'10 Warning Signs' Sales Comp checklist:

Does your sales compensation process need an overhaul?

☐ **Too much time is spent putting out fires instead of improving your sales compensation process.**
- A common side effect of a system that you may have outgrown is that you spend so much time working in the process putting out fires that you have little time left over to fix some of the problems that caused the fires in the first place.

☐ **You have serious concerns about the accuracy and timeliness of your commission checks.**
- 90%+ of corporate spreadsheets have material errors in them. Each error costs between $10K and $100K per month according to PwC and KPMG – Phillip Howard Bloor Research, The Register, 2005
- 80% of organizations will have data quality issues (Gartner)
- Analysts1 estimate that the errors associated with manual off-line sales commissions systems run between 3-8% of total incentive payouts. (Gartner)

☐ **Reports & statements are not effective at communicating results.**
- Is information presented in a graphical, easy to understand manner?
- Does everyone have access to transaction level detail?
- Do all users have access to historical reports?
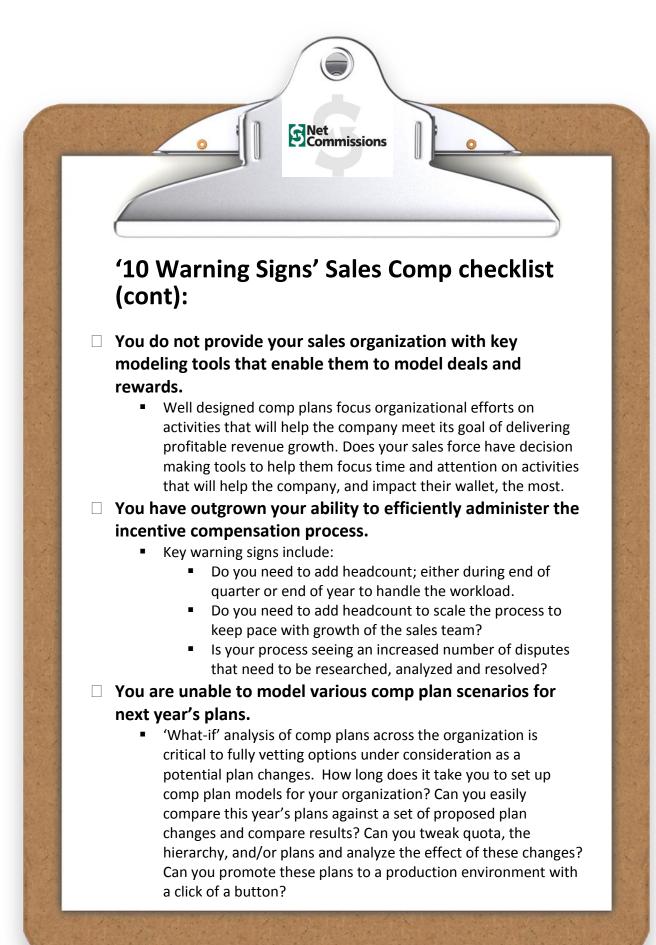- Can users ask a question without picking up a phone?

'10 Warning Signs' Sales Comp checklist (cont):

☐ **Shadow accounting is the norm, not the exception.**
  - Sales Commissions are notoriously inaccurate. Ask any rep if they double check their commissions check and many will brag about the elegance of the spreadsheet based system (macros and all) they created to validate their sales credits and commission checks. You can bet that the time spent performing this activity (often call 'shadow accounting') takes away from selling time. Who can blame them? The productivity penalty of this situation is enormous. Research indicates that sales rep will spend up to 5% of their time, or one day a month, shadow accounting.

☐ **You are worried about your ability implement plan changes on time for the next plan year.**
  - 75% of companies will change their plans on an annual basis; another 15% will change their plans on a semi-annual or quarterly basis.
  - Often times this process creates schedule havoc where analysis time is compressed.
  - Are you fully able to implement plan changes in time to hit that first payroll in the next period?
  - How much time does this consume? Is this a barrier to more frequent plan changes?

'10 Warning Signs' Sales Comp checklist (cont):

☐ **You do not provide your sales organization with key modeling tools that enable them to model deals and rewards.**
- Well designed comp plans focus organizational efforts on activities that will help the company meet its goal of delivering profitable revenue growth. Does your sales force have decision making tools to help them focus time and attention on activities that will help the company, and impact their wallet, the most.

☐ **You have outgrown your ability to efficiently administer the incentive compensation process.**
- Key warning signs include:
  - Do you need to add headcount; either during end of quarter or end of year to handle the workload.
  - Do you need to add headcount to scale the process to keep pace with growth of the sales team?
  - Is your process seeing an increased number of disputes that need to be researched, analyzed and resolved?

☐ **You are unable to model various comp plan scenarios for next year's plans.**
- 'What-if' analysis of comp plans across the organization is critical to fully vetting options under consideration as a potential plan changes. How long does it take you to set up comp plan models for your organization? Can you easily compare this year's plans against a set of proposed plan changes and compare results? Can you tweak quota, the hierarchy, and/or plans and analyze the effect of these changes? Can you promote these plans to a production environment with a click of a button?

'10 Warning Signs' Sales Comp checklist (cont):

- ☐ **Resource and capital constraints are prohibiting you from successfully implementing a company-wide incentive program.**
    - ☐ Many companies took a step in the direction of automation by building out homegrown solutions aimed primarily at the calculation of sales commission and incentive results. Many of these home grown solutions work fine for a while but their usefulness begins to fade over time:
        - ▪ Why? Some reasons include:
            - ▪ The system is not flexible and cannot handle significant changes to the plans, organization and process.
            - ▪ Prevalence of hard coding increases reliance on original 'coders'.
            - ▪ Lack of documentation & page level help means a lot of hand on support.
            - ▪ The original architects and builders transition out of the process and the analysts are left to deal with the future.
- ☐ **Incentive payments are not timely and become regarded as entitlements by the sales force rather than motivators.**
    - ▪ A guiding principle of sales compensation is to couple action and reward as closely in time as possible. Sales Compensation is an investment on the part of the business to reinforce behavior that is aligned with the corporate goals. To maximize its affect, pay as soon after the commissionable event as possible. The flip side of this occurs when reps cannot track the payment to any specific action, when this occurs, the system has broken down and the reinforcement has become an entitlement.