

Martyn Rideout
Industrial Relations Manager
BT Retail

30 March 2010

Via Email

Dear Martyn

Pay Plans 2010/11

Thank you for arranging the consultation call with the pay plans team last week and your letter dated 29 March 2010. In following up I wanted to provide greater clarity around Prospect's significant concerns about the proposals presented and ask that consideration is given to them ahead of any implementation.

Before I turn to the plan I wanted to note that firstly the fundamental issue which will undermine this pay plan is that any OTB (On Target Bonus) plan is meaningless without realistic targets. It is not clear if targets have not been announced yet. Unless these approximately match the level of opportunity then the proposed pay plan carries an extremely high risk of dramatically backfiring.

From Prospect's position we are concerned that this may lead to loss of staff the company needs to drive the business forward in addition to potential loss of revenue and market share.

We would also stress that our feedback and intelligence comes from a mass of Sales people and their managers, the people who do the selling for BT Retail. Our reps and case handlers regularly feed back through the Retail Industrial Relations Committee (IRC) the views of hundreds of sales people. We would be interested to know if BTB makes attempts to directly canvas the views of its sales staff, as we believe we have our finger on the pulse of what motivates a successful sales force. Prospect and our members are dedicated to the success of BTB and our views on the pay plans are made on this basis.

As you will appreciate we have already been contacted by senior sales manager members who have expressed alarm about the impact of the proposals on their ability to manage and motivate their teams, as well as around the fairness of significant changes.

Targets

In our view targets should be based on actual market data, based on the accounts in question. Without an in-depth analysis of the customer base and their propensity to spend with BT then management risk following the vastly inflated figures which have been the trademark of BTB in the last two years. The pattern of achievement over those two years

has not been of growth but one of decline and we find ourselves working with the business to reorganise with significant upheaval because of that. While Prospect and our members understand the need to strive for improvement it is appropriate to remember that the 'A' in 'SMART' stands for "achievable". To characterise, if the strategy is, "More of the same but with a more remote and uncertain promise of reward" then it we have real concerns as to what the outcome for the business, and our members, will be.

If the sole rationale behind this year's targets is that they are "What the business needs" then the present BTB management runs the risk of continuing the trend set by their predecessors. If a punitive pay plan and higher targets are announced then the existing trends will only continue.

The proposed pay plan

Moving on to the structure and governance of the proposed pay plan for 2010/11, as we have argued, if targets are too high then the whole process can quickly become totally counter-productive. It's a very high risk strategy which can backfire dramatically. The two main concerns we wish to log with the plans are:-

1. Thresholds under which sales people get potentially nothing for their effort.

Setting a threshold of 90% revenue and 80% volume under which no bonus will be paid has the potential to devastate both drive and focus. The link between effort and reward can be easily shattered if they are perceived as unobtainable. In the situation where people are getting nothing for months on end we find it difficult to understand how the business would encourage them to go the extra mile. While we appreciate that people sitting slightly below the threshold may be motivated to do so we suspect that an analysis of this year's figures show that only a very small percentage sits in that category and that significant numbers of people would have received nothing. Again, we ask the question, how does BTB propose to motivate a sales person to make sales that move their revenue from 45% to get to 65% for example during Q4?

2. Half of everyone's target will be paid at LOB level based on revenue achievement.

While this may incentivise Account Managers this has the capacity to disincentivise Specialists. Prospect has real concerns about a pay plan that fundamentally disconnects the relationship between individual achievement and reward and provides no replacement additional incentive. Members would be interested to see any evidence that this clause in a pay plan rule motivates anyone. If there is none our members will want to ask why it is being proposed given that a pay plan should pay for itself and drive behaviour at an individual level. To add a top-down restriction that trumps this does not seem to us to be the right approach.

It was suggested on our recent call with the pay plan team that Specialists could be individually targeted on revenue. BTB had attempted this twice in the last few years and both times it ended in complete confusion and has not been considered since. Put simply, our concern remains that the individual revenue achievement is impossible to calculate correctly.

Looking at 2009/10, there is a massive risk that large numbers of our members will receive absolutely nothing with this plan. While this may seem an argument rooted in vested-

interest we would argue that the risk for the business is reduced motivation leading to reduced sales figures. A negative spiralling effect if you like.

The perception of Sales people's effort

The impact of the proposed pay plan could be seen to say to your people "You are failing us and you must try harder". Our concern is that this will fuel a perception in the sales force that management has failed them and their customers. Prospect have evidence that many of our members in the sales community are working fifty hours plus a week and have previously raised informally concerns around levels of sickness and stress-related absence in BT Business.

We would hope that the following questions are addressed before laying unrealistic expectations at the feet of the sales force in the form of targets and the proposed pay plan:

1. Do market conditions or pricing support?
2. Has BT retained any competitive edge?
3. Are BT's propositions sound?
4. Is the rest of the business supporting sales efforts adequately?
5. Are factors such as Service, Billing and response times fit for purpose?
6. What needless and inefficient processes can be stripped out?
7. Are our CRM systems fit for purpose? Do they delay rather than create business?
8. What affect has the reorganisation of BTB, only recently completed, had on these questions?
9. Does BT have a sound business relationship with our customers?

All of these are issues which restrict our sales members working in BT from selling. The last one is the most important. The oldest adage in sales is that 'people buy from people'. Every sales guide book over the last fifty years will quote it. It is quoted again and again by customers and salespeople as the key factor stopping sales. This is an important management issue and needs to be understood when setting targets.

So our question is, are these factors being addressed? If not, has the failure to address these factors been transferred into unrealistic expectations of sales people?

Competitors

This is a very simple but crucial point. BTB have to look outwards instead of constantly looking inwards. If a BTB salesperson sits down in front of a customer without any understanding or guarantee of what success will earn him/her what is the impact? If in the next week a competitor sales person sits down in front of the customer knowing he will earn £500.00 the month after he/she makes the sale who will have the edge? Who will drive harder? Who will ring the customer every week for a decision? Who will write the best proposal?

As an illustration of this, an experienced and successful salesperson has told us that at every meeting he writes the predicted bonus figure in the top corner of his copy of the agenda. Every time he looks down at it he is driven to try harder. The thought of a reward linked directly to his effort is absolutely compelling. That's why our competitors do it.

BTB believes that there is a need for focus but this pay plan delivers the exact opposite and could have the impact of actually making the current situation worse

Solution

Prospect's view is a simple principled position. Pay people for what they actually do, and pay them the next month. The rest of this industry builds self financing pay plans and pays them out quickly. The historical success of INET, Basilica and Lynx are prime examples of this. Prospect represents companies and sales people across the communications sector and can clearly see what best practise is and the outcomes. Given the need to turn the business around and ensure that mistakes aren't made in doing so, our proposal is for the introduction of a pay plan structure linked directly to personal achievement, based on achievable targets and a self funding structure.

In Summary

Over the last 3 months Prospect has worked constructively with BTB over its reorganisation plans. While this has at times been difficult we believe it is clear that we represent our member's views professionally and in the context of wanting the business to succeed. We welcome your commitment to continuing that dialogue.

However, we need to be clear that in representing our member's views with these proposed changes to the pay plan for 2010/11, Prospect believes that BTB management will need to take a step back from diagnosing the previous pay plan and take a balanced view of the real reasons for business decline.

This pay plan will be viewed by sales people as a transfer of blame for failure onto them. Distant and uncertain rewards lead to a lowering of motivation levels, the opposite of the rationale of BTB senior leadership and those putting the pay plans together. The damage to morale, motivation and ultimately results could be devastating and as such our request is that the business needs to reflect seriously on its proposals. In representing our members in the sales community we would welcome the opportunity to be part of those considerations.

Yours sincerely

Steve Thomas

National Officer