



Working Group: Sales Incentive Design & Governance

Hosted by American Express
New York | May 14, 2019

Participating Organizations:

American Express
CIT Group
Cornell University
Ecolab
IBM
Ingersoll Rand
Johnson & Johnson
JPMorgan Chase
Mastercard
Medtronic
Procter & Gamble

Key Takeaways:

1. Although there are some unique industry dynamics to approaching sales incentive design and governance, there is more similarity than not in the design and governance challenges.
2. Complexity is a reality in this arena; companies should have an enterprise view as they think about developing new programs and implementing changes to support an equitable employee experience.
3. Companies should increase their communication regarding design, governance and impact of sales Incentive programs to key stakeholders in order to have broader influence and the right impact for the business.

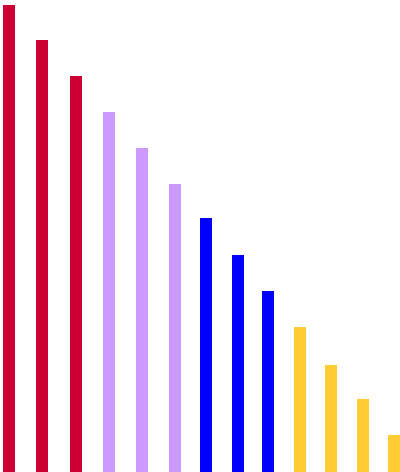
The current talent landscape is a competitive and challenging one. Companies are looking for ways to attract and retain top talent and the sales function is one of the most competitive areas. Along with this competitive environment, the sales practices and incentive area is facing increasing scrutiny and focus by regulatory agencies which is causing companies to rethink how they are approaching this. This working group session discussed the current landscape, challenges and best practices for organizations to achieve a solid governance and design framework for Sales/Production Incentive Compensation plans.

Compensation Approaches & Structure

There are two primary ways the companies present at the meeting approached sales incentive compensation support:

1. Centralized Support – common incentive plan design and administration are centralized in the organization and the individual businesses are supported through the center.
2. Decentralized Support – provide governance, principles and scorecards to clients but use external consultants to help design plans for the separate business units.

Those with responsibility for the sales incentive programs partner with a number of **stakeholders** including HR Business Partners (HRBPs), Sales Operations, Finance and clients, to successfully design, govern and administer these programs. Companies use a variety of **systems** to help manage the programs including SAP,



IBM, Callidus or homegrown tools. Obtaining data from business systems to support sales incentive calculations is a challenge to most companies.

There were several **design** criteria mentioned:

- Define what success looks like
- Evaluate the difficulty in making a sale
- Consider using design thinking and involve key stakeholders

The plans themselves varied in how many levels received sales incentive with the most common being the individual contributor + two levels of management. Remember not to include an approver as a receiver of incentive.

Responsibility for **assessment** of the programs sits in different places including the Sales Incentive role, Finance or at the Business Unit level. Several use defined scorecards as guidelines for assessing; however, data and analytics in this area is still a struggle.

Influencing the Business Without a Mandate

One of the bigger challenges the group discussed was how to gain traction with clients regarding sales incentive programs design and governance if there is not a mandate. Companies shared several ideas to overcome this:

1. Involve your client in putting together the sales incentive plans.
2. Define roles/responsibilities as well as guidelines for partners to adhere to.
3. Utilize external requirements (i.e. SOX controls) to educate your clients on what is required.
4. Conduct internal assessments using macro-level metrics to gain insights on how the incentive plans are meeting business objectives.
5. Educate partners (HRBPs, Clients, Sales Operations, and Finance) through compensation boot camps/academies.

Communication & Education to Key Stakeholders

It is becoming more and more important that stakeholders to sales incentive plans receive increased communication regarding these plans. The more employees understand how the plans are structured, the better enabled they are to affect their results and the company performance. Several organizations mentioned developing a **Community of Practice** to bring people together so they can learn from each other and see the benefits of a variety of plans. One company did this with a global call every month, showcasing one business unit and one region.

Sales Plan Boot Camp is another idea to bring partners from HR, Sales Operations, Finance and the Business Units together to share and educate. One company held a **Sales Academy** adjacent to their annual sales meeting. Another is hosting its first **Sales Summit** and has invited external consultants to provide another perspective.

Besides meeting like those mentioned above, companies need to use a **variety of communication** vehicles to get their messages across: videos, text messages, e-mail, etc.

Lastly, sales incentive program leaders need to **collect feedback** from stakeholders as well. There were a variety of methods mentioned to do this including focus groups, surveys, etc.

Current Challenges

One of the challenges the group discussed was how to maintain a consistent employee value proposition and **internal equity** across the organization between sales- and non-sales incentive employees. For instance, some companies are expanding Parental Leave with these longer leaves having a bigger compensation impact on those with sales incentives. This presents challenges in how to manage the incentive plan payouts and account for the increased leave time. Approaches mentioned were moving them back to 100% salary so incentive is not impacted;

pay at target for time on leave; pro-rating actual incentive; or using prior three-year average incentive as basis for leave portion. Considerations include fairness, equity, retention and financial support for taking the leave.

Another challenge mentioned was changing expectations of employees on the role of **team vs. individual measures** for incentive. The companies present were split on their approach, with half more focused on individual incentives due to Millennial preferences and philosophy on how to incent; and half using team incentives due to multi-functional efforts, group structure of how client is supported, or philosophy.

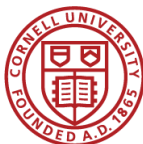
Retention of sales talent continues to be challenging. Continued progression is important to employees but many companies have moved to flatter structures. Internationally, titling is important so companies have maintained a variety of titles but in broad bands to maintain simplicity. In some industries, poaching of talent is a problem. This is more pronounced where sales is very relationship based — as the sales representatives changed companies, their clients changed with them. Some of these companies have implemented structured employee agreements like contracts for a year at a time — the employee cannot leave or be terminated for the length of the contract to retain the client.

Another area companies are struggling with is the right response to **new regulations**. Sales incentive groups need to find the middle ground between what needs to be done to meet new legal requirements and what the appropriate administrative burden to take on to accomplish that is.

This Summary Report was prepared by Beth Flynn-Ferry for participants of the Sales Design & Governance CAHRS Partner Working Group.

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