



Preparing for the Global Sales Comp Evolution

How and why it's time to start thinking globally about your sales comp program

By Chad Albrecht



In decades past, sales force structure and sales compensation were implemented at a local level, with sales roles, pay mixes and incentive plans differing by country or region. However, as both companies and their customers become global sellers and buyers, sales leaders are increasingly globalizing their sales roles and compensation programs. An increasing number of industries are moving quickly toward global sales compensation frameworks, and sales leaders should consider thinking more globally about their own programs to maximize efficiency and fairness.

In response to this shift in the marketplace, ZS interviewed sales compensation leaders from 23 companies from the IT, financial services, manufacturing and medical devices industries to gather insights to inform future sales compensation strategies. We found that, in a bid for simplicity and efficiency, companies are creating standardized global sales force structures. According to our study, 57% of companies across industries have a global definition of their sales roles. The high-tech industry, in particular, is leading the way: 83% of high-tech companies have globally defined sales roles, with the highest percentage of respondents from the tech industry also moving to standardized incentive plans, pay mixes and administration systems.

Of the companies in our survey that have standardized global roles, 62% implement identical sales compensation plans globally. Many companies in the high-tech space—67%—have even pushed for a standardized global pay mix, something that in past decades was left for each country to decide. Because high-tech has a global buying model, global sales roles make the most sense. As more industries become increasingly global, they would be well-served to follow tech's lead and create global sales roles and compensation plans.

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On the flip side, we found that industries that are highly regulated at a country level, like financial services, are the least likely to attempt to align globally on roles and compensation. However, we're seeing governments of different countries passing like-minded bills, such as the GDPR, the EU's data and privacy protection regulation. If this continues, it could lead to more standardized global role definitions over time. Even if they don't standardize their roles and plans, even these industries are developing sales compensation guidelines that they expect each country to follow.

Making plan designs standard globally is partly driven by the desire for efficiency in administration and is being enabled by the increasing use of sales performance management (SPM) systems to calculate and report sales compensation on a global basis. Sixty percent of companies with SPM systems have the same tool globally, and 67% of companies with a global SPM system have centralized teams that own administration for all countries, according to our study.

As companies are either standardizing around a global plan design or, at minimum, establishing a set of global guiding principles that all geographies must follow, many are likely struggling with how to create the plans and how to effectively roll them out from a change management perspective. It's difficult to convince local leaders that it's a good idea to have a standard global plan while customizing local metrics and local control over the plans.

Here are three best practices to effectively take your sales compensation program global:

- 1. Gather local feedback.** In a global sales environment, you want everyone to feel like they're treated fairly. Getting input from all of the regions and making sure that they're part of the process can help you figure out where local salespeople are more willing to adopt a universal platform. Local sales leaders tend to want to do things their own way, so show them the flexibility you're offering them and tell them why the change is necessary. This usually involves either global surveys or having someone from the local region on the global design team.
- 2. Allow for some local flexibility.** Certain areas of the compensation plan, like recognition programs, could benefit from local control. While 39% of our survey respondents have a single global recognition program, winners are determined almost exclusively at the national or regional level, and 38% of companies allow the recognition program (both criteria and reward) to be determined locally. Most of these companies provide guidelines to the regions on the value of the reward and the percentage of the sales force that should win but leave everything else to local sales leadership. Similarly, because of the short-term nature of SPIFFs and their targeted focus on specific local initiatives, only 17% of the total respondents have globally organized contests and SPIFFs in place. Remaining companies either allocate a budget from a central location down to the region level or allow the regions to do what they want.
- 3. Create global governance models.** Almost all companies with global guidelines have global governance models in place to ensure compliance and fairness. The governance committee, which usually includes HR, finance and sales operations leaders across businesses or geographies, monitors plan performance and approves all deviations based on a set of guidelines. This group typically meets monthly and has two purposes. First, they review

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the performance of the plans on a monthly basis and compare it to what was expected. This could include the percentage of people achieving quota, plan cost and pay outliers. The second purpose is to review all exception requests and apply a standard set of guidelines to ensure that everyone is treated fairly globally. Exceptions typically come in the form of requests for quota relief and looking at all individual deals that exceed a certain dollar threshold to evaluate whether they should be capped.

We expect the globalization trend in sales compensation plans to escalate. Sixty-four percent of our survey respondents believe that in the future, their sales compensation is going to be globalized in one or more forms. Centralization of software and systems along with better analytics is something 31% of respondents envision, and 22% foresee plan design to be more globalized as well. Forty percent of companies that do not yet have global roles are in the process of defining them, and 20% of companies with a country- or region-level plan design are already in the process of globalizing their design. By getting a head start on globalizing your sales comp plan, you could put your company ahead of the pack and on the road to simplifying and optimizing your sales force structure and sales compensation program.

About the Author



Chad Albrecht is a principal based in ZS's Chicago office and leads the company's B-to-B sales compensation practice. Chad has helped numerous clients create and implement motivational sales incentive plans and set fair and challenging sales quotas. His clients include companies in the medical device, pharmaceutical, high-tech, manufacturing and business services industries.

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