

Sales Performance Management in the Banking Sector

A Thought Leadership Whitepaper

Table of contents

2

The Banking Industry Today

- Globalization
- Technological Advances
- Regulatory Pressure

6

Sales Performance Management Challenges: A Banking Perspective

- Acquisition Woes
- Plan Complexity
- Compensation Accuracy & Transparency
- Regulatory Compliance
- High Maintenance Costs

12

Sales Performance Management: Banking Best Practices

- Plan Design
- Plan Communication
- Plan Effectiveness
- Regulatory Compliance Readiness

16

Why InnoVyne for Banking & Financial Services

17

Innovyne Services Portfolio for Banking & Financial Services

> The Banking Industry Today

The banking industry today is characterized by three major elements: rapid innovation, increasing regulatory pressure and intense global competition. The 2008 financial meltdown acted as the catalyst for the banking industry and regulators to revisit the risk mitigation measures and ensure that compensation incentives are aligned to objectives focused on stable growth and consumer protection.

Globalization

Economic and technological advancement has given rise to a global economy which has introduced traditional banks to new competition. Credit unions, additional financial service institutions, life insurance companies and even government-operated financial organizations play a major role in today's global competitive landscape for banks giving consumers a wide array of choices to meet their financial needs.

In this ever-evolving economy, customer experience has become the greatest differentiator for companies and incentivizing the right employee behavior to consistently provide exceptional customer experiences at each stage of consumer engagement has become pivotal to a financial institution's reputation management and sustained long-term profitability.

Innovation & Technological Disruption

For the banking and financial services industry, one of the greatest disruptive forces in recent years is the vast array of technological developments that aim to enhance process efficiencies and deliver increasingly better consumer experiences. Financial tech, generally dubbed fintech, has covered the gambit of online and mobile services, privacy and security solutions and payment technologies to automate and address the more challenging areas of financial institutions while enhancing customer experience.

However, many banks are struggling to keep pace with the continuous technological disruption and are lagging behind their tech-savvy competitors.

Financial organizations with the early-adopter mindset and a cautious but strategic approach to technology adoption are rising above the competitive ranks, gaining a clear advantage through increasing efficiencies and leading customer experiences, leaving the rest of the industry to follow in their footsteps.

Regulatory Pressure

Given the growing complexity and evolution of the banking sector, governments are introducing strict regulations to help sustain market stability and responsiveness to consumer needs. New and revised regulations in recent times include the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as the U.S. Federal Reserve's Guidance on Sound Incentive Compensation Policies. As it stands, many of the regulatory changes have a direct impact on the organizational profitability.

For example, the Dodd-Frank Act requires banks to add compliance processes and personnel as outlined by the regulation guidelines and at the same time limits the revenue banks can realize through certain business activities.



ONE AREA WHERE GOVERNMENT REGULATIONS CONTINUE TO HAVE GREAT IMPACT IS MANAGING INCENTIVE COMPENSATION.

From how incentive plans are designed to the types of practices allowed by the defined guidelines, banks face intense pressure to ensure they strictly adhere to the mandates outlined by the regulatory authorities. In this environment, driving the right type of employee behavior to promote long-term business growth while ensuring regulatory compliance is paramount.

Sales performance management (SPM) - the innovative practice focused on driving optimal performance by motivating, enabling and monitoring personnel to improve their ability to achieve set targets - is the foundational component in a financial institutions ability to sustain long-term profitability.

> Sales Performance Management Challenges: A Banking Perspective

Financial institutions face unique problems when it comes to sales performance management not only due to the burden of regulatory mandate compliance but also due to the layer of complexity embedded in incentive compensation plans, lack of adequate systems to provide the required visibility and high programming costs associated with existing solutions.

The challenges highlighted in the following pages are flagged by banks and financial services companies as the core difficulties associated with managing sales performance.

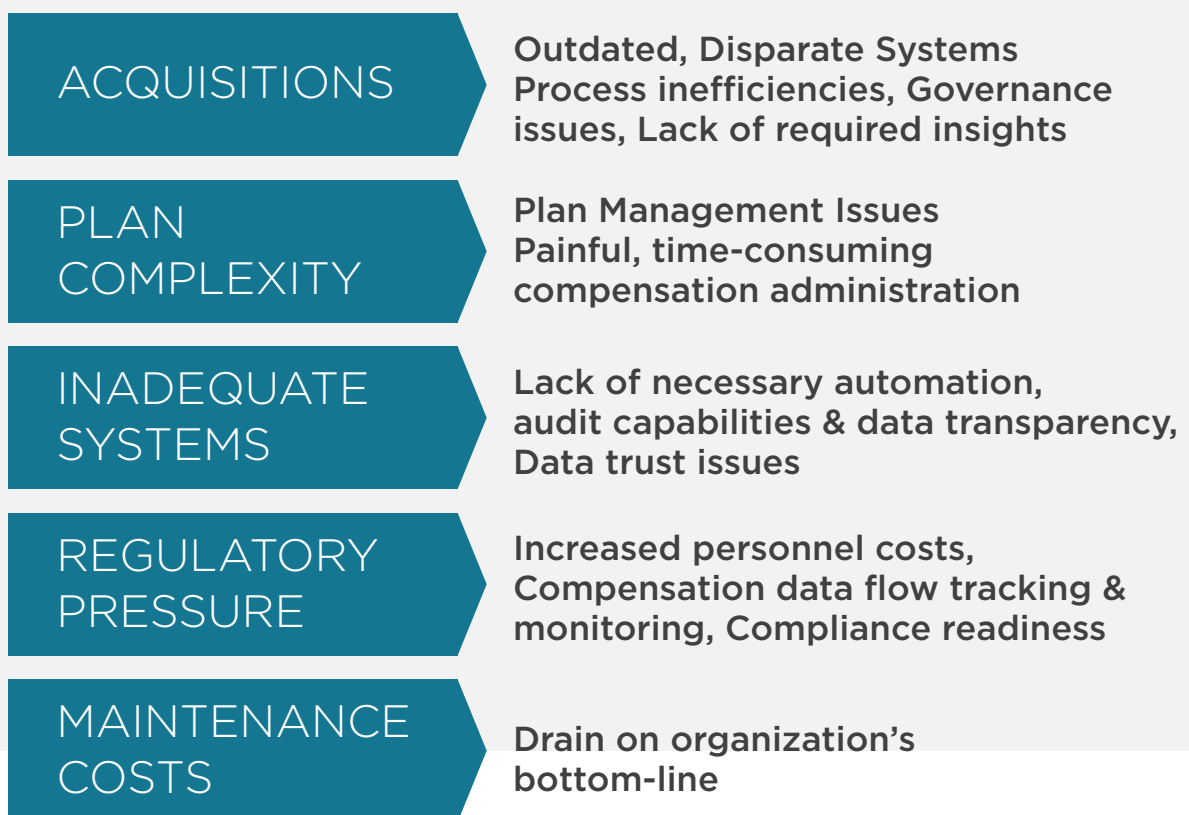
1

Acquisition Woes: Outdated or Disparate Systems

Financial institutions are no strangers to acquisitions and while the benefits of strategic acquisitions are immense, banks also face challenges associated with integrating new companies and divisions into an existing organizational and systems framework.

Many times, new acquisitions continue using their historical systems causing a diverse collection of technologies rather than following an integrated IT strategy. Organizations lacking a consistent, unified systems strategy generally have difficulty making timely changes, incur high maintenance costs and lack proper governance.

Ultimately, this results in process inefficiencies making it difficult to track data, gain important insights from key data and identify growth opportunities.



2

Plan Complexity: Plan Management Issues

Incentive compensation in the banking sector is already riddled with layers of complexity with a range of plan variables including various types of products and business units. Integrating plans for newly introduced product lines or acquisitions adds additional complexity making plans difficult to manage without the right solutions.

Moreover, many organizations still rely on systems that are not well-suited to managing compensation complexity and lack the functionality that current practices and regulations demand.

For companies still using spreadsheets, multi-year compensation plans can be painful to manage as spreadsheet-based solutions tend to create disorganized, error-prone layers of information with an acute lack of audit and reporting capabilities.

3 Compensation Accuracy & Transparency: Data Trust Issues

Sales professionals and company representatives with variable pay programs that are passionate about achieving their targets are a company's greatest asset.



However, when faced with a lack of visibility into their payouts, employees take matters into their own hands resulting in shadow accounting systems and double-checking that drain both the employees' and the compensation team's productivity and divert the compensation team's focus on answering inquiries and resolving compensation disputes.

One of the greatest downsides of the use of error-prone, time-consuming incentive management solutions such as spreadsheets is the compromised accuracy and lack of transparency into payout details.

4 Regulatory Compliance

With compensation practices under scrutiny, the US banking industry has been charged with complying with two regulatory policies in particular. The Dodd-Frank Wall Street Reform and Consumer Protection Act discourages excessive incentive compensation practices and prohibits behavior that puts the organization at risk.

Secondly, the US Federal Reserve's Guidance on Sound Incentive Compensation Policies outlines the requirement for financial institutions to adhere to risk-appropriate incentive policies supported by strong corporate governance and effective risk management.



The impact of both of these regulations has resulted in banks rethinking and in many cases, redesigning the fundamental structure of their large workforce. Many compensation teams hire additional staff to reduce the extra workload around compensation design, data tracking and monitoring and day-to-day incentive administration that the strict guidelines demand from administrators resulting in higher total personnel costs and an inefficient use of high-value resources.

5

High Maintenance Costs

Designing, developing and executing effective plans while managing layers of complex rules and variables is a tall order for spreadsheets or in-house systems.

Error-prone spreadsheets and intricate, IT-led in-house systems account for increased resource costs, administrator concerns regarding data accessibility and employee frustration caused by lack of data transparency.

In an environment where regulatory mandates already impact the bottom line, high programming costs are an unnecessary drain on the organization's margins.

> Sales Performance Management Challenges: Banking Best Practices

Savvy banking companies that keep their pulse on the ever-changing market share a fundamental characteristic: the ability to learn quickly and adapt accordingly to reflect the times. We have observed that the same principle applies when it comes to financial organizations that are successful in effectively managing sales performance even in times of rapid change and uncertainty.

THE BEST PRACTICE STANDARDS CAPTURED BELOW ARE COMMON DENOMINATORS IN BANKS THAT HAVE BEEN EXCEPTIONAL AT KEEPING PACE WITH THE EVOLUTION OF THE FINANCIAL INDUSTRY IN RECENT TIMES.

Alignment

Trust

Analytics

Readiness

1

Plan Design: Alignment with Strategic Objectives

Arguably the most critical factor in a successful sales performance management strategy is the alignment of the organization's compensation structure with the overall strategic objectives and financial goals. The right compensation structure serves as the driving force in ensuring that the right sales behavior is incentivized and rewarded appropriately.

Well thought-out, clearly defined metrics and appropriate cash and non-cash reward systems are two elements that play an important role in defining the optimal compensation structure for employees. A monthly parking pass may be a much highly desired reward for employees in highly populated cities than expensive dinner vouchers.

COMPANIES THAT SPEND TIME UNDERSTANDING EMPLOYEE PRIORITIES AND CHALLENGES ARE MUCH MORE SUCCESSFUL AT RECONCILING THE RIGHT METRICS AND INCENTIVES TO BUSINESS PRIORITIES THAN THEIR PEERS.

2 Plan Communication: Building Employee Trust

A key factor in alignment is making sure employees understand their payout structure and the organization's goals and objectives. The greater the transparency into compensation details and business priorities, the larger the employee trust.

Clear communication of plan details and an openness to address employee queries by the compensation team and senior management has resulted in banks realizing significant increases in the employee CSAT scores.

3

Plan Effectiveness: Analytics & Data Insights

CONTINUOUSLY MEASURING SALES PERFORMANCE IS A REQUIRED PRE-CURSOR FOR COMPANIES TRYING TO UNDERSTAND THE EFFECTIVENESS OF INCENTIVE PLANS AND THE COMPENSATION STRUCTURE AS A WHOLE.

Companies with a well-designed approach to data tracking and the right analytics tools can take advantage of the captured information to gain a comprehensive view into corporate as well as individual metrics, assess plan effectiveness and easily derive key performance insights to share with management teams and employees alike.

Thoughtfully designing a data strategy to capture the required information, ensuring that the data is readily accessible to the appropriate users and implementing user-friendly, robust analytics solutions is imperative for companies aiming to better understand performance results and identify opportunities for growth.

4/7/19

4/21/19

5/5/19

5/19/19

4

Regulatory Compliance Readiness: Audit & Reporting

In light of the new and revised government regulations, it is a crucial practice for astute financial institutions to diligently track all data from original transaction to final payouts and ensure ready accessibility to the required levels of detail.

While spreadsheets and many inhouse systems fail to achieve this goal, leading financial organizations have implemented best in-class solutions with functionality to track and report on the required data and provides adhoc reporting capabilities to aid in the audit process.

With new regulations continuously being introduced, it is vital to have systems in place that allow for compliance readiness.

Why InnoVyne for Banking & Financial Services



InnoVyne Technologies Inc. (InnoVyne) has the domain experience, comprehensive technology knowledge and cost-effective methodologies to help banks and financial services institutions transform their incentive compensation management practices.

InnoVyne service professionals combine SPM best practices with industry knowledge to address the banking sector's unique challenges, advise on the optimal technology solutions and enable clients for self-sufficiency and long-term success.

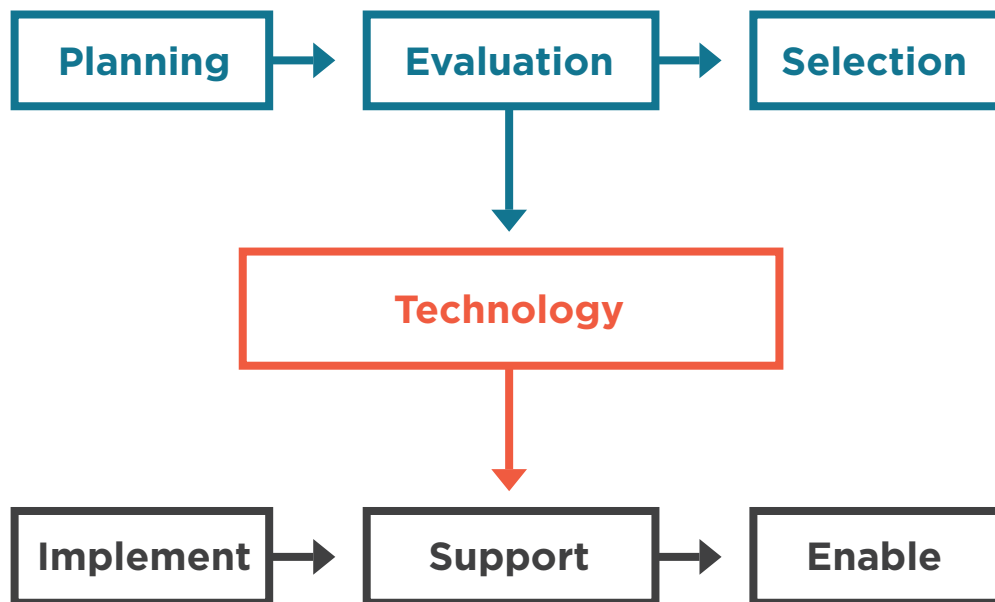
InnoVyne is a trusted partner for sales performance management needs in the banking sector.

InnoVyne's ProAct methodology and flexible approach provides clients with a guided, prescriptive and customized experience designed to meet each client's distinctive requirements while realizing the benefits of InnoVyne's extensive knowledge of industry best practices.



InnoVyne Services Portfolio for the Banking & Financial Services Industry

InnoVyne partners with banking and financial services organizations to transform their sales performance management practices. InnoVyne's suite of comprehensive, end-to-end sales performance management services is designed to help clients move from ineffective, timeconsuming practices to best-in-class solutions that drive business growth.



■ SALES PERFORMANCE MANAGEMENT (SPM) ADVISORY:

From the early stages of planning to evaluation and selection, InnoVyne partners with financial institutions to find, design and successfully implement the ideal sales performance solution.

■ SOLUTION IMPLEMENTATION:

The entire solution implementation life-cycle delivered using InnoVyne's industry leading ProAct methodology, domain expertise and industry knowledge.

■ MANAGED SERVICES:

Dedicated on-going support for growth, enablement and solution optimization.

■ TRAINING & ENABLEMENT:

Immersive training programs outfitted with real-world scenarios to enable self-sufficiency.

■ BUSINESS INTELLIGENCE (BI) SOLUTIONS:

Data-driven, analytics solutions designed to support insightful and informed strategic decision making.

For more information on how InnoVyne can help transform your sales performance management practices, contact us today.



Call Us: 1 888 796 9636
Email Us: info@innovyne.com

On The Web: innovyne.com