

Reducing Operational and Financial Risks with SPM Technology

EXECUTIVE GUIDE



REDUCING RISK THROUGH DIGITAL INNOVATION

Integrating digital into all aspects of the business has become critical. According to one Harvard study, companies that embrace digital technology innovation experience nearly 20 percent higher gross margin than the laggards.¹ Similarly, the research shows that digital leaders outperform the laggards both in average earnings and net income.

Given the direct impact of sales on revenue attainment, incorporating a digital approach within sales performance management (SPM) is especially critical. However, as companies turn to digital solutions to streamline and automate their SPM processes, they must carefully assess how these solutions support other key business priorities.

Chief among those priorities is the reduction of operational and financial risks.

Lowering operational and financial risks is essential to safeguard a company's reputation, maximise ROI, increase efficiencies, and drive revenue growth. If your technology infrastructure doesn't support the right functionality, you can inadvertently be adding to your risk. As companies look to implement new SPM technologies, they must evaluate their capabilities to ensure that they reduce rather than increase operational and financial risks.

AVOIDING OPERATIONAL RISKS WITH A SECURE, FUTURE-PROOF APPROACH

Any new technology represents a huge financial investment for companies. You want that investment to provide a particular return to the organisation, and reducing your operational risks is essential to achieving that return. Depending on the business circumstances, the ROI of a technology solution can suffer or, worse, cause collateral damage, when the following functionality is not considered:

Scalability

If you're looking toward growth, you must take scalability into account in your purchase decision. Can the solution expand to meet future anticipated needs?

If your business is expanding, and you select a tool that can't scale, your ROI goes out the window. Even if another solution has a higher price tag, it might be the most cost effective in the long run when you include its value in delivering a future-proof infrastructure.

Security

Cyber risk is a key consideration when organisations build their business infrastructure and processes. Protecting your company's intellectual assets, which, in many cases, includes your

¹ Harvard: [The Digital Business Divide: Analysing the operating impact of digital transformation](#)



customers' data, is paramount. While security is expected, you still need to do due diligence to ensure that the tools you're selecting provide the highest level of security and privacy standards. When companies suffer security breaches, there are multiple outcomes, not the least of which is the erosion of customer trust. Lack of trust results in churn and lost business that impacts your overall performance. Consider Yahoo's security breach that ended up impacting 3 billion user accounts – compromising their names, dates of birth, email addresses, passwords and security questions and answers.

Interoperability

No solution is an island. Data needs to get in and out of your systems. As you choose new solutions, you must assess how they work with what you already have in place and how they will fit in with your environment. If they don't fit in logically and easily, it should be a red flag.

Lacking system interoperability, you can end up with siloed data across the organisation. This, in turn, creates a slew of difficulties, most importantly lack of business alignment. Also significant, disparate systems that can't talk with each other create additional administrative burden, slow down processes, and hurt efficiencies. All take a toll on the business.

Data Control

Companies want the ability to see what's happening with their data. Even if you're outsourcing system management, organisations need to keep track of what's happening with their data. Business relationships fluctuate over time. No organisation wants to lose control of what's happening with their information.

You don't want just one person on your team knowing a certain tool or job. If that person leaves, you're suddenly left in a hole – with no insights as to what's happened in the past or how things are done. Likewise, no company wants a black box when it comes to their data.

HOW XACTLY LOWERS OPERATIONAL RISKS

Xactly solutions have been designed for flexibility and to fit in logically and easily with your broader ecosystem, integrating with your existing ERP, CRM, or HCM systems.

With its open, standards-based data integration platform Xactly Connect, Xactly works well with the existing technology investments your company already has in place. Xactly Connect provides unmatched flexibility to manage SPM integration processes. Xactly Connect gives businesses a secure, standards-based approach to pull data from and push data to virtually any business platform.



REDUCING YOUR FINANCIAL RISK WITH GREATER INTELLIGENCE AND INSIGHTS

Financial risks can result in devastation for a business.

When financial or accrual statements are incorrect, it can cause investors, stockholders, and customers to lose faith in your company and damage your credibility. For publicly traded companies, this can also drop stock value. For private companies that want to go public, incorrect financial statements can prohibit that possibility.

Incorrect financial statements can be any number of documents used to portray a company's financial situation, including anticipated expenses or accruals, such as sales commission payments. When accruals are overestimated, it doesn't look good to auditors. When accruals are underestimated, it can impact your cash flow, potentially impacting your ability to pay other bills. Neither is good.

The failure to comply with regulatory requirements presents a similar red flag to banks, investors, and the market and has other dangers. Non-compliance can result in legal action and fines. It can create negative publicity and potentially business closure.

Below are essential capabilities to look for and examples of their importance in reducing financial risk:

Data-based Intelligence

Data gives you the power to manage your business proactively rather than reactively. This allows you to see potential problems in advance, when you have the opportunity to make corrective changes, rather than when it's too late. Data analytics can deliver precision and accuracy, giving leaders instant and proven insights for comparative analysis, to reduce financial risks.

The right technology will have the ability to harness this data and give you the data-based intelligence you need take a more strategic approach to managing the business. Additionally, data provides you with confidence in the numbers that they're providing to the market. As organisations look at technologies, they need to evaluate the intelligence that's included with the solution.

Automated Processes – for Increased Accuracy and Timeliness

If you look at the research, on average, nearly 80 percent of spreadsheets contain errors. That is a huge financial risk! If you're using manual technology, such as spreadsheets, to administrate financial transactions, it's time to rethink that approach.



Consider, for example, your commission payments. According to Xactly's 2018 Sales Compensation Best Practices Report, 83 percent of companies have payment inaccuracies for commissions – at an average rate of higher than five percent. If your business pays 500 sales people £100,000 a year in incentive compensation, that's an investment of £50 million per year. If you have an error rate of even one percent, that's a cost of £500,000. If you have an error rate of five percent, that amount equals £2.5 million.

By using automated technology to manage commission calculations, company leaders can minimise human error to ensure that data is as precise as possible. With automated incentive commission management (ICM) systems, organisations report up to 99 percent error-free commission payouts.

Centralised – for Cross-Functional Visibility

When choosing technology, look for centralised solutions. By centralising data and creating a single source of truth, the entire organisation has the same visibility to the same data at the same time. This provides cross-functional teams with a more complete and accurate assessment – reducing the risk of misalignment.

The last two numbers booked a day or two before a public company's earnings release are commissions and bonuses. With a centralised solution, finance teams have greater visibility into what those expenses look like in a timely manner. This, in turn, ensures that their estimates are right, increases the speed of closing the books, and eliminates surprises.

Support for Regulatory Requirements

There are a wide variety of state and federal laws that a business must comply with – from non-discrimination laws to child labor laws to accounting laws. Failure to meet these standards has serious consequences.

How does your technology solution support regulatory requirements? Do you need your technology solution to help you maintain corporate compliance. If you're using a manual solution to maintain corporate compliance of any type, the answer is probably yes.

Consider one of the latest compliance requirements – ASC 606/IFRS 15. Apart from the revenue requirements, a small piece of this standard mandates that organisations adjust how they manage accounting for sales commissions. They now need to capitalise these costs at inception and then expense – or amortise them – systematically over the customer lifetime.

This can be highly complex and, therefore, difficult to do in a manual manner. Additionally, a manual approach may not provide you with the data granularity you need for compliance – which requires a much deeper level of information. As you make technology decisions to comply with this and any new regulatory requirements, you must consider all of the previously mentioned capabilities. Does



it work with legacy systems? Will it scale? Does it provide you with secure approach? Can you easily track, manage, and control your data?

HOW XACTLY REDUCES FINANCIAL RISKS

Fully integrated with CRM systems, Xactly provides timely and cross-functional insights into commission expenses and anticipated revenue. With fast and comprehensive access to both sales revenue and variable pay expenses, finance gets the very latest information, increasing the credibility of business operations and lowering risk. With Xactly's incentive compensation management (ICM), customers have achieved up 99 percent error free commission payouts.

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When you have a multi million-dollar expense every month in commissions, forecasting with even a five percent variance is a six-figure number. Now we manage data in Xactly, so we can measure our expense per revenue dollar to determine if we are on plan—and as a result have increased forecast accuracy to 99.6%.

– Senior Director, Sales Operations and Incentives, Birch Communications

DON'T OVERLOOK TECHNOLOGY'S ROLE IN MINIMISING BUSINESS RISK

Fundamental to your future business growth, digital ecosystems and platforms simplify and accelerate processes and empower your organisation with imbued intelligence. However, as you look to digitise your SPM processes, don't overlook your operational and financial risks -- and the influence your infrastructure has on them.

You need to ensure the scalability, security, and interoperability of your infrastructure to protect your technology ROI and the crown jewels of your business – your proprietary and customer data. Likewise, it's critical to ensure the speed, accuracy, and value of your reporting and analysis in order to improve long-term financial performance and return value to investors and stakeholders.

Achieving this begins with the right SPM technology – and the right technology starts with the above capabilities.

Learn more about how automated and intelligent SPM solutions can help your business mitigate operational and financial risk. Speak with an [Xactly expert](#) or contact Xactly at +44 (0) 800 901 2555



ABOUT XACTLY

Xactly delivers a scalable, cloud-based enterprise platform for planning and incenting sales organisations, including sales quota and territory planning, incentive compensation management, and predictive analytics. Using this powerful sales performance management (SPM) portfolio, customers mitigate risk, accelerate sales performance, and increase business agility.

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