

Incentive compensation management (ICM) and beyond:

Bringing together ICM strategy and territory planning

The more mature your sales organization, the more isolated the components of your sales planning cycle tend to be. In small organizations, processes like quota setting, account planning, market segmentation, and incentive compensation overlap. In larger companies they spin in separate orbits.

This can be particularly true when it comes to territory planning and incentive compensation, which in many organizations can feel—and be treated—like totally separate activities.

The problem is that the two deeply inform each other. If your territory plans aren't directly informed by your ICM strategy, you're leaving major inefficiencies in your sales plan. As a result, you're either forcing your reps to work too hard to meet their quotas or hampering their ability to exceed them.

In this paper, we'll offer some solutions. We'll first point out some key ways that your ICM strategy impacts your territory plan. We'll then provide some strategies for keeping the two connected.

Planning your territories: Five recommendations

For your sales team, an effective territory plan can do wonders. It keeps reps motivated and maximizes their earning potential. A well-planned strategy also distributes opportunity equitably across a sales team. At the same time, it's important to make sure that these objectives are balanced against your territory plan's more primary purpose: advancing your company's bottom line.

To create a territory structure that satisfies these goals, you should adopt the following guidelines:

Territory Design Guidelines

Organize accounts by time, not just money

An equitable territory plan should classify accounts in two different time dimensions:

- Sales time vs. administrative time
- Expected time from lead to close

Classify accounts by potential

Include projected renewals and expansions in your plan, to balance short-term and long-term rep earnings.

Balance close to average

Aim to have all territories' potentials fall within 20 percent of the average.

Think bottom-up

After creating a rough initial design, hone your plan using sales managers' thoughts and feedback.

Leverage external data

Use objective data from analysts, industry experts, or market research firms to evaluate the opportunity of your accounts.

Balancing your territory alignments will often increase sales by 2-7 percent.

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How is territory management affected by your ICM strategy?

Guidelines like the above are great, and can help plan a territory strategy that—in the abstract—satisfies most of your goals.

The problem is that territory management operates in a dynamic world, filled with changing needs and necessary pivots. That is why the effectiveness of your territory planning process depends on how well that process integrates information from across your larger sales plan.

Say, for example, your company rolls out a new product. To incentivize your sales team, you follow the standard playbook and raise the compensation rate. You also add a financial SPIF as an extra bonus. So far, so good. But what if the customers for your new product aren't distributed equally across your territories? In that case, you've effectively raised the earnings ceiling for a portion of your sales force, and lowered it (relatively speaking) for the others. Your territories get pushed way out of balance and half of your sales force ends up less motivated than it was before.

“Because territory definitions outline the “hunting ground” that each salesperson must achieve against quota to earn incentives, territory assignments are also inextricably linked to the sales comp plan.”

CHAD ALBRECHT, ZS ASSOCIATES

How to avoid problems like this? To start, you overlay your ICM strategy on your territory planning process from the beginning, using data from one to inform the other.

Let's see how the territory planning guidelines change when you incorporate ICM strategy:

[ICM Strategy] Territory Design Guidelines

NEW

Organize accounts by time, not just money

Evaluate accounts by time and by potential reward, including bonus compensation.

NEW

Classify accounts by potential

Include projected renewals and expansions in your plan, to balance short-term and long-term rep earnings.

NEW

Balance close to average

Aim to have all territories' potentials fall within 20 percent of the average.

SAME

Think bottom-up

After creating a rough initial design, hone your plan using sales managers' thoughts and feedback.

SAME

Leverage external data

Use objective data from analysts, industry experts, or market research firms to evaluate the opportunity of your accounts.

Simply by incorporating your ICM strategy into the territory planning process, you've modified three out of five guidelines. This produces a territory plan that may differ from your original plan, but better captures the opportunities available to your sales team.

A living, breathing territory plan: How do you get there?

Given that any change to your company's sales strategy can throw your territory strategy out of whack, you ultimately want your plan to be a living, breathing entity, responding to changes in the sales cycle and adjusting accordingly.

Doing this manually is nearly impossible, given the amount of data involved. It's similarly impractical to cobble together incompatible systems and force them to communicate with one another.

The truth is that incorporating your ICM strategy into your territory plan is best done on a single platform, one location that ties together multiple sales processes and allows your sales team to collaborate towards a shared goal. The platform you choose should offer the following capacities:

- **Robust scenario planning**

This lets you handle potential changes to your territories by modeling different scenarios in advance, assessing possible effects and optimizing potential solutions.

- **Real-time data sharing**

You want data to move in real time, so that stakeholders can make fast decisions.

- **Automated processes**

Instead of distributing information and running calculations by hand (on spreadsheets over email, for example), automate processes to make calculations more accurate and ensure that data flows from each unit to all of the others.

- **Communication across sales roles**

Effective collaboration requires everyone to be on the same page, accessing and sharing the same information. This allows the whole sales organization to act in unison.

Leveraging a platform that enables all of these strategies is how you maintain alignment between your territory management and the rest of your sales plan. This is especially important when your sales strategies change, and your sales plan needs to adjust.

Beyond territory planning

Once you start bringing your ICM strategy into your territory planning process, the value of adding other elements of the sales strategy—forecasting, quota planning, account segmentation—becomes apparent. The more you can connect these elements, the more your sales organization starts to move as a single unit, adapting quickly to market changes and staying focused on hitting your sales targets.



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Learn more about Anaplan for sales, including forward-looking solutions for incentive compensation management. Visit Anaplan.com/sales.

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