

Sales Compensation Programs and Practices

A Report by WorldatWork,
Underwritten by OpenSymmetry
October 2016

research



OpenSymmetry
from strategy to success.

WorldatWork
The Total Rewards Association



About WorldatWork® – The Total Rewards Association

WorldatWork (www.worldatwork.org) is a nonprofit human resources association for professionals and organizations focused on compensation, benefits, work-life effectiveness and total rewards – strategies to attract, motivate and retain an engaged and productive workforce. WorldatWork and its affiliates provide comprehensive education, certification, research, advocacy and community, enhancing careers of professionals and, ultimately, achieving better results for the organizations they serve. WorldatWork has more than 65,000 members and subscribers worldwide; 80 percent of Fortune 500 companies employ a WorldatWork member. Founded in 1955, WorldatWork is affiliated with more than 70 local human resources associations and has offices in Scottsdale, Ariz., and Washington, D.C.

WorldatWork Society of Certified Professionals® is the certifying body for six prestigious designations: the Certified Compensation Professional® (CCP®), Certified Benefits Professional® (CBP), Global Remuneration Professional (GRP®), Work-Life Certified Professional® (WLCP®), Certified Sales Compensation Professional (CSCP)™ and Certified Executive Compensation Professional (CECP)™.

The WorldatWork group of registered marks also includes: *workspan* and *WorldatWork Journal*.



About OpenSymmetry

OpenSymmetry is the world's largest independent consulting firm specializing in the implementation of sales performance management solutions supplied by the industry's leading vendors. With a client base of over 500 organizations ranging from SMBs to Fortune 500 companies, OpenSymmetry has been recognized by Gartner as a leading implementer in the 2016 Magic Quadrant for Sales Performance Management.

Founded in 2004, OpenSymmetry has headquarters in Austin, Texas, with offices in the United Kingdom and India. OpenSymmetry has been recognized by Inc. as one of the [50 Best Workplaces](#) in 2016 and the [Inc. 5000 Fastest Growing Private Companies](#) in the US for six years in a row. For more information, please visit www.opensymmetry.com.

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Introduction & Methodology

This report summarizes the results of a July 2016 survey of WorldatWork members to gather information about trends in sales compensation programs and practices. The research focuses on effective sales compensation plans that provide financial incentives to encourage salesforce success, resulting in accomplishment of specific objectives related to the selling process.

On July 18, 2016, the survey opened to U.S., Canadian and international WorldatWork members. Members were notified of the survey through direct, electronic invitations as well as a targeted message in the July issue of *Sales Compensation Focus*.

The survey closed on Aug. 31, 2016, with 246 responses. The dataset was cleaned and analyzed using statistical software. Any duplicate records were removed, resulting in a final dataset of 195 responses. Data comparisons with any relevant, statistically significant differences are noted in this report.

The demographics of the survey sample and the respondents are similar to the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America.

The frequencies or response distributions listed in the report show the number of times or percentage of times a value appears in a dataset. Due to rounding, frequencies of data responses provided in this survey may not total 100%.

WorldatWork conducted similar sales compensation programs and practices surveys in 2010. This report can be viewed on the WorldatWork [website](#).

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Demographics

Figure 1: “Which of the following best describes your employer:” (n=154)

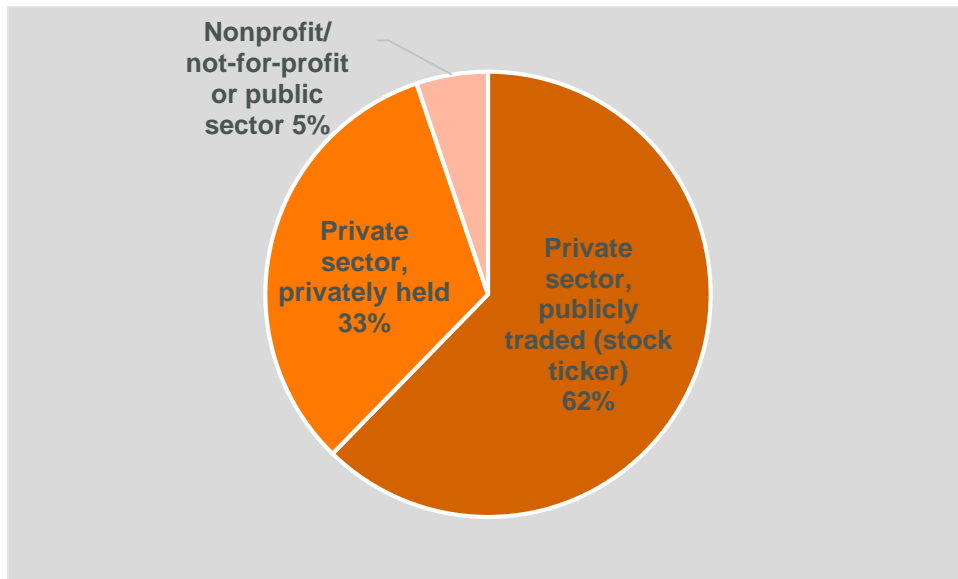


Figure 2: “Please choose the total number of full-time employees (FTEs) your organization employs worldwide:” (n=154)

Option	Percentage
Fewer than 100 employees	1%
100 to 499	2%
500 to 999	8%
1,000 to 2,499	14%
2,500 to 4,999	18%
5,000 to 9,999	15%
10,000 to 19,999	21%
20,000 to 39,999	8%
40,000 to 99,999	10%
100,000 or more employees	4%

Figure 3: “What is the total size of your sales organization in number of employees? (FTE census)” (n=150)

Option	Percentage
1 to 24	9%
25 to 100	19%

101 to 249	16%
250 to 699	21%
700 to 1,999	19%
2,000 or more employees	16%

Figure 4: “Please choose one category that best describes the industry in which your organization operates:” (n=152)
Industries with less than 2% are not listed.

Option	Percentage
All Other Manufacturing	18%
Information (includes Publishing, IT, etc.)	13%
Finance & Insurance	11%
Consulting, Professional, Scientific & Technical Services	5%
Utilities, Oil & Gas	4%
Computer & Electronic Manufacturing	3%
Other Services (except Public Administration)	3%
Wholesale Trade	3%
Accommodations & Food Service	2%
Health Care & Social Assistance	2%
Pharmaceuticals	2%
Other	25%

Figure 5: “What is the approximate annual voluntary turnover for employees?”

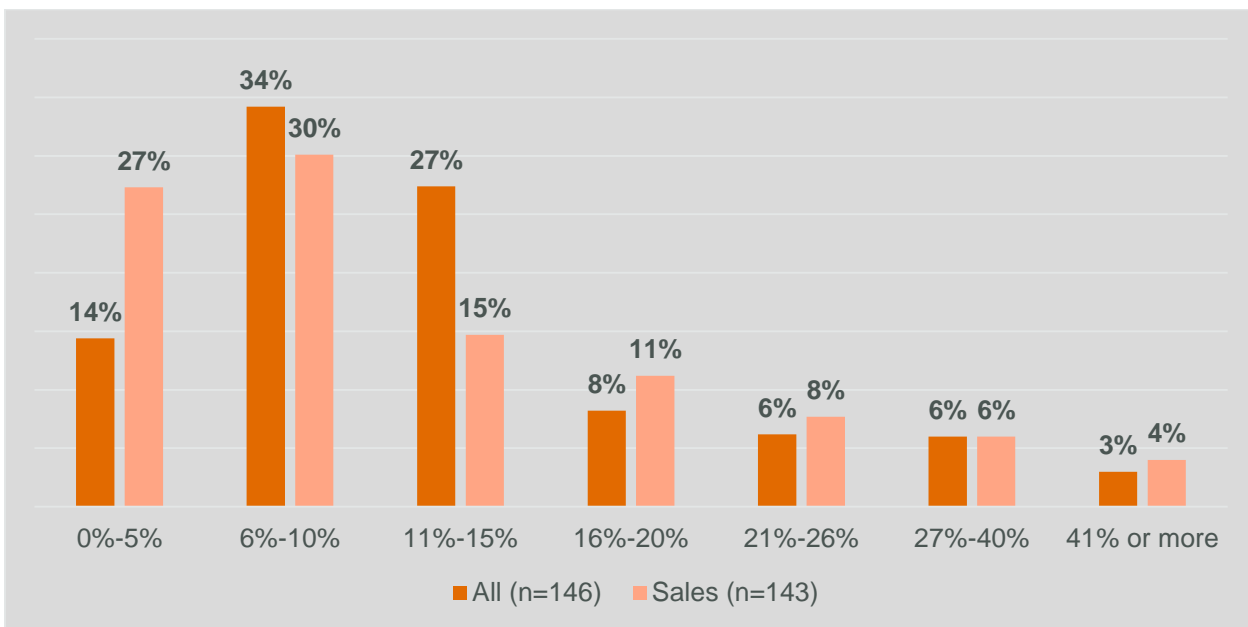


Figure 6: “What is your role/level?” (n=154)

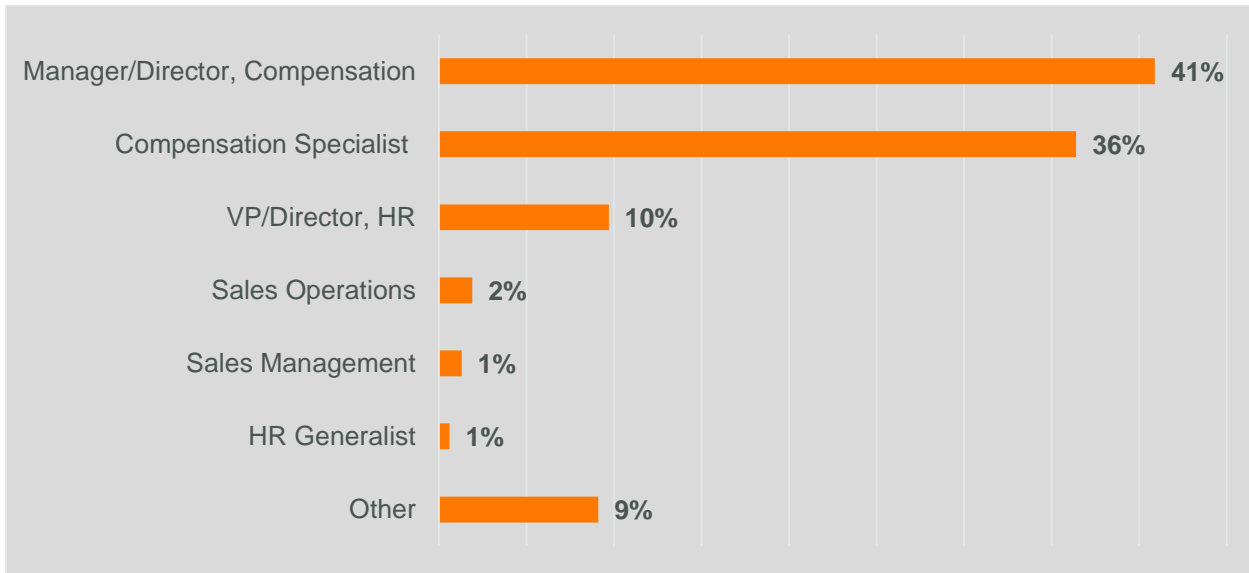
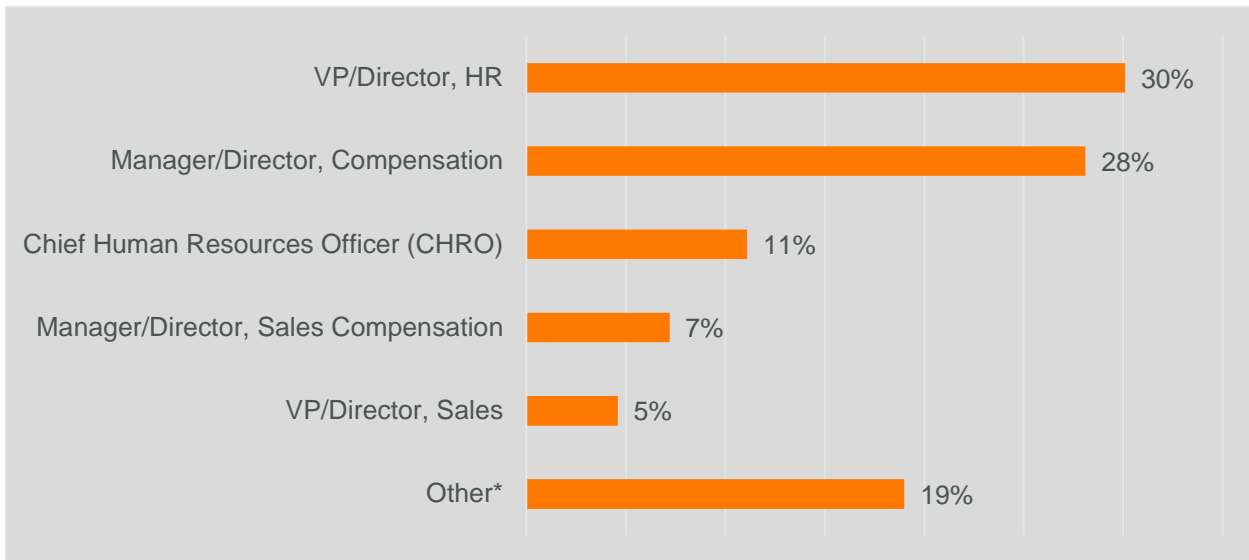
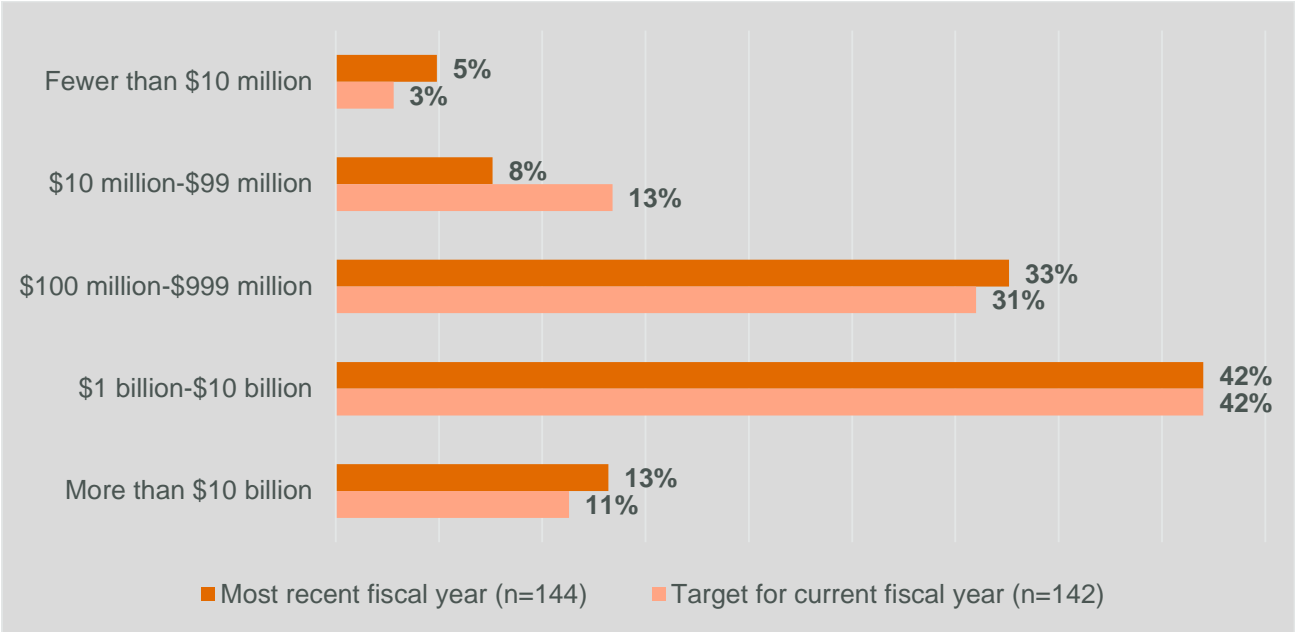


Figure 7: “What is your supervisor’s role/level?” (n=153)



** “Other” responses varied. Some replies included: Director, Total Rewards; VP, Compensation; Senior VP, Corporate HR; and Senior VP, Total Rewards.

Figure 8: “What is/was the net total sales revenue of your organization (in U.S. dollars)?”

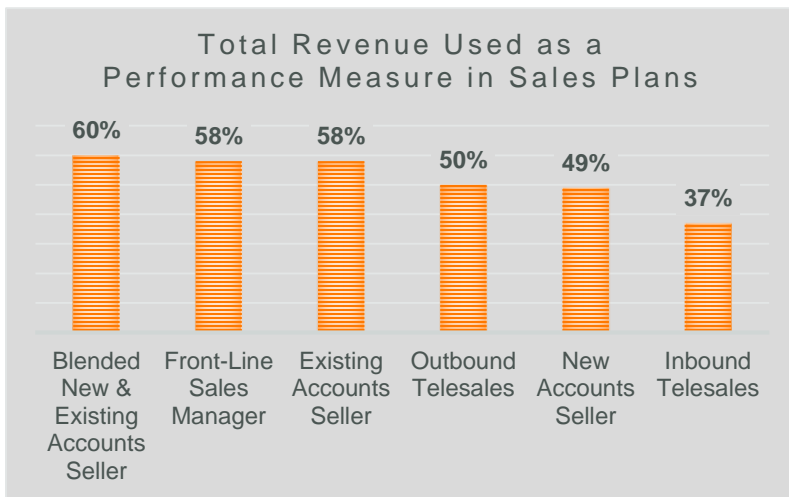


Executive Summary

The current economic environment is driving sales compensation plans toward higher payouts for over-achievers as well as increasing the weight of incentives in the pay mix. Responsibility for both new business and existing accounts lies with hybrid sales roles in nearly eight of 10 organizations, with front-line sales manager roles following close behind (72%). (See Figure 9.) The average fixed and variable pay mixes for sales positions including front-line sales managers, outbound telesales, existing account sellers and hybrid account sellers range between 70/30 and 60/40. (See Figure 10.)

Performance Measures

Most organizations use two or three performance measures, with nearly a third using two performance measures on average. (See Figure 11.) The most prevalent measure for all sales roles is total revenue, with the exception of new account sellers, who are more likely to use new account revenue. (See Figure 12.)



For primary sales roles, performance is measured on an individual basis with the exception of front-line sales managers, who are measured on a team basis. (See Figure 13.)

Sales Compensation Policies and Practices

Almost half of organizations (48%) have a documented sales compensation philosophy, 63% have documented guidelines governing the way in which sales compensation plans should be evaluated and 90% of organizations have a formal plan administering sales terms and conditions. (See Figures 14, 15 and 16.)

The most prevalent kinds of changes being made to plan design indicate attention being paid to driving more compensation to high performers. Increasing both the upside for above-quota performance as well as adjusting the pay mix to more variable pay are the most common responses. (See Figure 17.)

Half of organizations report that their board of directors is not involved with sales compensation. (See Figure 18.) Among key stakeholders, the top sales executives (28%) and CEOs (25%) have ultimate approval authority for changes to sales compensation plans. The top HR executive has ultimate approval authority in only 8% of organizations surveyed. (See Figure 19.)

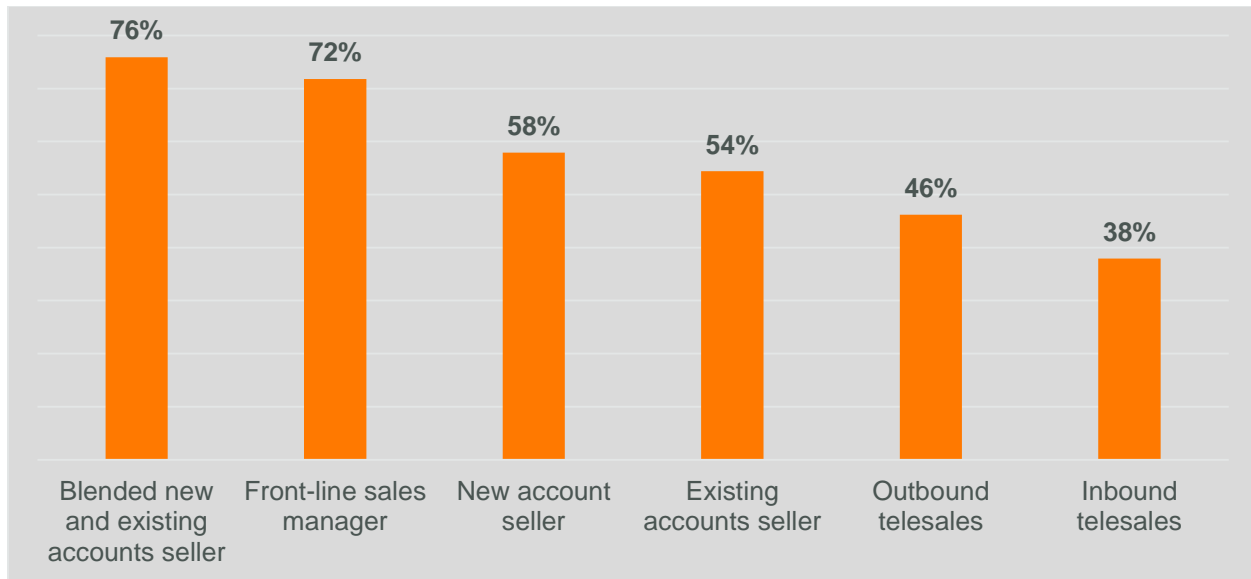
Successful launches of sales compensation plans are in large part due to the composition and involvement of the design team (50%) and gaining buy-in from sales managers through effective training and communication (49%). (See Figure 20.)

46% of organizations' sales compensation plans vary worldwide, while 40% have universal plans. (See Figure 22.) The approximate split in practice is an indication that there is no one "right" answer on this point, but rather that each organization needs to carefully weigh its sales and overall business objectives along with the composition of its salesforce to best determine sales plan commonality worldwide.

Results and Analysis

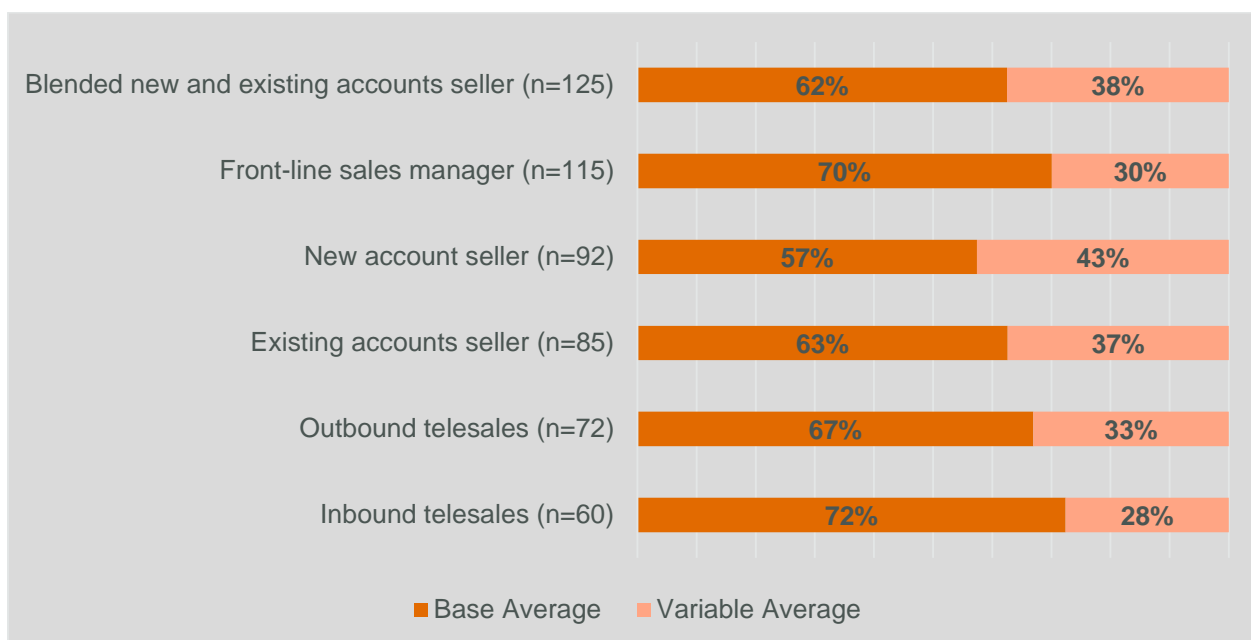
Primary Sales Roles

Figure 9: “Please indicate which sales roles are currently used in your organization. (Select all that apply.)” (n=195)



Pay Mix

Figure 10: “Please indicate the average pay mix for the following sales positions in your organization based on their primary role.”



Performance Measures

Figure 11: “On average, how many performance measures are included in the sales compensation plan for your organization’s primary sales roles?” (n=154)

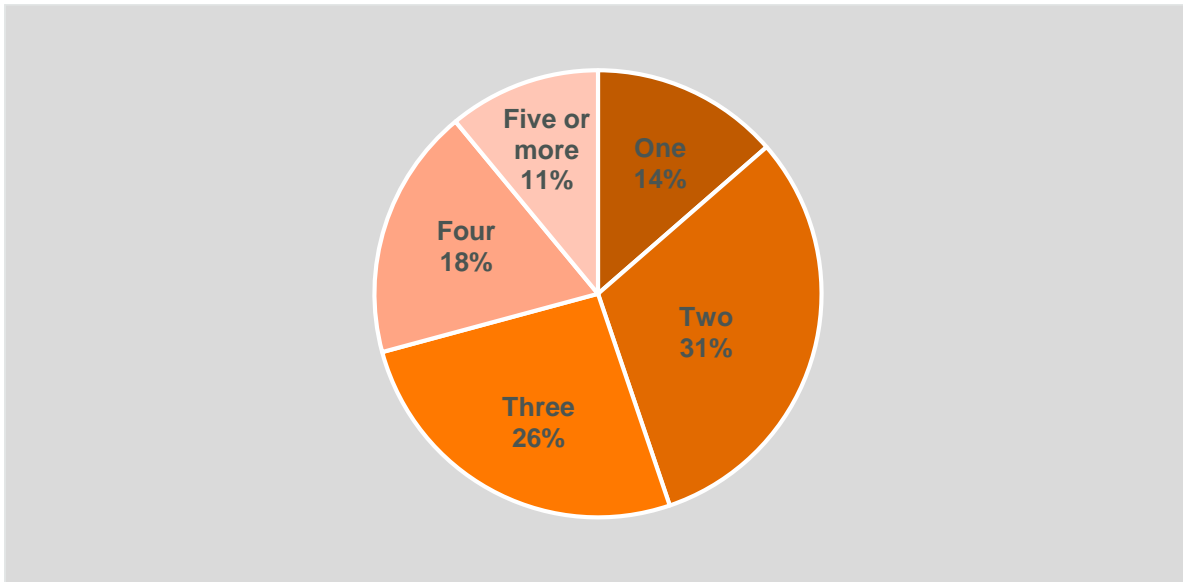


Figure 12: “Please indicate the performance measures used in your plan for primary sales roles. (Select all that apply.)”

	New Accounts Seller (n=86)	Existing Accounts Seller (n=81)	Blended New & Existing Accounts Seller (n=118)	Outbound Telesales (n=66)	Inbound Telesales (n=54)	Front-Line Sales Manager (n=110)
Total Revenue	49%	58%	60%	50%	37%	58%
New Account Revenue	54%	19%	36%	33%	33%	32%
Existing Account Revenue	7%	35%	25%	11%	15%	19%
Unit Volume	16%	15%	14%	18%	20%	18%
Order Volume	6%	7%	10%	5%	4%	9%
Gross Profit (\$ or %)	16%	17%	25%	15%	13%	22%
Price Realization	5%	7%	5%	8%	4%	6%
Select Product Sales	17%	14%	22%	29%	28%	10%
Number of New Accounts	23%	7%	16%	26%	28%	13%
Account Retention	6%	26%	18%	9%	15%	18%
Account Expansion	7%	19%	14%	12%	13%	16%
Customer Satisfaction	13%	15%	11%	12%	26%	14%
Key Sales Objective or Milestones	23%	25%	30%	26%	26%	32%
Other	15%	14%	23%	17%	20%	30%

Figure 13: “Please indicate how performance is measured for your primary sales roles – on an individual or team basis, or both. (Select all that apply.)”

	New Accounts Seller (n=86)	Existing Accounts Seller (n=81)	Blended New & Existing Accounts Seller (n=117)	Outbound Telesales (n=68)	Inbound Telesales (n=54)	Front-Line Sales Manager (n=111)
Individual performance	81%	79%	72%	74%	57%	18%
Team performance	7%	7%	6%	6%	7%	43%
Both individual and team performance	24%	26%	36%	28%	43%	52%

Sales Compensation Policies and Practices

Figure 14: “Does your organization have a documented sales compensation philosophy?” (n=154)

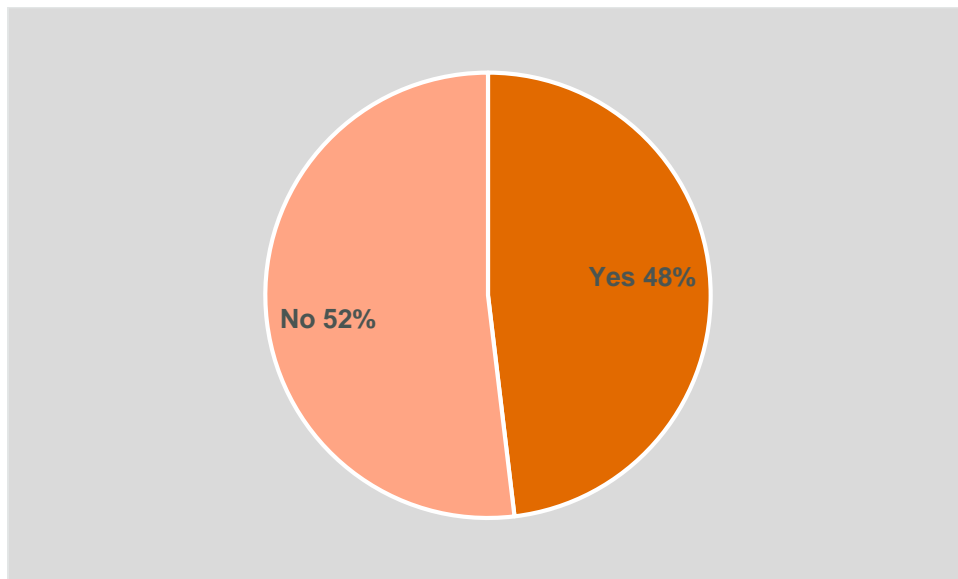


Figure 15: “Does your organization have documented policy guidelines that govern the process, the manner and frequency against which your sales compensation plans are reviewed?” (n=153)

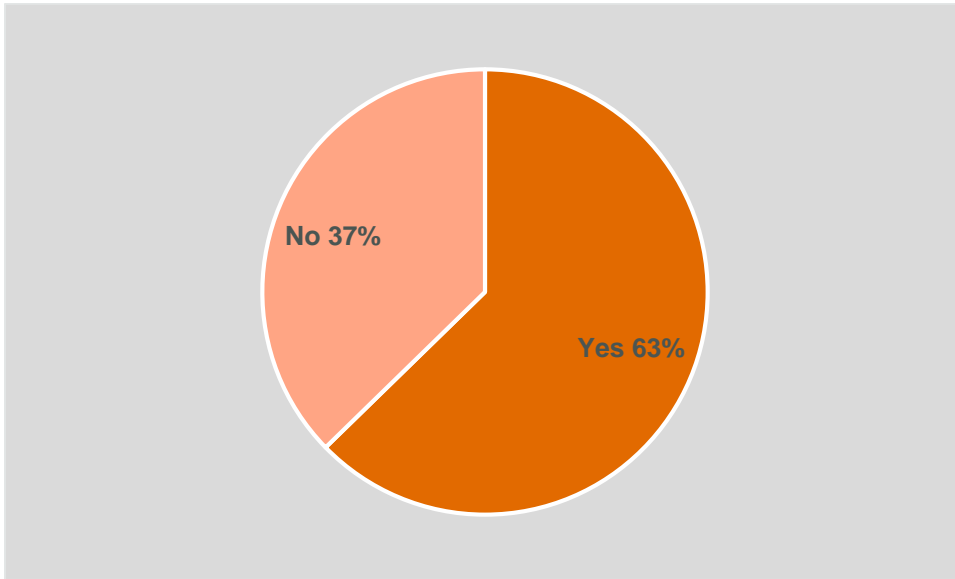


Figure 16: “Do you have a formal plan document that details the governing terms and conditions for your sales plans?” (n=154)

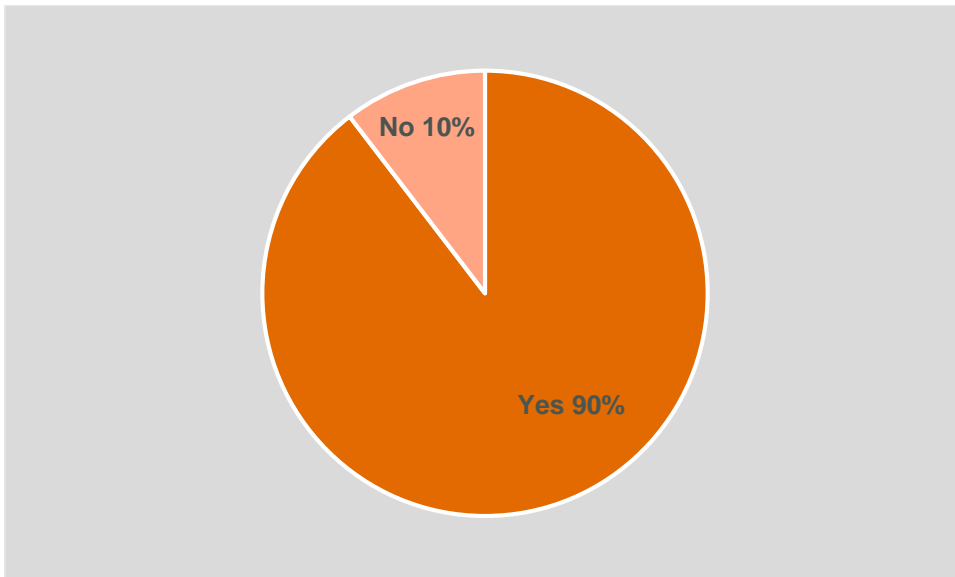


Figure 17: “How has the current business environment affected sales compensation plan design at your company? (Select all that apply.)”

	2016
n=	122
More aggressive over-achievement incentive rates	34%
Adjusted pay mix – more aggressive	28%
Mid-year corrections	25%
Lowered where we start to pay incentives (i.e., threshold performance)	17%

Reduced quotas/sales goals	14%
Adjusted pay mix – less aggressive	9%
Shortened the quota/goal-setting time horizon (e.g., from annual to quarterly)	7%
Shortened the performance measurement period (e.g., from annual to quarterly)	6%
Other <ul style="list-style-type: none"> • Responses varied, some included: <ul style="list-style-type: none"> ○ No change or impact ○ Adjusting metrics 	28%

Figure 18: “Which statement best describes your board of director’s involvement with sales compensation in your organization?” (n=152)

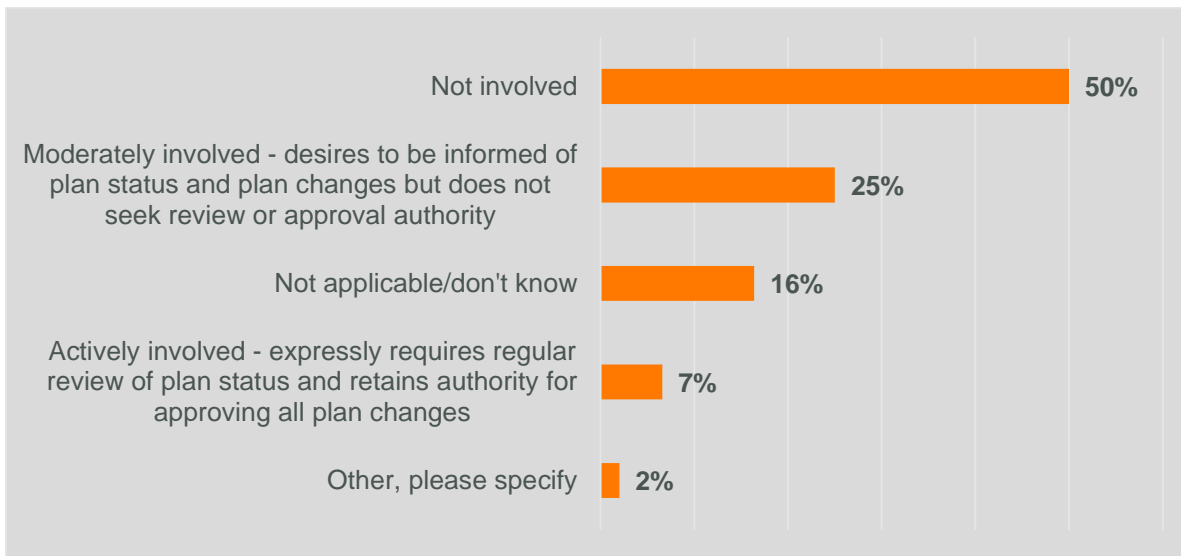


Figure 19: “In your organization, which of these stakeholders has ultimate approval authority change to the sales compensation plans?” (n=153)



Figure 20: “If your most recent sales compensation plan launch was a success, please indicate which of the following critical success factors contributed to the successful launch. (Select all that apply.)”

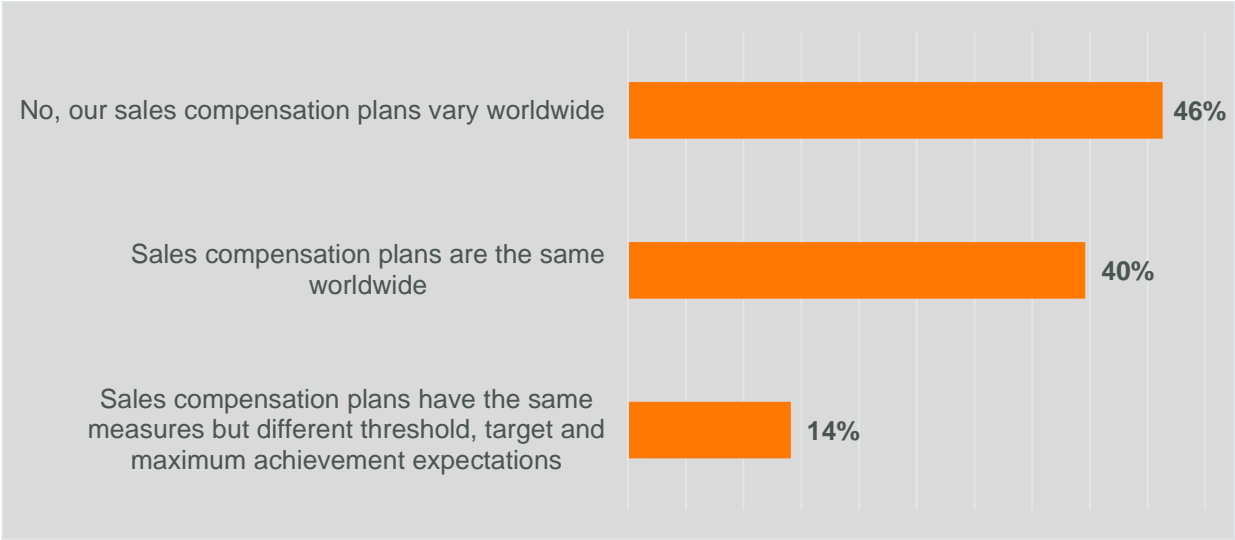
	2016
n=	135
The composition and involvement of the design team	50%
Gaining buy-in from sales managers through effective training and communication	49%
An effective goal-setting process	39%
Consistent messaging from management	35%
Gaining buy-in from sales reps through effective training and communication	29%
Salesforce input at the beginning of the design process	27%
Automated sales compensation plan administration	15%
Customer input at the beginning of the design process	6%
Our most recent sales compensation plan launch was not successful	14%
Other	7%

Figure 21: “If your most recent sales compensation plan launch was not successful, please indicate which of the following critical success factors were lacking. (Select all that apply.)”
Only participants answering “Our most recent sales compensation plan launch was not successful” in Figure 20 received this question.

	2016
n=	19 ¹
Gaining buy-in from sales reps through effective training and communication	53%
Gaining buy-in from sales managers through effective training and communication	47%
Automated sales compensation plan administration	37%
Consistent messaging from management	37%
The composition and involvement of the design team	37%
Salesforce input at the beginning of the design process	32%
An effective goal-setting process	21%
Other	16%

¹ Count for group is less than 30; data corresponding to larger sample sizes will have stronger statistical power and validity.

Figure 22: “Does your organization have common sales compensation plans worldwide?” (n=149)



Participating Organizations

Aaron's Inc.
Advanced Technology Services
Air Liquide America
Allscripts
Altice USA
Andersen Corp.
Angie's List
Aramark Uniform Services
Armstrong Flooring Inc.
ATCO
Automobile Club of Southern California
Avery Dennison
Axway
Baxter Healthcare Corp.
BBVA Compass
BigCommerce
Black Knight Financial Services
Blue Cross & Blue Shield of Rhode Island
Bluegreen Vacations
BMC Software
Bob Evans Farms
California Casualty Management Co.
Callaway Golf Co.
CareerBuilder
Cargill
Cartus
CHS Inc.
Citrix Systems
Clariant
Clearwater Paper Corp.
Coupa Software
Cox Media Inc.
Crowley Maritime Corp.
CUNA Mutual Group
Delta Dental Plan of Michigan
Digi International
Drury Hotels Company LLC
EarthLink
ESCO Corp.
Essendant
Ferguson Enterprises Inc.
Ferrellgas
FIS
Fitbit
FMC Technologies
Gates Corp.
Gemalto
Gilt City
Graco Inc.
Grande Cheese Co.
Group Health Cooperative of South Central Wisconsin
HarbisonWalker International
Heraeus Kulzer LLC
IDEXX
IEEE
Imperial Supplies
IMS Health
Ingersoll Rand
Ingevity Corp.
Intel
J. J. Keller & Associates Inc.
Kelly Services
KinderCare Education
Liberty Mutual Insurance
Lubrizol
Lumentum
Mallinckrodt Pharmaceuticals
MAPFRE Insurance
Marsh Canada Limited
Media General Inc.
Miraca Life Sciences
Mondelez International
MSA Safety Inc.
Navistar
NBTY
Ochsner Health System
Office Depot
Oshkosh Corp.
Owens Corning
Paycor
Pella Corp.
Perrigo Plc
Pinnacle Foods
Polycom
Research Now
Ricoh
Roche Diagnostics Corp.
Service Corp. International
Simmons Foods
Solix Inc.
Splunk Inc.
StandardAero
STIHL Inc.
Sun Life Financial, SLF U.S.
The Allstate Corp.
The Manitowoc Co. Inc.
tronc
TSYS
Unisys
UTC Aerospace Systems
Vantiv
Waste Management
Weatherford International
Wellmark Blue Cross Blue Shield
WR Grace
Zimmer Biomet