HOW TO BUILD YOUR SPM TECH STACK

SALES — PERFORMANCE — MANAGEMENT —

ALL-IN-ONE OR BEST-IN-BREED?

EVERYBODY LOVES A GOOD BUNDLE.

Because I watch sports especially, I know State Farm can get me the best of deals when bundling **MaHomes and MaAuto**. And sometimes, a bundle is a good idea. A relatively simple service that gets you a discount when you buy certain things together. I get it, everybody likes a good deal.

But sometimes, when you need something really specific to your needs, "good enough" isn't really good enough. When it comes to your tech stack, some items are just fine bundled, like when you can justify a possibly slightly inferior product for the sake of a good deal. But some things, oof, sorry, you don't want to skimp on. While consolidating your tech stack can come with some financial advantages, it's important that you evaluate the true value of any one technology to ensure you're not saving yourself some budget, while costing yourself much more than that in other places.

Tech consolidation is an increasingly popular strategy to eliminate redundancies and reduce spend without losing essential capabilities. But there's more than one way to do it, and they aren't all equally effective. Done well, tech consolidation saves organizations money without materially impacting their workflows. Done poorly, it replaces vital tools with lackluster solutions that do more harm than good.

Sales leaders need to thoughtfully approach tech consolidation to ensure they streamline, rather than inhibit their SPM tech stack. What are the essential tools you need, and what can you do without? Do you go for an all-in-one solution that purports to do anything and everything? Or do you opt for best-in-breed software that hones in on specific components of SPM and does them exceptionally well? When is Excel all you really need, anyway?

We'll take a look at the most common approaches organizations take to investing in SPM tools, walk you through the pros and cons of each, and help you decide on the best solution for your needs.

Four Approaches To Building An SPM Tech Stack

Your Sales Performance Management (SPM) tech stack needs to help facilitate the three core components of SPM: territory planning, quota planning, and incentive compensation. Ideally, you can find the right balance between enabling all three components and avoiding unnecessary costs.

We usually see organizations take one of four approaches.

APPROACH 1

APPROACH 2

APPROACH 3
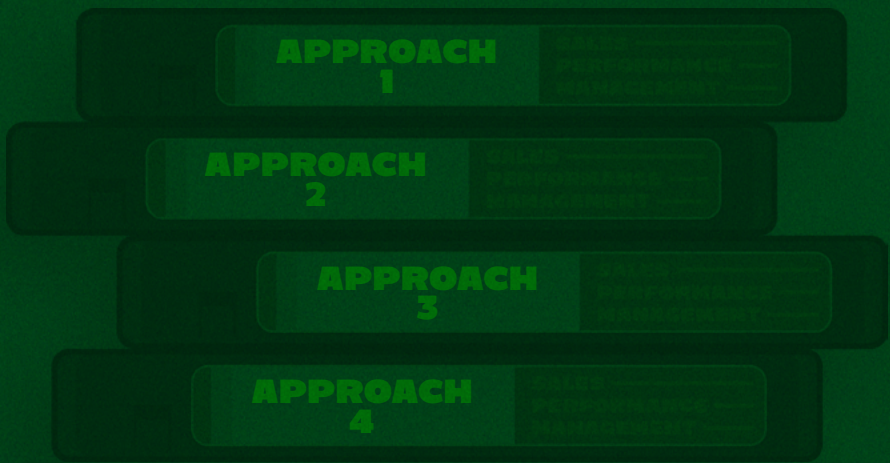
APPROACH 4

APPROACH 1

NO DEDICATED SOFTWARE SOLUTION

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Hi-Performance

PLAY

REMOTE CONTROL

Many organizations simply try to make do without dedicated software at all. In practice, this usually means relying on spreadsheets for all three components of SPM. This is an extremely common approach, especially for smaller businesses as they get started, but it isn't a sustainable long-term solution.

There are some understandable reasons why businesses initially gravitate toward spreadsheets for SPM—the main one being cost. Nearly all businesses rely on either Google Sheets or Microsoft Excel for other tasks, so there's nothing additional to buy or even learn. And spreadsheets can perform fairly complex calculations, making it technically possible to do most of the calculations needed for SPM.

For small-to-medium businesses (SMBs), spreadsheets are perfectly equipped to handle two of the three components of SPM: territory and quota planning. **But it's the biggest and most important component of SPM where spreadsheets quickly fall flat: Incentive Compensation Management (ICM).**

Spreadsheets are incredibly susceptible to human error. It only takes a single typo to throw everything off. In the best-case scenario, the outputs will be so egregious that you can tell there's an error. Then you'll have to track down the error in thousands of rows of data and formulas. But in the worse (and more likely) scenario, the error will go unnoticed, and you could send out inaccurate payments for weeks or even months before it's finally spotted. After spending hours to find and fix the error, you'll have to go back and correct everything sent out during that period.

Another major problem is that spreadsheets are terrible for providing transparency. Each of your sales reps needs real-time access to what they've sold, how far along they are toward meeting their goals and quotas, how much they've earned based on their current progress, and what they can expect to earn based on any additional sales activities they complete. Lacking such transparency, sales reps end up resorting to "shadow accounting"—their own attempts to track their progress using homebrewed calculations that are even less likely to be accurate.

Then when their calculations inevitably don't line up with the payments they receive, they open disputes. This forces you to recheck your own spreadsheets to ensure there's no error on your end. And then you have to tell them one of two things:

1. **Their calculations were wrong, and they didn't make what they thought they did. This harms morale and reduces productivity**.

2. **Your calculations were wrong. This further damages their trust in your ability to correctly manage their compensations moving forward.**

And the most significant problem with using spreadsheets for ICM is their lack of scalability. The issues we've discussed so far will be present regardless of the size of your sales force, but they can be more-or-less manageable if you're dealing with around 10 sales reps or less. But presumably, you won't want to stay that small for long. And as you continue growing past 10 sales reps, spreadsheets will become more unwieldy, take up more of your time, and introduce more errors. And by the time you reach around 50 reps or more, they will become completely unusable.

As you decide on your approach to SPM tools, the low upfront costs of spreadsheets may seem appealing, but when it comes to incentive compensation, they will cost you far more in the long run than anything they save you up front.
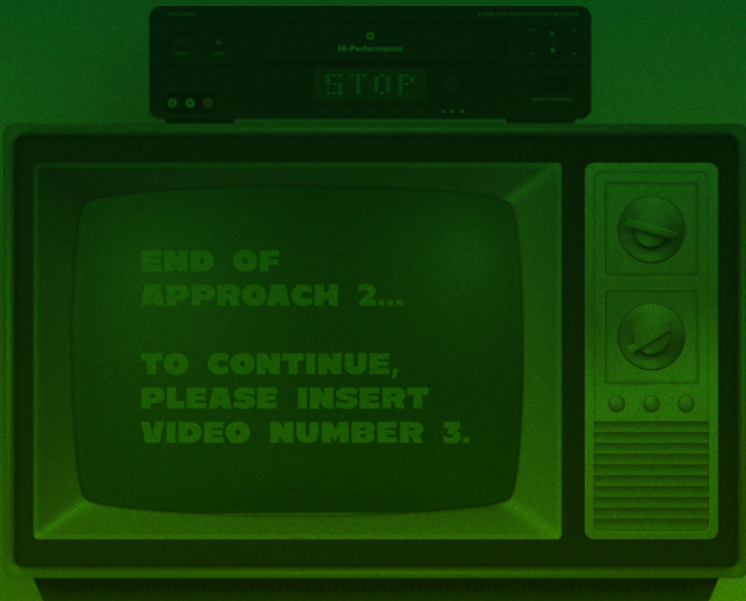
The issues we've outlined here merely scratch the surface of all the problems inherent with using spreadsheets for ICM. Another ebook of oursdoes a deep dive into the matter, so to learn more, check out *The Practical Guide To Managing Commissions: Why Spreadsheets Aren't A Scalable Solution*.

APPROACH 2

A TRUE ALL-IN-ONE SPM PLATFORM

The second approach to SPM software swings to the other end of the spectrum with a dedicated platform that covers every aspect of all three components of SPM. It not only manages incentive compensation without any of the issues caused by spreadsheets, but it also includes advanced tools for territory and quota planning in the same software solution. These SPM solutions (like Varicent and Anaplan) may even include additional functionality and features that aren't traditionally part of SPM.

There's little question that full SPM platforms have the capacity to accomplish everything they need to do, and they can certainly scale to whatever size an organization may need. However, their intended scale is so massive that they end up being overkill for most organizations.

To use an analogy, picture a handyman who needs to select a vehicle to haul their tools and hardware to projects around town. As an equivalent to using spreadsheets, you could imagine that they chose to simply take the bus. It's cheap, and they might be able to make it work for a little while if they get

creative enough, but they'll have to take extra trips, and they simply won't be able to haul some of the bigger things they may need. The long-term costs of wasted time will more than outweigh the upfront savings.

Now imagine that they instead leased a full-sized semi-truck: the true SPM platform. Unlike the crowded city bus, this 18-wheeler can easily handle anything they might want to haul. But given the scale of their operation, they won't even come close to using the full capacity of that enormous trailer. It would be an absurd waste of resources, and it would obviously be the wrong choice for their use case. They need an option situated between these extremes.

The vast majority of organizations are not nearly large enough to need the dedicated territory and quota planning tools that come with a full SPM platform. That's because unlike incentive compensation—which needs continuous ongoing management—territory and quota planning are only done periodically, typically once per year or sales period. And unless you're an international enterprise organization (like Amazon, Cisco, or IBM), then spreadsheets really will suffice in these areas.

But you do need a dedicated solution to manage incentive compensation. So most organizations will find themselves needing something between a "city bus" and a "semi-truck."

APPROACH 3

A SPRAWLING PSEUDO-SPM PLATFORM

In-between the first and second approaches, you'll find a wide range of offerings better suited to the needs of SMBs. However, some are distinctly better than others, and some position themselves in ways that really aren't accurate. So it's important to understand what they truly are and what functionality they actually offer.

As things stand right now, there are really only five true SPM platforms: Varicent, Anaplan, Oracle, Xactly, and SAP. If your organization is large enough to require the capabilities of a full SPM platform, then you'll go through one of those vendors, and you'll pay accordingly.

But that hasn't stopped any number of other vendors from claiming to be SPMs, even though they don't provide the tools for all three SPM components: territory planning, quota planning, and incentive compensation. They purport to be an all-in-one solution, when in reality, they've simply added superfluous features to justify a higher price tag. Selecting one of these can be even worse than going with a full SPM platform, because you aren't even getting what you're paying for.

Most of these vendors started out by offering a straightforward ICM solution. But in pursuit of greater revenue, they started tacking on SPM-like features to their ICM solution, or they acquired and merged with other vendors offering similar services. But they never committed to developing the true functionality that defines an SPM solution. So you end up with a functional sprawl that is driven by the vendor's desire to grow, rather than by anything their customers actually requested or need.

An expensive solution full of unnecessary features is not a reasonable approach to consolidating your SPM tech stack. To continue our analogy from earlier, it would be like the handyman opting for a sports car. It could haul their stuff around better than taking the bus, but it would be a pointless waste of money, and their job really just requires a good pickup truck.

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TECH STACK

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APPROACH 4
— BEST-IN-BREED ICM SOFTWARE —

APPROACH 4

BEST-IN-BREED ICM SOFTWARE

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REMOTE CONTROL

The fourth and final approach is to opt for a dedicated software solution that manages incentive compensation exceptionally well. Of the three components of SPM, ICM is where the sharpest pain points are for most organizations, so that's where it's worth focusing your tech spend.

In this approach, you keep using spreadsheets for what they're good at—territory and quota planning—but you bring in a specialized, best-in-breed ICM solution **like Performio** to address the most impactful part of SPM.

But how do you know when you've found a truly great ICM solution? It's all about achieving the right balance between flexibility and ease of use (and watching out so you aren't swayed by veneer features that aren't central to ICM).

Some ICM solutions go all-in on useability, but they do so at the expense of flexibility. Sales compensation plans are complicated, and the needs of any two organizations will be wildly different from one another. A viable solution must accommodate all manner of varying commission structures, workflows, and use

cases. But "easy" ICM software tends to opt for a templated "one size fits all" approach that can't handle any level of complexity in your comp plans.

Other ICM solutions offer greater flexibility, but that too tends to come with a catch. You either need coding experience to program the complex compensation structures yourself, or you have to call them up and pay additional fees every time you need to make a change.

The best ICM solutions provide an intuitive interface that lets you build and calculate compensation plans with as much complexity as you need, while allowing you to make changes yourself—without coding or scripting, and with no additional fees. They include pre-built plan components to save you unnecessary work where possible, but don't limit you to them.

HOW TO DECIDE ON THE RIGHT APPROACH FOR YOUR BUSINESS

Building your SPM tech stack depends on the specific needs of your organization. Start by evaluating the core pain points of your SPM process, and seek solutions that address them.

If you're among the few enterprise organizations whose primary paint points involve territory and quota planning, then you should look into a full SPM solution. But for most SMBs, your pain points will more likely involve incentive compensation.

Common pain points include struggling with calculations and data complexity, requiring greater transparency into the sales commission process, needing more advanced reporting capabilities, dealing with security and compliance, and lacking the ability to make changes over time.

Identify the issues you most need your ICM solution to address, and then make a list of four to five vendors who claim to address them. Ideally, they should have experience working with organizations like yours.

Reach out to each vendor to schedule a consultation call, during which they'll hear your requirements and determine whether they'd be a good fit. Then you'll typically get a demo to see their product's functions and capabilities. Look for vendors who offer a custom demo based on your own data, rather than a generic data that may not be applicable to your needs.

Ultimately, you're looking for the solution that fully addresses your pain points without making you pay for extra functionality you don't really need.

DEMO PERFORMIO'S DEDICATED ICM SOFTWARE

FREE DEMO! SCHEDULE TODAY!

Performio's ICM software gives you everything you need to incentivize your sales reps and drive performance. You'll get powerful tools for creating new sales comp plans, tracking performance of individuals and the team as a whole, calculating commissions, generating reports, and seamlessly communicating within the team.

And your sales reps will be given access to their real-time performance, letting them see all the sales they've made, what they can expect to earn from each, how far along they are toward their quotas and goals, and what more they need to accomplish.

Ready to see what Performio can do for your business? Request a demo today.

Schedule A Demo

APPROACH 1
SALES PERFORMANCE MANAGEMENT

APPROACH 2
SALES PERFORMANCE MANAGEMENT

STACKABLE BUNDLES... BUNDLES OF TECH STACKS...

KNOW WHAT YOU'RE GETTING WHEN BUNDLING YOUR TECHNOLOGIES TOGETHER.

DISCOVER THE MOST IMPORTANT COMPONENT OF **SPM**.

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