

Chapter 6

Training, Motivating, Compensating, and Leading the Salesforce

Learning Objectives

- To understand **sales training** process
- To learn importance, theories, and tools of **motivation**
- To know objectives and designing of sales **compensation plan**
- To understand views, styles, and skills of **sales leadership**
- To know the methods used to **supervise salespeople**

Sales Training

- Proper training can prepare salespeople to meet with **customer expectations**
- **New salespeople** spend a few weeks to several months in training
- Companies view **sales training important** for protecting their investments in their salesforce
- **Sales Training Process** consists of:
 - Assessing sales **training needs**
 - **Designing** and **executing** sales training programs
 - **Evaluating** and **reinforcing** sales training programs

Assessing Sales Training needs

- Sales training needs are assessed both for
 - Newly hired sales trainees, and
 - Experienced / existing salespeople
- Methods used for assessing training needs are:
 - First level sales managers' observation
 - Survey of salesforce and field sales managers
 - Customer survey
 - Performance testing of salespersons
 - Job description statements
 - Salesforce audit (as a part of marketing audit)

Designing and Executing Sales Training Programme

- For this, sales manager takes **five decisions**, called: **ACMEE**: **A**im, **C**ontent, **M**ethods, **E**xecution, **E**valuation
- First three words and organisational decisions **relate to designing** of sales training
- Examples of **Aims / Objectives** of sales training:
 - Increase sales, profits, or both
 - Increase sales productivity
 - Improve customer relations
 - Prepare new salespeople for assignment to territories

Content of Training Programme

- Content for new sales trainees is broader. It includes:
 - Company knowledge
 - Product knowledge
 - Customer knowledge
 - Competitor knowledge
 - Selling skills / sales techniques
- Examples of specific content for experienced salespersons are:
 - New product knowledge
 - Introduce change in sales organisation
 - Negotiating skills
- Content depends on the aims of training programme

Sales Training Methods

- **Selection** of suitable methods for a training programme depends upon the topic and audience
- **Training methods** are grouped into **five categories**:
 - Class room / Conference training
 - Behavioural learning / Simulations
 - Online training
 - Absorption training
 - On-the-job training
- We shall briefly review the training methods

Class-Room / Conference Training Group

- The training **methods in this group** are: (1) lecture, (2) demonstration, and (3) group discussion
- **Lecture**
 - Used when more information is presented in a short time to a large number of participants
 - May lead to boredom due to less active participation
- **Demonstration**
 - Used for giving product knowledge
- **Group discussion**
 - Useful when participants include experienced and inexperienced salespersons
 - A panel discussion consists of a small group of people who discuss a specific topic

Behavioural Learning / Simulation Group

- This group consists of three training methods: (1) role playing, (2) case-studies, and (3) business games
- **Role playing**
 - Useful method for teaching sales technique / process
 - Typically, one trainee plays the role of a salesperson and another trainee acts as a buyer
- **Case studies**
 - Beneficial for understanding consumer behaviour, and building problem solving abilities
 - Case teaching includes open discussion, group discussion and presentation
- **Business games**
 - Helpful in learning impact of decision making
 - Generates enthusiasm and competitive spirit

Online Training Group

- It includes (1) electronic performance support systems (EPSS), (2) interactive multimedia training, (3) distance learning
- It takes 50 percent less time and costs 30-60 percent less, and more convenient than other training methods
- Useful for getting basic knowledge like products and customers
- Electronic performance support system (EPSS) makes information available immediately, in a personalised manner
- Interactive media training is used for retraining salespeople who can repeat or skip material as desired
- Distance learning is a personal training method, which is interactive

Absorption Training / Self Study Group

- It includes supplying audio cassettes, product manuals, books, articles, and CD-ROMs to salespeople, who read (or absorb) these materials without feedback
- Useful for introducing basic materials or strengthening previous training

On-the-Job Training Group

- Most companies use this method as it places a sales trainee in a **realistic sales situation**
- Typically, a junior salesperson is assigned to a senior salesperson for some period of time
- In **mentoring**, a junior / new employee gets information, advice and support from mentors / experienced persons
- **Job rotation** is used to groom salespeople for management positions

Selecting Training Method

- In addition to the **topic** and **audience**, selection of appropriate method **depends on active / passive learning**
- **People generally remember**
 - 10% of what they **read**
 - 20% of what they **hear**
 - 30% of what they **see**
 - 50% of what they **hear and see**
 - 70% of what they **say**, and
 - 90% of what they **say** as they **do** a thing

Organisational Decisions for Sales Training

- Organisational decisions, which are parts of designing sale training programme, are:
 - Who will be the trainees?
 - Who will conduct the training?
 - When should the training take place?
 - How long should the training be?
 - Where should the training be done?
 - What will be the budgeted expenditure for the training?

Execution of Sales Training Programme

- Usually sales trainer or sales training manager is responsible for entire process of sales training
- **Execution / implementation includes** preparing time-table, arranging internal / external trainers, making travel arrangements of participants, arranging conference hall and teaching aids, and so on
- A good practice to **make a final check** one / two days prior to start of training programme
- **Obtain feedback** from the sales trainees at the end of the programme

Evaluation of Sales Training Programme

- It is done to improve training design and implementation, and to find if expenditure was worthwhile

Framework for sales training evaluation:

Outcomes to measure	What to measure	How to measure	When to measure
<ul style="list-style-type: none"> • Reactions / Perceptions of participants 	<ul style="list-style-type: none"> • Training objective • Was training worthwhile? 	<ul style="list-style-type: none"> • Questionnaires • interviews 	<ul style="list-style-type: none"> • After the training
<ul style="list-style-type: none"> • Learning – knowledge, skills, attitudes learnt 	<ul style="list-style-type: none"> • Knowledge, skills, attitudes 	<ul style="list-style-type: none"> • Tests • Interviews 	<ul style="list-style-type: none"> • After training • Before & after – training
<ul style="list-style-type: none"> • Behavioural change 	<ul style="list-style-type: none"> • Trainees' change of behaviour 	<ul style="list-style-type: none"> • Self-assessment by trainees • Observation by supervisors / customers 	<ul style="list-style-type: none"> • After training, over a period of one year
<ul style="list-style-type: none"> • Results – Performance; Benefits more than cost? 	<ul style="list-style-type: none"> • Sales, Profits • Customer satisfaction 	<ul style="list-style-type: none"> • Company data • Management judgement • Market survey 	<ul style="list-style-type: none"> • After training, Quarterly, Yearly

Reinforce Sales Training

- Behaviour of most salespeople would not change unless there is reinforcement to sales training
- In many companies reinforcement or follow-up trainings are not done
- Training methods used for reinforcement are:
 - Refresher training consists of continuous training to overcome deficiencies of experienced salespeople and retraining of salespeople whose job requirements have changed
 - Web-based or online methods to reinforce formal training sessions
 - Senior salespeople or first line sales managers coaching new salespersons

Motivating the Salesforce

- Motivation is derived from Latin word “movere”, which means “to move”
- Motivation is the effort the salesperson makes to complete various activities of the sales job
- 10-15 percent salespeople are self-motivated
- Majority of salespeople are not adequately motivated
- Importance of motivating salespeople is recognised, because financial performance of the company depends upon the achievement of sales volume objective

Motivational Theories

- Motivational theories or behavioural concepts that are relevant to motivation of salespeople are:
 - Maslow's hierarchy of needs
 - Herzberg's dual-factor
 - Alderfer's ERG theory
 - Vroom's expectancy
 - Churchill, Ford, and Walker model of salesforce motivation, shown hereunder:

Motivation → Effort → Performance → Reward → Satisfaction



Selecting a Mix of Motivational Tools

- Sales manager should know each salesperson and understand his / her specific needs
- For designing or selecting a mix of motivational tools, a compromise between differing needs of customers, salespeople, and the company management becomes necessary
- Motivational tools are divided into (1) financial, and (2) non-financial. These are shown in the next slide

Motivational Tools in a Motivational Mix

Financial	Non Financial
<ul style="list-style-type: none">• Financial compensation plan<ul style="list-style-type: none">• Salary• Commission/Incentive• Bonus• Fringe benefits• Combination• Sales contests	<ul style="list-style-type: none">• Promotion• Sense of accomplishment• Personal growth opportunities• Recognition• Job security• Sales meetings• Sales training programmes• Job enrichment• Supervision

- Financial compensation is the most widely used tool of motivation, as salespeople give highest value to it

Objectives of Compensation Plan from Salesperson's Viewpoint

- To have both regular and incentive income
 - Regular income by fixed salary to take care of living expenses
 - Incentive income for above average performance
- To have a **simple plan**, for easy understanding
 - This is in conflict with the objective of flexibility
- To have a **fair payment plan**
 - Fair or just payment to all salespeople is ensured by selecting measurable and controllable factors

Designing an Effective Sales Compensation Plan

- Designing a new compensation plan or revising an existing plan consists of the following steps:
 - Examine job descriptions
 - Set up specific objectives for salespeople
 - Decide levels of pay / compensation
 - Develop the compensation mix
 - Decide indirect payment plan or fringe benefits
 - Pretest, administer, and evaluate the plan
- We shall examine these steps briefly

Examine Job Descriptions

- **Separate job descriptions** are required for different sales positions or jobs – **E.G.** missionary salesperson, senior salesperson, key account executive
- Each job description should include **responsibilities** and **key performance standards**, to decide how much to pay

Set up Specific Objectives for Salespeople

- These are **derived from** company's sales and marketing objectives
- Salespeople should have **some control** on the objectives – **E.G.** number of sales calls made
- Objectives should be **measurable**. **E.G.** sales volume, selling expenses

Decide Levels of Pay / Compensation

- **It means** the average pay or money earned per year (or month)
- It is **important** to decide levels of pay for all sales positions
- It is decided based on the following **factors**:
 - Levels of pay for similar positions in the industry
 - Levels of pay for comparable jobs in the company
 - Education, experience, and skills required to do sales job
 - Cost of living in different metros and cities
- Annual average pay levels vary between industries, within the same industry, and sometimes within the company
- Firms **decide a range of average pay**, instead of a specific pay
- Salespeople earn pay depending on their and company performance

Develop the Compensation Mix

- Widely used **elements of compensation mix** are: (1) salaries, (2) commissions, (3) bonuses, (4) fringe benefits (or perquisites)
- **Expense allowances** or reimbursements like travel, lodging, etc are not included*
- **Basic types of compensation plans** are:
 - Straight salary
 - Straight commission
 - Combination of salary, commission, and / or bonus
- **68 percent** companies **use combination plan** and balance 32 percent firms use straight salary or straight commission
- We shall briefly examine above compensation plans

Straight – Salary Plan

- Characteristics:
 - 100 percent compensation is salary, which is a **fixed component**
 - No concern for sales performance or salesperson's efforts
 - This **plan is suitable for** sales trainees, missionary salespeople, and when a company wants to introduce a new product or enter a new territory
- Advantages:
 - Salespeople get secured income to cover living expenses
 - Salespeople willing to perform non-selling activities like payment collection, report writing
 - Simple to administer
- Disadvantages:
 - No financial incentive to salespeople for more efforts and better performance. Hence, superior performance may not be achieved
 - May be a burden for new and loss-making firms

Straight – Commission (or Commission Only) Plan

- Characteristics:
 - It is opposite of straight-salary plan
 - Most popular commission base is sales volume or profitability
 - Commission rate is a percentage of sales or gross profit
 - This plan is generally used by real estate, insurance, and direct-sales (or network marketing) industries
- Advantages:
 - **Strong financial incentive** attracts high performance, removes ineffective salespeople and improves results
 - Controls selling costs and requires **less supervision**
- Disadvantages:
 - Focus is on sales and not on customer relationship
 - Salespeople may pay less attention to non-selling activities

Combination Plan

- Characteristics:
 - Combines straight salary & straight commission plan
 - Four types of combination plans used by companies:
 - 1) **Salary plus commission**: suitable for getting improved sales and customer service
 - 2) **Salary plus bonus**: a bonus is a lumpsum, single payment, for achieving short-term objectives. This plan is used for rewarding team performance
 - 3) **Salary plus commission plus bonus**: suitable for increasing sales, controlling salesforce activities, and achieving short-term goals. Also suitable for selling seasonal products like fans
 - 4) **Commission plus bonus**: Not popular. Used for team selling activities for selling to major customers

Combination Plan (Continued)

- Advantages:
 - Flexible to reward and control salesforce activities
 - Security for living costs and incentives for superior performance for salespeople
 - Rewards specific sales performance
 - Different plans for different sales positions / jobs
- Disadvantages:
 - Complex and difficult to administer
 - May not achieve objectives if not properly planned, implemented and understood
- Indirect payment plan, also called fringe benefits or perquisites, help in attracting and retaining people, but have now come under government tax in India

Pretest, Administer, and Evaluate Compensation Plan

- Pretesting the new / proposed Compensation Plan:
 - Companies pretest a new (or proposed) plan, before adoption
 - Either it is simulated on a computer, or pretested at one / more branches for 6-12 months
 - It should involve all concerned people
- Administering the new compensation plan
 - Announce the plan in advance
 - Explain the new plan and reasons for changing the previous plan
 - Outsource administration if plans are changed frequently
- Evaluating the new compensation plan
 - Find if objectives of the plan are achieved
 - Some companies audit compensation plans

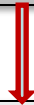
Evaluating Sales force

Purposes

- To **improve the salesperson's performance** by identifying the causes of unsatisfactory performance
- To **decide the increment in pay and incentive payment** based on the actual performance of the salesperson
- To **identify** salespeople who may be **promoted**
- To determine the **training needs** of the individual salesperson and the entire sales force.
- To identify the sales persons whose services may be **terminated**, after giving adequate chances for improvement.
- To **motivate salespeople** through adequate recognition and reward for good performance.
- To find out their **strengths and weaknesses**

Procedure for evaluating sales force performance

SET POLICIES ON PERFORMANCE EVALUATION AND CONTROL



DECIDE THE BASES OF SALESPEOPLE'S PERFORMANCE



ESTABLISH PERFORMANCE STANDARDS



COMPARE ACTUAL PERFORMANCE WITH THE STANDARDS



REVIEW PERFORMANCE EVALUATION WITH SALESPERSONS



DECIDE SALES MANAGEMENT ACTIONS AND CONTROL

Supervising Salespeople

- Supervising is directing and controlling **day-to-day activities** of salespeople
- It is a **part of leadership**
- Sales managers use a combination of methods to supervise salespeople
- Methods of supervision are classified into two categories – direct and indirect

Direct Supervisory Methods	Indirect Supervisory Methods
<ul style="list-style-type: none">• Telecommunications• Sales meetings• Personal contacts• Coaching / Mentoring	<ul style="list-style-type: none">• Sales reports• Compensation plan• Sales analysis• Expense accounts

Key Learnings

- **Sales training process** consists of need assessment, designing, executing, evaluating, and reinforcing
- **Methods used for need assessment** include observation, survey, performance testing, job description, and audit of salesforce
- **Designing sales training** programme require five decisions, called “**ACMEE**”: **A**ims, **C**ontent, **M**ethods, **E**xecution, **E**valuation
- **Execution of training programme** includes preparing timetable, arranging trainers, travel booking, conference hall, teaching aids, etc.
- **Evaluation of training** is done to improve design & implementation, and find if expenditure was worthwhile
- **Methods used for reinforcement** include refresher training, web-based, and coaching salespeople

Key Learnings (Continued)

- **Motivation** is the effort salesperson makes to perform various activities of sales job
- Out of the various **financial and non-financial tools** of motivation, financial compensation is most widely used
- 68 percent companies use **combination compensation plan**, and 32 percent use straight salary / commission plans
- **Leadership** is necessary for a sales manager's effectiveness
- **Leadership styles** are transactional, transformational, and situational
- **Leadership skills** include communication, problem-solving, and interpersonal
- **Supervising**, a part of leadership, is directing & controlling day-to-day activities of salespeople