

Performio®

A Buyer's Guide to Incentive Compensation Management Software

Six Vital Steps to Maximize Your ROI



The events of 2020 placed incredible pressure on traditional sales models. In a matter of months, enterprises adopted new products, services, sales channels, and unleashed a wave of digital transformation to meet rapidly shifting business and consumer behavior. Sales organizations rushed to transform sales strategies, territories, and compensation plans that had largely remained static for years, with varying degrees of success.

In-person prospect and sales meetings shifted to virtual, not only creating unpredictability closing deals, but also requiring leadership to closely monitor and manage sales engagement. And with many organizations reducing revenue goals, sales expenses and productivity were under unprecedented scrutiny.

Emerging from 2020, closely managing sales performance is crucial

Ensuring sales effectiveness, alignment, and cost management are all vital to survive. Managing sales commissions to improve results, reduce spend waste, eliminate errors and decrease administrative effort is now one of the top investment priorities for organizations of every size.

Benchmarks indicate that total comp for sales typically sits at around 8% of revenue for most companies or approximately 40% of total sales costs⁽¹⁾. A significant portion of that is generally allocated to variable compensation, and the ROI on getting more from that spend can be staggering. Effective, well-communicated compensation models can have a 50 percent higher impact⁽²⁾ on boosting sales, compared to other spend areas that influence revenue, such as advertising.

Gartner estimates that organizations can save 3% to 5% in compensation expenses by minimizing overpayment and underpayment⁽⁴⁾

Spreadsheets and inflexible legacy compensation management systems are a roadblock

Despite the opportunity, much of sales compensation is still dependent on spreadsheets, even though 90% typically contain hidden errors⁽³⁾. Even organizations running traditional Incentive Compensation Management (ICM) and Sales Performance Management (SPM) systems still heavily rely on spreadsheets, due to the inflexibility of these legacy apps. Yet spreadsheets and their associated problems can have a painful impact.

1. [Are you paying your sales people enough? What is your compensation cost of sales?](#), Alexander Group

2. [Sales incentives that boost growth](#), McKinsey, 2018

3. [University of Hawaii study](#)

4. [Sales Performance Management Magic Quadrant, 2020](#), Gartner

Errors damage sales trust. Sales ends up wasting time in “shadow-accounting” (double-checking their commissions). This often leads to poorly designed compensation models that result in lop-sided over-attainment or SPIFs that don’t drive ROI on spend.

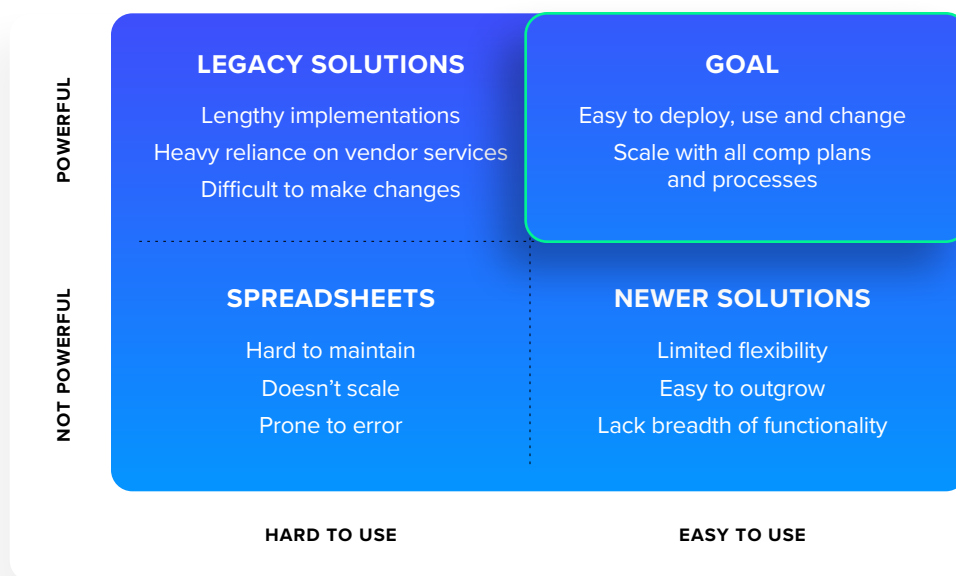
It’s why organizations are reexamining their sales comp systems and processes—whether moving from spreadsheets or re-evaluating the ease of use and flexibility of their existing sales comp software. One leading industry analyst predicts that by 2022 nearly half of B2B companies with more than 100-employees (5) will deploy new solutions to tackle the problem of managing and automating sales comp.

What You’ll Learn in This Guide

The reality is that Incentive Compensation Management systems aren’t new. Some of the most well-known solutions date back to the late 90s. And while older solutions have helped many companies get a handle on automating sales compensation, they often come with considerable trade-offs in terms of ease-of-use, their ongoing cost of management, and poor ROI.

With such growth in the demand for solutions, new players on the scene offer a compelling user experience for both comp teams and payees—yet many lack the power and flexibility to grow with sales and plan complexity, creating roadblocks further down the road.

Data, Plans, Reporting, Workflows



Usability for comp admins and sales teams

Sustained success requires not compromising on power and ease-of-use

5. Sales Performance Management Magic Quadrant, 2020, Gartner

In this guide, we share:

1.

How to ensure data flows and transformations don't jeopardize comp automation

2.

What to look for in a compensation plan builder so you don't run out of runway

3.

Which comp and payee workflows are essential—and common mistakes to avoid

4.

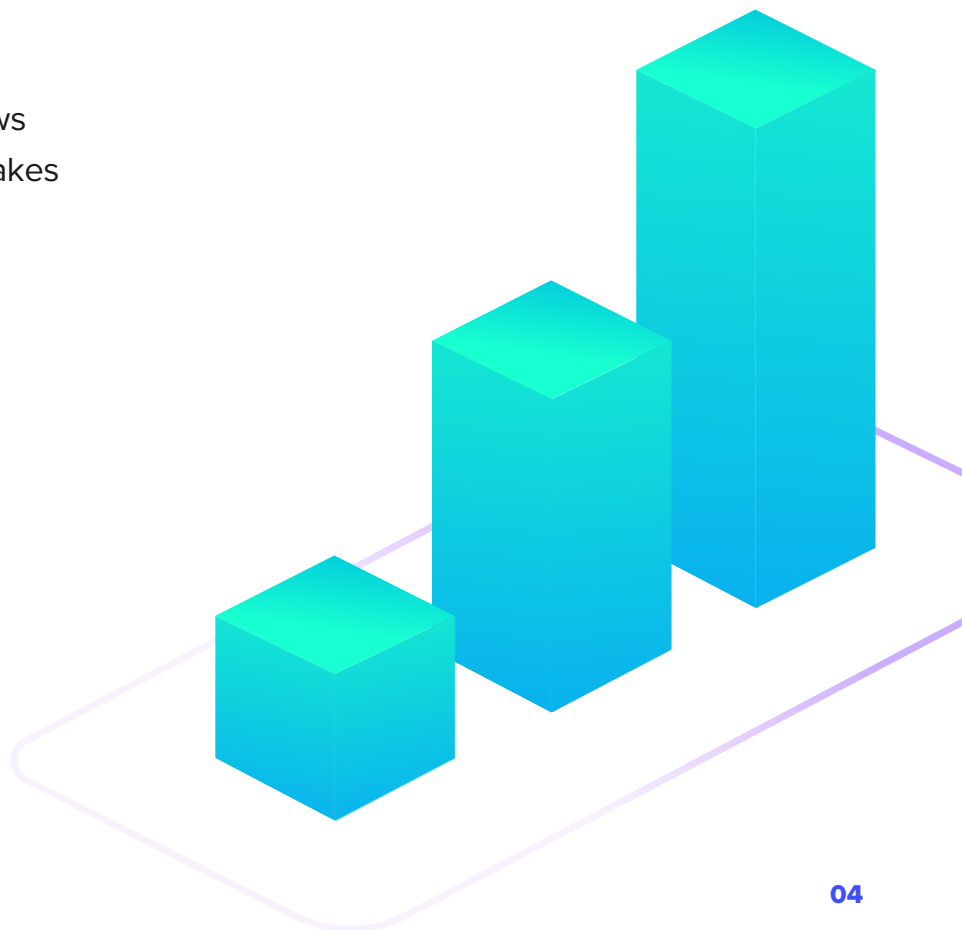
The key questions to ask around reporting and analytics

5.

Why many ICM solutions are so hard to use

6.

How to ensure you won't be left high and dry with service and support



1/

Make sure you will not need to manually prep your data

One of the most frequent areas where commission implementations stall is sourcing the data quickly, efficiently, consistently, and most importantly, ensuring it's error-free every single period. And it is also one of the most common sources of dissatisfaction from comp admins after go-live, with too much spreadsheet-jockeying, requiring merging or fixing data to load into the rigid formats needed by the ICM.

Gartner estimates that integration work can approach 50% of implementation efforts⁽⁶⁾ for ERP and CRM-type apps. And ICM deployments can often run even higher. It's because they sit at the intersection of CRM, and ERP systems, sourcing line-item transactional opportunity data, invoice, billing, customer payments data, often in rigid, predefined formats for downstream compensation calculation, analytics, and reporting. Not to mention normalizing payee, products, and other reference data, and ongoing org changes.

With so much data-crunching happening just to get data into the ICM app, it often creates heartburn tracing subsequent compensation issues or disputes. With data being heavily massaged, joined, and aggregated before landing in the ICM, it makes reconciliation challenging and painful.

“Data that sits in an ERP or other legacy source system often requires manipulation to allow it to be usable by the incentive compensation system. Nontechnical business users require the ability to use the application to map data into the ICM application and transform that data as required”

— Gartner⁽⁷⁾

6. [A Litmus Test for Business Applications Integrability, 22 October 2019, Gartner](#)

7. [Critical Capabilities for Sales Performance Management, 20 February 2020, Gartner](#)

Data integration processes often change when compensation plans change, requiring referencing different fields, such as for determining crediting, or as needed for an additional plan component or incentive, or when territories change. So here is how to ensure your ICM initiative doesn't get hamstrung by data:

1. While many ICM vendors will claim prepackaged integrations to ERP and CRM systems, the reality is that many of these integrations are limited and do not allow you to easily import all necessary fields. Make sure all of your custom fields and objects can be imported from each of your source systems.
2. Drill a level deeper than the polished vendor sales demo during an evaluation. Ask the vendor to show you how you would modify a compensation plan on your own. The goal is to understand exactly how much technical expertise outside of the app will be needed for your compensation plans— and how much can be genuinely self-served by your comp team.
3. Automating sales comp depends on easily combining data from multiple sources. Ensure the ICM system has powerful data transformation capabilities so you don't have to do any data manipulation outside the system. Avoid ICMs that require you to “force fit” your data into their specific formats—it will add to implementation costs, change management overhead, and create an audit and traceability gap. Be clear-eyed on the risk to comp accuracy when too much transformation of source transactional data is performed en route to the ICM.
4. Finally, ensure that you can create fields, find and replace data, roll-up data as needed, and create lookups directly in the compensation application itself. That ensures you can easily handle incoming data like participants, territories, products, sales crediting—without extra spreadsheets, complex data integration tools, scripts required, or consultants. It's how you put comp teams in control of every aspect of the ICM deployment—without requiring data integration specialists, consultants, and code.



2/

Look For Ease-Of-Use And Flexibility In The Comp Plan Builder

A central promise of ICM is to simplify plan design, automate calculations, and cut out the spreadsheet formulas—so you can get the comp plan out faster and make changes more quickly. Yet, with many legacy ICM applications, building the comp plan is deceptively tricky.

On the other end of the spectrum, newer ICM systems, though at face-value easier to use, often can only handle the most simple plans. While they often claim you won't need services, you'll find you actually need their help for any level of complexity, such as building complex crediting rules, tiered attainment calculations, or sophisticated territory configurations—which ultimately hurts control and change management.

More sophisticated solutions do not require coding to manage comp plans components.

It's why ICM solutions deliver more value when they provide real comp plan flexibility, strong reusability of all plan components, and provide complete control for compensation managers to minimize one-off customization. The combination enables comp plan agility, so you can quickly align plans to new product introductions, evolving markets, or make changes to territories or quotas easily.

Ensure Reusability

Nothing's worse than having to write the same calculation rules or logic across multiple plans, or plan components, or make a change to an attainment or commission calculation in various places because it's duplicated. It's painful and error-prone. Ensure you have maximum reusability and a complete ICM toolkit that enables you to define commissions, targets, objectives, calculations, rule sets, and conditional calculations, all at once, and apply across groups of plans.

Don't Compromise Flexibility and Control

The fact is if you choose a solution that isn't flexible for you to control yourself, you'll end up outgrowing it and eventually have to migrate to something else. Or you'll have to deal with one-offs from the vendor's services team—and you'll lose control of managing comp changes. Either outcome is painful. So how do you know? Get hands-on in your evaluations and try out current and future comp plans—and ensure you can manage them yourself and that there are flexible components that can be turned on easily.

Fully evaluate that you have total control over different performance measures like orders, revenue, profitability, growth targets, percentage of sales, tiered attainments, and different payout mixes from commissions to bonuses. Ensure there's complete flexibility around crediting rules, territory configurations, overrides, prior period adjustments. And validate there's flexible payout timing, whether weekly, quarterly, or semi-annually for all plan components.



Expect Pre-Configured Plan Components

Finally, don't buy a product where you must configure everything yourself from the ground-up. It's a recipe for wasted time and high service costs. Look for one that provides you with an out-of-the-box toolkit, so you can use a purpose-built user experience to set targets, uplifts, etc., without writing lengthy rules. Make sure you see in a demo how quickly you can create a plan yourself using their components to define upfront and trailing percentages, clawbacks, split commissions, targets, etc.

“Our ICM makes my life easier in that I can spend more time working on bigger picture things and not be in the weeds of calculating commissions all the time. I can have more time working on analysis, see if our plans are working, and determine what changes we may want to work on.”

— **Brandon Graham**

Incentive Compensation Manager, **OnDeck**

3/

Easy To Setup Flexible Workflows Are Essential

Achieving ICM success month in, month out requires teamwork, which means establishing automated workflows that route request, review, and approval processes—all backed by an audit trail. Without it, you'll be dealing with email or Slack communications, which will both take up more of your time and create risk.

Surprisingly, many ICM solutions still require lengthy services projects, scripting, and coding, to provide workflow management—and then you're stuck with a brittle hard-to-change process.

For example, here are just some of the workflow automations you should expect:



Approval workflows:

A flow ensuring managers can evaluate and approve commission payouts before release, to minimize misset sales expectations or dissatisfaction issues.



Lock periods:

Ensure there is a process to define periods closed, locked, or in approval, to manage what sales and comp teams can safely perform in any given period.



Dispute resolution:

Standard commissions disputes and approval processes that easily route to any level or successive reviewers/approvers automatically.



Internal messaging:

Built-in chat in the payee portal to answer sales questions immediately.

But more than these examples, it requires total flexibility to quickly set up an approval or workflow process on any record or table in the ICM to adapt it to your organizational processes.

4/

Drill Down Beyond The Sales Demo For Reporting And Analytics



“With our ICM, our reps could easily log in and review their deals and see how much they were paid for each closed deal. The transparency has been a huge improvement in how we communicate commission payments to our reps.”

— **Jose Fernandez**

VP of Sales Operations, **Intapp**

Fact: your ICM success is hinged on simple, easy-to-use payee reporting, so sales leadership, sales reps, brokers, and agents can access their comp quickly and cleanly. Without sales adoption, your organization will experience what’s called “shadow accounting.” Simply, when sales don’t have full visibility and transparency around their comp, they often don’t trust it. That results in wasted time spent by sales checking their payouts and more disputes. Not only that, but they won’t see a clear link between pay and performance.

Yet many ICM solutions treat payee reporting as an afterthought, relying on a few canned reports or polished sales demos that don’t reflect the product’s reality during and after implementation.



Look for reporting and analytics to be easy-to-configure, built-in, and easy to use

So, it's vital to get hands-on to evaluate your ICM reporting and analytics and ask the right questions to ensure success:

- ✓ As an administrator, can I configure payee reports or compensation analytics myself? For example, add a new field, amount, format values, create new reports, add filters—without using separate tools or requiring expert services?
- ✓ Can I report on all the data in the system, or am I just limited to some fields?
- ✓ Is the participant portal out of the box and easy enough to own and manage ourselves?
- ✓ Can I create all my analytics metrics like payables trends, OTC distribution, achievement distribution, targets, forecasted spend as a percent of revenue, commission cost of sales without services?
- ✓ Does it automatically provide all the time intelligence I need like YTD, QTD, MTD?
- ✓ How can I set up new filters to slice and dice the data, such as team, job title, plan, status, component, start, and end period?
- ✓ Is it simple to analyze sales engagement, like the number of logins, trends over time?
- ✓ Do you rely on a third-party vendor for reporting and analytics? If so, how will you handle my support tickets and enhancement requests that depend on them?

5/

Know The Difference Between Unified And Bolted Together Solutions

“With our ICM, not only have we been able to significantly reduce the number of administrators required, but the volume of manual claims has also been dramatically reduced.”

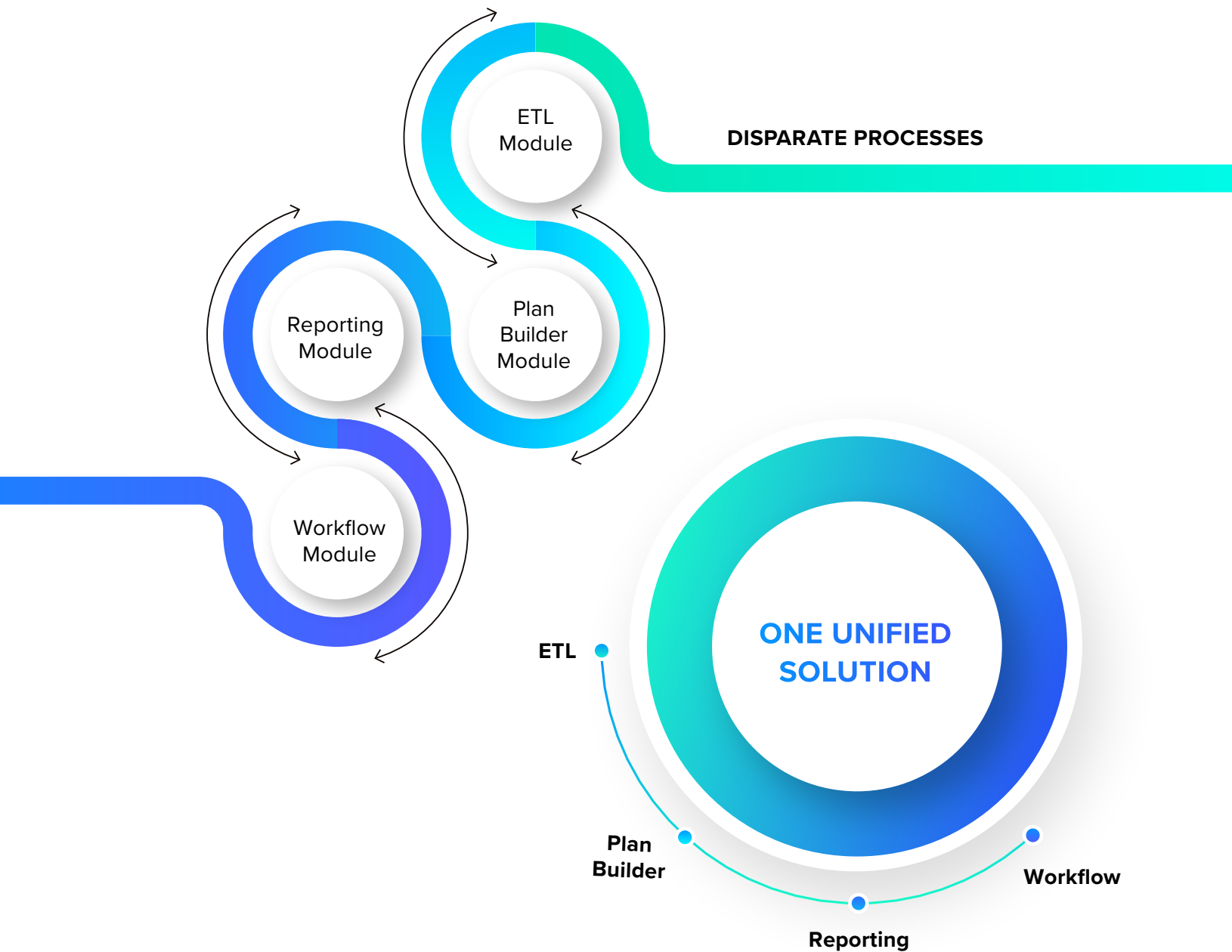
— Nicole Horan

Head of Finance Operations and
Commissions Governance, **Vodafone**



So, here’s a dirty little secret in the world of ICM and SPM: many are “franken-software” solutions. That is, over time, they’ve been pieced together from different third-party vendor’s products, acquisitions, or entirely separate codebases so that they can check all the boxes on your ICM list. Great for them, bad for you.

For example, behind the scenes they are not only gluing on a separate vendor’s reporting and analytics tool, but stitching on a data integration tool and screwing on a workflow solution to handle disputes and approval too. Or maybe it’s an entirely different product for a different market from their flagship solution, with a whole separate roadmap and functionality.



While it may look just fine in the sales demo—the reality is that cobbling together different solutions often results in substantial administration and usability issues. There’s usually a multitude of user experiences and various technologies to customize. And it can make it challenging for the ICM vendor to handle your needs due to reliance on a third-party, not to mention compliance and security risks.

It’s why ensuring your ICM is unified, that it is one single solution, designed from the ground up for data integration, comp plan design and workflows, reporting and analytics, ensures it’s simple and easy to use and run for everyone.

6/

Think Beyond The Product: Expect A Personalized Customer Experience



Finally, the right ICM is more than just a technology product. Customer commitment and strong vendor support are some of the biggest drivers of success. And while every ICM vendor offers services and support, often it can come with a huge variation in skill levels and limited experience understanding industry-specific compensation models and best practices. Customer support may be outsourced or inexperienced, which stretches out the time and frustration with every ticket.

That's why it's critical to personally ensure your assigned client team has delivered strong satisfaction with compensation teams at leading enterprises like yours. Closely evaluate the quality of the team. During your demo and proof of concept, evaluate the customer support experience and ticket turnaround time.

During implementation, ensure you get a Customized Solution Workbook. After go-live, require a Customized Handbook that defines your end-to-end compensation model and includes personalized guidance on managing your deployment. Look to the services team to help you be self-sufficient, rather than relying on them for every change. And don't settle for anything less than tailored 1:1 onboarding and admin training.

Finally, with many legacy vendors, training, account management teams, and even executive teams can often be a revolving door—leaving you to have to restart a relationship each time. So, ensure your ICM vendor proactively offers sponsorship from tenured founders/executives, and you as a customer have broad exposure within the vendor.

“We had a very complex implementation, and the team was great to work with and provided solutions that solved these complexities. Whenever we had any issues arise or questions about administering the tool, the PS team was quick to troubleshoot and provide timely answers. Their tireless efforts ensured a smooth rollout of the tool, and the project was a success for our company.”

— John Gragnola

Head of Global Sales Operations, **BrowserStack**

Evaluation Checklist

Data Integration

- Integration via SFTP, API, or direct to ERP/CRM systems
- Scheduling capabilities that allow you to automate imports
- No dependence on third-party integration tools
- No data preparation required to load data
- Built-in data transformation capabilities for non-specialists to work with data
- Easily reconcile compensation data to source detail

Compensation management

- Purpose-built components for commissions, quotas, territories, objectives.
- All plans can be constructed and maintained by the compensation team
- Ensures reuse of all plan components
- Flexibility around different performance measures, crediting rules
- Handles prior period/retroactive adjustments and clawbacks
- Runs on modern, scalable infrastructure that are SOC 1 and SOC 2 compliant

Workflow and collaboration

- Easily set up request, route, review, and approval for any compensation process
- Out-of-the-box easy-to-configure dispute resolution
- Lock periods or set them for review/approval
- Allow sales managers to review and approve payouts
- Bi-directional chat in payee portal

Payee reporting and analytics

- Comprehensive report builder with ability to report on all the data in the system
- No dependence on third-party reporting and analytics tools
- Comp team can own reports and dashboard configuration
- Out of the box payee portal, payee security, manager comp review processes
- Compensation analytics, flexible, interactive filtering, and time intelligence
- Sales engagement and activity metrics

Unified and personalized experience

- One unified system for usability: no OEM's; acquisitions; or multiple codebases
- Experienced executive, sales, and service team
- Personalized 1:1 onboarding, training, and go-live guidance

Summary

More than ever organizations are looking to get more out of their compensation spend and improve sales effectiveness to drive performance. Legacy commissions systems have proved to be an albatross, often too painful and slow to adapt, and increasingly cost prohibitive to run. Many of the newer solutions are often not powerful enough and lack the depth of functionality to be scalable, while spreadsheet sprawl with all the risk it entails is at an all-time high.

As companies embark on modernizing their sales performance and incentive compensation systems and processes for the next decade, they must ensure they neither compromise power or ease-of-use. Compromising can mean months of effort transforming data and struggling with hard-to-change comp models, or subpar sales satisfaction—which will all ultimately hurt ROI.

Gaining the power, flexibility and ease of use to quickly deploy the right plan at the right time with the right data, easily engaging the sales team, and continually optimizing compensation, has never been more critical or rewarding.

About Performio

Performio is the only Incentive Compensation Management provider that drives business performance with a product built to handle complexity, a team of dedicated experts, and a proven track record of long-term global success. Performio is a modern, enterprise-grade software and mobile app used to manage and automate incentive compensation. We address complexity through our unique no-code architecture, native data transformation capabilities, purpose-built plan components, and automated workflows. But because software alone will not drive business performance, we do incentive comp right, with experts who will guide you as you adapt your incentive compensation program as your business changes. You can count on Performio as a reliable, focused, and safe partner who has delivered customer success for over 15 years. For more information, visit www.performio.co

About The Author

Paul Turner has held senior product strategy, sales, and marketing positions at some of the world's fastest-growing and largest software companies, including Oracle/Hyperion, NetSuite, Workday, and CallidusCloud. Currently, Paul is an independent consultant who has provided GTM services to leading technology companies, including Salesforce, SAP, Alteryx, BlackLine, and numerous others. Paul runs two of the most extensive incentive compensation and sales operations LinkedIn Groups, with a combined membership of 35,000 practitioners.