



Param Pujya Dr. Babasaheb Ambedkar Smarak Samiti's

**Dr. Ambedkar Institute of Management Studies & Research**

Deeksha Bhoomi, Nagpur - 440010 (Maharashtra State) INDIA

NAAC Accredited with 'A' Grade

Tel: +91 712 6521204, 6521203, 6501379

Email: info@daimsr.in

# Motivation & Compensation


For Internal Circulation and Academic  
Purpose Only

# Programme Educational Objectives

- *Our program will create graduates who:*
  - *1. Will be recognized as a creative and an enterprising team leader.*
  - *2. Will be a flexible, adaptable and an ethical individual.*
  - *3. Will have a holistic approach to problem solving in the dynamic business environment.*

# Sales and Distribution Management Course Outcomes

- CO1- Given a situation of Festival, student manager will be able to identify appropriate Sales Forecasting method to be adopted by a company.
- CO2- Given a situation of opening a new outlet, student manager will be able to draft a sales plan.
- CO3- Given a situation of Selling products / services, student manager should be able to explain Personal Selling Process.

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- CO4-Given a criteria of newly launched company, student manager should be able to design an effective Sales Compensation Plan for Sales Executive.
  - CO5-Given a criteria of distribution channel of a company, student manager should be able to outline different levels of Marketing channel used by the company.
  - CO6-Given a situation, student manager should be able to explain the process of Reverse Logistics.

# MOTIVATION

- **Motivation** is the reason for people's actions, desires, and needs. **Motivation** is also one's direction to behavior, or what causes a person to want to repeat a behavior. A motive is what prompts the person to act in a certain way, or at least develop an inclination for specific behavior.
- Internal and external factors that stimulate desire and energy in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal.

3 Dimensions of motivation – **Intensity, Persistence, and direction.**

# Motivating Sales People - Motive

- **M**oney – Incentive
- **O**ppportunity – Growth (higher responsibility)
- **T**eamwork – Team Incentives
- **I**ndependence – Empowerment, Freedom,
- **V**isibility – Recognition, Applaud Success
- **E**xcellence – (Excell at the same position)

# Motivation types

**Intrinsic Motivation** :- It means that the individual's motivational stimuli are coming from within.

- **Acceptance:** We all need to feel that we, as well as our decisions, are accepted by our co-workers.
- **Curiosity:** We all have the desire to be in the know.
- **Honor:** We all need to respect the rules and to be ethical.
- **Independence:** We all need to feel we are unique.
- **Order:** We all need to be organized.
- **Power:** We all have the desire to be able to have influence.
- **Social contact:** We all need to have some social interactions.
- **Social Status:** We all have the desire to feel important.

# Motivation types

**Extrinsic Motivation:-** Extrinsic motivation means that the individual's motivational stimuli are coming from outside.

Employee of the month award

Benefit package

Bonuses

Organized activities



# Motivation types

## *FINANCIAL*

- Financial Compensation  
Salary,  
Commission,  
Bonus Payments,  
Fringe Benefits,  
Combinations
- Sales Contests

## *NON-FINANCIAL*

Promotion,  
Sense of Accomplishment,  
Personal Growth Oppor.  
Recognition  
Job Security  
Sales Meetings &  
Conventions  
Sales Training Progammes  
Job Enrichment  
Supervision

# Compensating the Salesforce

Financial Compensation is considered as one of the highest tool of motivation for salespeople.

Structure-

- **Financial composition –**
  - Direct Payment (Salary, Commission, bonus)
  - Indirect Payment (Fringe benefits) – Medical reimbursement, LTA, Retirement Plans.
- **Non-Financial Composition –**
  - Job Security, Recognition, Job Enrichment

## Financial

### DIRECT (cash)

- Salaries
- Incentives
- Bonuses

### INDIRECT (benefits)

- Insurance
- Holidays
- Medical and health
- Child care
- Employee assistance

## Non-Financial

### JOB

- Interesting work
- Challenge
- Responsibility
- Recognition
- Advancement

### ENVIRONMENT

- Good policies and practices
- Competent supervision
- Congenial co-workers
- Safe and healthy work environment
- Fair treatment

# Components of Employee Remuneration

# Compensation

Financial	Non Financial
<ul style="list-style-type: none"><li>• Financial compensation plan<ul style="list-style-type: none"><li>• Salary</li><li>• Commission/Incentive</li><li>• Bonus</li><li>• Fringe benefits</li><li>• Combination</li></ul></li><li>• Sales contests</li></ul>	<ul style="list-style-type: none"><li>• Promotion</li><li>• Sense of accomplishment</li><li>• Personal growth opportunities</li><li>• Recognition</li><li>• Job security</li><li>• Sales meetings</li><li>• Sales training programmes</li><li>• Job enrichment</li><li>• Supervision</li></ul>

# Types of Salesforce Compensation

## **Straight Salary**

- Paying salespeople a specific amount per time period
- Most useful when compensating new salesperson, moving into new territories or customers, sales requiring many services for customers
- Salary remains the same until pay increase
- Provides salespeople with more security but less incentive

## **Straight Commission**

- Paying salespeople according to the amount of their sales in given time period
- Commission may be based on percentage of sales or on a sliding scale
- Requires highly aggressive selling and minimal nonselling tasks
- Provides salespeople with maximum incentive but little financial security

## **Combination**

- Paying salespeople a fixed salary plus a commission based on sales volume
- Most popular compensation method
- Provides level of security and some incentive
- Can require that salesperson exceeds a certain sales level before earning a commission



# Sales Force Evaluation Process

**Set Sales force Objectives including:**

- Revenues**
- Profit Contribution**
- Customer Satisfaction**
- Customer Service**
- Expenses**

**Determine Sales Strategy**

**Set Performance Standards for:**

- Company**
- Regions**
- Products**
- Salespeople**
- Accounts**

**Measure results & compare with standards**

**Action Taken to Improve Performance**

# Managing Salesforce

1

- Designing Sales Force Strategy and Structure

2

- Recruiting and Selecting Sales People

3

- Training Sales People

4

- Compensating Sales People

5

- Supervising and Motivating Sales People

6

- Evaluating Sales People