

'Coming first counts'

Achieving business agility and speed to market with Incentive Management



Introduction

The purpose of this document is to provide an update on the use of incentive management systems to improve the agility and speed-to-market of your organisation and its distribution partners.

Background

Industry leaders, particularly retail banks for example, pride themselves on their ability to develop and launch new products and services more rapidly than their competitors. Of course agility in 'new product' development often means managing improvements to the packaging and pricing, promotion and service of existing product types, but now at a much faster rate than was previously possible.

It has been proven that 'Coming first counts' and that leading organisations can make substantial financial gains while others aim to replicate the leaders offerings and success - but struggle to implement operational change. Many organisations continue to find it difficult to be sufficiently agile and innovative, or may be unable to catch a competitor before the competitor has gained a significant time advantage and substantial new profits.

Typical objectives and constraints

The Harvard Business Review (in the HBR article 'Changing the Way We Change') highlights that "Companies achieve real agility only when every function and process - when every person - is able and eager to rise to every challenge". Aligning and influencing all of your staff, whether sales, service or support, has now become critical to achieving the agility required to accelerate business change.

A further HBR article ('Framing Change Initiatives to Maximise Employee Participation') looks more closely at this critical agility success factor, and finds that "Most change efforts fail not because of flawed strategy, but because they fail to reach out broadly enough - and deeply enough - to frontline employees".

Let's assume for a minute that our organisation is already in touch with our customers and employees, where management know what needs to be changed and even how to communicate the plan and follow through. Perhaps one or more competitors is already innovating faster in some areas – and your organisation needs to replicate quickly to reduce the competitors time advantage.

But history proves that knowing what has to be achieved just isn't enough to ensure your organisation's success. According to this HBR article, we have to "reach out broadly enough—and deeply enough—to frontline (and other) employees". But how can your organisation best achieve this and be sure that your efforts are having the desired effect?

Sometimes the organisation can make the required product or service changes very quickly, but may be unable to update its incentive management system to communicate new targets and compensation measures to staff. This constraint has frequently been a reason for deferring product or organisation change.

Delivering business agility with Incentive Management

Flexible Incentive Management has become critical to success – not only for sales performance management, but to achieve the realignment of all staff whether in customer facing, executive or supporting roles.

Best practice in Incentive Management can achieve increased agility and improved outcomes:

- Achieving employee alignment and encouragement (whether individually or in teams) through cascading appropriate objectives and measures of success
- Enabling employees, managers and executives to see and to measure the impact of business agility and appropriate staged changes in real-time
- Enabling staff to be certain that they are aligned with company direction and that their executives are also committing and aligning other company resources and themselves

According to Forrester Wave: Integrated Performance and Compensation Solutions, Q3 2007, “Variable pay should reward the achievement of specific individual goals linked to corporate goals across the enterprise and not be reserved for sales and management roles. Performance and compensation integration (pay-for-performance) enables employers to direct and achieve corporate goals, promote positive turnover, and retain top talent by compensating preferred behaviors and results based on objective performance metrics.”

Retail Insurance and Retail Banking were some of the first industries to recognize this need and to respond with more flexible Incentive Management processes and systems. Telecomms, Pharmaceuticals and most recently Energy companies are following suit to gain competitive advantage. Even the public sector shares the same agility problem but never really knew how to address it – yet the Incentive Management skills gained in one sector are proving to be readily transferred to others.

“Organisations increasingly recognize the need for a single, unified pay-for-performance solution that aligns all aspects of their business with corporate strategy,” said Steve Apfelberg, senior vice president of marketing and business development at Callidus Software. “extending an organisation’s reach beyond Incentive Compensation and Sales Performance Management to Pervasive Performance Management.

Of course achieving business agility also requires the organisation’s supporting IT systems to be sufficiently fast and flexible to keep pace with these changes, supporting future direction rather than previous operating methods. Increasingly organisations are moving to Software as a Service (SaaS) solutions to provide the systems agility required to support organisational agility. With SaaS changes can be implemented very rapidly, and effects on alignment and organisational outputs seen immediately.

Case study: American Republic Insurance

With more than 75 years in the insurance business, American Republic has a mission of providing their customers with high-quality individual health and life insurance protection that allow them to nurture and maintain long-term relationships. American Insurance is headquartered in Des Moines, Iowa.

“We selected Callidus’ SPM software solutions, because they allow sales executives to make better incentive decisions, providing timely visibility into channel operations, and giving them the flexibility to rapidly deploy new sales and distribution strategies and tactics,” said Mark Stadler, senior vice president and chief sales officer at American Republic.

“Leading insurers like American Republic understand that it is mission-critical to effectively motivate and manage their distribution channels. The Callidus suite of products provides an integrated platform for agent and broker performance management, from producer on-boarding to compensation payments to effectiveness analytics,” said Steve Apfelberg of Callidus.

Summary and conclusion

Demonstrating agility is a core capability for most organisations today, whether to bring innovations to market first or to match competitor’s offerings before a substantial gain is made.

In an environment where ‘Coming first counts’, even when a good strategy is selected operational success remains dependent upon the alignment and motivation of all staff.

The role and adaptability of the Incentive Management system and related processes are almost certainly key to achieving the agility required for your success, enabling your organisation to implement changes rapidly and with confidence in their reporting accuracy.

New Software as a Service (SaaS) capabilities can also contribute through providing a more agile systems delivery service. A recent report by Kelton Research found that **73 percent of large companies had adopted or planned to adopt SaaS** in the next 18 months.

About the author

Bryan Foss is a non-executive director and board advisor. He works closely with Professor Merlin Stone as a researcher and business writer focused on the development and deployment of innovative and challenging approaches to business governance for board directors and their senior managers.

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