
ASSESSMENT OF SALES FORCE COMPENSATION AS A STRATEGY FOR ENHANCING SALES PERFORMANCE

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Abstract

Considering the unique position of the sales force of any company, compensating their performance should be a major concern to any company management. Since the sales force of a company are the image makers, it should be of utmost importance to design a functional compensation plan. Hence this paper looked at the assessment of sales force compensation as a strategy for enhancing sales performance. The issue of how to compensate the sales force in order to ensure overall company success is a problem for sales managers. Questionnaires were employed to elicit data from the sales force, of First City Monument Bank (FCMB) Owerri and mean ratings used. It was found that reward-based compensation plan affected performance positively. It was recommended that sales managers should develop the best fit compensation plan for their organization in order to boost performance.

Sales force serve as a critical link between a company and its customers. In many cases, sales people serve both masters – the seller and the buyer. They represent the company to the customers and the customers to the company respectively. This they do, by finding and developing new customers and communicating information about the company's goods and services. They sell products by approaching customers, presenting their products, answering objections, negotiating prices and terms and closing deals.

Furthermore, sales people carry out market research, intelligence work and provide customer service. On the other hand, sales people represent customers to the company by acting inside the firm as champions of customers' interest and handling the buyer – seller relationship. They relay information about customer concerns of company's products and options back to those who can handle them.

Bearing in mind the unique position of sales people, compensating them should be of top priority for any company. It, therefore, follows that to attract sales people, a company must have an appealing compensation plan. Ideally, sales people should be paid in such a way that it will motivate and direct them towards activities that are consistent with overall marketing objectives of a company. Building customer relationships and growing the long run value of each customer, which results in company profit is now the focus of many companies.

Today, tying workers pay to their performance is very popular. Indeed with emphasis on competitiveness, productivity and delivering measurable bottom line results, the trend for all employers is to tie at least some portion of their workers' pay to the workers' and the company's performance (Dessler 2008). To build a competitive sales force, a company must pay at least the going market wage for different types of sales people (this paper looks at Sales force compensation as a strategy for enhancing sales performance).

Concept of Sales Force

Sales force are the main public face of the organization, with primary responsibility of generating sales. Hence profits – and for initial customer service. The quality of the sales personnel can be the difference between making a sale and not. (Suff and Neilly, 2006).

Suff and Neilly further describes a sales force as staff engaged in direct selling either face-to-face or increasingly via the telephone, account managers responsible for a number of customer and staff providing technical support such as sales engineers.

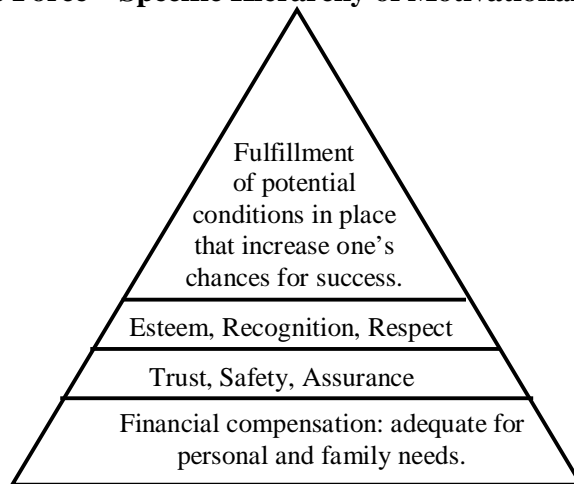
The sales force of an organization is that division that is managed directly by the firm and is responsible for selling products and services (Gregory 2008). What motivates a sales force to greater performance is not just about the pay check. Effective incentive compensation management is based on an understanding of basic human motivation – on the importance of trust, self-esteem, social recognition and improved chances to fulfill one's potential. (Bakosh, 2007).

A better understanding of basic human needs and of the methods that can sustain high levels of motivation among a company's sales force is imperative. One way is to return to the work of Abraham Maslow a pioneering American

psychologist who introduced in the 1940s, a hierarchical understanding of basic or innate human needs. (Suff and Neilly, 2006).

Generally depicted as a pyramid, the original version of Maslow's hierarchy set forth five levels of needs. The bottom four levels proceed through basic physiological need; a need for safety, for belonging and for esteem. Finally at the top of the hierarchy sits self-actualization. Something Maslow called a growth need – striving to live up to one's potential. Maslow's hierarchy is based on the principle that human beings share a set of universal needs regardless of their culture and experience. Maslow's general principles must be expressed in terms more relevant to a sales force (Suff and Reilly 2006).

Figure 2.1: A Sales Force – Specific Hierarchy of Motivational Factors



Source: Accenture Analysis

Bakosh (2007), further asserts that financial compensation represents the physiological need in Maslow's hierarchy. Then trust, safety and assurance comes next as company's sales force has to be able to have faith in the compensation plan put in place by the organization.

Moving further up Bakosh (2007) explains that the Esteem and a sense of belonging expressed by the sales force is the need to belong and feel as part of a group and the need to be held in esteem and receive recognition. Fulfillment of potential at the highest level of Maslow's motivational hierarchy is what he called self-actualization.

Elements of a Compensation Plan

Compensation is made up of several elements – a fixed amount, a variable amount, expenses, and fringe benefits. The fixed amount, usually salary, gives the sales person some stable income. The variable amount, which might be commissions or bonuses on sales performance, rewards the salesperson for greater effort and success. Expense allowances which repay sales people for job related expenses, lets sales people undertake needed and desirable selling efforts. Fringe benefits provide job security and satisfaction (Kotler and Armstrong 2006; Perreault and Mc McCarthy, 2006).

Management must decide what mix of these compensation elements makes the most sense for each sales job. Different combinations of fixed and variable compensation give rise to four basic types of compensation plans – straight salary, straight commission, salary plus bonus commission. Rewards bridge the gap between organizational objectives and individual expectations and aspirations. To be effective, organizational rewards systems should provide four things: a sufficient level of rewards to fulfill basic needs, equity with the external labour market, equity within the organization and treatment of each member of the organization in terms of his or her individual needs (Milkovich and Newman, 2005). Compensation systems are designed to attract, retain and motivate the sales force. The most important objective of any compensation system is fairness or equity. Equity can be assessed on at least three dimensions; Internal Equity, External Equity and Individual Equity (Cascio, 2006).

Increasing payroll cost and compensation in the global market place have caused managers to search for ways to increase productivity by linking compensation to sales force' performance (Brown and Armstrong, 2000). High performance requires much more than motivation. Ability, adequate equipment, good physical working conditions, effective leadership management, health, safety and other conditions all help raise performance levels. (Kottler and Armstrong 2009)

Statement of the Problem

Sales force compensation has continued to be a challenging issue because firms do experience challenges as a result of nature and quantum necessary to retain sales force personnel. It is a problem issue in determining how much can be paid to be able to retain sales force in some of the organizations. Any mistake in this direction is likely to result in poor motivation, high sales force turnover and poor sales revenue.

The question whether sales force compensation has any impact on the their performance, has continued to generate a lot of misunderstanding among practitioners. Most employers are at crossroads as to which compensation plan would be most beneficial to their company in the area of sales volume and profit. The confusion as to whether to compensate a company's sales force based on straight salary, commission or a combination of both leaves many sales managers struggling to attract and retain the right kind of sales force.

Objectives of the Study

The general objective of this study is to assess sales force compensation as a strategy for enhancing sales performance.

The specific objectives include the following which are to:

1. Identify the link between rewards and individual performance.
2. Determine the impact of sales force compensation on performance.
3. Examine the types of compensation plans that elicit greater performance among sales people.
4. Assess the tools that could be used in measuring sales performance.

Research Questions

1. What is the impact of Sales force compensation on Sales performance?
2. What are the types of compensation plans that elicit greater performance among Sales people?
3. Is there any relationship between rewards and individual performance?
4. What are the tools that could be used in measure Sales force performance?

Methodology

The research design is a descriptive survey which employed questionnaires to elicit information from respondents. The population of the study comprised of the sales force of First City Monument Bank (FCMB) Owerri which has three branches in Owerri Imo – State.

A total of 25 (twenty – five) sales people work in the Bank. There was no sampling since the population is manageable.

Method of Data Collection was through structured questionnaire. A 4-point likert scale of SA, A, SD, and D was used. This method involves collecting and assigning a scale value to each of the respondents Strongly Agree (4), Agreed (3) Strongly Disagree (2), Disagreed (1) which stands for SA, A, SD, & D respectively.

Data analysis was based on the respondents and the four scales were tallied and calculated using mean deviation. Each item in the questionnaire was calculated using the arithmetic mean.

		$\frac{\sum fx}{\sum x}$
SA	=	4
A	=	3
SD	=	2
D	=	$\frac{1}{10}$

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$$\text{Population mean} = \frac{10}{4} = 2.5$$

The item having a mean response/score of above 2.5 is considered as accepted while below is rejected.

Table I: Impact of Compensation on Sales Performance.

Items	Variables	SA	A	SD	D	Mean	Decision
1.	Bonuses given for sales target met enhances performance.	4	2			3.6	Accepted
2.	Annual recognition improves performance.	4	1		1	3.3	Accepted
3.	Opportunity for further studies improves performance.	2	3		2	2.7	Accepted
4.	Given opportunity for special personal savings.	4			1	3.6	Accepted

Table I shows that bonuses given to sales people for meeting sales target enhances performance. Annual recognition opportunity for further studies and special savings scheme all have direct positive impact on performance as all terms were accepted in the rating.

Table II: Types of Compensation Plans used to Elicit Greater Performance.

Items	Variables	SA	A	SD	D	Mean	Decision
1.	Increased salary alone elicits greater performance.	4	2	6	2	2.0	Rejected
2.	Commission based pay.	3	2		1	3.2	Accepted
3.	Combination of salary and commission.	4	1		1	3.3	Accepted

Table II shows that increased salary alone does not motivate the sales force to greater performance as the item was rejected. Commission based pay and a combination based pay and a combination of salary and commission are ranked as types of compensation plans that can elicit greater performance.

Table III: Relationship between Reward and Individual Performance

Items	Variables	SA	A	SD	D	Mean	Decision
1.	Monetary Rewards influences sales performance.	4			1	3.6	Accepted
2.	Reward in any form is basis for motivation.		4	3		2.6	Accepted
3.	Monetary rewards motivates me as an individual.	2	3		2	2.7	Accepted
4.	Strive to meet up target because of promotions.	4	1			3.8	Accepted
5.	Influenced by flexible working hours.	2	3		2	2.7	Accepted
6.	Independence and Autonomy improve performance.	4	2	6	2	2.0	Rejected

Table III shows that monetary rewards, a group and individuals, Reward in any form, motivates the sales force to greater performance striving to meet Sales target, and flexible working hours are all related to individual performance, but independence and sales force autonomy was rejected as not having any relationship with sales performance.

Table IV: Sales Tools that can be used to Measure Sales Performance.

Items	Variables	SA	A	SD	D	Mean	Decision
1.	Meeting sales targets defines performance.	4		1		3.6	Accepted
2.	Meeting sales quotas indicates sales performance.	2	3		2	2.7	Accepted
3.	Increased sales volume indicates performance.		4	3		2.6	Accepted
4.	Sale profit indicates sales performance.	4			1	3.6	Accepted

Table IV shows that meeting sales target and sales quotes are tools that can be used to measure sales performance increased sales volume and sales profit are also indicators of performance.

Recommendations

1. A manager devising a compensation plan should first remember that different people react to different pay structures in different ways. The firm’s management should be able to identify the category of sales people that is predominant in the organization before adopting a particular compensation plan.

2. Managers should develop the best fit compensation plan in order to boost performance.
3. After adopting a compensation plan, management should ensure that feedback is allowed in order to know how effective the plan is.
4. Companies should ensure that the compensation plan is such that encourages high sales volume as well as profits.
5. In addition, companies should encourage its sales force to perform superior service to the customers such as the proper handling of complaints as well as providing accurate and informative record keeping and reporting.
6. Company management should train its sales force before and after recruitment. Continued sales training via seminars, sales meetings, training programmes are designed to familiarize sales people with the company's objectives, facilities, history, financial structure, client products and markets.
7. Managers should ensure that the compensation plan adopted should align and support the overall goals and objectives of the company.
8. Any dissatisfaction expressed by the customers should be dealt with and potential causes addressed in order to achieve sales quotas.
9. Managers should also ensure that compensation plans for sales people encourages to embrace these two basic principles; that behaviours that appear to lead to positive consequence (rewards) are repeated while those that appear to lead to negative consequence (punishment) are not respected.
10. Only sales people who are well trained and versatile with the company's product are allowed to handle potential and already existing customers.
11. Management of organizations should ensure that salespeople are compensated adequately in order to achieve sales volume.

Conclusion

Sales Force compensation is very vital in modern marketing. Companies should be concerned about how their sales forces are compensated. Sales people are the link between the organization and the customers, he (salesperson) serves as the image maker of the company and if well trained, and motivated will attract new customers and maintain a good level of customer satisfaction. Nigerian firms should identify a workable compensation plan for its sales force in order to boost performance.

Assessment of Sales Force ...

Disgruntled sales people might portray the company in bad light to the customers; this might result in decreased sales volume and consequently profit.

Well-motivated sales people have disciplined work style, able to close a sale, and can perform optimally.

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