



RESEARCH RESULTS: 2019 SURVEY THE HIDDEN POTENTIAL IN YOUR SPM SYSTEMS

LANSHORE WHITE PAPER

EXECUTIVE SUMMARY

Whilst SPM solutions are widely recognized as business critical applications, most organizations are not achieving full business value from their investment. That's what we learned from the majority of executives responsible for this crucial area of business operation in a survey last year.

From our research, the consensus is that SPM is an effective calculation engine.

But it's not just a question of what your SPM solution IS doing, it's just as much about what it IS NOT doing. There is substantial potential locked inside your existing system. If you could release it, you could give your organization a commercial and competitive advantage and deliver return on your SPM system investment.

We have evaluated that potential and how to harness it. We'll discuss the reasons why more people aren't getting the full benefit from their SPM system and reveal three substantial short-term wins you could make. We'll highlight a game-changing new technology that could support them. This paper explains how to deliver the SPM benefits your business demands using proven processes and tech.

INDEX

- | | |
|--|---|
| 01 Executive Summary | 04 Territory and quota setting |
| 02 Introduction | 04 Sales analytics |
| 03 The main function –
performing calculations | 05 Dispute resolution |
| 03 Smarter SPM takes its cue
from market leaders | 06 Robotic Process Automation (RPA) |
| | 07 Conclusion:
What are you missing most in your SPM? |

INTRODUCTION

Missed opportunities and poor ROI from SPM

In 2018, we conducted research amongst companies utilizing pay for performance in their organizations. We spoke to a range of companies, from small business to Fortune 500. The questions were designed to help us understand perceptions of pay for performance, whether it is managed with a systematized process, and how satisfactory that process is. We also wanted to know what was on the near future SPM roadmap for those companies.

The findings made interesting reading and were not as we had expected. A majority of respondents were very satisfied with their SPM system in its current form and had no plans to improve it.



Satisfaction with current SPM solution



As we reviewed the responses, we realized that this seemingly satisfactory state of affairs was not as good as it seemed. In fact, it revealed a problem. That problem is the opportunity and value that organizations are missing in their pay for performance operation.

The survey questions:

1. How many sales reps does your organization have?
2. How many comp plans are in place for those sales reps?
3. How frequently do comp plans change?
4. What Sales Performance Management solution does your organization currently utilize?
5. How would you grade your current Sales Performance Management solution?
6. What challenges are you currently facing with your Sales Performance Management solution?
7. Do executives have access to data to perform commission forecasting/modeling?
8. Which of the following initiatives does your organization have planned for the next 6-12 months? Where are you in the decision-making process?

THE MAIN FUNCTION – PERFORMING CALCULATIONS

Our survey revealed that organizations using an SPM application were able to make accurate calculations. Accurate pay and bonus calculations that meet employees' expectations are provided by a range of proven and dependable software solutions that have been available in the market for several years. Often, they require customization, workarounds and manual intervention. Nonetheless, they deliver a competent result.

But is accurate calculation enough?

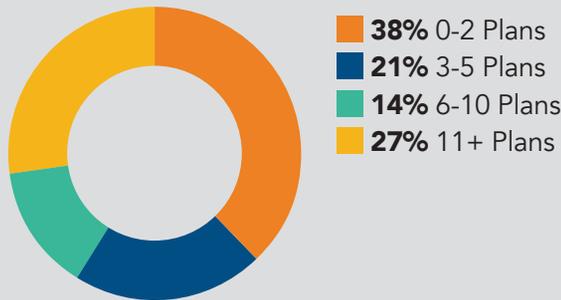
We need to consider whether accurate calculations alone are providing the business value envisaged, or truly driving growth for the organization. Our research went on to investigate the use of other functions which may be part of the SPM process. We considered these results along with our own experience to draw conclusions about the extent of under-utilized power in SPM systems and to recommend and prioritize corrective action.

SMARTER SPM TAKES ITS CUE FROM MARKET LEADERS

As specialist consultants in total pay and compensation, we know that SPM systems can be far more than calculation engines. They have potential to add value to your business decision-making, stripping out cost from your administrative operation. SPM calculations call on data from diverse systems. This combined data is powerful, not just for determining commission payments, but to reveal patterns and trends in sales activity and opportunities for improvement.

Our survey revealed that 41% of organizations use more than six compensation plans, with 27% operating 11 or more. That demands and produces a lot of data that could show important performance and behaviour trends, if you can interrogate it effectively.

Number of compensation plans currently in use



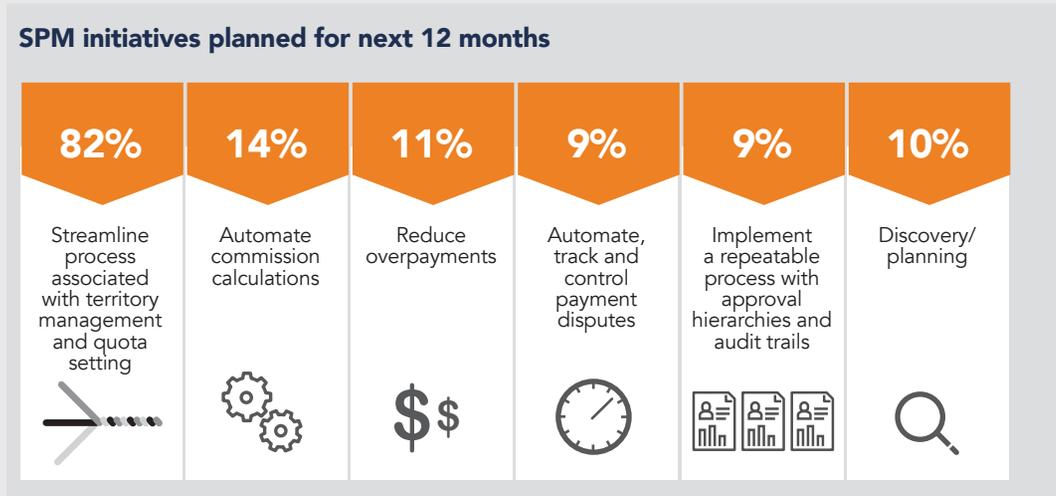
Your SPM system has potential to deliver this additional value because of evolved automation technology and analytics that can be applied in to compensation systems. These digital capabilities are proven in other industries, like financial services: software vendors and consultants are now harnessing them for SPM.

TERRITORY AND QUOTA SETTING

Not everyone we spoke to was completely satisfied with their system. Some could see potential to improve their capabilities in this key area. Of the future plans expressed in our survey, 22% of respondents plan to streamline processes associated with territory management and quota setting.

This is encouraging. In our experience, territory management and quota setting have lagged behind the direct aspects of compensation management. Manual processes and decision-making based on spreadsheets is quite common. But they are inefficient, can cause disputes and aren't fit for purpose in most businesses today, where role overlays, temporary cover, product and customer hierarchies all impact on accurate assignment and calculation.

The fact is, your SPM calculation engine can't keep up with the complexity, unless you build in a territory and quota module. Real-time modelling applications mean sales operations can have immediate visibility of changes and impacts throughout the year. There's a huge opportunity for 4 in 5 organizations to enhance their SPM solution in this way, increasing sales performance and ensuring effective compensation programme design and delivery.



SALES ANALYTICS

Analytics is big news. There are plenty of major vendors providing business intelligence solutions that they describe as holistic, able to embrace data from every function of your business. In our research, a number of respondents were satisfied with their reporting capability, due to using mainstream packages like Power BI.

But a static set of generic, monthly management reports from SPM isn't giving you full value from your system and data. You need to be able to review and interrogate performance and model scenarios more specifically so you can keep SPM on track to focus sales where you want them.

Based on recent work with our clients, we see a better opportunity for SPM organizations in selecting independent and better customized reporting applications that are designed for SPM insight. To get the most from critical sales performance data, you need a specialized application that can deal with all the nuances of the sales operation – including territories, quotas, people, finances, deal priority and phasing.

Most generic analytics applications are suited to feeding sales performance data into a financial model. They don't actually help you understand what drives your most effective sales activities and operators and continually show you next best actions to improve the next month, quarter, year, product, customer or sales rep output. You need focused information from a specialized analytics application that helps you refine your SPM processes and policies and apply incentives that drive growth.

DISPUTE RESOLUTION

15% of our respondents plan to use their SPM to automate commission payments. That's a good step forward if your system doesn't already offer this capability. Setting up accurate commission payment workflows reduces the manual demand on resources and helps manage out mistakes and delays caused by human error or a lack of connection between key data sources.

We see an even more valuable opportunity, based on our SPM delivery and transformation experience. Organizations that take the next step can build on robust commission payment workflows to automate dispute resolution. Conflicts and queries over sales compensation undermine salesforce productivity and affect morale and trust between employer and employee. With complex and dynamic sales territory and quote arrangements, it's a tricky area that involves more than just fixed data calculations and is open to challenge and misunderstanding.



"BUSINESSES RETAIN JUST 71% OF SALESPEOPLE ANNUALLY, ON AVERAGE."

Sales Management Association:
Salesperson Retention and Turnover

Of course, clear and continuous communication with your sales force about compensation plans and exactly how they work is essential to head off queries caused by a lack of clarity. But disputes are a fact of life when compensation is such a critical motivator for your sales team. No-one wants to take it on trust if there's something that doesn't look right to them. Resolving disputes fairly using automated SPM processes can dramatically cut the time taken using traditional, manual processes. There's a clear benefit in improved employee satisfaction and loyalty, employer reputation (to help you hire and retain the best people), reduced administration and back office staffing costs and better productivity, with less salesforce time wasted on pursuing disputes.

ROBOTIC PROCESS AUTOMATION (RPA)

Scarcely mentioned by our survey respondents, RPA is a game-changing new technology that's been widely adopted by market leaders in finance and technology services industries. For clients who have embraced this relatively new technology, we've seen at first hand how well suited to RPA is to SPM and total pay delivery. It presents a significant opportunity for sales operations to achieve cost savings, productivity improvements and reduce financial leakage.

RPA is particularly attractive because it doesn't require wholesale system change. It's a way of using machine intelligence in a human-like way, carrying out your existing processes and workflows, locating and checking data and interacting with employees through communication systems like email to access new information intelligently. It's applied on top of your current processes, doing the same things as employees currently do but without the constraints of a multi-tasking workforce. RPA works faster and more accurately, freeing your people to focus on higher value, one-off projects or activities outside established workflows.



“CLIENTS COULD REALIZE ROI [FROM RPA] IN A MATTER OF EIGHT TO TWELVE WEEKS, MEANING RIGHT AFTER THE IMPLEMENTATION. THIS COULD BE FROM FTE HOUR REDUCTIONS, TURNAROUND TIME REDUCTIONS, PRODUCTION EFFICIENCY ENHANCEMENTS, EASE AND FLEXIBILITY IN PROCESS EXECUTION, ALL LEADING TO COST SAVINGS, EITHER DIRECTLY OR INDIRECTLY.”

Competitive Landscape: Consulting and system integration providers for robotic process automation, Gartner, 2018

RPA can apply across a wide range of SPM processes and activities. For example, dispute resolution is a prime candidate. Because the stages of the process are well-defined, RPA bots can carry out cross-system checks, validation and information requests immediately, maintaining momentum and accuracy, reducing the dependency on human reaction times and availability.

CONCLUSION

What are you missing most in your SPM?

We've shared our research results and hands-on client experience to bring you food for thought, as you consider the future of your own SPM solution.

Like most of our survey respondents, you're probably doing a good job using SPM to manage the basics of compensation for your sales organization. But it's hard to justify the return on system investment on the basis of this alone.

SPM is a system that can do so much more than calculate. It can produce critical data insight to feed into strategic decision-making, actively improve and control sales territory and quota management and deliver better salesforce satisfaction and productivity. Together, these add up to competitive advantage and enhanced sales performance.

There may be a requirement from the business to produce reports that include non-SPM system data – financial, marketing or operational. Traditional SPM deployments may not allow for this.

We've found that many larger companies are turning to external, specialized analytics tools to provide this value, rather than relying on the inherent capability of their compensation system. SMEs often face tighter budgetary constraints that rule out additional tools, so they need to make best use of the analytics provided by their SPM software vendor. Your choice depends on many factors, but it's clear that successful organizations must deliver more business value from SPM by providing business-level, actionable insight from contextualized system data.



Our survey exposes the risk for sales-led organizations in settling for a competent but stagnant SPM system that's not delivering return on investment.

- **What's your plan to mitigate that risk?**
- **What's the cost of ignoring the SPM opportunity for your organization?**
- **What are the developments your organization should prioritize in the coming 12 months?**

We urge you to develop your roadmap now.

ABOUT THE RESEARCH

Our survey was carried out by independent business intelligence organization BAO. They questioned 135 companies between December 2018 and February 2019. If you would like to review and understand the results in more detail, please get in touch.

ABOUT LANSHORE

At Lanshore, we're experts in delivering solutions in Sales Performance Management, Incentive Compensation Management and Total Pay. We have deep experience tackling the challenges of complex variable compensation plans for national and global organizations.

We can help you compensate your people accurately and on time and give them the tools and reporting they need to work smarter, cutting admin and providing insight that makes them more productive and successful. You'll benefit from reduced costs and overheads, more flexibility to adapt plans to support business goals, greater employee satisfaction and a reduced risk of disputes.



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