A TALE OF TWO “C’s”: SERVING UP VALUE TO THE CFO AND CRO

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Report Highlights

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Today’s sales leaders are 38% more likely to be tasked with bottom-line management, vs. traditional revenue-only leadership.

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Best-in-Class sales teams report 15% more efficient proposal workflow metrics.

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CPQ-enabled teams reduce sales quote errors 2.6-times more effectively, year-over-year, than non-users.

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The Best-in-Class are 21% more aggressive than under-performers around supporting enterprise social collaboration.

Traditionally, precious few SVP’s of Sales attain the ultimate title of CEO, primarily because they haven’t had a C-level title available to them, to serve as a career advancement springboard. A new focus on margin, however, is turning savvy B2B sales leaders into modern Chief Revenue Officers, and teaming them up with unlikely internal partners: the previously dreaded CFO.

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The leader of the sales function has not typically considered the Chief Financial Officer to be their best friend.

Let's face it: in the long history of business-to-business (B2B) selling, the leader of the sales function has not typically considered the Chief Financial Officer to be their best friend. None of the monetary clichés of professional selling – approving lavish customer dinners, offering deep discounts at month-end to get deals done, worrying about billing inconsistencies – have mutually aligned the business goals of their respective departments. The SVP of Sales has generally been tasked with a singular, overriding goal, to meet or beat the "top line" quota with little regard for cost, while the latter is what most keeps the CFO up at night.

The Sales, They Are a-Changin'

Today, however, Aberdeen's research has identified a surprising and substantive new trend in B2B sales management: these line-of-business (LOB) leaders who were traditionally focused only on revenue, are now being held culpable, perhaps for the first time, for margins: not just selling lots of stuff, but doing so profitably. This trend first appeared in December, 2014's *Taming the Sales Quote Beast: How the Best-in-Class Streamline Sealing the Deal* and was more recently ratified in *No Longer Sitting at the Kids' Table: Sales Management Finally Grows Up* (June 2015). What these developments boil down to is this: sales leaders who still operate in a Wild-West, sell-at-any-cost mentality, are beginning to fade away, replaced by new executives who understand the CFO's cost-of-sale mindset and run their business…like a business. The end-product of this shift is the relatively new title of "Chief Revenue Officer," which represents the promotable C-suite role to which VPs of Sales can now aspire. After all, any senior executive hoping to become a CEO someday, needs to prove to the enterprise that they can maximize both revenue and margin, and Aberdeen's survey results reveal a sizeable shift from 2014 sales management priorities to the present day – Figure 1.

Figure I: Sales Leadership Priorities are Evolving

Not only are the majority of sales leaders now holding themselves responsible for bottom-line management, i.e. margin-sensitive, but Aberdeen's strongest-performing, Best-in-Class firms (sidebar) are 40% more likely than All Others (74% vs. 53%) to indicate they have already adopted the same approach. These developments are, no doubt, music to any CFO's ears.

Profitability: Easier Said, Than Done?

A newfound dedication to profits, however, doesn't happen in a vacuum. As a sales leader, you can't just start commissioning reps on deal margins instead of sizes and expect immediate results, and certainly the big quota number you stress about isn't going away. Rather, the first practical steps that enterprises should take in maximizing deal and customer margins start before any proposal, quote, or contract is sent to a prospective buyer. Indeed, internal processes, barriers, and even politics that typically create sales friction, represent potentially far more

The Sales Effectiveness Best-in-Class Defined

In March through May 2015, Aberdeen surveyed 322 end-user organizations to understand their sales effectiveness best practices. The performance metrics used to define the Best-in-Class (top 20%), Industry Average (middle 50%), and Laggard (bottom 30%) among these sales teams are:

• 72% of sales reps achieving quota, vs. 48% among Industry Average and 37% for Laggard firms

• 7.4% average year-over-year increase in average deal size, vs. a 2.8% increase for the Industry Average and a 5.7% decline among Laggard respondents

• 6.7% average year-over-year improvement in (reduction of) the average sales cycle, vs. 0.4% and 15.8% worsening of (growth in) cycles, respectively, for Industry Average and Laggard respondents opportunities to gain selling efficiencies, as opposed to the limited leeway most companies have in terms of simply raising unit or sales prices.

These barriers appear in many forms: in-house legal departments charged with protecting the company, but inadvertently slowing down the sales team; in-house procurement, contracting, or financial teams tasked with similar duties, but resulting in similar delays; and other assorted "Vice Presidents of Sales Prevention" who, through no fault of their own, end up at least appearing to stymie, rather than support, the selling process.

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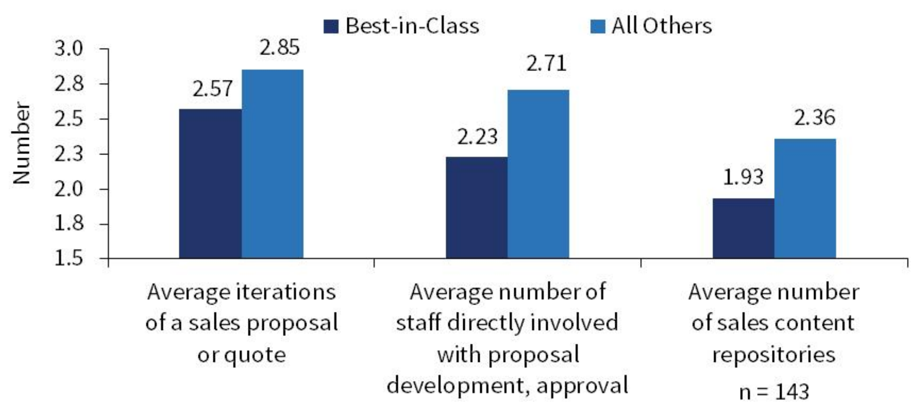
By identifying the specific inflection points in complex B2B selling processes, however, Best-in-Class firms focus on smoothing out the edges of modern selling, and subsequently are able to have their corporate cake and eat it too. As we see in Figure 2, these top-performing sales teams average 15% better efficiency around controlling the number of people, places, and things that touch one of the most important market-facing functions of modern-day selling: getting a clean, accurate formal proposal or quote in front of a buyer in the most expedient fashion.

Figure 2: There are Ways to Work Smarter, Not Harder



Source: Aberdeen Group, July 2015

Specifically, the Best-in-Class have evolved their sales workflow in order to minimize:

- ➔ How many times a proposal or quote moves through internal revisions or approvals before being sent to a buyer
- ➔ How many colleagues or approvers need to lay eyes on proposals or contracts before being considered customer-ready
- ➔ How many places a rep or channel partner needs to visit – portals, shared drives, reply-all email chains – to find all the templates, forms, assets, and documentation they need to develop and ship a winning quote to a prospect or client

While the CFO job description does not typically dive deep into the weeds of these granular sales operations functions, their team will certainly approve of spending less money to develop, approve, and store the myriad of documents required to power today's complex B2B selling organizations. As we know from *Making Sales Enablement Work: Nine Must-Haves for the Modern Sales and Marketing Leaders* (April 2015), such content management efficiencies are appreciated not only by the bean-counters within the enterprise, but also by the marketing team. After all, the Chief Marketing Officer (CMO) role has been around a lot longer than the CRO title, perhaps because marketers were quicker to understand the value of building a connection between "return on marketing investment" (ROMI) and attaining a C-suite title.

It's all about the Tools You Use

Marketers, however, have for a long time been blessed with powerful marketing automation suites that help them isolate

CPQ Defined

Configure-price-quote (CPQ) tools are defined by Aberdeen as technology enablers with which selling organizations manage their opportunity-to-order (or lead-to-win) methodology with automated tools that impact the speed and accuracy of developing quotes, proposals, contracts, and products. The most common application solutions help literally configure, price, and generate quotes for buyers of goods and services. The solutions offered by commercial vendors help reduce bottlenecks in the overall sales process, enabling the presentation of "the right product, at the right time, at the right cost" for the customer.

which campaigns, assets, and messages create measurable value for their organizations, and in turn help them deliver tangible ROMI (Return on Marketing Investment) around their own existence – and visible wins to put the CFO in their happy place. Their sales counterparts have, of course, used customer relationship management (CRM) platforms for even longer, but we know from *CRM + Sales Technologies: Integrating Your Way Toward President's Club* (February 2015) that CRM by itself tends to function mostly as an elaborate contact management system, rather than as an active enabler of deal-making prowess. In order to truly deliver margin-oriented, Best-in-Class sales results, additional integrated technologies that speak to efficiencies such as those in Figure 2, need to be provided to sales leaders and individual contributors alike.

This brings us to configure / price / quote (CPQ) solutions (sidebar, page 5), most recently detailed by Aberdeen in *Configure / Price / Quote: Better, Faster Sales Deals Enabled* (September 2014). These technologies are typically deployed by organizations that sell complex products to buyers who require customization, personalization, and often significant configuration of standard offerings to meet their needs. CPQ is all about scale, efficiency, and planning. We've all been through annoying reply-all email chains ("does anybody have a template for selling orange gizmos to a CPG buyer?") that quickly sap sales teams' productivity; too many of us have been thwarted by an in-house counsel or product manager forcing us to delay sending an eager buyer their contract because of procedural red tape; and certainly no one, especially time-constrained B2B quota-carriers, enjoys re-inventing the wheel for every sale. With CPQ tools, companies are able to proactively determine variables in their sales activities that are likely to pop up, over and over again in their deals, such as:

- Selling their product to certain industry verticals, such as pharmaceuticals or financial services, that are more heavily regulated than others, and require deeper pre-sale legal safeguarding
- Geographic and territorial needs, such as preparing for language, tax, or cultural specifics that are likely to be faced repeatedly by different teams within the same selling organization
- Approaching specific job roles within buying organizations – finance, IT, procurement, LOB – with customized messaging and documentation most likely to resonate with their typical personas

Simply put, this means planning ahead for as many sales scenarios as possible, and using automation to guide sellers through as many potential situations as possible with pre-positioned documentation, approved legal language, defined discounting windows, and the like. When CPQ technologies are deployed with these tactics in mind, the results are tangible, with Figure 3 highlighting selected year-over-year sales key performance indicators (KPIs) that, again, should bring a smile to the CFO's face.

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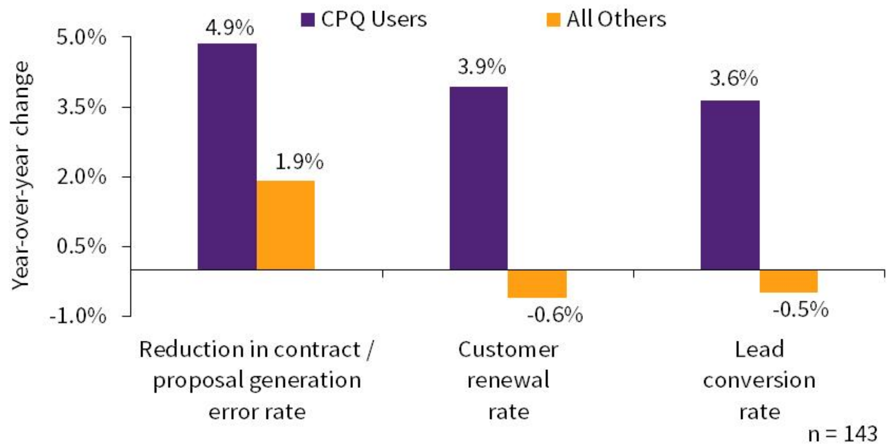
Figure 3: Performance Improvements Associated with CPQ Deployments



Source: Aberdeen Group, July 2015

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- The finance team can easily appreciate the labor saved in **reducing contract and proposal errors**; Best-in-Class companies actually achieve an 8.5% improvement on an annualized basis, compared to only 1.4% among All Others. Moreover, these top-performers are 21% more likely (86% vs. 71%) to indicate to Aberdeen that buyer-received contracts never or rarely require post-sale amendments due to mistakes or other time-consuming inefficiencies, which leads us to…

- What is the true value of **customer loyalty?** We know from Aberdeen's Customer Experience Management research, as well as common sense, that it costs more to acquire new customers, compared with keeping existing accounts happy. Using CPQ solutions to store the myriad details of buyers' preferences and purchasing histories makes it easier to count on the recurring revenue and profits that both CROs and CFOs need to maintain.

➔ Finally, Figure 3 shows us that **converting sales leads into closed deals** is more effectively managed, year-to-year, by companies using CPQ to better link their early-stage and marketing data to the proposals, quotes, and request-for-proposal (RFP) responses they send to prospects and customers. Better knowledge of a buyer's needs makes it easier to determine which sales leads or marketing-generated opportunities represent the best likelihood – often using predictive analytics baked into the CPQ – of resulting in both sales wins and winning sales margins.

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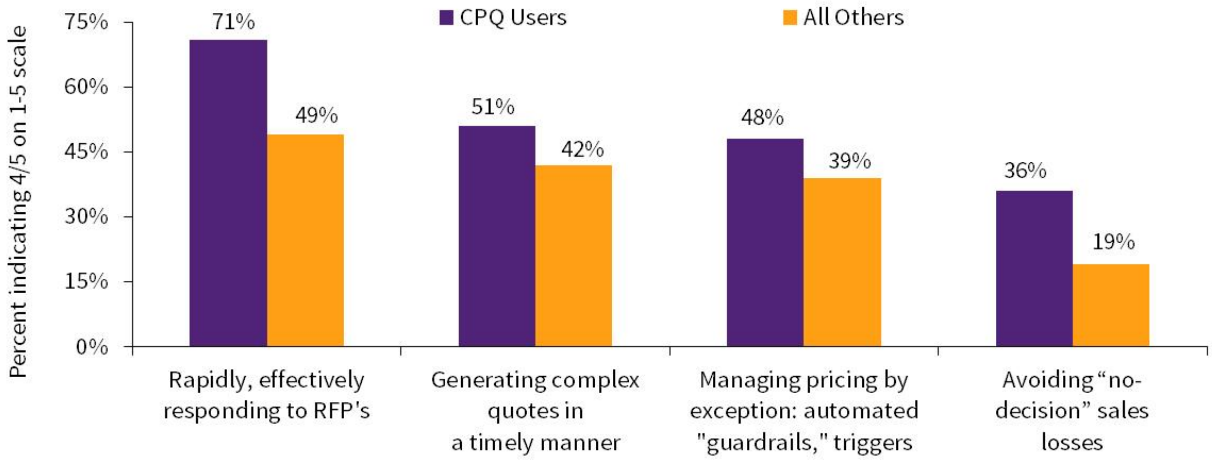
Turning Technology Advantages into Business Competencies

With a firm grasp on the performance advantages that accrue to companies deploying CPQ, now let's take a look at specific capabilities that further enhance an enterprise's ability to deliver both top- and bottom-line results – Figure 4.

- No sales professional ever gets up in the morning thinking, "Boy, I hope I get a hugely complex RFP today!", primarily because their very persona as a salesperson – their winning personality – is typically procurement-blocked by the very act of RFP creation, which seeks to put all sellers on a level playing field. The reality of complex business selling means, however, that prioritizing our ability to **rapidly and effectively respond to RFPs** is a highly valuable commodity. CPQ users catalog not only their products, but also their messages and their buyers' histories and proclivities, in order to make the dreaded RFP process as painless and efficient as possible. No wonder they are 45% more adept than non-users (71% vs. 49%) at turning adversity into gain, and in turn deploying fewer resources to yield their newly optimized results.

Figure 4: Getting the Sales Job Done Better and Faster



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Source: Aberdeen Group, July 2015

- Speed and time are also keys to sales organizations seeking to maximize **generating complex quotes in a timely manner.** While “throwing spaghetti against the wall to see what sticks” is not an advisable sales best practice by itself, the fact is that Best-in-Class companies average shipping 21.2 formal proposals to customers on a per-rep, per-month basis, compared with 12.6 and 7.8 respectively among Industry Average and Laggard firms. Not surprisingly, CPQ users exceed this delta, with a 21.9 proposal rate, versus 9.9 for non-users. Not only are they pitching more, but also winning more.

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- While the middle word in “configure / price / quote” generates its own library of Aberdeen research, CPQ solutions focus on connecting the optimization of product and service prices to the whole spectrum of end-of-funnel sales efficiencies. Adopters are 23% more agile (48% vs. 39%) at **managing pricing by exception** because they are wise enough to program, into their sellers’ workflow, a certain degree of acceptable and anticipated latitude when it comes to discounting, negating the need to "check with my manager" as if they were selling a used car. Indeed, Best-in-Class companies indicate to Aberdeen that 35% more of their sales wins, compared with All Others (37% vs. 27%), include a price discount of some sort. In other words, discounting happens, so deal with it – proactively – and give the CFO early, rather than last-minute, input into what happens in the field.

- Finally, to paraphrase Kenny Rogers, modern sellers need to know when to walk away from bad deals and time-sucking pursuits. The reason CPQ-enabled teams are almost twice as competent in doing so, is because their reps and channel partners plug deal specifics – buyer data, product requests, time constraints – into the system very early in their opportunity management process, and learn more precisely which deals are most destined to result in **the dreaded "no decision" losses** or, even worse, "no profit" wins.

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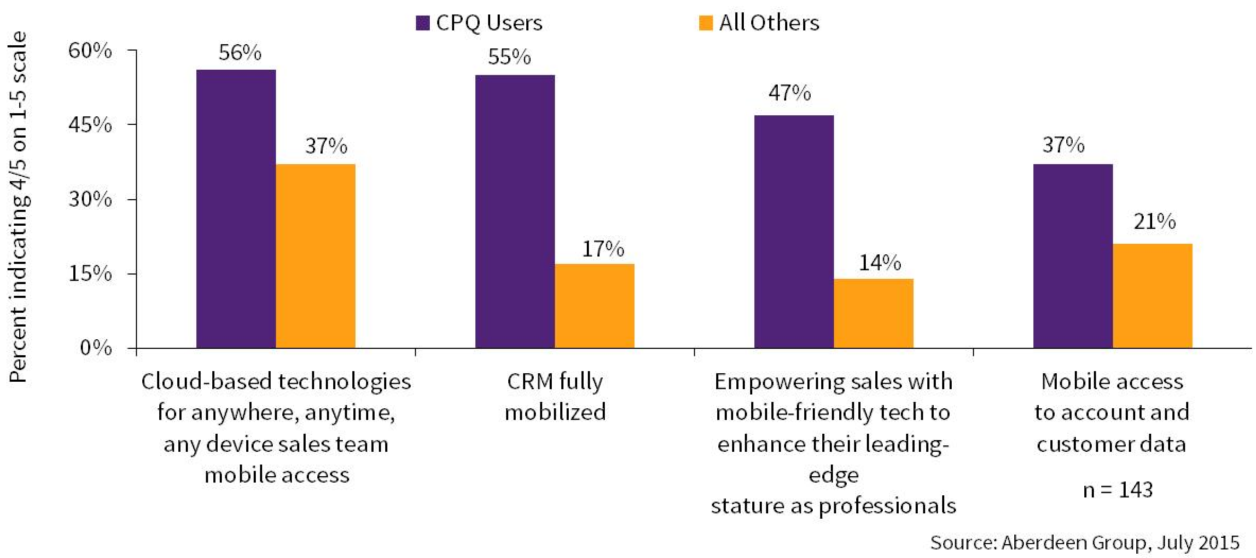
Should We Mobilize and Socialize our CPQ?

Lastly, now that we've ascertained the strategic, tactical, and performance values around CPQ, companies ready to deploy the tool should ask whether two modern, ubiquitous sales effectiveness technology trends matter to this new CRO-CFO marriage of success: sales mobility and enterprise social collaboration.

Figure 5: Selling in an "Anywhere, Any Time, Any Device" World



Aberdeen's research serves up a resounding "yes" to this line of thinking. In Figure 5, we see a series of Best-in-Class mobility-oriented business competencies that are, on average, 147% more often defined by CPQ users as strong or very strong corporate capabilities. Virtually all contemporary sales operations practitioners have moved the majority or all of their technology to cloud-based, mobile-friendly systems, and Aberdeen's research shows that the CFO persona has generally come on board with these changing times, as well. This is not to say that a "mobile-only" approach to supporting field sellers or channel partners is advisable, however; there are plenty of products sold every hour of the day that are far too complex to be adequately customer-configured on a smartphone. Rather, sales mobility as a best practice related to CPQ means giving your sellers access to all the data, documents, and guidance they need, regardless of where they are, when they're working, which device they prefer, and even whether they are connected to the web at any given moment. This includes providing the front-line team with the ability to receive alerts, changes, and other

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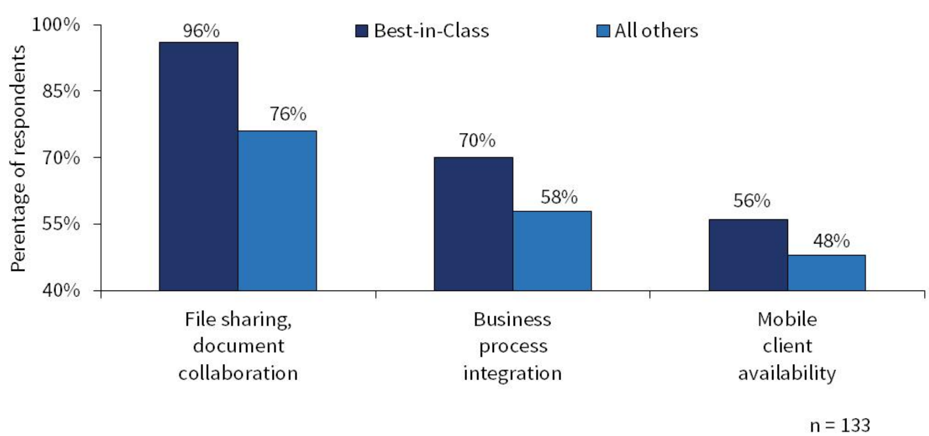
notifications so they can stay on top of every aspect of their deals, in real-time.

Finally, let's discuss social media and the CFO in the same sentence – seriously. While the head of finance may not be as likely as a marketing associate to tweet or post regularly, the business value of enterprise social collaboration has been research-validated by Aberdeen, both at the corporate level and specifically to the sales line of business, as a smart, profitable way to run more efficient employee teams. Figure 6 defines three very corporate-sounding competencies that Best-in-Class CFO's embrace more aggressively than under-performing firms, and for good reason.

If your sales team is still one of those manually proposing, error correcting, reply-all-ing, revenue-preventing firms from days gone by, isn't it time to write a different ending to your success story?

Figure 6: Enterprise Social Collaboration: Tapping into the Collective Wisdom of Your Team



Source: Aberdeen Group, July 2015

While these capabilities are not the typical subject matter of Monday morning B2B sales pipeline review meetings, they actually matter significantly to any enterprise holding both Finance and Sales responsible for fiscal results. The CFO doesn't make decisions to spend money on collaboration, process integration, or mobility for their employees very lightly, and the elements in Figure 6 represent the technology infrastructure that senior executives can prove – much as Aberdeen research supports – contribute to their enterprise's bottom line.

In the context of CPQ and sales effectiveness, these tenets echo the very foundations of the solution that have been addressed in this Research Report: doing one's sales job efficiently requires a corporate culture of continuous learning, collaboration, and empowerment, in order to compete in competitive B2B markets today. Indeed, CPQ users are nearly three-times more likely than non-adopters (39% vs. 14%) to claim early-adoption rights to the use of "social selling" internal collaboration solutions for their enterprise. While this concept of "sharing" isn't an attribute traditionally associated with sales professionals, times have changed – and so are the top- and bottom-line motivators that drive high-powered sales leadership career trajectories.

The average CFO receives information too late to make an appropriate decision 24% of the time.

Conclusion and Recommendations

This Sales Effectiveness discussion has served up another line of business – finance – as an unusual partner to engage in the business of closing B2B deals. And yet, given the new trends toward fiscal responsibility evidenced by a majority of contemporary sales leaders, doesn't it make sense for the CRO-in-Waiting to partner up with the CFO? Aberdeen's *Excellence in Financial Management* study (February 2014) finds that the average CFO receives information too late to make an appropriate decision 24% of the time, so that can mean that one-quarter of the budget requests that arrive from the sales operations team are rejected or approved to the possible detriment of the company as a whole. Given more visibility into the nuts and bolts of sales team effectiveness, as defined above by CPQ solution capabilities, the opportunity to make smarter revenue-generation decisions more of the time becomes more feasible for all executives involved. If your sales team is still one of those manually proposing, error correcting, reply-all-ing, revenue-preventing firms from days gone by, isn't it time to write a different ending to your success story?

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
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