

ASC 606: A Catalyst to Update Incentive Compensation

SITUATION

The global leader in digital experience management software this company was faced with the challenge of complying with new accounting requirements to manage sales commissions under ASC 606 (IFRS 15), they realized the time had come to update their incentive compensation system.

In addition to being inadequate to comply with the standard, the company's Excel-based tool did not provide them with the desired insights, data integration and reporting capabilities to manage its compensation program. The regulatory changes gave them the needed impetus to adopt a modern incentive compensation management (ICM) system and drive more value for the business.

“As the rules started coming out about commissions, we immediately knew that our compensation tool wouldn't give us the data at the order level. We had no way to attribute direct contract costs against the contract in our homegrown system.

– Financial Director

CHALLENGE

The company had four primary challenges with its manual and homegrown incentive management solution. With the existing tool, they were unable to:

Provide commissions data at the order level – to achieve the depth of detail required for compliance. Under ASC 606, companies must monitor incremental costs for each revenue contract. While they aggregated sales commission payments at the rep level, the system could not drill down to the contract level.

Manage multiple quotas per seller – to support the company's transition from a perpetual- to a subscription-based model. The company's compensation system did not have the ability to manage multiple plans in order to allocate more than one quota to an individual sales rep.

Deliver immediate visibility for managers and sellers – to provide mobile access into commissions and performance data. With its current technology, users had to be logged into internal systems through the company's virtual private network (VPN), making it difficult to get timely updates while traveling or working remotely.

Ensure commissions auditability – with a proper system to meet the company's increasing sales commissions volume and new regulatory requirements.

SOLUTION

The company evaluated several ICM solutions. The team ended up choosing Xactly Incent as its incentive compensation solution. With Xactly Incent, the company gained a best-in-class, SaaS-based solution with all of the functionality to meet their requirements. Additionally, the fact that Xactly Incent integrated with Xactly CEA gave them a complete and end-to-end commissions management system to comply with the new accounting requirements and automate all incentive compensation processes.

“We knew that we needed a new tool to manage incentive compensation. However, having Xactly Incent integrate so seamlessly with Xactly CEA to manage our commissions accounting tied everything together better than we could have imagined.”

RESULTS

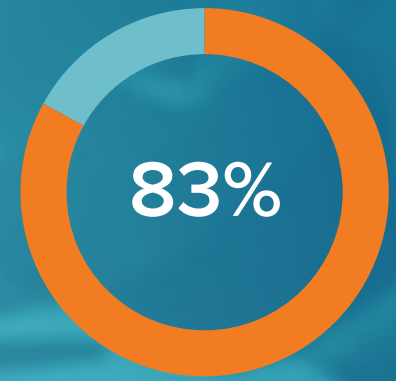
Xactly Incent with Xactly CEA has given this digital experience management company a clear and auditable system of record to document its sales commissions under ASC 606 (IFRS 15). The company now has a holistic view into the entire commission lifecycle, lowering regulatory risks.

In addition, by implementing Xactly Incent, they have been able to:

- Calculate commissions in hours instead of days – running commissions reports faster and closing their books sooner
- Enhance and extend internal compensation reporting capabilities – strengthening the company’s strategic focus and increasing cross-functional alignment
- Increase back process efficiencies – applying internal resources more efficiently by reducing administrative requirements for incentive compensation

Rather than having two employees focused solely on incentive compensation, the company now has one employee focused on CEA implementation. Relying on Xactly Incent, they have saved time and enhanced transparency and visibility for its incentive compensation program, increasing its ROI.

METRICS



Reduction in time needed to validate commissions data and run reports by 83%

“Doing incentive compensation with an Excel-based tool was a formidable challenge. By integrating our ICM system with how we manage commissions accounting under ASC 606, we truly have an end-to-end solution to meet all of our incentive compensation requirements.”

PRODUCTS DRIVING SUCCESS



Incent



CEA