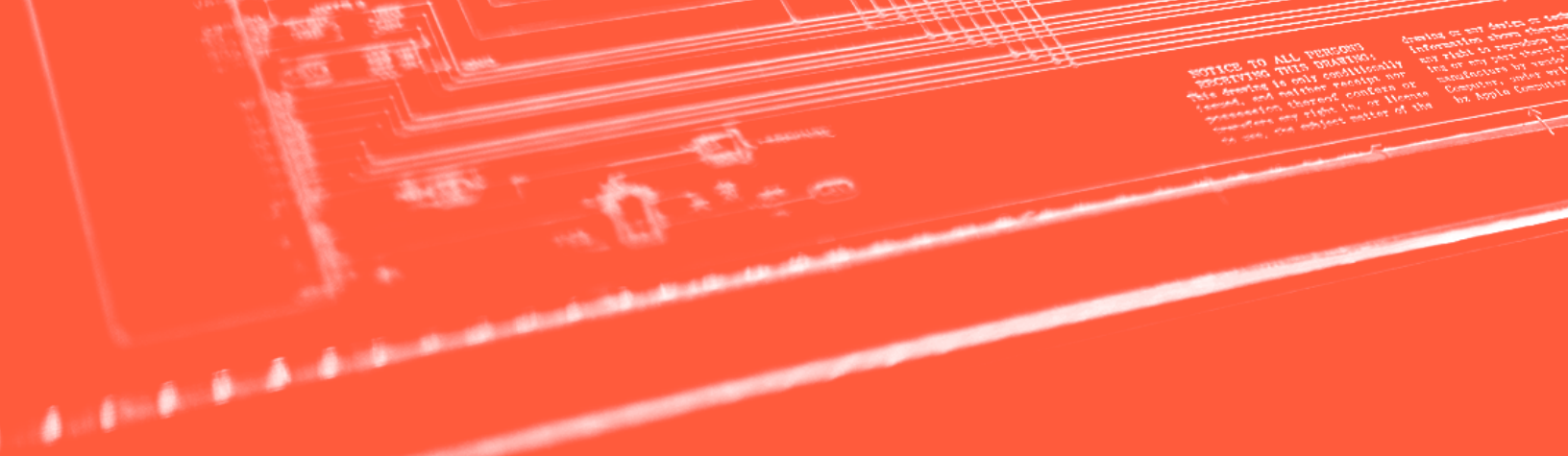
1 Mergers, Acquisitions (M&A) & Partnerships

High-tech institutions are no strangers to the proven strategy of partnerships and acquisitions. While the benefits of strategic mergers and acquisitions are immense, businesses also face challenges associated with integrating new companies and divisions into an existing organizational and systems infrastructure.

Sometimes, new acquisitions continue using their historical systems for a certain amount of time or, indefinitely in very rare cases, causing a diverse collection of technologies rather than following an integrated IT strategy. Organizations lacking a consistent, unified systems strategy generally have difficulty making timely changes, incur high maintenance costs and lack proper governance.

Complex channel structures, while representing opportunities for great growth and scale, also pose a significant challenge





As businesses in the high-tech industry nurture a diverse channels network – direct, indirect and hybrid – in an effort to exponentialize their growth, sales and distribution frameworks are imbued with an added layer of complexity. Most technology firms have a diversified channels strategy that includes a varied mix of partners including, but not limited to, strategic partners, implementation and professional services partners as well as resellers and distributors. In their quest to improve collaboration with their partners, companies are continuously enhancing existing partner processes and programs in addition to implementing new ones. Designing and administering effective incentive programs for employees and partners associated with the various channel types already introduces a challenging task for compensation administrators in the technology space. Moreover, measuring channel performance can become an issue without appropriate tools in place to manage channel incentives & process relevant performance data appropriately.

Ultimately, a lack of a standardized performance management platform results in process inefficiencies making it difficult to track relevant channels data, gain important insights about the performance of individual channels and identify growth opportunities.


2

Evolving Business Models


Incentive compensation in the technology sector is riddled with layers of complexity with a broad range of plan variables including various types of products, business units, territories and channels. High-tech companies usually face the challenge of managing a variety of sales roles from inside sales to technical sales to global account managers.

As the business grows, the sales team grows and many times, people in the same roles are segmented by factors such customer size i.e. large enterprises vs. small and medium businesses.

For example, in the account management team, a single enterprise rep could be responsible for one to two large accounts. In contrast, an SMB (small to medium business) rep could be in charge of managing ten accounts. Consequently, a single role could host multiple incentive plans depending on the segmentation formula the company employs in its go-to-market and customer management strategy.




Moreover, the technology space is known to host a matrixed sales organization where a mix of people may be credited for a single sale. These roles, roll-ups and hierarchies culminate into a variety of incentive plans and present unique crediting requirements such as overlays where credit for a single transaction could be applied to a diverse set of roles involved in the sales process. Managing an ever-changing portfolio of territories and a vast number of quotas is also a challenge that is fairly prominent in this fast-paced industry.




Additionally, the tech world has moved from a formerly perpetual business model to adopting the subscription economy. While this move offers both the technology vendors and investors a fairly robust recurring revenue model built on the foundation of predictable, long-term profits, the model itself presents its own operational problems that trickle down into incentives and performance management.

The new model requires companies to constantly adapt to subscriber demands to ensure they attract and retain customers who, at any moment, can switch to another product or service.




With traditional perpetual models, sales could be easily categorized as transactional or one-time events. Sales journeys for reps started when they received marketing qualified leads (MQLs) and ended when the customer signed the contract.

There may be a service component but once the contract was signed, the duty and responsibility of sales reps was, by and large, complete.



In contrast to a relatively short-lived span of sales in the customers' lives, the sales organization has now become a constant throughout the customer lifecycle in many companies. Now, sales teams need to think about long-term customer relationships which, in turn, changes the sales strategy and associated incentive programs completely. Sales teams are incentivized not only on new sales but also renewals, cross-sells, up-sells and expansions into the existing customer base. Instead of getting paid on a single event when the customer signs the contract, sales teams now sell on multiple measures such as monthly or annual recurring revenue (MRR/ARR), Total Contract Value (TCV) and the total length of the subscription term.

Moreover, sales reps may be paid on any one or multiple triggers such as contract signature, revenue recognition, contract renewals and cash collections. Clawbacks are also a large part of the new compensation programs as any customer churn, especially mid-term contract cancellation, goes against the grain of sustainable, recurring revenue.



Add that to the various incentive programs and compensation plans required to drive the right employee behavior focused on long-term customer relationships and sustained profits and companies have a significantly intricate compensation framework that is almost impossible to manage without the right systems and tools in place.

Many organizations still rely on basic solutions that are not well-suited to managing such immense compensation complexity and that lack the functionality that current practices and regulations demand. For companies still using spreadsheets, intricate compensation plans can be painful to manage as spreadsheet-based solutions tend to create disorganized, error-prone layers of information with an acute lack of audit and reporting capabilities.

Visibility for the compensation administrators, sales reps and managers is severely compromised which, in turn, causes reps to turn to shadow accounting thus reducing employee productivity, jeopardizing sales performance and ultimately, causing employee attrition.

In addition to this, the intent of long-term relationship between vendors and customers promotes the existence of multiple sales roles to correspond with every stage of the customer journey – from inside sales to account managers.

The intricate go-to-market strategies to account for various channels of revenue mean segmentation based on multiple channels, territories, customer types, products and verticals. This type of matrixed segmentation results in equally complex sales models that make quota setting, mid-year adjustments and crediting even more difficult.

Moreover, with such a model, transaction volumes are much higher as each customer continues to set off measurable activities. The number of transactions increases and so does the corresponding data. And in today's organizations, there is rarely ever a single data source to capture all the data from employee detail to transactional revenue and related payout information.

3 **Forward-looking Strategic Decision-Making**


Accurate sales forecasts are of vital importance to the survival and profitability of high-tech organizations. In an industry where competitors can easily enter the market and gain market share, it is critical for companies to have a clear view of current performance and expected future projections to ensure rapid adaptability of strategy based on market changes.

As noted earlier, accessibility of data is the subject of much discussion in the technology space. Businesses hardly ever have a clean, single data source in which to gather all data required to mine critical insights. In any given organization, data sources range from stand-alone systems collecting employee and customer data to systems collecting a mix of financial and industry data. With a multitude of disparate data sources and a lack of solutions to easily extract and analyze appropriate information, many firms find they are apprised of relevant information too late in the game and end up losing market share to competition.



> Companies leveraging excel spreadsheets and one-off reporting solutions lack the ability to pull data into a centralized reporting structure and grant detailed visibility of employee and business performance to decision makers. The global economy sees its fair share of upheaval and disruption that could wipe out entire industries in a single event. Executives today face increased challenges in guaranteeing long-term positive impacts of any given strategic decision. Ever-evolving market requirements, global political unrest and socio-economic shifts place serious strain on business leaders to stay ahead of the times and make accurate decisions that solidify long-term business sustainability and growth.

While executives need such insights to quickly analyze and model strategic outcomes based on internal and external factors, managers require access to their team's information to accurately identify areas of improvement in their teams. With highly volatile economic situations, it is necessary for managers to keep pulse on the performance of every team member to ensure consistent goal achievement and top performer retention.



Without access to the appropriate information and robust tools to view, analyze and model mission-critical data, businesses face a grave handicap when it comes to confidently adapting to changes in a manner that guarantees the best organizational outcome.

> Sales Performance Management: Best Practices

Leading high-growth technology companies that keep their pulse on the ever-changing market share a fundamental characteristic: the ability to learn quickly and adapt accordingly to reflect the times. The same principle applies when it comes to high-tech organizations that are successful in effectively managing sales performance even in times of turbulence and uncertainty.

THE BEST PRACTICE STANDARDS CAPTURED BELOW ARE COMMON DENOMINATORS IN COMPANIES THAT HAVE BEEN EXCEPTIONALLY SUCCESSFUL AT MANAGING BOTH INTERNAL AND EXTERNAL DISRUPTION IN RECENT TIMES.

Plan Design

Regulatory Compliance & Reporting

Plan Communication & Effectiveness

1

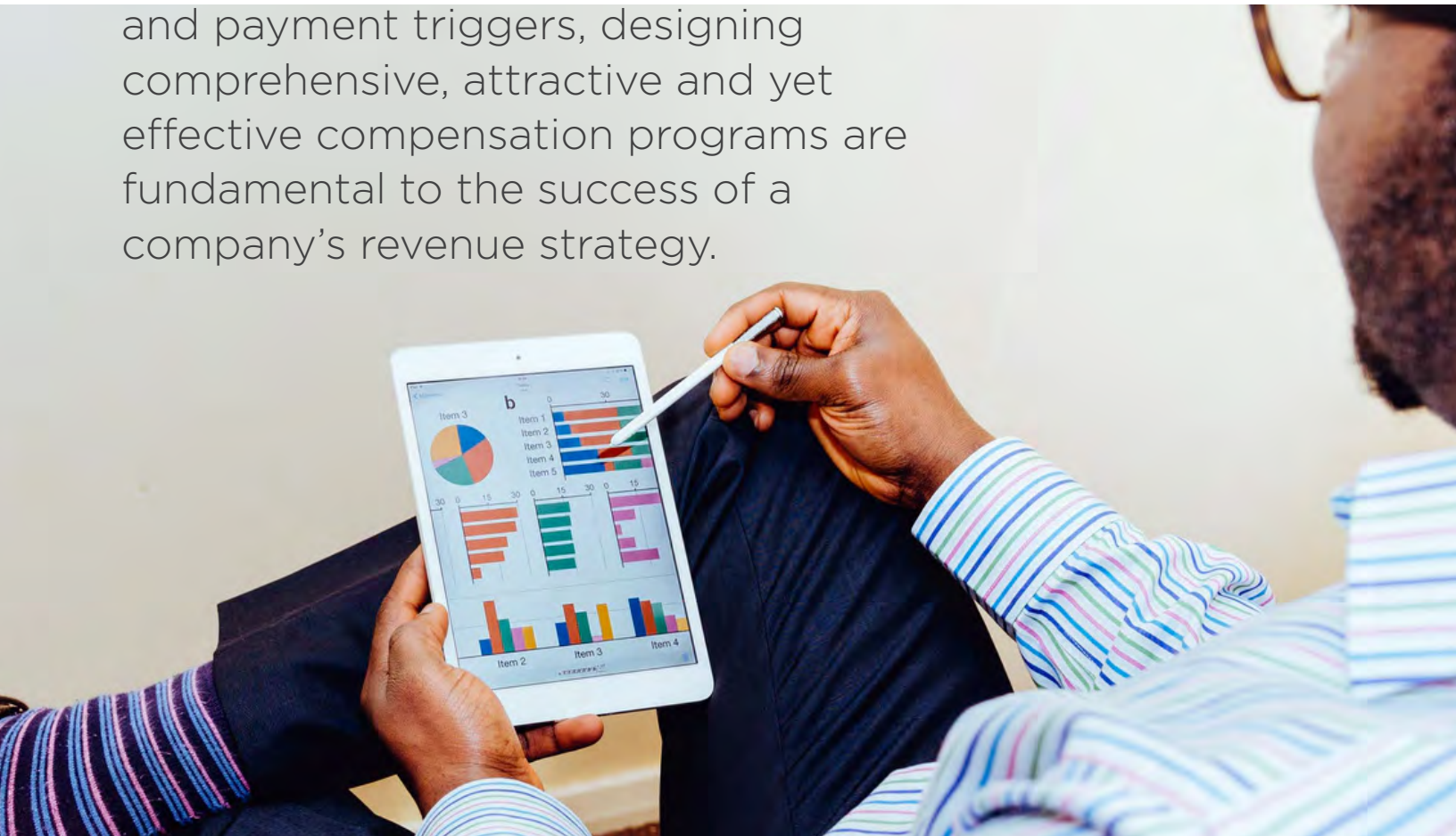
Plan Design: Alignment with Strategic Objectives

Arguably the most critical factor in a successful sales performance management strategy is the alignment of the organization's compensation structure with the overall strategic objectives and financial goals. The right compensation structure serves as the driving force in ensuring that the right sales behavior is incentivized and rewarded appropriately.

Well thought-out, clearly defined metrics and appropriate cash and non-cash reward systems are two elements that play an important role in defining the optimal compensation structure for employees in the sector.

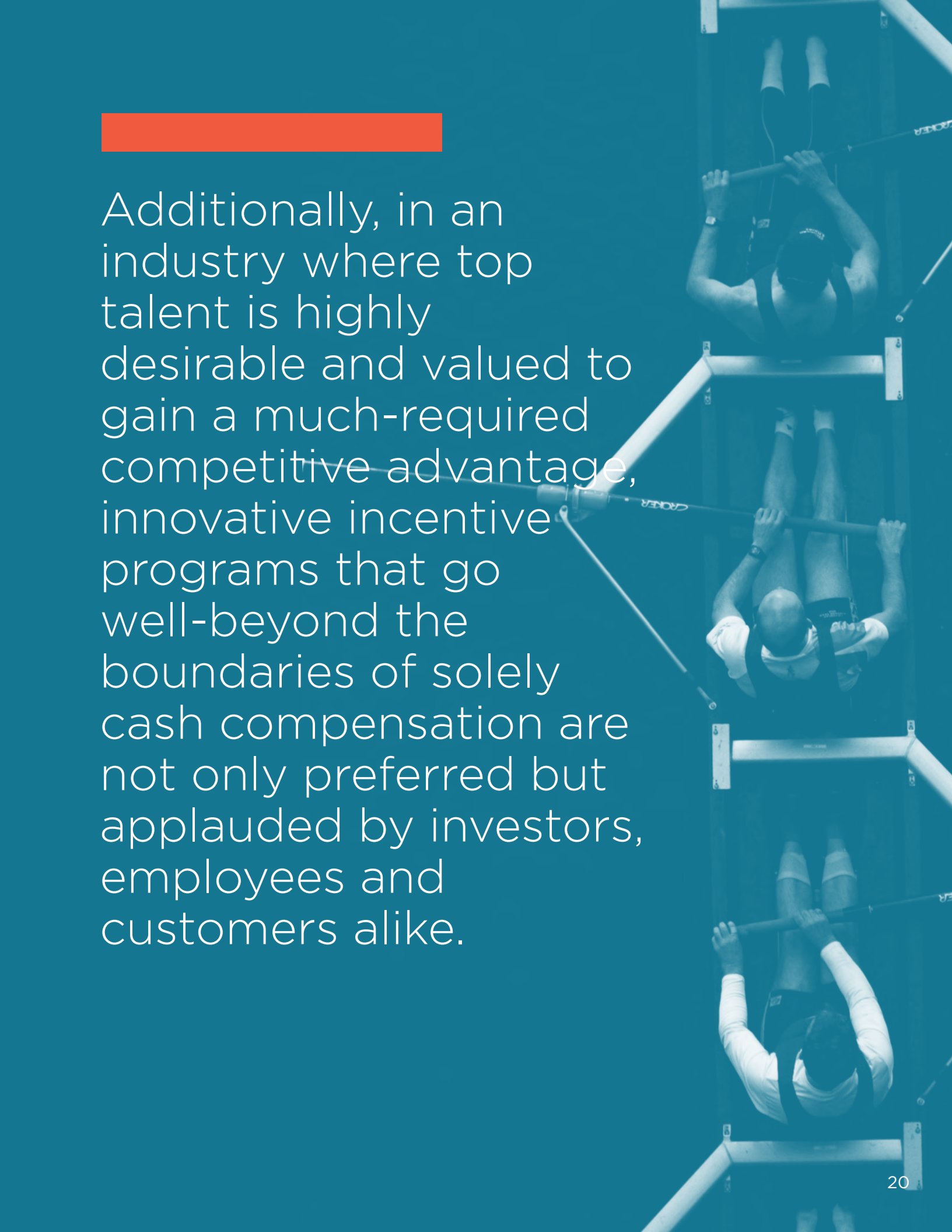
COMPANIES THAT SPEND TIME UNDERSTANDING EMPLOYEE PRIORITIES AND CHALLENGES ARE MUCH MORE SUCCESSFUL AT RECONCILING THE RIGHT METRICS AND INCENTIVES TO BUSINESS PRIORITIES THAN THEIR PEERS.

In a subscription model where salespeople are paid based on a variety of measures and payment triggers, designing comprehensive, attractive and yet effective compensation programs are fundamental to the success of a company's revenue strategy.



While setting territories and quotas to align with strategic sales objectives is foundational, developing metrics and structuring pay incentives tied to measures that feed directly into the firm's organizational growth is critical when designing performance plans.

A common best practice is leveraging elements such as the length of the subscription term or contract renewals as payment triggers so sales teams focus on maximizing customer lifetime value (CLTV) instead of transactional sales relationships. More established organizations may include customer success measures such as Net Promoter Scores (NPS), Customer Satisfaction Scores (CSAT) or share-of-wallet expansions in existing customer organizations to emphasize and promote the importance of multi-year contractual relationships.



Additionally, in an industry where top talent is highly desirable and valued to gain a much-required competitive advantage, innovative incentive programs that go well-beyond the boundaries of solely cash compensation are not only preferred but applauded by investors, employees and customers alike.

Attracting high-achievers with non-cash rewards that balance lifestyle choices – such as flexible work hours and remote offices - with hefty cash compensation for over-achieving targets is a normal occurrence in the industry.



However, as more millennials and later generations enter the workforce, businesses are striving to ensure long-time employee retention as these generations bring an ambitious mindset and tend to welcome frequent change in their careers. To mitigate the risk of such turnover, companies in the tech sector place a much higher emphasis on carving out potential career paths through outstanding talent development and management programs as a crucial part of employee performance management.

Companies that spend time understanding employee priorities, challenges and aspirations are much more successful at reconciling the right metrics and incentives to business priorities than their peers.

A silver laptop is open on a dark wooden desk. A white cable loops around the desk and under the laptop. The background is a dark, blurred image of the desk and laptop.

2

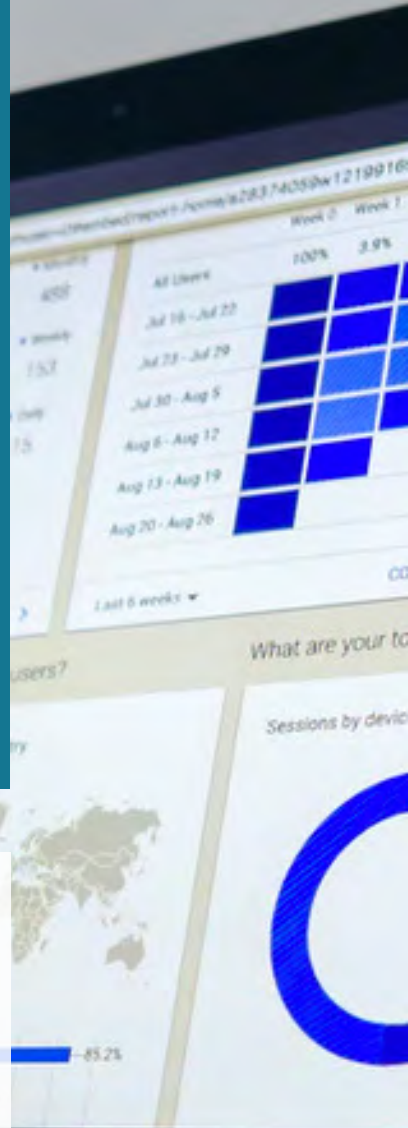
Regulatory Compliance & Reporting


As socio-economic factors continue to evolve, new regulations are constantly introduced to accommodate changing markets and associated business practices. Businesses have seen a wave of new or updated mandates in recent times ranging on topics from revenue recognition to personal data privacy.

These regulations pose a significant challenge when motivating and compensating sales teams effectively and efficiently. One example is the accounting standard, ASC 606, that was instituted in recent times. The standard mandates that revenue recognition should occur not when a customer signs a contract but when the service is provided.

For many organizations that may use revenue recognition as a measure, this means that sales commission is paid when the service or product is used by customers. Data privacy and protection laws are also evolving into stringent mandates that not only affect vendor-customer relationships but also employer-employee relationships.

Laws such as General Data Protection Regulation (GDPR) even affect normal HR practices when it comes to gathering, analyzing and utilizing employee data internally. Without the right to collect and access this information freely, companies face an added layer of challenge when assessing and managing employee performance which relies heavily on HRIS (employee data), CRM (customer data), ERP/GL (financial and transactional data) and other associated internal and external insights.





In light of these rulings, astute technology companies have now turned their attentions to Sales Performance Management solutions that are built to address these mandates so that organizations can quickly adapt to the latest mandates.

Since spreadsheets and in-house systems have proven to be time-consuming, error-prone mediums for performance management and regulatory compliance in recent times, savvy companies have started utilizing these carefully designed tools to achieve operational efficiencies, gather much-needed strategic insights and orchestrate themselves for compliance readiness.

For example, companies leverage such solutions to establish and manage compensation programs according to ASC 606 rules in a subscription economy and to access audit reports that serve as proof of regulatory compliance in business practices.

Due to these capabilities, compensation administrators can easily automate the gathering, accessing and processing of payment trigger data to identify when each rep is to be paid regardless of the number of measures, payment triggers, customers or transactions.

Such functionalities also allow organizations ready accessibility, in the form of reports and ad-hoc analysis, to all required levels of details when managing employee and business performance.

3

Plan Communication & Effectiveness: Reporting, Analytics & Data Insights

A key factor in employee alignment with strategic objectives is making sure employees understand their payout structure as well as the organization's goals and objectives.

The greater the transparency into compensation details and business priorities, the larger the employee trust. Clear communication of plan details and an openness to address employee queries by the compensation team and senior management has resulted in technology companies realizing significant increases in the employee satisfaction and retention scores.

Given the complexity of sales models in a recurring revenue economy, organizations need to build absolute confidence in the minds of their employees that the information they are processing is trustworthy so that the related payouts are timely and precise. Failure to do so, as many businesses have experienced, results in sales reps maintaining their own shadow accounting systems which negatively impacts sales performance and ultimately leads to high levels of employee turnover.

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To mitigate this risk, leading firms are ruthless in ensuring that sales reps gain full visibility of their compensation plan as well as payout details in a regular, consistent fashion.

This allows sales teams to rest assured that their employers are in possession of accurate compensation-related information in a timely fashion and, in turn, are paying their sales reps without errors or delays.

Moreover, continuously measuring sales performance is a required pre-cursor for companies trying to understand the effectiveness of incentive plans and the compensation structure as a whole. Companies with a well-designed approach to data tracking and the right analytics tools can take advantage of the captured information to gain a comprehensive view into corporate as well as individual metrics, assess plan effectiveness and easily derive key performance insights to share with management teams and employees alike.

Thoughtfully designing a data strategy to capture the required information, ensuring that the data is readily accessible to the appropriate users and implementing user-friendly, robust analytics solutions is imperative for companies aiming to better understand performance results and identify opportunities for future growth.

Why InnoVyne for High-Tech




InnoVyne Technologies Inc. (InnoVyne) has the domain experience, comprehensive technology knowledge and cost-effective methodologies to help software and technology institutions transform their sales performance management practices. InnoVyne helps high-tech organizations stay at the forefront of cutting-edge innovation by gaining a clear picture of business and employee performance and making accurate data-driven strategic decisions with confidence.

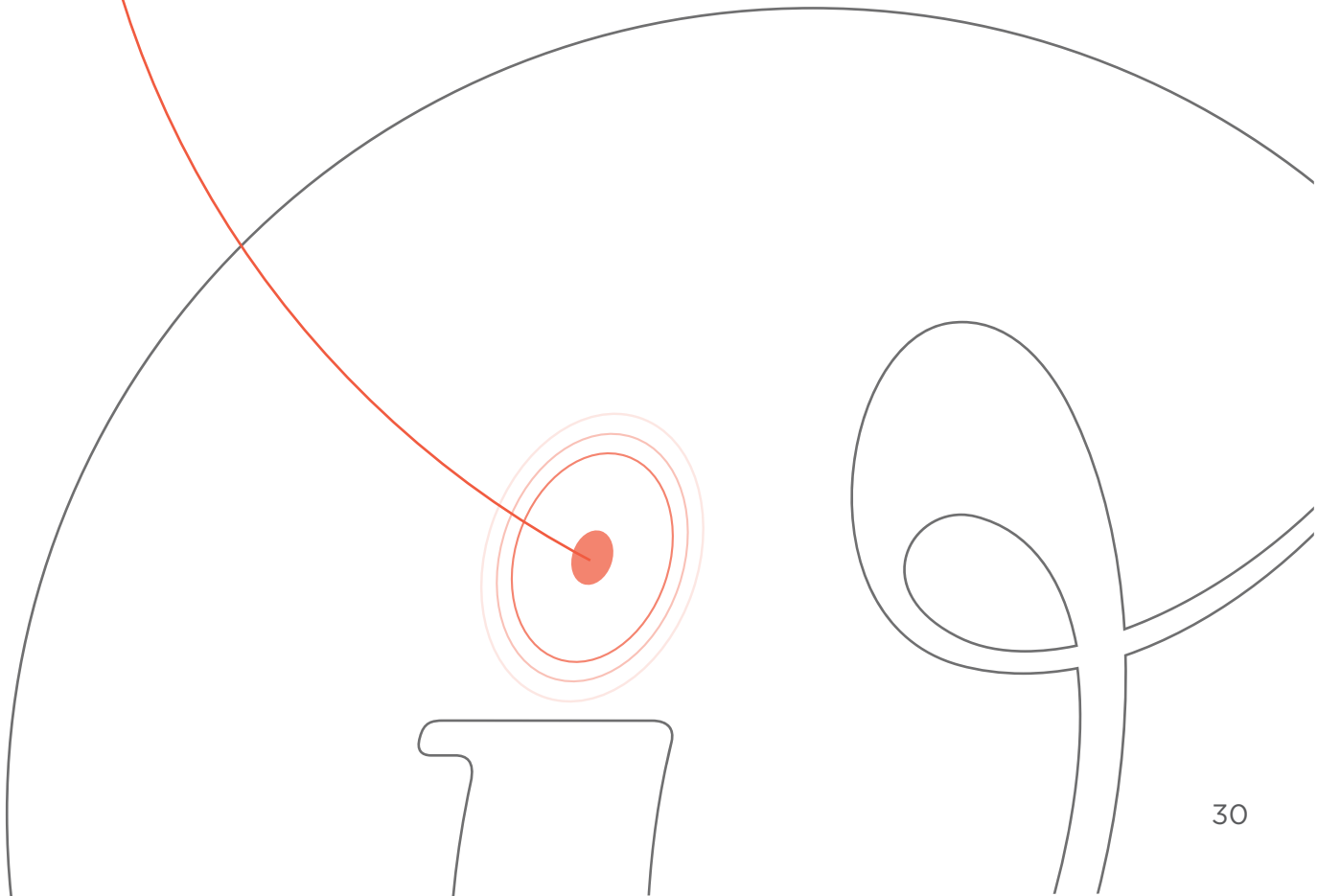
InnoVyne's certified experts combine SPM best practices with industry knowledge to address the technology sector's unique challenges, advise on the optimal technology solutions and enable clients for self-sufficiency and long-term success. The veteran team has been delivering strategic solutions and professional services to clients across North America since 2008.



InnoVyne is a trusted partner for sales performance management needs in the high-tech sector. As operators in the technology sectors, InnoVyne's experts are keenly familiar with the nuances of the entire technology ecosystem and bring an in-depth, comprehensive and innovative view to present optimal solutions for every sales performance management challenge encountered by their clients.




InnoVyne's ProAct methodology and flexible approach provides clients with a guided, prescriptive and customized experience designed to meet each client's distinctive requirements while realizing the benefits of InnoVyne's extensive knowledge of industry best practices.



Conclusion: The Future of Sales Performance Management in High-Tech

In a digitally connected subscription economy, sales models are changing to adopt a seamless go-to-market strategy involving marketing, sales and customer success into an end-to-end revenue operations cycle. Sales teams are now responsible for the initiatives of growing and retaining existing customer bases in addition to acquiring new customers. Instead of pure sales roles, revenue teams are now comprised of professionals from the strategic, marketing and customer success arenas such as growth experts, account managers and customer success reps.

As companies integrate and adjust their revenue strategies to match their subscriber lifecycles, sales performance management continues to expand to include these changing models and associated employee profiles. Astute organizations are now exploring new ways to incentivize, motivate and align their revenue operations teams to such comprehensive sales lifecycles as efficiently as possible.



To address this transformation, Sales Performance Management processes and solutions are expanding and improving to match the evolving demands of the market.

Companies are increasingly starting to rely on robust Sales Performance Management solutions to track and manage not only sales organizations but every role and function related to the revenue operations journey.

SPM solutions are known to bring automation, operational efficiencies and unprecedented insights to the areas of incentives management, territory and quota management as well as data analytics. However, leading technology companies are expanding their use of SPM solutions to manage performance of employees across various functions in revenue operations journey, a trend that an increasing number of players in the high-tech sector are already adopting.

About InnoVyne Technologies

InnoVyne Technologies is a software consultancy that specializes in Sales Performance Management (SPM) solutions. We partner with sales organizations to address automation, efficiency and transparency challenges in their sales operations and incentive compensation processes.

Our veteran team has been delivering strategic solutions and professional services to North American clientele since 2008. Our certified experts deeply understand their industry and technology, how to provide the most value, how to successfully deploy solutions, and all the logic that makes their solutions drive results.