

Sales Incentive Compensation Management Benchmark Survey

Introduction

Sales organizations rely on their ability to identify and reward top-performing talent, but their ability to plan and deliver commissions and compensation plans quickly and accurately is often complicated by the realities of managing a global salesforce. Motivating and compensating a global sales team can require multiple currencies, working with disparate systems and processes, and is often characterized by an inability to measure the effectiveness of compensation plans and a general lack of visibility of their impact on other lines of business.

Though sales operations professionals say they are up to the challenge, they may not have access to the data they need to prove the effectiveness of their efforts and identify areas where operational efficiencies can be improved. Capstone Insights set out to discover how businesses are navigating this transition. For instance, how effective are current efforts around compensation and commissioning? How can organizations distribute plans effectively to avoid issues with morale and potential liability? And, most importantly, how can sales operations professionals be sure that their compensation plans are driving the right selling behaviors?

To that end, we surveyed over 400 sales operations professionals, measuring their use of and attitudes toward current compensation and commissioning technologies, as well as their approach toward emerging technologies like AI and advanced analytics.

Table of Contents

Introduction.....	1
Executive Summary.....	2
Multiple Platform Complexity.....	3
Cloud Dominates.....	7
Fear of Disruption in Sales Incentive Compensation.....	9
AI Adoption and Technology Confusion.....	13
Data Accessibility.....	16
Conclusion and Key Takeaways.....	18

Executive Summary

Managing sales compensation is the key to growing revenue and meeting company objectives in terms of the type of products and services to emphasize. However, many organizations are forced to use multiple systems to manage sales commissions, which drives an underlying anxiety that the commissions systems in use do not support organizational excellence. Data-driven insights regarding compensation and commissions are key to attracting and retaining top-performing sales talent, and many fear they will be disrupted by younger, smaller, more nimble organizations.

Key Takeaways:

- **Multiple Platforms Hinder Growth.** Most companies use a patchwork of systems to handle sales compensation, limiting their growth and ability to be agile to meet changing company objectives.
- **Disruption Will Drive Differentiation.** Incentive compensation disruption and an inability to meet future requirements are a significant concern for organizational growth and differentiation as markets become more competitive.
- **AI Strategy is Crucial for Optimization.** AI is the future, but organizations exhibit confusion about the technology. Sales Operations and Executive Leadership show great disparity between impact, scope of utilization, and potential disruption.

DATA-DRIVEN INSIGHTS regarding compensation and commissions are key to attracting and retaining top-performing sales talent, and many fear they will be disrupted by younger, smaller, more nimble organizations.

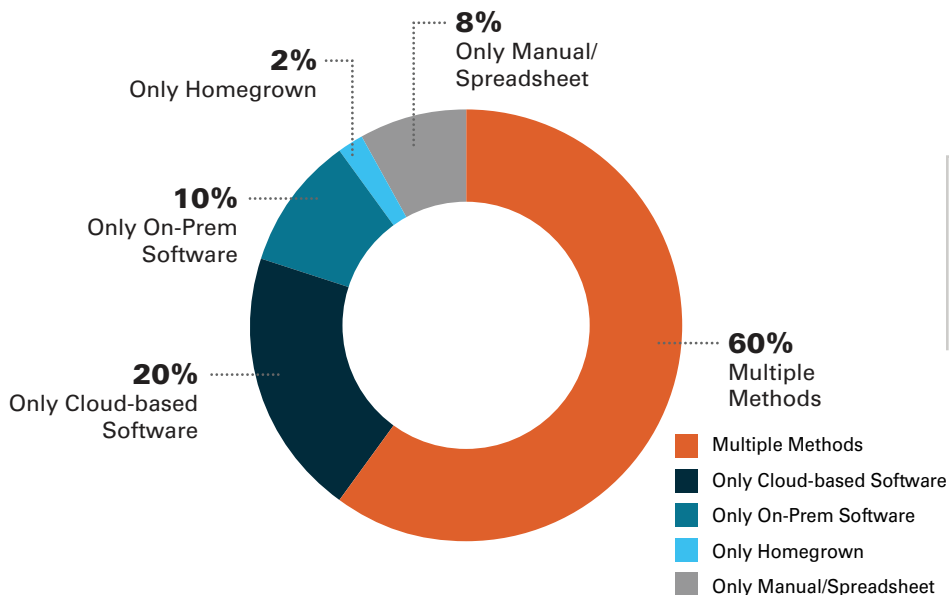
Multiple Platform Complexity

A key survey discovery was that most companies use a patchwork of systems for handling sales compensation, which can be a barrier to meeting company objectives.

60% of organizations said they use multiple platforms to manage their commissions processes.

23% of organizations use three or more commissions platforms simultaneously.

What platform do you use?

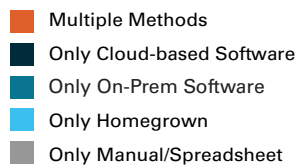
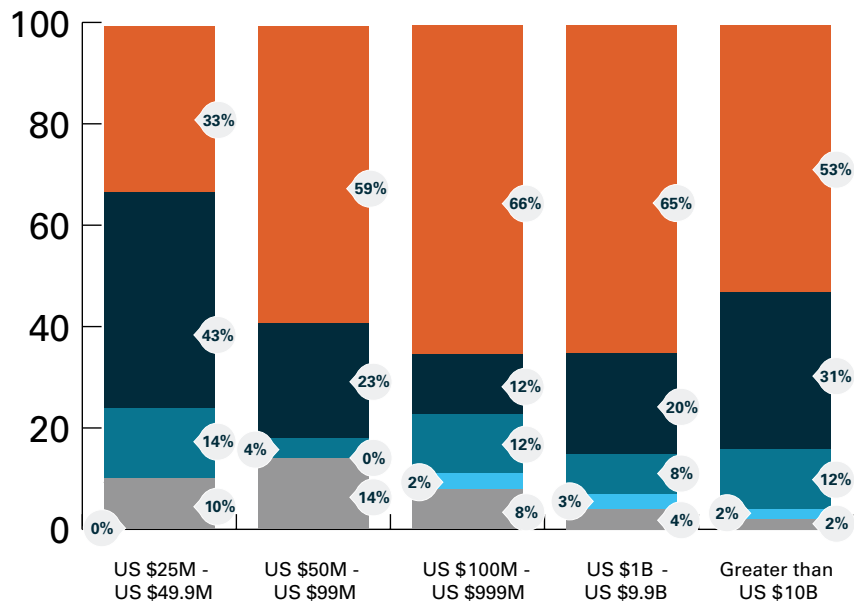


Why is this so common?

- Poor tech stack remediation practices.
- Varying regional and sales role requirements.
- Use of legacy technology and/or industry-specific software.



Commissions platform utilization by company size



Regardless of company size, of the 60% that use multiple platforms, **77%** use at least two platforms and **23%** use three or more platforms.

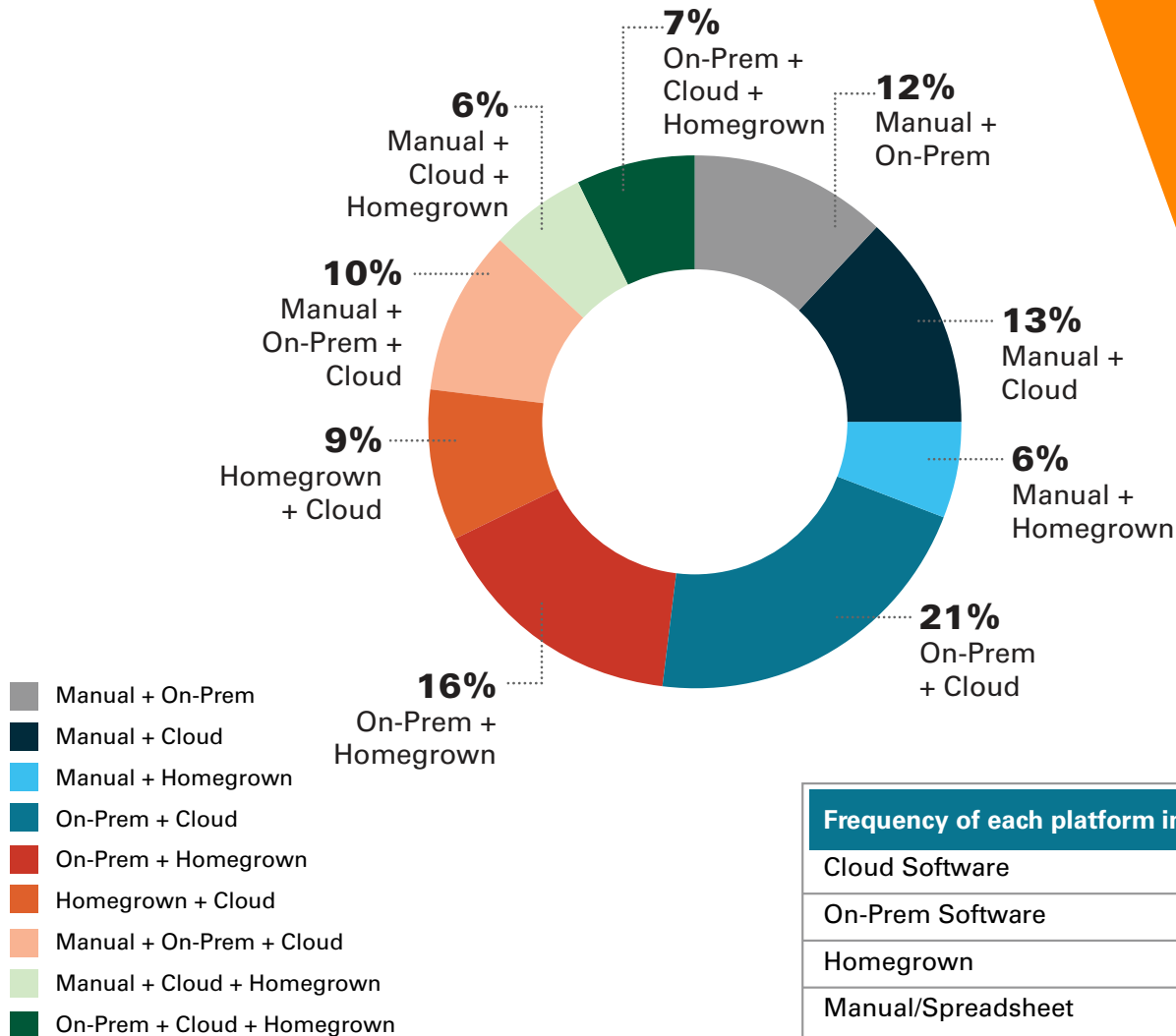
Inconsistent platforms negatively impact operations:

- **Smaller organizations were the least likely to use multiple methods**, with only 33% of respondents reporting use of multiple platforms.
- **Smaller companies were also the heaviest users of cloud software at 43%**. They tend to be younger and grew up with cloud-based software, having missed the wave of on-premise solutions.
- **Mid-size organizations demonstrate the highest percentage in multiple commission software utilization at 65%**. They frequently don't have dedicated teams to help with technology stack remediation, so each acquisition or merger increases the size of their tech stacks.
- **Larger organizations have moved to the cloud much more aggressively than their mid-size peers**. They often have a more disciplined post-acquisition tech remediation practice, and the complexity of their sales organizations (multiple geographies, currencies, product offerings, etc.) has driven their migration to the cloud.

65% of mid-size organizations reported using multiple platforms, vs. **33%** of smaller organizations.

Multiple commissions platform combinations

For respondents who said they used multiple platforms, this chart reflects the combinations of platforms that are used.



Among multiple-platform organizations, **77%** reported using two or more and **23%** reported using three or more platforms.

From an operational perspective, this motley assortment of platforms creates a number of problems:

- **It's expensive:** Maintaining the budget to support multiple platforms is difficult, especially in terms of platform upkeep and integration costs.
- **It's inefficient:** Without a single source of truth, it is impossible to improve operational efficiency. Instead of making data-driven decisions, organizations are forced to make quick decisions based on the best of sometimes bad and/or contradictory data that is available.
- **It's risky and unnecessarily complex:** The management of commissions software becomes more complex with every additional platform to be maintained. Organizations with multiple platforms risk not having sales behavior aligned to company objectives. They risk being out of legal compliance due to managing and updating so many platforms every time a new regulation is passed. And they have an increased risk of sales disputes, which directly impacts sales culture and sales rep performance.
- **It provides poor user experience:** In addition to receiving their compensation and commission plans in a timely fashion, today's sales force expects their platforms to be user-friendly and intuitive. In today's experience economy, top talent has little patience for kludgy systems and awkward workarounds, especially when it comes to their compensation.

Without a single source of truth, it is impossible to improve operational efficiency.

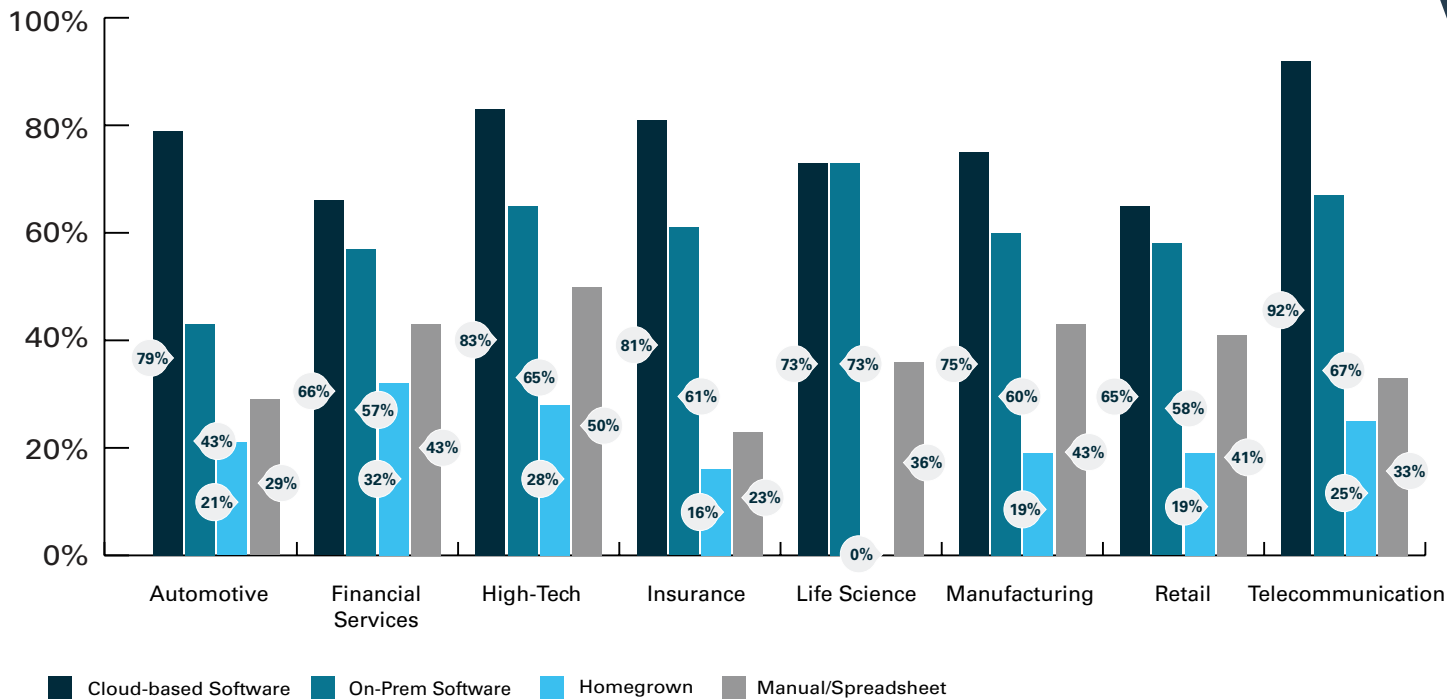


Cloud Dominates

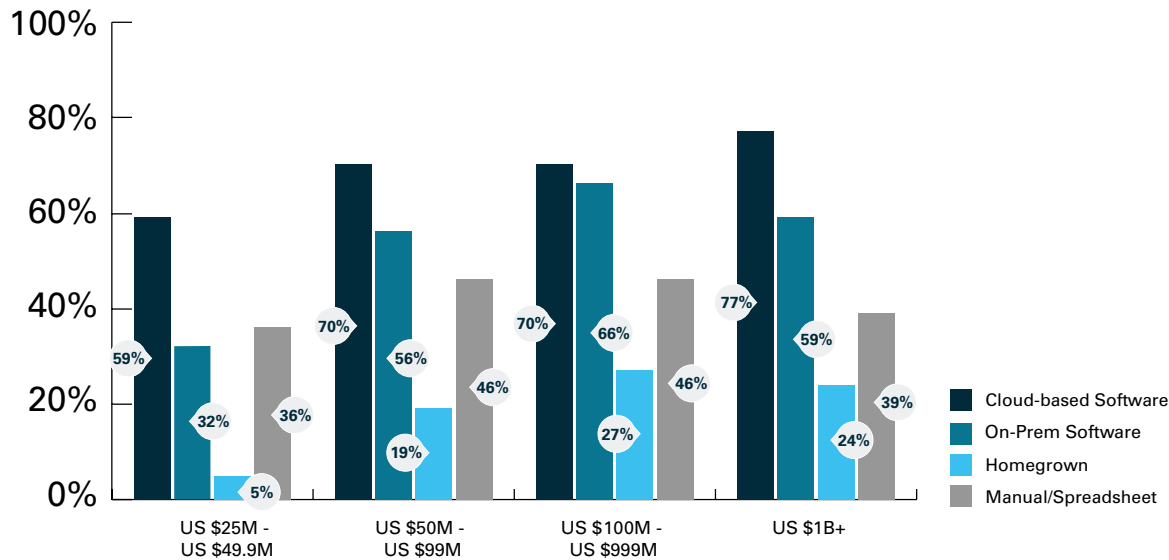
Cloud solutions were the most frequently found platform, regardless of industry, company size, or country. On-Prem solutions generally held second place, followed by manual recordkeeping (like spreadsheets), with homegrown solutions bringing up the rear in popularity. It's important to remember that although cloud solutions have been widely deployed, 60% said they still use multiple platforms to manage their commissions processes.

- Telecom and High-Tech lead the way in cloud adoption, at **92%** and **83%** respectively.
- Retail and Financial Services lag behind at **65%** and **66%**.

Commissions platform utilization by industry

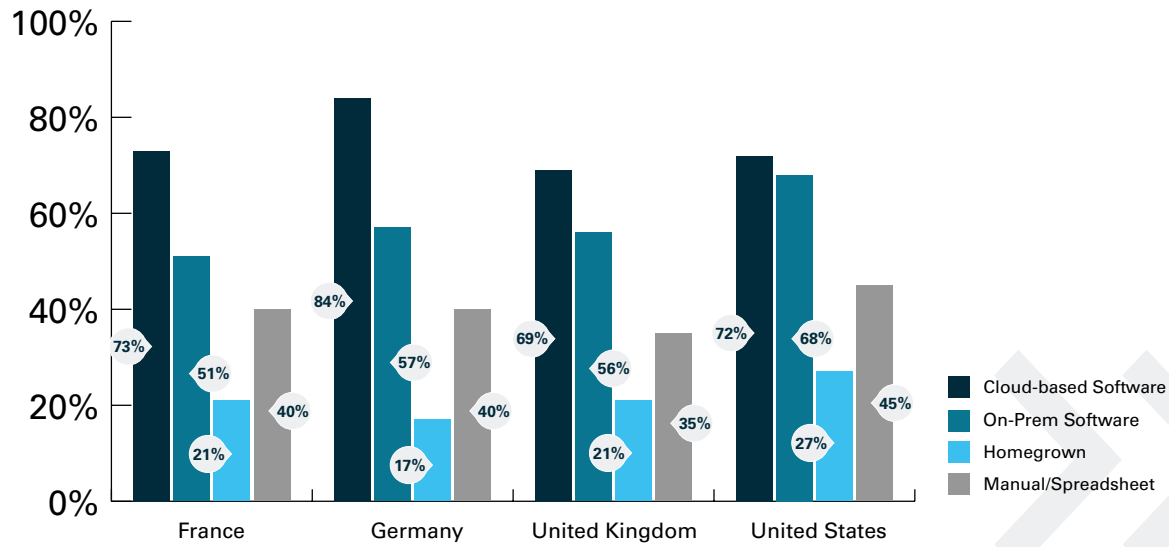


Commissions platform utilization by company size



- Only **5%** of small companies report using homegrown solutions, perhaps due to limited IT resources. Their relatively high use of on-prem solutions could reflect previous investments in solutions with limited sales incentive compensation management abilities.
- The popularity of on-prem and manual solutions stalls out once revenue exceeds \$999 Million.
- Nearly **80%** of companies with revenues over \$1 Billion reported using software for commissions.

Commissions platform utilization by country



- Germany leads the way for adoption of cloud-based software at **84%**, likely due to their strict regulatory and compliance environment.
- The United States has comparatively high use of homegrown and manual solutions, at **27%** and **45%**, respectively.

Fear of Disruption in Sales Incentive Compensation

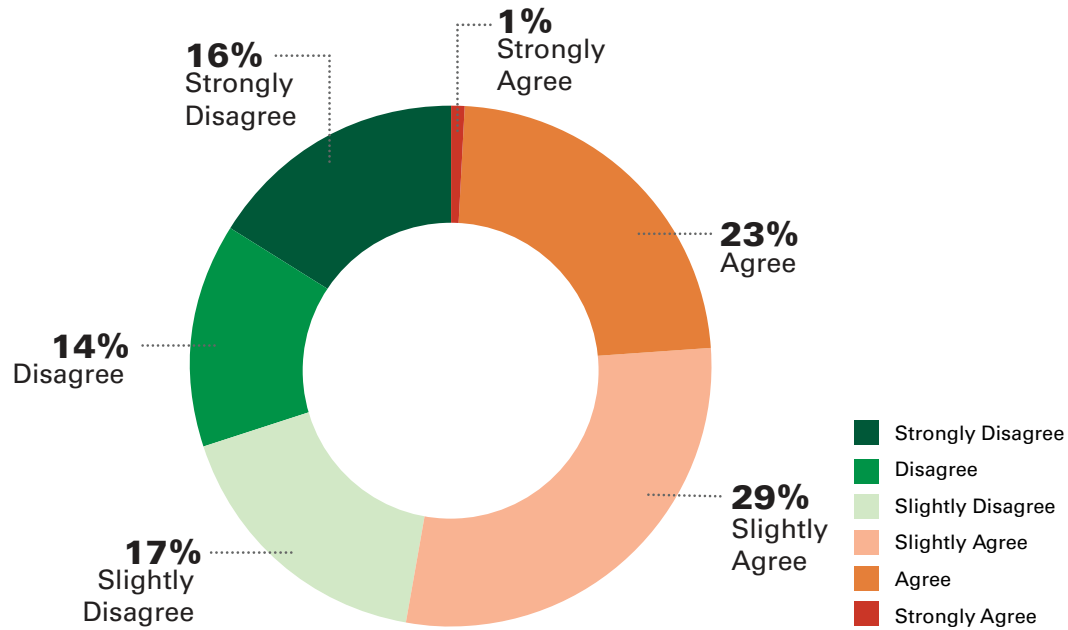
The sales operations professionals we surveyed initially expressed confidence in their ability to drive the sales behavior they need to ensure company growth. 47% of respondents strongly agree that their existing compensation management tools align sales behavior to company objectives. An additional 15% agreed and 26% slightly agreed.

There are still open questions, if not growing dissatisfaction, in the market for sales incentive management systems and their ability to align sales behavior to company objectives. Though most of the respondents agree or strongly agree that their sales incentive compensation management systems successfully align sales behavior to company objectives, the question remains: how do they know? How do they measure the effectiveness of their systems?

Unfortunately, our follow-up questions exposed other undercurrents of anxiety. When asked if their compensation management system supported the recruitment and retention of top talent, 53% reported that their current systems put them at a competitive disadvantage. In short, they have no way to ensure that their sales team is being incentivized in a way to drive the greatest amount of revenue for them, or if they are building a sales culture that supports lasting growth and high morale.

53% feel their current compensation systems put them at a competitive disadvantage.

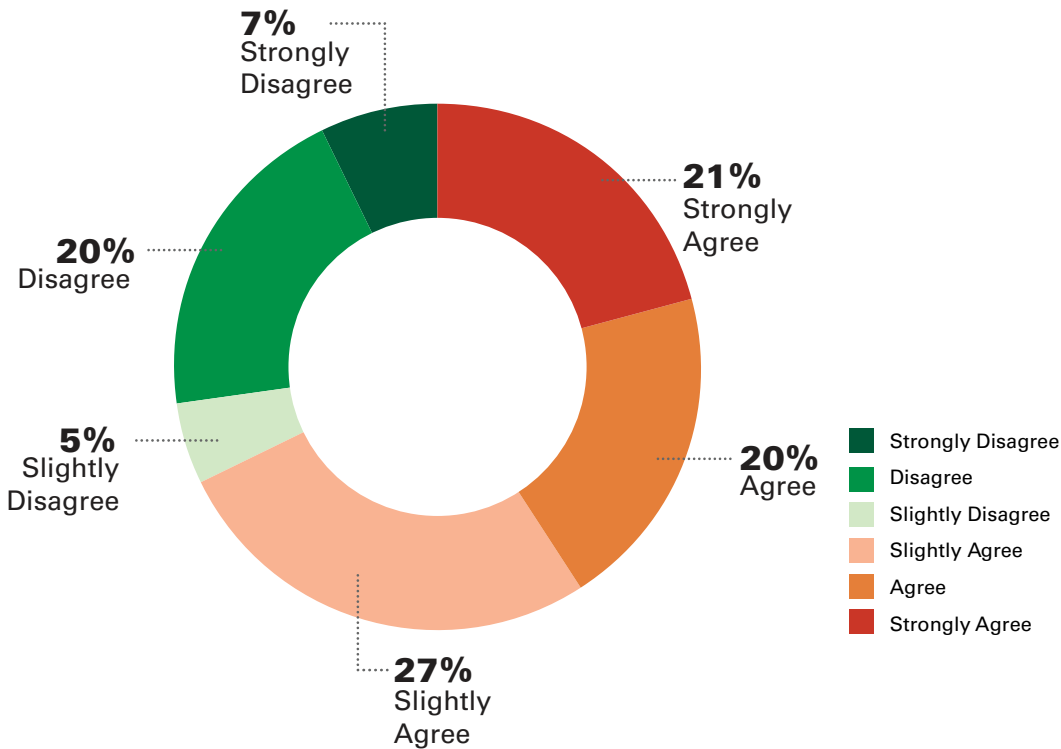
My sales Incentive compensation management process is a competitive hindrance.



This disadvantage is most keenly felt by mid-size organizations (\$50M-\$99M), with 64% reporting they are held back by their sales incentive management process, versus only 32% of smaller organizations (\$25M-\$49.9M) and 48% of larger organizations (\$1B-\$9.9B) reporting the same.

Organizations using homegrown software and manual reporting also report being held back by their systems, agreeing with the statement 16% and 17% more frequently than their peers using cloud-based solutions.

I'm concerned we're not adhering to global pay practices, local currencies, or legal stipulations.



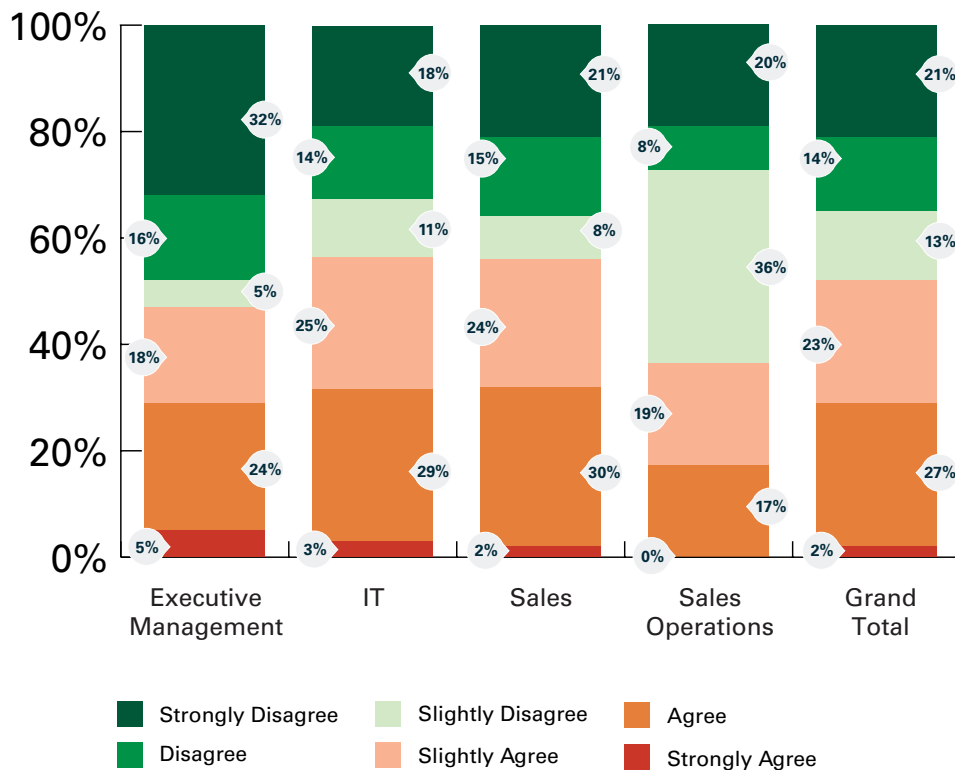
68% worry about their ability to meet global regulation and compliance guidelines.

68% of respondents also reported worrying about their organization's ability to follow global regulations with regard to payment, privacy, and other legal considerations. This worry is further complicated for sales operations organizations tasked with managing multiple systems, because compliance must be checked and verified for each platform.

When asked about future concerns:

- **52%** of all respondents reported that their solution didn't have the tools they needed to ensure future success.
- **47%-57%** of front-line sales, IT professionals, and executive management shared this concern.
- Only **36%** of sales operations respondents agreed.

My organization does not have the sales commission capabilities it needs for the future.



What's driving this disagreement?

Because the sales ops role is responsible for maintaining the organization's sales incentive compensation management systems, they may be more inclined to stick with the status quo because they believe their existing practices work and they're comfortable with what they do. When dealing with multiple complicated systems, "if it isn't broken, don't fix it" can be a very tempting thought.

Executive management and IT, on the other hand, may be much more aware of the issues and escalations involved with making multiple systems "play nice." They have better visibility to the opportunities for streamlining their systems, as well as the potential for disruption if they are not as optimized as their competitors.

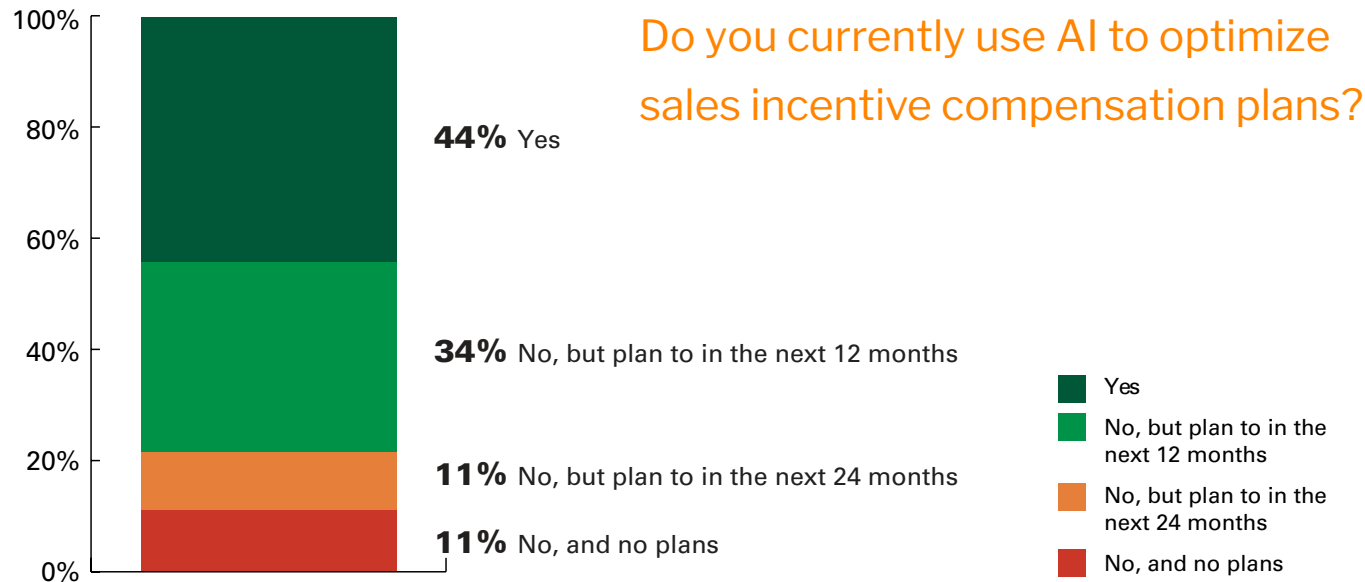
Front-line sales is interested in one thing: improving their deal velocity. They want a sales incentive compensation management system that works quickly and accurately, so they get credit for their wins and aren't bogged down in laborious manual reporting for executive management. All they want is a system that works and rewards the right sales behavior to drive results.

AI Adoption and Technology Confusion

Our research uncovered strong indicators that organizations are heavily investing in AI. Approximately 45% of organizations indicate that they currently use AI for sales commissions, and an additional 45% are planning to use AI in the next 12 to 24 months. These early adopters are beginning to leverage AI capabilities to help them glean new insights from their commissions data to enhance sales performance, and ultimately, increase their revenue.

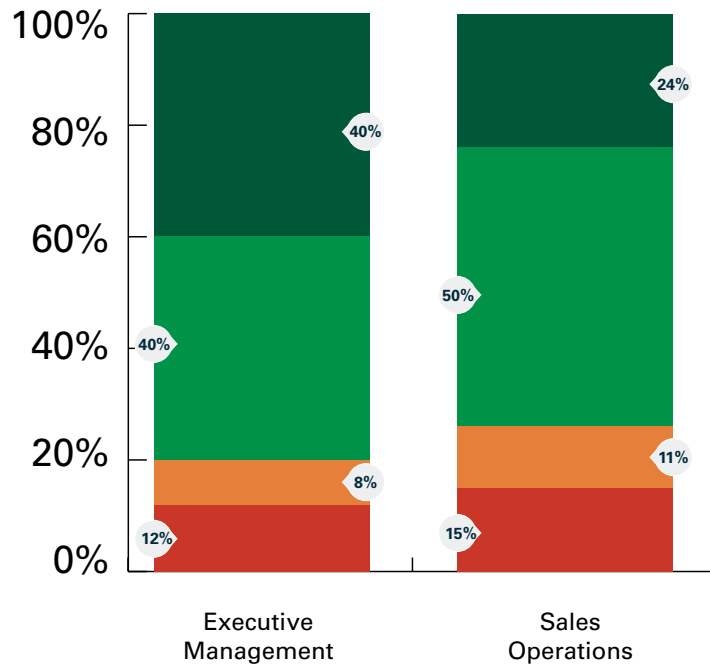
Organizations that are not adopting AI risk putting out unattractive incentive programs, which may result in deals left on the table and losing sales talent to companies that are more attuned to sales compensation requirements.

- ~45% of organizations state they use AI currently.
- ~45% of organizations state they will use AI in the next 12-24 months.
- ~10% of organizations have no plan to implement AI.

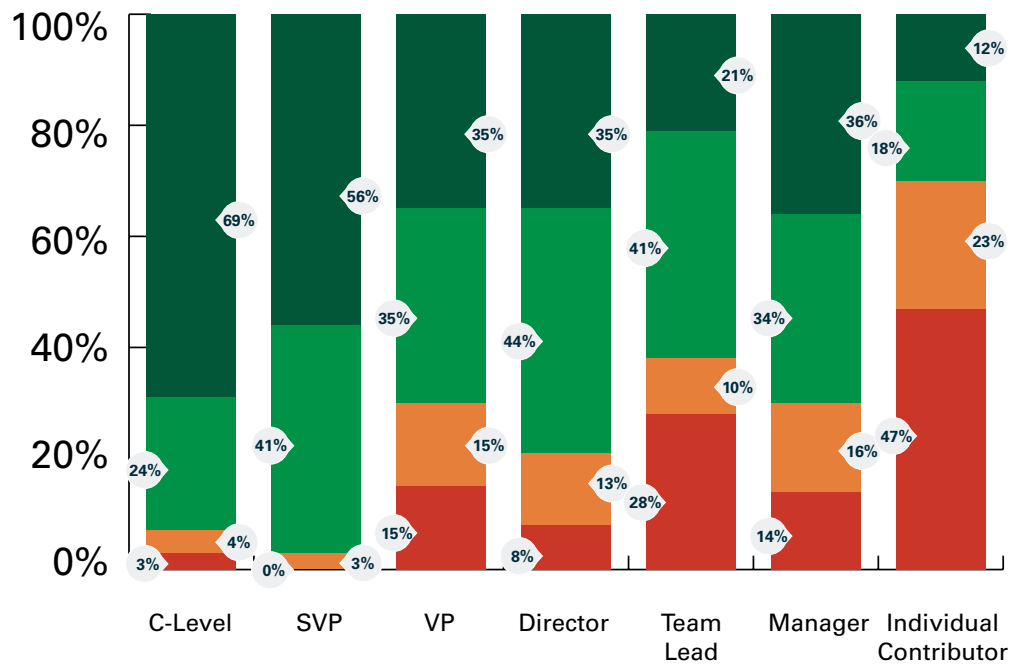


Do you leverage AI for compensation optimization today?

By Function

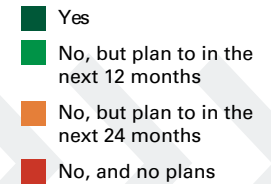


By Role



Individual contributors (for example sales reps) report the highest doubt in their organizations' current use and future plans for AI. This is likely because sales management uses AI to create optimized sales plans; a process that reps don't see. The AI that reps see is guided selling which is not part of sales commission management.

- **28%** of team leaders had no plans to introduce AI to their workflows.
- **47%** of individual contributors agreed.



When viewed by role, there was a disconnect between executive management and sales operations regarding the current use of AI.

- ~40% of executive managers reported that their organizations currently use AI.
- Only 24% of sales operations agreed.

What's driving this disagreement?

This perception gap may be explained in part by the ops team's closer view of their current use; they're the ones tasked with rolling out new systems and creating pilot programs. They are more aware than an executive of any gaps between what their platform is capable of versus the features they are actually using today.

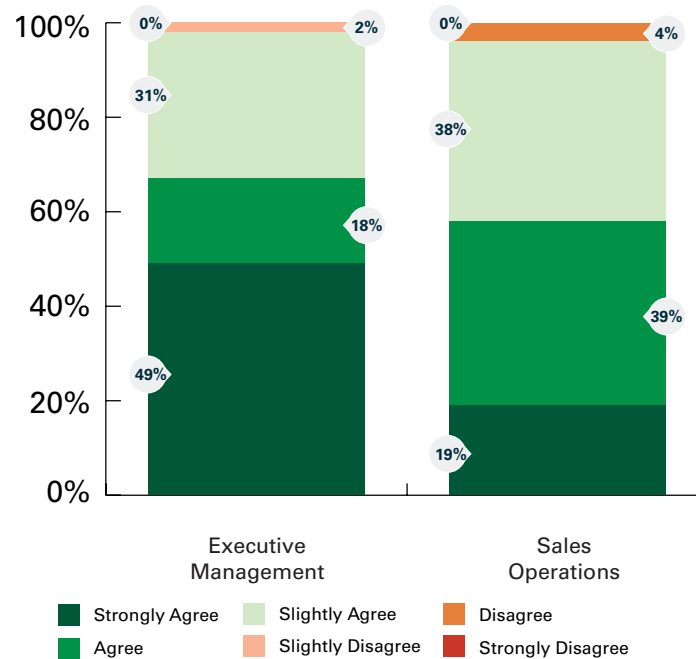
Further confusion around AI emerges when the results are broken down by level. This lack of consensus is driven by confusion around what AI is and how it can be leveraged within sales organizations. Others may be making assumptions about their current usage, or simply unaware of what's going on behind the scenes.



Data Accessibility

Another split emerged around the use of data in making incentive compensation decisions. When asked if executive leadership had access to the information they needed to make informed decisions, 49% of surveyed executives strongly agreed. Only 19% of sales operations professionals stated the same.

Executives have access to transparent commissions data and use it to make incentive compensation decisions following a rigorous analytical process.



Executive management is happy because sales ops is delivering the info; they are receiving the data they need to make decisions, but they aren't aware of the late nights and number crunching required to produce it. Operations, on the other hand, knows what it takes to produce the reports the executive management team expects.

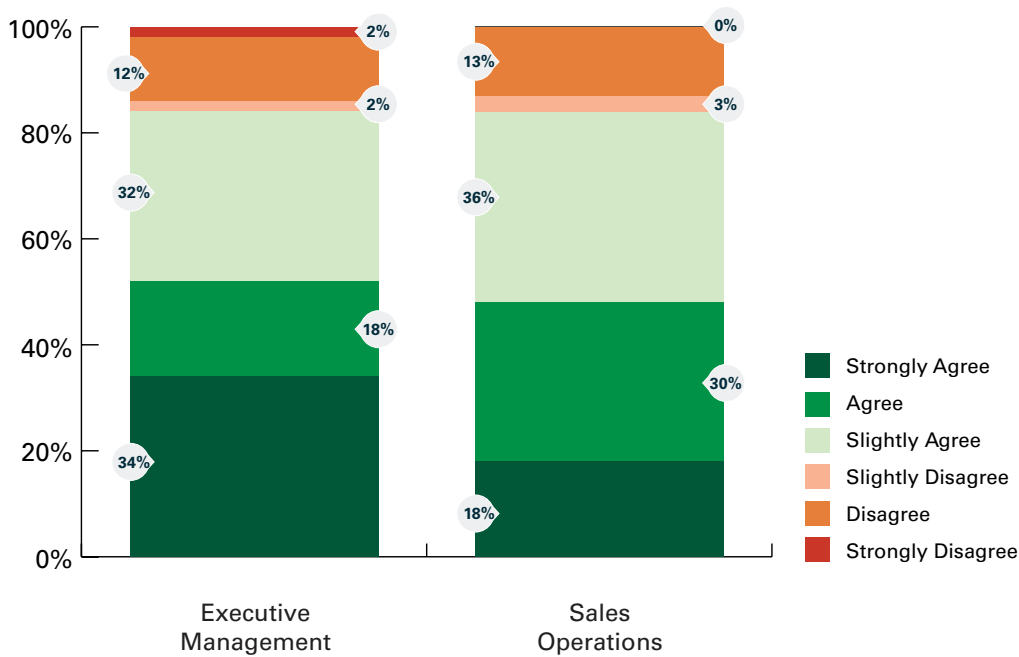
It's also the case that the sales operations teams realize that they could be delivering better insights, but extracting, interpreting, and formatting the data from multiple platforms requires more resources than they can afford.

When asked about the ease of future integrations, there was a generally confident consensus across job roles. Yet within that confidence was a core of skepticism, especially within sales operations. 49% of executive managers strongly agreed with the statement, while only 19% of sales operations strongly agreed.

49% of executives agree that they have access to the data they need.

Only **19%** of sales operations agree that they have access to the data they need.

Our sales incentive compensation management system can easily integrate with any future application and/or data analytics system.



While there is strong agreement across functions, there is also a great deal of disagreement or skepticism here. This may have to do with the fact that roughly half the respondents use spreadsheets to manage at least some aspects of their sales incentive compensation management process. Spreadsheets do not integrate with other systems.



Conclusion and Key Takeaways

Lack of confidence in current solutions. Sales operations knows their work is critical to finding, retaining, and compensating top sales talent, but they don't believe their current tools will support future growth. Managing a global sales force in an increasingly difficult regulatory and compliance environment requires integrated systems, not cobbled-together legacy tech that's lived through three acquisitions.

Managing multiple platforms is a nightmare. The more platforms an organization uses to manage their sales incentive compensation processes, the greater the strain on the sales operations team. For example, every time sales leadership changes a sales team's compensation structure, sales operations has to update each platform's rules engine, which is cumbersome, time intensive, costly, and may result in compensation calculation mistakes. Using a single platform can eliminate inefficiencies and reduce costs and risk.

There must be a single source of truth. If sales operations doesn't have visibility to their entire commission ecosystem, they may have a difficult time ensuring accurate payouts, managing dispute resolutions, and reporting on commissions. More importantly, they don't have the insights they need to know what motivates their sales organizations to drive their revenue goals.

AI is the future, but there's confusion about current use. Sales operations needs to invest more in educating both their executives and their front-line workers about current and planned usage of AI. The benefit of these powerful technologies can drive company-wide excitement, but only if the path forward is clarified.

Methodology and Demographics

In early 2019, Capstone Insights surveyed 425 sales operations professionals. The majority of respondents were C-level (27%), directors (24%), or managers (25%), with the remainder ranging from SVPs to individual contributors. The most common function was IT at 44%, followed by sales (24%), sales operations (17%), and executive management (15%). 47% represented companies within the United States, while companies from the United Kingdom (18%), Germany (18%), and France (17%) comprised the remainder of the report. 5% of responses came from companies with revenue between US \$25M and \$49.9M, 19% represented companies with revenue between US \$50M and \$99M, 31% represented companies with revenue between US \$100M and \$999M, 33% represented companies with revenue of US \$1B-US \$9.9B, and 12% represented companies with revenue over US \$10B.

About Capstone Insights

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