

# Offers They Can't Refuse

Enterprise Incentive Management software is the new killer app companies are using to manage incentive programs that perk up their workforces.



## Creating Value With PeopleSoft

>> "THE REAL IMPACT of EIM systems is in their capabilities to drive behaviors that produce desired results," according to Jenni Lehman, vice president of Human Capital Management (HCM) Global Product Strategy at PeopleSoft. Through implementation of hundreds of systems, PeopleSoft has developed tools and methodologies that bring both operational efficiencies and management capabilities to a new level.

Recent research by PeopleSoft found that companies often start with the objective of reducing errors and costs. Then, clients discover that they are able to create substantial value by increasing information and adjusting goals in real-time. The implementation costs are usually recovered within one year, but the added value compounds for years. This research showed that 30% of the gain was realized through reduction in costs, but 70% was realized by new tools to manage performance.

Realizing that incentives are increasing as a strategy to drive productivity, PeopleSoft integrated EIM with their HCM suite of products, as well as all other PeopleSoft applications. "The open architecture of our systems enables our clients to utilize all systems regardless if they are PeopleSoft's," says Lehman. This capability enables PeopleSoft to customize solutions to fit specific client needs. As PeopleSoft's clients have found, EIM systems cut costs and create value. They provide the capabilities to drive results and reward behaviors.

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**P**ity today's embattled CEO. A chieftain reeling from a jittery stock market, a go-nowhere economy, and mounting scrutiny from employees and shareholders.

At no other time in history has this corporate leader been under so much pressure to prove his or her integrity, rev up a demoralized work force and build shareholder value. Let's thank Ken Lay-types for this leadership demise. Who would have thought just a decade ago that America's corporate barrons would face such challenges?

Well, they have. As a result, CEOs are seeking creative ways to tackle these issues and turn their unpleasant circumstances into competitive advantage. Their new mantra: let's use our power to rally lieutenants so they can help grow corporate revenues and profits. This is not idle rhetoric. Bosses are spearheading initiatives to electrify their work forces.

The spark plug they are using is incentive compensation. About 80% of U.S. companies have some sort of incentive program today, according to Hewitt Associates, a human capital consultancy in Lincolnshire, Ill. Unlike perquisite programs of the past that were rich in stock options and discretionary bonuses, the new performance boosters include sales



## Syngy Delivers for Carl Zeiss

**>> HEADQUARTERED IN** Oberkochen, Germany, Carl Zeiss ([www.zeiss.de](http://www.zeiss.de)) is an international leader in optical and opto-electronic industry. It offers technologically advanced solutions for Semiconductor, Opto-electronic, Life Sciences, Health Care, Eye Care, and Industrial applications. The company operates in over 30 countries.

**PROBLEM:** In the U.S., Carl Zeiss' existing incentive systems were home-grown and simply couldn't keep up with the pace of change. The company had aggressive plans to add products, configurations, and compensation plans. "Our old system was so cumbersome that we had to get the IT group involved just to add a new sales rep," said John Roulat, vice president of information systems. Clearly the systems were hampering their ability to deliver.

**SOLUTION:** Carl Zeiss wanted a third-party provider and after considerable research, they chose Syngy EIM. "The software was proven," Roulat explained, "and the team was very knowledgeable about incentive compensation."

**RESULTS:** With Syngy EIM software, each business group manages their own incentive plans and they are tightly aligned with the product strategy." The management reports provide much more visibility on the effectiveness of the sales programs," concluded Roulat. "It has shown us our lead sales reps, why they're succeeding, and how they might be able to share their success with the rest of the sales force. It's given us a tremendous tool for supporting and managing the sales force."

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commissions, team incentives, recognition awards for outstanding performance, and individual bonuses all tied to measurable results. That's because many employees have lost confidence in their stock options and see little opportunity for salary increases.

While incentive compensation is nothing new, what's changed is the use of software technology to help institute and manage these programs throughout a far-flung enterprise. These systems, known as enterprise incentive management (EIM) systems, are increasingly being used by such multinational companies as Netscape, Hewlett-Packard, Coors, and Société Générale because they not only deliver on the promise of reducing costs, they give these companies a real competitive advantage.

### TECHNOLOGY'S LURE

Since their introduction in the 1980s, a growing cadre of corporate

executives view the technology as a critical analytical and communications tool, one that helps an organization align corporate goals with employee behaviors that boost sales. It's no surprise then that the EIM market should become a \$2.5 billion industry by 2006, according to the Aberdeen Group, a market research firm in Boston that tracks the technology industry.

So, when does adopting an EIM system make sense for you? If you are a small company with fewer than 50 plan participants, you can probably manage your incentive plan with simple spreadsheet and database applications. But once your organization becomes larger and more complex, it's wise to consider an EIM system. At that point in your company's lifecycle it will need more technology horsepower.

When you believe EIM technology can make a difference, determine whether you should develop it

## Gaining Market Share Through Mind Share

» WALKING INTO almost any electronics store, insurance agency, or financial institution, a consumer finds a wide range of products, resulting in intense competition for manufacturers or financial institutions. Companies utilizing EIM systems find that they have move far beyond replacing spreadsheets and fixing errors to having a strategic weapon to gain market share through mind share.

Prompt payment, cash flow, easy access to sales data, and quick dispute resolution are all facets of improved dealer or agent service that can influence behavior at the point of sale. It is not only the commission that makes the difference, it is obtaining that commission promptly, having instant access to sales and commission information, and easily resolving problems when they occur. These services raise the mind share of the sales person, leading to more closed deals.

FORTUNE 500® companies in telecom, broadcasting, insurance, and financial services have turned to Callidus Software and its products, TrueComp®, TrueClaims™, and TruePortal™. With unparalleled performance, scalability, and maintainability, TrueComp processes millions of sales events each month to pay dealers and agents accurately and on time. TruePortal provides instant access to data to influence sales behavior. Finally, TrueClaims has been shown to automatically resolve over 75% of disputes providing a level of dealer service never before available. Companies such as DirecTV, British Sky Broadcasting, Allstate Insurance, CUNA Mutual, Telstra, BellSouth, and Sprint have all chosen Callidus Software.

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in-house or purchase it from a vendor. Your decision should be based on the time you have to get it running, available company expertise to design a system, and your budget. While pondering these points, remember that the process of designing EIM systems on your own is difficult. "Many of these projects get

tions greater capabilities to manage performance," says Jenni Lehman, a vice president at PeopleSoft in Pleasanton, Calif.

### HIDDEN VALUE

Despite the challenges, EIM systems can benefit an organization. First, they can reduce costs of inaccurate



mired in complexity and internal politics," says Jeff Carr, president and CEO of Motiva, an EIM provider based in Pleasanton, Calif. As he explains, "often in-house system developers simply do not have the breadth of experience to understand the complexity of today's incentive systems."

Dale Peterson, vice president in the Financial Services Group of New York-based Cap Gemini Ernst & Young, knows companies that have spent millions and years to design a system, and still don't have one up and running. EIM systems need to integrate different commission rates for multiple products, as well as special bonuses tied to specific criteria. There may be different commission rates or bonuses set as perks for boosting revenues from strategic accounts, garnering new customers, selling high margin products/services, or launching new products. The list can go on and on. "The real value of EIM goes beyond getting the calculations right; it gives organiza-

and inefficient incentive compensation programs. When errors are made in bonus paychecks, the costs of recovering over payments, or the time to correct errors, can really cut into the bottom line. "These costs run an average of 3% to 10% of total incentive compensation," according to Geoff Roach, marketing director at Callidus Software, an EIM provider based in San Jose, Calif. That's not to mention the fact that when employees stop trusting the internal payment system, they often create their own "shadow accounting" systems. The result: reduced worker productivity. A study by the Gartner Group, a Cambridge, Mass.-based market research firm that tracks the technology industry, "showed that a reduction in time spent on these redundant systems improved revenues in one company by over \$75 million," reveals Joe Galvin, Gartner's vice president and research director.

Second, EIM systems can help

a company tailor a compensation plan more closely aligned to rapidly changing corporate strategy. As employees crack new markets, forge new customer relationships, or introduce new products, their performance

system—e.g., the company's sales team, customer support personnel, the entire enterprise as well as distributors. Companies initially start by introducing it to a select group. But note this caveat: the system

bonuses, etc. But, you should also determine if you want the plan to ultimately include total rewards, like employees spot bonuses, performance awards, stock options, and merit pay increases.

***“The real value of EIM goes beyond getting the calculations right; it gives organizations greater capabilities to manage employee performance.”***

targets can be monitored more effectively by management.

Finally, EIM greatly increases the amount of real-time information the staff can tap into as a source of intelligence. Using the technology, executives can know how employees are doing anytime. Employees can also track their performance so they can take corrective and decisive actions to make sure they meet their goals.

Giga Information Group, a Cambridge, Mass.-based global research firm, conducted a study of the economic impact and return on investments realized by clients of Synegy, an EIM provider based in Conshohocken, Penn. The survey measured the reductions in internal costs, increases in sales productivity and elimination of errors. Though each company's experience was different, the analysis showed an average risk-adjusted 89% return on investment and 139% internal rate of return within nine months of system implementation.

**COMPARISON SHOPPING**

As EIM systems attract wider attention as a key strategic management tool, senior executives are evaluating products and service providers in the marketplace. Here are the ten most commonly-asked questions that a buyer needs to explore in order to choose the right vendor:

1. *What members of my work force should be included in the EIM system?* It is critical to determine which groups will be included in the EIM

should have the capability to expand to include a broader array of participants without having to be redesigned. Anticipate what you will want before you examine the vendor's capabilities.

2. *What information does the EIM system need to capture, calculate, circulate and control?* At a basic level, the system should include all cash compensation—commissions,



3. *How important is it for the vendor to have in-depth knowledge about your industry and your particular approach to incentive compensation plans?* Most systems have a similar functionality at the core level. When

**mo-ti-va** \ mo- ti- vā: n 1: software that lets business users easily analyze and manage incentive programs 2: the fastest way to cut costs and improve sales performance 3: trusted by The Clorox Company, FleetBoston Financial, Mitsubishi Motors, World Savings Bank, etc.

Incentive management drives the enterprise  
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you get into unique aspects of plan provisions, based on the tasks or industry practices, then the systems should be able to accommodate these requirements. You should also consider if it is important for the provider to be able to assess,

*5. Can the EIM system be integrated with other enterprise systems being used at my organization?*

The EIM system should operate in a seamless manner with your other critical enterprise software systems. These can include your customer

performance on a real-time basis, and provide reliable data they can discuss with their managers.

*7. What kind of information can be extracted from the EIM system?* You should be able to download timely information on your compa-

***EIM systems can help a company tailor a compensation plan more closely aligned to rapidly changing corporate strategy.***



upgrade or develop new incentive programs. If so, the vendor will need these capabilities as part of the project team.

*4. How long will it take to get a new system up and running?* The time required to get many of these programs operational is 90 to 180 days unless it is a major system overhaul. Certain factors may delay implementation, like mergers, acquisitions, changes in core strategies, availability of key internal resources, and/or executive turnover.

relationship management, financial reporting, payroll, compensation management, order management, operations management, and other internal operations or resource management systems.

*6. How important is it to build participants' confidence in the EIM system?* If your staff has experienced payroll errors, confusion over goals, frequent corrections to the plan, then rebuilding their trust must be a primary objective. Any EIM system should help allay their fears by increasing their access to information. That's because the technology will enable them to measure their

ny's marketing strategy, sales activities and financial results so you can benchmark employee performance. Since every company's incentive plan is different, you should determine the kind of business intelligence you will need before you can do an effective comparative analysis of work force productivity.

*8. Should the EIM system mirror my organization's administrative processes?* Most EIM systems should adapt to your best practices rather than force your organization to redesign its administrative procedures. If there are few changes to your current process, the implementation

(continued on S10)



# A Powerful Partnership for Financial Services



» THE FINANCIAL SERVICES industry is undergoing fundamental change. Regulatory, communication technology and global competitive pressures are reshaping the industry. The implications on the sales and delivery channels are significant, and companies are struggling to implement their strategy with antiquated incentive compensation systems.

In response, Cap Gemini Ernst & Young (CGEY) and GlobeNet have formed a unique partnership to bring integrated enterprise incentive solutions to financial corporations built on Microsoft technologies. CGEY is a global leader in large-scale organizational transformation and has in-depth expertise in financial services and GlobeNet is a software technology company that has well established incentive management systems for multi-

level marketing organizations. Their systems for managing incentive compensation are built on complicated spreadsheets, standalone database programs and inflexible legacy systems. These systems fail to deliver the requisite capability when considering the scope of changes. For example, a property and automobile agent, with a strong set of customer relationships, may be able to offer financial planning, investments and long-term care insurance products. Some of these products require additional education and certifications, and all come with unique sales incentive plans. As companies roll-out these new products they rely on the incentive plans to encourage and reward desired behaviors.

There are companies with hundreds of analysts working with complex spreadsheets

and databases to manage compensation plans. Other companies find the errors in administering compensation can reach 6% to 8% of the total compensation paid; many of which are overpayments. Do the math—the costs of

correcting these inefficiencies alone can pay back multiples of the implementation engagement.

The complexities of this industry and the different strategies require a business partner that fully understands the situation. Financial service companies require a unique set of capabilities. These include:

» *Proven scalability:* The issues and technology required

to handle the large number of transactions and payees are huge. The solution offered by this partnership has proven ability to support hundreds of thousands of payees and millions of transactions.

» *Industry expertise:* The changing nature of the sales and marketing tasks is incredible. Few organizations have the global picture of the industry—from the Chief Executive to the field representative—as offered in this unique partnership.

» *Flexibility:* Financial service companies need systems that directly reflect their unique strategy, structure and key metrics. This partnership offers a solution that provides organizations an incredible amount of flexibility in how they design and implement their incentive plans.

» *Technology:* By focusing on the financial service industry, and building an array of systems and services unique to their requirements, the partnership addresses virtually all the technological needs, so they build on and transform the client's capabilities.

As many organizations have found with EIM systems, getting the incentive paychecks to be accurate and on-time are critical, but the real value is having the capabilities to implement new product/channel strategies. It happens when a good strategy is brought to an effective service representative that serves both the customer and the employer. This partnership can make this complex task become simple.

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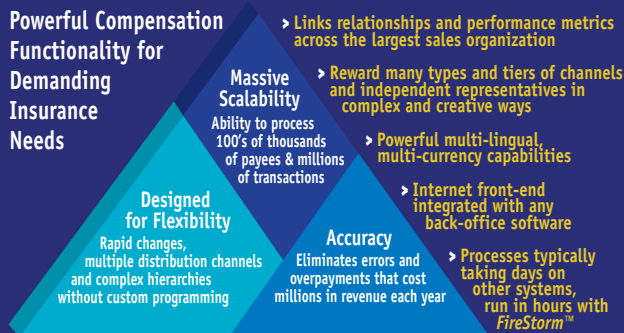
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## GLOBENET FIRESTORM'S UNIQUE ADVANTAGES



level marketing organizations. This partnership offers the financial service industry a unique capability for enterprise-wide incentive management. Additionally, the partnership's solutions are built on the Microsoft platform and utilize Microsoft's broad expertise and technology integration products.

Companies in this industry are implementing a complex array of changes; yet most of

## Motiva Drives Performance

»» **FIRST TENNESSEE BANK** launched a strategic initiative last year to improve competitiveness by aligning individual performance with corporate strategy. This nationwide financial services provider uses Motiva's EIM to streamline the commission management process for more than 2,500 employees in sales and customer service, and over 400 branch managers.

"We chose Motiva because they understood our business," said Randall Carrier, senior vice president of financial center applications at First Tennessee. "Motiva's advanced functionality, flexibility, and analytic capabilities help us to dramatically energize and motivate our people."

Using Motiva EIM's browser-based analytic capabilities, First Tennessee efficiently manages complex incentive plans, employees monitor real time performance, and managers easily analyze their business performance.

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(continued from S8)

will move much faster. The goal is to improve operational productivity by reducing the time it takes to calculate incentive compensation, process the payroll checks, and provide needed information to plan managers.

9. *What should I look for in a vendor partner?* Selecting the right vendor depends on your firm's needs. Some companies want to operate the EIM system on their

multi-million dollar projects depending on the system's size and scope. According to industry consultants, most companies are able to recoup their investment within nine to 12 months. You should expect to see savings on reduced errors, improved sales productivity, and lower operating costs soon after the technology is implemented.

The bottom line: EIM is a killer



own, while others seek long-term relationships. If you are setting up an EIM system in one area, the system can expand into other areas if there is a strong relationship with your vendor. Today, most vendors can provide a range of services for upgrading, maintenance and security. When choosing a provider make sure its consulting team works effectively with your staff so you can forge a lasting relationship.

10. *How much will the system cost, and when will my company see a return on investment?* The cost can vary anywhere from \$50,000 to

app when you consider how it boosts sales and productivity by driving employee performance. Once discovered, it's a tool corporate managers don't want to be without ■

### About the Author:

Thomas B. Wilson is an international authority on incentive and total reward systems. He is founder and president of the Wilson Group, consulting firm based in Concord, Mass. ([www.wilsongroup.com](http://www.wilsongroup.com)) that specializes in executive, sales and total compensation. He is the author of *Innovative Reward Systems for the Changing Workplace* (McGraw-Hill, 2003), and *Rewards That Drive High Performance: Success Stories from Leading Organizations* (Amacom, 1999).