Performio®

Sales Comp Considerations:

# How To Build A Business Case With True ROI

5 Key ICM Evaluations

Are You Ready For Incentive Compensation Management?

Today companies have more data sources, tools, and technology than ever before to improve virtually every area of business performance. And the area that's drawing the sharpest focus: *revenue*.

Properly implemented, incentive compensation management software enables organizations to automate sales commission calculations, easily communicate sales comp to reps, and provide actionable insights by having all sales comp data in one place. By investing in an incentive compensation management solution, companies can dramatically reduce the cost and pain of managing sales comp and increase revenue by offering their sales team clear visibility into their performance against targets.

Before you embark on your ICM initiative, make sure you've given time to consider the factors that can spell the difference between success and failure. In this kit, we outline 5 key considerations when evaluating whether to invest in an ICM solution. By adhering to these important steps, you can ensure you have a successful project and do not risk a failed implementation.
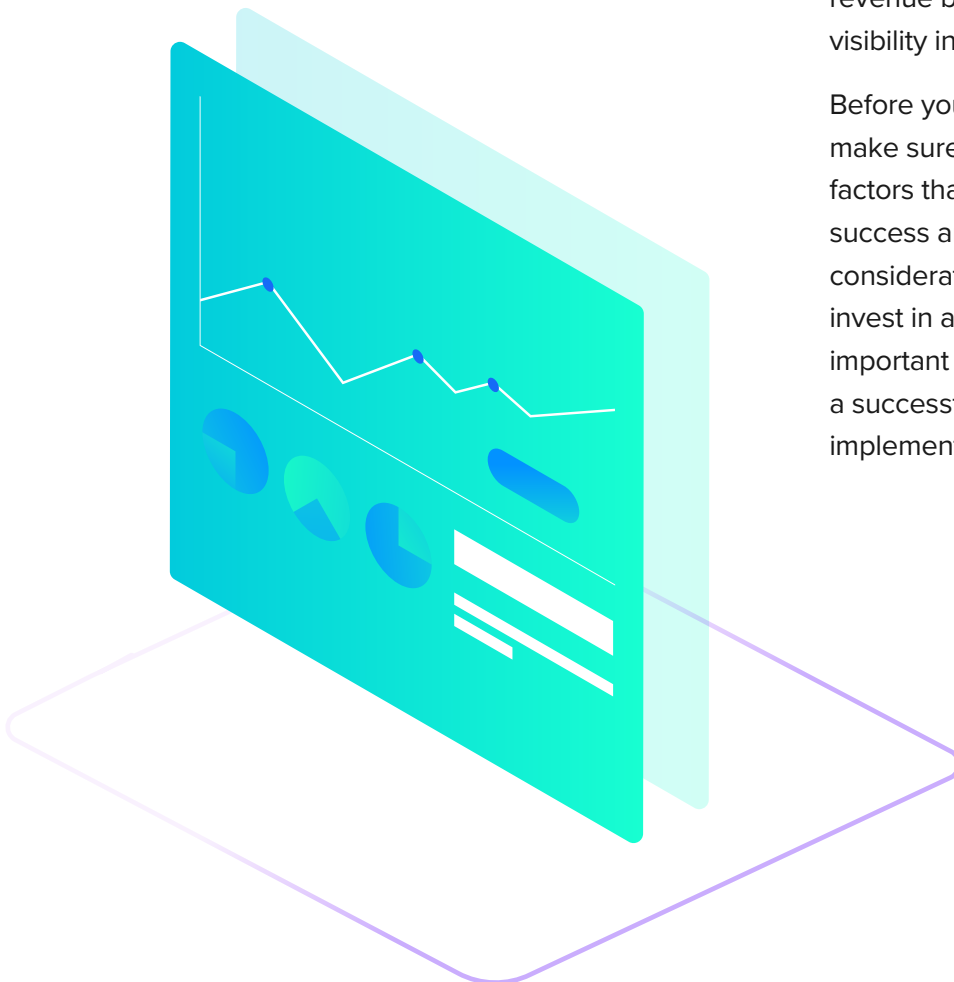
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Lay The Essential Groundwork

The first step in ICM isn't evaluating ICM alternatives. It lies in ensuring you're *ready* to evaluate (and implement) an ICM solution.

✓ **Do you have the internal resources to evaluate ICM?**
A proper ICM evaluation involves an internal commitment from several stakeholders, including executive management, sales operations, finance, as well as comp plan administrators. It takes time to do this right to ensure you have the core source data systems identified and the comp plan structure defined and approved.

✓ **Do you have the budget identified?**
Are your stakeholders in finance and sales prepared to allocate funds – for both license fees *and* the often overlooked/underestimated implementation costs? While implementation costs and time frames can vary across vendors, do not underestimate the importance of investing in a top notch professional services team that can ensure your solution is properly implemented to meet your organization's goals and objectives.

✓ **Do you have the demo data?**
You'll need to provide data sets and sample comp plans to enable vendors to build relevant demos and support the development of a proof-of-concept. By providing a sampling of your comp plans, along with the source data, including transaction data and participant data, this will allow the vendor to showcase how they would automate the process for your specific use cases.

When you have the people and resources lined up, you can move quickly and avoid unnecessary delays that can sap momentum or even kill the project entirely.
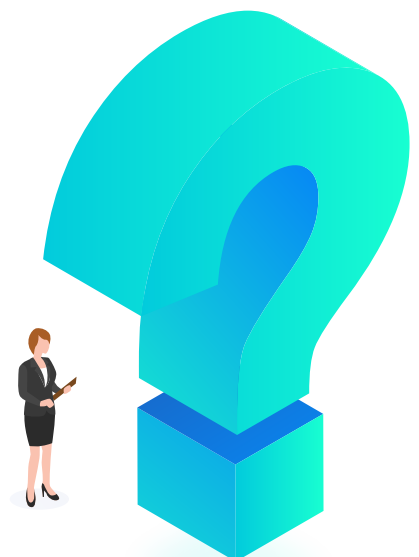
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Start With The End In Mind

As any sales operations pro can tell you, incentive compensation management presents formidable tactical challenges, complex calculations, tight deadlines – and significant risk of costly errors. However, before addressing the tactical challenges, it is important to identify what your end goals for the initiative are. By identifying your primary goals and objectives, you can ensure that whatever vendor you select can help your organization achieve these outcomes.

As you begin to evaluate your alternatives in ICM, it's important to have clearly defined comp plans, including quotas, performance measures, and incentive plan structures. With this in mind, now you can determine if you are looking for a fully automated end-to-end solution – or a lighter tool that requires you to perform some of the data prep yourself. Are you seeking automated workflows? User transparency? Analytical insights? In other words, what will a successful outcome look like? A strong ICM vendor will work with you to understand your goals and consult your team on incentive compensation best practices and how to achieve them.

By keeping your eyes on the horizon, you can ensure your ICM initiative doesn't get sidetracked.

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6 Key Areas To Consider When Evaluating Vendors

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.

ICM Buyer's Guide

6 Important Areas to Consider:

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

Even the best comp plans can fall apart if they're not supported with the proper ICM functionality. From small businesses to the mid-market to enterprises, every organization's ICM system requires robust security. Given the highly sensitive nature of the data and processes it controls, you need high-caliber security – from access controls to complete audit trails.

Usability is also a chief concern. If the ICM system creates usability concerns, your project is at risk of being rejected by the people who rely on it the most. That starts with sales reps. Research shows that the most avid users of ICM systems statistically outperform their peers.

It's also crucial for sales operations and finance who often find themselves called on to make important comp plan changes – such as new commission rates, accelerators, or new sales teams – under tight timeframes.

Finally, be sure not to overlook the importance of the customer with support and service. Many legacy vendors fall down when it's time to support customers after the sale. Offshore support often translates into poor response times. In other instances, fragile implementations mean you're beholden to vendors and their costly services contracts. That slows down your responsiveness and drives up costs.

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Identify The Internal Evaluation Team And Start Plan

For midmarket companies and enterprises alike, the challenge of implementing an incentive compensation system is not one to be taken lightly, given its strategic importance. The fact is, as many as one-third of all major enterprise software deployments fail — but the more pre-work in place, the better the odds of success.

With ICM software solutions, it's not uncommon for a complete deployment to require 10-12 weeks — if you have your internal team identified and lined up to participate.

You'll need an internal project manager who will need to dedicate time to spearhead the project. You'll also want subject-matter experts identified who can help gather requirements and design comp plans.

While SaaS ICM solutions reduce IT infrastructure burdens compared to legacy on-prem solutions, your IT team may still play a pivotal supporting role by supplying data extracts and assisting with upstream and downstream application integration.

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Make The Business Case By Developing The Strongest ROI

Ultimately, of course, the evaluation of business applications hinges on the financial benefit and return on investment that it can deliver to the organization. When shortlisting vendors, be sure to bring senior leadership into the final custom demos. That will ensure buy-in from the top down when finally selecting a vendor.

COSTS

License Fees:

Ask your vendors to provide firm quotes for the annual costs to license their software solution. Since most modern solutions use the Software as a Service (SaaS) model, you can expect to pay a "per seat/per month" fee. Check to see if there are different costs for users vs. administrators. Determine how long the agreement runs prior to renewal — monthly? annual? multi-year? Do you have the flexibility to add users at the same price as your needs change? Does the price cover essential services such as backups and security? And who owns your data when the agreement terminates?

Implementation:

It's an important consideration — and one that many buyers overlook or underestimate during the evaluation cycle. While some low-end systems can provide "guided implementations" where you select from a few parameters, feature-rich ICM systems will benefit from expert assistance from your vendor. The long-term payoff in usability, customization, and automation more than outweigh the incremental upfront expense.

SAVINGS

Overpayments

This is the problem few want to acknowledge, but is perhaps the largest driver of ICM ROI. If, like many organizations, you're using Excel to track your incentive compensation plans and payments, overpayments are an unfortunate reality. Think: accelerators, spiffs, splits, and other complex factors. Gartner estimates that 3-8% of total incentive comp dollars are wasted in overpayments. By automating the calculations behind these payments, you can achieve massive savings.

Comp-Team Productivity

Sales Operations, IT, and Finance teams incur large internal costs when manually processing and managing sales comp. These are typically low-value tasks that they often find frustrating – which can lead to expensive and disruptive turnover.

Sales-Team Productivity

When sales teams mistrust comp calculations and payments, they can spend inordinate amounts of time playing "shadow accountant" – instead of selling. Some estimates suggest reps spend 5% of their time simply tracking their commissions, creating a drag on your top line. If that frustration continues, they're at risk of leaving. For example, on average only 36% of salespeople reach quota each year. By lifting sales even 1% with an accurate and timely platform and targeted, agile comp plans, ICM can produce meaningful revenue increases and improve sales team retention.

Audit Costs

Sales comp is a major line item in the P&L, meriting ongoing scrutiny. With ICM, the costs of audits, compliance reviews, and reporting are lower thanks to automated processes that are governed by best practices. CFOs get greater visibility and greater predictability while adhering to ASC-606 provisions and other regulatory frameworks.

Calculate Your ROI For Incentive Compensation Management

Overpayments	Sample	Your Figures
Annual Commissions Paid	$17,000,000	
Confidence in Calculations	High	
Percentage of error reduction (3-8%)	3%	
Annual Savings from Overpayments	**$510,000**	

Comp-Team Productivity		
Internal FTEs from Sales and Accounting	3	
Average Fully Loaded Cost of FTE	$75,000	
Percentage of Time Devoted to ICM	80%	
Projected Time Savings with Automated ICM	80%	
Total Savings from Internal FTEs from Sales and Accounting	**$48,000**	
Internal IT-Related Costs	$10,000	
Projected IT Cost Reductions through ICM	60%	
Total Internal Team Savings	**$6,000**	
Annual Savings for Comp Team Productivity	**$54,000**	

Sales-Team Productivity		
Annual Revenue from Gross Sales	$100,000,000	
Visibility into Commissions and Processes	High	
Improved Business Effectiveness (1-2%)	1%	
Annual Increase in Sales-Team Productivity	**$1,000,000**	

Audit Costs		
Current Audit or Compliance Review Costs	$100,000	
Percentage Devoted to Incentive Payments	$20,000	
Expected Reduction through ICM Implementation	90%	
Annual Audit Savings	**$18,000**	

TOTAL SAVINGS	**$1,582,000**	

Conclusion

With a compelling ROI, incentive compensation management solutions are quickly climbing to the top of the corporate agenda. By eliminating overpayments, improving productivity, and enabling the organization to concentrate on higher-value activities, ICM is transforming how companies pursue new opportunities, respond to competitive threats, and set the stage for future growth. By following the 5 recommendations above you will be well on your way toward realizing the benefits of a successful ICM deployment.

Build Your Business Case for Sales Compensation Software

About Performio

Performio is a new breed of incentive compensation management software that combines enterprise-grade functionality with the ease of use required of modern software applications. Their product is used by large global enterprises such as Veeva, Optus, REA, Johnson & Johnson, and Vodafone, as well as growing mid-market companies worldwide. Performio's feature-rich cloud application enables enterprises to automate their sales compensation calculations and provide increased transparency to their sales reps so they can adapt to changing market conditions with confidence.

For more information, visit **www.performio.co**

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