

Are Sales People Coin-Operated?

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A quick and convenient answer would be an affirmative, “yes.” However, upon closer examination, this common refrain hides some revealing observations. We suggest here that these hidden observations, once considered, will lead compensation designers to better sales compensation solutions.

What Does “Coin-Operated” Mean?

At face value, the expression “coin-operated” suggests that sales people respond only to pay incentives, which sales management uses to manipulate sales personnel actions. It also implies that the sales force is somewhat immune to other forms of managerial oversight. “Unless it’s in the pay plan, it won’t get done.” Further, it suggests a negative view about sales personnel and their professional values. At best, it implies sales personnel are self-absorbed, not concerned with serving the best interests of the company, and will only perform if bribed into action. This moves incentive compensation into a marquee sales performance role, a dubious location.

But Sales Compensation Works, Right?

Yes, it does work. But the simple phrase “coin-operated” relegates sales people—their ambitions, their character and their intellect—as subordinate participants in a Skinnerian science experiment...by offering a bigger block of cheese to make them run faster. This represents a painful and flawed view of sales people (not to mention of mankind in general).

A better starting point is to understand why sales compensation works. There are numerous motivation theories that explain why people do what they do. (See author’s notes about motivation theories.) When viewed collectively, these theories suggest people’s actions are driven by one or more of the following factors:

- **Economic.** Sure, economic reasons drive a lot of behavior. Defining the word “economic” broadly allows us to include not only money, but also health protection, security, wealth, physical safety and purchasing power. Sales compensation payments are a natural fit for this factor, but not universally. Sales compensation payments, for example, do not fully satiate the need for security and physical safety.
- **Social.** When people think about and act upon what others think about them, we are tapping into their social psyche. As a general rule, most people want to receive positive recognition and live in harmony within their social environment. People gravitate to actions that earn themselves positive feedback and avoid performance that garners negative feedback. Measurement (with or without money) is a compelling social lever. For some people, their tribal instincts make them eager to conform to the social norms of a sales team, for example.

- **Self-Construct.** Often cited as the “wild card” in human behavior, a person’s “self-construct” provides an inner voice that answers the question: “What is right for me?” Self-constructs can be enduring, maturing or ephemeral. An important component found in self-constructs is the pursuit of self-accomplishment.

Each of these factors meanders and crisscrosses each other, then doubles back. The point is: No matter how much we want to, it’s not easy to reduce humans to a presumption; this includes sales people.

Lessons for Sales Compensation

Now that we know sales motivation is much more than pay rewards, we can correctly calibrate the use of sales compensation. Here are some principles of sales compensation effectiveness that have served others well:

- **Sales Culture Counts.** What sales management says is important and thus becomes important to most sales people. People’s social/tribal instincts tell them to earnestly serve sales leadership’s objectives.
- **Measurement Drives Performance.** No need to clog the sales compensation program with every performance measure. People’s inner self-construct and their social accountability have them respond favorably to performance measurement—even without incentive compensation payouts.
- **Aggressive At-Risk Pay Is Not Necessary.** Setting aside the economic model of income producers (such as stock brokers, real estate agents and life insurance sellers) who earn a percent of everything they sell, regular sales personnel do not need a lot of at-risk pay to drive performance. The deepest pay mix should not exceed a split of 50/50 of total compensation divide between base salary and target incentive. The average pay mix of B2B sellers is about 70/30. Use higher pay mix for high persuasion jobs, less pay mix for lower persuasion sales jobs.
- **Limit Performance Measures.** To improve the connection between performance and rewards, keep the number of performance measures to three or less. Avoid using the incentive program for corporate measures, compliance measures and activity measures. The message of the pay program gets lost when pay plans have too many measures.
- **Match Job Content.** Craft sales compensation plans to match job content. The number of plans should be equal to the number of jobs.

Sales compensation is an effective tool to complement management practices; it’s not a substitute. And, for goodness sake, never presume sales personnel are a coin-operated sub-species.

Author’s Notes on Motivation Theories

Sales compensation design professionals should be well-versed in motivation theories. Victor Vroom’s Expectancy Theory, as presented in his original 1964 book *Work and Motivation*, offers the best model to explain the dynamics of sales compensation. To

learn more about motivation theories, visit the web-site www.changingminds.org. The section that presents a succinct overview of numerous motivation theories can be found at: http://www.changingminds.org/explanations/theories/a_motivation.htm.