

Values First! An Interview with GlaxoSmithKline Senior Vice President, PD Villarreal

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As described in Dan Pink's book, *To Sell is Human*, GlaxoSmithKline (GSK), the global pharmaceutical, vaccines, and consumer health care company, has adopted a groundbreaking approach to paying its salespeople. Rather than base its sales representatives' compensation on their own respective sales, GSK has removed individual sales targets and moved.....

As described in [Dan Pink's book, *To Sell is Human*](#), [GlaxoSmithKline \(GSK\)](#), the global pharmaceutical, vaccines, and consumer health care company, has adopted a groundbreaking approach to paying its salespeople. Rather than base its sales representatives' compensation on their own respective sales, GSK has removed individual sales targets and moved to reward representatives for their "technical knowledge, the quality of service they deliver to support improved patient care, and the overall performance of GSK's business."

In this interview, GSK's Senior Vice President and Head of Global Litigation, PD Villarreal, describes what the company did and why.

JATHAN JANOVE: What caused GSK to depart from the individual incentive-based compensation model that is common in your industry?

PD VILLARREAL: It all started when Sir Andrew Witty became the Chief Executive Officer of GSK in May 2008. He envisioned an organization that was, first and foremost, values-based with patient care at the heart of everything. Since then, he has relentlessly pressed this vision throughout the organization.

JJ: How did this vision influence sales compensation?

PDV: We began examining practices that we felt were inconsistent with our vision. One was commission sales. Our sales representatives' primary customers are doctors who decide which medicines to prescribe to their patients. Compensating salespeople based on their respective sales volume tends to emphasize dollar-

generation over patient care. It also tends to undermine both trust between GSK, doctors, and patients, and our company's ability to foster teamwork among our employees.

Instead of conversations being about money, we want them to be focused on how we can help patients improve their quality of life.

JJ: Is there currently some form of incentive-based compensation?

PDV: Yes. We evaluate three factors:

Sales competency. How well does the sales rep know our products and give reliable information about their properties and applications?

Customer satisfaction. What do the doctors say about their interactions with the sales rep?

Business unit performance. How did the sales rep's regional group or other business unit do in overall financial performance?

JJ: When was the new program implemented?

PDV: We implemented a new system for evaluating and compensating our sales force in 2011.

JJ: Did this change have an impact on employee retention? For example, I could see a "lone ranger" with big sales figures leaving for a competitor who'd pay more for those numbers.

PDV: Although that may have happened, we haven't experienced a retention problem. We've experienced turnover at an average rate, and we've been able to recruit people who are attracted by our new pay policy. We want employees who care about the patients we serve. If your only motivation is money, you're probably not right for GSK anyway.

JJ: What are some other steps GSK has taken to align practices with this values-first approach?

PDV: In another departure from industry standards, GSK eliminated its practice of paying health care professionals speaker fees and reimbursements for travel to conferences. We also have ended direct grants to commercial providers for continuing medical education and instead make grants to truly independent medical education programs.

Our intent is to eliminate potential conflicts of interest and focus our relationships with health care professionals and facilities strictly on how our products can help their patients.

JJ: Are these changes global?

PDV: We began in the United States and are phasing in changes across the globe. Our plan is to have the changes apply to all 100,000 GSK employees in all 120 countries by early 2015.

JJ: Were your shareholders concerned that GSK might be putting itself at a competitive disadvantage?

PDV: We did get questions from stock analysts. However, such concerns have not materialized. Our financial and stock performance has been fine. And we've seen evidence that the changes are being well received by physicians. For example, high satisfaction rates from our customers increased by 6 percent last year and many health care providers who previously would not see GSK sales professionals have resumed meeting with our representatives.

JJ: Do you think this commitment to values has improved employee performance?

PDV: Absolutely! What gets you out of bed, eager to go to work and be productive—Is it simply money? What about being part of a group committed to improving lives? When employees share the organization's mission, they bring to work their heart and spirit.

Our information shows that employee satisfaction and engagement levels are higher at GSK than at our competitors, and the GSK employee rating regarding having a moral purpose at work is off the charts.

JJ: What have you observed in your role as a manager?

PDV: I manage a 35-member team. We are responsible for most of GSK's global litigation. Work can be highly pressured and stressful. Yet we have a great group of team-oriented high performers. I believe a key factor is that we all care about GSK's mission. Having a shared sense of purpose helps me be an effective leader.

JJ: How do you work the mission into your role?

PDV: Conversations with the attorneys and staff in my group frequently include discussions of core values. We share stories about how the company is exemplifying our core values.

JJ: What kinds of stories?

PDV: We talk about how one of our products—an inhaler used in the treatment of asthma and chronic pulmonary obstructive disorder—has helped users normalize their lives, enabling them to play golf, get married, and walk their dogs in the park.

Lately, we've talked about GSK having developed the world's first malarial vaccine. It will save millions of lives, especially in Africa. GSK made an enormous investment in a product that won't make any money because the

people who need it most can afford it least. Yet with the help of the Bill & Melinda Gates Foundation and other partners, this vaccine will be administered to millions of at-risk children, saving and improving lives.

JJ: What steps would you recommend to an organization leader who might be intrigued by GSK's values-first approach?

PDV: Familiarize yourself with the data about what truly motivates people at work. Although it's complex, the data clearly shows that focusing only on economic incentives is a mistake. Mission buy-in is critical to maximizing employee performance.

Understand, GSK wants to make money. Our shareholders expect us to make money. But this doesn't prevent GSK from having at our core a desire to save lives and improve the quality of life.

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