

# Incentive compensation management

Automate incentive processes to align strategy, reduce errors and improve compliance



## Four key questions answered today

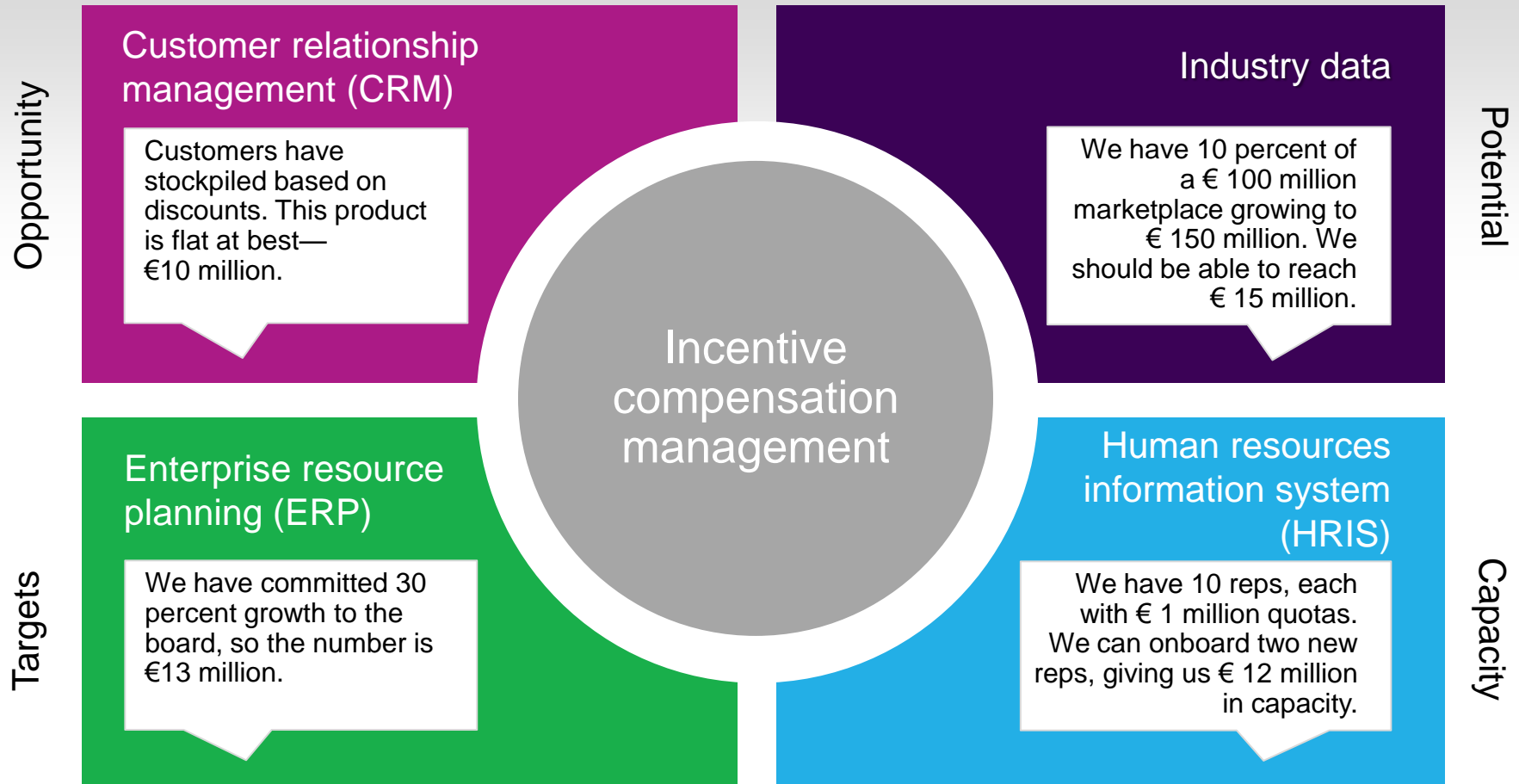
**i** What is incentive compensation management (ICM)?

**ii** What impact does it have on the organization?

**iii** What have other companies done to be successful?

**iv** Why should the office of finance care?

# Organizational alignment?



## Incentive compensation management is hard

- Get the checks out on time
- Make sure they're accurate
- But also:
  - Be flexible and nimble for changing priorities
  - Manage complex assignments
  - Set accurate goals and targets
  - Generate enthusiasm
  - Deliver timely and insightful reports
  - Resolve questions and disputes
  - Do it with less headcount



## Common challenges

Inflexible

Labor intensive

Installed systems

**Shadow accounting**

**Long cycle times**

Errors

**Transparency**

Audit and compliance

# Agenda



What is incentive compensation management (ICM)?



What impact does it have on the organization?



What have other companies done to be successful?



Why should the office of finance care?

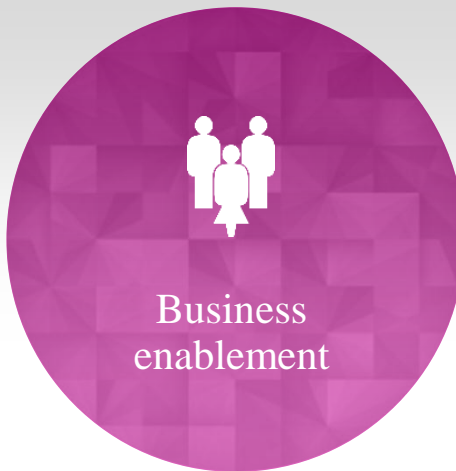
# Why companies adopt ICM technology



Reduce errors

Shorten cycle times

Replace technology



Enhance decisions

Increase flexibility

Improve modeling and costing



Internal audit

Legislation

Too reliant on a couple of people

## Two axioms

1

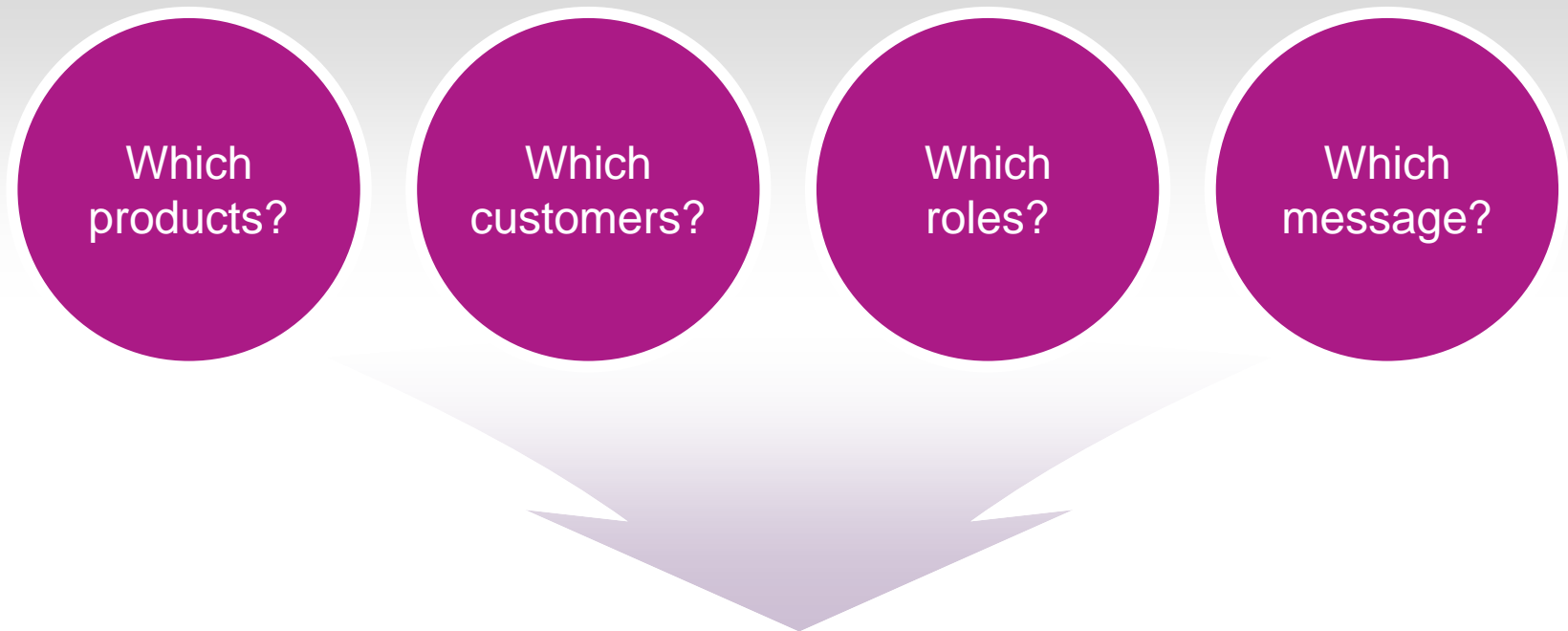
Sales incentive compensation is the link between corporate strategy and customer-facing activity

2

This business process is one of the lowest-hanging fruits for savings and efficiencies



## Good incentive design reflects business and sales priorities



Territory definitions, account assignments, plan measures, rates, crediting rules and more

# Agenda



What is incentive compensation management (ICM)?



What impact does it have on the organization?



What have other companies done to be successful?



Why should the office of finance care?

## Align incentives with corporate goals

### Retail division of a Canadian bank

- Offering a bonus for bundling multiple key products together (for example, mortgage along with insurance)
- Recognizing cross-selling new product families to their customers (such as a first long-term debt product for that customer or household)
- Rewarding employees for referring customers to another employee or business unit



## Two axioms

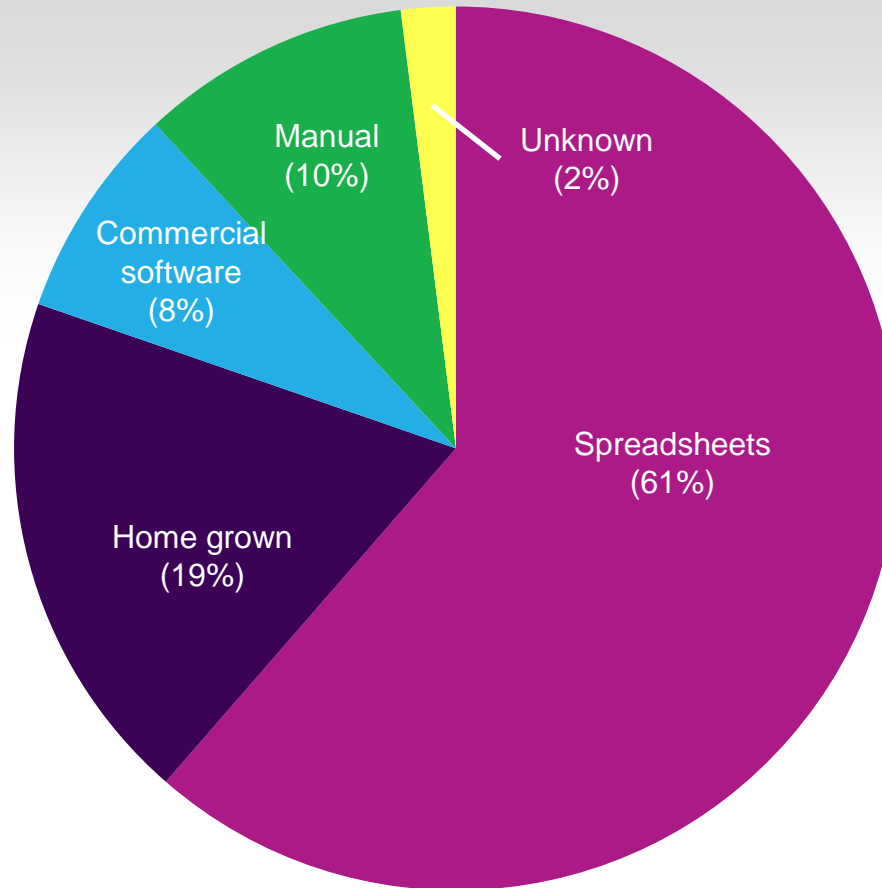
1

Sales incentive compensation is the link between corporate strategy and customer-facing activity

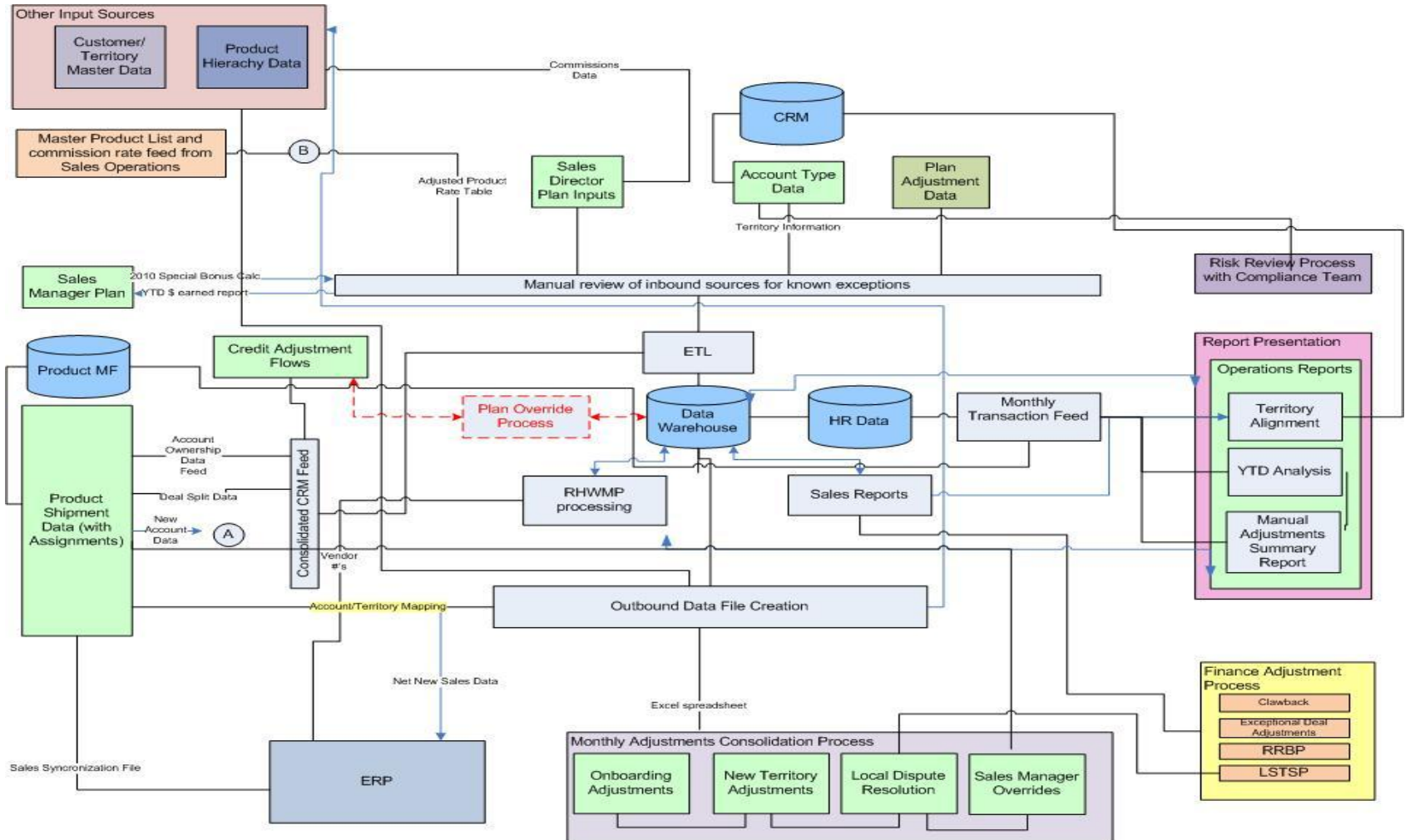
2

This business process is one of the lowest-hanging fruits for savings and efficiencies

## How do companies manage today?



# An all-too-common scenario



# Getting results

Organizations adopting sales performance management (SPM) technologies



Reduce errors by more than

90%

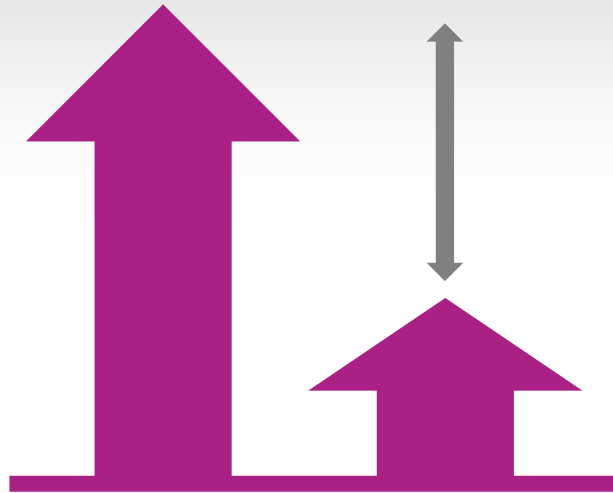
Reduce processing times by more than

40%

Reduce IT/admin staffing by more than

50%

## Getting results



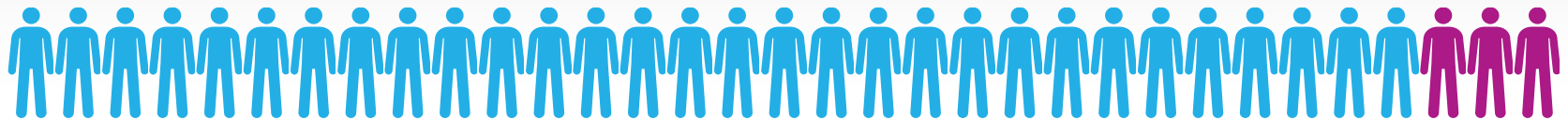
Payout process reduced from  
**2 weeks** to **2 days**





## Getting results

Centralized payout administration from **30** to **3** employees for North and South America



# Agenda

i

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ii

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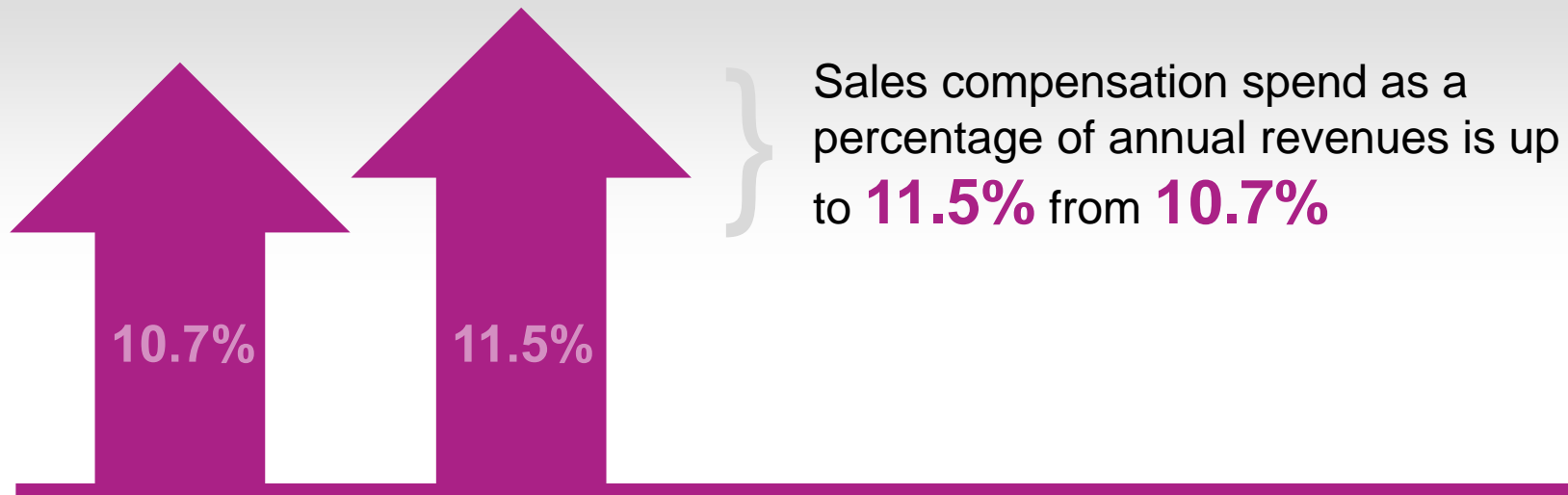
iii

What have other companies done to be successful?

iv

Why should the office of finance care?

## Sales compensation spend today



## What is important to sales?



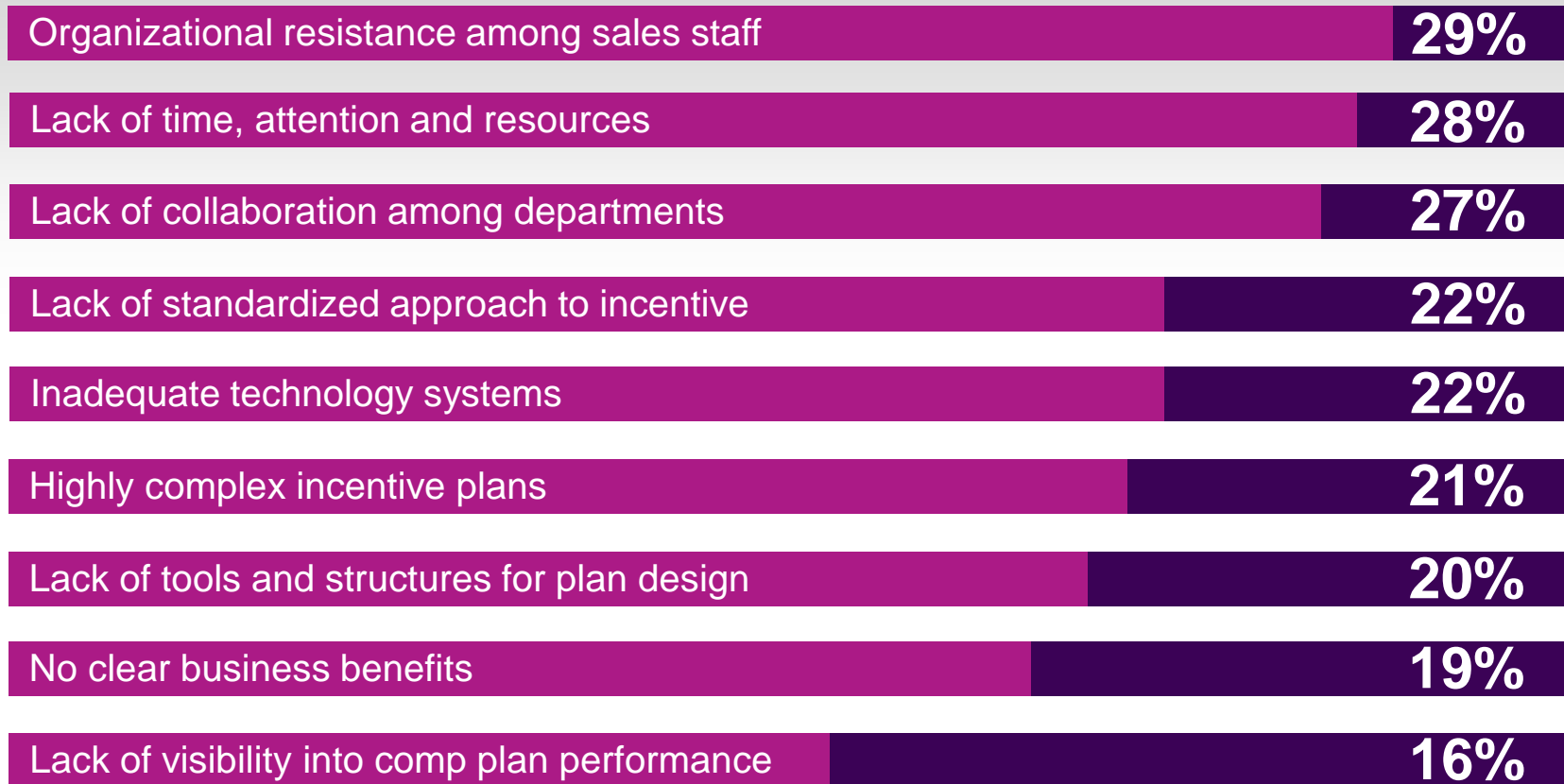
## What role does finance play?



## Finance perspective: areas for improvement



## Finance perspective: barriers to improvement



## Critical lesson learned: align sales and finance priorities



### Sales

- Increase revenue
- Reduce complexity
- Decrease cycle times
- Reduce errors
- More analytics
- More time to sell



### Finance

- Improve margins
- Increase sophistication
- More regulation
- Information faster
- Reduce IT/admin costs
- More self-service

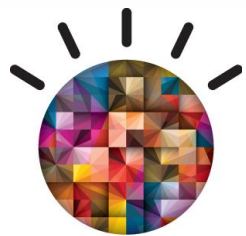


## 2013 table stakes

- Clear governance process and calendar
- Accurate and timely payments
- Easy statement and transaction access
- Comprehensive and user-friendly documentation
- “Baseline” management reports
- Auditing and tracking controls
- Reasonable system change timeline
- Disputes resolved in timely manner



# IBM Cognos® Incentive Compensation Management software drives key imperatives



Smarter analytics

1 Grow, retain and satisfy customers



- Coverage model and role deployment
- Sales priority linkages to the field
- Insight to sales effectiveness

2 Increase operational efficiency



- Compensation process scalability
- Flexibility and resource optimization
- ICM and quota cycle time decreases

3 Transform financial processes



- Incentive and sales forecasts
- Program impact and modeling
- Error and dispute reduction

4 Manage risk, fraud and regulatory compliance



- Auditing and compliance tracking
- Program governance
- Program and process reporting

To learn more

CONVERSATIONS ON SALES PERFORMANCE MANAGEMENT: INVESTING IN THE RIGHT PARTNER

## The Payoff: A Company of CFOs

**"We want as many eyes focused on the **GROSS PROFIT LINE** as possible."**

— CFO, PROVIDER OF MOBILE MESSAGING SERVICES

WHEN ONE ASSISTANT VP OF SALES OPERATIONS AT a media company reviews the benefits the company has secured from adopting an SPM system, he quickly arrives at a number: \$500,000. That's how much the company has saved in staffing the unit that handles sale-compensation support. "You had this big staff sitting in the background, answering questions to justify the payments or fixing payments that weren't right," he explains. At the media firm, he says, the arrival of SPM software led to the departure of 50% of those employees.

with government regulations, companies must supply evidence that the financial applications and supporting systems provide the controls and audit trails to make certain that financial reports are trustworthy. Without the appropriate financial controls, companies are exposed to risks associated with inaccurate financial reporting. Manual compensation-management systems aren't likely to leave behind such a clear and traceable path. "If you're sending spreadsheets from person to person for approval, there's no clear way to show who

<http://www.varicent.com/cfo/index.asp>

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