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An Incentive Compensation Management (ICM) Assessment Case Study of OpenText Corporation

This case study follows OpenText as they partnered with Xactly Strategic Services to complete an Incentive Compensation Management (ICM) Assessment of their incentive program.

COMPANY OVERVIEW

OpenText Corporation is a Canadian company that develops and sells enterprise information management (EIM) software. OpenText is headquartered in Waterloo, Ontario, Canada, and is Canada's largest software company as of 2014. OpenText employs 8,500 people worldwide, with a sales team of over 1,000 reps, and has revenues in excess of two billion dollars.

OPENTEXT VARIABLE COMPENSATION PROGRAM

OpenText initially implemented Xactly in 2011. During this implementation, OpenText's internal compensation team was able to create a consistent and efficient administration process to manage their sales compensation program. In 2012, OpenText acquired a number of companies and subsequently needed to restructure the size and complexity of the team responsible for managing sales compensation in order to better accommodate their legacy sales team as well as the new groups brought onboard through acquisition. Over the years, the demands of the business have continually put pressure on existing processes, which has prevented the sales compensation team from being proactive in regards to their incentive compensation program.

CHALLENGE

While growth, both strategically and tactically, of the organization was a positive change, OpenText needed to take a fresh look at its internal processes and identify areas where efficiencies could be gained in order to become more proactive and to support the growth strategically and tactically from an incentive compensation perspective.

Specifically, OpenText wanted to develop a focused action plan to address the challenges they were facing, which included:

- Non-value added activities in the administration process
- Data integrity issues
- Manual data feeds
- Reporting components managed manually outside of the Xactly solution.
- Leadership's inability to monitor the performance and effectiveness of the company's incentive plans (especially as synergies were occurring with new acquisitions)

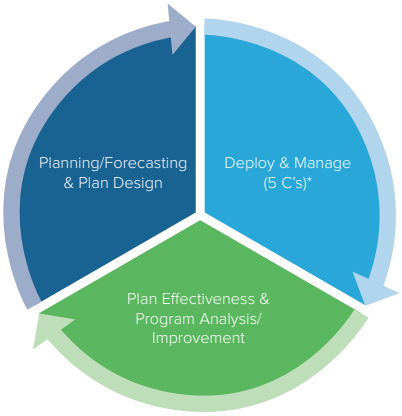
With the goal of identifying gaps in their incentive compensation process and creating an action plan to address their top challenges, OpenText engaged with the Xactly Strategic Services Team to complete an Incentive Compensation Management (ICM) Assessment. The assessment of their sales compensation administration process provided OpenText with the opportunity to compare their processes and resource efficiencies to industry best practices and determine where tactical and strategic improvements could be made.

COMPLETING AN ICM ASSESSMENT

An ICM Assessment is a holistic review of your incentive program that aims to identify opportunities, improve your return on investment, and leverage expertise, benchmarks, and best practices to improve Incentive Compensation processes.

INCENTIVE COMPENSATION LIFECYCLE

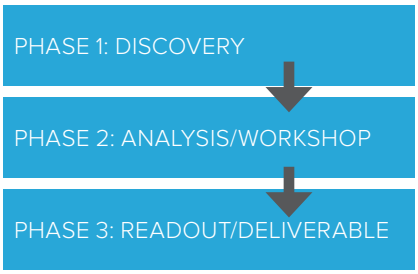
When conducting an ICM Assessment, Xactly Strategic Services works within a defined framework to ensure that a holistic analysis is provided of an organization's incentive compensation process. This framework is identified as the "Incentive Compensation Lifecycle." As noted in the graphic below, during an ICM Assessment, Xactly Strategic Services conducts in-depth analysis and provides insights into each of the three stages of the Incentive Compensation Lifecycle – with an emphasis on the people, processes, and technology that support those stages.



*5 C's: Collect, Credit, Calculate, Compensation, Communicate

PROJECT APPROACH

In order to conduct an in-depth analysis of each client's lifecycle and processes, the Strategic Services team leverages the following project model:



While working through each phase of the project, the team engages in a variety of activities, including:

- An onsite workshop with project and process owners
- Technical analysis of the client's configuration and use of the Xactly toolset
- Interviews with payees to gain their perception of the administration process and how they utilize Xactly
- A review of the client's processes compared to market best practices

Wanting to gain insight and recommendations on how to improve their processes in each stage of the Incentive Compensation Lifecycle (above), OpenText leveraged the project model above and engaged in the following activities:

PHASE 1: DISCOVERY

1. ICM Documentation Review: OpenText provided documentation related to their compensation administration process as a first step in the project. The documentation included workflows of source data, a calendar of monthly activities, configuration guides, and information on the sales reporting they currently manage manually outside of Xactly. In OpenText's case, this documentation helped add context when assessing their processes.

2. Assessment Workshop: Various business leaders and process owners partnered with a Xactly Strategic Services for a two-day workshop to focus on OpenText's top challenges, leveraging the ICM lifecycle, the team reviewed their various administration processes, and assess their future state goals. This workshop fostered collaboration amongst the entire variable compensation team, and helped prioritize top challenges that needed to be addressed.

3. End User Interviews: One of the goals of an ICM Assessment is to help improve the experience of end users (payees, managers, and execs). In order to assess the current state of end user engagement and to help identify opportunities for improvement, Strategic Services reached out to a sample size of OpenText sales managers and sales representatives to gain valuable feedback on how they interacted with the Xactly application. Strategic Services utilized this feedback in the recommendations they provided to the variable compensation team. This helped OpenText identify potential changes and improvements that could increase both the end user usage of Xactly and their overall trust in the administration process.

> "Having everyone involved in the ICM Assessment project (Finance, HR, Audit, and Sales) helped us gain a holistic understanding of how our ICM processes impact various groups within the organization, and allowed us to identify additional opportunities for improvement outside of our top challenges."
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PHASE 2: ANALYSIS

After concluding the discovery phase, the Strategic Services team began the analysis phase in order to prioritize top areas of concern and identify effective recommendations for alleviating top challenges.

1. Configuration Review & Analysis: Leveraging documentation and workshop discussions from Phase 1, the Strategic Services conducted a complete technical configuration review of OpenText's Xactly environment. This review was done at a granular level looking at each module of the Xactly toolset and all of attributes of that particular module. Configuration and current utilization of the Xactly toolset was compared to best practices and recommendations were provided to improve OpenText's use of the technology.

2. Evaluating the ICM program Compared to a Best Practice Analysis of the Current Processes: After analyzing the processes, people, and technology used to support the Incentive Compensation Lifecycle, Strategic Services compared OpenText's findings to ICM industry best practices. After reviewing a detailed comparison to best practices and a list of recommendations on how to improve areas where they did not excel in comparison to the market, OpenText was able to quickly identify opportunities for improvement. These opportunities helped frame and prioritize the client's recommendation roadmap and next steps.

PHASE 3: DELIVERABLES & READOUT

Once Phase 1 & 2 activities were completed, Strategic Services focused on the final phase of the project where they presented findings and recommendations to the OpenText project team along with steps to alleviate areas of concern and achieve desired ICM program goals. The deliverables provided during the readout meeting were:

- Identification of areas of improvement
- Evaluation of current program and processes to best practices
- Prioritized areas of focus and recommendations
- Action plan to execute recommendations
- Administrative and technical next steps, including effort and timeline
- Technical configuration review guide

With the ability to see how their current program compared to best practices utilizing the assessment evaluation provided, OpenText gained valuable insights into areas of their ICM program that had opportunity for improvement. The information acquired from the readout promoted a healthy conversation to confirm and prioritize recommendations and next steps. Once the project team was educated on the current state and discussed future state goals, the readout then focused on the prioritized recommendations and a potential roadmap to achieve them. To help assess the prioritization of the recommendations (short term vs. long term tasks) the Xactly consultant was able to present preliminary ROI analysis on each recommendation, allowing OpenText see where they could get the most benefit from any future improvement efforts. Specific recommendations and outcomes from the readout are described in the next section.

In addition to an extensive review of their findings and recommendations with the key project stakeholders during the readout phase, Strategic Services was also able to provide an executive summary of findings and next steps for OpenText to utilize in their quarterly variable compensation meeting with leadership. These summary findings allowed the OpenText leadership team to quickly review the areas of their ICM program that needed attention and what the appropriate next steps would be to effectively eliminate the identified challenges.

Finally, OpenText received an in-depth technical analysis of their current Xactly environment conducted by the Xactly consultant. By having a reference document to compare their current configuration within Xactly to industry best practices, OpenText was able to make changes to various configuration components to improve their incentive processing experience.

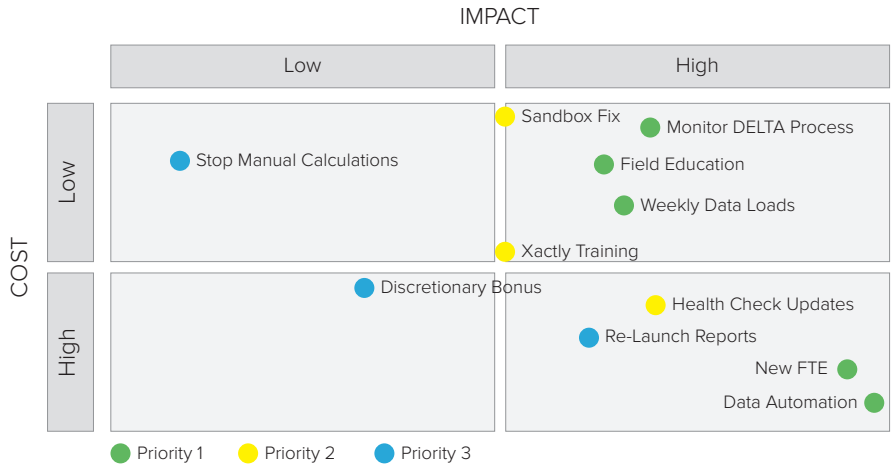
SAMPLES OF DELIVERABLES

The following offers a representation of the deliverables included as part of the assessment findings.

Sample of assessment scorecards, comparing current processes in keys areas to best practice

Area	Metric	Rating	Analysis
Technology	Data Availability and Quality		
	Flexibility and Scalability		
	Data Accessibility		
	Tool Usage and Availability		**Consultant Analysis and Feedback**
Resource Efficiency	Roles & Organizational Structure		
	Resource Efficiencies		
	Dependencies		
	Steps & Deliverables		

Sample summary of assessment recommendations



Other Deliverables include:

- Detailed review of current program to best practices and recommendations for each areas of the assessment scorecard
- Prioritized recommendations (short-term and long-term) with action plan/next steps including administrative and technical improvements
- Technical configuration review documentation

BENEFITS FROM THE ICM ASSESSMENT

After completing the assessment project, OpenText was not only able to identify key process improvements that provided substantive time savings to their compensation administration each period, but they were also able to eliminate non-value added activities, such as time spent on data manipulation and payroll file compilation. OpenText was able to develop an action plan using the assessment recommendations to ensure the process improvements identified would be acted upon in a short time frame.

> "The comparison to ICM best practices and the recommendations on how to improve our processes allowed us to think strategically about taking our incentive compensation program to the next level. Receiving a roadmap and action plan on how to make high impact improvements in the most efficient way was an invaluable benefit to OpenText."
>
> – Bonnie Belanger, Manager, Variable Compensation
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Here are four of the key benefits they gained from completing an ICM assessment:

- Elimination of manual data feed processes.
- Define reporting strategy to communicate results and provide analysis to leadership using the incentive compensation and performance data in Xactly
- Increase sales end user adoption with the technology
- Increased process efficiencies such as utilizing new DELTA processes to help with incentive calculations process times

One of the strategic benefits that OpenText received was a set of recommended reports for leadership to monitor and analyze plan performance. The recommended reporting strategy allowed OpenText to think more strategically about the impact of plan changes and to better measure the effectiveness of their current plans. To help facilitate the development of these reports, OpenText also received guidance based on the technical configuration review and analysis of their Xactly configuration, which identified specific configuration enhancements that would support their future reporting goals.

CONCLUSION

Partnering with Xactly's Strategic Services team to complete this process allowed OpenText an opportunity to identify tasks that would improve internal processes by eliminating existing manual data feed processes, adding more automation into the current processes, and developing a roadmap of future state initiatives. OpenText was able to construct an action plan to ensure the continued success of their incentive compensation program. OpenText is also in the process of creating a robust reporting package, leveraging Xactly Analytics and Strategic Services' recommendations, in order to provide their leadership with visibility into essential performance and plan effectiveness metrics. There is also an internal initiative underway to improve data quality and to ensure that the organization is leveraging Xactly's modeling capabilities to more accurately forecast compensation expenses.

> "Anyone who hasn't recently reviewed their ICM processes or leveraged the Xactly toolset to support all the stages of their incentive compensation lifecycle would highly benefit from taking part in an ICM Assessment project."
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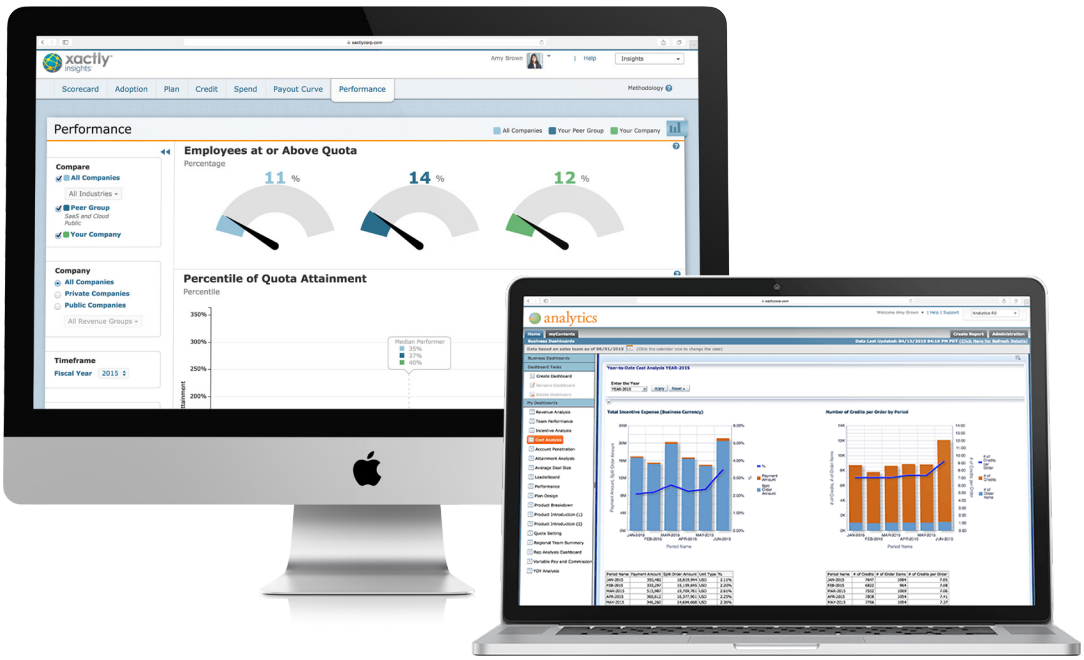
WHY COMPLETE AN ICM ASSESSMENT?

Many clients can relate to the challenges that OpenText experienced. Organizational growth, resource turnover, data challenges, and increased demands from leadership for additional insight into plan performance and effectiveness are all common reasons why clients have approached Xactly for help. Clients want to improve their ability to leverage their ICM solution, and they want help identifying internal process changes that they can make to improve their return on investment in regards to their sales compensation spend. By completing an ICM assessment, our clients are able to gain a holistic review of their ICM program utilizing the industry expertise and best practice comparisons of the client's current processes. With the set of prioritized recommendations and the future state initiative roadmap they receive, clients can determine the appropriate next steps to optimize their ICM program. While the benefits that result from completing an ICM assessment vary depending on the client's focus, many of our clients realize multiple tangible benefits, similar to OpenText's, including:

- Increased efficiency in current processes
- Enhanced user experience and increased adoption
- Ability to support growth and change
- Enhanced communication (Workflow, Reporting, & Analytics)
- Migration to proactive or strategic role in company
- Improved internal processes that benefit cross company initiatives

ABOUT XACTLY STRATEGIC SERVICES

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 enhance their use of the technology that supports their compensation administration processes. Our consulting engagements are designed to optimize clients' incentive processes, their sales compensation plans, and their use of the Xactly platform, allowing for a greater return on their incentive compensation investment.



If you are interested in learning more about ICM Assessments, please let your customer success representative know, or contact Strategic Sevices directly at stratservteam@xactlycorp.com.

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