



## GETTING THE “RIGHT STUFF” FROM YOUR SALES FORCE

**T**here is an old saying that goes “Be careful what you reward, for you will surely get it.” Nowhere is this more true than with sales compensation.

More than just a pay program, sales compensation structure communicates powerful messages to your salespeople about what is important and how they should spend their time. How can you be sure it’s sending messages that reflect the needs and priorities of the business?

### Top-Down Approach

**L**ook at your business strategy from the perspective of your sales efforts. Which markets and market segments do you intend to pursue? What value proposition do you offer to these prospects? What is the best way to approach these prospects with your products or services in order to leverage this value proposition? A clear and well-articulated sales strategy is the foundation of a successful sales compensation approach.

### There’s No “I” in...

**S**elling is becoming a more complex and collaborative activity for many companies, involving teams of increasingly specialized professionals. The lone wolf sales representative is no longer the dominant breed. Take a close look at what it takes to sell your value proposi-

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tion. Should some component of your sales compensation approach recognize and reward the group efforts that lead to successful sales?

### Defined Roles

**D**etermine the role each salesperson must play in order to execute your sales strategy. Will you require traditional sales reps who cover a geographically defined territory? An account manager who coordinates all sales efforts to your most important customers? What about pre- and post-sales support activities? Sales jobs are most effective when their focus is as clear and singular as possible. A well-defined sales job with a distinct purpose and set of

goals will point directly at the appropriate performance metrics for compensation.

### How Much?

Is it appropriate to provide some level of base salary to the salesperson – and, if so, what is the right amount? Compensation professionals use the term “pay mix” to describe the relative proportions of fixed (i.e. base salary) versus variable (i.e. commission or bonus) pay that is provided to a salesperson. It may be worth noting that the average pay mix for a business to business



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salesperson in the U.S. is 70/30, or 70% fixed and 30% variable; however, there are wide variations.

There are a couple of different, even sometimes contradictory, rules of thumb that can help guide pay mix decisions. On the one hand, the greater the influence that a salesperson can exercise on the sales results, the lower the base salary component tends to be (and the higher the amount that is delivered via bonus or commission).

On the other hand, the greater the experience, technical skills, competencies and education required for the job, the higher the base salary must be in order to attract and retain qualified employees.

### Now vs. Later

The time-honored default approach for most businesses, particularly those in their growth stage, is a commission plan, where the salesperson is compensated with a percent of the revenues or profits generated. Commission plans do drive and reward sales efforts, but the particular activities that they reinforce – and those that they may discourage – are worth bearing in mind.

A salesperson on a commission plan is predisposed to chase the quickest, easiest sales. Accordingly, he or she will be less inclined to spend time and energy pursuing longer-term and more complex sales opportunities, relationship-building activities or account coordination and

servicing tasks.

There is a trend underway to use bonuses rather than, or in addition to, commission payments when rewarding sales. Bonuses can be very effective in situations where the salesperson has important objectives that can't be measured or recognized by “volume only” commission plans. Bonuses are also helpful where longer sales cycles necessitate recognizing and rewarding salespeople for milestones leading up to sales.

Be sure that the pay approach you've chosen communicates the right messages so it can drive the right results within your sales force. 

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