

FIXING THE SALES COMPENSATION PLAN



CHALLENGE

The sales compensation plan was misaligned with the company's strategic objectives and was overly complex, confusing the recipients and those responsible for its administration. It lacked adequate checks and balances, allowing for system manipulation. Critically, the plan failed to address a fundamental question: *"Does this plan drive the behaviours and performance the business needs?"*

Average performance was rewarded disproportionately, with payouts exceeding industry benchmarks. As a result, and fuelled by growing resentment toward the sales team, the commercial organisation reached a breaking point.

Key objectives of the project included:

- **Benchmarking:** Review the plan objectives, target allocation, and payout cycle to establish whether the plan aligns with industry best practices.
- **Strategic alignment:** Align the plan with the primary strategic objectives of the business to achieve the company objectives.
- **Employee Retention:** Ensure the plan rewards performance and is not considered free money.
- **Governance:** Establish alignment understanding of ownership responsibilities and accountability in the plan's administration.
- **Process Improvement:** Fully documented, transparent and tested process plans to ease the administration and deployment of the plan.

SOLUTION

During a four-week strategic audit, we reviewed the existing plan using five key foundational questions;

1. **What specific behaviours should the plan drive?** Aggressive top-line growth in existing or new markets, Margin protection and market share expansion, Stability through steady-state client relationship management or Managing disruption in mature or saturated segments
2. **Are the sales targets strategically aligned?** Focus on gross vs. net revenue?, segment-specific or regional sales strategies? Or new technology adoption vs. legacy product retention?
3. **Is the commissions earned—not given.** Targets should be ambitious yet achievable; payouts should reflect the effort and align with market norms and budget constraints.
4. **Does the plan reflect best practices for our sector?** Consider subscription vs. product-based revenue models, regular benchmarking against competitors, and flexibility to adjust for evolving market or company dynamics.
5. **Do we have strong controls that must underpin the plan?** Business leaders should validate quotas and targets; payment approvals must be auditable and subject to oversight; clear mechanisms for dispute resolution and independent review must be in place.

DESIGN MODEL

We used a three-stage model to design the new plan:

- **Current State Assessment:** Conducted comprehensive process reviews encompassing account allocation and target-setting process, commission payment structure, accelerator modelling, etc.
- **Future State Definition:** Redesigned the plan to align with business objectives and targets for existing client renewals, upsell, and cross-sell. New business and new client development, services engagement models, and alignment of targets with revenue budget and plan.
- **Deployment:** A full project plan with effective sales operational and finance group support was deployed effectively without disrupting business operations.

RESULTS

With the first year of launching the new Sales Compensation Plan the client saw significant improvement in the revenue growth which grew with 10% as and cost savings of \$1M, as the plan reduced the payout due to the new ambitious but still achievable targets.

FOCUSED SALES ACTIVITY

10%

Improvement in top line revenue growth overall

COST REDUCTION

\$1 M

Reduction in excessive payouts for no benefit

Over the following 12 months, numerous improvement initiatives were identified and successfully implemented, focusing on enhancing client engagement, people, processes, and technology:

- **Client Engagement:** Launched targeted engagement strategies aligned with broader company objectives to strengthen client relationships and drive growth.
- **People:** Introduced a structured compensation planning framework aligned with clearly defined career pathways to support talent development and retention.
- **Processes:** Established robust governance and oversight process through Sales Operations and Finance teams to drive consistency and accountability.
- **Technology:** Enabled seamless integration between CRM systems and revenue forecasting tools to improve data accuracy and decision-making.