

Difficult Math: How Much is Your Approach to Sales Compensation Costing You?

The pressure to succeed in sales has never been greater. Forrester reports that 79 percent of organizations are facing higher growth targets than ever before. Yet the average tenure for VP of Sales roles has shrunk to just over 18 months, according to Gong.¹ That creates a tight window for new leaders to get in seat, implement a new strategy, and produce results. (Oh, and you'll need an even stronger plan to do it better next year).

One of the biggest challenges sales and revenue leaders face is compensation planning. Harvard Business School reports that U.S. organizations spend more than \$800 billion to manage their sales forces, with \$200 billion devoted solely to compensation each year.²

Incentives are a major investment for enterprises, and in order to succeed, you need to execute them effectively. If you get your compensation planning right, your reps are motivated, closing deals left and right, and you're on track to exceed your goals. Get it wrong, and you're in for a nightmare filled with unhappy reps missing their quotas, deals pushing to next quarter, and you sitting nowhere near your targets, worrying if you'll still have a job this time next quarter.

So getting incentives right is an absolute necessity for every organization to succeed.



3 Killer Costs of Poor Compensation Management

The problem is 75 percent of enterprises are still relying on spreadsheets or homegrown systems to manage incentives, according to IBM.³ Spreadsheets were invented in the 1970s. Now, 40+ years later, there are much better ways to calculate commissions and pay your sales team. None of them involve you or your finance team squinting at thousands of cells, trying to figure out where your spreadsheet formula went wrong.

When you're manually managing compensation, you open the door to inaccuracy, poor performance, and stressed-out employees, which only amplifies the challenges and tension at hand.

KILLER COST #1: REVENUE AND RESOURCES SUFFER

Payout inaccuracies kill your efficiency and wreak havoc on your sales productivity. Even a tiny margin of error can result in a huge loss and result in a million-dollar mistake. So let's do a little math and consider the example on the next page:

The average company spends **5%** of annual revenue on incentives.⁴

If Company X earns **\$1B** in revenue, that means they pay out **\$50M** in incentives.

But if Company X erroneously overpays just **3%** in compensation, they could lose more than **\$1.5M** in revenue due to miscalculated commissions.

THAT'S AN **EXPENSIVE** MISTAKE

The time it takes to fix all of those errors is extensive. The 2019 Sales Compensation Administration Best Practices Report shows that on average, companies spend upwards of six weeks to complete compensation calculation and payout manually, not including time for disputes and corrections.⁴

KILLER COST #2: SALES PERFORMANCE TAKES A HIT

Frequent compensation miscalculations squander sales team motivation. When reps are paid incorrectly, their morale suffers. Unmotivated reps are less likely to hit quota and are at a higher risk of turnover, especially if they can find a higher-paying role elsewhere.

Because of the mistrust of commission payment accuracy, sales rep productivity also plummets because of time wasted on shadow accounting. The 2020 Salesforce State of Sales reports that 68 percent of a salesperson's time is spent on administrative, non-selling activities.⁵ Let's break that down for your entire team with our previous example with Company X.

The average rep spends **68%** of their time on non-selling tasks. In an average workweek of **40** hours, that's **27** hours spent not selling.

Over the course of a year with an average of **48** workweeks, sales teams spend **1,306** hours on non-selling activities.

If Company X has **1,000** sales reps all engaged in shadow accounting, the organization is losing the equivalent of **1.3** sales reps' productivity in a year.

KILLER COST #3: CONFLICT EXISTS THROUGHOUT THE ENTIRE ORGANIZATION

One of the biggest challenges companies face with manual sales compensation is that data lives in multiple places, and no two documents reflect the same information accurately. The result is tension and chaos across the entire company when data doesn't match.

MISTRUST

No one trusts the finance and compensation department. Sales reps are constantly having to double-check their payments. Conflicting data can severely impact forecasts and reporting.

HIGH STRESS

Because of the tense environment, conflicts among the finance team arise. Employees are stressed and more likely to burnout, which only increases the probability of errors and mistakes in manual systems.

MISALIGNMENT

Ultimately, instead of operating as a singular revenue-driven enterprise, you're inefficient, siloed, and working with differing information and competing priorities. This only makes hitting your targets harder.

Empowering Revenue-Driven Sales Performance

Incentive Compensation Management (ICM) software, like [Xactly Incent](#), automates the processes that bog down your team, eliminates the risk of errors, and unifies your entire company around a central source of data. The strongest revenue-driven enterprises are recognizing this need and taking measures to accelerate their digital technology adoption, equipping their sales teams with the tools and data insights necessary to succeed.

[Dell Technologies](#) reports that more than 80 percent of companies took action to increase their digital transformation in 2020.⁶ And Salesforce found that 57 percent of high-performing revenue organizations already use AI-powered technology, like compensation software, to improve their selling processes and customer experiences.⁵

Perhaps the most impactful benefit of compensation automation is the quality of data insights made available for strategic decision making. ICM solutions take your data and allow you to analyze it in real-time so that you can continuously improve incentives and revenue strategies. This, in turn, empowers your entire organization to become more efficient and effective.

THE POWER OF XACTLY INCENT⁷



99% Error-free payouts



60% Faster incentive plan administration



170+ Hours saved per month



99.6% Increased forecasting accuracy

ICM BENEFIT #1: ACCELERATED SALES PERFORMANCE

One of the most important reasons for an ICM implementation is eliminating the risk of human error. Using a solution like Xactly Incent, organizations can eliminate nearly all payout errors with automatic calculations. In the event of an issue, sales reps can create a dispute directly within Incent to speed up the resolution process.

That means sales teams spend less time double-checking their commission payments and more time selling. As a result, [Gartner](#) research shows that automation solutions improve sales productivity by more than 12 percent.⁸

ICM BENEFIT #2: REAL-TIME VISIBILITY INTO COMPENSATION

According to Harvard Business School, nearly 80 percent of U.S. enterprises revise their incentive compensation structure every two years or less.² The best ICM tools empower you to analyze continuously in real-time, outside of the traditional annual planning sessions. This ensures that any potential issues are identified faster, ensuring you stay on target at all times.

ICM ultimately creates transparency across the entire company. Leaders all have access to key performance insights, and reps can see their earned commissions in real-time, allowing them to easily see a breakdown of their compensation and eliminating the need for shadow accounting.

ICM BENEFIT #3: ALIGNMENT AND UNITY ACROSS THE ORGANIZATION

Team alignment is essential to achieve revenue targets. ZoomInfo reports that organizations with aligned departments achieve up to 38% higher sales win rates.⁹ Your ICM technology should consolidate all of your compensation data into one location, providing in-depth visibility into performance for the entire company. This ensures everyone is accessing the same data and utilizing the same strategic insights, building trust and unity among the sales and finance teams.

BONUS ICM BENEFIT #4: THE ABILITY TO BENCHMARK INCENTIVES AGAINST INDUSTRY DATA

Competitive incentives are essential to attracting and retaining top sales talent, especially when HubSpot reports that 43% of workers would leave their current role for a 10% salary increase.¹⁰ Using [Xactly's 16 years of compensation data insights](#), you can benchmark your sales incentive structures across industries to learn best practices, improve your planning, and ensure you're always paying reps competitively.

How One Company Used ICM to Beat the Odds

During the largest disruption in manufacturing history, Flowserve pivoted incentive plans and armed their team with the strategic data insights they needed to carry on their day-to-day activities with minimal disruption.



Managed real-time performance with Xactly Dashboards



Focused on rep engagement, not just plans



Ensured every decision was the most strategic



Increased response time with visibility into global markets

Becoming a Revenue-driven Organization

Compensation plays a vital role in the success of sales organizations. As the biggest revenue driver, it's critical to ensure reps are motivated, payouts are accurate, and processes are as efficient as possible. Implementing automation tools like Xactly Incent empowers companies to eliminate errors, drive higher performance, and gain valuable strategic insights to become a revenue-driven enterprise.

And there's no time—or dollars—to waste when it comes to hitting your revenue targets. Discover the possibilities of data-driven sales and unleash your revenue potential. Request a personalized [Xactly Incent demo](#) today.



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.

Xactly Corporation, 505 S. Market Street, San Jose CA 95113

©2021 Xactly Corporation. All rights reserved. Xactly, the Xactly logo, and "Inspire Performance" are registered trademarks or trademarks of Xactly Corporation in the United States and/or other countries. All other trademarks are the property of their respective owners.

WWW.XACTLYCORP.COM 1-866-GO-XACTLY

 XactlyCorp

 Inkd.in/xactly

 Xactly

 @Xactly

 XactlyCorporation

SOURCES

¹ [Gong](#)

² [Harvard Business School](#)

³ [IBM](#)

⁴ [2019 Sales Compensation Administration Best Practices Report](#)

⁵ [2020 Salesforce State of Sales](#)

⁶ [Dell Technologies](#)

⁷ [Xactly Incent](#)

⁸ [Gartner](#)

⁹ [ZoomInfo](#)

¹⁰ [HubSpot](#)