INSIGHT**SQUARED**

The Operational Manual for

Inside Sales VPs

By Jason Jordan, Zorian Rotenberg and Nick Christman

Contents

Meet the Authors

Jason Jordan

Jason Jordan is a recognized thought leader in the domain of business-to-business selling and conducts ongoing research into management best practices in hiring, developing, measuring, and managing world-class sales organizations. Jason's extensive research into sales performance metrics led to the breakthrough insights published in his first book, Cracking The Sales Management Code.

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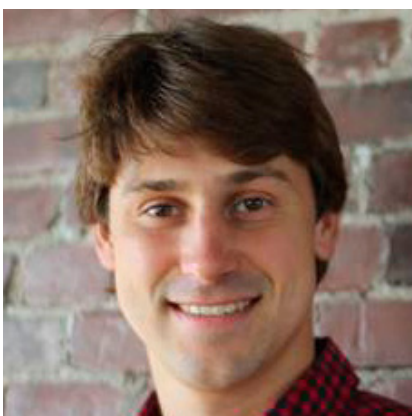
Nick Christman

Nick believes in smart analytics that help you get stuff done. He is passionate about models and analyses that simplify complicated business problems and let you drive the right actions as a result. Nick is currently pursuing an MBA at Harvard Business School. Prior to joining InsightSquared, he worked for McKinsey and for a supply chain analytics company. He has a BA from Dartmouth in Computer Science and a minor in Math.

Introduction

If you are an Inside Sales VP or Manager, you're measured solely on results. Your CEO doesn't care what you and your team are doing as long as you hit your number.   But results don't materialize out of thin air, so you push your team to create more pipeline and perform more activities. You push them to "do more," but they're already working hard. Frankly, this strategy isn't getting you anywhere.

Wake-up call: sales managers simply don't have direct control over their results.

So how can you manage your team differently to hit your aggressive sales goal? Based on "Cracking the Sales Management Code," this eBook will answer that question by providing the first operational manual for metrics-driven Sales VPs and Managers.

Bad News: You Can't Manage Results!

We'll start with a core premise: you can't manage results! In fact, you can't manage most of the things you're trying to manage. Let's first illustrate this point and then offer you the first critical takeaway of this book.

Consider Bob, an Inside Sales VP with a $1M revenue goal for the quarter and a team of 5 Inside Sales Reps (ISRs). Bob's team is working hard but halfway through the quarter they have only produced $200K in revenue. Suppose Bob sees the results and says to his team, "We are behind this quarter – you need to produce $800K these next 45 days so we can hit our number!" If it were that easy, Bob's team would have done it in the first 45 days of the quarter.

Now, let's suppose Bob digs in a little deeper. He determines that the Win Rate is down from last quarter though the number of deals in the pipeline is the same. Bob says, "We are behind this quarter; we need to win a higher percentage of deals these next 45 days." That's more specific, but Bob's team doesn't want to lose deals. How are they going to close more deals?

So Bob drills down one more level. He discovers that his team's average deal size is larger this quarter than last quarter, and as a result, many of the prospects' finance teams are getting involved. Bob's ISRs aren't used to dealing with finance teams and don't have any tools to convince them about the ROI of their product. Bob acts quickly. He gets the marketing team to build a ROI model over the weekend. Now Bob arrives on Monday and says, "We are behind this quarter. We need to improve our Win Rate on large deals, and we're going to use an ROI model to do it. I want everyone to attend a 2-hour training session on the ROI model this week, and I expect you to use the ROI model in every late-stage meeting starting next week."

Now Bob's team has a plan they can act on. They can control their ability to attend training, and they can control their ability to present the ROI model in late-stage meetings. Likewise, Bob can do things each day that improve his chances of making his number. He can check who has attended training, measure how often the ROI model is used, and listen in on calls to measure his ISRs' ability to use the model effectively. In 45 days, Bob can measure the effectiveness of his plan by checking his Win Rate. If the plan works, his team's Win Rate will increase, and so will his bookings.

We use Bob as a simple example to illustrate a much bigger and deeper point. As an Inside Sales Manager, you have 3 levels of metrics but there is only one that you can manage (and you can only influence the other 2):

1. Results: outcomes that the CEO wants but which you can't manage (example: sales revenue – yes, you really can't manage it)
2. Sales KPIs: metrics you can only influence, like Win Rate
3. Activity Metrics: the only thing you can actually manage every day

The Results that your CEO demands from the sales team determine the Sales KPIs that you should influence, which in turn decide the Activity Metrics you must manage on a daily basis. If you manage these Activity Metrics well, you will be able to influence those Sales KPIs (like Win Rate) and ultimately achieve the Results your CEO demands. Figure 1 illustrates this relationship: Results drive which Sales KPIs and Activity Metrics you select, but managing Activity Metrics leads to achieving Sales KPIs and Results.

CHOOSING METRICS
Results drive the **Sales KPIs and Activity Metrics**
that you choose to manage every day

Results
Outcomes that you CAN'T MANAGE

Sales KPIs
Metrics you can ONLY INFLUENCE though how you manage activities

Activity Metrics
Tasks that you MUST MANAGE EVERYDAY

Achieving **Activity Metrics** leads to meeting **Sales KPIs**, which leads to nailing **Results**
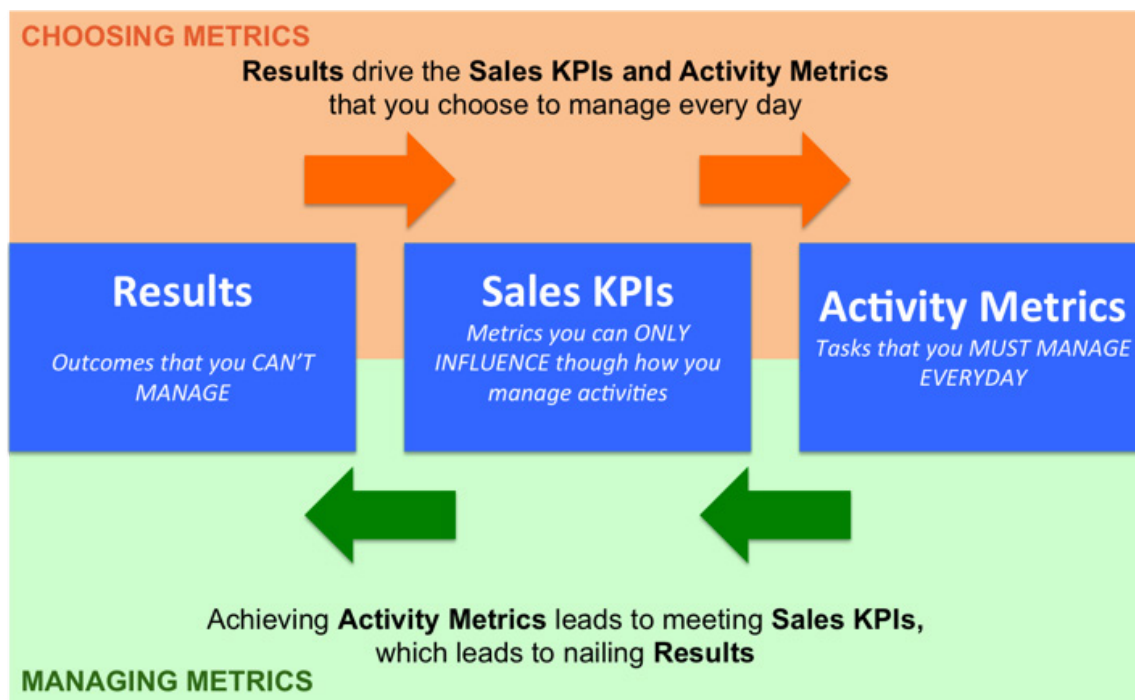**MANAGING METRICS**

Figure 1: Results, Sales KPIs, and Activity Metrics

The 3 Results Metrics Your CEO Cares About

If you're a Sales VP or Manager, what results should your CEO care about?

1. Revenue from new business. This measures how much new revenue your sales team has generated each period. It's the core measure of ISR performance.

2. Pipeline Value from new business. This measures how effectively you are positioned to meet the next period's new business target. It's the core measure of your marketing and outbound team's performance.

3. Revenue churn, measured as: [this period's revenue from existing customers] / [last period's revenue from existing customers]. This is the critical measure for account management. It shows how well you are retaining and growing your existing customer base.

Wait, you might say. Pipeline is not a Result! It's a leading indicator for revenue, so it should be a Sales KPI, not a Result.

Suppose our Inside Sales VP Bob wants to increase Pipeline Value. He turns to his prospecting team and says, "We need more Pipeline!" Of course, his team is already working hard to generate pipeline. So he goes deeper: "We need convert more of our dials into opportunities (a Sales KPI)." But to do this, Bob will need to find a way to make his team more effective on calls - perhaps through some combination of territory planning, call planning, and training goals (Activity Metrics).

Pipeline Value is Revenue, just at an earlier stage. It cannot be directly managed or directly influenced. Instead, you must create Sales KPIs and Activity Metrics that drive Pipeline Value creation. (As we will see later, there are aspects of traditional pipeline management that fall into the Sales KPI category.)

In the following sections, we will focus on how to systematically achieve the first 2 Results: Pipeline Value and Revenue.

Sales KPIs To Deliver The Results Your CEO Demands

Once your CEO has defined Results Metrics, it's your job to cascade the right Sales KPIs and Activity Metrics down to your team. This section is focused on choosing the right Sales KPIs. In Figure 2, we define the top 5 Sales KPIs that align to our first two CEO Results, Pipeline Value and Revenue from New Business.

Result	Sales KPIs	Activity Metrics
Pipeline Value	Dials: Opp	
	Average Opp Size	
	Opp inflow/Outflow	
Revenue from New Business	Conversion by Stage	
	Sales Cyrcle by Stage and by Won-Lost	

Figure 2: Top 5 Sales KPIs to Drive Pipeline and Revenue from New Business

Dials: Opportunities

While you can't influence Pipeline Value, you can influence the number of new opportunities created. We measure this as Dials : Opp. While the volume of dials is an Activity Metric, the Dials : Opp ratio is a fundamental metric for the effectiveness of your Prospecting team – something you can influence through call planning, training, and coaching.

What is the efficiency of our recent activity?
Activity ratios using activity date

Custom · Last · This · To Date · **Trailing**

7D · 30D · 90D · **12M**

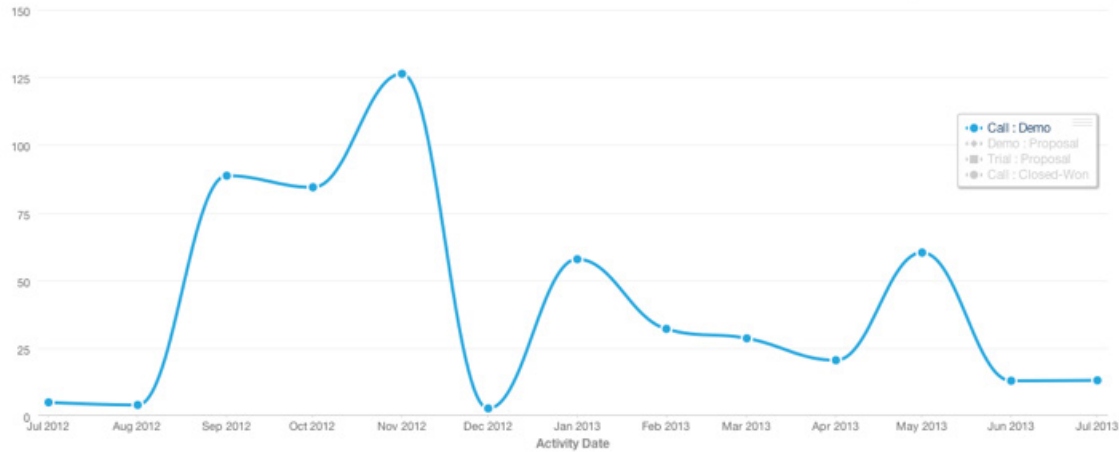Legend: Call : Demo · Demo : Proposal · Trial : Proposal · Call : Closed-Won

Figure 3: Dials : Opportunity Sales KPI

In November 2012, Inside Sales VP Bob noticed a downward trend in the effectiveness of his Prospecting team's dials. To correct this, Bob implemented new Activity Metrics to get his team back on track and drive the Pipeline Value Result his CEO required.

Average Opportunity Size

The second driver of Pipeline Value is Average Opportunity Size. You can influence this Sales KPI through day-to-day activities, like planning the call patterns of the prospecting team and coaching reps to articulate the product's value more effectively, which later influences pricing.

SELECTION: All · Top 15 · None INTERVAL: Quarter · Filtering Export

Quarter	Total Deal Value	Goal Value	Percent of Goal Value	Number of Deals	Goal Number	Percent of Goal Number	Average Deal Value
☑ Jul 2013	$816,665	$10,736,364	8%	65	621	10%	$12,564
☑ Apr 2013	$10,219,389	$10,106,061	101%	550	594	93%	$18,581
☑ Jan 2013	$7,754,159	$9,896,970	78%	580	579	100%	$13,369
☑ Oct 2012	$10,492,374	$9,269,697	113%	645	558	116%	$16,267
☑ Jul 2012	$7,658,181	$8,642,424	89%	629	545	115%	$12,175
5 Selected	$36,940,769	$48,651,515	76%	2,469	2,897	85%	$14,962
Overall	$36,940,769	$48,651,515	76%	2,469	2,897	85%	$14,962

Figure 4: Average Opportunity Size by Quarter

Opportunity Inflow/Outflow

The last Sales KPI related to Pipeline Value is Opportunity Inflow/Outflow. This indicates whether the total count of opportunities in your pipeline is increasing or decreasing.
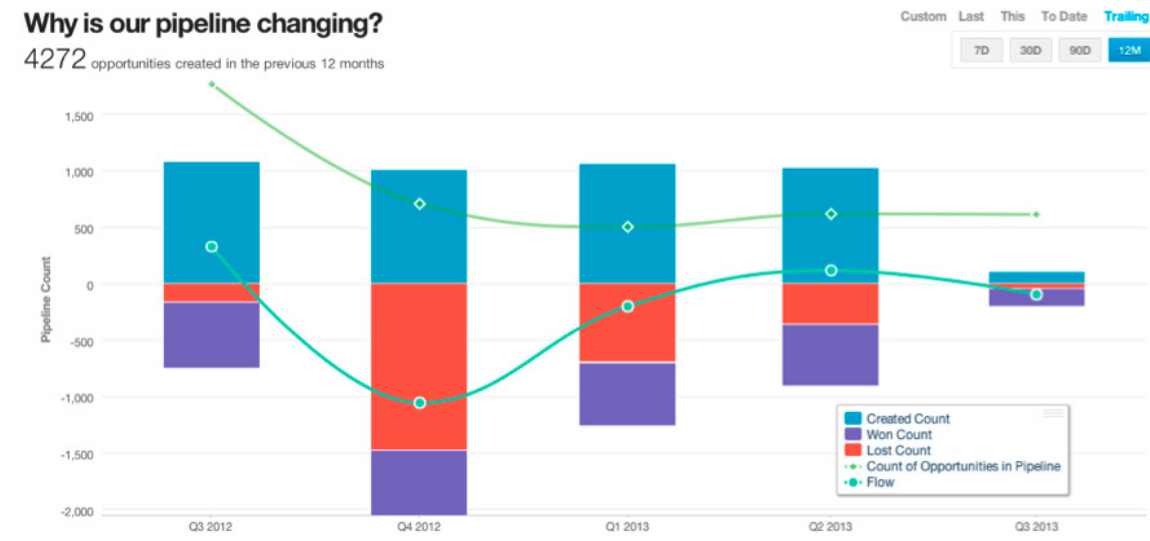

Figure 5: Pipeline Inflow/Outflow by Opportunity Count

When Bob examined the Inflow/Outflow above, he noticed that his team closed-lost a large number of deals in Q4 2012. However, the prospecting team did not create a surge of new opportunities large enough to replace that loss of deals, so the total count of open opportunities (represented by the green line) declined. This informs what Activity Metrics he should select to focus his team on.

Bob also views this chart to ensure his team has a sufficient number of opportunities exiting the Pipeline. If Outflow is too low, it usually means that his reps are not closing out stalled or aged opportunities, which artificially inflates Pipeline Value.

Conversion Rate by Stage

Once Bob has a sufficient flow of opportunities in his pipeline, he focuses on converting them efficiently through the sales process. He views Conversion Rate by Stage as the key measure of ISR effectiveness. While he can't directly manage conversion, he can influence it by training, assessing, and coaching skills like qualification and closing.

What are our conversion rates for closed opportunities?

31% win rate for opportunities with close dates in the previous 12 months.

Opportunity Count

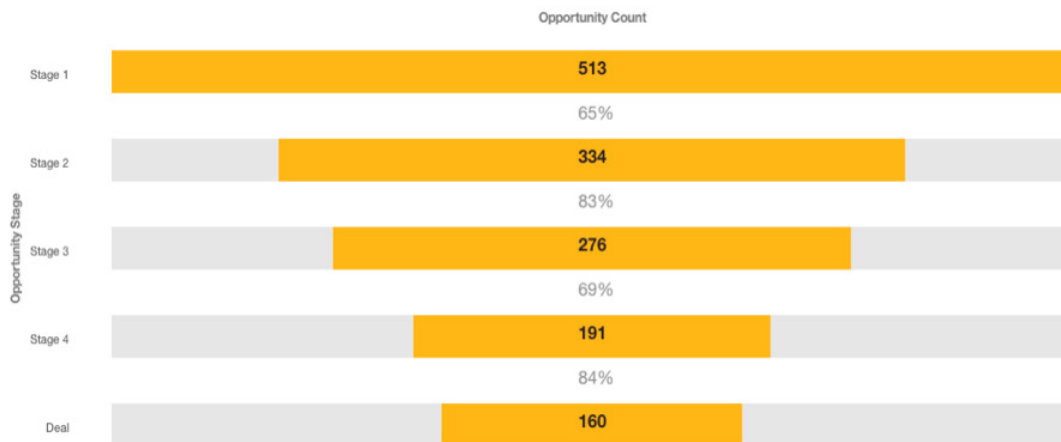| Opportunity Stage	Count	
Stage 1	513	
	65%	
Stage 2	334	
	83%	
Stage 3	276	
	69%	
Stage 4	191	
	84%	
Deal	160	

Figure 6: Conversion Rate by Stage

When Bob assesses the Conversion Rates above, he sees an opportunity for improvement. He'd like to decrease the early-stage Conversion Rates through improvement in qualification skills. In particular, he'd like to see more opportunities filtered out between Stage 1 and 2.

At the same time, he'd like to increase the late-stage Conversion Rates through improvement in closing skills. Bob sees an opportunity to improve the Conversion Rate from Stage 3 to 4 beyond 69%. This should be possible with better quality opportunities at Stage 3. Executing this plan will produce a more efficient sales process, which will increase ISRs' capacity and allow Bob's team to generate more Revenue.

Sales Cycle by Stage and by Won-Lost

If Conversion is the key measure of effectiveness, Sales Cycle by Stage is the key measure of both ISR opportunity planning and capacity. Sales Cycle by Stage is a metric that Bob can influence. First, he looks for his ISRs to create and execute thoughtful opportunity plans that anticipate and meet the needs of each prospect. He can look to see how often ISRs are touching each Opportunity to ensure his team is keeping the appropriate momentum in the sales process. In Figure 7 below, Bob had opportunities stalling in Stage 3 (green bar) in Q3 2012. Fixing this problem, through Activity Metrics, led to a shorter sales cycle in subsequent quarters.
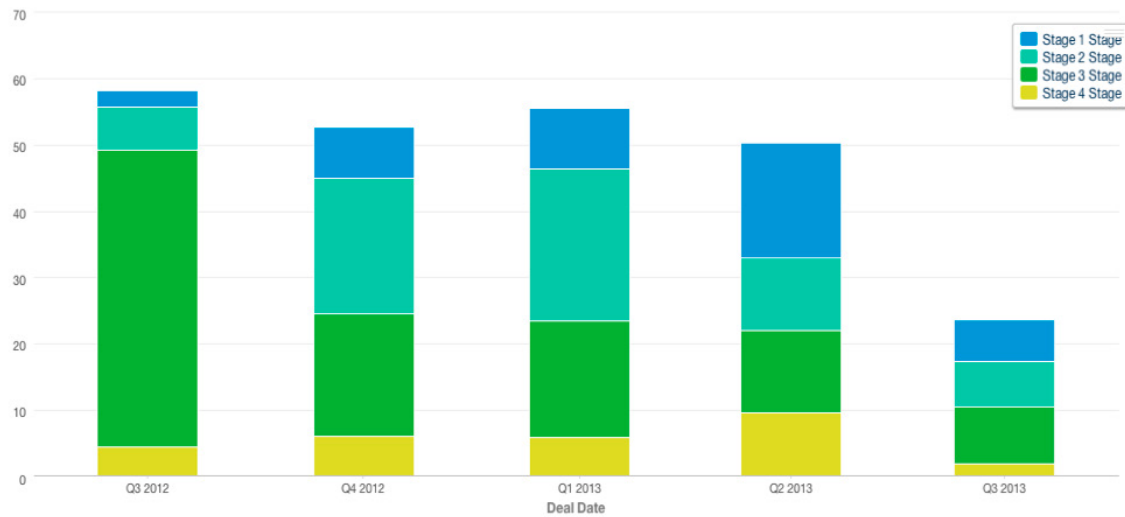
Figure 7: Sales Cycle by Stage

Sometimes differences between the sales cycle for won opportunities and lost opportunities can drive an inefficient sales cycle. As a result, Bob also compares the sales cycle stage for won and lost opportunities, shown below in Figure 8.
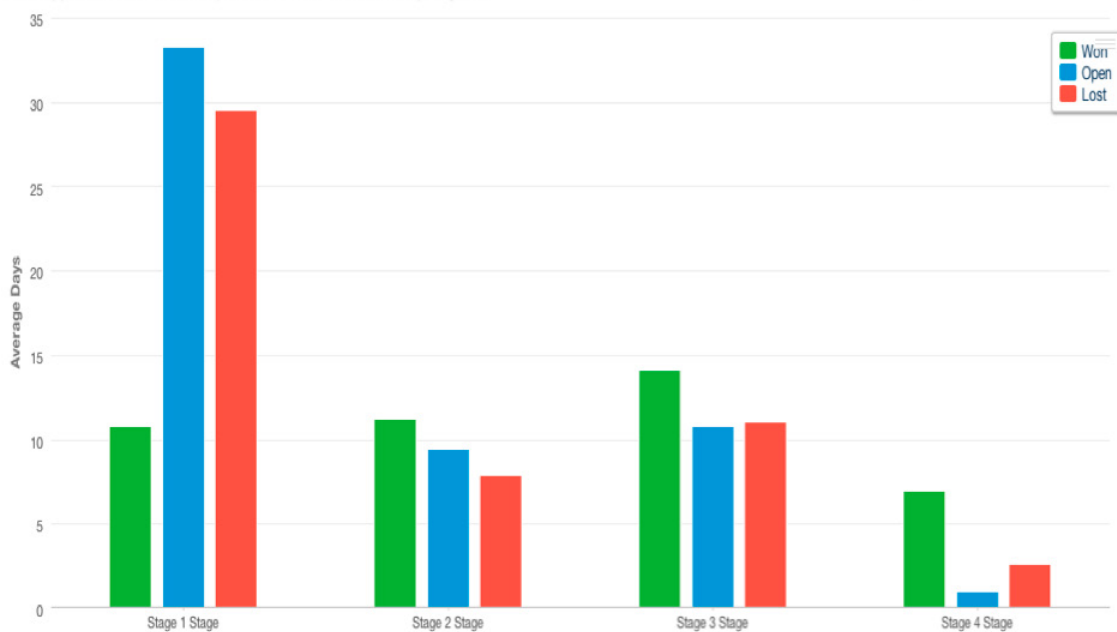

Figure 8: Sales Cycle by Won-Lost

Activity Metrics You Need To Manage Every Day

You can influence Sales KPIs, but only through choosing and managing the right Activity Metrics every day. We classify activity metrics into 3 areas:

1. Planning: Depending on the role and sales process, this could be creating prospecting, account, or opportunity plans.
2. Executing: Plans are great, but sales come from putting plans into action. This area can also include hiring when you need to scale your team.
3. Improving: This includes activities like training, performance assessment, and coaching, which are critical to meet your aggressive growth goals.

Choosing the right Activity Metrics is an art that requires understanding the drivers of success in your company's sales process. Below in Figure 9, we give a selection of Activity Metrics that drive the Top 5 Sales KPIs. We have found these help us achieve success on our 5 Sales KPIs, which drive our Pipeline and Revenue Results.

Result	Sales KPIs	Activity Metrics	
Pipeline Value	Dials: Opp	Dials per Day	Training - Prospect
		Connects per Day	Calls Assessed/Coached
	Average Opp Size	Average Call Time	Prospecting Plan Completion
	Opp inflow/Outflow	CRM Data Quality	SDR capacity
Revenue from New Business	Conversion by Stage	Training - Qualification	Training - Closing
		Sales Tool usage	Calls Assessed/Coached
	Sales Cyrcle by Stage and by Won-Lost	Activities per ISR	Opp Momentum
		Opps per ISR	Opp Plan Completion

Figure 9: Activity Metrics that Drive Top 5 Sales KPIs

Below is an example of a simple call dashboard that Bob can use daily to monitor his SDRs' calls and talk time per day.
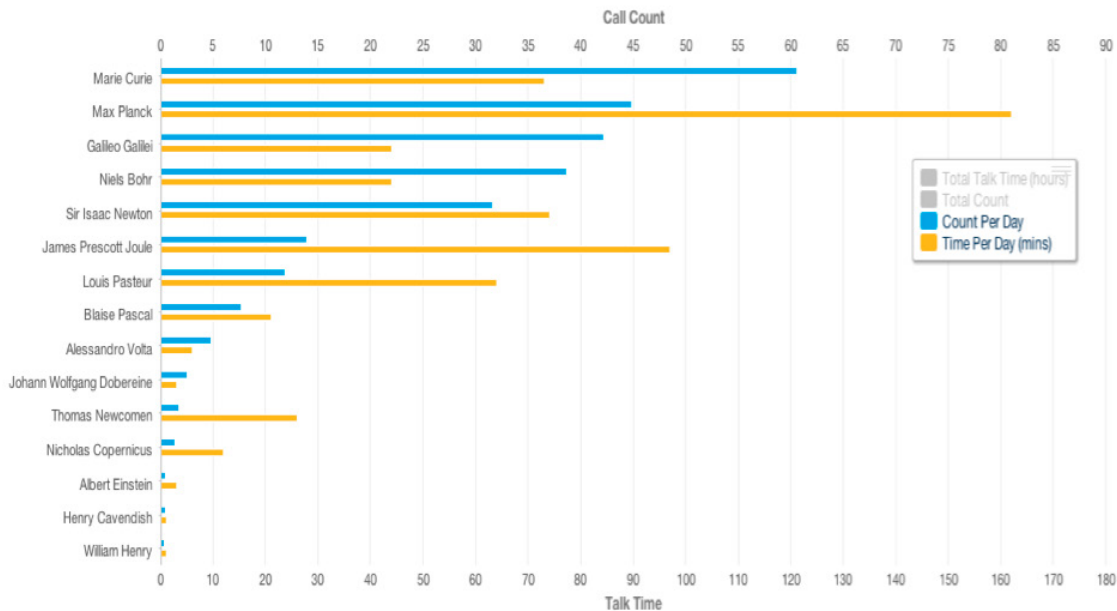
Figure 10: Calls and Talk Time Per Day

We won't cover each metric in depth because Activity Metrics are specific to your company and industry. However, Figure 11 shows how our Activity Metrics cover planning, executing, and getting better, which is an important test for the Activity Metrics you select.
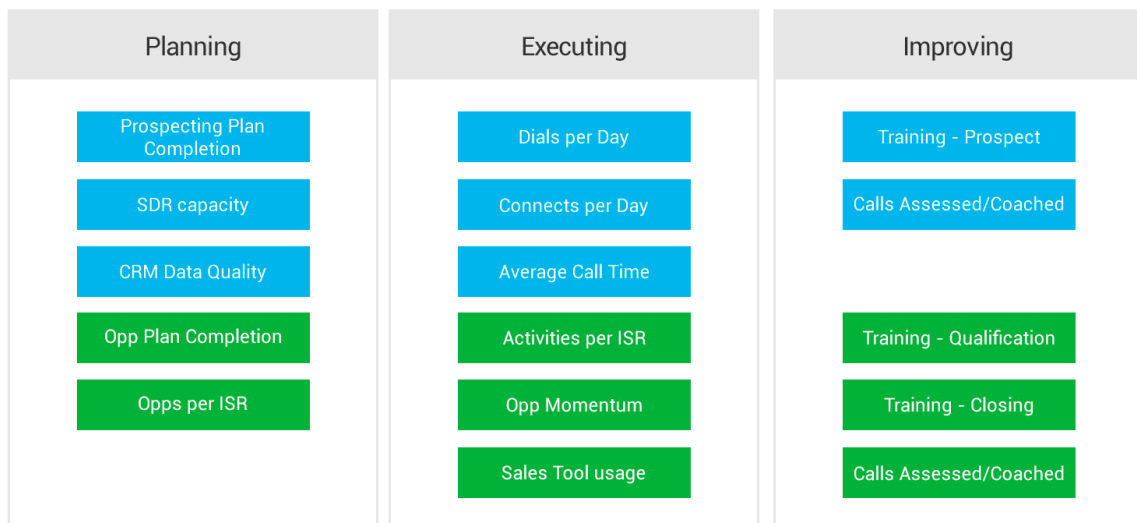
Figure 11: Planning, Executing, Getting Better

Health Check: 9 Benchmarks to Identify the Right Activity Metrics

As you consider which Activity Metrics make sense for your team, check your performance against these 9 benchmarks. If you're underperforming, consider whether the related considerations suggest new Activity Metrics that could improve your team's performance.

#	Metric	Benchmark	Considerations if you're below benchmark
1	Dials per day	63	• Planning: How do your SDRs create prospecting plans? • Executing: Do your SDRs spend too long on the phone?
2	Dials : Opp	100	• Triage the problem with the 3 metrics below
3	Dials : Connect	10	• Planning: Are your reps scrubbing lists effectively? • Improving: Do your reps call at the right time? • Improving: Do your reps know how to circumvent secretaries and reach the target decision-makers?
4	Connects : Mtg	4	• Executing: Do your reps deliver their message concisely? • Coaching: Do your reps articulate your value proposition effectively?
5	Mtg : Opp	2.5	• Coaching: Do your reps have strong qualification skills?
6	Active Opps per ISR	25	• Planning: If you're below, do you need more SDRs to increase opportunity inflow? • If you're above, do you need to improve qualification skills? If all the opportunities are qualified, do you need to increase your ISR team size?

#	Metric	Benchmark	Considerations if you're below benchmark
7	Win rate (Opp-to-deal)	27%	• Executing: Do you have the right sales tools? Are you using sales tools appropriately? • Improving: Are you assessing and coaching enough calls to identify the source of the weakness? • Improving: Are you training your reps on specific tactics to address the weakness in the process?
8	Manager : ISR	1 : 7	• Planning: Do you have the right management ratios to train, assess, and coach your reps? • Improving: How many hours of training, assessing, and coaching do your managers perform per week?
9	Ramp time	3 months	• Planning: Is your hiring process in sync with your Pipeline and Revenue expectations? • Planning: Do you have an effective opportunity planning process to give reps a clear idea of how to execute? • Improving: Do you assess your reps' performance on calls frequently enough to quickly identify the areas that need improvement?

A Few Tips on Building a Metrics-Driven Sales Organization That Delivers

1. Build and Maintain the Sales Team

You need a sales team to execute. To grow your sales, you need enough SDRs on the Outbound Sales Prospecting Team and also enough quota-carrying ISRs. Do you have enough reps to do enough sales activities and enough ISRs to work your opportunities and hit your quota?

2. Make Time for Training & Coaching

Are your sales reps full-time equivalents (FTE)? Remember, it usually takes about 4 months for new hires to get fully productive. Do you have an efficient training and on-boarding system in place for new hires? If you don't have enough reps, you need to hire quickly or you won't make your sales number in 2014.

Make sure your reps are sufficiently trained on the correct sales processes, one that matches the buying process of your target market. This usually occurs most easily when you give your reps regular metrics-focused sales coaching. These conversations should be individually tailored to each rep based on where the numbers show their strengths and weaknesses lie.

Remember that there is no better way to invest your time than in coaching. Imagine you spend 5 hours closing a $100K deal. That seems like a success. But if you had spent 1 hour coaching 5 reps, they might each close an incremental $50K deal. That's $250K, a 2.5x better return on your time.

3. Create a Metrics-Driven Culture

This starts with you. Ask data-driven questions consistently. Inspect what you expect from your reps, and don't accept excuses for inaccurate data in the CRM.

You can aid in this by sending your reps weekly and nightly reports that include the Sales KPIs and Activity Metrics that you care about. They'll see where you're focused and turn their attention to these same metrics. Figure 12 shows an example of how you can set up metrics-driven emails.
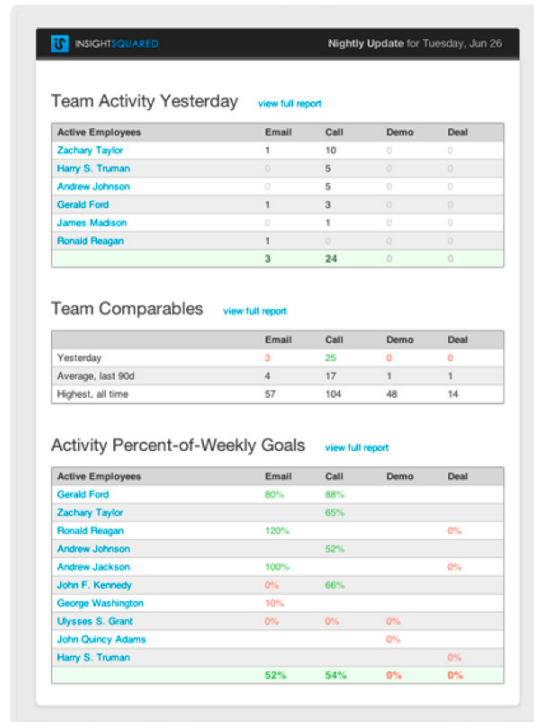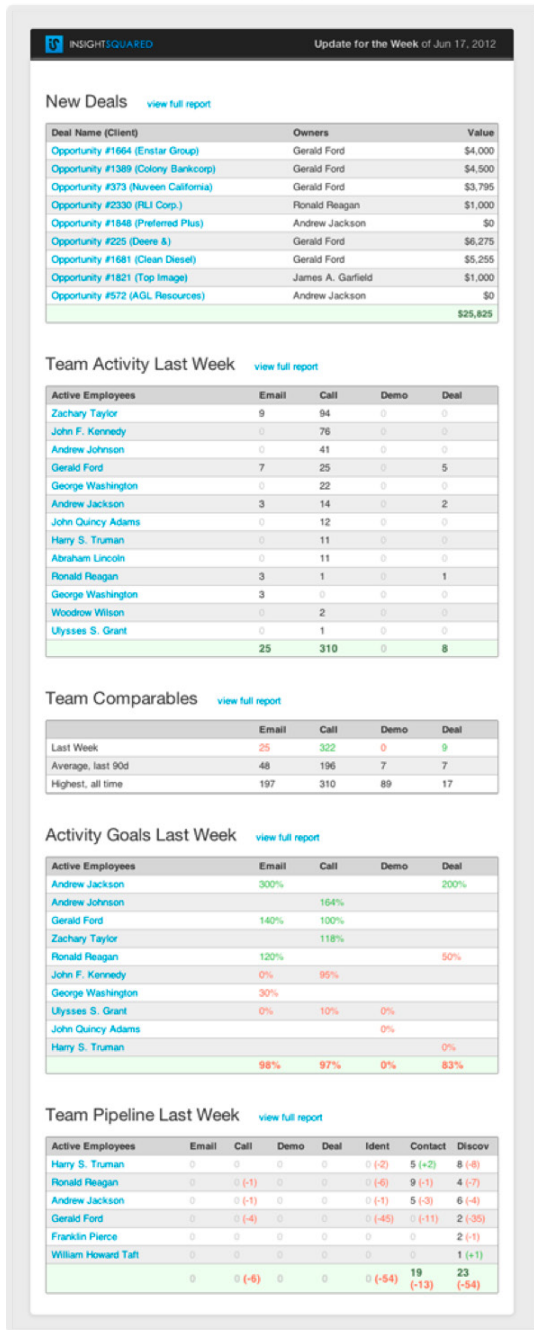
Weekly — INSIGHTSQUARED — Update for the Week of Jun 17, 2012

New Deals view full report

Deal Name (Client)	Owners	Value
Opportunity #1664 (Enstar Group)	Gerald Ford	$4,000
Opportunity #1389 (Colony Bankcorp)	Gerald Ford	$4,500
Opportunity #373 (Nuveen California)	Gerald Ford	$3,795
Opportunity #2330 (RLI Corp.)	Ronald Reagan	$1,000
Opportunity #1848 (Preferred Plus)	Andrew Jackson	$0
Opportunity #225 (Deere &)	Gerald Ford	$6,275
Opportunity #1681 (Clean Diesel)	Gerald Ford	$5,255
Opportunity #1821 (Top Image)	James A. Garfield	$1,000
Opportunity #572 (AGL Resources)	Andrew Jackson	$0
		$25,825

Team Activity Last Week view full report

Active Employees	Email	Call	Demo	Deal
Zachary Taylor	9	94	0	0
John F. Kennedy	0	76	0	0
Andrew Johnson	0	41	0	0
Gerald Ford	7	25	0	5
George Washington	0	22	0	0
Andrew Jackson	3	14	0	2
John Quincy Adams	0	12	0	0
Harry S. Truman	0	11	0	0
Abraham Lincoln	0	11	0	0
Ronald Reagan	3	1	0	1
George Washington	3	0	0	0
Woodrow Wilson	0	2	0	0
Ulysses S. Grant	0	1	0	0
	25	310	0	8

Team Comparables view full report

	Email	Call	Demo	Deal
Last Week	25	322	0	9
Average, last 90d	48	196	7	7
Highest, all time	197	310	89	17

Activity Goals Last Week view full report

Active Employees	Email	Call	Demo	Deal
Andrew Jackson	300%			200%
Andrew Johnson		164%		
Gerald Ford	140%	100%		
Zachary Taylor		118%		
Ronald Reagan	120%			50%
John F. Kennedy	0%	95%		
George Washington	30%			
Ulysses S. Grant	0%	10%	0%	
John Quincy Adams			0%	
Harry S. Truman				0%
	98%	97%	0%	83%

Team Pipeline Last Week view full report

Active Employees	Email	Call	Demo	Deal	Ident	Contact	Discov
Harry S. Truman	0	0	0	0	0 (-2)	5 (+2)	8 (-8)
Ronald Reagan	0	0 (-1)	0	0	0 (-6)	9 (-1)	4 (-7)
Andrew Jackson	0	0 (-1)	0	0	0 (-1)	5 (-3)	6 (-4)
Gerald Ford	0	0 (-4)	0	0	0 (-45)	0 (-11)	2 (-35)
Franklin Pierce	0	0	0	0	0	0	2 (-1)
William Howard Taft	0	0	0	0	0	0	1 (+1)
	0	0 (-6)	0	0	0 (-54)	19 (-13)	23 (-54)

Nightly — INSIGHTSQUARED — Nightly Update for Tuesday, Jun 26

Team Activity Yesterday view full report

Active Employees	Email	Call	Demo	Deal
Zachary Taylor	1	10	0	0
Harry S. Truman	0	5	0	0
Andrew Johnson	0	5	0	0
Gerald Ford	1	3	0	0
James Madison	0	1	0	0
Ronald Reagan	1	0	0	0
	3	24	0	0

Team Comparables view full report

	Email	Call	Demo	Deal
Yesterday	3	25	0	0
Average, last 90d	4	17	1	1
Highest, all time	57	104	48	14

Activity Percent-of-Weekly Goals view full report

Active Employees	Email	Call	Demo	Deal
Gerald Ford	80%	88%		
Zachary Taylor		65%		
Ronald Reagan	120%			0%
Andrew Johnson		52%		
Andrew Jackson	100%			0%
John F. Kennedy	0%	66%		
George Washington	10%			
Ulysses S. Grant	0%	0%	0%	
John Quincy Adams			0%	
Harry S. Truman				0%
	52%	54%	0%	0%

Figure 12: Metrics-Driven Weekly & Nightly Emails

Summary: 7 Steps to Hit Your Number This Quarter

Step 1	Determine the exact Results your CEO and executive team want to see each quarter to measure your sales team's performance
Step 2	Select Sales KPIs that correspond to the Results your CEO expects. If your CEO expects Pipeline Value and Revenue, the top 5 Sales KPIs we discuss may be a good choice for you
Step 3	Choose the Activity Metrics that you can manage every day that will enable you to achieve your Sales KPIs
Step 4	Do your Activity Metrics include a balance of Planning, Executing, and Improving? If not, consider balancing your Activity Metrics in each category
Step 5	Do a quick health check against the benchmarks we mentioned. Are there any clear opportunities for improvement?
Step 6	Roll-out the metrics into your organization and build a data-driven culture through the way you manage every day
Step 7	Go hit your number! Good luck!

#1 for Salesforce Analytics