

Automating incentive compensation for increased productivity and cost reduction



Contents

- 3 Making incentive compensation faster, easier and more accurate
- 4 What does automation involve?
- 5 Building for the future
- 5 Taking control of compensation spend with ICM
- 5 About IBM Business Analytics

As organizations re-evaluate their compensation strategies in order to adapt to the recent changes in the economy and business landscape, incentive compensation is now top of mind for many compensation professionals. Companies are trying to reduce the errors, overpayments and amount of effort it takes to manage their compensation processes while also implementing new and different plans that drive the “right” behavior. When incentive plans are managed through complicated and disparate spreadsheets, and the organizational structure, territories and plans are constantly changing, just getting an accurate view of payout results is difficult enough.

Popularity of Method to Manage Compensation

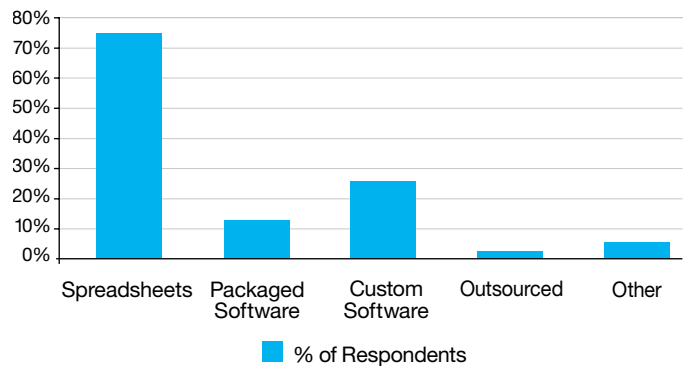


Figure 1: 75 percent of organizations with 1,000-2,500 employees use spreadsheets to manage incentive compensation.

Building for the future

Although the short-term benefits are usually the main drivers of automating incentive compensation, the long-term usability of an ICM application almost always outweighs the immediate cost savings and productivity gain. Since calculations are constructed with simple, consumable components and not embedded within complicated spreadsheets, compensation analysts are able to quickly and more easily modify plans for the upcoming quarter or half year. Also, with a comprehensive and validated view of sales performance versus incentives paid, managers have access to the critical business metrics that help them drive employee behavior to support the strategic goals and objectives of the enterprise.

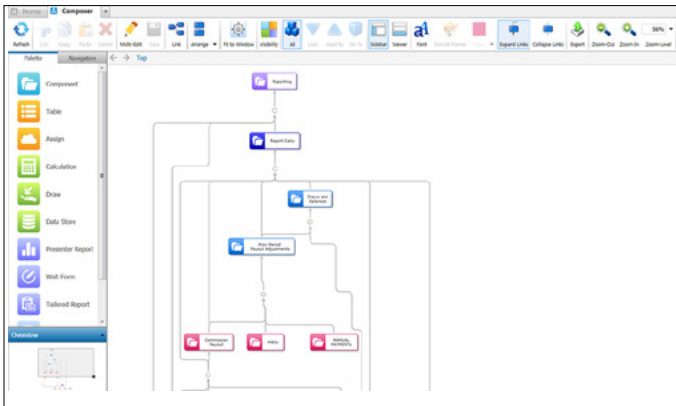


Figure 5: With an added intuitive graphical view of plan structure and calculations, compensation professionals can quickly adjust pay components to capture upcoming business opportunities.

Taking control of compensation spend with ICM

At a time when cost reduction and employee efficiency are top priorities, automating incentive compensation offers a higher return in less time. Eliminating calculation errors due to manual processes reduces compensation overpayment and generates immediate cash flow for the organization. Productivity is drastically increased for not only the compensation and benefits team, but also for employees receiving variable pay, as payouts are validated and traceable. Most importantly, corporate performance can be linked directly to compensation in order to analyze and improve variable pay and incentive programs.

About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management and risk management.

Business analytics solutions enable companies to identify and visualize trends and patterns in such areas as customer analytics that can have a profound effect on business performance. They can compare scenarios; anticipate potential threats and opportunities; better plan, budget and forecast resources; balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision making to achieve business goals. For more information, see ibm.com/business-analytics.

For more information

To learn more about IBM Business Analytics solutions, contact your IBM sales representative or visit: ibm.com/spm



© Copyright IBM Corporation 2015

IBM Corporation
Software Group
Route 100
Somers, NY 10589

Produced in the United States of America
October 2015

IBM, the IBM logo and ibm.com are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the web at “Copyright and trademark information” at www.ibm.com/legal/copytrade.shtml

The content in this document (including currency OR pricing references which exclude applicable taxes) is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

THE INFORMATION IN THIS DOCUMENT IS PROVIDED “AS IS” WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT. IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

1 Varicent Variable Compensation Study 2009



Please Recycle