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
Sales Motivation 101
Old School

COFFEE
...is for closers only.
Old School: “Coin Operated”

- Question: “So, What’s the role of ‘money’”? 
- Answer: “Money is an incentive, not motivator…”
New School: Competitive Achievement

Sum of

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

“What gets measured gets managed…”
1st: What does the Biz Require?

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

**Mission**
- Qualitative
- Quantitative

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**Example:** *DePaul Industries*
- Gross Margin (sufficient to drive net operating income)
- Disability hours worked (% of total hours)

**Example:** *Others?*
2nd: 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?
3rd: 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
## Pay Practices: Which strategy?

<table>
<thead>
<tr>
<th>Pay Practice</th>
<th>Pro’s</th>
<th>Con’s</th>
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<tbody>
<tr>
<td>Salary only</td>
<td>Simple</td>
<td>Who’s hungry?</td>
</tr>
<tr>
<td>Commission only</td>
<td>Simple</td>
<td>High risk &gt;&gt; desperate deals?</td>
</tr>
<tr>
<td>Base + Commission</td>
<td>Balanced</td>
<td></td>
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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?
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]
+ ....
Commission based on Total Target Compensation (TTC):

- TTC = Base + Variable
  (= “here’s what should be on your W-2 when you achieve annual budget”)

- Commission rate = Variable $ / 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%
Fine points

- "House" accounts
- Reduced commission over time
- Qualifying conditions (before commission is paid)
Other Incentives

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

... Recognition!
Contests?
Whatever the plan, connect it with the individual

Personal…
- Financial needs
- Maturity in managing personal finances
- Acuity (financial literacy)
- Ambition
- Growth path
- Development objectives
At the end of the day…

Classic Performance Curve

Best Practices: Around the Room

- Comp plan
- Individual incentives
Take-aways

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

- Other?