Category

Commercial Excellence

Sales Compensation & Incentive Design Playbook

Designing comp plans that reward the behavior you actually want, not just the metric that's easy to measure

- Executive
- Intermediate
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- Administrator
- 06 October 2021
- 3 minute(s)

Overview

A framework for sales compensation and incentive design — aligning compensation structure explicitly with genuine business priorities, avoiding the common failure mode of incentive plans that optimize for easily-measured metrics at the expense of the actual behavior and outcomes the business needs.

Why do well-intentioned sales compensation plans sometimes produce

unintended behavior? Sales teams naturally optimize for whatever the compensation plan actually rewards, which isn't always what the plan's designers intended — a plan weighted heavily toward new bookings, for instance, can inadvertently discourage attention to renewal or expansion even when those outcomes matter significantly to the business.

How often should sales compensation plans be reviewed and

potentially adjusted? At least annually, and whenever business priorities shift significantly — a compensation plan that was well-aligned with priorities a year or two ago may be producing misaligned incentives if business strategy has evolved without a corresponding compensation redesign.

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teams naturally optimize for whatever the compensation plan\nactually rewards, which isn't always what the plan's designers intended\n— a plan weighted heavily toward new bookings, for instance, can\ninadvertently discourage attention to renewal or expansion even when\nthose outcomes matter significantly to the business." } }, { "@type": "Question", "name": "How often should sales compensation plans be reviewed and", "acceptedAnswer": { "@type": "Answer", "text": "potentially adjusted?\nAt least annually, and whenever business priorities shift\nsignificantly — a compensation plan that was well-aligned with\npriorities a year or two ago may be producing misaligned incentives if\nbusiness strategy has evolved without a corresponding compensation\nredesign." } }] }

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