

NATIONAL INSTRUMENTS VISUALIZES GROWTH WITH XACTLY

THE CHALLENGE

National Instruments is a technology company based in Austin, TX that aims to equip engineers and scientists with systems that accelerate productivity, innovation, and discovery. They offer thousands of products that serve a broad base of more than 35,000 companies worldwide across multiple verticals. They have global operations in nearly 50 countries and a global sales force consisting of both Field and Inside Sellers.

National Instruments completed a redesign of their quota based incentive plans for 2015. These new plans were created to support the company's goals and required a significant change from what had been leveraged in prior years. In addition to the rollout of the new plans, National Instruments also deployed Xactly Incent™ earlier in the year to automate and manage their incentive compensation processes. Given the desire to track the performance of their new plans and leverage the recently deployed technology, Xactly Strategic Services™ engaged directly with the National Instruments team to address this request. The teams worked together to deploy a set of reporting and analytics views that would allow National Instruments executives to proactively manage the performance of their incentive compensation plans.



WHITE PAPER AT A GLANCE

- Prior to Xactly, reporting at National Instruments had been manual and labor intensive.
 - National Instruments planned a significant redesign to their incentive compensation plans for the new year.
 - There were few metrics in place to track plan performance.
 - The company needed a more robust approach to monitoring plans.
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THE SOLUTION

Following the implementation of National Instrument's incentive compensation plans within Xactly Incent™, the Strategic Services team engaged with National Instruments to build a solution that would allow National Instruments to evaluate the performance of their plans over time. In order to develop a set of dashboards that would allow them to monitor the performance of their plans over the course of the year, National Instruments worked closely with Xactly to leverage the following process in their Plan Design Support program.

The Plan Design Support program's holistic approach utilizes four primary components to identify, track, and benchmark internal goals, utilizing Xactly Analytics™ and Xactly's big data solution, Xactly Insights™.

PLAN DESIGN SUPPORT COMPONENTS:

- **Client Goals:** Initially, National Instruments and Xactly worked together to review sales goals and expectations for the coming year. This allowed the Strategic Services team to focus and understand National Instruments' primary goals for metrics, such as pay for performance, quota attainment levels, and incentive payouts.
- **Xactly Analytics™:** Xactly's built-in reporting and analytics tool extracted incentive compensation data from Xactly and displayed it in a customized view. This allowed National Instruments to analyze its plan performance data.
- **Xactly Insights™:** Xactly's big data solution provides benchmarking capabilities that allowed National Instruments to analyze relevant industry and peer data to improve their incentive compensation program.
- **Proactive Program Analysis:** Both teams collaborated on a regular basis to review data and assess the health of the incentive program at the end of each quarter. These meetings allowed the team to track trends and proactively identify potential issues.

PLANNING DEEP DIVE

Through a workshop approach where the team evaluated program goals and prioritized needs, it was determined that the focus areas of Performance and Pay & Rates would be the two primary focus areas for the dashboards.

The National Instruments team designed five custom reports using Xactly Analytics™ and Xactly Insights™ that answered critical questions. Below are the five reports the team created within its two focus areas:

1. **Performance Distribution:** shows distribution of sales rep performance.
 2. **Quota Performance:** shows a quick snapshot of reps that are performing at or above quota and which reps are earning below or above their target commissions.
 3. **Performance Correlations:** tests whether quota size is correlated with sales rep performance.
 4. **Incentive Payouts:** shows the distribution of sales rep incentive pay.
 5. **Pay for Performance:** tests whether incentive pay is aligned to rep performance.
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4 STEP PROCESS OF PLAN DESIGN SUPPORT

Step 1: Assessment

Initial interviews of National Instruments' sales operations and sales compensation team members were conducted in order to identify and understand challenges of the various job roles, previous reporting challenges, and expectations for the project. To gain a further understanding of potential reporting challenges, Xactly Strategic Services performed a deep dive review of National Instruments' incentive compensation plans.

Step 2: Planning

Reporting requirements from multiple stakeholders were gathered in order to ensure that maximum value was delivered. Xactly explored the key questions that National Instruments wanted to solve for with their dashboards and identified four main categories: Plan Design & Setup, Performance, Pay & Rates, and Finance & Accounting. As indicated below, each category includes a number of questions that allowed National Instruments to understand if their program was performing as expected.

PLAN DESIGN & SETUP

Understand how plan design elements are executed.

1. What are the OTEs by role?
2. What are target commissions by role?
3. What is the average quota amount by role?
4. How many sales reps and managers are credited on each deal?

PERFORMANCE

Understand performance of sales reps and teams.

5. What is the distribution of sales rep performance?
6. What is average quota attainment by role?
7. What percentage of sales reps are performing at or above quota?
8. What is quota attainment by region?
9. Who are the top and bottom performers?
10. What percent of field sales is "on target"?
11. Does sales rep quota size affect quota attainment?
12. Does sales rep level affect quota attainment?

PAY & RATES

Understand and pay rates for sales reps and teams.

13. What is total variable pay for each rep?
14. What is the commission rate paid for each rep?
15. What is the distribution of total incentive payouts (percent of target)?
16. What percent of sales reps have achieved: At or above target commissions, At or above 2x commission, At or above 3x commission
17. What is the relationship between quota performance and incentive pay?
18. What are average and top performers being paid?
19. What individuals have received a large commission payout?

FINANCE & ACCOUNTING

Provide data for financial accounting and reporting.

20. What is actual commissions expense vs. target commissions expense?
21. What is the commissions spend by sales team and region?
22. What is the amount of monthly accruals?
23. How do monthly accruals compare by cost center? (\$ and %)
24. What is the number, percentage, and amount of clawbacks for a particular period?
25. What is the number, percentage, and amount of commission payment adjustments for a particular period?

Step 3: Report Development & Testing

Working closely with report development resources, Xactly translated the requirements into meaningful reporting and analytic views. While initial development of the reports was completed by Xactly, the development and ongoing refinement was transitioned to National Instruments to ensure continued alignment with program goals.

Step 4: Scheduled Reviews

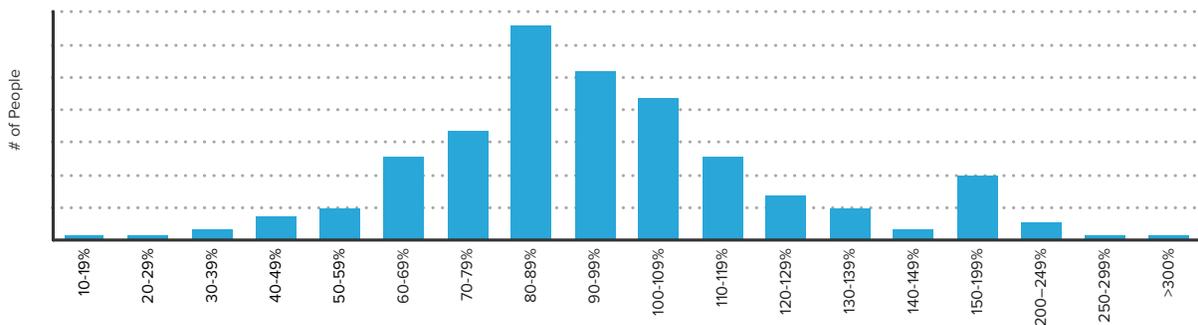
Now that the dashboards have been created, tested, and rolled out to National Instruments' sales compensation design team, they can be leveraged on a quarterly basis to analyze the performance of the sales program. The team now had the opportunity to utilize these dashboards on an ongoing basis. National Instruments is now able to consistently monitor plan performance on an ongoing basis for the first time ever at the company.

THE RESULTS

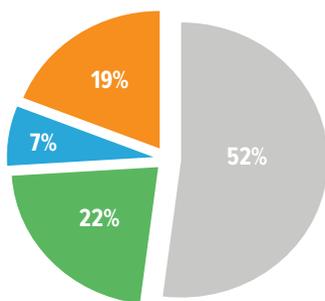
With daily updates of incentive compensation data within Xactly dashboards, National Instruments can now slice and dice data and filter it by quarter, job title, plan type, geography, and team. With this new process and set of tools, National Instruments is able to fully understand the performance of each of their specific sales organizations. These dashboards are utilized to compare their expectations against actual performance in key areas of focus demonstrated in the following sample reports.

SAMPLE REPORTS

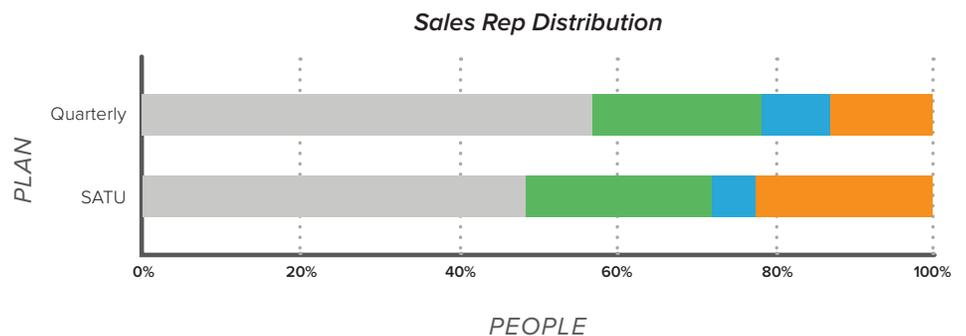
Quota Distribution: With this new dashboard, National Instruments identified that their current distribution was shifted slightly to the left of where it needed to be for 60-70% of their sellers to hit quota. Rather than wait until the end of the year to complete an analysis, they were able to proactively leverage this data to adjust and optimize their quotas for the second half of the year.



At or Above Target Commissions: Additionally, National Instruments was able to measure how their sellers did against target commission. They found that a high percentage of people earned greater than three times their target commission allowing them to investigate the root cause. The question became whether these high payouts were driven by poor quota setting, large orders, or potentially even bias in the commission plan for certain sized territories. National Instruments found that the performance period and sales cycle were misaligned and by identifying this issue, they are now able to change their plans to remedy the misalignment.

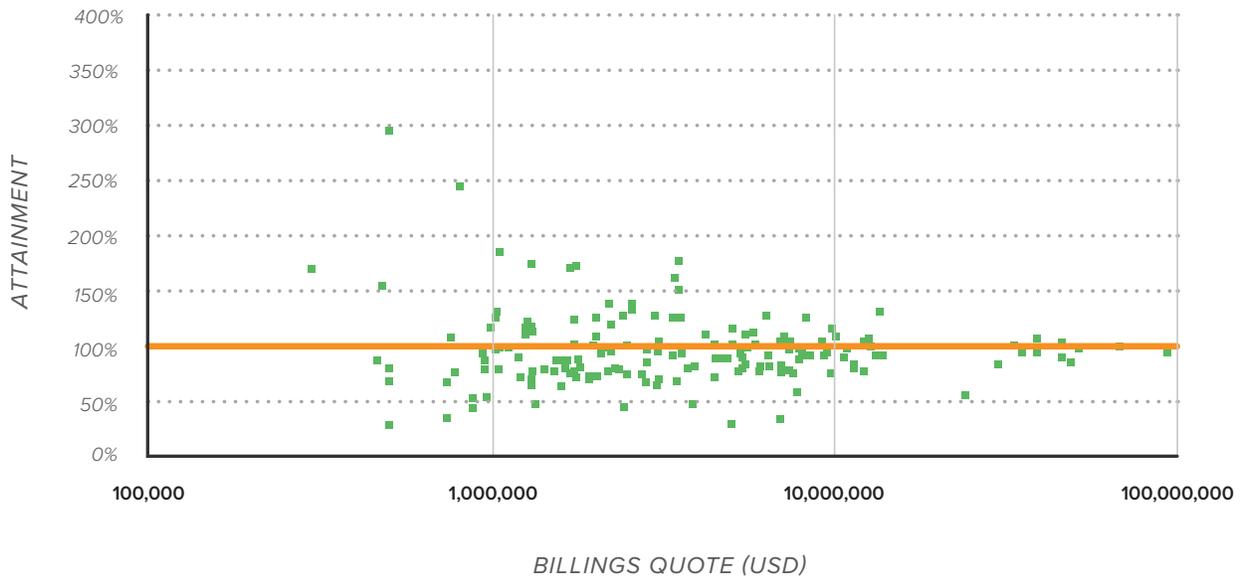


- Below Target Commissions
- At or above Target Commissions
- At or above Target Commissions 2x
- At or above Target Commissions 3x



- Below Target Commissions
- At or above Target Commissions
- At or above Target Commissions 2x
- At or above Target Commissions 3x

Quota Size Correlation: Finally, National Instruments examined the correlation between quota size and quota attainment and identified a number of low outliers. This led to an examination of factors, such as whether the coverage model created a disadvantage, whether attrition had created an under resourced team, or whether it was due to a rep performance issue. After viewing these reports, National Instruments was able to identify its outliers so that its sales managers could review and take action to encourage performance improvements.



CONCLUSION

Overall, National Instruments gained the tools necessary to better leverage their incentive compensation spend towards achieving top line growth. With their newly established dashboards, National Instruments is now able to analyze and investigate areas of improvement within their current incentive compensation program and take action to enhance their overall business performance.

PRIMARY BENEFITS ATTAINED

- A defined process and approach allowed National Instruments to quickly understand how incentive compensation plans are performing.
- Enhanced data analysis improved semi-annual quota setting process and ensured fairness and equal opportunity.
- They gained the ability to drive data-based decisions related to future plans.