

Sales Operations Forum

Communicating Sales Compensation Plans Effectively

Once upon a time there was a high tech sales team that complained bitterly about their compensation plan. The company's Finance and Sales executives had spent months perfecting the plan; they were confident it met their strategic objectives and richly rewarded performance. With pride Finance rolled out the plans—by email—to the sales team.

It's a true story

Unfortunately in this situation, Sales Management did not take the time to sell the plan and so "buzz" about the plan reached the sales team ahead of the plan itself. Since the buzz was not positive, the die was cast regardless of the plan's advantages, and the plan was interpreted in the context of the buzz. This true story about a prominent Silicon Valley company exemplifies the importance of effectively selling your compensation plan to your sales team.

Sure we all say this won't happen to us, but how many of us truly develop a strategic sales compensation communication plan?

Communicating comp plans by email and other missed opportunities

Experts like the Alexander Group, the leading Sales management consulting firm, recommends companies use the communication of their sales compensation plans to reinforce strategic corporate goals and strategies. At the recent Sales Operations Forum, Pradeep Vancheeswaran, VP Sales Enablement at VMware, made a bold statement in saying the success of a plan depends 100% on the communication of that plan rather than on the design. Paul Vinogradov of the Alexander Group, who led the discussion, asserted that the more change in a company or a compensation plan, the more important the development of an effective communication strategy.

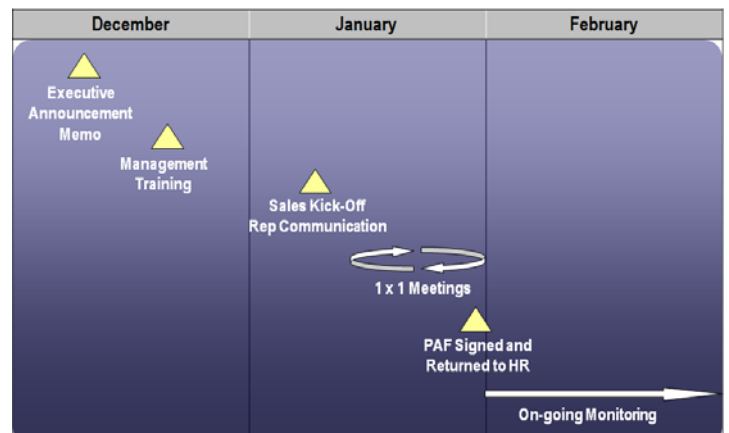
Best practices that we can all utilize

The panel members all agreed that communication must cascade from the top sales executive. However Jim Triandiflou, COO of Centive, stated that it is equally important to support the first line sales managers and ensure they deliver plans face-to-face. Dan Callaghan, VP of Sales Operations at Fujitsu asserts that managers should provide their

teams direct and actionable advice for maximizing earnings. Sales teams need a clear understanding of the behavior and results expected of them. Callaghan also stated that managers should be armed with tools such as commission forecasters to predict each participant's potential earnings.

Want to ensure a plans' demise? Vinogradov provided the following list of communication issues. Let Finance or HR roll out the plan. Deliver plans late into the plan year. Delay plan paperwork and calculators – worse yet, make an error in the calculator. Communicate the plan once and assume understanding.

Communication Timeline Sample



Copyright 2008 Alexander Group Inc.

We're talking about change management

Sales people are a tough audience. They will see through any disbelief or hesitation, and they don't usually absorb the message the first time. Be creative, be repetitive and be consistent.

Communication effectiveness

- Gain absolute buy-in from the executive team
- Develop and present a compelling reason (business case) for change

Sales Operations Forum

- Develop a smooth transition strategy for all individuals to the new plan
- Provide training and collateral. Assign a “go-to” person to answer all plan specific questions
- Effectively measure the success of your plan rollout and communicate results up to executives.
- Record the executive message to ensure a broad reach.
- Single out top earners and use their success to sell the plan potential.
- Single out top performers and engage them to get their input and feedback during the process.

Measuring Success

Success Criteria	Metric
Timely communication to field	Plan documents sent to all incumbents by x
Timely receipt of all Plan Acknowledgement Forms	HR receives all PAFs by x
Involuntary attrition rate	Average monthly involuntary attrition rate equal to or better than average rates
Compensation expense to revenue ratio	Quarterly compensation (base + incentive) over revenue at expected level
Quota attainment distribution	65% quarterly YTD quota achievement
Pay discrimination based on performance	Quarterly performance: 10% achieving Threshold and 10% achieving Excellence
Excellent payment forecasts	Top 10% achieve 3x target incentive
Payment calculation timing	Time between reported financials and files sent to payroll for processing is 4 weeks or less
Payment accuracy rates	Quarterly number of disputes at or above current standards
Field feedback	Field feedback survey indicates that incumbents understand their plan and feel that it is effective

Copyright 2008 Alexander Group Inc.

Building Trust

Vinogradov notes that building the trust of the sales team is critical in the communication process. He suggests you start with an understanding of the legacy of communication and build your plan with that knowledge.

The panel noted that nothing breaks the trust of your team faster than obfuscation. Open and honest dialog about a plan—even one that pays less—can do more to build trust than paying more. Note that some first level managers may be equipped for a difficult conversation and other may not—be sure to know where your weak points are. Ensure administrative systems and reporting are developed and functioning when the new program goes live.

Creative Communication Strategies

- Knowing your audience and their biases is more important than your choice of communication media.
- Pick “power players”— individuals well respected in the sales organization to start a positive buzz and influence others with their positive attitude.

- Solicit support from all levels of the organization.
- Don't forget the SE team. They can provide valuable feedback on both your plan and your communication strategy.

About the Sales Operations Forum

The Forum provides Sales Operations executives an opportunity to network, exchange ideas and share best practices.

Quarterly meetings focus on topic such as sales effectiveness, sales methodologies, compensation, and CRM. There is no cost to join the Forum contact Alison Chandless at 650-315-7501 if you are interested.

The Alexander Group Inc. is a specialty management consulting firm focused on sales and

marketing growth solutions. For over 20 years AGI has helped more than 70% of the Fortune 500 to achieve their revenue and growth goals by designing and implementing world class sales strategy, structure, and performance management solutions.

Panelists The Sales Operations Forum would like to thank Pradeep Vancheeswaran, VMware; Dan Callaghan, Fujitsu; Jim Triandiflou, Centive and Paul Vinogradov, Alexander Group.

Price Burlington – Director Sales Operations, SAP

Price is an accomplished sales professional with twenty years resulting in successful process improvements and business development. His background includes sales operations, alliance management, territory and sales management, and strategic account planning.

Alison Chandless, Regional Sales Manager, Centive

Companies use Centive Compel, hailed by CIO Magazine as the "most widely used choice for sales compensation management," to accurately model and forecast commission costs, calculate commission and bonus earnings, and gain real-time visibility into sales performance metrics.