

OUR INSIGHTS

Practical advice on common business challenges
direct from our International team of business experts

INSIGHTS, LEADERSHIP, MATT CRABTREE, SALES & MARKETING



Sales for non-sales leaders

4. Motivation & Incentive

In the final article of this short series for leaders who lead sales leaders, some quick ideas on one of the most potentially divisive topics; sales commission plans.

1. Simple to understand and easy to administrate.

The best sales commission schemes allow a sales professional to determine, with relative accuracy and ease, the financial value to them of each transaction they successfully complete, when they complete it. It is tempting to include all manner of controls and criteria to limit perceived over-reward but this normally results in a scheme that becomes both complex to manage and relatively un-motivating.

2. Extremely rewarding for over-target performance.

The most effective schemes reward nothing for performance below 60-80%, decelerate between the base level and 100% and then accelerate sharply above target. Commonly in the best programmes, 150% performance might have a x2 multiplier paying 200% of salary in bonus.

3. Base commission on growth.

Where salespeople manage a base of subscribed revenue (and where the retention propensity is high) then rewarding on growth alone should be the norm. So where someone has a \$1m account base that historically retains at 90% then their target for reward should be based on \$100k plus however much is considered possible given new product development, acquisitions, etc. On this basis New Business salespeople should have a greater potential to achieve exceptional reward since their target should be based on a reasonable expectation of new wins but that might be exceeded by 100's of %.

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4. Owned and managed jointly by finance and sales leaders.

Assuming that an organisation buys in to the principle that sales commission is an investment to be maximised rather than a cost to be controlled, then sales commission schemes should never be owned solely by finance professionals. It is critical that senior sales leaders are allowed an equal voice in the development and management of any system.

Key suggestions:

1. Ideally pay 100% of salary for an On Target performance
2. Resist the temptation to have any more than one variable
e.g. margin/revenue
3. Standard system (or at least principles) for all
4. Pay out at least quarterly with an annual 'catch up' and
NO CAP
5. Avoid claw back schemes – other than where customers
cancel/don't pay
6. Avoid significantly changing the scheme too often

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