



8

Core components to building a high-performance sales team

A framework for successful SaaS and recurring revenue sales functions



Your toolkit for growth

Here at Serent Toolkit, our operations experts from our Growth Team share their strategies, stories, insights, and best practices used while working to equip high-growth and fast-paced SaaS and tech-enabled service companies for success.

Serent's Growth Team specializes in helping technology-enabled businesses achieve their goals.

Having a sales team that can drive revenue and quickly scale is a critical part of any high-growth company. In this eBook, we'll discuss tools, tips, and tactics that CEOs and Sales leaders can use to build and lead a high-performance sales team for today and the future.

Learn more about our Growth Team [here](#).

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8 core components to building a high-performance sales team

A framework for successful SaaS and recurring revenue sales functions

Revenue is the lifeblood of any company and the key to driving revenue growth is a high-performing sales team. It comes as no surprise then that scaling a sales organization is one of the most common issues on the minds of the hundreds of CEOs and founders with whom we have the privilege of interacting each year.

Over the past 11 years, Serent has partnered with more than 35 portfolio companies and evaluated investments in thousands of others. As a result of our Growth Team's hands-on work with our portfolio companies, we have formed perspectives around the major components of an effective sales framework with broad applicability for recurring revenue technology and technology-enabled companies. Implementing a sales framework is complex, but our experience suggests that CEOs who are able to take a step back and view sales through a holistic lens, carefully studying each component of the framework, and then tailoring each to their company's specific needs, have the highest level of success.



Watch for upcoming topics

On the next pages are high-level highlights for each of the eight components we have identified as core to a successful sales framework—in subsequent posts we will dive deeper into each component.

Please keep in mind that while this e-guide is focused on sales execution, a comprehensive go-to-market strategy also needs:

- **Integrated and effective marketing**—to drive brand awareness, lead generation, and sales enablement
- **Product management and finance**—to ensure the right pricing, packaging, and contracting
- **Customer success/operations**—to ensure customers receive the value they expect after the purchase decision

Each of these topics will be covered in subsequent posts—stay up to date with our [latest posts](#).

8 core components to building a high-performance sales team

① Customer and prospect database

Develop a comprehensive list of all existing customers and prospects in the market that includes key variables that may be used in account prioritization and targeting, some of which may not be directly available in the public domain.

② Account targeting

Leverage knowledge within your company and review historical drivers of sales wins to determine what variables support success within your sales organization. Weighting these variables and balancing them with deal size can assist in prioritizing accounts for your reps to target (prioritizing purely based on deal size is often the wrong answer).

③ Sales playbook and strategies

Establish a sales playbook for your reps to codify the messaging, approach to different customer segments, objections handling, competitive dynamics, and coordination with other resources within your company.

④ Sales territory design

Design territories that segment the market and align reps on specific strategies and approaches most common to each territory. It is important to note that territories, while often purely geographic, need not be one-dimensional (market segmentation strategy could lead to other territory approaches).



⑤ Sales compensation plan

Establish a compensation plan that is competitive, incents the right behaviors, rewards top performers, and aligns with the predictability / timeline of your company's bookings to revenue conversion.

⑥ Hiring and recruiting

Define a sales rep profile that focuses on sales and industry experience and matches your company's sales motion. Ensure you have a strict set of interviewing criteria that emphasizes prior sales rep success vs. quota at companies with similar deal sizes, sales cycles, and end markets.

⑦ Training

Develop sales training programs for initial onboarding of reps as well as ongoing training that focuses on product competency, relative value delivered to clients, and familiarity with the end customer's business operations and financials.

⑧ Sales performance management

Establish a regular cadence of 1×1 performance management meetings with the sales leader vs. broader team meetings, leverage a data-driven sales scorecard (highlighting individual performance, pipeline health, sales activities, territory coverage), and clearly define future action plans for the next meeting to create custom coaching for each rep.

We have seen success
deploying this framework
within our portfolio.

Whether it was helping a services company's sales team scale from \$11MM in annual bookings to \$36MM in two years or establishing the first professional sales organization at a software company and accelerating bookings growth from \$1MM per year to \$3MM run rate in less than 12 months.

While this framework can consistently be applied across industries and business models, it is important to note that this is not a cookie-cutter playbook. The reality is that selling software in higher education institutions will differ from how a service offering is sold to a skilled nursing facility or how a construction company will think about purchasing workflow software.

Taking the framework as step one, we've found a hands-on engagement model, truly understanding the end customer's journey, experience, and the industry dynamics, will bring true impact.



Building an effective customer and prospect database

The fundamental building block of a SaaS or services go-to-market strategy

Go-to-market fundamentals have taught us the importance of the customer and prospect database in overall strategic success. Without the right prospect information readily available to the marketing and sales teams, the sales motion can quickly become reactionary rather than act as a proactive, targeted approach.

A high-functioning database allows you to pursue new accounts and identify cross-sell opportunities with existing customers—an essential layer of your sales execution plan.

If your database isn't quite up to the task or doesn't exist, we can help. Here are five actionable tactics, developed from our extensive experience facilitating prospect database creation and with fast-growing SaaS companies, that you can put to use today.

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Building an effective customer and prospect database

① Begin with basic contact information

First, you will need to conduct a complete inventory of the market, collecting all forms of contact information including names, position titles, emails, phone numbers, and addresses to maintain or establish future contact.

Depending on the industry, this initial data collection can be relatively simple (e.g., mapping U.S. public school principals) or rather challenging (e.g., mapping U.S. construction companies). It's important to note, the larger the account, the more valuable specific information is. Trade associations, conferences, and directory searches may be helpful starting points.

② Identify your core variables

To derive real value from the new database, you'll need to populate datasets with individualized, relevant prospect information—but be selective. At this stage, less is more.

We've determined that identifying four to five core variables will help narrow initial targeting and contribute to a more robust dataset in the future. For example, for a SaaS company with public school prospective customers, the core variables may be the number of students, after school activities offered, zoned neighborhoods, and type of student registration software.

Focus on variables which currently impact the product, end-customer, and sales cycle to identify core variables for the prospects in your database.



③ Leverage unique system data for existing customers

Your existing customers offer opportunities to gather more in-depth, leverageable information. For instance, if you offer a general ledger software system, your knowledge of each account's profitability can help identify who to offer product add-ons.

Module and features utilization data are also beneficial in understanding customer/product patterns. If the software doesn't have utilization tracking built-in, key populated data fields (indicative of use) are a useful proxy. Knowing this information for key stakeholders allows you to have cross-selling conversations or advise usage for maximum product utilization.

④ Data collection the old-fashioned way

When collecting this level of information, for public institutions or well-documented, narrow markets, you can often find the data on public sources or purchase it from third parties, whereas, in most vertical markets, it isn't often as readily available. The data collection can prove to be time-consuming and take much of the ever-valuable employee bandwidth.

Though not the most elegant of solutions, a team of dedicated interns able to search the internet, make the calls, and populate information, can lead the charge.

⑤ Keep the database alive with a dynamic CRM

Improving the database should not be a one-time exercise and is a process which will only increase its effectiveness over time. There will be variable information which is difficult to track down, not currently listed, or will change throughout the sales process, so it's important to set up your CRM in a way that allows database updates.

The customer and prospect databases enable customer segmentation, account targeting, and territory design to help shape selling, marketing, and product design strategies.

It is the foundation for all future sales optimization initiatives—no small feat.

If you're ready to establish a robust customer and prospect database to make your go-to-market efforts more impactful, we're ready to help.



Account targeting

A tool for dynamic growth

As soon as your customer and prospect database is up and running, the next step is to prioritize accounts and advise sales representatives on how best to focus their efforts.

Sales teams fall into one of two categories:

- ① They focus on closing the largest deal to earn the highest commission, or
- ② They focus on closing the easiest deal to allow time to pursue other accounts (an approach often tied to a less than optimal compensation plan).

Account targeting helps sales representatives strike the right balance between the opportunity for an increased commission and the likelihood to close. When balanced, this combination can create a more predictable sales engine.*

Our experience with our portfolio companies has helped us to develop a few tactics for creating effective account targeting plans. You'll find some of the most effective on the following pages.

**Assuming most accounts are not with large enterprises, which tend to be more sporadic.*



It is important to emphasize that targeting is a combination of the quantitative output from the weighting formula and the qualitative judgment a sales representative applies based on their knowledge and experience."

Account targeting: a tool for dynamic growth

① The “\$100 exercise” often is a better start than a complicated regression model

In an ideal world, there would be enough historic sales opportunity data to conduct sales life cycle and win-loss analyses to identify key characteristics of the ideal prospect for our customers to target. However, few companies have the luxury of access to that information.

We've found that leveraging the collective wisdom of the management and sales team is a simple alternative. To do so, we create a survey that includes a set of variables of prospect characteristics ideal for targeting. Each survey participant is then asked to allocate \$100 across the variables. Whether they decide to place the full \$100 on one variable or across many, their allocation should reflect what they consider most important for prioritizing accounts.

Once you aggregate the allocations from across the team, the variables which are the most “funded” will be those the teams collectively consider most integral to the targeting formula. Using this, the team can build a weighting formula for each account that gives a score for prioritization. Of course, the formula may vary by product, as certain variables are dependent on the product or service offered.

② The target list should be a representative's go-to, not a mechanical blueprint

There is a delicate balance to strike with sales representatives on prioritization. If you offer them a list of accounts numbered 1 through 250, the approach to account #15 should be likely close to that for account #17 and fundamentally different than the approach to account #190.

If not empowered to use their judgment, representatives can be dismissive of the prioritization. So, it is important to emphasize that targeting is a combination of the quantitative output from the weighting formula and the qualitative judgment a sales representative applies based on their knowledge and experience. Positioning account prioritization as a tool for representatives to use rather than as a compulsory rule for them to follow allows them greater flexibility in accomplishing company goals.

③ Celebrate targeting-related wins early

The value of account targeting is more evident when sales representatives begin to more effectively hit their targets and see the value themselves. Sharing wins early (e.g., prospects moving through the sales funnel or prospects entering the pipeline) can incite greater momentum—especially for those who have been in their territories for quite some time.

④ Prioritization is ongoing

A well-managed CRM should make account targeting an ongoing system to help sales representatives properly target accounts. Similar to how your CRM can load new information to the prospect database as it's developed, it can also be calibrated to calculate a weighting formula and reprioritize accounts as more information is collected.

For fields in which information is still in the collection stage, an average score can be assigned to the given account until enough information is received to score it more accurately. Account targeting is not a replacement for real customer segmentation work, as the customer and prospect database and account targeting go hand-in-hand. It is a useful tool, that when used early, can encourage representatives to focus on the right opportunities as you build a repeatable sales flywheel.





Sales playbook

The 2 tools you need to improve sales

“Go-to-market on a page” and a sales playbook

There’s no single, standard template for designing a sales playbook. You have to consider a laundry list of factors like the size of the deal and the product’s complexity. Do you have a good understanding of the need for the company’s product in the marketplace? What’s the competitive intensity in the market? And also, what’s the complexity of decision making for the customer? These are some factors that will influence your company’s overall strategy for sales on how it will pursue bookings growth.

Some of the questions in the sales strategy will include:

- ① Should our sales team be split up between hunters (going after new accounts) and farmers (selling into existing accounts)?
- ① Is it wise to invest heavily in marketing, generating inbound leads or focus on outbound prospecting?
- ① What resources will our sales team need to be successful? Will we need sales engineers, business development reps, solution architects, marketing collateral, etc.?
- ① How long is each stage of our sales funnel? How will it vary by account size?
- ① What profile of rep should we have at each size or type of prospect?
- ① Does the sales process vary when selling in multiple industries or geographies?



Additional factors that will help determine the sales strategy

The output of the sales strategy should be what we refer to as “Go-To-Market on a Page”. Major segments that the company is going after align to the top of the page. Underneath each segment, the page summarizes the following major components:



Segment definition

- Customer profile
- Buying decision maker
- New logo TAM
- Primary competition



Marketing

- Primary strategy
- Sources
- % sales qualified opportunities that are marketing sources



Product offering

- Value proposition
- Lead product offering
- Additional products and options



Sales

- Sales model (inside, inside/field, enterprise field)
- Territory arrangement
- Sales process and tools
- Sales velocity
- Sales reps (number and quota)
- Sales support resources
- Sales costs
- Customer lifetime value/customer acquisition cost (today and future)

Once the proper sales strategy is in place, we have a better focus on what we’re trying to accomplish. How we’ll execute this strategy has yet to be decided at this point.

That’s why writing a sales playbook is so crucial—it allows us to create the blueprint that sales reps follow to drive the sales process. The sales strategy will dictate the content and structure of the playbook.

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Building your sales playbook

① Determine the next target to backfill the funnel

This focuses on leveraging the work from the customer and prospect database as well as account targeting. This information helps the rep decide how to fill the top of the funnel while using weekly sales coaching to map out the next week's strategy as deals close. Mapping the resources required by type of opportunity allows the rep to add accounts to the funnel that are a balance of deals—some are larger with longer cycles and some are more mid-sized with shorter sales cycles.

② Research the target

Knowing the target prior to outreach is key to all sales, but particularly enterprise sales. The amount of research needed depends on the scope of the deal. It's typically an hour of a rep's investment but can increase from two to over ten hours. Initial research focuses on verifying a new target and compiling generic target information while mapping location and competitive dynamics. Understanding the key stakeholders and any pre-existing relationships within the company will also inform the next steps.

The rep also gains insight on varying tactics from cold call to warm introductions and through leadership based on the opportunity's scope. This section will provide email and call scripts for initial outreach and follow-up cadences on how to successfully breakthrough to the key stakeholders.

③ Determine how to approach the target

As a follow-up to research, the rep should determine his or her approach based on these factors:

- Type of opportunity
- Geographic setting
- Number and type of products the company can offer
- Complexity of the sales situation
- Strategic importance of the account
- Potential competitors that may be present

This approach will help determine the maximum amount of effort to put into the deal upfront, the third-party help that may be required and the timeline the rep can expect to follow.

④ Gain access to the target

Typical touchpoints will be mapped out according to:

- Account type
- Tactics to use (what to focus on and how)
- Company resources that should be leveraged for access

⑤ Introduce our value proposition and products

This contains the value proposition of the company's offering to the end customers and how the products deliver against that value proposition. Resources provided in this section include:

- Elevator pitch
- Marketing materials
- Thought leadership materials
- Client references
- Success stories
- Strengths, Weakness, Opportunities, and Threats (SWOT) analysis
- Battlecards against possible competitors

⑥ Assess the needs and validate the opportunity

Reps are introduced to battlecards by customer needs or company products. This helps them ask the key discovery questions allowing them to put forward an effective solution to positively impact the customer.

⑦ Craft solution and verify value to the client

The rep should be able to put together a solution to the customer that feels tailored but not custom based on:

- Discovery questions
- Past experiences
- Input from the company's subject matter experts
- Pricing guidelines
- Marketing case studies

An ROI worksheet and a Total Cost of Ownership analysis may be included for some companies to further demonstrate the value of the product for the customer once implemented.

8 Submit the proposal to the client and follow up

These final steps are critical—many reps lose sight of the importance of driving to close in the playbook. This section can highlight:

- Who submits the proposal
- How to follow up and when
- How it is submitted
- Other tasks that are managed internally

9 Negotiate the contract and implementation plan

Once the negotiation is in progress, the rep should drive to receive a verbal “yes”. Classic sales training and role-playing are the best ways to internalize this. The playbook can include common, objective handling to help the rep. Moving the conversation to implementation plans at this stage includes a presumptive close of the sales by the rep.

10 Request the contract and financial approval

The rep transitions from proposal to contract while helping ensure the financial approvals are in place internally for the customer. A combination of earlier stakeholder management in the finance department and tactics will help drive success.

11 Get the final signature

Getting the signed contract is critical. Tactics to help the rep support the company in its approval process will allow the rep to ensure he or she isn't simply waiting for the signature.

12 Hold the implementation kickoff

The transition from sales to implementation is crucial. It should always be a part of the sales playbook. This helps the sales rep feel ownership for getting the customer successfully live and setting the right expectations in the sales process.

Strategy and sales

There's no denying that strategy and sales are inherently linked. Determining your strategy and crafting your “Go-To-Market on a Page” will enable you to know what we're executing against.

For each segment, it's key to craft a sales playbook that explains the tactics of execution for the sales reps. These will vary by company and segment but will have a lot in common within similar industries, the size of the deal and the type of product.



How to map your sales territory

5 Steps to ensure you're getting the most out of your sales territory strategy

Sales teams can create the optimal sales territory design for their go-to-market function by taking a few steps. They should leverage an understanding of the market database, prioritize account targeting and use key components of the sales strategy. The sales territory design heavily influences any sales team. It dictates the organization, the responsibilities of each role in the sales function and provides perspective on the sales organization's size.

On the next pages, we examine the essential steps for determining the optimal sales territory design for any B2B company.



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Mapping your sales territory

① Determine what driver should be used

The first step is to determine what driver should be used in crafting territories. This stems directly from your sales strategy. A field-based organization works well if the sales strategy is long. For example, maybe the strategy requires numerous discussions on value creation, cost of ownership, and presentations to different stakeholders. Field organizations are typically designed by geography to optimize travel time for sales reps. However, there are rare occasions when they aren't. Sometimes a company with a breadth of sized customers will overlay geography with reps assigned to certain sized bands of accounts. Other times, patterns and relationships across industries are more valuable than reduced travel time for the sales team, which means it's beneficial to align by the end industry being served. Inside sales teams are a bit different. Geography isn't as relevant for them since deals are primarily closed over the phone and with webinars. We often see size, personas, industry or existing platform influencing ways that territories are designed, but geography can't be ignored completely. These teams tend to be centralized, which requires sales reps to cover all time zones across the country.

② Calculate how many deals a sales rep can handle

Once a driver has been chosen, it's time to calculate how many deals a sales rep can handle throughout each stage of the pipeline. Lean on the company's sales strategy and playbook to determine this. There are many roles, defined in a sales organization, that determine what parts of the sales funnel a rep should own and the scope of their involvement. A few common roles that we see across our portfolio companies are:

- **Business Development Rep/Sales Development Rep**—generates leads for sales reps and is the first line of both inbound calling and outbound prospecting
- **Sales Engineer/Solutions Architect**—conducts demos of the product and defines technical specifications for implementation, while interfacing with client's technical teams
- **Sales Operations Director**—manages systems, metrics, reporting and performance management processes to improve effectiveness of the sales team
- **Sales Representative**—owns the sales process



Support for sales reps

Providing a significant amount of support to sales reps through these different roles enables the reps to take on more deals in each funnel stage. When you understand the activities required for each deal, based on size at each stage of the funnel, you can create a bottom-up perspective on how many deals a sales rep can handle.

③ Decide whether to split or combine sales activities

After the roles are defined, a company decides whether it should split or combine sales activities to new customers and sales activities to existing customers. This is often referred to as hunting and farming. It also determines whether you'll need to create separate territories for each function if they're split. It's common to split the two roles, but that's not always the right choice. A combined geographic team where a field-based rep can easily visit existing customers and travel for new customer sales meetings would work well for field-based sales. It's smart to assume that the teams will be split and then ask what amount could be gained from a sales productivity perspective if the teams were combined into a single role.

④ Determine appropriate quotas

Once it's clear what the sales roles are, based on a rep's potential, the company determines appropriate quotas for each sales rep and uses that to determine the territory size. Each rep type should have a target quota, based on their target earnings by using the bottoms up and sales economic benchmarks. The target quota will influence how the company backs into the territory size by determining its optimal win rate. The purpose is to take the full market, figure out the replacement cycle of the product and then determine the win rate among those that are being replaced each year.

For example, assume we know the following based on our work:

- A rep should have a \$600,000 target and based on the competitive dynamics
- The company should win 30% of deals, lose 30% of deals and let 40% of deals stick with the status quo each year
- The typical replacement cycle for software in this market is 5 years

Based on the information above, it's clear the territory needs to be worth \$10MM of target recurring revenue, which determines the optimal territory size. It's safe to assume that win rates will improve over time or replacement cycles are likely to shorten or speed up. These factors will impact the territory size you want to set today.

⑤ Determine the correct number of territories

With the right territory size in mind, the last step is to determine the correct number of territories for the company's growth plans. This involves taking the company's total addressable market and dividing it by the territory size. If the company plans on expanding its market size with new products or services, that should be factored into the future market size and defining territories. Also, not all territories can be staffed right away.

For example, it would be difficult for a company to grow from 3 sales reps to 30 in a short time. In this case, we suggest companies design territories to hit their growth rates for the next 24 months. You can either temporarily assign vacant territories to existing reps or not cover them unless inbound leads are received. If this occurs, the leads would be passed on to existing reps in a pre-assigned or round-robin method of distribution. This prevents having to redraw territories whenever a new sales rep is hired and creates less friction with current sales reps.



The last piece of the puzzle for ensuring territory balance is the account targeting of the sales playbook.

Each territory needs an equal number of high-target "A" accounts for sales reps to pursue—especially if each rep is going to have the same quota. Designing sales territories correctly will make life much easier. It'll prevent a situation where a rep claims that he or she has a worse territory than others. This puts the responsibility for performance on the rep instead of on the design of the territory.



Building a sales compensation plan

9 tactics for building a sales incentive structure that fits your company's revenue model

Equipping your team to build a successful sales compensation plan is no small feat. We have identified 9 tactics that can help you lay the groundwork for creating the right compensation plan for your company.

Simplicity is key, especially when scaling your sales force. By the time you've finished your plan, it should comfortably fit on a 3x5 card or one phone screen.

After crafting a sales playbook and mapping sales territories for your team, this is your next step toward building a high-performing sales team.

Let's dive in.



Building a sales incentive plan

① Consider your revenue model

Start by aligning incentives with your company's bookings-to-revenue conversion model. Most companies tend to fall into one of two categories: Contract-based (predictable revenue) companies and transactional (variable revenue) companies.

Contract-based companies

Predictable revenue model

Contract-based companies can rely on a predictable revenue model because their revenue is based on fixed contracts that tend to be longer time periods (e.g. annual, 3 years, etc.).

In this case, the sales commission structure should have payment up front when the customer signs and/or goes live.

Transactional companies

Variable revenue model

Though transactional revenue model companies may have an estimate (e.g. 2.9% + \$0.30 per transaction x projected number of yearly transactions) their revenue fluctuates.

In this case, what reps earn should be closely tied to cash flow. Transactional revenue companies should pay on actuals. This may require a portion as a forward upfront, but the clock for commissions should start once the contract is signed to create an incentive for maximum revenue in the first year with potentially 1–2 years of residual commission.

② Set commissions

Generally, companies set sales commissions somewhere between 7-15% of annual recurring revenue (ARR). The exact percentage depends on the profile of the business and sales rep performance to date.

Commission should be set based on recurring revenue — not one-time revenue. You can include small commissions for one-time revenue. But to maintain price discipline around smaller one-time sales, don't allow sales reps to give away the one-time deals — or you can find yourself losing potential sales.

③ Compensation across years

Contract-based companies

Predictable revenue model

For reps who ink multi-year contracts, compensation should mostly be paid out in the first year. Our contract-based portfolio companies do not compensate reps across multiple years. Typically, there isn't a bonus for 3-year vs. 2-year contract. If this is particularly important to your business, you can give a one-time bonus (or "kicker") for longer contracts, but you don't want to be paying out revenue for all four years.

Some of this comes back to how sticky the product is. If your product is a core, business-critical system with wide adoption across an entire organization, then the probability of the customer leaving in 2-3 years is low. You don't want to give sales reps credit for contracts like this going forward.

Transactional companies

Variable revenue model

On the transactional side, you should compensate reps across two but no more than three years. Reps should be compensated a high percentage in first year with a sharp drop in second year. You should design their compensation plans to have some residual, but new bookings should generate the vast majority of their yearly income. Set the expectation that as soon as reps sign customers, they should push to them get onboarded ASAP.

But that second year can be important because the ramp can take time. You want your reps booking big deals with the ability to see through size of revenue into the next year. This creates an incentive to keep talented reps on the team.

For **transactional** revenue companies, you should give your reps a *forward*—some money up front.

Example: Let's say the estimated amount for Year 1 revenue is \$200,000. Your rep is going to make a 10% commission on that amount, \$20,000 for the year. We can assume 25% of that is likely going to happen.

By giving your rep a \$5,000 forward as soon as they sign a big contract, they remain motivated to close more deals and you can pay the remainder, once revenue starts coming through.

④ Compensating for different products

Sometimes setting compensation by product is important to help drive adoption of a certain new product or the products of a new company acquisition. Keep in mind, however, that sales reps tend to gravitate toward selling the products they know best. You may benefit from offering incremental incentives for new products to inspire reps to learn and begin selling them.

At the same time, you don't want the launch of a new product to cause a downward sales trajectory for your existing product line. Consider incentivizing sales that involve both existing products and new ones. Always remember to protect your core sales. Some teams overcome this problem by giving reps two sales quotas: an overall quota and a new product quota. And if they hit both, they get a kicker.

⑤ Compensating on activity

Certain sales teams want to incentivize good habits like CRM hygiene or number of calls. But in our view, when the dollars are coming through, your reps are performing. We recommend focusing on revenue as much as possible.

⑥ Incorporating accelerators

Accelerators (bonuses for hitting targets above quota) are advantageous for incentivizing your top reps to keep closing above quota. The key to accelerators is setting quotas right. Your quota should be set somewhere between 10–30% above the budget set by your CEO and board for the year. If you set quotas too low, the accelerators can quickly outpace your budget.

Accelerators are most advantageous for companies that are good at setting accurate quotas. If you're not quite sure on your optimal quota, it's better to create wider bands for accelerators.

For first time sales comp plans:

- **80–120% of quota** — standard commission
- **120+%** — kicker to the next level
- **< 80%** — lower commission rate

As you get better at setting accurate quotas, your accelerator strategy can get more sophisticated.

⑦ Setting compensation limits or minimums

We recommend that you do not set limits to how much a sales rep can earn.

As for setting a floor, if a rep is below 60-80%, they should still earn their base salary. But setting a floor can put zero dollar incentive in front of a low performing rep, which can prevent them from trying to close. It's critical to always give reps a reason to close the next deal.

⑧ Resetting quotas and structuring overlays

An annual reset structure is standard for long sales cycles. For fast sales cycles, we recommend resetting every month or quarter. But with monthly or quarterly sales, if a rep is doing poorly they may just hold out on closing until the reset. In this case, you should avoid this disincentive by using incentive overlays.

Some teams tell reps that if they miss a month they must “work to make it up in the next month.” But you don't want a couple of bad months to massively demotivate your reps throughout the remainder of the year. If a rep misses a quarterly quota, then an overlay still gives them a percentage of total bookings that factor into their annual quota.

While most compensation should be tied to individual performance, there are benefits to having some team-based overlays, particularly when you want senior reps to help the whole team hit a certain goal. Sometimes there are pod-based bonuses with a field-based rep and an inside sales rep.

But be careful with team overlays, because the quota discrepancy between reps' cumulative quotas vs. the team quota can be demotivating.



⑨ Setting SPIFs

SPIFs (sales performance incentive funds or sometimes “special pay incentives for fast sales”) can be very powerful for achieving certain goals.

SPIFs encourage:

- **Behavior change:** For example, if you see that 60% of your bookings come in at end of the quarter, you can set a SPIF for whoever gets the first sale of the new quarter. This will encourage reps to get their pipeline set up faster after each reset.
- **New product sales:** If you’re launching a new product or partnership, smaller SPIFs can incent your reps to push it.
- **Getting back on track:** Occasionally, you’ll have a year where you’ll be hard-pressed to hit your quotas due to unforeseen circumstances (e.g. change in competitor dynamics, economic environment, etc.). But it’s dangerous to change quotas mid-year. By adding a one-time SPIF for the last quarter to help you get back on track for next year (e.g. an extra \$100 for every \$1,000 booked), you will help you keep the team motivated and the integrity of your quotas intact.

When it comes to sales incentive plans, *motivation* is the name of the game.

After setting quotas, finding the right mix of base pay, commissions, and kickers will keep your reps focused on their next deal.



Developing an effective sales hiring process

How to consistently hire top performers

Your sales team is critical to your company's revenue growth, so recruiting the right reps is essential.

Since sales is a high-pressure, high-turnover function, it's not enough to find the occasional successful hire. Your team needs a reliable, scalable strategy for identifying suitable candidates—and ensuring their skill set aligns with your unique needs.

Here are effective ways to maximize your approach to sales hiring—and consistently land top performers.



① Ask candidates to provide metrics

Before inviting a candidate to interview, avoid squandering time on poor fits by pre-collecting key data. It's important to understand the specific circumstances in which they achieved past success, because if these circumstances vary widely from those at your company, they may not enjoy the same success in this role.

For example, maybe they closed large deals in a previous role—but if your company relies on small, high-volume sales, they may struggle. And if a single massive sale made their year great, will their success be sufficiently consistent for your needs?

Consider factors beyond numbers, too. What did the candidate previously sell? Is it similar to what they'd be selling at your firm? Do they know your industry? What did their previous sales support system look like? Do they excel at generating leads as well as closing them? To maximize success, aim to hire salespeople who have a track record of thriving in environments much like your own.

One tactic you can use to ensure you're comparing apples to apples is to ask the candidate for metrics from their previous sales role, including the average selling price (ASP) of their product and the length of the average sales cycle (ASC) they have experience with. By using metrics to drive your hiring decisions and relying less on factors like interview performance, charisma, and emotional intelligence (EQ), you'll find reps with a proven track record of closing the kinds of deals you want.

Sample set of data points to ask candidates

Here is a sample set of data points you can ask candidates to fill out for each of their prior sales positions as a sales matrix tool:

- ✓ Year/time-frame
- ✓ Company name
- ✓ Core product/service description
- ✓ Role/responsibility description
- ✓ New logo bookings annual contract volume (ACV) quota
- ✓ Cross-sell bookings ACV quota
- ✓ Average sales cycle (# of days or months)
- ✓ Bookings achieved in \$
- ✓ New logo quota attainment %
- ✓ Cross-sell quota attainment %
- ✓ Average new logo deal size
- ✓ Leads from marketing %
- ✓ Win-rate %

② Use a structured interview process

Sales candidates tend to be sociable, animated extroverts. But not all vibrant extroverts are right for the job.

To separate personality from potential, develop a structured interview process designed to probe past performance—and determine whether it translates to future success at your company.

Having consistent objectives, questions, and areas you and the hiring team are scoring on for each stage will help structure your candidate evaluations and create alignment. Asking candidates to fill out a sales matrix from the questions above, can also help you gauge how forward-thinking and opportunity-driven they are, while giving you more data for a strong, objective, side-by-side comparison.

③ Spot candidates on the rise

Is a candidate's performance trending up—or starting to slip? It's better to hire a B-player that's becoming an A-player, rather than the other way around. Do they take ownership of their results? Can they be individual high performers while balancing team needs? Look for candidates who are motivated and coachable, with enough prior experience to allow you to assess their potential accurately.

Here's an example of a structured hiring process from one of our portfolio companies:

- 1 | Complete and post the job description
- 2 | Hold preliminary interviews
- 3 | Complete email samples
- 4 | Hold secondary interviews
(1 of 2 in-person interviews)
- 5 | Hold secondary interviews
(2 of 2 in-person interviews)
- 6 | Complete mock customer presentation
webinars to evaluate sales skills
- 7 | Complete referral calls
- 8 | Share findings and make final decision
- 9 | Inform candidate and close

④ Look for these telling traits

While there's no single model for sales success, these traits are common among high performers:

Idea-oriented

Characteristics: Are they creative? Can they crack open new accounts?

Ask questions like: "Describe how you would go about prospecting a new client."

Resilient

Characteristics: Are they able to cope with rejection? How fast do they bounce back?

Ask questions like: "Tell me about an instance when you lost a sale to a competitor, and why."

Self-structured

Characteristics: Do they set goals for themselves? Can they self-motivate?

Ask questions like: "What techniques have you developed to remain focused while managing long-term sales?"

Proactive

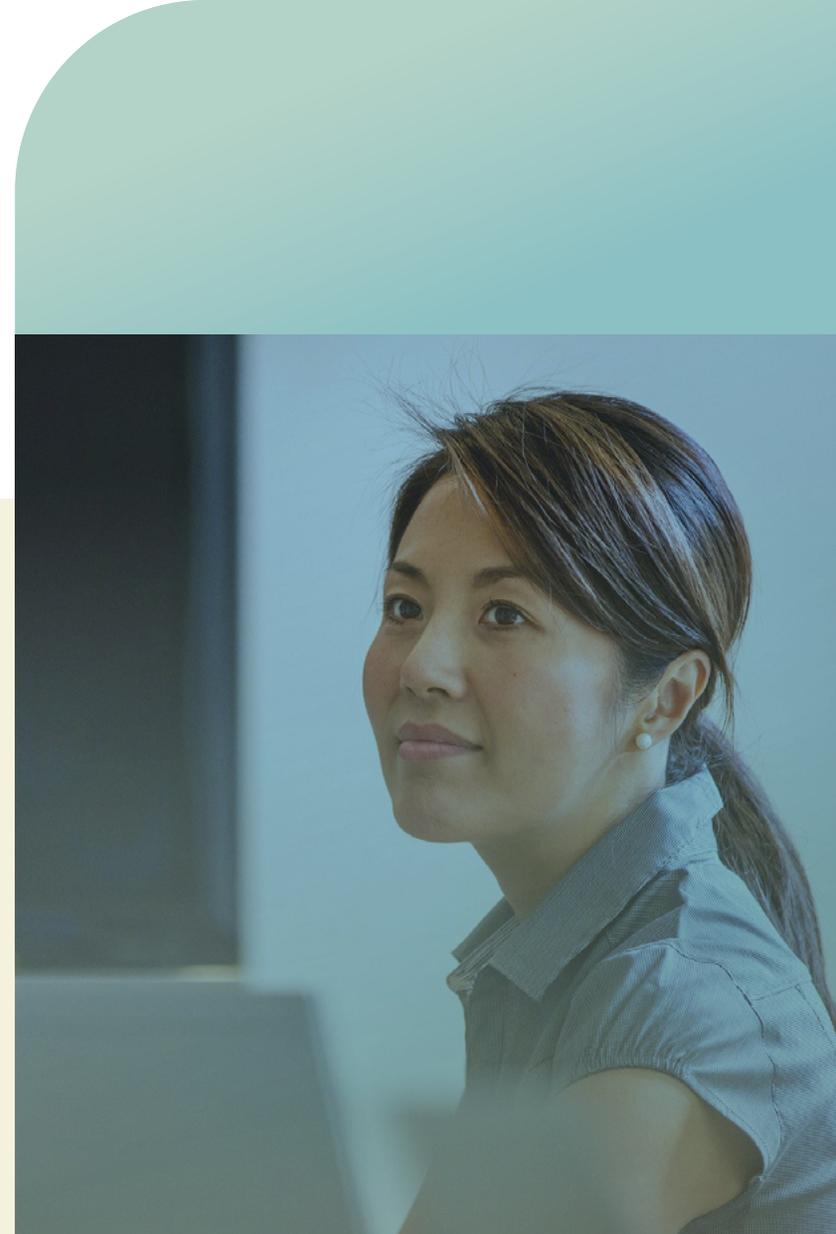
Characteristics: Do they ask good questions? Do they request product demos?

Ask questions like: "Tell me about a presentation that you were particularly proud of. Why was it effective in winning others over?"

Strong sense of urgency

Characteristics: Are they action-oriented? Aggressive about getting things done?

Ask questions like: "Describe a situation in which you had to take immediate action despite not having all the information."



⑤ Account for turnover

No matter how strong your interview process is, not every hire will work out. To account for turnover rates typical of this role, assume a 50% fail rate of new hires—and a 30% attrition rate for your existing team. Build your recruiting pipeline accordingly. Having at least one position open at all times ensures you'll never be surprised by turnover—and will always have a new candidate in your pipeline to advance.

You can also reduce the likelihood of failure by setting realistic expectations. Be transparent and outline key milestones that you expect new hires to hit in the first 3–12 months. There's nothing better than giving candidates clear goals—and reaping the benefits as they thrive.

Interested in learning more about hiring?



Listen to *The Get* podcast where we discuss [What Private Equity Investors Look for in Marketing Leaders](#).



4 components of effective sales training

Enabling sales training for B2B sales teams

Building and hiring the sales team is only the first step in enabling the sales team to be successful—much of the ongoing impact comes from training and onboarding the sales team. There are many flavors of training, though a lot of the general best practices around sales training focus on sales skills.

Our perspective is that while training on general sales skills —cold calling, negotiating, objection-handling— is critically important, the differentiation between the great sales reps and those who struggle comes down to how well they hone their craft for the company's product, industry, and customers.

To enable sales training, we often focus on four components:

- ① Role play
- ② Connection to the customer
- ③ Product knowledge
- ④ Value-based selling



Role play

Sales training done in a classroom format can have only a limited impact on really moving the needle on helping to improve an individual rep. Often these settings tend to hinder custom training for the individual. Our perspective is that role play training is one of the best ways to drive frequent and impactful sales training.

A few principles as you are designing role play exercises:

- **Create detailed prompts for the role play**, including a page for the sales rep that tees up the conversation coming up, the background that they know, and the end goal of what they are trying to achieve.
- **Create a prompt for the “customer”** so that the other individual knows which objections to push on, what they would like to get out of the conversation, and where they should or should not give in to the sales rep. These are often carefully designed using real-life examples from the sales team but customized by the sales leader or sales trainer so that the role play a sales rep receives aligned to a key development area. For example, if a rep struggles with the end-stage of getting the contract signed, the role play should use that situation as the core example.
- **Replicate the setting in how the sales rep sells.** If sales most often happen via virtual meeting or phone, have the rep go to another room and call into the sales training meeting and conduct the sales work virtually vs. in front of the whole room.
- **Focus on feedback after each role play.** Ask the rep to reflect on how things went, then ask the customer “role play” person how they received the sales rep’s engagement, and finally save time for the rest of the sales team to provide feedback, advice, and thoughts to the sales rep.

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One of the strongest assets a founder brings to a company is the incredible proximity that he or she feels to the end customer.”

Connection to the customer

One of the strongest assets a founder brings to a company is the incredible proximity that he or she feels to the end customer. It isn't easy to replicate at times as the sales team scale, particularly if sales occur via phone or webinar. Especially today, it isn't surprising to find companies where a sales rep has never been to the customer's office or site to see how the business operations work. As part of onboarding and training, incorporate in-person visits or several conversations with existing customers. During these conversations, you should cover how the customer's business runs and how they use the software or service your company provides. This exercise is an incredible tool for sales reps to visualize what a prospective customer is going through on a day-to-day basis.

Know your product and value

Another area that growing sales teams often struggle with is the depth of knowledge of the product itself, something a founder or early sales leader knows well. As a sales team grows, it isn't surprising to see reps who can show the features of a product based on training but not truly understand the purpose of the product design and how the customer can use those key features and functionality. Understanding the product design and how customers use it also translates into understanding how the product's features connect to the value the product can generate for the customer. This insight allows the conversation to focus on value generated vs. a demo that goes through bells and whistles.

We often use a regular product quiz with sales teams in sales training to ensure that they are well versed in the product at a level that a decision-maker may be. However, they don't need to necessarily be experts in troubleshooting everything inside of the product itself. Role play will help the sales reps gain confidence around how key features create value for the customer and why the prospect on the other end of the call needs the product at their company.

Enabling your sales team to succeed is a critical component of an effective go-to-market function with training at the heart of it. Sales training enables both the onboarding of new sales team members and the continued improvement of the existing team.

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Understanding the product design and how customers use it also translates into understanding how the product's features connect to the value the product can generate for the customer.”

Ultimately, the most successful training will be the ones that bring the sales team as close to the product and customer as possible, while reinforcing the lessons from selling that the founders and most successful sales team members have gained over the years.



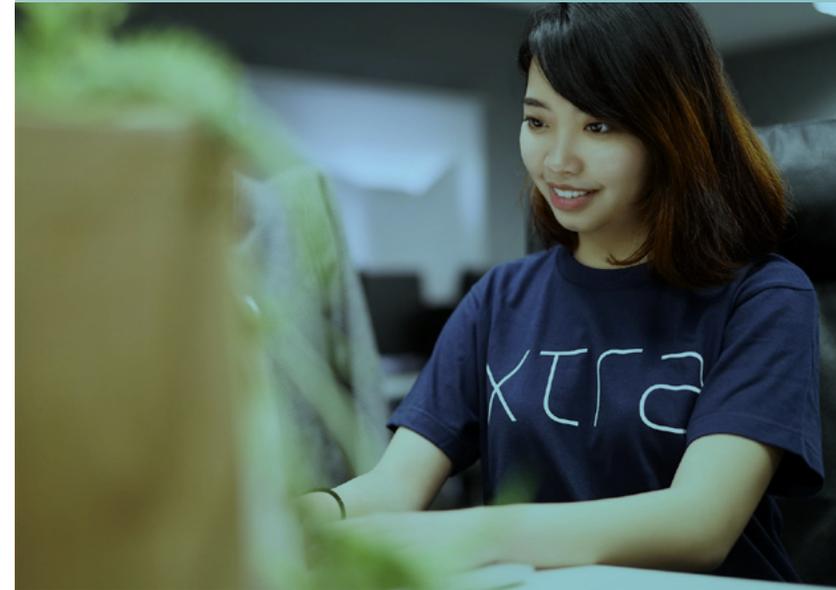
Supercharge your sales performance management with 3 tactics

How to engage with your sales team to unlock value

There are many ways to support the sales function inside a company as it scales, but one of the best parts of sales is that it is the most measurable function as well—performance is trackable. The challenge for companies ends up being on whether they can use the tracked performance to manage effectively.

Our experience points to performance management in sales revolving around three areas:

- ① Using one-on-one (1:1) individual coaching
- ② Implementing a metrics-based scorecard
- ③ Laying out clear action plans.



1:1 Coaching

We often see sales teams hold weekly team meetings that are primarily sales reps going around talking about their pipeline as a way of managing the team. While the team-spirit and sharing this enables are essential, this is one of the most common obstacles to establishing successful performance management. Our experience has been that weekly coaching calls have to be done 1:1, especially in fast-growing software companies in the earlier stages of their sales team growth. If a company has hundreds of sales reps, then the goal may be to hire and train sales reps that look and operate like each other. However, at earlier stages, each sales rep needs to be managed individually. 1:1s allow the sales leader to help tailor the messaging and coaching to the rep—some may struggle with opening new opportunities and leads while others may struggle moving deals through the pipeline.

In addition to conducting these sessions individually, we would encourage a few other best practices for 1:1 coaching meeting with your sales reps.

Best practices

- ✓ Hold them at the same time and day every week
- ✓ Have them take place before the 1:1 between the CEO and sales leader
- ✓ Use a dial-in or video meeting, even if the meeting is taking place in person so that other members of the executive team can join in as listeners
Having a dial-in is essential. It allows leaders in finance, product, technology, customer success, etc. to hear directly from the reps the challenges and opportunities from the front lines—as long as they announce themselves and remain silent listeners.

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The prep time is sometimes the hardest to carve out as there are always competing priorities that come up but being disciplined around the preparation enables some of the highest impacts in performance management.”

The scorecard

The centerpiece of coaching is the performance scorecard. Depending on the sales cycle, this may be a weekly scorecard or monthly scorecard, but it captures the sales rep's key data and information to drive the coaching conversation.

Four scorecard components

1

Performance

How has the rep been performing? Performance data could include vs. quota, past performance, and stack rank amongst the reps.

2

Pipeline

How will the rep perform? Pipeline data can include the pipeline by stage, days in stage, key pipeline movements, and win rates.

3

Activities

Is the rep doing all of the things they need to do to help grow the pipeline, move the deals through the pipeline, or meet performance expectations?

4

Action Plan

Has the rep done the things they said they would do last week/month, and do they have a plan for what they plan to do next week/month that's different?

Bonus: for higher velocity sales, we often include a compensation calculator that shows what 1, 3, or 5 more deals could mean from a commission basis.

These components all work together. If a rep is behind on performance, but the pipeline looks strong, and the activity is there, the sales leader may worry less about what's coming ahead. Similarly, a rep who is hitting performance targets, but the pipeline looks light, may cause concerns about future performance. The key to successfully using the scorecard in 1:1 coaching is not merely sending it over to the sales rep. Instead, the sales leader should aim to carve out 0.5–1 day on reviewing the scorecards and CRM data in detail to prepare for the 1:1s. The prep time is sometimes the hardest to carve out as there are always competing priorities that come up but being disciplined around the preparation enables some of the highest impacts in performance management.

“

Framing performance management in the spirit of its intention—individualized coaching to make everyone successful—makes it one of the most powerful tools in the sales toolkit to drive growth.”

Action Plans

The last piece of the 1:1 coaching meeting focuses on the action plan. The action plan is a critical component of performance management because it enables the rep to come up with a list of things that they will do differently or try differently. It may be as simple as a new tactic, hitting certain activity benchmarks, or targeting specific accounts in their territory.

These action plans must be written by the rep vs. assigned by the sales leader as it creates an ownership mentality for the rep. Having the reps write their action plans helps differentiate will vs. skill in the reps. If the rep is developing action plans, executing against those, and committing to improvement, the will is there. If they are still not seeing results, it likely demonstrates the sales rep is simply in the wrong role/position for their skillset. As we discuss in sales hiring, the context for success is as important as innate skills.

Performance management is a term that is often thrown around as essential but commonly not practiced as it does require direct conversations.

Framing performance management in the spirit of its intention—individualized coaching to make everyone successful—makes it one of the most powerful tools in the sales toolkit to drive growth.



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