SAP® Sales Cloud

Using Spreadsheets for Incentive Compensation Management?

Here Are the Top 12 Things You Are Missing

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Do you use spreadsheets to manage your incentive compensation management?

While there are no initial setup costs for spreadsheets, plenty of hidden costs and risks will end up causing you to leak money. It may be in errors and overpayments, low sales productivity, shadow accounting, data security risks, or even penalties for noncompliance with Accounting Standards Codification Topic 606 (Revenue from Contracts with Customers) or the Sarbanes-Oxley Act of 2002. You'll also miss out on key features incentive compensation management (ICM) applications deliver from the moment they are implemented.
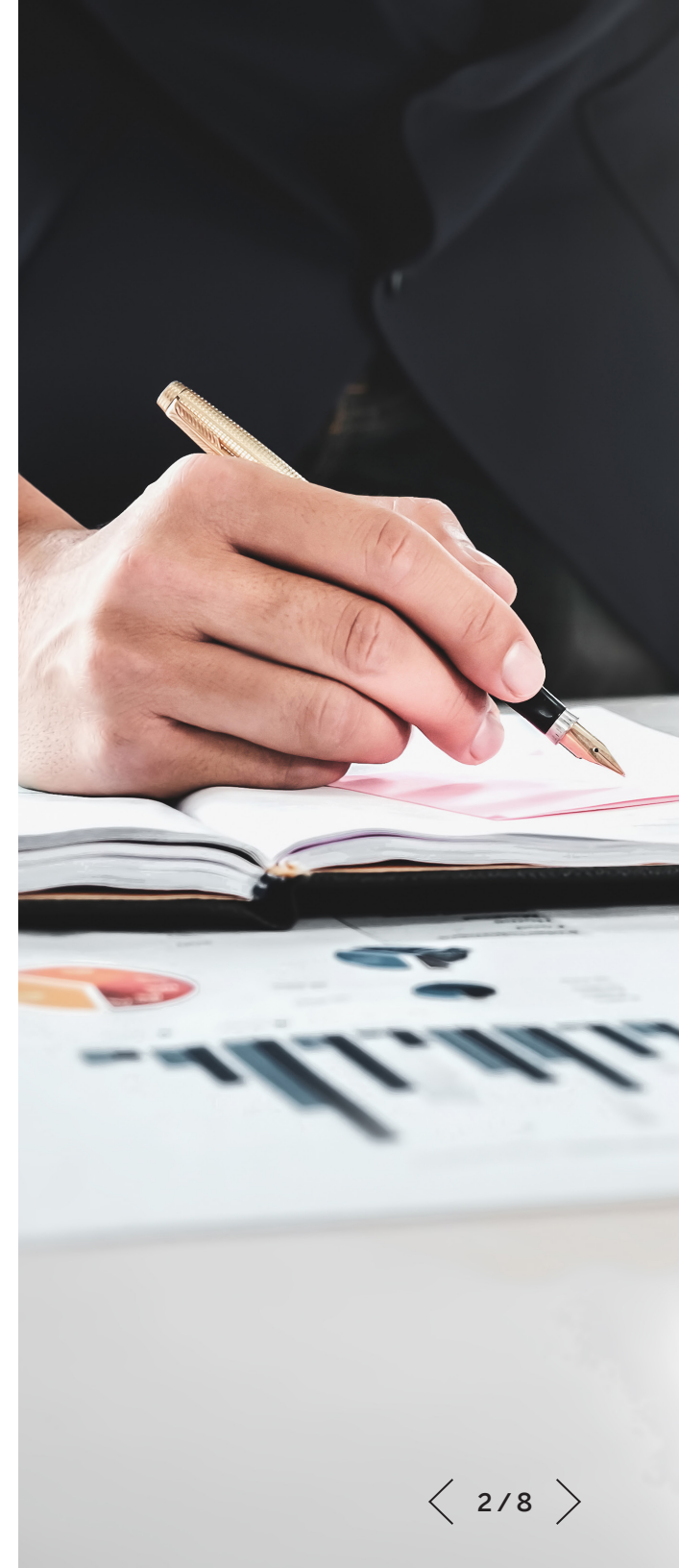
To compare the effectiveness of spreadsheets and ICM applications for addressing your business problems, we put together this table:

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	Business Problem	Spreadsheets	Incentive Compensation Management Applications
	Slow speed of calculation	It takes months to calculate commissions for large organizations.	**Companies pay their sales forces as often as they want – monthly, weekly, even daily.**
	Lack of confidence in calculation results	The formula range could be incorrect, manual errors might creep in, logic may not fire correctly – all leading to incorrect payouts.	**Results are 100% consistent, always. Error rates drop from between 3% and 8% all the way down to 0.1%.**
	Difficulty in resolving compensation disputes	Sales reps raise disputes through calls, e-mails, or even in-person visits to the compensation plan administrator. Disputes, investigations, and adjustments must be conducted manually and are difficult to track and audit.	**Prepackaged workflows route disputes to the right administrator, who can investigate and settle disputes in seconds.**

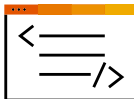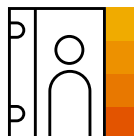|	Business Problem	Spreadsheets	Incentive Compensation Management Applications
	Lack of visibility on payouts and performance for sales reps	Administrators must manually e-mail compensation reports on current payouts to the sales force.	**Dashboards and prebuilt reports for sales reps and sales managers provide real-time visibility into historical, current, and future states of payouts and performance. They are accessible anytime, anywhere.**
	Limited reporting on sales performance and compensation spends for sales operations, finance, and sales leadership	Data is siloed across multiple spreadsheets. Report building requires a lot of manual work. A complete picture is often challenging to get.	**A library of graphical, prebuilt reports tracking historical and current spends and trends across business units provides a holistic view of sales data. A report writer within the solution allows quick creation of custom reports.**
	Complex compensation plan design, including SPIFs, bonuses, draws, accelerators, and thresholds	Advanced Microsoft Excel skills and formula writing are required to build different compensation elements. Plan logic can be flawed so it may lead to inaccurate calculations and results.	**Prebuilt plan components and a drag-and-drop interface mean plans never have to be built from scratch. Preconfigured plan logic ensures every plan calculates accurately.**
	Inaccurate payment of new hires, recently promoted staff, overlays, teams, and channel partners	All "people" data must be manually entered from the HR system. Paying accurately over complex and indirect relationships can be cumbersome and next to impossible.	**People data is automatically pulled from the HR system in real time. Drag-and-drop options assign credit accurately across complex roles and relationships.**

	Business Problem	Spreadsheets	Incentive Compensation Management Applications
	Difficulty modeling incentive compensation plans and bonuses to understand their impact before going live with them	Manual data loads and complex formula writing are required to build models. The models are time-consuming to build, require advanced Microsoft Excel skills, and have severe limitations.	**Prebuilt modeling and forecasting functionality allows users to model and compare impact of comp plans, incentives, and bonuses side by side through a simple point-and-click interface.**
	Integrating with CRM; ERP; analytics; configure, price, and quote (CPQ); and other business software	Spreadsheets are disconnected from business software systems. All transaction and people data must be manually collected and factored into calculations.	**Connectors prebuilt for the top CRM, ERP, HR, CPQ, and analytics solutions connect sales data directly to these systems. Sales reps can access all commission information within their CRM software. Administrators can spend less time pulling and pushing data.**
	Incurred risk around auditability, Sarbanes-Oxley Act of 2002 compliance, and Accounting Standards Codification Topic 606 (Revenue from Contracts with Customers)	Multiple, large, distributed spreadsheets are error-prone and hard to secure, monitor, and audit. If external auditors find significant errors in spreadsheets it can quickly lead to delayed earnings, impact on the stock price, and even restatement of earnings.	**Incentive compensation management (ICM) software supports complete auditability. Audit logs record who did what and when for every object in the system and granular traceability for every calculation. They give visibility into current and future commission costs for proper accounting treatment.**

	Business Problem	Spreadsheets	Incentive Compensation Management Applications
	Demands from sales force for mobility	There is no mobile capability.	**Dedicated mobile apps allow sales reps to see real-time payouts and performance even when they are in the field.**
	Scalability	Handling more than 70–75 sales reps on spreadsheets can be a high-risk administrative nightmare.	**Tested and proven ICM systems automatically scale to support your growing business across multiple business units, geographies, currencies, and languages.**

Conclusion

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Spreadsheets are error-prone, labor-intensive, and do not give your stakeholders – sales reps, sales management, finance, or leadership – the visibility they need to maximize sales productivity while controlling costs. They also come up short on speed and efficiency, while posing high compliance, scalability, and security risks.

Spreadsheets are an inefficient way of handling a strategic instrument like incentive compensation, which, when well-managed, can be used to drive top-line growth.

Want to find out about tried and tested incentive compensation management solutions? Check out the SAP® Commissions solution.

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