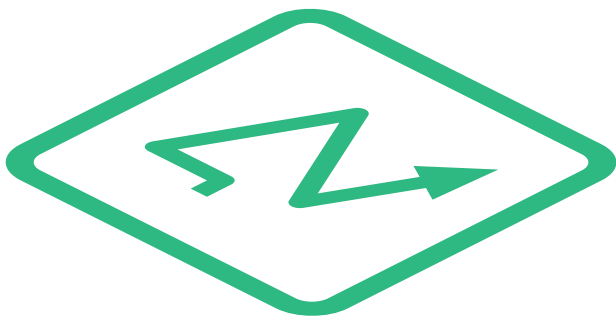




# A Smarter Way to Manage Incentive Compensation

[www.leaptree.com](http://www.leaptree.com)



---

Whitepaper





# Introduction

This whitepaper is about a better way for Salesforce users to manage incentive compensation – not just for sales teams, but for any department that rewards people with variable pay.

It looks at what's holding companies back from implementing effective compensation schemes today, and how that's impacting sales performance and operational efficiency.

Finally, we'll reveal four hallmarks of world-class incentive compensation management, and an innovative solution, Leaptree Incentivize.

This solution enables detailed compensation plans to be modelled and implemented easily across departments in a Salesforce environment.



## **Incentive compensation is key to motivating your salespeople—and keeping them.**

Sales is one of the hardest jobs to do well—so when you hire a great salesperson, you want them to perform at their best, and you want to keep them on your team.

Companies that are serious about sales excellence recognize this, and work hard to create an environment that motivates and rewards sales teams.

For many, Salesforce is part of that environment: a world-class software platform that supports reps and managers to excel.

Incentive compensation is another powerful motivator. Sales teams thrive on earning bonuses and commission, which is why 52.5% of organizations say variable pay makes up more than 40% of their salespeople's annual compensation package (1).

## **The best incentive compensation models are tied to business goals.**

To deliver maximum value to the business, sales teams must be motivated not just to sell, but to sell the right things to the right customers in the right way.

Therefore, the most effective incentive compensation schemes are those that reflect the strategic objectives of the business.

The problem is that when the business has many goals, or goals that frequently change, it's hard to keep incentive schemes in sync. Only 41.2% of organizations say their compensation policies and metrics are aligned with business objectives (2).

Often, manual processes like paper-based plans, spreadsheets and back-of-an-envelope calculations are the root cause of the problem.

(1) CSO Insights, The State of Incentive Compensation, 2016

(2) CSO Insights, Sales Operations Optimization Study, 2018

# The <sup>4</sup>impact of manual incentive compensation management

In an ideal world, incentive compensation schemes reflect what the business wants to achieve. To give a simple example, if the business wants to phase out an old product and focus on a new one, a good way to make it happen is to offer more attractive incentives for selling the new product than for the old one.

But the reality is that few organizations are equipped to make that happen. In its 2018 Sales Operations Optimization study, CSO Insights found that in over 60% of organizations, compensation plans aren't aligned with business objectives.

The sticking point is the tools used to set up and administer incentive compensation schemes. Over half (51.5%) of companies surveyed by CSO Insights in 2016 said they manage sales

compensation programs using spreadsheets, while 10.8% calculate compensation manually (3).

Capstone Insights, meanwhile, found that 60% of organizations use multiple platforms to manage compensation schemes— with data and calculations spread across spreadsheets, cloud software and on-premises software.

This manual and fragmented setup doesn't just make it difficult to incentivize sales teams to focus on the right things. It also has a significant impact on efficiency, productivity and engagement across many teams and functions—from sales enablement to the C-suite.

(3) Anaplan and CSO Insights, Optimizing Incentive Compensation, 2016



**“With a significant portion of sales reps’ pay tied to incentives, it is crucial that companies manage these plans correctly and effectively.”**

CSO Insights, Optimizing Incentive Compensation—Aligning What You Say With How You Pay

# Sales enablement: manual processes eat up time and erode competitive advantage

Sales enablement teams translate business objectives into incentive schemes that attract, motivate and retain high-performance salespeople.

It's a critical balancing act, because incentives must deliver a positive return for the business as well as for each individual rep.

Miscalculating incentive levels can cause the business to lose out on one hand, or reps to feel undervalued on the other—something that might drive them to leave.

Indeed, in Capstone Insights' 2019 survey, 53% of sales operations professionals felt their incentive compensation systems put their company at a competitive disadvantage (4).

Then there's the admin burden: authoring individual commission plans for each rep, making sure they comply with policy and external regulations, ensuring they're all signed and received back in time, and updating them whenever business objectives or regulations change.

Add to that the need to calculate commission due at each payment period, and it all adds up to a hugely laborious process that can divert sales ops time from supporting sales excellence.

(4) SAP and Capstone Insights, Sales Incentive Compensation Management Benchmark Survey, 2019.

**“53% of sales operations professionals felt their incentive compensation systems put their company at a competitive disadvantage.”**

Capstone Insights' 2019 survey

# Sales Reps: lack of granularity leads to disputes and demotivation



For sales reps and other employees who are rewarded with bonuses and commission, manual incentive compensation management methods can cause no end of frustration.

Most reps want to be able to track their performance and their bonus or commission due in real time. That's especially true of millennials, 77% of whom say they're motivated by using technology to set goals and track their progress (5).

But too often, all they actually see is a single, unexplained figure on their monthly pay stub. That can lead to 'shadow accounting',

where reps set up their own spreadsheets to calculate the commission they think they should be due.

That not only takes their time away from selling, but if the number doesn't match what appears on their pay stub, it can lead to time-consuming disputes,

a loss of motivation, or even reps leaving the company.

Some companies have even been sued by disaffected reps for underpayment of commission (6).

(3) Anaplan and CSO Insights, Optimizing Incentive Compensation, 2016

## Millennials will make up 40 percent of the workforce by 2020 and 75 percent by 2025

U.S. Bureau of Labor Statistics

# Sales Management: an admin burden that wastes time and money

Manual incentive compensation management creates headaches for sales managers, too.

Firstly, there's the need to get all reps signed up to the compensation plan for the year. That's often a process of sending out paper-based plans, getting signatures, and ensuring the plan is reflected in the rep's contract.

Without a signed plan in place at the start of the year, the company may be in breach of employment law—so chasing reps for their signatures can take up a lot of managers' time.

Then there's the targets set down by the C-suite. If sales reps aren't incentivized to sell products that the business wants to sell, targets will be missed—leading to uncomfortable conversations in sales meetings and performance reviews.

And without a way for reps to track their own commission in real time, sales managers are plagued with questions about commission due, and why the figures on the pay stub are at odds with the figures in their shadow accounts.



## **C-suite: lack of insight for forecasting and business growth planning.**

Bonuses and commissions can make up a large proportion of annual expenditure, so C-suites should be using them strategically as a driver of growth and value for the business.

But when incentive compensation is managed on spreadsheets and across multiple platforms, it's hard to use it as a strategic tool for business planning.

That's because it's difficult to run accurate 'what-if' scenarios to forecast the impact of varying types and levels of incentive across the whole sales force—and potentially other teams who receive commission. The aim should be to identify the right balance between incentive spend and return on that spend.

But with data and calculations fragmented across the business, running those scenarios accurately is all but impossible.

## **Finance and HR: manual processes create financial risks and increase admin overhead**

On the finance and HR side, paying commission can be a laborious process of extracting data from multiple systems, calculating commission due, and reflecting it accurately through the payroll system.

Collecting data from different systems can easily lead to underpayments or overpayments, either of which can have negative consequences for the business.

Finance and HR personnel also have to spend time resolving disputes if commission payments don't match what reps thought they were due.





## 4 hallmarks of world-class incentive compensation management

---

With so much potential for time-wasting, error and missed revenue targets, there must be a better way to model and manage incentive compensation.

And there is: many organizations today are implementing automated incentive compensation management to iron out the issues we explored in the previous section.

The best solutions support the business to unlock the full strategic potential of bonuses, commissions and other types of variable compensation.



# World-class incentive compensation management solutions should have the following four hallmarks:



## #1 Plans can be modelled for maximum return on incentive spend

The solution enables large and complex incentive compensation schemes to be modelled and forecasted to understand their impact on the business.

'What-if' sandboxes allow CFOs and CSOs to model different scenarios, and uncover the right balance between incentivizing the sales team and delivering maximum ROI for the business.

The result is a motivated and loyal sales force, and a business that's on track to achieve its growth objectives. The plan is easy and efficient to implement and manage, so more time is freed up across the organization to focus on value-adding activities.



## #2 Plans can be easily aligned with business objectives

The software allows individual plans to be modelled on the business's growth and performance goals, and easily updated for each annual kick-off or whenever business goals change.

By aligning incentives with business objectives, the plans drive the right behaviors to deliver the results the business wants to achieve.

And because it's all done digitally, it removes the admin overhead of manually updating and sending out paper-based plans, and waiting for them to be returned.



### #3 Performance is trackable in real time

Reps can track their bonus or commission due in real time, each time they close a deal. They can also forecast their future commission on deals in the pipeline, which allows them to focus on the right deals for them (which, because the plans are aligned with business goals, are also the right deals for the business).

Queries about commission due can be raised in the system, triggering a workflow alert to managers, sales enablement, finance or HR.

Allowing reps to track bonus and commission in real time means they're more motivated to sell, and spend less time on shadow accounting and entering into lengthy email disputes.



### #4 Incentive compensation data is consistent, detailed & accurate, everywhere

A single incentive compensation management solution replaces the mass of spreadsheets and commission data held in different CRM, finance and payroll systems.

In doing so, it becomes a single source of truth for calculating, monitoring, paying and reporting on incentive compensation.

When everyone is working with the same figures, and can drill down to understand how bonuses and commission were calculated, there's much less potential for error, and time-consuming disputes are minimized.

# Not all incentive compensation management solutions are equal

While many incentive compensation management solutions promise these benefits, not all are created equal. Some are punitively expensive, some don't have all the functionality modern businesses need, and some aren't aligned with how commission-based teams work in the Salesforce platform.

That's why we created Leaptree Incentivize: a 100% native Salesforce app that puts world-class incentive compensation management right inside the Salesforce platform you use every day.

Leaptree Incentivize is used by Salesforce customers around the world to model, configure and manage detailed compensation plans alongside the native Salesforce functionality. It provides a single environment for incentive compensation management that is:



## Highly configurable

Teams responsible for creating compensation plans can configure, manage and implement detailed compensation plans in a simple and intuitive way—and easily update plans as business objectives change throughout the year.



## Monitoring and dashboards

Reps can monitor their compensation due in real time, drill into the fine detail, and raise queries and disputes from within the Leaptree Incentivize module.



## Dynamic business rules engine

Leaptree Incentivize is easy to configure, to meet the organization's specific needs. Sales enablement teams can configure automated workflows for compensation queries and disputes, clawbacks, smart rules and more.



## Native to Salesforce

Leaptree Incentivize is built on the Salesforce platform, and runs within the Salesforce environment. It pulls data automatically to calculate bonus and commission due, with no need for tech-heavy integration work.



## Single source of data

For HR, finance and payroll, Leaptree Incentivize is a single source of incentive compensation data, making payroll smoother and providing 'what-if' functionality for modelling and forecasting.

# A smarter way to manage incentive compensation in Salesforce

Organizations using Leaptree Incentivize report that it has transformed their ability to plan, manage and monitor incentive compensation, delivering business results including: compensation management that is:



## Stronger revenue performance

Leaptree Incentivize encourages specific activities and incentivizes the right behaviors, in line with organizational goals. Reps and managers both know what they should be focusing on, and are motivated to do the right thing.



## Streamlined compensation across departments

Leaptree Incentivize users have been able to align incentive compensation across all teams that earn bonuses and commission, from sales teams to business development and customer success.



## Minimized errors

Because Leaptree Incentivize provides a single source of truth—with accurate, granular data around terms of each incentive plan and any commission/bonus owed—there is minimal risk of incorrect calculation and payments..



## Minimized risk

Business risk is greatly reduced too, with a much lower likelihood of underpayments or overpayments leading to litigation, miscalculated or misstated accruals, and the associated penalties for non-compliance.



## Lower operational overheads

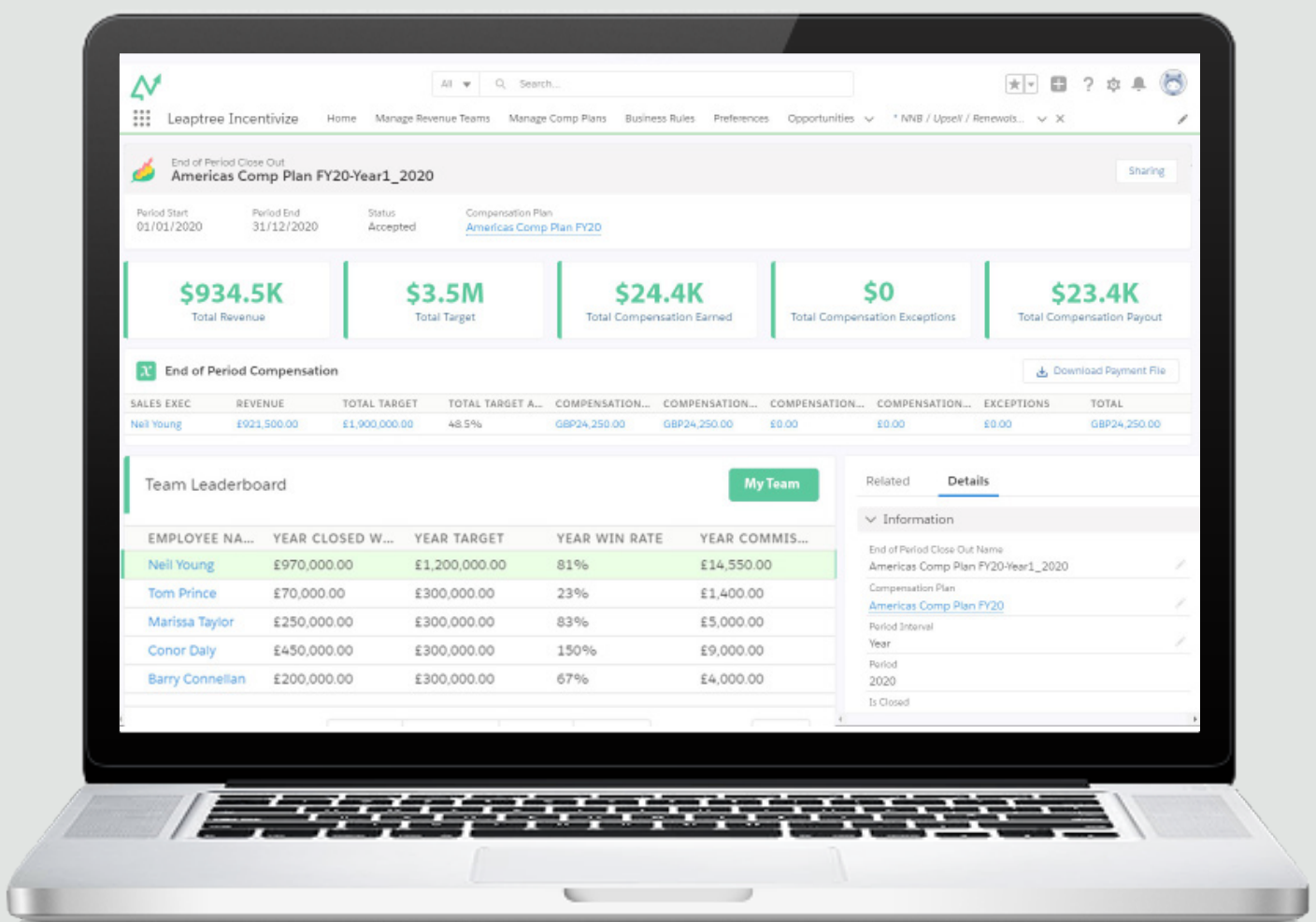
By streamlining operational processes around this key business function, Leaptree Incentivize users reduce the admin load on finance, HR and sales enablement teams, allowing them to spend more time on added-value activities.

# Summary: incentive compensation is ripe for transformation

Incentive compensation is an area of sales and financial management that's ripe for digital transformation.

Organizations that automate incentive compensation management are much better placed to use it as a strategic tool to improve revenue performance, maximize the return on incentive spend, and keep talented people engaged and on-board.

For Salesforce users, the ability to model, manage and monitor incentive compensation within the Salesforce platform provides time savings, and an extra level of efficiency—and that's the value provided by Leaptree Incentivize.



# Getting started with Leaptree Incentivize

[www.leaptree.com](http://www.leaptree.com)

---

## Get a demo today | Incentivize

If you're using Salesforce and would like to ensure your incentive schemes are driving maximum value for your business, Leaptree Incentivize could be the answer.

You can find out more about Leaptree Incentivize and book a no-strings demo, by:  
emailing us at: [info@leaptree.com](mailto:info@leaptree.com)  
or visiting us at: [www.leaptree.com](http://www.leaptree.com)

---

## About Us | Leaptree

Not long ago, Sales and Customer Service teams lived in siloed worlds. But things have changed. In this new, connected world, smart insights are key to winning more deals, enhancing customer experiences, and supercharging revenue. That's why we created Leaptree — the only Salesforce native Revenue Performance Platform — to connect people, processes, and technologies through intuitive software backed by powerful AI.

**The Revenue Workforce. Connected.**