

www.spiff.com

Why Commission Software Sucks And How To Fix It

BUYERS' CHECKLIST INCLUDED



SPIFF

Commission software sounds like a great idea. After all, companies spend approximately 10-15% of their total revenue on commissions. Commissions should drive what is arguably the most important metric for every company: top-line revenue growth. My co-founder Albert Candari likes to say commissions are mathematical instructions for the behavior you want from your employees. Here at Spiff, we believe every company should commission every employee.

All this means commissions should be one of the most important things a business can design.



“Commissions are mathematical instructions for the behavior you want from your team.”

ALBERT CANDARI, CXO @ SPIFF

But let's face it, commission software sucks. The reason is simple: it's not really software. It's professional services masquerading as software. Spiff is never going to hide behind the professional services mask. We won't quit until a typical business user can manage Spiff software entirely on their own. We'd love to [prove it to you with a demo now](#) (this will open a demo request chat on our site). If you need more convincing, read on. Or click here if you are just looking for the [Commission Software Buyer's Checklist](#).



In this post, we'll help you evaluate spreadsheets vs software. And we'll give you a checklist so that you can make sure the software you buy will actually work for you. We'll also go over all of the features you should expect in modern commission software.

- Why Commission Software Sucks
- Why Not Just Use Commission Spreadsheets?
- Commission Spreadsheets vs Commission Software: Pros and Cons
- Real-Time Integrations
- Personalized Rep Dashboards
- Auditability
- Testability
- Scalability
- Optimization
- Flexibility and Ease-Of-Use
- How To Fix It (AKA, The Future of Commission Software)
- The Efficient Commission Frontier



Why Commission Software Sucks



“At the end of the day you are trying to influence behavior to drive company goals. Your software shouldn’t drive your strategy. You can’t build your comp plan around your software limitations.”

JOANNA FANKHAUSER,

VP GLOBAL REVENUE OPERATIONS & ENABLEMENT AT INSTRUTURE

During the British Colonial period, the government of India wanted to decrease the population of Cobras. Someone at the time had the seemingly good idea to offer a cash reward for every dead Cobra. Can you guess what happened?

The strategy worked beautifully...at first. People began to kill Cobras and turn them in for a reward. But eventually entrepreneurs started breeding Cobras only to kill them. When the colonial government figured this out they discontinued the incentive program. The enterprising Cobra “farmers” then just released their snakes into the wild dramatically increasing the snake population.

So the policy ended up having the exact opposite effect as intended. People now refer to these kinds of perverse incentives as the “Cobra Effect.”

This is a funny parallel of what can go wrong with commission software. Commission software is supposed to provide a powerful motivation for teams but most business users can’t actually use it. They have to spend hours of time and gobs of money bringing in professional services teams to help.

In a parody of the “Cobra Effect” many companies find their commissions processes worse after adopting software. Many end up chucking the software and going back to spreadsheets. Because at least with spreadsheets business users could manage their own commissions.

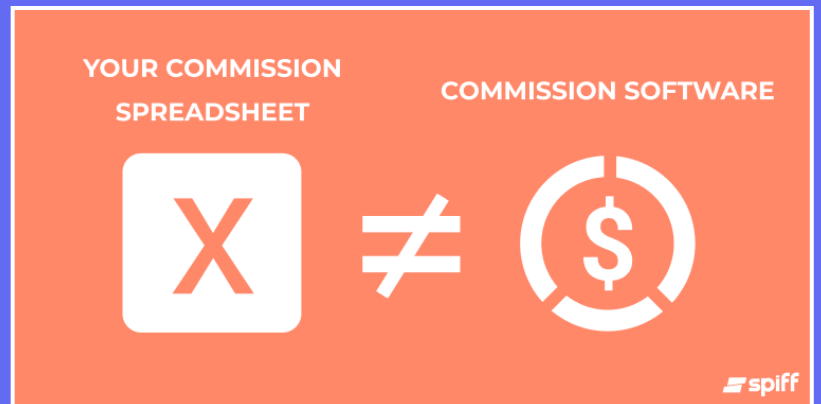
We’ve seen company after company go to the masquerade ball of commission software only to return to the ugly step-mother of Excel when the fantasy wears off.



Why Not Just Use Commission Spreadsheets?

So why don't businesses just stick with spreadsheets? Well, a lot do. Excel is probably the single most important piece of business software.

But here's the problem...



Excel doesn't scale well and problem-specific software—done right—can do so much more than spreadsheets.

I know because I spent the last 6 years building a spreadsheet replacement software called Capshare. What I learned is that if you show me a complicated, important spreadsheet that a business relies on, I'll show you a great idea for a software startup.



Commission Spreadsheets vs Commission Software

The first thing is to realize that software can do a lot more than just run mathematical formulas.

- AUTOMATED CALCULATIONS
- + REP DASHBOARDS / QUOTAS
- + REAL-TIME UPDATES / INTEGRATIONS
- + AUDIT LOG / HISTORY
- + FORECASTING / TESTING
- + OPTIMIZATION / MACHINE LEARNING
- + ACCOUNTING AUTOMATION
- + SALES PERFORMANCE MANAGEMENT


= COMMISSION SOFTWARE

spiff

Spreadsheets only do the first thing on the list. Software can do all the rest.

Unlike spreadsheets, software scales. You can design software to rely on one source of data but allow different levels of access for different groups of users. You can easily add approvals workflows. Software facilitates automation. Software can easily track history. Software makes auditability easy—knowing who changed what when. None of this is easy in spreadsheets.

Here's a more complete comparison:



Features	Excel	Commission Software
Flexibility	<ul style="list-style-type: none">• Supports any math or logic• Unlimited number of calculations or sheets	<ul style="list-style-type: none">• Limited range of math and logic• Structured approach to calculations
Ease of Use	<ul style="list-style-type: none">• Spreadsheets become large and difficult but finance users know how to build them	<ul style="list-style-type: none">• Most systems require professional services teams to manage
Real-Time / Integrations	<ul style="list-style-type: none">• Not integrated with real-time systems like CRMs	<ul style="list-style-type: none">• Often report-based updated monthly• A few systems support real-time commissioning
Dashboards	<ul style="list-style-type: none">• Not easily shareable	<ul style="list-style-type: none">• Rep dashboards included
Auditability	<ul style="list-style-type: none">• No easy way to track version history or a full audit log of changes	<ul style="list-style-type: none">• Version history and audit logs are typically standard
Testability	<ul style="list-style-type: none">• Difficult to test new rules	<ul style="list-style-type: none">• Difficult to test new rules
Scalability	<ul style="list-style-type: none">• Doesn't scale—no history, no audit log, no workflows or approvals, etc.	<ul style="list-style-type: none">• Designed for scalability
Optimization	<ul style="list-style-type: none">• Not really possible	<ul style="list-style-type: none">• Not possible yet but at least data is available

There's a big take-away here: Commission software is better than spreadsheets with two big exceptions.

- 1 Commission software is hard to use, and
- 2 Commission software isn't as flexible as spreadsheets / Excel

Let's go over the shortcomings of commission spreadsheets.



REAL-TIME INTEGRATIONS

Spreadsheets don't inherently connect to your CRM. So typically you have to create a report in your CRM. Then you export the report to your spreadsheet. Then you run through the math in your spreadsheet. This means that your commissions are only accurate every time you run through this entire process. Kiss goodbye the ability to give every rep real-time feedback about how they are doing let alone the benefits of selling even more.



PERSONALIZED REP DASHBOARDS

Spreadsheets aren't easy to share. Yes, yes, you can easily share access to a Google sheet. But do you really want your rep to see everything in the sheet? Probably not. So then you have to build complex permissioning logic.

What if you need a manager to be able to see the calculations for their subordinates? More permissioning logic.

What about those technical sales reps? You probably want them to see the deals that they helped close but you don't want them to be able to see the full commissions of the reps they worked with. More permissioning logic.

You can see how this becomes basically impossible in spreadsheets.



AUDITABILITY

Spreadsheets are the ultimate in auditability, right? Nope. Yes you can see how every calculation happened but you can't do much more than that. You can't see a history of every change that was made to every cell. You can't see who made the changes and whether or not they had approval to do so. You can't set up a chain of approvals. All of these things are easy for software but hard in spreadsheets.



TESTABILITY

Spreadsheets aren't set up so that you can test the outcomes of different inputs. Typically this requires quite a bit of set up time. So if you want to see how a rule change would affect everybody's commissions this can turn into a multi-day project. Currently, most commission software platforms can't handle this. But software is generally good at these problems. We'll come back to this more in the next section.



SCALABILITY

The way most companies scale commission spreadsheets is to create a new tab for each user. If you have 5-10 reps, this isn't a problem. But when you get 20 or 150 it gets really difficult to manage. Plus all of the things mentioned above become more difficult for every tab you add. It's harder to make things real-time, personalized, auditable and testable.



OPTIMIZATION

Optimization is just a fancy way of talking about making sure your incentives actually work. And making sure that they are the best incentives you can have for your team. Excel won't help you here at all. This is the realm of regression analysis, big data analytics and machine learning. But software can do all of this for you.

Where does this leave us? Neither commission spreadsheets nor commission software is a viable solution right now.



Flexibility and Ease-Of-Use

Now when you go to design your commissions, you'll quickly notice some big trade-offs:

- 1 Change.** Commissions need to change fairly regularly because your business is constantly changing. But changing commissions has big costs.
- 2 Complexity.** Commissions need to be complex enough to motivate your team in the right way while preventing them from gaming the system. But complexity has big costs.

FLEXIBLE



+

EASY-TO-USE



spiff

And if you remember, flexibility and ease-of-use are the two big advantages spreadsheets have over the current crop of commission software solutions. Excel is as flexible as a lemur in a hot yoga class. You can use hundreds of functions in countless cells. You can overwrite calculations at any point in a chain.

It seems like Excel is basically impossible to beat for flexibility and ease-of-use.

Now we'll show you why all that's about to change...



How To Fix It (AKA, The Future of Commission Software)

Like most people who change the world, Elon Musk is the love child of Crazy and Awesome. He's crawsome. One thing I've learned from him is that great missions matter even more than winning. And—not always—but usually the universe economically rewards people who push great missions forward.

It may sound boring to you, but here at Spiff we have a mission to move commission software forward. We care a lot about motivating human business performance through software. We believe commissions drive culture.

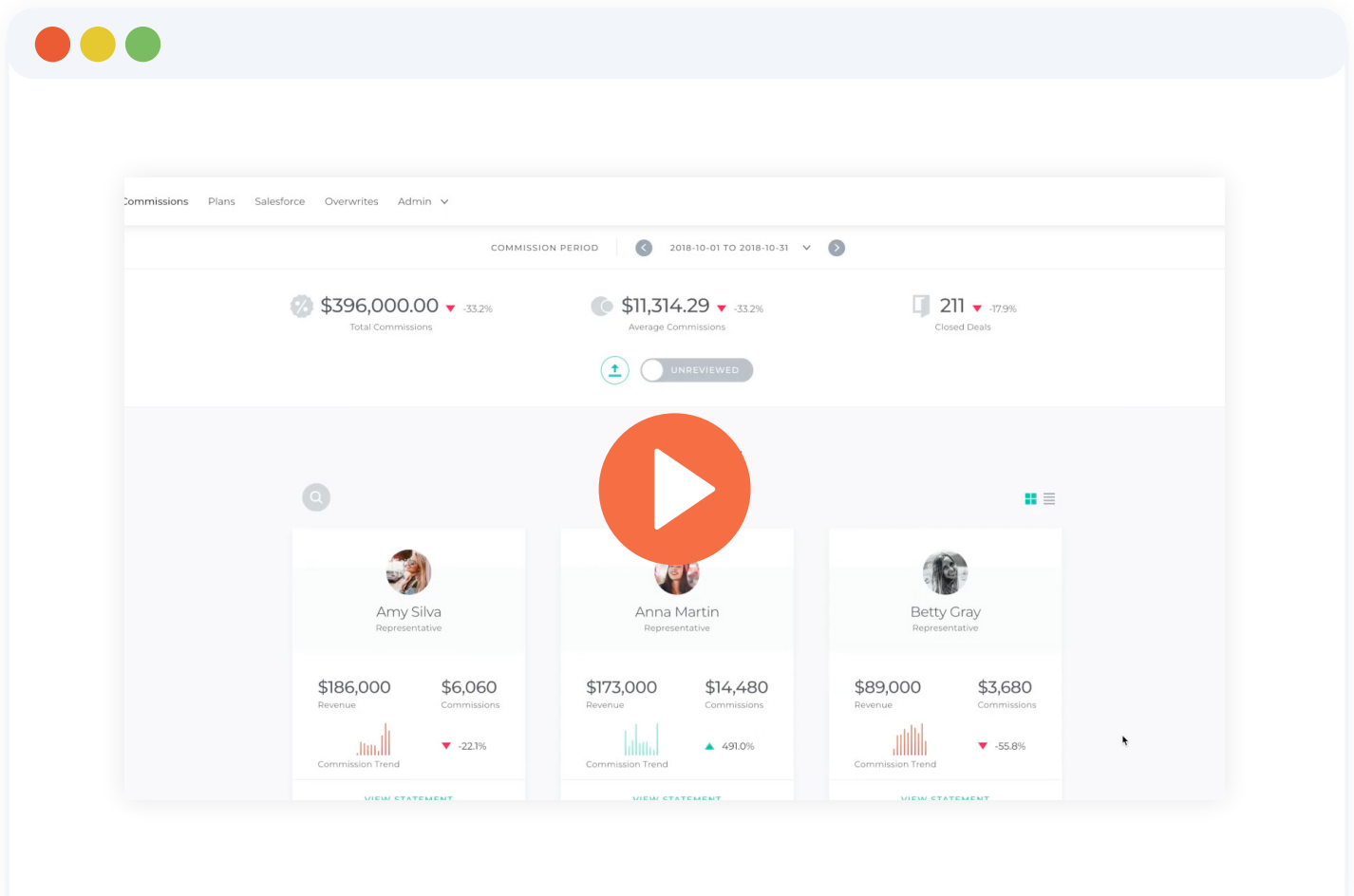


I'm going to share our vision for the future of commission software. The nature of competition is changing so that hustle and drive matter more than strategy anyway. So we'll basically share Spiff's vision for the future of commission software.

We are building software that is as flexible and easy-to-use as Excel but with all the power of a programming language. Yes, there is a bit of a learning curve. Nothing really revolutionary comes without a learning curve.

What we are building is like the beautiful love child of Excel and programming designed for business users.

Here's a video that shows a bit more of that vision.

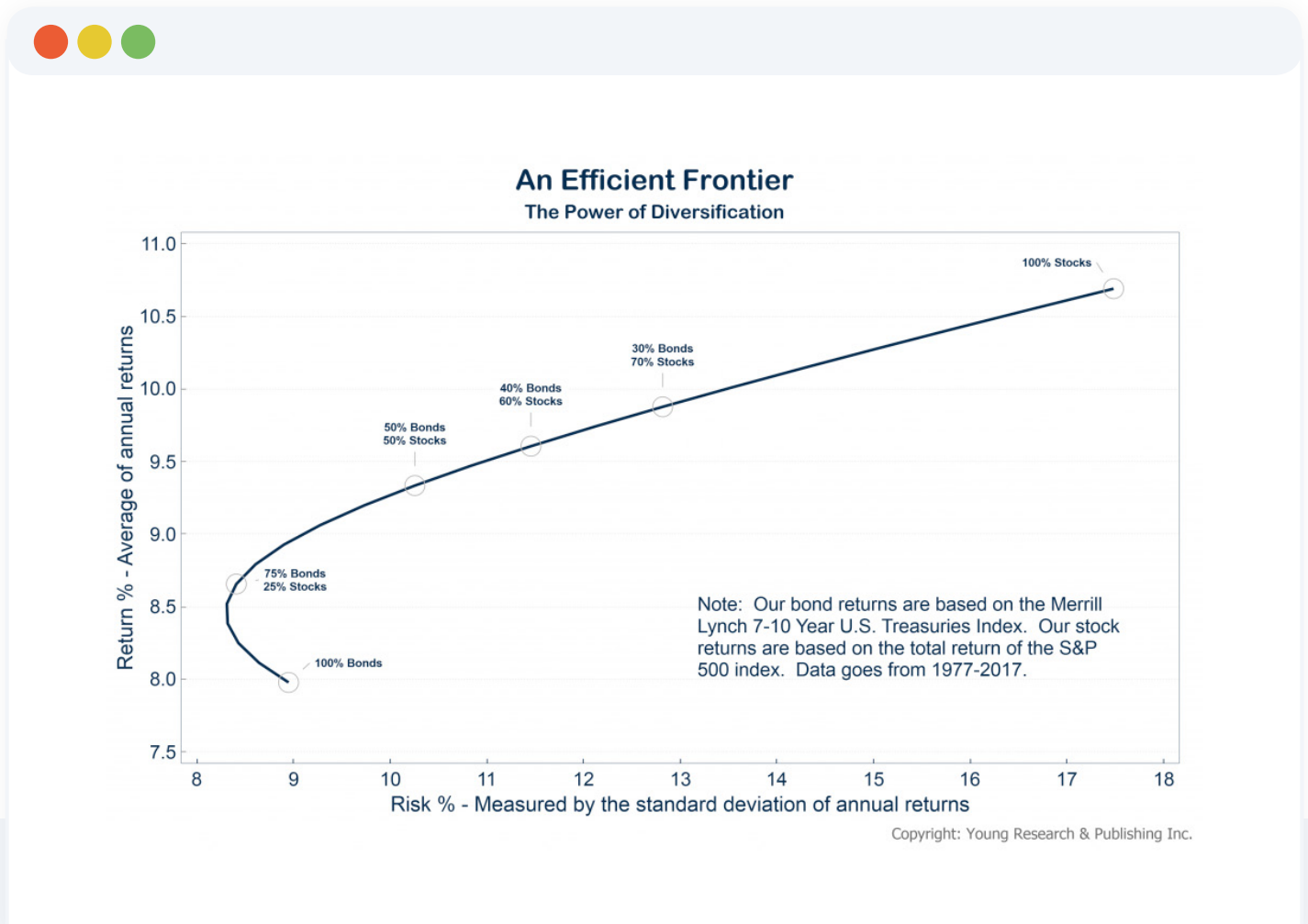


THE EFFICIENT COMMISSION FRONTIER

“At the end of the day you are trying to influence behavior to drive company goals. Your software shouldn't drive your strategy. You can't build your comp plan around your software limitations.”

JOANNA FANKHAUSER, VP GLOBAL REVENUE OPERATIONS & ENABLEMENT AT INSTRUCTURE

When we first started thinking about the potential of commission software we thought about a famous financial model called the Efficient Frontier.

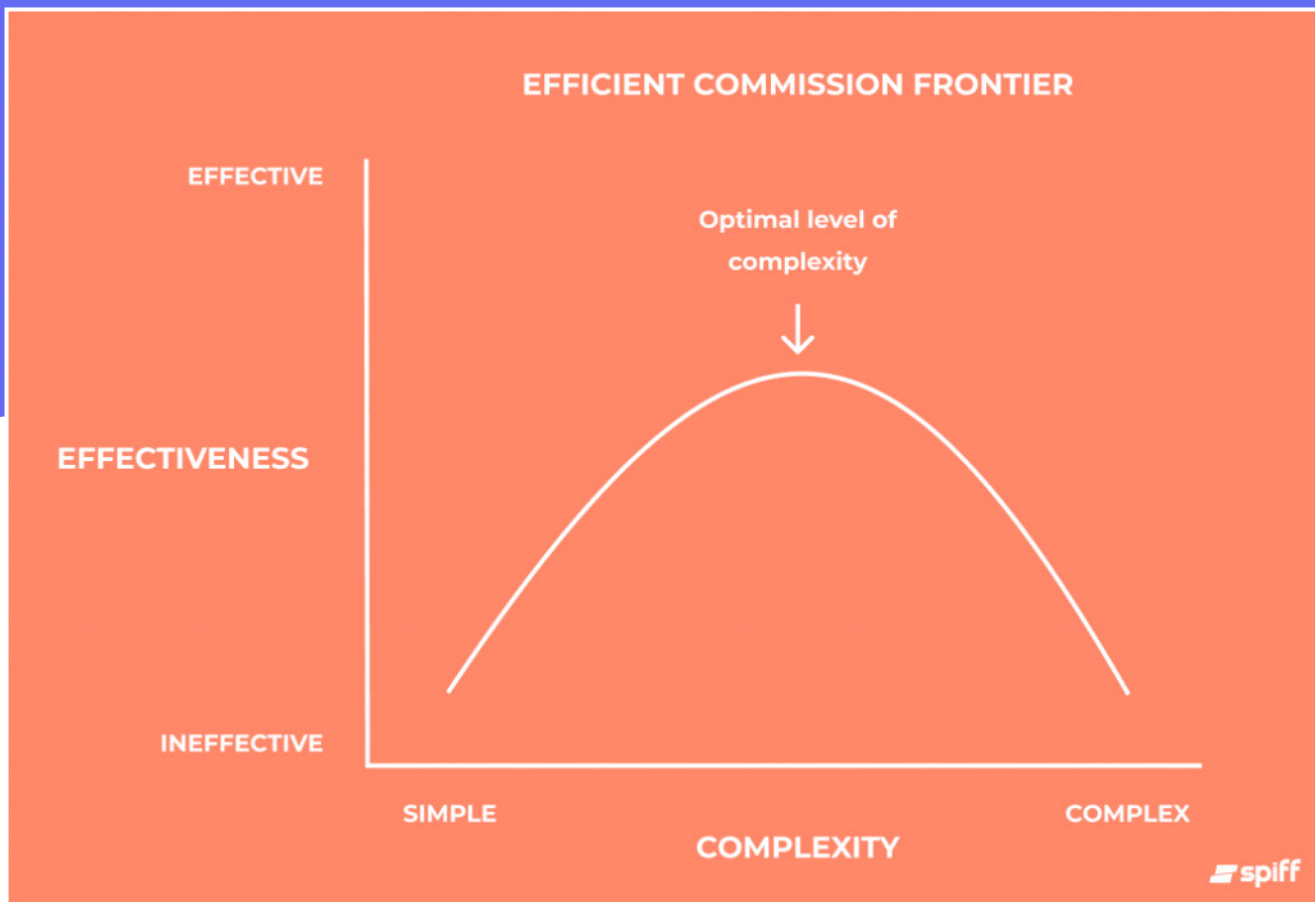


The basic idea of the efficient frontier is that you build a collection of investments based on risk and reward. But there is a forced tradeoff. Usually if you want a higher reward you need to take more risk. The efficient frontier shows you the highest return you can get at any level of risk.

There is a parallel when designing commission plans but instead of risk and return we have effectiveness and complexity.



The Efficient Commission Frontier curve looks just a little different:



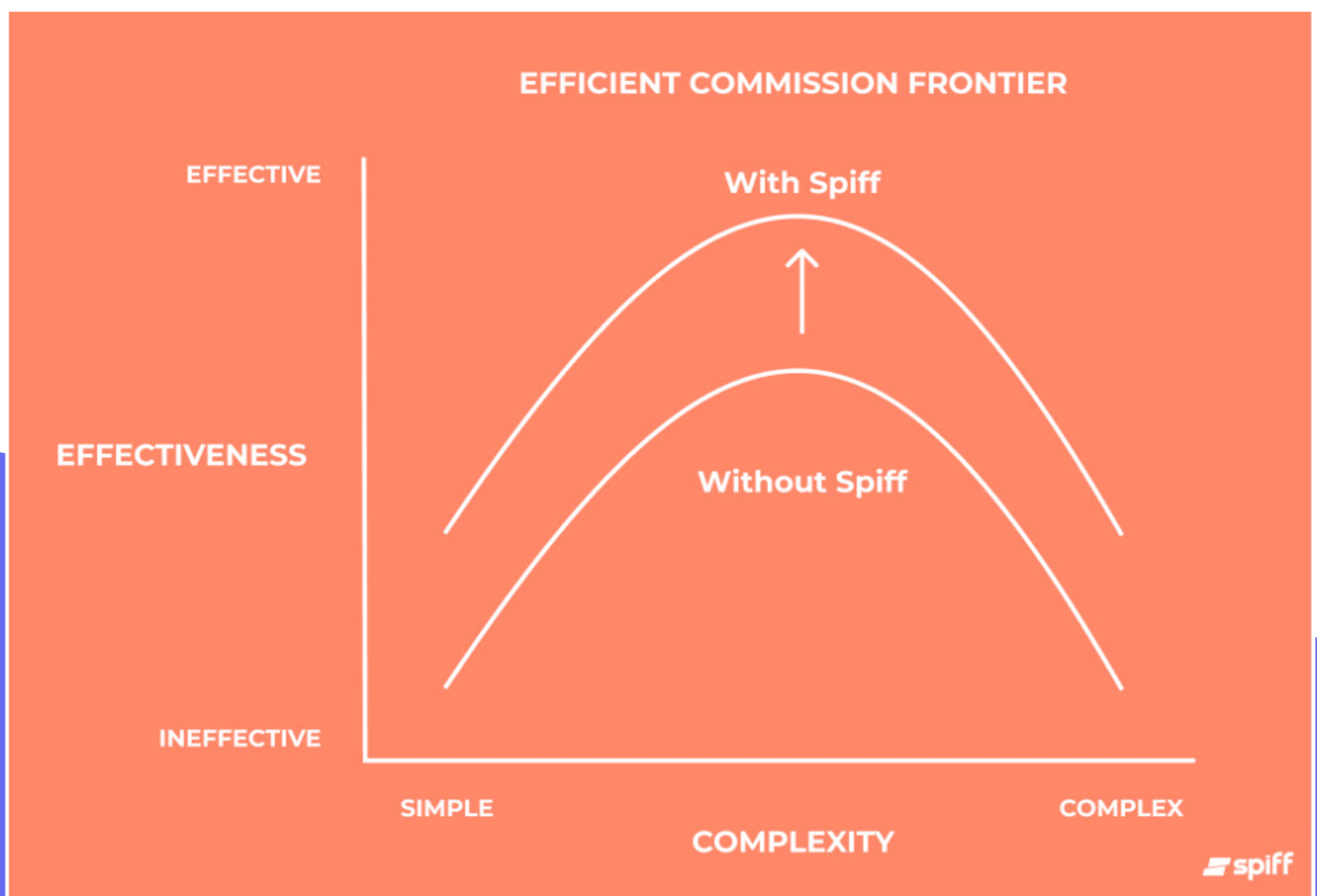
Every company wants an effective commission plan. But, again, there is a forced trade off. Effective plans often require some complexity (accelerators, etc.). However, too much complexity renders the plan ineffective. That's why the curve can eventually bend backwards.

Our goal for Spiff is:

- 1 To make building commissions as flexible as a spreadsheet
- 2 To give you the scalability of traditional software
- 3 To make managing those plans as easy-to-use for business users as Excel
- 4 To develop new and innovative ways for reps to fully understand their commission potential



We believe by doing so we make your commission plans more effective and make it possible for every company to put every employee on an incentive plan.



We've already made huge progress against these goals and are adding more every week. Check out our product updates here.

Interested in Spiff?

Schedule a demo with a commission specialist today.

[SCHEDULE A DEMO HERE](#)



SPIFF