

Waste Management Disposes of Ineffectiveness, Inefficiencies, and Errors with Varicent Sales Performance Management

COMPANY:

Waste Management, Inc., (NYSE: WMI), based in Houston, Texas, with over \$13 Billion in annual revenues is the leading provider of comprehensive waste management services in North America.

CRITICAL ISSUES:

- ▶ Reducing the time and expense for managing complex compensation plans
- ▶ Providing business insight for the sales force and senior management to better understand customer information, as well as individual and corporate performance
- ▶ Enabling a pay-for-performance program for management, sales and hourly employees

CAPABILITIES NEEDED:

- ▶ Complete solution, beyond pure Incentive Compensation Management (ICM)
- ▶ Ability to integrate with SAP, PeopleSoft and other core systems
- ▶ Personalized dashboards for sales personnel, managers and executives
- ▶ Guarantee of meeting weekly payroll demands

SOLUTION:

Varicent SPM, providing incentive compensation management, territory management, quota planning and performance analytics for better control, management and visibility into variable pay programs for Waste Management's sales personnel and drivers across North America.

RESULTS/BENEFITS:

- ▶ 100 percent payback on Varicent SPM within the first six months of the system implementation
- ▶ Varicent SPM gave the Waste Management sales team more time to sell, by eliminating the administration tasks associated with incentive compensation plans
- ▶ Innovative program for drivers to earn variable pay helps company increase productivity, customer service and profitability
- ▶ 10,000 manhours per month reduced in administering the entire incentive compensation program
- ▶ Compensation calculations and payments have an audit trail, facilitating Sarbanes-Oxley compliance

Striving for Sales Effectiveness

Waste Management, Inc., (NYSE: WMI), is the leading provider of comprehensive waste and environmental services in North America. The company is strongly committed to a foundation of financial strength, operating excellence and professionalism. Headquartered in Houston, Texas, Waste Management's network of operations includes 413 collection operations, 370 transfer stations, 283 active landfill disposal sites, 17 waste-to-energy plants, 131 recycling plants, 95 beneficial-use landfill gas projects and 6 independent power production plants. These assets enable Waste Management to offer a full range of environmental services to nearly 21 million residential, industrial, municipal and commercial customers.

Waste Management is committed to revenue growth and cost control. One of the most effective and hot areas to grow profits is through sales performance management: the practice of modeling and automating incentive compensation plans, planning and managing sales territories, developing quotas and other key business metrics, and analyzing and reporting performance data by numerous factors – customers, product/service, individual employee, etc.

Waste Management decided to implement sales performance management technology to increase the company's sales force effectiveness and to get more value from its incentive dollars.

Where to Turn....

Waste Management put together a cross functional team from compensation and benefits, human resources, sales, IT and finance. They determined Waste Management's key requirements included:

- ▶ Automating the administration and maintenance of incentive plans for thousands of sales employees and drivers;
- ▶ Enhanced operational excellence by improving employee productivity through better measurement and management of key business metrics, and tying these metrics to variable incentive plans;
- ▶ Improved sales analytics and reporting capabilities, to give management and employees key information to make more informed business decisions;
- ▶ Moving off of Microsoft Excel for calculating and managing incentive compensation;



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- ▶ Enabling reporting and analytics on trends, performance, opportunities, and more; to serve customers more efficiently and effectively; and
- ▶ Improved auditability for Sarbanes-Oxley and other compliance considerations.

Waste Management worked with Iconixx, an industry leading strategic consulting and technology firm focused on sales incentive compensation, to develop a thorough Request for Proposal (RFP) and help guide the vendor selection and implementation.

As standard practice at Waste Management, all new IT projects and expenditures must go through a formal Return on Investment (ROI) process and be presented to Waste Management's Executive Steering Council, comprised of Waste Management's CIO and senior leadership team.

The team asked for RFPs from nine vendors; heard four presentations; and narrowed it down to two vendors: Callidus Software and Varicent.

"From a software perspective, we really liked the flexibility of Varicent SPM," said Krista DeSota, vice president of compensation, benefits and HRIM, Waste Management. "But what really stood out to us was the commitment of the Varicent team – including its CEO – to partner with us and listen to our needs. In the end, it felt like Varicent was an extension of our team."

Of course, it didn't hurt that Waste Management's detailed 5-year financial analysis showed superior ROI from the Varicent SPM solution. In fact, Varicent would pay for itself – through the reduction of man hours spent managing incentive compensation – within six months of the purchase.

Getting Started – Not One, But Two Projects

Between the flexibility of the software and the commitment of Varicent, Waste Management felt it had the tools and support to implement sales performance management in not one, but two projects by using Varicent to support the driver incentive plans.

First – A Traditional Approach – Sales

Waste Management's first sales performance management initiative was to bring consistency, reporting and analytics to its sales operations team. With thousands of sales personnel, managers and executives, system-wide administration was a laborious and cumbersome process for their field and headquarters sales management team. In just a short time, Waste Management and Varicent were able to model the compensation plans and design new automated processes for administration.

Once all the phases of the rollout are complete, Varicent SPM will be integrated with many different systems within Waste Management. As the

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company further utilizes Varicent SPM, the list may grow, but for now, Varicent SPM interoperates with PeopleSoft (for human resources information), MAS on AS/400 (which holds the contract data), AMP, a home-grown pricing tool, and Recordsetter, which is also home-grown and enables sales pipeline tracking. The company is rolling out SAP to replace its existing MAS system. Varicent is facilitating the transition for Waste Management from MAS to SAP as market areas become active with the SAP system.

Not only did Varicent SPM impact the compensation and benefits team, but it also impacted sales. “Our sales team was thrilled to get all the administrative tasks associated with incentive compensation plans off of their plates and focus more on selling,” said DelSota. “Additionally, our business executives will have the information they need at their fingertips to make better informed decisions. Varicent SPM will deliver – via the Web – reporting and analysis on all their desktops. Our executives will have the strategic information they need to turn revenue into profit.”

Waste Management went from hundreds of spreadsheets with manually entered data to one simple system. “Prior to Varicent SPM,” said Laura Naumann, director of HR, Information and Metrics, Waste Management, “One simple change in sales personnel, quota, territory or number meant someone had to make that change in multiple spreadsheets. Needless to say, the opportunities for errors to creep in were numerous.”

An unexpected benefit from the sales application turned out to be data cleansing. Because Varicent SPM calculates sales compensation directly from source system data, there is a high-level of scrutiny being placed on the data. The result is a data cleansing project which is helping Waste Management prepare for an upcoming SAP implementation.

Second – An Unconventional Approach to SPM – Pay-for-Performance Programs for Hourly Workers

As sales performance management continues to make a significant impact on businesses, it is usually thought of for sales teams, partners and channels and other salaried employees. But with almost 40,000 hourly employees, Waste Management had the vision to look at variable pay programs for even more of its employees.

While complex in concept, the variable pay program for Waste Management’s hourly-paid drivers could be executed very simply with Varicent SPM.

Waste Management’s drivers are paid weekly, and that fact turned into a key requirement for incentive compensation management technology at Waste Management. “Very few of the vendors we investigated could guarantee their ICM or SPM system could meet the volume of our drivers’ transactions within our weekly payroll parameters. Varicent said they could, and they are proving it with their delivery.”

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Waste Management’s unique pay-for-performance program for its drivers enables them to increase their weekly pay. Starting with a base hourly pay rate, drivers are able to earn incentive pay by reaching and exceeding specific metrics in areas such as productivity and safety. These metrics are designed to provide them with the opportunity to earn more money, and increase the company’s profitability.

The complete solution enables Varicent SPM to automatically receive the base payroll information from PeopleSoft and other relevant data from SMART, a Waste Management application that tracks productivity. The system then calculates a new hourly pay rate for each employee based on the weekly metrics. The new incentive pay rate is exported back to payroll to generate the gross pay for the week.

“The Varicent system has provided us with the technology to dramatically improve our weekly payroll processes including communicating incentive pay information to our employees,” comments DelSota.

The End Result

Waste Management is a leader in its industry by design, not default. In turning to sales and driver performance management, the company’s visionary approach to its business brings tangible benefits to its sales personnel, its drivers, and the company’s bottomline.

“Change is sometimes difficult for employees to embrace,” stated DelSota. “However, Varicent has provided us with a means to take sales performance management to a new level and reward accurately based on results for the betterment of the company. It has thrilled everyone involved.”

ABOUT WASTE MANAGEMENT, INC.

Waste Management, Inc., (NYSE: WMI), based in Houston, Texas, is the leading provider of comprehensive waste management services in North America. The company and its subsidiaries provide collection, transfer, recycling and resource recovery, and disposal services. Waste Management is also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States. The company’s customers include residential, commercial, industrial and municipal customers throughout North America.

ABOUT VARICENT

Varicent Software Incorporated delivers the only complete sales performance management solution addressing the needs of the entire corporation. High performing companies relying on Varicent for better visibility and control of variable compensation programs include KLA-Tencor (NASDAQ: KLAC), Starwood Hotels and Resorts (NYSE: HOT), Waste Management (NYSE: WMI), Rogers (TSX: RCI), About.com (a New York Times company), Pacific Blue Cross and more.

For more information on Varicent, visit: <http://www.varicent.com>.