**5. Conclusions and recommendations**

The purpose of this study is to explore, examine and discuss the possible implications of tailor-made compensation plans for sales reps. The author has executed a focus group, interviews and a comprehensive questionnaire to investigate the issue. Based on the findings of both qualitative and quantitative parts of this research, the author presents the conclusions, recommendations and possible implications of this study.

The results show clearly that sales reps are interested in having a set of compensation plans to choose from. This is very clear from the interviews as well as from the statistical analysis of the survey. The results show that 86% of the sales reps who completed the survey agree and strongly agree that they would like to choose their own compensation plan out of several options.

Moreover, 68% of them agree and strongly agree that they would like to change their compensation plan throughout their career. This statement emphasizes the need for different plans in a single organization, due to the fact that the sales reps that are working in an organization are in different stages of their career, different ages and different marital status.

The results of the survey show that most sales reps (67%) agree and strongly agree that the compensation plan is a major influential consideration when choosing a position. Meaning that the compensation plan is an important tool to attract talented sales reps to work for an organization. In summary, most sales reps think that the compensation plan is an important factor in the decision-making process for a new job and would prefer a place that will give them a choice between different plans.

Once the importances of differentiated compensation plans has been demonstrated it is time to examine the different aspects of these findings. One angle of these findings is the need to change the plan throughout the lifecycle of the career of the sales reps. While 54% of the sales reps who participated in the survey think their compensation plan should change according to their age, 67% would like to change their plan from time to time without a direct connection to their age.

This emphasizes the need for a dynamic compensation plan that will keep incentivizing the reps and will put new and more actual motivational factors into the plan. The timing for the change, the frequency and other factors should be evaluated in future research. However, this study has clearly shown that there is a need for a change in the plan from time to time.

Looking deeper on the sales reps that would like to choose their compensation plan, we need to look at the reps that: Would like to work for organizations that will offer such an option and gives a significant weight to this option when choosing an organization to work for. At these specific characteristics, we can come to some conclusions based on the statistical analysis of the survey.

First, age has a weak negative correlation with the wish to choose a tailor-made plan. This means that for younger employees, choosing a compensation plan from several options is much more important than for older sales reps. This can be explained by the fact that young sales reps who see their career in front of them, would like to see their plan changing in the horizon, compared with older employees that are getting closer to the end of their career, and are less likely to adopt changes.

Surprisingly, the results of the questionnaire showed no correlation between the seniority of the sales rep to the option of choosing a plan, and no correlation between age and seniority to the importance of offering such an option by the organization to the reps. Still, as mentioned above most of the reps would choose this option. However, age and seniority do not influence this choice, according to the results of the survey.

When we analyze the desire to choose a plan from a set of plans, the author found out that people with younger children (less than 18 years old) are significantly more interested in this option compared with sales reps with children over 18 years old. This emphasizes the need for a choice for young sales reps who usually also have young children at home. This strong correlation indicates that an organization that will offer such an option may attract reps with young children.

Children under 18 also play an important role in the discussion around job security. The study has shown that sales reps with young children also expressed significantly higher importance for job security when evaluating a new position. This of course correlates with the desire to offer their children a secured future.

Sales reps with no kids at all, were more interested in promotion, employability and career planning. This makes sense as people with no children, theoretically, have more time to invest in their work and career and therefore expect their job to be more rewarding and challenging.

When looking into the gender of the respondents on the issue of multiple compensation plans, there was no correlation between the gender and this preference. This means that it is very important for male and females to be equal, and organizations that are aiming for a specific gender will have no benefit if they offer this option.

Another finding of this research is the possible implications of having different sales compensation plans within an organization. Most sales reps (67%) stated that they agree and strongly agree that they would prefer working for organizations that will enable them to change their compensation plan during their work lifecycle. This finding can suggest that organizations that will implement such a system are likely to retain the sales reps for longer periods of time.

To summarize, most reps would like to have a compensation plan to choose from and would like their plan to change throughout time. These two factors will be very important for reps when evaluating a new job. Moreover, younger reps and reps with children under 18 are even more focused on this option. However, there is no statistical difference in this parameter between men and women, and with the seniority of the sales rep.

**5.1 Creating the ultimate compensation plan**

In this section the author outlines the most important components needed to create the ultimate compensation plan. These components and their importance to the reps are a direct result from the statistical analysis of the worldwide comprehensive survey. The author also uses previous research to validate the results and focus on the different expectations from an excellent compensation plan.

**5.1.1 Pay mix**

Pay mix has always been a critical factor in the design of a compensation plan, especially for sales reps (O'Donnell et al., 2022). Pay mix is the proportion of the bonus and/ or commission from the entire remuneration of the sales rep. The study has examined the wishes of the sales reps on this topic using five main questions.

The questions offered few choices for this mix: No base salary (commission only program), low base salary and high commission rate (40% of the entire pay), average base salary and small commission rate (15% of the entire pay), high base salary and a very small commission rate (10% of the entire pay) and a plan with a very high base salary and no commissions or bonus at all.

In all of these options, the base salary is correlated to the market standards. For example, the high-tech industry base salary is usually higher than the wholesale or manufacturing industry base salary (U.S. Bureau of labor Statistics, 2021). In other words, the comparison between the base salary is dependent on the relevant market to which the sales rep belongs.

The results strictly show that sales reps nowadays would not like to have a compensation plan that is commission only plan (no base salary). Only 16% of the respondents agree or strongly agree with this model. The statistical analysis also shows that there is a strong correlation (Spearman's test) between those who prefer to work with no base salary and between those who are focused on earning as much as possible.

These findings suggest that for sales reps that are certain in their selling skills, and that are keen on making a lot of money from commissions, no fixed salary is needed. However, this population is fairly small among the sales reps (approx. 16%). The results show that most of the respondents in this group are from the USA (p<.001). In other words, this type of remuneration structure can work mostly in the USA and less in other countries.

From these results we learn that an ultimate plan should have a base salary as a critical component. The only question open in this equation is the perfect proportion between base salary and commission or bonus. 41% of the respondents would prefer to have a high base salary and very small commissions. This is the largest group in the survey. The second largest group (32%) would prefer a very high base salary and no commissions at all.

Looking at these findings it is easy to say that most sales reps would prefer a high and very high base salary. On one hand it contradicts all the basics of sales reps compensation, no bonus or commission plan for sales reps (Viswanathan et al., 2017), as they would like to be less dependent on commissions. On the other hand, it is clear that a high base salary is an important motivational factor for sales reps.

With this preference also there is a cultural, country-based preference. Respondents from the USA are less in favor of having a higher base salary (ANOVA, *F* = 7.988, *p* < .001), or having only a very high salary (ANOVA, *F* = 8.695, *p* < .001). Sales reps from Israel, for example, are less likely to prefer a higher base salary compared to those in the UK and in countries falling in the "others" category.

The author recommends not letting sales reps to work with no commissions at all. This is also backed up in many other studies done in the past (Parker et al., 2019; Bullemore et al., 2017; Chung et al, 2021). It is recommended to keep a variable portion of the pay in commissions and/ or bonus. This part, according to the survey, will be most effective if this will be in the range of 10%-20%. The results of the study show that only 21% of the participants would like to have 40% of their remuneration paid in commissions.

Of course, when an organization decides on the pay mix, it should consider the industry (Berger et al., 2015) and the country (as shown in the results). Moreover, as more sales reps would prefer a higher portion of their pay to be fixed, this can be offered as a promotion tool throughout the career life cycle of the rep. In other words, as the organization gains the confidence that the rep is doing a good job, it can increase the fixed amount of the pay. In this way the organization is lowering its risk, and the sales rep is more satisfied by the fact that a bigger proportion of his or her pay is guaranteed.

In a world of customized compensation plans, different compensation plans should have different pay mixes. This will enable the organization to offer a path to promote the sales rep without changing his or her position. By only offering a different pay mix after a certain period of time that the rep has achieved his sales goals and quotas, he or she can choose to move to another plan, with a different pay mix, that most sales reps would prefer.

**5.1.2 Non-monetary compensation**

This survey investigated the interest of sales reps in non-monetary compensation. The literature has presented some benefits of this way of compensation (Tumi et al., 2022). However, non-monetary compensation remains controversial (Rentola, 2018; Viswanathan et al. 2018; Berger et al., 2015). Here are the conclusions on this topic as they arise from the answers to the questionnaire.

Three different questions were focused on this issue. The first one investigated the importance of such components in choosing a workplace. The results show that 47% of the participants indicated that non-monetary compensation is important or very important to them. Respondents from the USA are less in favor of this method of compensation.

However, when it came to the importance of this component as part of the compensation plan, the level of importance (important and very important) decreased to 44%. This means that when choosing an organization to work for it is a more important consideration than an actual component of the plan. Workers from Israel are more in favor of having this as a part of their plan compared to other countries.

The last question was presented as a possible part of the pay mix. In this case there was a significant drop in the same level of agreement (agree and strongly agree). Only 25% of the participants would like to have non-monetary incentives in their compensation plan. Most respondents would prefer to have bonus and or commissions instead of non-monetary compensation.

In summary, this study investigated the wishes and desires of sales reps regarding non-monetary incentives. The author believes that in the priorities of different components this might be considered as a "nice to have component" and not a critical component. There is no doubt that non-monetary compensation is less attractive for sales reps in comparison with monetary ways of compensation.

**5.1.3 Different compensation components**

Another important factor in the quest for the ultimate compensation plan is selecting the right components of the different compensation types. These can be bonus vs. commissions, sales contests, rewards for team's achievements etc. Selecting the right components will enable the employer to better fine tune the compensation plan and to precisely aim it to the salespeople he is looking for.

Maybe the hottest topic in real life as well as in the literature is the ancient discussion regarding bonus vs. commissions. There are different opinions in the literature regarding the effectiveness of each of the methods of compensation. Some believe that commissions are a much more motivational factor (Schottner, 2017; Bowen et al. 2023, Buhler, 2021), while some others would go for bonus instead (Kishore et al., 2013, Chung et al. 2013).

Probably, most employers will prefer to compensate their sales reps with bonuses and not with commissions, as this method is capped and gives a better economical certainty to the employer. However, this study investigates the preferences of the sales representative and tries to find the perfect match between these two interests (the employer and the employee).

The results of the questionnaire are very clear: 88% of the respondents stated that bonus is important or very important (*M*= 4.25, *SD*= 0.74). On the other hand, 78% of the respondents think that commissions are important or very important for them in a compensation plan (*M*= 4.06, *SD*= 0.97). The conclusion from the survey is that sales reps who participated, clearly prefer bonuses over commissions.

When looking into the parameters of bonus and commissions and the motivational factors of the reps, the result shows that there is a strong positive correlation with the perception of the importance of a compensation plan and the importance of a bonus system, (*rs* = .186, *p* < .001).

The same thing is observable with the correlation to commissions. A significant positive correlation was found between the perception of the compensation plan and the importance of commissions as a part of the plan, (*rs* = .238, *p* < .001). This suggests that individuals who view their compensation plan as a major influential consideration when choosing a job, place a high value on commissions-based rewards and bonus.

Looking at the correlation between bonus and commission-based rewards and the importance of total compensation in choosing a workplace the results are very clear as well. Significant positive correlations were found between overall compensation and the importance of bonus (*rs* = .352, *p* < .001). While the strongest positive correlation was observed between overall compensation and the importance of commissions (*rs* = .388, *p* < .001).

When examining the country of origin of the sales reps we can observe several understandings on the issue. In the USA sales reps would prefer commissions over bonus (*M*= 4.61 vs. 4.23). While in the UK the results are the exact opposite: most reps would prefer bonus over commissions (*M*= 4.42 vs. 4.12 in favor of bonus).

This finding is very important for employers who design a compensation plan. It is clear that for reps in the UK a bonus system is more effective. This matches the obvious preference of the employer for a capped and a certain compensation expense and can lead to an effective, motivational and a more economic (from the employer side) compensation plan.

In the US, the picture is a bit different. A large number of sales reps in the USA work as freelancers or on a very low base salary (Zoltners et al.,2012). Meaning that in the USA sales reps are more dependent on commissions and therefore the commissions component is more critical and more effective to achieve motivation.

The lowest importance for bonus was found with the respondents from Germany (M*=* 3.92), the same observed for the importance of commission (*M*= 3.76). This indicates that sales reps from Germany view bonus and commission importance less than their colleagues in other countries.

A practical recommendation for designing a compensation plan in Germany is to focus on a high base salary in order to create an attractive plan for the reps. The results show that the importance of the base salary is the highest among the respondents from Germany (*M*= 4.59).

In general, the base salary is also one of the most important components of the compensation plan. Almost all the respondents (88%) of the questionnaire think it is a very important or important component of the compensation plan. This means that no matter what the bonus and or commissions plan is, the base salary still plays a critical role in the design of a good plan.

Among all the different components asked in the survey, the base salary received the highest score (*M*= 4.41 *SD*= 0.89). This means that at the end, the most important component for the rep is the guarantied portion of the remuneration. As mentioned earlier, this component is less important in the USA but very important elsewhere, especially in Israel (*M*= 4.73 *SD*= 0.57).

Work experience is another driver for the importance of a base salary. Employees with 1-5 years of experience in sales placed a significantly higher importance on base salary compared to employees with 16-20 years or more than 20 years of experience in sales. Additionally, employees with 6-10 years of experience in sales, also placed a significantly higher importance on base salary compared to those in the 16-20 year and greater than 20-year experience groups.

Also, the level of education has an effect on the importance of the base salary. The results tell that sales reps who hold master's degrees (including MBA) care more about the base salary compared with sales reps with bachelor's degree, or with lower degree of education. This makes sense, as sometimes employees with higher levels of education expect to earn more, and a base salary is one of the guaranteed ways to make more money.

The next factor the author examined is rewards for the performance of a team. This is a complicated issue. On one hand, the sales rep has an influence on the success of the team. On the other hand, he or she are very much dependent on their team members in receiving this type of compensation. In other words, this tool does not focus on the individual performance, and does not look to push the individual performance to the limit, but is more interested in the result of a team or a group of reps.

Team's rewards are mentioned in the literature many times (Solbach, 2022; Mullins et al. 2020; Lundback et al. 2021). It is important in cases where team members are required to support and to cover for each other. This may not be the case in a classic sales organization, but may be critical in some firms. The results of the survey to this issue outline a very clear picture.

The majority (66%) of the respondents see this component as important or very important. This means that most sales reps find this tool as an important tool and see the correlation between the team's success to their personal success. This is good news for organizations, that sales reps are aware of the big picture and understand that for a sales organization, the team performance may sometimes be more important than individual performance.

When we examine the results by country, it is easy to see that sales reps in Germany are less interested in this kind of compensation compared to sales reps in other countries. This result is in line with the result that sales reps in Germany see the bonus and commissions as a less important component in their remuneration.

To conclude this section, the author would like to discuss another possible component of a compensation plan, and this is sales contests. The author has shown earlier that sales reps today understand the importance of the team's achievement (and not only the individual). Sales contests are usually the opposite of the team effort. In most cases, they generate a competition between the team members in which the winner or winners need to be superior to the other team members. It may lead to conflict within the team, and in extreme cases, sales reps may want their colleagues to be unsuccessful, and therefore jeopardize the entire team's results (Brooks, 2019).

The results show clearly that sales reps are less interested in sales contests. Only 53% of the participants find this component important or very important. This is the lowest score compared with base salary, bonus, commissions and team's reward. The only component that received a lower score is the non-monetary components discussed earlier.

One of the groups that finds this method of compensation attractive, is the one that is aiming to earn as much as possible. This type of sales rep would take any challenge that has a chance to increase their earnings, based on higher individual performance. This group of sales people see no obstacle in the quest to achieve their sales quota, and most of the time even over-achieve.

Another group that is more in favor of sales contests are employees in the ages 31-40. This age group is significantly higher (*M*= 3.7, *SD*= 1.0) compared with other groups, for example sales rep over 61 (*M*= 2.88, *SD*= 1.31). This finding outlines that for older sales reps sales contests are less motivating.

Sales reps in Israel are more in favor of sales contests (*M*= 3.87, *SD*= 0.81) compared with their colleagues around the world. This might imply that sales reps in Israel are more competitive, and would like to be rewarded for that. In summary, sales contests are not the best tool to motivate sales reps. However, in some cases, in some countries and in some age groups, it may be an effective tool to motivate hungry sales reps.

In summary to this section the author can state that the most important component of the sale compensation plan is the base salary. Afterwards comes the bonus, commissions, team's reward, sales contests and at the bottom of the list the non-monetary compensation.

In some countries the magnitude of these results is even more significant. This teaches us once again that an excellent compensation plan for a rep in the USA cannot be copied and pasted to a sales rep in Germany. Different cultures have different motivational factors and this is why sales compensation plans should be modified by many factors, one of them is the country.

**5.1.4 The important characteristics for choosing a workplace**

One of the challenges this study is investigating is the motivational factors of sales reps. It is important to understand which are the drivers of sales rep when choosing a workplace or a firm to work for. Understanding the different considerations sales reps have will enable employers to sharpen their offerings to sales reps in order to be more attractive for the salesforce.

In this section, the author will focus on four different possible motivational factors: Compensation, promotion opportunities / career planning, learning new skills/ employability and job security. The main task of this section is to understand the importance of these factors and how they are correlated with demographics as well as with other wishes and aspirations of the sales reps.

As expected, for sales reps, the most important characteristic when choosing a place to work for is the compensation. They would like to know that their job is offering the best pay they could get. In this survey 93% of the respondents marked this factor as important or very important (*M*= 4.4, *SD*= 0.65).

This finding is also validated when looking at the correlation between this answer and the perception of the compensation plan. It is demonstrated that there is a significant positive correlation between the perception of the compensation plan and overall compensation. This finding indicates that a positive view of the compensation plan is associated with higher importance placed on the total compensation package.

Moreover, no correlation between the importance of the total compensation and the age or the seniority of the sales rep. This tells us that total compensation is a major factor at any age and at any seniority level of the sales rep. However, the study shows that sales reps in Germany pay less importance to the total compensation in comparison to their colleagues in the USA, Israel, UK and other countries.

In summary, any good compensation plan should have a rewarding total compensation. This factor is the most important for the reps and will be a key decision factor for them in choosing a company to work for. The total compensation includes the base salary and the commissions and or bonus. As stated earlier, it must be in line with the market standards and the industry standards.

Another important factor is the career planning and the promotion opportunities the sales rep has. The results show that 87% of the sales reps who responded to the survey find this factor important or very important (*M*= 4.31, *SD*= 0.76). Sales reps would prefer a company that will offer them career planning and or future job promotion.

However, this factor of career planning is not strongly linked to how the compensation plan is viewed. Meaning that sales reps currently see no connection between the compensation plan and their promotion possibilities in the organization. Maybe a linkage between these two factors can make a change.

When looking at age and seniority, a significant negative correlation was observed. This indicates that as age and seniority increase, the perceived importance of promotion opportunities and career planning decrease. Meaning that if an organization is targeting young and less experienced reps he should pay attention to its offering in this aspect as well.

When we look at the results by country, it is very clear that reps from the USA pay less attention to this factor, while reps from Israel indicate that this is a very important factor for them. Reps from the UK, Germany and other countries fill the spaces on this scale. Another differentiating parameter in this topic is kids: Participants who do not have kids expressed significantly higher preferences for promotion opportunities and career planning.

Another strong motivational factor is Learning new job-related skills and improving employability. The results tell that 92% of the sales rep who participated in the study indicated that this is an important factor or a very important factor for them. Here again, there is no correlation between this factor and the importance of the compensation plan when choosing a position.

Similar to the results of promotion opportunities and career planning, the results show that younger and less senior employees place more importance on skill development. Moreover, the age of the rep plays a role here as well: workers aged 31-40 (*M* = 4.49, *SD* = 0.66) placed a higher value on learning new skills compared to those aged 41-50 (*M* = 4.25, *SD* = 0.64).

The last motivational factor investigated is job security. In other words, how much is it important to the sales rep to feel that his job is secured and he will not lose his job with no prior indications. The results of the survey show that 90% of the respondents find this parameter important or very important. However, once again, this motivational factor is not strongly linked to how the compensation plan is viewed. Meaning that reps don't link the compensation plan with their job security.

When we look at other demographic differentiators, like age and seniority, the author can say that while it is correlated, the relationship is relatively weak. Indicating that the factor of job security becomes slightly less of a concern as employees grow older or more senior. This is also the case with age: job security is less of a concern for older sales reps.

Another important factor for analyzing the importance of job security is whether the rep has kids and the age of the kids. It is observed that sales reps with kids under 18 are more concerned about their job security compared with the ones that have no kids or kids over 18.

This short investigation of the different motivational factors opens a new opportunity for employers: currently, most sales representatives don’t link between the compensation plan the organization is offering them and between three important (and very important) motivational factors: job security, learning new skills/ employability and promotion opportunities/ career planning.

This finding suggests that creation of a link between these factors that are significant for sales reps in choosing a workplace might open a new angle for reps while evaluating a compensation plan. Putting these factors on the table as a part of a detailed plan might create an advantage for reps and assuring them that these topics become a part of a feasible plan and not just in theory.

According to the survey, sales reps see the compensation plan only as a tool for compensating and rewarding them for their results. The author suggests that adding these important decision-making factors to a compensation plan might attract more sales people and maybe help retain the best sales reps in the organization.

**5.2 Practical recommendations for compensation plan designers**

In the following chapter, the author provides guidelines, tips and tricks in order to generate the ultimate compensation plan for sales reps. This chapter gathers all the results of this extensive research and bundles them in a set of rules and recommendations in the quest for the perfect compensation plan. The guidelines and recommendations will be presented in three different levels: The basic, The Advanced and The Game Changer.

The Basic will provide the most essential components for a good basic compensation plan. These guidelines are very important for organizations that are now creating their first compensation plans or for managers who want to start implementing a compensation plan in their organization. The Basic guidelines are the best tool for designers that are now creating their first plan, and for organizations that would like to fine tune their current compensation plan.

The Advanced adds a set of considerations needed to improve the ongoing compensation plans organizations are already implementing. It is designated for designers and managers that have already experience with compensation plans and would like to take their organizations one step further. The Advanced set of recommendations addresses other issues of the compensation plan and offers a set of add-ons to perfect the existing compensation plan.

The Game Changer creates a new concept of compensation for organizations that would like to think differently on how their sales reps are paid. This chapter includes a new way of adding components to the compensation plan that were never there, and that would make the compensation plan a better tool to attract and retain sales people.

**5.2.1 The Basic**

A basic compensation plan should address the following issues: pay mix (the percentage of fixed salary vs. the variable component of the remuneration), Bonus or commissions (what would be the best way to pay for the performance of the sales rep) and pay timing (when would be the best time to pay the sales rep his bonus or commissions). Following these guidelines will enable designers to generate a plan that will implement all the essential needs for the organization and the sales reps.

**Bonus vs. Commissions**

What is the best method? Researchers have been struggling on this one for many years (Schotner, 2017; Kishore et al. 2017). This study shows an interesting result in this question. However, before jumping into conclusions, there is something that needs to be clear – what the organization is paying for? Achieving the quota? Regular sales? Qualitative targets?

The most common practice is a pay according to the quota achievement. This can be a fixed pay (bonus) or a percentage of the sale (commission). Of course, the bonus and the percentage of the commission can be related to the percentage of the quota achievement as in the following example.

A sales rep has a sales quota of $1M. If he works on commissions a plan can offer the following: 1% commission of his or her sales once he or she reaches 80% of the sales quota, 2% commission once he or she reaches 90% of the sales quota, 5% commission once he or she reaches the sales quota etc.

A bonus system can offer the following: 1 additional monthly salary once he or she reaches 80% of the annual sales quota, 2 additional monthly salaries once he or she reaches 90% of the annual sales quota, 5 additional monthly salaries once he or she reaches the annual sales quota etc.

As shown in the example above, it is recommended to have different levels or stages of the commissions and bonuses and not to have a plan where the bonus and commissions are binary: either you get, or you don't (Berger et al., 2015). This system creates less frustration and more motivation throughout the sales process during the entire sales period (Berger et al. 2015).

Of course, the percentage of the commission and the bonus should be correlated with the volume and the profitability of the products and with the total remuneration that sales reps expect in the relevant industry or country. This is why the author recommends building the compensation plan from top to bottom: First setting the total amount of money that the rep should get once he achieved the sales quota and then calculate the bonus and commission offered in the plan.

Setting the plan from bottom up, might bring the organization paying the sales reps more than they expected, and sometimes much more than the market pays for sales reps. The organization should take into consideration the total pay and cut from it the commissions and bonuses.

The results of this survey are in favor of paying a bonus and not a commission. Paying a bonus is not only preferred by reps as this study shows, but also more economically efficient for organizations as explained earlier. Therefore, the author recommends bonuses over commissions. The author also recommends that the basic bonus should be related to the sales quota. Additional payments for other parameters will be discussed later in The Advanced section.

**Setting the pay mix**

Pay mix is an issue that many researchers addressed (Solbach, 2022; Wakabayashi, 2022; Madhani, 2014, 2015) and that is important for sales reps as the results of this study shows. The author recommends setting the basic salary in relation to the industry and market standards.

There is an option not to pay any fixed salary. Although the author does not recommend doing so, this is a valid option that according to the results is suitable for 16% of the sales reps and mainly effective in the USA. However, having a fixed component and not only a variable component would be a better option for most sales reps.

The pay mix should address the issue of the sales rep's role. What are the tasks expected from the rep? How complicated are the products or services he is selling? Does he or she hold the position of sales rep or also work as account manager? What education or skills are required for the job?

The more complicated the sales role is and the longer the sales cycle is, the higher fixed salary is expected (Wakabayashi, 2022). Moreover, educated people would expect a higher fixed salary. For example, if an engineer is required to do the sales role, he would expect a higher pay compared with a rep that has no academic degree.

According to the findings of this study, sales reps would rather have a high fixed salary and only a small portion of their remuneration as bonus and or commissions. Third of the reps who participated would even prefer no variable component at all. At this stage, it is recommended to put also the company's interests and the basics of all sales compensation plans: there must be a pay per performance portion in the remuneration.

As a result of the focus group and the literature (Bolander et al., 2021), the author recommends that the variable component of the pay mix should be somewhere between 20%-40% of the entire pay. It is of course industry, market and country dependent, but setting the variable component at around 30% of the entire pay can make sense in most cases.

Another option that will be discussed later is to change the percentage of the fix component in time. This can be related to seniority, time in the same sales role and even as a reward for achieving sales targets or quota. As the result shows, a high fixed salary is a key motivator, and should not be neglected.

**Pay timing**

When to pay the sales rep is another issue that interests researchers (Bullemore et al., 2018; Chung et al., 2013). The timing of the bonus or commissions has motivational and psychologic effects on the sales reps (Bullemore et al., 2013). This issue was also one of the topics discussed in the focus group. It is of course related to the pay mix, but is also something designers should consider when offering a plan to a sales rep. The valid options are: monthly pay, quarterly pay and an annual pay.

Of course a weekly pay is an option as well, however in most countries the salary is being paid monthly and thus this option was not considered in this work. The pay timing is also related to the sales cycle and the volume of the sales. For example, in many sales areas the sales rep has "dry" months, in which his sales are zero (or close to zero), in these cases it is not recommended to pay the variable part of the salary on a monthly basis.

In some cases, most of the annual sales of the reps are in the last quarter of the year. In such cases, monthly or quarterly pay are not effective as well. Another consideration is the fixed pay: once the fixed pay is very low, it is expected to have an additional monthly pay to allow the rep to pay his bills. Therefore, the fix pay of the salary should also dictate the timing of the variable pay. The conclusion is that the pay timing should also be related to the nature of the sale, the products, the fixed salary and the sales flow. The recommendation in this section will not be valid to all sales compensation plans.

However, the author believes that the following guidelines may be valid in most cases. Once the fixed portion of the salary enables the rep to pay his monthly bills, it is recommended to pay the rep on a quarterly basis and also on an annual basis. This means that a bonus or commissions are paid every quarter, and another part of the variable pay is paid at the end of the fiscal year (Chung et al., 2013).

This methodology grasps that the sales rep is getting paid according to his quarterly results and at the end of the year he is being measured on his or her entire annual quota and performance and gets an additional pay if he or she deserves it. In any case the sales rep should not return money to the company, he might be eligible for extra bonus or commission but will never be in a deficit.

In summary, a basic compensation plan should be built top to bottom, setting the base salary at a reasonable (and market) level and the commission or bonus at different levels. Compensation for sales achievement should be paid quarterly and an extra portion of the compensation at the end of the sales year. These guidelines will enable researchers to generate a basic plan that should be suitable for most sales reps.

**5.2.2 The advanced**

This section will allow designers and managers to improve their compensation plans and take them to the next level. Of course, all the basic considerations are still valid and all the tools in this section are additional components to supplement any classic compensation plan.

**Overachievers**

The literature grasps that recognizing and compensating over achievements not only create motivation to over-achieve, but also pushes the entire sales organization to perform better (Chung, 2015). It is needless to say that paying for over achievements should be transparent and communicated widely in order to be effective and motivative (Long et al. 2019).

According to CSO Insight research (2019), only 60% of the sales reps are achieving their sales quota. This is a fairly low number. The quota setting should be such that 70%-75% of the reps meet their sales quota and the rest are under and over achievers. This means that an organization should strive for 10%-15% of sales reps exceeding their sales quotas (Gundy, 2002). The author suggests that paying for over achievements is essential in an excellent compensation plan.

This brings us again to the importance of correct quota setting: achievable, realistic and challenging (Schwepker & Good, 2012). If more than 15% of the reps are overachievers, then the organization has set too low quotas (or an exceptionally good sales year). If only 5% of the salesforce overachieved the sales quotas, the organization set the quotas too high (or an exceptionally bad sales year).

The author believes that there is a need to push the sales rep to exceed their sales quotas and to motivate them doing so by compensating their result exceptionally. This means that the bonus or commission steps should not end at 100% but also address results like 105% and 110%.

For example, a sales rep gets two monthly salaries if he reaches 90% his sales quota, and three monthly salaries if he reaches his sales quota (100%). The author recommends that if the sales rep has overachieved his quota by 10% (total of 110%) then he should get five monthly salaries. This demonstrates the proportion of the over achievement – 10% below 100% worth one salary and 10% over 100% worth two salaries.

The organization should push his entire salesforce to overachieve. However, still the sales quotas should differentiate and spotlight only the best ones to overachieve and to be extra compensated for that. Not all sales rep can overachieve but all of them should have the motivation to try.

**Accelerators**

One of the key success factors for a good compensation plan is making it simple, transparent and coherent (Conlin, 2008). However, as shown before there are different factors that the organization would like to put in the plan (like achieving the sales teams' quota, improving profitability, reflecting the company's' vision etc.). The author suggests a way to include different compensation parameters on top of the classic quotas and sales targets and objectives.

This way called accelerators is already described in the literature (Claro et al., 2023). The accelerators are additional performance measurements to assess how the sales rep is performing and to compensate him or her on top of the standard bonus and/or commission plan.

The set of accelerators can be changed from organization to organization, from sales team to a sales team and even from one sales rep to another. The accelerators give the organization another tool to implement other important components in the compensation plan. The nice thing about accelerators, is that the organization can change them from time to time. Here are some ideas for such accelerators.

In some organizations, the sales rep has a direct influence on the gross profit the company generates. These are companies where the sales rep has the actual cost and is setting the end user price. The sales rep determines what would be the gross profit from every sale. Of course, this freedom to set the price can be limited to a minimum price or profit, but still gives the sales rep the freedom to set the price and to influence directly on the profitability of the deal.

In such cases, the organization might want to compensate the sales rep not only on the sales quota (top line), but also on the profit he or she brings to the organization (bottom line). Compensation for profit might be instead of compensating for the sales quota, thus setting a profit quota, or on top of the sales quota (Zoltners et al., 2015). The author believes that accelerators might be a good tool to compensate for profit on top of the sales quota (and not instead).

Another topic that is important in the design of a compensation plan is taking into consideration the company's vision and mission (Conlin, 2008). Different organizations have different goals and values and there might be a place to compensate the sales rep for promoting those goals and values.

For example, a young organization may focus on growth instead of focusing on profit. Some organizations are focusing on recruiting new customers, while others focus on enlarging the sales for existing customers. Some focus on introducing new products, some focus on the amount of sales call per day etc. The accelerators create a new avenue for compensating the sales reps for the things that are important for the organization.

The result of this study showed the importance of compensating the sales team as a team. Sales reps who participated thought that getting compensated for the entire teams' result is important. At the same time, literature shows that it is an important tool for organization in achieving its goals (Solbach et al., 2022). The accelerators give another way to pay sales reps for their efforts to achieve the targets and quota of their sales team.

The author suggests keeping the sales quota compensation (i.e. bonus and commission for sales performance) and introducing a set of accelerators that will compensate the sales rep for the above, and for any other components that are important to the organization. The accelerators can be related to achieving the sales quota, but can be independent as well.

The advantage in setting the accelerators independently from the sales quota is very clear. Once a sales rep finds out he has no chance of reaching the sales quota (usually during the third and the fourth quarters of the year) he or she might lose motivation and not generate enough sales (Schoettner, 2017). Setting another independent compensation method might deal with this issue. The sales rep can focus on the accelerators while knowing he or she will not get compensated for the quota that is unachievable for him or her.

There are many ways to set such accelerators. The author will just point out two possible methods. The first one is very straightforward: paying a fixed sum of money or a percentage of the sale for achieving the target of the accelerator. For example: once the team achieves the teams' sales the rep receives $10,000. Or once the average profit margin of the sales reps' sales is over 40% he receives 1% of his entire turnover etc.

The second option is a more complicated method but may be more effective in implementing many accelerators in one compensation system. This option includes a matrix in which the Y-axis and the X-axis contain different accelerators and reaching a combination of both accelerators will generate the compensation the sales rep will get.

In table 30 below it is shown an example for such a matrix. In this table the Y-axis are focused on increasing the profitability and the X-axis are measuring the number of new customers the sales rep has recruited. All the parameters are changeable as well as the compensation amount. In this example the bonus is fixed, but can be transformed to percentages. Once the profit growth is less than 10% and the rep recruited less than 10 customers he is not eligible to be paid for the accelerators.

**Table 30 – accelerators compensation matrix example**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Profit growth of 1%** | **Profit growth of 2%** | **Profit growth of 3% or more** |
| **10 new customers** | $5,000 | $7,000 | $10,000 |
| **20 new customers** | $7,000 | $10,000 | $20,000 |
| **30 or more new customers** | $10,000 | $20,000 | $30,000 |

To summarize, the accelerators may be used as an additional tool to compensate sales reps on other things that are important for the organization and for the sales rep on top of the classic pay per performance method. This is another tool designers have in their toolbox to generate motivation once the rep understands he might not achieve his sales quota.

**Sales contests**

Sales contests can be another method to take the compensation plan one step further. There are many ways to design sales contests (Coughlan et al., 2012; Roberge, 2015; Bullemore and Cristobal-Fransi, 2018). This study shows that most sales reps do not find this method so motivating. However, for some organizations this still can be an effective tool to add to their compensation plan.

Once considering the pros and cons of sales contests (for example Kalra and Shi, 2001), organizations should consider using them from time to time or on a regular basis as an integral part of the compensation plan. This study shows that this tool is less effective compared to base salary, bonus and commission, and teams' achievements. However, it is more important than non-monetary incentives.

**5.2.3 The Game Changer**

In the quest for the ultimate compensation plan there are many challenges and obstacles. This study shows that 32% of the sales res who participated in the survey are not happy with their compensation plan. It means that almost a third of the participants would like to see their plan changing and making them more motivated and happier.

This means that there is a room to invent something new and to consider a new concept for compensating sales reps. Moreover, 86% of the participating sales reps would like to choose their compensation plan. The results of this study also show that sales reps with different demographic characteristics have different expectations from the compensation plan. The author believes that setting different compensation plans for different sales people in different sales roles with different demographics is a game changer.

**Implementing new components**

Another game changer in this aspect is implementing in the compensation plan components that are not expected to be a part of the plan, as shown earlier. The components this study investigated are: promotion opportunities/ career planning, learning new job-related skills and improving employability and job security. These components are currently not a part of the compensation plan and putting them inside the plan may be a game changer.

How can these components be implemented in a sales compensation plan? in the following paragraphs the author gives some examples. Promotion opportunities/ career planning can be implemented, for example, once a sales rep has achieved his sales quota two or three consecutive years. Such an opportunity will motivate sales rep to reach their quota as a part of their career path. An organization can offer an executive position, or at least a title that includes a promotion, new tasks and, of course, a bigger income.

Learning new job-related skills and improving employability can be given as an accelerator to the monetary compensation plan or instead of the additional annual bonus. The employer can offer academic or professional courses to the one who reaches their quota on top of the annual bonus/ commission or instead a part of it. This will not only motivate the sales rep but also improve the skills of the rep and will contribute to the organization.

Job security is a more complicated issue as it has different angles (Najmulmunir, 2020). However, thinking out of the box, an organization can offer his sales reps a golden parachute. What does it mean? Instead of paying all the annual bonus or commissions right away, the employer will invest this money in a fund that belongs to the sales rep, and only when he decides to leave the company, or is fired, he is getting this money. This will make sure he or she has income for some months after they are out of the job, thus increasing their job security.

These are only some ideas how these three components that are usually not a part of the compensation plan, and not expected to be a part of the compensation plan, can be implemented and create a new possibility and avenue to compensate the best sales rep of the organization. There are many other options to do so, and of course to investigate and study in the future.

**Different plans for different salespeople**

The new concept that this study brings is moving from a single compensation plan for the entire organization to multiple plans in one organization. This study shows that the expectations from a compensation plan change along with the demographic of the sales reps as described in detail in the results chapter. Moreover, it has shown that different sales people have different motivational factors.

As the study demonstrated, sales reps would prefer working in organizations that would give them a choice between compensation plans. This will give an advantage for organizations that would implement such a compensation system to attract and to retain sales people. The idea is quite simple: create 2-3 compensation plans that will give the sales reps different earning opportunities.

Once again, it does not mean that the bottom line, or in other words, the cost of the plans for the organization would be different, it only means the focus of each plan would be different. One plan can offer a bonus while the other plan offers commission, another plan can offer a higher base salary while the other plan offers a very high commission rate, etc.

The author recommends that the organization will not only offer different plans at the recruitment stage, but also offer their sales reps to change their compensation plan. This change possibility can be offered every year, every second or third year or even as a reward (an accelerator) once a sales rep achieved his annual sales quota (once or few times consecutively). This might help to retain the good sales rep in the organization for longer periods of time.

We saw that the pay mix is a great tool to motivate salespeople. This can be implemented in the compensation plan and can be offered to excellent sales reps who performed well over a period of time. These sales reps, if their wish is to grow their fixed component over the variable component, can be offered a compensation plan where the pay mix matches their wishes.

The author believes that implementing these modules in compensation plans for sales reps might be a game changer for organizations. It might create a much more attractive and motivating environment for the sales reps to better perform and to stay longer in the organizations they work for.

This chapter concludes an extensive study on sales rep compensation. The author presented a survey that was completed by many sales reps around the globe. The results and the conclusion of the study set the ground for a new concept of sales compensation plan that will help sales organizations to attract and retain sales reps. In this chapter the author interpreted the results of the study to be practical tools that will enable CEOs, sales managers and compensation plan designers to design the best plans for their reps and for their organizations.

**5.3 Limitations**

Though this work presents an extensive survey in which sales reps from 34 different countries participated, this study has its limitations. In the following paragraphs the author presents the limitations of the study and discusses the opportunities these limitations might create for future research.

The first limitation is distribution. The questionnaire was distributed using the author's business connections. It was distributed to current and past suppliers of the writer as well as to colleagues and friends within the business and social network. The survey was also distributed using LinkedIn social network.

The distribution channels used are focusing on two main industries the writer works with: Medical and Industrial sales. This of course limits the space where the questionnaire was distributed. It is suggested for other researchers to focus on different industries and different networks for distribution of future surveys.

The inclusion/ exclusion criteria for answering the questionnaire were the requirement that the respondent is currently a full time sales rep. However, also sales managers and people that used to work as sales reps in the past might have an important input on the subject. For future research it is also recommended to include these reps in the survey.

The questionnaire was available in four languages: English, French, German and Hebrew. This might create a language limitation for sales reps that do need to speak one of these languages good enough to answer the questions. In the future this or other questionnaire should be translated to any target country's language in order to have more results.

The survey was available for answer only digitally using a computer, a tablet or a smartphone. In some countries or areas this might create a limitation. It is recommended to also use other methods of data collection to enable more sales reps, especially in areas where technology is not widely available.

Looking at the limitations it is very clear that there are possibilities to improve the data collection. However, the author still believes that the data collected is valid and extensive and enables this research to be so important for the future of sales reps' compensation plans.

**5.4 Future research**

The author presented comprehensive research in which 488 sales representatives from 34 countries have participated. The amount of data collected represents one of the biggest field studies that was done on the subject of sales reps' compensation plans. However, this research opens the door for many additional topics and issues that need further exploration.

In the following paragraphs, the author presents the different avenues in which he believes there is a place for further exploration and investigation. This chapter includes recommendations and ideas in two different aspects: one is exploration of demographic characteristics and their possible influence on the motivational factors, and one focuses on possibilities for case studies.

The results of this study left some demographic characteristics that need further research. These characteristics showed no influence on the wishes and desires of sales reps. However, the author suggests that further investigation on these characteristics might lead to a correlation between the characteristics and the expectations of sales reps from their compensation plan.

One of the most interesting characteristics that showed no correlation to the salary structure is the industry to which the sales rep belongs. The author believes that sales rep from the high-tech industry and sales rep of consumables might not share the same wishes and aspirations from their compensation plan and from their salary structure.

The author suggests further investigation on the targeted industries. The author believes that more focused research on specific sectors and industries might lead to different results. Focusing on specific industries will result in more data on the relevant industries and more opportunities to investigate this correlation.

Another demographic parameter that should be further investigated is the country and culture. As there were significant responses from only 4 countries (USA, UK, Germany and Israel), there is a need to execute this survey, or another survey on different target countries.

As this study showed that there is a significant difference between the aspirations and expectations of different sales reps from different countries, the author believes that further investigation on this might lead to important results. For sales compensation plans designers it is crucial to adopt the plan according to the culture and the county of the organization (as shown in the results chapter), this is the reason such future research is important.

There are also some other parameters that statistically showed no correlation with the expectations of sales reps from their compensation plan. These include: experience in the industry (the amount of time in the job) and the age of the respondent. The focus group and the interviews prior to the questionnaire led to different assumptions on these characteristics. The author believes that age and seniority of the rep might influence the preferences as well and require further investigation and validation.

The author suggests that further investigation on gender and age of kids might lead to better understanding their influence on the results. The author also believes that more individual country data may lead to different results specifically in the gender and age of the kids.

The next step in validating the results of this study is taking the theory and implanting it in the sales field. It is suggested to make field studies and test cases based on the results and the conclusions of this work, and test it in real business life. Thus, implementing the idea of this thesis in sales rep compensation plans.

The idea of field studies and test cases can be divided into two different avenues of research. One is implementing the three motivational factors mentioned earlier (promotion opportunities/ career planning, learning new job-related skills and improving employability and job security) in the current compensation plan of the organization. The other avenue is implementing the concept of different compensation plans for different sales reps.

Taking the first avenue is an easy challenge. Once it is taken, it is suggested to evaluate the satisfaction level of the sales reps from this change, suggested after a period of at least one year. The satisfaction level should be compared with the satisfaction level prior to the change from the current plan. The adoption of changing a plan is a delicate issue and should be carefully investigated (Sandvick et al., 2021).

The second avenue is much more complicated and requires some courage and vision. Organizations that would choose to convert their compensation system from a single plan to multiple plans would be very interesting for investigation. The investigation should include comparison of the satisfaction level of the sales reps as described above and would also require comparing the sales results of the organization.

An organization can choose to convert the entire organization to this new concept or to choose only a group of sales people or sales teams to be converted. If only a group of sales reps or sales team/s are converted, it would be interesting to evaluate their results in comparison to sales reps or sales teams that remained in the current/ old plan. Having a small group as a pilot is also supported by the literature (Gundy, 2002).

In time, it is also suggested to investigate whether such change led to retaining the sales reps for longer periods of time. This can also be done in a case study or in comparison to the industry retention statistics. The idea is to validate whether this concept change leads to better retention and also to better sales results.

It has shown in the literature that high motivation and satisfaction of sales reps generates more sales and more profit to the organization (Fernandez and Pinuer, 2018). However, it is recommended to keep challenging the salesforce motivation. One of the ways to do so is convincing more sales organizations around the globe to convert their compensation system to the ones that are described in this work.