

Motivating a Team of 4,000

Launched in 1994, Homecare's territory now covers all urban and rural centres across Australia and most parts of New Zealand. Homecare offers its customers a wide range of quality household and everyday items, including: kitchen, cleaning, bathroom, laundry, storage, gifts, health and beauty, luggage, garden, toys, office and more.

Coverage of such a sizable geographic area and high volume customer base requires a clever business model.

In this interview, CEO Angus Love talks to Rod Matthews of Impact Human Performance Technologies about how he changed the sales model and compensation plan to unlock significant growth by allowing top sales performers to perform.

Rod Matthews starts by asking...

What was the situation when you arrived in terms of structure and in terms of sales?

I arrived to find a large business that had over 4000 Sales Field Agents working across Australia and New Zealand and covering the length and breadth of the country. They were generating over 60 million dollars worth of sales every year. A significant and successful business.

So I started by conducting a review of the business on two levels:

1. The market itself.
2. Us! What we are doing in that market and how we are doing it

This review revealed a huge opportunity for growth. Whilst we were successful we were only covering around 30% of the market today. The big question was WHY? We had Sales Field

Agents covering the length and breadth of the country geographically. Why are they only dropping our catalogue off to 30% of houses that they could be dropping them off to?

After a review of our internal structure, process and procedures it was clear that the fault lay with us. So the challenge before us was to harness the opportunity of how we grow to provide our offering and services to the whole of the market, not just the 30%.

Increase the drop off rate to 50% and the sale should increase proportionately. That sounds logical.

There's two fronts.

1. There's the growth of the actual coverage. Our business will grow dramatically if we can physically cover a larger amount of our territory and service a greater number of customers.
2. There is an ability for us to grow within the existing customer base we have. Growing the existing sales and service that we have from our existing customer base, which will in turn grow the sales of the business.

Both a rate and a volume opportunity for us.

Why wasn't it happening then? Why the 30% and not the 50% or more?

There were two impediments in the business:

1. Compensation. The way we remunerated our people was not as good as it could be.
2. Sales model. The way we have them working the territory is not as efficient as it could be.

So it was a case of us really wanting to refocus what they do and how they do it.

So what was it about the remuneration that was not effective?

When it came down to it the compensation, the processes and the procedures were all geared towards guaranteeing an easy start for the Sales Field Agent as opposed to being geared towards encouraging growth and supporting your customer base.

This worked on two levels, both for the Sales Field Agent and for Sales Management.

Sales Field Agent:

If you started as a Sales Field Agent with us, you were provided with a predefined territory, sales aids, and materials to start your activity. The problems that some people had was that the territory was too small to grow and in some cases too small to be able to build a decent commission.

So the challenge on a commission level was that we needed to satisfy the initial needs of the individual for their earnings. After that we've got to add a lot of value to them in terms of growing their business but they had to at least get to the first level compensation wise.

The old structure had different levels of performers in the field earning the same commission percentage irrespective of the level of activity. So our lowest performing Sales Field Agent would receive the same percentage commission as our best performing Sales Field Agent. And that doesn't make sense when you consider that our top Field Agents create a greater marginal return.

So if you are a Field Agent the cost to the business to provide you with your first product is a lot higher than it is to provide you with the hundredth product. There is a benefit there that we need to provide our field force. This would provide an incentive for them to generate more sales.

Sales Management:

Also with a territorial sales model, there is no encouragement, and in some case active discouragement, to identify, recruit, train, develop and grow Field Agents into more senior positions.

The company would spend a lot of money on recruitment, as most sales organisations do. The problem we had was that all of the upfront work that was done to recruit the person was destroyed by a structure that didn't provide incentive to develop and grow into the business. This was because we had a structure where their managers lost out of commission because obviously our top Field Agents tended to generate most of their income for their teams and hence when they moved up the echelon their management got disadvantaged. They lost that income.

So their growth was restricted by a cap on commissions and a lack of encouragement to grow their customer base and their team.

So what was it about the sales model that needed to change?

A second area of limitation in our old structure was around territory. We had people who had worked very hard over a number of years to build up their customer base. But in order to develop and grow in the business they had to move territories and lose all of that hard work in building the value in their business and start again in a new territory that might be further from home.

So there was no incentive for the agent to develop and no incentive for the manager to develop their team. Yet there was a whole lot of work done by the organisation to recruit these people in. So it attracted people in, but the turnover and disillusionment amongst top performers was extraordinarily high.

This is where we you experienced a bit of a false start in some respects. You initially had a four pronged approach ...

Yes. We were working on:

- Recruitment of new people into the business
- Training and development
- Retention of the exciting field force
- And restructuring remuneration as discussed

What we found was that we had not got people to a remuneration level that would enable them to stay in the business as opposed to being forced to look elsewhere for the income that they need.

So the other activities of training, recruitment, and retention didn't matter until we could guarantee a certain level of income.

So we needed to get to a point where the individuals had earned the money they need and then they would be in a position to learn the skills and techniques needed to develop and grow their business.

So the first step was to restructure the compensation plan and the sales model.

Yes. So the new structure changes in a number of fundamental areas.

A change in mind set and language:

The first change was refocusing the efforts and the mind set of our field force away from territory to the people who live inside the bricks and mortar ... the customers.

And that change is in the mind set and the language rather than in any real physical sense because what happens is that the customers don't move from the homes that they are in that those Agents formally looked after. The power is that those

agents are now focused on the customer so when the Field Agent gets promoted they can still keep their customers. This way you are rewarded for building a customer base not owning territory and only working 30% of the houses in that territory.

This happens regardless of your level in the business. I'm the CEO and I have a group of customers and I will keep those customers as long as I provide good service.

A change in commission structure:

The other area that we changed was commission structure. So where before once a Field Agent left your management or your team and you would no longer receive commission for that agent, we have now structured it so that you do still receive a commission on that Agents work.

So now as a manager you are rewarded for finding, developing, coaching and promoting those top Agents into a higher role. The relationship you have developed and the value you have built is maintained and improved.

I'm reading a book at the moment called 'Freakonomics – A rogue economist explores the hidden side of everything' by Steven Levitt and Stephen Dubner. One of the recurring themes in his book is the idea of incentives. He identifies example after example of people behaving in certain ways based on social, moral and economic carrots and sticks. Even though we like to think that we are more complex than that. After about page 25 Levitt really has you questioning just how shallow we are.

It is an interesting point and I could support that view through my experience. Irrespective of your intention, desire and words used to describe where you want to go and what you are wanting to do, your compensation plan will drive behaviour.

Often I have seen organisations that speak a language but have a compensation plan that works completely separate to

that. So what you have is an organisation that is driven by behaviours incongruent to the strategic plan.

This is compounded by the fact that the language, the strategic plan and the vision of an organisation change with a degree of regularity or with every new CEO, but changing a compensation system rarely gets reviewed as often.

And I would say that when you do change the compensation plan the change in behaviour can be immediate. The change in results may lag a little, but the change in behaviours is immediate.

As we have experienced, the change in the compensation plan has changed peoples behaviours around recruitment and retention.

So if you can change the belief, that will change the behaviour and that will change the result. It's a couple of steps removed but the compensation plan can start the changes very quickly.

I noticed this because I thought that I was in for a long hard road when trying to change the behaviours of the organisation and I started heading down the road of working on behaviours. So we were developing a number of training programs aimed at changing behaviours and was spectacularly unsuccessful at delivering a result. So it was back to the drawing board.

Then I realised that the belief structure wasn't in place. So now I'm working on the issue of changing beliefs. And as soon as the beliefs change the behaviours will follow.

This can also be done through demonstration and challenge. For example, I was in New Zealand last week and demonstrated some changed beliefs, behaviours and results and then challenged the audience to produce the same results. Before the end of the week I had received e-mails from some of the audience talking of their success at improving their business by 30% after changing beliefs and behaviours.

So if you can change the belief the results will start to follow and then you can refine the behaviours if necessary. People will be more open to the refining of behaviours because the belief has shifted and they are already reaping the rewards of the shifted belief.

So in some respects you have a bit of an advantage there to most CEO's because you have your own customer base, you do the stuff of the business yourself. So if I was a CEO or a General Manager reading this, perhaps what I might need to do is look for pockets of excellence in the business, look at what and how they are creating excellence and then communicate that as a challenge to other parts of the business. Is that what you are saying?

It is, and with a slight twist. I think that coaching works far better than teaching. Coaching requires the person to actually do it, not just talk about doing it. So not just observe and communicate what the pockets of excellence are doing but to make sure you do it as well.

It is amazing how fast you can grasp the nuances and the whole belief system to then be able to go and promote that. And it is a very powerful tool to be able to say what happened when you did it both good and bad.

So you are encouraging CEO's and business managers to do what they want their team to be able to do. I think it is a very Australian thing to admire CEO's and Senior Managers who roll up their sleeves and actually do the stuff of the business.

Well for me it is fun. And indeed if you don't like going out and doing the business you are probably in the wrong business because it is certainly infectious when you get out there with your team and they know you are not just doing it for

presentation sake you are actually enjoying it. It is amazing how that flows through to the rest of the organisation.

Ok. So a bit of a backtrack. We had an old system that rewarded mediocrity, there was a glass ceiling as to how much I as a Sales Field Agent would be able to earn, also as a Regional Manager I was not rewarded for developing, recruiting and promoting top quality people.

Now we have changed the incentive structure, the territory model and we have started to see some results already. So what is the next step?

What this organisation needs is that we have a lot of people at the customer interface level, over 4000 Agents, What we have to develop is strong leaders and while it's a bit of a cliché, we have managers in leaders roles. We need leaders who can actually help people, coach people as opposed to administer them and dictate to them. Once again, when you create the right compensation plan you'll get the belief and then the behaviours will follow. So create a system that encourages and rewards leadership so that the business becomes self generating as opposed to something that is being pushed from the top down.

How would you know if you had succeeded?

My measurement criteria would be the number of people I have who are happily engaged in the business. Ultimately I'd like to see an opportunity where we have people who have a full commitment into the business and can see that the business has helped them improve their lives.



Some things to reflect on...

Organisational Imperatives:

What are the critical performance measures for the organisation?

How does that translate into performance measures for teams and team members?

Linking to beliefs and behaviours:

What beliefs and behaviours would you like to see more of / less of in your team?

What would a compensation plan look like that rewarded the behaviours you would like to see more of and penalised those behaviours you would like to see less of?

Does the pay structure encourage your team to give their best efforts to the organisation?

Do your team members see a strong connection between delivering on those objectives and being rewarded?

Fairness and Equity:

Do your team members believe they are paid fairly relative to the market and their fellow team members?

Flexibility:

Is there sufficient flexibility around benefits? Do they fit in with the team members needs?

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