



# 2017 SALES COMPENSATION ADMINISTRATION BEST PRACTICES SURVEY



## XACTLY SURVEY ANALYSIS

Survey by Xactly

Findings summary by Steve Marley and Harshal Tandon, ZS

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## SECTION 1: SUMMARY

Xactly, ZS, and WorldatWork are proud to combine their marketing and expertise to provide findings from Xactly's ICM Administration Survey. Over 270 companies provided responses to 42 questions that spanned sales compensation design, administration, technology, and other areas.

## SECTION 2: RESPONDENT INFORMATION

### 2A. Respondent Profile

#### INDUSTRY REPRESENTATION

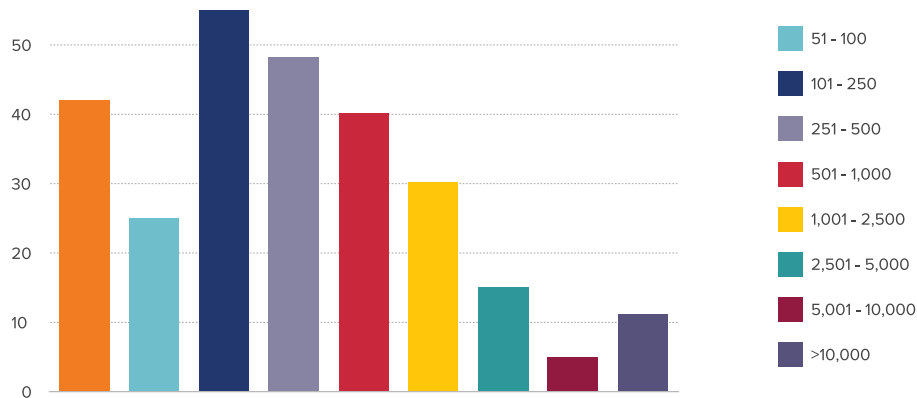
SaaS and Cloud	19%
Software (traditional enterprise software selling primarily on-premise software)	12%
Manufacturing (General manufacturers)	11%
Business Services	9%
Financial Services	8%
High-tech Manufacturing (excluding semiconductors)	7%
Life Sciences, Pharmaceutical, and Biotechnology	6%
Media and Internet	5%
Medical Devices	5%
Communications	4%
Healthcare	4%
Consumer Goods	4%
Energy	3%
Retail	3%
Travel and Hospitality	1%
<b>Total n-size</b>	<b>245</b>

#### GEOGRAPHY REPRESENTATION

North America	96%
Europe	61%
Asia Pacific	56%
Latin America	46%
Middle East	37%
Africa	29%
Other	2%
<b>Total n-size</b>	<b>272</b>

## SALES FORCE SIZE

Respondent count by sales force size



## PERCENT OF PAYEES FROM INDIRECT CHANNEL PARTNERS

0 - 10%	79%
10+% - 25%	13%
75+% - 100%	4%
25+% - 50%	3%
50+% - 75%	2%
<b>Total n-size</b>	<b>272</b>

## OWNERSHIP OF COMPENSATION ADMINISTRATION PROCESSES

Sales Operations	37%
Finance	28%
HR	21%
Sales	7%
No formal or designated owner	7%
<b>Total n-size</b>	<b>259</b>

Sales Operations and Finance own sales administration in 2/3 of companies. A somewhat surprising finding is that 14% of companies have either Sales or no designated owner. While Sales often drives the incentive design decisions, it is far less common to see the Sales function have ownership of tactical administrative tasks.

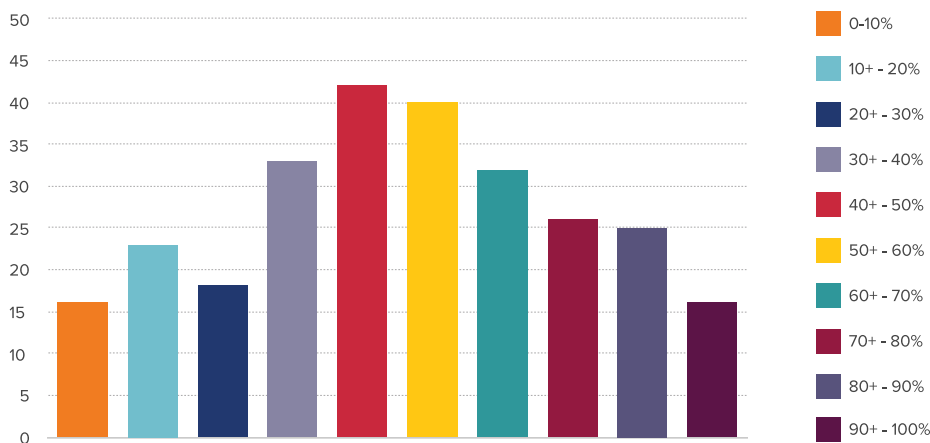
## 2B. Organizational Performance

### WHAT LEVEL OF REVENUE GROWTH DID YOUR ORGANIZATION EXPERIENCE IN THE MOST RECENT FISCAL YEAR?

0 - 3%	22%
3+% - 5%	22%
5+% - 10%	16%
10+% - 15%	12%
15+% - 20%	6%
Greater than 20%	12%
Negative growth	10%

Most organizations communicate an expectation that 50-70% of salespeople should hit their quota. Below that level, and organizations risk a disengaged and demotivated sales force as too many people miss quotas; above that level, and quotas are likely too easily achieved, which increases the potential of salespeople expending less than optimal effort. The percent of reps meeting quota follows a normal distribution across companies, but if we look at the percentage of companies with between 50% and 70% of their reps reaching quota, only 72 respondents (or 26% of companies) are in the optimal zone. Almost  $\frac{3}{4}$  of companies have too few (49%) or too many (25%) salespeople reaching quota.

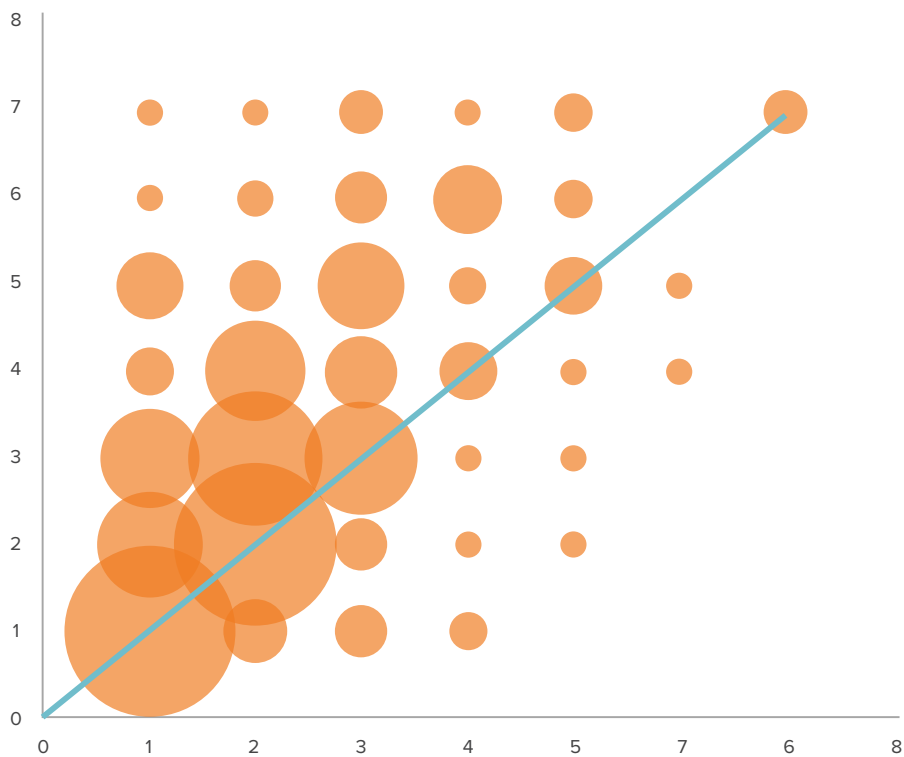
### Respondent count by sales force size



We also compared company performance to sales person quota performance. Most companies with 40-70% of people reaching quota were in the 0-5% growth range. Above that corporate growth, we suspect quota setting becomes challenging, as there is no relationship between high company growth and number of reps hitting quota.

	0 - 10%	10+ - 20%	20+ - 30%	30+ - 40%	40+ - 50%	50+ - 60%	60+ - 70%	70+ - 80%	80+ - 90%
negative growth	2	3	2	6	5	2	1	4	0
0 - 3%	5	2	7	5	17	12	3	2	5
3+ - 5%	2	4	2	9	7	11	8	8	6
5+ - 10%	2	3	2	5	5	7	8	3	6
10+ - 15%	1	3	2	5	4	5	4	5	2
15+ - 20%	1	3	2	1	1	0	3	1	2
> 20%	3	4	2	3	3	3	5	3	4

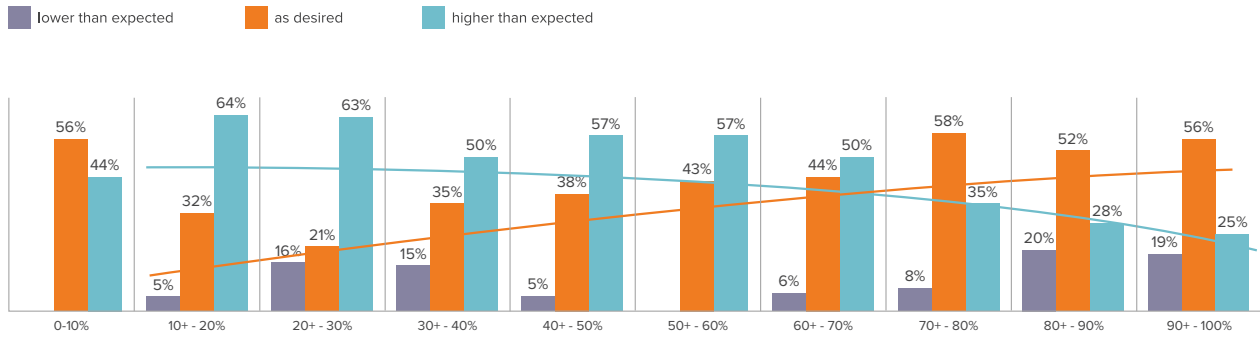
Most sales organizations often have some degree of expected turnover, either of low performers or based on historical norms – but how accurate are companies' turnover projections?



By plotting expected versus actual turnover, 43% of companies see turnover consistent with their expectations. However, almost half of companies (49%) are experiencing higher than expected turnover (any bubbles above the blue line), while only 8% of companies have lower than expected turnover (any bubbles below the blue line).



## % Sales Force Hitting Quota vs Turnover



As expected, companies with a low percentage of reps hitting quota (those on the left side of the X-axis) experience higher than planned turnover. An interesting anomaly is that companies with a very low number of salespeople hitting quota (less than 10% of the sales force) see a drop in higher than expected turnover. We suspect this is because very low quota performance is probably identified and measured early, with protective measures put in place.

### SECTION 3: TECHNOLOGY USAGE IN SALES COMPENSATION PROGRAM

WHICH OF THE FOLLOWING TECHNOLOGIES ARE USED IN YOUR ORGANIZATION TO SUPPORT THE SALES COMPENSATION PLANNING CYCLE (I.E., PLAN DESIGN, FORECASTING, MODELING, AND QUOTA SETTING)? (PLEASE SELECT ALL THAT APPLY)

Excel _____	85%
Custom/Home grown solution _____	17%
Third-party software (e.g., Xactly) _____	51%
Access _____	12%
Outsourced _____	3%
Other _____	2%
<b>Total n-size</b>	<b>272</b>

A commonly communicated statistic is that 85% of companies still use Excel to support the sales compensation process. Although the percentage of companies using Excel remains steady in our survey, more than half of companies are using a third-party, purpose-built software application for compensation processing. However, cross-referencing companies, we find that more than three quarters (76%) of companies who are using a third-party software application are still using Excel, representing roughly 1/3 of all respondents. We are not able to determine, based on the survey questions themselves, why companies are still using both. We have two hypotheses:

1. Companies are leveraging third-party software but haven't updated their processes from legacy Excel; in this case, we would expect the usage of Excel to fall overtime as third-party software becomes more prevalent and increasingly leveraged within organizations
2. Excel is the default application used in certain parts of the process, and will continue to be used in combination with a third-party application. Our assumption is this occurs when Excel is either easier to use than a dedicated software application (e.g., ad hoc analyses) or when the current functionality of the third-party software does not support certain desired tasks

**WHICH OF THE FOLLOWING TECHNOLOGIES ARE USED IN YOUR ORGANIZATION TO SUPPORT QUOTA SETTING? (PLEASE SELECT ALL THAT APPLY)**

Excel _____	84%
Custom/Home grown solution _____	16%
Third-party software (e.g., Xactly) _____	31%
Access _____	6%
Unknown (e.g. outsourced) _____	3%
Outsourced _____	2%
<b>Total n-size</b>	<b>272</b>

The results are similar when it comes to the use of technology adoption for quota setting, with 84% of companies using Excel in the process. Only 31% of customers are using 3rd party platforms for their quota setting process, but it is clear that Excel and third-party tools are the dominant methods for setting targets.

**HOW SOON INTO THE NEW PLAN YEAR DO YOU TYPICALLY COMMUNICATE PLANS AND QUOTAS? (PLEASE SELECT ONE)**

Before start of new fiscal year _____	18%
Within 1-2 weeks of start of new fiscal year _____	14%
Within 3-4 weeks of start of new fiscal year _____	24%
Within first 2 months of new fiscal year _____	23%
Within first 3 months of new fiscal year _____	17%
Sometime after first 3 months of new fiscal year _____	4%
<b>Total n-size</b>	<b>272</b>

Best practice in quota setting is for companies to deploy quotas before or close to the start of the relevant time period. The power of quotas – giving salespeople a target to which they aspire – is diminished the further into the plan period they are released; a quota has next to no motivational impact if provided near the end of the plan period. Given when plans tend to be finalized, and the desire to use the most recent possible data in quota setting, we typically consider anything before 1-2 weeks within the start of the new fiscal year to be best practice, and within 3-4 weeks to be reasonable, but not ideal. Only about 1/3 of companies achieve best practice, although slightly more than half (56%) are in a reasonable range.

## PERCENT OF COMPANIES THAT THAT RELEASE QUOTAS BEFORE START OF FISCAL YEAR AS A FUNCTION OF THE SUPPORTING TECHNOLOGY

Excel	17%
Third-party software (e.g., Xactly)	22%
Increase (Third-party software over Excel)	29%

We compared the use of technology in the quota setting process to the time period when companies release the plans and quotas to the sales force and found that companies that use third-party tools are 29% more likely to release quotas before the start of the new fiscal year than companies that use Excel.

## WHICH OF THE FOLLOWING TECHNOLOGIES ARE USED IN YOUR ORGANIZATION TO SUPPORT MANAGEMENT OF MBO'S (PLEASE SELECT ALL THAT APPLY)

	Overall usage	Sales force <500	Sales force >500
Excel	69%	65%	35%
Custom/Home grown solution	14%	45%	55%
3rd party software (e.g., Xactly)	31%	59%	41%
Access	4%	50%	50%
Unknown (e.g. outsourced)	8%	48%	52%
Other	6%	69%	31%
<b>Total n-size</b>	<b>272</b>	<b>171</b>	<b>101</b>

A common assumption is that third-party technology benefits mainly larger organizations, where the cost or complexity of a specific purpose SPM technology offsets the increasing inefficiency of using Excel. For example, in the MBO process, setting and reviewing objectives using Excel can be an onerous process. Of the companies that use Excel, the majority of them are less than 500 salespeople.

**WHICH OF THE FOLLOWING TECHNOLOGIES ARE USED IN YOUR ORGANIZATION TO SUPPORT TERRITORY PLANNING? (PLEASE SELECT ALL THAT APPLY)**

Excel	68%
Custom/Home grown solution	19%
Third-party software (e.g., Xactly)	36%
Access	5%
Unknown (e.g. outsourced)	9%
Outsourced	1%
<b>Total n-size</b>	<b>272</b>

**WHAT SPECIFIC VENDOR TOOL(S) ARE YOU CURRENTLY USING FOR ANALYTICS? (PLEASE SELECT ALL THAT APPLY)**

Analytics / Reporting via ICM solution	11%
Oracle	13%
IBM Cognos	8%
SAS	3%
MicroStrategy	2%
Qlik	7%
SAP	14%
Tableau	17%
Domo	3%
In-house/custom solution	28%
TIBCO	0%
Other	15%
<b>Total n-size</b>	<b>272</b>

The range of tools in-use is very large, with more than a quarter (28%) of companies using an in-house solution, which can be additive to other reporting mechanisms. Almost 30% of respondents indicated the use of multiple reporting platforms, and – outside of custom solutions – no single technology was used in more than 20% of companies. This speaks to the wide variety of applications in the market.

**WHAT IS THE MECHANISM FOR PERFORMANCE REPORTING FOR SALES REPS?  
(PLEASE SELECT ONE ANSWER)**

Online custom application with drill-through (e.g. Xactly Analytics)	41%
Basic level static reports (e.g., PDFs sent out on a regular basis)	39%
No reporting in place for this audience	17%
Online with what-if scenario capability	3%
Online custom application with drill-through	0%
<b>Total n-size</b>	<b>272</b>

41% of companies leverage their ICM platform for reporting to the sales force. Since 51% of companies indicated that they used an ICM platform in their compensation administration processes, close to 80% of organizations are taking advantage of their ICM application’s reporting capabilities.

**WHAT IS THE MECHANISM FOR PERFORMANCE REPORTING FOR SALES  
MANAGEMENT? (PLEASE SELECT ONE ANSWER)**

Excel	36%
Basic level static reports (e.g., PDFs sent out on a regular basis)	22%
Custom Analytics (e.g. Xactly Analytics)	21%
Online custom application with drill through capability	11%
No reporting in place for this audience	7%
Online with what-if scenario capability	3%
Custom Analytics	0%
<b>Total n-size</b>	<b>272</b>

**WHAT IS THE MECHANISM FOR PERFORMANCE REPORTING FOR EXECUTIVES AND SENIOR LEADERS? (PLEASE SELECT ONE ANSWER)**

Basic level static reports (e.g., PDFs sent out on a regular basis)	45%
Custom Analytics (e.g. Xactly Analytics)	21%
No reporting in place for this audience	14%
Online Executive Dashboards	8%
Online custom application with drill through capability	7%
Online with what-if scenario capability	4%
Custom Analytics	0%
<b>Total n-size</b>	<b>272</b>

When it comes to reporting within the organization, we see a movement away from the ICM applications as reporting moves up the organizational hierarchy. The predominant technology in use for sales force management is Excel and, for executives, the dominant mechanism is static reports (e.g., PDF).

**ON AVERAGE, HOW MANY UNIQUE SALES PERFORMANCE AND PAY REPORTS DO YOU PROVIDE A SALES REP? (PLEASE SELECT ONE)**

1 – 2	54%
3 – 4	20%
5 – 6	5%
Greater than 6	7%
No reports are provided	14%
<b>Total n-size</b>	<b>272</b>

The majority of organizations provide salespeople with 1-2 reports. Depending on the nature of the reports, we have found between 1 to 3 reports to be relatively easily digestible and actionable to the sales force. Although a small number of companies reported 5 or more reports, our assumption is that such reports serve unique purposes (for example, one report for incentive payment, one report for data, one report for account list, etc.). In general, we would recommend fewer reports, but a large number of reports may not be problematic if the mechanism to access them is seamless. The biggest surprise is that 14% of companies stated that no reports are provided to salespeople. We hope this means no separate reports or physical files are sent, as a major benefit of an incentive program is derived from the information and direction salespeople take from reports.

**HOW FREQUENTLY DO YOU PROVIDE SALES PERFORMANCE AND PAY REPORTS TO SALES COMPENSATION PLAN PARTICIPANTS? (PLEASE SELECT ONE)**

Less frequently than quarterly	10%
Quarterly	17%
Monthly	35%
Bi-weekly	5%
Weekly	8%
Daily	5%
Real time through user access	20%
<b>Total n-size</b>	<b>272</b>

Monthly reporting is the most common, with slightly more than one third of companies using this frequency. One in 5 companies provide real time access to compensation reporting information through online technologies. Certainly real time, near-real time, or daily reporting would be aspiration. The power of sales incentives increases as you shorten the time between activities and outcomes, providing clear light of sight between sales results and payouts. However, the dependency on data for reporting is a driving factor in many cases, particularly if third-party data or heavy data processing is required to provide the information. The availability of data can factor into the timeline to process payouts, which are often linked to reporting cycles as well.

**FOR THE MAJORITY OF THE PARTICIPANTS IN YOUR SALES COMPENSATION PLAN, HOW LONG DOES IT TYPICALLY TAKE FROM THE END OF THE PERFORMANCE MEASUREMENT PERIOD TO PROCESS INCENTIVE PAYMENTS? (PLEASE SELECT ONE)**

Less than 2 weeks	25%
2 - 3 weeks	29%
4 - 6 weeks	31%
7 - 10 weeks	10%
More than 10 weeks	5%
<b>Total n-size</b>	<b>272</b>

Similar to the reporting frequency, when it comes to payment processing, sooner is better. We would consider anything less than 3 weeks to be positive. Past benchmarking of payment processes in organizations suggested that the perception of inefficiency increases substantially past 30 days, with many companies targeting payouts 30 to 45 days after the performance period



ends. More than half (54%) of companies process and pay within 3 weeks. A bolus of companies are in the 4-6 week range, which begins to walk the line between best practice and areas of opportunity. It is unclear, and worth of further study, what is driving payout times of more than two and a half months.

We also sought to confirm whether the use of technology helps shorten this payment cycle, so we matched sales compensation technology with payment processing cycles.

	0-3 weeks to pay	4 or more weeks to pay
Excel	53%	47%
Custom/Home grown solution	61%	39%
Third-party software (e.g., Xactly)	56%	44%
Access	50%	50%
Outsourced	43%	57%
Other	40%	60%
<b>Total n-size</b>	<b>147</b>	<b>125</b>

While an impressive number of companies using Excel and Access pay in less than 4 weeks (50%+), third-party and custom solutions start to skew towards shorter payout timelines. Although the numbers aren't substantially different, this is a tendency we would want to study more, as it speaks to the value of specific and purpose-built technologies for reporting.

## SECTION 4: SALES COMPENSATION ADMINISTRATION PROCESSES

The time to get payments into the hands of the salespeople may be a by-product of processes as much as technology, and sales compensation administration is typically evaluated on two success criteria: timeliness and accuracy. That is, companies want to see payouts processed as quickly as possible with 100% accuracy.

### WHICH OF THE FOLLOWING BEST DESCRIBES THE PROCESSES USED TO ADMINISTER YOUR SALES COMPENSATION PLAN? (PLEASE SELECT ONE)

Level 1: Initial - Ad-hoc chaotic activities; few processes are defined _____	10%
Level 2: Managed - Disciplined processes are understood and followed _____	28%
Level 3: Defined - Standard processes are defined and followed _____	41%
Level 4: Quantitatively Managed - Processes are measured and have predicted result _____	17%
Level 5: Optimized - Able to alter processes and achieve improved results _____	4%
<b>Total n-size</b>	<b>272</b>

### DOES YOUR ORGANIZATION UTILIZE A SALES COMPENSATION CENTER OF EXCELLENCE AND/OR SALES COMPENSATION GOVERNANCE BOARD FOR PLAN DESIGN AND ADMINISTRATION?

No _____	62%
Yes _____	38%
<b>Total n-size</b>	<b>272</b>

Most companies have implemented some degree of process discipline, with 86% between Levels 2 and 4. Few (only 10%) are still operating in a chaotic fashion, and fewer still believe they are optimized. Not surprisingly, and probably appropriately, most companies see room for improvement (for example, 2/3 of respondents said they do not utilize a Center of Excellence or Governance Board).

By comparing the process maturity to the presence of some type of governance body, we found that roughly three quarters of companies at Level 1 or 2 process maturity had no governance board, while roughly half of companies with a Level 3, 4, or 5 process maturity did have an oversight committee. The presence of governing boards does appear to help drive more structure processes.

**HOW WOULD YOU RATE THE ACCURACY OF PAYMENTS, AS MEASURED BY THE DOLLAR AMOUNT OF VARIABLE COMPENSATION ADJUSTMENTS VS. THE TOTAL VARIABLE COMPENSATION DOLLARS PAID ON AN ANNUAL BASIS? (PLEASE SELECT ONE)**

Greater than 99%	17%
96% - 99%	26%
91% - 95%	36%
86% - 90%	13%
80% - 85%	5%
Less than 80%	4%
<b>Total n-size</b>	<b>272</b>

**FOR YOUR ACCURACY OF GREATER THAN 99%, WHAT IS YOUR ACTUAL ACCURACY RATE? (PLEASE SELECT ONE)**

100%	15%
99.76% - 99.99%	21%
99.51% - 99.75%	17%
99.26% - 99.50%	13%
99.0% - 99.25%	34%
<b>Total n-size</b>	<b>47</b>

Accuracy of payouts is a critical element of any sales compensation program. No sales compensation administrator wants to have to tell the head of sales an issue was found and the company needs to claw back overpayments. Similarly, issues with payouts can lead to a distracted sales force that isn't focus on selling. Only 7 of 272 respondents indicated 100% accuracy in their payouts. Many companies target 99%+ quality levels, but only 17% achieve this level of accuracy.

Once a compensation process is set-up and running accurately, the quality of the outputs should not vary. However, sales compensation is an area of frequent change: new strategies, roles, competitors, or data can result in plan design changes; exception cases when dealing with unique situations; new reporting requirements; and corrections can all impact a system that was previously running smoothly.

As a result, workflow management is a critical element to the success of sales compensation administration processes, to ensure changes, requests, questions, and responses are documented transparently. Yet, fully 2/3 of the respondent organizations do not leverage automated workflow management built in to many of today's ICM tools.

**DO YOU LEVERAGE AUTOMATED WORKFLOW MANAGEMENT CAPABILITIES SUCH AS YOUR ICM OR HRIS FUNCTIONALITY TO SUPPORT COMMUNICATION OF NEW PLANS, PLAN APPROVALS, AND DISPUTE MANAGEMENT?**

No _____	66%
Yes _____	34%
<b>Total n-size</b>	<b>272</b>

A common use case for automated workflow management is the approval of plan documents at the start of the performance period.

**HOW ARE PLANS TYPICALLY COMMUNICATED AND APPROVED?**

Automated, via workflow functionality with approval process in place _____	38%
Automated, via workflow functionality with no approval process in place _____	6%
Manually, via PDF/Email with Approval process in place _____	39%
Manually, via PDF/Email with no Approval process in place _____	12%
Payees are provided general overview of plan mechanism. Not distributed on a per person basis. _____	6%
<b>Total n-size</b>	<b>272</b>

We hypothesize that larger organizations (greater than 1000 payees) were more likely to use automated processes to alleviate the burden of manually sending files to this number of sales reps. While more than 50% of large companies did leverage technology (56%) to automate the delivery and approval process of plans, only 39% of companies less than 1000 people did the same.

**DO YOU LEVERAGE AUTOMATED WORKFLOW MANAGEMENT CAPABILITIES SUCH AS YOUR ICM OR HRIS FUNCTIONALITY TO SUPPORT COMMUNICATION OF NEW PLANS, PLAN APPROVALS, AND DISPUTE MANAGEMENT?**

Too many manual adjustments _____	66%
Incentive compensation design complexity _____	51%
Data problems _____	43%
Insufficient resourcing (Administration or IT) _____	31%
High volume of data to process _____	26%
Inflexible technology _____	25%
Other _____	5%
<b>Total n-size</b>	<b>272</b>

The number one challenge with compensation administration, faced by 2/3 of respondents, is manual adjustments. This challenge is likely pronounced when using third-party or custom solutions, as they are often less flexible than Excel, where changes can be made with relative ease. This is the double-edged sword of purpose-built compensation technologies: the benefits they provide can be dampened in high-change environments, and manual adjustments are one type of change. The findings support this hypothesis, as the number of respondents who struggle with manual adjustments is higher for those using third-party tools. The same logic likely holds true for plan design complexity, since manual adjustments and plan complexity both introduce changes into technology systems, with both seeing 8-10% swing in favor of Excel.

But third-party technology holds obvious advantages over Excel in other areas. The nature of ICM systems requires cleaner data to automate, and more automation results in lower operating resource requirements. As such, the pendulum swings in the favor of third-party technology with a 6-8% swing over Excel.

These findings suggest that, although third-party technology should be the biggest enabler for the overall efficiency of sales compensation administration, companies are struggling with the effective application of these technologies.

	Third-party technology adopted	Excel/Manual processes
Too many manual adjustments	54%	46%
Incentive compensation design complexity	55%	45%
Data problems	47%	53%
Insufficient resourcing (Administration or IT)	46%	54%
High volume of data to process	51%	49%
Inflexible technology	51%	49%
Other	36%	64%
<b>Total n-size</b>	<b>147</b>	<b>125</b>

**PLEASE EVALUATE YOUR CURRENT SALES COMPENSATION PROGRAM ADMINISTRATION ON THE FOLLOWING SCALE: (PLEASE SELECT ONE)**

Best of Breed: we leverage technology and resources in a proactive and defined program _____	4%
Above Average: we use automated processes and proactively use reporting & analytics, but have room for improvement _____	21%
Average: we can meet our current needs and respond to changes in plan design and team needs _____	53%
Below Average: we keep up with payroll but don't have time for anything else _____	19%
Insufficient: we have trouble consistently making payroll _____	2%
<b>Total n-size</b>	<b>272</b>

**PLEASE RATE YOUR COMPANY'S CAPABILITIES AS IT REALTES TO LEVERAGING ANALYTICS AND REPORTING: (PLEASE SELECT ONE)**

Best of Breed: we leverage technology and resources in a proactive and defined program _____	40%
Above Average: we use automated processes and proactively use reporting & analytics, but have room for improvement _____	19%
Average: we can meet our current needs and respond to changes in plan design and team needs _____	26%
Below Average: we keep up with payroll but don't have time for anything else _____	4%
Insufficient: we have trouble consistently making payroll _____	12%
<b>Total n-size</b>	<b>272</b>

	Below average in analytics	Average and above in analytics
Best of Breed: we leverage technology and resources in a proactive and defined program	0%	100%
Above Average: we use automated processes and proactively use reporting & analytics, but have room for improvement	9%	91%
Average: we can meet our current needs and respond to changes in plan design and team needs	41%	59%
Below Average: we keep up with payroll but don't have time for anything else	68%	32%
Insufficient: we have trouble consistently making payroll	60%	40%
<b>Total n-size</b>	<b>103</b>	<b>169</b>

Companies that see themselves as strong in analytics and reporting tend to see themselves as above average in sales compensation administration. Effective use of analytics and reporting may help organization manage their comp administration in better ways. For example, improved analytics and information pertaining to risk management, error rate reduction, KPIs and SLAs, and plan effectiveness studies can improve both the efficiency and effectiveness of compensation administration.

**WHICH OF THE FOLLOWING ANALYSIS AREAS ARE USED TO EVALUATE THE EFFECTIVENESS OF THE SALES COMPENSATION ADMINISTRATION PROCESS? (PLEASE SELECT ALL THAT APPLY)**

Incentive payouts in relation to compensation budget _____	64%
Accuracy rate based on number of adjustments _____	22%
Accuracy rate based on dollar amount of adjustments _____	15%
Time to payout each period _____	31%
Number of questions or disputes from sales reps _____	36%
Response time to field requests _____	12%
Audit scores _____	11%
Sales time spent on compensation issues _____	17%
Ratio of total administration cost to sales _____	12%
Other _____	8%
<b>Total n-size</b>	<b>272</b>

The top three measures of the effectiveness of overall sales compensation administration process are incentive payouts relative to budget, time to payout, and the number of disputes or questions, each of which have roughly one third to two thirds of respondents. Of the respondents who answered with “Other”, most indicated that they had no mechanism in place to evaluate the effectiveness of their sales compensation administration. The measure of incentive payouts related to budget is also common in companies measuring plan design effectiveness, although the underlying assumption is that the correct plan designs and budgets are in place.



## SECTION 5: PLAN DESIGN

### WHICH OF THE FOLLOWING BEST DESCRIBES YOUR ORGANIZATION'S APPROACH TO ENSURING YOUR SALES COMPENSATION PLANS SUPPORT TOP BUSINESS PRIORITIES AND GOALS?

We establish specific business goals for our sales compensation plans each year, in terms of focusing sales on important categories of customers or products/services or types of sales, and we regularly report on results and improvement opportunities utilizing _____	0%
We count on the sales or finance leadership and goal setting process to be well aligned with our top priorities, and don't really think about this much. _____	31%
We create ad-hoc reports and analyses when questions come up about sales focus or results, but don't establish explicit goals for changes in focus or outcomes or track progress against them. _____	23%
We establish specific business goals for our sales compensation plans each year, in terms of focusing sales on important categories of customers or products/services or types of sales, and we regularly report on results. _____	46%

**Total n-size** **272**

### HOW DOES YOUR TEAM LEVERAGE BENCHMARKS OR SURVEYS DURING THE PLAN DESIGN PROCESS? (PLEASE SELECT ONE)

We use benchmarks and survey data when possible, but not for all changes _____	47%
We use benchmarks and survey data to help make all decisions around plan design _____	17%
We do not currently use benchmarks and survey data, but plan to use them in the future _____	14%
We do not currently use benchmarks and survey data, and no plans to use them in the future _____	11%
We would prefer to use benchmarks and survey data, but have not found a credible source. _____	11%

**Total n-size** **272**

Almost half of companies in our survey use benchmarking on a periodic basis during the design. In our experience, benchmarking typically comes into play when companies are creating or changing sales roles or seeking to reevaluate pay levels and mix to ensure understanding of current market practices. While benchmarking information can prove helpful in the design process, most companies recognize that benchmarking needs to be considered within the broader context of what their specific organization is trying to accomplish with the incentive plan, and when they should deviate from what others are doing.

**PLEASE EVALUATE YOUR CURRENT SALES COMPENSATION PLAN DESIGN PROCESS ON THE FOLLOWING SCALE: (PLEASE SELECT ONE)**

Best of Breed: We have a defined process, defined roles and responsibilities, and we consistently follow them. In addition, we leverage benchmark data during the design process. _____	8%
Above Average: We have a defined process and defined roles and responsibilities, and we consistently follow them _____	33%
Average: We have a defined plan design process and defined roles and responsibilities, but we don't consistently follow them _____	40%
Below Average: We have a somewhat loosely defined plan design process, and our roles and responsibilities are somewhat loosely defined _____	16%
Insufficient: We do not have a defined plan design process, and our roles and responsibilities are unclear and/or undefined _____	3%
<b>Total n-size</b>	<b>272</b>

While the highest number of respondents (40%) indicated that their design processes were average, they did indicate that they had structured processes. A source of frustration for many respondents is that, despite having a plan design process in place, it is not consistently followed. Unlike administrative processes, which are often designed with efficiency in mind, the focus of plan designs are almost entirely based on effectiveness. As a result, plan design decisions are often changed, sometimes late in the process, based on changes in strategy or market dynamics. Sometimes, late changes are the result of new information that is developed through the plan design process, such as financial modeling results that cause plan designers to rethink previous decisions. On the positive side, one third of respondents see their design processes as Above Average, and – in absence of the need for benchmarking data – many could be considered Best in Breed.

## SECTION 6: SALES COMPENSATION INVESTMENTS

### HAS YOUR ORGANIZATION INVESTED IN SALES COMPENSATION INFRASTRUCTURE WITHIN THE LAST 24 MONTHS? (PLEASE SELECT ONE)

Yes, purchased a new solution _____	21%
No, and we are not considering it _____	19%
Yes, made enhancements (e.g., new modules or functionality) for our existing solution _____	17%
No, but we are currently considering it _____	13%
No, we own a third-party system but have made no major investments in the past 24 months _____	10%
Yes, upgraded our existing solution _____	8%
No, but it is in our plan _____	6%
No, but we are in the process of building or buying a new solution _____	4%
Yes, built a new solution internally _____	1%
<b>Total n-size</b>	<b>272</b>

More than one fifth of responding companies indicated that they purchased a new sales compensation solution in the past year. It will be interesting to monitor this number as we expect the “new system” market to slow over time as more companies deploy purchased technology. Given that 51% of companies use a third-party tool for compensation processing (noted in a previous question), this suggests two-year growth in technology solutions from less than one third (30%) to more than half (51%) of companies. As the opportunity for new deployments slow, we suspect that companies will continue to invest in additional functionality within their systems – 17% of companies are doing this. As a result, when selecting a software application to support the process, the results suggest that companies should keep an eye on the future and consider applications that can grow with the business.

### SINCE INVESTING IN YOUR SALES COMPENSATION PROGRAM, HOW LONG DID IT TAKE FOR YOU TO REALIZE A RETURN ON YOUR INVESTMENT (ROI)? (PLEASE SELECT ONE)

Less than 6 months _____	9%
6 - 9 months _____	5%
9 - 12 months _____	4%
13 - 18 months _____	5%
19 - 24 months _____	3%
Have not broken even on the investment _____	14%
Not able to measure ROI _____	60%
<b>Total n-size</b>	<b>272</b>

Despite the promises of the benefits of a technology solution, almost three quarters (74%) of companies are not able to determine the ROI of their technology investments – either because they are not able to measure it or have not yet achieved the results.

Although companies noted the use of technology improved overall reporting to their sales team, payment accuracy, and credibility with the sales force. 19% of companies also mentioned improved administrative productivity with the adoption of technology.

To understand what challenges may impact the speed to ROI, we asked what companies would do differently if they had to implement again. The responses suggest challenges that could impact the ROI.

### IF YOU HAD TO DO IT OVER AGAIN, WHICH OF THE FOLLOWING WOULD YOU DO DIFFERENTLY DURING YOUR RECENT SALES COMPENSATION TECHNOLOGY INVESTMENT? (PLEASE SELECT UP TO 3 ANSWERS)

Spend more time ensuring data feeds are clean and accurate _____	31%
Streamline work processes prior to implementation _____	31%
Deliver more reporting and analytic insights _____	25%
Finalize (document) incentive plan designs before implementation _____	19%
Create a more complete definition of business requirements before vendor selection _____	18%
Provide additional training to sales compensation analysts _____	17%
Conduct more thorough testing prior to moving the system into production _____	16%
Ensure more involvement from stakeholders and core teams _____	15%
Allocate more staffing during implementation (internal IT, Testing and Sales Operations) _____	15%
Other _____	15%
Allocate more time to get the software installed and configured _____	15%
<b>Total n-size</b>	<b>272</b>

When asked about things that companies would want to do differently in their technology investment, various things came out like ensuring data feed is correct, streamlining work processes, adopting and reporting using analytics, and finalizing plan documents before implementation. It was clearly observed that companies found high utility and ROI in technology adoption, but they would want to adopt a more structured process in their next investment and streamline internal processes. In particular, over 30% of companies would be looking for a more efficient implementation process. For example, inaccurate data feeds can delay an implementation as testing results uncover issues, requiring updates and changes. Such delays impact the time, effort, and – most likely – the cost of the implementation, which drives up the “I” in the ROI equation, thereby increasing the ROI breakeven time.

On the other hand, many companies identified ways to improve the performance results, the “R” in the ROI equation, with one quarter of respondents desiring better reports and analytics and almost 20% pointing to more complete requirements in advance of the vendor selection to ensure that the right solution is selected to drive the expected results.

In total, the large number of responses, and the lack of a single clear majority challenge, provides valuable insights and key considerations for companies looking to implement or enhance their sales compensation technology.