

How to Use Compensation to Retain Top Sales Talent

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In an April, 2007 Short, “Getting Serious about Retaining Top Sales Talent,” we indicated that companies need to carefully consider how they use rewards to retain their top sales people. We believe that this is a priority for companies because top performing sales people are in demand in good and bad times.

Looking back over what we wrote in 2007 and, considering the actions we have recommended companies take to address this challenge, we conclude that now is a good time to revisit this topic. Thus, the purpose of this Short is to itemize and describe specific compensation actions that foster the retention of high performing sales reps.

Who is a high performing sales rep?

A high performing sales rep is an individual who consistently meets and exceeds the performance expectations set for their sales job. Typically, this includes individuals who over-achieve their sales quota. This is an important distinction because occasionally companies fall into the trap of thinking that a high performing sales rep is a rep that has the largest territory or the largest accounts.

Rarely does a sales rep’s territory re-set to zero. The sales rep that turns in performance in the largest territory may have done a great job of holding on to business, but a less than average job of growing the business. The key point is this: a company must be clear about what it meant by “high performance”.

Our point of view – shared by many companies we have worked with – is that a high performing sales rep is one who consistently over-achieves relative to assigned performance goal(s).

How are high performing reps rewarded?

Some elements of sales compensation and how they are used to foster retention of high performing sales reps include:

1. Job level and compensation opportunity.

Over time, top performing sales reps earn the distinction of high achievement status. That status is often recognized through advancement to the most senior level in the sales job family. That promotion/ advancement should bring with it a significant increase in cash compensation opportunity – both salary and incentive (commission or bonus).

One way to ensure that top sales talent stays is to make it financially worthwhile for them to achieve the highest level of the “seller” job. While practices differ by industry, the difference in incentive compensation earning between a par (on plan) performer and a high performer (results substantially above quota) should be 100% or greater.

2. Consistency performance incentive.

Generally speaking, our research shows that high performing sales reps are those who perform consistently at or above plan over long, sustained periods of time. To retain those talented high performers, meaningful consistency incentives should be provided – particularly in companies where making plan means achieving/exceeding each quarter’s quota.

3. Long term retention incentives. Another way to make it obvious to top performing sales reps that staying with the company is financially worthwhile is to reward consistent long term performance. Three or five year long term incentive plans that provide the opportunity to earn a significant amount of incentive pay for compounded performance can be a powerful retention device. It is not unusual for top performing sales reps to earn an additional 25% to 50% of their three (or five) year incentive earnings at the end of the plan period for consistent performance achievement.