

Get Your Data Ducks in a Row

A lack of process control can lead to disastrous results.

By Mark Anderson

Bad sales data can end up destroying your sales compensation plan. Like a deadly virus, it can enter the system from any number of places, replicate itself, and damage almost every aspect of your business. Instead of facilitating motivation and increased sales, error-filled information creates avoidable costs that can strike at the heart of your enterprise.

Inaccuracies within sales compensation plan data can have consequences for individuals and the organization as a whole. Errors can cause employees to doubt plan results and spend time disputing those results or complaining about the plan. This mistrust often leads to unmotivated and unhappy employees—and as a result, productivity suffers and revenue is less than it should be.

Errors also lead to overpayments and the potentially devastating consequences of failing to comply with financial reporting regulations, including falling stock price and damage to the corporate reputation. In addition, errors result in administrative costs of correcting systems and reprocessing payments.

Regardless of where and how bad data begins, the results can be felt enterprise-wide. “Today, many companies are striving to become more scientific and let data drive their sales and marketing strategies,” says Larry Goldman, president of AmberLeaf, a customer intelligence consultancy. “So the impact is that if these companies are interpreting data incorrectly, or if the data is incorrect, their sales and marketing strategies are inherently incorrect and could lead to disastrous results.”

Alternatively, effective process control and a long-term commitment to finding and fixing the root causes of data

inaccuracies can turn the sales compensation plan into a significant competitive advantage. Left untreated, inaccurate information can become a significant hurdle to the success of a sales compensation plan.

A GROWING PROBLEM

Between 2001 and 2005, the percentage of companies that suffered losses, problems or costs due to poor data grew from 44 to 53 percent, according to a March 2006 study by The Data Warehousing Institute, an education and market research organization for information professionals. The survey, “Taking Data Quality to the Enterprise Through Data Governance,” also noted that half of the professionals polled warned that data quality was worse than their organization realized. The survey further revealed a doubling in the number of organizations with a data-quality plan during the same period, indicating that many organizations are only now waking up to the problems that can arise from bad data.

Bad data can arise from one or a combination of three areas:

- **INFLEXIBLE SYSTEMS.** The system is patched together and the flow of data between systems introduces errors.
- **INEFFICIENT PROCESSES.** The processes in the organization for uncovering data problems and validating the accuracy of data are not sufficiently documented or automated.
- **INSUFFICIENT RESOURCES.** The organization lacks sufficient resources, or the staff lacks the skills, experience, or expertise to uncover and fix data problems.



Although problems can strike a company at any time, sales compensation plans can be especially vulnerable to these problem areas during times of transition or when implementing changes to the sales compensation plan. Take, for example, the implementation of new strategic goals for a company. Beyond the need for the actual operational systems, such as billing or order management, to change, there is also a need for the sales compensation plan—and the data used to calculate payments—to change. And these changes all introduce risks, depending on the degree to which inefficient systems, inflexible processes, and insufficient resources exist within the organization.

REAP WHAT YOU SOW

For companies that fail to apply rigorous standards to process control, or choose not to invest in efficient processes or sufficient resources to manage their sales compensation plans, the problems can grow exponentially. “All too frequently, you can even have publicly held companies that have no internal sales process controls,” says Scott Lewis, a partner with the Gilmore Lewis sales commission consultancy in Boone, North Carolina. “They’re still doing things on Excel spreadsheets, spread out over multiple computers and laptops, and valuable customer data is hanging out there on the next disgruntled salesperson’s laptop.”

From a sales management standpoint, accurately interpreted data is critical for effective sales forecasting and modeling. For

example, many organizations opt to run models before implementing changes in sales compensation plans to see if the proposed change is good for the salesperson and good for the company. However, if the inputs to the model are inaccurate, the model will produce erroneous results that will lead to an incorrect interpretation, which can have significant negative consequences if a plan is designed and rolled out based on those results.

FIND STEWARDS FOR QUALITY

Most companies aim to manage their business with data. But there can be negative, unintended consequences

unless they have the processes and people in place to ensure data accuracy.

One of the most effective strategies to eliminate errors in sales data is to automate the sales compensation management processes and seek out the experts who are skilled at the ongoing management of these processes. Doing so results in accurate information and reduces costly overpayments and data errors.

If senior management places a high priority on these issues and communicates their importance, these practices will go a long way toward encouraging buy-in and, ultimately, reducing the frequency and severity of errors in the data needed to compute sales compensation payments.

However, many organizations lack the internal capabilities to create and implement ongoing, enterprise-wide processes to improve data quality. Fortunately, outside experts can be hired to assist in uncovering the root causes of data problems, fixing upstream processes, and automating the validation and cleansing of data so that salespeople are paid accurately.

The good news is that the greater the focus an organization has on process control in every aspect of its data management, the greater the likelihood of producing effective results. “It’s like the old saying, ‘garbage in, garbage out,’” Lewis says. “The more emphasis on the necessary checks and balances to make sure that the data you’re reporting on eventually is appropriate, the better.” ■