Beyond the Sales Incentives Plan: Tackling Key People Issues

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Many sales leaders recognize that the sales compensation plan is one of the most effective tools in today’s sales improvement initiatives. The problem arises when sales leaders are too quick to deploy it as the main driver of change, when a more appropriate course of action may be to treat sluggish sales as an issue of salesforce effectiveness – one that requires a more holistic set of people tools and solutions.

It’s not surprising that many are eager to tamper with, or even revamp, the incentives plan when sales performance is found wanting. After all, sales compensation cost represents a major investment for many firms. In Aon Hewitt’s 2012 Global Sales Practices report, the global average sales personnel headcount constitutes about 15% of overall employee headcount, but its total compensation cost can disproportionately amount to a third of global payroll expenses\(^1\). Moreover, because the bulk of a salesperson’s total compensation is dictated by his/her commissions and bonuses, most people tend to conclude that the sales incentives plan is one of most effective levers to improve sales performance. Without a doubt, sales compensation plans exert one of the most measurable impacts on both the organization and the employee. So, all too often, it is the first to be blamed, when sales targets are not achieved.

But driving sales performance requires more than just a well-thought-out sales compensation structure and incentive program. In fact, in some cases, too much emphasis by senior management on commission and incentives plans can actually do more harm than good for business-to-business sales people\(^2\). During our work helping executives improve their sales productivity, we have found that companies often downplay other important people-related levers that drive sales performance. A more balanced, people-oriented approach can ultimately be far more effective in improving salesforce performance (Figure 1).

**Figure 1: Aon Hewitt’s holistic people approach to drive sales performance**

### Aon Hewitt Sales Performance Model

<table>
<thead>
<tr>
<th>Understand Business Drivers</th>
<th>Align Sales Force</th>
<th>Realize Business Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Insight</strong></td>
<td><strong>Organization</strong></td>
<td>Creating a sales structure that is effective in meeting customer needs in an efficient manner</td>
</tr>
<tr>
<td></td>
<td>• Selling &amp; service model</td>
<td></td>
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<tr>
<td></td>
<td>• Job roles &amp; structure</td>
<td></td>
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<tr>
<td></td>
<td>• Deployment planning</td>
<td></td>
</tr>
<tr>
<td><strong>Business Strategies</strong></td>
<td><strong>Talent</strong></td>
<td>Ensuring the availability of the right talent for the right role at the right time</td>
</tr>
<tr>
<td></td>
<td>• Recruiting &amp; selection</td>
<td></td>
</tr>
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<td></td>
<td>• Career paths</td>
<td></td>
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<tr>
<td></td>
<td>• Training &amp; development</td>
<td></td>
</tr>
<tr>
<td><strong>Value Proposition</strong></td>
<td><strong>Rewards</strong></td>
<td>Maximizing the productivity of an engaged sales force to exceed business goals</td>
</tr>
<tr>
<td></td>
<td>• Comp &amp; recognition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Quotas &amp; measurement</td>
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<td></td>
<td>• Performance management</td>
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</tbody>
</table>

\(^1\) Aon Hewitt/ Radford, Global Sales Survey Sales Practices Report, Oct 2012

Is It Really an Incentive Problem?

Instead of pinning the problem on the sales incentives plan, or on compensation in general, it is important to tackle sales problems alongside a broader people discipline. In order to cast a wider net over the sources of people-related sales issues, we recommend the following practical considerations from four areas of the Aon Hewitt Sales Performance model.

1. Organization: Are sales roles designed to effectively meet the customer's needs in an efficient manner?

HR can contribute significantly to a company’s sales productivity initiatives by conducting a job analysis of the current sales roles, and evaluating whether these roles were optimally designed for selling. Simply by crafting a formal job description that specifies not only the scope, roles and responsibilities, but also the time that’s actually spent in each work area, HR will be able to uncover quickly whether the salesforce had been efficiently deployed in the field to spend time on what they were supposed to do.

Case in point: A non-government organization (NGO) in the social events industry had sought to motivate its sales department to contribute to the organization as economically and efficiently as possible. Though the sales department had already established its own sales incentives plan, the organization wanted to ensure that its pay-for-performance fundamentals were tied to a best practices and a commercially-viable sales incentives framework.

As with many firms that assume that sales issues can be wholly resolved with incentives, the organization found that the source of its problems was not as narrow as originally defined. Due to the organization's bureaucratic working environment, the current scope of the sales employees’ jobs was bogged down with excessive administrative tasks that restricted their ability to significantly expand actual selling time. The solution was to carve out administrative tasks from the salespeople’s day-to-day job routine and, if possible, even from their responsibilities altogether.

Misdirected sales roles, where too much time is spent on paperwork and not enough on selling activities, will eventually end up frustrating good salespeople and result in their disengagement from the company’s sales goals. (Refer to Exhibit A for some quick tips on improving sales productivity.)

2. Talent: Are training & development programs focused on improving the behaviors that matter?

“Somehow, successful sales training has become associated with a thick binder of material the salesperson lugs home from the class (never to open again).” Steve Martin, author of Heavy Hitter Sales Linguistics: 101 Advanced Sales Call Strategies for Senior Salespeople, recently blogged³.

Despite its futility, Sales/Customer Service 101 trainings (developed from generic text books or training companies) remain a “standard issue” in many organizations sales’ training programs. It is probable that these generic training programs do not have a clear focus on the company’s customers, and, as a result, fall short of imparting practical skills to its audience.

It is imperative when developing appropriate sales or customer-service training programs that companies anticipate what their customers want, as well as the skills or competencies required to suitably serve those needs. A carefully developed competency framework can help a company lay the

groundwork for targeted training and development programs with a specific focus on improving those behaviors that matter in sales.

For example, one major company in the medical devices industry rationalized that a solid competency framework would aid in identifying the right training and development programs, which would eventually steer its post-sales function (support engineers) to realize its sales penetration and retention strategy. “Because the application and service engineers (post-sales function) are in touch with customers on a regular basis, they are responsible for driving the entire customer experience,” Alexis Saussinan, an organization development (OD) expert at Aon Hewitt, further explained, “It’s these interactions that shape customers’ opinions of whether the company truly understands them.”

Since most support engineers possessed a firsthand understanding of the client’s needs, many were in a better position than the “sales guys” to upsell or cross-sell the company’s products: from premium peripheral components to service plan upgrades to extended warranties. While a typical company would jump right into tweaking the incentive mechanism to capitalize on this finding, the medical devices company instead prioritized their efforts into developing a customer-oriented competency framework.

With a customer-oriented mission as its guiding principles, Aon Hewitt helped craft a compelling competency framework to re-program the entire post-sales department in a way that ensured customer service pervaded every fabric of its modus operandi. Consequently, the framework allowed customer-centric behaviors and proficiency levels to be meshed into its training programs, which dovetailed specific customer-centric behaviors that increased repeat business and upselling for the company.

3. Rewards: Is the sales incentives plan updated according to the changes in sales roles?

Sales roles tend to evolve with changes in market dynamics, such as the emergence of new customer demands, product lines, distribution strategies or technological breakthroughs. Roles also shift with changes in the company’s lifecycle, as it moves from startup to growth to maturity, and then tries to create new growth pockets within a mature and increasingly bureaucratic firm. In such cases, where changes to sales roles or the creation of new ones are warranted, such changes ought to be paralleled by appropriate adjustments in the current sales incentives plan.

In reality, for most firms, necessary changes to the sales incentives plan lag behind the launch of new sales directions and sales roles. From our consulting experience, we are often called in by our clients to work on incentives issues, when sales strategies and subsequent sales roles had changed quite some time before. The following are some common remarks that indicate that sales executives are struggling to keep up with compensating new sales roles:

“Our sales reps are spending too much time building relationships with existing accounts and not acquiring new ones. As a result, our competitors are making serious inroads in the emerging cities.”

“Our account managers are so focused on sales volume that they are allowing our margins to be eroded; we need to stop positioning our brands like commoditized products.”

“This is the third company that has called me this week to complain that our sales reps are too pushy.”
When faced with some of the comments above, we often find the following two-by-two matrix (Figure 2) a great starting point to demonstrate which sales roles (four categories) will likely conform to a company’s new sales objectives and, thus, which incentive parameters would be most appropriately suited.

Figure 2: Aon Hewitt’s sales role framework

Of course, some jobs are blends of these categories and the framework should not be literally prescribed in any real-life situation without proper sanity checks. But this framework, or a similar one that matches up key reward considerations according to the different ways the sales force sells, helps guide sales executives through a thought process that determines whether their sales compensation plans or salary-incentive mix are in need of redesign.

4. Communication: Were there any recent changes to the sales incentives plan? Were the changes well received by the sales team?

In an ideal scenario during the introduction of a new compensation plan, effective management of the communication process plays a crucial role in psyching up the sales team, transitioning the team’s Key Performance Indicators (KPIs) smoothly to the new plan, and eventually implementing the company’s sales strategies. However, in reality, as a multinational company in the auto industry learned, communicating a new sales incentives plan where everyone buys-in is no easy task.

The automotive company had mapped out an aggressive long-term business portfolio plan. In order to motivate its sales force to achieve new sales goals, the company spared no effort in gathering market intelligence on sales compensation practices and incorporating them into its new incentives mechanism. Ironically, even though the plans were intricately tweaked to suit the dynamics of the imminent sales nature and then formally communicated to employees, many field sales managers were skeptical of the new plan. Top-performing sales people, who were particularly sensitive to any alterations to the incentives scheme, were naturally the most vocal.
Unfortunately, a generic mass communication strategy is just not going to cut it – especially when it comes to a highly differentiated performance culture, such as that typically witnessed in a sales organization.

A typical sales force is roughly represented by a performance bell-curve, where a clear majority sits within the “average performers” category and a smaller proportion sits on the outskirts of the curve as either “high performers” or “under-performers”. Through our research, we found that communication of reward plans is far more effective when it is targeted and personalized to each employee.

Let’s take the “high performers” for example. This group of sales employees would likely be the most wary and sensitive to any changes to the compensation plan (rightly so, since they had been relatively successful with the previous one). Therefore, instead of taking a generic route to communicate the new sales compensation plans, it would be important to emphasize those areas of the plan that matter more to this group, such as highlighting the plan’s overachievement payout curve or its formulaic approach to incentives compensation. (More sample communication themes are shown in Figure 3.)

**Figure 3: A typical sales performance distribution curve and suggested communication themes relevant to each employee segment**

<table>
<thead>
<tr>
<th>Under-performers</th>
<th>Average Performers</th>
<th>High Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Frequency of payouts</td>
<td>- Market competitiveness of total comp level</td>
<td>- Formulaic approach to incentives payout</td>
</tr>
<tr>
<td>- Non-sales KPIs such as account receivables metric or activity-based metrics</td>
<td>- Performance threshold level</td>
<td>- Overachievement payout, e.g., no caps on incentives</td>
</tr>
<tr>
<td></td>
<td>- Accelerated payouts or “boosters” beyond target performance</td>
<td></td>
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</tbody>
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It is no surprise that all sales employees are not alike. Appropriately personalized communication can help people cope better with change. Therefore, distinct thematic communication concepts should be relevantly applied to each segment, to enhance overall acceptance of the new sales incentives plan.

**In Conclusion**

Sales incentives are indeed a potent management tool, but are not always the right tool for the job. Taking a more holistic view of sales force effectiveness can facilitate better decisions when it comes to driving sales force performance. A highly complicated plan is often a warning sign that it is extending beyond its natural reach and is being used as a proxy for disciplines like role design, talent management, learning & development, and communication. Next time, when the sales compensation plan is deemed to be the culprit for sluggish sales growth or is being overused as the main agent of change, stop and see whether you really are pursuing the right suspect.

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4 HR Connect – Asia Pacific: Communicating Total Rewards, Vol. 6, Issue 1, 2013, Gene Yap
Exhibit A: Quick tips for improving yield from the selling process

- Map the process with assigned responsibilities and man-hours
- Understand attrition through the sales funnel, track and report close rates and sales cycle times
- Qualify leads thoroughly and keep bad leads out of the process (they soak up lots of costly selling time)
- Perform post-mortem analysis on losses and look for common themes
- Identify groups with high close rates and export internal best practices
- Assign the right activities to roles with the right competencies
- Ensure handoffs are clean and fast with accountable resources

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