A TALE OF TWO TEAMS

THE SALES-FINANCE ALIGNMENT PLAYBOOK

HOW TO COLLABORATE FOR SUCCESS

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A TALE OF TWO TEAMS

It was the best of teams...it was the not so best of teams. It's a tale as old as time. Well, maybe not as old as time, but old. The sales-finance conundrum. It's almost as complex as the sales and marketing one...but we'll save that tale for another day. Today, we're going to meld the numbers gurus with the silver tongues and lay out the path to success by working as important functions within the body of any organization. As they say..."Teamwork makes the dreamwork."

The human body is made up of numerous systems, each of which has specific jobs to do. These jobs seem independent, but they directly impact and depend on the other systems. For the body to stay healthy and functional, each system has to do its job in sync with the others.

A business or organization works on a similar principle. All the departments in your company have their own roles and responsibilities, and they need to work together to keep the company running smoothly and generating revenue. When they get out of alignment, it causes problems for everyone.

In this ebook, we're going to look at sales and finance in particular, considering the importance of data and transparency in keeping these departments properly aligned. We'll go over specific ways to improve alignment between sales and finance in the areas of:

HIRING DECISIONS

PERFORMANCE DATA

COMMISSION REPORTING

REVENUE RECOGNITION

SALES AND FINANCE ALIGNMENT: DATA & TRANSPARENCY

Successful alignment of the sales and finance departments depends on two key ingredients: **data and transparency.** Sales needs data so they can create accurate forecasts, and finance needs data so they can create realistic budgets. Faulty or insufficient data for either department leads to faulty expectations and lost revenue.

And it isn't enough to simply have accurate sales and commission data—it has to be accessible. If it's siloed away or difficult to track down, it'll cause issues regardless of how good the data is. Both sales and finance need transparency to access and gain needed insights from the data.

Far too many companies are still relying on spreadsheets or cobbled-together in-house solutions. Although they may seem like an appealing option at first, spreadsheets simply aren't designed to manage data at sufficient scale, they aren't particularly secure, they practically guarantee the introduction of errors, and they make it impossible to gain true visibility for everyone who needs it.

Odds are, if crucial data is housed in spreadsheets, your sales and finance departments aren't operating at peak alignment.

For proper data capture and thorough integration between your sales and finance systems, you need a purpose-built incentive Compensation Management (ICM) solution. It should provide accurate reporting that draws on current data, giving you access to the insights you need, while stripping away noise and clutter. And it ought to allow seamless communication between departments.

Performio has you covered on all counts, offering the data and transparency you need to improve sales and finance alignment. Let's take a look at how that works in four key areas.

FOUR PRACTICAL AREAS TO IMPROVE ALIGNMENT

A few of the most crucial areas where sales and finance need to align include hiring decisions, performance data, commission reporting, and revenue recognition.

Hiring decisions should be backed by data

Every new hire comes at a cost, while also having the potential to bring greater value to the company. The goal is for their base salary, benefits, workspace, and equipment to cost less than what they provide the company in return: X sales, Y new clients, and Z dollars.

Both the sales and finance departments need to know what all of these numbers look like at any head count in order to inform their decisions around budgeting, target team sizes, hiring, and layoffs.

If their estimates are off, it can lead to understaffing, underperformance, and goals not being met—or it could lead to overstaffing, employees who aren't creating a net benefit, and ultimately layoffs. Getting these estimates right helps avoid either problem, while maximizing revenue for the company.

To learn these numbers, sales leadership needs to look to the past. Ideally, they should be able to examine performance data from at least the past four years to account for seasons of extreme growth as well as contraction.

Looking at the past data averaged out over time, you should be able to determine a reasonable expectation for what value an additional salesperson represents in your current environment. Depending on your company's capacity and the current size of your sales team, you may want to use a regression model to determine which factors are most meaningful to the data.

Younger companies may not have much data. And even established companies may not have sufficient access to what they require. In either case, you'll need to work with what you have available. But now is the time to start using the right software to track the data for making such analyses in the future.

Performio gives you access to all the data you need, from tracking to analyzing to generating reports. You'll be able to know—backed by objective historical data—the value and costs associated with any new employee, allowing you to make the best possible hiring decisions.

Additionally, Performio improves transparency by enabling data sharing between departments based on user roles, ensuring the right people always have access to the data they need.

IF YOU'RE LOOKING TO EXPAND YOUR SALES FORCE, NOW IS A GREAT TIME TO PICK UP BIG TECH SALES TALENT. MICROSOFT, GOOGLE, APPLE, FACEBOOK, AND OTHER TECH GIANTS HAVE RECENTLY LAID OFF HUNDREDS OF THOUSANDS OF EMPLOYEES—A LARGE PERCENTAGE OF WHICH WERE IN SALES. TO LEARN MORE, CHECK OUT THE BIG TECH TALENT SURPLUS: HOW TO ATTRACT TOP-NOTCH SALES TALENT IN THE AFTERMATH OF THE JAN 2023 BIG TECH LAYOFFS.

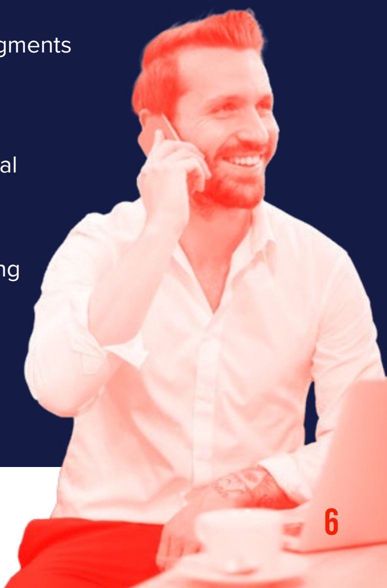
Performance data should underlie everything you do

We already touched on performance data as it relates to hiring decisions, but you also need performance data on a daily basis to know what's bringing in the revenue.

For example, you'll want to know:

- Performance of sales reps and teams
- Progress of each sales rep and team toward meeting their quotas
- Call volume or other forms of customer contact
- Number and percentage of appointments set
- Leads generated
- Lead response time
- Close rate
- Number of sales on a weekly, monthly, quarterly, and yearly basis
- Revenue generated from those sales
- Commissions issued to sales reps
- Customer acquisition cost (CAC)
- The lengths of contracts signed
- Contracts that customers backed out of
- Lifetime value
- Who your customers are
- How customers fit into your products pricing segments
- Where customers are located
- What industries customers work in
- How many customers you have in a given vertical

The more data you can gather, the more accurate your picture will be about how your sales department is doing and what they need to succeed.



Using this data, the sales department can provide accurate forecasts that are based on historical performance, rather than intuition and wishful thinking. In turn, the finance department is able to interpret those forecasts into budgets that actually line up with the reality of sales' day-to-day operational needs.

And if the budgets set by finance aren't working out, then sales will be able to speak into them intelligently, backing up their requests for additional funding with firm numbers, instead of relying on emotional appeal.

Sales and finance leaders should be able to quickly and intuitively interrogate their performance data for insights. But for that to happen, you'll need to have a system in place that tracks all this data, organizes it in a usable manner, and provides access to those who need it while keeping sensitive data away from those who don't.

Performio does a lot of heavy lifting for you here. It monitors sales performance data and allows it to easily flow between your systems. Sales and finance leaders are empowered to analyze the relevant data, pull out the insights they need, and turn them into reports, forecasts, and budgets. And in-app messaging allows for seamless communication between departments.

Commission reporting should be accurate and transparent

Inaccurate commission reporting causes problems on every level.

To your sales reps, it's a frustrating experience. They just want to be paid what they're owed, and they don't want to deal with constant adjustments after the fact. When they feel like they have to fight to receive their compensation—or when they end up having parts of their payments taken back—it leads to poor morale, suffering performance, and increased attrition rates.

And to finance, errors in commission reporting can be disastrous. Underpayments result in billable hours spent resolving disputes and issuing corrections. And overpayments mean the same—if they're even noticed in the first place. While sales reps are sure to let you know if they believe they've been underpaid, they're much more likely to interpret an overpayment as a happy surprise, waiting for you to tell them if it was a mistake.

All this adds up, causing friction between sales and finance, and wasting money.

According to estimates from Gartner, companies can save between three and five percent of compensation expenses just by minimizing overpayment and underpayment.

Beyond being accurate, commission reporting also needs to be transparent. Even if you can trust that your calculations are perfectly correct, you can't necessarily assume that your sales reps are making the same calculations. As they work toward their goals and fill their quotas, reps are going to be tracking their progress to see how far along they are and to learn how much they can expect to make.

If their calculations don't line up with yours when it comes time to pay out, you'll be faced with disputes and suffering morale—even if the calculations on your end were right. It's so much better to simply give your sales reps transparency into their progress, so they can see how they're doing without having to rely on homebrewed calculations that may or may not be accurate.

Whether on your end or theirs, inaccurate calculations tend to result from using the wrong tool for the job. If you're relying (or forcing your sales reps to rely) on a sea of spreadsheets, other outdated technology, or a pen and paper to calculate commission reports, you're just begging for the introduction of human errors.

You need a well-connected ICM like Performio to ensure your reporting is always accurate. With Performio, your sales reps get a real-time window into their progress. They can see all the sales they've made, the commissions they've earned for each one, how far along they are toward any quotas or goals, and even how they stack up next to each other via leaderboards. And finance can rely on payments that are accurate every time, avoiding the hassle and expense of after-the-fact corrections.

Revenue recognition should be timely and compliant

When sales and finance are out of alignment, it can hurt your ability to comply with tax standards and regulations. The Securities and Exchange Commission (SEC) treats improper revenue recognition, including reporting revenue too soon, as fraud. Failure to keep your books clean can lead to fines and other punitive actions.

And ever since ASC 606 guidelines were enacted in 2018, you've had a few extra elements of compliance to keep track of. For example, where under previous standards businesses could account for commissions, incentive pay, and bonuses as direct expenses, they are are now required to recognize revenue using the following five steps:

1. Identify the contract with the customer.
2. Identify performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price.
5. Recognize revenue when the entity satisfies the performance obligation.

The more data you can gather, the more accurate your picture will be about how your sales department is doing and what they need to succeed.

FOR AN IN-DEPTH LOOK AT THE CHANGES THAT CAME ABOUT WITH ASC 606 AND WHAT YOU NEED TO KNOW TO STAY COMPLIANT, CHECK OUT OUR ARTICLE, "UNDERSTANDING THE TAX IMPLICATIONS OF ASC 606 REVENUE RECOGNITION."

But beyond compliance for the sake of avoiding penalties, staying on top of proper revenue recognition has its own internal benefits for your company. Revenue recognition from past periods can (and should) inform budgets in future periods. The more accurate your reporting, the better your budgets will be. When sales and finance are aligned in this area, the budget-forecast loop becomes even tighter.

The best way to stay compliant and improve your internal practices is to use a dedicated tool that integrates with all of your systems and is purpose built to handle revenue recognition. The right software solution—like Performio—lets you pinpoint errors and discrepancies, lowering the chances of being audited in the first place and helping you expedite any audits you find yourself in.Allocate the transaction price.

IMPROVE SALES-FINANCE ALIGNMENT WITH PERFORMIO

To bring sales and finance into alignment, you need better data and enhanced transparency—across hiring decisions, performance data, commission reporting, revenue recognition, and everywhere else sales and finance come into contact with each other.

You need a dedicated, scalable platform that automates your sales commission calculations while facilitating open communication between departments.

Performio was built by sales comp experts for sales comp professionals. For more than 15 years, we've helped hundreds of sales teams and finance departments in dozens of industries. Our product strikes the perfect balance between flexibility and ease of use.

At Performio, we love empowering businesses with accurate and transparent data, reducing interdepartmental conflicts, and freeing them to spend more time growing and serving their customers.

READY TO SEE WHAT PERFORMIO CAN DO FOR YOUR BUSINESS, *REQUEST A DEMO TODAY.*

Request A Demo

TEAMWORK MAKES THE DREAM WORK

INTERNAL ALIGNMENT SETS YOUR ORGANIZATION UP FOR SUCCESS. ENSURE THIS IS A TALE OF TWO TEAMS THAT IS UNDOUBTEDLY “THE BEST OF TIMES.”

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