

Anaplan



Navigating change: keys to a more resilient sales compensation strategy

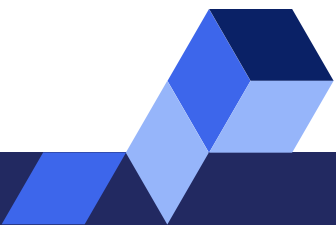


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CHAPTER 1

Adaptability: Change is constant

In the world of sales, change is a reliable constant. Experienced salespeople leave the company and new recruits join; companies get acquired and business units get restructured; and new products and services get launched. The recent economic downturn related to the coronavirus pandemic brought yet another wave of change for many sales teams, with ripple effects that continue to be felt throughout markets and supply chains around the world. For revenue leaders, it is critical to find an efficient way to manage these changes, so you can focus on more strategic efforts.

According to [research by the Alexander Group](#), sales teams in a variety of industries have shortened their planning cycles in 2020, with changes to compensation including incentive pay guarantees following closely behind.

As sales reps know all too well, it can be extremely disruptive to make adjustments to a team’s compensation structure midway through the year. The ability to spot forecast risks, model and compare different paths forward, create contingency plans, and make justified changes to your compensation plans may help you maintain stability. Without these capabilities, you face a difficult set of choices when forced to confront change. You might choose to maintain the status quo, or you might feel pressure to make adjustments to your sales incentives scheme without evaluating all alternatives and selecting the best option. For example, if your company is looking to create incentives that encourage critical repeat business rather than costly new customer acquisition, options could include launching a new Sales Performance Incentive Fund or competition, or making adjustments to existing quotas, measurements, or

payout rates. With each of these options come tradeoffs. The last thing you want after implementing a set of changes is to have your sellers still focused on other opportunities, and ultimately not hitting the objectives of the business.

This still leaves an open question: Given any changes in market conditions or business objectives, which strategic compensation-related adjustments, if any, will have the right impact on your sellers? Part of this will be answered by your corporate culture. Are SPIFs and contests not part of your culture? Are some of your top performers on entirely commission-based plans?

Incentive compensation management (ICM) [software](#) like Anaplan can help you evaluate compensation plans against your revenue forecast, develop contingency plans, compare your plan to actuals in real-time and then take confident actions when nudges are warranted. Altogether, this helps make your organization more adaptable by enabling real-time analysis and communication, and allowing you to set your own parameters.

Pros and cons of common sales compensation program changes

Here are some of the most common compensation changes organizations have recently implemented. As with all plan adjustments, the risks need to be considered.

ADJUSTMENT	ADVANTAGES	RISKS AND MITIGATION STEPS
Guaranteed compensation	<ul style="list-style-type: none"> • Demonstrate commitment to salespeople • Boost morale and reduce attrition 	<ul style="list-style-type: none"> • Potential cash flow concerns • Ensure organization is in a strong enough cash position to support guarantees
Changes to plans or payment curves	<ul style="list-style-type: none"> • Create stronger alignment with current goals and objectives • Avoid overpayments 	<ul style="list-style-type: none"> • Drastic changes can frustrate and confuse sellers, and may lead to attrition • Develop a strong communication plan with leadership and sales reps
Quota or target reduction	<ul style="list-style-type: none"> • Boost morale with goals that are perceived as realistic and achievable 	<ul style="list-style-type: none"> • Potential compensation budget or expense concerns if too many

// Each year, 90% of all companies make changes to their sales compensation programs.

David Cichelli, Alexander Group

CHAPTER 2

Speed: Seconds matter

In the previous chapter, we discussed the importance of agility and adaptability in the face of the constant change that surrounds sales compensation. Being able to adapt quickly can become a competitive advantage.

If 2020 taught us anything about sales operations, it is that nimble teams can capture opportunity in a way that slow-moving teams cannot. For example, B2B sales organizations that were able to rapidly equip their workforces for remote selling were able to stabilize and grow revenue much sooner than those that relied on in-person channels.

This is easier said than done. One of the persistent challenges that many organizations face is in creating a unified compensation planning environment and managing disputes—particularly when sales teams grow through mergers and acquisitions. Administrators and team members get bogged down when they must move data across multiple disparate systems and ensure alignment with other revenue planning processes. A flexible platform for designing and managing sales incentives and reward programs can help.

Speed can come through several means; from efficient collaboration and communications, to well-designed operations, to constant analysis and data-driven insights. With these processes in mind, one way to increase the pace of your team is to reduce the calculation time for your comp planning. Many incentive comp administrators today rely on batch processing for calculations, which can slow teams down when they need to be working more quickly and efficiently. With real-time in-memory calculations, plan modeling can be done rapidly.

Speed is also valuable when it comes to visibility and collaboration. When a sales compensation solution is embedded with data visualizations and dashboards, it can be an effective motivational tool for sellers and a means of communication for the entire business, rather than a simple administrative tool. Whether you are looking to achieve faster interlock among finance, human resources, and sales leadership, or need to quickly influence the behaviors of salespeople, Anaplan can help.

Organizations want to be able to rapidly pivot when necessary, changing anything from messaging to overall strategy.

Craig Rosenberg, Co-Founder and Chief Analyst, TOPO

The effects of an efficient sales comp process

When processes move quickly, nearly everybody benefits.

Here's how:

	PAIN POINTS	HOW SPEED HELPS
Sales reps	<ul style="list-style-type: none"> • Comp plans may arrive after starting the new year, making it difficult to know where to focus • Payments may be delayed or inaccurate • Difficulty knowing where you stand against targets with deals closed and deals in pipeline 	<ul style="list-style-type: none"> • Comp plans arrive earlier, providing focus on the right opportunities • Maximizes revenue and earnings potential • Increases morale and performance with direct visibility to attainment and earnings data
Sales compensation administrators	<ul style="list-style-type: none"> • Clunky calculation and reporting processes increase labor costs and administrative delays • Complex programs can require manual efforts to support 	<ul style="list-style-type: none"> • Automated calculations and adjustments save time and reduce costs • Enables simple, real-time reporting • Prevents disputes by providing sales reps with real-time performance and compensation information
Sales leadership	<ul style="list-style-type: none"> • Slow processes are demotivating for sales reps and managers • Comp plan delivery after the start of the fiscal year results in inefficiency and limits selling time • Difficulty proving ROI of incentive compensation programs 	<ul style="list-style-type: none"> • Improves seller focus early in the period, increasing linearity and deal closure, and helping reps attain quotas • Reduced time between transactions and reporting or dashboarding leads to greater visibility into plan effectiveness
Finance	<ul style="list-style-type: none"> • Difficult to track sales comp budget • Delayed visibility into compensation accruals • Considerable time spent to evaluate plan changes 	<ul style="list-style-type: none"> • Provides real-time visibility into compensation accruals • Helps optimize compensation budgets and spend projections

CHAPTER 3

Connection: Bringing together incentive compensation with the entire revenue strategy

For all that has been said about managing sales incentives, these activities do not exist in a vacuum. As one of the largest expenses for the business, decisions made related to sales compensation have implications across the organization, not only for salespeople. Being able to accurately evaluate the upstream and downstream impacts of these plans—and changes throughout the year—is critical. Increasing collaboration across revenue operations, including sales, marketing, customer success, and other revenue-related teams, drives further efficiencies and more revenue potential.

For example, say you create an incentive to motivate sellers to sell widgets. They get 3x quota relief compared to selling anything else. Are your sellers already effective widget experts or do they need more education and coaching? Are marketing investments helping to promote widgets or are there efforts that could possibly conflict? Most importantly, if sellers focus on selling more widgets, how does that align with the near-term and longer-term strategic objectives set by your leadership?

The more connected your sales compensation is with the rest of the sales strategy, the faster you're able to identify gaps and risks, evaluate multiple options, and enact changes that put your sales teams back on track.

Consider how quota planning is tied with incentive compensation planning. Say your company has set a strategic goal to achieve 50% of its revenue from existing

customers in the next year, up from 30% in the previous year. This takes careful analysis to ensure that targets remain challenging but attainable, and that they are spread fairly across territories. But it will also take close collaboration with the compensation team to ensure that the right incentives are put in place for the right sellers. If sales capacity is the issue—i.e., there is not enough time, trained personnel, or other resource to meet this new objective—no amount of incentives will allow you to meet this goal.

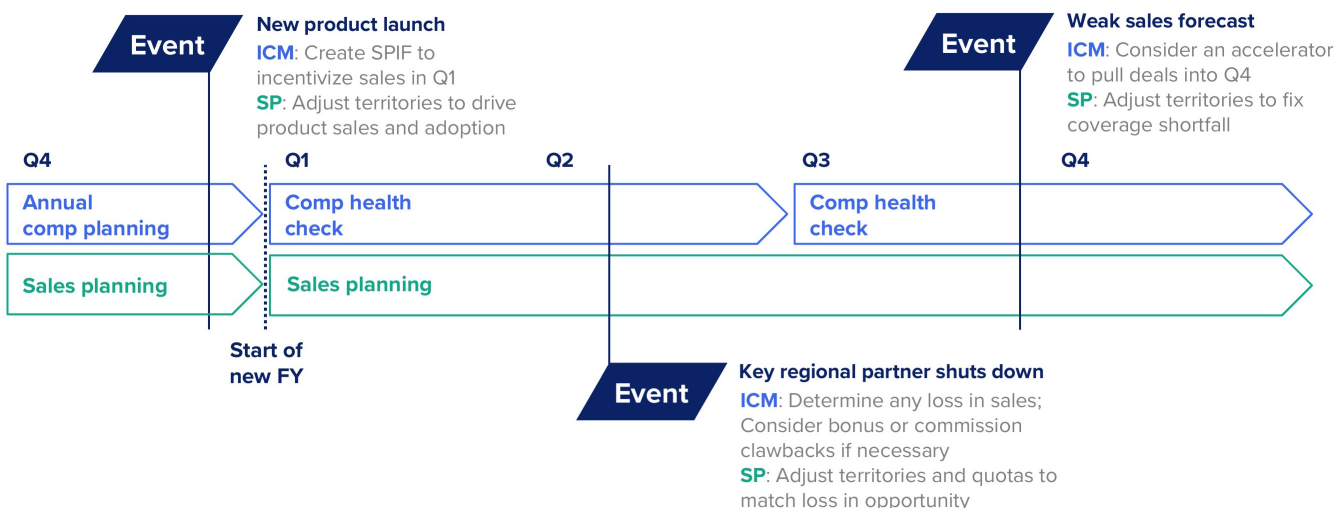
For better or for worse, incentives are a powerful point of leverage for leadership. Set your sellers on a path aligned with the rest of your revenue strategy and you stand a good chance of exceeding your goals. Motivate them in ways that are incongruent with your goals and plans and you will see the opposite effect.

All interested parties are looking at the same data now. Nobody on our team is spending their valuable time hunting down the correct numbers.

Karen Han, Director, Sales Finance
Zillow Group

When sales planning and ICM efforts intersect

Events throughout the year can necessitate shifts in revenue planning. It's best to be prepared.



CHAPTER 4

Anticipation: The ability to model anything

Let's face it: None of us have the ability to predict the future. Instead, one of the most powerful tools we have available is scenario planning, or the ability to simulate multiple possible future states.

With incentive compensation, there are endless ways to build plans, but there is no way to be certain what the outcomes of those plans will be. Will sellers hit their targets? How much will you pay this year in sales compensation? Will your organization hit its revenue goals?

Once the year begins, if any of these areas are not on track, the next question is what change(s) need to be made in order to make the compensation plans more effective. Even if all goals are met, new goals for the next year may require adjustments to your plans.

The ability to analyze and compare the impact of potential changes to your plans is pivotal, particularly when the [CEO economic outlook for Q3 2020](#) remains below historical averages. The more quickly and accurately you can perform this analysis, the more adaptable, and ultimately successful, your sales organization will be.

In the world of incentive comp, it's difficult to be adaptable ([see Chapter 1](#)) without the ability to model anything that influences the outcome of your sales compensation programs—headcount variability, quota attainment, plan adjustments, and more. By factoring in these variables, you can compare their effects on your forecast, and create

a plan to optimize their impact on corporate goals such as revenue targets or customer retention.

Understanding all of the possible implications of sales comp programs is not only important for budgeting and revenue purposes. Compensation is extremely personal to salespeople. Any adjustments to how people get paid can have a major impact on their behavior. This can (and should) be used as an advantage to drive sales performance, but it also needs to be managed and communicated appropriately. You want your sales compensation to motivate sellers to pursue the right deals.




Modeling and evaluating the potential impacts of your sales incentives from the seller level all the way to the organizational level empowers you to confidently design and deploy sales compensation programs that inspire your sales teams and achieve revenue goals.

You can go to a meeting with the CFO or CEO, and when they ask, 'what if we do this?' you can run those scenarios in real time.

Senior Director of Finance, ForeScout

New competitive product released—what's your best course of action?

Market changes can require sophisticated analysis and a rapid response. Scenario planning can help you quickly and confidently identify the right adjustments.

No action	SPIF	2x rate accelerator
<p>Adjustment: Keep plans and programs as they are. Anticipated outcome: Team misses revenue target because sellers have no motivation to change their behavior.</p>	<p>Adjustment: Create a \$1,000 incentive for every deal won for target product. Anticipated outcome: Team is motivated to close deals already in pipeline, but not enough to drive new pipeline, leading to a missed revenue goal.</p>	<p>Adjustment: Implement a temporary 2x payout rate accelerator for deals won for target product, above and beyond quota. Anticipated outcome: Reps work harder to sell product because of accelerator, and likely achieve their revenue goal.</p>
<p>Revenue target attainment</p> 	<p>Revenue target attainment</p> 	<p>Revenue target attainment</p> 

CHAPTER 5

Prediction: Becoming less reliant on historical data

In a typical sales planning period, past results provide the backbone for setting performance expectations and informing any shifts in go-to-market strategy. For many businesses around the world, 2020 was far from typical, and the effects continue to be felt. Historical performance data has quickly become unreliable, and many CFOs at publicly-traded companies have adjusted their financial guidance—or given up with providing guidance altogether.

As we've mentioned (see Chapter 3), incentive compensation planning does not stand on its own well. The success of compensation programs depends on sales performance. Everybody involved in sales operations might start a new year by asking these two questions: First, do individual reps have a high probability to win enough deals to meet their quota? Second, is there enough opportunity collectively to reach our revenue target?

Successful and motivating compensation plans need to work in both ways—reward reps but also meet sales targets. You can balance these two objectives beginning with a predictive quota planning model. By developing targets and quotas based on total addressable market (TAM), margin and growth metrics, you can make sure you're covering grounds to reach your targets. At the same time, you can identify coverage gaps and adjust plans or create incentives and rewards to help with the shortfalls.

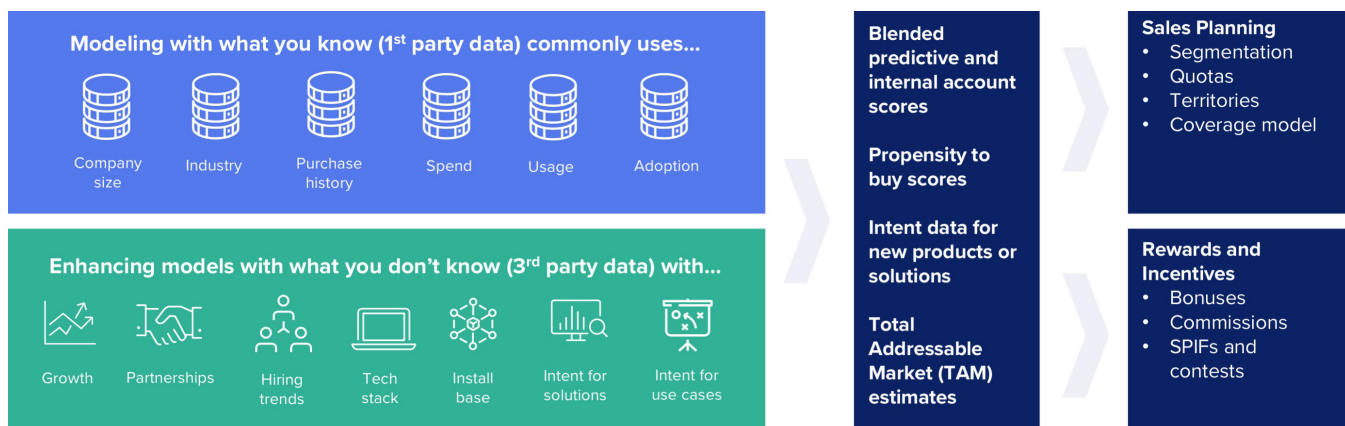
Predictive insights and buyer intent data can help by providing a view into a prospect or customer's propensity to buy. This helps compensation managers analyze potential friction that sellers might encounter, and explore and build incentives and rewards around pockets of opportunity. You can motivate sellers by directing focus to highly targeted segments, for example:

- High propensity markets in new regions or territories where you're looking to expand.
- Segments of accounts that have complimentary technologies in their tech stack.
- Accounts that show use case-specific intent signals or have initiatives in place that are relevant to your business.

With these insights, you can focus your sales team's efforts on areas of growing opportunity, and more closely align your compensation planning with other strategic planning activities.

SalesGlobe research revealed that nearly 65% of companies use some form of historical method when setting quotas.

Enriching sales compensation planning with third-party insights



Accelerating out of the curve

The economic uncertainty throughout most of 2020 challenged many industries and countless companies very deeply, but it will not last forever. Companies need to be primed to accelerate out of the curve, and get back on a healthy growth trajectory if they are going to survive. This requires a motivated, trained, and capable sales force.

Incentive-based compensation is certainly not the only lever that sales leaders have available to them, but it is a powerful one for shaping behavior. Furthermore, it is a major driver of cost for many companies—estimates of sales incentive compensation costs as a percentage of annual revenues tend to fall between 6 to 12 percent.

In order to keep your revenue engine primed for your next stage, we think these five capabilities will provide outsized benefits in terms of revenue and efficiency gains: Adaptability, Speed, Connection, Anticipation, and Prediction.



About Anaplan

Anaplan, Inc. (NYSE: PLAN) is a cloud-native enterprise SaaS company helping global enterprises orchestrate business performance. Leaders across industries rely on our platform—powered by our proprietary Hyperblock® technology—to connect teams, systems, and insights from across their organizations to continuously adapt to change, transform how they operate, and reinvent value creation. Based in San Francisco, Anaplan has over 20 offices globally, 175 partners and approximately 1,500 customers worldwide.

Learn about how Anaplan can help your incentive compensation team with these capabilities and more.