CONSULTANT VS. VENDOR:

WHEN IT COMES TO SPM, WHICH IS BETTER?

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01 Introduction
Navigating the Complexities of SPM Implementation

Implementing a Sales Performance Management (SPM) solution is a critical decision for businesses striving to optimize their sales processes, motivate their teams, and ultimately, increase their bottom line. However, before diving into the plethora of technical solutions available in the market, a fundamental decision needs to be made: *should you go with a direct vendor or hire an external consultancy?* This pivotal choice can significantly impact the effectiveness of the implementation, the return on your investment, and your overall satisfaction with the chosen solution.

This article ventures into the heart of this debate, aiming to provide businesses with a clearer perspective. First, we dive into the dilemma at hand, exploring the key considerations for choosing an implementation partner. Next, we offer a side-by-side comparison of the two approaches. And finally, we look at the leading studies measuring the outcomes of both approaches on businesses in the real world. Ultimately, while there are no one-size-fits-all solutions, our insights aim to guide businesses to an informed decision tailored to their distinct needs.

Only 14% of SPM implementations meet the trifecta of success: on time, within budget, and effectively meeting business needs. –World at Work, 2023

02 Consultant vs. Vendor:
The Dilemma

Every modern business decision, especially when it comes to technology, carries with it a multitude of considerations, potential pitfalls, and advantages. Among these is the seemingly perennial debate: should you seek the expertise of the software's direct vendor or engage a third-party consultant?

At a glance, the answer may appear straightforward. After all, who understands the software's nuts and bolts better than its very creators? Vendors are the architects behind their tools, fully aware of every feature, advantage, and limitation. What's more, they also know the trajectory of their technology, anticipating future features and upgrades yet to have been built. To many, it seems only logical to work directly with the source when undertaking such a big and important change to the organization.

However, there's a subtle distinction between constructing a software and wielding it efficiently in the real-world business landscape. While vendors are adept at showcasing what their tool *can* do, consultants hone in on what the tool *should* do for a specific business context. Consultants bridge the gap between a software's potential and its optimal application within an organization's unique ecosystem. Their focus isn't just on the software but on how the software interacts with existing systems, personnel, and broader business goals.
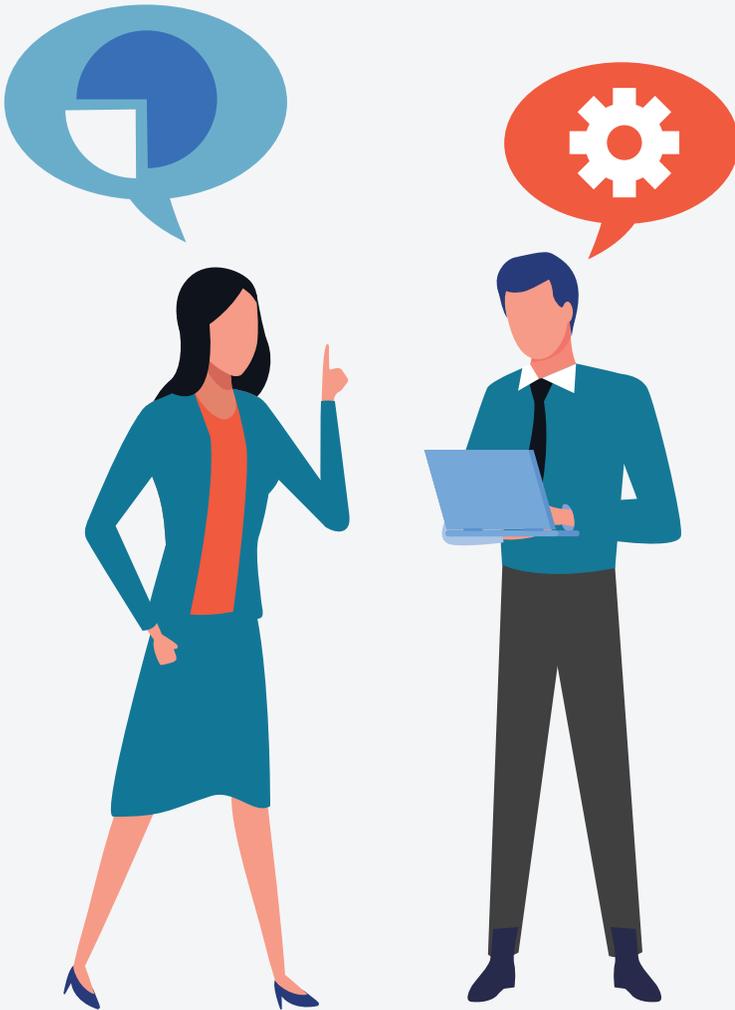
03 4 Key Considerations

Businesses that find themselves at a crossroads deciding between vendor-led vs. consultant-led SPM implementations need to weigh the following considerations.

Customization Needs

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Businesses have needs of varying complexities. While some may be satisfied with an off-the shelf product, others may require an entirely tailored solution. Broadly speaking, vendors are more likely to have an off-the-shelf solution that may be quicker and potentially more economical to implement. However, when it comes to configuring a solution to meet specific and unique business needs, the implementation consultant may offer more.

Cost

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Hiring a consultant for implementation may initially come with a higher price tag due to the large amount of preparation and intelligence gathering required. However, sharing all the business insights up front may lead to savings in the long run. This is because this process typically allows for a more sophisticated and tailored solution that better serves business needs, even as they evolve. Moreover, this helps identify potential pitfalls early on, allowing you to avoid them before they become bigger issues. That said, if your priority is to get up and running on a strict budget, a vendor is more likely to meet these requirements.

03 4 Key Considerations

Implementation Time

03

If your existing compensation and performance management system is riddled with errors and inefficiencies, you may feel the pressure to deploy an operational solution as soon as possible. A direct vendor is more likely to estimate and meet a tighter deadline. However, if your business requires a more nuanced approach, working directly with a vendor may require additional adjustments and modifications on an on-going basis. With a consultant, the initial onboarding process may take a little more time, however that added investment it likely to yield a solution that requires fewer fixes in the short term after deployment.

Expertise

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While the vendor may have deep knowledge of their technology, the consultant has expertise with broader implementation challenges and best practices across industries. The perspective of a consultant who has worked with various systems and clients may steer the project in a better direction that anticipates the evolution of business needs as well as inoculates against missteps. If you have a strong internal team with experience in the implementation of SPM software, a vendor may offer a more streamlined approach. If you could benefit from the rich insights of an implementation expert for better guidance, the consultant may be your best bet.

04 Understanding the Roles:
SPM Consultant vs. Direct Vendor

On the surface, both vendors and consultants offer similar services to businesses looking to adopt an SPM solution. However, the two have significant differences in the way their businesses are structured, and as such, their experiences and expertise. Let's compare and contrast these similarities and differences for a better perspective.

Implementation Consultant

Direct Vendor

Objective & Primary Role

Their main objective is to ensure the software aligns with business needs. Their primary role is that of an advisor and advocate for their client.

While they offer support, training, and implementation services, their primary objective is sales-driven. They focus on promoting, selling, and upselling their proprietary software.

Scope of Experience

They know the ins and outs of how an SPM solution serves different businesses over the lifetime of their investment. As such, they can bring broader perspective to the table.

While they have deep knowledge of their software, they may not have a broad overview into evolving business needs over the lifetime of the client's investment. As such, their implementations may not be tailored for optimal performance over the long haul.

Commitment Duration

Their involvement extends far beyond solutions implementation. It is typical for consultants to be involved for the entire lifecycle of the client's SPM investment, from initial requirement gathering through implementation through subsequent training, maintenance, and support.

It is typical for vendors to offer configuration and training because it is in their interests that the software effectively serves their customers. However, they are in the business of software development, not business systems support. As such, once the solution is integrated and training is completed, their role diminishes to standard customer support.

Nature of Relationship

Their success is inextricably linked to their client's software adoption. Therefore, they strive to build long-term relationships, offering strategic advice, and evolving as the client's needs change.

The relationship between vendor and client is more transactional. Many vendors do offer technical support; however, it is often limited to their product's functionality rather than strategic business direction.

Financial Interest

Their earnings are primarily based on consultation fees and successful implementation. As such, they may strive to offer assistance and value past the initial integration.

Their primary revenue source is software licensing, which typically recurs on a monthly or annual basis. Implementation is and support is a limited-time service offering that makes up a small fraction of their earnings. As such, their top financial interest is selling the product and various extensions.

05 Added Context:
The True Cost of SPM

In evaluating the economics of SPM solutions, one must delve deeper than the initial price tag. Consider the Forrester case study examining a composite business deploying Varicent Incentives for ~2,000 payees: They would face an annual commitment of roughly $1.5M in licensing fees. This isn't a singular investment but a recurring financial obligation that binds the client to the vendor throughout the lifecycle of the client's investment.

In contrast, the SPM implementation costs for this business stand at an estimated $650K. Although less than licensing, it encapsulates intense labor requirements, spans upwards of eight months, and includesinherent risks. From the vendor's perspective, the recurrent licensing fees offer a predictable revenue stream, while the implementation, fraught with challenges, is a one-time

gain. Therefore, it is natural forvendors to prioritize perfecting and selling their product over undertaking a more nuanced business consulting role.

In juxtaposition, implementation consultancies thrive on client satisfaction. Their revenue doesn't rely on ongoing software licensing but on its successful deployment. Their role extends beyond mere integration; they're champions of ensuring the solution's success in its intended milieu.

The financial dynamics present a vital question for businesses: Is the emphasis on acquiring the product or its effective implementation?

For more on the cost of SPM, check out this article.

06 Comparing the Outcomes:
Vendor-Led vs. Consultant-Led SPM Implementations

The decision between a vendor- and a consultant-led implementation hangs in the balance between initial cost and long-terms satisfaction. Now that we've looked a little more closely at both approaches, including the roles of the providers, let's look at the business outcomes they yield. In a study by the *Sales Management Association* in collaboration with Robert Blohm as an implementation expert, they surveyed over 150 SPM practitioners across a spectrum of industries. Focusing largely on the top five technology solutions on the market – SAP, Oracle, Varicent, Xactly and Optymyze, their findings illuminate invaluable insights into this discussion.

Time and Budget: The Short-Term View

When it comes to meeting set deadlines and budgets, both vendor-led and third-party-led implementations appear closely contested. Vendor-led initiatives slightly outperform with **57%** being implemented on time compared to the **55%** of third-party-led ones. Financially, **77%** of vendor-driven implementations stick to their budget, whereas third-party ones land at **69%**. At a cursory glance, vendors seem to have a slight edge. However, the long view paints a different story.

Satisfaction: The Long-Term Perspective

The overarching sentiment post-implementation showcases a clear disparity. A commendable **75%** of respondents reported satisfaction with third-party implementations, significantly outpacing the **56%** satisfaction rate for vendor-led projects. This divergence warrants deeper examination.

While vendors typically bring a streamlined, standardized approach to tool implementation, it often aligns with predefined expectations regarding timelines and costs. Conversely, third-party consultants often bring a richer, more tailored experience to the table. While this custom approach may sometimes overshoot initial time and budget estimates, it seems to pay dividends in user satisfaction after the solution goes live.

A possible rationale lies in the added value third-party implementers bring. They typically go beyond mere tool implementation, diving into extensive testing, business process adaptation, and even offering advanced training and mentorship. This holistic approach, while perhaps more resource-intensive upfront, appears to lead to a smoother transition and better integration of the tool into the business's daily operations.

06 Comparing the Outcomes:
Vendor-Led vs. Consultant-Led SPM Implementations

Vendor Variability

Another salient point that emerged was the variance in ratings among different vendors. Depending on the vendor, outcomes differed, especially concerning tool capabilities, ease of ongoing management, and overall implementation success. Notably, these differences appeared more pronounced as the number of payees in the surveyed companies increased. This suggests that vendor performance might scale differently based on company size or complexity. A consultant who has worked with many different vendor solutions may be best suited to advise a business as to which technology is likely to satisfy their needs over the long haul.

In conclusion, while vendor-led implementations might initially seem more predictable in terms of time and cost, third-party implementations tend to deliver a richer, more satisfying experience in the long run. It becomes crucial for businesses to weigh short-term efficiencies against long-term satisfaction and the value-add of a comprehensive, tailored approach.

07 Conclusion:
Charting the Path in SPM Implementation

Deciding between vendor- or consultant-led implementation isn't a black-and-white choice. It's an intricate exercise of weighing your goals against your resources and short-term conveniences against long-term satisfaction. We've looked at the differences and similarities between the roles of the two solution providers and we've examined their outcomes on businesses. Both options come with their merits and drawbacks. Ultimately, what matters most is aligning the approach with the specific needs and context of your organization.

For businesses on the cusp of this crucial decision, understanding the SPM buyer's journey can offer invaluable insights. InnoVyne offers a wellspring of expertise in this realm, guiding businesses from the first steps of their SPM inquiries through to successful implementations. **Contact us for a free consultation.**