

Making the Most of Incentives:

At Manpower, sales performance management benefits numerous departments

A VentanaProfile in Success



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R E S E A R C H

Aligning Business and IT To Improve Performance

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In the course of our market research and consulting, Ventana Research occasionally encounters end-user organizations that have made breakthroughs in performance management. We solicit their participation in telling members of our research community about these efforts. With their approval, we create profiles that describe real-world examples of innovation in action. We hope that professionals reading them will find not only situations relevant to their own but also new ways of thinking about how to address the challenges they face in striving to improve their organization's performance.

Making the Most of Incentives

Companies habitually insist on the importance of people to their business, but for Manpower Inc. people really are the business. Headquartered in Milwaukee, Wis., Manpower provides a variety of employment services in 82 countries and is best known for placing permanent, temporary and contract employees in companies of all sizes.

When the product is human capital, sales is a more complex undertaking than merely taking orders for widgets and shipping them to the customer. "In our business, a sale is not a sale until we fill an order," says Doug Holland, Manpower's director of compensation. Signing a contract with a large employer, he explains, typically conveys only the right to compete with other preferred staffing suppliers to place people in positions. "So for us, in the sales cycle the end point is the most critical," he adds. "We get no money until we actually fill an order."

Therefore, it's critical to have a determined sales force working for you in what Holland calls "a race to the finish line." To motivate its more than 1,000 sales people, Manpower management uses incentive compensation plans. But the complexities of the 25 or so plans and the long duration of the sales cycle can make it difficult to track the progress of individuals and assure sales reps that they are receiving the commissions due to them.

Such difficulties were inevitable when managers and analysts responsible for compensation, as well as sales staff, used desktop spreadsheets to collect and organize sales data stored in financial, transactional, personnel and other systems. Individual users each gathered data from a different mix of sources and often had their own ways of handling it, which might or might not conform to the relevant incentive plan. These manual processes also introduced errors, each of which took time to find and correct. "There was no consistency," says Vivian Adashek, financial systems manager. "It was difficult to get good information out of all the different systems and spreadsheets."

A Widespread Problem

These haphazard compensation management systems were inefficient. Analysts spent more time collecting and verifying data than interpreting it, and decision-makers seldom received full sets of information. Not surprisingly, sales people developed their own "shadow accounting" files to track their sales, but their numbers often did not match those in the official records. This led to disputes and to a general skepticism about compensation figures.

For management, it was hard not only to determine the effectiveness of plans but also to decide how to revise them for the future and relate them to broader strategic planning. Executives need to know how well incentive programs are working and whether their return on investment (ROI) justifies the payouts. Lacking complete input, an executive might make a counterproductive decision – for example, simply axing the plan that seemed the most costly or making broad cuts that impacted successful plans.

These issues caused more than inefficiency; they affected Manpower's bottom line. For sales people in the staffing industry, Holland explains, variable compensation accounts for the bulk of their earnings. Symbiotically, their performance contributes substantially to their employer's profitability. "We spend a lot of money on incentives, and there's a direct line between our business results and the rewards we give people," he says. This relationship is another reason that it's important for both staff and managers to be able to monitor sales performance continuously and compensate it appropriately.

In addition, Holland notes, turnover is high in staffing sales, so management needs tools that can help identify productive people and suggest ways to keep them with the company.

This issue involved more than just the sales function. At Manpower, managing incentive plans spans several departments: finance, human resources and IT as well as sales. So, for example, Finance wanted consistent, standard data that would stand up to auditing, and HR people who handle payroll needed relief from the vast amounts of data on paper they received and had to input and double-check every month.

Group Solution Needed

Thus a cross-functional solution was needed, and early in 2007 a team representing all these groups assembled. It began by studying the processes used to determine and track incentives – "how many people were involved, what they did and how manual it was," Adashek says. The intent was to find a way of standardizing the process without going to the effort and expense of purchasing software for the purpose. Ultimately, however, the group concluded it could develop no more than a patchwork system and recommended buy-

AT A GLANCE



Manpower Inc.

Founded: 1948

Headquarters: Milwaukee, Wisconsin

Employees: 33,000

Project:

Manpower's sales people had trouble in understanding their compensation and management in assessing the effectiveness of incentive plans. The company launched a cross-functional initiative and adopted Varicent SPM to establish a single view of all plans and automate calculations.

Outcome:

- **People:** Reports show sales staff how their payouts are calculated. Management can track progress of plans and evaluate their effectiveness. Analysts can model potential new plans.
- **Process:** Individual, inconsistent collection of data has been replaced by automated reporting from a single source of incentive data.
- **Information:** Comprehensive and reliable information is available in the form of commission statements and management reports.
- **Technology:** Varicent SPM provides consistency of data, has flexibility in designing complex plans and accommodates large numbers of employees in plans.

Business Benefits:

Manpower can give sales staff credible explanations of incentive payments, design innovative plans and track their effectiveness in its efforts to gain advantage in a highly competitive industry.

ing a tool designed for the purpose. The steering committee approved the proposal.

In developing requirements for a tool, the team considered the needs of all stakeholder groups. One requirement that would benefit them all, and the business as a whole, was to establish a central repository for all information about incentive plans. That would enable everyone to use the same data and make it possible to automate collection from multiple source systems.

From HR's point of view, Holland says, "Employee engagement was our first and foremost priority." Engaging them meant providing compensation statements that sales people could view online to see how their compensation related to their performance and to raise any questions immediately, before the end of a pay period. Close behind as priorities were flexibility and capacity. "We wanted to create new incentives that included a lot of extra payees, and our current systems couldn't support that volume," he explains.

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Adashek did research on vendors and reduced the field with advice from specialists in strategic sourcing. Eventually three were invited to give proof-of-concept demonstrations using sample data from Manpower. Varicent's performance in this presentation and its dedication to sales performance management persuaded the team to select Varicent SPM.

Expanding Implementation

When implementation began in January 2008, Adashek recalls, "Our short-term goal was to consolidate the different systems into a single view of all compensation plans." The team and consultants from Varicent built mechanisms to transfer data out of HR and financial systems

into the SPM software. They also established common data formats as the first step to providing standard, consistent data for all users.

The first incentive plans in Varicent rolled out in May 2008. The first plans moved to the new system were ones with large numbers of users – the hardest to deal with under the old method. Varicent SPM made it possible to create reports automatically that are specific to the individual, detailed and up to date. As a result, sales reps are able to see immediately online how their payouts are calculated, which had been hard to explain through spreadsheets. "With these commission statements, they can see exactly how much they are making every month," says Adashek.

Eventually Varicent SPM will incorporate all incentive plans, including those for roughly 500 sales managers and executives. Manpower also intends to use the system to enable executives to make faster, better decisions about the effectiveness of compensation policies and how best to optimize their ROI. Holland hopes to move from delivering reports to executives to providing dashboards that they can log into themselves to get custom summaries of information immediately.

Sharpening the Tool

As noted, Manpower has special needs in planning sales compensation. Just as the nature of the staffing business makes incentives a vital tool, it drives Manpower to devise complex incentives that can pinpoint and reward the most productive aspects of the job and guide the approaches of sales people. For example, Holland notes that some plans have multiple triggers. One such plan pays an incentive for each month's performance and a second incentive based on the person's year-to-date production. This dual payment is designed to keep sales people motivated each day but also focused on their long-term success. Another plan sets funding but allows managers discretion in allocating it, which requires rules and calculation capabilities to help the managers apportion the incentives.

Automating these plans required more complex business logic than would a typical sales quota plan, and Manpower and Varicent worked together refining capabilities of the software to create them. The achievement was worth the effort, according to Holland: These sophisticated incentive plans contribute a competitive edge to the company's sales planning and execution.

The flexibility of Varicent SPM accommodates other needs as they arise. "For our national account team, we classify business in a number of ways, depending on the type of transaction, the type of deal and whether it's an existing account or a new account, and we incent them differently," he explains. "We were able to put different levers into their plan, which in the past would have been very difficult to do. Now it's instantaneous."

The modeling capabilities of Varicent SPM help Manpower modify existing incentive plans and envision the effects of new ones, making it possible to create scenarios and test outcomes before they are put into place. "We can say that if we improve productivity by a certain percentage, here's what the incentive costs and the business results would be," says Holland. Designers can create scenarios in much greater detail than before and tweak the numbers as often as they wish with a few keystrokes. They also are able to report in more targeted ways, such as by region, division or project. Here again, having a central repository facilitates the importing of data and imparts confidence in the reliability of the numbers. As well, says Adashek, "It creates a team atmosphere across groups, with better understanding and communication."

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-Vivian Adashek,
financial systems manager, Manpower

Gone are the inefficient manual processes that were a headache to manage and a source of confusion, even discontent, for the sales people affected by them. Instead, "We can show them all the detail and how their incentives are calculated on a monthly basis," says Marisa Bowles, a compensation analyst. "It also takes away manual work on their part to keep track of their revenue, and they can focus more on sales."

Management now can calibrate more finely what it wants sales personnel to do and base those directions on projected business results behind the activities they incent.

About Ventana Research

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