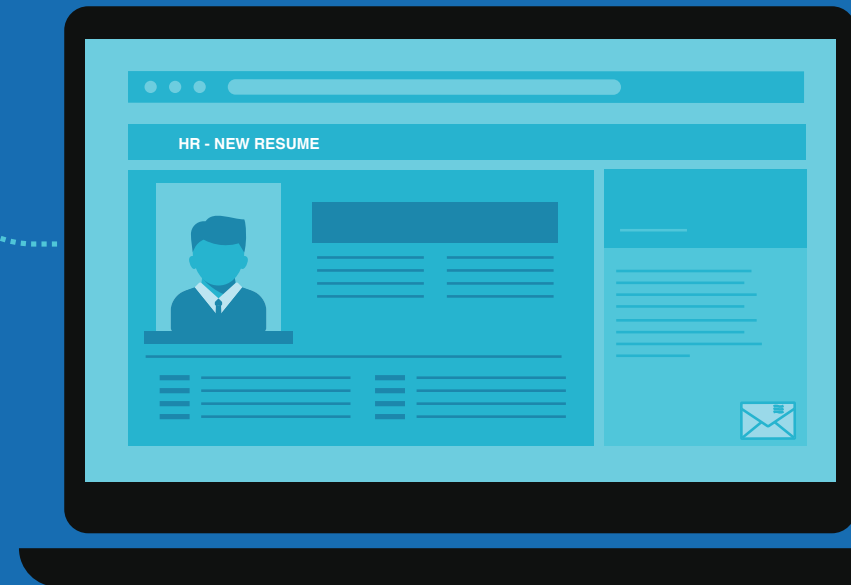


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A global compensation approach to incentive compensation design

Creating an HR and sales partnership to drive sales retention and revenue growth



Many sales organizations are struggling with implementing a successful performance plan. The intention for success is there, from the SKOs (sales kickoffs) to the many discussions between sales leadership and regional teams. But when it comes to executing that plan—one that drives the right sales behaviors to meet the right sales goals to drive the business objectives forward—the gap between target and delivery is often a wide one.

A typical planning scenario we see within the sales force is one in which the sales team is almost unanimously excited about the new year ahead, with a new plan launched and new targets. Yet even as the new plan is launched, it still remains unclear how the new targets will be achieved. By the end of Q1, sales targets still have not been released, and territories and accounts are tentative and likely to change. By the time the impact of the new plan is clear, many salespeople have missed their Q1 number and are already behind in Q2. Additionally, some see their payout from the previous Q4 delayed, pending manual calculation of clawback. By early Q3, it is not uncommon for many in the sales team to become either disillusioned or disengaged. Some of the highly sought-after reps don't wait around for the process to improve and decide to leave.

Sound familiar? This self-afflicted attrition of good people means that a severely under-resourced sales team needs to hire and train new talent again—all mid-year after experiencing yet another poor start to the year.

In this paper, we will discuss how to prevent this unwanted yet all-too-common scenario by looking at the following three key concepts and practical approaches:

- View incentives as part of a wider system of planning and sales force management
- Review the incentive design process itself
- Incorporate a wider HR planning and design process



Make incentives part of the wider sales planning process

From the situation previously described, we can see that incentive design is only one part of a wider consideration of reward, workforce planning, and financial planning, which all include targets and territory allocation. This complex system is typically reduced in agility and accuracy by the lack of technology and capability due to the use of spreadsheets—an approach still used by the majority of companies.

If we think about context, sales compensation is part of a much broader-based employee lifecycle that helps drive the right behaviors in a sales team. Compensation then becomes a key part of the four stages of people planning:

1. **Talent acquisition**—where compensation is a key element of successful recruitment, along with workforce planning
2. **Talent development**—where elements include skills development, learning programs, and career path planning
3. **Deployment**—where elements include headcount planning, cost planning, and project planning
4. **Retention**—where elements include succession planning and retention planning

Within this context, we see the sales force as part of a wider system of resource management. With the right technology, this ecosystem can be managed with greater transparency, robustness, and contingency—and with the visibility gained into where gaps exist between sales goals and performance and the headcount plan, your HR and sales departments can drive synergies to ensure sales capacity and sales performance match. This can be achieved through a planning platform that spans across all part of the business, enabling your organization to course-correct to drive efficiency within the hiring process and enhancing your sales force performance as a result.



Enhance the incentive compensation design process

Developing the right **incentive compensation design** has to be a cyclical and structured process. For us, it contains three key features: (1) a planned process that starts two to three months before implementation; (2) a diagnostic review of current plan performance, followed by a design process involving the relevant stakeholders, and (3) an implementation phase that includes clear communication of any new plans, targets, and accounts. Sales teams like certainty and predictability around compensation and opportunity.

To deliver an effective plan design requires consideration of all moving parts, with selling styles, sales cycles, and desired sales behaviors all being critical. A principle-based approach is the most successful one. Principles should include:

- **Organizational.** How is the incentive plan linked to company goals and measurability? To what degree is the performance leading to payout measured? As an example, if margin is being rewarded, can the margin effectively be calculated? Or if customer satisfaction is being rewarded, how rigorous and accurate is the measure? Flexibility is also important—how quickly the company can course-correct incentive design or targets is key.

- **Motivational.** Not all sales people are motivated in the same way—newer performers may need different drivers than veteran top performers. Regularly review the level of opportunity and differentiation between high, on-target, and low performers.
- **Behavioral.** This includes the degree to which individuals can deliver against the plan given their role, the degree to which team behavior and performance is rewarded, and the degree to which the plan is simple, transparent, and comprehensible.

Effective use of technology enables scenario planning and stress testing of plans so that there can be confidence in the design. With a cloud-based planning platform, sales organizations can take into account past performance, historical data, as well as predictive analytics to gain accurate foresight into how to better design incentive plans to drive the right sales behaviors to meet larger business objectives.

The icon features a central teal gear with a white dollar sign inside. Surrounding this gear are several smaller icons: a gift box, a group of three people, a calendar page with the number '1', and several horizontal lines representing lists or documents. Dotted lines connect these peripheral icons to the central gear.

Connect incentives to the broader sales management process

Incentive compensation sits in the middle of two areas that are involved in wider compensation management and planning. The first is rewards, which is housed within HR. Within this is the consideration of incentives—the motivational mix of base pay, equity, benefits, and other bonuses. Effective rewards design depends on benchmarking against the market so you are competitive, but also understanding the role that paymix will play in encouraging particular selling behaviors, which leads to a wider set of reward planning activities.

With a more frequent cadence, compensation also fits within the area of sales performance management (SPM). This includes sales capacity planning, account segmentation, territory planning, target/quota planning, sales forecasting, crediting, and accruals. Companies are looking for speed, agility, predictability, optimization, and alignment.

SPM technology needs to integrate within the wider technology map of CRM, marketing, sales order management, HR, and finance systems, but is often managed in many sales point solutions. If the key elements of SPM design can fit within one platform that not only improves management capability, but also improves visibility and collaboration across teams and departments, then incentive design and modeling, territory planning, and quota design linking finance and workforce planning on one platform is a very powerful capability indeed.



Use a comprehensive approach to drive sales incentives and performance

So now, picture the new reality made possible by the deployment of the right SPM technology. The sales force is excited about the new incentive plan and targets. They know, as usual, it is going to be a challenging year. But with this new reality enabled by technology, the incentive plan is fully built out and tested, territories have been realigned, account reallocation completed, and, on that basis, quotas have been set that are balanced and fair across the sales force.

And in the first week of the new fiscal year, sales operations leaders are able to present worked-through case studies and models showing predicted, more accurate plan payouts given the different levels of individual and team sales performance. The right technology platform can provide powerful “what-if” scenario modeling and payout predictions by taking into consideration historical data and, most importantly, future expansion strategies or uncontrollable market changes. And

with an effective integration, the organization is enabled with accurate dashboarding, driving executive and frontline alignment, visibility, and trust—allowing sales to focus on the selling that enables them to achieve Q1 targets and beyond.

A virtuous circle now has momentum—in the right direction.



About Us

Anaplan is driving a new age of connected planning. Large and fast-growing organizations use Anaplan's cloud platform in every business function to make informed decisions and drive faster, more effective planning processes. Anaplan also provides support, training, and planning transformation advisory services. Anaplan is a privately held company based in San Francisco with 16 offices and over 150 expert partners worldwide. To learn more, visit anaplan.com. Follow us on: **Twitter**, **LinkedIn**, **YouTube**, and **Facebook**.



About OpenSymmetry

OpenSymmetry is the world's largest independent consulting company specializing in the implementation of sales performance management and incentive compensation management solutions. We have helped over 500 organizations plan for, select, deploy, and benefit from technology supplied by the industry's leading vendors, resulting in reduced costs, increased revenues, greater visibility and lower risk.

As an Anaplan partner, we help organizations across multiple domains, including Incentive Compensation Management (ICM) and Financial Planning and Analysis (FP&A), see a broader solution allowing for expansion and unstoppable "enterprise planning" success. To learn more about OpenSymmetry and Anaplan, please visit www.opensymmetry.com/anaplan. You can also find us in the [Anaplan App Hub](#).

For more information around how OpenSymmetry can help your organization, contact us today.