

# Managing with Sales Incentives: A Research and Best Practices Update

By: Jerry Colletti & Mary Fiss

*Most companies do not orient and train their front line managers in how to manage with incentive pay. This statement is particularly true in sales organizations! When we ask field sales managers how they learned to manage with their company's sales incentive plan they most often tell us, "I do it the way my boss did it when he talked with me!"*

That was the opening paragraph to a Short that we wrote in June, 2002. Since that time, we have collaborated with WorldatWork (WAW) on four sales compensation practices surveys that have included questions about sales manager training about how to manage with a new sales incentive plan.<sup>1</sup> Generally speaking, over the last five years, it appears that companies have made improvement in how front line managers are trained to coach and counsel their sales people through the compensation plan.

## Research Update

Sales employees look to their immediate supervisor for information about a new sales compensation plan. In the 2006 WAW survey, there was a fairly even division among those who prepare their managers and those who do not. The 2008 survey showed a marked improvement in that practice. Approximately 60 percent of the respondents indicated that they provide some form of direct training for their sales managers in how to implement a new sales compensation plan and coach their sales people about how to win under the new plan.

Our own consulting experience across companies in 22 different industries shows that the six most typical requests front line managers have when asked about the information they need to increase their effectiveness in managing with the incentive compensation plan are:

- Performance planning, e.g., how to set objectives
- The "fundamentals" of managing with incentive pay, e.g., definition of terms, how to talk with employees about the plan, how to answer questions

---

<sup>1</sup> Jerome A. Colletti and J. Mark Davis, "Harnessing the Power of Sales Compensation: An Analysis of 2008 Survey Practices", Workspan, WorldatWork, August, 2008, pp 23-29

- Performance assessment, e.g., how to have an effective conversation about incentive paid at various levels of performance
- Communications, e.g., what to say/what not to say
- How to explain why various performance measures were selected for use in the sales compensation plan
- Career planning and incentive opportunities, i.e., how to talk about what sales people can look forward to in higher level position(s)

## Three Key Skills

Our research shows that front-line managers in top producing sales units have mastered three important incentive plan management skills:

- Communication, i.e., how to discuss the plan with employees
- Performance planning and feedback on results, i.e., how to assign goals or objectives; how to set expectations and assess results
- Problem resolution, i.e., how to answer objections or solve problems that are typically associated with the launch of a new compensation plan

## A Well Designed Manager Training Program

To equip front line managers with the tools and techniques they need to succeed, we suggest a three module-training program, as follows (with illustrative, not comprehensive topics):

- **Module 1: Setting the Stage for Sales Success**
  - Welcome and Training Objectives
  - Definition of Key Terms
  - Key Features of the New Plan
  - Mechanics, i.e., How the Plan Works
- **Module 2: Managing With Incentive Pay for Sales Success**
  - The Lifecycle of a New Incentive Plan
  - How A Manager's Role Changes (When a New Plan Is Implemented)
  - Understanding The "Basics" Of Incentive Pay
  - Five Ways Incentive Pay Supports Your Supervisory Role
- **Module 3: Your Action Plan**
  - Why Have an Action Plan
  - Five Step Action Plan
  - Action Steps and Requirement for Success with Each Step
  - Your Next Steps