

Based on over 90 years of sales compensation experience, the BSC Consultants team has assembled our list of “better” sales compensation practices that we have found to be effective across a range of industries and sales organizations. The relevance of these practices and how to best apply them can vary, but we find these practices form an excellent foundation to ensure an effective sales compensation program. The goal is to attract, retain, and motivate your sales team to achieve amazing sales results!

We encourage you to calibrate your alignment against these practices to see how you measure up. This can provide a view on practices you may want to investigate in greater detail and consider applying. We suggest using the following scale:

Don't Follow	Rarely Follow	Follow with Exceptions	Follow with Rare Exceptions	Always Follow
1	2	3	4	5

You can evaluate your sales compensation program question-by-question as well as in summary at the category level. Please consider your alignment against the following better practices:

Category	Better Practice	Alignment (1-5)
Eligibility	1. Members of the sales team with a reasonable degree of impact on sales results should be eligible for participation in the sales compensation program.	
Eligibility	2. Companies should document objective criteria for determining eligibility for sales compensation, e.g., individual impact on sale, ability to measure impact, % of role focus on creating sales, etc.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		
Ranges and Structure	3. Compensation ranges and salary structures should be represented in terms of Target Total Compensation (TTC), e.g., base + target variable incentive.	
Ranges and Structure	4. Companies should use unique salary structure for sales employees compared to other employee populations.	
Ranges and Structure	5. Target Total Compensation ranges should allow for progression of pay based on annual or periodic performance evaluation.	
Ranges and Structure	6. Merit adjustments for sales roles should be applied at the Target Total Compensation level (base + target incentive; not just base).	
Ranges and Structure	7. Structures as well as policies should be in place to help manage career/job transitions between sales and non-sales roles.	
Ranges and Structure	8. Individual contributor TTC ranges should allow the potential for individual pay to go beyond the range of a direct supervisor.	

Ranges and Structure	9. To attract above average sales talent, companies should expect to pay above median market pay levels.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		
Pay Mix	10. Pay mix (base/incentive) should be set by role.	
Pay Mix	11. Pay mix should align to a role's sales prominence.	
Pay Mix	12. Pay mix should reflect the degree of a role's influence on business results within the measurement period.	
Pay Mix	13. Pay mix should align with the degree of actual variability exhibited by individual performers, e.g., higher incentive mix for higher variability or lower incentive mix for lower variability.	
Pay Mix	14. Pay mix should not be less aggressive than 85/15 base to target incentive for a sales role.	
Pay Mix	15. Pay mix should provide a lower percentage of pay-at-risk as individuals move up the management hierarchy.	
Pay Mix	16. Pay mix should factor in local market or country practices in global sales organizations.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		
Upside	17. The actual upside opportunity should be proportionate to the at-risk component (target variable) of the pay plan.	
Upside	18. In most sales environments, the best sales performers should be able to at least double or triple one's target incentive amount.	
Upside	19. Upside levels should ensure top performers can reach top tiers (e.g. 75 <sup>th</sup> and 90 <sup>th</sup> percentiles) of market actual compensation.	
Upside	20. Plan payouts should be modeled to ensure plans are affordable within relevant scenarios of sales results.	
Upside	21. In most cases, payments to high performers will exceed savings from low performers and budgets should factor that in, e.g., sales comp budgets are usually 108-110% of the sum of TTC levels.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		
Performance Measures	22. Performance measures should align with selling/financial objectives of company/business unit.	
Performance Measures	23. Performance measures should primarily focus on sales volume such as revenue, bookings, ACV, etc.	
Performance Measures	24. Performance measures can consider a secondary focus on strategic results such as profit, products, and/or accounts.	

Performance Measures	25. For the majority of roles, an MBO type performance component should comprise no more than 50% of a plan's measurement weightings (and ideally much less).	
Performance Measures	26. All sellers should have the opportunity to achieve results within distinct at-risk plan components.	
Performance Measures	27. Performance measures should reflect controllable results of each role rather than effort, e.g., sales activities or milestones.	
Performance Measures	28. One's compensation plan should have no more than three measures, with each measure weighing at least 15% of plan opportunity.	
Performance Measures	29. Performance measures should be objective and observable.	
Performance Measures	30. Measures should be reportable on a timely basis allowing for individuals to react to and influence results, i.e., drive outcomes.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		
Performance Targets	31. Individual performance targets should align with business objectives or targets of company/business unit.	
Performance Targets	32. Individual performance targets should generally have no more than a 5% over-assignment or "hedge".	
Performance Targets	33. Individual performance targets should reflect realistic market potential/opportunity.	
Performance Targets	34. Individual performance targets should be achievable with reasonable/stretch effort.	
Performance Targets	35. Individual performance targets should balance the degree of influence versus non-controllable results, e.g., market movement or "chance" volume.	
Performance Targets	36. Minimum requirements (min quota or production) by role should reflect the economics of the compensation costs.	
Performance Targets	37. In a typically strong performance period, a company should strive to have at least 60% of sellers achieve or beat goal.	
Performance Targets	38. During the measurement period, quotas should only be adjusted minimally unless extreme changes in business conditions occur.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		
Crediting	39. Appropriate team members should be credited for a multiple party selling effort.	
Crediting	40. Crediting activity should reflect one's influence over customer decision making and timing of that decision making.	

Crediting	41. Crediting should reflect the degree of teamwork or unique influence required to achieve the deal, e.g., splits, double credits, or partial deal as appropriate.	
Crediting	42. To promote effective team selling, sales crediting should focus on proactive (and cost effective) double quota/double credit rather than split crediting.	
Crediting	43. Productivity expectations, target setting, and/or quota setting should factor in details of your sales crediting model.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		
Plan Mechanics	44. Plan mechanics structure should consider what most effectively and fairly evaluates individual performance – absolute results or relative (quota or target) results.	
Plan Mechanics	45. Plan mechanics should balance individual results of a measure with total performance of multiple components.	
Plan Mechanics	46. Plan mechanic details (threshold, accelerators, and regressive rates) should reflect nature of the expected performance range.	
Plan Mechanics	47. To avoid sales force demotivation, companies should avoid using hard caps or use them in extreme situations.	
Plan Mechanics	48. When utilizing a threshold, no more than 5-10% of salespeople should fall below threshold in a typical performance period.	
Plan Mechanics	49. Payout formulas should provide significant differentiation between low performers and high performers in the same role.	
Plan Mechanics	50. Payout timing should occur as close to the sales event as is reasonable and administratively feasible.	
<b>Indicate Your Overall Alignment Score for This Category:</b>		

**If you have any questions about these better practices or would like help considering how to apply them, please do not hesitate to contact the team at Better Sales Comp Consultants.**

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