

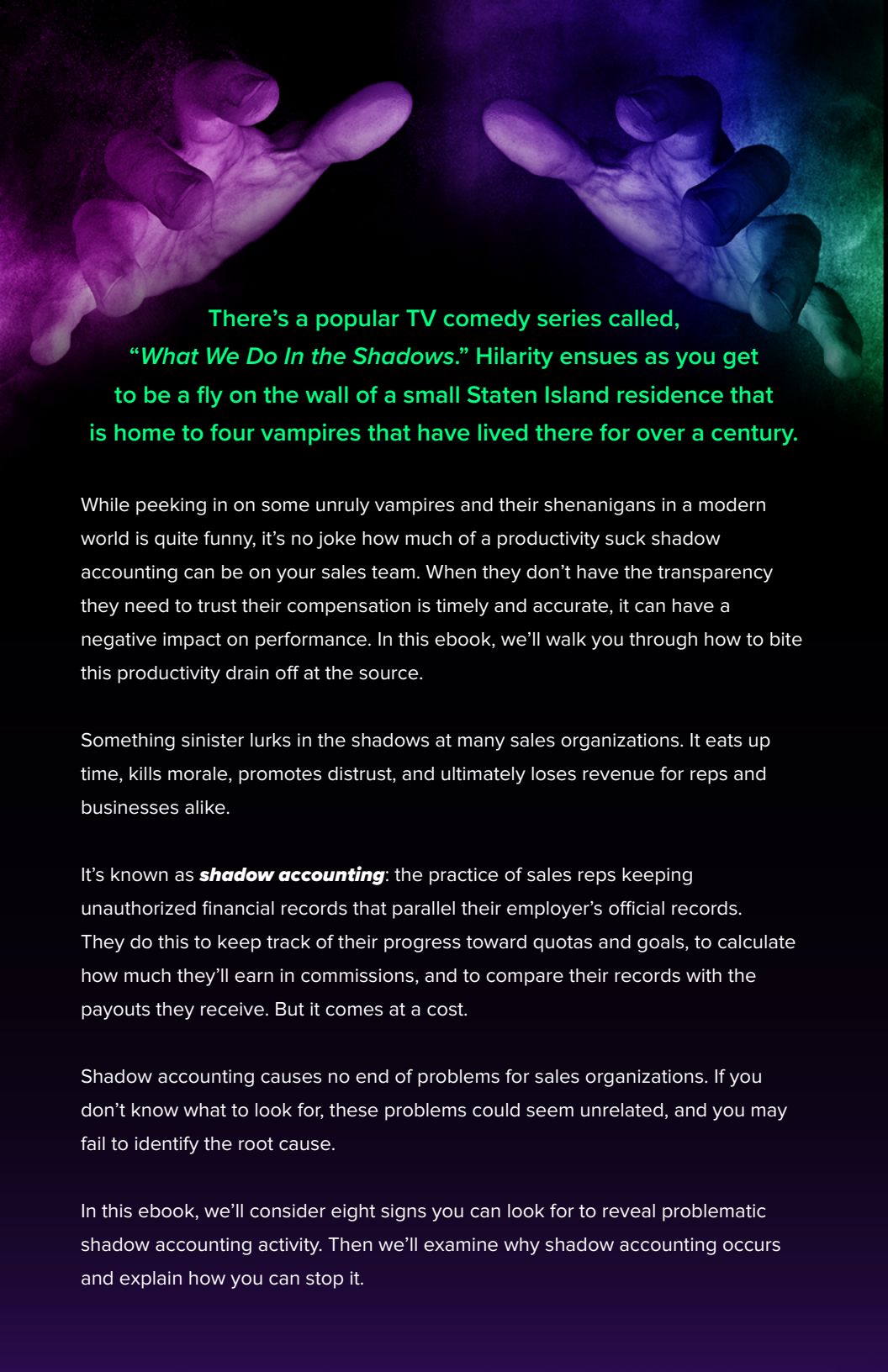
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SIGNS

**SHADOW ACCOUNTING
IS HURTING YOUR SALES TEAM**

AND WHAT TO DO ABOUT IT



There's a popular TV comedy series called, "What We Do In the Shadows." Hilarity ensues as you get to be a fly on the wall of a small Staten Island residence that is home to four vampires that have lived there for over a century.

While peeking in on some unruly vampires and their shenanigans in a modern world is quite funny, it's no joke how much of a productivity suck shadow accounting can be on your sales team. When they don't have the transparency they need to trust their compensation is timely and accurate, it can have a negative impact on performance. In this ebook, we'll walk you through how to bite this productivity drain off at the source.

Something sinister lurks in the shadows at many sales organizations. It eats up time, kills morale, promotes distrust, and ultimately loses revenue for reps and businesses alike.

It's known as **shadow accounting**: the practice of sales reps keeping unauthorized financial records that parallel their employer's official records. They do this to keep track of their progress toward quotas and goals, to calculate how much they'll earn in commissions, and to compare their records with the payouts they receive. But it comes at a cost.

Shadow accounting causes no end of problems for sales organizations. If you don't know what to look for, these problems could seem unrelated, and you may fail to identify the root cause.

In this ebook, we'll consider eight signs you can look for to reveal problematic shadow accounting activity. Then we'll examine why shadow accounting occurs and explain how you can stop it.



8 SIGNS

OF SHADOW ACCOUNTING

Keep an eye out for these indicators, as they could mean your sales reps are engaged in shadow accounting. For the most part, no one of these signs should be taken as a certain indicator on its own, but the more of these that ring true, the more likely that shadow accounting is hurting your sales team.

1. High number of compensation disputes

To some extent, compensation disputes are inevitable, but they should normally be the exception, not the rule. However, if you notice the number of disputes steadily rising, it may be an indication that you're dealing with shadow accounting.

That's because sales reps who engage in shadow accounting don't always accurately understand the specifics of how their commissions are calculated—especially if your sales comp plan has a lot of complexity. They come up with formulas that give them a ballpark at best, but they aren't completely accurate.

And even if their formulas really do accurately account for all the details that go into their commissions, they're still introducing human error into the mix. All it takes is a single misplaced decimal point or an added zero to create wild discrepancies between their calculations and yours.

And when their calculations led them to expect a higher paycheck than what they actually received, you'd better believe you'll hear about it.

Alternatively, if your reps regularly dispute their commissions, and their

calculations are actually correct, then you have an even bigger problem. This indicates a serious flaw that's allowing so many errors to creep into your compensation management, and you need a new ICM solution to address it.

2. Requests for Detailed Explanations

Discrepancies between shadow accounting and official calculations won't always show up in the form of a formal dispute. Sometimes, it'll be a bunch of questions from sales reps asking for details into how their commissions were calculated.

This can happen for a few different reasons.

For some, it's just a personality difference. Formally disputing a paycheck can feel like making an accusation, so some people will simply be more comfortable asking questions when they feel like they've been underpaid, perhaps holding off on the dispute until they see your response.

For others, their calculations may have actually been lower than what they received. In this case, they certainly aren't going to dispute being paid more than they thought they were going to receive, but they may still be curious why their calculations weren't accurate.

And for others still, they may be asking for these explanations in order to create their shadow accounting formulas in the first place.

3. Unaccounted for Time

Shadow accounting wastes significant time. Sales reps engaged in shadow accounting spend an estimated two to four hours per week on it. With a large enough sales force, that can really add up.

For example, if 50 sales reps are engaged in shadow accounting, you could be looking at around 5,000 to 10,000 hours worth of lost work per year. That's wasted time that would have been better spent making sales. Your reps will earn less commissions as a result, and the organization will generate less revenue.

So do the reported sales activities from your reps line up with the amount of time they've spent on them? Or does it seem like there are gaps of time that don't add

up? Shadow accounting is one possible explanation.

4. Lack of Trust

When sales reps engage in shadow accounting, it often signals a lack of trust in the official records they're provided with. And when reps don't feel like they can trust the organization in one area, that feeling of distrust tends to spread to other areas as well. So keep an eye out for a lack of trust across the board.

This could manifest in several ways, including frequent questioning or pushing back on reports, low or hostile engagement in meetings, stated feelings of distrust among sales reps, or feedback from surveys or anonymous drop boxes.

5. Fewer Sales Than Expected

Obviously, there are a lot of reasons that can explain low sales. So as an indicator for shadow accounting, this one should not be taken on its own. However, between wasting time and harming overall trust in an organization, shadow accounting can absolutely be a factor that contributes to fewer sales than expected.

So if you've noticed any of the other indicators we've discussed so far, and sales are also down, it's worth looking into whether shadow accounting may be partially to blame.

6. Low Morale

All the signs of shadow accounting we've considered are not only disastrous for a sales organization—they're also disheartening for sales reps. Sales reps don't want to spend their time calculating their own commissions, fighting over their paychecks, arguing with sales leaders, feeling like they can't trust anyone, or missing out on sales opportunities.

This all adds up to a morale problem caused by shadow accounting. If your sales reps are suffering from low morale, then this is a possibility you should consider, especially if it's showing up in tandem with other signs.

7. Low Engagement with ICM Dashboards

A good incentive compensation management (ICM) platform should provide sales

reps with dashboards that show them where they stand in their sales activities, how far along they are toward their quotas, and what they can expect to earn. If reps are actively using their ICM dashboards, then they should have all the information they need—without resorting to shadow accounting.

But that doesn't always happen.

A lot of ICM solutions are just too complicated to use, don't provide access to the specific information reps need, or show inaccurate data that reps quickly learn they can't rely on. So they just don't use it.

This is one of the top reasons our clients cite for moving away from other ICM systems. Because if your sales reps won't actually use the ICM software, then you might as well not have it.

Of course, not having an ICM solution at all is the other reason for sales reps not to use it. Far too many organizations still rely on spreadsheets to manage their sales compensation, and those will never provide the transparency and real-time insights that sales reps need.

So if you find that sales reps aren't using the ICM software you provide—or certainly if you don't have ICM software at all—that's a strong indicator of shadow accounting.

8. Direct complaints

So far we've covered the more subtle signs to look for, but you may be lucky enough to have a sales rep or two confront the issue directly. They might speak to you about it in person, or they might leave anonymous feedback.

Either way, if any of your sales reps outright tell you that they're engaged in shadow accounting, they don't feel they have access to adequate information, or they can't trust the information they receive, then you absolutely have a problem with shadow accounting that you need to address.



HOW TO ADDRESS

SHADOW ACCOUNTING

Given that shadow accounting occurs when sales reps don't have access to the information they need, the solution is to provide that information for them.

One way to do this is by sending out frequent reports. But manually putting together reports for all of your sales reps can be extremely time consuming. It introduces privacy concerns and the risk of human error. And no amount of reports you send can give them the real-time transparency they truly need.

If you find yourself dealing with shadow accounting, the best solution is to invest in a quality Incentive Compensation Management (ICM) platform like [Performio](#)

Performio gives all of your sales reps access to their own dashboards, where they'll get up-to-date, accurate information on all of their sales activities, progress toward goals, and commissions earned. Everyone will have access to precisely the data they need, and thanks to role-based access, no prying eyes will be able to see anything else in your sales data that they shouldn't.

Performio is the surefire cure for shadow accounting because it addresses the root cause of the problem. Your reps will never again lack access to the information they need, they'll stop wasting time keeping their own records, and you'll find them more productive than ever.

Promote Transparency and Trust with Performio

Performio's ICM software is the single best way to prevent shadow accounting, but that's far from the only benefit it offers. Our platform provides transparency across the board for all parties who need it.

Sales reps, in addition to seeing their individual progress, will also have access to leaderboards that promote healthy competition. Sales leaders will see all the detailed stats, trends, and insights from sales data analytics they need to develop strategies, form plans, and keep their teams on track. Other departments like **finance** will likewise have access to the details they need to maintain interdepartmental alignment.

And of course, Performio will take care of all the heavy lifting when it comes to creating and managing your sales compensation plans. You'll turn weeks worth of work into hours, freeing up your time for more profitable pursuits.

Want to see what Performio can do for your organization?

Request a demo today!

Request A Demo



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