

Good Sales Incentives Plan

Part of: Habit 6 – Incentives

Why you need it: incentives accelerate your success and ensure everyone is running towards the same goal

People

02

Project time

Several
weeks

Level

Involved

Audience



Leadership

Benefit

Practical
Advice

About this guide

- High level principles to consider when reviewing or designing sales incentives
- This guide won't give you the answers but it provides an overview to support you in designing and implementing effective sales incentive plans.

Tips for success

- Avoid excessive complexity e.g. too many metrics, overly complex calculations
- Collaboration between HR, finance and MD
- Make your SIPs bold: upside needs to be worth chasing.
- Remember non-cash incentives – recognition, celebration etc.
- Remember sales is a team effort – recognise support of other
- Sweet spot between creating the perfect incentive plan and the disruption and discontent created by change

What you'll get out of it

Clarity on the changes you might need to make

Useful links

- [People: Incentives](#)
- [People Overview](#)
- [Sales Excellence](#)
- [Sales Excellence toolkit](#)

Sales Incentive Plan: Best practices guide

1. Structure

Each business may have multiple SIPs tailored for different roles e.g. hunters vs. farmers. Consider the following:

a) Base salary vs. variable compensation

- i. On Target Earnings (OTE) typically range from 40:60 to 50:50 (base: variable) depending on role and market.
- ii. Avoid capping incentives – top performers need to feel limitless potential.
- iii. Ensure the upside is material enough to drive stretch performance, not just base-level delivery.

b) Bonus/commissions structures

- i. Design based on desired behaviours. What should sales people actually do? Acquire new customers? Protect margin? Sell new products?
- ii. Engage the sales team for feedback- what motivates them?
- iii. Choose performance metrics that matter. Prioritise output over input. Example metrics include:
 - a. gross profit growth
 - b. new customer acquisition
 - c. product mix or expansion
 - d. conversion rates
 - e. Conversion rates (for long-sell cycles consider reward conversion at later pipeline stages)
- iv. Weight metrics based on strategic importance
- v. Decide on frequency of reward: a hybrid may work well e.g. monthly commissions + annual bonus
- vi. Set reasonable thresholds before commission/bonus begins to ensure payouts begin at sustainable contribution levels
- vii. Use tiered commission rates or accelerators to reward over-performance
- viii. Consider multipliers for strategic products or markets
- ix. Use SPIFFs (short-term special incentives) to drive focus in defined sprints, especially when launching new products or tackling short-term performance gaps

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c) Target setting

- i. Targets should be challenging but also fair and achievable.
Consider:
 - a. business budget targets
 - b. market and customer potential
 - c. historical performance
 - d. territory differences
- ii. Collaborate with finance team to ensure SIPs deliver a strong ROI.

2. Implementation

a) Transparency

- i. Provide clear written documentation
- ii. Use dashboards or simple tools to show real-time performance vs. target
- iii. Make SIP progress part of team and individual check-ins

b) Visual feedback

- i. Great SIPs are visible – consider league tables or visual trackers.

c) Payments

- i. Pay commissions promptly (monthly or quarterly)
- ii. Maintain auditability and compliance – this builds trust
- iii. Avoid errors – nothing undermines confidence like miscalculated commission

d) Consistency

- i. Avoid frequent changes – salespeople lose confidence in a shifting system
- ii. Create a core SIP framework and flex within it using strategic multipliers or tactical incentives

e) Review regularly

- i. Review plan effectiveness e.g. quarterly
- ii. Monitor for unintended consequences e.g. volume growth at expense of profitable growth
- iii. Use data to track correlation between SIPs and actual business outcomes
- iv. Adjust based on changing market conditions or shifts in business strategy