

## CEMS MIM WORK PROJECT

---

**BUSINESS PROJECT FOR UCD** - IMPROVING EFFICIENCY IN COMMUNICATION  
BETWEEN ORACLE DIRECT AND ITS CUSTOMERS AND PROSPECTS



## **I – Oracle Business Project: finding new tools and techniques to increase efficiency in communicating with customers**

Oracle is an American multinational that hardly needs introductions. It is a computer technology corporation founded in 1977, with headquarters in California, the 3<sup>rd</sup> largest software maker by revenue (after Microsoft and IBM) according to a report published in May 2013 by PwC (*PwC Global 100 Software Leaders*). After the acquisition of Sun Microsystems in 2010, Oracle became a producer of both computer hardware and software products, emphasizing its mission to provide integrated solutions “to eliminate complexity and simplify IT, enabling customers to accelerate innovation and create added value for their customers”.

Oracle Direct focuses exclusively on **inside sales** (remote sales). According to insidesales.com, inside sales is the way to sell with the lowest cost and the highest ROI, it leaves a much lower carbon footprint than field sales as transportation is rendered unnecessary and it allows sales representatives to live a better life by giving them more time to do the things they love. Oracle is investing a lot in inside sales as the word has it that outside sales representatives as we know them will cease to exist. Oracle Direct is responsible for growing Oracle’s customer base as well as being the point of contact for customers with Oracle Corporation, among other things.

Oracle came to us with a goal in mind: to become the best inside sales organization in the IT industry. Our task was to find new tools and techniques for the company to improve effectiveness and efficiency in communicating with customers and prospects. In order to do this, we started by analyzing the current tools and techniques used by Oracle Direct sales representatives. After conducting several interviews internally, we concluded that Oracle uses mainly the telephone (cold calling), email (especially for follow-ups), the website chat with very quick answer rates and finally social media. Oracle has been investing a lot in social media for social listening and social selling as opposed to one-way traditional sales techniques, with very positive results. LinkedIn is the main social network used by Oracle to promote sales. Oracle was actually a pioneer in the use of LinkedIn as a sales tool, and LinkedIn developed many features because of Oracle’s requests. It is used mainly for profiling and finding the right people to contact within companies, bypassing intermediaries (e.g. secretaries).

However, many sales representatives are still using InMail as a second point of contact, after a cold call. Regarding Facebook, although Oracle has not been able to measure the effectiveness of its use yet, the company still believes it is a good social listening and engagement tool and many Oracle product pages exist. Nevertheless, such presence is still very informational and not dialogue-oriented. Twitter, however, has not yet gained a lot of relevance within Oracle Direct. The company is starting to explore this network as a social listening tool by scanning content to get a feeling of who is influencing the online world, what is being discussed and what pains/satisfactions customers have. Oracle is generating a considerable amount of interest among users but still has a long way to go in mastering Twitter's use.

We benchmarked against practices of other companies (both inside and outside of the IT industry) through interviews and case studies available and concluded that even though Oracle is already very efficient using some tools, there is still a lot of potential for improvement. We also analyzed several trends in two categories: technological trends such as mobile and internet-on-things and consumer related trends such as the increasing in social media usage as well as the importance of face-to-face communication.

We decided to take a holistic approach to external communication and to consider all steps Oracle sales representatives go through to communicate with customers and prospects. Firstly, research work has to be done before contacting clients and prospects. Hence, sales people need to be able to identify whom they want to contact and gather relevant content about their audience. Once the target has been identified, sales professionals need to share content that is relevant to them, which can be done with the help of content optimization tools. It is also extremely important that they use efficiently the tools they have available, especially the website which can be a very important lead generation tool. Finally, there are the actual communication technologies, which are of the utmost importance. Since all these fields are relevant, we proposed recommendations in all of them (see detailed recommendations and tools in the final report).

## **II – Could a change in incentives do the trick?**

We had several meetings with our contact person within Oracle to define the scope of our project. Oracle is a huge and very complex company, and the task to find new tools and techniques to improve external communication could include many different aspects.

Internal processes have a huge impact on external communication. As mentioned in our final report, because of the lack of internal cooperation and sharing of information between sales representatives, customer experience is sometimes poor. Even though this was out of the scope of our project, it is obviously affecting external communication and hence is of utmost importance for Oracle. The company cannot improve efficiency in its communication with customers and prospects if internal processes are getting in the way.

From our interviews with several employees, we concluded that the main reason why collaboration was at very low levels at Oracle was because of pay incentives. The problem is not that the company does not provide enough tools for employees to cooperate and share information, but that incentives are such that employees are better off by not cooperating.

Although we were told that pay incentives were very hard to change within Oracle, I believe that the company has a lot to win by investigating the role of incentives in shaping sales representatives' behaviors and hence their interactions with customers.

In this report, I will present my research on how people react to incentives, how these can shape their actions and how these can be changed in order to promote the behavior needed for Oracle to become a truly customer-centric company.

### **1. Incentives matter**

Economists often emphasize that incentives matter. We were all taught in our first Microeconomics class that rewards (positive incentives) and penalties (negative incentives) affect people's choices and behaviors.

Incentives can be extrinsic or intrinsic. Extrinsic incentives are those external to the individual. These can be, for example, monetary incentives or good grades, for showing the desired behavior or threat of punishment following misbehavior. Intrinsic

incentives are internal to the individual. These can be interest or enjoyment in the task itself, a sense of achievement (or defeat) that comes from a certain behavior or action. Frederick Taylor, considered to be the father of scientific management, always sought to improve industrial efficiency. Back in 1896, Taylor tried to rationalize incentives in a book entitled *The adjustment of wages to efficiency*. The author believed that giving the same wage to every worker with the same task was not efficient, as workers ended up doing as little work as possible. It was clear to Taylor that people respond to incentives, and that efficient workers had nothing to win for performing better than others. With this in mind, he developed the differential rate system of piecework, a reward system that pays a premium to high efficient workers and that punishes non-efficient ones. Taylor believed that, by implementing such an incentive scheme, companies could encourage the inefficient workers to try to improve their efficiency, and the efficient workers to maintain or improve their production capacity. More than a century later, in 1999, Canice Prendergast published an article entitled *The provision of incentives in firms* in the Journal of Economic Literature. In this article, she reviews the empirical evidence on the use of incentives in firms and concludes that incentives do improve performance, in most settings.

## **2. What to reward?**

There seems to be a consensus around the fact that incentives matter. The bottom line is that companies get what they pay for, as monetary (extrinsic) incentives are clearly very powerful tools to motivate employees. Therefore, companies need to carefully consider the type of behavior they want to reward.

Most sales representatives have compensation schemes with a small fixed pay (non discretionary) and a large variable pay (tied to performance).

The variable component of their compensation is usually tied to sales, because it is the most easily observed measure of their performance. They may also have bonuses if they reach a certain sales threshold (a well-established incentive plan used across a spectrum of industries).

This is exactly what happens at Oracle. Every sales team focuses on selling only certain products (see Appendix). Therefore, their pay is based on sales of those products only. These incentives, however, are hindering the relationship Oracle develops with its customers and prospects. What happens very often is that a sales representative will try to sell his/her product, regardless of customer needs. Instead of

investigating which product would best suit the customer's pains and transfer the customer to another sales representative who specializes in selling that product, sales representatives are reluctant to cooperate. In fact, why would they do it in detriment of their own bonuses?

In my opinion, the tools and techniques proposed in our report are extremely helpful in improving the efficiency of the communication with customers, but a deeper change is necessary if Oracle wants to become a more customer-focused company.

### **3. Paradoxical incentives**

Oracle Direct claims to want to become the best inside sales organization by focusing more on the customer. However, by rewarding individual sales targets, Oracle is hindering internal collaboration, which is crucial for good customer experience. This seems paradoxical: the company wishes sales representatives would focus more on the customer relationships (including after sales services) but is rewarding them for sales of their products exclusively.

In the article entitled *On the folly of rewarding A, while hoping for B* published by Steven Kerr in 1995, the author denounces many cases in which the desired behavior is not being rewarded at all. In fact, this happens in many different settings such as politics, war, sports or even consulting. One of the examples provided in the article is that of university professors. If society hopes that professors will not neglect their teaching responsibilities, why reward them almost entirely for research conducted and publications? The author also presents a few possible causes for these paradoxical reward systems. The first cause is the fact that managers prefer to establish simple and quantifiable criteria to measure performance. In my opinion, this is one of the reasons why Oracle is so reluctant to change its incentive schemes. Many sales representatives we interviewed mentioned the difficulties posed by current compensation but admitted it was the easiest way to do things. The second cause is very closely related to the first one: managers prefer to emphasize on highly visible behaviors. It happens to be the case that sales revenues achievements are easier to demonstrate than the value created for the customer. The third reason the author puts forward is hypocrisy. This happens when the instance giving the rewards is already getting the behavior it desires, but is receiving claims that that behavior is not desirable. It is hard to assess whether or not this is the case for Oracle. In my opinion, Oracle still has a long way to go towards becoming truly customer-centric. It is a very recent concern for the

company, and I believe that Oracle is still reluctant to change its incentives scheme because of the lack of empirical evidence of its success. Not many companies have gone so far as to change incentive schemes to focus more on customers. Even the ones that did it are not yet sure of the impact this change will have on their results, as it is said that it is a measure that will bring most gains in the long term. Oracle is a very results-oriented company that needs to decide if it is willing to go all the way and take this step, which is considered to be a very risky one inside the company.

#### **4. GlaxoSmithKline Case study**

Pharmaceutical companies are a very interesting case study in what concerns sales strategies.

There are many reasons behind this. First of all, most pharmaceutical companies are extremely successful in selling their products. Moreover, they manage to do so in an industry where the structure of decision-making and payment of products is very complex. The patient (person consuming the good) is not always the person choosing the good (this decision is made by the doctor most of the times) or even paying for it (co-payment with insurance companies is frequent). To make things even more difficult, pharmacists are often obliged to substitute branded drugs by their generic equivalents. This means that pharmaceutical companies have to influence three parties: they have to convince insurers to increase co-payment for their drugs, they have to convince doctors to prescribe them to their patients and finally they need to promote directly to the patients as well. On top of this, the industry is very dependent on regulation, which is very hard to predict.

A report by Digital Strategy Consulting entitled *Accelerating pharmaceutical brands and their teams* states that the pharmaceutical industry still relies a lot on traditional media such as journals and direct mail and they employ a very large field sales force to reach doctors. Nonetheless, there has been a huge shift from print and face-to-face communication in favor of online, email and social media platforms.

I decided to analyze the initiative undertaken by GlaxoSmithKline, a British multinational pharmaceutical company, in order to become a more customer-centric company.

Until 2011, the company paid its sales professionals a bonus directly linked to the number of prescriptions sold for a particular medicine. However, the company realized that in the pharmaceutical industry, companies should have a special

responsibility to patients, as these sometimes depend on them to live better or even to live longer. As pharmaceutical companies are judged to higher standards than most of the other industries, GSK decided to change the incentive plan of sales professionals in order to put relationships with customers first. From 2011 onwards, GSK implemented an incentive system focused on the interest of the patient. Because ultimately one's rewards define one's behavior (as explained above), the company decided to tie bonus incentives for sales professionals to the value they bring in ensuring that patients are appropriately treated with GSK medicines. Employees are now rewarded for their patient focus, understanding of their customer, problem solving, and level of scientific knowledge. The company implemented this change as a step towards long-term growth, as the aim was to restore trust in GSK and in the industry as a whole.

GSK admits the change was not easy to implement, especially because they were pioneers in doing this and hence had no road map to follow. It took a huge effort to identify new metrics to evaluate aspects of performance such as problem solving and demonstration of company values. Finally, the company feels this new way of working makes actions more aligned with GSK values and has even led some doctors to reopen their doors to the company.

## **5. Recommendations for Oracle Direct**

I believe that Oracle should reconsider the incentives given to sales representatives if it is truly committed to becoming customer-centric. As Deirdre Connelly (President of North America Pharmaceuticals at GlaxoSmithKline) puts it, "We are not the only industry that needs to better meet society's expectations. Every one of us in the corporate world must look at our business through the eyes of our customers and nimbly respond to their changing expectations".

According to a report published by Sibson Consulting in 2011 entitled *Rewarding sales reps for customer satisfaction*, traditional compensation plans that drive representatives to hit their sales numbers should be complemented (and not replaced) with metrics to assess customer satisfaction. This is important for companies because greater customer service can help improve customer retention and ultimately boost future sales.

It is also relevant to mention that implementing such a change will be costly for Oracle. It will take time for the company to make sure that the approach to measure

satisfaction is accurate, clearly understood by sales professionals and consistent with Oracle's goals. This is likely to require training, which can be costly, as well as the implementation of new tools to receive feedback (currently almost non-existent within Oracle). The analysis of customer-purchase data, a typical indicator of how happy he/she is, can be time-consuming as well. Taking this into account, Sibson states it is expected that the boost in sales and profits will cover the costs/investments needed to implement the necessary changes.

In my opinion, Oracle needs to take a careful look at its strategic objectives and assess whether or not customer satisfaction will help the organization achieve those goals. If it concludes that it will, it is crucial to carefully select the method used to tie sales professionals' pay to this new metric. I would suggest, to start, that Oracle uses customer satisfaction scores to trigger an accelerator or a decelerator in pay, instead of creating a separate measure to which a share of target incentive is tied. This is because, according to Sibson, this strategy places milder emphasis on the initiative. Later, if the company sees positive influences of this change in its results, it can implement the latter strategy and, as GSK did, become more customer-oriented. It is important to note that this change would not only induce effort for existing employees to achieve new customer-centric goals but would also help Oracle in the selection of more customer-oriented employees (with higher intrinsic motivation perhaps).

This is a time for Oracle to make a decision that will deeply impact the company's culture and way of doing business. Oracle will reveal whether or not it is currently being hypocrite (as Steven Kerr led us to question) by claiming it wants to become customer-centric while rewarding individual sales. Whatever the decision may be, Oracle should keep in mind that in such a fast-paced industry where change is imminent at all times, being flexible and open to adjustments as priorities change is of the utmost importance.

## **II – Reflection on learning**

By working as a consultant during this project, I have developed my **analytical skills**. The task required me to analyze the complex problems faced by Oracle Direct as well as its goals, and to make recommendations based on the analysis of

information provided by them or from research we conducted externally. The knowledge I acquired during my Masters was crucial for the success of this business project. Namely, the courses of Marketing Planning and Integrated Marketing Communication to understand the complexity of the relationship between sales professionals and the Marketing department but also in the analysis of the efficiency of the communication channels currently used and proposed. The course of Brand Management was very important because we used two Consumer Decision Journey models I learned during that course in this project to assess the change in consumer behavior: the traditional sales model and the new KPMG model. Since the project's focus was in communication with customers, the course of Customer Relationship Management was very important, as the main goal was to find tools and techniques to nurture the relationship, a topic extensively discussed in this course. Finally, the courses of Game Theory and Leadership and Change Management were crucial (especially for the elaboration of this WP) as incentives were abundantly considered and one key issue in this recommendation to change them is the fact that Oracle is very inflexible and reluctant to change, not only on this topic but in general. Although this project was an uncontested source of new knowledge for me, this did not come in the form of new frameworks or models. Rather I developed my knowledge about the IT industry and products as well as the capabilities to process a lot of information within a very complex company.

However, I believe that the Business Project was designed with another very important objective in mind: to develop our **soft skills**. Firstly, we were working in teams. Although having three people working on a project can bring a lot of value to it, this only happens if the team manages to organize itself and create processes to work efficiently. Due to our cultural differences, this aspect was challenging but we were able to overcome our differences to work together effectively. Moreover, I was in charge of all communications with the company, and this experience showed me that coordination can be very time consuming. Even small things such as answering emails, scheduling meetings, keeping the company updated and passing information to the other team members can be a challenge. Hence, this project helped me developing time management skills and project management skills. In order to succeed, it was crucial to apply the project management tools I learned in a skill seminar at UCD (such as the stakeholder analysis, the in-scope/out-of-scope boxes

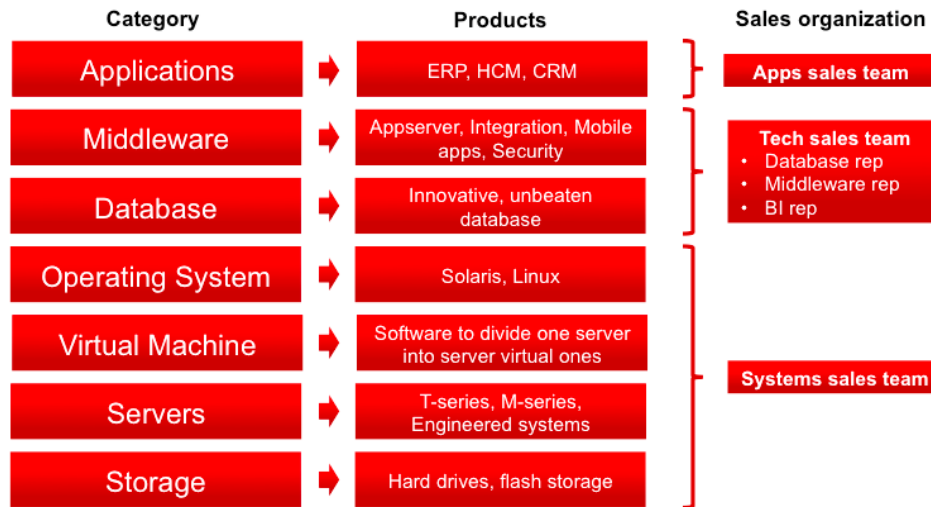
and the MoSCoW analysis in order to prioritize work). It was also very important to have learned how to deal with company representatives and how to communicate with them. This is something I had learned during the Business Communication Skill Seminar as well as during the New York study trip in which we had a lot of interaction with companies. Finally, the intercultural competencies I acquired during my Masters (dealing with people from different backgrounds and cultures, living abroad and having internationally oriented courses) were of the utmost importance.

Personally, I learned that I was very good at project management. As I am very organized and structured, I managed to guide our team through the various steps of the project in a methodical way, not losing the big picture perspective. However, I learned that I do not react well when things do not go as planned. There were unpredicted events and unforeseen complications, and I found it very hard to rethink the problem and adapt to try to find a new approach to it. I believe that this will be hard to change by myself. I think that moving to a different country in July to work for a company with a very informal and relaxed culture where not much is planned will help me a lot in this learning process.

Looking back, I believe that the fact that this BP was done in Dublin was very important for its success. The city is a major IT hub and we were able to talk face-to-face with a few companies, which was very enriching to our project. If I could change anything in the way the project was conducted, I would have started focusing on finding tools and techniques earlier in the process. I believe we wasted a lot of time and energy assessing how Oracle worked, because of the size and complexity of the company and its processes.

**The overall experience was very challenging but extremely rewarding for me. I developed both my analytical and my soft skills, and I am confident I leave the academic world more mature and knowledgeable, and ready to face the challenges ahead in my career.**

## Appendix: Organization of Sales Teams within Oracle Direct



**References:**

- PwC (2013, May). *PwC Global 100 Software Leaders*. Retrieved May 3, 2014, from [http://www.pwc.com/en\\_GX/gx/technology/publications/global-software-100-leaders/assets/pwc-global-100-software-leaders.pdf](http://www.pwc.com/en_GX/gx/technology/publications/global-software-100-leaders/assets/pwc-global-100-software-leaders.pdf)
- Insidesales.com (2013, October). *InsideSales.com - Sales Acceleration Technology* (Video). Retrieved May 3, 2014, from <http://www.insidesales.com/videos.php>
- Towne H., Halsey F., & Taylor, F. (1896). *The adjustment of wages to efficiency: Three papers on gain-sharing, the premium plan, a piece rate system*. New York: Macmillan Co.
- Prendergast, C. (1999, March). *The Provision of Incentives in Firms*. *Journal of Economic Literature*, Vol. 37, 7-63. Retrieved May 3, 2014, from <http://www.hss.caltech.edu/~camerer/BEMEc146/Winter07/PrendergastJEL%20incentives99.pdf>
- Kerr, S. (1995, February) *On the Folly of Rewarding A, While Hoping for B*. *Academy of Management Journal*, Vol. 9. Retrieved May 3, 2014, from <http://www.ou.edu/russell/UGcomp/Kerr.pdf>
- Harvard Business Review (2014, April 16). *Bonuses Should Be Tied to Customer Value, Not Sales Targets*. Retrieved May 3, 2014, from <http://blogs.hbr.org/2014/04/bonuses-should-be-tied-to-customer-value-not-sales-targets/>
- Digital Strategy Consulting (2009, August). *Accelerating pharmaceutical brands and their teams*. Retrieved May 3, 2014, from [http://www.digitalstrategyconsulting.com/documents/DIR\\_Pharmaceutical-marketing-strategies.pdf](http://www.digitalstrategyconsulting.com/documents/DIR_Pharmaceutical-marketing-strategies.pdf)

- Sibson Consulting (2011). *Rewarding sales reps for customer satisfaction*. Retrieved May 3, 2014, from [http://www.sibson.com/publications-and-resources/articles/Rewarding\\_Sales\\_Reps.pdf](http://www.sibson.com/publications-and-resources/articles/Rewarding_Sales_Reps.pdf)