

Marketing & Sales Practice

Commercial performance cockpit: A new era for data-driven steering

B2B sales leaders are beginning to use data in new ways to drive better sales performance.

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As customers have shifted to digital and remote engagement in recent years, business-to-business (B2B) sales organizations have had to cover more channels and manage more interactions. Moreover, today's B2B buyers are savvier than ever and expect a "consumer-like" experience. While more data on customers are available than ever before, many B2B companies struggle to use them to create insights on commercial opportunities and steer their organizations to the next level of performance.

Shifting customer interactions during the COVID-19 pandemic have magnified the challenges. As further data pour in from digital platforms, video calls, and webinars, it is becoming increasingly difficult for organizations to know which customers to focus on, what they care about, and how successful sales teams are engaging them. This challenge is here to stay; in our most recent B2B Pulse Survey, 89 percent of B2B executives said they expect the

shift toward more digital and remote go-to-market models to last beyond the pandemic.¹

So what should commercial organizations do? Across B2B industries and regions, our work has shown the development of one capability to be crucial: data-driven commercial-performance management. Done well, it can help companies capture up to 15 more percentage points in EBITDA growth than their peers.² In addition, it is an absolute necessity in reimagining a go-to-market process that can radically improve sales ROI (Exhibit 1).³

A data-driven commercial-performance cockpit to turn insights to impact

Managing commercial performance requires a centralized unit—a cockpit—that integrates data in one place, derives insights, and translates them

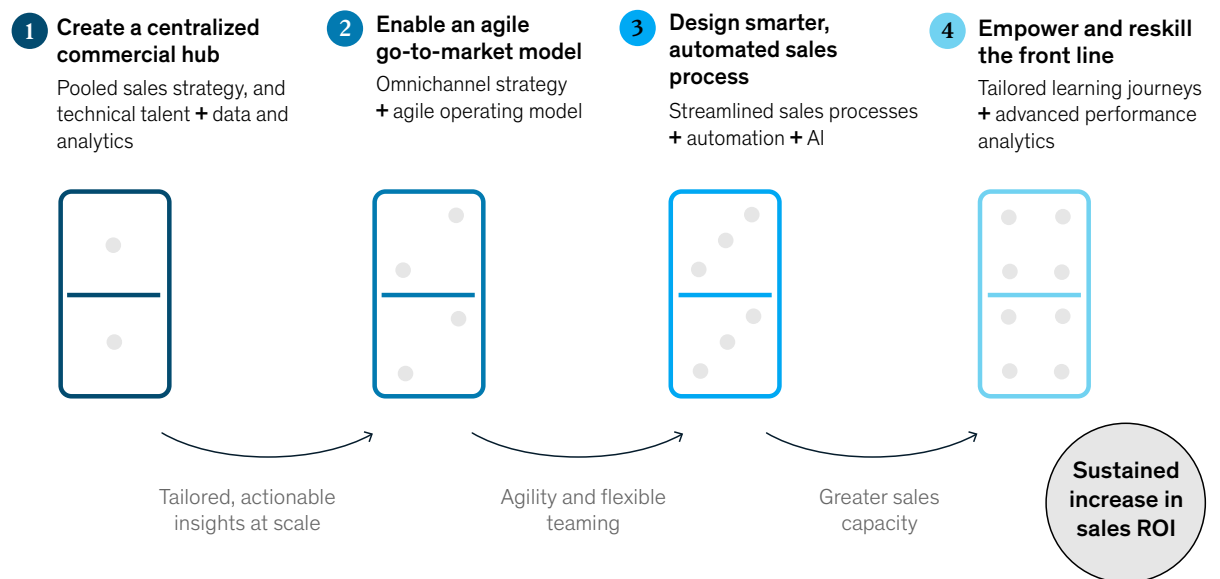
¹McKinsey's COVID-19 B2B Decision-Maker Pulse survey 7/27–8/11/2020 (n = 3,626).

²McKinsey's Commercial Capabilities Assessment Tool (CCAT) survey results for 11,837 respondents from 85 global B2B organizations indicate a positive relationship between performance-management capability scores and EBITDA CAGR with 99% confidence level.

³Bertil Chappuis, Gui Cruz, Ben Ellenweig, Maria Valdivieso, and Michael Viertler, "The domino effect: How sales leaders are reinventing go-to-market in the next normal," October 2020, McKinsey.com.

Exhibit 1

Four dominos trigger a chain reaction that can radically improve sales ROI.



into concrete frontline actions. The cockpit aligns staff, from the CEO to the frontline sales reps, on the organization's goals and establishes a common commercial-performance language.

We have found that the best B2B performance-management cockpits share three elements: (1) dynamic sales targets developed with the help of analytics; (2) granular performance data systematically organized in easy-to-use dashboards; and (3) an action-oriented culture (Exhibit 2).

Dynamic sales targets based on analytics

To harness the benefits of today's data-driven environment, organizations first and foremost need a clear view of their commercial goals—for example, topline growth and margin expansion—and metrics to track their progress in achieving them. For each metric, leaders need to set targets by comparing existing revenues with full-potential estimates on a customer level where possible.

But it is no longer enough to set sales and margin targets by adding a percentage increase to

historical sales results. Rather, today's target-setting approach should be informed by forecasting models based on granular internal sources and external market factors to reflect product- and account-level sales potential. In addition, sales leaders should negotiate these targets and update them regularly—quarterly or as needed—to reflect the current reality. This practice can help establish a “fair” sales potential.⁴

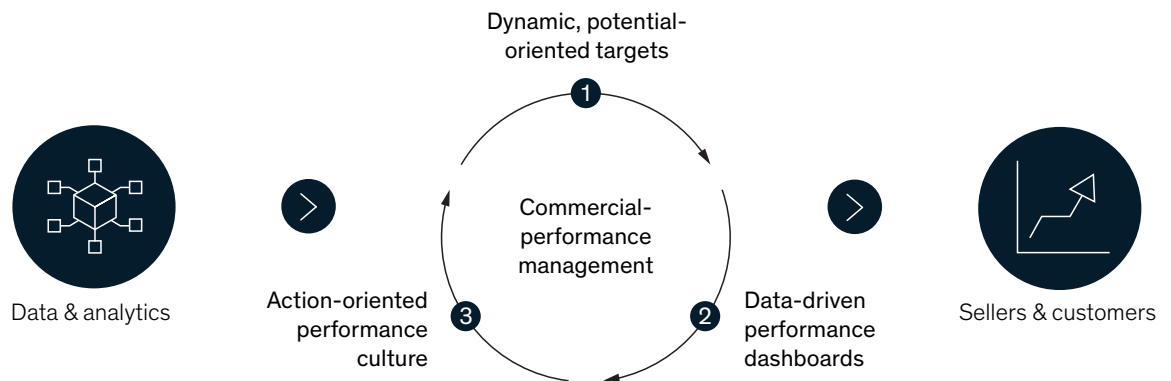
One global software company, for example, sets distinct targets according to major sales role types. Building on top-down input—for instance, market forecasts and product trends—the company feeds account-level data, such as product adoption and satisfaction, into its commercial analytics systems and uses machine-learning techniques to predict the right targets. Leaders can also monitor these systems and make adjustments based on macroeconomic changes, legislation changes, or midyear performance to yield better results throughout the year.⁵

Local management can also adjust targets depending on what they think is realistic in the

⁴Doug J. Chung, Isabel Huber, Vinay Murthy, Varun Sunku, and Marije Weber, “Setting better sales goals with analytics,” *Harvard Business Review*, July 9, 2019, hbr.org.
⁵Ibid.

Exhibit 2

A data-driven commercial-performance-management cockpit relies on three components that translate insights into impact.



market. For example, after the outbreak of COVID-19, some companies chose to lower targets for revenue or new business but offer customers free workshops or diagnostics, helping to build and strengthen long-term relationships.

What's more, today's abundance of internal and external data enables leaders to monitor more KPIs than ever before—and at a more granular level. The resulting insights pinpoint the critical behaviors underlying successful sales (for example, visits per rep, how much time top performers spend on value-added selling, and collaboration patterns), and their impact on pipeline, margin, and strategic goals in a more dynamic, automated way. These insights can help leaders to develop a strategy that optimizes how time is spent.⁶ Top-performing sales executives review commercial targets not only through the lens of outcomes but of drivers, and they consider a wider range of KPIs and the data sources available to track them.

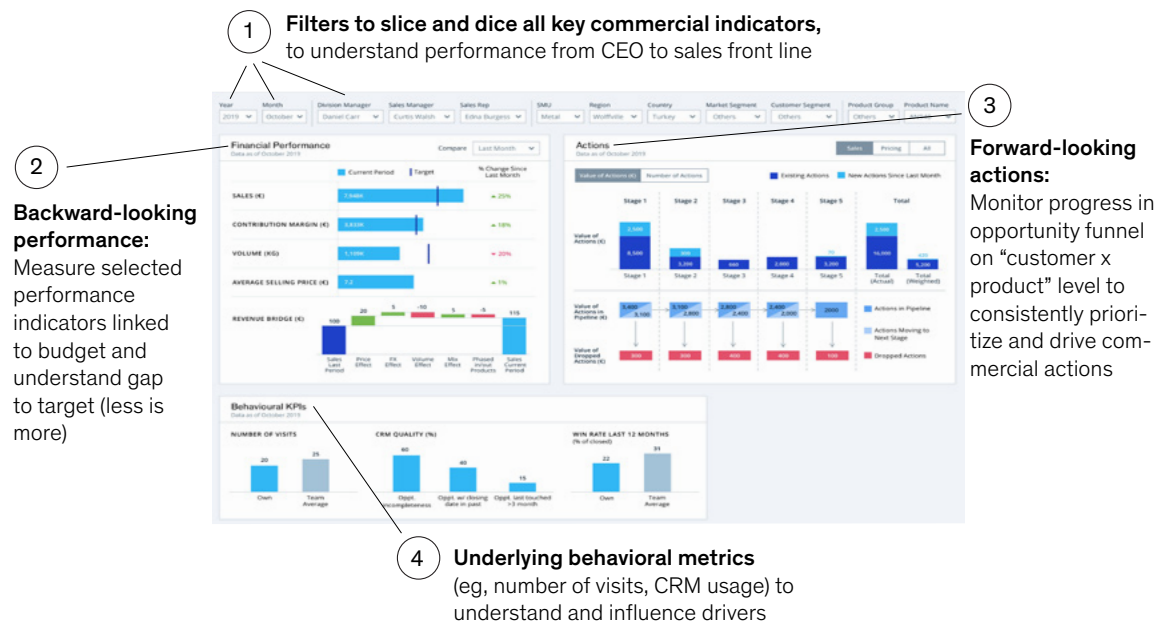
Data-driven dashboards as single source of truth on commercial performance

The heart of the data-driven cockpit is a highly automated, easy-to-understand dashboard that tracks the progress of commercial performance against targets in near-real time. It brings together key insights on backward-looking (sales performance) and forward-looking (sales pipeline) commercial KPIs in visualizations broken down by geography, business unit, account, or sales team (Exhibit 3). These dashboards create a single view of current performance and future opportunities—thus uncovering opportunities across all levels of the organization from the CEO to frontline sales reps. For example, individual sales reps can get insights on their accounts from the dashboard, while regional heads of sales can compare performance of geographies in their remit. When behavioral or effectiveness KPIs are included (such as client visits, or time spent per account, pipeline velocity, or win rate), the dashboard gives sales leaders

⁶Anna-Sophie Smith, Jakob Stober, Jochen Ulrich, "How data analytics helps sales reps win more deals," November 2020, McKinsey.com.

Exhibit 3

A data-driven commercial-performance dashboard serves as a single source of truth for everyone, from the CEO to the sales force.



an additional early warning system to influence performance. Today's performance dashboards allow B2B organizations to make timely business decisions and react more rapidly to changes in business or market situations, such as favorable microtrends or predicted performance gaps.

To build this dashboard, which is often hosted in a company's business-insights tool, sales organizations need to first systematically compile their data into a commercial data mart. That starts with identifying the data on transactional profitability by product at the customer level as well as on interactions and potential opportunities by customer. It requires building systematic links between enterprise resource planning (ERP) and customer-relationship management (CRM) systems to form harmonized data sets on customers, products, and the sales force.

Once available, the core-data mart can be enriched with further internal data, such as web-page traffic or innovation activity, and external data, such as data from third-parties or customer information crowdsourced from frontline salespeople, to understand the most important KPIs, such as share of wallet, customer brand positioning, or competitor performance. The enriched data and KPIs help guide sales leaders in managing the performance of their reps and driving value for the organization.

Leaders of one global software company understood that little benefit came from reflecting on internal, high-level performance data through an annual review. So they have established a highly granular data set including historical, current, and future sales numbers down to the account level and linked these to external data to establish a full-revenue potential per account. The data are updated daily and allow sales managers to drive performance reviews in a more systematic, granular, and action-oriented manner. A B2B nutrition company augmented a performance dashboard with behavioral data to compare time spent on interactions with customers versus time spent on internal meetings or noncore activities, and then compare the data on top-performing reps with the data on their colleagues. Leaders thus have an early

warning system to draw conclusions about what behavioral changes in the sales force will impact sales.

Some B2B leaders have taken the next step and incorporated analytics to help drive sales behavior. For example, B2B leaders can provide automated team notifications based on insights from recent wins or support live bonus calculations based on performance and pipeline data. Others focus on increasing planning accuracy via forecasts on their gap to target, taking the current performance and opportunity funnel into account and exploring the drivers of commercial win rates.

An action-oriented performance culture

Two cultural elements are critical to an effective commercial-performance cockpit:

1. Action-oriented performance huddles

Leading B2B organizations use performance huddles systematically and frequently throughout the whole commercial organization, from the CEO and their VPs of sales down to sales-team leaders and individual reps. As leaders run huddles, they can use the dashboards to prompt fact-based discussions about performance. Ultimately, huddles encourage a performance culture, maintain accountability, and identify what support team leaders need. While classic reviews focus on assessing high-level past performance at the end of a month or quarter, today's huddles focus on identifying early signs of lagging performance, taking corrective action, and refocusing the commercial organization on what matters most in trying to hit ambitious targets.

For instance, a chemicals company established weekly huddles in sales teams to review each seller's individual opportunity pipeline. Their motto was, "Look at the same seven KPIs every seven days," and the huddles provided action-oriented guidance to sales reps for their most acute business opportunities. In times of uncertainty, such as the COVID-19 pandemic, these huddles allow sales managers to take the pulse of the market, spot developments in near-real time, and promptly reorient resources. In addition, a short survey at the

end of each huddle allows reps to assess the helpfulness of the discussion and make constant improvements.

2. *Flexible incentives*

For organizations to act on insights quickly, make necessary changes, and encourage desired behaviors, underlying incentive structures need to be flexible. In an agile organization, incentive structures focus on the team contributions rather than on individuals. All roles crucial to closing a deal—not just sales—are compensated based on account profit, growth, and customer satisfaction.

One global B2B player embraces highly dynamic incentives, depending on how a team, department, or region is doing. Local managers are empowered to budget for the creation of accelerators and set incentives to help achieve goals. For example, if there are two weeks left in the period and a few deals are close to closing, the local manager can promise an additional bonus for concluding them successfully. In addition to the usual incentive program, this organization offers incentives and special accelerators based on strategic areas, products, and solutions.

How to get commercial-performance management going

To get the commercial-performance management process going and to make it sustainable, companies first establish a “commercial operations hub,” a team that has the ownership, capabilities, and organizational power to continuously generate insights from data. It functions as a permanent war room. To harvest benefits early on, the hub should focus on these three tasks:

1. *Staff a commercial-performance team and establish the baseline.* The hub should be staffed with a cross-functional, centralized support team with relevant expertise, from data-savvy salespeople who can translate the insights into action to technical experts and data scientists fluent in data transformation. The team, which should have a well-defined scope to support sales leaders across business units and geographies, can take stock of current performance-management practices, work to understand data quality and where the data are missing, and determine which data sources can be added easily (see sidebar, “Five actions to establish the current status of commercial-performance management”).

Five actions to quickly establish the current status of commercial-performance management

- Interview key business leaders across organizational business units and geographies to understand the business’s needs and its level of sophistication at commercial-performance management.
- Establish and run a targeted, deep-dive capability assessment along best-practice markers to compare sophistication of different business units and geographies.
- Review existing dashboards, including the KPIs they measure and the quality of the data they use, and compare them with business needs.
- Map how existing dashboards are being used at different levels of the sales organization.
- Shadow performance-management meetings throughout the organization, mapping their agenda and cadence.

2. *Design and pilot a 'minimum viable cockpit.'* The hub team should begin establishing a basic dashboard by engaging cross-BU and cross-geography leaders, focusing on designing a single source view, defining targets, and determining how the dashboard will come to the front lines. The design of the first version of the dashboard should cascade from a top-management view to sales-team and field-seller views. Sales leaders can start using data transformation programs to help them understand and see patterns in the data.

At this stage, commercial leaders also need to select regions and train teams for rollout, including deciding who will have access to the dashboards and how they will be reviewed at each level of the organization. For example, if one geography has the best data availability, systems coverage, and most technically skilled talent, leaders may want to run an initial pilot in that region while other regions fix their basic data gaps.

3. *Test and adjust continuously.* The cockpit team should test the new system's accuracy and effectiveness against the old system. As

part of this testing, the hub team can invite sales managers and field reps to try out new dashboards and suggest changes, assess and adjust how the data are set up and visualized, and create a list of features and functions to add over time. They should start by aligning on the essentials, such as financial data that includes true product profitability, and then move on to data that are more difficult to capture, such as data on seller behaviors.

B2B sales executives can uncover myriad benefits from centralized commercial operations built around data and analytics, ranging from improved commercial performance to a foundation for unlocking the full impact of end-to-end sales transformations. An effective, data-driven, commercial-performance cockpit can not only drive growth and react nimbly to market changes but also help retain talent by motivating them with data-based, realistic targets, optimized resource allocation, and performance-based incentives. This kind of capability can help B2B players get and stay ahead of their competition.

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