

Agile Incentive Compensation Management

Delivering Successful Outcomes in a Complex Process



VENTANA
RESEARCH

Sponsored by NICE



The Complexity of Sales Processes

Real-world sales organizations are complex. In a simple model, there is a one-to-one relationship between an account and a salesperson. A product is sold to the account, that salesperson receives credit for the sale and gets paid a commission. But for many organizations, that simple model doesn't exist. **Large organizations must contend with elements like global accounts spread across different regions, different country managers, global account heads, product specialists, multiple product lines, overlay teams, presales teams and sales engineers.**

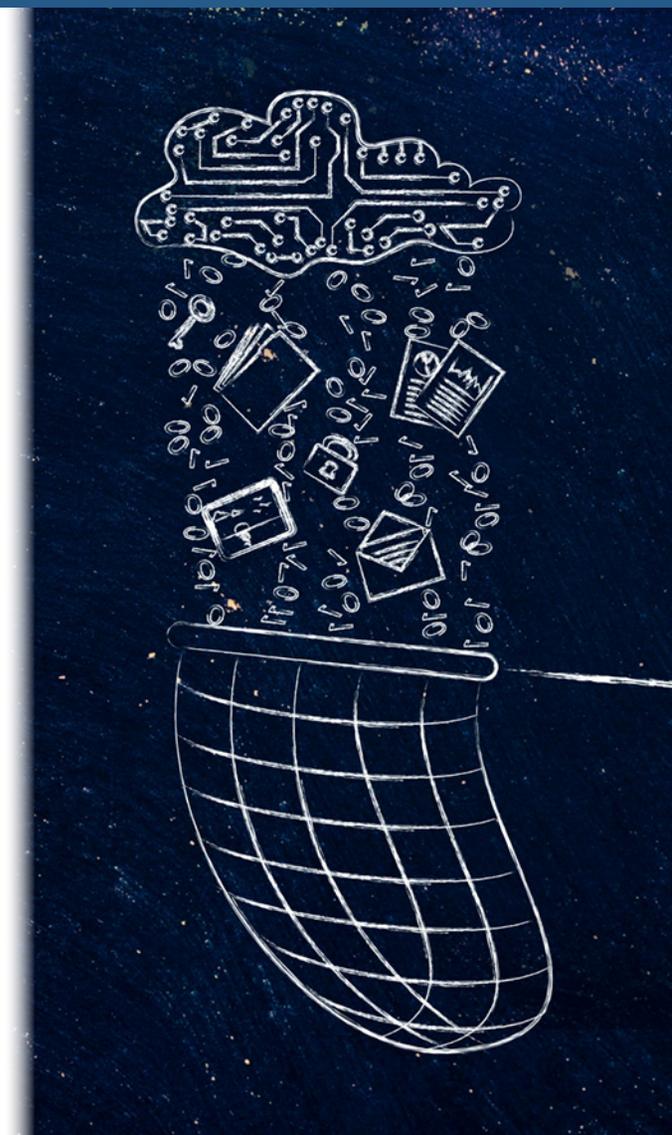
Complicating the process further, when all these workers are paid depends on the terms of the sale. This process becomes a complex matter of apportionment and attribution that falls on the compensation administrator, who may not have the tools to do so effectively or efficiently.

Takeaway: Larger organizations with complex sales hierarchies require a dedicated system that can accommodate and support their crediting and compensation needs.

Compensation is Data Intensive

Compensation processes that depend in any part on sales transactions are data-intensive and require the management of a large, ever-changing volume of data. This data can come from myriad sources including bookings, sales reporting hierarchies, order management and accounts receivable. According to our Analytics and Data Benchmark Research, **56% of organizations use more than 10 data sources**, all of which must be integrated into a compensation system and managed effectively. Only 59% of organizations feel confident in their ability to analyze large quantities of data, with only 20% feeling very confident. Managing data is vital to being able to launch and manage compensation plans with complex logic and requires integration with external sources to facilitate the necessary data enrichment.

Takeaway: With the right technology in place, the compensation administrator can handle the organization's compensation data management needs with little reliance on IT.



Territory Management is Constant

Good territory design is much more than parceling out territory based on how many target companies are in a specific area. To be responsive to the realities of staff movement and market dynamics, **good territory management needs supporting systems that can quickly and accurately adapt.**

Territories require regular adjustments to reflect the individuals and teams covering the accounts. Crediting and compensation calculations and the corresponding payments must accurately reflect these changes in a timely manner. This process should be performed and managed by compensation administrators without the need to bring in IT or other technical resources. The objective should be accurate and timely compensation payments while accommodating necessary territory adjustments.

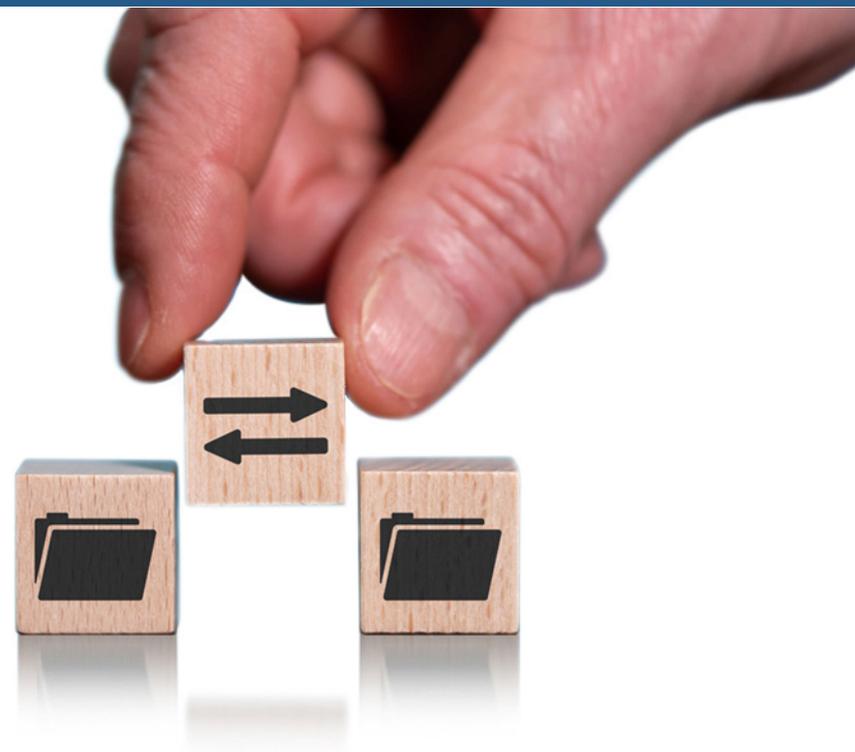


Takeaway: Effective compensation management needs to be responsive to organizational changes and ensure accurate and timely crediting and payments.

The Case for Automation

The sales incentive process requires frequent interactions and data exchanges between compensation administrators, sales operations, the finance department and the sales team. Given this high volume of data flow, there is a strong case for introducing automation when possible. For example, **data validation, inquiries and dispute handling, compensation plan approvals, retroactive adjustments and quota approvals are all sales processes that can benefit from automation.**

Reliance on manual processes and a lack of automation negatively impacts productivity and efficiency and can also be the root cause of payment errors, dissatisfied sales reps and a lack of quality and controllability. According to our research, **49% of organizations consider process automation important.**



Takeaway: Automate sales compensation processes and the data exchange between groups to achieve greater productivity and improved accuracy of sales incentives.

Agility Enables Action

Sales organizations are dynamic and require agility in response to continuous change. Territories and accounts are redefined, regulations shift, products are added and removed, distribution channels are updated, marketing might launch a spiff to promote certain products or brands, and competitors enter and exit the market.

Organizations must adapt rapidly, which means **the traditional method of updating compensation rules via ad-hoc email and documents will not provide the governance and audit trail requirements to ensure accuracy**. Changes must be configurable by those accountable and should be managed by the compensation administrator in real time. With the right support for compensation agility, HR can increase operational efficiency and ensure on-time, accurate compensation across the organization.



Takeaway: Planning for every eventuality may not be possible but enabling compensation administrators to independently make changes supports the needed agility.

1

2

3

4

5

6

7

8

9

10

Visibility is Critical

Successful sales teams use compensation to help align behavior and ultimately accelerate sales performance and attainment. Clarity and transparency are a key part of this. In addition to communicating plans to individuals, the ability to ask questions and a well-defined, integrated process both support dispute resolution.

Data visibility also relates to management needs. **The ability to access all relevant compensation data**, some of which may be stored outside the system, via customizable analytics, dashboards and reports **ensures outcomes are measured against plans**. Likewise, visibility into overall compensation liability is important for finance to understand how much and when payouts—often a significant line item in the income statement—can occur.

Takeaway: Look for AI to be embedded into multiple critical sales team functions, eliminating inconsistencies, overlaps and costly special projects.



Timely Performant Systems



Organizations have windows of time in which they operate. In Finance, much of the activity like payment processing happens in the background, but many CFO offices now want to know the expense liability from projected attainment and compensation payout data daily. The computational engine underpinning these operations needs to be very performant, and the data normalization aggregation and validations must be done quickly. **The compensation administrator needs to be able to execute prior-period adjustments on the spot** rather than waiting for the nightly processing run. Daily reporting and drill-down capabilities must be quick and accurate, and administrators should not need to spend an unnecessary amount of time modeling or testing a compensation plan.

Takeaway: Sales transactions, crediting and compensation calculations must be able to fit into the available time window to ensure stakeholders can perform their tasks.

Analytics Leads to Assurance



Organizations look both to analyze data in the present and also to see what happened in the past. Finance needs to know not just what has been paid out, but what is likely to be paid in the future based on how sales are going now and on estimates for the near and distant future. Sales needs to know if quotas are being met and whether they are selling the right products in the right regions. Marketing needs to know whether incentives are performing as expected. **Analytics on revenue data allow departments to see the effectiveness of their strategies** in dashboards and reports and provide evidence-based decision making if change is needed.

Takeaway: Revenue analytics enable organizations to ensure that compensation—and especially incentive-based components—is achieving the desired behavior and outcomes.

Modern Tools for Compensation Management

Compensation can be elaborate in today's organizations, and it must be supported with tools that are appropriate for the task. **The right technology harnesses all the relevant data and enables compensation managers to respond with agility to challenges.** It allows them to perform their tasks without relying on IT for modifications and offers visibility and transparency into compensation processes to increase the confidence of all stakeholders. It supports the compensation manager's work by automating repetitive manual process, thus freeing them for higher-value effort. Honing sales performance means utilizing the right incentive compensation and enabling the organization to adapt within its rapidly changing, complex environment.

Sponsored by **NICE**

Ventana Research Dynamic Insights and Benchmark Research reports can be found at www.ventanaresearch.com.



© 2023 Ventana Research