CHAPTER 6
TRAINING AND COMPENSATION OF SALES PERSON

6.1 Importance of sales Training

The need and importance of training in today's world of marketing and salesmanship can hardly be overemphasized. A company's stability, success and progress depend greatly on the efficiency of its sales force. The sales force of an organization can improve its qualities and potentialities to the maximum extent only through proper training. Admittedly, well trained sales force is a valuable asset of an organization and with the help of such a team, the organization can boldly face the challenges of the modern marketing. The need for sales training arises mainly due to the following reasons:

1. To Improve Sales Performance

A scientifically designed training program enables the sales force to improve its performance considerably. As a matter of fact, the techniques of sales keep on changing with the time . In order to keep in touch with the new techniques of selling, the sales force can easily improve its performance, resulting, in increased volume of sales and profits for the organization and better remuneration for themselves.

2. To Influence Prospects in a Better Way

Training teaches the sales force the best way of influencing people, making them aware of the sales proposition, dealing with difficult type of customers more efficiently, handling complaints properly, opening new accounts, obtaining quotations, meeting customer objections, closing the sale and so on. In short, t raining equips the salesmen with latest techniques so that he can provide satisfactory service to the customer.

3. Provide Expert knowledge

Training helps the salesman to gain essential knowledge about products, peop;e and himself. A trained salesman can face customers with confidence and certainly. Even in case of experienced salesmen, training provides perfect knowledge about the new products, new customers and new methods of selling. Such expert knowledge helps the salesman to shine in the sales line.

4. Reduce Wastage

Trained salesmen usually do not commit mistakes. They take every possible precaution to avoid wastage of products and efforts. With proper training, the efficiency and productivity of the sales force generally increases. Consequently, the supervisory efforts also get simplified. Thus, the wastage of the organization, both tangible and intangibles, are considerably reduced.

5. Reduces Control and Supervision

Trained salesmen require lesser managerial control and supervision as compared to the untrained salesmen. Since trained salesmen are in a position to know what is expected of them, they will function accordingly. Consequently, they are expected to commit least errors, adjust fast; supervision and management gets more simplified. Rather, well-trained salesmen help the sales manager in executing sales plans, policies and solving sales related problems,

6. Develops High Morale

Training creates a feeling among the sales force that they are the part of a sales organization. It provides job satisfaction, develops unity, a sense of cooperation among fellow salesmen, and above all a sense of loyalty to the organization. As a result, the relationship between the employer and employee improves and simultaneously develops high morale. Training enables the sales force to face sales related problems with a lot of confidence and thus, build up his morale and self-confidence.

7. Low Turnover of Sales Force

Proper training makes the salesman well prepared for the field work. As a result, sufficient confidence is developed by the salesman to be successful in his job. This results in reduced number of salesmen leaving their jobs. This lower rate of turnover result inadvertences of reduced costs of recruitment, selection and training of sales force by the organization.

6.2. Contents of a Good Training Program

The contents of a training program usually vary from organization to organization according to the marketing considerations and characteristics of different products to be sold. But, in general, a good training scheme would educate the sales force about the company, its products and prospects, the duties and responsibilities of the salesman and how to sell

company's products in the competitive market. Generally a salesman should be trained in the following matters:

Company

The most important thing is that the salesman should be provided with all possible knowledge about the company, its history, objectives, selling policies, areas of operations, the important commodities produced by the firm and the sales volume. Such thorough knowledge goes a long way in injecting a sense of pride in the salesmen and enables them to do their job as per the policy of the organization.

Products

The salesman should have perfect knowledge about the products of the company, manufacturing details, raw materials used, features, prices and the uses. Armed with such product knowledge, the salesmen will be able to increase to the sales volume of the organization. Knowledge of the product is crucial for the sales force since it enhance their enthusiasm and self-confidence.

Customers

The salesman is expected to know his prospective customers, their needs, buying motives, habits and attitudes. Then only, the salesman can prepare himself to adopt different approaches for different types of customers.

Market and Competition

Apart from the knowledge regarding the organization, products and prospects, salesman has to possess knowledge regarding market and competition. The salesman should know the size of the market, the demand for the product, the competition, and potential areas w here the product can be sold better.

Sales Methods and Techniques

The salesman should be given training with regards to different selling methods and techniques. It is the responsibility of the salesman to sell the company's products. Therefore, he should be thoroughly conversant with the theoretical as well as practical aspects of selling. Then only he will be in a position to handle all possible selling situation and challenges.

Sales Policies

It is important for the salesman to know the sales policies of the company. He should have full knowledge of its sales, credit, pricing and its personnel policies. A Knowledge of the company's general policies towards customers is also essential. Such information about various policies will enable the salesman to determine his activities and behavior with his colleagues, superiors and the customers.

Channels of Distribution

The training programming should include knowledge of the general channels of distribution and the importance of each such channel. This information that the company has adopted and the reason there of need to be explained during the course of training. The salesman can thereby have some idea about the channels of distribution and their importance.

6.3 Methods of sales training

According to Charles R. Allen, a sales training mainly involves four steps. They are:

I. Tell him (salesman) what to do,
II. Show him how to do it
III. Let him do it himself, and
IV. Inspect his work

If the above four steps are followed properly according to the need of the organizations, it will definitely result in a successful training of salesmen.

Usually there are a number of sales training methods out of which a company may choose its own method, depending upon the suitability and the requirement. The following are some of the important sales training programs commonly adopted by different organizations:

1. Initial Training

Initial training is provided to the newly recruited salesmen at the time of their entry into the organization. The main objective of such training is to acquaint the salesman with the organization as well as its various sales policies. Upon their initial entry into the organization the salesmen are given an overall idea about the organization. Sometimes the trainees are also sent to various production sites to gain a knowledge about the process involved in the manufacturing process.

2. On-the –job Training

It is one of the most common and widely use methods of training salesmen. Under this method, the newly recruited salesmen are trained on their job for which they are appointed. They are given opportunities of performing the role of professional salesmen. Usually, such job training is provided under the supervision of senior and experienced salesmen. The senior salesman teaches the trainees the proper or safest technique of performing the selling job. This method of training enables the trainees to know about the various methods of selling. By keenly observing and actively participating in the training, the trainee salesmen are able to detect their mistakes, drawbacks and defects. The senior salesman explains the ways and means of rectifying them. Such on the job training continues until the trainee salesmen gather enough experience. Once the senior salesman feels that the knowledge and experience acquired by the trainees are enough to undertake the selling job independently, he recommends for their placement. Often called as apprenticeship, this method of training of salesmen has been quite popular with the organizations. The success of this method depends on the qualifications and interest of the senior salesman under whom the trainee is put. However, this method provides only routine training. It fails to teach the innovative methods of selling.

Institutions

Some big business organization generally has training centers either of their own of on contractual basis. The newly recruited as well as the experienced salesmen are provided sales training in such centers. Smaller firms which cannot afford to have their exclusive training centers usually admit their trainee salesmen in institutions which provide coaching in salesmanship. Such coaching centers impart comprehensive instructions to salesmen for a specific period. The cost of such training is usually borne by the companies.

3. Correspondence Training

This method involves providing postal tuition to the salesmen working in different sales territories. This method of training is adopted where the salesmen are widely scattered, working in different sales territories and extensive practical knowledge is not very important for them. In such cases, the training materials with necessary lessons and study the material and instructions thoroughly and at times have to prepare answers for some questions and dispatch them for evaluation. Doubts and difficulties are referred for clarification and the training office writes back to the trainees providing necessary clarifications. After

completion of such correspondence training, the salesmen are usually asked to appear for a test. This method is just like postal coaching offered through distance education system and is useful only in case of salesmen possessing certain amount of experience in the filed. An important aspect of this training method is that it can be imparted even when the salesman is fully employed. Correspondence courses suffer from the limitations of being theory oriented and impersonal in nature. However, it can be used as a part of initial training.

4. Sales Meeting and Conferences

Sales meetings are usually held at regular intervals, i.e. weekly, monthly or even half yearly. Sales conferences are generally held once or twice in a year. The members of the sales departments are asked to attend such meetings and conferences. These meetings and conferences of salesmen and sales executives are meant for educating sales people about various new developments in selling techniques. Subjects like selling policies of the firm, complaints received from customers, improvements in the product, competition faced by the firm's product, advertising program, etc. are discussed in such conferences. Besides, new selling techniques are strategies are also discussed. The most important advantage of such a training program is that combined thinking of the group of participants is able to solve problems which the salesmen in their individual capacities could not solve. This method of training is useful in updating the existing knowledge or the sales force.

5. Sales Manuals

A sales manual is the first course for the trainee salesmen. It is a text book tailored to the specific needs of the company. These sales manuals contain information about the firm, its history, its policies, product specification, price, advertising, sales promotion activities, etc. Besides, it also covers instructions and information needed by the salesmen. Such sales manuals are quite useful as a ready-made guide or reference material by the salesmen at work.

6. Visual Training

Now a days, visual and audio-visual aids form an integral part of any training programme. This method involves the use of motion pictures, films, radio and television programmes to show demonstration of actual steps in selling process, to the trainee salesmen. The newly recruited salesmen are provided training about a particular aspect of sales with the help of these aids. The use of audiovisual aids makes such training programmes interesting as well

as attractive. Sometimes audio aids such as tape recorders and record players are also used to impart training about the art of speaking. This method of training has the advantage of attracting the attention of the audience. Motion pictures as well as video films are quite effective in showing the history and growth of the firm. Similarly, manufacturing processes of the product can also be shown more clearly through audio-visual aids. However, only large organizations can afford to have this method of sales force training as this method is costly.

7. Role Playing

Though a newly developed method of training this is very popular in imparting training to the sales force. Under this method, each trainee acts out a given role in order to experience it emotionally. Each salesman in the trainee group is assigned a particular role such as the sales man and different types of customers. All the selling techniques like demonstration, clearing the doubts, handling objections, making additional selling, closing the sales, and so on, are presented in such plays so that the participating trainees have the feeling of real life situation. As participants in such an act or observing others playing roles, the trainees are able to gain practical knowledge with regard to the different aspects of selling. After the play is over, a general discussion is made by analyzing the different roles and suggesting improvements.

6.4 Motivating &Supervising Sales force

Sales Force Motivation

Motivation is intrinsic, but it is the task of the sales manager to motivate his sales team. This involves creating a climate in which everyone gives his or her best performance. Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired action - a compliment, a pay rise, a smile, a promise of promotion, praise, public recognition of merits and so on. Motivation ignites the will to work. It moves the people to take a desire action.

Some sales representatives will put forth their best efforts without any special coaching from management. To them selling is the most fascinating job in the world, they are ambitious and self-starters. However, the majority required encouragement and special incentives. This is

especially true of field selling; representatives usually work alone, their hours are irregular and they are often away from home. They confront aggressive, competing sales representatives; they have an inferior status related to the buyer; they often do not have the authority to do what is necessary to win an account; and sometimes they lose large orders they have worked hard to obtain. Sales people, especially outside sales forces, require a high degree of motivation. Management faces the challenge in motivating these people. People differ in what motivates them and the motivations change over a person's life. A young sales person is more likely to be motivated by money, whereas an older sales person may be more interested in recognition. Sales executives can draw from a wide assortment of specific motivation tools. Financial incentives - compensation plans, expense accounts, fringe benefits - serve as basic motivators, but they do not always push people to exceptional performance. Non-financial rewards - job enrichment, praise from the management, recognition and honor awards - may stimulate some people. Sales meetings and sales contests are often used alternatives. Many firms provide cruises, resort trips and other travel incentives as reward to top performing sales people.

Supervision and direction

The sales manager leads from the front, from the back, from both sides, and encourages people within the sales team to stick to the basic plan of helping customers to decide about informed buying choices. Sales manager is responsible towards salesmen of the organization. Sales manager acts as a link between salesmen and the top management He is responsible for utilizing frill energies of salesmen and at the same time he is to watch the interest of salesmen and develop team spirit among them. Among all the ideas and writings about leadership, three words stand out-people, influence, and goals. Leadership occurs among people, involves the use of influence, and is used to attain goals. Influence means that the relationship among people is not passive. Moreover, influence is designed to achieve some end or goal. Thus, the formal definition of leadership is the ability to influence other people, toward the attainment of objectives.

Leadership is absolutely necessary to a sales manager's effectiveness. Sales Managers not only supervise but also lead. That brings to a point to "understand the difference between salesforce leadership and supervision. Leadership is the ability to influence other people

towards the achievement of specific goals and objectives. Research indicates that leadership ability can be achievement of specific goals and objectives.

Research indicates that leadership ability can be learned. Leadership is a people oriented actions, which are different than administrative or problem-solving activities. Sales leadership requires that sales managers equip and empower the salespeople. They should understand each salesperson's needs and at the same time develop teamwork. Supervision is directing of the day-to-day activities of the salespeople. Supervision is a part of leadership. Leadership requires more foresight and intuition than supervision, because supervision deals more with maintenance and improvement of the existing state, whereas leadership in most cases requires review of objectives and operations of the sales force. Supervision at once both the direction and control of salesmen and continual development of their abilities. Direction and control exercised by the sales manager are acceptable to the sales force when they perceive that this will help them to accomplish their own personal objective also. Supervision must be tailored to needs of the individual sales person just as selling process must be. tailored to individual customers. The skilled supervision has to formulate the best mix or combination of authority, knowledge and persuasion in accordance with the needs of the situation. Authority is expressed through orders and directions with necessary sanctions for disobedience. Persuasion is demonstrated through giving explanations for policy and reasons or the needs for action. Knowledge is executed in guiding and counseling the salesmen in their activities and work with certain customers. Supervision, direction and control involve: (a) Observing, monitoring and reporting the performance of the sales force, (b) Counseling and coaching sales people to remove the defects and weaknesses in their performance (c) Giving them adequate information regarding company plans and policies and changes in those policies, (d)Receiving feedback and solving their business and personal problems, (e) Motivating sales people through appropriate non-financial incentives in order to satisfy egoistic demands of sales people.

Controlling and evaluating sales force

Finally, the sales manager has to ensure that goals are achieved. This involves performance review and thus a productivity analysis of the sales person. In th performance review the sales manager has to review whether the targets, in terms of sales, market coverage, new customer development and profit have been achieved. This is done through sales invoices, sales reports, interviews with customers and a structured performance appraisal format. The sales manager has to be careful in rechecking with customers about the quality of service provided by the sales person and their satisfaction with him. It is better to discuss customer feedback in aggregate, or as feedback from the territory as a hole. The sales manager must then advice and helps the sales person to overcome any negative feedback.

The success or failure of an organization depends on how efficiently the sales performance is managed. Therefore, improving performance appraisals should be among the highest priorities of contemporary sales executives and managers. Performance evaluation is defined as the degree to which employee behavior and the result of this behavior induce organizational goals, relative to an explicit standard of success.Salesperson evaluation is complex, as the selling process takes place outside the view of the sales manager. Sales force evaluation is difficult. As the sales manager may not be present during the performance of the sales activities, the company has to identify certain parameters on the basis of which a salesperson's performance can be tracked. The evaluation process should involve behavioral criteria in addition to sales criteria.

6.5 Sales force compensation

The compensation is a substitute word of wages and salaries and it has recently originated**.** The literature of wages and salaries' are enormous but it considers the issues from a legal viewpoint. However, wages have now become very significant as a cost factor (**Bhattacharyya 2009**).

Compensation is the remuneration received by an employee in returns of their contribution to the organization. The compensation management is an organized practice which is important for balancing the work and employee relationship by providing monetary and non-monetary compensation to employees. Compensation includes all form of pay given to the employees which arise from the employment. The one of the strapping feature of the organizations is compensation management and they used it to attract and retain the most important and worthy

assets. The compensation management is considered to be a complex process which requires accuracy and precision and if not carried out properly may lead to employees' dissatisfaction. An ideal compensation policy motivates the employees to work harder and with more determination. It also helps the organizations to set the standards for job that it is related, realistic and measurable. Compensation policies should have a sound integration with practices of HRM.

6.5.1 need for sound remuneration plan

Sales managers should consider carefully the type of compensation plan they wis to use. This is because there are a number of objectives which can be achieve through a compensation scheme. First, compensation can be used to motivate salesforce by linking achievement to monetary reward. Second, it can be used to attract and hold successful salespeople by providing a good standard of living fo them, by rewarding outstanding performance and providing regularity of income Third, it is possible to design compensation schemes, which allow selling costs t fluctuate in line with changes in sales revenue. Thus, in poor years lower sales are offset to some extent by lower commission payments, and in good years increased sales costs are financed by higher sales revenue. Fourth, compensation plans can be formulated to direct the attention of sales personnel to specific company sales objectives. Higher commission can be paid on product lines the company particularly wants to move. Special commission can be paid to salespeople who generate new active accounts if this is believed to be important to the company. Thus, compensation plans can be used to control activities.

Types of compensation plan

When designing compensation plans, sales management need to recognise that not all of the sales team may be motivated by the thought of higher earnings. Darmon identified five types of salespeople

1. Creatures of habit. These salespeople try to maintain their standard of living by earning a predetermined amount of money.
2. Satisfiers. These people perform at a level just sufficient to keep their jobs.
3. Trade-off-ers. These people allocate their time based upon a personally determined ratio between work and leisure that is not influenced by the prospect of higher earnings.

4. Goal orientated. These salespeople prefer recognition as achievers by their peer and superiors and tend to be sales quota orientated with money mainly serving a recognition of achievement.

5. Money orientated. These people aim to maximize their earnings. Family relationships leisure and even health may be sacrificed in the pursuit of money.

The implication is that sales management need to understand and categorise thei salespeople in terms of their motives. Compensation plans can only be effectivel designed with this understanding. For example, developing a new plan base upon greater opportunities to earn commission is unlikely to work if the sales team consists only of the first three categories of salesperson. Conversely, when a sale team is judged to be composed mainly of goal and money orientated salespeople a move from a fixed salary to a salary and commission system is likely to prove effective.

There are, basically, three types of compensation plan:

• fixed salary;

• Commission only; and

• Salary plus commission.

Each type of compensation plan is evaluated below in terms of its benefits an drawbacks to management and salespeople, while with a fixed salary, commission only, or salary plus commission system. If the target is achieved, sales costs are equal no matter which system is used.

Other types of compensation plan

Financial rewards were related to performance, skill, competence or experience. Special allowances may also be paid. The main type of additional pay are- individual performance related pay, bonus, incentives, commission etc.

Individual Performance-related Pay: It is also known as merit pay, it increases the base pay or cash bonus are after determining the performance assessment and ratings.

Bonus: It refers to rewards for good performance which are paid as cash and is related to the organization.

Incentive: Payments linked with achievements of previously set targets, which are designed to motivate people to achieve higher levels of performance. The targets are usually quantified in such terms as output or sales.

Commissions: A special perform incentive in which sales representative are paid on basis of a percentage of sales value they generate.

Service-related Pay: It increases by fixed increments on a scale or pay spin depending on service in job. There is sometimes being scopes for varying the rate of progress up the scale according to performance.

Skill-base Pay: Also known as knowledge base pay, it varies according to the level of skill the individual achieves.

Competence-related Pay: It varies according to the level of competence achived by individual.

Career Development Pay: When employees were taking the additional responsibilities as their career develops laterally within a broad grade they were rewarded.

Allowances: The pay in the form of money for overtime, shift work or call-outs.

Employees Benefits: These benefits are also known as indirect pay. These include pensions, sick pay, insurance cover and company car. Benefits comprises elements of remuneration in additional to the various forms of cash pay and also include provisions for employees that are not strictly remuneration such as annual pay.

Total Remuneration: It is value of all cash payments (total earning) and benefit receives by employees.

Non-financial Rewards: It includes any reward that focuses on the need people have in varying degrees for **achievement**, **recognition**, **responsibility**, and **influence and personnel growth.**

Employee Stock Options

Stock options are common in executive compensation. In the organization, it even represents over half of the total compensation particularly for senior managerial level employees. By offering stock option to employees companies may dilute their ownership but they can retain their talent and may move ahead of the competition.

6.5.2 functions of compensation (remuneration) plan

the following functions of compensation or wages as given below:

Equity

The first category is equity which may take several forms. It include income distribution through narrowing of inequalities, increasing the income of lowest paid employees, protecting real wages (purchasing power), and the concept of equal pay for work of equal values. Compensation management strives for internal and external equity. Internal equity requires pay related to the worth of similar job so that similar job gets similar pay. External equity means paying worker what other firms in the labor market pay comparable workers. Compensation differentials, based on differences in skills or contribution, are all to the concept of equity.

Efficiency

The objective of efficiency are reflected in attempts to link a part of wages to productivity or profit, group or individual performance, acquisition and application of skills, and so

on. Arrangement to achieve efficiency may also be seen as being equitable (if they fairly reward performance) or inequitable (if the reward is viewed as unfair).

Macro-economic Satiability

It can be achieved through high employments level and low inflation. For instance, an inordinately high minimum wages would have an adverse impact on levels employment, tough at what level these consequences would occur is a matter of debate. Although compensation policies influence macro-economic stability and contribute to the balanced and sustainable economic development.

Efficient Allocation of Labor

The efficiency allocation of labor in the labor market implies that employees will move to wherever they receive a net gain. Such movement may be form one geographical location to another or form one job to another (within or outside an enterprise). The provision or availability of financial incentive causes such movement.

Motivating the Employees

Employees may have talent but they will not be motivated to use their talent unless they know that they will be rewarded duly for their contribution towards organizational objectives or be punished for not contributing as per the demands of the job.

Acquired Qualified Employees

Compensation needs to be high enough to attract applicants. Pay levels must respond to supply and demand of workers in the labor market since employers compete for workers.

Retain Current Employees

Employees may quit when compensation levels are not competitive resulting in higher turnover. Therefore, one of the important objective of Compensation Management is retaining the human capital or talent of the organization.

Reward Desired Behavior

Pay should reinforce desired behavior and act as incentive for those behaviors to occur in future.

Control Cost

A rational compensation system helps the organization obtain and retain workers at reasonable cost.

Comply with Legal Regulations

A sound wage and salary system considers the legal challenges imposed by the government and ensures the employers compliance.

Facilitate Understanding

The Human Resource specialists, operating managers and employees should easily understand the compensation management.

Further Administrative Efficiency

Wages and salary programs should be designed to be managed efficiently, making optimal use of HRIS i.e. Human Resource Information System

6.5.3 Importance of compensation

The basic importance of compensation management are mentioned below:

a) **Acquiring right talent** – Compensation needs to be high enough to attract right talents. Pay levels must be decided on the basis of available supply and demand of the required skill in the market.

(b) **Retain competent employees** – Compensation must be based on the contribution of an employee. A high performing employee should be protected with competitive compensation package. This is usually done by introducing performance based variable pay in the pay structure, which ensures that high performers get compensation higher than the average or low performers. Another way of doing it is to keep the compensation of high performers between 66th to 75th percentile in their respective pay grade and low performers below 50th percentile.

(c) **Ensure equity** – Internal as well as external equity should be maintained in terms of relative worth of the jobs and their value in the outside market. Organizations do this by developing pay grades and fixing salary bands (pay range) for each pay grades. This ensures that all the employees at a particular grade will have compensation within a particular range. The process of developing pay grades and pay ranges are discussed in detail in next section i.e. 'Phases of compensation management'.

(d) **Reward desired behaviours** – Compensation structure should reinforce desired behaviours and act as an incentive for those behaviours to be continuously repeated. This is done by designing the appraisal system which evaluates employees on the desired behaviors and give incentives accordingly.

(e) **Control cost** – A high manpower cost can reduce an organization's competitiveness. Compensation management helps in obtaining and retaining workers at reasonable cost. The jobs requiring rare skill sets are priced higher than the jobs which require skills which are easily available in the market. So a Product Manager of a commodity (which is a specialist role) will get higher incentive than a Marketing Manager, as this skill is easily available in the market.

(g) **Facilitate understanding** – Last but not the least a compensation structure must be easily understood by employees at all the levels of an organization. Employees should understand what amount they will be getting in hand at the end of the month, what amount is deducted for retrial benefits, insurance, or mediclaim, how incentive is linked to performance and how is it calculated. A simple compensation structure which can be easily understood by the employees can be a useful tool for hiring and retaining employees.

The above mentioned objectives form the guiding principle in determining the basis of different phases of compensation management.

6.5.4 factors affecting remuneration plan

According to the Jain the number of factors influences the remuneration payable to employees. They can be categorized into: (i) external and (ii) internal factors. (management study hq, 2014; managementparadise, 2014)

A. External Factors

Followings are external factors which influence compensation:

i. Labor Market

Demand and supply of labor influences the fixation of wage and salary. A lower wage fixed when the labor demands were less than the labor supply. A higher wage will have to be paid when the labor demand more than labor supply it happened as in the case of skilled labor. A paradoxical situation is prevailing in our country—excessive unemployment is being juxtaposed with shortage of skilled labor.

ii. Cost of Living

Next in importance to labor market is the cost of living. This matters is criterion during periods of rising prices but it is forgotten when prices are stable or falling. When the cost of living is rise and it required to be remunerated by payment of dearness allowance, basic pay to continue uninterrupted.

iii. Labor Unions

The presence or absence of labor organizations often determine the substantial wages paid to the employees. Employers of non-unionized organization enjoy the liberty to fix wages and salaries as they want. Because of larger-scale unemployment, these employers hire workers at little or even less than legal minimum wages. An individual non-unionized company may be pay more to its employees if they want to discourage them from forming one. The employees of strongly unionized companies too have no freedom in fixation of wage and salary. They are forced to vintage the pressure of labor representatives in revision and determination of pay scales.

iv. Union Influences on Compensation Decisions

Unions and labor relations laws also influence compensation design. The various labor legislations and court decisions were legitimized the labor movement

v. Labor Laws

We have a various labor laws at the central and as well as at the state levels. These legislations are for protection of employees interests.

vi. Society

Compensation paid to employees is imitated the prices fixed by an organization for their goods and services. The Supreme Court, from its very inception, has had to adjudicate industrial disputes—particularly disputes relating to wages and allied problems of financial concern to the worker- an ethical and social outlook liberally interpreting the spirit of the Constitution.

vii. The Economy

The economy has its impact on wage and salary fixation is the state of the economy. While it is possible for some organizations to thrive in a recession, there is no question that the economy does not affect remuneration decisions.

B. Internal Factors

Following are the internal factors which influence compensation:

i. Business Strategy

The overall strategy of a company which pursue the determination of employees compensation. The strategy is to sustain and protect current profit because of the declining fortunes of the company the compensation level were needs to be average or even below average.

ii. Performance Appraisal

The Performance appraisal helps to reward, compensation hike for the employees who show better performance.

iii. The Employee

Several employee-related factors interact to determine his or her remuneration. These include performance, seniority, experience, potential, and even sheer luck.

Criteria of Effective Compensation Program

There were seven criteria to judge the effectiveness of compensation: [Jain, 2014; Bhattacharay, 2009)

1. **Adequate**: Minimal governmental, union, and managerial levels should be met.
2. **Equitable**: Each person should be paid fairly, in line with his or her effort, abilities and training.
3. **Balanced**: Pay, benefits and other rewards should provide a reasonable in total reward package.
4. **Cost Effective**: Pay should not be excessive, considering what the organization can afford to pay.
5. **Secure**: Pay should be enough to help an employee feel secure and aid him or her in satisfying basic needs.
6. **Acceptable to the Employee**: The employee should understand the pay system and feel it is a reasonable system for the enterprise and himself or herself.
7. **Incentive providing**: Pay should motivate effective and productive work.

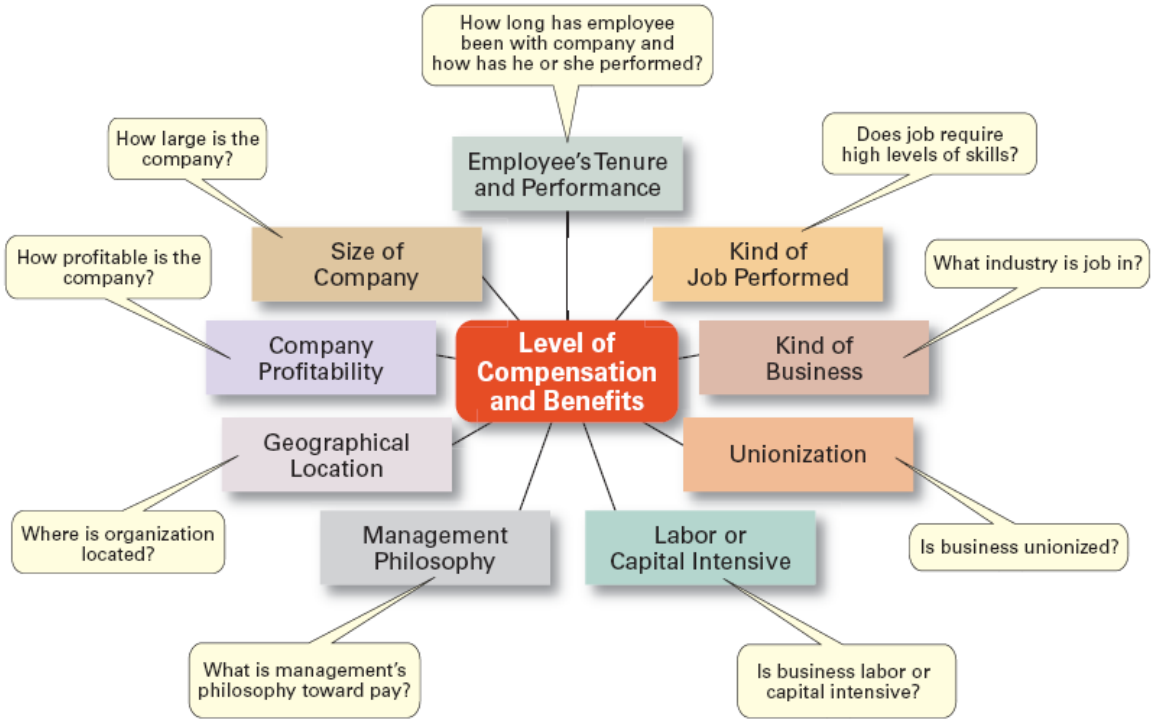
In each market environment the local sales manager should look at a total rewards scheme in relation to the factors in i.e.:

- Team and individual performance standards and objectives
- Individual expectations
- Relative values of tangible and intangible rewards. increases in sales effort and productivity, and not just to be earned automatically. Sales managers should recognize that In each market environment the local sales manager should look at a total rewards

Developing motivational rewards – some factors to consider

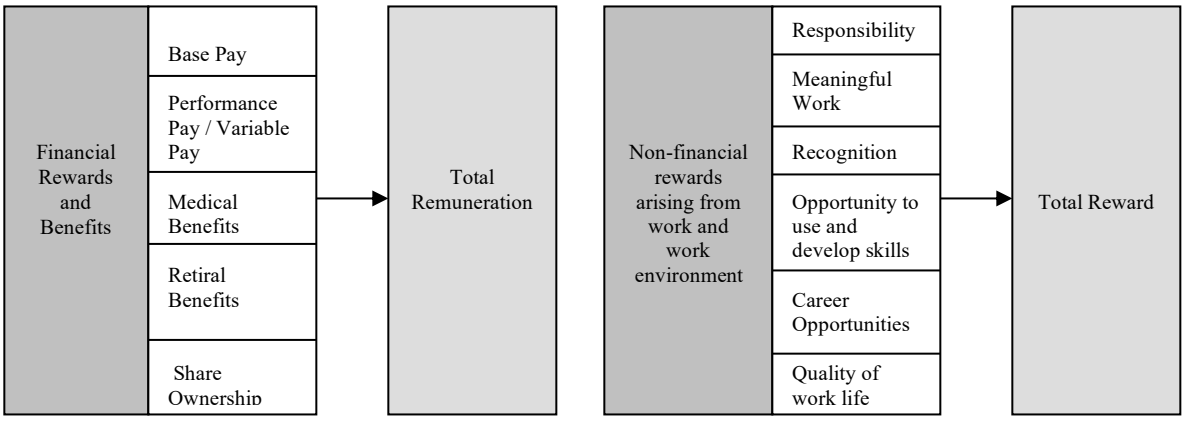
Factors to consider in developing rewards		
Team and individual performance standards and objective	Individual expectations	Relative values of tangible and and intangible rewards
Relative emphasis on team and individual performance ● Ability of the individual to influence the outcome of sales presentations ● Degree of integration of individuals into a team with common goals	Industry norms ● Territory or account potential ● Job functions and tasks ● Personal aspirations	Cash now versus cash later – personal valuations of present job or through promotion ● Intangible personal rewards on offer: – recognition – status – praise – achievement ● Opportunities for changing job functions and responsibilities, e.g. promotion

Factors That Influence Compensation and Benefits



6.5.5 methods of compensation

Traditionally compensation meant the remuneration in terms of money for services rendered by an employee to an organization. This has changed during the last decade1. Now compensation includes both tangible and intangible benefits given to an employee. Tangible Benefits are financial in nature and includes basic pay, variable pay, retrial benefits, stock options, interest free loans, etc. Tangible Benefits are essential for attracting and recruiting employees. But on the flip side, it can be easily copied by competitors. Intangible Benefits includes work environment, job responsibilities, opportunities of professional development, etc., which essentially supplements tangible benefits. Intangible Benefits needs and helps in retaining employees. Hay Group combines both Tangible and Intangible Benefits and calls it 'Total Rewards' approach.



basic salary or wages

A. Salary is a fixed reward for work done, and it may be the only reward or linked with other incentive schemes. It should:

● be competitive with that for similar positions in similar companies

● fit with company job-grading schemes that reflect the differing duties and levels of responsibility of positions within the company

● relate to the skills, experience and responsibilities required of the position. Basic salary or wages Salary is a fixed reward for work done, and it may be the only reward or linked with other incentive schemes. It should be competitive with that for similar positions in similar companies

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● relate to the skills, experience and responsibilities required of the position.

B) Commissions

Commissions generally take the format of a straight percentage commission on sales values or profits, usually over the longer term. If commissions are the sole form of remuneration, the company needs to ensure that sales-

The advantage of commissions to the company is that selling costs relate directly to sales values, and they are often favored for companies selling into new markets.

C) Bonuses

Bonuses are normally a lump sum payment made when speci□c achievements occur, i.e. a certain level of distribution or profit is achieved, or an agreed number of units is sold, or a pre-set number of promotions are sold in. Bonuses might be instead of, or in addition to, other rewards such as commission and other incentives, and can be readilygeared to team efforts. Bonuses are not usually a regular reward, unlike salary and commission, but just paid periodically in recognition of special achievements. Where bonuses are used to reward team effort it is common to create a team bonus pool, and then allocate bonuses by some formula relating to seniority or perhaps as a percentage of basic income. Bonuses, like commissions, should relate to a key performance indicator of activity where the individual can clearly affect an outcome, such as portability of customers or a sales territory.

D)Contests

Contests normally offer non-cash prizes (but cash may be offered) for very speci□c and measurable achievements for effort and results against short-term priorities and objectives, i.e. for the salesperson who organizes the biggest supermarket display, or for the salesperson who organizes the most on trade promotions supporting a product, or the person opening the most new accounts over a defined time period. A contest where there can be only one winner could actually be counter-productive, as those salespersons who fall behind early in the contest may simply 'tune out' and effectively become non contestants. A well-structured competition will ensure that all salespersons have an equal chance to win a prize, which may put pressure on a sales manager to develop a territory handicapping system where all sales territories are not equal in performance and potential.

E) Stock options and profit sharing

Incentive schemes that offer annual pro□t sharing bonuses or periodic stock options are becoming more popular, and not just for management staff in companies. These tend to develop a recognition that the employees are important stakeholders in the prosperity of the company, and can also encourage greater loyalty.

F) Job perquisites

Managers are commonly seen as the main beneficiaries of job 'perks', but salespersons can also benefit from quite a range of perks that add value to the job. There are the tangible benefits of company cars and insurance, mobile telephones, laptop computers, petrol allowances (since often liberal petrol expenses cover some or all of private driving costs), and so on, and intangible benefits of freedom from close supervision, working from a home base (for many salespersons). Perks can be used as part of a motivational system, where, for example, there is an increase in perks or their value in relation to performance, e.g. a larger car as salespersons are promoted, or where certain levels of longer-term achievement are maintained.