Case Study

High-Tech Cloud Company Uses Design Goalposts for Compensation Plan Consistency

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The Situation

A large high-tech cloud company was experiencing fast growth from existing product lines and acquisitions. However, the laser focus on top line growth had left operational excellence as an afterthought. As a result, updates to job definitions, guidelines and compensation parameters were not keeping up as the company continued to add new sales teams. Some comp plans were not aligned to the desired behaviors of the job, and in some cases, incumbents in the same sales job had varying plan designs with unequal earnings potential. This made measuring plan effectiveness for sellers a difficult task. Adding fuel to the fire, the company lacked a good governance model, which lead to longer than necessary compensation plan design cycle times and rollout delays.

The Challenge

Sales Leadership needed a better way to manage their sales job and compensation programs. Hundreds of man hours were being wasted. The proliferation of new sales jobs and compensation plans made it clear that the current system was not scalable. To get the attention of the company's senior leadership and the necessary commitments for change, sales leadership had to develop a business case that could quantify the magnitude of the problem.

The Solution

We began our work by reviewing all of the various sales roles, and categorizing them into a set of platform jobs. From there, we developed compensation design "goalposts", or parameters, to guide plan design decisions based on the content of each role. Then we compared our goalposts with existing plans and procedures, and discovered numerous exceptions and conflicts in the compensation plans. In some instances, the pay mix for the same role ranged from 40/60 to 70/30, and leverage ranged from 2x to 3x for incumbents in the same job. As a result, tens of millions of incentive dollars were not aligned with the primary desired behaviors for the roles. This data got senior leadership's attention!

The Benefit

The new compensation programs achieved 95%+ alignment. With greater plan consistency, fewer plan exceptions, the platform job and design goalposts allowed the client to achieve the desired balance between centralized control and local market flexibility. Their sales leaders now save time and manpower through a faster and more efficient incentive design process, while gaining a greater ability to evaluate plan effectiveness by role.

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