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How the Best Commercial Leaders Will Win the Growth Battle in 2022

Executive Summary

Pressure to sustain and accelerate growth, a hot talent market, shifting B2B buying dynamics, and the potential for inflation all combine to create a challenging set of circumstances for commercial leaders in 2022.

This report looks at how the most successful go-to-market organizations are positioning their companies for growth in 2022. The secret to their success?

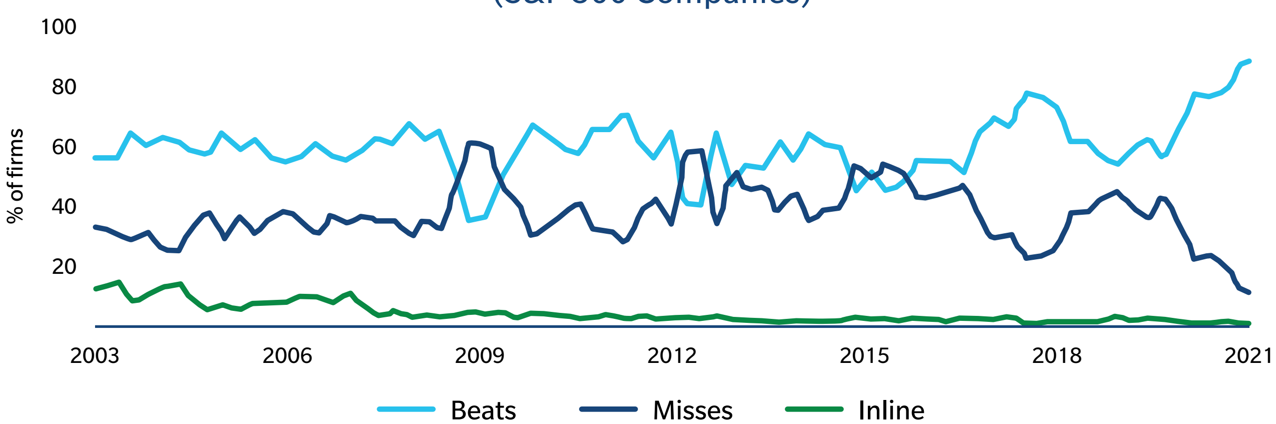
They think differently about their commercial system. With record numbers of job postings, rising salary requirements, and limited talent for the roles available, high-growth companies take a creative approach to the war for talent. In addition, they build their go-to-market machine for scale, investing aggressively in digital selling, shifting capacity to online channels, and building strong enablement and operations capabilities to support both buyers and sellers. Finally, to support their team's ability to execute, market-leading CEOs bring tremendous discipline and conviction to their growth plans, prioritizing and sticking to a short list of bold growth initiatives.

This SBI report provides a detailed look at how high-growth CEOs plan, resource, and execute differently than their peers, highlighting four key risks that growth leaders must address as they plan for 2022.

INTRODUCTION

It's no secret that 2021 has proven a great year for investors. Both US and global markets have experienced strong growth through Q3, with deal volume and valuations increasing steadily, and companies consistently beating analyst expectations for revenue growth and earnings. Across Q1 and Q2, PE firms closed on 3,708 deals, worth a combined $456.6 billion—nearly two-thirds the deal value recorded in all of 2020. And the S&P 500 has also outperformed expectations for revenue growth and earnings per share at historical levels. Below, data from BlackRock reflects strong market demand as a majority of companies outperform analyst expectations for sales growth.

DIRECTION OF REVENUE SURPRISE VS ANALYST EXPECTATIONS, 2003–2021
(S&P 500 Companies)



BlackRock, Taking Stock, Q4 2021

Complicating the task for many leaders, however, this explosive growth has resulted in heightened expectations for all companies. PE-backed companies face contracting mean holding times, with less time to reach aggressive goals, while publicly traded companies see expectations shift even higher.

Commercial leaders are acutely aware of this dynamic. They are confident in setting growth goals — and know what it takes to get to the next exit. But across our research, many CEOs, CROs, and CCOs expressed uncertainty about the dependencies required to achieve aggressive growth goals, including coordinated commercial execution, talent, technology, and more.

To support commercial leaders' efforts to build their 2022 revenue growth plans with confidence, SBI explored how the best companies achieve higher growth in less time.

Average Annual Growth Rates

17%

High-growth cohort

7%

Typical-growth cohort

This research included a survey of 100 CEOs and go-to-market leaders at mid-market and enterprise software and technology companies in the US, UK, Canada, ANZ, and Europe, as well as a series of growth leader interviews and advisory board meetings for further input. We identified high-growth companies through demonstration of consistent, sustained growth over a five-year period, and isolated the performance of the top 33 percent of companies versus their peers. This top-growth population, comprised of both mid-market and enterprise tech companies, saw annual growth rates of 17%, on average, versus 7% for their peers.

Narrowing the Growth Aperture: Observations from 2021

What sets high-growth companies apart? Much of it comes down to focus and conviction. While focus was a popular theme in CEO circles through the global pandemic, there is still a considerable gap between those who profess it and those who live it. The CEOs who have embraced a highly focused and disciplined management approach centered on 3–4 well-defined growth bets and outperformed their peer set. Discipline enabled their organizations to pivot go-to-market (GTM) teams quickly, tightly align resources to key products and markets, and execute and iterate efficiently.

Six consistent themes underscored this management approach across 2021, and we continue to see high-growth leaders extending several of these approaches into 2022:

- **Doubling Down on Winning Products.** High-growth organizations were 33% more likely to prioritize a narrow set of high-demand products and markets than their peers and 2.3 times more likely to focus on deepening penetration into existing markets. These companies all followed a similar playbook: they evaluated how their solutions stood up to major demand shifts and then zeroed in on those opportunities, with few distractions or hedges.
- **Accelerating the Innovation Roadmap.** Entering the uncertainty of 2021, high-growth companies tended to pull forward innovation opportunities aligned to post-pandemic demand shifts. As one example, a software company in the wellness space pulled forward the launch of a video product, enabling its users to engage customers virtually. Another CEO shared, "Once we realized we were in good shape financially, we began to accelerate progress against our product roadmap. It was all about tech development, tech debt, and marketing, ensuring the market was aware of our innovations."

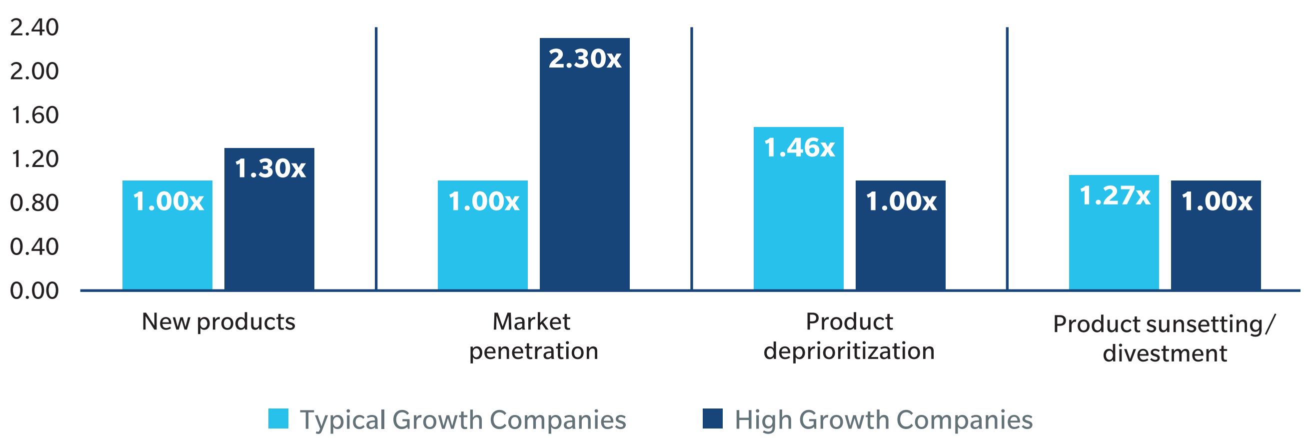
2021 Growth Bets, High-Growth Companies

33% more likely to prioritize a narrow set of high-demand products and markets

2.3x more likely to focus on deepening penetration into existing markets

- **Minimizing Distractions from Near-Term Growth Priorities.** It was also interesting to see what high-growth companies didn't do at the onset of major disruption. They were much less likely than their peers to spend time deprioritizing, sunsetting, or divesting products. While it may seem counterintuitive, this data reflects leading companies' tendency to focus as much energy as possible on what drives growth, protecting their firm's most precious commercial and product resources from distracting initiatives and underperforming products.

HIGH-GROWTH COMPANIES RUN TO A NARROW SET OF HIGH-DEMAND BETS



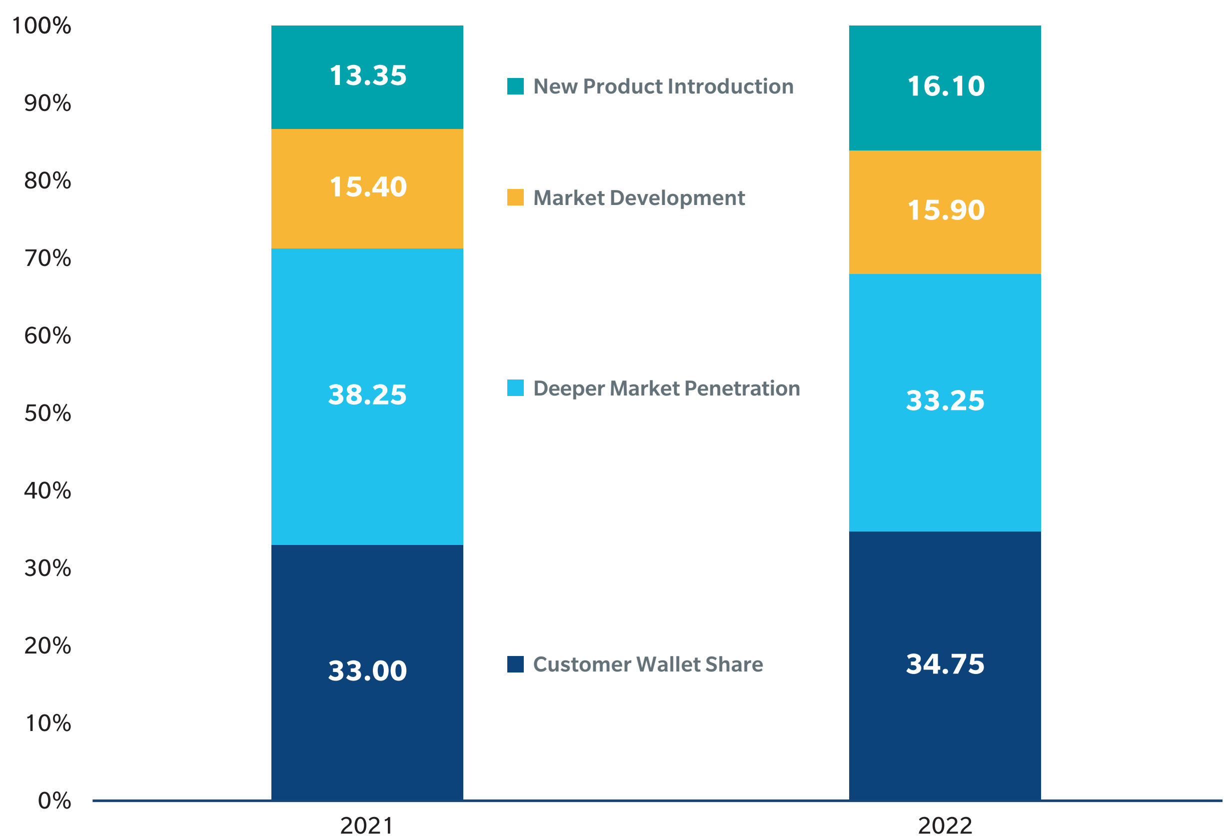
Extending the Growth Run in 2022: Conviction, Meet Bravery

As companies flooded their core markets in 2021 and now consider how to extend their growth runs, greater tolerance for risk and more expansive bets feature in 2022 plans. To support these bigger, braver growth bets, we've seen a few commonalities among high-growth companies:

- **Commitment to Organic Growth.** While most companies surveyed plan a mix of organic and inorganic growth, top performers placed relatively higher bets on organic levers, expecting 77% of 2022 growth from organic bets (on average) versus 70% for average-growth companies. Unpacking organic growth a little more, high-growth leaders are shifting slightly from the safer bet of deeper market penetration to put greater focus on business-building bets, increasing focus on new product introductions by about 20% and maintaining focus on bets such as the development of new markets. As one example of market development, several CEOs shared efforts to monetize data and insights generated from their software platforms.

HIGH-GROWTH COMPANIES INCREASE FOCUS ON NEW PRODUCT INTRODUCTIONS FOR 2022

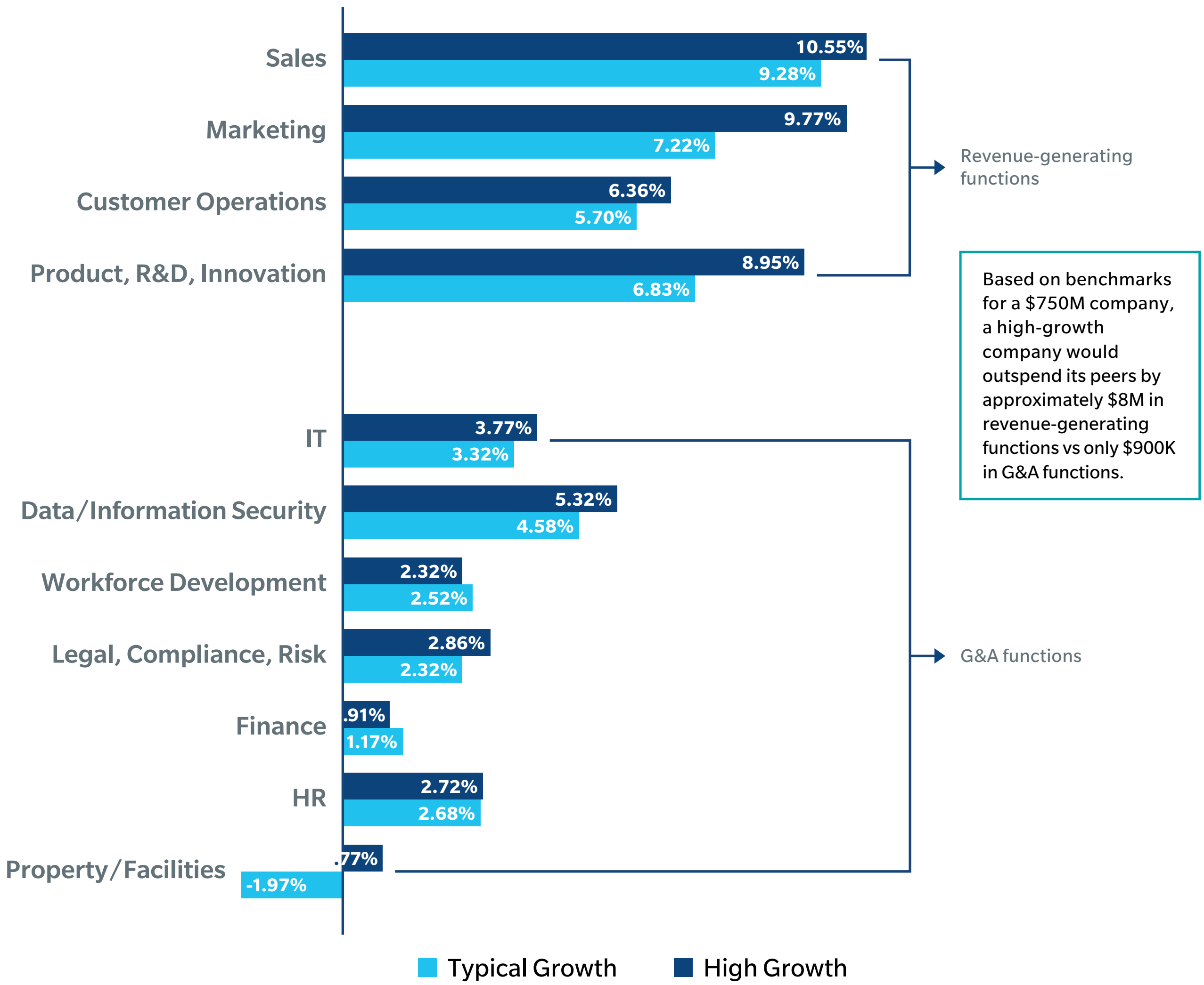
(Commercial Leaders' Allocation of Organic Growth Levers, 2021 vs 2022)



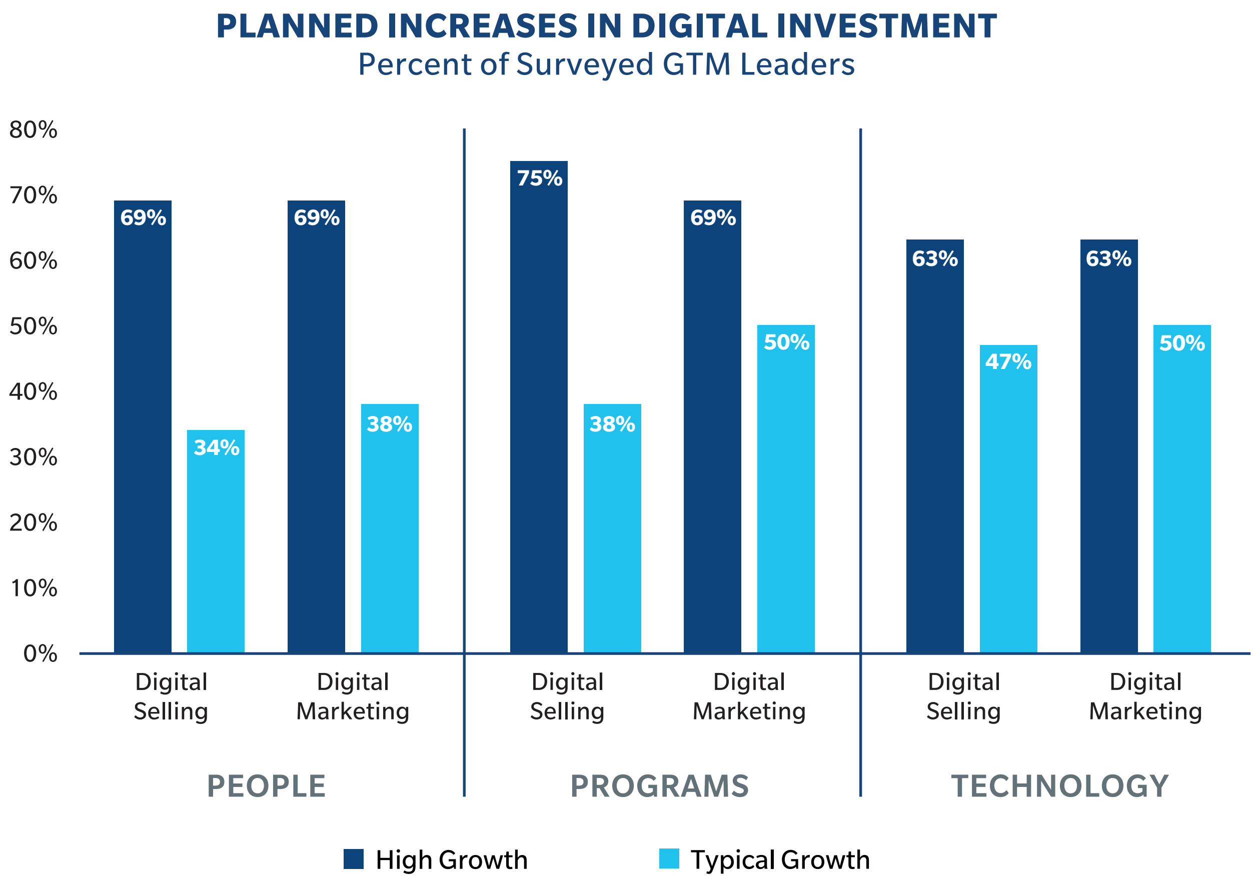
- **Commercial Capacity Aligned to Growth Strategy.** Compared to their peers, high-growth leaders are more aggressively investing in go-to-market capabilities to ensure their teams can adequately support the year's growth initiatives. Specifically, the top three functions where high-growth companies plan to outspend peers include Sales, Marketing, and Product; planned investments for G&A functions (e.g., Finance, HR, IT) remain very similar across all companies surveyed. Further supporting the go-to-market focus, several high-growth CEOs also shared that they have upgraded marketing leadership in the past year, seeking CMO talent with demonstrated abilities in digital marketing, closed-loop demand generation (from lead generation to bookings), and thought leadership.

LEADING COMPANIES BOOST GTM BUDGETS IN 2022

Planned Budget Increase by GTM Function



- **Emphasis on Digital Marketing and Digital Selling:** A deep dive into sales and marketing budget breakdowns was also insightful. Across the 14 sales and marketing capability areas explored, digital marketing and digital selling represented the biggest gaps in planned budget increase between high- and average-performing companies. With buyers who aspire to navigate a purchase as independently as possible, and in-person events a distant memory, winning companies recognize the need to make permanent changes to their GTM approach. Dedicated resourcing for digital marketing and selling enables targeted demand creation at the top of the funnel and accelerates lead progress toward virtual experiences that make it easy for buyers to gather information and interact with products. If executed well, these interactions can also support seller productivity, not to mention generate rich buyer data, arming reps to tailor their customer interactions.



How to Navigate Four Risks Facing CEOs in 2022

Despite great conditions for growth — a strong macroeconomic environment, big bets with aligned commercial capacity, and increased investment in digital marketing and selling — we found that even high-growth CEOs expressed uncertainty around their teams' ability to execute their growth plans.

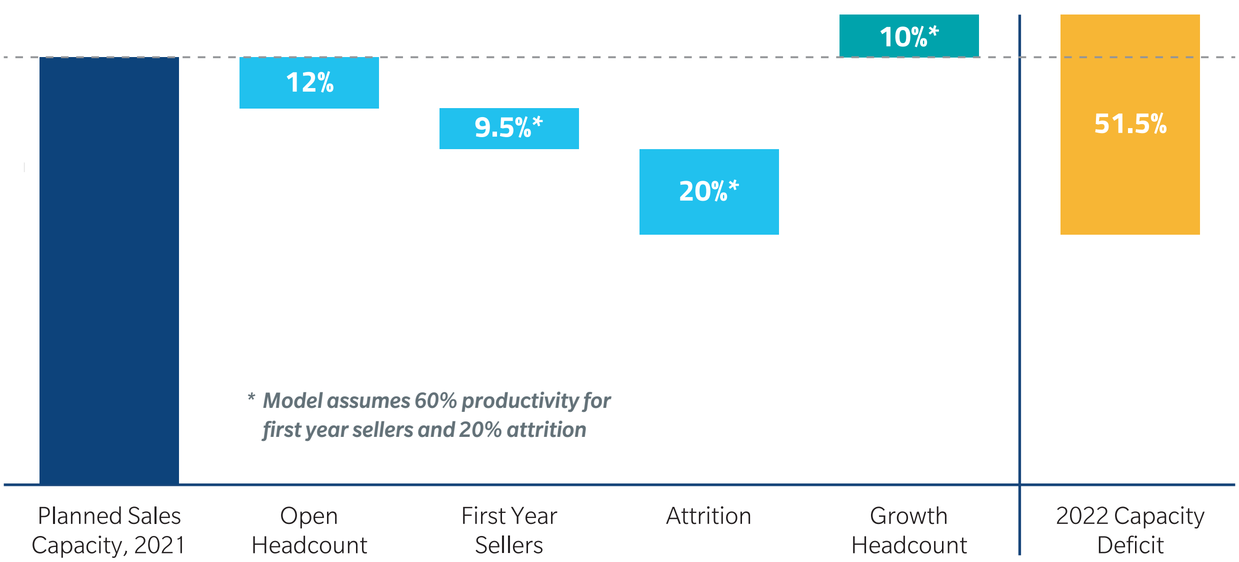
Our research surfaced four key risks and aligned recommendations that all growth leaders should consider as they finalize their plans and shift toward execution.

1. **Unrealistic assumptions about talent acquisition**
2. **Disproportionate budget allocation to "feet on the street"**
3. **CX initiatives that are no more than lip service**
4. **Too much agility**

1 Risk 1: Unrealistic assumptions around talent

Both CEOs and staffing firms shared that despite planned headcount additions, they are struggling to fill open roles, with the number of posted sales roles growing by 65% since early 2021. Further complicating sales leaders' efforts to hit quota, on average, surveyed leaders are operating with 31% of sales capacity that's either open headcount or in year 1 on the job, indicating partial capacity at best. With growth hires representing critical enablers of many organizations' plans, hiring teams will likely fail to keep up with 2022 headcount needs. A relatively conservative analysis shows that between open headcount, first-year reps operating at about 50% capacity, attrition, and growth headcount, companies will face 51.5% of sales capacity that is at-risk in 2022.

BREAKDOWN OF AT-RISK SALES CAPACITY
Illustrative Example, Modeled from CEO Survey



[5] https://www.wsj.com/articles/the-pay-is-high-and-jobs-are-plentiful-but-few-want-to-go-into-sales-11626255001

Rather than racing (and likely overpaying) to fill every opening with top-performing talent as quickly as possible, companies should be thinking about how to outsmart the war for talent — rather than winning it. Through conversations with high-performing CEOs and a deep dive into this group's spending bets for 2022, we identified two ways companies are fighting the war on talent. One involves doubling down on the hiring process and getting creative with candidate profiles. The other — covered in the subsequent section — centers on productivity, offloading as much market coverage to digital channels as possible and maximizing productivity of talent in seat with strong revenue enablement and operations capabilities.

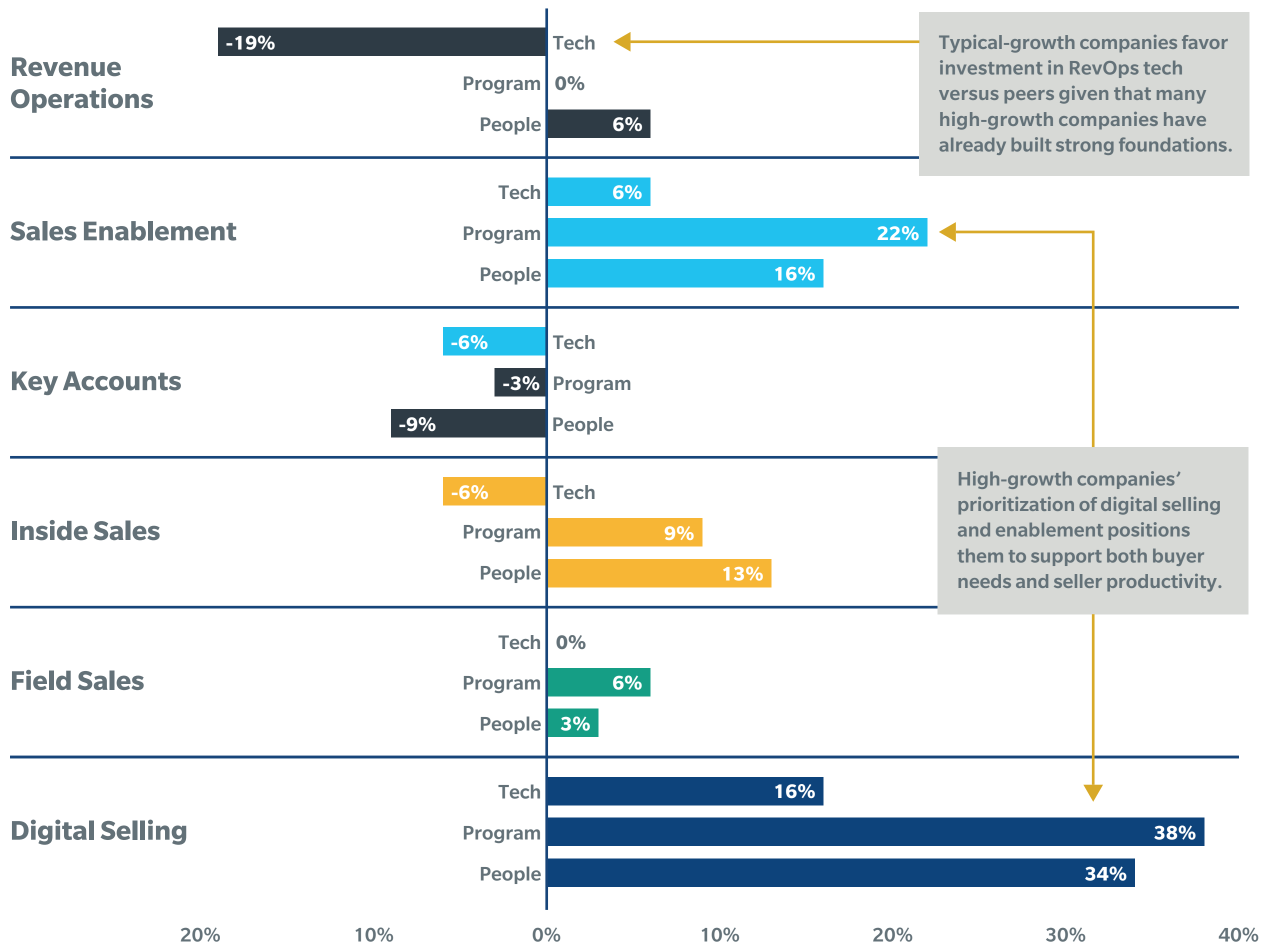
During a series of advisory board meetings in early Fall 2021, CEOs and other growth leaders shared the following tactics to support recruitment challenges.

- **Diversify your hiring approach.** Leaders identify the skills that they need rather than a specific number of years of industry or selling experience. Several CEOs shared positive experiences sourcing candidates from other industries or professions and suggested prioritizing curiosity, empathy, willingness and ability to learn quickly, and deep customer understanding during the hiring process. An edtech leader shared positive experiences hiring teachers as sales representatives — not only do they bring unparalleled ability to connect with customers, they have lower compensation requirements. Other companies shared that they have been able to promote high-performing staff internally, bringing a wealth of institutional and customer knowledge into sales roles.
- **Sell the company and the role.** To improve the odds of attracting candidates in a competitive market, GTM leaders at several tech companies are approaching recruiting much like a sales process. They partnered with HR to define an ICP (ideal candidate persona) and revamped their job descriptions to better articulate the company's story, vision, and purpose. To close compelling candidates, one SBI client built a communication tool that previews candidates' territory assignment to showcase their likelihood of success in role. The company has also deployed the tool to support its employee retention efforts, comparing territories' potential to ensure equal opportunity for success.
- **Support rapid onboarding and success of new hires.** With 94% of sales leaders planning to add headcount in at least one capability area in 2022, companies need to consider scalable onboarding programs that they can deliver through virtual channels. Many of the leaders represented in this research are rearchitecting new hire boot camps for hybrid workforce needs. One company we spoke with made an even bigger change: shifting new hire onboarding from frontline managers to star reps. By shifting these responsibilities, the company was able to accelerate new reps' speed to productivity while simultaneously providing extra capacity to high performers and sales managers.

2 Risk 2: Disproportionate budget allocation to "feet on the street"

CEOs are increasing sales and marketing investment more than any other functional area in 2022, and most GTM leaders are funneling a significant portion of that investment to quota-carrying reps. However, where typical performers are on pace with winning companies when it comes to investment in people-heavy capabilities such as inside sales, field sellers, and key account reps, high-growth companies are much more likely to invest in areas that boost productivity and help teams work more efficiently: digital selling and enablement.

DIFFERENCE IN PERCENT OF GTM LEADERS PLANNING INCREASED INVESTMENT GAP BETWEEN HIGH-GROWTH AND TYPICAL-GROWTH COMPANIES



Digital selling and enablement investments can support greater productivity from both new and existing hires by shifting capacity to digital channels and delivering a superior buying experience from your customers' point of view. Commercial leaders should audit their companies' buying journeys and encourage their teams to double down in digital selling tactics to accelerate results in 2022:

- **Digital content and tools.** Sales and marketing teams should partner together to evaluate how effectively content supports digital buying journeys and where additional assets might support buyer progress toward a purchase. For example, diagnostic tools and benchmarking data can motivate buyers relatively early on in their journeys, while the data these tools generate help tailor marketing engagement efforts and seller interactions.

- **Data-driven intelligence.** Investments in data and analytics can help organize and focus seller time and energy, arming them with insights around which buyers to prioritize and why, what sales play/tactics to run, which digital experiences or content assets to highlight for sellers, and how buyers have engaged with the supplier to-date.

- **Clear and consistent buyer and seller experiences.** Sales enablement leaders must help both buyers and sellers navigate the many disruptions in B2B purchasing. For buyers, their efforts should focus on aligning buying messages and tools across multichannel purchase experiences, and for sellers, enablement must simplify rep experiences, offering fewer entry points to data and tools and aligning seller resources to their activities.

3 Risk 3: CX initiatives that are no more than lip service

Most commercial leaders agree that customer experience is important, and they've often documented a strategy or aligned on goals with their leadership teams. When it comes to execution, however, high-growth companies are nearly four times more likely than typical performers to have a significant CX initiative planned for 2022. And when exploring companies' progress executing CX initiatives, average-growth companies generally haven't moved off the starting block, whereas their peers have begun leveraging technology to improve their customer experience, impacting critical growth outcomes such as retention, and advancing customer success capabilities.

HIGH-GROWTH COMPANIES INVEST BEYOND CX VISION AND STRATEGY

Likelihood of High-Growth Company Action vs Peers

10X
Tech stack that can deliver on customers' desired digital experience.

4.95X
Our customer experience drives excellent product value realization and wallet retention.

2X
Our customer success team is tightly aligned with its go-to-market partners

To ensure CX helps drive growth for your company in 2022, high-growth companies' experience suggests several key actions:

- **Audit your commercial tech stack.** While most tech companies have the foundations of a revtech stack in place — customer relationship management, marketing automation tools, and enablement tools, for starters — many leaders had less confidence speaking to critical CX enablers. To begin this journey, CEOs should ask their leaders for a full picture of the key capabilities currently in use, their overall adoption, and the value they generate. From there, align with commercial leaders on how technology can support critical experience gaps (e.g., points of dissatisfaction, poor value realization).

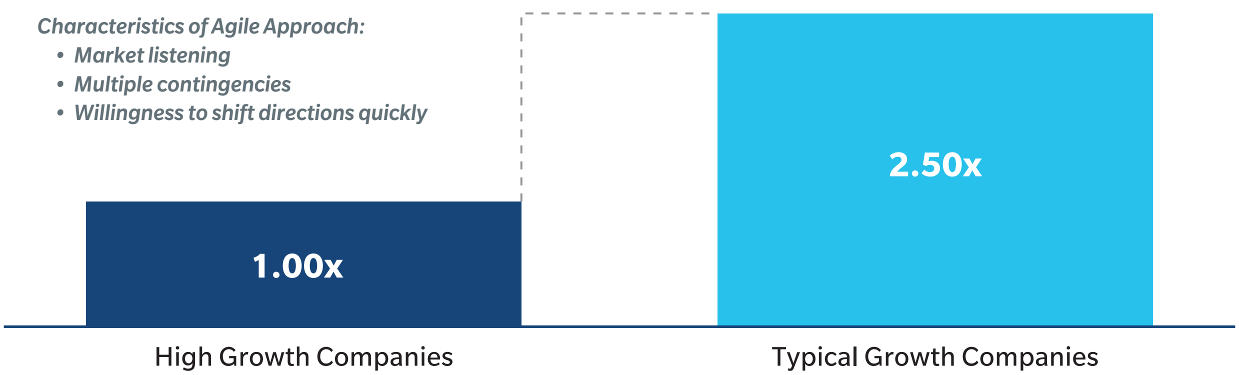
- **Attack the biggest friction points.** Only 50% of high-growth companies believe it's easy for customers to buy from them, and that number dips to 30% when looking at average performers. Yet a majority of all companies surveyed have evaluated their customer journey, giving them the insight they need to prioritize and advance initiatives targeting their customers' points of greatest friction. SBI challenges CEOs to take the strategies and journey maps their teams have captured — and begin prioritizing opportunities and assigning teams to execute against these initiatives in 2022. As companies put improvement initiatives in place, they should consider how different capabilities might accelerate their efforts — specifically, journey orchestration and analytics tools to ease customer experiences and measure results.

- **Benchmark your customer success capability.** For many companies, customer success remains an emerging capability. Across the course of this research, we heard a number of questions around ideal reporting lines, org structure, compensation, and responsibility sets. Leading CEOs and CFOs shared that they typically align success to a CRO in organizations where the product is mature to support cross-sell and upsell; where products are less mature, consider orienting success toward product value realization and COO reporting lines.

4 Risk 4: Too much agility

While the current macroeconomic environment presents growth leaders with a considerable opportunity, CEOs will benefit from showing commitment to the shortlist of growth initiatives that matter most to their annual plans. Indeed, lower-growth companies are 250% more likely to take an agile approach to 2022 planning than their peers. Specifically, these companies express high willingness to shift resources quickly and build multiple contingencies into their plans — often ending up in reactive mode.

LIKELIHOOD OF USING AN AGILE PLANNING APPROACH



As markets show signs of greater demand, these organizations easily over-index, resulting in poor execution and throughput of their initial growth plan. Teams navigating constant reprioritization, or the continual introduction of 'more' initiatives, fail to develop proficiency and abandon continuous improvement initiatives. "We've had a tendency to chase a lot of growth opportunities, but without discipline. Our teams saw growth opportunities, but they didn't fit into our process for execution. We ultimately had to slow down to go faster," one CEO shared.

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Recommended Actions

CEOs and their commercial leaders are likely to face continued disruption as they look ahead to 2022, but expectations for growth and value creation won't change. To accelerate growth in the year ahead, CEOs should align their growth leaders around a few key leverage points:

1. **Pick your talent battle: talent acquisition vs productivity improvement.** This may be an "and" and not an "either/or" scenario for many organizations. However, they go hand in hand. If plans and budgets account for more 'feet on the street", this will take time given current market conditions. Therefore, current teams must produce at best-practice levels — approximately two-thirds of reps should be at quota. If your organization isn't meeting those targets, begin with productivity. Digital selling, sales enablement, and revenue operations all represent high-potential levers for boosting sales capacity. If additional resources are required, talent acquisition and increased goals may be the right path, with CFO and CEO review and prudent capital allocation.

2. **Evaluate purchase ease as a key CX initiative for 2022.** Together with commercial leaders, CEOs should "mystery shop" their buying experience across channels. Consider the consistency of the experience across digital and seller-owned channels, the quality of information provided, and the clarity of key differentiators. The findings for this type of investigation should point to clear actions and accountabilities for GTM leaders in the areas of digital content, technology enablers, and team feedback and coaching. Consider the following questions: How does your experience compare with those of your nearest competitors? What can you incorporate into your GTM model that would help you outpace the competition?

3. **Pressure-test your growth initiatives.** As drivers of their business's growth program, CEOs should critically evaluate the growth initiatives — and number of them — planned for 2022. Commitment to this shortlist significantly impacts successful execution, suggesting CEOs must feel confident that they've pointed their teams in the right direction. Some starter questions: Which levers will you pull? Why? What uplift are you assuming? How difficult will it be? How soon can you expect an impact on growth? And finally, do the rewards outweigh the risks?

Three Key Actions for 2022 Plans

1. Assess seller productivity before finalizing headcount needs for next year
2. Evaluate the ease of your company's purchase experience and whether your team is ready to prioritize this initiative for 2022
3. Pressure-test your growth initiatives and the number to which your team is committing

To help activate your 2022 growth strategy, learn more about Growth Accelerator, our always-on advisory support service, including benchmarks, data, and on-call support to help activate your 2022 plan.

SBI Growth Advisory

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We engage and support you as an extension of your team, both leading and working side-by-side to deliver relatable, practical strategies that work right away and ongoing. Through our work as real-world GTM practitioners we have developed an intimate understanding of the buyer-seller journey, which enables us to help you actively apply relevant data, strategies, and tactics for significant outcomes.

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