



E-book

Newsletter #9

Announcing Quota and Compensation Plan Changes



Counting down my 10 most popular newsletters, here is #9.

A complete library of my newsletters can be found [here on my website](#).

Introduction

My clients often worked hard on a new compensation plan, presented it to the reps, then recoiled with shock when those same reps had comments, questions, and complaints.

When this happens, most company leaders have overlooked two critical elements:

- Compensations plans determine either all or a large part of a salesperson’s annual earnings – their paycheck. Of course they want to discuss it.
- The reps weren’t consulted at all on the components of the plan before it was finalized

I ask these leaders, “If I handed you a plan for your annual compensation – and told you I would not factor your thoughts in or negotiate with you – what would you say?” Most agree they wouldn’t tolerate it. Why should the salespeople – the employees responsible for company revenue?

Company and sales leaders tell me they worry about involving the reps in the creation of the comp plan. They fear reps will suggest all manner of crazy, unaffordable ideas or make goals too easy to achieve. While that can happen, usually just one rogue rep drives it. Most salespeople take the task seriously.

When leaders let go of their hesitancy and ask for rep input, most express surprise at the quality of the discussion and creative ideas proposed. All agreed they learned a few things.

I counsel my clients to involve salespeople in the creation of the comp plan – from the first draft to the final version. Improve buy-in and moral. Give the reps skin in the game. Strong performers find it very motivational.

Enjoy the eBook!

Suzanne



Newsletter

A client asks, "I have set my salespeople's goals and created a new compensation plan for 2005, but there are some significant changes to both and I am concerned about the reaction from the sales staff. How should I handle this situation?"

Issuing sales quotas and unveiling a new compensation plan is tricky. You say you are concerned, which implies that you think your salespeople will not universally regard the new plan as positive.

I will assume that you have a sensible and fair new plan with sound business reasons behind it. Typically, reactions by salespeople may reflect concerns that they may make less money or that they may have to work harder. Some individuals may have to sell more of a product they don't particularly enjoy selling. Others may look for loopholes thinking "the company" is purposefully trying to under-compensate them. Given all this, the best approach is to roll out the new plan in a way that gives the salespeople time to think about it before reacting.

Present the New Plan to the Team

At the end of a regular sales staff meeting, hand out the new sales goals and compensation plan. Ask the group to save any questions they may have for the moment. Present the more important changes and discuss why you made them. Be positive in your presentation, but don't oversell the plan.

After you finish, tell the sales representatives that you understand they have questions, but that you would like them to study the plan first. Ask them to sign up for individual meetings with you that will take place in a few days. Assure them that after you have met with everyone, there will be another group meeting.

Some sales representatives will try and ask questions right then and there, while others will insist they need to meet with you immediately. Don't be intimidated. Stick with your plan.

Hold Individual Meetings

There will be a lot of talk amongst the sales representatives before the individual meetings begin. That's OK. During the individual meetings, take careful notes about their various issues with or questions about the plan. Look for patterns. Think about and make adjustments where necessary.

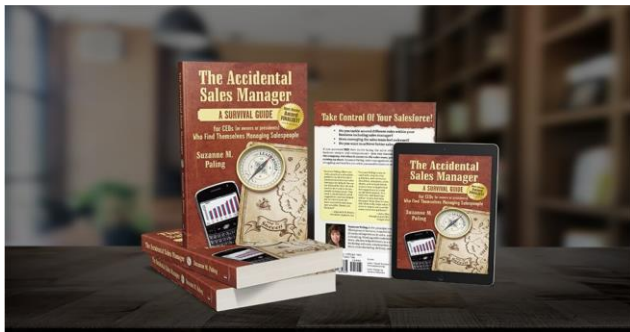


Meet Again As a Group

At the second meeting, discuss what was brought up in the individual meetings and publicly thank those who may have pointed out an error or persuaded you to make a change. If unpopular parts of the plan remain (and there always will be some), explain why you will not be changing them. Answer any and all questions that come up.

This approach may seem overly structured. But think about it this way: the sales representatives owe you the courtesy of looking at the new plan thoroughly before criticizing it or demanding that changes be made. By meeting with everyone individually, you will get feedback from all the sales representatives, not just the most vocal ones. In the end, this will lead to more buy-in for the new plan, which is ultimately what you want.

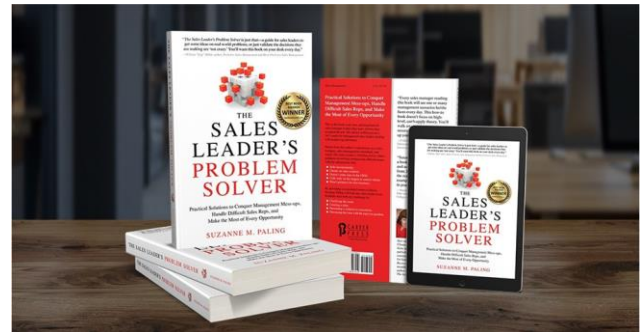
Additional Resources



The Accidental Sales Manager

Chapter 4: Completing and Presenting the Compensation Plan

[MORE ABOUT THE BOOK >](#)



The Sales Leader's Problem Solver

Chapter 15: High Base Salary

[MORE ABOUT THE BOOK >](#)

Further reading:

[Updating a Compensation Plan](#)

[5 Signs Your Compensation Plan Needs Revamping](#)

[How and When to Pay Commission](#)



[\(Re\)designing Tiered Compensation Plans](#)

[Salesperson's Base Salary Too High?](#)

[Salary Discussion](#)

[Aligning Quota with Business Goals](#)