

# Reenergizing a Global Sales Force

## Case Study

Originally published by Towers Perrin

### The Business Context

Anyone who has worked in sales in an old-line global company knows the three C's: complexity, confusion, complacency. These terms often describe the state of sales roles (complex), sales compensation programs (confusing) and, ultimately, sales performance (complacent) in large companies that have been around for many years. These companies have typically grown via decades of acquisitions, embraced every compensation fad that came down the pike and, over time, developed organizational structures marked by competing geographic and business-unit fiefdoms as generations of leaders left their mark — and moved on.

A 100-year-old leading global materials science company found itself in this situation:

- The company faced slowing growth in maturing markets, and rising material and production costs. In short, company leaders needed to boost sales and profitability.
- The company's sales force faced significant challenges, including a lack of targeted sales incentives and an unsupportive culture that valued business and technical skills over sales skills. For talented people, the preferred career path led to general management, and stars didn't stay long in sales.
- Introducing meaningful changes in sales roles and compensation posed numerous challenges and significant resistance from senior business unit leaders. Organizational structure was a big barrier, with multiple business units, many different approaches to sales management and rewards, and far-flung global operations. Even more problematic was the low-risk sales culture in the organization, in which everyone in sales typically received between 95% and 105% of target incentives — and the amount of pay at risk was often too small to motivate anyone.

### Towers Watson's Approach

To help this organization implement a flexible and workable approach to changing its sales culture, we worked with business-unit leaders and HR professionals to redefine the company's sales competencies, career ladders for salespeople and sales compensation programs in conjunction with a broader strategic overhaul of the sales and marketing function.

A key goal of this effort was to enhance the clarity and simplicity of sales roles, which had become increasingly complex in a matrixed, global bureaucracy. To this end, Towers Watson consultants helped the company map more than 100 sales jobs (with widely varying titles, responsibilities and compensation) into 18 benchmark sales roles, based on the level and nature of each job (e.g., consultative versus transactional, existing versus new accounts). These streamlined role definitions enabled clearer career progressions, and made it easier to implement and administer more rational compensation programs.

From the compensation perspective, the company's goal was to make salespeople more accountable for results by transitioning away from what was basically a "pay around target" philosophy toward expanded incentive opportunities for superior performance. In some roles and some countries, such as the United States, this meant going from just 5% of pay at risk to 40%.

To minimize employee disruption and support retention, the company decided to implement the pay changes gradually, and give each business unit flexibility on program design and the timing of how changes are phased in (e.g., to respond to unique product and market issues in each business). As a result, program governance became a key part of the equation.

Rather than simply imposing the changes throughout the organization, the company issued role-driven sales compensation guidelines and left it up to each business unit to move to the new pay architecture at its own pace, depending on the unit's readiness for change. A small team of three compensation experts from corporate HR was formed to serve as consultants to the business units on the design and implementation of targeted sales compensation plans.

In our experience, HR professionals are not involved in sales compensation design as frequently as they should be, since sales leaders typically retain tight control over their pay programs. HR people can bring expertise and experience in compensation design and administration support, which sales professionals often lack.

## Outcomes to Date

Thus far, new sales incentives have been introduced for almost 20% of the company's global sales force, representing about \$2 billion in annual sales. Putting more pay at risk has proved more challenging in some countries (e.g., Germany) than others (e.g., Italy, Spain). While the results to date have varied from business unit to business unit, the new sales force

roles and compensation structure have produced positive changes across the company, including:

- improved financial results (lower costs, increased revenues and higher margins) in some divisions
- greater clarity regarding sales tasks and careers
- desired turnover of low performers
- enhanced retention of key talent
- closer attention by sales reps to product pricing and margins.

For this company, one key learning from the process is the importance of business-unit leadership and compensation professionals working together to solve a common problem. HR has the know-how to guide the design of effective sales compensation plans, but business leadership must decide on the selling priorities for each sales role and then "own" the program to gain buy-in and engage the frontline sales force.

## For More Information

To learn more about how Towers Watson can help your organization strengthen your sales force and more closely align your sales compensation program with critical business needs, please contact your local Towers Watson consultant or Tim Weiler at [tim.weiler@towerswatson.com](mailto:tim.weiler@towerswatson.com).

## About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.