

2012 Global Sales Compensation Practices Survey©

Executive Summary

August 2012

Survey Editor:

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Introduction

More than 120 companies participated in the 2012 Global Sales Compensation Practices Survey©, co-sponsored by The Alexander Group, Inc. and WorldatWork.

The survey examined four topics. The key findings include:

- **Annual Design Process.** Many companies make changes to the sales compensation plans on an annual basis. The primary reason for these changes is to improve sales objective alignment with business strategy.

- **Governance.** Global companies have many choices to organize and govern sales compensation practices. Generally, corporate HQ provides worldwide direction to policies affecting pay competitiveness, program approval and design principles. Local management is responsible for such decisions as quotas and local contests and spiffs. Overall, the data suggests policy decisions tend to be made globally and application decisions locally.

- **Sales Crediting.** Generally, companies split the sales credit for sales influenced by sellers in different regions of the world. Most companies do not make any adjustments for currency fluctuations.

- **Annual Sales Meeting.** Most sales organizations have an annual sales meeting; some are global, others are held locally. Often, sales performance recognition is part of the agenda. Less than one-third of the companies have a separate President's Club for high achievers. These events are often held at foreign resort destinations and frequently include guests.

The survey gathered data from companies with operations in multiple countries. Data was submitted in July 2012 and the results were published in August 2012.

Data Collection/Methodology

The ***2012 Global Sales Compensation Survey***© presents responses from 123 participants. In some cases, multiple sales departments from the same company participated. To participate, company or business unit sales departments needed to have at least 20 sales persons and operate in at least two different world regions. Participants provided data during July 2012. The Alexander Group gathered responses via a web-based survey. We published the results in August 2012.

Would You Like to Participate in Future Surveys Like This One?

To participate in future surveys, please contact David Cichelli (dcichelli@aleandergroup.com) or Jim Stoeckmann (jstoeckmann@worldatWork.org).

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About the Sponsors

The Alexander Group and WorldatWork are delighted to provide this timely research on global sales compensation practices.

The Alexander Group, Inc.® – Preferred Consultants to Premier Sales Organizations

The Alexander Group provides sales management consulting services to the world's leading sales organizations, serving Global 2000 companies from across all industries. Founded in 1985, the Alexander Group combines deep experience, a proven methodology and data-driven insights to help sales leaders anticipate change, align their sales force with company goals and make better informed decisions with one goal in mind – to grow sales. The Alexander Group has offices in Atlanta, Chicago, San Francisco, Scottsdale and Stamford. To learn more about Alexander Group's services, visit www.alexandergroup.com or call 480.998.9644.

WorldatWork

WorldatWork (www.worldatwork.org) is a not-for-profit organization providing education, conference and research focused on global human resources issues, including compensation, benefits, work-life and integrated total rewards to attract, motivate and retain a talented workforce. Founded in 1955, WorldatWork has nearly 30,000 members in more than 100 countries. WorldatWork is the leader in sales compensation education and knowledge sharing on a worldwide basis. Its affiliate organization, WorldatWork Society of Certified Professionals®, is the certifying body for the prestigious Certified Sales Compensation Professional™ (CSCP™) and other professional designations. WorldatWork has offices in Scottsdale, Ariz., and Washington, D.C.

About the Editor

David J. Cichelli is senior vice president of the Alexander Group. He is author of McGraw-Hill's "Compensating the Sales Force" and "The Sales Growth Imperative." He is a frequent speaker and instructor on sales effectiveness issues. His articles appear in numerous publications. To learn more about David's books, visit www.compensatingthesalesforce.com and www.salesgrowthimperative.com. To learn about the Alexander Group's sales compensation services, visit www.salescompsolutions.com.

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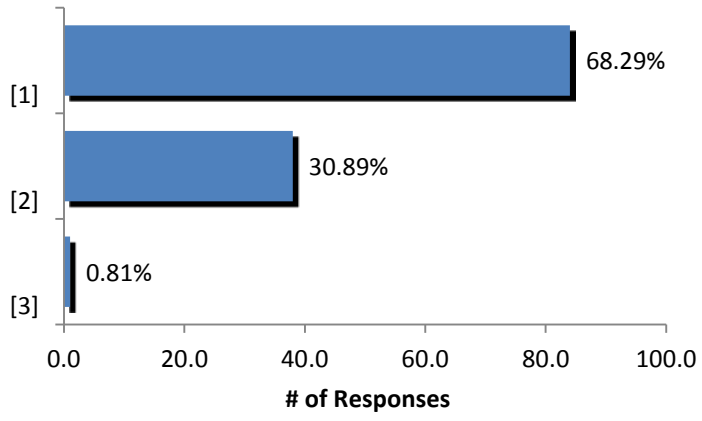
Annual Design Process

Sales departments modify the sales compensation plan to ensure alignment between sales goals and buyer needs. The following questions explore the extent, frequency and nature of these program changes.

Annual Design Process—Observations

The survey findings confirm that most sales organizations change their sales compensation plans often. Constant change in objectives, sales coverage models and value propositions require the re-positioning of the sales compensation plan to maintain alignment among these diverse objectives. 68.29% of the participants changed their plans this year. 49.18% changed their plans last year. And, 46.22% plan to make a change next year. As reported by 47.01% of the participants, improving sales objective alignment with business strategy is the most important reason for changing the sales compensation plan. 42.86% use a global design effort to update pay programs. 47.01% require corporate HQ approval for program changes. 58.47% of the companies have HR/comp lead/facilitate the annual design effort.

This Fiscal Year Program Change. Did you revise your sales compensation plan for this fiscal year? (This question refers to meaningful changes to your plan(s) that might include changes in eligibility, target comp, mix, leverage, measures, weights, etc.)



123 Responses

[1] - Yes (68.29% : 84)
[2] - No (30.89% : 38)
[3] - Not applicable (0.81% : 1)

Governance

Sales compensation governance specifies which party has responsibility for various program elements. These questions explore how these responsibilities are shared among various organizational units.

Governance—Observations

We asked 15 Questions about governance, i.e., “Who is responsible for what?” Participants could select from several centers of authority:

- **Global HQ.** Global HQ is the parent company headquarters. The highest entity in the corporation.
- **Global BU.** The Global Business Unit headquarters—sometimes referred to as a division headquarter—is a sub-organization having stand-alone profit-and-loss responsibility.

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- **World Region.** Some global companies maintain world region management; for example, EMEA (Europe, Middle East and Africa), APAC (Asia, Pacific) or NA (North America).

- **Country.** For companies where a country management model allow country leaders to make important operational decisions.

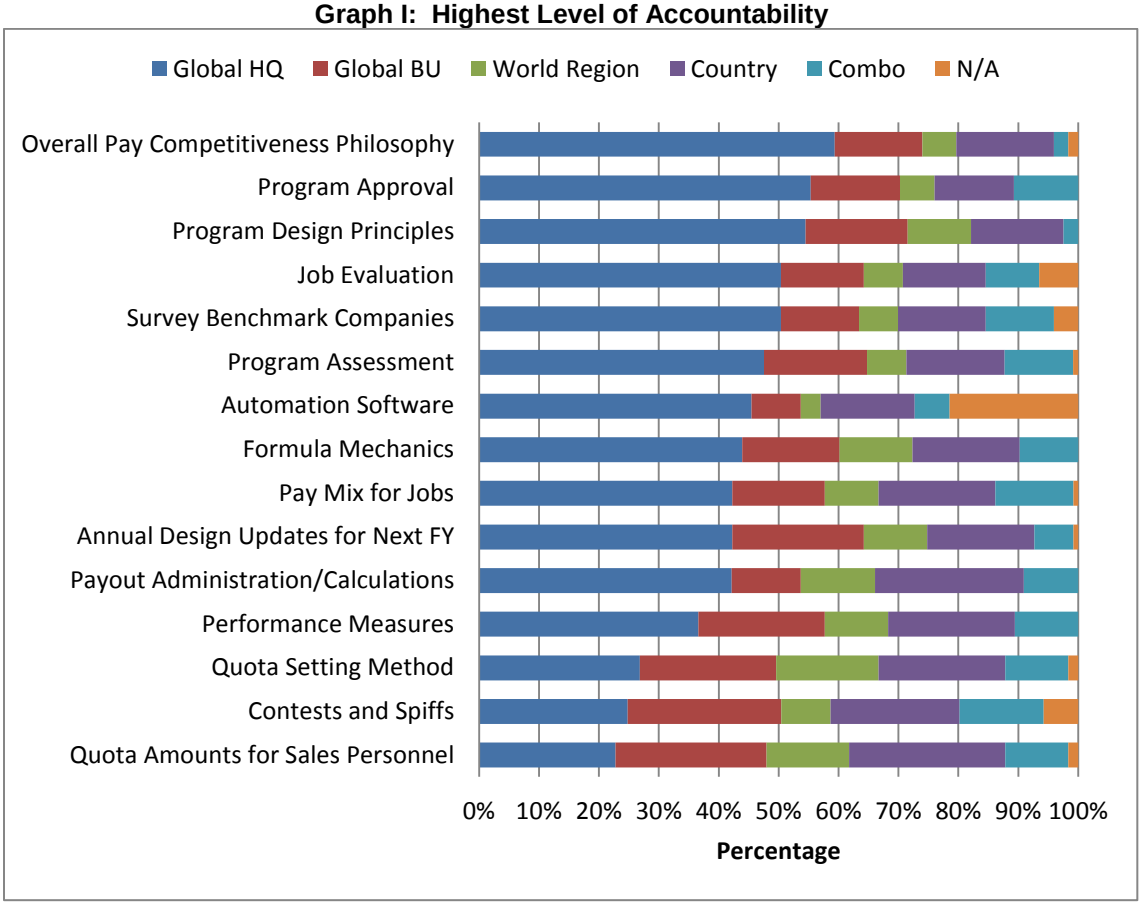
- **Combo.** This survey question allowed the participants to select combo or some combination of the above.

Graph I displays these 15 factors ranked from most Global HQ responsibility to least. Overall pay competitiveness philosophy garnered the highest global HQ responsibility as reported by 59.35% of the companies. Program approval was second with 55.37% reporting. And, program design principles came in third with 54.47% of the companies selecting that choice.

The activities requiring the lowest Global HQ oversight include—from the bottom up—quota amounts for sales personnel (22.76%), contests and spiffs (24.79%) and quota setting method (26.83%).

However, regardless of the score favoring global versus local authority, the responses are not grossly definitive or prescriptive. They do show a global bias for decision making regarding company-wide practices; generally leaving local decision making close to where local conditions are unique, such as quotas and local contests and spiffs.

Graph I: Highest Level of Accountability



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Sales Crediting

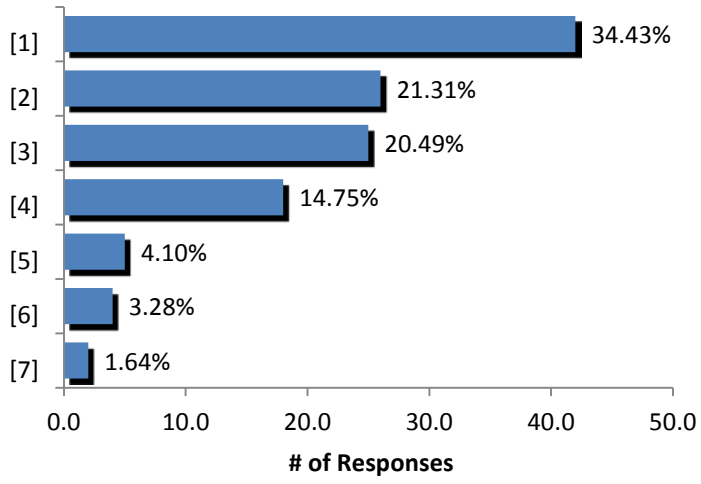
Sales crediting gives official recognition to a seller for a sale, thus making the seller eligible to receive applicable incentive compensation payment. A sales person can earn 100% credit for a sale or share some portion of the 100% with other sellers, who might have contributed to the sales result.

Sales Crediting—Observations

When two or more sellers are involved in a sale, then credit—in some fashion—is shared among sellers. A common practice is to "split" the credit with each seller getting a portion of the 100% credit. This is often the practice with commissioned sales personnel. A second technique is to double credit each seller, but only if their quotas were lifted in anticipation of the double crediting. The objective is not to inflate the company's compensation costs when two or more sellers are involved in a sales transaction. Of keen interest is how sellers in different parts of the world share credits when they both contribute to the sale. This can occur when the global account manager and a local sales person, both located in different parts of the world, work jointly together to secure an order.

The survey suggests that the most common method to share credit is to split the credit—34.43%. However, 21.31% double credit. And, similarly interesting is that 20.49% of the companies have no sharing of credit. Of the companies that have a global account manager, 44.17% track and recognize worldwide revenue for this job. Finally, 63% say currency fluctuations have no impact on a sales person's sales credit. They are measured and paid in local currency without any adjustments made for changes in currency exchange rates.

Sharing Sales Credit. How does your business unit provide sales compensation sales credit for shared orders across multiple regions/countries?



122 Responses

[1] - Split the credit between the sellers in each region/country (34.43% : 42)
[2] - Provide full (double) credit to each seller in each region/country (21.31% : 26)
[3] - Do not have shared orders (20.49% : 25)
[4] - Combination of credit splits (14.75% : 18)
[5] - Other (please describe below) (4.10% : 5)
[6] - Credit to only one seller (3.28% : 4)
[7] - Provide premium credit to each seller in each region/country (e.g., 75% to seller 1 and 75% to seller 2) (1.64% : 2)

Annual Sales Meeting

Sales organizations often sponsor an all sales force annual sales meeting for their sales organization. Sales management uses the annual sales meeting to review past performance and kick off the next year's sales goal. It's also an opportunity for leadership messages, sales training and morale building.

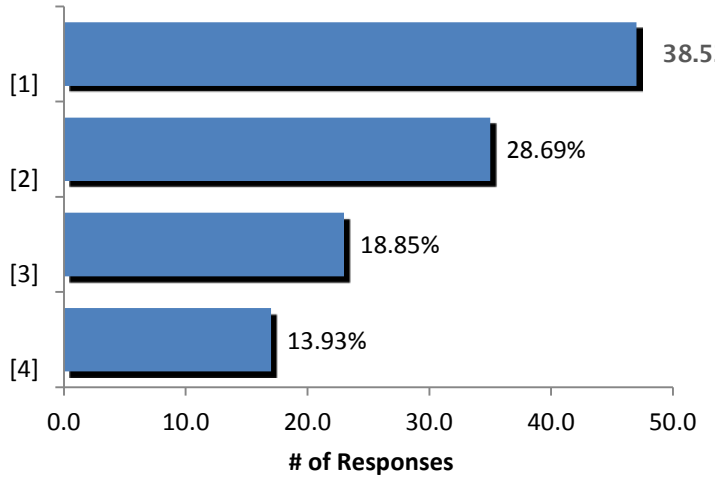
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President's clubs differ from annual sales meetings, because they are reserved for top performers. Some organizations have a national sales meeting without any best performer recognition. Others recognize best performers at the national sales meeting. Finally, some companies recognize best performers at a standalone President Club event.

Annual Sales Meeting—Observations

86.06% of the companies have an annual sales meeting. 38.52% have a global sales meeting. 51.64% hold their meetings in a domestic destination/resort style convention hotel. 61.68% of the companies that have an annual sales meeting also recognize best performers during their meeting. 58.68% of the reporting companies have a President's Club. Of those with a President's Club, 49.14% allow up to 20% of the sales force to attend. 39.32% of the President's Club events are at a foreign/global destination. 60.68% with President's Clubs allow guests to attend.

Annual Sales Meeting Practice. Does your business unit host an annual sales meeting(s) for all sales personnel?



122 Responses

[1] - Yes, a global sales meeting (38.52% : 47)
[2] - Yes, local country meetings (28.69% : 35)
[3] - Yes, a world-region sales meeting (18.85% : 23)
[4] - Do not have an annual sales meeting (13.93% : 17)

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