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UNIFYING COMPENSATION MANAGEMENT

By Leslie Stretch, President and CEO of Callidus Software Inc.

COMPENSATION IS the intersection between the various functional areas of the business: finance, human resources, sales and operations. Managed properly, compensation can be a strategic tool for organizations to motivate employees and drive performance. Managed poorly, it can be a “gray area” of confusion, time drain and demotivation.

Compensation management is no longer a combination of siloed processes and technologies, but many areas merged into one focused discipline. To support business strategy, it’s essential that all stakeholders and functional areas work together — from the same set of data — to engineer effective compensation plans that will reward performance and maximize revenue.

Considering that only 20 percent of business strategies are executed effectively, it’s important to realize that often strategy is not the problem; rather, it’s frequently bad execution. Companies can execute their strategies more effectively by linking pay for performance with business goals across all departments, most importantly on the revenue-generating and customer-facing areas like sales, services, the call center, and marketing.

ALIGNING STAKEHOLDERS WITH CORPORATE OBJECTIVES

Organizations increasingly recognize that deploying multiple pay-for-performance solutions to manage sales commissions, employee bonuses and objectives across different aspects of the business slows execution of business strategies and adds administrative overhead.

The key to making the most of your compensation management strategies is Pervasive Performance Management. Pervasive Performance Management is based on the concept that for organizations to truly align performance throughout the business, they require a single pay-for-performance solution. The solution must address the unique variable pay requirements of both sales and the broader business, from sales commissions to employee bonuses and objectives management.

LINKING SPM AND EPM

Pervasive Performance Management starts with a robust, flexible compensation management foundation that enables organizations to offer a complete range of pay-for-performance programs. Managing and processing both transaction-driven sales commission plans and a workflow-based bonus and objectives-based program necessitates strong solution capabilities around

effective dating, business rules, auditing, and analytics. This is essential for the effective creation and ongoing management of sales and operations pay-for-performance programs.

Pervasive Performance Management brings together Sales Performance Management (SPM) and Employee Performance Management (EPM). SPM focuses on sales optimization and strong sales compensation reporting to improve sales productivity. EPM handles the broader business, such as manager reviews, scoring, bonus allocation, objectives management and approval.

FIVE KEY TENETS OF PERVASIVE PERFORMANCE MANAGEMENT

- 1. A single robust compensation management foundation** that supports both sales transaction based commission programs and objectives management, including MBO/KSO/Bonus programs for the broader business
- 2. End-to-end Sales Performance Management** for sales to optimize quotas and territories, manage and calculate incentives, and communicate and analyze sales performance
- 3. MBO and KSO management** for the broader business to distribute business objectives, score performance, estimate and allocate bonuses, and calculate and pay accurately and on time
- 4. Combined pay-for-performance programs:** Add critical MBO/KSO programs such as customer retention to sales plans and up-sell and cross-sell elements to non-sales plans
- 5. Comprehensive pay-for-performance analytics** across sales and non-sales to continually monitor and improve business alignment

USING TECHNOLOGY TO DRIVE PERFORMANCE

Corporate goals must be supported by technology that allows management to make better business decisions and affect quantum changes in performance. By ensuring that all stakeholders have access to the same information in a timely manner, all areas of the business can be aligned to drive bottom-line improvements. Solutions such as the Callidus Pervasive Performance Suite provide a single, common compensation foundation to deliver corporate alignment in one, unified system.

About Callidus Software

Callidus Software (www.callidussoftware.com, NASDAQ: CALD) is the leading provider of on-premise and on-demand Sales Performance Management (SPM) solutions to global companies across a broad range of industries. Our software allows innovative enterprises of all sizes to strategically manage incentive compensation, set quota targets, administer producers, and align territories, resulting in improved sales and distribution performance.

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