



millennial sales compensation

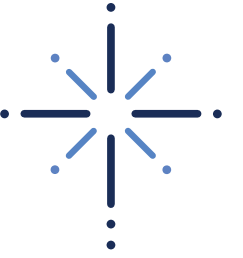
15 Common Mistakes to Avoid in a Sales Compensation Plan



DANITABYE.COM

IF YOU WANT TO LEARN MORE TODAY, CONNECT WITH ME AT: [612-267-3320](tel:612-267-3320) OR DANITA@DANITABYE.COM

INTRODUCTION



If you consider your sales team as your revenue engine, then your sales compensation program is the gasoline that powers it.

Sales compensation programs typically come in regular, plus, and premium grades. And that begs the question every manager and business owner asks while standing at the sales expense pump: which compensation “grade” is going to fuel the best price/performance ratio in my sales engine? Will a premium grade Compensation Plan guarantee a sales staff that can and will execute my sales strategies?

Since Millennials now make up a significant and growing percentage of the workforce, (yes, Millennials are projected to make up half of the workforce by 2020) you also want to pay special attention to their aspirations. And it differs vastly from the career goals, hopes and dreams of your more senior Baby Boomers. Unlike Baby Boomers, who would often stay at a job for years, two-thirds of Millennials, in a recent survey, say they are likely to switch jobs by 2020.

As a salesperson, then a VP of sales, then sitting on boards of directors, my thoughts have been largely focused on one question: what’s going to drive sales success? Plus, now we’re also asking: how do we attract and retain Millennials?

Millennials rarely switch jobs without a pay increase. The importance of compensation has grown, with nearly 80% of Millennials reporting a salary bump when they most recently switched jobs. Of those who switched jobs, 25% are seeing their salaries increase by up to 30%.

What are some of the considerations? Hiring right; coaching better; paying competitive salesperson compensation packages....

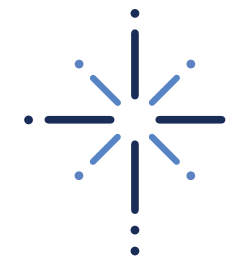
Yes, all of the above! But, after years of wandering in and out of sales organizations, I have learned that determining which compensation grade and approach to use depends on a number of factors, including:

- Company objectives and plans
- Product development cycles
- Business cycles
- Target markets
- Talent management cycle (experience, performance)
- Organizational values and culture

Is your compensation plan clearly aligned with your organizational objectives?

This eBook will help you find the compensation “grade” that will fuel your sales engine. By applying our compensation principles, we will identify areas in which your sales program lacks the premium grade fuel it needs to achieve your core strategic objectives.

IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320



Why read this eBook?

- You understand the importance of a balanced, performance-optimized compensation plan, but don't know quite how to put one into practice;
- You realize that endlessly fiddling with base salaries and commission percentages just isn't going to cut it, especially when you're designing a compensation plan for Millennials, but you don't have a firm grasp on the alternatives;
- You acknowledge that your sales staff isn't happy, owners aren't happy, and budgets are stretched while results are falling behind;
- You know you've got a compensation problem on your hands, and you also know it's only going to get worse, in the form of a weak sales culture, high sales costs, horrendous bottom line performance and even losing some of your most promising Millennials.

The Millennial Sales Compensation Book helps you to address these challenges so that you can design a sales compensation program that strikes the perfect balance between performance and economy. To accomplish this, your compensation plan must use premium grade fuel to drive your company's strategic goals.

FINDING YOUR BEARINGS:

COMMON REASONS COMPENSATION PLANS FAIL

Few areas of business management and operations are as fallible as sales compensation design and implementation. Though the specific missteps are unique to every company, there are a few common themes we see over and over again. By using a strategic compensation process, you can evaluate where your sales plan has strayed too far from corporate goals, values and product and sales talent development cycles – like tapping into the powerful Millennial workforce.

Based on the knowledge discovered from this navigation exercise, you can then design a compensation program that will fuel the best price/performance ratio in your sales engine.

Important Note about the examples in this eBook:

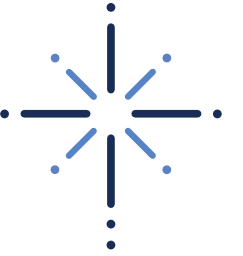
The Millennial Sales Compensation eBook helps you to address these challenges so that you can design a sales compensation program that strikes the perfect balance between performance and economy. To accomplish this, your compensation plan must use premium grade fuel to drive your company's strategic goals.

The goal of this eBook is to give you insight into the 15 most common compensation mistakes

Our aim is to help you avoid them as you build your own high-ROI sales compensation program.

It is your starting point to get your business back on track to better sales results on a leaner compensation budget than you'd guess.

IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320



How do your Compensation Strategies compare to the 15 Common Compensation Mistakes we have identified?

1. Does your compensation plan encourage average performance?

We typically see sales compensation plans weighted toward average sales performance. This results from managers benchmarking the average position to determine that the average salesperson earns \$X per year. Yes, it is important to know that number, but you want above average performance.

When compensation plans are designed to reward average performance, you will get below average performance because the super star sales people will not be attracted or motivated by the plan.

2. Does your compensation plan overpay for under-performance?

Effective sales compensation plans are based on rewarding success and penalizing failure. In reality, we find that many companies focus mostly – sometimes solely – on encouraging average performance. Top performers will be less likely to put in the extra effort required. Low performers, however, will be delighted.

Either way, by not enforcing consequences for under-performance a slacker sales culture is created. This is typically seen with a high base and low commission structure. Let's say you have an \$80K base and a 2% commission on \$1MM, or \$20K in commissions. If you miss your goal by \$100K you only lose \$2K so you drop from \$100K to \$98K.

That is not much pain!

3. Does your compensation plan put sales people in a comfort-zone?

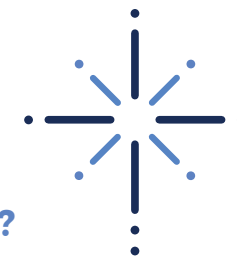
One of the biggest mistakes seen in sales compensation design is base salaries that are set too high. True, in most professional sales environments, a base salary is required. It is a salesperson's safety net, a paycheck guaranteed regardless of sales performance. However, if base salaries are set too high, this acts as a magnet for ineffective salespeople looking for a crutch. Even a good salesperson will coast along if there is no motivation not to.

4. Does your compensation plan fail to attract qualified sales people?

Qualified sales people will often look for business' commitment in the form of satisfactory upfront compensation. While these sales people expect to exceed even with a high base salary, it assures them that the company values them. If the base salary is too low, it can be hard to attract an experienced salesperson that can get the results needed.



IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320



How do your Compensation Strategies compare to the 15 Common Compensation Mistakes we have identified?

However, you can have the best sales compensation plan in the world, avoiding all of the mistakes we're outlining here, and still not exceed your revenue and growth targets. What's also needed is the right sales staff who can and will execute your sales strategy.

A critical question when re-designing and aligning a compensation plan to your strategic growth objectives is "Do we have the right people with strong fire-in-the-belly drive?" Therefore, a Strategic Compensation Alignment Initiative is often combined with a Sales Audit.

5. Does your compensation plan disregard the flexibility of a 'guarantee'?

If you need a high guarantee to attract qualified candidates, instead of offering a base salary, use guaranteed commission. This allows new hires time to build their client base and earn their keep. Your guaranteed compensation should be adequately competitive to attract the level of employee you need. It is typical to offer it for 3 – 12 months.

In the 2016 Deloitte Millennial survey, they asked Millennials, "What are the most important values a business should follow if it is to have long-term success?" Millennials responded that businesses should put employees first, and they should have a solid foundation of trust and integrity.

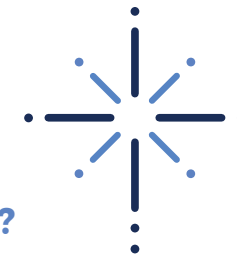
6. Does your compensation plan complicate your sales strategies?

As in most cases, simpler is better when designing sales compensation programs, and even more so when your sales team includes Millennials. Though your business goals may be complex, they can usually be met in a reasonable amount of time and at reasonable expense with an easily understandable system of rewards and penalties.

Note the word **reasonable**: What good is a perfect compensation plan if it's so complicated that virtually no one understands it or is motivated by it?



IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320



How do your Compensation Strategies compare to the 15 Common Compensation Mistakes we have identified?

7. Does your compensation put the brakes on accelerated growth?

We all value profitable and accelerated growth. I strongly encourage my clients to offer accelerated compensation to achieve this goal. It's not only fair, but can be a strong motivator for the sales team.

Likewise, I may only pay 50% to 80% of my total budget for sales that are at or below last year's sales. Then it makes sense to pay significantly more for sales growth over last year. I want my staff to know that account managers do not get paid the same percentage as the hunters who are bringing in new customers and building the value of my business.

8. Does your compensation plan fail to drive changed behavior?

Adding incentives to change behavior and achieve company goals can be very effective. It can motivate new employees or get staff to support change when the company needs to change processes or business strategies. Like table salt, though, it's possible to use them too much and apply them to the wrong things. Used sparingly, accelerators complement company goals without overwhelming them.

Incentives are an example of an activity accelerator that drives desired behavior. For example, if management needs more data input into CRM, more phone calls made, increased focus on digital sales, reduced travel expenses, or more travel, these goals can be built into incentives to motivate those behaviors.

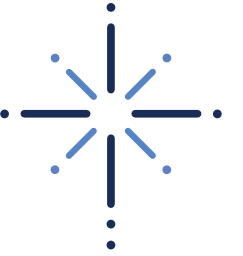
Other common examples would be when pursuing new customers or new markets, changing product mixes, increasing gross margin or average sale size, or improving customer satisfaction. All are situations in which the company will need to refocus the sales staff. Since change is never easy, using company goal accelerators can rapidly steer the company towards the desired goal.

9. Does your compensation plan have too much unpredictability?

Most people are confused by the concept of a commission start point at first, but if you view the base salary as guaranteed commission, it's easy to grasp. For example, let's say a salesperson has a base of \$5K per month and your total budgeted sales compensation goal is 10%. If the person were on straight commission they would have to sell \$50K to make their \$5K base.



IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320



How do your Compensation Strategies compare to the 15 Common Compensation Mistakes we have identified?

A commission start point really moves your sales team towards a straight commission mentality. It locks in your percentage of selling costs; under achievers make zero commission and your over achievers are motivated to meet and exceed goals.

10. Does your compensation plan undervalue true salespeople with strong acumen?

Often, business owners do not understand all the additional value that a high-end salesperson can offer a company, seeing compensation in merely incremental terms, instead. They see their average sales rep selling \$750K per year, and that is worth \$75K (which may be true). Because these business owners structure compensation with a base and commission plan, they're effectively structuring the plan for an entry-level salesperson.

But what if a top salesperson could sell \$2M – \$4M per year? Or sell at 65% margin instead of 55% margin? Wouldn't you pay a premium for that? Top salespeople expect it and get it – if not with your company, then with another.

Pay particular attention to the Millennials on your team's ability to exploit the ever increasing digital sales market. Some people co-label Millennials as 'digital natives' because of their seemingly inbred ability to master and utilize every new technological gadget that seems to pop up on a daily basis. The potential sales growth that can be reached through proper digital sales strategies, is most definitely a Millennial strength that should be fairly compensated.

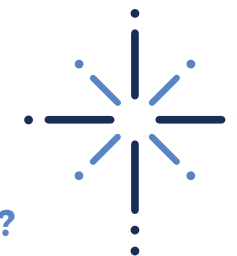
11. Does your compensation plan focus too much on the amount a salesperson earns?

Many managers want to cap earnings per employee. They get upset when someone makes over \$100K and will, as a result, restructure the compensation plan to make it very hard to make over \$100K or, worse, get rid of the high performer. In a well-designed plan, the higher the average compensation is, the lower the sales costs are as a percentage of net sales. For example, you could pay a sales rep \$100K to sell \$1MM, which equates to a 10% sales cost. Or you could pay a sales rep who sells \$3MM an amount of \$200K.

Yes, you've spent a good chunk of change, but you've lowered your sales cost to 7.5%.



IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320



How do your Compensation Strategies compare to the 15 Common Compensation Mistakes we have identified?

12. Does your compensation plan pay on net revenue, not gross margin?

One of the biggest mistakes that I see in compensation design is that companies continue to compensate based on net rather than gross margin. To protect their margins, these companies, either under compensate the sales team or, more typically, offer a plan with so many rules and exceptions that the sales team is confused and uninspired. From all the current research projects we have studied, it is clear that Millennials want jobs that advance their careers. They will study your digital footprint and approve of your community development efforts, but in the end, they admit that they want the right compensation, and will leave if they don't get it.

13. Does your compensation plan fail to consider different motivational styles?

Not all salespeople are motivated in the same way. A thorough understanding of the different motivational styles, becomes even more important when designing a compensation plan for Millennials. Shocking fact - the company's profits are not the motivator in their lives. For Millennials, not even personal profit is a leading motivator. Your compensation plan needs to create motivation for each member of your team by helping them to develop dreams and align their dreams to the company vision, mission, values and goals. If you want to learn more about this topic, I invite you to get my eBook, *Millennial Sales Motivation*, [here](#).

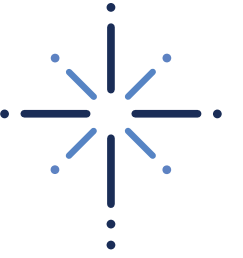
14. Does your compensation plan neutralize the need for change?

In business, keeping your company healthy often requires change. But, change is stressful for you and your staff and often neglected. To take some of the sting out of the required change and encourage your staff to make the required changes more rapidly, I recommend strong short-term financial incentives for a sales team.

What kind of changes am I referring to? Anything that requires your sales team to drastically change their behaviors, selling process, or, in general, stray from their comfort zone, warrants adding compensation to reward those changes.



IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320



How do your Compensation Strategies compare to the 15 Common Compensation Mistakes we have identified?

Your strategy for the year may require growing your customer base, achieving a higher gross margin percentage, expanding into new markets or regions, introducing a new product line, updating your digital sales strategies, snagging larger orders, or implementing a CRM system, but whatever change you need, you'll get there faster and with better morale by tying compensation to that goal. And because you'll change more rapidly, you'll save money in the long run.

15. Does your compensation plan attempt to fix culture?

A compensation plan will motivate a sales team that has the ability to sell. Fixing compensation will not fix a sales team that is not effective at selling. Nor will it improve a staff that does not have the skill or the desire to sell. It will not turn a negative, excuse-making team into a positive results-driven team. It does not eliminate the need for good communication and management follow up.

As soon as it is clear that the sales rep is not going to cut it, cut your losses and replace them.



CONCLUSION

Now that you have a greater understanding of the common compensation mistakes that companies make, you are in a better position to structure a compensation package that will attract top talent who can and will execute your sales strategy.

We hope your improved, premium grade compensation plan will become the sales revenue engine that fuels top performance rather than simply allowing salespeople to coast along, selling the bare minimum needed to keep that paycheck coming.

If you need more help, connect with us.

Also, check out other eBooks in this series:

- [Millennial Sales Motivation](#)
- [Millennial Sales Coaching](#)
- [Millennial Sales Accountability](#)

IF YOU WANT TO LEARN MORE TODAY, YOU ARE INVITED TO CONTACT US AT: DANITA@DANITABYE.COM OR 612-267-3320

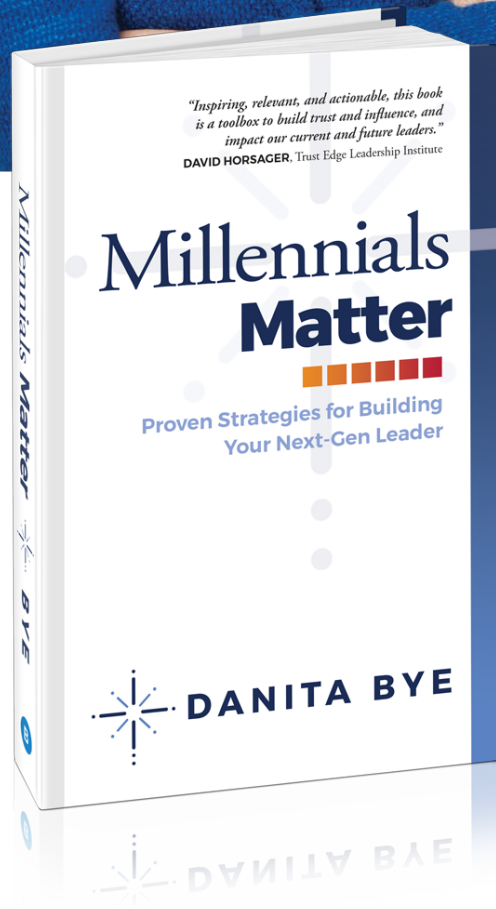


DANITA BYE, M.A. is a leadership and sales development expert serving on the Forbes Coaches Council. Valuable experiences, ranging from a sales leader at Xerox Corporation to private equity ownership, provided leadership coaching, mentoring and leadership insight for all ages.

Danita is the founder of Sales Growth Specialists and has served on the boards of private Christian universities. She is a mother of three millennials and is passionate about inspiring business leaders who see investing in their millennial leaders as a key business growth and succession strategy, integral to their leadership legacy.

With a practical, rubber-meets-the road style that focuses on values and character-based success, Danita helps experienced leaders gain an understanding of the importance of their role in shaping young leaders. Her vision is leaders of character with the skills and tools to coach millennials, our future leaders. She believes that leaders build leaders.

Danita writes a leadership blog at DanitaBye.com, which provides tips, tools, and talk tracks for those who mentor emerging leaders. She holds a master's degree in transformational leadership and a bachelor's degree in pre-med. Danita and her husband Gordon have been married for over thirty years and live in North Dakota.



“My goal is to energize and equip visionary business leaders of character who are committed to building their Next Gen leaders as a key sales growth or succession strategy. In so doing, they maximize their business, mobilize their leaders and realize their leadership legacy.” - **Danita Bye**



DANITABYE.COM

IF YOU WANT TO LEARN MORE TODAY, CONNECT WITH ME AT: 612-267-3320 OR DANITA@DANITABYE.COM

Copyright 2019. All rights reserved.