



*Using Spreadsheets for Incentive  
Compensation Management?  
Here Are 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, they will cause you to leak money as you use them. There are plenty of hidden costs and risks: errors and overpayments, low sales productivity, shadow accounting, data security risks, and even penalties for non-compliance with Revenue Recognition ASC 606 or Sarbanes Oxley. What's more, you'll miss out on key capabilities that Incentive Compensation Management (ICM) applications can 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:

■ BUSINESS PROBLEM	■ SPREADSHEETS	■ ICM
 <p><b>Slow speed of calculation</b></p>	<p>It takes months to calculate commissions for large organizations.</p>	<p>Companies pay their sales forces as often as they want—monthly, weekly, and even daily.</p>
 <p><b>Lack of confidence in calculation results</b></p>	<p>Formula range could be incorrect, manual errors might creep in, logic may not fire correctly—leading to incorrect payouts. Gartner says error rates in spreadsheets are as high as 3–8%.*</p>	<p>Results are 100% consistent, always. Error rates drop from 3–8% to 0.1%.</p>
 <p><b>Difficulty in resolving compensation disputes</b></p>	<p>Sales reps raise disputes through calls, emails, or even in-person visits to the comp plan administrator. Disputes, investigations, and adjustments must be conducted manually and are difficult to track and audit.</p>	<p>Prepackaged workflows route disputes to the right administrator. Admins can investigate and settle disputes in seconds.</p>
 <p><b>Lack of visibility on payouts and performance for sales reps</b></p>	<p>Administrators must manually email compensation reports on current payouts to the sales force.</p>	<p>Dashboards and pre-built reports for sales reps and sales managers provide real-time visibility into historical, current, and future states of payouts and performance—accessible anytime, anywhere.</p>



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, pre-built 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 the quick creation of custom reports.



Complex compensation plan design, including SPIFs, bonuses, draws, accelerators, thresholds, etc.

Advanced Excel skills and formula writing are required to build out different compensation elements. Plan logic can be flawed so it may lead to inaccurate calculations and results.

Pre-built plan components and a drag-and-drop interface prevent plans from ever having to be built from scratch. Pre-configured plan logic ensures every plan calculates accurately.



Poor accuracy in paying 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 very cumbersome and next to impossible.

People data is automatically pulled from the HR system in real-time. Drag-and-drop options accurately credit across complex roles and relationships.



Difficulty modeling incentive compensation plans and bonuses to understand their impact before pushing them live

Manual data loads and complex formula writing are required to build out models. These are time consuming to build, require advanced Excel skills, and have severe limitations.

Pre-built modeling and forecasting functionality allows users to easily model and compare impact of comp plans, incentives, and bonuses side-by-side through a simple point-and-click interface.



Integrating with CRM, ERP, CPQ, analytics, and other business systems

Spreadsheets are disconnected from these business systems. All transaction and people data must be manually collected and factored into calculations.

Pre-built connectors to the top CRM, ERP, HR, CPQ, and analytics solutions connect sales data directly to these systems. Sales reps can access all commissions information within their CRM, and admins can spend less time pulling and pushing data.



Incurring risk around auditability, SOX compliance, and Revenue Recognition ASC 606

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.

ICM software provides complete auditability. Audit logs record who did what and when for every object in the system and granular traceability for every calculation, while giving visibility into current and future commissions costs for proper accounting treatment.



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 risk-ridden administrative nightmare.

Tested and proven ICM systems automatically scale to support your growing business across multiple business units, geographies, currencies, and languages.

## Conclusion

Spreadsheets are error prone, labor intensive, and do not give your stakeholders—sales reps, sales management, finance, and leadership—the visibility they need to maximize sales productivity while controlling costs. They come up short on speed, efficiency, and visibility 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?*

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