

It's NOT Always About THE MONEY

JumpNotes Summary on pages 16-17

When it comes to sales compensation, the data is clear.

You can't just pay for performance.

Building a winning sales team and sales culture is about more than just giving salespeople a big commission to work for. The conventional wisdom is provably wrong, and you're likely throwing money down the drain without driving the results you seek.

Building an internal sales team and culture to support it is one of the most challenging things a business can do. It's no surprise that organizations tend to settle on the conventional wisdom.

Getting peak performance from a sales team requires more than just pay, and commission-only sales don't drive peak results.

Sales Compensation Plans

American companies spend an estimated **\$800 Billion** on sales personnel. And despite the common myth that ecommerce and social media are reducing the need for sales professionals, the sales sector is growing. The Bureau of Labor Statistics reported **11 million** sales professionals in 2000, and **over 13 million today**. And that's only counting those whose job titles place them in the sales sector, so it's almost certainly underreported.

American businesses spend:

- **3x** as much on sales compensation



as they do on social media ads

- **10x** more than their total digital and social media spend.
- **40%** of that compensation is spent on commissions, bonuses, and other forms of sales incentives.

Most companies are rigorous in their ROI analysis for digital spend, and yet they spend an average of **10%** of their top-line revenues on sales compensation without the same rigor applied to that ROI.

- **20%** of companies report their sales incentives and compensation have minimal or no impact on sales behaviors
- **12%** don't know if their incentive and compensation plans have an impact
- **9%** say their plans drive the desired selling behaviors they seek.

Success in sales is about more than just offering strong incentives and hoping for the best. It's about hiring the right people, establishing the right strategies and processes, and motivating your people to align with your strategies and processes.

Data > Conventional Wisdom

Many people hold to certain pieces of conventional wisdom about sales. But conventional wisdom is no substitute for

data. Only **9%** of US companies believe their sales compensation plan is driving the results they want, so the conventional wisdom clearly isn't working.

Data-driven isn't just a buzzword; at JumpCrew, data informs everything we do. This includes compensation plans. Let's look at the conventional wisdom about compensation.

CONVENTIONAL WISDOM #1: SALESPEOPLE ARE ONLY MOTIVATED BY MONEY

It's not always about the money. Don't get us wrong, money talks, but it's not the only motivation and you're doing a disservice to sales professionals if you assume otherwise.

Everyone needs a fair, competitive living wage to be satisfied in their employment, but not everyone is solely motivated by money. Morgan McKinley identified [nine factors that impact employee motivation](#), only one of which involved financial compensation. We find that motivation for staff tends to be driven by three basic categories.

Salary: A fair and competitive living wage is a must for most employees to be satisfied, and a salary lower than employee expectations can have a powerful negative effect. But a higher salary or a bonus, in a vacuum, often has a

temporary effect at best on performance.

Pride and professionalism: People take pride in their work and professionalism. Recognition and a positive work environment can do as much to motivate sales professionals as financial compensation.

Work culture and professional recognition:

Building a culture where successes are celebrated and feedback is constantly given and encouraged is a huge plus for motivating sales staff. Coaching and performance reviews help reinforce positive sales behaviors and build strong relationships.

**CONVENTIONAL WISDOM 2:
COMPENSATION PLANS MUST BE SIMPLE**

Sales processes and tasks continue to grow exponentially more complex. It stands to reason that if you're using commission and compensation to drive desired behaviors, your compensation plan may not fit on the back of a napkin.

There's also an underlying assumption here that salespeople aren't smart enough to figure out a complicated compensation plan. But when it comes to compensation, we find most people are very motivated to dig through the details. And if you're hiring the right sales professionals,

you shouldn't be concerned about whether they can figure out their pay plan.

CONVENTIONAL WISDOM 3: PAY FOR RESULTS, NOT PROCESS

This is one of the most common and easily debunked tenets of the conventional wisdom.

The right process leads to results. If you're following the right process, you'll get results. If you're not getting results, you need to fix your process.

"But if I pay for results, then they'll use the right process!"

It doesn't necessarily work that way. Consistently, top-performing sales professionals far outproduce the average, across industries and time. The top **15%** of sales reps generate **5-10** times the revenue of the average rep. Talent does matter. But if you trust your process, your top salespeople should produce by following the process.

It's important to note that sales is the only department in most businesses where it's an accepted practice to base compensation largely on performance. Many businesses pay various bonuses to other departments but sales, on average, has a higher percentage of compensation tied to performance than other

factors. If variable compensation is truly intended solely for cost mitigation, it stands to reason this type of compensation structure would be used more widely (accounting, office administration, recruiting and HR, etc.).

Not only that, but many factors determine results. In territory-based sales, market conditions can vary, making one salesperson's job far easier than another's. Different types of sales, different verticals, there's any number of factors that can lead to wide variation in success. **If you trust your process, then pay for the process.**

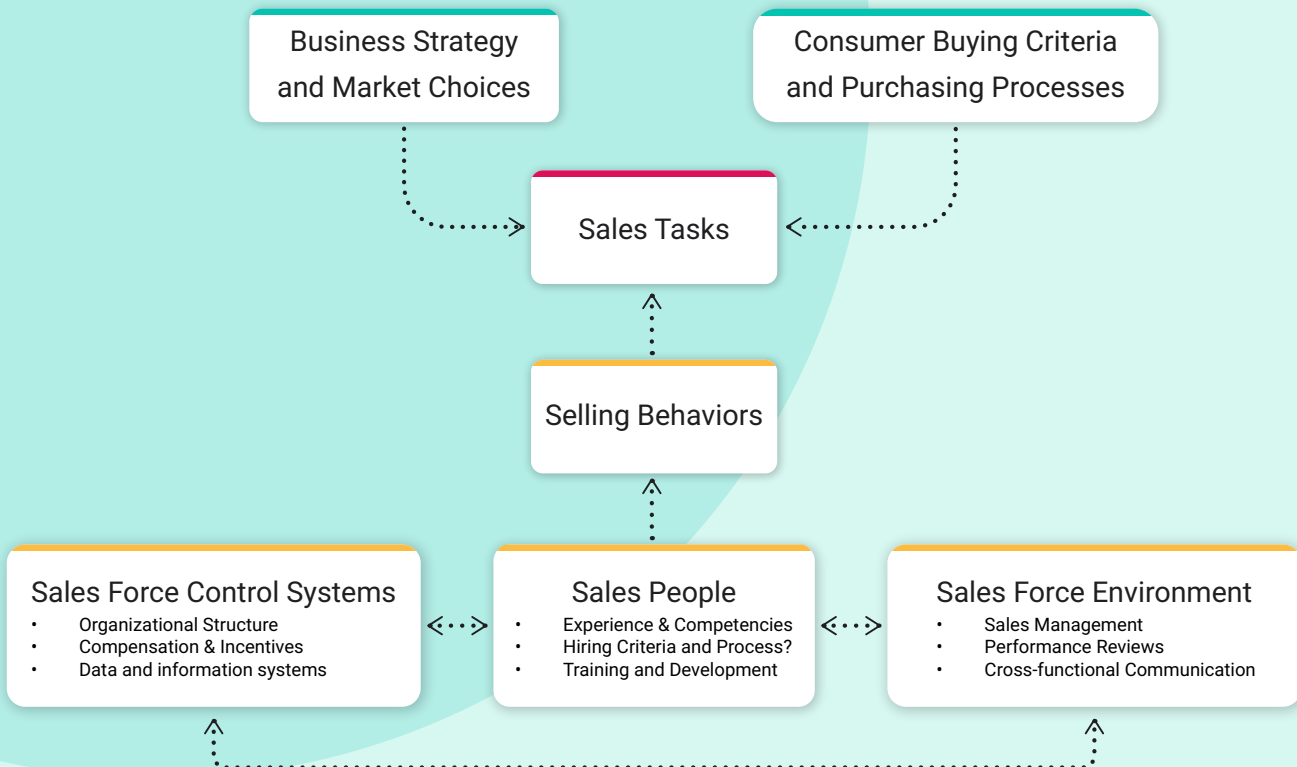
Stop Settling For The Conventional Wisdom

Don't settle for the conventional wisdom. Sales compensation should be aligned to encourage the sales behaviors you want, aligned with your sales process and goals. And it should be a part of the process, placed in context with the rest of your strategy.

Compensation is only one piece of the pie when it comes to successful sales teams. The key is to place it in context with your process and strategy.

The Seller's Compass: Compensation in Context

Source: F. Cespedes, *Aligning Strategy and Sales* (HBR Press)



Your business strategy, market, customer behaviors determine the tasks your sales team must complete to succeed. Success comes when your team aligns their workflows and behaviors with those necessary tasks.

Business leaders have three ways to influence the behaviors of their sales team:

Sales Control (pay): Compensation, incentives, etc. How do you establish a pay plan that motivates your salespeople to follow the processes your business needs?

Sales Personnel (people): Who you hire, how you train them. What criteria do you use to attract and hire the talent you need, capable of executing your processes and tasks?

Sales Environment (processes): Management, sales culture, evaluations and reviews, morale, etc. Do you provide useful coaching and feedback, with metrics aligned to your desired sales tasks? Do you have processes in place to develop your personnel and their performance?

Relying on one of these methods too much is always going to be less effective than using all the tools at your disposal.

Designing Your Sales Compensation Plan

Compensation *is* important. Frank Cespedes of the Harvard School of Business pointed out

that while some in the academic world think compensation isn't important, "that's not the planet I've lived on for the last half-century. Pay does matter." But instead of inputting big numbers and hoping for the best, smart businesses consider all the contextual factors. The proper compensation is an output from considering these factors, not an input.

DEFINE THE SALES ROLE

The first step is defining the role of your sales professionals, and asking the necessary questions to guide you as you determine your plan.

- What are the key sales tasks by customer segment?
 - Key tasks determined by strategy and buying processes
 - The areas where salespeople can make a difference (look at your sales processes, find the steps you can automate for more touches versus where a talented salespeople can make the greatest difference with personal attention)
- What must the salesperson do to succeed in this role?
 - What factors does the salesperson control?
 - What factors are out of their control?
 - How do they add value to your

customer-acquisition process?

- How does your coaching and performance evaluation plan impact your sales professionals?
- What kind of compensation do you need to offer to stay competitive in your market?
 - How should you structure your compensation to be competitive while still providing motivation to your sales team? How much should you tie to performance evaluations versus commissions? What would the percentage of compensation in each bucket be for a typical sales rep (salary/incentive/commission/bonus, etc.)?

Compensation, Evaluation, and Motivation

The whole point of compensation (salaries, bonuses, and commissions) is to encourage optimal behaviors and performance.

To determine the proper compensation, one must consider what you're trying to motivate, and how. If compensation, evaluation, and motivation aren't linked, you're unlikely to get the results you seek.

Sales motivation is a combination of several factors:

- **The personal characteristics of the salesperson**
 - Some work smarter, some work harder
 - Some people have higher energy or a stronger work ethic
 - Talent does matter
- **Perceived opportunity**
 - **Market/territory/portfolio:** How much opportunity do they see? If the salesperson sees the deck stacked against them compared to others, even if that's only perception, that makes a difference.
 - **Level of effort versus level of reward:** Is the juice worth the squeeze?
 - **Incremental Rewards:** With any sort of incremental compensation plan (such as escalating commission percentages), one must look at the structure. If the next increment is perceived as being too much effort or not enough reward to keep pushing, this can impact motivation in an undesired way.

When your sales compensation plan is aligned with motivation and encourages desired behavior, it creates a virtuous cycle. When it's not, it can create a vicious cycle instead. That's why you start with what you want to motivate

instead of starting with compensation. Hope is not a strategy.

Time frames

Compensation should be viewed as a tool for achieving performance consistent with business strategy. An effective and well-aligned compensation strategy is good for the salesperson, the business, and the investors in the business.

Whenever possible, incentives should

- Conform to the “natural rhythm”/selling cycle of the business
- Be timed for clear and visible impact
- Short enough for cause-and-effect impact: effort » rewards
- Long enough that each payment is significant: value of rewards
- Be supported by relevant and timely information systems.

The Goldilocks point is when bonuses and incentives are on a short enough timespan to make the connection between reward and effort clear, but long enough to make the reward significant. They should also be tied to the natural selling/customer cycle of the business.

All Sales Are Not Equal

About **70%** of American companies base their sales bonuses on top-line revenue and sales volume. Once again, that's the conventional wisdom.

However, not all sales are created equal. And especially in the modern era when companies have access to more advanced data and analytics, metrics such as profitability and service cost often make more sense when evaluating sales. If you want to encourage your salespeople to think about the most profitable deals, or deals that have a lower cost (either in financial terms or opportunity cost), you need to consider that when designing a compensation plan.

- **Assume game-playing will occur.** Sales professionals, like any other employees, will game the system to their benefit. That's not a bad thing if you **establish a win-win game**. With a well thought out compensation plan, the sales professional wins based on compensation and the business wins because the sale and compensation matched their objectives.
- **Design around positive and role-related rewards.**
- **Align your compensation strategy to key objectives** and resist the urge to throw in everything but the kitchen sink.

- **Use your compensation** and incentive plan to **support sales management** instead of substituting for it. It's common for businesses to simply throw a big commission plan at their sales team and assume they'll manage themselves.

Full Funnel Compensation

When sales and marketing are both integrated and active participants at every step of your funnel, magic happens.

Every business has a funnel. Some are short and simple, some are long and complex, and this depends on strategy, consumer behavior, and many other factors. But the basic, simplified funnel looks like this (see below).

The more you know about your funnel and how it functions today (not in the past, but in the current business environment), the more you can optimize and align your sales tasks and compensation. Traditionally, sales professionals separate out the qualified leads and convert them to customers and, hopefully, repeat customers. But every member of a marketing team has places in the funnel where they can exert the most influence. The first step is mapping out your funnel and where marketers, field sales, inside sales, support personnel, and partners or stakeholders can most influence progression.

Integrated Sales and Marketing Funnel



Your compensation plan should drive desired selling behaviors at each point in the funnel. Where is value most added and how can compensation encourage additional value added?

One example: One business may want as much volume as possible. They want to maximize contacts and have a wide top of funnel. Another business may want salespeople to carefully vet prospects because the sales process is expensive. Yet another may want sales to focus on up-sells or cross sales. The desired sales behaviors to focus on will look very different for each of these cases and a focus on simple sales revenue percentage will have limited motivation for the desired behaviors.

It's important to note that repeat customers [cost as much as seven times less than new customers](#), and [spend up to 67 percent more](#).

For established companies with an existing customer base, incentivizing sales professionals to nurture relationships and encourage repeat sales and up-sales has a definite payoff.

Sales Personnel: Hire The Right People

With the best of intentions, you hire your own problems.

Sales hiring is a crucial and expensive decision. Turnover averages **25-30%** annually in sales teams. Replacement costs are at least **1.5 times** the full annual cost of that sales professional, considering search cost, lost sales as they ramp up, and lost institutional knowledge.

Individual performance varies wildly amongst sales professionals.

- The top **15%** of sales representatives generate **5-10x** the value of your average rep.
- B2B sales professionals can see results vary by **300%** within top and bottom quintiles.
- Retail reps at the same sales counter can see results vary by **3-4x** in either direction.

Process matters. But talent matters as well. Even within the process, sales stars will shine. Which makes who you hire a crucial part of the process.

To succeed, you must consider the roles you need. Let's look at two archetypes of sales professionals (see the following page).



HUNTERS

Motivated by: New clients, opportunities, challenges

Sales approach: Shortest path to a win, once deal closes they move on to next opportunity

Sales style: High energy, competitive, persistent, generate excitement and activity

Sales impact: Immediate

Compensation: Commission-based



FARMERS

Motivated by: Finding the solution and building/nurturing relationships long-term

Sales approach: Consultative, customer-focused, develop trust, know the players personally

Sales style: Strong interpersonal skills, team player, great follow-up skills

Sales impact: Long-term

Compensation: Fixed-salary

These are general archetypes and most people fall on a spectrum regarding these characteristics. Finding the right people for the right role can make or break your sales efforts, and getting it right is more complex than a binary solution set can capture.

This is made more complex by the simple fact that interviews are an inexact science and one where managers routinely overestimate their ability to predict performance and candidate fit for the job. Once again, data proves the conventional wisdom incorrect.

There is, at best, only a **25%** correlation between interview ratings of candidates and their performance once hired.

And that's not an isolated piece of data; throughout **60 years** of research, this has been consistent. Some studies even show negative correlation between interviews and actual performance (i.e., worse than hiring at random).

There are a variety of reasons for this.

Interview skills ≠ job skills: Interviewing is a skill all its own. Some people are strong at first impressions but don't have the chops or motivation for the role.

Cloning and social biases: People tend to

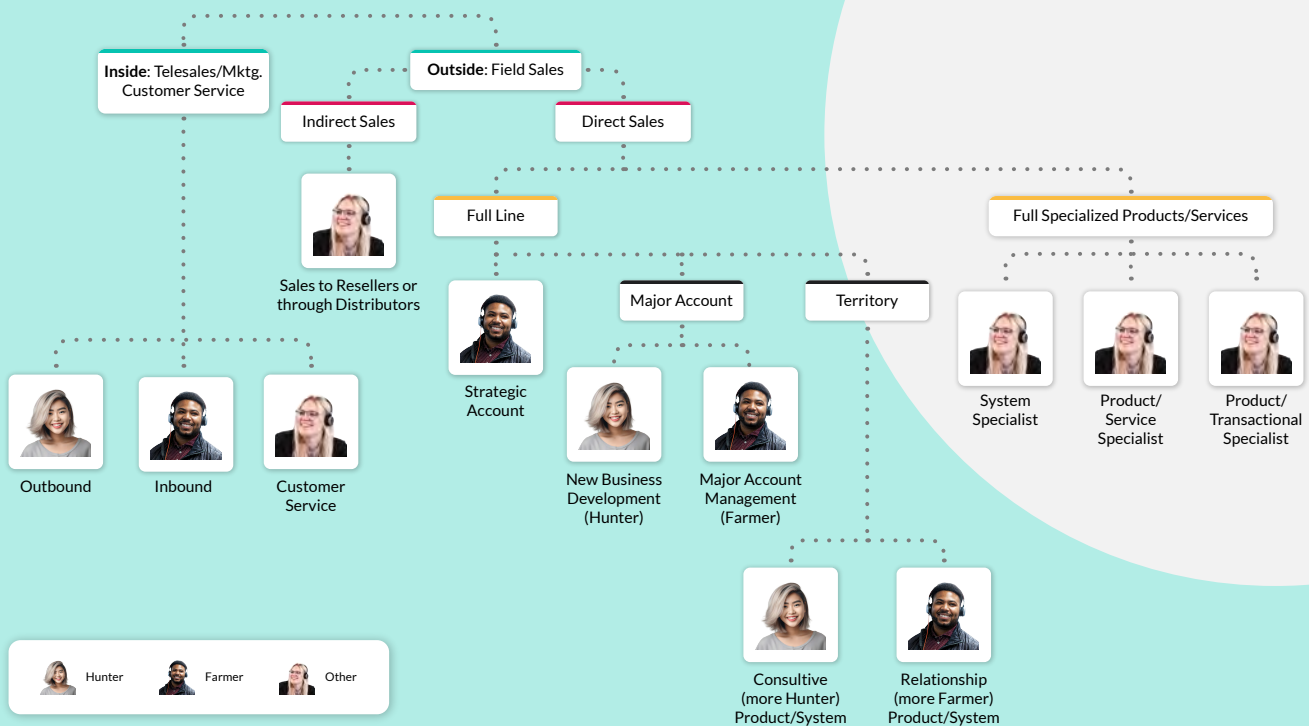
subconsciously prefer those from similar backgrounds and with similar attributes, and often allow social biases to influence their opinions on others. This isn't always a conscious choice; we rationalize it to ourselves.

Hiring and Compensation

Different sales profiles are best suited for different types of sales professionals. Hiring should be aligned with the needed sales tasks. Compensation plans should be aligned both with those tasks and with the type of sales professionals you seek to hire.

Think about your buyer's journey and the sales tasks needed to guide prospects through your

A Sampling of Different Sales Profiles



funnel, qualify them as leads, and convert them to loyal customers. Consider the limitations inherent in the traditional interview-based hiring process and consider a hiring process aligned with the sales tasks you need to motivate.

How do you build a better hiring process?

Consider incorporating one or more of the following:

- Role plays and task-specific assignments to assess behavior
- Job trials, tests, and internship-type hiring scenarios
- Incorporate multiple options and perspectives in the interview process
- Clarify what you and colleagues mean by “relevant experience” (most common

criterion used for sales hiring)

- Experience with that customer group/sector (e.g., healthcare, which can be very specialized)?
- With the technology?
- The geography or buying culture? (Also cultural fit in general.)
- Experience with sales/type of sales?

Performance Reviews and Improvement

Given the cost of replacing a trained sales professional, it's important to get the most out of every team member. Performance reviews, coaching, and aligning and measuring performance through relevant

Links Between Compensation, Evaluation, and Motivation



KPIs don't get nearly enough attention but are arguably the most under-utilized lever for maximizing sales results.

It's not just research; our performance review process and regular coaching sessions work wonders for us at JumpCrew. We've seen the results; we're able to develop under-performing sales representatives into productive team members, team members into sales leaders, and sales leaders into managers, directors, and VPs. Talent development is just as important as talent acquisition and much more efficient for your bottom line.

Sales managers may not like doing performance reviews, but it's key to improving performance, so it's one of the best ways they can use their time.

METRICS

Any incentive plan or review relies on the metrics we use to evaluate and reward sales performance. As we mentioned previously, most firms tend to rely on sales volume instead of profitability, service or opportunity cost, ROI, or other metrics. In some circumstances, sales volume may be the right metric, but your metrics should be aligned to your desired behaviors and outcomes, and they should change as those change (and as the market changes).

As much as people throw "big data" around as the current business buzzword, increased data analytics capabilities at lower costs are revolutionizing many industries including sales. Data analytics make it possible to achieve more transparency, more insights into performance, and more opportunities to align your metrics with desired behaviors.

Sales data tallies outcomes and provides hypotheses. It's up to the management team to contextualize that data and align it with their knowledge of markets, territories, etc. They then link that data to behaviors relevant to the salesperson and your company's funnel and KPIs.

For example, let's look at a sales professional's close rate and sales volume. There are four possible outcomes:

- Close rate and sales volume low: Are they unmotivated? Inexperienced? Just not in the right role? Or maybe they are getting bad leads or have an easy territory.
- Close rate and sales volume high: Are they a great salesperson? Or do they have a very easy territory or portfolio?
- Close rate high but sales volume low: Why?
- Close rate low but sales volume high: Why?

Determine how much of a difference the person makes as opposed to all the other factors. Then you can give them actionable feedback.

From that point, you've established what you need for the sales management cycle:

- Plan and execute. These are the actions

Rethinking Sales Compensation: Managing The Performance Cycle

- 1 Sets the direction
- 2 Translates the direction into mutual performance expectations and success attributes.
- 3 Triggers actions required to achieve performance expectations.
- 4 Monitors progress towards achievement of expectations.
- 5 Compensation and coaching that aligns behavior with performance expectations.



The Sales Management Cycle

Sales compensation should be placed in the full context of the sales cycle and aligned with a coherent strategy.

- Put the strategy in place first.
- Set your metrics and target behaviors.

This translates the strategy into mutual expectations of performance and success.

necessary to achieve performance.

- Monitor and evaluate. This is where you compare performance to KPIs, contextualize other factors, and determine the behaviors and tasks where each sales professional requires improvement.
- Reward and coach: This is where you align the actual, observed behaviors and performance with expectations.

Bear in mind strategies need to be continually reevaluated and adjusted for the market,

which then affects your measures and desired sales behaviors.

Compensation and Strategy

The goal of sales compensation is to produce results. The way to produce results is to align strategy and sales process.

You use the levers you have available (compensation, personnel, and performance reviews) to ensure your sales team's efforts are aligned with the process.

Building an internal sales team and culture from scratch is one of the toughest challenges a business can face. One of the reasons many companies partner with JumpCrew is our expertise in sales. Relying on outdated conventional wisdom isn't effective in the modern business environment. We understand how to align selling behaviors with your company's funnel and strategy, and how to incentivize our sales professionals appropriately. Everything we do is aligned with the latest research, data, and current best practices. [Our results speak for themselves.](#)

Sales compensation is often one of a business's largest expense categories. With the uncertainty in today's economy, controlling costs and seizing opportunities is critical to

business success. Considering your compensation in context with strategy, personnel, and other factors is a solid way to maximize your sales ROI and control expenses.

Don't settle for the conventional wisdom. Follow the data.

JumpCrew is an Industry leader with decades worth of sales leadership experience, driving over **\$5B** in pipeline for more than **450 companies**, including Fortune 500 Companies.

Contact us today to find a partner to unlock your B2B sales goals with speed, experience, and a suite of accelerated marketing services.



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JumpNotes

It's NOT Always About THE MONEY



Data-driven is more than just a buzzword. It's a way of thinking. When it comes to sales, *the conventional wisdom is wrong*.

You can't just pay for performance. Companies spend an average of **10%** of top-line revenue on sales. Building a winning sales culture requires more than throwing money at a sales team. You need a data-driven strategy. Compensation is a part of that strategy, but it's not the entire strategy. It's not even the starting point.

Building a winning sales strategy includes:

- Hiring the right people
- Establishing the right processes
- Motivating sales behaviors that align with those processes.

Motivating sales professionals is more than just compensation. It's about **culture, professionalism, pride, recognition, and feedback**. Compensation is just one motivational tool.

Motivation also depends on:

- Personal characteristics of the salesperson

- Perceived opportunity for achieving incentives
 - **Territories/portfolios:** Does each salesperson have the same opportunities?
 - **Effort versus reward:** Is the juice worth the squeeze?
 - **Increments:** Do incremental levels incentivize continued effort?

Pay matters. Your compensation needs to be competitive in order to attract top professionals, but it must drive desired sales behaviors or you're throwing money away.

All sales are not equal. 70% of companies follow the conventional wisdom and base sales incentives on top-line revenue and/or sales volume. But advanced analytics mean you can zero in on higher-profit sales categories and adjust incentives accordingly.

When designing your compensation plan, consider the following:

1. Define the role of your sales professionals.
 - Define key sales tasks for each customer segment, determined by your

market, business strategy, customer behaviors, and funnel design.

- Determine which tasks can be automated versus where sales can make a difference.
- What must a salesperson do to succeed in this role?
- How will you coach sales professionals?

2. Align incentives to your funnel and how it functions.

- Your compensation should drive desired sales behaviors.
- Establish a win-win scenario for employees and the bottom line.
- Keep incentives laser-focused.

You hire your own problems. Who you hire is as important as how you motivate your existing hires. Sales turnover averages **20-30%** annually, and replacing sales personnel is far more expensive than retaining good personnel.

Talent matters. Top sales professionals significantly outperform the average. But salespeople have different styles. Finding the **right people** for the **right role** is critical to success.

Once again, don't trust the conventional wisdom. Most businesses rely on interviews, but the data consistently proves interviews are an ineffective

way to select talent. Consider the following activities when hiring sales professionals:

- Role plays and task-specific assignments
- Job trials, tests, and internships
- A tight focus on relevant experience

It costs **1.5 times** the annual cost of a sales professional to hire and train their replacement. Get the most out of your current personnel by aligning performance review and coaching processes with your existing sales strategy.

The work you've done to define sales roles and establish an overarching strategy will help you **establish relevant KPIs and metrics for sales performance.** Use advanced data analytics to establish metrics aligned to your desired sales behaviors and outcomes. Sales managers can then contextualize that data and provide actionable feedback for sales personnel.

To maximize your ROI, you need an overall strategy and a compensation plan aligned with that strategy. **The data is clear. Don't settle for the conventional wisdom.**



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