

# *Sales Professionals of Ottawa*

## *Sales Compensation – Getting the “Right” Lift*

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September 15, 2009

# Agenda

1. Research on Motivation and Sales Results
2. Factors that Conspire to Kill Sales Productivity
3. How the “Right” Sales Compensation Can Impact Behaviour, Performance and Give Sales a Lift
4. Sales Issues in the Current Economic Crisis
5. How Do You Cope and Keep Your Top Performers
6. Exiting the Recession and Surviving in the Aftermath
7. Short-Term and Longer Term Strategies

## Question???

1. If you were going to spend \$5,000,000 .... what analysis would you require to justify an expenditure of that magnitude?
2. How many people feel that their plans deliver the results that they expect and that they are satisfied with them?
3. How many companies launch their plans on time (typically within the first two weeks of the new year).
4. How many feel their plans are too complicated or not well understood?
5. How many change their plans frequently trying to improve results?

## Question???

**Most sales organizations have no formal process or assessment requirements for sales compensation!!  
Sales Management does not dedicate the time or resources to do it *“right”*..... *To get the lift!!***



# Top 5 Sales Compensation Mistakes Made by Management

1. Measurement criteria vague or difficult to track (e.g.: profit, customer satisfaction).
2. Too little investment in communication.
3. Alignment to business goals ambiguous.
4. Changes to the sales compensation plan are made without proper testing/costing to identify potential outcomes.
5. There is no clear ownership for sales compensation (Question: Is it sales, HR, sales operations, finance????)

# Research on Motivation and Sales Results

What does the latest research show about using sales compensation as a tool to deliver sales results?

1. Sales rewards work best with task-based sales activities.
2. Sales has changed....It is not enough to just sell features and benefits
3. "Cognitive" sales (e.g.: needs, solutions or consultative selling) require more than just a reward



# Research on Motivation and Sales Results

We differentiate between a “reward” and an “incentive”

A **“reward”** is a payment that is made after a performance period that reflects achievement of the goal – it does not generally affect behaviour.

An **“incentive”** is a payment paradigm ..... set at the beginning of the performance period ..... it identifies both the required behaviour, targeted customers and the expected result .....including the payout that can be achieved for successfully meeting expectations.

# Factors that Conspire to Kill Sales Productivity

1. Poor Target Setting.
2. Same Measures Different Roles.
3. Right compensation plan ..... incapable of delivery.
4. Performance measures beyond the “line-of-sight”
5. Plan conflict between salespeople and their managers (revenue versus margin) .

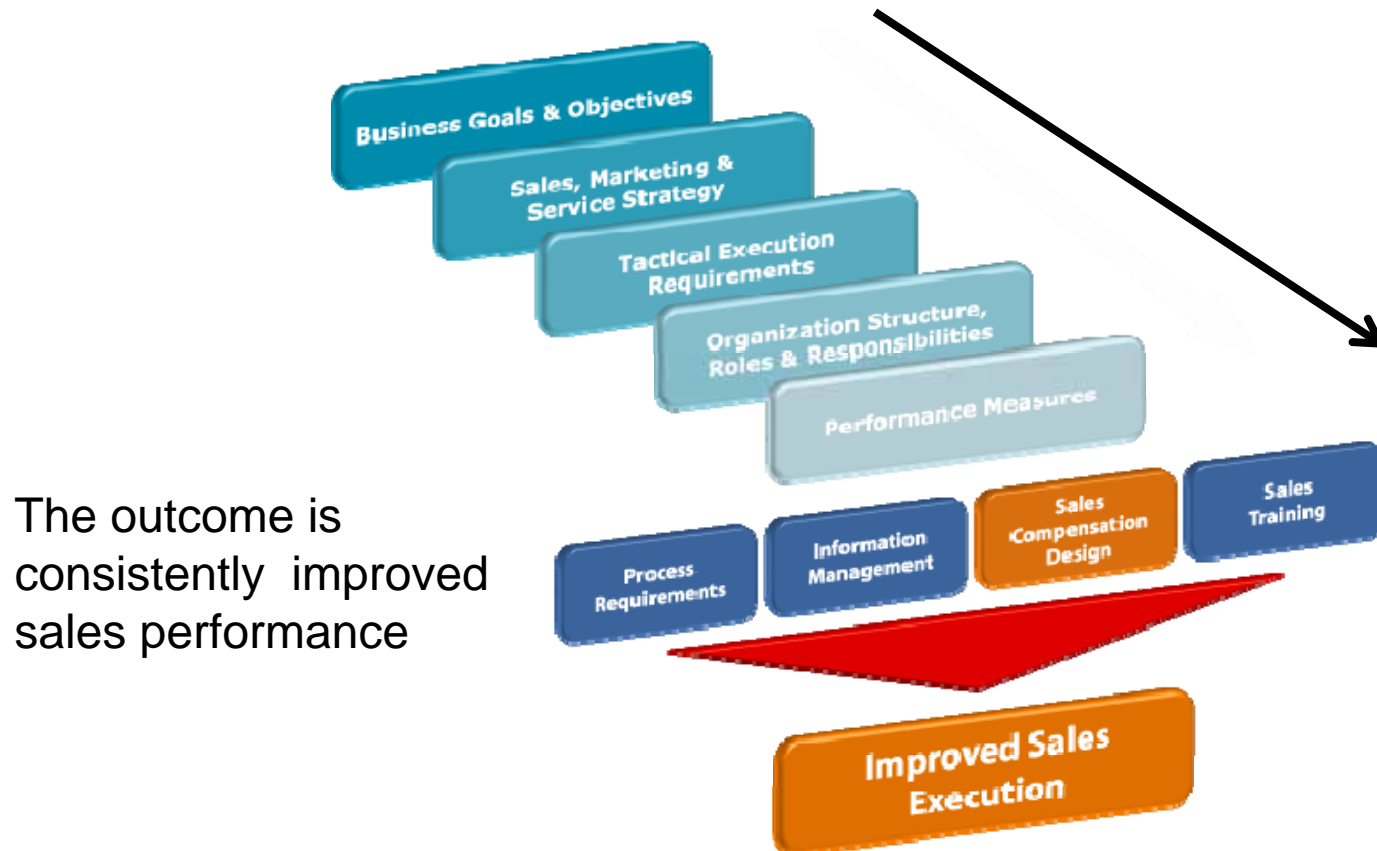
# How the “Right” Sales Compensation Can Impact Behaviour and Performance

The sales compensation plan should deliver two things really well to be successful:

1. “What do you value... and what do you want to pay for?”
2. Where should salespeople spend their time and effort?



# How the “Right” Sales Compensation Can Impact Behaviour and Performance



# Sales Issues in the Current Economic Crisis

When times are good, blemishes are often hidden....  
Issues which have become more profound as a result  
of the current economy:

- Quality of sales performance management processes – Linking of pay to performance
- Quality of Analytical Tools – Linking Rewards to Results
- Cost Effective Account Management – Not just how much.....but how!!!

# How Do You Cope and Keep Your Top Performers?

How can we ensure that our sales compensation plan provides the right return-on-investment?

Ensure that there is a pay-to-performance correlation:

- Pay winners like “winners”
- Pay losers like “losers”



# How Do You Cope and Keep Your Top Performers?

## Emerging Businesses:

- High growth potential
- Greater margin variability by product
- Solutions focused
- Sales strategy is business development focused
- More control over price (Salesperson can influence)
- Project driven versus long-term contracted
- Varying account size/volumes & number of accounts



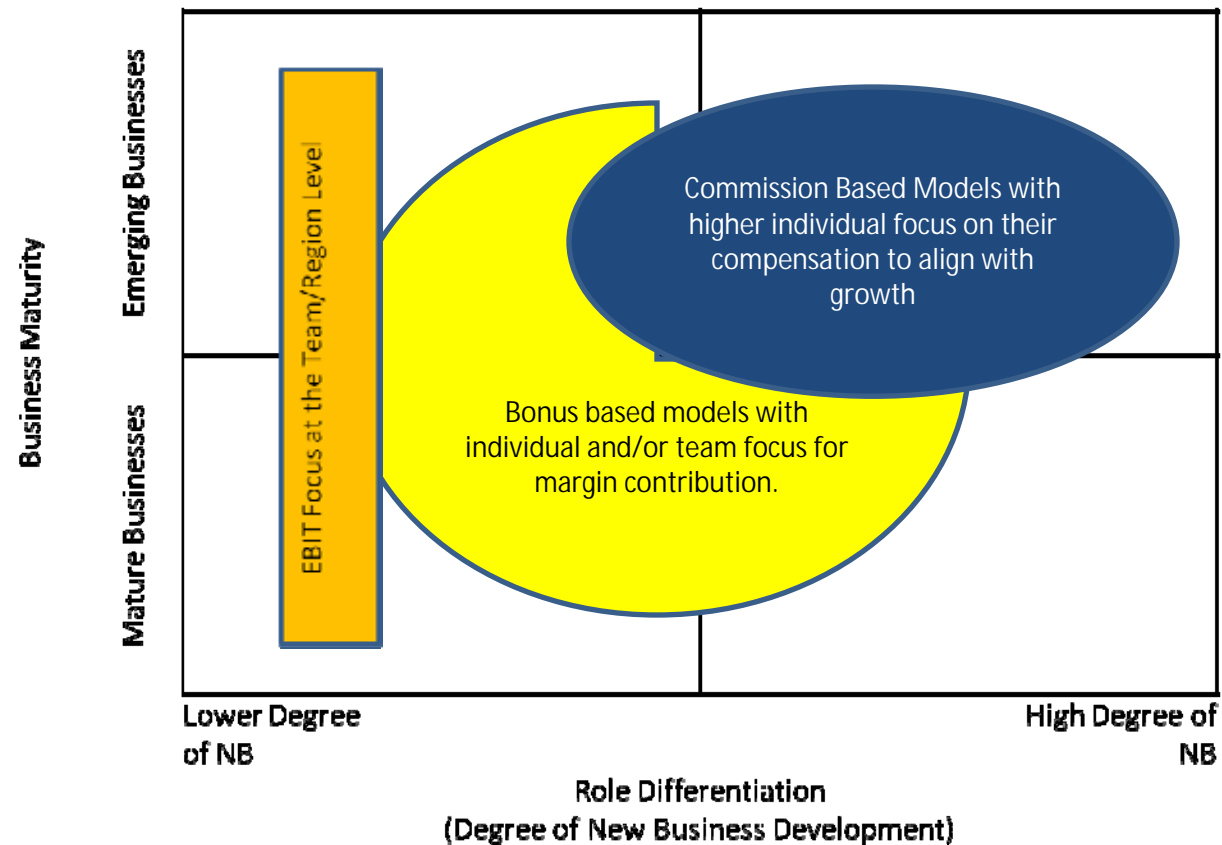
# How Do You Cope and Keep Your Top Performers?

## Mature Businesses:

- Somewhat commoditized - volume focus
- Transactional sales approach
- Lower/tighter margins (degree of control over margin is minimal)
- Longer-term contracted business
- Limited cost control opportunities (typically only logistics, specials etc.)
- Limited opportunity for growth
- Relationship/issue management/cost control sales strategy



# How Do You Cope and Keep Your Top Performers?



# Exiting the Recession and Surviving in the Aftermath



Compensation for achievement of sustainable growth and profitability is about:

1. Rewards for targeting the “right” markets.
2. Assess the research and financial analysis undertaken to qualify more effectively and establish buying model diagnostics to determine profitability.
3. Conduct account reviews that evaluate resource deployment, performance versus revenue/profit targets
4. Be careful with targets in 2010 !!!!

# Short-Term and Longer-Term Strategies

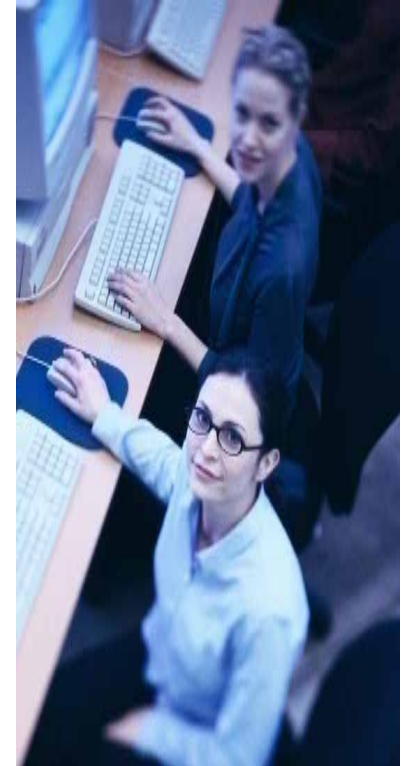
Balance short-term objectives with the desire to secure longer-term revenue streams

- Trend- pay on revenue recognition and pay additional bonus/commission on longer-term (multi-year) deals (overall contract value)

Movement in Compensation towards Strategic Initiatives/Objectives

- In your sales compensation plan, implement strategic sales activities that are critical to building the sales funnel and generating larger/longer-term opportunities.

Reward Activities tied to Account Planning  
(e.g. creating deep relationships)



Questions ??

