



# Build vs Buy

Making the Right Choice for  
Your Incentive Compensation  
Management Platform

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GUIDE



# INTRODUCTION

Incentive compensation is one of the biggest expenses that an organization incurs. Yet, too often, companies consider their incentive strategy to be a side component of their success and relegate compensation plans to the sales department.

Defining incentives should be a collaborative effort between multiple departments, including sales, finance, and HR. And to take things one step further, incentive compensation management (ICM) efforts should be automated and data-driven.

But the status quo is far from this.

In this age of cutting-edge technology, many organizations still use labor-intensive tools, such as error-prone spreadsheet applications or homegrown solutions, which results in decreased productivity and slow growth that impacts revenue.

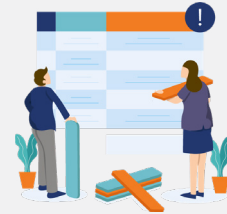
Many companies believe they are equipped with the staff and specialized knowledge to run their day-to-day operations, but they underestimate the costs and challenges of building a custom solution.

Moreover, it is vital for organizations to select not only the right ICM platform but also the right partner who will be there guiding every step of the way. Transformation is hard, but partnering with the right vendor can make your ICM automation journey painless and set your sales organizations on the right path to continual success.

In this guide, you will learn why having a robust and purpose-built ICM solution is critical to your organization's success, including:

- How a purposefully structured platform can strengthen your competitive advantage
- Factors to consider before you decide to build or buy
- Limitations and risks associated with building a custom ICM solution
- Benefits of choosing the right partner, *not just the platform*

## LET'S GET STARTED.



### DID YOU KNOW?

According to the 2018 Ventana Research, **52% of sales information is scattered**, and **47% of companies have inconsistent execution caused by lack of visibility.**

# A PURPOSE-BUILT ICM PLATFORM IMPROVES YOUR COMPETITIVE ADVANTAGE

Compensation plans are strategic assets for any business — hence why maximizing the return on investment on ICM is critical. Companies must manage this investment strategically, and by using the right ICM platform, they can improve their organization's competitive advantage.

## Here are three ways this happens:

### I 1. Robust ICM Tools Increase Accuracy and Drive Desired Sales Behavior

Compensation plans that rely on information from error-prone spreadsheets or siloed in-house builds are often inaccurate and subjective. Unreliable spreadsheets and systems cause sales reps to doubt calculations, question their commission checks, and resort to shadow accounting — keeping their own set of books — a poor use of everyone's time.

When compensation plans are transparent, error-free, and allow reps to view their performance in real-time, it helps drive desired sales behaviors and outcomes effortlessly. Implementing the right ICM platform lets you achieve this from day one.

### I 2. Purpose-built ICM Platforms Boost Productivity with Immediate Feedback

When sales managers provide timely feedback, it helps sales reps improve performance. But when reps can see their incentives in near-real time, they know they are being rewarded for their hard (and smart) work and become increasingly invested in selling more.

Greater transparency in the sales process significantly improves employee motivation. And when leaders invest in ICM tools that boost efficiency and provide immediate feedback, they help employees perform at exceedingly high levels.

### I 3. Best-in-class ICM Solutions Improve your Competitive Advantage

An automated, robust, and forward-looking ICM solution allows you to modify compensation plans on the fly in order to respond to market changes instantly. This type of flexibility allows for smooth organizational shifts and drives the right behavior to allow your plans to adapt to growing competition.

This is why it is crucial to replace less efficient legacy ICM systems with cutting-edge Sales Performance Management technology.

# 6 FACTORS TO CONSIDER BEFORE YOU BUILD YOUR OWN ICM SOLUTION

Often, organizations choose to build and maintain custom applications for greater control over the solution. But there are many factors to consider when Sales Performance Management is not your organization's core expertise.

Here is a list of factors that you should consider and the risks involved in building an in-house solution to manage compensation plans and motivate your sales teams.



## ORGANIZATIONAL PRIORITIES

Begin by considering the high-level objectives of your organization. Is developing and selling solutions for Incentive Compensation or Sales Performance Management a priority for your company? If not, then investing in a ready-to-use ICM solution will help you concentrate on your core business instead.

On the other hand, if having a robust ICM platform is indeed a priority, then working with an experienced vendor in the SPM domain will help you achieve this goal faster.



## IN-HOUSE RESOURCE AVAILABILITY AND BUSINESS AGILITY

Before you route valuable resources to building a custom solution for ICM, think how else you could be deploying them within the organization to increase both top-line and bottom-line revenue. Focusing resources on the right things will help your organization be more agile and better able to respond to external market threats.



## TOTAL COST OF OWNERSHIP

As time passes, your internal solutions eventually eat into precious resources like engineering, hardware, as well as the associated maintenance and ongoing support. In the long run, an internal build cannot scale well, which increases the overall Total Cost of Ownership (TCO) of an in-house ICM solution.

## WANT POWERFUL REPORTING FOR YOUR SALES TEAMS?

Xactly integrates seamlessly with our existing Salesforce CRM data to create detailed and useful reports for the Sales team and senior management.

— James Mayfield, Business Analyst at Cascade





### ICM DOMAIN EXPERTISE

If you don't have the required expertise, you risk building an extremely inferior product that will significantly affect your sales teams' performance.

Homegrown systems frequently result in a complex, coded solution that only a few individuals (the original design team) understand or are capable of supporting. Xactly Incent provides a documented process built around industry best practices that are repeatable and available for our customers.



### SECURITY

When it comes to the security and privacy of your organization's compensation data, you are right to be concerned. There are secure products on the market that help execute your strategic compensation programs efficiently. That's why it is critical to perform due diligence on the security aspect of any software you choose to implement at your organization. At Xactly, we use a multi-layered approach to protect our customers' information, continually monitoring and improving our applications, systems, and processes to meet the changing demands and challenges of security. For more details, you can refer to our security and privacy policy.



### SCALABILITY AND PERFORMANCE

As your company grows, you need an ICM solution that can scale seamlessly with your organization. Therefore, improving on an in-house build may not be the best use of resources when you're focused on growing your business. The Xactly platform supports billions of transactions, tens of thousands of subscribers, and complex compensation plans from day one. Thus it easily scales with your business to support increasing data volumes while ensuring reliability and system uptime.

## SEE REAL SAVINGS WITH XACTLY

We've decreased disputes to less than 0.5%, and all the accruals are done on time, at the same time, every month — with 99.8% accuracy.

— Senior Director, Sales Ops & Incentives  
at Cbeyond



# RISKS OF BUILDING SPREADSHEETS OR HOMEGROWN SYSTEMS

Here are some considerations if you decide to build in-house.

## LIMITATIONS



### COMPLEX AND CUMBERSOME

The more complex your compensation plans get, the more complicated it is to manage incentives via spreadsheets. It is also difficult and expensive to scale a homegrown system without the right domain expertise.



### MANUAL DATA ENTRY

Spreadsheets, and even in-house ICM systems, often involve manual data entry, making it time-consuming and extremely unreliable in terms of accuracy.



### LIMITED REPORTING

Complex reporting is beyond the reach of spreadsheet-based compensation programs, while internal ICM tools require added engineering resources to build in-depth reports and personalized dashboards.



### SILOED APPROACH - TOUGH TO BREAK

Simple spreadsheet applications or homegrown solutions do not provide the necessary flexibility to connect to external CRM, ERP, payroll, and other systems required for efficient planning and optimization of compensation plans.

## TOP RISKS



### OPPORTUNITY COSTS

Unproductive hours spent on shadow accounting, dispute resolution, and more stems from inefficient internal systems that cannot keep all SPM stakeholders on the same page.



### QUALITY COMPROMISE

If you do not have the right resources, domain expertise, or the time it takes to build and maintain an in-house ICM application, it is exceedingly tough to deliver a quality product.



### LIMITED AUDITABILITY & NON COMPLIANCE

To maintain regulatory compliance, organizations need full-stack auditing capabilities in their ICM software. Not doing so can result in substantial financial penalties for the company.



### ZERO TRANSPARENCY

Internal ICM solutions do not integrate with sales planning, thus reducing the chance for optimizing compensation plans. This lack of a single source of truth for all SPM activities affects stakeholder visibility into sales data and impacts their decision-making abilities.

# HOW CAN YOUR ORGANIZATION WIN WITH XACTLY?

Choosing the ICM solution that is right for your organization is not an easy decision. What's even more important is to select the right partner who will not only solve the ICM pain points you feel today, but is also willing to work with you closely to ensure you're continually optimizing and improving your sales processes and performance.

## 1. Robust ICM Tools Increase Accuracy and Drive Desired Sales Behavior

### Lower Total Cost of Ownership

When you adopt Xactly's cloud-based ICM platform, you can:

<b>ELIMINATE</b>	the need for internal hardware and the associated maintenance.
<b>REDUCE</b>	the time to implement, thereby reduce the overall cost of the project.
<b>ACCESS</b>	24x7 support services that keep up with your organization's global operations.

### Significantly Reduce Dispute Resolution

Xactly Incent increases commission forecast accuracy up to 99.6%\* and ensures timely commission payouts with 99.8%\* accuracy. Thus compensation administrators and sales reps spend less time on shadow accounting, dispute resolution, and focus more on selling.

### Put Auditing and Compliance on Autopilot

Spreadsheet-based compensation plans have limited auditing. Implementing and maintaining auditing capabilities for regulatory compliance (like SOX-compliance) in homegrown ICM solutions requires significant effort. When you invest in Xactly Incent, it protects your organization against any scheduled or unforeseen audits from day one.

\* Xactly Benchmarking Data

## GET GREATER VISIBILITY AND REAL-TIME INSIGHTS

Xactly provides sales leaders and team real-time data on how they are performing - and that is a great motivator.

– Neil Hudspith, President, Worldwide Field Operations at DocuSign



### I 2. Break Down Silos - Improve Stakeholder Collaboration

With a purpose-built ICM solution like Xactly Incent, you can establish a single source of truth for all Sales Performance Management activities right from the beginning. Doing so helps you break down deep silos that exist within your organization effortlessly. Thus cross-functional team members gain deeper visibility into the required data and experience frictionless collaboration.

The Xactly platform better equips your teams to not only respond quickly to changing market needs as well as competition but also implement sales strategies within minutes instead of weeks.

### I 3. Superior Scalability and Performance

Xactly Incent can support even the most complex and demanding of implementations — handling billions of transactions and tens of thousands of subscribers. Companies can quickly scale incentive compensation plans with the ability to instantly add new reps to plans, automate plan review and approval processes, and quickly add new data sources. With its secure multi-tenant architecture, the Xactly platform supports billions of transactions and ten and thousands of subscribers.

Additionally, Xactly's platform is extremely flexible and adapts to the unique needs of any organization, small or large.

### I 4. Continuous Optimization of Sales Processes

#### Pre-built Intuitive Dashboards and Powerful Reports

Homegrown systems require further development or expensive add-on third party applications to provide visibility to the sales teams. Xactly Incent delivers powerful out-of-the-box reporting and intuitive, customizable dashboards on demand.

#### Sales Performance Management Value Chain

It is important to remember that ICM is only a small component of SPM. At Xactly, we have developed a blueprint of success to take enterprises of any size beyond just incenting their sales force.





Xactly’s SPM value chain helps customers achieve continuous optimization of sales processes. Typically, organizations begin with Xactly to first automate their incentive compensation processes but then quickly move on to implement other efficient planning and data-driven solutions in our portfolio, which allows our customers to optimize their sales processes and maximize performance continuously.

Intelligent Sales Planning & Execution

Working with Xactly’s SPM suite gives you access to:

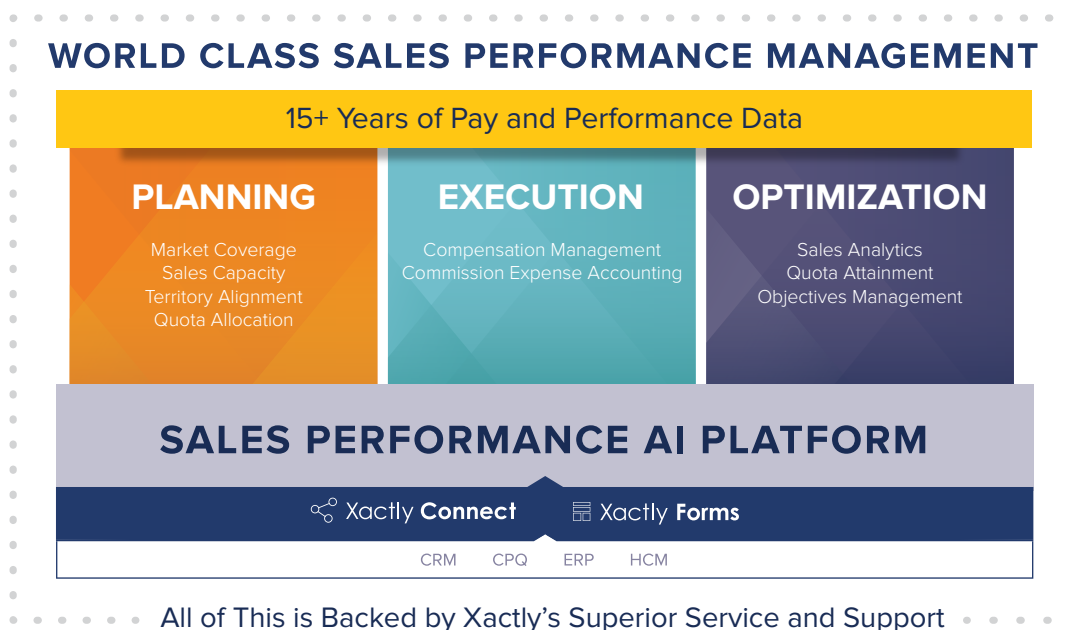
- **Real-time Insights:** View near real-time reporting on pay and performance data.
- **Industry-leading Sales Performance Artificial Intelligence:** Augment years of experience with Xactly’s AI/ML capabilities (like Xactly’s proprietary Rep Attrition algorithm).
- **Central Hub for all SPM Activities:** Monitor the health of your sales organization closely.

Such data-driven, intelligent sales planning improves organizational alignment, drives productivity, and delivers an unparalleled competitive advantage.

**| 5. Continuous Innovation from an Expert SPM SaaS Provider**

When you partner with Xactly, you work with a market leader who is laser-focused on Sales Performance Management. Our customers are also able to leverage Xactly’s proprietary benchmarking data that spans 15+ years—the world’s most extensive and in-depth sales performance data set—to improve compensation plans and excel in their sales processes continuously.

At Xactly, we are continually pushing boundaries and improving our product offerings and Sales AI/ML to ensure that our customers always have access to the latest sales performance technologies.





## CONCLUSION

Automation is an obvious starting point when it comes to compensation plan design and execution to motivate your sales team in the right direction. An in-house ICM solution might look like an attractive and lucrative option at first, but there are many disadvantages that start surfacing as soon as you start building it.

Remember, compensation plans are strategic assets that help your company build and sustain a competitive advantage. Considering all the factors, risks and limitations that come with developing and maintaining a homegrown system, it is essential for organizations to invest in a robust and forward-looking ICM platform that goes beyond just incentive plan execution.

Incentive compensation management is only the beginning to shaping and motivating your salesforce. To truly succeed, organizations must look to holistically plan, execute, and continually optimize their sales processes. Hence partnering with the right vendor who is fully-concentrated on and committed to Sales Performance Management will significantly improve your competitive advantage in the marketplace.



## ABOUT XACTLY

Xactly is leading the way in Sales Performance Management (SPM) delivering planning, execution, and optimization to ambitious and complex sales organizations. We partner with the world's leading enterprises to clear immediate sales roadblocks, enabling them to adapt with optimal sales capacity, territories, compensation plans and payment structures. Harnessing the power of AI, Xactly's scalable, cloud-based platform combines great software with the industry's most comprehensive 15-year data set to give customers the real-world insights they need to improve sales performance across the board by growing revenue, reducing risk and containing costs.

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