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Account manager compensation: matching the incentive plan to the role

By Chad Albrecht
associate principal
ZS Associates Inc.

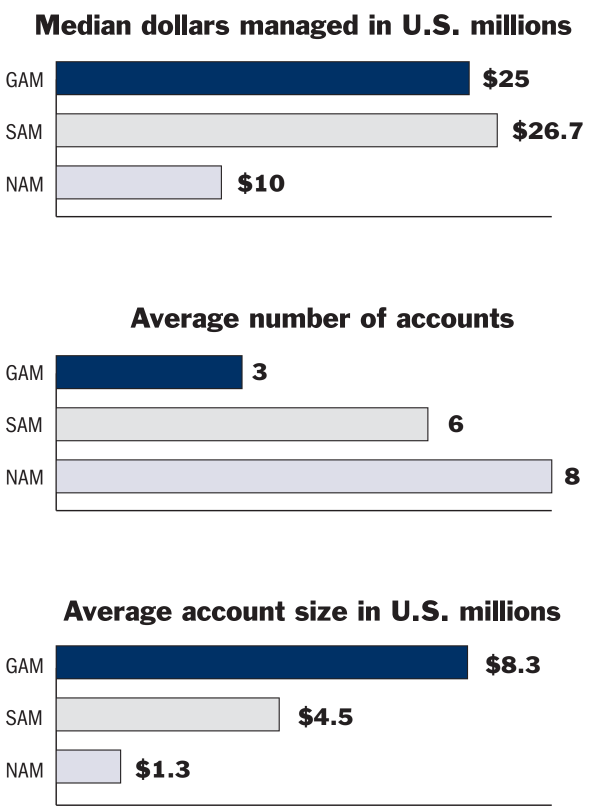
and Arun N. Shastri
managing principal
ZS Associates Inc.

A well-designed and -implemented incentive compensation plan plays a critical role in motivating every sales force and driving positive results. Strategic account managers are no exception and, due to their unique role, warrant a different set of data and tailored strategies to ensure they are effectively motivated. To provide insight into how leading organizations pay their SAMs, the Strategic Account Management Association and ZS Associates Inc. conducted the 2008 *Survey of Strategic Account Management Compensation Practices*, which includes input from 343 participants in the SAM field across various industries.

The survey provides details about participants' roles within their organization, the number of accounts they manage, pay levels, performance measures, performance periods and plan designs. A unique feature of this year's survey is the categorization of the job into three distinct roles: national account manager, strategic account manager and global account manager. This breakout allows sales executives and compensation managers to refine their strategies to meet the needs of these different positions and increase the impact of their SAM efforts.

Two key findings related to this breakout of the SAM role deserve a more in-depth discussion.

Figure 1



There's not just one SAM role

The term strategic account manager is often defined using so many variations on the SAM sales role continuum that it is essentially meaningless. To address the practical challenges this creates, the 2008 survey includes detailed definitions for each of the three major roles. Participants were asked to self-select the most appropriate role based on the following definitions:

- NAM—large account manager, usually in a single country; can have additional selling resources but usually does not manage them
- SAM—manages long-term, collaborative relationships with the largest accounts that are strategically important to his company; can be multicountry but usually not global; manages fewer accounts than a NAM but ones with more revenue
- GAM—manages the largest, most strategic accounts on a global basis; manages fewer accounts than either a NAM or SAM; often manages an account team or teams

Survey results on the job role definition clearly support the separation of the broad SAM role into these three categories. Consider the two ends of the spectrum: NAM and GAM. As Figure 1 illustrates, GAMs manage a much larger book of business ($25 million) than NAMs ($10 million) and are responsible for far fewer accounts (an average of three per GAM versus eight per NAM). Due to the size of their accounts, GAMs are much more likely to oversee account teams than are NAMs. Seventy-two percent of GAMs manage one or more account teams compared to only 42 percent of NAMs. In addition accounts assigned to GAMs have longer sales cycles. These two factors combine to cause two effects. The first is that every sale is credited on average to 2.4 people for a GAM sale versus 2.0 for a NAM sale. The second is that GAMs have less of their pay at risk: On average 35 percent of their pay is at risk while 45 percent of the average NAM's pay is at risk.

Salespeople in the three roles also have varying desires for changes to their compensation package. When we analyze which factors most drive satisfaction with pay, for NAMs it is an increase in base pay, for SAMs it is an increase in pay potential at the high end, and for GAMs it is using market benchmarking to establish appropriate pay levels for the role.

Key NAM/SAM/GAM compensation issues

As Figure 2 summarizes, NAM/SAM/GAM survey participants (here referred to as "AM") listed their three most important sales compensation issues as: 1) using market benchmarking to ensure appropriate pay levels and structure, 2) increasing pay potential at the high end and 3) eliminating caps. While these three issues are important to non-AM sales roles, as well, in our experience these are rarely among the top three issues for the non-AM population. Why the difference for AMs? The nature of the AM role is much more team-oriented than non-AM roles. Team selling by definition implies that more than one person is accountable for the outcome. Yet one of the central principles of sales compensation is to pay on factors that are within the control of the salesperson.

In the context of a team-selling environment, this principle is a primary reason why team incentive plans have limited upside opportunity or are simply capped. Without the direct linkage between activity and performance, companies often put limits on the amount of upside potential in the plans because they believe that "windfall" earnings are more likely in a team-selling environment versus something truly driven by the individual AM.

The other top desired change – better benchmarked pay levels – is also unique to the AM roles, particularly GAMs. There is wide variation in responsibility within the GAM role across organizations. This diversity in responsibility can revolve around differences in one or more factors: quota size, required team management skills, required solution-selling skills, required C-suite relationship skills, required global/cultural knowledge, etc. Despite these wide differences, all are referred to as GAMs (or something similar) in their organization. Additionally, the relative newness of this role in many organizations has led to a very dynamic role definition and job market.

THE STRATEGIC ACCOUNT MANAGER ROLE IS UNIQUE IN THE WORLD OF SELLING.

By contrast, the majority of non-GAM sales roles tend to have much clearer benchmark data available, primarily because there are enough salespeople in identical/similar roles to make good benchmark data available. But even if there are not exact matches for benchmarked GAM roles, there are roles similar enough that one can benchmark reasonably similar roles and then factor them up or down accordingly.

Conclusion

The strategic account manager role is unique in the world of selling, and within the SAM role there are widely varying nuances, such as different quota sizes, various levels of international responsibility, different C-suite selling skills and different levels of teaming. The findings from the *Survey of Strategic Account Management Compensation Practices* show that, given these differences, compensating all SAMs similarly can be a critical mistake. Knowing the nuances of SAMs' selling responsibilities, how to reflect the value of these nuances in the pay levels, how to structure effective team incentives and how to establish pay practices consistent with the role are all crucial to effectively attracting, motivating and retaining SAMs.

Chad Albrecht is associate principal and Arun N. Shastri is managing principal of the consultancy ZS Associates Inc. (www.zsassociates.com). Albrecht can be reached at chad.albrecht@zsassociates.com or (847) 492-3651. Shastri can be reached at arun.shastri@zsassociates.com or (617) 557-5800.

Additional resources

For more information on this subject in SAMA's library, the editors recommend: ZS Associates Inc. and Strategic Account Management Association, 2008 *Survey of Strategic Account Management Compensation Practices*, May 18, 2008, www.strategicaccounts.org; and Michael B. Moorman and Chad Albrecht, "Team selling: getting incentive compensation right," *Velocity*®, Vol. 10, No. 2, Spring 2008, www.strategicaccounts.org.

Figure 2

How important would this change be to you?

1 = not at all important; 5 = very important