



Build vs Buy

Making the Right Choice for Your
Incentive Compensation Programs

GUIDE



Introduction

Incentive compensation is one of the largest expenses an organization incurs. Yet, too often, companies consider their incentive strategy to be a side component of their success and relegate compensation plans to the sales department.

But defining incentives should be a collaborative effort between multiple departments, including sales, finance, and HR. And to take it even one step further, incentive compensation management (ICM) efforts should be automated and data-driven—and the status quo is far from this.

In this age of cutting-edge technology, many organizations still use labor-intensive tools, such as error-prone spreadsheet applications or homegrown solutions, which result in decreased productivity and slow growth that impacts revenue. A new variant of this problem has also emerged: “vibe coding.” AI tools now let any sales ops manager prompt their way to a custom ICM tool in an afternoon: no engineering required, and no domain expertise either. This is not a compensation strategy and opens up significant risk because it is not a defensible ICM platform.

Many companies believe they are equipped with the staff and specialized knowledge to run their day-to-day operations, but when it comes to building their own custom solutions, they greatly underestimate the costs and challenges.

So let’s break down the key differences when it comes to solving your compensation challenges. Should you build your own homegrown solution and continue to manage comp via spreadsheets and uploads/downloads, or is there a better way?

Let’s dive in.



**Vibe coding has given every sales ops team the illusion of a third option: “build it yourself, instantly, with AI.”
But a prompt is not a compensation strategy, and a chatbot-generated script is not a defensible ICM platform.**

6 Factors To Consider Before Choosing To Stay On The Path of The Homegrown System

We get it. Spreadsheets are a pretty powerful tool. And if we are honest, where would we all be without their invention? But they are also very limited in a lot of areas, and there are many factors to weigh when deciding to stay the course and continue operating manually or ditch the spreadsheets and automate.

Here are some questions you should consider asking to better understand the risks and challenges of using a homegrown solution to manage compensation plans and motivate your sales teams.



1. What are your organizational priorities?

Start by considering the high-level objectives of your organization. Is developing and engineering a solution for incentive compensation or Sales Performance Management (SPM) a priority for your company? Probably not. But we know accurately paying your sellers on time, and motivating them to sell more, is. Working with an experienced vendor in the SPM domain will help you achieve this goal faster.



2. Do you have endless supply of in-house resources available?

Before you route valuable resources to building a custom solution for ICM, think about how else you could be deploying them within the organization to increase both top-line and bottom-line revenue. Focusing resources on the right things will help your organization become more agile and better equipped to respond to external market threats. Homegrown solutions demand ongoing validation, troubleshooting, and eventual replacement when it inevitably breaks under real-world compensation complexity.



3. What is the total cost of ownership?

As time passes, your internal solutions eventually eat into precious resources like engineering and IT, and tend to include a patchwork of additional tools that will always require ongoing maintenance and support. In the long run, an internal build cannot scale well, which increases the overall total cost of ownership (TCO) of an in-house compensation solution. AI-generated solutions compound this problem: they appear “free” to build but accrue hidden TCO in the form of undocumented logic, brittle integrations, and the organizational risk of a tool nobody truly understands.



4. Are you an expert in ICM?

If you do not have the required expertise, you risk building something that may work for now, but is it the best option to drive the type of selling behaviors you're looking for? Homegrown systems frequently result in a complex solution that only a few individuals (the original design team) understand or are capable of supporting. So what happens when they burn out and leave?

AI tools have made this risk harder to see. A vibe-coded ICM tool does not require a design team, but it still encodes assumptions about your comp plan that no one has reviewed or validated. When the prompt author moves on, what is left is an ungoverned black box generating commission checks.



5. What about security?

When it comes to the security and privacy of your organization's compensation data, you are right to be concerned. There are secure products on the market that help execute your strategic compensation programs efficiently—that's why it is crucial to perform due diligence on the security aspect of any software you choose to implement at your organization. Vibe-coded tools introduce additional risk here: AI-generated scripts often interact with sensitive compensation data without any formal security review, access controls, or data handling policies.



6. How about scalability and performance?

As your company grows, you need an ICM solution that scales seamlessly with your organization. Improving on an in-house build may not be the best use of resources when you are focused on growing your business. You need something that easily scales with your business to support increasing data volumes while ensuring reliability and system uptime. A vibe-coded solution built for 50 reps on a single comp plan will not survive a merger, a go-to-market (GTM) pivot, or a move to multi-currency payouts, no matter how sophisticated the AI that generated it.

Having answers to the questions above is really only one part of the equation. There are also quite a few risks involved that companies need to consider.

Let's dig into some of those.

The Risks of Comp in Spread-sheets and Homegrown Systems

Limitations



Complex and Cumbersome

The more complex your compensation plans get, for example, needing to pay out in multiple currencies or merging with another company, the more complicated it is to manage incentives via spreadsheets. It is also difficult and expensive to scale a homegrown system without the right domain expertise.



Manual Data Entry

Spreadsheets and in-house systems involve manual data entry, making them time-consuming and extremely unreliable in terms of accuracy. One wrong comma can spell disaster.



Opportunity Costs

Unproductive hours spent on shadow accounting, dispute resolution, and more stem from inefficient internal systems that cannot keep all SPM stakeholders on the same page.



Quality Compromise

If you do not have the right resources, domain expertise, or the time it takes to build and maintain an in-house system, it is exceedingly tough to deliver quality outcomes.



AI-Generated 'Vibe Coded' Solutions

AI tools have made it trivially easy for non-technical teams to prompt their way to an ICM calculator in an afternoon, but what looks functional on the surface often lacks auditability, SOX compliance, error-handling, or the ability to manage edge cases like multi-currency payouts and plan exceptions. When it breaks—and it will—there's no documented logic, no vendor SLA, and often no one who truly understands what was built.

Risks



Limited Reporting

Complex reporting is beyond the reach of spreadsheet-based compensation programs, while internal tools require added engineering or IT resources to build in-depth reports and personalized dashboards.



Siloed Approach

Simple spreadsheet applications or homegrown solutions do not provide the necessary flexibility to connect to external CRM, ERP, payroll, and other systems required for efficient planning and optimization of compensation plans.



Limited Auditability and Non Compliance

To maintain regulatory compliance, organizations need full-stack auditing capabilities for their compensation programs. Without it, you run the risk of substantial financial penalties.



Zero Transparency

Homegrown systems often lack integration with sales planning processes, reducing the chance for optimizing compensation plans and impacting stakeholder decision-making.



False Confidence in AI-Built Tools

A vibe-coded ICM script can process compensation data and still get the math wrong silently. Without proper testing frameworks, audit trails, or domain expertise baked in, errors propagate undetected until a sales rep disputes their check or a compliance audit surfaces the gap.

How Your Organization Can Win With Xactly

Choosing an ICM solution that's right for your organization is not an easy decision. What's even more important is to select the right partner who will not only solve the ICM pain points you feel today, but will also work closely with you and your team to ensure you're continually optimizing and improving your sales processes and performance.

1. A Robust ICM Solution to Increase Accuracy and Drive Desired Sales Behavior

Significantly Reduce Dispute Resolution

Xactly Incent increases commission forecast accuracy up to 99.6%* and ensures timely commission payouts with 99.8%* accuracy. This means compensation administrators and sales reps spend less time on shadow accounting and dispute resolution and can focus more on selling and building more effective comp plans.

**Xactly Benchmarking Data*

Put Auditing and Compliance on Autopilot

Spreadsheet-based compensation plans have limited auditing. Implementing and maintaining auditing capabilities for regulatory compliance (like SOX compliance) within homegrown systems requires significant effort. AI-generated solutions are no different and cannot produce the audit trail required for SOX compliance, leaving your organization exposed from day one. When you invest in Xactly, your organization is protected against any scheduled or unforeseen audits from day one.

2. The Ability to Break Down Silos and Improve Stakeholder Collaboration

With a purpose-built ICM solution like Xactly Incent, you can establish a single source of truth for all SPM activities right from the beginning. Doing so helps you break down entrenched silos that exist within your organization and instead foster a culture of trust and transparency within GTM teams.

3. Superior Scalability and Performance

Xactly's Intelligent Revenue Platform is extremely flexible and adapts to the unique needs of any organization, small or large. Xactly Incent can support the most complex and demanding compensation programs—handling billions of transactions and tens of thousands of payees—and is purpose-built with industry best practices baked in. Not only that, companies can quickly scale incentive compensation plans with the ability to instantly add new reps to plans, automate plan review and approval processes, and quickly add new data sources.

4. Continuous Optimization of Sales Processes

Pre-built Intuitive Dashboards and Powerful Reports

Homegrown systems require further development or expensive third-party application add-ons to provide visibility to the sales teams. Xactly Incent delivers powerful out-of-the-box reporting and intuitive, customizable dashboards on demand.

Intelligent Sales Planning & Execution

Data-driven, intelligent sales planning improves organizational alignment, drives productivity, and delivers an unparalleled competitive advantage. Working with Xactly's Sales Performance Orchestration (SPO) suite gives you access to:

- ▶ Real-time Insights: View near-real-time reporting on pay and performance data
- ▶ Industry-leading Sales Performance AI: Augment years of experience with Xactly's AI/ML capabilities (like Xactly's proprietary Rep Attrition algorithm)
- ▶ Central Hub for all SPO Activities: Monitor the health of your sales organization closely

5. Continuous Innovation from an Expert SPM SaaS Provider

When you partner with Xactly, you work with a market leader who is laser-focused on Sales Performance Orchestration (SPO). Our customers are also able to leverage Xactly's 21+ years of unmatched proprietary pay and performance benchmarking data to improve compensation plans and drive better performance.

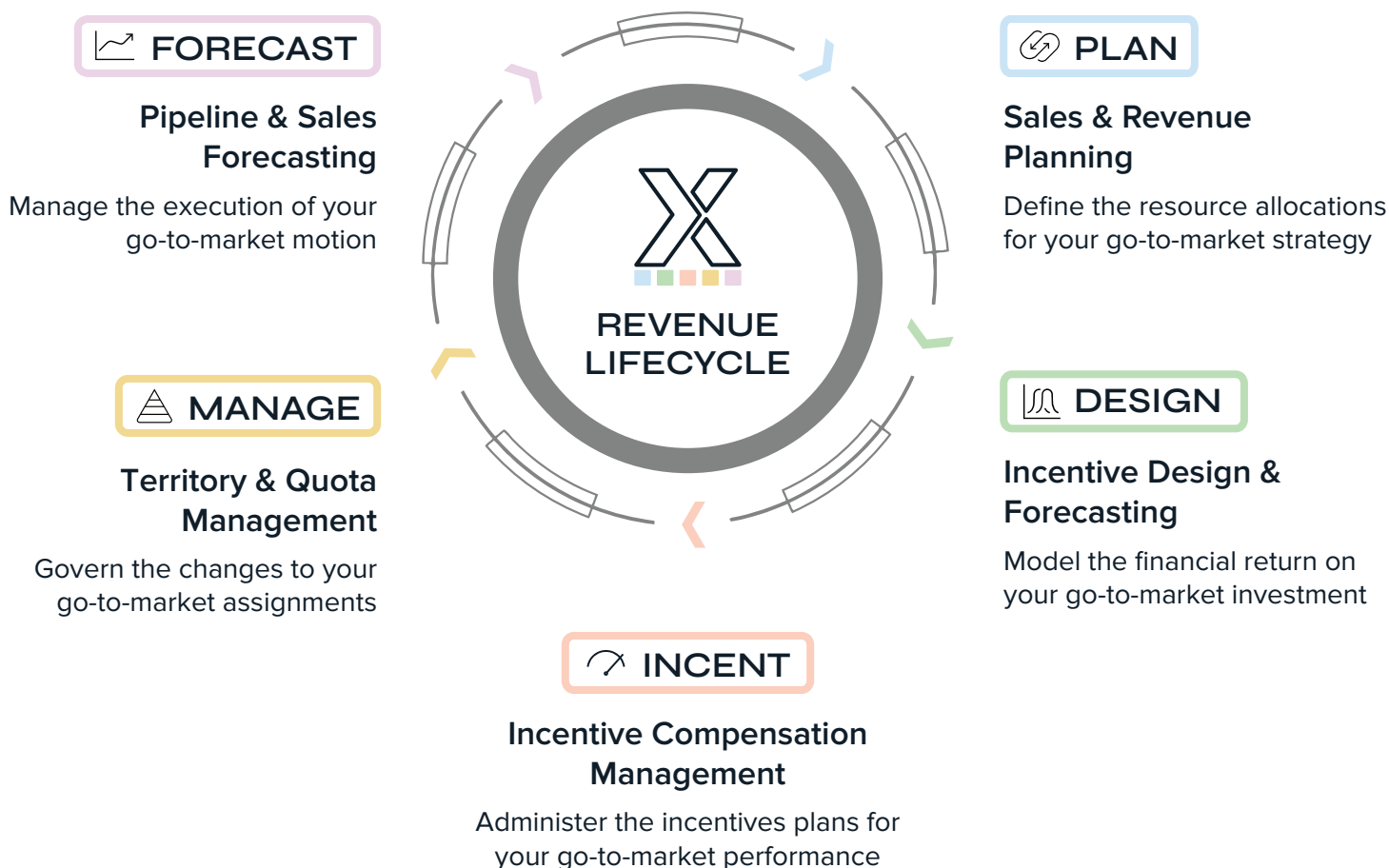
At Xactly, we continually push the boundaries and improve our product offerings to ensure our customers always have access to the latest sales performance technologies.

Conclusion

Automation is an obvious starting point when it comes to compensation plan design and execution to motivate your sales team in the right direction. An in-house ICM solution might look like an attractive and lucrative option at first, but many disadvantages start surfacing as soon as you begin building it.

Remember, compensation plans are strategic assets that help your company build and sustain a competitive advantage. Considering all the factors, risks, and limitations that come with developing and maintaining a homegrown system, it is essential for organizations to invest in a robust and future-proof ICM platform that goes beyond just incentive plan execution.

Incentive compensation management is only the beginning of shaping and motivating your sales force. To truly succeed, organizations must look to holistically plan, execute, and continually optimize their sales processes. Xactly's Intelligent Revenue Platform is the only solution that aligns frontline execution with boardroom strategy to create a resilient, predictable, and profitable business.



About Xactly

Xactly is the global leader in AI-driven Sales Performance Orchestration built for the world's most ambitious revenue engines. Building on two decades of industry leadership, Xactly is redefining revenue performance by moving beyond manual management to autonomous orchestration. Xactly's Intelligent Revenue Platform leverages a unified data model, intelligence, and a fleet of AI agents to synchronize the full revenue lifecycle, from planning and design to incentives and forecasting. Xactly replaces fragmented legacy tools with an AI platform that orchestrates sales compensation and performance to drive predictable enterprise growth. Transform your revenue engine at XactlyCorp.com.

