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# Motivating and Incenting

Carrot and Stick: Driving the sales team to max results

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# Take-aways

- Reflections:
  - alternatives in sales compensation
  - Individual and team motivation
- Real-world experiences: discussion



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# Sales Motivation 101



# Old School

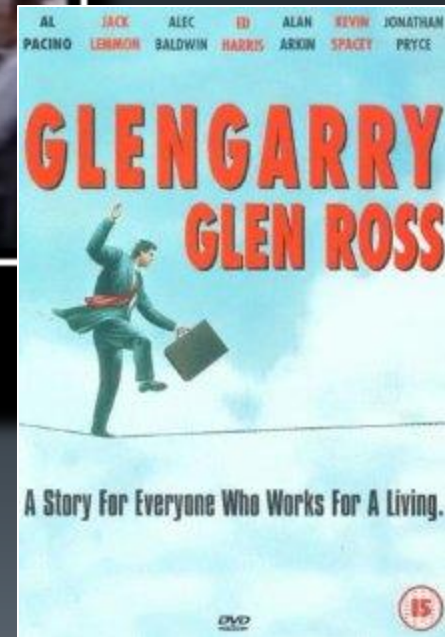


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**COFFEE**

...is for closers only.







# Old School: “Coin Operated”

- Question: “So, What’s the role of ‘money’?”
- Answer: “Money is an incentive, not motivator...”



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# New School: Competitive Achievement

Sum of

- Individual: What motivates me?
- Team: What's fair, balanced?
- Business: What does the business need?



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# Peter Drucker

“What gets measured gets managed...”



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# 1<sup>st</sup>: What does the Biz Require?

## Financial

- Top Line (Rev, GM)
- Bottom Line (Net Inc)
- *Other?*

## Mission

- Qualitative
- Quantitative

*Example: DePaul Industries*

- Gross Margin  
(sufficient to drive net operating income)
- Disability hours worked  
(% of total hours)

*Example: Others?*





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## 2<sup>nd</sup>: What's fair for the Team?

- What does the selling cycle require? Who assists? How?
- Skillsets vs contribution

*Example: DePaul Industries*

- Sales associates (individuals) + Placement Specialists (team)

*Example: Others?*



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## 3<sup>rd</sup>: What's right for the individual?

To consider

- Pay practices by industry
- “At market” pay locally
- Personal...
  - Financial needs
  - Maturity in managing personal finances
  - Acuity (financial literacy)
  - Development objectives



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# Pay Practices: Which strategy?

	Pro's	Con's
Salary only	Simple	Who's hungry?
Commission only	Simple	High risk >> desperate deals?
Base + Commission	Balanced	



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# Base vs Commission

Base = “still leaves me hungry; don’t want to live on this alone”

Commission = options galore (!)

1. Revenue or Gross Margin? (*staffing: use GM since bill rates vary...*)
2. Threshold requirements? (only after... only above ...)
3. Open-ended or built around target? (Total Target Compensation)
4. Hold back ‘till quarter- or year-end?
5. Paid on order, on placement, on invoice, or when revenue received?



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# Open-end Commission

- Fixed \$\$ per accepted deal
- Fixed % of the gross margin
- Other?

Monthly commissions =  
[fixed % \* deal#1\_GM]  
+  
[fixed % \* deal#2\_GM]  
+  
[fixed % \* deal#3\_GM]  
+  
.....



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# Commission based on Total Target Compensation (TTC):

- $TTC = \text{Base} + \text{Variable}$   
(= “here’s what should be on your W-2 when you achieve annual budget”)
- $\text{Commission rate} = \text{Variable } \$ / \text{Annual Budget Target}$

*Example: Annual Budget = \$350,000 Gross Margin*

*TTC = \$35,000 Base + \$45,000 Variable*

*Commission rate =  $\$45,000 / \$350,000 = 12.9\%$*





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# Fine points

- “House” accounts
- Reduced commission over time
- Qualifying conditions (before commission is paid)



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# Other Incentives

- Bonus for
  - New accounts
  - Gross margin above xx%
  - ...
- Travel or Dine-outs
- Trainings or seminars
- Development opportunities (expanded responsibilities)
  
- Other?





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Oh, yeah, what about...



... Recognition !



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# Contests?



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# Whatever the plan, connect it with the individual

Personal...

- Financial needs
- Maturity in managing personal finances
- Acuity (financial literacy)
- Ambition
- Growth path
- Development objectives





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At the end of the day...

# Classic Performance Curve



From **Motivating Salespeople: What Really Works** by Thomas Steenburgh and Michael Ahearne, Harvard Business Review, July-Aug 2012





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# Best Practices: Around the Room

- Comp plan
- Individual incentives

# Recap Take-aways

- ✓ Reflections on compensation alternatives
- ✓ Sales motivation: Team and Individual
- ✓ Best practices
  
- ✓ Other?



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**ALTERNATIVE STAFFING ALLIANCE**

People-Based, Market-Driven