



# BUILDING SALES INCENTIVE PLAN

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## In Essence

### THE CHALLENGE

Changing landscape of the Publishing Industry and increasing complexity in achieving the sales revenue targets propelled the organization to find ways to motivate employees to deliver high performance along with building personal accountability

### THE SOLUTION

Designing and implementing a new incentive plan for the sales force with an objective to promote right behaviors driving improved business performance

### THE IMPACT

The robust incentive plan helped sales guys focus their efforts in the right direction leading to positive change in behaviors

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### “BUILDING SALES INCENTIVE PLAN”

*Case of an MNC Publishing Company*

This case discusses how SDF designed a new sales incentive plan for an organization and ensured great launch and hassle-free execution. It targeted at improving sales performance through embedding a culture of high performance and individual accountability. The plan was able to achieve a motivated sales team ready to out-perform their targets.

Design

Simulate

Launch

Monitor Ongoing Effectiveness

### THE CHALLENGE

Demanding market conditions and changing customer preferences posed a challenge to the growth strategy of a leading multinational education and publishing organization. The organization, committed towards excellence, knew that phenomenal sales growth would remain a dream until it embedded excellence and high performance into the organization culture. The company sought to implement a comprehensive incentive plan for its sales force across three major verticals with key objectives being:

- Enhancing Sales Performance
- Driving Individual Contribution and Accountability
- Ensuring the overall Growth of Business

Prior to this initiative, the organization was running an annual bonus plan that rewarded organizational, business unit and individual performance based on the yearly targets and achievement. However it offered little incentive to drive sales and high performance. One of the reasons for this was the low weightage attached to the individual performance. The other reason was that the measurement of targets was done at the regional and organizational levels as opposed to the individual level. Consequently, the bonus plan motivated sales force neither through target setting nor through monetary gains.

The organization, being aware of the prevailing condition and needs of the business, decided to engage with Salto Dee Fe Consulting (SDF) to seek help in developing an incentive plan for the sales force. The plan was to be developed in an extremely tight timeframe of 40 days, meeting all the specified objectives.

### THE DISCOVERY PHASE

We began with delving deep into the organization’s overall functioning and understanding how the three business verticals were actually structured. It involved familiarizing ourselves with the key business objectives, strategy, the overall organization structure, sales processes and sales force design.

While interacting with key stakeholders and studying ‘As-Is’ processes, we explored business realities- products, nature of accounts, key challenges, goal setting process, goal deploying process etc. We learnt that each business vertical was further divided into two or more business lines on the basis of the product offerings. The business lines not only differed in terms of products but also in terms of size, customers, business model and regional spread. Hence, each business line had their unique business challenges and thus different expectations from the new sales incentive scheme.

*Each business line had their unique business challenges and thus different expectations*

At the end of this phase, we were well aware of the key objectives that the new scheme should meet and the impediments that might make this task difficult. The organization was aiming to move away from the existing bonus scheme for the sales team to introducing a plan which rewarded individual efforts with increased earnings basis performance. It was looking at promoting high performance culture and individual accountability to realize annual growth plans smoothly.

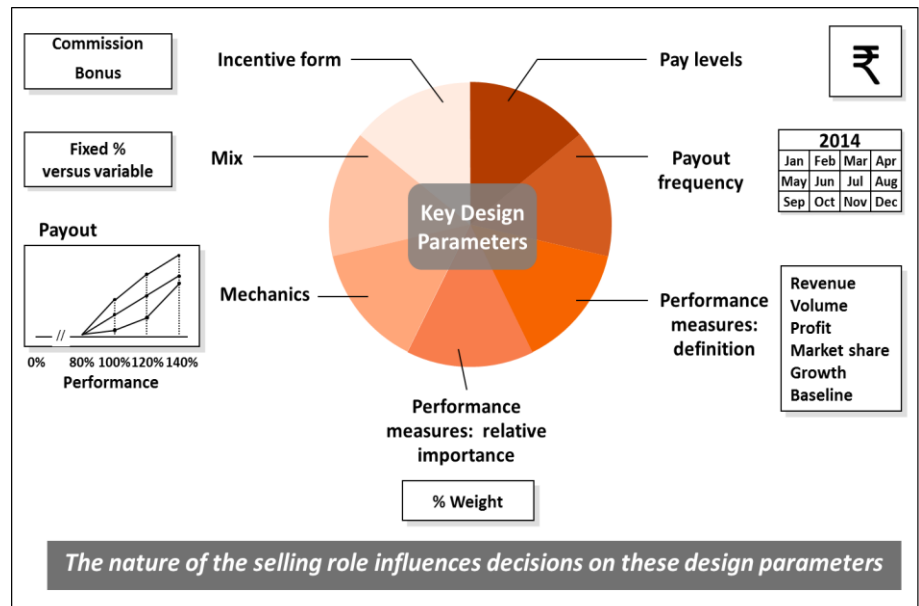
All the business lines under the three verticals differed in nature and thus had specific requirements from the new incentive plan. It was imperative to successfully chart out a plan in harmony with the three diverse verticals. It also came to light that the nature of publishing business renders complexity to the measurement of individual contribution at each stage of the sales cycle. Therefore, one of the major challenges was to ensure that the plan should achieve desirable changes in individual performance and behavior despite these realities.

## THE SOLUTION

SDF worked with the client to develop an incentive plan that would satisfy all the major objectives listed out earlier, while tackling the above mentioned challenges on the way.

### DESIGN

The first step was to ensure consistency among all the sales incentive schemes across different business lines. For this, certain key principles were defined and agreed upon and basis these principles each plan was designed. It provided the 'How' part of the design.



For the 'what' part, for each role key business outcomes were mapped to critical individual performance parameters to reinforce personal accountability. Comparable companies' data was analyzed to make certain that the plan was competitive in the marketplace.

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*The new sales incentive plan provided a better line of sight to each sales employee*

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Current pay scales, previous schemes' payouts and performance levels were studied to create associated payout grids which would motivate sales force to exhibit exemplary performance throughout the year. Measures were taken to ensure correct performance data is reported by the employees under the scope of sales incentive scheme.

### **BUDGETING**

Before actually finalizing the payout grids, rigorous simulations were run to cover variety of possible scenarios. The finance department in association with SDF team carried out extensive cost modelling for each role under all the verticals. This was done to ensure that the scheme should not turn into a loss making affair. It was an important step to reap overall benefits of the scheme in the future. Final sign-offs to all the individual incentive plans were given only after this step.

### **IMPLEMENTATION**

Now, the organization was ready to roll out the scheme. The only step remaining was to plan how the scheme was going to be launched. Given the degree of change the organization was undergoing, SDF helped it formulate the communication strategy along with supporting communication materials for socializing the plan across multiple levels under each business vertical. Instant payout calculators were designed to enable sales guys calculate their payouts at their convenience. For the front-line managers, a detailed document, sharing tips on managing different categories of performers, was also designed. For a sales incentive plan to be successful, intensive planning is required before the launch and this step was not compromised in any sense. The organization experienced smooth launch of the plan with a lot of excitement around the scheme.

### **THE IMPACT**

The new sales incentive plan provided a better line of sight on performance to each sales employee as well as business leaders. The tracking of results also improved thus overcoming a long standing challenge. The sales force was motivated to perform better to earn higher. The consistency maintained across plans for different business lines ensured easier communication and lesser resistance from those under the scheme.



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*Rajan Kalia is the Co-Founder of Salto Dee Fe Consulting and played a pivotal role in leading this intervention.*

*Sonali Chatterjee (Principal Consultant) and Yaamini (Associate Consultant) were the project team and developed this case study.*

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