



PRACTIQUE  
A Merced Company

# Whitepaper:

## Incentive Compensation Management – The Buzz word for Economic Efficiency and Business Growth.

Prepared by Practique Associates Limited the leading specialist vendor of Incentive Compensation Management software in Europe.

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**Practique Whitepaper**

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# Executive Summary

The economic climate is signalling growth and analysts Gartner report 80 per cent of CEO's declared their current objectives have shifted from cost cutting to revenue growth. However the Finance Director is still focused on operational efficiency, tangible cost savings and rapid ROI. As a result the ability to forecast the financial implications of sales incentive schemes and measure the effect of overall performance will be a key differentiator for leading edge organisations. Solutions such as Incentive Compensation Management (ICM) tools deliver the scalability that business leaders need to move the business forward and deliver aggressive growth targets.

Companies committed to an effective growth strategy will look to differentiate by implementing imaginative and flexible incentive schemes that motivate and tie performance to company profit objectives. Any organisation still using homegrown spreadsheet-based systems should think seriously about change if they are to stay ahead of the competition. ICM software should be seen as a vital support mechanism, introducing control, accuracy and end-to-end visibility of employee performance and compensation cost. In addition, ROI is expected between six to eighteen months.

Analysts predict for the next three years the emphasis will be on acquiring 'Best of Breed' solutions that are expert, process specific applications, which are quick to deploy and enhance the Total Cost of Ownership (TCO). Forward thinking finance chiefs will be spending more time identifying applications that give sales people the intelligence to better understand and react to the needs of the customer. More time spent on external consulting will mean information data points from the field can be fed into the business model along with internal data to forecast more accurately to the benefit of the business.

# ICM Business Drivers

The ICM business drivers for Senior Business Leaders are:

- A tangible one year return on investment and enhanced year-on-year TCO
- Improved forecasting capability in support of creative pay plan principles
- A reduction in administration time when closing month/quarter/year end
- Baseline metrics with which to measure ongoing expenditure and performance
- Better-informed decisions because data can be analysed and forecast accurately.
- Direct sales focus toward profitable (high margin) products and services by introducing special promotional incentives
- Staff are motivated because they receive timely, well laid out and meaningful achievement statements (summary and full detail to product level) plus visibility of personal performance and ranking against team members
- The ability to monitor actual achievement per period as well as influencing future commission awards by forecasting achievement
- The ability to assess the effectiveness of schemes by reporting at all levels – from commission paid by scheme to top product lines and revenue by product
- Functionality which can incorporate any form of measurement criteria from revenue, and customer satisfaction to management objectives
- The ability to make adjustments quickly and easily in response to role changes such as leavers, joiners, temporary assignments and market climate changes
- The ability to create league tables to monitor individual and team performance against target in real-time
- Push results out to individuals and teams, forecasting results and influencing behaviours toward stretch targets
- Sarbanes Oxley 404 compliance - Gartner analysts warn that companies using a single suite for each compliance project can spend ten times more than if they developed an integrated compliance system with best-of-breed software from different vendors

## About Practique

Practique is the author of INCA an Incentive Management solution. This web-based software automates sales commission and bonus and is responsible for managing the commission of over 120,000 employees and channel partners across Europe every day.

Practique, a UK based organisation, is the leading specialist vendor of Incentive Compensation Management software in Europe. INCA is implemented in many forward thinking companies including O<sub>2</sub> in the UK and Germany, The Carphone Warehouse, Mazda, BT, Cable & Wireless, STA Travel and The Royal Bank of Scotland.

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