

Prevalent Behaviors Motivated by Sales Incentive Compensation

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In the fall 2009, CSO Insights asked CF to review and comment on the results of a sales compensation practices survey they conducted that involved over 1,050 companies.¹ The study report included a number of very interesting findings about how companies design and manage their sales compensation plans for sales reps and managers. The findings that we found particularly interesting were the responses to questions about sales rep and sales manager behaviors motivated by their current plans.

The top five reported responses to selling behaviors motivated by the compensation plan were:

Sales Rep Behavior Motivated by the Compensation Plan	% Response
Selling to new accounts	62.5%
Selling new products	49.3%
Farming additional business/existing accts.	48.2%
Cross-selling/up-selling	47.8%
Avoiding excessive discounting	39.2%

The specific behaviors motivated by a sales compensation plan should be consistent with or aligned to a company's business objectives. However, there are certain selling behaviors that we believe are uniformly important to sales success and, thus, should be carefully considered when developing a new or revised sales compensation plan design.

High on our list of those key behaviors is selling new transactions – either accounts or products – growing a business is very dependent on winning new sales. Clearly the survey's results support that point of view.

¹ CSO Insights, 2009 Sales Compensation & Performance Management Study, by Jim Dickie and Barry Trailer

That said, we were, however, surprised that one behavior that did not make the top five list was “selling higher margin products” (weighing in with a 36% response).

The top five (actually six because of a tie for number five) reported responses to behaviors motivated by the sales managers' compensation plan were:

Sales Manager Behavior Motivated by the Comp Plan	% Response
Proactively identifying which sales reps need extra coaching	47.3%
Fostering a team positive sales culture	41.7%
Consistently hiring sales reps who succeed selling your offerings	37.3%
Providing sales managers with access to timely/accurate sales performance metrics	36.8%
Minimizing turnover in the sales force	33.8%
Effectively share best practices across the sales force	33.8%

The significant finding here, we believe, is the behaviors that did not make it into the top five list above; notably,

- Accurately forecasting business (31.8%)
- Controlling the cost of sales (31.5%)
- Regularly conducting win/loss reviews (29.6%)

Overall, we believe that the top sales manager behaviors motivated by the compensation plan are generally aligned with achievement of financial objectives thus, the behaviors that did not make the list are often the very behaviors that top managers carefully track.