

Compass HR Consulting, LLC

High Technology Capital Equipment Business

Situation

The business had recently completed a major acquisition of a competitor. The industry had just reached the top of a business cycle and was entering a downturn. The business needed to generate sales and revenues and optimize utilization of cash on hand. The sales incentive plans from both companies were not suited to the business challenges or the integrated sales effort.

Opportunity

The challenge was to develop a new world-wide sales incentive plan that would drive sales performance in line with the overall business situation and objectives. The plan also would need to be adaptable as business circumstances changed through the eventual upturn. This was also the opportunity to forge a new integrated culture for the integrated sales team.

Actions

A team comprised of leaders from Sales, Finance, and Compensation and Benefits forged a new plan. The plan included individual sales objectives for each account manager, e.g. unit and revenues bookings; regional objectives, e.g. regional market share; and corporate measures, e.g. net profit as percent of sales. The plan also included Spiffs that could be revised, added or deleted during the year as circumstance warranted, e.g. contracts adhering to standard commercial terms or acquiring a new customer. Over time targets were changed to meet changed business needs. For example, during the upturn a target to Days Sales Outstanding was added to reduce overall accounts receivable. A target was added to improve overall operating margin. Overall compensation and SIP incentive payment levels were targeted to the specific country of the sales staff. This was based on world wide compensation market studies.

Results

During the downturn the business continued sold systems resulting in revenues, efficient production level in the factories, and increased market share. During the upturn sales performance was such that market share increased to industry leadership (approximately 70%), DSO was reduced to below 40 days, and operating margin approached the targeted 40% level. Average selling price per system increased (amount confidential). The sales incentive plan contributed to these results and staff was rewarded accordingly. Further, the plan was continually simplified to improve its focus and understanding.