



GENERATING **HIGH TECH** IMPACT



Sales commission plans: How stronger operations drive sales and finance

Sales finance executives and staff members face the arduous task of creating and administering appropriate compensation plans for sales teams, while simultaneously controlling costs. But by using industrialized operating models - purpose-built processes, a targeted technology platform and data enhancements, they can devise compensation plans to efficiently handle the growing volume and complexity of sales operations, without a corresponding increase in administrative costs — while clearly showing whether incentive schemes are truly effective.

Sales finance executives carry a weighty, multifaceted responsibility. They must ensure that compensation plans for their sales teams create the right incentives and that payouts are accurate and timely. They must design, administer, and track a stunningly complex array of plans that, if improperly managed, could result in revenue leakage of many millions of dollars. They must grapple with hefty volumes of data, numerous exceptions, and inputs from legacy systems used by cross-functional teams, resulting in dependence on manual calculations, high operational costs, and the possibility of financial control failures. They must estimate commission disbursements and report them to corporate finance to enable accurate financial planning and reporting. And they must analyze the effectiveness of their sales force to boost productivity and appropriately reallocate and realign resources and targets.

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Ambitions versus reality

Industry research indicates that forward-thinking organizations approach these issues with processes and tools built specifically to design, approve, automate, govern, and manage the sales commission process. For example, a recent survey¹ states, “The trend in all areas of incentive compensation, from planning to administration, is to put a greater emphasis on developing formal, repeatable and well-documented processes. Technologies ... play an increasingly important role.”

Yet Genpact’s research shows that most of the “solutions” in the marketplace are one-

off, nonintegrated, people- or technology-only offerings that focus primarily on the variable-compensation component of the sales commission. Businesses can gain a greater return by integrating three critical areas: variable compensation, analytics, and sales force effectiveness. The best way to address the entire spectrum of sales commission-related challenges is to embrace industrialized operations — a holistic combination of specialized process design, global operations, targeted technology, and advanced analytics.

Creating efficient, effective, and accurate variable-compensation plans

When sales finance executives calculate variable-compensation payouts based on company-designed formulas — the norm today — they are attending to only one piece of a dizzyingly complex sales commission plan. Efficiency, effectiveness, and accuracy are achieved only when payouts are properly, automatically connected to all the sales processes that impact incentive calculations, both upstream and downstream. These include planning, budgeting, accruals, and sales adjustments for different products, services, and geographies (see Figure 1.)

Organizations that robustly integrate all these sales-related processes can achieve significant results. For example, a major U.S. high-technology company — with 1,800 complex sales plans constituting an annual payout of approximately US\$320 million — has reduced the time it spends assigning sales orders, issuing quotas and plans, calculating compensation, and paying out payroll by 3,000 hours annually. Additionally, it is saving US\$350,000 a year through a robust validation structure and has improved its payout accuracy from 88 percent to 99 percent.

¹ 2012 Sales Performance and Technology Survey sponsored by WorldatWork and OpenSymmetry

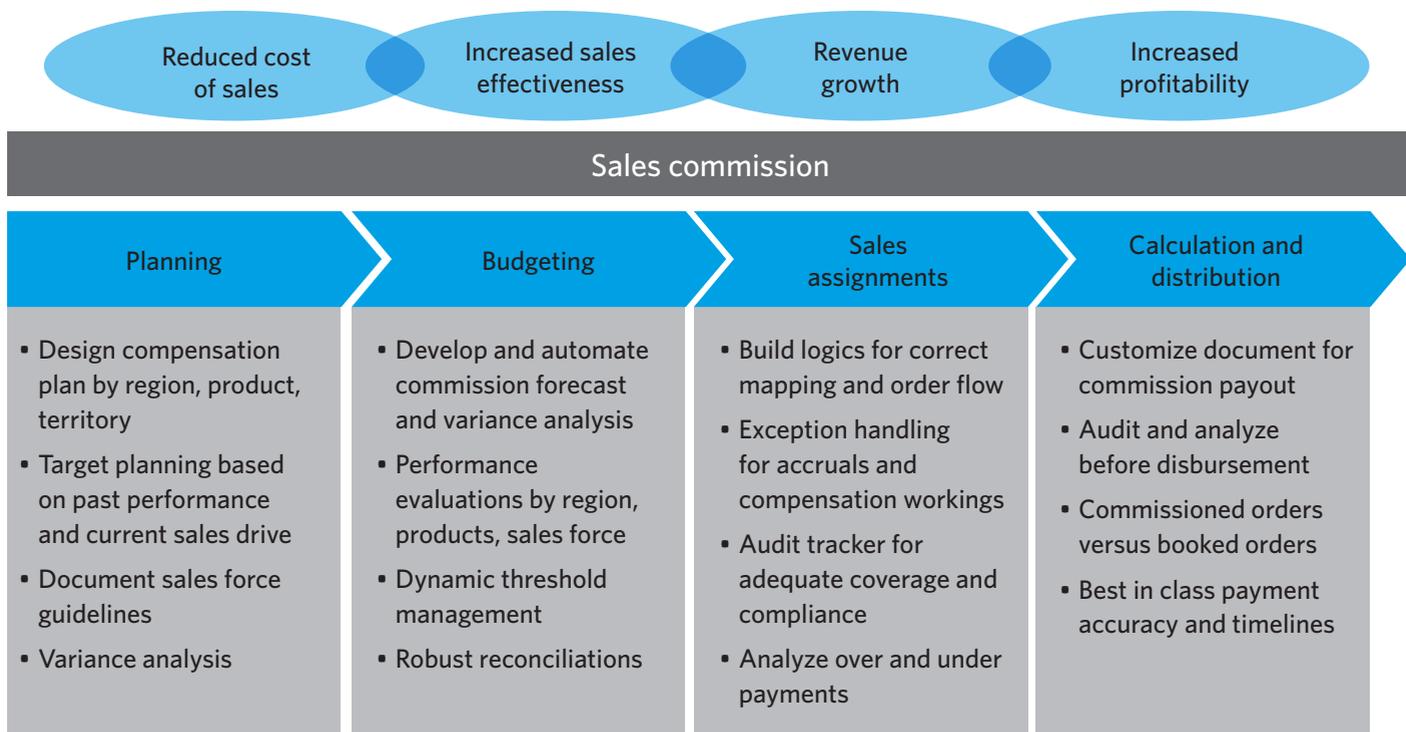


Figure 1 - Sales commission process overview

Leveraging analytics in a practical way

Most businesses are encumbered by overwhelming sales data and have, at best, substandard tools for the timely, in-depth scrutiny they need to make informed decisions. This leaves decision makers lacking critical insight into which regions, products, segments, and agents are performing well from a sales organizational standpoint and which of them require attention. This also hinders their analysis of deal profitability.

But those who apply expert analytical capabilities can reap substantial rewards.

For example, a U.S.-based water and chemicals major with a sales force of 1,200 had a high cost of sales and urgently needed to examine the effectiveness and efficiency of its sales team. The solution was a change in analytical methodologies that enabled the company to reduce its sales force compensation by 4 percent while increasing revenue and profitability. And a leading energy and utilities company saw a great return by streamlining its sales and finance processes and

adding a unified technology solution to manage commissions for a sales force of 3,000 across 18 P&Ls and 24 legacy systems.

The way forward: Enhancing the sales commission operating model delivers an effective sales force, not just operational savings

Effectiveness is of paramount importance. Yet few businesses have the resources to holistically itemize and analyze the effectiveness of their sales force by individual, by territory, and by product or service line. Lacking such data, they are unable to pinpoint the people and areas that need remediation.

In our experience, enterprises gain optimal benefits when they leverage a targeted technology backbone that enables analytics-driven decisions. This helps them systematically track performance and improve the productivity of their sales force to shorten the sales cycle.

Process design, technology, and data analytics working together are the tools businesses need to consolidate their complex sales finance operations without breaking the bank. Not only does this promote greater accuracy in calculating and disbursing commissions, but it also provides rich information to drive behavior and improve the sales team's performance.

Organizations can indeed transform their sales commission programs from bane to boon — reducing costs by up to 6 percent even as accurate and timely payouts result in a more satisfied, more stable and more productive sales force. It's as simple as engaging purpose-built processes and appropriate technology to design and administer efficient sales commission plans, automate most activities, bridge functional silos, and harness analytics for informed decisions.

Genpact domain experts support the sales-compensation planning and administration requirements of a wide variety of clients. The company also has a proprietary, modular sales-compensation analytics tool that addresses:

Order analytics	Regional analytics	Variable compensation	Sales force effectiveness
<ul style="list-style-type: none"> Orders/ sales management Order analytics by business segments Target and actual analytics 	<ul style="list-style-type: none"> Regional business performance Target and actual variance by regions Top deals and customers analysis 	<ul style="list-style-type: none"> Compensation payment for sales force and distributors P&L and regional payments Incentive statements and dispute analysis 	<ul style="list-style-type: none"> Performance reporting Effectiveness tracking Scope normalization Territory realignment

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About Genpact

Genpact Limited (NYSE: G) is a global leader in transforming and running business processes and operations. We help clients become more competitive by making their enterprises more intelligent: more adaptive, innovative, globally effective and connected. Genpact stands for Generating Impact for hundreds of clients including over 100 of the Fortune Global 500. We offer an unbiased combination of smarter processes, analytics and technology through our 62,000+ employees in 24 countries, with key management based in New York City. Behind Genpact's passion for process and operational excellence is the Lean and Six Sigma heritage of a former General Electric division that has served GE businesses for 15+ years.

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