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Top Tips for Top-Line Success: How HRBPs Can Contribute to Successful Selling

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What's different about sales compensation?

	Broad-Based Bonus Plans	*Sales Incentive Plans*
Typical stakeholders	• HR, Finance	• HR, Finance, Sales, IT, Marketing
Number of plans	• Few One-size fits many (e.g., 1/BU)	• Many One plan per sales role
Plan measures	• Business unit or corporate performance • Indirect influence and control • Management discretion may be applied	• Individual or small team performance • Direct influence and control • More formulaic with limited management discretion
Pay differentiation	• Modest	• Significant with top earnings earning 2-3x median
Measurement Period & Payout Frequency	• Typically annual • Aligns with annual operating plan	• Monthly, quarterly, annual, other periods… and sometimes mixed • Aligns with sales cycle

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The HRBP plays an important role in the sales compensation management process

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Establish business goals for the sales plans

Project planning

- Develop a project plan in alignment with the annual planning cycle
- Identify stakeholders and approvers

Gather senior leaders' perspectives as part of…

- Performance management
- Merit budgeting & planning
- Talent planning & acquisition
- Organization design
- Employee recognition
- Focused discussions on the sales compensation plans

Summarize and gain consensus

- Develop a draft one-page summary of objectives for next year's plans
- Circulate and refine

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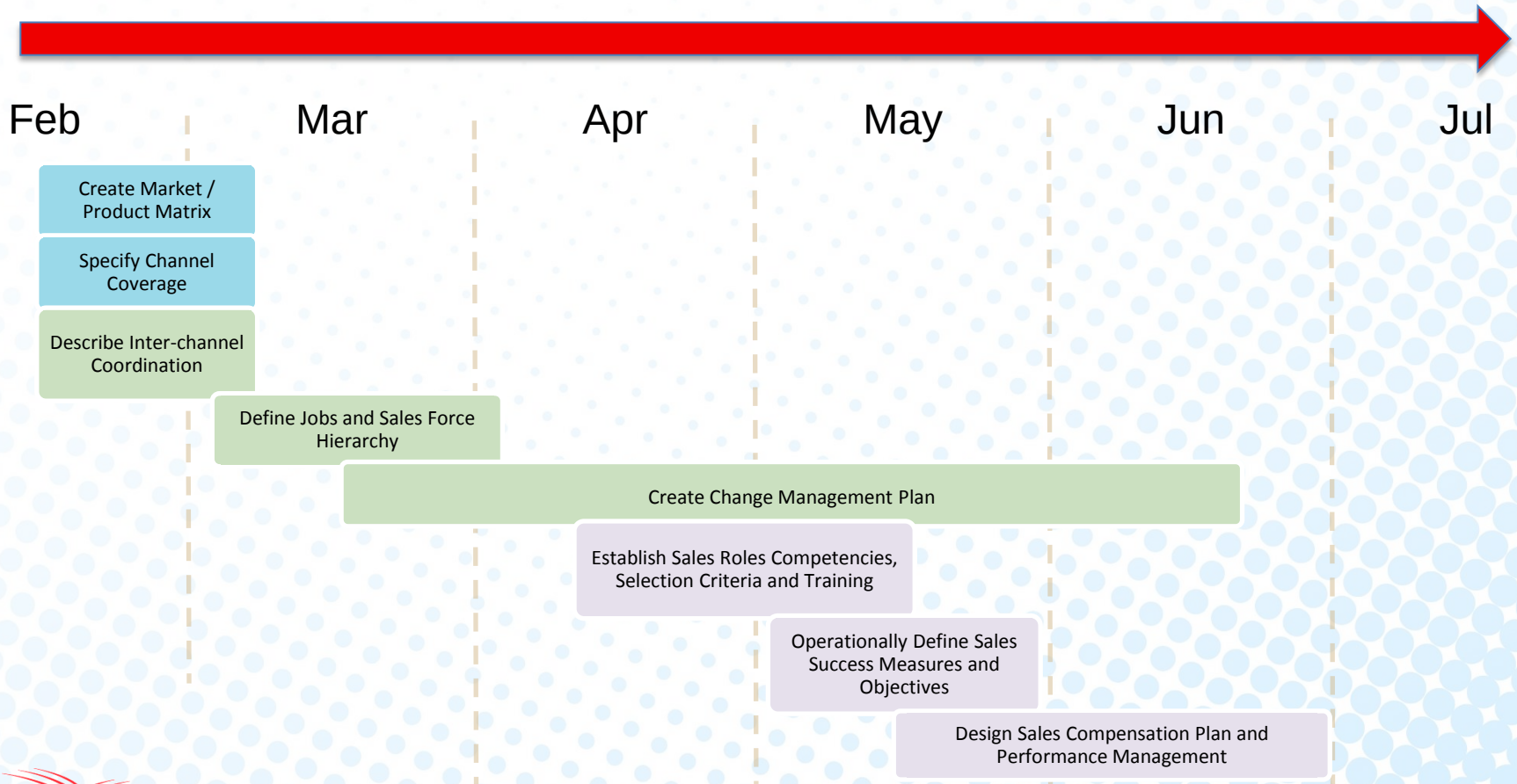
HRBPs Set the Design Timeline Expectations



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Detailed work plan

Process Step	Description	Accountability	Target Completion Date	Status	Details
Leading the Change					
Establish Team	Establish members of the design team (need representation from the Field, Sales Support, HR, and Finance)	HRBP / Plan Sponsor	2/3/2015		
Specify Accountability and Target Dates	Determine accountability and target completion dates according to this compensation design Workplan	Sales Comp Design COE	2/3/2015		
Schedule Meetings	Specify how frequently the team needs to meet	HRBP	2/3/2015		
Establish Leadership Support	Establish Sponsor Committee Support	Plan Sponsor	2/3/2015		
Identify Opportunity Segments					
Align with Sales Force Segmentation	Establish Sales Force segmentation and explore how this may affect Sales Management's accountability	Design Team	Ongoing		
Sales Strategy					
Incorporate Sales Strategy	Determine main business drivers for FY15 - which measures are appropriate to drive the strategy.	Design Team	Ongoing		
Analyze Production Planning Outputs	Analyze the difference between Finance targets and rolled-up business objectives ("Breakage"). Identify ways to close the gap.		from Earnings Projections and Sales Planning Process		
Analyze Distribution Planning Outputs	Determine the level of distribution expansion needed to attain production goals		from Earnings Projections and Sales Planning Process		
Summarize Current Year Plan Performance	Determine how the current year's Plan performed in relation to Sales goals. Establish what worked and what did not work	Sales Ops / Compensation	3/3/2015		3rd Quarter Sales Effectiveness Reporting
Interview Stakeholders	Interview key stakeholders to gain input about how the previous year's Plan worked, and what should be changed moving forward	Sales Comp Design COE	3/3/2015		Sales Executives
Review Stakeholder Interview Findings	Ensure all team members are aware of specific feedback received in Stakeholder interviews	Sales Comp Design COE	3/3/2015		
Create Leadership messages/talking points	Determine key messages directed toward Sales Leadership	Design Team	3/3/2015		
Exceptions	Identify markets where the Plan needs to be locally tailored	Design Team	3/3/2015		

This example shows the level of detail for three of the following work steps. Download your own copy in Excel at http://donyarose.com/2015/05/11/hrbp-tips/.

- Leading the Change
- Identify Opportunity Segments
- Sales Strategy
- Customer Contact Continuum
- Job Design and Organization Structure
- Resource Deployment
- Performance Metrics and Tools
- Goals and Compensation
- People Management Programs

Great questions to identify business objectives

Big picture

- **What's working?** What's not?
- Is our **compensation cost** as a percent of revenue (or margin) improving?
- Are the **most productive people earning** the most money?
- Are we able to **attract and onboard** the right people as effectively as possible? (selection, training, onboarding)
- What would we like to see the sales people **do more** of? …less of?

Sales roles, staffing, and pay levels

- Have **key accountabilities** for our sales roles changed, possibly due to changes in the coverage model or product/service focus?
- Do we have the **right jobs**? Right # of employees? What about "house accounts," open territories?
- Do we need to **coordinate sales** efforts with other sales teams and channels?
- Are we **market competitive**? Are we experiencing high turnover? Should we consider a geographic differential?

Incentive plan design

- Do the same plan **measures** still make sense?
- **What counts** for whom? Review sales crediting.
- Is our **upside attractive** (delivering 2-3 times the target incentive to the top 10% or so)?
- Is **under-performance over-rewarded**?
- Do **roles that need to work together** have aligned measures?
- How do we coordinate sales **goal setting** to maximize buy-in and productivity?

Plan communication

- Do our sales people **understand their plans**? …believe their leaders understand them?
- Are our **sales leaders experts in the plan**? Do they use the plans skillfully in managing their teams?
- What **key messages** do we need our sales people to "hear" when the new plans are rolled out?
- Are there groups with **more change** that will need extra support, even transition arrangements?

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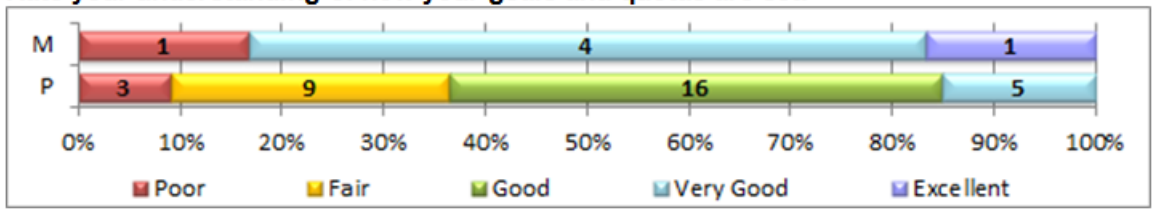
Eligible Sales Employee Survey

Sales Survey Summary

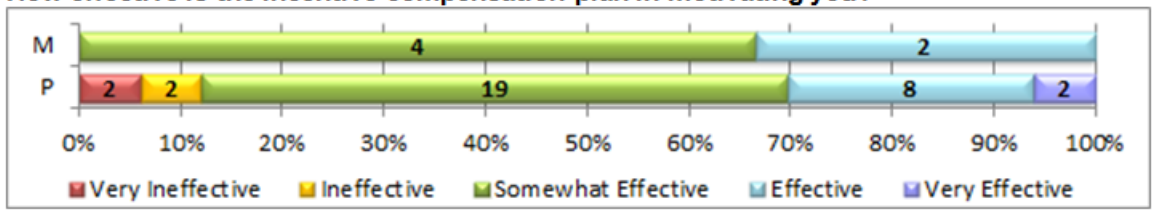
This is a summary of the results of the NPS Sales Survey that was M and P track employees. These results will be used to assist in improvement efforts. The survey was sent to 47, there were 39 responses, an 83% responses rate.

Summary

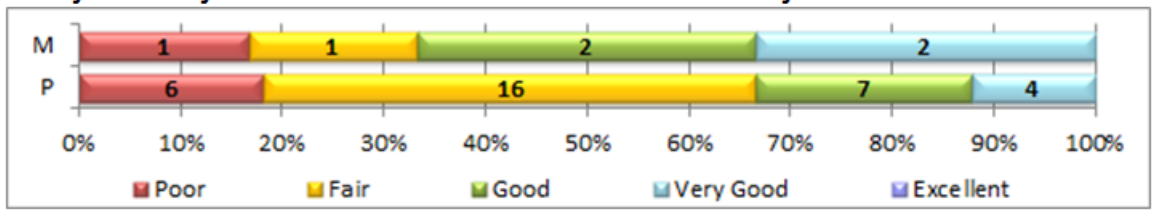
1. **Rate your understanding of how your goals and quotas are set.**



2. **How effective is the incentive compensation plan in motivating you?**



3. **Rate your ability to influence the measures used to calculate your incentives.**



Example:
A succinct statement of plan objectives

Illustrative sample plan objectives

Reinforce the right kind of sales

- Solutions = more products in each deal
- Build partnerships with customers
- High price/margin
- New account acquisition
- Retention

Avoid complexity

- Include the ability to calculate payout at a deal level
- Ensure a consistent approach is applied where sales roles are similar
- Assist in attracting and retaining key talent

Pay for value created

- Ensure the people creating the most value earn the most money
- Decreased payout for decreased value (lower commission rates for lower margin)
- Reward people for involving the right team in each opportunity (not too many, not too few)
- Reward well for the big win – even if it's a one-time win

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“Sort” sales jobs into useful categories

The following framework is useful in many businesses

Transactional
- Purchase decision is simple
- Sales cycle is short
- Price is key
- Focus on efficiency

Consultative
- Purchase decision is complex
- Sales cycle is long
- Value is key
- Focus on solution

Enterprise
- Purchase decision is complex
- Sales cycle is long
- Total cost is key
- Focus on partnering

New Business Acquisition
- New business acquisition
- Cold calling or prospecting
- Little post-sale effort

Territory Management
- Grow territory revenue based on good relationships with many customers/ prospects
- Growth comes from building a reputation in the territory
- Some post-sale effort

Current Account Management
- Retain and grow accounts
- Identify and address customer needs
- Significant post-sale effort
- Penetrate customers with new services/products

How Customers Buy

How Sales People Sell

Small Game Hunter	**Big Game Hunter**	**Strategic Account Developer**
Territory Rep	**Territory Consultant**	**Strategic Account Manager**
Account Manager	**Key Account Executive**	**Strategic Account Executive**

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Example Role Mapping

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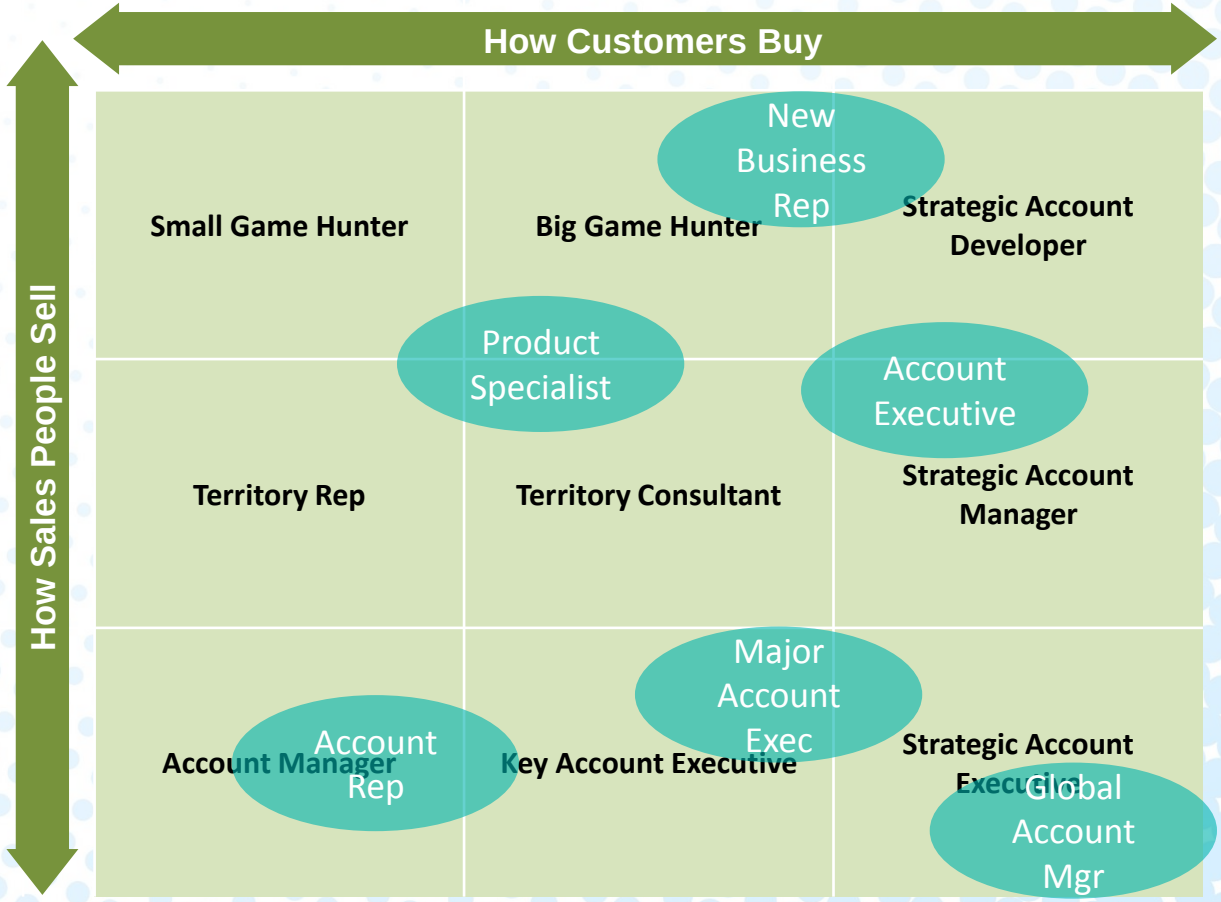

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Some design decisions are guided by where the selling role is mapped

How Customers Buy

How Sales People Sell

	Transactional	Consultative	Enterprise
New Business Acquisition	• High variable pay • Fewest performance areas (1 or 2) • Commission oriented	• High variable pay • Few performance areas (2 or 3) • Commission/bonus oriented	• High variable pay • Few performance areas (2 or 3) • Milestone bonus and commission oriented
Territory Management	• Moderately high variable pay • Few performance areas (2 or 3) • Bonus oriented	• Moderately high variable pay • More performance areas (3 or 4) • Bonus oriented	• Moderately high variable pay • More performance areas (3 or 4) • Corporate or Business Unit Bonus oriented
Current Account Management	• Low variable pay • Few performance areas (2 or 3) • Bonus oriented	• Moderately variable pay • Most performance areas (3 or 4) • Bonus oriented	• Moderately variable pay • Most performance areas (3 or 4) • Corporate or Business Unit Bonus oriented

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MIP or SIP Classification criteria

Sales compensation plans are reserved for positions where incumbents have customer contact, persuade the customer to act, and contribute to Cardinal Health revenue production. Employees who are hired or transferred into an eligible position are eligible to participate in the corresponding plan for their sales role.

Criteria	MIP	SIP
Job Classification	• P4 or M2 and above • Individual Contributor or People Leader	• No specific classification • Individual Contributor or People Leader
Job Role	• Does not have sales quotas or objectives • Does not have sales employees reporting to them	• Has sales quotas and objectives • Has sales employees reporting to them • Attends customer meetings • Identifies customer needs • Higher proportion of time in sales activities
Peer Relationships and Labor Market	• Peers are paid on Management Incentive Plans within Cardinal Health and Labor Market	• Similar roles in Market are paid on Sales Incentive Plans
Objectives and Success Measures	• Focused more Corporately • Connect across Cardinal Health businesses • Focus on more than one line of business • Focus on “What” and “How” things get done	• Roll-up aggregation of their employees results • Profit measure in their Plan • Focus on one line of business (class-of-trade) • Focus on “What” gets done

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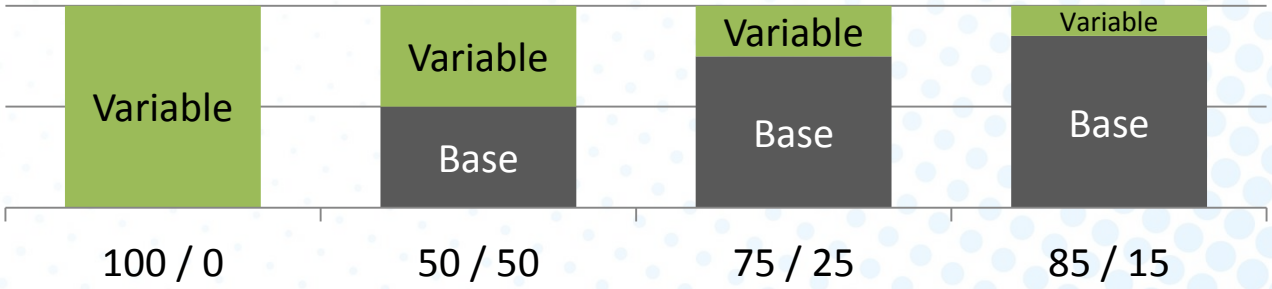
The right pay mix correctly balances Motivation against Control



	100 / 0	50 / 50	75 / 25	85 / 15
Motivation to sell	+++	++	+	Depends on influences other than compensation
Responsiveness to company direction	Depends on convincing Sales that the new direction is good for them	+	++	+++
Sales perspective	*I'm running my own business inside the company.*	*The base is nice, but I can't live on it – I have to make my goals to pay my bills.*	*Making my goal really matters to me, but if I fall a little short I'll be OK and stick around – next year could be better.*	*It's great that we have a bonus program, especially when it pays out.*

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Pay Mix Criteria

Pay mix varies for different sales jobs based on the role's prominence and involvement in the sale. The more the representative "makes the sale happen," the more aggressive the mix.

Criteria	Less Pay at Risk	More Pay at Risk
Sales Process	• Consultative • Relationship-focused • Few, Large sales • Long sales cycle	• Transactional • Product-focused • Many, frequent sales • Short sales cycle
Job Role	• Sales team member • Provides leads/access or fulfillment only • Provides key product, customer or segment expertise	• Role has key impact on buy decision • Limited expertise required for sales success
Product or Service Type	• Specialty or custom • Sold on value • Focus on solution	•Commodity •Sold on price •Focus on efficiency

Pay mix = Base Salary / Target Total Compensation (TTC)

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Target Opportunities for Eligible Jobs

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M-Segment (TruCare) - Ambulatory Center Sales Team

Eligible Sales Jobs	# of Ees	Target Total Cash Comp	Annual Target Base Pay Rate	Annual Target Incentive	Target Pay Mix (Base Pay : Incentive)	Leverage (target incentive multiple)	Target Base Pay Subtotal	Target Short-term Incentive Subtotal
Manager, Territory Sales (AC - M2)	11	$120,000	$84,000	$36,000	70% : 30%	2.5 X	$924,000	$396,000
Consultant, Territory Sales (AC - P3)	97	$83,000	$50,000	$33,000	60% : 40%	3.0 X	$4,850,000	$3,201,000
Total Eligible Employees:	**108**					**Subtotal:**	**$5,774,000**	**$3,597,000**
						"All at Target" Expected Plan Cost:		**$9,371,000**

Predicting the cost of the incentive compensation:

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- Note that for sales incentives with acceleration over quota, the expected cost of the plans if the *organization* hits 100% of the goal is *more than* the "All at Target" cost, usually by 5% - 15%
- If quotas are "over-allocated" (sum of deployed quota is more than the annual operating plan), then there may be an offset
- Careful modeling should be done before sales incentive costs are budgeted as this is often the basis for unexpected cost over-runs

For more detail on aggregate cost modeling see the materials provided at http://donyarose.com/2015/05/11/hrbp-tips/

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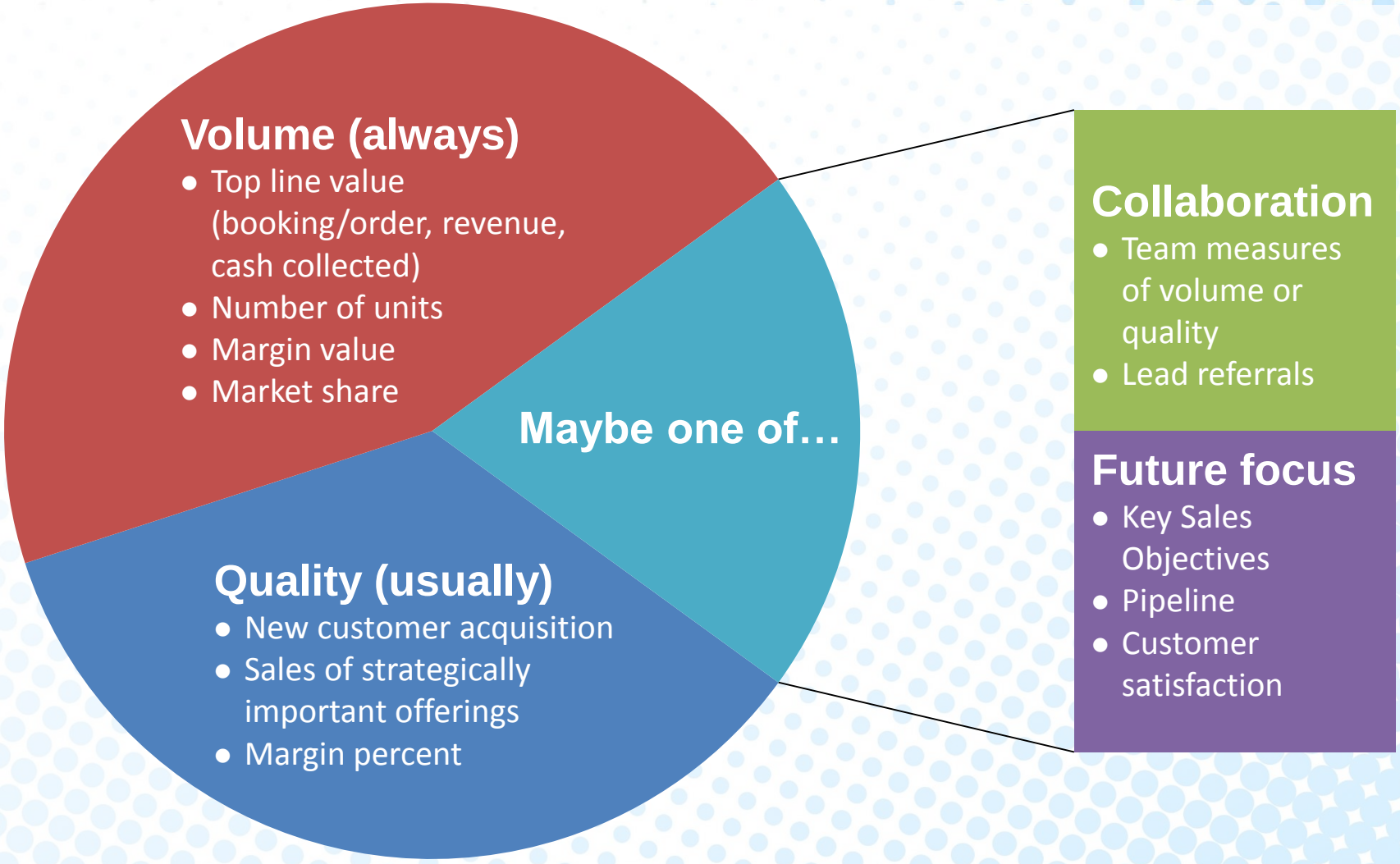
Performance measures are assigned to focus effort on the most important results



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Tips for success with sales compensation measures

Use measures that are…

- Aligned with key accountabilities of the role
- Directly influenced by the sales person in the role
- Track-able based on existing systems
- Three or fewer in number
- Measured at the level at which results are generated (individual, small team, division, etc.)

Weight measures so that…

- They reflect the relative time/effort that should be focused on the needed results
- All weights are at least 20% of the total

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Sales measures

Messages:

- AC Director – Achieve assigned organization Preferred Product and Services and overall Revenue Quotas and Team success
- Regional Managers – Achieve assigned territory overall Revenue Quotas and support your Sales Representatives' success
- AC Representatives – Achieve assigned territory Preferred Product and Services and overall Revenue Quotas
- Both role's major accountability is product sales, and then channel expansion

				Sales Success	Team Success
Team	Sales Role	Job Title	Job Level	Performance to Assigned Preferred Product and Service Revenue Quota	Reports-to Sales Representatives meeting Overall Revenue Quota
Ambulatory Center	Ambulatory Center Sales Director	Director, Territory Sales	M3	MIP	
	Ambulatory Center Sales Manager	Manager, Territory Sales	M2	100%	modifier
	Ambulatory Center Sales Representative	Consultant, Account Management	P3	100%	

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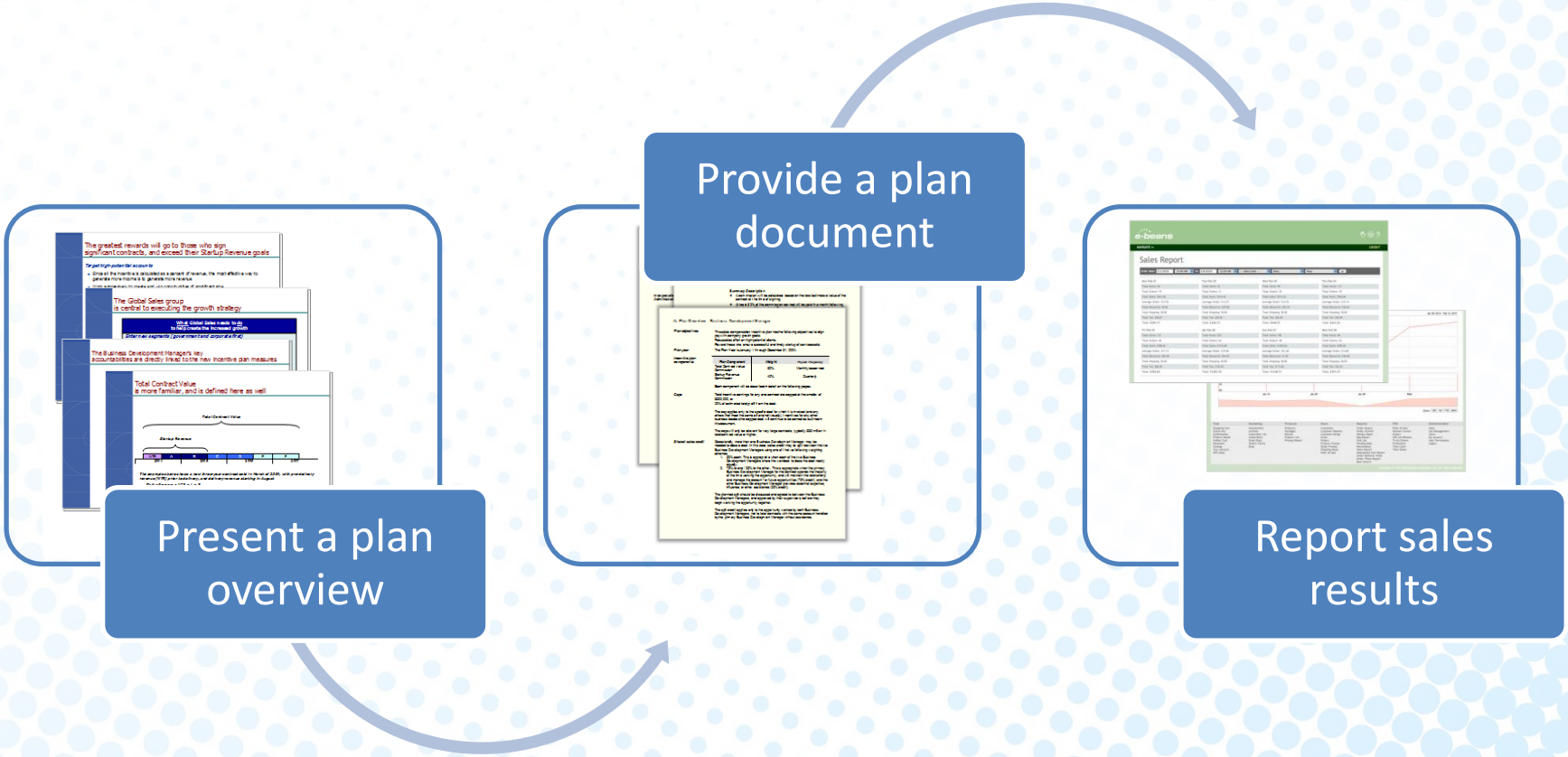
Communication is critical to motivation



For a downloadable plan document template, go to http://donyarose.com/2015/05/11/hrbp-tips/

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Cardinal Health Example

Plan communication really matters…

Subject: RE: Acute Sales Compensation Plan FY16 - Agenda

Agree

From: Ima Waitin
Sent: Thursday, April 16, 2015 3:37 PM
To: Briggs, Mark; **Sales RVPs**
Cc: **Payne N. Diaz, Benji Franklin, Suzie B. Anthony, Chuck Darwin**
Subject: RE: Acute Sales Compensation Plan FY16 - Agenda

Mark, probably not an "agenda item", but I'd like to capture it somewhere in our comp planning rollout that we do some Comp 101 training with sales leaders (RDs in particular). I believe on one of the HR huddles they talked about being more transparent with our leaders around comp ranges and what goes into the development of these ranges. We need to educate our leaders so that they can have the right conversation with the reps on pay, career progression, etc.

Ima Waitin
HR Director
HSS Sales and Enterprise Corporate Accounts
730.241.1732 **mobile**

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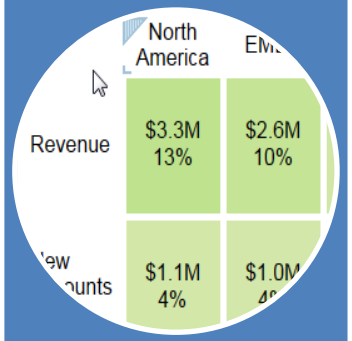
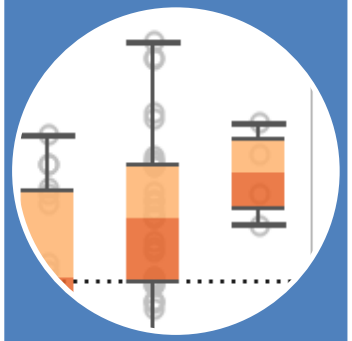
Measure the performance of your plans

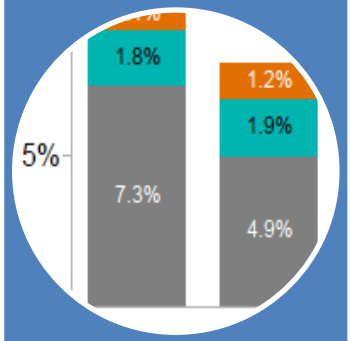
Sales goal attainment



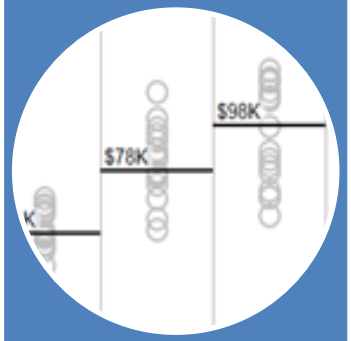
Compensation spend



Variable pay dispersion



Cost of compensation



New hire productivity

Compare sales teams, sales roles, compensation components, quarters/years, performance quintiles

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Example Chart
Compensation Spend

Compensation Spend by Sales Team & Component

	North America	EMEA	APAC	LATAM	**Grand Total**
Revenue	$3.3M 13%	$2.6M 10%	$1.3M 5%	$0.6M 2%	$7.7M 30%
New Accounts > $50k	$1.1M 4%	$1.0M 4%	$0.4M 2%	$0.2M 1%	$2.7M 10%
Base	$6.8M 26%	$5.0M 19%	$2.4M 9%	$1.2M 5%	$15.4M 60%
Grand Total	$11.1M 43%	$8.5M 33%	$4.2M 16%	$2.0M 8%	$25.9M 100%

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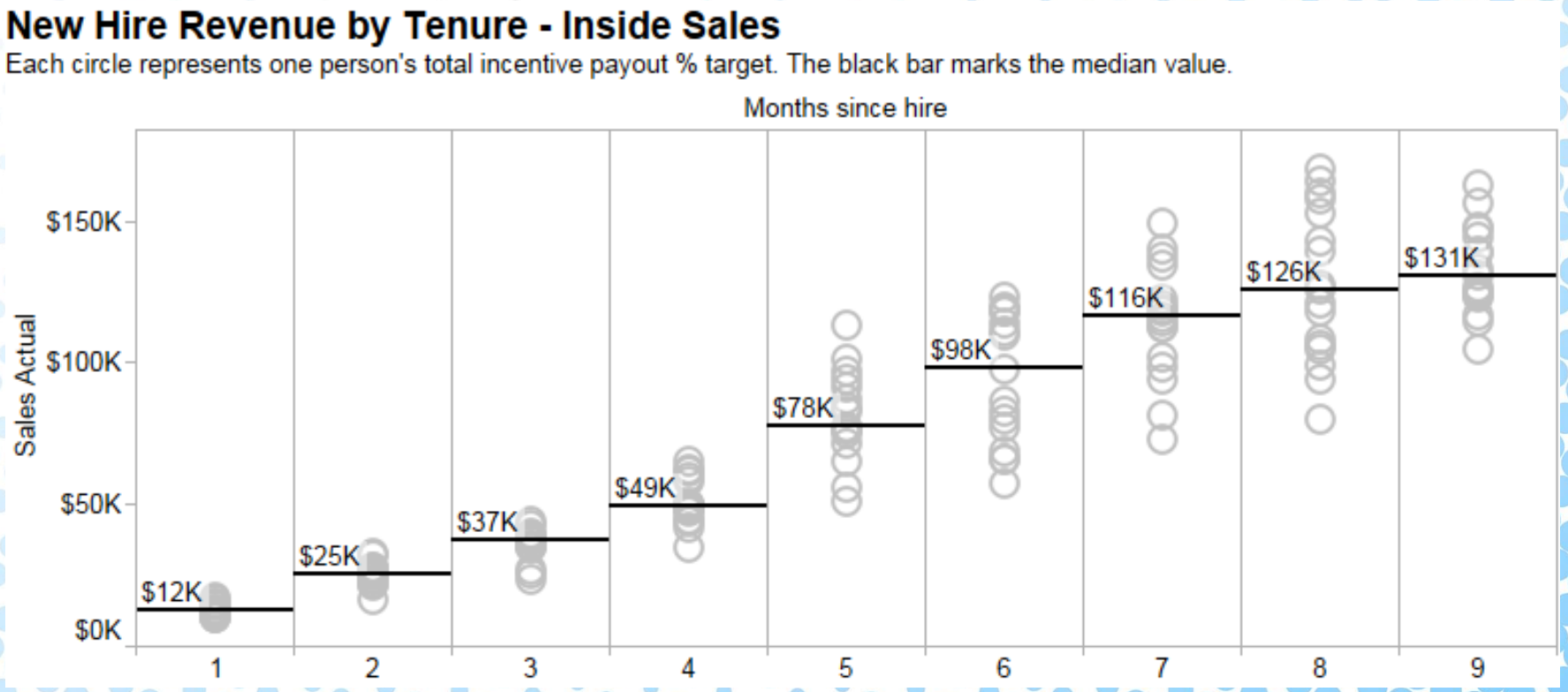
Example Chart
New Hire Productivity



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Scorecard

		Quota			Attainment (% of Quota)			Rank amongst Peers		
Sales Employee Name	< 9 month tenure flag	Sales ($)	Branded or Preferred Product Sales ($)	Gross Profit ($)	Sales (%)	Branded or Preferred Product Sales (%)	Gross Profit (%)	Sales (#)	Product Sales (#)	Gross Profit (#)
Turdus,Matt	N	$129,220	$56,840	$36,942	122.1%	108.7%	118.4%	1	6	2
Awn,Carrie	N	$133,125	$8,584	$57,340	118.8%	98.6%	96.2%	2	10	8
Bohr,Neils	Y	$184,600	$13,572	$43,240	113.4%	121.3%	127.0%	3	2	1
Dixie,Wynn	N	$184,600	$74,820	$34,968	111.1%	90.0%	91.1%	4	13	12
Cousteau,Jacque	N	$180,340	$56,840	$31,866	107.8%	121.8%	100.3%	5	1	6
Vator,Ella	N	$159,750	$7,540	$47,940	104.8%	120.5%	115.3%	6	3	3
Torok,Stephen	N	$142,000	$15,544	$40,890	103.7%	109.9%	87.1%	7	5	14
Duck,Donald	N	$82,360	$32,364	$15,228	101.3%	105.4%	90.2%	8	8	13
Fischer,Amyl	Y	$136,320	$64,960	$24,252	100.1%	103.1%	107.1%	9	9	4
Waters,Muddy	N	$85,200	$28,884	$21,432	99.3%	81.4%	95.3%	10	16	9
Pauling,Linus	N	$125,670	$25,520	$41,736	98.3%	106.2%	80.6%	11	7	15
Mouse,Mickie	Y	$141,645	$17,400	$47,376	95.7%	110.1%	98.6%	12	4	7
Waitin,Ima	N	$75,615	$26,912	$35,344	93.0%	93.0%	76.3%	13	12	16
Gazer,Star	N	$63,900	$38,976	$15,792	91.4%	82.3%	94.1%	14	15	10
Duris,Emily	N	$60,350	$30,276	$14,664	90.4%	96.7%	102.2%	15	11	5
LaRue,Lash	N	$91,590	$16,936	$37,600	81.4%	84.7%	92.0%	16	14	11
Total:		**$1,976,285**	**$515,968**	**$546,610**	**102.7%**	**104.1%**	**98.2%**			

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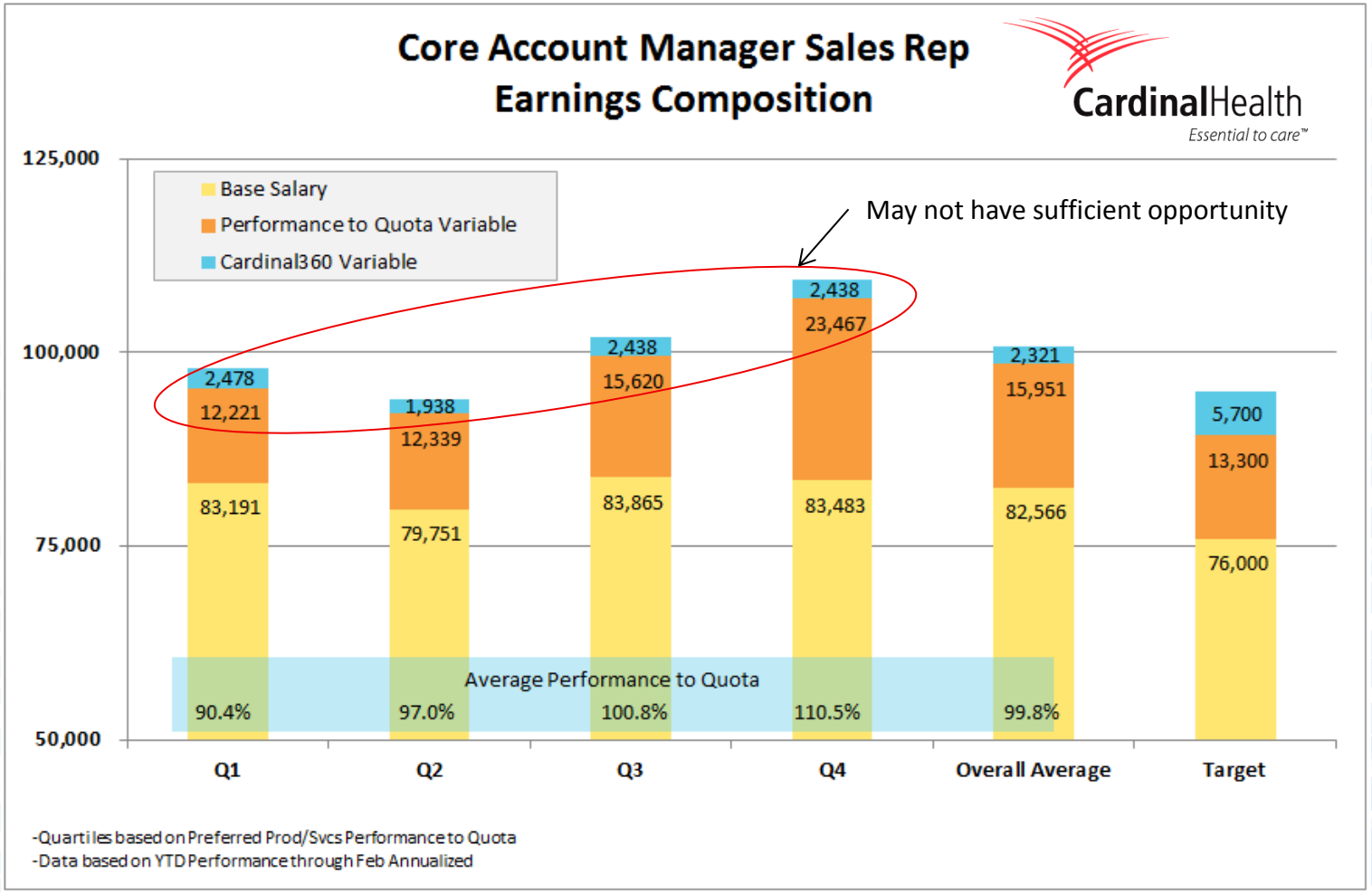
Cardinal Health Example

Earnings Composition



The HRBP plays an important role in the sales compensation management process

Key Steps	HRBP Areas of Contribution
Establish business goals for the sales plans	• Interview executives and eligible sales people • Facilitate and document agreed objectives
Confirm sales jobs and eligibility	• Maintain sales job descriptions and competency models • Check job characteristics against eligibility criteria and market practice
Review and confirm the pay structure	• Update market pricing of sales jobs • Ensure intended career paths are supported by the pay structure
Adjust plan measures and payout mechanics	• Facilitate discussion of needed adjustments in alignment with the business goals for the coming year
Communicate the plan	• Develop plan documents and rollout presentations • Ensure sales leaders are prepared to explain an manage through the plans
Plan management	• Review business results against plan objectives throughout the plan year • Recommend needed coaching, adjustments to forecasts, plan adjustments
Ongoing plan governance	• Oversee requests for plan adjustments and exceptions throughout the plan year

Cardinal Health Example
Governance Overview

Decision Authority

- Schedule to delineate accountability granting authority for key decisions according to the organization hierarchy

Processes & Workflow

- Design and administration process diagrams for sales compensation plans including quota setting

Sales Effectiveness

- Consensus approach to assess ongoing sales compensation plan results and effectiveness

Source Documentation & Reference

a) Governance Policy Framework
b) Administrative Rules and Conditions
c) Compensation Plan Documents
d) Standard Operating Procedures (SOPs)

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Decision Guide

Organization Role		Business Unit Top Leader	Sales			Finance			Human Resources				Sales Comp Admin Lead	Legal, Communications, and Sales Training Lead
			SVP	VP	Dir	SVP	VP	Dir	SVP - HRBP	HRBP Lead	VP - Comp	Comp Lead		
Annual Sales Compensation Plan Design		I	A	D / E	E	A	D / I	D / I	A	D / I	A	D / E	D / E	I
Exceptions, Stabilizations, and Guarantees*	> $100k		A	D / E	E	A	D / I	D / I	A	D / I	A	D	E	
	$50k - $100k			A	E		A	I		A				
	$ 25k - $50k			A	E		I	A		A				
	< $25k			A	E			I		I				
Special Performance Incentives for the Field Force (SPIFFs)			A	E	E		A	I		A	I	D	E	
National Sales Meeting Qualification Criteria		I	A	E		A	I	I	A	I	A	D	E	D
Stipends (open territory coverage)				A	D / E	I			I			D	E	

Notes:

D - Design - Group responsible for plan design

A - Approve - The team ultimately accountable for a decision or action; includes yes/no and power of veto - Signature approval

I - Inform - Individuals who need to be informed about the plan after decisions are complete and before plan is executed

E - Execute - The individuals responsible for administering the program

* For Exceptions, Stabilizations and Guarantees pertaining to multiple sales employees
These will be tracked and accumulated across the fiscal year.

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The HRBP plays an important role in the sales compensation management process

Key Steps	Tools Provided (use them!)
Establish business goals for the sales plans	• Great questions, and suggested process • Sample of business goals on one page
Confirm sales jobs and eligibility	• Sales role framework • MIP/SIP decision criteria
Review and confirm the pay structure	• Pay mix criteria • Examples sales compensation pay structure
Adjust plan measures and payout mechanics	• Measure types and tips • Example sales plan measure grid
Communicate the plan	• Evidence that sales plans need communication support ☺ • Example of a plan overview “one-pager”
Plan management	• Example of things to measure based on business goals • Examples of data visualizations for plan monitoring
Plan governance	• Example of a governance process overview • Detailed example of governance decision matrix

Towers Watson delivers Sales Effectiveness & Rewards solutions within the broader context and understanding of human capital programs

Towers Watson

- 14,000 employees
- Offices in 34 countries worldwide
- Annual revenues in excess of $3.5 billion (FY2014)
- Business roots back to 1878

Our clients include:

- Over three-quarters of the Fortune 500 global companies
- Over 700 of the Fortune 1000 largest U.S. companies
- 83% of the FTSE 100 Index companies

Sales Effectiveness & Rewards

- 90+ consultants
- In 37 cities in 25 countries in North America, EMEA, LA and APAC
- Completed projects for over 300 clients in the last four years
- Proprietary Tools:
  - Sales Compensation Assessor
  - Sales Compensation Design Tool
- Most comprehensive collection of data surveys for sales forces worldwide

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