



# **Sales Effectiveness and Rewards**

**Effective sales compensation in tough times**

**A presentation to The Sales Institute of Ireland  
by Kevin Empey and Marcus Minten**

January 27, 2010

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TOWERS WATSON 

## What We Want to Cover Today...

1

**Introduction to Towers Watson & Sales Effectiveness and Rewards**

2

**Managing your sales force through rough waters**

3

**Identifying the key winning behaviours of your top performers**

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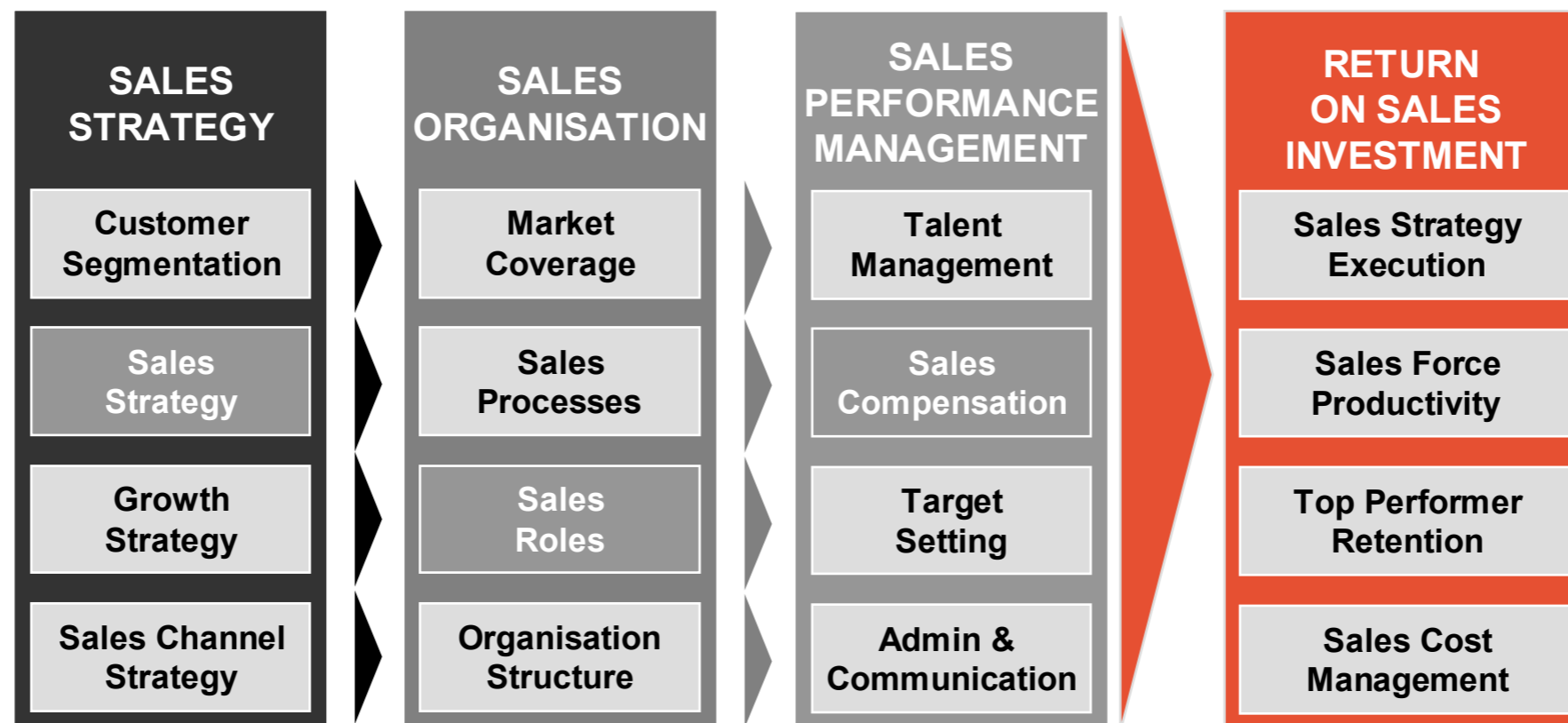
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## Towers Watson Talent and Rewards Consulting Services

<b>Communication and Change</b>	<ul style="list-style-type: none"> <li>Change management, organizational effectiveness and communication driving employee engagement</li> </ul>
<b>Data Services</b>	<ul style="list-style-type: none"> <li>Your global center of excellence for compensation, benefits and employment practices information</li> </ul>
<b>Employee Surveys</b>	<ul style="list-style-type: none"> <li>Employee surveys, benchmark data and advanced analytics improving employee engagement and shaping a high-performance culture</li> </ul>
<b>Executive Compensation</b>	<ul style="list-style-type: none"> <li>Global expertise and experience helping you make sound decisions about how to pay your senior executives</li> </ul>
<b>HR Function and Effectiveness</b>	<ul style="list-style-type: none"> <li>Accelerating your transition to a high-performance HR function adding measurable value to top and bottom line</li> </ul>
<b>Rewards</b>	<ul style="list-style-type: none"> <li>Data, tools, strategy, design and execution supporting cost-effective reward programs and the performance you need</li> </ul>
<b>Sales Effectiveness and Rewards</b>	<ul style="list-style-type: none"> <li>Driving profitable growth through effective sales compensation and top performer behaviours</li> </ul>
<b>Talent Management</b>	<ul style="list-style-type: none"> <li>Integrated programs to engage and develop leaders and employees, aligning behaviors with critical business drivers</li> </ul>

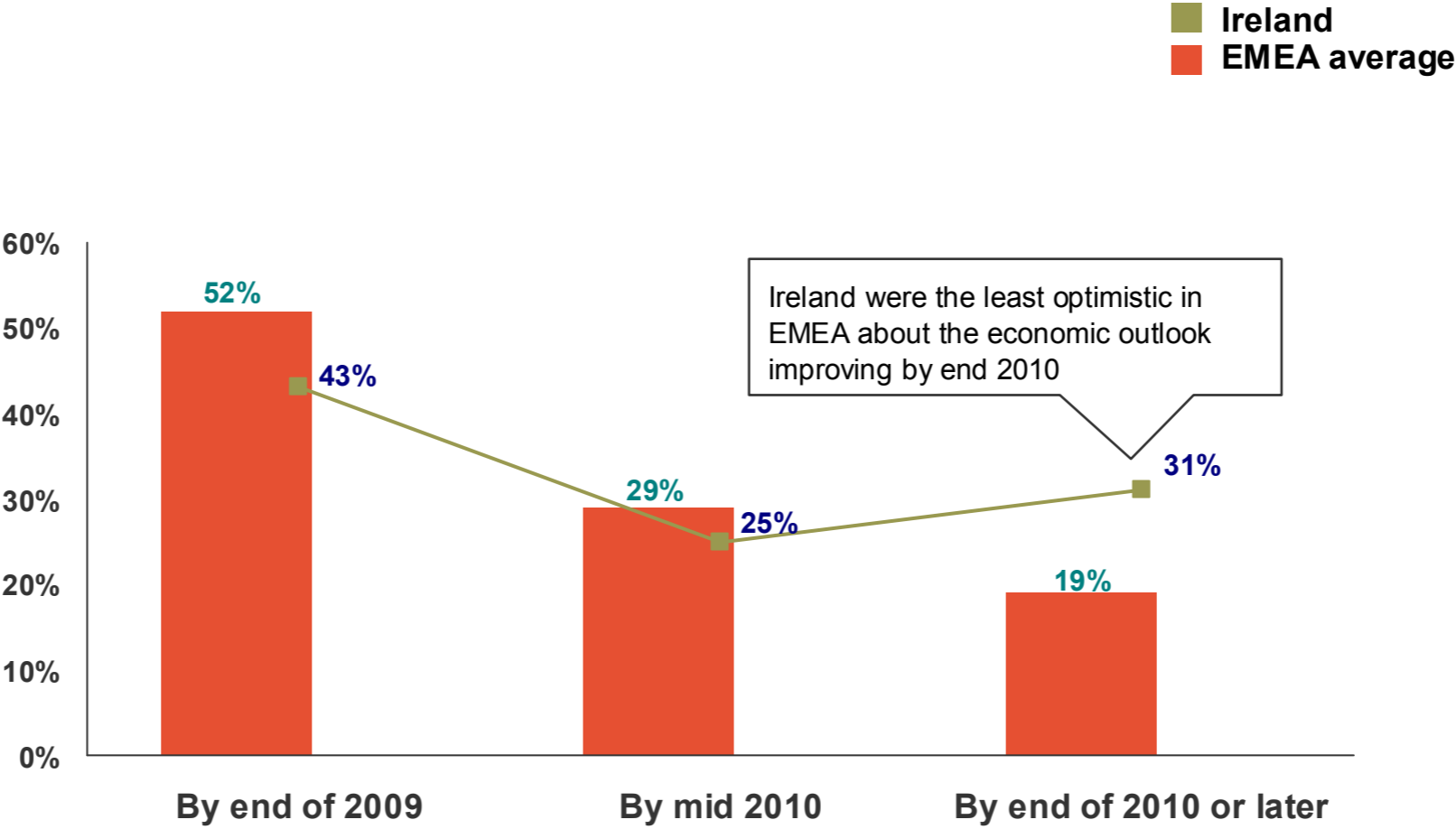
## Sales Effectiveness and Rewards Consulting optimises ROI through aligned sales performance management



## What does effective sales compensation mean?



# Economic Context: With regards to the recession, when do you think your company's results will 'bottom out' and begin to improve?



Source: Watson Wyatt EMEA flash survey October 2009

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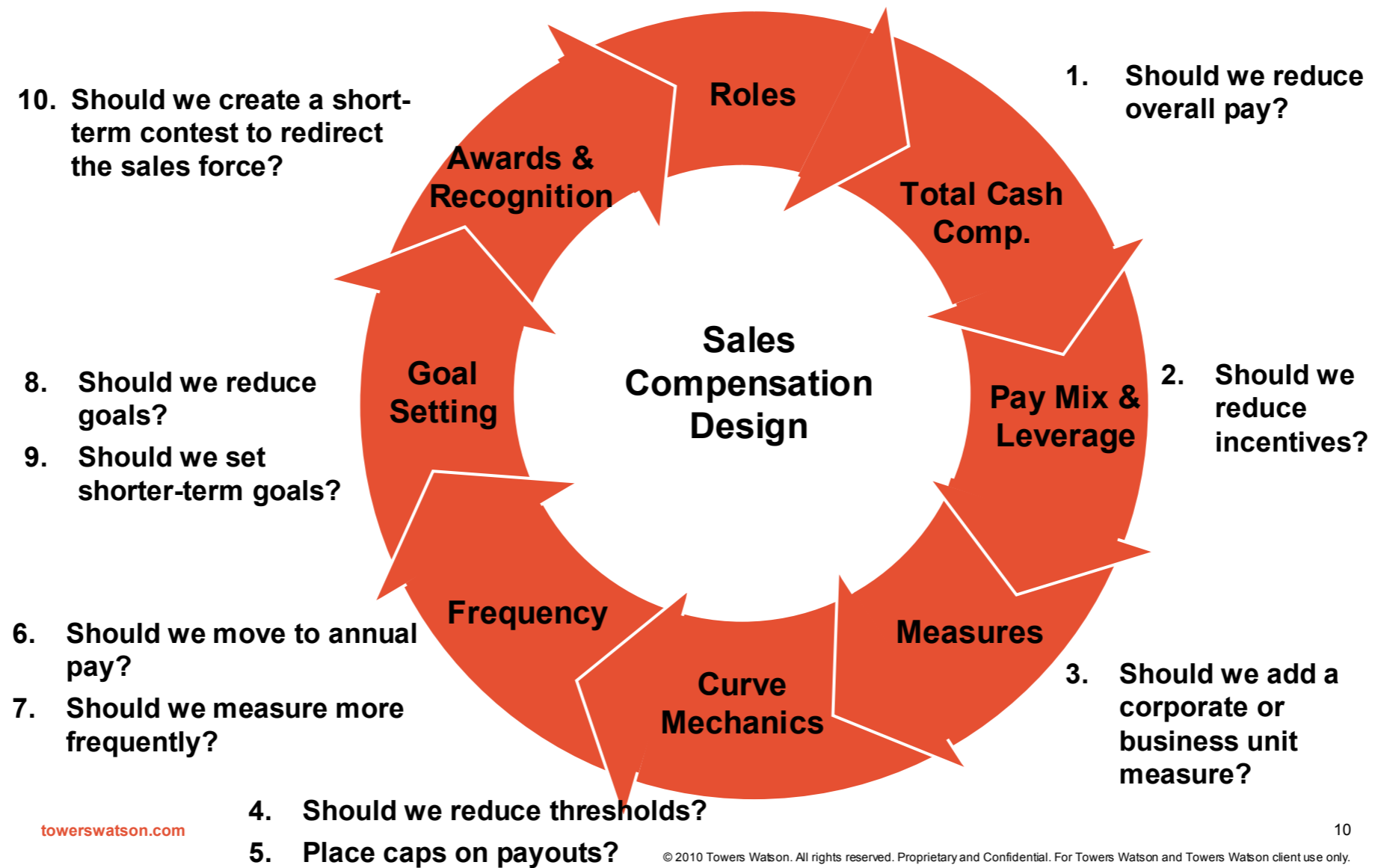
3

**Identifying the key winning behaviours of your top performers**

## How is a Challenging Economy Affecting *Your* Sales Compensation Program?



## Economic Uncertainty: Common Sales Compensation Questions



## Top 10 changes to sales programmes companies are implementing during downturns

1. **Capping** incentive pay
2. **Reducing** sales **quotas**
3. **Reducing** performance **thresholds**
4. **Cancelling** Awards and Recognitions
5. **Increasing** weight of **corporate performance**
6. **Reducing** pay **frequency**
7. **Reducing** **pay** and pay at risk
8. **Setting** more frequent quotas and **goals**
9. **Reducing** sales **headcount**
10. **Aligning** plans with a short-term **sales strategy**

### Reality check UK

- **40% of companies already made changes to their sales comp plans in early 2009**
- **But only the following changes were done by at least 10%**
  - **Modified territories**
  - **Lowered targets**
  - **Adjusted payout**
  - **Trimmed incentives**
  - **Reduced headcount**

Source: Watson Wyatt UK Flash Survey, Spring 2009

Source: Watson Wyatt Consultant Experience Summary, Spring 2009

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## What changes to sales incentive design did we see in the financial sector?

- **Increased targets**
- **Reduction in commission rates**
- **Reduction in thresholds**
- **Increase in maximum payments**
- **Increased payout frequency**
- **Altered metrics e.g. focus on certain customer segments**

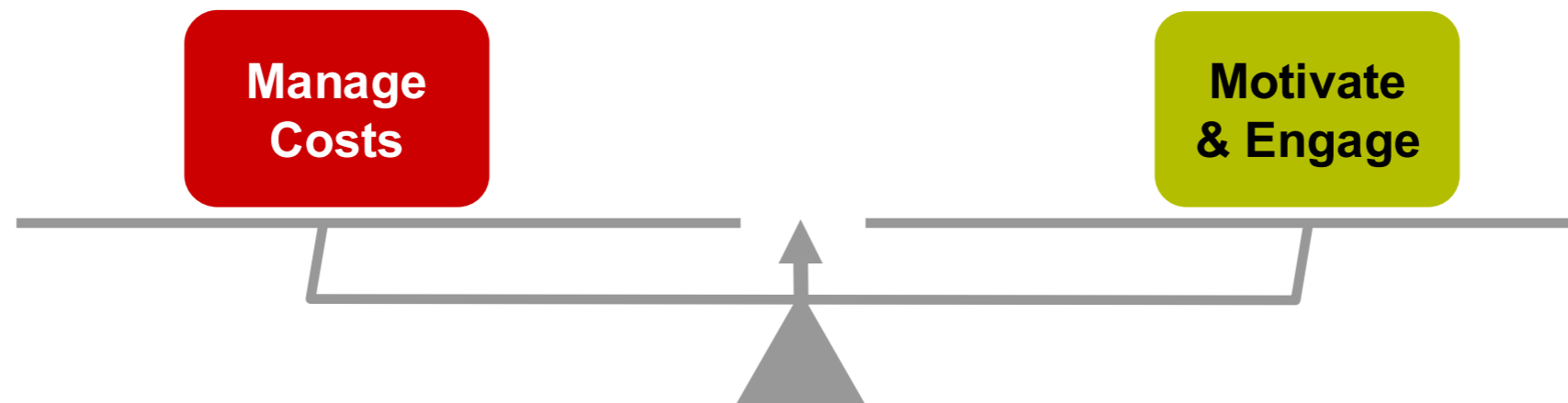
Source: Watson Wyatt UK FSS Roundtable, November 2009

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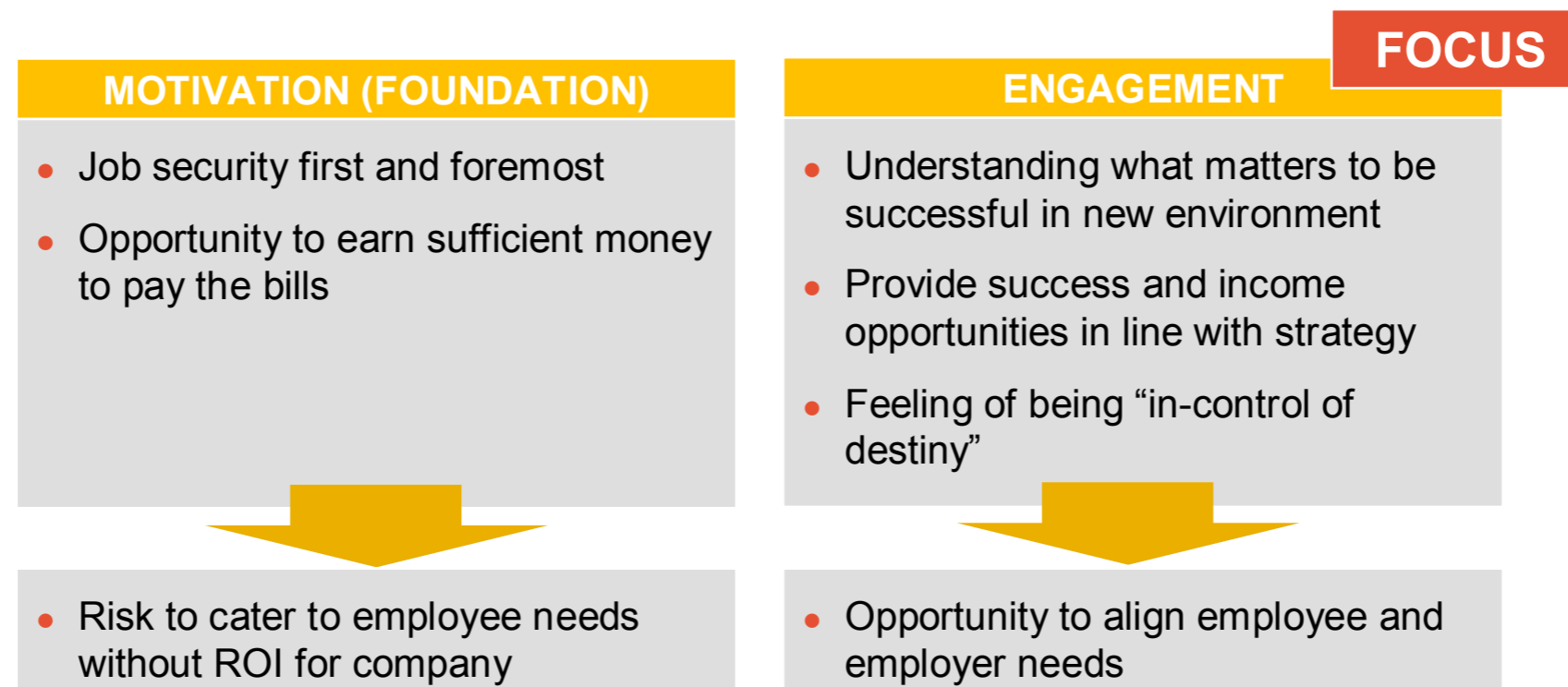
## Assumptions on the Irish Market guiding recommendations

- Demand has deteriorated so rapidly and to such a high degree that short-term survival / cost management is top of mind for most companies
  - Retaining sales talent not the critical issue ... ?
  - Irish labour laws provide for more flexibility than in other countries
- Do all Irish companies have the same need to find balanced strategy managing cost and employee motivation / engagement ?

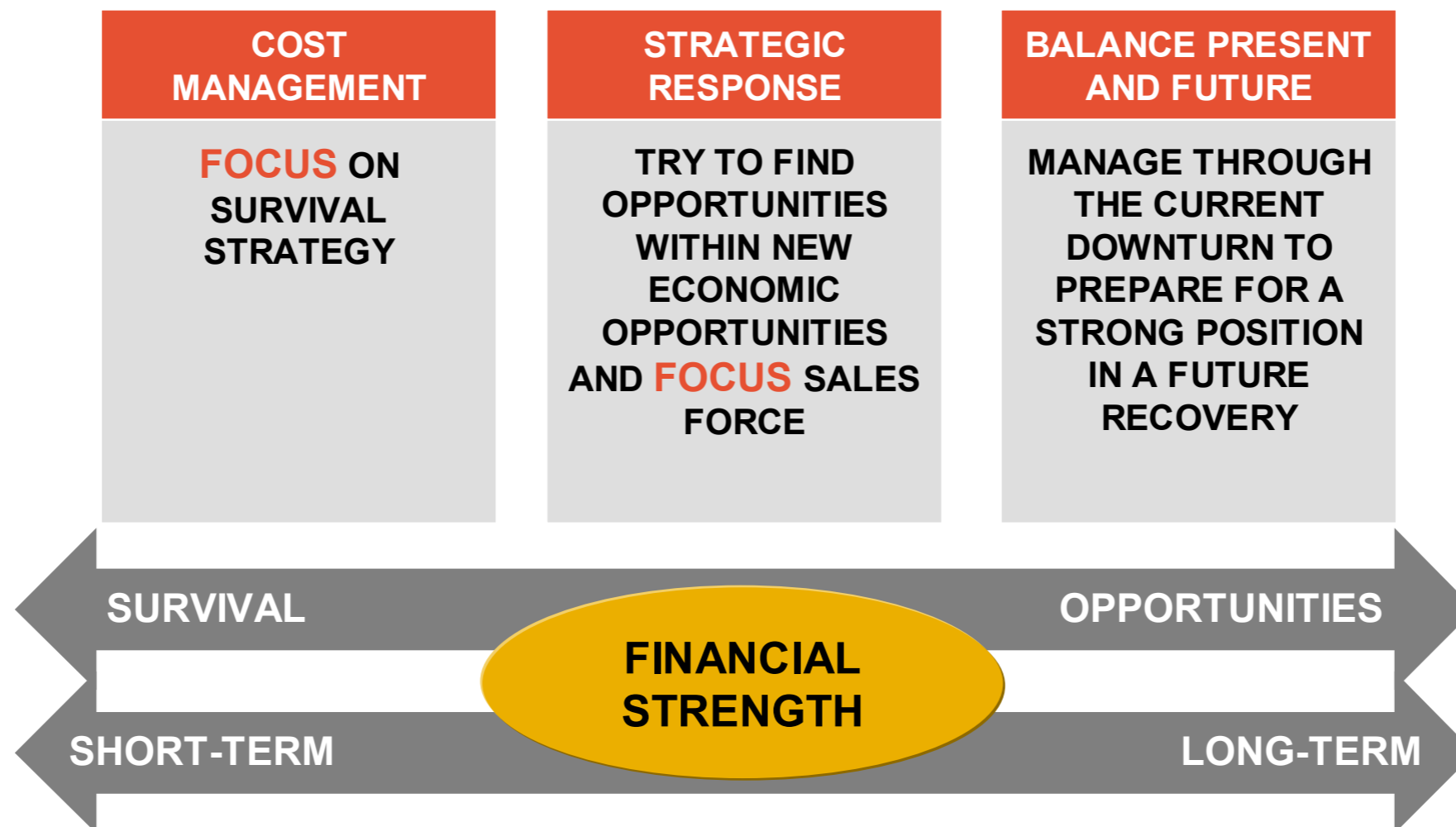


## Assumptions on the meaning of motivation and engagement in economic downturn

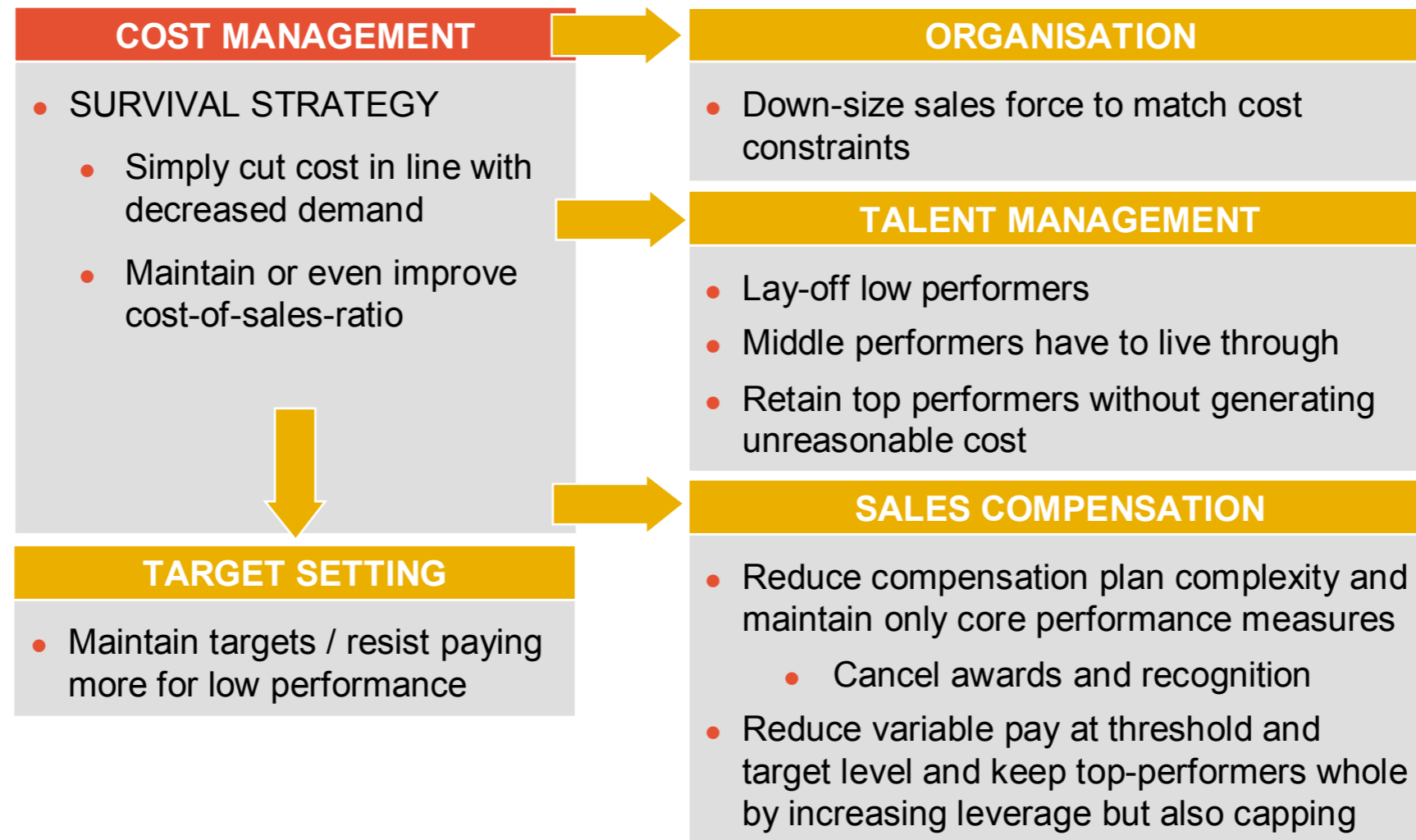
- The rationale below offers
  - to think in a differentiated way about motivation and engagement and
  - to apply different design solutions to different strategic needs



## Organisational Context for Selecting Actions

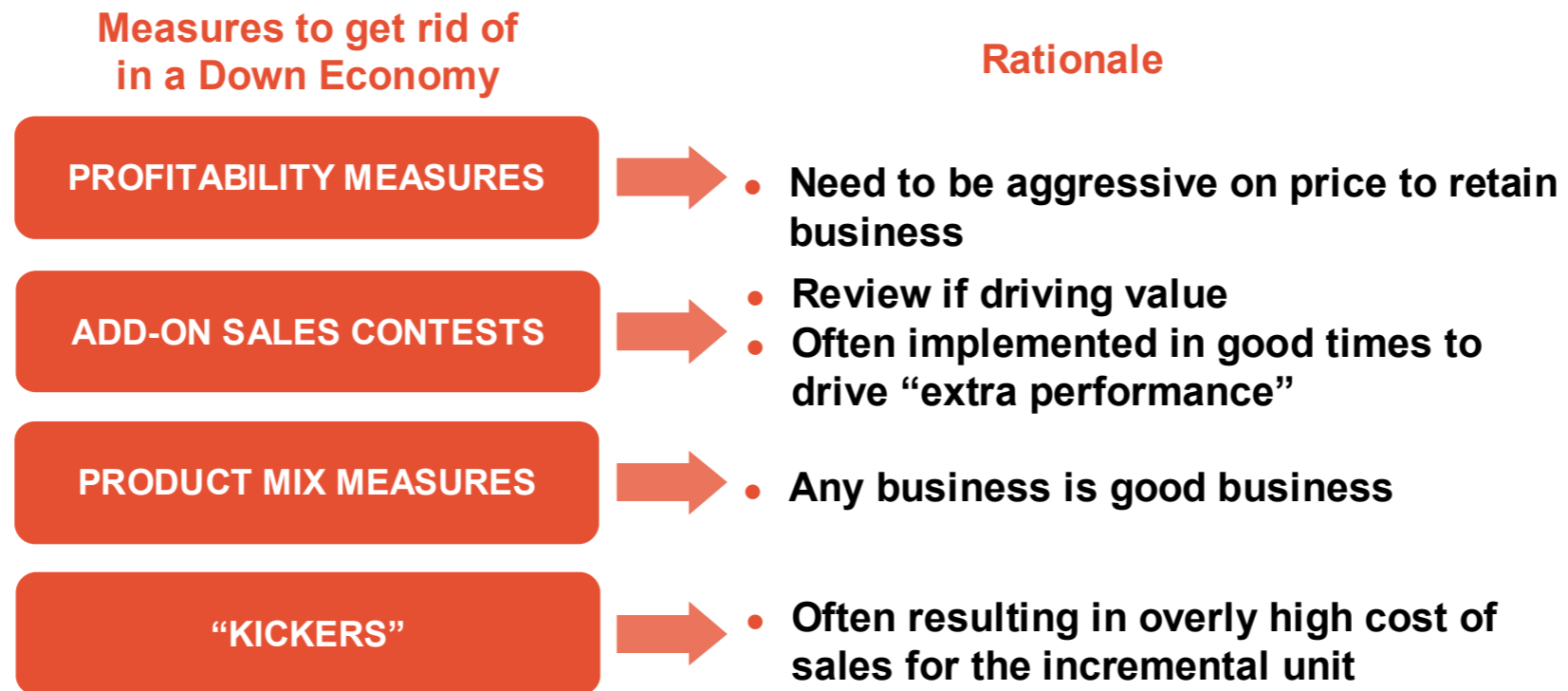


## STRATEGY 1: COST MANAGEMENT FOR SURVIVAL



## Action — Reducing number of Performance Measures

- “In this economy we need to reward on what really matters!”
  - Take out the nice-to-haves and micro-management features that may have made it into the sales comp plan in good times



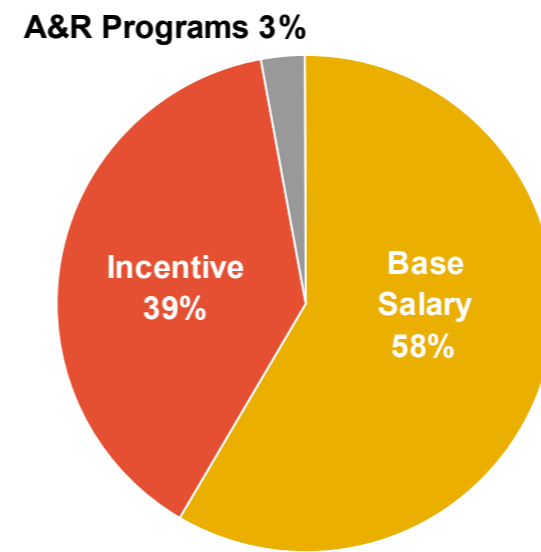
## Action — Canceling Awards and Recognition Programs

- “We cannot afford to have the perception that we are having ‘lavish’ events for our employees when we are struggling to achieve our corporate goals”

**Other Options to Consider**

- **Targeted reduction** makes sense in any market
- **Centralize A&R program design** and administration to reduce “rogue” programs
- **Survey reps**, and **eliminate** programs with **no perceived value to the field**

Typical Relative Sales Cost Breakdown



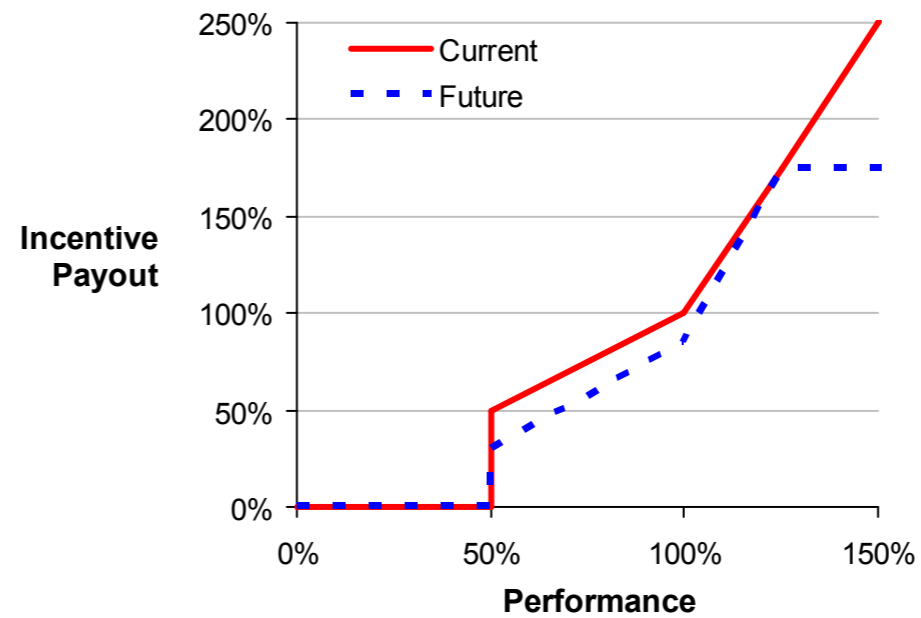
**Unintended consequences:** Some A&R programs (such as the President’s Club) increase motivation significantly compared to the cost of the programs (typically 1% – 2% of all compensation)

## Action — Modifying Payout Curves / Capping Pay

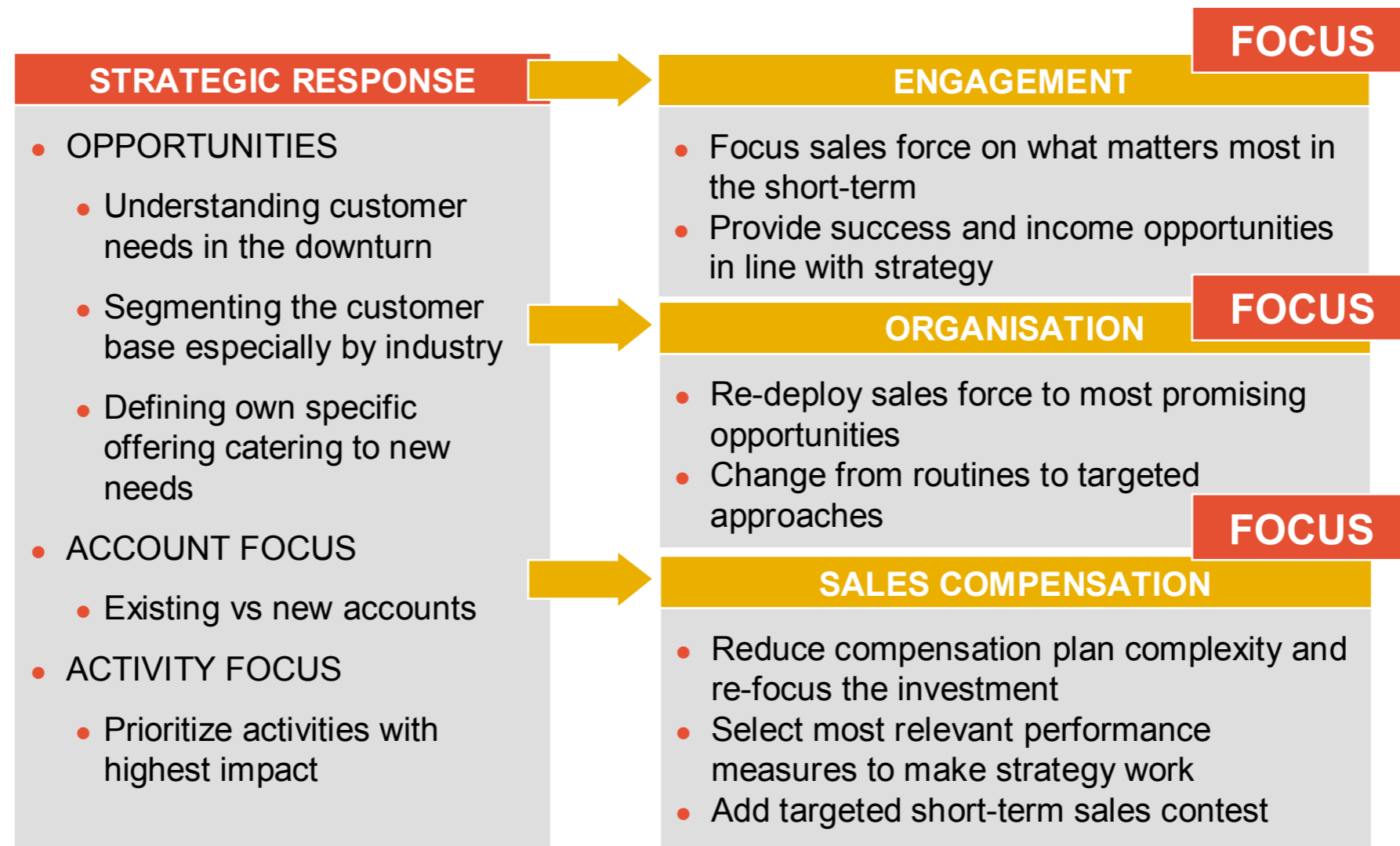
- “We need to protect our company financially from paying significant incentives at a time we don’t achieve our company goal”

**Other Options to Consider**

- Cap a **measure** (and not all pay)
- “**Decelerate**” payouts above an identified point
- Add a deal-based decelerator
- **Add a windfall clause** to prevent significant pay events



## STRATEGY 2: STRATEGIC RESPONSE TO CRISIS AND ITS EXECUTION



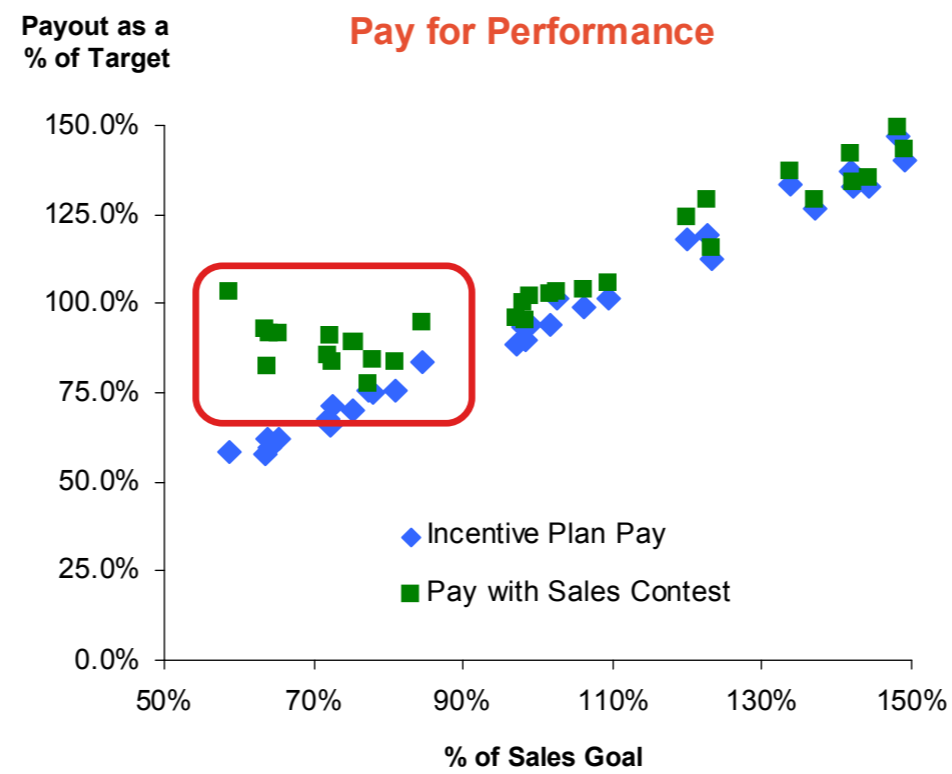
## Action — Changing Performance Measures

- “In this economy we need to reward different kinds of results”
  - Focus on those performance measures that drive the execution of a new strategy

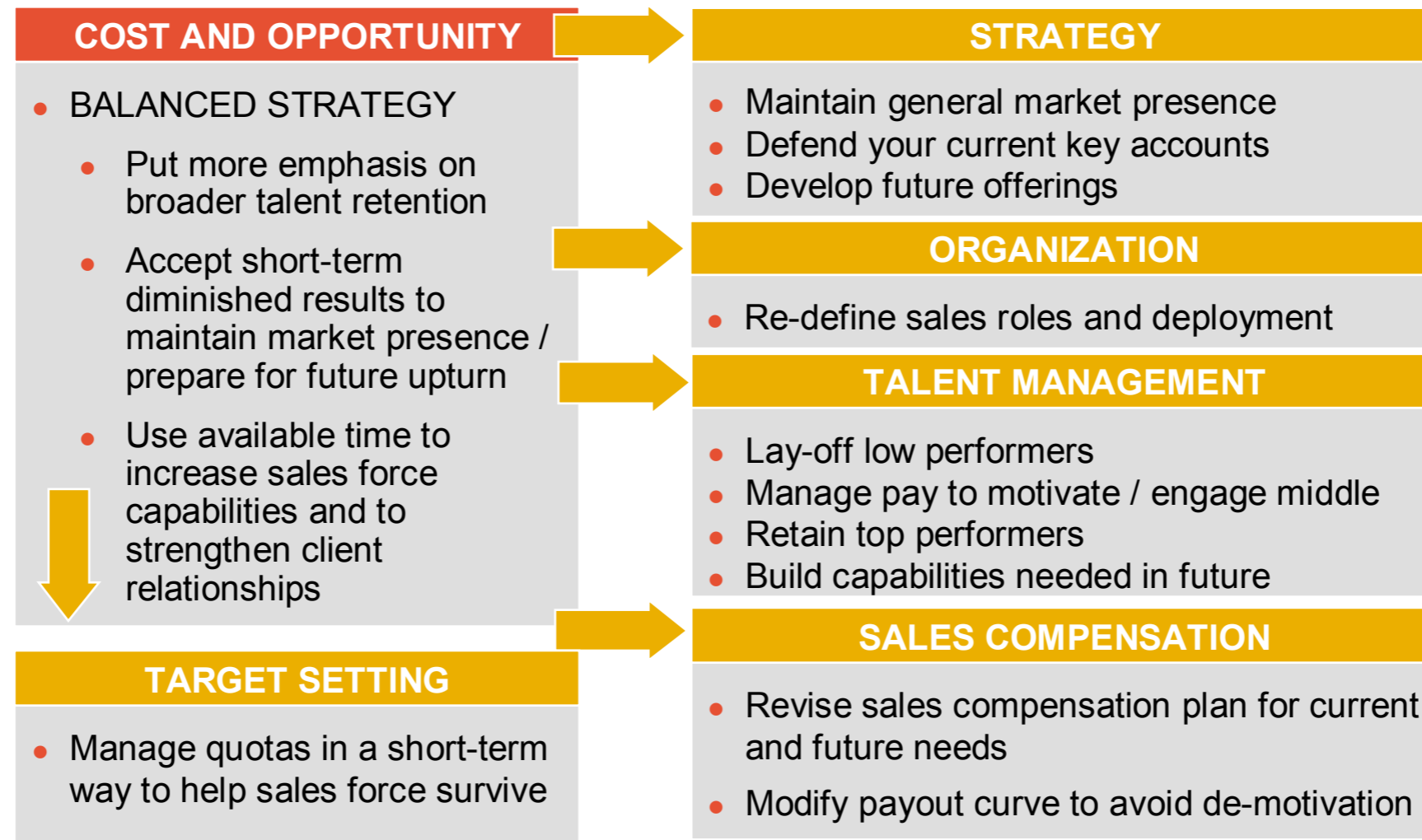


## Action — Adding Sales Contests

- “Our sales reps are under plan, and we want to engage them by contests that show immediate impact on results and payout”



## STRATEGY 3: BALANCE CURRENT COST AND FUTURE OPPORTUNITIES



Manage  
Costs

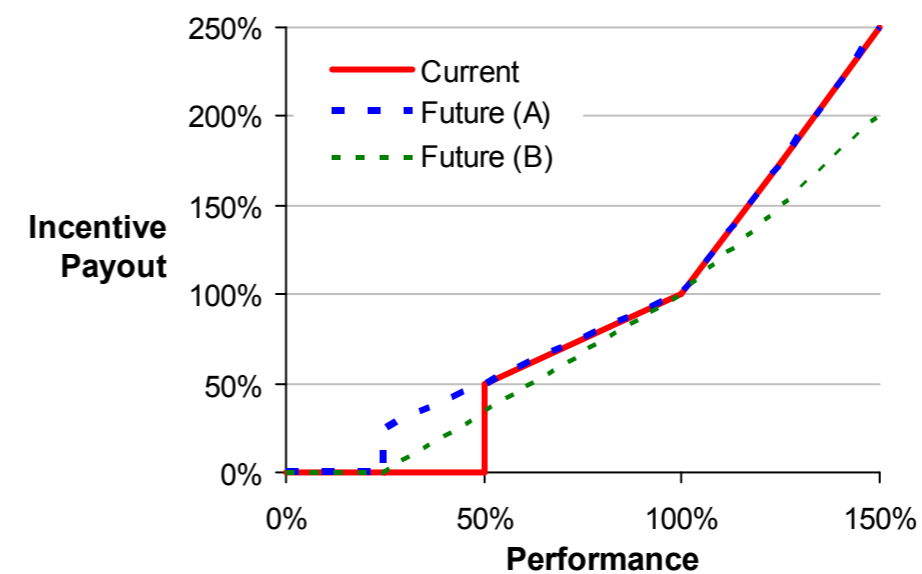
Motivate  
& Engage

## Action — Modifying Payout Curves

- “We have more reps than expected who will be below threshold and won’t be able to pay their mortgage”
  - Be careful about reducing thresholds: it may increase cost without increasing performance

### Other Options to Consider

- **Reduce sales quotas** instead of reducing thresholds
  - Cost will be similar, but **engagement will increase**
- **Set goals more frequently**
  - More **accurate** goal setting can reduce costs and increase engagement

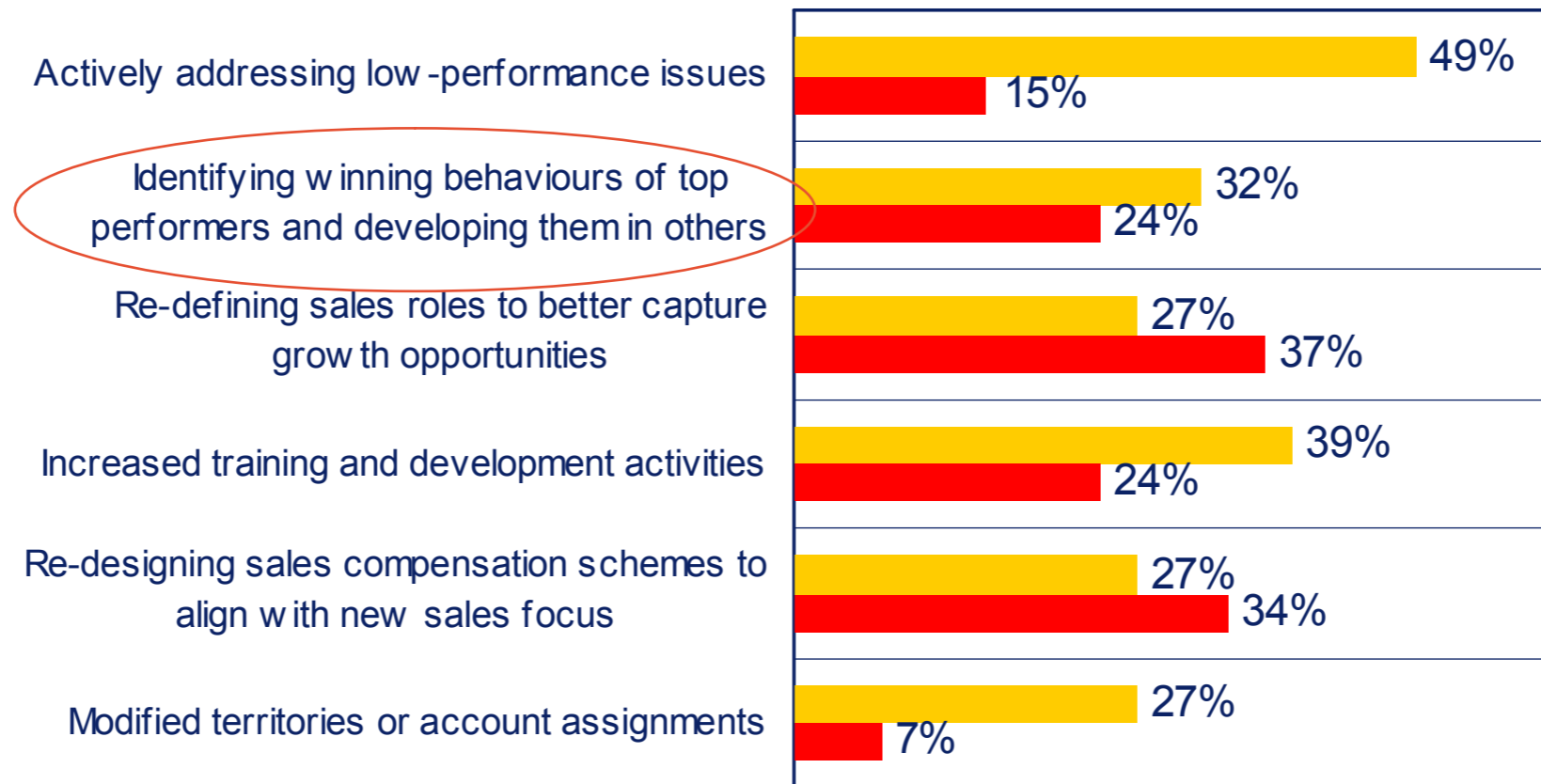


## Action — Manage Quota Setting

- Situation: how to handle bonus plans when first quarter results are so low that everyone is in danger of giving up -- no one can hit their minimum threshold for an annual or quarterly bonus payout.
- Solution: To continue with the regular plan, but set up a parallel plan with quarterly and annual targets realistically set and obtainable.
- Outcome: Pay out the first two quarters based on the parallel plan. If sales rebound by mid-year, use third and fourth quarter targets and payouts from the original plan. It worked. The sales force kept working and a significant portion actually attained their original targets.

## Preparing for the upturn...

### Actions being taken to prepare the sales force for an upturn in economy



■ Actions taken  
■ Actions planned

Source SE+C Flash Survey June 2009

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## Peak Performer Model – The Concept

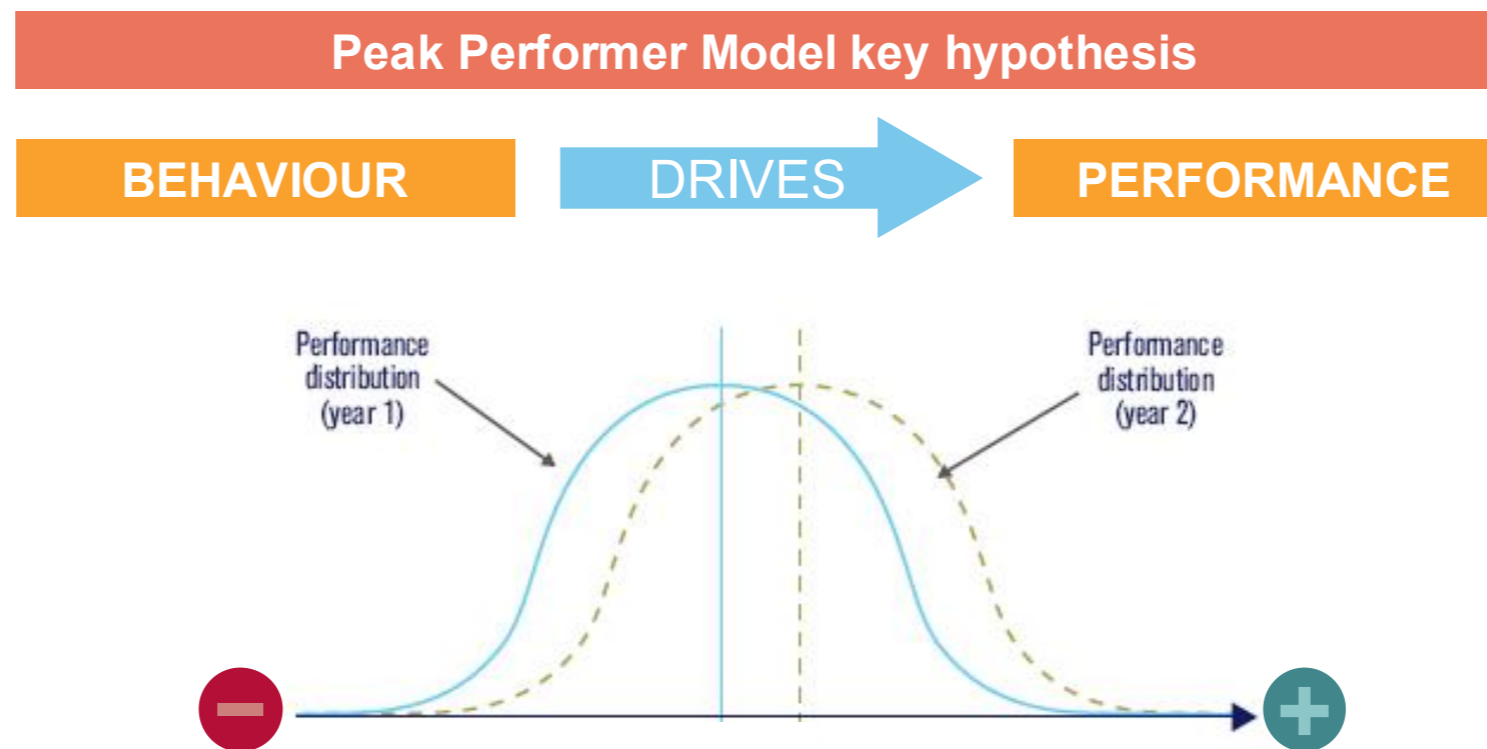
The Peak Performer Model (PPM) is an **analytical tool to identify the Key Winning Behaviours** that distinguish top performing sales reps from the average sales reps.

Based on the identified Key Winning Behaviours, sales organisations can **raise their sales force productivity** through a range of focused interventions, for example:



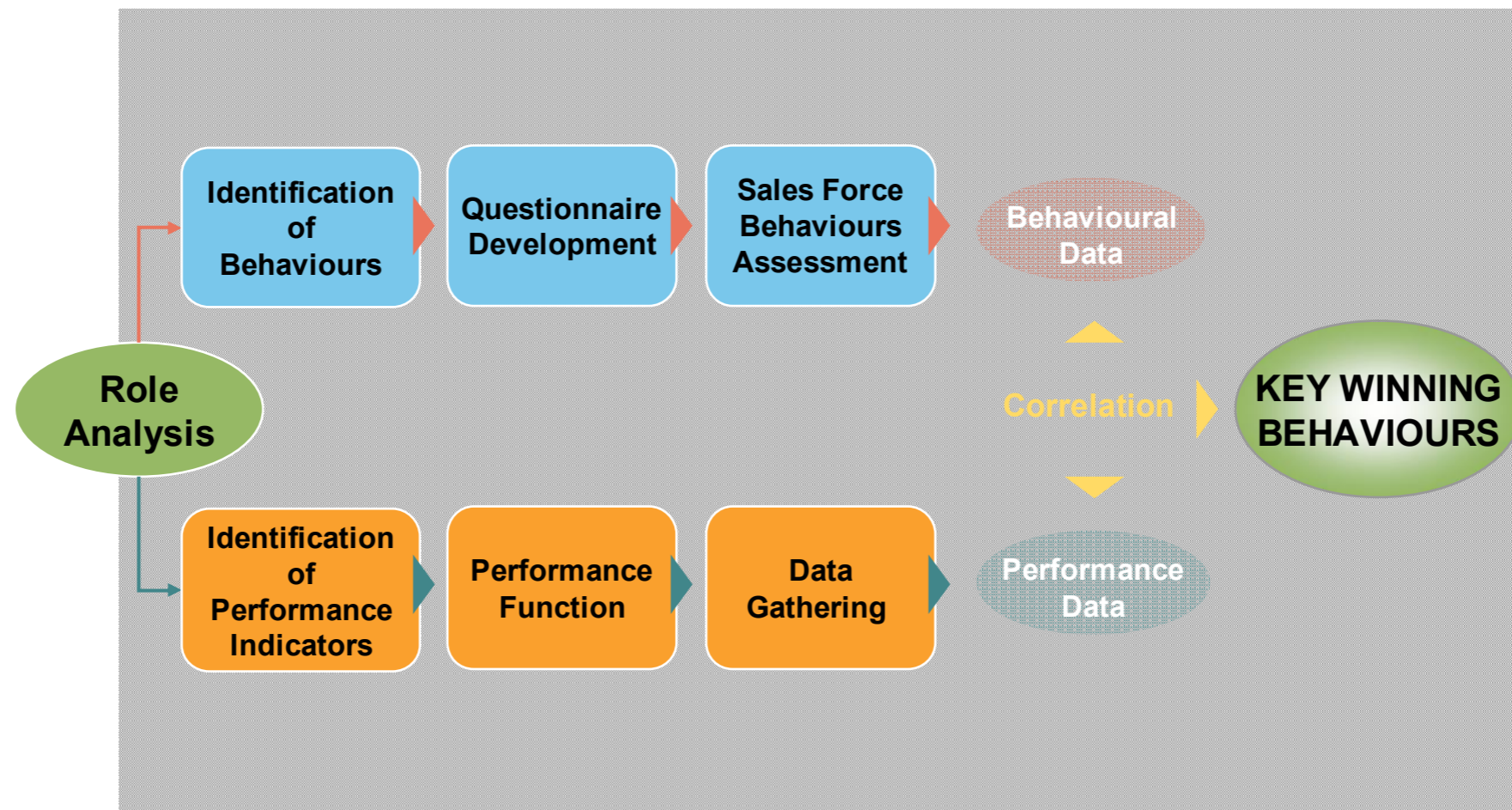
- Training and development programmes
- Revised responsibilities among roles involved in the sales process
- Revised territory design to provide appropriate sales opportunities
- As well as sales compensation aspects

## Peak Performer Model – The Expected Effect



The expected result of a PPM intervention is an **increase of average sales performance** and a **lower gap** between the Peak Performers and the others

## Peak Performer Model – The Process



## Peak Performer Model – Behaviours Assessment

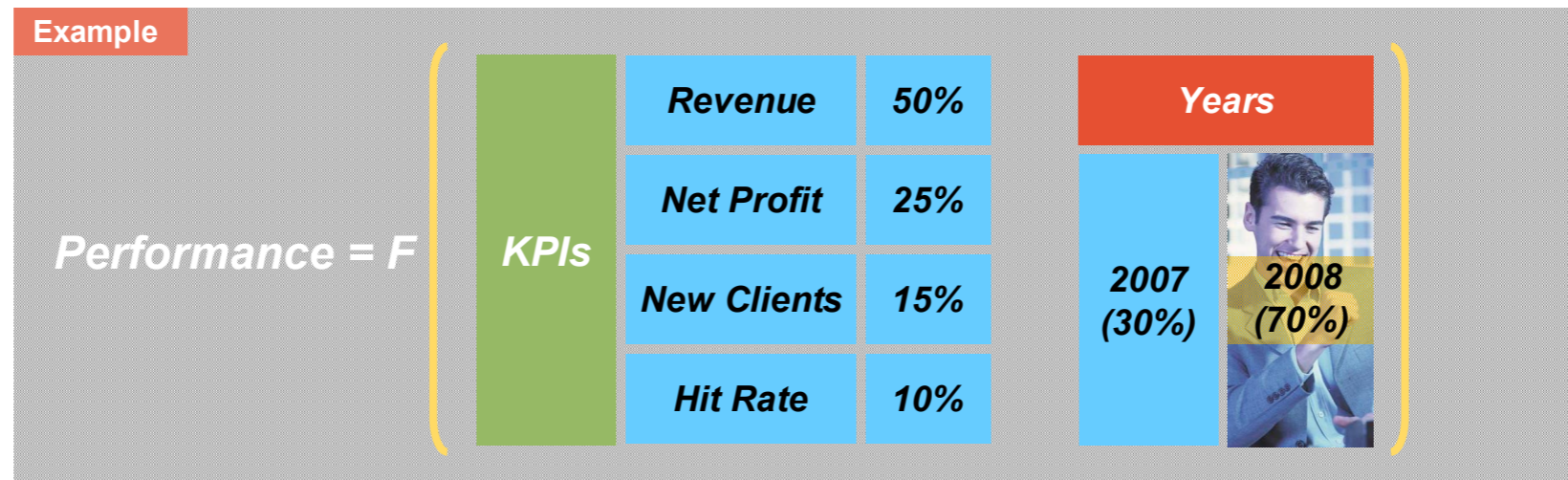
Managers assess the frequency of behaviours demonstrated by each Sales Rep  
A self-assessment is also possible, in addition to the Manager's evaluation

Name		Role		FREQUENCY					
Assessor Name		Role		Never		Sometimes		Always	
				1	2	3	4	5	6
<b>GP Interview Management</b>									
3.1	Clearly defines meeting objectives and prepares the most relevant material in advance			✓					
3.2	Listens and analyses the needs of the Physician in order to propose the best solutions				✓				
3.3	Able to build a "bridge" with the last interview, in order to prove that a long-term relationship development approach is taken						✓		
3.4	Defines 1-2 objectives to be followed up in the next meeting and agrees on a tentative schedule							✓	
3.5	Conducts comprehensive self-assessment of meeting results							✓	
<b>Territory Management</b>									
6.1	Carefully analyses sales data and forecasts of promoted brands (his/her company and competitors) in his/her territory and summarises critical conclusions and actions					✓			

## Peak Performer Model – The Performance Function

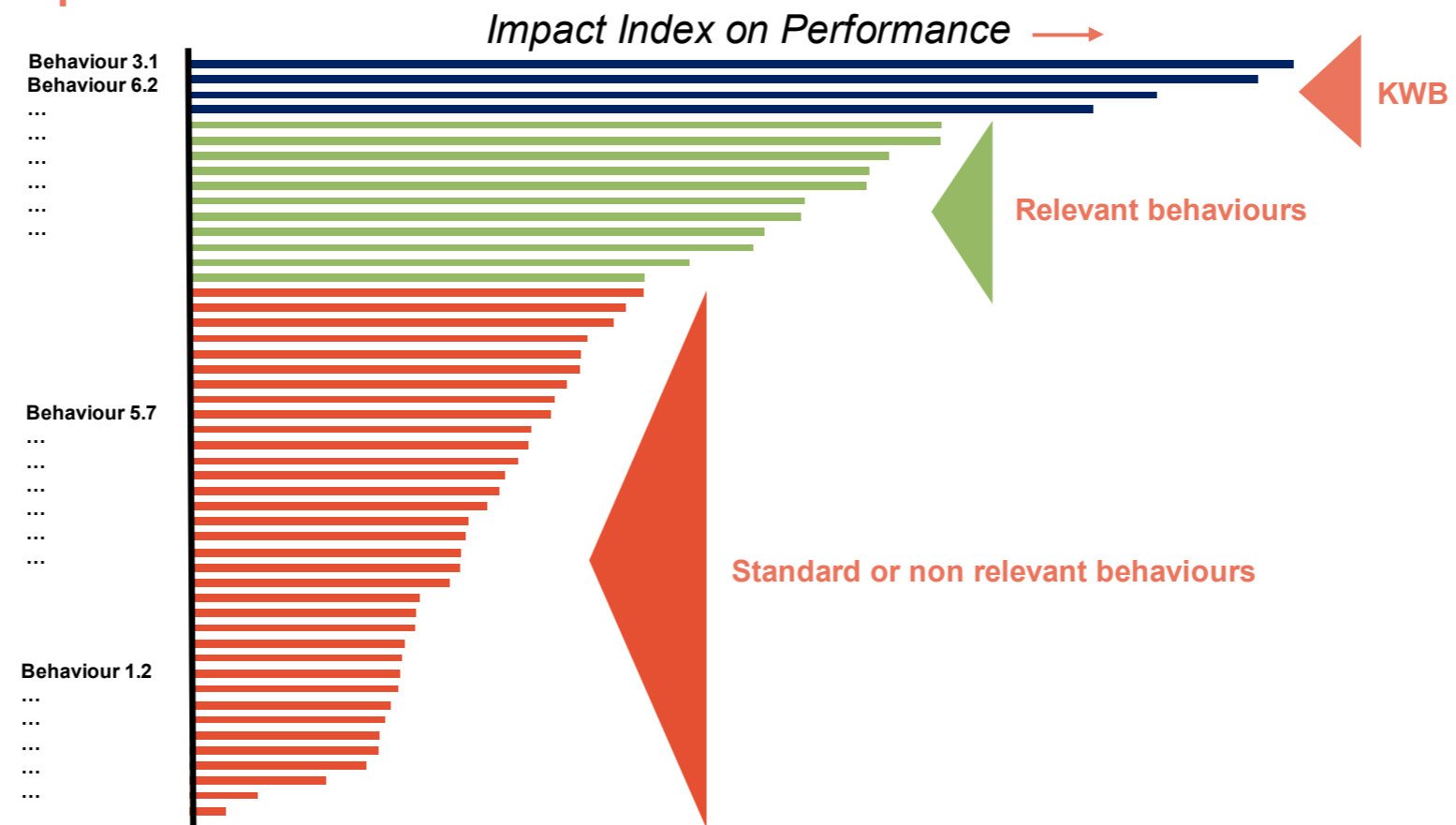
Each sales organisation needs to identify the relevant **Performance Function** for a given sales role, most often a mix of sales, productivity and sales quality metrics, that ...

- ... are **aligned** with business **strategy** – also that of the **future**
- ... measure what is **important** not merely what is available

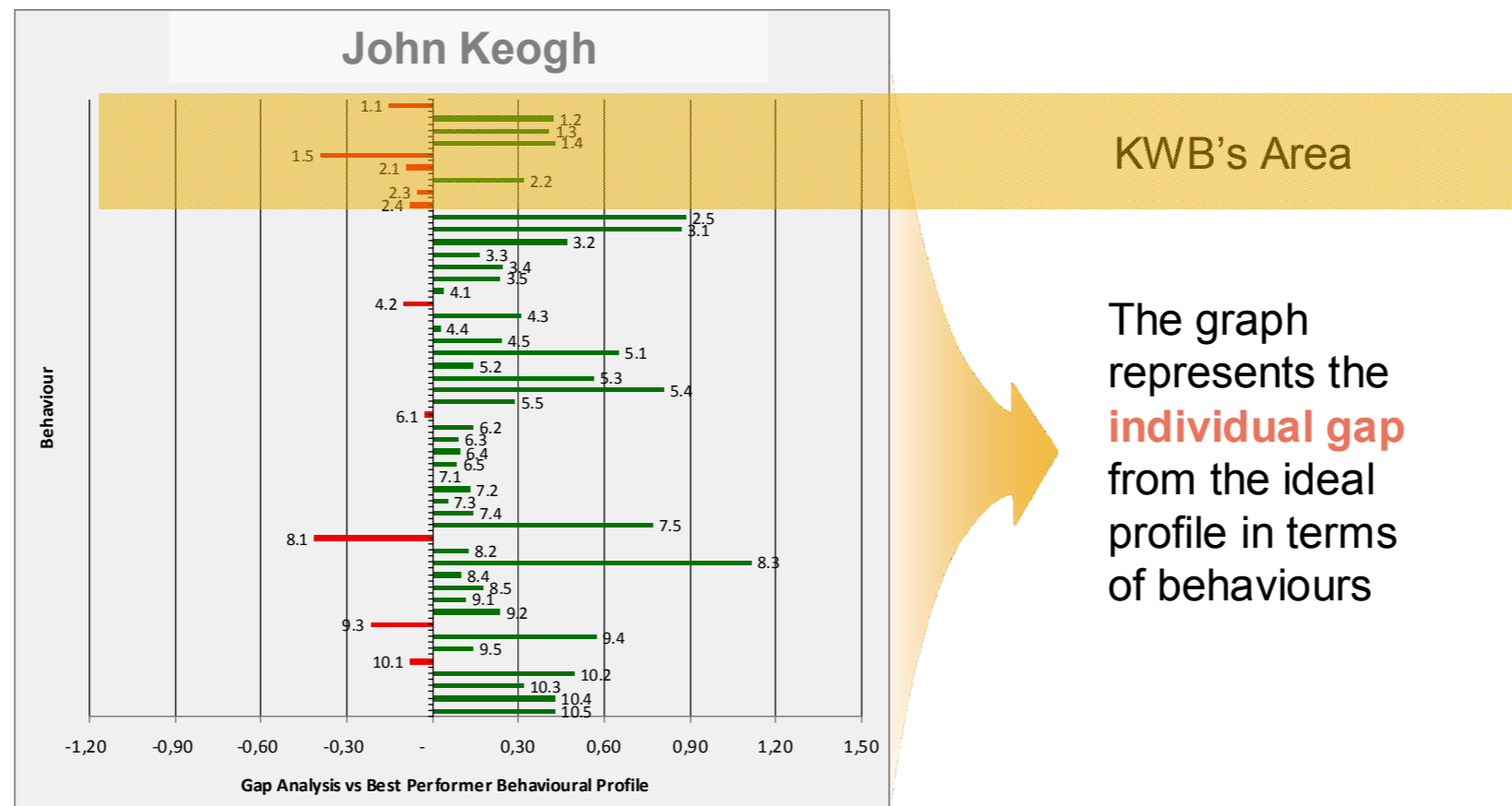


## Peak Performer Model – The Identification of Key Winning Behaviours (KWB)

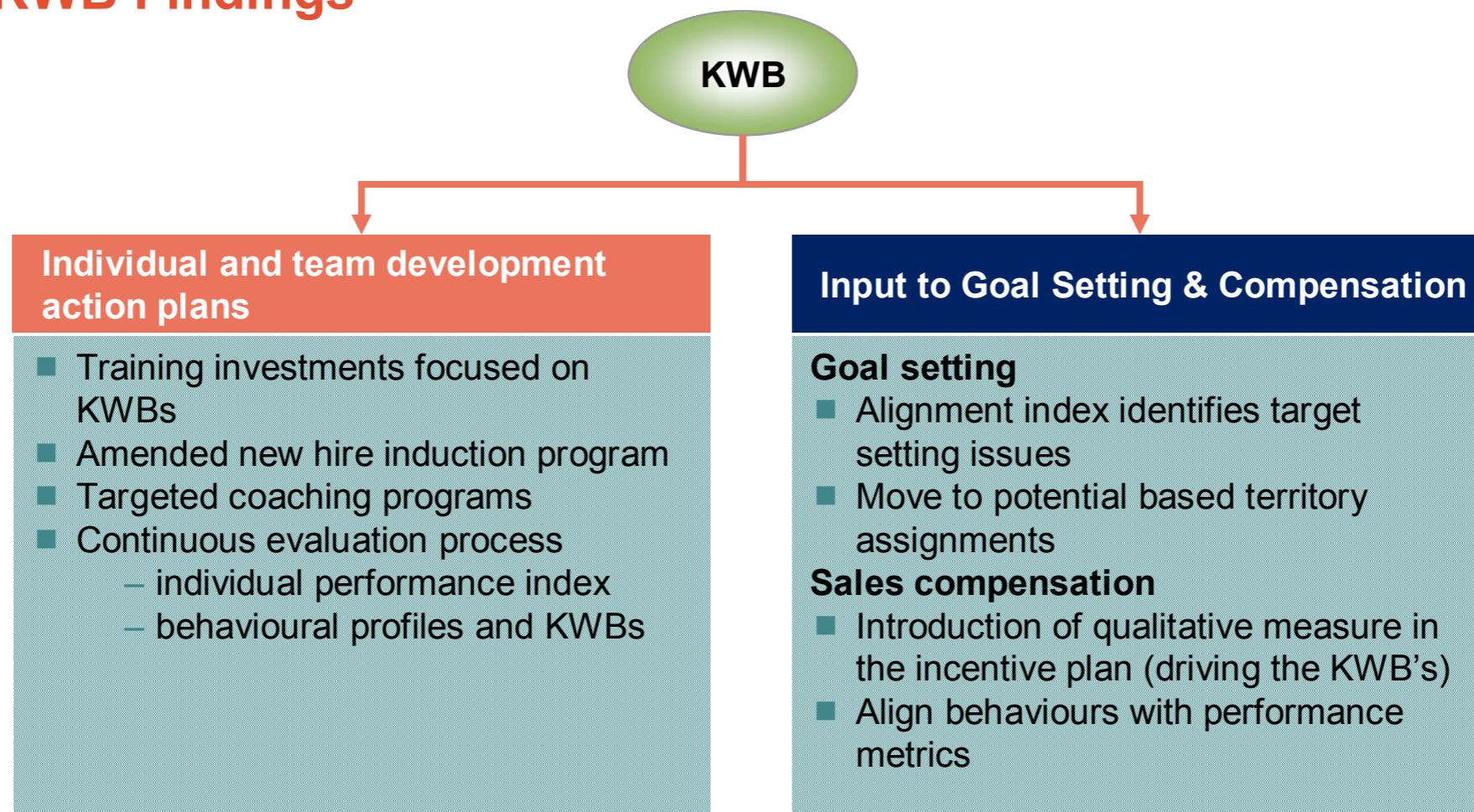
The first aggregate output is the ranking of the **50 behaviours** according to their **impact on performance** and their **prevalence** amongst the **best performing sales people**



## Peak Performer Model – Individual Profile (Example)



## Peak Performer Model – Possible Interventions based on KWB Findings



**Questions?**



## Contact Details

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## Consultant profile Marcus Minten



- Marcus Minten is a Senior Consultant of the Towers Watson Human Capital Group, and the European leader of the Sales Effectiveness and Compensation service line. He is based in Wiesbaden, Germany and supports clients across Europe.
- His work includes the alignment of sales performance management programs with sales roles and strategy. Marcus works with sales organisations across a variety of industries, such as pharmaceutical, chemical, financial services, high-tech, and healthcare services.
- Marcus has dedicated his professional career to sales performance topics at the interface of HR and Sales. He spent several years in Corporate HR and Sales roles. During his consulting assignments he has had the privilege to support a variety of organisations in Europe and the US, the latter working out of a West Coast based consulting office for three years.
- Prior to joining Towers Watson, Marcus was a Regional Sales Effectiveness Manager for a B2B division of a large multinational corporation. Marcus holds a masters degree of Economics and Business Administration with majors in Marketing and Social Psychology.