



Deploying Successful Global Incentive Compensation Capabilities

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Personal promotion using field representatives continues to be a key promotional channel for pharma companies today. The effectiveness of this channel is often what differentiates high and average performing products.

Incentive compensation (IC) is one of the strongest tools in influencing salesforce effectiveness by driving the right behavior. When designed and implemented successfully, IC plans propel higher field force performance. When executed poorly, it can demotivate the field reps, leading to missed opportunities and suboptimal performance.

Implementing IC plans at a global scale across multiple geographies is challenging. An IC process needs to be financially predictable, align to the larger brand strategy and adhere to change management processes while being operationally efficient.

It can take years to gather data, put the appropriate technologies in place, build the necessary skills, test and deploy systems. The lack of best practices and governance and inconsistencies in sales compensation design guidance often hinders the process.

Atria has partnered with IC leaders across the industry to successfully design and deploy plans on a global scale. This white paper will discuss some of the key fundamentals that leaders seek to build global capabilities.

1. Business Case for Change
2. Guiding Principles for Setting Global Capabilities
3. Maturity Dimensions of a Global IC Capability

Business Case for Change

Is reevaluating IC processes worth the investment for corporations and its leadership? The answer is an overwhelming yes. These are a few advantages of building a global IC capability:

- 1. Time & Money Savings** – Due to the lack of a proper framework, a significant amount of internal time is spent setting critical parameters like fairness and budget adherence. Most global clients are still stuck with either excel reports or 'black box' obsolete platforms which make deploying changes to IC plans difficult. Investments in integrated and scalable platforms with self-serve functionalities will help with long-term savings and build internal competencies, reducing dependencies on external vendors.
- 2. Guidance & Governance** – While local and regional IC administrators should have the flexibility to decide what works best for them, they often seek guidance on best practices. Sharing external benchmarks and best practices from comparable countries will help IC administrators understand which plans will work given their circumstances. Change management or governance of IC plans often happens at a local level. Establishment of a holistic global framework for managing changes to IC plans help form well-established guidelines to achieve speed and accuracy.
- 3. Transparency & Simplification** – Managing IC at a global scale is a complex engagement due to varying local HR policies, labor laws and influence of work councils in Europe. The complexity increases

exponentially when layered with frequent goal adjustments due to data swings, payout adjustments due to eligibility updates, mid-quarter realignments, mid-cycle sales crediting business rule updates, and more. Hence, it is more important to deploy processes with a high-level of transparency while the changes are applied.

Managing such complexities using a platform simplifies processing as well as tracking.

4. **Competitive Advantage** – Creating effective plans that are benchmarked against industry standards can give pharma companies an advantage over competition. Deploying systems that give long-term cost savings are an added bonus.

FIGURE 1: Potential value to be unlocked across key business levers

| BUSINESS CASE FRAMEWORK | | |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEVERS | CURRENT STATE | UNLOCKING VALUE |
| Internal Resource Cost | <ul style="list-style-type: none"> Local Market IC Team Costs Limited Time For Strategic Initiatives, Significant HO Time Consumed in Low Value Operation Work | <ul style="list-style-type: none"> Establish Global IC Center of Excellence (CoE) Freeing up HO Capacity for Strategic Work Driving Innovation to Support Business Growth |
| Vendor Resources Cost | <ul style="list-style-type: none"> Local Vendor Support Resources Costs Incremental Change Management Support Fees Lack of Synergies Across Markets | <ul style="list-style-type: none"> Establish Global IC CoE Provides Resource and Cost Synergies Across Regions / Global Structures Enables Collaboration and Best Practices Sharing |
| Capability Value | <ul style="list-style-type: none"> Value Add Limitations Shadow Accounting, Lack of Transparency Causing Low Rep Productivity | <ul style="list-style-type: none"> Best in Class Global Platform Driving Transparency and Trust, Enabling High Rep Productivity Enhanced Communication |
| Platform | <ul style="list-style-type: none"> Existing IC Admin Software Fees BI/Reporting Applications Infrastructure Costs | <ul style="list-style-type: none"> Efficiency with Global Scale |

FIGURE 2: (Case Study) ROI of implementing a global IC strategy

| | | | |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Lower TCO in the first year and following years | Improves the outcome of sales activities and improved motivation | Improving transparency and communication to the salesforce | Address compliance concerns and meet internal audit recommendations |
| Resource Time and Opportunity Cost – Gain back the three-five percent of time payees spend on average on shadow accounting | Accounting Accuracy – Bring the payout error rate from three-eight percent (industry average) to under 0.1 % | Simplified global application landscape and ease of integration due to a standardize SaaS platform | Agile and flexible scheme adaptations with no development effort for business and IT |
| IT Architecture Fit: Aligned to target, reduced service & maintenance costs, and ongoing software product improvements / releases | | | |



Guiding Principles for Developing Global Capabilities

An ongoing matter of debate among leaders is whether IC should be a centralized function or decentralized across geographies.

In a localized strategy, country leads or region leads find, embrace and protect local practices. Culturalism is sacrosanct and justifies rejection of outside practices. Obsolete practices, local attitudes and country-specific legal directives reinforce the need for cultural sensitivity and reverence to local wishes. This decentralized school of thought distains the centralized solutions.

At the other end of the spectrum is a leader with a centralized school of thought, who sees the world as a connected entity. His ideology of a perfect world revolves around best business practices. Minimal local variations to global approach must be pragmatically situational. Local management must go beyond “culturalism” and “past practices” to prevent implementation of comprehensive solutions. Note that a centralized global solution comes in many flavors. Each

approach offers some degree of consistency, effectiveness, and standardization. Some of the possible approaches constitute:

- Create awareness regarding best practices
- Establish corporate guidelines
- Develop global sales crediting policies
- Global standard platform
- Shared support services

The following guiding principles should be considered before making investments in global IC capabilities:

Select the Right Partner

Transforming IC solutions at a global scale requires a partner with deep IC expertise. Remember – success will come from the right deployment of people, process and platform.

Selecting a partner who has the right technology but lacks depth of global IC knowledge can increase the organizational complexities in the long run.

FIGURE 3: Axtria partnering with a large pharma on a global scale

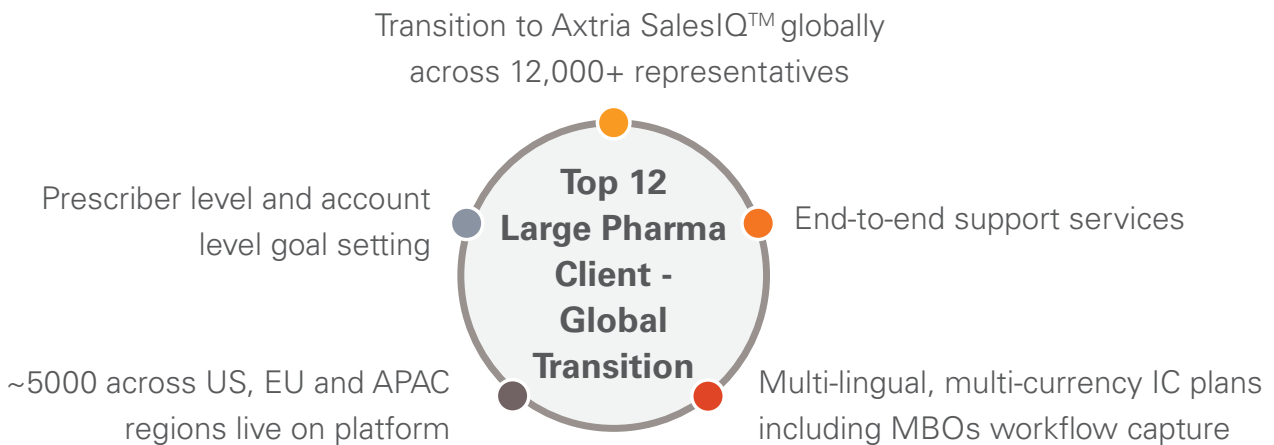


FIGURE 4: Maturity dimensions of a global IC capability



Establishing an IC design CoE is the most critical element of the foundational blocks of global IC maturity framework

Invest in Proven Cloud-Based Integrated Platforms

In the last few years, pharma companies have made significant investments in leveraging enterprise-grade reporting tools for field reports. According to Axtria’s 2017 Commercial Excellence survey, 50% of respondents in the US have invested in a Tableau, Qlik or MicroStrategy based solution. However, the bulk of pharma companies are still using Excel to share IC scorecards with the field. Utilizing Excel as a reporting medium has significant disadvantages, including low field adoption and less than adequate engagement rates due to obsolete reports. Additionally, Excel spreadsheets increase challenges involved in configuring upstream IC plan changes, resulting in longer service level agreements and potential errors.

While planning to invest in future capabilities, it is essential to consider an integrated cloud-based solution. This

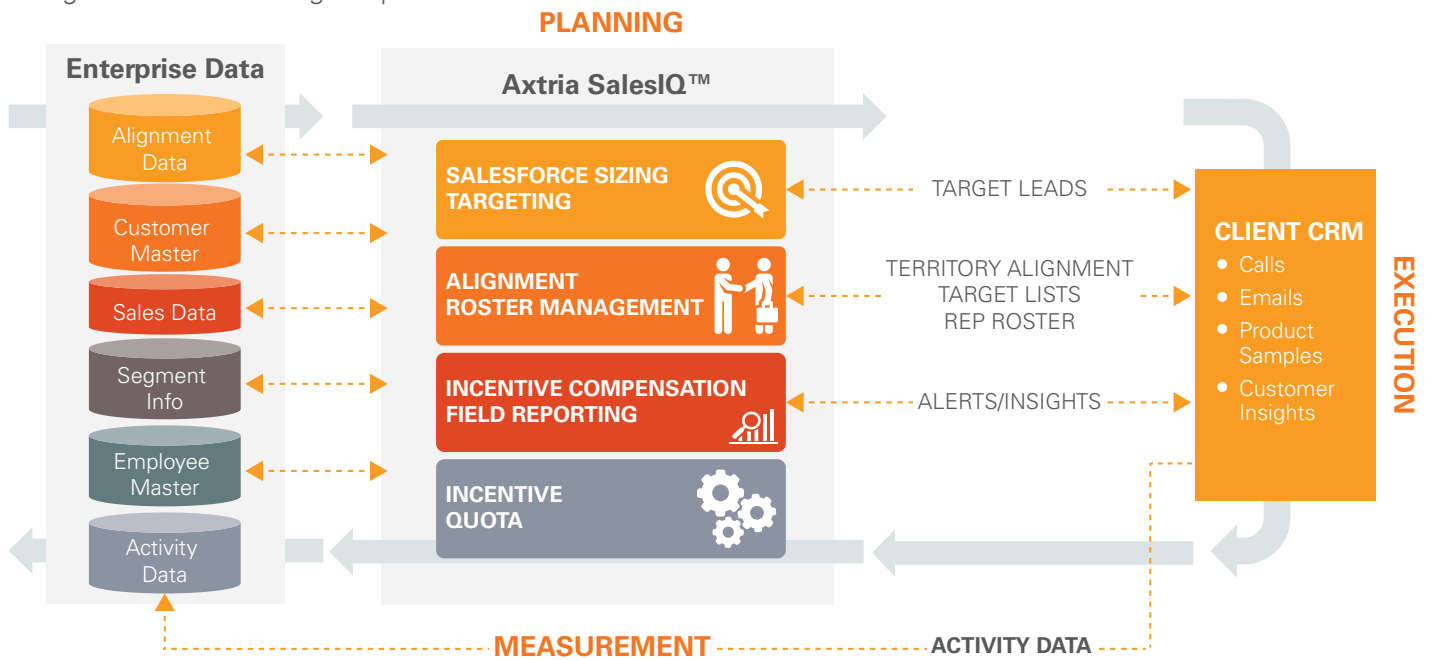
strategy will help to tap into computing power and provide the ability to scale up and down with speed. The platform should integrate with upstream and downstream systems, including data warehouse, alignment, CRM, call plan maintenance and reporting systems.

Additional Key Platform Considerations:

- Localization – Invest in a global solution equipped with multi-tenancy and multi-language support
- High User Adoption – Ensure rich UI and ease of access via single sign-on capabilities
- Rich Configurability – Enable ease of managing user access management and approval workflows
- Upgrades & Innovation – Awareness of product pipeline and how it will suit future requirements

FIGURE 5: Leverage the cloud & eliminate excel

Integrated Sales Planning & Operations



Deploy the Right Engagement Model

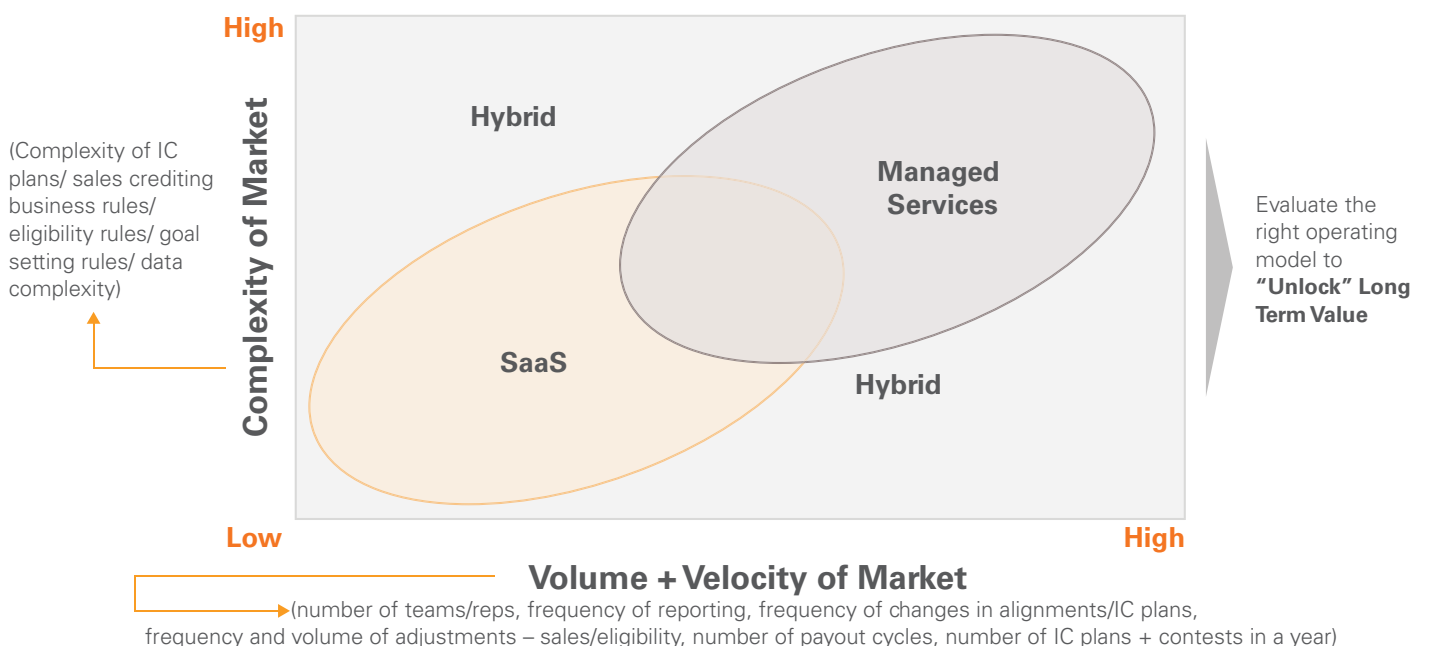
Not all countries/affiliates are equal in terms of complexity and velocity. These metrics must be considered when selecting the optimal engagement model.

- Complexity – Evolved markets like the US and LATAM can have more metrics in IC plans with complicated sales

crediting rules, eligibility rules, goal setting rules, etc. Data can further add to complexity.

- Velocity – Having the right team in place to do timely, meaningful follow-ups is critical to have a successful model. Determined by team size, frequency of reporting, adjustments, etc.

FIGURE 6: Engagement model metrics



Conclusion

Global IC solutions come in many varieties. Each approach offers some degree of consistency, effectiveness, and governance. No simple formula exists to select the prescribed global IC solution. The solution depends on the company's objective, expectation, and budget availability.

It can be challenging to build a business case for the need to switch from a siloed business structure built on spreadsheets and localized processes to an enterprise level global solution. Our proven roadmap to global implementation, along with the tangible ROI, helps clients demystify budget questions while making the business case.

With a well-defined global IC solution and implementation roadmap on hand after required consultation with country IC

partners or region leads, the Headquarters team can provide guidance on flexible IC design solutions. However, the following must be considered:

- The need for IC design CoE for rationalized design framework
- Global standard platform with ability to flex based on market maturity
- Shared support services based on centralized model to drive best practices and efficiencies

If you would like to know more about global IC capabilities, best practices, optimal service model or global IC governance, reach out to our experts at Atria.





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