

Selling Sales Salaries

The key to attracting and retaining good sales staff is to motivate and challenge them. And if you want good results, motivate the good ones more! Good salespeople are target-focussed and competitive; they accept more risk in return for a greater upside opportunity.

Our research suggests there is huge potential to improve the structure of salespeople's remuneration, and align it better with both their expectations and your own business's needs. A typical sales package in our most recent cross-industry survey included a variable component typically representing less than 10% of the package. No different, in fact, to the typical incentive level achieved by a financial accountant.

Why is this? The tight labour market has seen some sales managers offering excessive base salaries and less incentive pay, just to attract candidates. This is a short-term, expensive and poor strategy, which rewards the worst performers. If your sales manager cannot sell an upside opportunity, perhaps it's time to look for a new one.

When fixed remuneration provides such a comfortable level of salary and so little upside, there is virtually no motivation for staff to achieve more. This structure leaves top performers unchallenged, uninspired and unsatisfied. It's the poor performers who are grateful for the high base salary, and costs escalate without any commensurate increase in revenue or profit.

Instead of focussing on base salary, keep conversations with the team around target earnings and how to improve performance. Good sales staff have faith in their own ability to reach high targets, and to be remunerated accordingly. Salespeople should be expected to re-earn a certain level of their pay each period, just for making budget. This maintains their motivation to keep their targeted earnings high, and self-selects better performers.

We recommend you establish sales remuneration in terms of Total Targeted Reward. This represents what you believe your sales team should earn in incentive pay, plus all their other benefits. There should then be a significant further upside for top performers who can achieve even higher targets.

Discussing total remuneration instead of "base pay plus" also places less emphasis on the specific structure of fixed remuneration. Some workers want cash in hand and don't place as much value on benefits such as medical insurance or superannuation. Some might love these benefits. Others might value a more flexible roster. If you focus on total remuneration, the value of everything on offer is included (?? Could you leave this para out? Not that important to this topic??).

Highly leveraged and uncapped incentive plans are the most effective way to manage your sales team. Capping incentives generally just removes the motivation for your top performers to do their best and limits the growth of the business.

If you are instinctively uneasy about capped incentives, analyse your own reservations. There are probably two key problems: you are not confident enough of the link between effort and reward (no-one wants to explain enormous windfalls to shareholders), or, you are not sure that the measures used are the right ones. The third possibility is that you just can't believe any person is worth more than \$1,000,000.

The windfall argument may be justified if you are in an industry where completely unpredictable extraneous events could affect results. However, this is actually rare; most events are foreseeable, even if unlikely, and you just need to structure your packages with such contingencies provided for (e.g. your main competitor going out of business). There is no excuse for the second argument – you really need to know which measures are the right ones in your business! How much are people worth? This is a judgement call in the end; up to you and your organisation.

Whatever your philosophical viewpoint, there is no doubt that sales remuneration is distinctly different from remuneration in any other part of the organisation. Sales people directly and overtly contribute to the vitality and viability of the business. Since the performance of the sales team is easy to measure and easily targeted, a "sky is the limit" mentality may be your best starting point.

As long as you keep the focus on total targeted remuneration instead of "base pay plus" you should be able to attract and retain the top sales talent.