



“If you can’t measure it, you can’t manage it.” R Norton, D Kaplan

What gets measured, gets done!

A *basic-only* package is definitely out - but whatever you do, keep tweaking to attract, rewards and keep your best performers.

A survey in the Wall Street Journal (6 March 1990) found that 59% of managers said that their remuneration plans did not work, and 49% complained that they overpaid under performers. This is probably because many managers just don’t know how to structure packages. Another chief issue is the laziness of both the sales manager and accounts division to calculate what incentives should be paid, which is probably the reason so few sales teams are actually on monthly or quarterly incentives.

Top Ten Remuneration Tips for Salespeople

1. A remuneration plan that worked last year may be dismally ineffective this year – so **keep tweaking** to match the shifting trading environment. What are the new strategic marketing objectives?
2. **Effective evaluation equates to meaningful remuneration**, which leads to improved respect for the organisation, and thus the improved long-term morale of all work associates.
3. The lazy novice sets the same commission for all products. Choose which performance measure best suits your firm, and then **align commission with what needs to be done**. To weight what requires the most attention, create a tiered or sliding scale commission structure. For instance a new product with a high GP% should be pushed hard. However a product with a low GP% but that will strategically hurt the competition, may also be heavily weighted.
4. If you want to play with a salesperson’s pay structure, don’t switchover to the new package immediately – **do a 3 to 6-month ‘dry-run’ so they can start giving the new KPIs their full attention**, then compare what they would earn on the current vs. proposed pay structures.
5. Before switching over, get **everyone’s commitment to the objectives and the new evaluation methods**. For instance, find that one magical quota (KPI) and weight it heaviest.
6. Have **specific job titles and tiered grades enabling staff to differentiate between their basic salaries and incentive structures**. This also helps career path planning. There are over ten different types of job descriptions for sales people, so don’t think a Key Account Manager (KAM), who does more servicing than selling, should be on the same structure as a Missionary Sales Consultant.
7. Where possible, offer a list of fringe benefits but **allow them to custom build their packages**. A single person may prefer a smaller basic but higher commission. Don’t forget that paying sales people, which includes fringe benefits and expense accounts, is a cost - therefore ensure that it’s **self-funding**. (Don’t forget the sales manager’s salary package too.)
8. To enable salespeople to pilot their own course, **remuneration must be meaningful and measurable by line-of-sight**: at any given moment a salesperson should be able to calculate the bulk of their pay cheque.
9. **Consider IBM’s five pronged approach** which will make salespeople alert to getting things done: a basic, monthly commission, quarterly commission for different KPIs, annual performance bonus on different KPIs, and a recognition awards function where a large percentage of the sales force is rewarded across various categories.
10. **Develop a culture that the sales force really is “the sharp tip of the business writing instrument”**, and that they often will earn more than senior managers.