Managing Sales Compensation: A Sales Force Configuration Approach

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Abstract
A company and the configuration of its sales force have to evolve as the company goes through the stages of its life cycle. Sales force configuration involves decisions that reflect sales strategy, sales force structure and sales force size. Specifically, it focuses on how the sales personnel apportion their efforts among different products, customers, geography and selling activities (sales strategy); the differing roles that internal sales force and external selling partners should play (sales force structure) and the sales force capacity to effectively serve the customers (sales force size). Sales force configuration management is critical because it determines how quickly a company can adjust its sales forces in response to market opportunities, while balancing compensation costs and profitability. This article discusses how sales force configuration variables change across the life cycle and identifies best-case scenario for optimal performance.

Keywords
Sales force configuration, compensation costs, sales force sizing, sales force structure, sales strategy

Notes
Author Biography

Pankaj M. Madhani received his MBA from Northern Illinois University and MS in Computer Science from Illinois Institute of Technology, Chicago. He holds a Bachelor in Chemical Engineering and Law, both from Gujarat University. He has more than 26 years of corporate and academic experience in India and the United States. He is currently working as an Associate Professor at ICFAI Business School (IBS). He has received The Best Teacher Award from IBS Alumni Federation in 2012. He has published various management books and more than 145 book chapters and research articles in several academic as well as practitioner journals such as World at Work Journal and The European Business Review. His main research interests include sales force compensation, corporate governance and business strategy.