How to Build a **Highly Efficient Sales Structure**

SALES XCELERATION

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It All Starts with a Clear Vision

Vision is the foundation of achievable success, and the launching pad for the goals, plans, and processes it takes to reach that destination. In sales, these elements come together to assemble a successful sales structure. A highly efficient sales structure is **rooted in a clear vision of success**, concrete and **achievable goals**, and **strategic plans** and tactics that drive sales and sustainable growth. Building such a structure is a complex but essential undertaking for a successful sales organization.

You Need a Sales Structure

In most sales environments – and in an otherwise healthy company – an efficient sales structure can be an effective sales structure. Generally, an effective sales structure is one that leads to more sales, more clients, and a positive impact on the company's bottom line. An efficient sales structure creates a foundation for sales success. Without such a foundation, the company itself is more likely to fail. **Structure creates understanding and a baseline for measuring performance and results**. It makes data meaningful, reduces confusion, and can minimize internal discord. It can also make it easier to strategize a sales plan, implement sales processes, and close sales. Without a solid sales structure in place, however, the opposite is true. Confusion reigns, dissatisfaction runs rampant, and goals and quotas are harder to set and meet. Additionally, results are more difficult to measure and success remains elusive.

An efficient sales structure creates a foundation for sales success

Align Your Goals with Your Vision

Vision is not the same as a dream; dreams have no clear path to becoming real. Vision, as previously stated, is the foundation of achievable success. Successful businesspeople have the ability to not only envision success, but to help others see it – and reach it – too. That's where goal setting needs to occur.

Setting Meaningful Goals

It may seem like common sense that a goal is much more likely to be reached if you have one, yet surprisingly, many individuals and companies don't set goals. At first, because there are so many ways to be successful, the goals can be somewhat general in nature. For instance, simply seek to increase market share, retain more key clients, generate additional revenue with existing clients, and so forth. However, meaningful goals should be more specific. In fact, if you don't get specific you could end up far away from the intended (even if unspoken) destination.

With that in mind, you can still define one key (but more specific) corporate goal into which all supporting goals feed. For example, the overall goal might be to increase annual revenue by 10%. **To achieve that objective, however, there can be many subordinate goals, such as increasing prospecting by 25%, along with working to increase revenue from existing clients by another 25%**. The numbers assigned to these objectives should be based on past sales performance and relevant, current, and market-specific data.

SMART Goals turn vision into destination

Before settling on tangible goals, ask key questions, such as:

- Does the product or service mix matter to goal attainment?
- Does it matter how much revenue will come from existing versus new clients?
- Will margins hold steady with increased revenue, or will added expenses eat into the margins so that a goal should be higher than originally thought?
- Are there significant factors on the horizon that make single-year performance less representative of success than a multi-year sales forecasting model?

For goals to become lynchpins in achieving sales success, they need to be SMART:

SMART goals make the invisible visible. They make the intangible tangible. They turn a vision into a destination. They become an essential link between the initial vision of sales success and the methods to achieve that success.

As you begin to develop the overall corporate objectives, consider that achieving more cannot always be accomplished with current resources remaining static. To support growth initiatives, you will likely incur extra expenses that will at least partly offset initial gains.

Setting Individual Sales Quotas

Armed with answers and information about all relevant factors, it is important to build a model so you can develop individual sales team member quotas. Simply put, even the best sales methods cannot be truly effective unless individual objectives are identified and implemented. Clearly defined and understood quotas – for sales in dollars or volume, or even for sales activities like appointments set or calls made – can also help determine commission rates and administer salesperson compensation. Statistical data should also indicate differences in expectations (quotas) for each person; an across-the-board increase over last year of 10% for each member of the team doesn't take into account geographic differences, loss of a client, a larger pipeline carryover, etc.

Build a model to develop individual quotas

Planning the Path to Success

A strategic plan is comprised of a set of measurable goals, coupled with a list of the most important, most effective things the sales team can do to reach those goals. A strategic plan is not the same thing as a sales strategy. Sales strategy is the planning of sales activities and methods designed to reach clients and close sales. This, of course, demands awareness of the target market, competitive differentiators and advantages, and key resources available. The implementation of the sales strategy happens by way of sales tactics. These are the day-to-day activities of selling, including all parts of the sales process from prospecting to closing to following up.

Building a Strategic Plan

How can you create a strategic plan to maximize sales performance and success for a company?

- Once a year set aside significant time – **at least a day or two** – for strategic sales planning. Schedule this strategic planning session to fit the selling situation.
- **Find a space** to work virtually uninterrupted.
- **Gather materials needed:** account folders; account profiles; company goals for the year; information about key products, services, or categories; computer reports of prior years' sales; territory maps, and so on.
- Immerse yourself in the process. Throughout the planning session, maintain focus on an agenda. Don't do anything else that isn't an emergency. Recognize that any interruption will take you off course. **Create a parking lot board for things to talk about later** that are outside the meeting scope.
- Incorporate shorter-term planning: Beginning with larger annual goals, break them into smaller, more tangible objectives. **Break an annual plan down into 6-month plans.** Parse those into monthly plans, and the monthly plans into weekly and even daily goals, as appropriate. These shorter-term goals will provide mile markers for short-term measurement of progress.

Schedule this strategic planning session to fit the selling situation

What should the ultimate strategic sales plan include?

- **Know the destination.** What are the sales team's ultimate goals? More touches? More closes? More total sales revenue? Make sure the sales team has input and buys into the vision for success and the individual sales success goals.
- Creating SMART goals increases the likelihood the sales team will take ownership of them and be able to move confidently toward their achievement. **Involving the sales team in the planning process will increase their buy-in** even more.
- Plan preferred paths. The plan should dictate the paths (for example, which clients to focus on, and how much time to spend with each client in order to yield the greatest overall return from the time invested). **Consider all relevant factors**, market by market, and client by client. There is no true "one-size-fits-all" path to closing the deal.
- **Identify likely roadblocks or obstacles.** Don't let the team fall into the narrative of another "big one that got away" because key factors were unknown or discovered too late. Do your homework -- proper strategic sales planning will reveal potential roadblocks and obstacles early enough to avoid distractions and stay on track. Debrief on any losses to learn and adapt for the future.

Plan preferred paths

Setting a Sales Process GPS

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Setting a Sales Process GPS

On the road, a Global Positioning Satellite (GPS) unit can help you find the best path to reach the destination. Likewise, a well-defined and carefully crafted sales process can serve as your "Sales Process GPS" to help each member of the sales team navigate the most efficient path to their destination – successfully closing the sale. With a Sales Process GPS in motion, the sales process:

- Becomes a predictable, repeatable, and scalable sequence of events. It removes the guesswork and uncertainty from selling. There is no need to "wing it" and take unknown or unproven detours that might or might not enable you to reach the destination at the desired time.
- Utilizes a common language (throughout the entire company) for the sales journey and each step along the way.
- Establishes the mile markers (milestones) by which the sales team can monitor progress throughout the sales journey. These mile markers are the questions that must be answered and the tasks that must be completed in order to continue advancing toward the sales goal. A Sales Process GPS will make it clear how and when to navigate from one-mile marker to the next.
- Helps a sales organization forecast future sales activity and revenue based on past ability to reach sales destinations.
- Makes it easier for new sales team members to get up to speed quickly as they learn how to reach prospects and convert them into clients.

Unfortunately, the best and most reliable Sales Process GPS for an organization is not an off-the-shelf item. The best sales process must be defined and built specifically by and for your company and your sales team. These processes ultimately become an integral part of a highly efficient sales structure.

A Sales Process GPS will make it clear how and when to navigate from one-mile marker to the next.

Establishing Sales Territories and Sales Responsibilities

With the goals and objectives defined, building a highly-efficient sales structure demands that you establish manageable sales territories and assign salespeople the responsibilities that can empower them – and the company – to thrive. This is a balancing act, and you will need to consider a number of key factors when determining the most balanced sales structure for an organization.

Why is balance so important?

A sales structure that is balanced is essentially a highly functional system, one that has a seemingly natural synergy. In such a system, you will have the right people in the right jobs selling the right products to the right clients in the right territories. In such a system, there is little confusion regarding authority and responsibility. In such a system, there should be no "turf wars" and no frustrations that one salesperson acquires the best accounts in an area or that others don't pull their weight. In such a system, balance makes sales management easier and sales compensation less of a mystery.

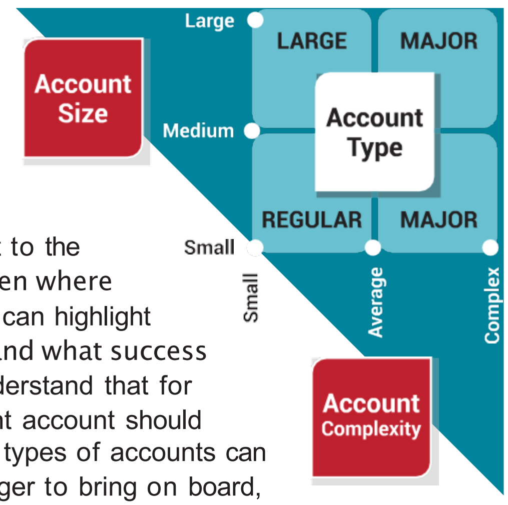
Keep in mind, balance doesn't just happen. It takes analysis and planning. And just as the shifting of weight in a system that has achieved equilibrium can upset its balance, so can even small changes to a sales structure. A balancing act requires constant attention and action to keep it in balance. So, what factors come into play when seeking to create and maintain a balanced sales structure? There are many, and some may be more important in certain organizations than in others. In most cases, these factors apply to decisions regarding both the definition of sales territories as well as the assignment of sales responsibilities.

Let's take a closer look at some of these critical factors in establishing sales territories and responsibilities:

Account Types

Armed with a clear understanding of your vision and goals, your company should also take stock of the types of clients you currently have, as well as the ones you want to acquire.

Here is a simple graph that can help you understand your current and desired account mix:



What can you do with this information? First, start with an ideal account mix across the entire company. What is the proportion of small clients to large ones? Of regular client accounts to complex ones? Then, compare that to the current mix. The difference between where you are and where you want to be can highlight where to concentrate your effort and what success looks like when you get there. Understand that for most organizations, not every client account should be large and complex. While these types of accounts can be lucrative, they can also take longer to bring on board, take more effort to manage, and be more devastating to your corporate stability if lost to a competitor. It pays, therefore, to have a strategic mix of clients, including small and simple accounts, medium-sized with average complexity, and yes, perhaps some of those large and complex accounts.

Sales Potential

Identifying the types of client accounts you want is a great starting point, but is it realistically achievable? One way to answer this question is by doing a pre-year sales forecast, both company-wide and by sales territory. In fact, this type of analysis can be an important factor in determining your sales territories based on effort required, growth potential, size of the market to be covered, and possible obstacles. Simply put, sales potential can be forecasted by quantifying the total number of current clients and prospects in a territory along with their buying power. In other words, if you could sell to every current client and market prospect in an area and get them to maximize their spending with your company, what would that total? Remember that this is just the sales potential. Capturing 100% of any market in any territory is unrealistic. Still, it is important to know if the market is worth the effort in each area.

Establishing Sales Territories

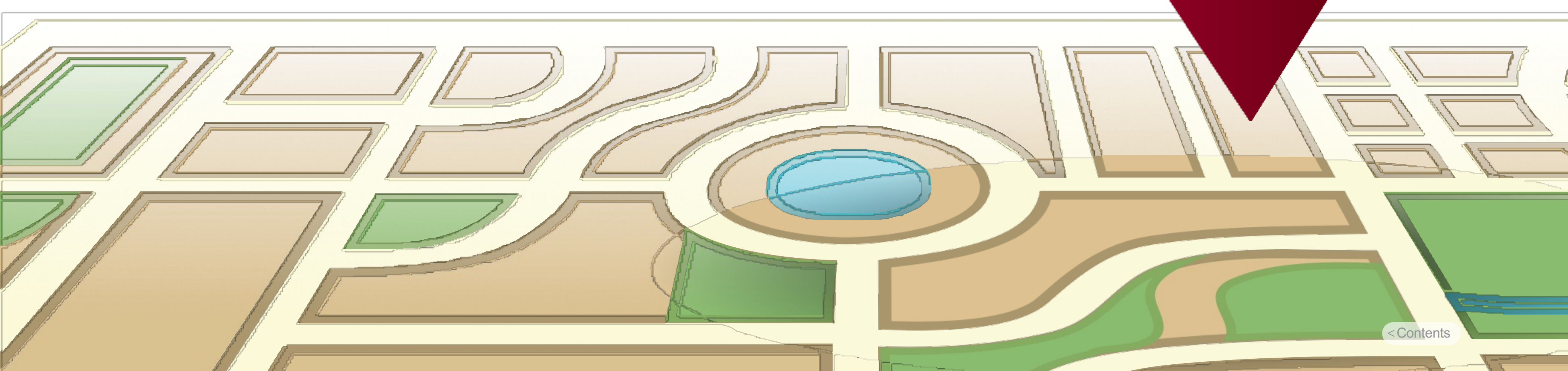
In addition to understanding the total sales potential in your market area, there can be many other relevant factors to consider when setting up sales territories. The first of these is to consider whether you should set up your organization for geographic territories or for territories based on the products and services you provide (and how those can be represented by specialists on your sales team).

FACTOR	ADVANTAGE	NOTES
Cost	**Geographic**	Geo-based sales territories can reduce travel costs. In national or international companies, cost reduction can be substantial if the salesperson lives in the heart of the geo-based territory.
Account Exclusivity	**Geographic**	In a geo-based sales territory, there is no confusion over who owns an account. There are no "turf wars" if the turf is clearly defined and respected.
Specialization	**Product / Service**	Especially for complex or expensive products or services, it can be advantageous for the salesperson to be a recognized expert and trusted source.
Management Levels	**Geographic**	Organizations can reduce the number of management levels supervising geo-based territories because the sales reps are essentially equal in representing multiple products or services.
Management Control	**Product / Service**	When the salesperson is responsible for specific products or services, management can exert greater influence and control over how those products or services are presented, often down to the micro level.

Other factors that can come into play in defining territories include:

- Individual salesperson aptitude, especially when there is the need for each salesperson to handle large complex sales. (Are they capable?)
- Types and sizes of clients (a salesperson who covers a large, complex account might have capacity for fewer overall accounts)
- Industry vertical (particularly if a vertical diverges from the products and services represented elsewhere in your company)
- Market segments (key target markets vs. secondary markets served)
- Targeted account leads provided by non-sales rep lead generation personnel
- Density of market vs. total geographic areas served

Once you have decided that a market is worth pursuing, as well as the preferred type of territories, you'll also need to determine if your current sales team capacity can handle the workload for converting a reasonable number of those prospects into clients – and manage those clients once converted.



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This brings us to an examination of your current sales team.

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Salesperson Strengths

What are your current salespeople truly superior at achieving? Do their strengths align closely with the skills required to nurture and convert your desired prospects into active accounts? Do they have the account management skills necessary to handle existing and newly acquired accounts? These are essential questions that occasionally lead to some harsh discoveries if your current sales team is not the team you need to succeed in your preferred markets. That means that you must either train your current sales personnel to shore up their skills or bring in new sales talent ready to help you achieve your goals. It is important to note that some of the people who helped you get to where you are now might not be the people to take you to where you need to go next.

Workload

Assuming that your current sales personnel are the right people for the jobs, you'll need to assess their workloads. Use the number of current accounts, time to service an active account, number of prospects in the pipeline, and average amount of time it takes to convert a prospect to an active account to help determine if you:

- Have enough salespeople (overall and in the right roles)
- Have enough support staff
- Need to take certain tasks (lead generation, for example) away from the salespeople and assign them to others in your organization, hire new personnel for such roles, or outsource

Aligning Your Sales Team Responsibilities

At this point, you have assessed several critical factors that can help you establish your sales territories. You have:

- Identified your goals and objectives based on your vision for the organization
- Defined the types of accounts you currently have and those you want to pursue
- Assessed the total sales potential by market area
- Determined your preferred type of sales territories
- Assessed the strengths of your current sales team
- Analyzed the individual workloads of your sales personnel

Now it is time to align salesperson responsibilities with the preferred sales structure. To do this, you must first determine how many – and what types– of sales personnel are needed to achieve your objectives. This is based on the analyses you have already accomplished.

To put it further in perspective, you should answer these questions:

Do you need and prefer specialists such as Account Managers who focus only on servicing existing accounts (especially larger clients), or should you use generalists that handle all aspects of sales and account management?

What "roles" will they play in performing their duties? Will they be hunters pursuing leads or farmers nurturing leads into key prospects?

Will they be an inside salesperson, a junior level Sales Rep servicing smaller accounts, or a senior level salesperson focusing on key, larger accounts?

And finally, to whom will each sales staff member report? To a Sales Manager, Owner, or CEO? If not, who takes on the responsibility of sales management and team leadership?

Regardless of who takes the sales management role, understand that it is a time-consuming job that requires focus and skill to be done successfully while giving proper and continuing support to the sales team. **Being a Sales Manager is a full-time job; if someone is only giving a portion of their time toward this role, you will get "part-time" results.**

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Defining Sales Team Requirements

Before you can put your best team in place, you'll need to consider their individual backgrounds. The goal is not to staff your team with clones who share common (even if stellar) backgrounds. **The goal is to create the best team, and that usually means having the right players in the right roles**. Think of it like a General Manager for a professional football team. Sometimes they don't draft the best overall player with the best college stats. Instead, they sign the player who fills a need. They sign the best role player. That, of course, demands that they thoroughly scout for the player with the best background to fill their immediate and future needs. This is also true for the Sales Manager (or company executive acting in that role) who is building or expanding a sales team. In this case, the Sales Manager should consider the types of backgrounds that sales candidates should possess by asking questions like these:

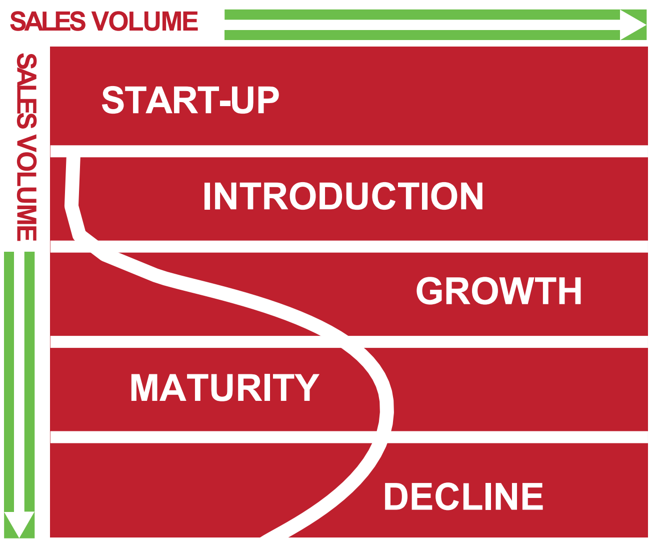
- How much experience should prospective salespersons have? (Should candidates be polished pros, raw rookies, or somewhere in between?)
- What types of decision makers should sales candidates have experience calling on? What level in the organization are they comfortable, and capable of, selling to?
- Should candidates have experience in B2B or B2C selling environments?
- What type of sales cycle should they be proficient operating in? Transactional? Strategic? Short selling cycle? Long cycle? Cycles that require working with a single decision maker or groups and committees?
- What about industry experience? Is this an absolute requirement, or are you perhaps better served by looking for a salesperson with transferable skills from another industry?
- And what type of personality should sales candidates have in order to fit in with your existing internal and client cultures?

Execution

The answers to these questions will be built on your **vision for your sales organization**, your defined goals and objectives, and based on the sales territories you have established and the sales team responsibilities you have delineated. The answers to these questions are, indeed, part of the background you'll need to establish in order to move forward with building – person by person – a highly efficient sales structure. Let's take a closer look at some of these components: What Types? How Many?

The questions on the previous page on aligning responsibilities are essentially the same questions you should ask (and answer) regarding the gaps in your sales team, and the types of new salespersons who can help you fill those gaps to create a team with the right skills and backgrounds. How many new salespeople will you need? What types? If you have undertaken the analyses suggested, you probably already have the answers. Simply contrast what you have identified as the composition of your ideal sales team with what you currently have in your sales organization. Then recruit and hire to fill those needs.

Sales Force Structure and the Business Life Cycle



The **Business Life Cycle** is that movement of a company from development (or start-up) and introduction through phases of growth, maturity and decline.

Before you put out the call for new sales team members based on your current perceived needs, you should also factor in where your overall organization is in its business life cycle.

Depending on where your company is in the business life cycle, you will want to determine whether your sales staff should be growing, remaining static in terms of numbers of salespersons needed, or downsizing.

Why does your company's place in the business life cycle matter? Because the size of your sales organization should match your life cycle position, especially as it pertains to the direction your company is heading. Typically, if your company is in Start-up or Growth modes, your sales team should be expanding. If your company is in the Maturity phase or is growing more slowly or nearing the peak of its likely expansion, the number of sales team members will likely hold steady. If your company has seen its peak sales and has started to decline – perhaps due to industry changes, marketplace shifts, or the desire of the company owners to exit the marketplace – your sales staff should probably be downsizing as well. Keep in mind, not only should the size of your sales team expand and contract; you may also want to shift people into different roles. You might decide to expand some roles, like an Account Manager, to reduce account erosion, while still reducing the overall size of the team.

Keep in mind that if your company serves multiple industries or has various product lines, your individual sales concentrations could be in different life cycle phases at any given point in time. And with rapid technological development comes the need for faster analysis of them and adaptation by your sales team.

Of course, **where your company stands within the business life cycle isn't just about numbers; it is also about the appropriate deployment of skills to match what the market demands**. In other words, high-functioning sales teams know how to structure and deploy their sales talent in response to market conditions and an ever-changing competitive landscape. So, even if your company remains in the Growth phase of the business life cycle for years, that doesn't mean that your sales team – in terms of numbers and skills allocation – should remain static. In fact, the Start-up and Growth phases tend to be the most dynamic life cycle periods. What this means, of course, is that analyzing your sales team structure is a continual process. Until a company or a particular sales division within a company no longer exists, **the job of analyzing and adapting the best sales team structure is never-ending.**

Sales Force Structure and the Business Life Cycle *(continued)*

To undertake this analysis throughout the business life cycle, consider these four factors:

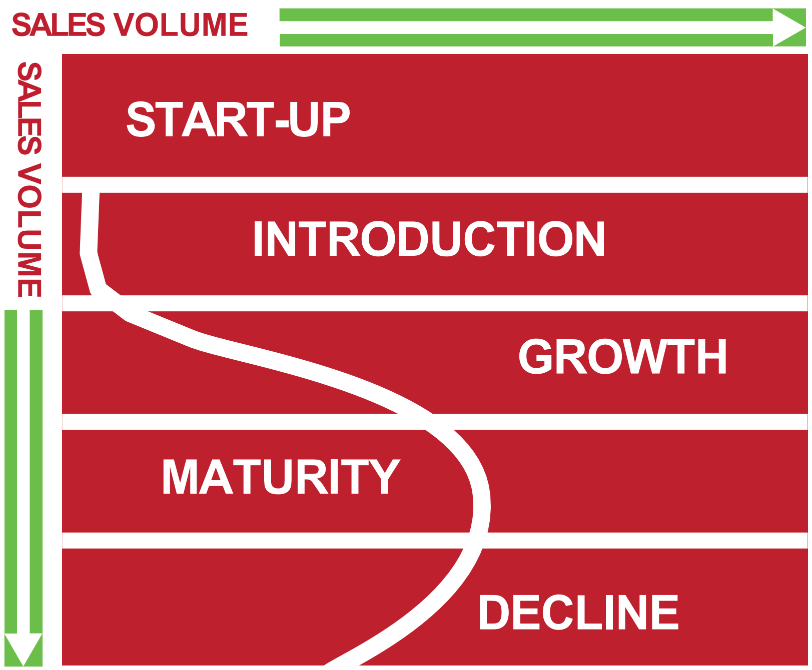
- Roles your sales team and its strategic sales partners play
- Size of your sales force
- Your sales team's degree of specialization (salesperson by salesperson)
- How your salespeople spend their time and effort across client types and product lines

These variables can affect how adeptly a sales organization can respond to market forces and opportunities. Not only will this influence where and how a sales team spends its time, they also will affect the company's costs, revenue, and margins. Left unchecked and unchanged, a static sales team structure could be slow to respond in the marketplace and leave your company unprepared to capitalize on opportunities. This can give competitors a clear advantage.

Before making adjustments in a sales team composition, ask these three questions:

- Where is the organization in the business life cycle?
- What are the current sales goals and objectives?
- Is the current sales force structure set up to be responsive to clients, shareholders, and employees while also maximizing results?

When changes are indicated, keep in mind that salespeople are people, and people typically resist change. By changing the sales team structure relative to where a company is in the business life cycle, you may – at least in the short term – impact their roles, territories, and incomes. Because most businesses tend to shift their sales team structure only as a reaction to significant market forces or events, sales personnel are likely to resist. To help minimize resistance, remember that communication is key. And remember, too, that smaller, real-time responsive adjustments are easier for your sales team to accept and support.



The **Business Life Cycle** is that movement of a company from development (or start-up) and introduction through phases of growth, maturity and decline.

Don't assume that salespeople who are successful in one role will automatically be good in another role. Determine whether each sales resource has the skills to transition to a new role or set of expectations. You should also consider whether they need additional training. Don't fall into the trap of moving someone into a different role and then looking back and wondering why performance dropped off; it is often the fault of leadership – who put them into a new position that wasn't a good match for their skills. Once you have considered the location in the business life cycle and factored in the ideal sales team composition, it's time to make it happen.

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Look Beyond Your Industry for Top Talent

When looking to augment the current sales force with new sales talent, it is tempting to constrain a search to those candidates within your industry. But oftentimes the best approach includes looking beyond your industry for salespeople with transferable skills. In fact, it is almost always better to look for fresh talent over stale experience.

Here's why:

- Hiring from within the industry can bring old approaches and burn-out. While people with direct industry experience are expected to provide speed-to-revenue while saving on training expense, they can also bring bad habits or may already be burned out selling existing product lines.
- Breaking them of bad habits or outdated techniques requires training. So, you might as well invest that training time in providing fresh talent with product knowledge.
- Industry insiders seldom bring clients with them. Change is difficult, so clients rarely follow a salesperson to a new company, no matter how good the salesperson/client relationship might be.
- Focus on someone who can "fish in any pond," rather than someone who promises to "bring you fish." If the allure of your new salesperson bringing you their current clients doesn't work, you don't want to be stuck with someone that can't find new clients.

Expanding your search brings new sales talent to the surface. Talent is scarce and getting scarcer. By opening up your talent requirements to candidates from other industries, you can expand the organization's talent pool. Start with related (and relatable) fields whose top performers mirror the traits needed for success in your industry

- Focusing on results yields performers with better track records. A top salesperson who consistently makes over 100% of quota will usually have the fundamental skill set and discipline for doing the same thing regardless of industry. Winners typically win wherever they go!
- Rapid response can be shown by flexibility and adaptability. Successful sales performers today need to be able to rapidly respond to changing markets by using new strategies. Candidates with track records of success in a variety of industries have already shown the ability to adapt and perform. And if your onboarding process is efficient, the new hire will get quickly up to speed regardless of industry experience.

By opening up your talent requirements to candidates from other industries, you can expand the organization's talent pool.

Compensation Plans

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Planning for Compensation

Base Salary

One final component to have firmly in place before recruiting and hiring is sales compensation. Here are the fundamental components you should include when designing a productive and effective Sales Compensation Plan: when paying your Sales Reps a base salary, keep it low enough to make sure you have a "leveraged plan" – one that allows salespeople to meet their ongoing financial obligations, yet still doesn't guarantee them such a high wage they are no longer sufficiently motivated. Ideally, the base salary should range between 40 and 60 percent of anticipated total compensation. This should be a sliding scale: as the salesperson gains more incented sales, the ratio of salary to total compensation will fall.

Commission

One option for a sales compensation plan is to forego salary and instead pay the salesperson a straight commission. Certainly, it can be tempting to base compensation on results. But straight commission compensation could be a disincentive that might keep potentially outstanding sales reps from joining an organization. Whatever portion of the total compensation package is comprised of commissions, structure those commissions based on sales or gross profit. Be careful to avoid basing commissions on sales whenever the sales rep has any control over pricing. Why? Sales reps are human and basing commissions on flexible pricing only invites price reductions to make the sale. A commission could also be in the form of a draw or recoverable draw. There are many occasions when it is appropriate to pay commissions prior to when a sales rep "earns" the commission. This is most often applicable in the early stages of a Rep's tenure when pipelines are first formed. The decision to make the draw "recoverable" revolves around the desire to collect commissions paid if they are not "earned" within a particular time frame.

Bonuses & Other Incentives

Adding a bonus structure to a sales compensation plan can incent the salesperson to aim higher and reach new levels of success. Normally, bonuses should be paid after the end of the year for meeting or exceeding sales goals. The key benefit to an annual bonus is that this additional sum is paid after the desired performance is already attained. Other incentives are generally non-monetary compensation such as trips or gifts. These are often associated with sales contests but can also be a strategic and attractive part of a sales compensation plan. Incentives like these are best used for achieving short-term results but should be significant enough to get the sales reps "revved up." Regardless of which combination of components a sales compensation plan includes, seek to structure it to achieve essential goals. In general, a sales compensation plan should benefit both the company and the sales team.

A well-constructed plan has compensation tied to at least two of three essential elements:

1. Individual sales performance
2. Departmental performance
3. Company sales performance

If a salesperson's compensation is tied only to performance, the company may perform poorly, yet the salesperson is paid well. Alternatively, if the company achieves its sales goal, then each salesperson should benefit from the company achieving its overall goal.

Remember: How much an employee's compensation is tied to each component should be determined by how much their individual effort and performance can impact a departmental and/or company sales goal. Incent desired sales behaviors and performance. Good salespeople spend the most time on the activity, products, or accounts that can make them the most money. If a sales compensation plan is written correctly, this "activity" is spent on exactly what the company and its leaders prefer.

Planning for Compensation *(continued)*

A good sales compensation plan should:

- Be easily understood, implemented, and managed. Good sales comp plans are easy to implement and to follow, so keep it simple! If the sales compensation plan involves tracking a lot of detailed performance indicators, it will waste management's time and confuse the employee. Focus on big-picture performance results: Did sales go up or down? Did client retention remain high? Is productivity increasing or decreasing?
- Strike the right balance between guaranteed and variable compensation. Finding the balance between salary and variable compensation is often the toughest challenge. How do you keep salespeople motivated with a modest salary, yet pay enough to attract the kind of salesperson you want working for you? The key issues to consider are the expected annual percentage of client retention, annual growth needed, introduction of new products, and focus on new sales verticals. If significant sales growth is needed, then paying a much larger percentage on "new business" is required. If modest growth is expected and client retention is crucial, then a higher sales commission percentage on retained sales is required. If new products are being introduced or new verticals are being pursued, then higher sales commission percentages are needed on the new areas of focus.

In addition, you must reward top performers. When is the safest time to reward a salesperson with extra compensation? If they have achieved 100% of their quota and hit all the required elements of the plan, reward them. You must also keep paying salespeople handsomely beyond their quota.

Here are several reasons why this is beneficial:

1.They did what you asked them to do. Write the plan so salespeople receive a large bonus when they achieve 100% of their sales quota. You will only be paying this out to those that have done their job.

2.You will empower individuals to continue pushing through to the end of the year. Thus, "sandbagging" should become a thing of the past. Salespeople who experience an escalation of their bonuses and commissions beyond 100% sales quota attainment work even harder. Don't place a limit on their earnings. In a great year, your top salesperson may be the highest earner in the company. This should be encouraged; don't let managerial envy or greed interfere.

3.You can acquire better salespeople with bonuses and escalators at and beyond 100% of quota. Every good salesperson will take a job after looking at what they can make at 100% of quota attainment and above. Providing escalators above 100% will allow you to gain a better-qualified salesperson. If they aren't looking at what they would make at 100% and above, you don't want them!

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Conclusion

Establishing a highly efficient sales structure is a complex undertaking, but one that can put your organization on firmer ground for sustainable success. There is no one-size-fits-all magic formula for establishing the perfect sales territories and sales team responsibilities. Creating the best fit for your organization requires much analysis of your markets, overall sales potential, types of territories, sales team strengths, and many more crucial factors. Establishing clear goals and objectives builds the foundation, and will set your company up for optimum performance and overall sales success now and into the future.

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