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7 Sales Compensation “Tips” For HR/Compensation Managers.

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At the end of the year, sales departments will begin the annual process of redesigning their sales compensation plans.

While you can expect changes, some minor and some major, here is your primary challenge as the compensation manager: How can you best provide meaningful support to this redesign event? The following seven “tips” will serve you well as this annual process unfolds.

#1: Move beyond getting market data--manage the design process. You have the sales compensation market surveys, so, at a minimum, your contribution will be to validate target compensation levels. However, you can move beyond your role as the “market data person” by offering to manage the redesign process. Provide an organized process for a design task force to examine job content, select measures, cost plan alternatives, ensure automation support, and expertly communicate the new plan.

#2: Change is good. Sales compensation must maintain alignment with business objectives. Best-practices companies always have their sales compensation plans expire at the end of each fiscal year. Sales management must continually update the sales compensation plans to maintain alignment with business objectives.

#3: Avoid pay plan confusion. Reserve the use of “pay at risk” for sales personnel. Sales compensation should not be co-mingled with other variable incentive plans such as gainsharing, add-on plans and management bonus plans. Don’t include others in the sales compensation plan unless their job includes customer contact and the role of persuading the customer to act in a favorable economic way for the company.

#4: Keep the sales compensation plans simple. Limit each sales compensation plan to three or fewer measures. Sales compensation plans work best when they are simple. Each unique job should have its own sales compensation plan. “Simple” doesn’t necessarily mean having fewer plans, but it does mean having few measures and clear crediting practices. Avoid corporate, group, compliance, or good-citizenship measures, and make the crediting rules stark and unchanging.

#5: Buy high-quality survey data. You will need to purchase sales compensation survey data from at least two different data sources that collect incumbent-level data. (This is among the compensation manager’s most important responsibilities—it’s not the place to “save” money by avoiding these purchases!)

#6: Educate your line managers. Sales compensation design requires knowledge of key sales compensation concepts. Learn the best-in-class principles yourself, and then provide education about them to your sales compensation design team members before you begin your design efforts. (While you are at it, consider providing sales compensation education

to key stakeholders in finance and marketing, too.)

#7 Act now! An annual sales compensation redesign requires extensive research, collaborative decision making, exceptional communication...and should begin at least three months before the start of the fiscal year. Indeed, larger, more complex sales departments will want to begin four to five months before the start of the fiscal year. Examine all jobs. Design what is best, implement what is plausible.

David Cichelli has taught thousands of professional students how to design effective sales compensation plans. His new book, *Compensating the Sales Force*, provides practical advice on designing and implementing winning sales compensation plans. Visit www.compensatingthesalesforce.com to learn more.