

# Evaluating “Build versus Buy”

**Watson  
Financial  
Services**



There are two principal approaches taken to acquire Sales Performance Management (SPM) capabilities, summed up as Buy or Build. The decision to develop a solution using internal resources, or to license and acquire it is not one to take lightly.

## Challenges that confront “Build” solutions

### 1. SPM addresses business conditions that change rapidly

A market-responsive organization needs a highly flexible SPM system. Decision makers need to carefully evaluate how adaptable their SPM system will be. Homegrown systems are usually not developed with flexibility as a leading priority, whereas in commercially sold applications this is often the top consideration after feature strength.

### 2. Maintenance and administration

Maintenance and administration of SPM are often simpler with a packaged application, or at least the tasks involved conform more closely to widely accepted norms. The homegrown application is more likely to be dependent on the small group of people who created it. Leading packaged SPM applications are designed to be administered and maintained by business users with limited IT involvement. This is good from both the business and IT perspectives.

### 3. Accuracy

Incentive compensation is an area that is prone to errors, and helping ensure accuracy of commission calculation is of considerable importance. Stringing together spreadsheets can be a formula for trouble, and does not constitute an SPM “solution.” Virtually any underpayment of commissions is likely to cause “shadow accounting” by sales reps, which is a counterproductive use of their time. Shadow accounting can, for all practical purposes, only be significantly reduced by a system that is both accurate and near real-time, allowing sales reps to see quick updates based on their successes. And, while underpayment is accurately reported by the payee, overpayments often remain hidden. There is a tendency for spreadsheet-based systems and other custom in-house systems to lag in establishing the trust regarding accuracy that is a prerequisite to sales reps ceasing to shadow track. Between underpayments and overpayments, ultimately few stakeholders trust the system.

### 4. Compliance

Many companies use dozens of linked and “island” spreadsheets for incentive pay calculation and reporting. This type of system typically flies in the face of correct governance and creates potential losses and liabilities because numerous spreadsheets are nearly impossible to audit. Deploying a solution that helps to establish workflow and appropriate audit trails allows an organization to have confidence that they are aligned with legislated governance requirements for public companies as well as in compliance with good internal corporate governance procedures for privately held companies.

### 5. Analytics are a requisite

A robust SPM system should be based on and embody a clear vision of the analytics that support sales performance management. It is asking a great deal for an in-house IT department to understand, select, and deliver the most useful set of analytic functions.

### 6. Development burden

With economic challenges, IT staffs will continue to be squeezed. Availability of IT personnel to take part in defining requirements and program new applications will be stretched, and the ability to revise or tweak existing applications will be impacted as well. Packaged applications can be significantly faster to bring online, have a higher probability of success, and end up less expensive than funding an in-house development project through to delivery.

Another issue pertaining to specialized applications, such as SPM, is that while an in-house team and its leaders might address the project with initial enthusiasm, after implementation they will tend to find other priorities, that require their attention, meaning the system will not be upgraded as reliably as a vendor supplied solution.

### 7. Training

Training is essential to new enterprise applications. Vendors typically have dedicated training teams and expertise in documenting and delivering training for SPM solutions. Vendors can also add value through knowledge transfer during the implementation and training process. Internal resources are often generalists who are running SPM training for the first time.

## Advantages of pre-packaged SPM applications

There is no doubt that an in-house development team is likely to have close acquaintance with some of your company's business processes, technology infrastructure, and business requirements. This familiarity is probably outweighed; however, by the considerations outlined below.

### **Holistic approach**

SPM can be most effective when designed and implemented from a holistic perspective, with the various key functionality areas considered from the start. SPM vendors usually address a wide range of customer requirements and experiences in building a packaged application. In addition, vendors are well positioned to assemble best-practice reports and templates, and build market-specific functionality into a system. An established SPM vendor will also have experience meeting the requirements of the different user populations expected to work with the application.

### **Reporting and Analytics**

With real-time Web access to underlying sales commission data, the sales force and management can obtain on-the-fly answers to questions and explore sales and incentive compensation data from many perspectives. Performance analytics should help identify exceptions, easily generate graphs of results, and output finished management reports. An analytic component can highlight data exceptions and trends, project and compare "what-if" scenarios and forecasting, sort through large data sets, and give detailed views with drill-up, drill-down and relational drill-through.

## Beyond basic compensation calculations

Functionality like territory management can be a valuable component that provides a means to update and model and report on proposed and actual sales territory changes. The SPM application should enable rolling out and managing territories by target market segment according to different criteria such as geography, product lines, named accounts, multi-tiered territories or other combinations. Quotas and other operational planning make up a complex area that often becomes very challenging to implement and work with in spreadsheets. SPM should help a company to develop quotas linked to multiple business perspectives – for example, by product lines, geographies and customer accounts. Modeling and "what-if" analysis on operational plans are also important capabilities.

### **Built for the future system extension**

A mature SPM application should demonstrate that it was developed with an end-user focus, but more importantly, that it is built on a robust, coherent vision for SPM, delivering not only what an organization needs to get started, but also functionality for later extension of the system.

## Conclusion

One of the key decisions facing virtually every company interested in SPM is whether to build or buy. On examination of the advantages of each, it becomes clear that SPM is less suited to in-house development than are some other enterprise application areas. The design requirements of commercially available applications draw on hundreds of customer experiences. Some of the key aspects of a robust SPM system can go beyond the feasible reach of many IT departments, and therefore, a SPM implementation can be more effectively conducted by a SPM software vendor.

Competitive packaged solutions exist in the marketplace today, with the flexibility to allow optimization of enterprise-wide incentive compensation. Probably one of the most important points is the packaged application should be based on a robust, coherent vision and understanding of SPM and the benefits it can deliver to different types of companies.

## About IBM Industry solutions

IBM Industry solutions 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.

IBM Industry solutions enable companies to identify and visualize trends and patterns in areas, such 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

For further information, please visit [ibm.com/industries/sales-performance-management](http://ibm.com/industries/sales-performance-management)

© Copyright IBM Corporation 2018

IBM Corporation  
Route 100  
Somers, NY 10589

Produced in the United States  
of America, November 2018

IBM, the IBM logo, [ibm.com](http://ibm.com), IBM Cloud and Watson 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](http://www.ibm.com/legal/copytrade.shtml)

This document 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.

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.

Statement of Good Security Practices: IT system security involves protecting systems and information through prevention, detection and response to improper access from within and outside your enterprise. Improper access can result in information being altered, destroyed, misappropriated or misused or can result in damage to or misuse of your systems, including for use in attacks on others. No IT system or product should be considered completely secure and no single product, service or security measure can be completely effective in preventing improper use or access.

IBM systems, products and services are designed to be part of a lawful, comprehensive security approach, which will necessarily involve additional operational procedures, and may require other systems, products or services to be most effective. IBM DOES NOT WARRANT THAT ANY SYSTEMS, PRODUCTS OR SERVICES ARE IMMUNE FROM, OR WILL MAKE YOUR ENTERPRISE IMMUNE FROM, THE MALICIOUS OR ILLEGAL CONDUCT OF ANY PARTY.

