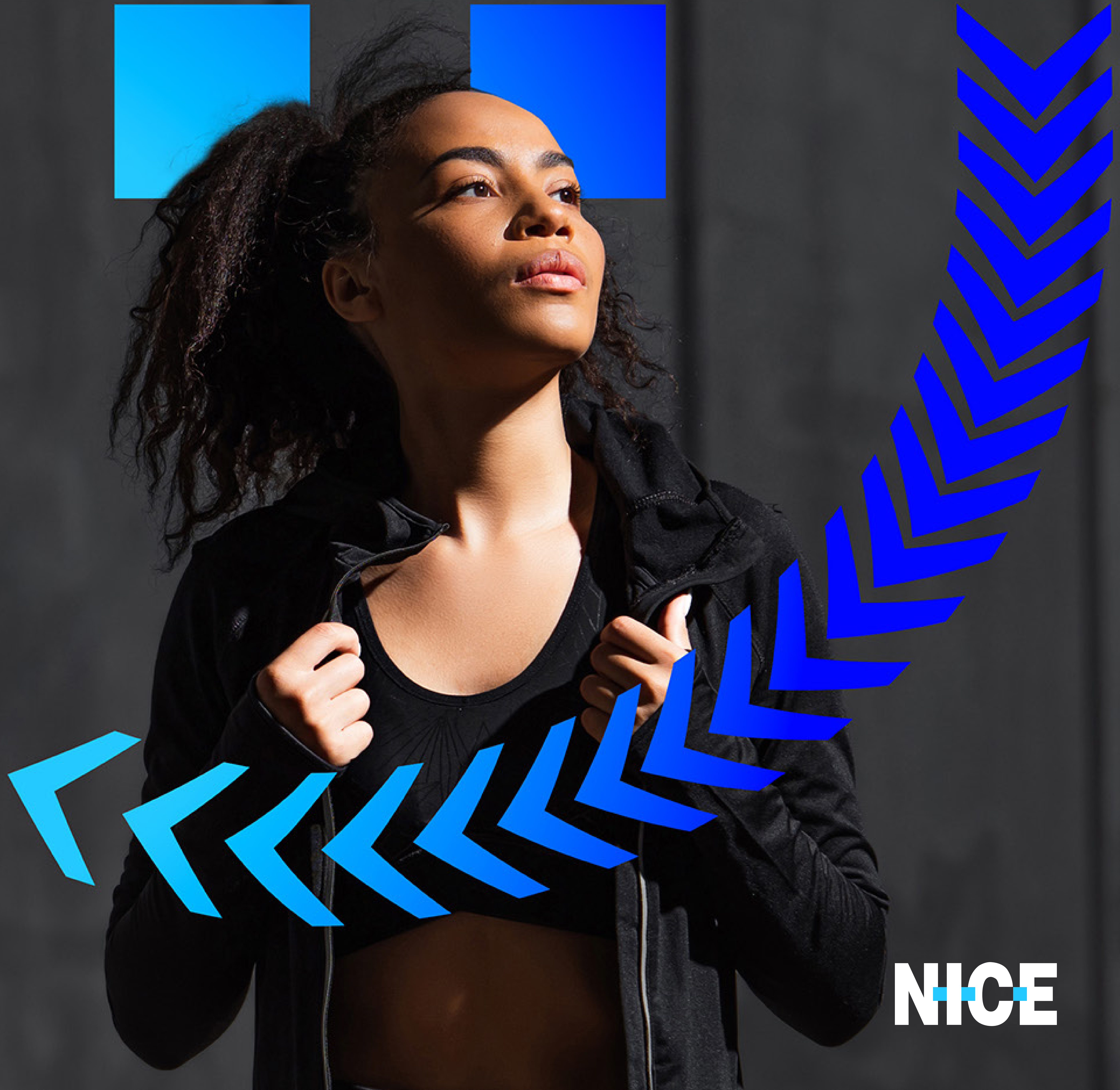
What RFPs Reveal About Sales Compensation Management at Fortune 500 Companies



NICE

CONTENTS

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Whether your sales team includes 40, 400 or 4000 sales reps, sales performance management (SPM) systems deliver the same benefits—reduced errors, faster and more accurate payments, as well as better visibility, control, and transparency.

But as you scale up, you quickly discover that attaining those benefits becomes increasingly difficult with hundreds or thousands of employees. Managing compensation at volume presents a set of challenges that is entirely different those of a 100-person team of sales representatives.

Our focus at NICE has always been on large sales organizations, which has shaped our understanding and experience. The many RFPs we have seen from Fortune 1000 companies provided us with excellent insights into the unique sales performance management requirements common to large sales organizations.

While RFPs issued by large organizations are long and detailed, in this paper we've distilled the most essential requirements that keep repeating themselves across industries. If these are not already on your list of requirements, then you may want to consider adding them.

NICE

CONTENTS

AUTOMATED COMPENSATION ADJUSTMENTS

For larger sales organizations, automation is critical to accurately applying retroactive changes to transactions that affect sales credits and balances.

Typical SPM system requirements related to revenue and payment adjustments include:

- True-ups—calculating the delta between what was paid and what should have been paid and carrying it forward to the current period.
- Retroactive transaction loading when necessary to impact past calculations.
- Support for any type of relationships (such rollup, matrix, dotted line).
- Support for manual adjustments.
- Applying adjustments to any level in the sales hierarchy.
- Adjustment calculations with several attributes (such as billing account number, customer name, order number, on-top incentive, new logo, etc.).

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CONTENTS

FAST PROCESSING AND CALCULATION OF SALES TRANSACTIONS

Sales organizations with thousands of payees need to efficiently and rapidly process an ever-increasing volume of complex sales transactions, in order to deliver timely payments and reports.

From loading data into the SPM system, through compensation calculations, crediting and reporting, each company's specific requirements will differ. However, they can be divided into three main categories:

- Fast, defined processing times for transactions from start to finish (e.g., three million transactions in two hours or less).
- Calculating up-to-date incentives on a daily basis.
- Individual compensation reports, available daily, for any given period.

CONTENTS

DATA INTEGRATION AND AUTOMATION OF INPUTS AND OUTPUTS

In large sales organizations—with multiple HR, sales and financial systems—an SPM solution should automate data flow between systems, with customized data models that fit organizational needs. Non-technical business users should also be provided the tools to map and transform data for use in the SPM system.

Some typical requirements in this context include:

- Support for inbound feeds from multiple financial systems.
- Direct and scheduled data imports.
- Automated data scrubbing inside the SPM system (rather than requiring data file manipulation ahead of time).
- Support for smart field mapping.
- Intelligent handling of import failures.

CONTENTS

AGILE AND FLEXIBLE COMPENSATION PLAN CREATION

Building and rolling out incentive plans is at the heart of any SPM system. At large sales organizations, compensation administrators need to simultaneously handle a wide variety of payees, manage exceptions, test new plans before launch, and efficiently assign individuals to plans. Clearly, a one-size-fits-all approach is not viable, yet neither are hundreds of individual fixed compensation plans.

Instead, an SPM solution for large organizations requires extensive agility and flexibility, including for efficiently meeting the following common requirements:

- Calculate and make compensation payments on differing schedules (weekly, monthly, quarterly, annually, etc.).
- Make payments to different individuals or groups with terms that vary according to their title or role.
- Assign an individual participant to a compensation plan directly or based on their title or role.
- Prorate payouts based on the recipient’s time in plan.
- Work the same day but at a different time.
- Calculate compensation on a transactional or summary basis.
- Manage exceptions for transfers, promotions, guarantees, etc.
- Ensure complex incentive plans are simple to create and change.
- Model and test changes to compensation plans, including rate tables, variables, reporting, etc.
- Calculate “what if” scenarios to project commissions based on different revenue scenarios.
- Support multiple currencies throughout the system for coherent data consumption, calculations, and reporting.

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CONTENTS

CREDITING FLEXIBILITY AND AUTOMATION

Highly unique and complex sales crediting rules need to be applied to large numbers of sales transactions in large-scale, global companies.

Essential crediting requirements in such organizations include:

- Easily load and maintain crediting rules.
- Rollups—assign transactions and roll crediting up a hierarchy from any level.
- Assign credit to all members of a team at the transaction level.
- Treat the same transactions in multiple ways, in accordance with business rules.
- Split credit for a single transaction.
- Automatically reassign transactions to sales reps when territory assignments change.
- Handle overlays by sharing transactions across multiple payees.
- Schedule full or partial crediting runs, limited by period or specific date ranges, including incremental or delta processing.
- Update credits retroactively or within a given period.

CONTENTS

ADAPTABLE HIERARCHY MANAGEMENT

Large sales organizations handle complex and dynamic hierarchies of payees, territories, products, and compensation.

Requirements vary between companies, but here are some of the common needs:

- Create and maintain compensation plan hierarchies of any size and for any dimension (payee, position, role, product, territory, account, etc.).
- Support an unlimited number of relationships between payees, including rollup, matrix, dotted line.
- Automatically assign payees to a hierarchy.
- Extend hierarchies with new levels, ensuring all hierarchies are date-effective.
- Easily manage arrears and the necessary retroactive data changes.
- Maintain historical credits, pay, or reporting regardless of hierarchy, role or work schedule changes.
- Support an additional report-based security hierarchy.

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CONTENTS

TIMELY REPORTS FOR CROSS-FUNCTIONAL TEAMS

Reporting and analytics requirements are wide ranging and include what Gartner calls “standard out-of-the-box” and customized options. These can include commission statements and quota attainment, team and ranking reports, or operational assessments such as compensation effectiveness. All of these types of reports should be easy to independently create and customize.

The following are some of the top requirements of such reporting, but by no means is this an exhaustive list:

- Provide payees with frequent updates on their earned compensation.
- Allow payees to easily view, understand and drill down into their compensation payouts.
- Report on compensation processing issues such as exceptions, adjustments, manual overrides, etc.
- Track and report on employee, team and organizational performance (attainment versus targets).
- Export compensation information to external reporting systems.

- Produce reports for accruals and finance needs, as well as year-overyear trends in growth, revenue, etc.
- Include validation reporting to track changes in operational effectiveness.
- Display both preliminary and final compensation statements.
- Append reports with supplementary or more detailed information.
- Use templates or customized examples to streamline report development.
- Easily add and customize reports and dashboards.

CONTENTS

AUTOMATION OF WORKFLOWS AND APPROVALS

SPM operational processes include the creation, distribution and approval of plans, as well as payments, inquiries, and quota and territory changes. In large organizations, workflows for these processes involve multiple steps and personnel for decisionmaking and approvals.

Here are some of the most common workflow requirements:

- Multi-level workflow approval and dispute resolution capabilities.
- Inquiry submission within the system, such as through a link embedded in pay statements that automatically opens a ticket.
- Compensation plan and goal sheet routing, approval, and acceptance.
- Reduced turnaround time (response, resolution, closure) for inquiries, approvals, dispute resolution, and other employee interactions.
- System notifications and reminders regarding aging requests.
- Auditable review and tracking of the approval and inquiry processes.

CONTENTS

MANAGING SALES TERRITORIES

Sales territory management is important for both sales optimization and credit assignment. Tracking territory changes over time, for example, is critical for accurate compensation of sales representatives. As an organization grows larger, managing such territories and associated crediting rules requires increasing agility.

The key territory management requirements of large organizations are as follows:

- Support territory-specific rollup or rolldown hierarchies.
- Frequently and easily change hierarchies or create new ones, without a need for IT support.
- Reassign users to territories as needed, while ensuring continuous and accurate transaction dating.
- Define and update overlay rules.
- Support territory hierarchies and complex definitions, with inclusion and exclusion rules, and date-effective assignments.
- Assign territories retroactively or in-period.
- Create or update territories easily, with an intuitive user interface or bulk load capabilities.
- Model territories using historical and current data.

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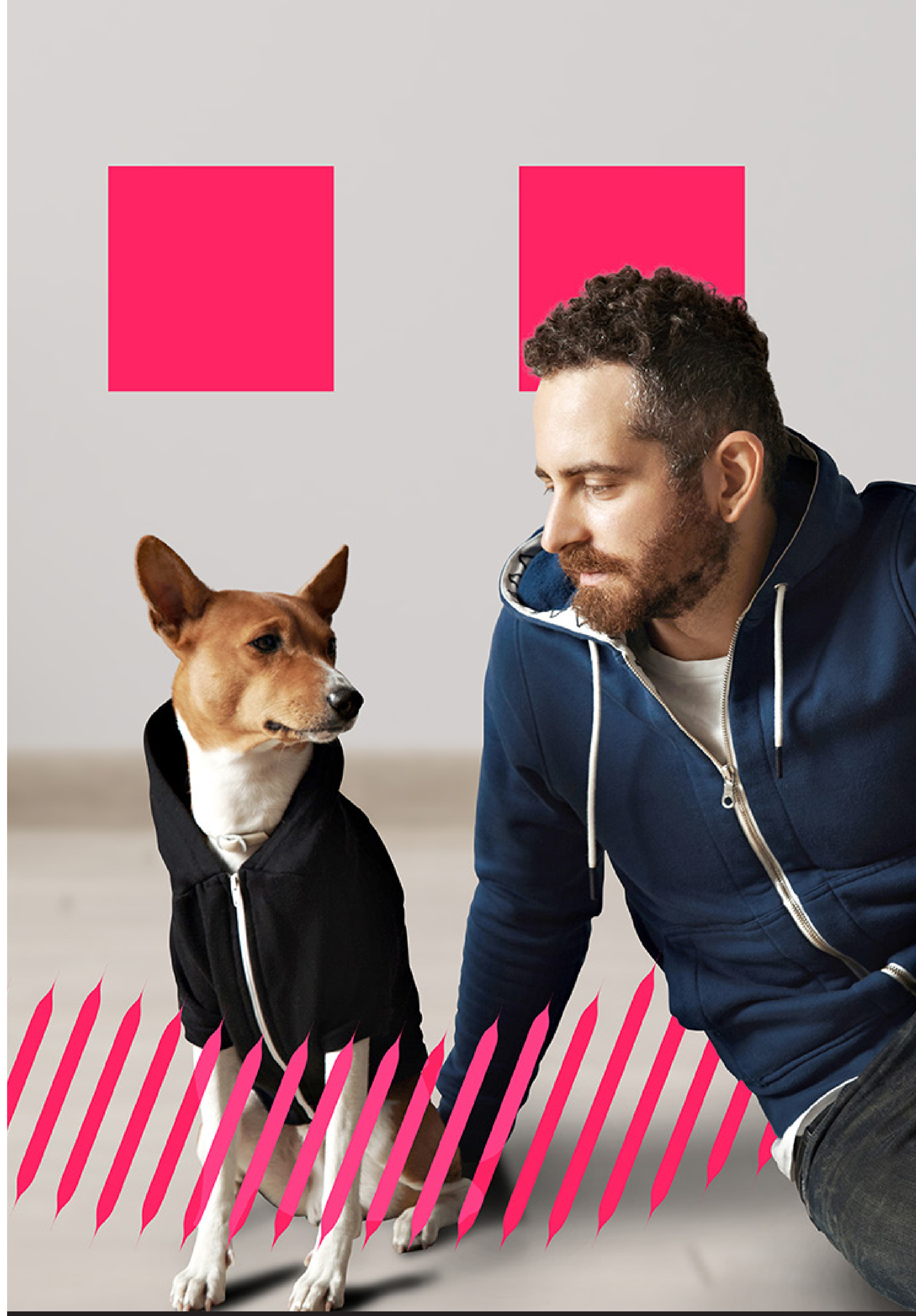
CONTENTS

SETTING SALES QUOTAS

Setting sales quotas is a leading challenge for most organizations. According to Sales Globe, for example, 30% of companies do not have defined sales quotas ready at the beginning of the year.

The following are some of the common quota requirements large sales organizations expect their SPM solution to address:

- Handle multi-tier quota hierarchies and support version control for changes.
- Set quotas for various parameters (last 12 months, multi-year averages, multiple-year trending, weighted or equal splits, AOP targets, etc.)
- Assign quotas based on historical performance, mathematical formulas, predefined business drivers, multi-year averages, and other factors.
- Set and spread quotas via both top down and bottom up.
- Set revenue-based quotas in accordance with each payee's local currency.
- Model quotas using historical and current data.
- Define quota thresholds and rate tables tiers based upon defined quotas.
- Automatically incorporate quota information in compensation plan acceptance and approval processes.



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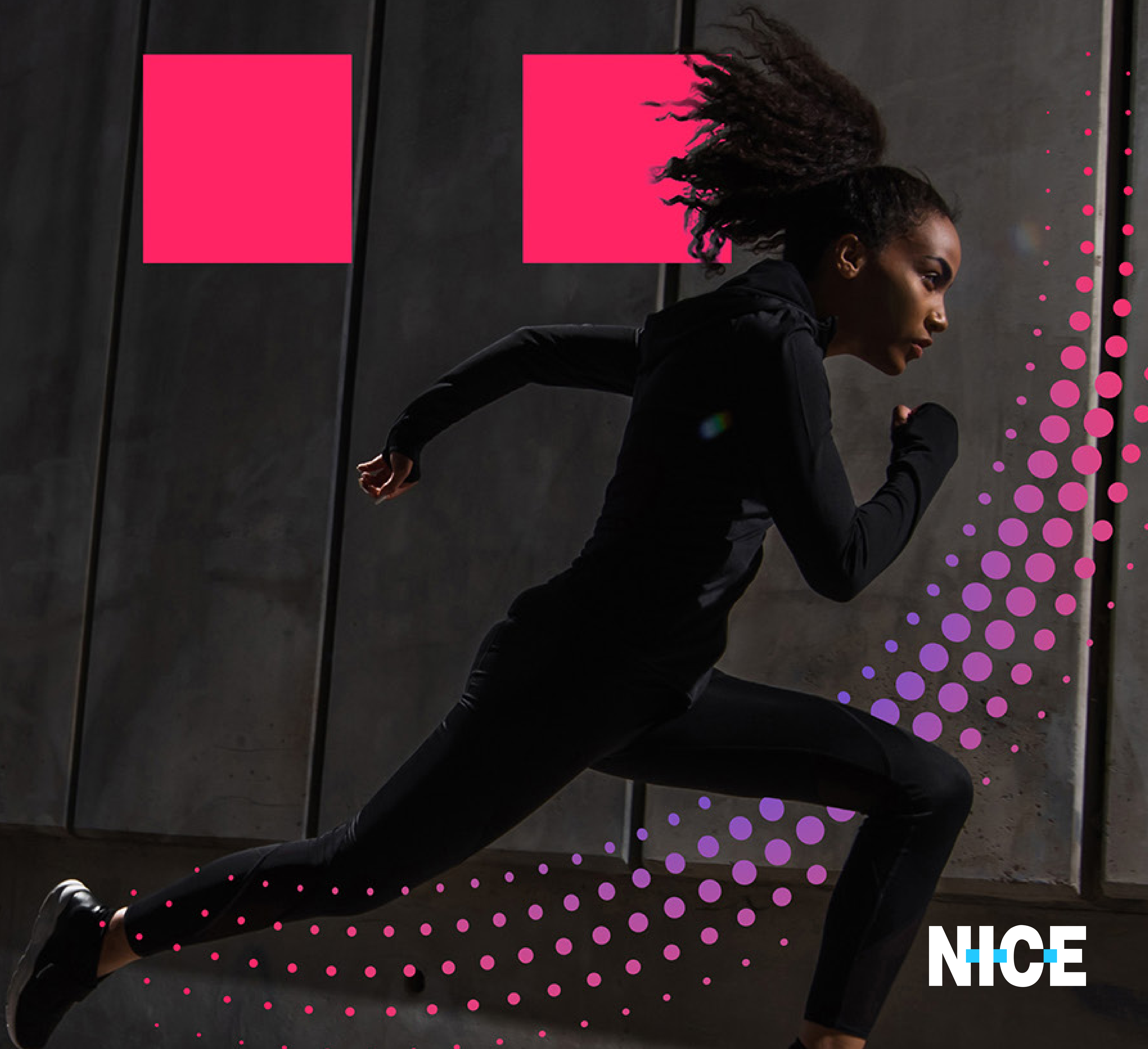

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