



Even the simplest, most adeptly aligned sales compensation program needs to be rigorously "sold" and "backed up" to be effective and drive top- and bottom-line results. To elevate the effectiveness and productivity of their sales forces, management should constantly communicate the sales compensation plan. Communications can be broken into three phases: plan rollout, in-period and end-of-period.

Phase I: Plan Rollout

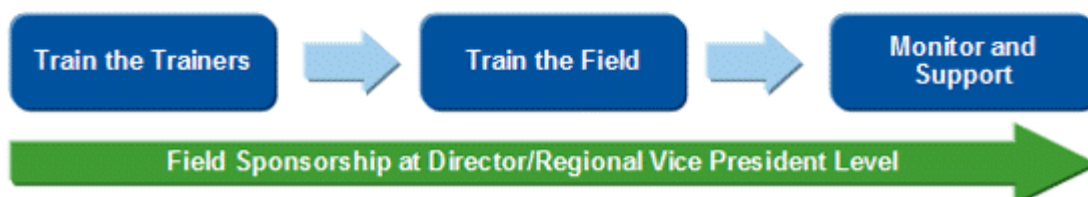
Getting the field energized and aligned is paramount for introducing a new compensation plan. A comprehensive communications campaign needs to be launched within the first 30 days of the new fiscal year. Figure 1, below, presents a disciplined process roadmap that management can use to develop communications materials and then disseminate them to the field.

**Figure 1: Materials Development and Communications:
Roles and Accountabilities**

Phase 1: Materials Development



Phase 2: Communications



Source: Sibson Consulting

Keys to driving results during the plan rollout include:

- **Keep it simple.** The compensation plan should be introduced with messages that are straightforward and concise. In addition to being a key tenet of effective communications, simplicity is also a great litmus test for compensation plan clarity – if the rollout materials are not easy to understand, the plan is probably not as transparent and uncomplicated as it should be.
- **Make it timely and complete.** Reps in the field should fully understand the plan within 30 days of the start of the plan period. This includes quotas and goals for any bonus plans.
- **Engage and leverage sales management in the field.** First-line managers are the lynchpins for plan acceptance at the grass roots level. If they adopt the plan, the field will follow and will be energized. There is no substitute for someone "who has carried a bag" communicating with someone who is now in the field. Strong, visible support from top sales leadership is also extremely important.
- **Communicate in multiple ways.** Because different people learn differently, it is important to use several types of communications. These include one-on-one plan review meetings with managers, online FAQs and tutorials, Q&A sessions and, of course, plan documents. Two of the most effective communications vehicles are webinars and sales rallies that are led by top executives.

Phase II: In-Period

In-period, performance-to-date (PTD) communications should not be complex or verbose. "How am I doing?" The reps want to know. Answering that simple question consistently and frequently is a huge communications opportunity that many organizations overlook. Letting the field know where they stand against their plan, as well as their peers, is one of the best ways to motivate them and "give the plan teeth." In addition to promoting the plan, this opportunity also presents a chance to give the reps feedback in time for them to take corrective action before the period ends.

Tips for success in this area include:

- **Provide simple, easy-to-read PTD reports.** Reps should be able to see where they stand to date against their performance measures and relative to their peers. They should have access to their sales credits. Most important, it should take them no more than 15 minutes to review and internalize the information.
- **Publish frequent PTD reports.** Daily is best for highly transactional performance periods of less than 30 days. Weekly is appropriate for low transaction performance periods of longer than 90 days.
- **Distribute PTD reports via a sales portal.** This is a self-service, low-effort medium. The reports need to be available at times during the day when the reps can look at them, and they should be easy to view. If the reports are even somewhat difficult to access, the majority of the field will not use them.
- **Institutionalize the use of PTD reports.** It is important to make viewing them a standard operating procedure, a part of the performance management process. For example, sales managers should be encouraged to ask questions based on the information in the reports.

Phase III: End-of-Period

End-of-period (EOP) reports offer an excellent opportunity to reinforce the basic tenets of the sales compensation plan. Backing up accurate, timely payments with clear "line of sight" at the end of the performance period will enhance a pay-for-performance culture. This is the cornerstone for solidifying trust and confidence in the field. It is also another occasion where sales management can have a positive influence by being the first point of contact for answering questions and reinforcing plan design intentions and objectives.

Management should:

- **Design EOP reports to provide clear performance-to-pay information at the measure level.** Include a link to the sales credit details for each measure. Effective EOP reports can reduce the volume of questions and disputes by up to 30 percent. Giving the reps easy access to prior period reports will serve as the "first line of defense" and help validate payments.
- **As with PTD reports, make EOP reports clear and concise as well as easy to understand and access.** It should take the reps no more than 20 minutes to review an EOP report.
- **Align EOP reports with the compensation plan.** To be effective, the reports should display the most important information first and with the same terminology and context as in the plan.
- **Integrate EOP reports into the performance management framework and make them an important leverage point for sales management.** Proficient sales managers employ EOP reports to identify both positive things to reinforce as well as areas that need improve.

Next Step: Conduct a Communications Effectiveness Assessment

In the end, the most important factor is how the communications plan affects the reps' performance. Once the numbers are in, management needs to review the program to identify and subsequently close any gaps that may have caused the field to underperform.

It is, however, important to remember that the main objective of the communications plan is maximizing the motivational impact of the compensation program. The best practice is to look first at the reps' level of compensation plan understanding — one of the most critical performance indicators of adept plan communications — before making any design changes in response to lackluster plan impact.

How can management diagnose and prioritize any weak links? Telltale symptoms will quickly emerge in all areas of the compensation plan communications framework, see Figure 2, below.

Figure 2: Communication Symptoms of Trouble

Plan Rollout

- Lack of engagement from first-line managers
- Plans communicated more than 30 days after new fiscal year:
 - Not all reps have their plans communicated
 - Plan communication is not comprehensive; does not include key components, such as quotas
 - Less than 95 percent of plan approvals received within 30 days of plan rollout
- Communication driven by posted plan documents

In-Period and End-of-Period

- Absence of/extremely tardy performance-to-date (PTD) and/or end-of-period (EOP) reports
- Low adoption of PTD and/or EOP reports:
 - Effective reports have an access rate (unique users) of greater than 70 percent throughout the fiscal year
 - Reports and key data within (e.g., transaction number) are not referenced when questions/disputes are initiated
- High question/dispute volume that is not valid or is due to lack of plan understanding

Source: Sibson Consulting

On the other hand, companies with high-impact communications exhibit:

- **Minimal "shadow accounting" in the field** (rep time spent double-checking and questioning incentive pay). A key benchmark is less than 20 minutes per sales rep per pay period.
- **A low percentage of questions due to sales reps not understanding the plan.** Less than 15 percent of questions should be rooted in lack of understanding.
- **Sales managers who are the plan's first line of defense.** They should be able to successfully answer up to 60 percent of all questions before they are escalated.
- **A clear communications strategy supported by a formal, consistent communications process.** Effective communications are seen as an important priority for the business, one that warrants time and investment.
- **Strong adoption of PTD and EOP reports in the field.** Both reports should be consistently accessed by at least two-thirds of the reps. A good indicator of report adoption is a flood of calls from the field if the PTD or EOP reports are posted late.
- **Adept and attentive listening skills.** Plan administrators and designers actively seek and integrate feedback regarding the effectiveness of the compensation plan from the reps and first-line managers. Informal discussions and formal surveys or focus groups are effective ways to gather insight from the field.

- **Attentiveness to passive feedback from the field during the incentive compensation administration process.** Tracking incentive pay questions and the reasons behind them will produce valuable input for follow-up communications and help improve subsequent plan rollouts.

Conclusion

A well-designed and executed communications plan will improve sales productivity. Companies that keep their communications frequent, simple and focused on high-impact information will unleash the full motivational potential of their sales compensation program.

About the author:

Shawn P. Rossi is a vice president in the Atlanta office of Sibson Consulting. He works with leading companies to develop and implement sales strategies and sales effectiveness programs that maximize top- as well as bottom-line results. He can be reached at 678.306.3132 or srossi@sibson.com.

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