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“THE REAL MVP”



THE VALUE OF VALUES

HOW YOUR SALES COMPENSATION PLAN
REFLECTS YOUR COMPANY VALUES

VALUES.

More of a traditional thing that often makes me think of living in a clean suburb in the 1960s. But, as nostalgic as they sound, they're still the very fabric of our personal and professional lives that guide us through the wilderness like a compass. They're intricately weaved into the very being of each person and organization. It's only natural that they should be echoed throughout every part of your business, including your compensation plan.

Every organization has a set of core values—the shared ethos around which the company is structured and toward which they aspire. Yet some organizations do a better job of living up to their values than others. We all know of organizations that proclaim one set of values publicly, while their actions and reputation indicate that their true values lie elsewhere.

This misalignment of values makes organizations appear disingenuous, leading to an erosion of trust. Potential customers and would-be investors may think twice about engaging with them.

And internally, it can cause resentment, poor morale, suffering performance, and chaos, as different factions within the organization attempt to work toward one of the competing sets of values.

So it's crucial for any organization to know its fundamental values, clearly state them, and be unified in working toward them.

One of the truest indicators of a sales organization's values is its incentive compensation plan. A sales comp plan takes what may be abstract principles and makes them concrete and definable. It connects your values to specific activities and attaches those activities to monetary figures, clearly laying out your priorities.

So when building a sales comp plan, it's imperative to consider your company values, ensuring that the practical values revealed by the plan align with the stated values your organization affirms.

In this ebook, we'll examine some of the specific ways your sales compensation plan reflects company values and consider how you can ensure those values say what you intend.



WHAT YOU INCENTIVIZE REFLECTS WHAT YOU PRIORITIZE

Ideally, an organization's core company values should inform their **business goals** and priorities. And in turn, the sales compensation plan should be structured to achieve those goals and priorities. But it doesn't always work out that way.

And this misalignment of values isn't necessarily a matter of corporations taking shortcuts or cutting corners. In many cases, it's simply a matter of well-intentioned plans that aren't properly structured to prioritize the right actions that align with business goals. This ultimately costs organizations money while failing to live up to their stated values.

For example, consider an organization whose values include a commitment to customer satisfaction—perhaps they're a SaaS company relying on continued service subscriptions. They need to keep customers around once they've arrived, tending to their needs and ensuring their stay is a pleasant one. But they also have to get customers in the door first. So their sales compensation plan needs to be carefully balanced between new acquisitions and long-term customer relationships.

A well-meaning but under-informed sales comp plan could undercut this balance by over-incentivizing new acquisitions and/or by failing to reward maintaining existing relationships. With such a plan in place, the sales reps can't be blamed for pursuing whichever actions earn them the most commissions. And in this case, that'll mean getting new customers in the door by any means, with little regard to whether they'll ultimately be a good fit, nor any follow-up to ensure they're being taken care of.

The company values are defied, and public opinion sours. The organization wastes time, effort, and expense on customers they can't retain. And all because of a poorly structured sales compensation plan.

So what's the solution? In a word, *data*.

Incentive compensation is too important to leave to chance, gut feelings, or whatever seems to have worked in the past. If your sales comp plan isn't heavily informed by real-time sales data, it's guaranteed to run into similar issues sooner or later. And by the time you realize the problem, the damage will already be done.

In the case of our example organization, had they been tracking their sales data as it came in, they would have very quickly noticed how heavily sales rep activity was skewing toward new acquisitions. From there, they could have adjusted the sales comp plan to slightly lower the commission for acquisitions while increasing rewards for relationship maintenance, bringing everything back into balance and alignment with organizational goals and values.

This principle holds true across the board—whether a plan over-emphasizes individual achievements to the exclusion of collaboration and teamwork, prioritizes volume over quality, or encourages risky business practices. In any of these scenarios and so many more, a data-based approach to incentive compensation management can help you ensure your plan is properly aligned with the values you want to promote and quickly spot when it falls out of alignment.

COMPENSATION SHOWS HOW WELL YOU PROVIDE FOR YOUR EMPLOYEES

Most organizations, especially those with company values like trust and respect, want to be known as employers who treat their employees well. This plays itself out in many ways, from benefits to facilities to opportunities for growth and advancement. But at the end of the day, compensation is the number one factor that demonstrates how an organization provides for their employees.

At its most basic, that means offering compensation that allows employees to earn a solid income, meeting or preferably exceeding industry standards. Because if they can make more money elsewhere, they're likely to do so. Or, at the very least, they'll become resentful about what they could be earning.

But there's a lot more to it than the strict amounts of compensation you offer. For a sales organization, the structure of your compensation plan is every bit as important.

It includes your pay mix, which determines how your sales reps' compensation will be split between base salary and variable pay.

The base salary is a huge part of showing your care for employees, as it recognizes that their roles entail more than just selling, and it gives them something to fall back on during more difficult months. Living into your core values means providing a sufficient base salary.

However, a **pay mix** that offers too much base salary isn't necessarily better—for the organization or the employees. Without enough variable pay, earned by commissions, your reps may not be properly motivated, leading them to stagnate. They'll neither grow and develop as salespeople nor carry out the activities that fulfill other important company values. A values-based approach to pay mix means finding the right balance to meet your employees' needs while driving them to their best performance.

Additionally, it's important to ensure that your sales comp plan is equitable, meaning that your sales reps all have more-or-less equal earning opportunities regardless of which team, territory, or product line they may find themselves assigned to.

For example, some of your territories may simply be much more difficult to sell in than others, even when your reps sell the same products. It wouldn't be fair to employees in those more difficult territories to have the identical compensation structure as employees in easier territories. By no fault of their own, they'd be making less sales, failing to meet their quotas, and ultimately earning less money. This is an extremely demoralizing and demotivating position to find themselves in, which can lead to even worse performance overall.

To compensate for more difficult territories, you can make adjustments like lowering quota expectations, increasing the compensation rate per sale, including additional monetized activities to fill in the gaps, and/or increasing the base pay.

And for all of this, **you'll once again need to rely on sales data**—to identify inequitable compensation structures before they become a problem, to determine what adjustments to make, and to verify that your adjustments are working.

TRANSPARENCY BREEDS TRUST AND ACCOUNTABILITY

Let's assume you've now crafted the perfect sales comp plan. All the right activities are properly incentivized, your sales reps are fairly compensated across the board, and everything aligns with your company values. There's one more element that causes far too many organizations to fall short of their intended values—transparency.

Your sales reps need transparency into their day-to-day sales activities, earnings, and progress toward goals and quotas. But in many cases, they're left in the dark right up until their paycheck arrives, potentially much lower than they were expecting. This leaves them with two options. Either they simply estimate how much they've done and hope for the best. Or they try to track and calculate everything by themselves.

The latter, commonly referred to as “shadow accounting,” has sales reps creating and maintaining personal spreadsheets full of homebrewed, often inaccurate calculations. This results in a lot of wasted time that would have been better spent making sales and earning commissions. And then when their calculations don't

match yours, it leads to disputes over pay, which wastes even more time from more people, and it's even further demoralizing to your reps.

And sales reps aren't the only ones who need transparency. Sales leaders also need real-time access to their teams' overall performance. If teams aren't on track toward meeting their goals, or if individual sales reps are falling behind, leaders must be able to step in and take corrective action. But they can't do that without transparent access to the sales data they need.

This kind of transparency can be difficult to provide, which is why so many organizations struggle with it. You have to find a way to provide real-time access to just the right data that each person needs—but without compromising privacy or security by giving people access to things they shouldn't see. And if you're using spreadsheets or cobbled-together in-house solutions to manage your incentive compensation, it may be impossible.

But with the right tools, providing transparency is not only possible, but easy!

**"WELL... THAT
WAS EASY"**



ICM SOFTWARE ALLOWS ORGANIZATIONS TO LIVE INTO THEIR VALUES

For each aspect we've looked at, we've seen that how you structure and manage incentive compensation directly reflects your company values. And we've seen how difficult it can be to do any of it well without proper access to real-time sales data. This is true from determining which activities to incentivize, to structuring an equitable compensation plan, to providing transparency on a day-to-day basis.

The solution to all of it comes in the form of advanced Incentive Compensation Management (ICM) software like [Performio](#).

Performio's ICM solution puts all the data you need at your fingertips. Intuitive dashboards, summaries, and reports make it easy to see exactly how your team is performing, analyze trends, spot outliers, and ensure that everything stays on track. You'll be able to incentivize the right behaviors, identify the causes of undesirable behaviors, and provide equitable compensation for all reps.

And when you need to adjust your sales comp plan, you can do so right away with a few simple clicks. No need to call up support, dig into complicated formulas,

or make the same change across multiple rows or spreadsheets. Just make the change once, and the software updates all the rest for you.

As for your sales reps, they'll be given real-time access to all of their sales activities. They'll see what they've completed, what they're earning, how far along they are toward meeting their goals and quotas, and what they'll need to do to stay on track. And if they fall behind, they'll be able to see that too and be motivated to catch up. When their paycheck arrives, there will be no surprises, as they'll have been able to monitor their own progress all along.

Of course, all this data is provided with role-based access, ensuring everyone can see what they need to see, and no one can pry into things they shouldn't.

Put simply, Performio makes it easy to exemplify the company values you aspire to.

Want to see what Performio can do for your organization?

Request a demo today.

Request A Demo

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