

Scaling Your Sales Compensation Plan for High Growth Business Opportunities

During periods of rapid growth, companies have an incredible opportunity to take a step back and optimize their sales team, including coverage models, job roles and sales compensation.

For many of our clients in the technology and life sciences sectors, scaling their sales teams in advance of growth is a significant challenge. Whether they are gearing up to launch a new product, trying to expand into new markets or just received US Food and Drug Administration (FDA) approval for a new drug, setting the stage for growth (and change) is rarely easy. When confronted with rapid growth, business leaders, sales managers and compensation professionals need to come together to design sales incentive plans that are ready to handle rising complexity as the business scales.

Under such circumstances, management teams often get hung up on examining the strengths and weaknesses of their current sales team. They ask questions like: Can our existing people learn to sell our new offerings while still hitting all of their numbers? And can our team handle selling into much larger territories or new countries? While these questions are valid, they start with the assumption that existing teams and plans can simply stretch to accommodate changing business needs. Sometimes this can be accomplished; however, when growth is large and rapid, more comprehensive updates are often needed.

In our view, it's always best to start with an examination of your desired future state. Sales and compensation leaders should ask questions like: What are our growth expectations? How many people will we eventually need to support that growth? What types of roles will we need to support a team of that scale? How might existing roles change? And how might customer segments, product priorities and geography influence our decisions? In other words, what type of sales organization do you want to be when you grow up, and how can you connect the dots from where you are today to that vision? There are few instances in a high-growth environment where one type of sales incentive plan serves the needs of increasingly diverse and specialized sales roles.

Fortunately, for companies looking for clues on how best to scale, the Radford [Global Workforce Analytics](#) platform (GWA) provides insights into a number of the key questions raised above. Clients can look across companies by stage of development, size and industry to examine workforce structures, role distribution and even the enterprise-wide cost of sales. For a sense of what clients may find, the table below illustrates a general view of how sales coverage, job roles and compensation plans tend to evolve by stage of development. While company-specific factors may differ, viewing workforce design and compensation practices at a macro level across various stages of development significantly reduces the burden of imagining what your future state might look like (and cost).

Key Changes to the Sales Function by Growth Stage

	Emerging Commercial	High-Growth	Mature
Coverage/ Deployment	<ul style="list-style-type: none"> Undifferentiated geographic territories 	<ul style="list-style-type: none"> Geographic territories by horizontal segment (account size) 	<ul style="list-style-type: none"> Horizontal segments Market verticals Alternative channels
Roles	<ul style="list-style-type: none"> Generalist sales reps 	<ul style="list-style-type: none"> Strategic account executives Territory managers Inside sales reps 	<ul style="list-style-type: none"> National account managers Product/market specialists Territory managers Channel managers
Compensation	<ul style="list-style-type: none"> Commissions are volume based with no quota Key sales objectives (KSOs) for market building 	<ul style="list-style-type: none"> Quota-based Strategic initiatives Thresholds and accelerators 	<ul style="list-style-type: none"> Product mix Shared quotas and/or split crediting Booking and revenue goals Linked measures

Source: Radford West Coast Life Sciences Annual Meeting, September 2016

Only after the management team and sales leadership has agreed upon the right mix of job roles and career levels to align with your business' growth opportunity does it become time to evaluate specific changes to sales compensation design. Just as the sales organization becomes more stratified and specialized with rapid growth, so too does the sales compensation approach. Incentive plans that work well for a single product and single role sales organizations don't scale well. These plans tend to over pay and fail to motivate strategic-selling behavior that is needed in more complex organizations.

At the recent Radford West Coast Life Sciences Annual Meeting, we reviewed seven steps for refining your sales compensation approach in high-growth situations. The specific action items around each step will vary by company, but these steps can serve as a blueprint for navigating what is often a very complex task.

- Step 1: Understand the Business Strategy**
 Seek clarity on your strategic business objectives and the role of the sales team in executing against those priorities.
- Step 2: Agree to Job Roles and Market Coverage**
 Ensure the sales team understands and agrees on the job scope and interdependencies required to

execute your new go-to-market strategy. Pay is role specific unlike other job functions, and the plan can differ for each function even while sharing a common framework.

- **Step 3: Assess Target Compensation, Pay Mix, and Leverage**
Define your competitive target cash compensation on the basis of reliable external benchmark data; then, determine pay mix and upside leverage that reflects each role's relative sales prominence.
- **Step 4: Consider Performance Metrics and Weighting**
The structure of your incentive plan should support the company's financial and strategic goals, which in turn, reflect business priorities and job content for each sales role.
- **Step 5: Determine Incentive Form and Mechanics**
In striving for pay-for-performance alignment, key decisions will need to be made about the use of commissions vs. bonuses, the shape of the payout curve, and the definition of the performance range for each performance measure.
- **Step 6: Set Performance Measurement and Payout Timing**
Decide on the appropriate timing for both performance measurement and incentive payouts.
- **Step 7: Implement and Govern**
When implementing a new sales incentive plan, the end goal is always to win over the hearts and minds of your sales team. Depending on the nature and magnitude of change reflected in the new plan, achieving sales force buy-in may be no small undertaking. Change management, by itself, can be a larger project and should be accounted for when setting deadlines. Your ongoing governance process should reflect clarity around roles, processes and accountabilities required for effective plan management.

To learn more about our experience developing sales compensation plans with sales leaders and compensation professionals at high-growth technology and life-sciences firms, including Radford's approach to sales incentive plan design, please write to consulting@radford.com.

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