

BUILDING THE ENVIRONMENT FOR MOTIVATION: COMPENSATION PLANS, RECOGNITION, AND REWARDS

One of the most challenging areas for managers is motivation of sales professionals in order to maximize their performance. Also, since maximizing your team's performance is so key to your own success, it requires a great deal of attention.

What makes it so challenging is that there is no one-size-fits-all formula to increase the motivation of your staff members. What motivates one person might not motivate someone else. In fact, it might do just the opposite.

This chapter will take you through the theory of motivation and all the major ways to increase the chances of motivation. Most important, it will give you insights as well as specifics that can be applied to your various team members. Keep in mind as we go through this section that you are not actually motivating someone else. Only that person can motivate himself. You, on the other hand, can provide an environment that will increase the odds of someone being motivated. We will also look at the area of compensation and incentive planning and the importance that motivation has in the overall plan. Finally, you will learn more about core motivational techniques (monetary and nonmonetary) including the tremendous importance of recognition and rewards.

CLASSICAL MOTIVATION THEORY

Several different classic theories guide us today in terms of motivating, or setting up a motivational environment. Most are based on the notion that internal motivators need to be tapped into in order to bring out the best in people.

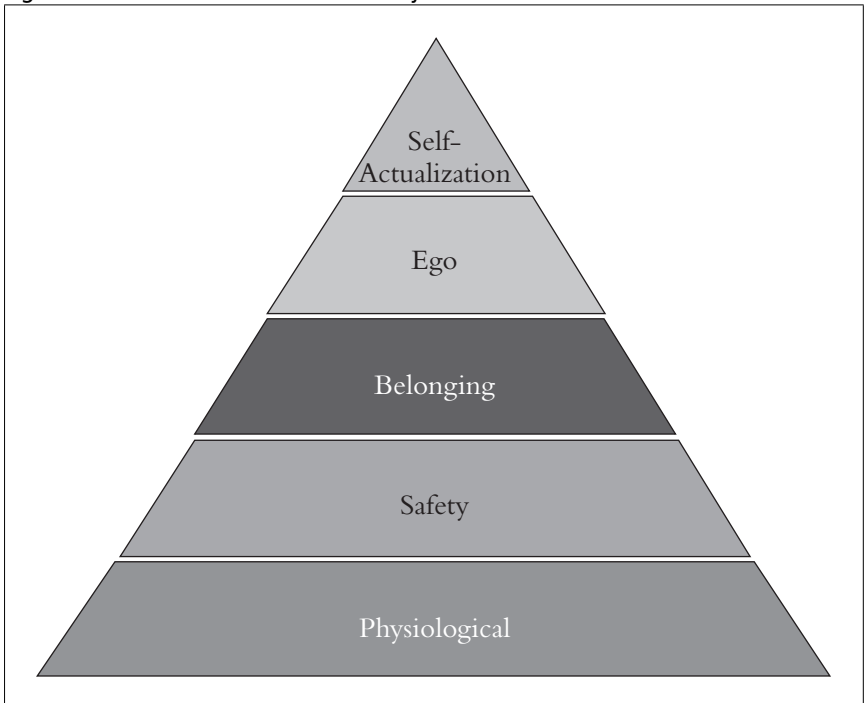
Before delving into some of these internal motivators, it is necessary to look briefly at the works of two psychologists who you might already know something about.

Hierarchy of Needs

Back in 1943, in an article titled “A Theory of Human Motivation” in the *Psychological Review*, Abraham Maslow proposed a progressive, hierarchical, pyramid approach leading to the ultimate internal motivator: self-actualization (Figure 6-1).

At the base of the pyramid, physiological needs are a priority. Here basic survival instincts such as the need for food and water are evident. These are what people will seek out in order to exist.

Figure 6-1. Abraham Maslow's hierarchy of needs.



The next level up the pyramid is safety and security needs. These include the need to protect oneself from the elements, enemies, or imminent danger.

The third level from the base is belonging needs. With some exceptions, people are social animals, and they need others like family and friends to be a part of their life.

The fourth level includes ego needs. This is the need to be distinguished from others. The formation of a personal identity is important to people because no one wants to be exactly the same as anyone else.

The top of the pyramid is self-actualization needs. This is the point in life at which people are fully satisfied and have “found themselves.” It is said that this need is never actually fully satisfied but is actively pursued once the other needs have been met.

When considering these categories in their purest sense, one needs to assume that the other elements of the hierarchy of needs have already been satisfied in order. For example, without your basic survival needs being met, it is not likely that you will be looking to form social groups. If you then look at this from the top down, self-actualization can not take place without the existence of the other preceding motivators. That said, one could say there are exceptions to that rule. For example, someone might sacrifice her own safety or well-being for that of someone else, say a child or loved one. In this case, she is actually motivated by self-actualization before safety and security. While this hierarchy sheds some light on motivation, and stresses the importance of self-actualization as a motivator, it has its limitations.

The research findings of Frederick Herzberg, published in the book *The Motivation to Work* in 1959, illustrated motivation from a somewhat different perspective, and considered motivation in tandem with what he referred to as hygiene factors. Hygiene factors include categories such as company policies, working conditions, working relationships, and salary and benefits.

Under motivation you have such categories as the work itself, achievement, growth opportunities, and recognition. In the absence of hygiene factors, the setting becomes demotivating, although the presence of these factors do not motivate in and of themselves. That is to say that categories such as salary and benefits are not considered motivators, whereas achievement and recognition are.

Graphically, Herzberg’s theory could be depicted as follows:

Hygiene Factors or Potential Demotivators

Company Policy
 Salary, Benefits
 Relationship with Boss
 Safety on the Job

Motivators

Responsibility
 Growth Opportunities
 Recognition
 Rewards

As you can see, the factors leading to satisfaction or that motivate employees are different than those that could lead to dissatisfaction or that demotivate someone. One other way to think of it is that the hygiene factors are the baseline in order for the motivational factors to be able to play their part. In essence, they are two very different yet important categories in their own right.

With these two theories in mind, it is necessary to now look back in time a bit to the work of another psychologist, Eduard Spranger. Back in the 1920s, Spranger's work helped to identify six core internal motivators:

1. Theoretical
2. Aesthetic
3. Social
4. Political
5. Structural
6. Economic

Two things to points out:

1. There is no particular order to these motivators.
2. You will see other similar words used in place of these over the years. For example, sometimes you will see *order* in place of *structural* or *power* in place of *political*.

Although originating before Maslow and Herzberg, these six motivators have some similarities and correlate to those later findings in certain ways. However, the body of knowledge around them and what has evolved over the years looks at motivation from a somewhat different perspective.

You can think of these six motivators like behavioral styles or DISC in that they are very important and help you to identify ways to work with your team and others around you. However, whereas

DISC patterns guide you on how to work with others and look introspectively at yourself, motivators are based on the why or what that leads someone to act or react in a certain way. To a greater extent it takes into account your values and deep-seated beliefs—those that not only are represented through your behaviors but also those that guide them. So a primary focus of these motivators is on what people strive for or are seeking out of their work.

Theoretical

People that highly value the theoretical strive for knowledge. The more one knows, the stronger one is. Theoreticals have an insatiable appetite for knowing and understanding. They have an intellectual curiosity that is systematically satisfied. They constantly ask questions to fill in blanks. They are incisive, logical, objective, and unemotional in their pursuit of knowledge.

Probable Strengths of the Theoretical

- Likely to be an expert in their field
- Curious about a wide range of subjects
- Questions and challenges logic
- Patient
- Incisive

Potential Weaknesses of the Theoretical

- Methodical approach sometimes delays results
- Answers questions with questions
- May come across as too intellectual or a snob
- May be absentminded

To Motivate the Theoretical

Theoreticals tend to move toward jobs that entail a lot of analysis or mental stimulation. In the absence of this, it is important to try to assign tasks that require research or investigation. When delegating, be extra conscious of providing measurable goals with specific deadlines. This will keep Theoreticals from wandering off the subject. Use their analytical ability to develop other uses for the information they gather.

For example, a salesperson may need to turn in a monthly competitive pricing report. Writing the report may not be stimulating. If an additional challenge is given to look for patterns or investigate alternative pricing strategies, then the report becomes part of the knowledge motivation.

Aesthetic

People who place a high value on the aesthetic seek balance and beauty. Aesthetics have a need to enjoy and respect objects of beauty. The beauty can be a great work of art or something in its natural setting.

Aesthetics also seek balance, symmetry, and harmony. The Aesthetic person experiences each event separately and on its own merit. Experiences are not necessarily linked nor do they need to be relative to anything else in life.

Aesthetics are sensitive people who are keen observers. Aesthetics tend to want to enthusiastically share their experiences, especially with those who appreciate the harmony and beauty in life. They tend to be or at least aspire to be in more creative roles. Money is not the prime motivator for Aesthetics. It is the enjoyment of creating something that brings them ultimate pleasure.

Probable Strengths of the Aesthetic

Creative

Artistic

Excellent sense of symmetry

Above-average spatial/visual intelligence

Alert observer

Potential Weaknesses of the Aesthetic

Perceived as a dreamer and not a doer

Perceived to be on the edge of societal norms (dress, lifestyle, etc.)

Temperamental

Very sensitive

To Motivate the Aesthetic

Aesthetics work best in a hassle-free environment. Since they enjoy beauty, their physical surroundings need to be pleasant. They may

not just want nice furniture and works of art on the walls, but also to work with “pleasant” people. Aesthetics function well when allowed to be creative with projects. Something as simple as being allowed to design a new format for a report makes the report a motivating task. Personalizing tasks are important to Aesthetics since to them each event is its own experience. Ill-mannered people, cluttered offices, and volatile circumstances will be depressing or can slow or impede Aesthetics’ performance. And while Aesthetics may prefer room to work freely, a manager may need to follow up with a bit more frequency.

Social

A person who values being social tends to put others first. They delight in working with and assisting others. They do not typically seek gain or a great deal of recognition. They do not have hidden agendas. Socials will give time, talent, and money to further what they see as a worthwhile cause. Socials tend to be in jobs or aspire to work in places that allow them to fulfill their desire of helping others.

Probable Strengths of the Social

- Charitable
- Benevolent
- Concern for others
- Empathy
- Team player
- Good teacher or educator

Potential Weaknesses of the Social

- May be taken advantage of
- May neglect self for the sake of family and others
- Has difficulty saying no
- May be too trusting of others

To Motivate the Social

Put Socials in an environment where they can help. If their sales role does not always lend itself to this, assign projects that might

accomplish the same goal. Encourage them to work on teams within your department and across the organization. Also, encourage any extracurriculars, such as volunteering in organizations outside of work. At the same time, you will need to keep an eye out that extra work does not cause productivity to drop. Give them time or support in their projects. Socials are usually pragmatic, so they can distinguish between outside activities and career.

Socials also want to feel and actually be needed. Although this is true for everyone, it is especially important for Socials. Put them in a position where they can see that they have made a difference.

Political

Those who place a high value on the political seek out and desire power. Politicals look for a variety of ways to gain control. If there is a lull or gap in the leadership role, the Politicals want to step in and take charge. Although it is not always true, Politicals are often viewed as leaders.

In some ways, Politicals want to be elevated over others. They enjoy center stage and public recognition. Titles, positions, and lofty status symbols are typically more important to them than to others. Politicals are usually self-centered and need that extra special attention. Politicals have been known to take positions with a lower income if it gives them more authority.

Politicals are very responsive to competition. The bonus money associated with winning a contest is secondary to the win itself. Of course, the caveat is that the money may allow them to attain more status symbols that demonstrate power or authority. Politicals move toward fast-track jobs. Upward mobility is important to them, and they either seek it within the organization or need to move on to another one.

Probable Strengths of the Political

Industrious

Competitive

Accountable for actions

Desires to lead

Passionate

Potential Weaknesses of the Political

- May appear superficial
- Seen as egotistical
- At times may be merciless
- Lacks patience

To Motivate the Political

Place Politicals in leadership roles on projects or teams. Be aware of titles for job positions. Although not always feasible, a wording change in their title could increase motivation. Office position or workstation placement is also important to the Politicals. If possible, give them a prestigious place to work. This cannot be done in an arbitrary way. Performance must be associated with the work area or job title. The Politicals want glory, yet at the same time they are willing to earn it.

Structural

Those who highly value structure seek order from life. Organizational charts, strategic plans, measurable goals, and benchmarks are all motivators. Salespeople motivated by structure tend to have high moral and ethical standards. They also will rely heavily on standard operating procedures. Go by the book whenever possible. If the book's procedures require modification, make changes cautiously and respectfully. More than others, they will focus on the importance of SMART goals. In fact, achieving a goal in a sequential and orderly fashion is more motivating than what the goal achieved. They tend to pick up on superficial motivation or manipulation and will quickly reject it.

Probable Strengths of the Structural

- Honest
- Direct
- Dedicated
- Hardworking
- Systematic

Potential Weaknesses of the Structural

- Overly strict
- Tunnel vision

- Limited comfort zone
- Overly zealous on minor points

To Motivate the Structural

The Structural individual works best for someone who is honest and has a high degree of integrity. This person does not respond well to threats or false bravado. They are turned off by those who are overly enthusiastic and impetuous. Give the Structural person a working environment that requires order and systems. Training a person with this style to prospect requires a very specific approach. Do not expect them to cold-call impulsively; they will opt to be more methodical.

Economic

People who place a high value on the economic strive for material rewards and practicality. They desire to accumulate wealth and possessions, not necessarily for just themselves but for their family and others as well. They strive to accumulate accomplishments in clearly identifiable forms.

Practicality leads to a concentrated concern for the bottom line. If an idea cannot bring a “tangible” return on investment, then the idea may be worthless to Economics. An Economic has little need for knowledge that cannot be readily used. Economics are constantly comparing and contrasting, and measurement devices are consistently analyzed. Observation, desire, and acquisition are the processes Economics use in accumulating material rewards. Economics are not afraid to work for these possessions, and they believe others think likewise.

Probable Strengths of the Economic

- Dedicated worker
- Competitive
- Goal-directed
- Profit-oriented

Potential Weaknesses of the Economic

- May want to win at any cost
- Could be seen as greedy
- Workaholic
- May become overextended trying to keep up with societal standards

To Motivate the Economic

Provide them with opportunities to accumulate materialistically. Again, this is not always just in terms of money, but other possessions as well. The faster the accumulation, the greater the motivation; for example, a commission is more motivating than profit sharing. Therefore, Economics typically want rewards associated with a known quantifiable value. Economics expect to be paid for their skills. Once Economics have something, they tend to not want to lose it. They will be motivated to keep what they have and then continue to want more. Economics can sometimes move forward with fearless abandon. At the same time, managers must be careful not to push the Economics beyond their means.

A note here to try to clear up any confusion about financial rewards (primarily money) as it relates to motivation. As was theorized by Herzberg, the financial aspect (salary, benefits, etc.), while a core component of any organization's strategy, is really just to satisfy the core needs of your staff. Once these needs are met, it is necessary to find out what will motivate each individual salesperson. The confusion arises in that one of the six motivators identified by Spranger was Economic. So how can these two be justified?

The answer is that they cannot. The theories and studies out there all take a look at motivation from a slightly different perspective. What is important to realize is that financial rewards do play a role in motivation, whether they are the motivator in and of themselves or whether they are more of a means to get to the true motivators; what is consistent is that they are not the sole or primary driver of motivation. Many other factors come into play, and it is incumbent upon you as a manager to try to tap into these other factors.

Additional Ideas About Internal Motivators

Just as in the AMA DISC styles, internal motivators are prioritized. According to some of the work around this theory, everyone has all six. Some are just more important than others to the individual. Generally, people work with internal motivators two at a time—two that they are currently striving to satisfy, and two that are waiting in the background in case of or for when the first two get satisfied. Regarding the remaining two internal motivators, there is a limited desire to satisfy.

For example, an Economic who has already built great wealth

may then set up trust funds for charities or provide scholarships for schools. Thus he is moving on to satisfy his Social need.

It is important to recognize that no one actually reaches the top of the pyramid nor satisfies all needs. Everything is really about the quest for total satisfaction. Furthermore, each of the six internal motivators have different thresholds for different people. For the Economics, what amount of money or material possessions are enough? For the Aesthetics, when does beauty end? For Theoreticals, is there nothing left to learn? And once people reach one threshold, another is then generated.

It is fair to say that everyone wants utopia. Everyone wants to be self-actualized. Everyone wants to satisfy their particular needs. The good news for managers is that everyone wants something. The manager's job is to find out what that is. If this discovery can be made, managers can now help to motivate their people by guiding them in the right direction.

There is a saying: "Help enough other people get what they want, and you will get what you want." The trick is to know what people want and, more important, why they want it.

Now that you have much of this basic knowledge around the six internal motivators, it is important to do two things. First, identify the primary internal motivators of your team members. Second, lay the foundation for an environment that brings out the best in them.

Identifying Motivators

Of course, various instruments exist that seek to identify your internal motivators. They can also be identified through observation and questioning.

For example, to determine an individual's internal motivator, you can ask a very basic, straightforward question, such as: "What would you do with the extra income from an increase that was above and beyond what you were anticipating?"

Sample employee responses could be as follows:

- *Theoretical.* I have been looking to take some classes that the company reimbursement policy does not cover. The raise will cover my expenses.
- *Aesthetic.* I would like to buy a new piano. The more I play, the more I realize how bad my current one is. Also, I believe

I was brought in at the lower end of the salary range, and while I do not expect nor need to be the highest-paid in the department, it should help balance things.

- *Social*. I am thinking about adopting a pet from the local shelter. If the raise comes through, it will help offset some of those expenses. Either way, I still plan on making the commitment.
- *Political*. I am not sure yet, but what I can say is that this is long overdue. I deserve it, as I am one of if not the single largest contributor to the team.
- *Structural*. I am not yet decided, but I am glad this is taking place. I believe that company policy states that I am due for this type of increase.
- *Economic*. This extra money is necessary so that I can add to my investments. This will help to further compound my rate of return.

Remember that while the above responses will help clue you into likely internal motivators, you would still not want to rely on just one indicator, so additional questions, observation, and other assessments would help to give you a more accurate picture.

For example, at first pass you might confuse the following Structural versus Social distinction:

A Structural person who has a real concern for the well-being of others would tend to think logically and long-term. A Social would be more focused on the here and now. The Social would therefore look to give a hungry person the fish, and a Structural would likely want to teach him how to fish.

To sum this up: *What* people do is behavior; *why* people do what they do is their internal motivator.

Now that you see what types of things drive motivation, the balance of the chapter deals with actually creating the environment in which it can flourish.

SALES COMPENSATION AND INCENTIVES PLANNING

The sales compensation and incentives plan is an integral part of the planning process. Like the core elements of the sales plan discussed in prior chapters, the comp plan needs to tie the sales department into the overall corporate strategy.

A well-thought-out plan helps to measure, reward, and align

the team. Also, while it can at times seem focused on mostly the financial aspects, it opens the doors to the vast category of nonmonetary rewards that can very much enhance the plan and fill in the gaps where necessary.

Since you are a new sales manager, you may not feel you have much say in this part of planning. You do, however, have a major stake in the behaviors driven by your department's plan and the results that follow. Therefore, whatever level of involvement you have in preparing the plan, you can still find numerous ways, direct and indirect, to get involved.

Some of the key benefits of a well-developed compensation and incentives plan are:

- A clear link to corporate and other departments' plans
- A defined role for sales in the organization
- A defined role for the salesperson
- A defined role for others compensated or incentivized under or tying into the plan
- The ability for the company as a whole to attract and retain some of the best employees
- The ability to encourage/discourage certain behaviors
- The image of the sales department, both internally and externally

You and your sales staff are operating in a larger environment that affects your level of motivation. This not only encompasses the culture surrounding you, but the policies, procedures, and business practices in place. Let's take a look at the three categories (corporate, departmental, and individual) and what can be affecting you and your staff in each of these areas. Then you will learn ways to address each category through an enhanced plan as well as rewards and recognition programs.

The first level is "corporate." Corporate is responsible for things that reflect the general work environment and company image such as:

- *Company Brand Name/Reputation.* Do people on the outside speak highly of your company? Is reputation and the company missing something that affects your team's motivation and/or drive for success?

- *Cross-Functional Teams.* Is the culture interactive? Does your staff have the opportunity to work with people of other departments and levels across the organization?
- *Benefits Package.* Does your company offer a good health plan? Are there additional services offered such as gym membership, child care, etc.?
- *Working Conditions.* Is it a safe and clean environment to work? Is your human resources department and IT (help desk) very helpful in answering questions and resolving issues? Does your company provide food or beverages?

The next level is the department. The department level has many areas that cross over with corporate, but your department likely has its own nuances and cultural norms. While you might not have as much leeway with the corporate policies and areas affecting all employees, you should have a greater say in what affects your department, or at least your direct team members.

- Do you have sales contests, employee recognition programs, or other programs different from the rest of the organization?
- Is your dress code the same as corporate or is it more formal/casual?
- How close or far apart does the motivation or level of ambition seem from one department to another?
- Is your sales staff expected to participate in general corporate meetings or are you more autonomous?
- How are the players in your department being compensated? Are there differences in the pay packages and what are some of the guidelines?

The third level is individual. As you saw, while you can work to have an environment that taps into the motivation of your team, it can never be all things to all people. This is where specific tailoring of rewards and recognition will come into play. Of course, you should not play favorites when it comes to rewards (monetary or nonmonetary), as this could be discriminatory and possibly even illegal, but as you now know, there are many different ways to engage different team members. A solid plan is meant to get the most out of your star performers and not carry the weaker players on their shoulders.

The Sales Compensation and Incentives Plan: Where to Start

The “comp plan” needs a starting point, and what better way than by looking at the competition? As we mentioned before, benchmarking can be used to compare yourself to the competition. If you are in a start-up business or beginning a new category, you can look to similar industries for examples.

Before you can look to improve or enhance your current plan, it is critical that your plan be competitive with the industry. People within industries talk, and at times take a look at the competition, so it should be known industrywide that your company has a solid, if not the best, plan in place. That is not to say that you are directly sharing information with the competition but rather that when one of your staff shops around, they should not be surprised and find a significantly better compensation package with one of your key competitors.

You should, of course, only attempt to obtain competitor comp information through legal and ethical channels. This might include past salary information from new hires, studies on your industry by independent sources, trade association research, and so on. Also, your competitors might actually post their salary ranges directly on their job listings.

The competitor’s compensation and incentives package would also include programs the competition engages in, such as sales contests. In this case you might have just heard that salesperson at X competitor won a trip to Aruba or that the top twenty producers at Y competitor went on an all-expenses-paid trip to a resort in Palm Springs. What is important to know is that word gets around on what is and what isn’t a “good” place to work, and the comp plan is very much the foundation for this to happen.

The Elements of the Comp Plan

The compensation and incentives plan is meant to encourage the right behaviors as well as discourage the wrong ones. What those behaviors are needs to be determined. However, it is necessary that they take into account the salesperson, you, the department, and the company as a whole.

The comp plan should also address both the short term and the long term. For example, while revenues and profits might be necessary on evergreen products and services you provide, certain new

product launches (the future of many business strategies) might be a longer-range initiative without the immediate payback or return on investment. In this case, you would need to be sure that everything (not just revenues and profits) are spelled out in the plan, and compensated for as necessary. Salespeople more than anyone else in the company, will work for what they are getting paid for, and not much else.

This need to motivate salespeople to carry out nonrevenue/profit tasks can be carried out through specific performance measures, which look at both volume measurements and other activities that are being carried out to reach what ends. In sales planning we looked at the various inputs needed to ensure SMART goals and objectives. Since the comp plan is an integral part of the larger sales plan, it should also spell out many of the expectations.

Relative and Ambiguous Terminology

One of the keys to measuring the success of a salesperson, or really any employee, is to be as specific as possible. If you are going out into the field and are told you are being paid X commissions on sales revenue, you have a clear understanding of what your pay will be. However, as mentioned, it might be other activities that are necessary for the long-term success of the sales department and the company as a whole, and those need to be accurately measured and compensated for.

For example, what happens if someone said that you are being paid for your “best efforts in thinking long-term for the company”? This rather farfetched example helps to give you a more clear idea of something that is impossible to measure. For example, what is meant by “best efforts,” “thinking,” and “long-term”? While these words might mean one thing to you, they could mean something entirely different to someone else. In addition, they do not live up to the SMART standards discussed. Since every business is different and has its strategic priorities, it is up to you, along with your management, to determine what activities are to be measured and rewarded. Following are some examples that companies commonly put in this category:

Sales calls to defined national accounts

Presentations to senior executives

Prospecting calls to prequalified accounts
Sampling of new products
Proposals requested by customers

Unfortunately, it is typically only performance in terms of revenues and profits that companies are able to measure effectively. That is because they have not taken the time to set up a strategic comp plan, and even with some of the basics in place, that plan might still not be communicated or monitored effectively.

Furthermore, even those companies that try to include important activities into the plan are likely not capturing one very key element—productivity. For example, you might find that one of your salespeople is completing everything ahead of deadline and even surpassing some of the numbers targeted in areas such as prospecting calls and national account visits. However, that person is falling far short of meeting her monthly sales quota and is falling behind on getting in her sales reports. Therefore, she might be working “hard” but not “smart,” or what is really happening here is that she doesn’t know how much value to place on each area of her job. Three questions are important to answer here:

1. Which areas hold a greater weight in the compensation plan?
2. Does the salesperson understand the goals and objectives?
3. Is she qualified to achieve the stated goals?

The answer to this first question is what truly separates the good and bad sales organizations. Remember: Since salespeople are working for what they are being compensated for, it is up to you if you want to drive certain behaviors, making sure it is in the plan. If not, you will be left scratching your head, asking, “Why didn’t they do X or Y?”

As you saw, besides revenues and profits, sales activities such as prospecting calls and sales proposals could be a part of the plan. However, consider measuring several other key areas, such as sales skills and product knowledge. All told, you can end up with several categories that are determined based on your strategic priorities, including:

- *Revenue/Profits*. Is the salesperson on course to meet quota for existing and/or new products?

- *Sales Activities*. Is he involved in the right activities that lead to the desired results?
- *Sales Skills*. Is he working as a solutions provider (partner) with the customer?
- *Cross-Departmental Communications*. Is he working well with others in your organization?
- *Product Knowledge*. Does he understand the ins and outs of the current product line and new product launches?
- *Competitive Analysis*. Does he understand what the competitors are offering?
- *Financial Understanding*. Does he understand the numbers side of the business?

You can break each one of these into subgroups as necessary as well. For example, under sales skills you might have:

- Presentation skills
- Closing skills (different from closing ratios, which could be an activities measurement)
- Discovery techniques or needs analysis

Another major category of measurement that has grown in importance over the years is customer satisfaction. After all, most sales today are not transactional in nature, they are long-term. Even the purchase of a consumer item like a suit, which might take only an hour or so, still has the potential to be that of a long-term customer. Therefore, customer satisfaction is not only a measure of today but of the future as well.

You can then rate your team members against each of these categories and specific factors. For example, Salesperson X might rate a 7 out of a possible 10 in presentation skills, and 3 in product knowledge. Keep in mind that there is almost always a way to apply objective measurements to these. For example, with presentation skills you can monitor whether or not the salesperson completed a course on presentation skills. Also, it is an extremely useful tool for deciding how best to train and coach each team member when there is a deficiency (to be looked at in detail in Chapter 7).

You would then need to look at weights for each factor. While revenues and profits typically have the greatest weight, the others, especially in certain industries and with certain types of sales roles,

might have as great or even greater weight than dollar figures. Whatever the determined weights are for each factor, they will likely tie into some type of performance management system.

Performance management has several purposes:

- To set goals and objectives
- To see where you meet, surpass, or fall short on agreed-upon goals and objectives
- To formalize (make official) the measurement process
- To have in writing areas mutually agreed to by the employee and employer

Note that performance management and performance reviews vary greatly from company to company. Sometimes the goal setting is part of the same process, while other times it is separate but ties into the process. Also, some companies have additional or other forms of reviews such as 360 and peer reviews, so that not only does a manager review her employee, but an employee also can review his manager, and/or multiple people are reviewing multiple people (customers can even be included in the process) to get a broader range of inputs. There are pros and cons to each, and you likely already have one in place with which to work and that is mandated by your human resources department.

How Salespeople Are Paid

Since financial rewards are still always a core component of any plan, how salespeople are paid should take into account many factors. First off, what type of an organization are you? Are you a start-up in a growth industry in need of attracting an entire new sales force or an established company in a more mature market with a great deal of existing talent and a cadre of new talent from which to choose? The reality is that there are many ways to set up a compensation package, and not any single package fits every company. Some of the most common formats are:

Salary (Base) Only

This is when you pay only a salary to a salesperson and without variable pay (commission or bonus). This is typical of the “maintainer” (the person maintaining the account) and/or when the salesperson is more of a coordinator of a team and is not the initiator and closer of the sale. It is not very common to have a salary-only plan, as typically salespeople are involved to some extent in increas-

ing business through opening new accounts or building existing ones, and would therefore require some form of variable pay based on their performance.

Commission (Variable or Incentive Pay) Only

This is the other extreme from a salary-only plan. Here the salesperson is paid a commission on the percentage of revenues generated. Also, the commission can be derived not just as a flat percentage of revenues but also might include other variables such as profit margins, number of units sold, or other factors. Furthermore, the payout can vary and have what are known as “accelerators” or “decelerators,” whereby the percentage goes up or down with increased volume. It is important to pay commissions as frequently as possible in order to further drive results. Commission-only plans are more common when the salesperson acts very independently and the consummation of the sale relies on her almost entirely. “Go-getters,” those salespeople who go out and get the new business, would often fit into this category. Typically this type of salesperson is willing to take on a great deal of risk with the intention of benefiting from a high upside potential. Like salary-only plans, commission-only plans are not the norm either.

Salary Plus Commission

Some type of mix between salary and commissions is typical in the sales arena today. Here the salesperson receives a base pay for his work in maintaining accounts and conducting other non-revenue-generating activities, but he is also compensated through commissions for generating additional business. The mix can vary from anywhere from a high base with limited commission potential to a very low base with a very high commission potential.

Salary Plus Bonus

A salary-plus-bonus system is very similar to a salary-plus-commission type of comp strategy. The main delineation is that a bonus typically signifies a percentage of the salary (as opposed to a percentage of sales) that will be given based on achieving the predetermined objectives. The minor difference from that of the commission program is that the salesperson under most bonus plans typically has a lesser degree of influence on the sale. As in the commission program, the payout could accelerate or decelerate; however, it would

be based on salary percentage and not revenue, profits, or other volume factors.

Draw

A draw is another form of salary. In this case the company loans or advances the employee the money, and the employee repays it out of future earnings. In most cases this is a legally binding loan owed to the company. There are other types of draw structures stipulating that if the employee does not earn enough to repay the loan, the loan is forgiven. They are often used to help ramp up a new employee where sales potential seems very likely.

Of course some plans combine all three of the major elements—base, commission, and bonus. Also, some plans start off with a higher base and then it is lowered over time as the salesperson gets up to speed and the higher commissions start to kick in. Whatever the specifics of the plan are, make sure it is clear to all parties involved. An overcomplicated plan can only detract from its original purpose. If goals and objectives are clear, your staff will know where they stand at any point.

A note about caps: Putting a cap on the payout to salespeople should generally be avoided. After all, a more driven salesperson can be to everyone's benefit. However, although it might sound somewhat harsh, the sales staff works for the company and not the other way around. So if there are certain controls that need to be put in place, in order to not give away the ranch should a major unexpected order come to fruition, then by all means do so. This is why some companies or industries favor a bonus over commission variable pay, as it helps to mitigate this type of risk. Besides growth versus mature industry, several other factors go into deciding on the best suited strategies for an organization:

Competition

What are they doing? How do they compensate their salespeople? Again, always strive to have the best comp package in your industry.

Consultative Sale Versus More Transactional

How much impact does each person have on the actual sale versus account maintenance and administrative duties? Typically the more involvement in the actual sales process, the higher the variable pay compared to straight salary.

Length of Sales Cycle

This can vary greatly by industry. For example, is your business selling airplanes (an extremely high-ticket, long-term sale) or are you a wholesaler of consumer products? In the case of the former, it is difficult to commission on such a long-term, complex sale with purchases in the hundreds of millions of dollars.

Type of Salesperson

Different people should be compensated in different ways depending on their involvement and direct ties to the sales process. For example, a sales coordinator should not have the same compensation structure as an account executive.

Length of Service

This is one of many specific factors relating to individual team members. A salesperson can have a more advantageous comp package due to their years with the company (or years of experience for a recently hired salesperson).

Size of Territory

The package can vary depending on the geographic area or other territory distribution. If it is a larger, more challenging territory, then compensate for it.

Type of Account

Some companies have a different structure set up for what they classify as major accounts, so the comp package for them can vary as well.

Team Selling

Even in a true team selling environment, it is likely that team members have very different roles. Again, the variable part of their pay should vary according to their closeness to the actual sale.

The Role of Other Departments

This is perhaps one of the trickiest parts of sales compensation planning. The best organizations tie compensation plans corporatewide.

Remember, “People will do what they are paid to do.” Then, depending on how closely tied to the sales process they are, they should share in the rewards to some extent.

One final note of clarification: If someone is doing the same thing as someone else with the same amount of experience, pay him accordingly. That is what differentiates them, and the one who performs better will then earn more.

However, if circumstances are different and you decide that warrants a different approach, then change it. Keep in mind again that it cannot be discriminating in any way to one or more of the employees. You will find that while many companies have different structures for different employees, you must always err on the side of caution.

Again, there are many structures for the compensation plan to follow. The key is that whichever one your company has chosen or is in the process of working on, it needs to be administered effectively. The plan should always take into account both attracting and retaining the best salespeople. A good plan should get the best to rise to the top, and the weakest links will be exposed. It will also take into account both the veterans and the newbies.

Finally, make sure the plan is fair to all. A plan that plays favorites might benefit some and not others, thus only serving part of its purpose. This is not to mention the fact that certain parts of the plan could end up being not only unfavorable but also illegal.

BENEFITS AND THE TOTAL COMPENSATION PACKAGE

Remember that the total package does not only consist of salary, commissions, and bonuses. The benefits that your company offers can greatly enhance (or reduce) the total value of your comp plan. In fact, in many ways they all have a financial component to them. While you do not directly take advantage of all of them, those that the company does offer are costing the company money to service and administer. Some of the benefits companies make available are:

Health Insurance. Medical, dental, eye care (typically at some cost to the employee).

Life Insurance/Disability Insurance.

401(k) plan. Some companies will match up to a certain percentage of what you contribute.

Stock Options.

Vacation Pay/Sick Pay.

Child Care. Some companies even have facilities on the premises.

Company Vehicle/Auto Allowance. More common with salespeople and in certain industries.

Flexible Health Care Spending/Commuter Reimbursement. These are where a portion of your salary is put aside before taxes for you to then get reimbursed upon usage.

NONFINANCIAL INCENTIVES—REWARDS AND RECOGNITION

As mentioned earlier, you can energize employees in countless ways. This can be either via monetary or nonmonetary rewards and incentives. The balance of this chapter deals with low- or no-cost ways to reward and recognize your employees. Keep in mind as you go through these ideas and examples that the only thing holding you back is your imagination.

Nonfinancial compensation typically falls into two main categories—recognition and rewards. Due to the fact that there is so much crossover between the two, we will categorize them by cost and time to implement, starting with easy to implement, small-ticket ideas.

Praise (recognition) is the most undervalued reward. As the expression goes, “a little praise can go a long way.”

There are so many things to recognize someone for. It can be something as large as landing that big deal or as small as getting that first face-to-face appointment. It does not have to tie directly into sales results, either. For example, you can praise someone for helping you configure a report or making a nice internal presentation.

No-Cost Ways to Praise

- A kind word/short note
- Congratulations in a team or corporate meeting
- Recognition as “Employee of the Month”
- Recognition on the corporate intranet or in a company newsletter

Low-Cost Rewards

- Give an achievement award.
- Award a certificate of excellence for something the employee accomplished.
- Award time off. This one can be tricky and should always be done in coordination with your human resources department, as company policy may dictate how this works and if it is even allowed.
- Give a dinner for two at a nice restaurant, a \$100 gift certificate to a department store, or tickets to a concert or other event.

Work Itself as a Reward

As you have seen, some people feel recognized by just getting more new responsibilities. Of course, this needs to be new and exciting work. One way is to assign someone to a special cross-functional task force (one that high profile would be even better).

Empowerment, or letting an employee take the lead in something, can be a great reward. This not only gets your team to notice her—making her feel good in the presence of her peers—but could also give her more visibility among others, including managers and senior management.

In many cases, promotion is the ultimate recognition for a job well done. Of course, this is usually coupled with financial benefits.

Taking this one step further, not only is more responsibility and an actual promotion a motivator, but so is a career track. When allowing employees to see the future within the company, they can feel they are working toward something long-term.

Provide training in the areas that not only you feel they need, but also that they want. In fact, to many, a training program in and of itself is a reward. This could hold especially true for the Theoreticals, who are constantly striving for more knowledge.

Reward Programs Requiring More Time, Money, and Planning

Sales Contests

Sales contests are a great way to boost sales. They are especially useful when a particular type of product/service needs that extra push. The key to remember with sales contests is that they work

best for short-term sales results. Also, don't implement them too frequently.

The prize for winning a sales contest can be anything from a small gift to an extravagant trip. Trips are typically in the form of a trip for the individual (or with a guest), or companies sometimes have more elaborate programs where multiple winners take part. For example, the winners go to a resort where they can network with their peers and enjoy the atmosphere and festivities.

Sales Meetings

Sales meetings are often used to build up your staff. There are two types of sales meetings. One is the sales update meeting (typically either biweekly or monthly), and the other is the large team meeting (usual either annual or semiannual). Both are great venues to recognize and reward individuals or the group. In the larger meeting, there is the added benefit of time (they can last anywhere from a day to a week) so that sales training sessions, team-building exercises, motivational speakers, and other activities can all be incorporated.

Expense Management

Since salespeople generally have a higher amount of expenses than many other business professionals, it can be important to help manage this. In fact, there are ways to actually reward salespeople for how well they keep expenses in check. Some companies have been so creative as to have set up contests to see who manages such expenses as airfares and dining the best.

Some additional considerations:

Think of the Individual

Remember, someone who places a high value on Social might be motivated by getting extra time off to volunteer. However, an Economic might be just looking for the financial reward and put less value, if not a negative value, on the other types of rewards.

No to Public Recognition

While not common with salespeople, it is possible that someone does not want to be recognized publicly. It could just plain embar-

rass him, and it would go a longer way to recognize him one-on-one. Again, take the person into account.

Teams Need Recognition, Too

Since your salespeople are probably not working in isolation and are often part of a larger group effort, team recognition and rewards could be desirable to many. After all, some people feel very comfortable in a team environment and want to see their colleagues shine as well.

Think Out of the Box

Since what energizes one person might demotivate another, it's all the more reason that when you are not exactly sure what is motivational to whom, you should mix things up. Besides, doing the same thing over and over will likely start to bore your staff. And by far the most creative way to determine what potentially helps motivate someone? Just ask him or her.

Don't Skimp

Whether it is a T-shirt or a free sales trip, the reward will lose its importance if you cut too many corners. For example, if it is a team trip to Orlando, make sure the expenses cover what is customary for such a trip. If you book in July and eliminate alcoholic beverages and any recreation, you could have more disappointment than if you had not offered the trip at all. So if cost containment is key, rethink the type of reward.

Don't Make a Reward a Punishment

Similarly, if your annual sales meeting is in a resort destination, let the staff enjoy some of it. Don't schedule meeting after meeting until all hours. There's nothing worse than looking out at a golf course all day and then having time to tee off only when it gets dark.

Consistency

Similar to compensation, rewards and recognition must not unfairly play favorites. Rather, it should be based on specific evidence of achievement, however small or grandiose that may be.

Make It Fun

If you give a gift, don't just buy something boring that's a safe bet. Think about what your team members might really like. It could be more interesting items like a new gadget, luxury goods, personal care items, and so on. After all, if you are trying to motivate, it is not always just "the thought that counts." You might even be able to inconspicuously poke around for ideas first. In the end it shows that you went that extra mile.

Tapping into internal motivators is one of the keys to success for any manager, both today and in the future. It is also a skill that you can carry with you wherever you are in your career. Remember, it is not about what inspires you, but what inspires *them*.

In the next chapter (on training, coaching, and counseling), you will see many areas where motivation is important, and how this knowledge can make you a better manager. As a manager, it is in your hands to get the most out of your staff, and by following many of these techniques, what you will get in return is the best from them.