

High-Performance Sales: Don't Start with Compensation

First published in WorldatWork's Sales Compensation Focus newsletter, we discuss how to identify the top drivers of sales performance as a first step when redesigning your comp plan.

I recently met with the head of rewards for a startup technology firm. She's helping structure the compensation package for the company's first salesperson — a key step in the process of building the company's sales organization. The company is in a relatively new industry, one for which few, if any, sales compensation norms exist. Through the hour-long conversation, we spent about 15 minutes discussing compensation design, and the remainder of the call on strategy, culture and alignment. Some leaders get impatient when they ask me about sales compensation practices and I respond with a set of questions around how they plan to grow the business. But they want answers, not questions.

I do this to try to understand the business environment and strategic priorities, and avoid the knee-jerk response: "It depends." When a company is focusing on its first commercial hire, I want to hear leadership's perspective on the type of person who is likely to be successful and how the company plans to enable this person's success. And let's not forget about the success of those who follow.

Top Drivers of a High-Performing Sales Organization

There are two common approaches I observe when companies are rebuilding or reorganizing their sales organization and, often, companies use both approaches at the same time. One approach is to grow the sales organization from the sales leader who will recruit members from his/her former team into the organization. Another strategy is to offer the candidate(s) a ton of upside pay.

Leadership and compensation professionals can have a significant impact when building a high-performance sales culture. Our research finds that senior leadership has the highest relative impact on culture among all employees. Compensation is also on the short list of influential factors, and the mix and magnitude of guaranteed vs. variable pay helps define the company's strategic priorities and risk profile.

Leveraging a sales leader's network can be an effective and sensible recruiting approach, but doing so does not ensure the salesperson's long-term success in the role. Sales leaders have a relatively high failure rate; the average tenure is less than two years. What does this say for the longer-term viability of the leader's followers?

Using a highly-leveraged compensation approach, one with a relatively high share of the target or expected variable total cash compensation, is risky for both the candidate and the company. Candidates drawn to a high-

risk compensation approach are more likely to take risks in pursuit of their target pay. Such risky behavior can be inappropriate in some industries like biopharma and medical devices. It can also be out of line with company culture.

While leadership and compensation are arguably the most important drivers of performance for a sales organization, there are several other factors that contribute to building a high-performing culture, including:

- **Performance Management:** Field salespeople and managers operate to some degree outside of a company's cultural mainstream. Not surprisingly, the extent of sales performance management for many organizations relies almost exclusively on quota achievement and the incentive pay consequences tied to a quota-achievement score. However, high-performing sales cultures use goals as a means to an end, and not as a substitute for performance management. A well-designed coverage strategy and territory- or account-level planning for growth helps articulate how the work gets done. Frequent communication helps management course correct and avoid surprises.
- **Tools and Resources:** Many salespeople will tell you they spend too much time on administrative work and not enough on selling. Marketing and sales functions have a tremendous amount of data available to understand customer buying habits. Putting the data to work requires automated tools and support resources. From the salesperson's perspective a company's degree of sophistication in this regard says a lot about its effort to support sales. Even small companies can benefit from today's relatively cost-effective analytical tools.
- **Learning and Development:** There's a misconception that experienced salespeople know how to get the work done and, therefore, don't need regular training and coaching. But the opposite is true. Most markets are dynamic. What worked a few years ago probably isn't as effective today. Professionals with years of successful sales results still need to understand how best to position the latest solution in a buying center that's changed. Our research indicates that salespeople are more likely to be engaged when the company provides learning and development opportunities.

Next Steps

Every company has a unique opportunity when launching a new sales function or revamping the current function. Rather than focusing first on the compensation plan, leadership should consider a broad range of factors that have the biggest impact in building a high-performance sales organization. The first place to start is to define your organization's culture and values, then create the building blocks to support that culture. Compensation is a crucial component of this equation, but one that relies on many other influences.

If you have questions about sales compensation design and would like to speak with a member of our compensation consulting group, please write to consulting@radford.com. To learn more about participating in a Radford survey, please [contact our team](#).

Author Contact Information

Scott Barton

Associate Partner, Radford
Aon | Talent, Rewards & Performance
+1.415.279.6494
scott.barton@radford.com

About Radford

Radford delivers talent and rewards expertise to technology and life sciences companies. We empower the world's most innovative organizations—at every stage of development—to hire, retain and engage the amazing people they need to create amazing things. Today, our surveys provide in-depth rewards insights in 80-plus countries to more than 3,000 client organizations, and our consultants work with hundreds of firms annually to design talent and rewards programs for boards of directors, executives, employees and sales professionals. Radford is part of the Talent, Rewards & Performance practice at Aon plc (NYSE: AON). For more information, please visit radford.aon.com.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. For further information on our capabilities and to learn how we empower results for clients, please visit aon.mediaroom.com.

This article provides general information for reference purposes only. Readers should not use this article as a replacement for legal, tax, accounting or consulting advice that is specific to the facts and circumstances of their business. We encourage readers to consult with appropriate advisors before acting on any of the information contained in this article.

The contents of this article may not be reused, reprinted or redistributed without the expressed written consent of Radford. To use information in this article, please [write to our team](#).

© 2017 Aon plc. All rights reserved