Performio®

The ROI of ICM

From Tactical Gains to Strategic Advantage, Incentive Compensation Management Delivers a Rapid, Meaningful Payback

Incentive Comp: A Platform For Growth

Compensation management plays an integral role in the success of a company and when done right can drive efficiency and revenue growth. However, as the company scales up in size, the moving parts and complexities grow exponentially larger. That's why most growth organizations eventually step up from manual processes and countless fragile spreadsheets to a sophisticated incentive compensation management (ICM) platform that provides speed, accuracy, and intelligence to the process of managing and motivating the people who generate your revenue.

This e-book analyzes the business case for ICM and helps you gain a clear and compelling picture of the tactical and strategic benefits of ICM and how it can contribute to your company's growth.

When you Reach the Limits of Spreadsheets

Miscalculations and commission errors. Security problems. Failed audits. Productivity issues. Sales operations pros know that even the most thoughtful and well-structured incentive comp plan can present a host of tactical and strategic challenges. And as you add new products, services, business units, and regions, you can find yourself managing dozens or hundreds of different comp plans. But the challenges only grow:

- **Monthly Statements** - Reps deserve a timely, accurate, and complete accounting of where they stand — quota attainment, commissions, bonus payouts, SPIFs, and more. Emailing PDFs from a 50-tab Excel workbook is a time-consuming nightmare.

- **Data Management** - Depending on your business, you may need data from CRM, billing, ERP, human-capital management, and other finance systems. Are you getting the right data from the right sources in the right format at the right time? Are you dealing with data dumps, cutting/pasting, changing labels, and pre-processing tables just to calculate commissions? And then it's time to send that over to payroll in the right format to ensure people receive payments in a timely fashion.

- **Calc Errors -** When you're calculating manually or in fragile single-user spreadsheets with hidden formulas and version-control issues, you're one click away from disaster. If your annual payout is over $10 million, a simple overpayment of 1-3% can translate into hundreds of thousands of dollars of lost expenses. Conversely, short payments create significant morale and trust issues. Pay someone too much, and you'll never hear about it. Pay someone too little, and you'll never hear the end of it.

- **Shadow Accounting -** When trust in your comp calculations fades, your expensive sales team spends more time on their own personal bookkeeping (double-checking your accounting) instead of selling. That's a drag on productivity and revenue.

- **Missed Opportunities** - Ultimately, you want to spend less time calculating commissions and more time refining and tuning your comp plans to optimize their power to motivate your sales team to generate the most revenue possible. But you can't do that when you're wasting hours each month on fixing mistakes, generating manual reports, issuing exception payments, and other productivity-killers.

Sooner or later, you reach your limits, and the day arrives when you need to deploy a smart, sophisticated platform to manage your incentive compensation program.

The Mandate for ICM

Today's forward-thinking companies are rapidly adopting streamlined incentive-comp processes that free them from low-value tasks. Instead, you can make fast and accurate payments and spend more time on strategic activities, like designing new plans that help you launch new products, enter new markets, and respond to competitive pressures. The right ICM system will give you:

- **Flexibility** – Configurable crediting, plan, and payout logic means you can manage incentive compensation on your terms, your way.

- **Scalability** – An ICM platform that automatically imports data from spreadsheets or uses real-time integration to your business applications – without all the extracts and pre-processing.

- **Usability** – An interface that is intuitive, highly configurable and encourages rapid user adoption.

- **Productivity** – Both the revenue producers and the revenue managers can focus on the true task – generating sales – and not get bogged down with mundane tactical work that drains productivity.

As a result of these attributes, an ICM system can impact your company by:

Motivating the Sales Team

Sales is the ultimate team sport – so you need a solution that's right for the whole team – sales reps, sales operations, and sales management. The right ICM platform provides everyone with enhanced visibility, mobility, and productivity – and creates a winning culture for your organization.

Out-of-the box solutions offer easy setup to help your organization get up and running quickly. But no ICM platform offers a one-size-fits-all solution. You want the ability to configure your ICM solution to align with your business requirements and goals and adapt as business conditions change.

Accurate and transparent commissions calculations also translate into insights that each rep can act on, thanks to flexible reporting. Reps and managers can see commission reporting and leaderboards – right from their laptops, tablets, or phones. That means your teams are all pulling in the same direction.

Eliminating the Hassles

For too long, incentive comp has been mired in tactical processes, workarounds, delays, errors, adjustments, and time-consuming headaches that reduce the power of the incentives you're providing.

Instead of fragile spreadsheets with hidden errors and thin (and often late) reporting, an ICM solution can handle the complexities with speed and precision. You can deploy sophisticated, nuanced comp plans while virtually eliminating commissions-calculation errors and the time, effort, and cost it takes to correct them.

For the sales operations team, the right ICM platform eliminates the data integration hassles because you can pull in data from numerous platforms, regardless of format or periodicity. Audit logs and email confirmations give you enterprise-caliber software that keeps you on track.

"The biggest thing Performio is doing is giving our sales people transparency into what's making up their numbers so they can see every day what they've sold— and what their commission is month to date. Our managers can also quickly see at the beginning of each day how each of their team members is tracking toward their quotas."

Brandon Graham
Incentive Compensation Manager, OnDeck

Gaining New Insights

The real power – and financial return – of modern ICM solutions comes from the strategic insights you gain. With modern ICM, you can see the evidence – right away – about how your incentive comp plans are performing. You see who's achieved quota, and who needs coaching to get back on track. Real time data and analytics allows for immediate action in time to have a positive impact.

Unlike static spreadsheets, you can view a complete dashboard of performance indicators and drill down to see behind the numbers and react faster to sales trends or respond in time to potential shortfalls. In short, you know what's working and what's not.

> *"I could give 100 people access to Performio and I think that at least 99 of them would be able to figure out how to get their scorecard information for the month pretty simply on their own without any training at all. That's huge."*

Joe Briegel
Finance Manager, Veeva

Calculating The ROI of ICM

Every organization is different, of course, but most ICM implementations can be evaluated using a few common metrics. Here are a few considerations that should factor into your ICM calculations.

Costs

- **License Fees:** Most software solutions employ a model driven by a "per seat/per year" fee that covers the use of the service as well as backups and security. Typically, there are different costs for different types of users and you can add/subtract users as your needs change. And make sure you know who owns your data when the agreement terminates.

- **Implementation:** Some low-end systems provide "guided implementations" where you select from a few parameters. Feature-rich ICM systems benefit from expert vendor assistance for a long-term payoff in usability, configurability, and automation.

Savings

- **Overpayments** – Gartner estimates 3-8% of total incentive comp dollars are wasted in overpayments. Carefully managing and tracking these payments translates into savings.

- **Comp-Team Productivity** – Sales Operations, IT, and Finance teams create large internal costs when manually processing and managing ICM. These are typically low-value tasks that they often find frustrating – which can lead to expensive and disruptive turnover.

- **Sales-Team Productivity** – Some estimates suggest reps spend 5% of their time simply tracking their commissions, creating a drag on your top line. With an accurate and timely platform and targeted, agile comp plans, ICM can produce meaningful revenue increases.

- **Audit Costs** – 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.

The following page shows a simple spreadsheet for estimating the ROI that you can achieve with a sophisticated ICM platform.

	Sample	Your Figures
Overpayments		
Annual Commissions Paid	$17,000,000	
Percentage of error reduction (3-8%)	3%	
Annual Savings from Overpayments	**$510,000**	
Comp-Team Productivity		
Internal FTEs from Sales and Accounting	2	
Average Fully Loaded Cost of FTE	$75,000	
Projected Time Savings with Automated ICM	80%	
Total Savings from Internal FTEs from Sales and Accounting	**$120,000**	
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	**$126,000**	
Sales-Team Productivity		
Annual Revenue from Gross Sales	$100,000,000	
Improved Business Effectiveness	0.5%	
Annual Increase in Sales-Team Productivity	**$500,000**	
Audit Costs		
Current Audit or Compliance Review Costs	$100,000	
Expected Reduction through ICM Implementation	50%	
Annual Audit Savings	**$50,000**	
TOTAL SAVINGS	**$1,186,000**	

Conclusion

An investment in incentive compensation management starts with a thorough analysis of the expected costs and, more importantly, the anticipated returns in the form of stronger revenue streams that are quickly and tightly aligned with the organization's strategic goals and initiatives. Ideally, ICM should streamline tactical processes while also generating insightful analyses that help you adjust the revenue-producing activities you're seeking to optimize. With the right ICM system in place, you can provide speed, precision, and intelligence to the process.

If you're planning to adopt ICM, visit **www.performio.co** to see how we can help.

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. Perfomio 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**

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