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Sales Resource Group

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REWARDING SALES EXCELLENCE

LEVERAGING TECHNOLOGY TO REVOLUTIONIZE SALES COMPENSATION



Sales Compensation Governance

LEVERAGING TECHNOLOGY TO REVOLUTIONIZE SALES COMP

The sales landscape of modern business changes continually. As a result, effective sales compensation strategy is a crucial driver of performance and profitability. However, managing this process is often fraught with challenges, from outdated systems and manual processes to errors and misalignment with corporate goals. This whitepaper explores the complexities of sales compensation and presents Paragon SPM as a unique and comprehensive solution to transform your sales compensation management.

The Importance of an Effective Sales Compensation Strategy

Sales compensation is more than just paying your sales team. It's about initiating and motivating behavior that aligns with your business objectives, ensuring that your salespeople are focused on selling the right products to the right customers at the right prices. A well-structured incentive compensation plan can significantly enhance sales performance and drive profitability.

For a compensation plan to be effective, it must be:

- **Accurate:** Sales reps need to trust that their commissions are calculated correctly.
- **Timely:** Payments should be made promptly to maintain motivation.
- **Transparent:** Sales teams should have visibility into their performance metrics.
- **Flexible:** The plan should adapt to changes in market conditions and corporate strategy. It also needs flexible design capability to permit users to create their own plan designs aligned to the various sales roles on their team.



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The Performance Gap: Challenges and Impacts

Challenges in Traditional Systems

Despite the critical importance of sales compensation, many organizations rely on outdated systems such as Excel spreadsheets and clunky databases to manage their programs. This reliance creates a performance gap—the disparity between the potential performance that an effective compensation system can drive and what current systems deliver.

Common Challenges with Legacy Systems

Error-Prone Processes: Manual data entry leads to frequent errors, causing mistrust among sales reps and disputes over payments, leading to a view of the sales compensation plan as a disincentive.

Delayed Payments: Inefficient processes result in delayed commission payments, diminishing morale and motivation.

Lack of Transparency: Sales reps often lack visibility into their earnings and performance metrics, leading to uncertainty and disengagement.

Inflexibility: Adjusting compensation plans to reflect changing market conditions and business strategies is difficult, cumbersome, and slow.

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Impact of Inefficient Sales Compensation

According to Gartner, inefficient sales compensation management can reduce sales productivity by up to 20%. This loss of productivity stems from several factors:

Shadow Accounting

Sales reps spend time tracking their commissions instead of selling, leading to several hours of lost sales time per week.

Reduced Motivation

Errors and delays in payments decrease trust in management and lower motivation.

Strategic Misalignment

Inflexible systems fail to adapt to changing strategies, leading to misalignment between sales activities and corporate goals. Your plan can be reinforcing and compensating inappropriate sales behaviors and results.



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Paragon SPM: Bridging the Performance Gap

Paragon SPM's proprietary Sales Compensation Design Engine addresses the complexities and complications plaguing sales compensation management, providing a robust automated solution that ensures accuracy, timeliness, transparency, and flexibility.

Key Features of Paragon SPM

- **Automation:** Eliminate manual processes and reduce calculation errors with Paragon's automated data integration through the easy to configure cloud API process.
- **Real-Time Data:** Provide sales reps with instant access to performance metrics and earnings, fostering motivation and accountability. Transactions can be uploaded nightly, so that reps when they come in in the morning can see up to date dashboards and reports reflecting their performance and proximity to incentive payouts.
- **Flexibility:** Easily adapt compensation plans to reflect changing market conditions and corporate strategies without IT headaches. Plans can be updated with new targets and payouts prorated for the period changes and approvals obtained through automated workflows and digital signoffs.
- **Compliance:** Ensure regulatory compliance with automated, transparent processes that provide a robust audit trail.

Transformation Through Automation

- **Error Reduction:** Automation eliminated manual errors, ensuring accurate, timely payments.
- **Increased Efficiency:** Streamlined processes and machine-to-machine data transfer reduced administrative burden, allowing the compensation team to focus on better plan designs and strategic tasks.
- **Enhanced Morale:** Accurate, timely payments boosted morale, directly linking effort to reward and driving higher performance. This creates strong links between performance and payout that motivate and reinforce desired sales behaviours.
- **Strategic Alignment:** Flexible compensation plans that are aligned to sales activities with corporate goals, driving desired behaviors and outcomes. This communicates to salespeople what the company valued and where to spend their time and effort. Plan designs are specific to the accountabilities of the role, delivering better opportunities and sales results.

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The Tactical Edge of Paragon SPM

Paragon SPM provides significant tactical advantages:

Revenue Impact: Accurate, timely commission payments eliminate the need for shadow accounting, allowing sales reps to focus on selling. Role specific plan designs effectively direct salespeople to prospect in areas that provide opportunities aligned to management's sales strategy.

Operational Efficiency: Automation reduces the administrative burden, enabling compensation teams to engage in strategic analysis rather than number crunching. Automated transaction processing and reporting enable "real time" information (not data) in a format to support efficient decision-making and provide insights to managers for mentoring their staff.

Morale and Motivation: Timely payments enhance morale, directly linking performance to reward and driving higher sales outcomes.

Strategic Elevation in 5 Steps with Paragon SPM

1. Define Aligned Compensation Plans:

Utilize the unique plan designer to create and modify plans that focus on key role KPIs and corporate goals, motivating your sales team effectively.

2. Streamline Integration:

Integrate Paragon SPM with your internal systems such as CRM, SFA, and payroll using the flexible API data transfer tool, ensuring data consistency and accuracy in "real time".

3. Communicate and Motivate:

Provide real-time performance feedback through Paragon SPM's sensible dashboards and reports.

4. Gauge Effectiveness:

Use advanced analytics to measure and optimize your compensation strategies.

5. Adjust on the Fly:

Adapt quickly to market changes utilizing Paragon SPM's intuitive compensation structure to ensure your compensation plans remain relevant and effective.



IN CONCLUSION..

Paragon SPM's proprietary Sales Compensation Design Engine is the comprehensive solution your company needs to navigate the complexities of sales compensation design and management. By automating and optimizing your processes, Paragon SPM helps you close the performance gap, drive sales performance, and achieve your strategic sales goals.

Ready to transform your sales compensation strategy? Discover how Paragon SPM can elevate your sales performance to new heights. ◆

David Johnston is President of Sales Resource Group Inc. He has a broad, international consulting background and offers experience, active participation and a Sales Resource Group approach to consulting with clients. David has nearly 30 years' experience consulting for organizations in diverse fields, such as broadcast and print media, pharmaceuticals, telecommunications, information technology, retail, manufacturing and financial services.



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