Performio®

2025 Incentive Compensation Trends: How Teams are Managing Complexity

TL;DR — summary

Incentive compensation is no longer just a sales function. It's expanding across departments, increasing in complexity, and becoming essential to strategic execution. Organizations need flexible, dedicated tools to manage this shift.

Performio set out to understand how finance and sales operations professionals are navigating that change. We surveyed leaders, administrators, and plan designers to learn how their roles are shifting, how their compensation strategies are adapting, and whether the tools they rely on are keeping up.

Their responses reveal the major trends shaping incentive compensation today—and what it takes to manage complexity, drive performance, and plan for the future.

Key findings

Incentive compensation is expanding.

70%

of respondents say they expect growth in the number of incentive-compensated employees function to become more central to business strategy.

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Complexity is the norm.

91.5%

of organizations report at least moderate complexity. Only 8.5% operate with low complexity across the board.

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Tool choice matters.

Organizations using dedicated ICM platforms report significantly higher satisfaction, especially as complexity rises.

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Hybrid stacks create friction.

Combining ICM platforms with spreadsheets or other tools slows down plan changes and increases data prep time.

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AI is on the radar.

40%

expect AI to replace parts of their job. Nearly half already consider AI features essential in ICM software.
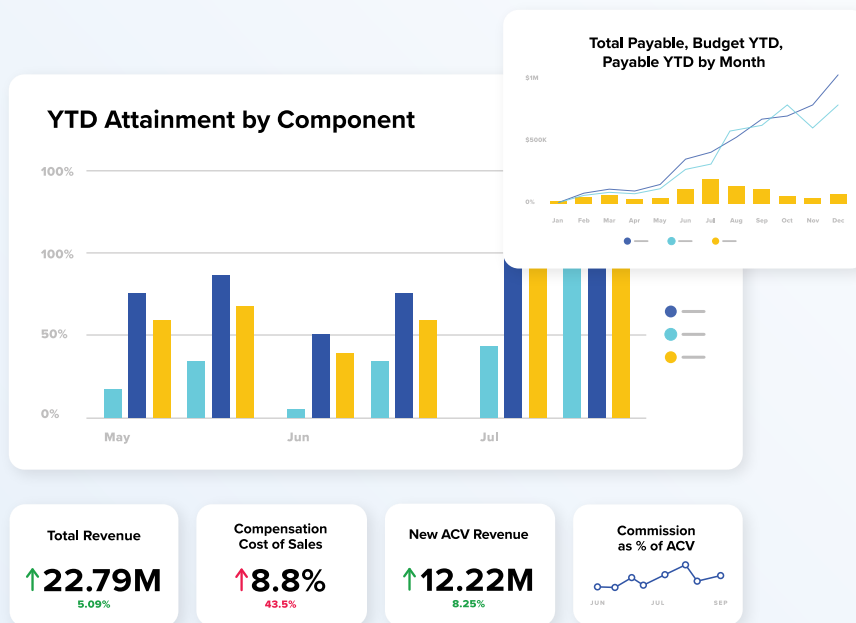
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Every feature matters.

Respondents rated nearly all platform capabilities as highly important—especially ease of use, transparency, and self-service.

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About Performio

YTD Attainment by Component

Total Payable, Budget YTD, Payable YTD by Month

Total Revenue	Compensation Cost of Sales	New ACV Revenue	Commission as % of ACV
↑22.79M	↑8.8%	↑12.22M	
5.09%	43.5%	8.25%	

Performio is a trusted leader in incentive compensation management (ICM) software, helping organizations to manage incentive compensation complexity and change over the long run by combining a structured plan builder and flexible data management.

With decades of experience and a platform built to handle real-world complexity, Performio supports financial planning teams across industries in bringing clarity, agility, and control to every aspect of incentive compensation.

From importing data from any source, in any format to building and updating compensation plans, to reporting and dispute resolution, Performio gives com professionals the tools they need to operate at scale with confidence.
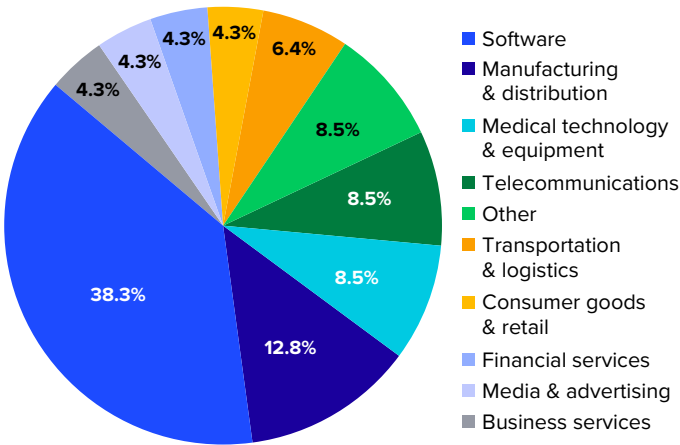
Contents

Survey responses were collected and analyzed to identify trends in both incentive compensation management and ICM tools.

Methodology and audience

Between Q4 2024 and Q1 2025, Performio gathered insights from 47 finance and incentive compensation professionals to explore how organizations are managing sales compensation today.

We surveyed participants across a range of different industries, company sizes, and roles, focusing on how teams design, manage, and scale their ICM programs.

Industry Breakdown of Survey Respondents

- **Software** — 38.3%
- **Manufacturing & distribution** — 12.8%
- **Medical technology & equipment** — 8.5%
- **Telecommunications** — 8.5%
- **Other** — 8.5%
- **Transportation & logistics** — 6.4%
- **Consumer goods & retail** — 4.3%
- **Financial services** — 4.3%
- **Media & advertising** — 4.3%
- **Business services** — 4.3%

Respondents came from a variety of sectors, including software (38.3% of participants), manufacturing and distribution (12.8%), telecommunications (8.5%), and medical technology and equipment (8.5%). In total, the survey audience represents 12 industries.

Company Size Breakdown of Survey Respondents

- Small (1–99 employees) — 14.9%
- Mid-size (100–999 employees) — 29.8%
- Large (1000+ employees) — 55.3%
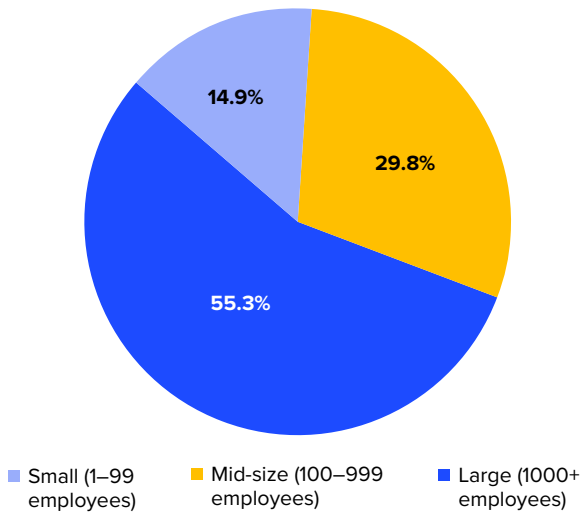
We grouped companies into three sizes based on employee count—large (1,000+ employees), mid-size (100–999 employees), and small (1–99 employees)—to provide insights into how maturity, complexity, and tool adoption shift as organizations grow.

Roles Overlap Among Survey Respondents

LEADER — 17.0%
ADMIN — 14.9%
4.3%
34.0%
12.8%
4.3%
6.4%
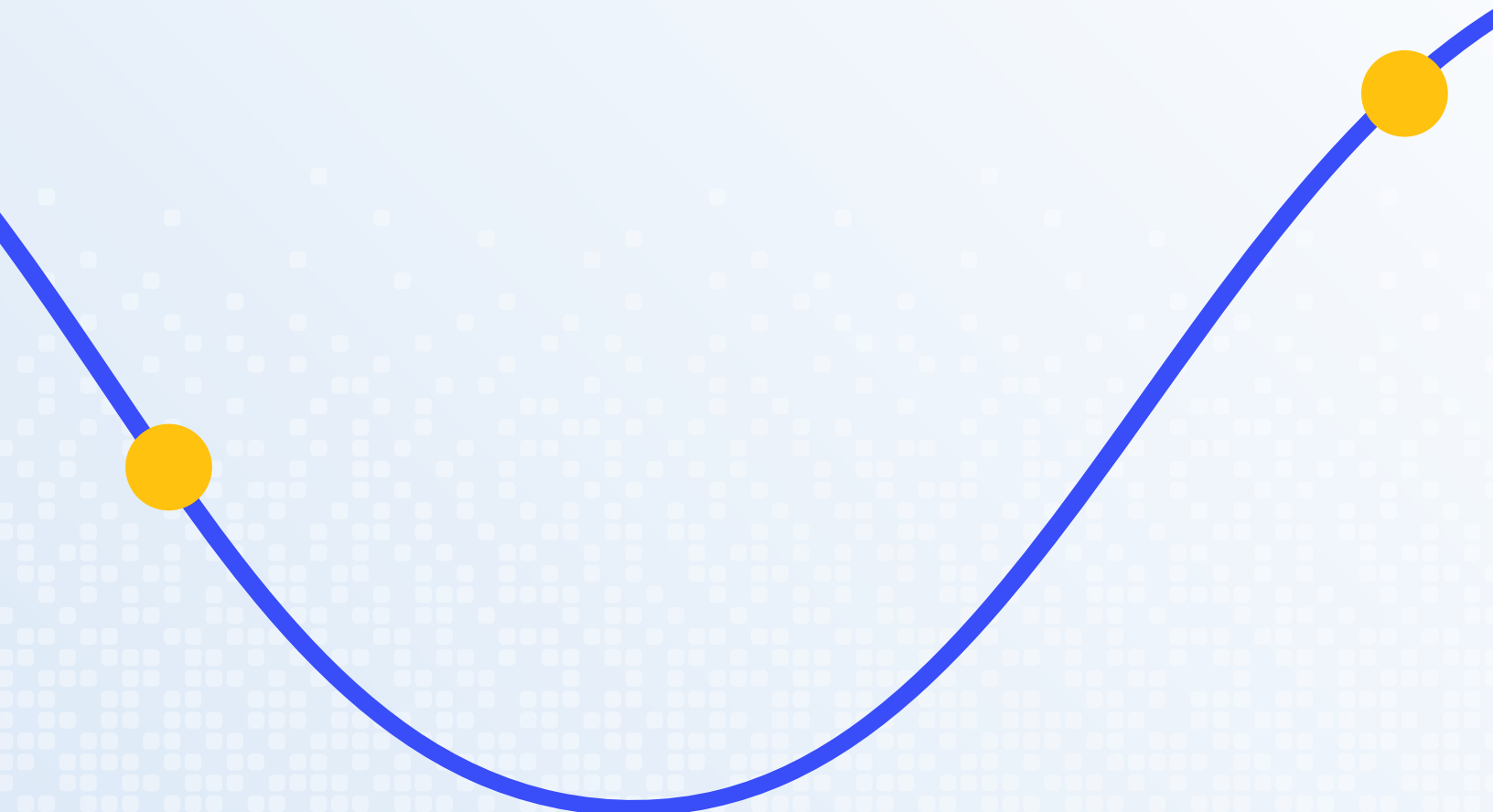DESIGN
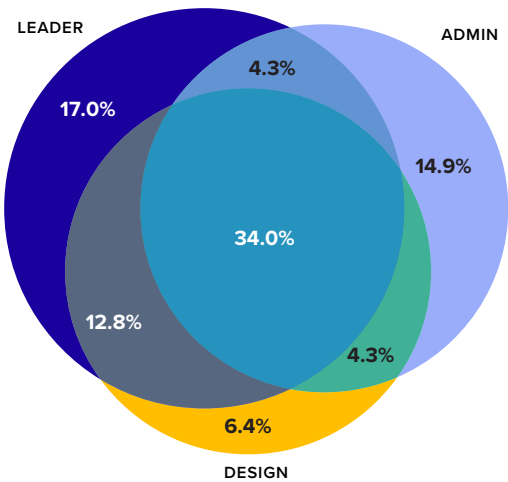
Participants represented a mix of strategic and operational stakeholders, including leaders, admins, and professionals responsible for plan design.

Many of the respondents held multiple overlapping responsibilities, with about a third (34.0%) carrying out all three roles.
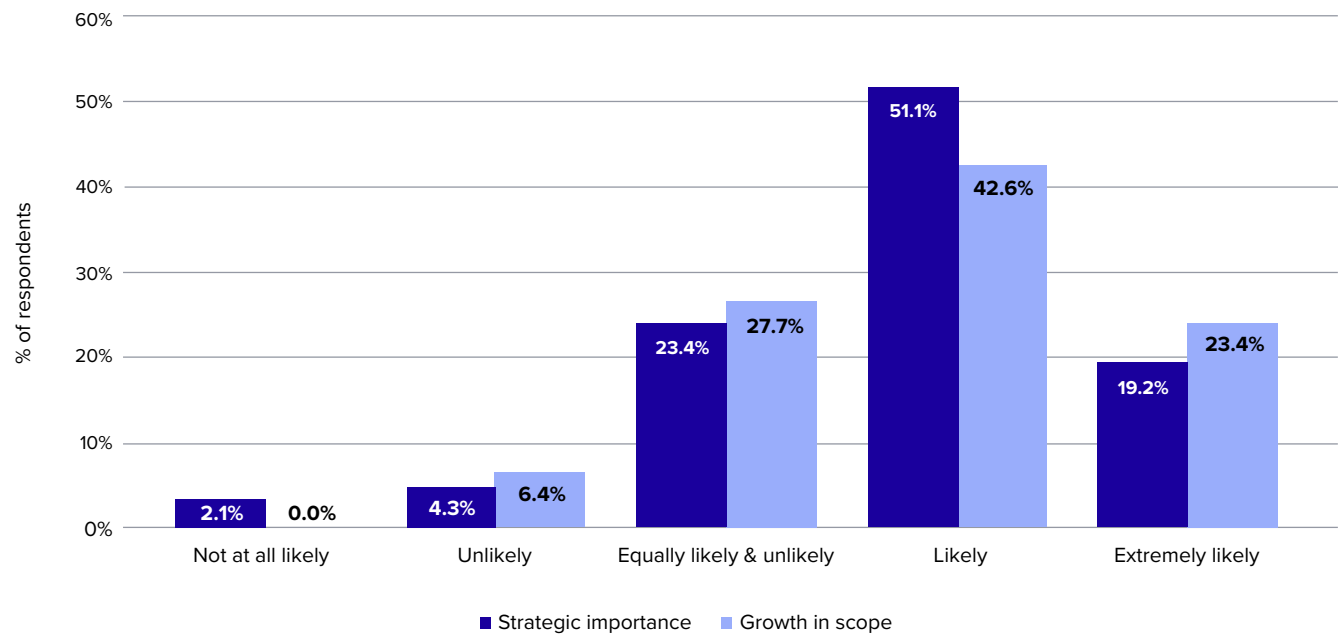
Trends in incentive compensation management

Incentive compensation now plays a broader and more strategic role inside organizations. Once limited to sales, incentive pay is extending to new roles, aligning more directly with business goals, and introducing significant operational complexity.

Incentive compensation is growing in scope and strategic importance

Perceived Growth in the Number of People on Incentive Plans and on their Importance in the Organization

% of respondents

Category	Strategic importance	Growth in scope
Not at all likely	2.1%	0.0%
Unlikely	4.3%	6.4%
Equally likely & unlikely	23.4%	27.7%
Likely	51.1%	42.6%
Extremely likely	19.2%	23.4%

■ Strategic importance ■ Growth in scope

Incentive programs are reaching well beyond traditional sales teams. Respondents report increasing use across functions like legal, marketing, customer success, and even engineering. Nearly two-thirds expect the number of employees eligible for incentive pay to grow. Not one respondent said growth was "not at all likely."

Additionally, over 70% of professionals say incentive compensation is becoming more important to their organization's strategy. Fewer than 7% disagreed.
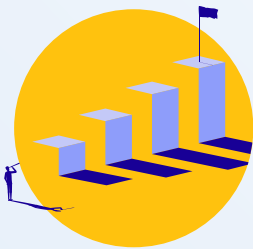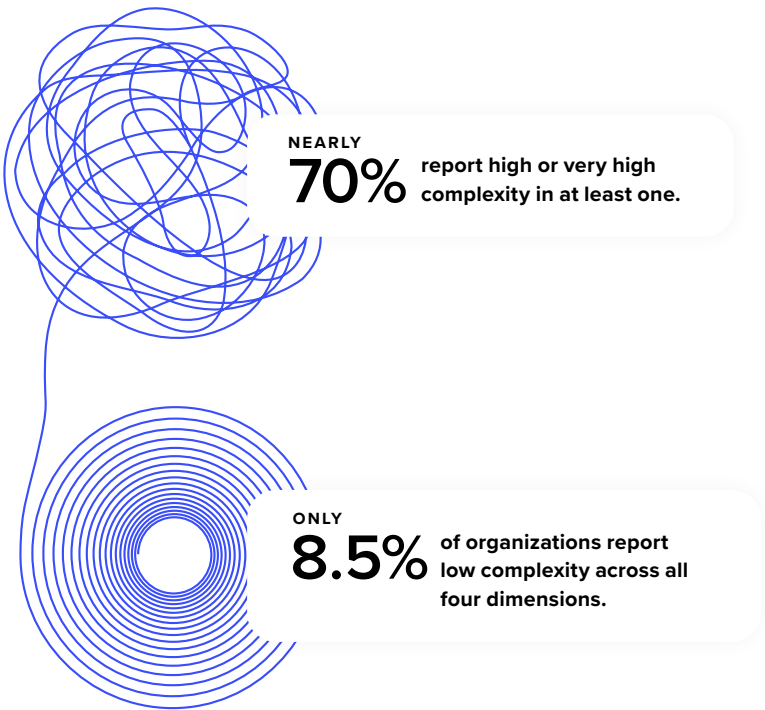
Incentive programs are increasingly used to motivate teams well beyond the traditional sales team.

Plan complexity is the rule, not the exception

Wider adoption brings increased complexity. We analyzed four core factors that contribute to operational burden:

1 **Elements per plan** (e.g., SPIFs, caps, gates, splits, etc.)
2 **Payee types**
3 **Payees per transaction**
4 **Data sources**

NEARLY
70% report high or very high complexity in at least one.

ONLY
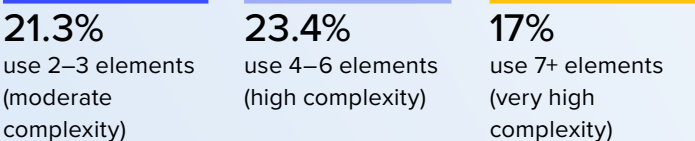**8.5%** of organizations report low complexity across all four dimensions.

COMPLEXITY IN DETAIL

1 Elements per plan

The more elements a compensation plan includes—such as SPIFs, caps, gates, and splits—the more complex it becomes to administer and explain. These performance measures and payout rules are often layered to align payouts with specific business priorities, but they also create more edge cases, calculation rules, and opportunities for confusion.

Percentage of respondents
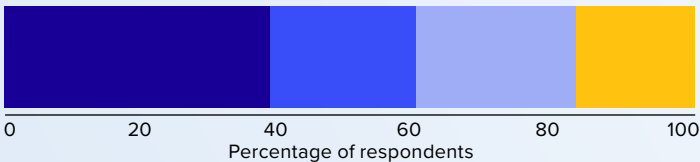
While 38.3% of organizations reported using a single plan component, the majority go beyond that:

21.3%
use 2–3 elements (moderate complexity)

23.4%
use 4–6 elements (high complexity)

17%
use 7+ elements (very high complexity)

2 Payee types

The more roles a compensation plan needs to support, the more variation it must account for—different quotas, measures, accelerators, and eligibility rules across job functions. Complexity increases with every new payee type.

74.5% of organizations support more than five roles in their plans. Paired with the growing number of employees on incentive compensation plans, this makes the need for flexibility in ICM software very clear.

Percentage of respondents

25.5%
Low: 1–5 roles

46.8%
Moderate: 5–19 roles

27.7%
High: 20+ roles
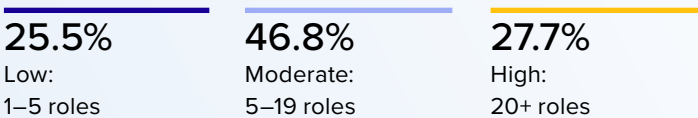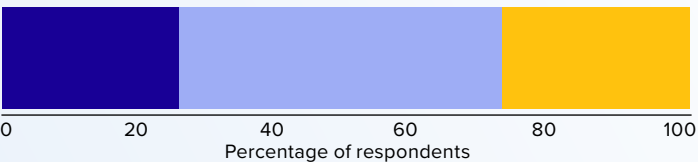
3 Payees per transaction

When more than one person is credited and paid for the same transaction, compensation for each individual becomes more difficult to manage. Whether from team selling, overlays, or multi-channel deals, these scenarios increase the effort required to calculate, validate, and communicate payouts accurately.

This level of shared crediting makes it harder to reconcile results, explain outcomes to sellers, and ensure fair payouts.
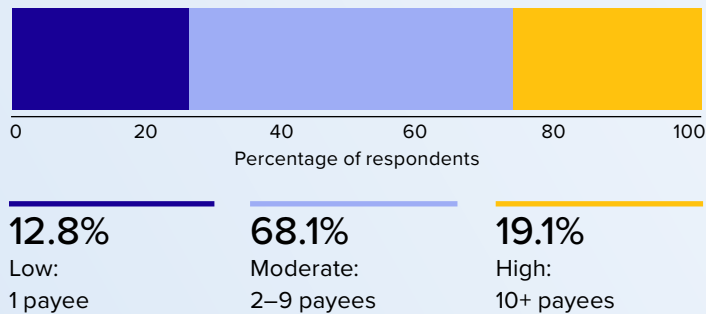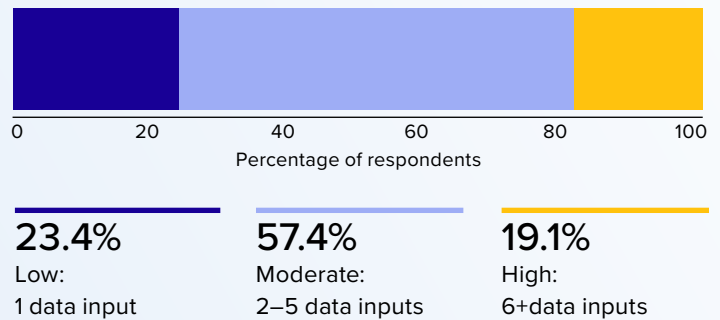

Percentage of respondents

12.8%
Low:
1 payee

68.1%
Moderate:
2–9 payees

19.1%
High:
10+ payees

87.2% **of organizations credit multiple people per transaction.**

4 Data sources

The more systems feeding into an ICM process, the more room there is for friction and failure. Each additional data source increases the chance you'll need to convert formats, perform manual uploads, or reconcile mismatched inputs.

76.5% of respondents pull from multiple data systems.

Percentage of respondents

23.4%
Low:
1 data input

57.4%
Moderate:
2–5 data inputs

19.1%
High:
6+data inputs

Overall complexity

Each of the four core dimensions of plan design (performance measures, payout rules, payee types, payees per transaction, and data sources) contributes to the overall complexity of an organization's incentive compensation program. To get a holistic view of this complexity, we assigned each dimension a score from 1 to 4 (low complexity to very high complexity), then averaged those scores to calculate an overall complexity index for each organization's incentive compensation plan.

We grouped those results into three tiers:
• Low complexity plans: Average score less than 1.75
• Moderate complexity plans: 1.75 to less than 2.5
• High complexity plans: 2.5 or higher

Most incentive compensation plans landed in the moderate or high range:

Percentage of respondents

21.3%
Low

44.7%
Moderate

34.1%
High
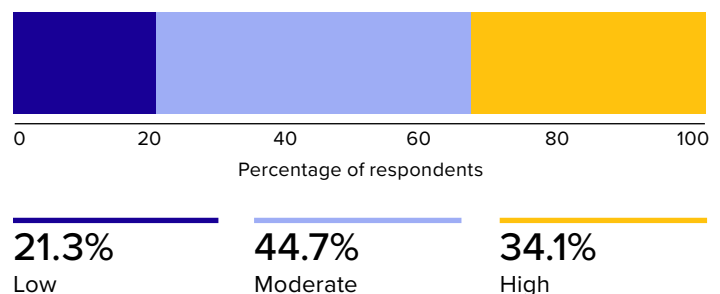
The overall complexity scores reveal a strong correlation with company size.

Small companies
skew overwhelmingly toward simplicity, with **85.7% falling into the low complexity category**, only **14.3% having moderate complexity**, and **none landing in high**.
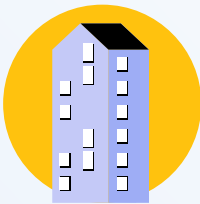
Mid-size companies
show a more balanced distribution, with **14.3% at low complexity**, **50.0% at moderate**, and **35.7% at high**.

Large companies
report the highest complexity levels, with **none at low complexity**, **46.2% at moderate**, and **53.8% at high**.

Overall Complexity by Company Size

% of organization

	Small	Mid-size	Large
Low complexity			
Moderate complexity			
High complexity			

Legend: ● Low complexity ● Moderate complexity ● High complexity
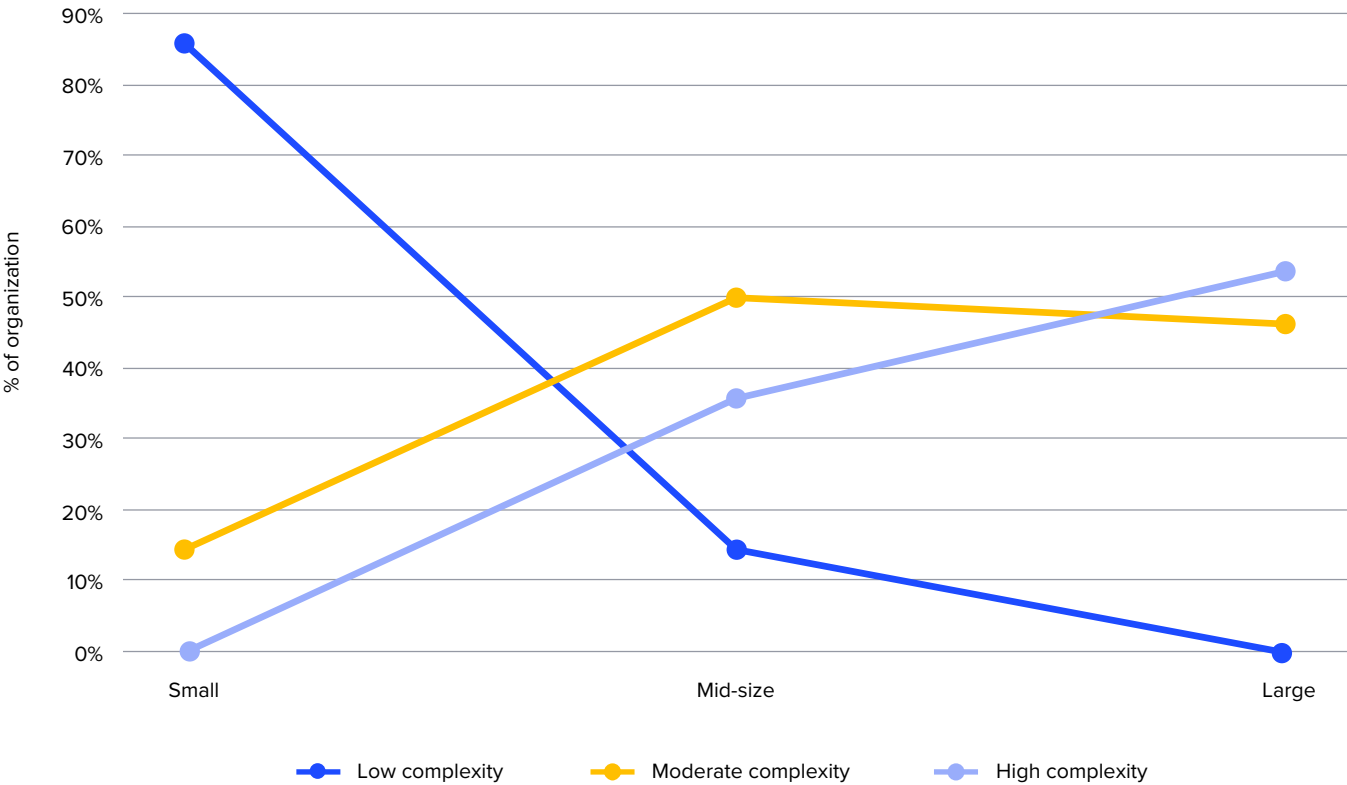
Trends in ICM tooling

Incentive compensation plans are rarely simple. Most organizations manage multiple plan components, varied payee types, and data from many sources. In this environment, the tools used to manage compensation make a measurable difference, yet they are anything but standardized. Some organizations still rely entirely on spreadsheets. Others depend on in-house solutions or a mix of platforms. But a growing number are adopting dedicated ICM software— and the data shows advantages to this approach.

ICM tool usage is fragmented

ICM Tool Usage by Category

Bar chart titled "ICM Tool Usage by Category" with y-axis "% of respondents" ranging from 0% to 30%:
- Dedicated ICM software (by itself): 27.7%
- ICM software plus Excel: 23.4%
- Other combination of tools: 21.3%
- Excel (by itself): 10.6%
- In-house solution (by itself): 8.5%
- Other tool (by itself): 8.5%
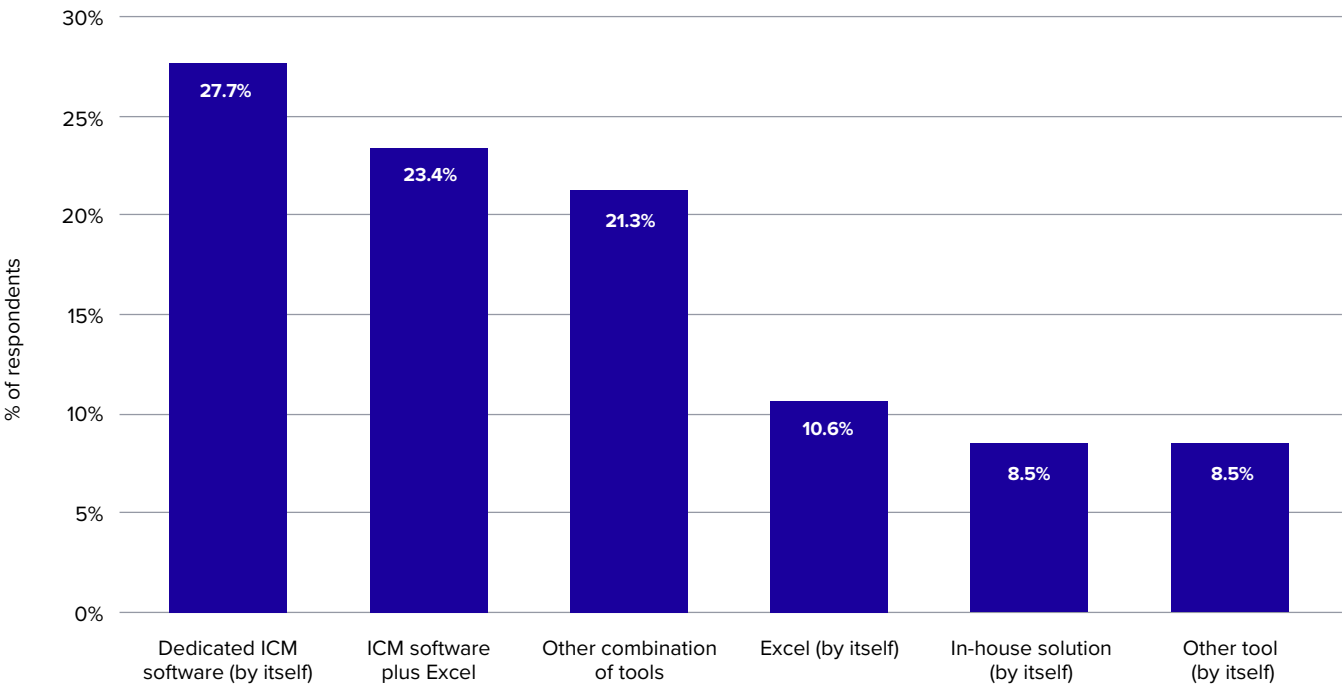
We asked respondents what types of tools they use to administer comp. The responses were diverse:

→ Dedicated ICM software (by itself): 27.7%

→ ICM software plus Excel: 23.4%

→ Other combination of tools: 21.3%

→ Excel (by itself): 10.6%

→ In-house solution (by itself): 8.5%

→ Other tool (by itself): 8.5%

While dedicated tools are gaining ground, many still rely on spreadsheets or hybrids that limit scale and adaptability as complexity increases.
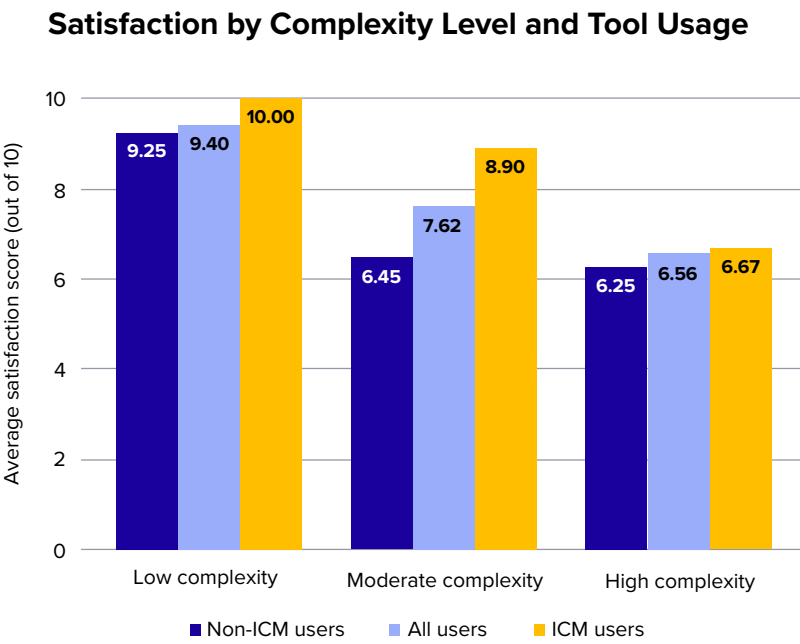
Dedicated ICM tools help mitigate complexity

As complexity increases, satisfaction tends to drop—but users of ICM software consistently report higher satisfaction than non-users.

That advantage was apparent for organizations with high-complexity plans, where ICM users reported an average satisfaction score of 6.67 out of 10, compared to 6.25 for non-ICM users. But the contrast was even more striking at lower levels of complexity. ICM users in organizations with moderate-complexity plans reported a satisfaction score of 8.90, compared to only 6.45 for non-ICM users. And ICM users in organizations with low-complexity plans reported a perfect satisfaction score of 10 out of 10.

Satisfaction by Complexity Level and Tool Usage

Average satisfaction score (out of 10)

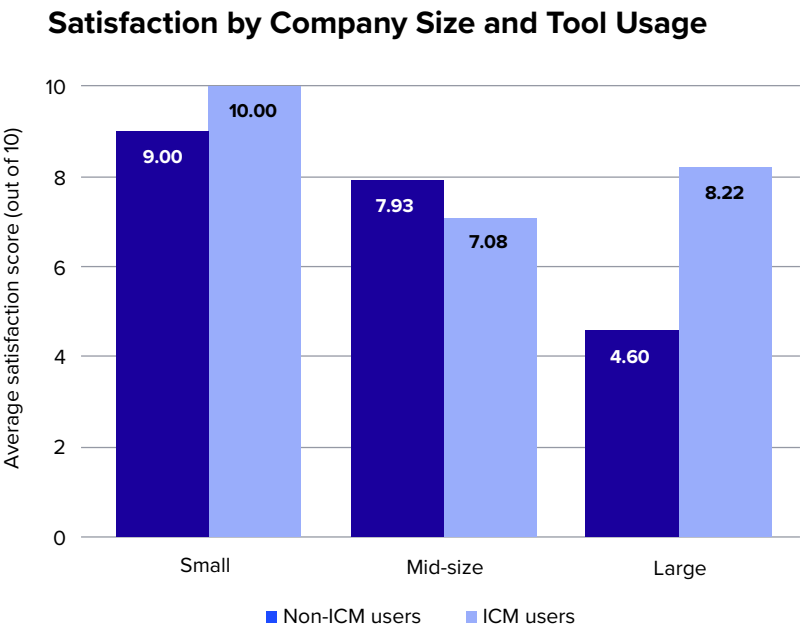| Low complexity	Moderate complexity	High complexity
Non-ICM users: 9.25	6.45	6.25
All users: 9.40	7.62	6.56
ICM users: 10.00	8.90	6.67

- Non-ICM users
- All users
- ICM users

As complexity grows, the risks and frustrations of managing incentive compensation increase. But with the right tools, organizations are able to manage that complexity and maintain higher levels of satisfaction even as their plans scale.

ICM software is most crucial for large organizations

As plan complexity increases, so does the pressure on internal systems to keep up. That pressure is felt most acutely in large organizations, where scale magnifies every inefficiency. This is where the choice of tools has the most distinct impact on performance. Without a dedicated ICM platform, satisfaction among large orgs drops to 4.6 out of 10.

In smaller organizations, the gap is less pronounced. Non-ICM users at small companies reported a satisfaction score of 9.0, while ICM users gave a perfect 10.0.

Satisfaction by Company Size and Tool Usage

Average satisfaction score (out of 10)

Small	Mid-size	Large
Non-ICM users: 9.00	7.93	4.60
ICM users: 10.00	7.08	8.22

- Non-ICM users
- ICM users

Hybrid stacks are slow and unwieldy

Dedicated ICM platforms offer major efficiency gains, but those benefits can be undone when organizations combine them with legacy tools or manual processes. The data shows that hybrid stacks (combinations of tools that may include a dedicated ICM but are not exclusive to one) slow things down and introduce friction in two key areas: plan changes and data preparation.
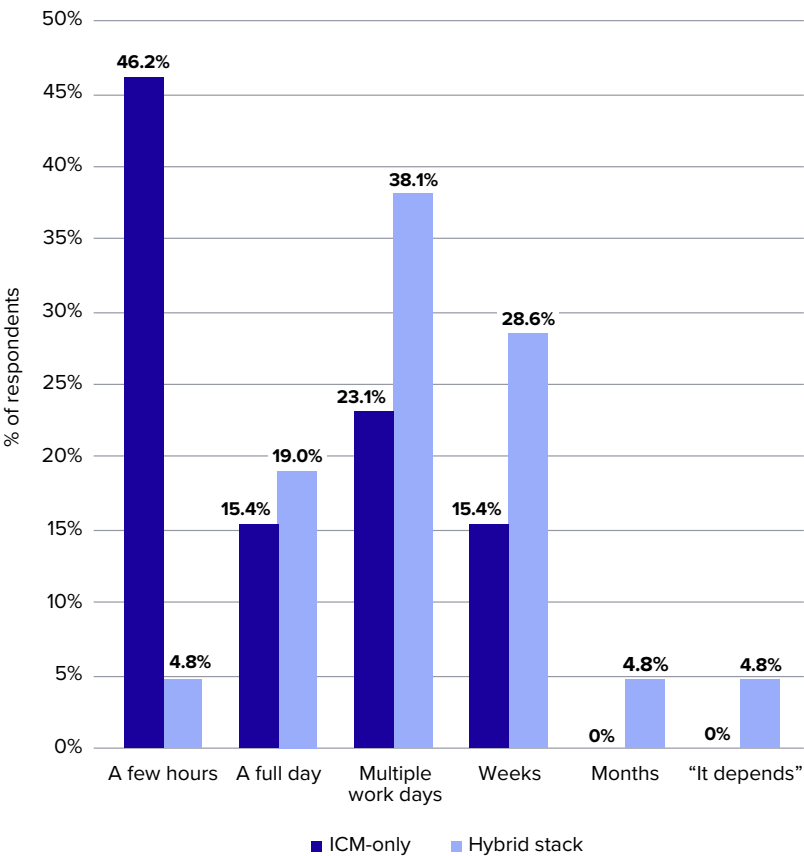
Time to implement plan changes takes days to weeks

For making updates to comp plans, the fastest responses come from organizations using a single system. Among ICM-only users, 46.2% say they can implement plan changes in just a few hours.
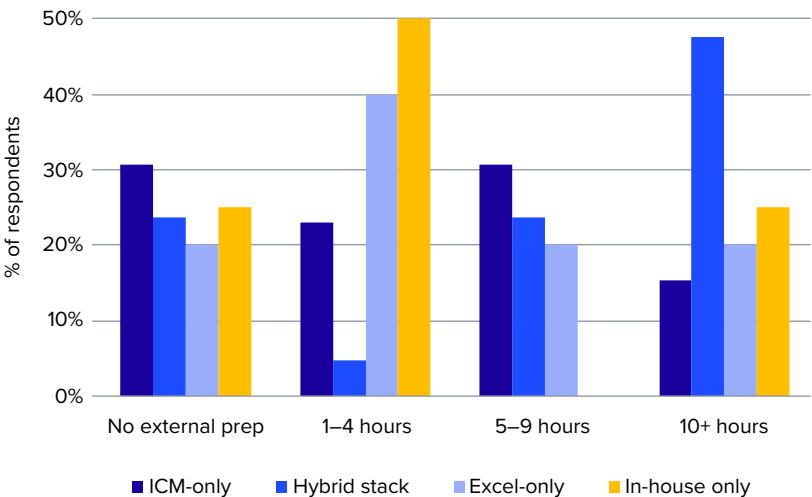
But when users pair ICM tools with Excel or other platforms—doing some of the work in one system and the rest in another—the process slows down significantly. Among those who combine a dedicated ICM with Excel, only 9.1% report being able to make changes in a few hours.

That level of variability suggests hybrid stacks don't just delay plan changes—they make the process harder to predict and control.

Time to Implement Plan Changes: ICM-Only vs. Hybrid Stack

Chart data — % of respondents:

Category	ICM-only	Hybrid stack
A few hours	46.2%	4.8%
A full day	15.4%	19.0%
Multiple work days	23.1%	38.1%
Weeks	15.4%	28.6%
Months	0%	4.8%
"It depends"	0%	4.8%

Data Preparation Effort by ICM Tool Configuration

Legend: ICM-only, Hybrid stack, Excel-only, In-house only

Categories: No external prep, 1–4 hours, 5–9 hours, 10+ hours

Data prep becomes more manual and time-consuming

ICM-only users are also the most likely to eliminate external data preparation entirely. Nearly a third (30.8%) report that no external prep is required, while hybrid stack users are more than three times as likely to spend 10 or more hours on data prep.
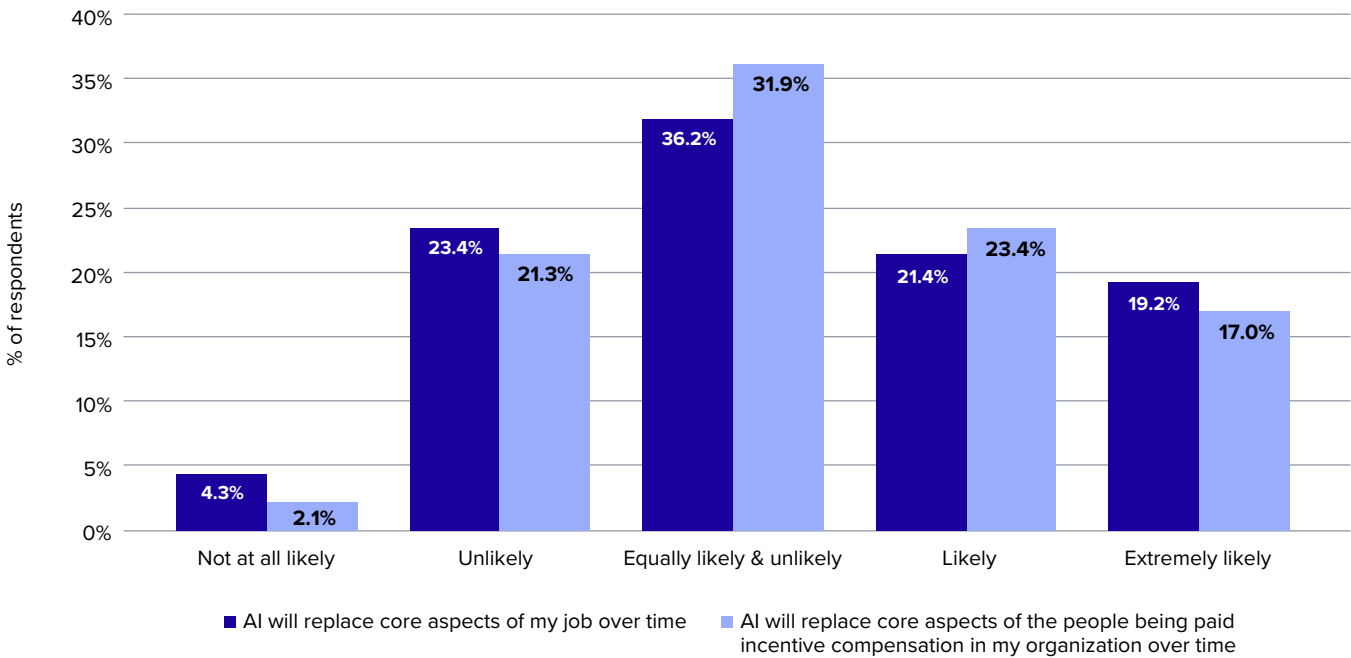
Hybrid stacks dilute the advantages of ICM platforms. They introduce unnecessary friction, slow down core processes, and require more time and effort to manage day-to-day.

10+ hours
the amount of time that hybrid stack users are likely to spend on data prep

AI adoption is on the horizon, and opinions are mixed

Perceived Likelihood that AI will Replace Aspects of Sales Compensation Analysts' Job and Other Jobs

Chart: % of respondents

Category	AI will replace core aspects of my job over time	AI will replace core aspects of the people being paid incentive compensation in my organization over time
Not at all likely	4.3%	2.1%
Unlikely	23.4%	21.3%
Equally likely & unlikely	36.2%	31.9%
Likely	21.4%	23.4%
Extremely likely	19.2%	17.0%

■ AI will replace core aspects of my job over time ■ AI will replace core aspects of the people being paid incentive compensation in my organization over time

As advances in AI reshape business operations across industries and departments, sales comp professionals are watching closely. But they aren't all on the same page about what's coming next. We asked respondents about AI's future impact:

"AI will replace core aspects of my job over time"

→ 40.5% said likely or extremely likely

→ 31.9% were unsure

→ 27.7% said unlikely or not at all likely

"AI will replace core aspects of the people being paid incentive compensation in my organization over time"

→ 40.5% said likely or extremely likely

→ 31.9% were unsure

→ 27.7% said unlikely or not at all likely

Together, these responses show that many professionals expect AI to reshape core aspects of both their own roles and those of incentive-compensated employees. At the same time, nearly half already consider AI features essential in ICM tools—suggesting they see AI less as a replacement and more as a way to enhance how they work.
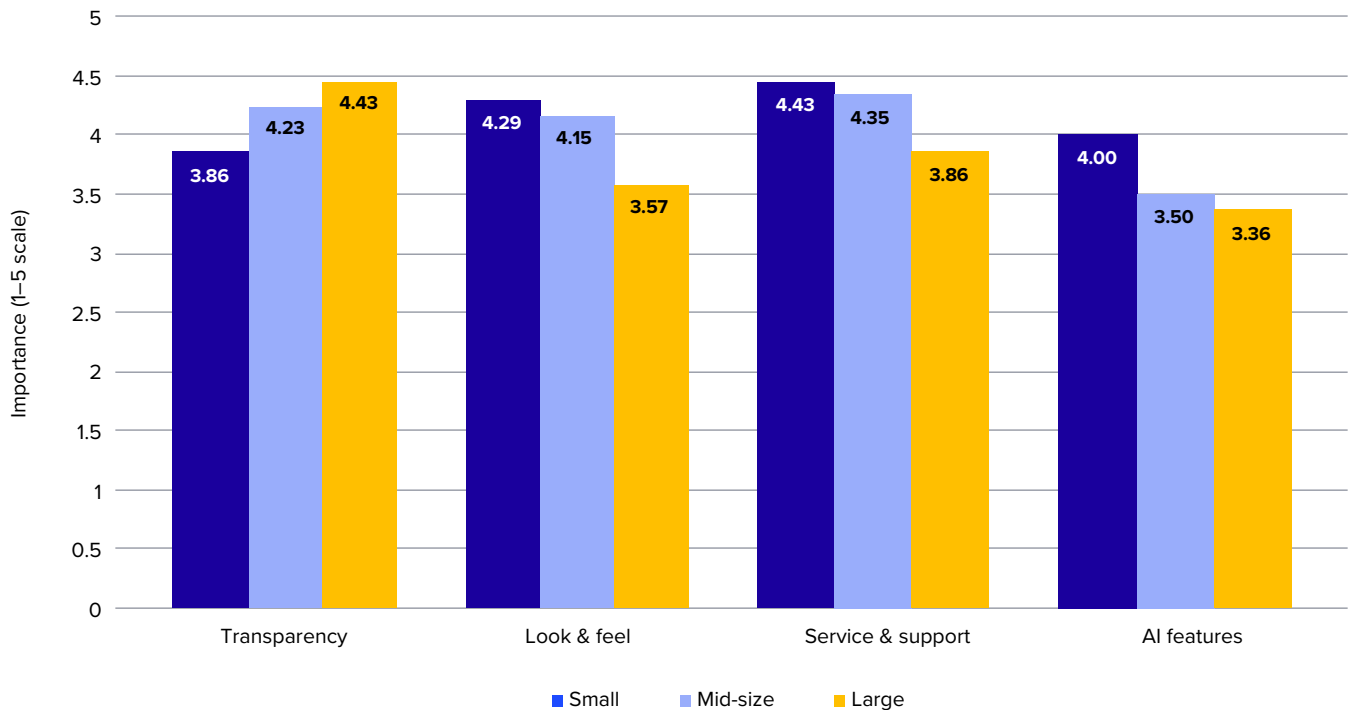
Every ICM feature matters

ICM Feature Importance Rankings

Feature	Score
Ease of use	(4.26)
Providing transparency in how pay has been calculated to payees	(4.23)
Customer service & support	(4.21)
Ability to make changes to plans yourself	(4.17)
Ability to analyze sales & comp data	(4.17)
Creating plans without customization or scripting	(4.13)
Ability to create reports on your own without technical assistance	(4.13)
Scalability (speed of calculating payouts)	(4.09)
Cost	(4.02)
Modern look & feel	(4.00)
Ability to manage inquiries & disputes within the tool & clearly communicate outcomes to the payees	(4.00)
Approvals for all tasks such as payouts, plan changes, inquiries & disputes	(3.91)
AI features	(3.53)

Features (y-axis) / Importance scale (x-axis)

We asked respondents to rate the importance of 13 ICM capabilities common among vendors, ranging from user interface to ability to calculate commission at high data volumes. Surprisingly, respondents rated eleven above 4.0 on a 5.0 scale. Sales comp professionals aren't looking for ICM tools that only excel in one area—they need a platform that can do it all.

Feature Importance by Company Size (Grouped)

Importance (1–5 scale)

Feature	Small	Mid-size	Large
Transparency	3.86	4.23	4.43
Look & feel	4.29	4.15	3.57
Service & support	4.43	4.35	3.86
AI features	4.00	3.50	3.36

■ Small ■ Mid-size ■ Large

Some priorities shift by company size

While most features rated highly across the board, certain priorities varied by company size.

Small companies placed the most value on user experience and support, giving high marks to modern look and feel (4.29) and customer service (4.43). They also rated AI features more favorably than larger peers (4.00).

Mid-size companies showed the most balanced expectations, with nearly all features scoring between 4.15 and 4.35—except AI, which dropped to 3.50.

Large organizations prioritized transparency above all (4.43) but cared less about aesthetics (3.57) and rated AI lowest (3.36).

Ease of use tops the list

Ease of use earned the highest overall rating (4.26), reinforcing its central importance to ICM users. As CEO Grayson Morris noted in his open letter, Performio and the Future of ICM, "The core tension in ICM software lies in finding the balance between ease of use and flexibility. The software should be intuitive to navigate and manage—but if you simplify too much, you lose the ability to handle complex scenarios."

Self-service features are a rising priority

This year's results show a clear demand for tools that allow admins to manage plans independently—without waiting on engineering or vendor support. Features like no-code plan creation, self-service reporting, and plan editing all ranked among the highest priorities.

At Performio, we've prioritized developing features that enable administrators to make necessary adjustments independently to help teams stay agile and in control.

"Administrators need tools that let them reflect these changes in the system on their own. They shouldn't have to reach out to a vendor for support every time they need to make a change."
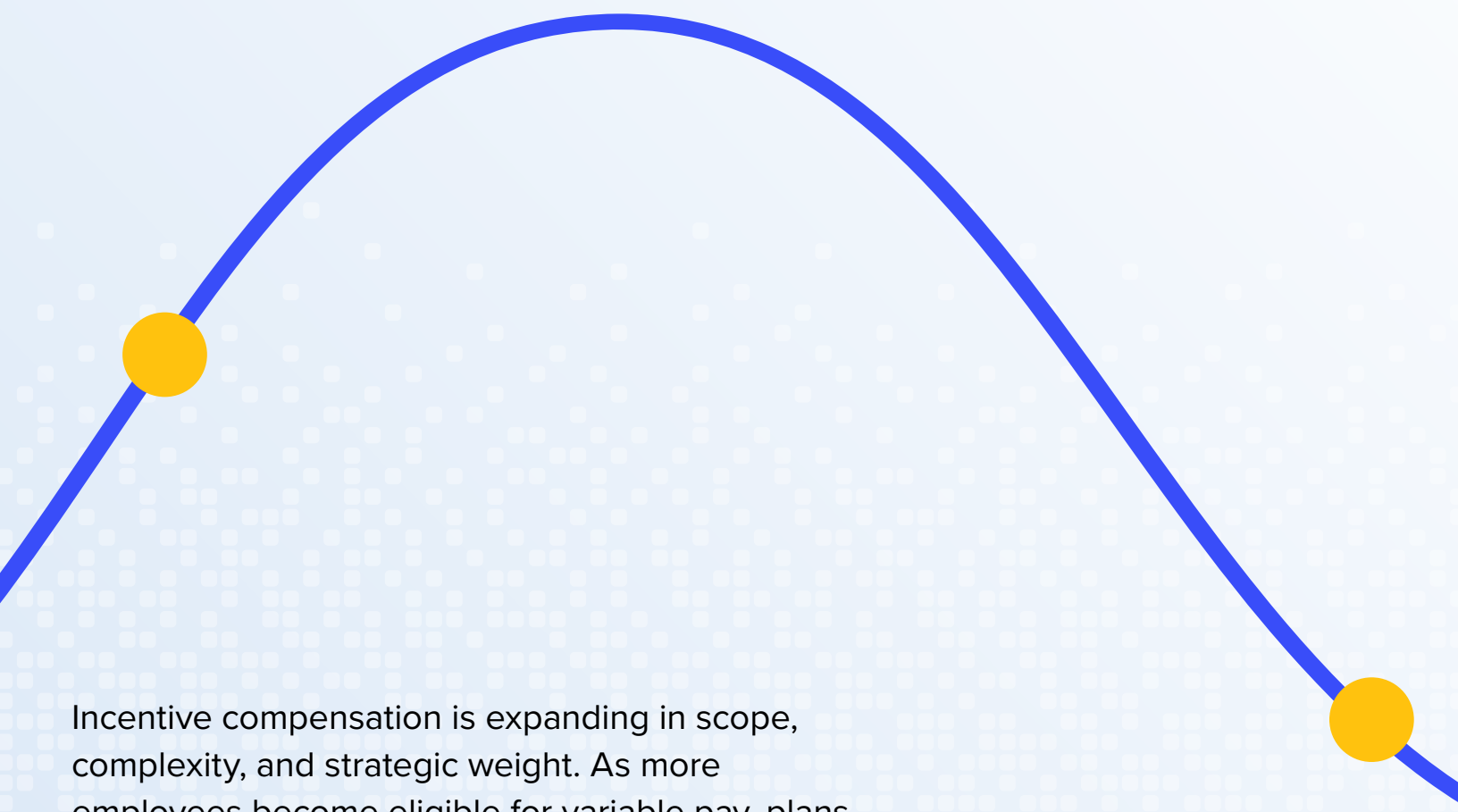
— Grayson Morris, CEO, Performio

Implications for ICM professionals

Incentive compensation is expanding in scope, complexity, and strategic weight. As more employees become eligible for variable pay, plans grow more intricate—and place greater pressure on the systems that support them.

The data is clear: every feature matters, but not every solution is built to meet modern demands. Tools that work for simple plans fall short at scale. ICM teams need technology that can keep pace.

Implications for leadership

Leaders must treat incentive compensation as a strategic lever—not just an operational function. Nearly 75% of respondents say it's becoming more important to their business. But with greater importance comes greater risk. As complexity rises, so do the stakes: misaligned plans, errors, delays, and broken trust.

This is especially true in large organizations, where the gap in satisfaction between ICM users and non-users is widest. In uncertain economic climates, investing in scalable, purpose-built ICM software isn't a nice-to-have—it's critical infrastructure.

Implications for plan design

Plan designers face growing complexity on every front: more performance measures, more roles, more change. They need tools that support flexibility without requiring custom development or constant vendor help.

Visibility is also key. Designers need the ability to evaluate plan performance, understand what's working, and refine incentives over time. As AI reshapes roles and compensation structures evolve, this ability to iterate will be essential.

Implications for plan administration
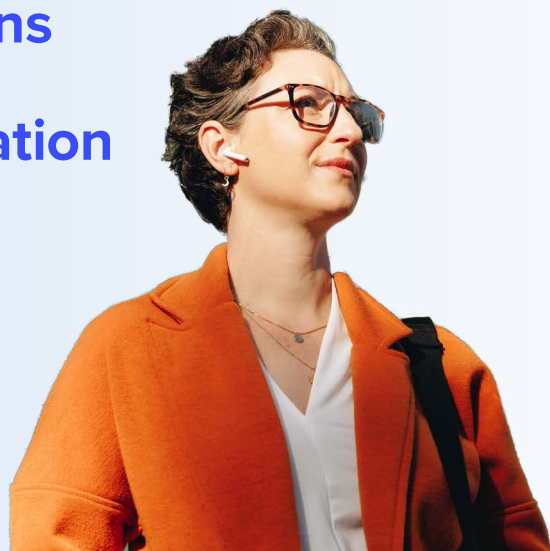
Admin teams are under pressure to move faster with fewer resources. They're juggling more payees, more frequent plan changes, and more systems—all while ensuring accuracy and transparency.

The report shows that hybrid stacks slow them down. Admins using dedicated ICM tools complete updates faster, prep data more efficiently, and report higher satisfaction.

As incentive programs expand, these efficiency gaps will widen. Without scalable infrastructure, even the best-run teams risk burnout— or breakdown.

What's next?

For most organizations, incentive compensation is only getting more complex—and more critical. This year's data reinforces what many ICM professionals already know: managing that complexity requires the right tools. Platforms must be flexible, transparent, and built to scale.

Performio supports companies navigating these challenges every day. From plan design to reporting, we help comp teams modernize how they manage incentive compensation—so they can adapt faster, operate with confidence, and focus on driving results.

Why choose Performio?