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Shaping Sales Force Behavior: Beyond Solving the Incentive Compensation Management Problem

Years ago, when IT professional Alan Marrott agreed to work overseas on an early incentive compensation management program, he couldn't have imagined it would initiate a decade-long journey to solve one of the key business problems that vex every corporate finance chief. And he certainly couldn't have imagined that his solution would end up drawing as much from Pavlov's landmark dog behavior-response work as from any of his vast sales and financial business experience.

That problem, of course, is the unnecessary complications commonly associated with managing incentives. The Gartner Group says that companies that don't use information technology to track payments from customers on average overpay their employees anywhere from 3 to 8 percent of their bonuses and commissions. That's in addition to a decrease in sales force productivity by 20 percent because of "lost selling time, reduced motivation and a show in the absence of organizational trust," Gartner says.

Back in Germany some 13 years ago, Marrott wanted to do something about that compensation management problem, but was frustrated by the lack of appropriate technology available. Today that's changed. And while technology has finally caught up with Marrott's ambition, managing incentives continues to push the creative and technical envelope. The frustration surfaces when businesses are limited by the tools they continue to use. It's a world where many CFOs calculating incentive compensation still rely on spreadsheets with block-long formulas, or use sales force management programs with limited functionality, or purchase other applications that cost more to maintain than a company's excessive incentive overpayments may have been costing them in the first place.

A Paradigm Shift

While this area of business management hasn't changed much, Marrott's vision has. He realized that it's not enough to simply address the compensation management problem: With the right application, he knew he had the opportunity to actually change the behavior of a company's sales force and provide the actionable business intelligence that CFOs and other executives need to execute their strategies.

Marrott's company is Glocent, based in Denver, Colorado; the compensation management product is Glocent 2.0. Their clients – including Time Warner Cable, Crosby Asset Group, Novare, Keystone Group Holdings and Canpar -- are as varied as the myriad configurations capable of the modular Glocent application.

“I knew starting out that we had to build something that is directly tied to a company's bottom line benefits, that can be controlled, audited and understood by everyone affected by it – from the CEO to the Vice President of Sales to the sales person to the commission analyst – everyone,” says Marrott. He also understands that unless one ties rewards and compensation to an individual's actions, “it becomes subjective, and the individual isn't going to be motivated.”

Aligning incentives with sales production takes the guesswork, the fuzzy math out of the equation, for all parties. “Who can tell you what the cost of the commission really is?” Marrott asks. “Obviously executives know what they're paying -- but they often don't know why they're paying it. If you're going to succeed at business, it's the hidden things that people don't take into account that make or break you. You need to track it and measure it and know that what you are measuring is real,” Marrott says.

“Let's face it, who in their right mind would take a salesperson at their word? They are the most optimistic group I've ever encountered,” Marrott says. They try to paint the rosiest picture possible. If I'm basing my strategy on what my salespeople are telling me, and not on what I'm actually paying them, that's a big error.”

What Else Can Glocent Do for You?

SOX Compliance. Glocent solves the Sarbanes-Oxley (SOX) challenge executives find themselves in today, with a documented audit trail for each transaction, guaranteeing 100% compliance with the SOX Act regarding all incentive compensation activities.

Scalable. The PC-based Glocent is scalable, for the smallest 10 person sales force to an international sales team. Glocent 2.0 can host the application or it can reside on the client site.

Time Savings. Instead of the sales rep coming to you to understand why their compensation didn't match expectations, he or she can log-in anywhere in the world and review the real-time online information about every sale to determine what may be lacking for a sales to meet qualification criteria. “At Crosby Asset Management, we encountered a very complex commissioning process which, out of necessity, was managed using spreadsheets. By accommodating all the complexities created by international stock trades and the dynamic nature of fund management, Glocent was able to dramatically reduce the administrative costs associated with incentive management from 4 weeks to 4 days. The cost savings produced an immediate ROI for the company,” Marrott says.

Glocent's dashboard feature allows a salesperson to monitor throughout the month where they are versus where they need to be to meet quotas or hit bonuses. “One sales person

was telling me that at his company the sales force would work about 10 days making sales, and then spend the other 20 days that month just trying to figure out what they would be getting paid for those sales!” Marrott says. Glocent solves that.

Flexible. Glocent is as flexible as it is powerful. For example, some application’s business rules are driven lock-step by a company’s org chart or product catalogue. Not Glocent. Realizing that sales activities don’t always consider actual hierarchies or are limited to specific product definitions Glocent will “allow you to create virtual associations between everyone and every product in your company. One company even used Glocent to institute a mentoring program into the application, so senior sales staff could get compensated for their training efforts. “If you can think it, we can build it,” Marrott says.

“Some of our really long-term clients put information into Glocent that has nothing to do with commissions, but has everything to do with the behavior of their sales force,” Marrott adds. “What we’re trying to do is encourage a whole different mindset as to how you manage a sales force, recognizing that the value of that sales force goes well beyond the actual sale.”

User Friendly. Marrott doesn’t want CFOs to have to rely on costly servers, internal IT support, or third-party integrators to run and maintain Glocent. “If it’s so complex that a third-party integrator has to come in and put it into your office backbone, how cost-effective is it to maintain?” he asks. “We can come in with our own people and, within a few weeks, get it all done.” All backed by 24/7 customer support.

A simple browser like Internet Explorer is all that is needed to access the Glocent application by all authorized users without having to install an application on individual machines. This approach provides access to information and the application from wherever the user is located. The Web-based architecture also provides ease in maintaining and updating the system, with software updates deployed centrally, not on the individual user’s machine.

The last decade has been a satisfying journey for Marrott. He solved the business problem posed to him over a decade ago in Germany; discovering his affinity with Pavlov’s behavior work has been a bonus. “Glocent gives one a specific view into exactly what’s happening in a company – shaping sales and business practices along the way,” Marrott says. “With all that at your fingertips, you now have the full spectrum of strategic management – that’s powerful, and unparalleled, business intelligence.”