



THE 2019 SALES COMPENSATION ADMINISTRATION BEST PRACTICES SURVEY

EXECUTIVE GUIDE





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SECTION 1

EXECUTIVE SUMMARY



SECTION 1

EXECUTIVE SUMMARY

From June through July 2019, Xactly conducted the annual Sales Compensation Best Practices Study to define the key trends and metrics around sales compensation administration. Incentive compensation management (ICM) is a key foundational component of success for companies of all sizes to plan, execute, and optimize their business operations.

However, many respondents ranked their biggest compensation administration challenge as being unable to implement best practices as well as lack of data centralization and standardization of processes.

This means that organizations are not using sales compensation as strategically as they could be and provides an opportunity for many to focus on improving, especially given the correlations between sales compensation helping improve overall performance and the impact that accurate, on-time payments have to ensure sales representatives' success.

Businesses face three key compensation administration challenges:

1. Implementing Best Practices
2. Lack of Data Centralization
3. Non-standardized Processes

Many companies struggle with optimizing their compensation administration. The biggest challenge is implementing best practices, followed by lack of centralization and standardization. When organizations are unable to optimize their compensation administration, they suffer with inefficient processes, data and payment inaccuracy, and a need for a higher number of FTEs.

SECTION 2

COMPENSATION EXECUTION

SECTION 2

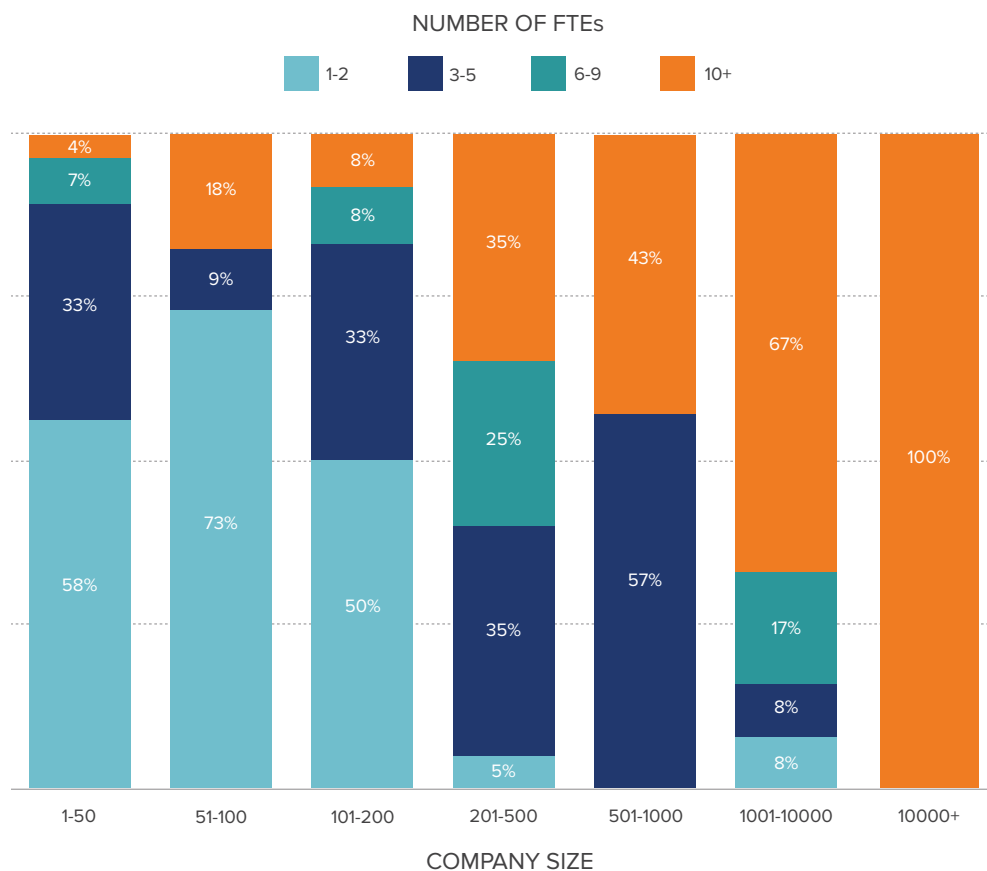
COMPENSATION EXECUTION

There is no right team size to administer compensation.

The number of full time employees (FTEs) needed to administer compensation varies across company size. Half of smaller businesses with 1-50 employees (56%) employ a team of 1-2 individuals, while more than half of larger organizations with more than 1,000 employees (57%) employ a team of 3-5 people to administer compensation.

How many FTEs are needed to administer compensation?

COMPANY SIZE VS. NUMBER OF FTES



For most organizations, the number of FTEs needed depends on the level of service expected from the compensation administration team. Ultimately, a higher level of service requires more dedicated resources; however, with optimized incentive processes, the number of resources can be decreased while maintaining a higher level of service.

SECTION 3

PAYMENT ACCURACY



SECTION 3

PAYMENT ACCURACY

When it comes to incentive payout accuracy, 83% of companies admit they have inaccuracies within their payment schedules, resulting in compensation adjustments, which erodes sellers' confidence and can cost the business both time and money.

Compensation payment accuracy is improved with automation of processes.

Nearly $\frac{2}{3}$ of responding organizations (70%) have already automated their incentive compensation management (ICM) and the positive impact from it shows. Businesses that automate incentive compensation processes have fewer errors than companies using manual processes, with more than $\frac{3}{4}$ of respondents achieving 95% or greater payment accuracy.

PAYMENT ACCURACY	THIS YEAR
Less than 90%	3%
90%-94%	10%
95%-99%	47%
Greater than 99%	39%

Payout accuracy is an important metric.

The average company spends at least 10% of revenue on incentive payments—that's a big investment. Knowing this, maximizing operations efficiency and data accuracy is a key initiative of leadership to drive growth effectively.

If you don't track accuracy, you can't improve it.

Failing to track commission accuracy equates to making a best guess when paying out employees. Tracking accuracy and the cost of errors as a percentage of total expense, including the quantity of errors, can help gain a clearer understanding of opportunities that improved payment accuracy offers.



Automation increases payout accuracy.

Automation transforms the entire sales compensation process. Incentive compensation management (ICM) tools ensure that operations run smoothly and the ROI of compensation is maximized. Ultimately, automated solutions do three main things: improve data integrity, reduce commission errors, and streamline compensation administration processes.

1. Improved Data Integrity: Automation creates a single source of truth for incentive compensation data. This helps eliminate data discrepancies across the entire organization for more accurate sales planning and forecasting.
2. Reduced Errors: Automated commission calculation helps reduce human error and ensure accurate payment calculations by establishing quality control measures.
3. Increased Efficiency: Teams can improve and simplify the compensation administration process to reduce time to payout, increase accuracy, and build trust throughout the organization.

SECTION 4

CONTINUED COMPENSATION OPTIMIZATION



SECTION 4

CONTINUED COMPENSATION OPTIMIZATION

Compensation administrations optimization should be an ongoing process. For companies to succeed, they must continuously analyze their compensation processes and incentive plans and make changes to improve. The first step, if you haven't already, is automating compensation administration. With the right tools in place to optimize processes and execution, businesses can then begin to implement best practices more effectively.

Best Practices for Compensation Administration

1. **Establish Compensation Ownership:** It's crucial that organizations clearly identify what team(s) own compensation administration process. There's no right answer for the best owner—whether sales operations or finance—but clarity of ownership is a must to succeed.
2. **Continue Investing in Compensation Optimization:** Businesses must invest in their compensation administration resources (people, tools, etc.) to optimize and improve it. In order to continuously optimize, you must continuously invest.
3. **Spend the Necessary Time to Ensure Data Integrity:** Before companies can begin implementing automated solutions, they must take the time to gather, compile, and clean their data. Automating is a crucial step, but you cannot automate low-quality data and poorly-designed plans and expect to succeed.
4. **Simplify Incentive Design and Reduce Plan Complexity:** Previous studies have indicated that less complex incentive plans result in higher performance, efficient execution, and lower rates of sales rep turnover.
5. **Take Advantage of Reporting and Analytic Insights:** Automated ICM platforms provide deeper visibility into performance and commissions data. In turn, access to these insights can help strengthen compensation planning and execution.



Compensation is only a part of the optimization process.

Many businesses recognize that automation plays a key role in their compensation administration optimization. However, it's important to remember that incentive compensation management (ICM) is just one part of optimization.

ICM eliminates the tactical focus around compensation by automating compensation calculation, reducing data inaccuracies, and maximizing operational efficiency. But the benefits of automation extend far beyond compensation.

As companies mature, they must shift their compensation mindsets from tactical to strategic by automating and optimizing additional internal sales planning processes, such as capacity, quota, and territory optimization. This maturation process evolves a company to focus on the holistic sales performance management (SPM) that goes beyond ICM to including sales planning and performance optimization. Learn more about automating additional planning and execution processes in this [SPM workbook](#).

SECTION 5

SURVEY METHODOLOGY AND DEMOGRAPHICS



SECTION 5

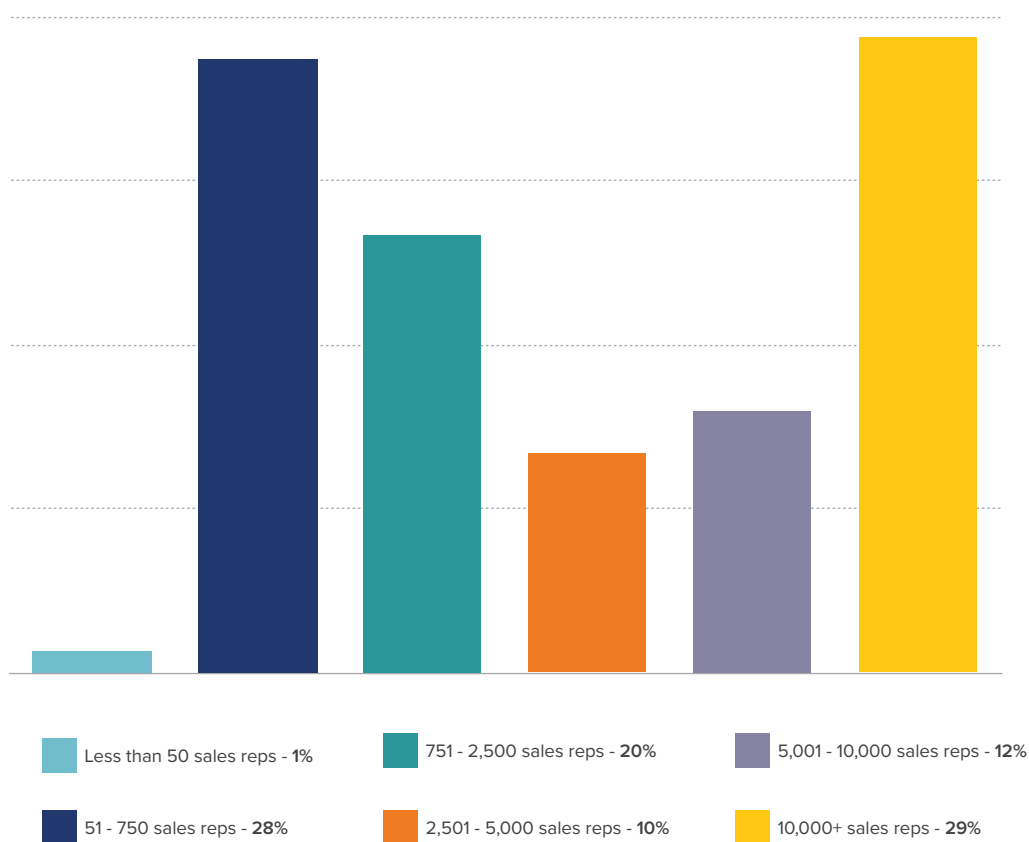
SURVEY METHODOLOGY AND DEMOGRAPHICS

The survey was administered to compensation administration professionals at organizations of all sizes and industries, from July through August 2019. Data was collected from more than 90 organizations, representing all major industries and geographies, including North America, Asia Pacific, and Europe.

Study respondents represent a mix of companies from all sizes, ranging from \$3 million to \$100 billion in revenue.

Sales Force Size Distribution of Respondents

The majority (29%) of survey respondents are supporting a sales organization with more than 10,000 sales representatives, followed by 28% of companies with 50-750 sales representatives.



ABOUT XACTLY



ABOUT XACTLY

Xactly delivers a scalable, cloud based enterprise platform for planning and incenting sales organizations, including sales quota and territory planning, incentive compensation management, and predictive analytics. Using this powerful sales performance management (SPM) portfolio, customers mitigate risk, accelerate sales performance, and increase business agility. Combined with [Xactly Insights](#), the industry's only empirical big data platform, Xactly empowers companies with real-time compensation insights and benchmarking data that maximize the bottom line. With an open, standards-based architecture, Xactly seamlessly integrates within an enterprise's existing infrastructure, with the ability to work with any ERP, CRM, or HCM application, while meeting the highest enterprise standards in security, reliability, and privacy.

To learn more about Xactly and the latest issues and trends in SPM software, follow us on [Twitter](#), [LinkedIn](#), and the [Xactly Blog](#).

Xactly [Strategic Services](#) is a consulting practice that combines best-in-class technology, incentive compensation expertise, and big data from Xactly Insights™ to help clients improve the effectiveness and efficiency of their incentive compensation program and the technology that supports their compensation administration processes. Our consulting engagements are designed to optimize clients' incentive processes, their use of the Xactly solution, and their sales compensation plans, allowing for a greater return on your incentive compensation investment. If you are interested in learning more about how Strategic Services can help, please let your customer success representative know, or reach out directly to the team at strategicservices@xactlycorp.com.