

Productivity Inhibitors

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Is the full productivity potential of your company's sales compensation plan being realized?

In its theoretical state, every sales compensation plan has an inherent potential to drive productivity. Unfortunately, in the process of translating a plan from theory into practice, obstacles are inadvertently introduced that can significantly undermine the plan's ability to deliver on this potential.

Therefore, check your plans for the productivity inhibitors described below. Eliminating them will unleash your sales compensation plan's full productivity potential and produce a sustained productivity boost.

Tweak-it-is

Most companies change the design of their sales compensation plans each year, especially those operating in dynamic, highly competitive industries. This frequency of change is to be expected, since sales compensation plans must remain aligned with changing sales strategies and product offerings to be effective.

A common approach to the redesign exercise is to simply tweak the existing plan so that it reflects new corporate priorities. This approach is attractive because it is relatively quick and it accommodates management's general aversion to making changes of any magnitude to sales compensation plans. Simply put: change causes stress, and stress causes salespeople to lose focus.

However, the risk associated with this approach is that sales compensation plans may develop a bad case of "tweak-it-is," where repeated tweaks accumulate to create a plan of such complexity that it becomes almost incomprehensible—a convoluted collection of thresholds, multipliers, and "if-then" statements. As a result, productivity decreases as salespeople misinterpret the sales compensation plan and deliver results that are inconsistent with company objectives.

To eliminate this productivity inhibitor, start the redesign process with a blank sheet of paper. The guiding principles should reflect only the corporate priorities for the coming year and should be unencumbered by decisions made in previous years. The goal is to ensure

that each component of the new plan maps directly to a corporate objective in a simple, straightforward manner.

Also, management's aversion to change needs to be tempered. If the new design clearly reflects corporate priorities, there is no need to fear stressed, unfocused salespeople. In fact, the opposite is true—salespeople will appreciate this clarity and engage more fully when sales compensation plans and corporate objectives are clearly aligned.

The Telephone Game

While the telephone game can be a lot of fun at kids' parties, it probably wouldn't be selected as a means for communicating the details of something as important as a sales compensation program. Nevertheless, the same sort of confusion that results from the telephone game can occur in sales organizations that lack comprehensive documentation.

In these unfortunate situations, the interpretation of the sales compensation plan tends to vary by individual. Policies and practices are developed by management in an ad hoc manner and may take weeks or months to be clarified. If management's interpretation of the plan is inconsistent, this approach also risks creating harmful perceptions of favoritism and, in extreme cases, incompetence.

The resulting impact on productivity can be considerable. Uncertainty about how the plan works undermines qualities such as initiative and risk-taking that are associated with good salespeople. On a more practical level, valuable selling time is wasted as salespeople lobby management and then wait for the rules of the game to be clarified.

The solution is to provide documentation that clearly addresses all aspects of the sales compensation plan. Basics like how earnings are calculated and when payments occur should be included, as well as policies related to a wide range of situations, such as changes of account ownership, termination of employment,

promotion, and more. Knowing the rules of the game will give salespeople the confidence to focus all of their energy on selling.

Being Administratively Challenged

A good sales compensation program will improve top and bottom-line results, reduce turnover of key sales personnel, and improve morale. However, if the program is administered poorly, zero benefit will be realized.

Poor administration usually involves a high incidence of incorrect payments combined with a slow and unresponsive error-resolution process. As a result, salespeople must invest considerable time to get these errors corrected by conducting independent research, submitting information multiple times, and making numerous follow-up calls.

It is the cumulative impact of these efforts on productivity that is particularly troubling. After all, they are undertaken on company time. If salespeople are repeatedly calling administrators to resolve incorrect payments, they are not calling potential customers.

To eliminate this productivity inhibitor, formalize the error-resolution process by establishing a clearly defined Service Level Agreement with the group responsible for administration. This should include a standard time for resolution (one payment cycle or less) and should specify the information salespeople need to submit when reporting an alleged payment error.

In addition to letting salespeople focus their time on selling, this approach will help administrators prioritize efforts to reduce the overall error rate through initiatives such as system and process enhancements.

Conclusion

Every sales compensation plan has an inherent potential to drive productivity. To fully realize this potential, be on the look out for productivity inhibitors. Eliminating them will unleash your sales compensation plan's full productivity potential.

About the Author

Greg Blysiuk, founder of TopLine Sales Compensation Solutions, offers deep insights into the operational and strategic issues that are integral to effective sales compensation. With experience dating back to 1991, he has used his hands-on, practical approach to solve sales compensation challenges in a broad range of industries including telecommunications, software, retail insurance, e-commerce, manufacturing, distribution, retail, professional services and broadcasting.

About TopLine

TopLine Sales Compensation Solutions is a consulting firm dedicated to helping clients improve sales results by harnessing the full potential of their sales compensation plans.

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