Communicating New Sales Compensation Plans: Driving Your New Plans Across the Finish Line

By Clinton Gott, Principal at Better Sales Comp Consultants

Stop me if you have heard this one: “If a tree falls in a forest and no one is around to hear it, does it make a sound?”. To be honest, I am not often moved by philosophical questions such as this; like many readers of this article, I am more focused on daily reality, making things happen, and getting real results.

But let us consider a similar question from the mind of a compensation philosopher, something along the lines of: “If a company designs a great sales compensation plan but the sales team does not understand it or believe in it, can it still qualify as great?” Certainly this question has much more relevance to the topic at hand – ensuring new compensation plans are supported by great communication efforts.

Sales compensation plan communication is often a subject overlooked in the course of creating new plans that support evolving sales or human capital strategies. In many of my client experiences, the right steps are taken to understand new strategic needs, assess current plan strengths and weaknesses, and develop new plans that will help drive business results. Achieving executive approval on the new plan designs often feels like hitting the finish line, when in reality, a key leg of the race still must be run.

How do many companies communicate their great new plans to the sales team? Often this step is done haphazardly and without the forethought required to truly ensure success. In many cases, companies simply follow what they have “always done” when it comes time to release the plan information for the new fiscal year. Or they may have a false perception of what other companies do and the day’s theme becomes “keeping up with the Joneses” without regard to what their specific company’s needs may be.

Reality tells us that failing to treat the plan communication with the significance it warrants can greatly impair the performance of your sales incentive program. This is especially true in times when plans are of significantly modified to meet your new business needs or realities. In this article, we will explore the elements of an effective communication plan, what steps are needed, who should perform them, and when they should take place.

Goals of an Effective Communication Plan

How does your organization view the process of communicating the new fiscal year’s sales incentive plan? Do you focus on explaining the plan details or inspiring the team to perform? Do you ensure they know not only the “what” behind the new plans but the “why”, including the always persistent question, “why should we believe these are the right plans?!”. As you will see in this section, effective communication accomplishes a number of key goals that move far beyond the new plan’s details.

At the core, their needs to be recognition regarding the great value and opportunity available when describing the new plans. Why? First, the simplest reason is that most employees,
especially sales personnel, are eager listeners when the topic is compensation and how they’ll get paid. Second, human beings generally crave understanding and context. While the plan specifics are front and center, it is valuable to understand how they came to be and what impact they will have on the future. In our work, we like to encourage clients to make the most of the communication window by focusing on four main goals:

1. **Explanation: “Describe the plans”**

This is the most straightforward goal and the one that most companies focus on. What are the new plans? How do they work? How will I get paid? Keys here are being clear and thorough, while ideally including calculation examples.

2. **Affirmation: “Validate the plans”**

In many cases, salespeople are quick to judge and some may be averse to change. We often find that sales reps, when faced with change, often feel the best plan they’ve ever had is the one they are on now; some hold that perspective even when the current plans are clearly in need of improvement. This view is a statement about change and the fear of having to figure out a new program (potentially just when they had the prior one mastered).

It is important to affirm the new plans and encourage the sales team to confidently answer “yes” to the nagging question – “is this new plan a good one?” Two important aspects can help you achieve this goal:

- **Tell them the “why” behind the plan changes.** As an example, if you are moving from 100% contract based measurement to a portion tied to revenue, you need to inform the sales reps as to the intention or need. The answers should be factual if not always popular such as, “we have been encountering an increasing trend of contract dollars failing to convert to actual revenue, and that’s what the market is expecting from us.” Describing the reason behind plan changes can be especially valuable if the goal is to direct the team toward a new business strategy or to create a new cultural imperative.

- **Describe the process for creating the new plan.** This element describes the thoughtful and reasoned process your organization followed to generate the new plan designs (if such a process was not followed, you may have bigger issues than poor plan communication). Provide an overview of the assessment process, which hopefully included sales employee feedback along with studying market best practices. Describe the members who participated in the design team process; involving respected team members greatly enhances and validates the plans. Overall, be sure to champion and celebrate the diligence that you put into the new designs.
Reps may not always like a new plan, but removing any perception that they came from a mysterious compensation black box can be an important key to acceptance.

3. Inspiration: “Motivate the team”

Sales reps are often passionate and driven individuals; that’s why they choose to live the typically volatile life of a seller. Sales reps often like to hear and see, rather than read and study. And while I have met many cynical sales reps along the way, one constant of the human condition is the desire to be inspired. Your plan communication materials as well as the various communication forums should attempt to inspire, motivate, and drive results. Why will this plan year be a great one for the company? How will the sales team help ensure the company has a successful year? How can the individual reps make great money under the new plan? Be sure to avoid dry and clinical communication efforts, but rather be sure to use the communication platform to lead and inspire your team toward success.

4. Confirmation: “Ensure understanding”

Finally, effective communication efforts ensure that the sales team understands the plans, questions are answered, and sellers won’t be bogged down or distracted as the plan year commences. In many environments, sales organizations request signed confirmation from the reps. At the very least, the plan communication should be a dialogue where those doing the communicating can help ensure rep understanding.

Elements of Plan Communication – The Communication Rollout Map

In considering the elements of plan communication, we recommend following a logical roadmap approach that provides the right materials to the right audiences.

A. **Management Presentation**: the path starts by creating materials to share with your frontline sales management team on the new plans. Studies show that the frontline sales managers often play the most critical role in ensuring plan acceptance and understanding.

B. **Field Presentation**: these materials describe the plan details, including the “what” and “why”, and are written with the sales reps as the primary audience. This document can often leverage the materials from the Management Presentation but should have the right tone and pitch for the sales team.

C. **Train the Trainer**: often performed by sales operations, human resources, or senior sales leadership, this topic utilizes the management presentation and helps prepare frontline sales management to communicate and reinforce the plan messaging.

D. **Plan Documentation**: this is the official plan document that the sellers receive that describes the plan specifics, often including calculation examples. Plan Documents are
usually created at the sales role/job level (e.g., Account Manager, Field Rep), rather than by individual.

E. **Condition Sheets**: document that includes the specific compensation elements for an individual; a condition sheet often includes target pay information and goals. In many cases, the condition sheet will include a form to sign and return acknowledging receipt.

F. **Plan Calculators**: these are usually Excel-based tools that arrive programmed with the new plan mechanics for a particular role. A Plan Calculator allows a seller to test the new calculations to improve understanding and forecast potential earnings for various levels of achievement. Guess what happens if an organization doesn’t provide these? The sellers spend time creating their own calculators; this is time that should be spent selling! A better practice is to provide the calculator in coordination with the Plan Documentation.

G. **Acceptance Approach**: whether captured with a signature on the Condition Sheet or electronically over an intranet, many companies want to confirm acceptance and that the reps were told about their plans. While there are legal protections and requirements, particularly in some international countries, confirming acceptance is simply a good practice.

**When to Communicate (and by Whom)**

True of false: a common best practice is to ensure the reps have received information on the new plans by the first day of the new fiscal year? The answer is “false”. Please make sure you are not trying to keep up with a perceived market practice that would actually not be effective even if true.

It is true though that salespeople should learn about the new fiscal year’s plan at the start of the new fiscal year, preferably in the first half of the first month. Unfortunately, some companies try to follow a “day 1” rule as implied above, end up communicating new plan information before the prior fiscal year is completed, and inadvertently end up distracting and confusing the sales team at a time when they should be running hard to close the month, quarter, and/or year. And in some cases, reps may “game” the plans, for example, holding deals until the new fiscal year starts and a sweeter accelerator is available.

Our recommendation is to conduct an early year kick-off session, usually at an annual sales conference. The senior sales leader should use this opportunity to Explain, Affirm, and Inspire. From there the frontline sales managers should hold 1-on-1 sessions with each direct report to go over plan specifics, their individual impact, and Confirm understanding. The following listing portrays common best practices regarding when key communication steps should be taken:
<table>
<thead>
<tr>
<th>Step</th>
<th>Owner</th>
<th>Timing (vs. “Live”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Create Communication Materials</td>
<td>Sales Ops/HR/Sales Execs</td>
<td>4-8 weeks before</td>
</tr>
<tr>
<td>2. Sales Manager Communication</td>
<td>Sales Execs</td>
<td>1-4 weeks before</td>
</tr>
<tr>
<td><strong>New Plan Year Starts – “Go Live!”</strong></td>
<td></td>
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<tr>
<td>3. Field Communication/Kickoff</td>
<td>Sales Execs/Sales Managers</td>
<td>0-2 weeks after</td>
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<td>4. Sales Manager/Rep 1-on-1</td>
<td>Sales Managers</td>
<td>1-3 weeks after</td>
</tr>
<tr>
<td>5. Plan Design Escalation Process</td>
<td>Sales Ops/HR</td>
<td>1-4 weeks after</td>
</tr>
<tr>
<td>6. Collect Acknowledgements</td>
<td>Sales Ops/HR</td>
<td>2-4 weeks after</td>
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<tr>
<td>7. First Payment</td>
<td>Sales Ops/HR</td>
<td>4-8 weeks after</td>
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<tr>
<td>8. Payment Escalation Process</td>
<td>Sales Managers/ Sales Ops/HR</td>
<td>4+ weeks</td>
</tr>
<tr>
<td>9. Employee Survey Follow-Up</td>
<td>Sales Ops/HR</td>
<td>3-6 months after</td>
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While your organization’s communication needs and timing may vary, you will want to consider the steps and when it makes sense to complete them. Overall, you want to make sure all plan materials are ready and the frontline managers have been prepared prior to the start of the fiscal year.

Use the first couple weeks of the new year to perform a kick-off session, followed up by detailed 1-on-1 time between frontline sales managers and the sellers. From there, the ownership moves to sales operations or human resources supporting the plans and team in whatever way is required. One final step to consider an annual salesperson survey that includes questions about the roll-out and plan understanding. Giving them a meaningful voice is essential in building a positive and empowered sales culture, and every organization should strive to leverage prior experiences to improve in the future!

**Frontline sales managers are an important and often under-utilized driver of a sales organizations performance. In relation to plan communication, the frontline sales managers are essential in enacting your communication strategy. They can and should be held accountable for their performance in this regard, potentially tying an aspect of your performance review and merit program to this important function.**

How important are sales managers? How important is it to conduct both team session and one-on-one time? A recent client polled their sales team after a rollout effort asking the question: “Is your sales incentive plan easy to understand?” From the 2,000+ respondents, the survey revealed the following “yes” percentages depending on the communication received:

- Both team and one-on-one: 57%
- One-on-one only: 44%
- Team meeting only: 36%
- Neither: 29%

We have found other clients with the same type of experiences. Frontline managers play a crucial role, and combining their one-on-one sessions with team sessions is the best approach.
Good Communication: Launching a New Plan in the Right Way

Similar to running a relay race, creating a new plan design requires smooth baton hand-offs between each critical item in the process. Companies often do a good job early in the race as new strategic needs are identified, the assessment of the current plan takes place, and the designs themselves are created. Unfortunately, the transition from finalizing the designs to actually communicating them to the field often fails to be a smooth one.

Ensuring success begins with understanding the urgency and importance of creating the right communication effort and the potential value that can be captured. Sales organizations frequently evangelize the need for sellers to maximize the customer “points of contact”; ultimately, this same attitude and emphasis should be taken when organizations communicate plans to the sales team. By following the framework and perspectives outlined in this article, your organization can ensure a winning communication effort and a great start to your plan year.

About Clinton Gott and BSC

Clinton Gott is a Principal with and Co-Founder of Better Sales Comp Consultants. He previously served as the Western Region Sales Effectiveness Practice Leader at Watson Wyatt and began his consulting career at Sibson Consulting, while also spending time at Accenture. Clinton has over twelve years of experience consulting with a wide range of companies in various sales effectiveness and compensation topic areas. His industry experience includes high-tech, consumer products, medical products, and financial services, among others. Clinton has a particular interest in helping growing organizations evolve their sales organization and compensation programs toward greater effectiveness and sophistication. Clinton earned an MBA with distinction from the UCLA Anderson School of Management.

BSC a specialized boutique consulting firm focused on creating better sales compensation programs and better sales effectiveness for our clients. We offer a premier consulting experience – using only senior resources in a high touch and flexible model means better solutions and value for the money. BSC team members include Ted Briggs, Clinton Gott, Per Torgersen, Datta Davé, and Larry Novacich, who feature over 70 years of sales effectiveness and compensation experience and respectively held leadership roles at AGI, Sibson, Watson Wyatt, Synygy, and Deloitte. With over a decade of together, we offer an efficient and effective consulting experience with high-impact, practical, and implementable solutions.

Top 10 Lessons Communication Lessons
1. Think like your audience
2. Be clear on the “what” and show examples
3. Don’t forget about the “why” behind changes
4. Credentialize the plans – “how” designed
5. Repeat the message – cascade approach
6. Don’t reveal the new plan to reps until FY start
7. Provide an escalation path for understanding
8. Hold sales managers accountable
9. Make sure to motivate the team
10. Study your performance and seek improvement