FINANCE'S FINALE

The Ultimate Sales Comp Year-End Checklist

Performio | **Press**

There's a million and one life hacks...

In what seems to have become the "era of life hacks." But there's one "hack" that's been around likely since the beginning of time...checklists. Whether it's a grocery list, a work to-do list, or a Honey-do list, there's nothing quite as handy as a list to help you keep track of where you are and where you're at on any given project.

Is it the end of the fiscal year again already? Depending on where in the world you do business, your fiscal year (or financial year) may wrap up in December, March, June, or September. But no matter when it comes, the end of the fiscal year is a time to evaluate your successes and failures from the previous year, and set yourself up for the coming year.

For sales leaders, it's a crucial opportunity to thoughtfully examine what's going well with your sales compensation process, and where you have room to improve. But that depends on your ability to objectively assess what you're doing right now, and what it'll take to do better.

At Performio, we've helped thousands of sales organizations refine and master their sales compensation processes, from small businesses to some of the world's largest enterprises. We created this resource to help guide you through this crucial period and see opportunities for improvement. We'll walk you through the most important end-of-year elements to consider for sales compensation, and then we'll give you a printable checklist you can use as you wrap up the year.

Evaluate Your Objectives And Key Results (OKRs)

Many organizations (sales and non-sales) use **the OKR framework** to measure and evaluate their successes or failures on key goals throughout the year. Each OKR consists of up to three elements:

Objectives

The high-level goals you're working toward.

Key Results

The specific, measurable data points that indicate whether you met an objective.

Initiatives

Individual tasks intended to achieve key results.

We recommend the OKR framework because it provides a quantitative means of measuring your successes and failures throughout the year. But if you use a different framework for tracking your objectives, don't worry—the basic principles

we'll discuss will still apply. (And if you didn't establish objectives to evaluate this year, now's a great time to change!)

How To Evaluate OKRs

With clear OKRs, it's easy to see whether you've accomplished what you intended. While the key results will provide a pass or fail, how close you were from achieving them says a lot about the overall success of the objective.

For example, let's consider the following OKR:

Objective
Increase customer loyalty.

Key Result
Reduce customer churn rate by 20%.

Key Result
Increase CLV by 15%.

Initiative
Implement a customer feedback system.

Initiative
Launch a loyalty program with incentives for repeat purchases.

If you completed the initiatives and met or exceeded each key result, then this objective was a clear success! Lean into what you did right and push for even greater results next year.

But let's say you reduced churn by 16% and increased CLV by 12%. Clearly you made some good strides in the right direction, but it didn't turn out quite as you'd hoped.

So it's worth asking questions to figure out why:

- Did we complete our initiatives?
- If not, what got in the way of their completion?
- If they were completed, why weren't they enough?
- Was there more we could have done, for example, to respond to the customer feedback we received?
- Did we test the incentives to learn which had the greatest impact on repeat purchases?
- What other initiatives could we have created to achieve these key results?
- Did external factors affect our performance?
- Were there any faulty assumptions in our forecasting that led us to set unrealistic key results?

The answers to questions like these should inform your objectives and strategies moving forward.

Specific Objectives To Consider

Certain objectives are particularly important to evaluate. Even if you didn't formulate these as OKRs at the beginning of the year, you can still look back to see how you did and how you can improve.

- How did our spend align with our budget? If we went over budget, what factors contributed to the greater spend? Which of them could have been avoided, and how?
- Did our commission cost of sale meet our target? If it went over, how should we have structured our incentive plan differently?
- How did our strategy implementation align with our strategy vision? Where did we deviate from the plan? Why did we deviate from the plan? Do we want these exceptions to continue?
- How well has the current sales comp plan contributed to meeting objectives
- over the past year in the areas of:
  - Pay/performance analytics
  - Compensation spending vs. sales performance
  - Key performance drivers
  - Disputes over compensation
  - Overpayments or underpayments

Define Business Objectives For The Coming Year

Having taken inventory of the objectives from the current year, you'll need to define your business objectives moving forward. The sales department has to know which objectives have shifted and where things stand in order to plan appropriately for the coming year.

Bring clarity to expectations for the coming year by developing clear answers to questions like:

- What's the overarching plan for the year?
- What's staying the same and what's changing?
- What new objectives are being added, and what old objectives are being dropped?
- What's the priority level for each objective?

This process will involve taking your analysis of OKRs from the previous year and applying it to your strategy for the coming year. And it will also involve a lot of interdepartmental communication.

Ensure you're working with executives and leaders from other departments to ensure that everyone is on the same page and moving forward in alignment. They need to know how sales performed in all the key areas, and sales needs to know what direction the organization as a whole intends to move. Otherwise, you could end up with different departments working toward different goals, and as a result, the business as a whole won't make progress on the main objectives you need to achieve.

Once everyone is on the same page, be sure to clearly define your objectives as specific OKRs. If you haven't done so previously, this will make your evaluation process much easier and more effective when it comes time for these evaluations next year.
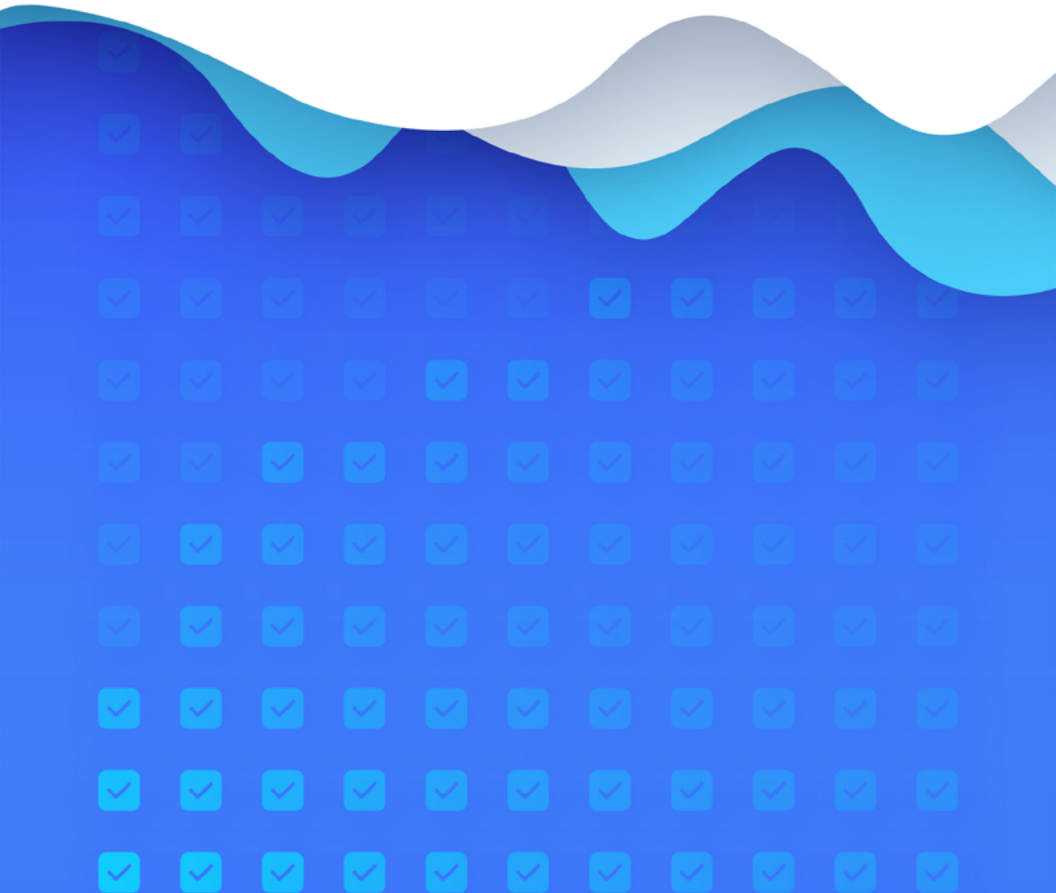
Evaluate Your Sales Culture

Much of your sales team's performance will come down to the kind of culture you foster. As you revisit the year, it's worth evaluating three particular aspects of your culture: sales strategy awareness, coaching, and retention.

Sales Strategy Awareness And Alignment

It isn't enough to have a good strategy at the leadership level—you have to communicate that strategy with your sales reps well enough for them to understand, and you need them to embrace it. Otherwise each rep will simply pursue their individual sales without actively contributing to the overall direction the organization needs to move.

Look back over the past year to determine whether reps had a good awareness of your sales strategies. Ask questions like:

- How many current sales reps were present at the last **sales kickoff** event?
- How well did the sales team adhere to the strategies we implemented?
- How often did leadership present and reinforce the sales strategy to our reps?
- How could we have **communicated our sales comp plan** more effectively?

The answers to these questions should help you understand how well aligned your sales reps are with the kind of culture you're trying to foster. And that should inform the way you roll out strategies for your team over the coming year.

Sales Coaching

We're big advocates of sales coaching because we've seen what a difference it makes in an organization's sales culture. **Fostering an environment of continual coaching** is one of the best ways to ensure that reps have an awareness of sales strategies, are working toward organizational objectives, and are continually improving their core competencies. It's a tremendous advantage for individual reps and for the organization as a whole.

Some questions to ask include:

- Do we have a formalized sales coaching program at our organization?
- How many reps are being actively coached?
- How many sales coaches are actively coaching?
- What progress and growth have we documented from coaching efforts?
- How can we improve or maintain these numbers next year?

We firmly believe that coaching is for everyone, and the more of your reps involved in a coaching relationship, the better off your organization will be.

Employee Retention

High turnover rates are a problem in most industries, but they've been hitting sales organizations particularly hard. **Studies have shown** that it takes around 4 to 5 months on average to replace a sales rep, followed by 15 months for them to **reach top performance**, and that the average sales rep leaves after only 18 months. And each time this happens, the process of hiring and training a new sales rep costs organizations an average of $150,000.

It's crucial for sales organizations to beat these numbers, and that starts with an

awareness of where things currently stand. Survey the previous year and ask:

- What was our turnover rate for sales employees?
- How does that compare to:
  - Our historical turnover rate?
  - The national average?
  - The average for our industry?
- What can we do to improve our turnover rate?

Thankfully, there are solutions to high turnover rates, and we've written another free ebook on it. To turn things around for your organization, check out _Retention through Culture: Why Sales Reps Leave, and What to Do about It_.

Identify Areas Where The Compensation Plan Needs To Change

Finally, taking all the above into consideration, you need to determine what should stay the same and what should change in your compensation plan for the coming year.

Changes To Incentive Programs

Start with the basics of **your sales compensation plan**. Does your OTE need to change?

Do some research to ensure it's still competitive for your industry. If you've struggled with hiring or retention, consider increasing your OTE. On the other hand, if your acquisition costs have been too high, then your OTE may be too high too—but be careful, lowering your OTE could be detrimental to morale and productivity.

What about your pay mix for the coming year? Has the ratio you've used been

working well? Erring too far toward variable pay is risky for your reps and can impact morale and retention rates. But erring too far toward base salary can cause a lack of motivation. Depending on what you've seen from your reps throughout the year, it may be worth adjusting the ratio to find the right balance.

Then there's the commission structure itself. Make sure you have the right cash incentives for revenue-driving activity. They need to be high enough to motivate sales, but structured such that the organization will always make a profit. You should also consider what **non-cash incentives** you can use to motivate other sales activities that aren't revenue drivers.

Changes To Team Structure

Next, consider what changes you may need to make to the team structure itself. Questions to ask include:

- Is our current headcount where it should be, or do we need to grow or right size any teams or departments?
- What about the teams themselves? Should we add any new teams? Merge teams?
- Do we need to redraw territories?
- Should we make any changes to our role mix?
- How do the **different personalities** on our sales teams mesh with each other?
- Should we consider a different **sales team structure**?

If what you've been doing in these areas is still working well, then there may not be any dramatic changes needed. But it's well worth periodically reviewing these matters to make sure.

Changes to ICM tech stack

Finally, consider the software you're using to manage your incentive compensation processes.

Have you made the switch to **dedicated ICM software** yet? Or are you still **stuck using spreadsheets**?

Consider how much time you spend every pay period calculating commissions. Does it take hours or days?

How about disputes over compensation? Do your sales reps have the transparency they need to know their compensation is accurate? Or are you fielding frequent disputes because reps lack visibility and don't trust what they're receiving?

Have there been any actual underpayments you had to correct? What about overpayments you had to claw back? Are you confident there haven't been overpayments that went unnoticed? **According to Gartner**, organizations have an average error rate of 3% to 5% regarding overpayments and underpayments. How much money could that be losing your business? How does it impact morale?

If you come back from any of these questions with a less-than-ideal answer, it may be time to revisit your current solution and opt for a best-in-breed ICM like Performio.
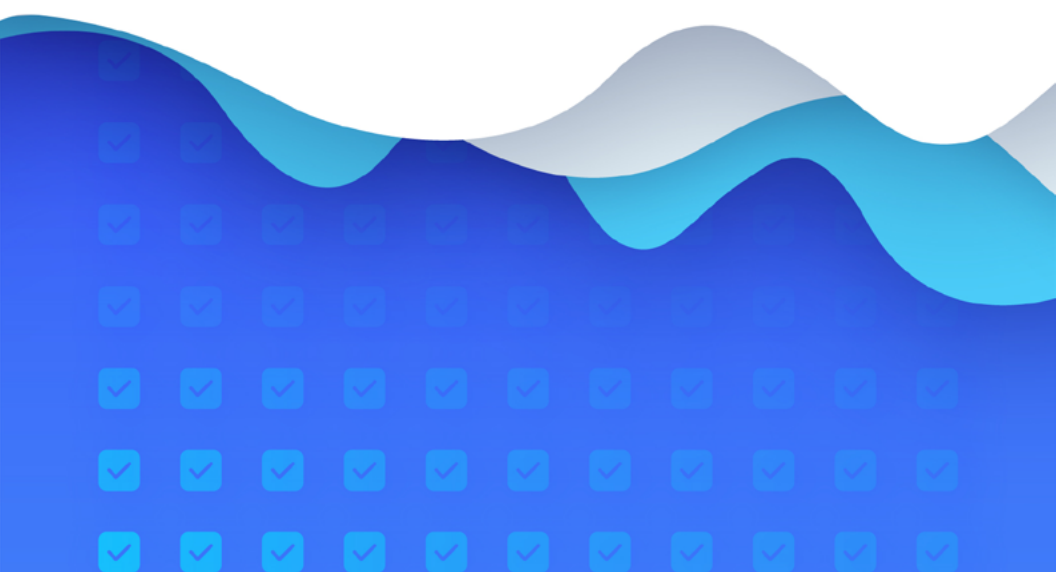
The Sales Comp End Of Financial Year Checklist

Feel free to print out this summary checklist to mark off items as you wrap things up for the end of your financial year. In addition to our recommendations, we've also left some blank lines for you to fill in with items of your own.

Evaluate OKRs

Did we meet each objective?

How close were we on key results?

Did we complete all initiatives?

How can we do better next year?

Define business objectives for the coming year

Analyze OKR results from the previous year

Meet with executives and other department heads

Determine business objectives

Formalize objectives as OKRs

Evaluate the sales organization culture

Sales strategy awareness

Sales coaching

Employee retention

Identify areas where the compensation plan needs to change

Changes to incentive programs

Changes to team structure

Changes to ICM tech stack

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Set Up
For Success
With Performio

As you move into a new financial year, it's a great time to consider whether your team is properly equipped with the best tools to do their jobs. **Performio's ICM solution** positions your sales reps and leaders alike for success.

Our software provides reps with insights into their performance, their progress toward quotas and goals, and what compensation they can expect to earn. This keeps them motivated, prevents disputes, and ensures that you don't have to worry about processing late or incorrect compensation payments.

And sales leaders get access to advanced analytics and reporting tools. Our software tracks important sales metrics and provides managers with all the data they need to keep their teams on course toward meeting their goals.

To see what Performio can do for your business, request a demo today.

Schedule A Demo

CHECK IN, CHECK OFF, CHECK OUT.

Have a Great Year

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