

# RADIAN

SALESGLOBE 

## Connecting the Corner Office to the Front Line



[www.SalesGlobe.com](http://www.SalesGlobe.com)  
(770) 337-9897



STRATEGY



TRAINING



COMPENSATION

August 22, 2018



- SalesGlobe Global Practice Leader
- Big Ideas in a Small Package
- Strategy and Change Management Expert



- Vice President of Compensation
- Sommelier Cyclist
- Compensation and Benefits Expert

## A Bit About Us



### Advisory and Consulting Services

- Sales Strategy and Organization
- Account Strategy and Planning
- Incentive Compensation and Quotas

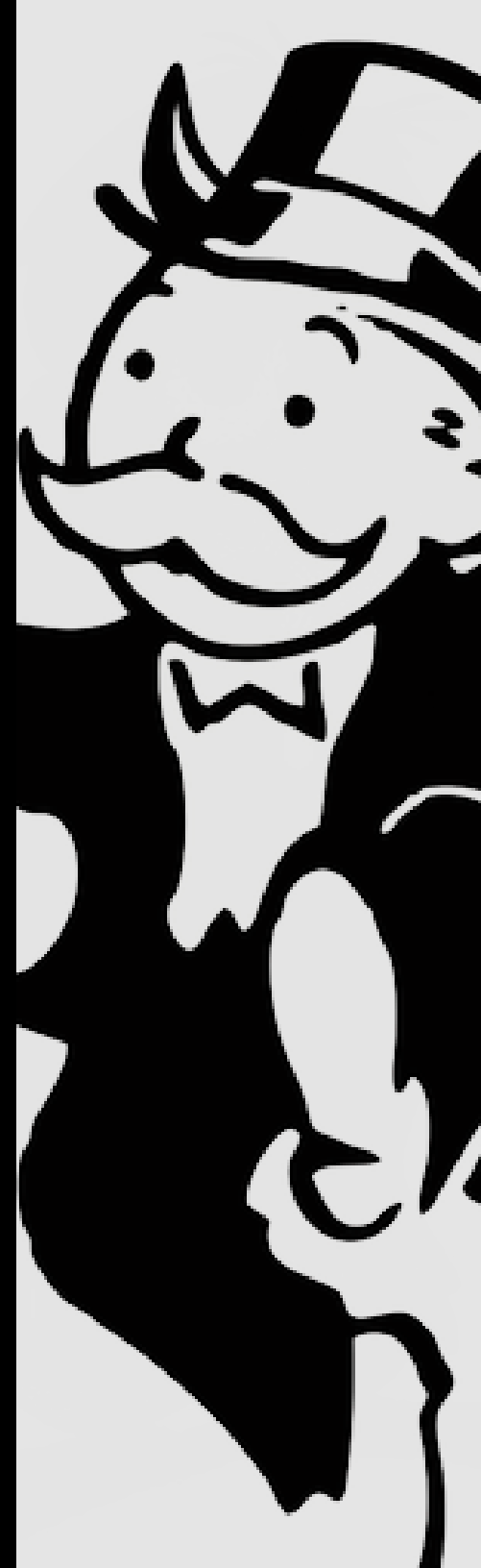


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Sales Compensation  
Design- Challenges and  
Best Practices



# **Top Challenges in Sales Compensation**

**What are your  
company's top sales  
compensation  
challenges?**

## Some Top Sales Compensation Challenges

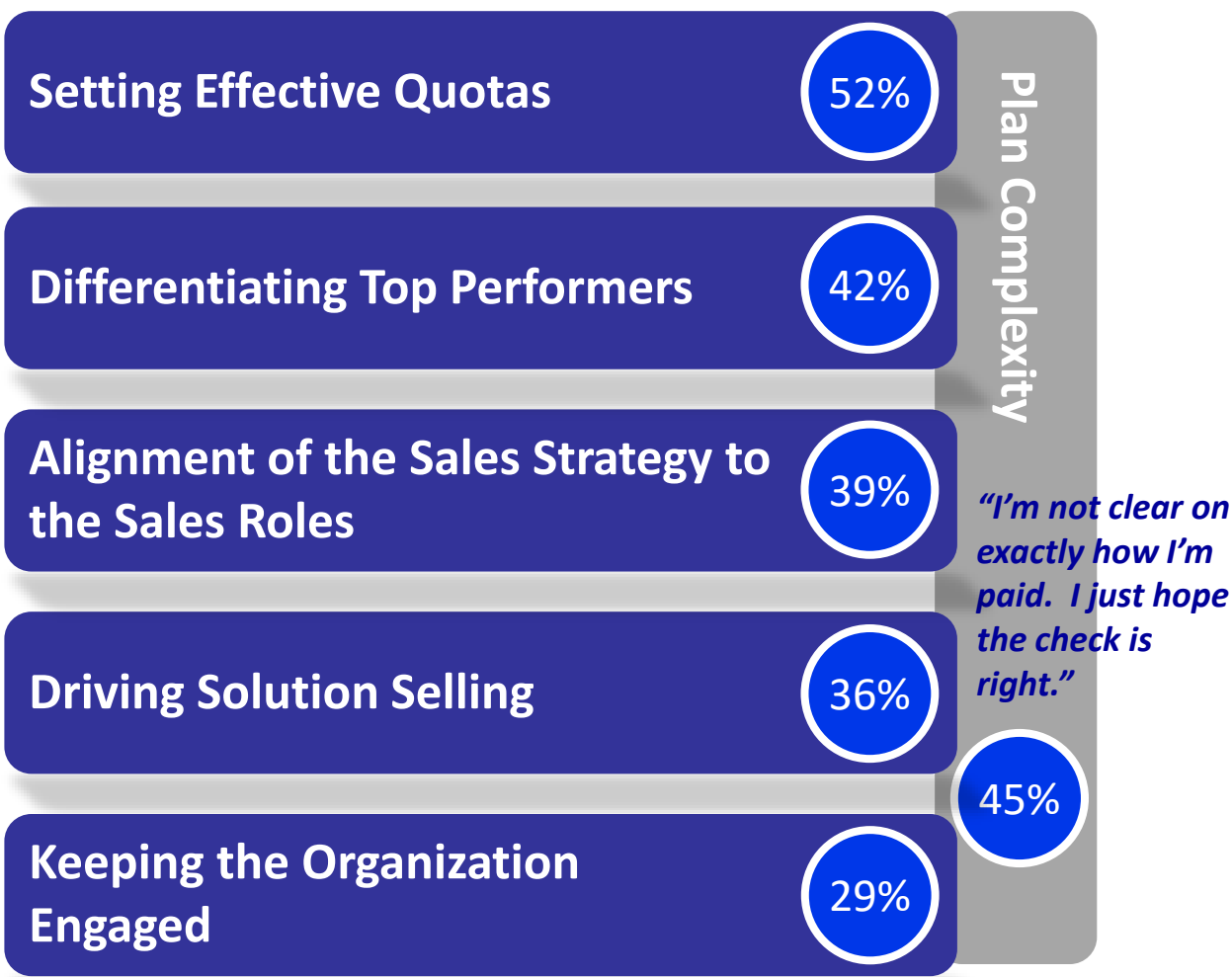
*“You hit your quota and get rewarded with a bigger quota next year. It’s not related to opportunity.”*

*“Our highest earners aren’t necessarily our highest performers. We can’t attract and retain the right talent.”*

*“Our plan promotes behaviors that are different than our strategy.”*

*“The plan doesn’t support solution selling. It drives an aggressive sales process and we need to be more consultative.”*

*“Our reps aren’t hitting their objectives in this economic environment. We need to keep them focused.”*



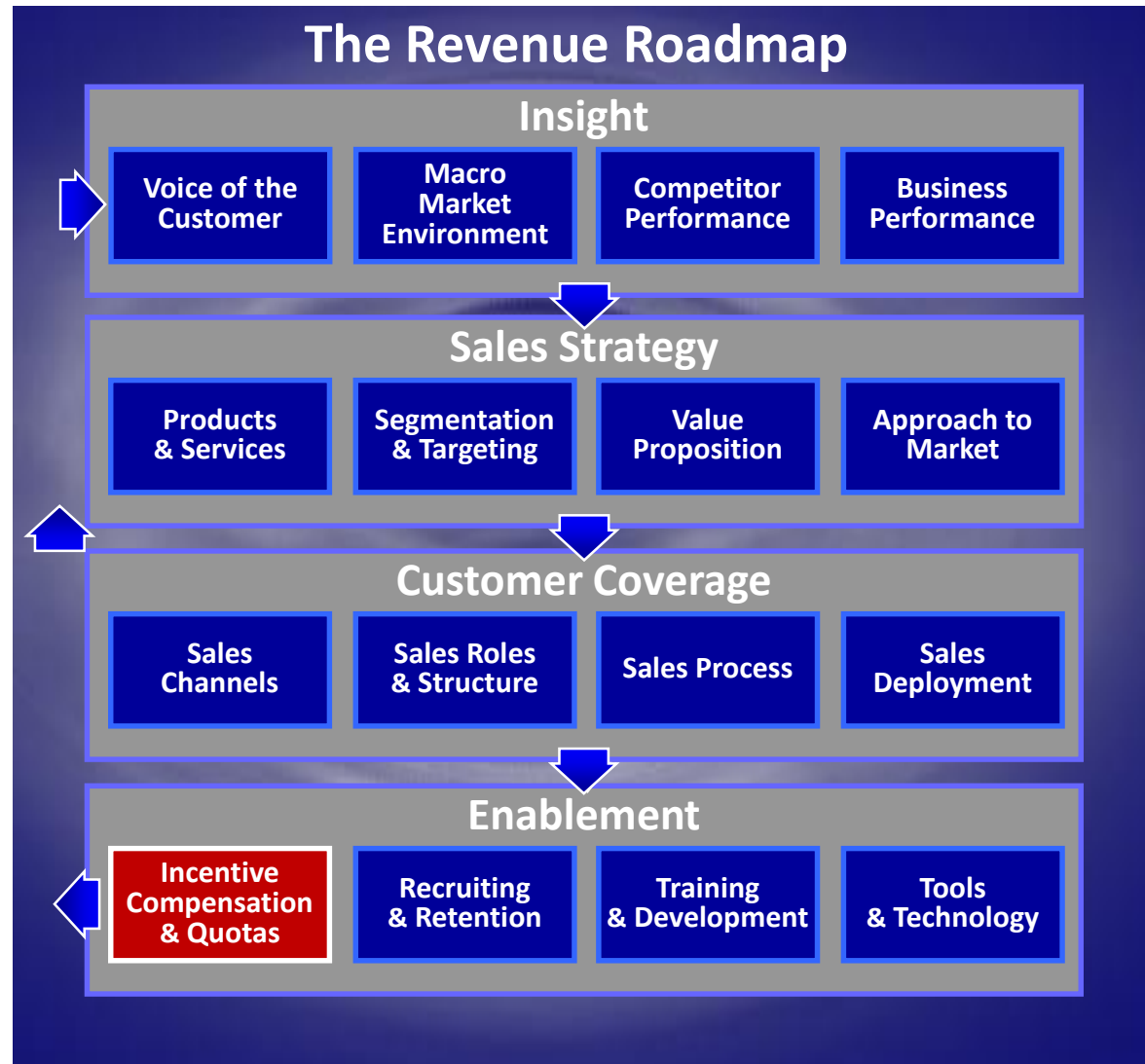
# Strategic Context: The Revenue Roadmap

*Provides information for planning and strategy.*

*Charts an actionable growth plan.*

*Matches roles, resources, and process to customer needs.*

*Aligns execution with the growth strategy.*





**A Day in The Life...**

**Steve “Vino” Deezell**

**VP Sales Compensation of a  
Financial Services Company**

# background

## A Day in Steve's Shoes...

**US-based company (2016 Revenue: \$1B+) that provides private mortgage insurance, risk management products and real estate services to financial institutions.**

- Mortgage Insurance – core product
- 2015 acquisition of a company offering the following products and services:
  - Loan reviews and due diligence
  - Staffing (on-site staffing solutions)
  - Consulting Services
  - Real estate valuation self-service tools
  - Real estate valuation, title, closing, and recording services

<b>Business Lines (6)</b>	<b>Coverage Model</b>
Mortgage Insurance	Dedicated Direct Sales Team <b>A</b>
Loan reviews and Due Diligence Services Staffing Consulting Services	Direct Sales Team <b>B</b>
Real estate valuation self-service tools (proprietary self-service access to SaaS) Real estate valuation, title, closing and recording services	Dedicated Sales Team <b>C</b> Sales teams <b>A</b> and <b>B</b> also sell the services

# challenges

## Steve's Challenges

### Company's Long-term Strategic Objectives

- 1. Grow and diversify earnings per share** while maintaining attractive return on equity.
  - Write high-quality and profitable new insurance
  - Grow Services fee-based revenue
- 2. Coordinate innovative product offerings** and delivery to the marketplace.

### Excerpt from 2015 10-K

<u>(In millions, except per-share amounts and ratios)</u>	<u>2015</u>
<b>Consolidated Statements of Operations (1)</b>	
Net premiums earned—insurance	\$ 915.9
Services revenue (2)	157.2
Net investment income	81.5
Net gains (losses) on investments and other financial instruments	35.7
Total revenues	1,193.3

# challenges

## Revenue and Sales Role

### Compensation Challenges:

1. **Grow Services.** Fee-based revenue.
2. **Sales Role.** The sales teams are tenured and have specialized knowledge. There has been very little new business generated. There is a strong reliance on existing relationships to maintain and grow sales.

### First Action: Energize the sales team and drive new business

- "Shotgun approach"
  - Sales reps are to sell more than one product/service
  - Implemented a "free for all" model so any sales reps can sell any product or service to any client

# challenges

## A Look at Sales Teams

### We didn't get the desired result. Why?

- Not all of the sales people had the same motivation or incentive

#### Sales Team A:

- Licensed to sell mortgage insurance (MI)
- Didn't understand the new products
- Compensation aligned to 50-60<sup>th</sup> survey percentile
- Commission-based on MI new insurance written quota expectations
  - Received flat 1% of new "cross sell" opportunity
- Presidents Club Eligibility

#### Sales Team B:

- Cannot sell MI
- Long tenured people from acquisition
- Commission was an offset program
  - Needed to "pay" salary first
- High base salaries (above 90<sup>th</sup> survey percentile)
- Flat rate of any Revenue

#### Sales Team C:

- Cannot sell MI
- Newly added to org (acquisition of acquisition)
- Low base (below 50<sup>th</sup> survey percentile)
- Higher commission rate as a flat % of any Revenue
  - Commission rate for a particular product at a particular customer reduces after first 12 months

# challenges

## Revenue and Sales Role

### Still have the Compensation Challenges:

1. **Grow Services.** Fee-based revenue.
2. **Sales Role.** The sales teams are tenured and have specialized knowledge. There has been very little new business generated. There is a strong reliance on existing relationships to maintain and grow sales.

### What Did Steve and the Organization Do Next?

We doubled the size of our sales team!

Result: Services fee based revenue has **not** doubled.

# challenges

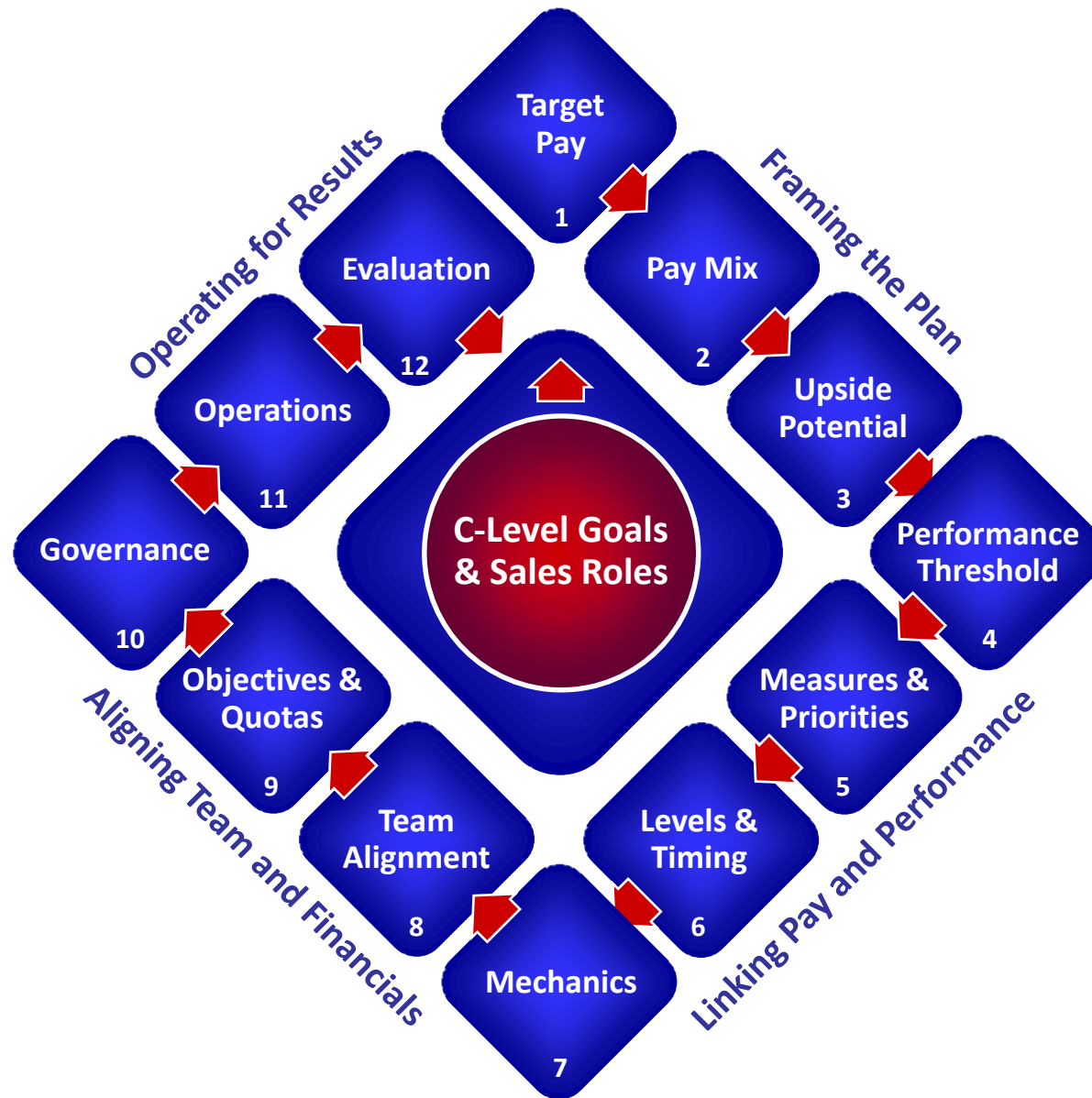
## Revenue and Sales Role

**Where should Steve focus to solve his challenge?**

- A. 1) Address the Pay Levels of the different Sales Teams**
- B. 2) Continue to Grow the Size of the Sales Organization**
- C. 3) Review the Talent of the Sales Organization**
- D. 4) Align the Plan Design to the Strategy and Sales Roles**
- E. 5) Further Empowerment: Sell What They Can Wherever They Can**

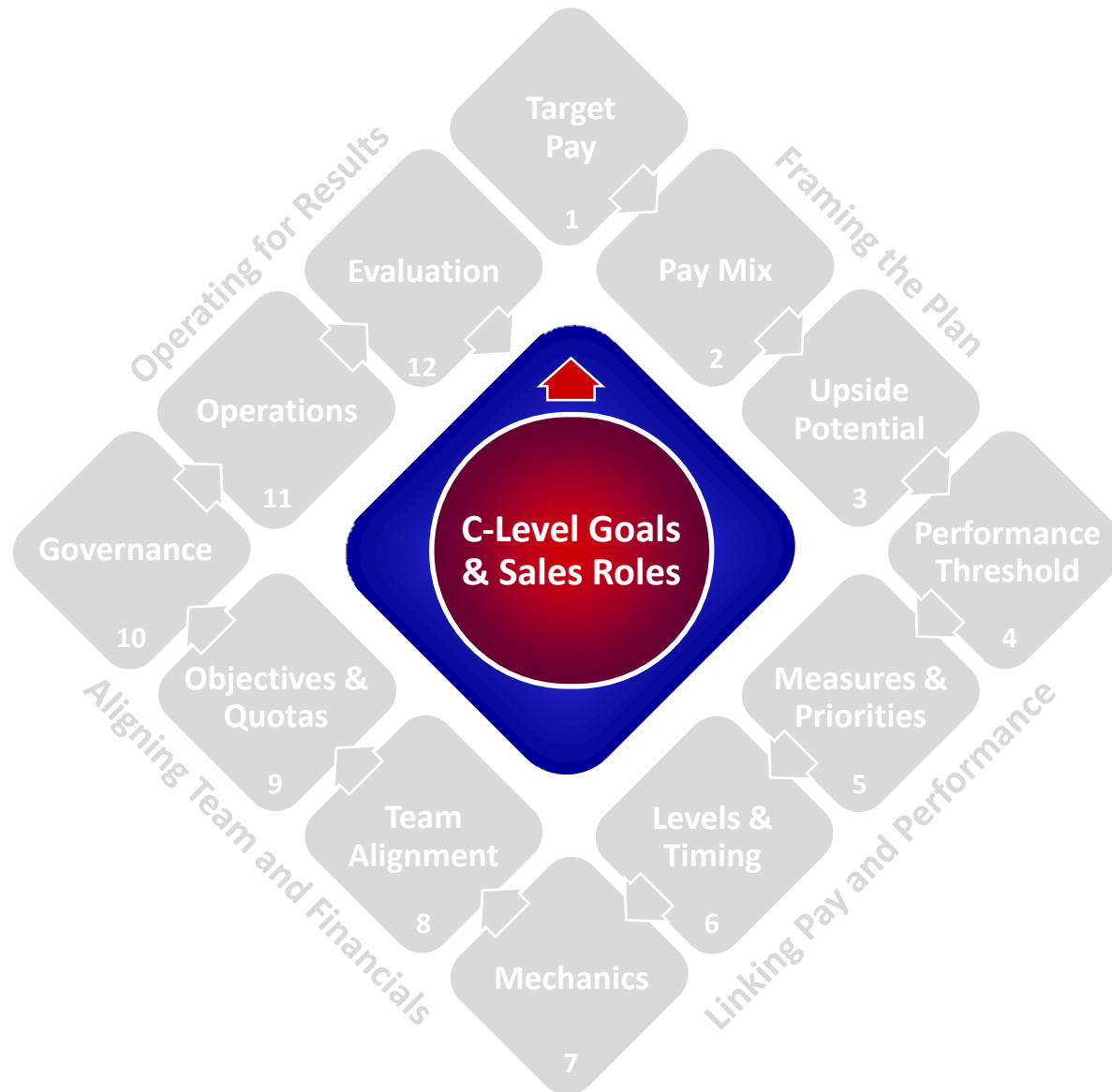
# diamond

## Sales Compensation Diamond





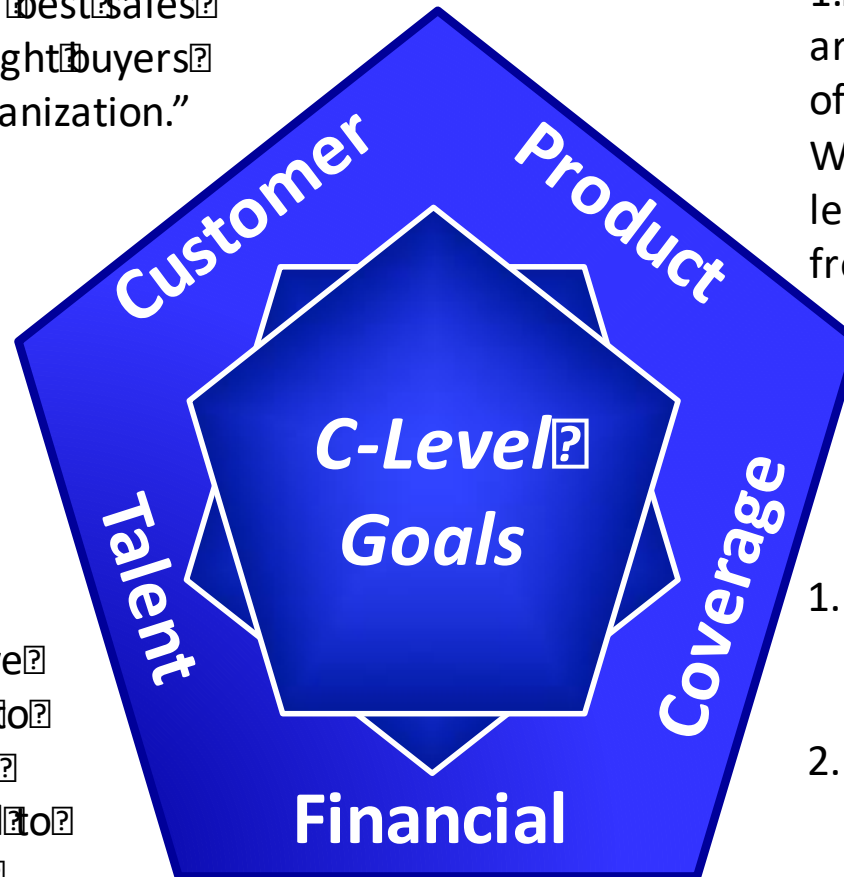
## Goals and Roles First Step – Confirm the C-Level Goals



# Steve's First Step - Understand C-Level Goals

1. "We want to align our best sales resources with the right buyers further up in the organization."

1. "We want to ensure all clients are aware of our full portfolio of solutions for their business. We offer a full service for lending that differentiates us from our competitors."

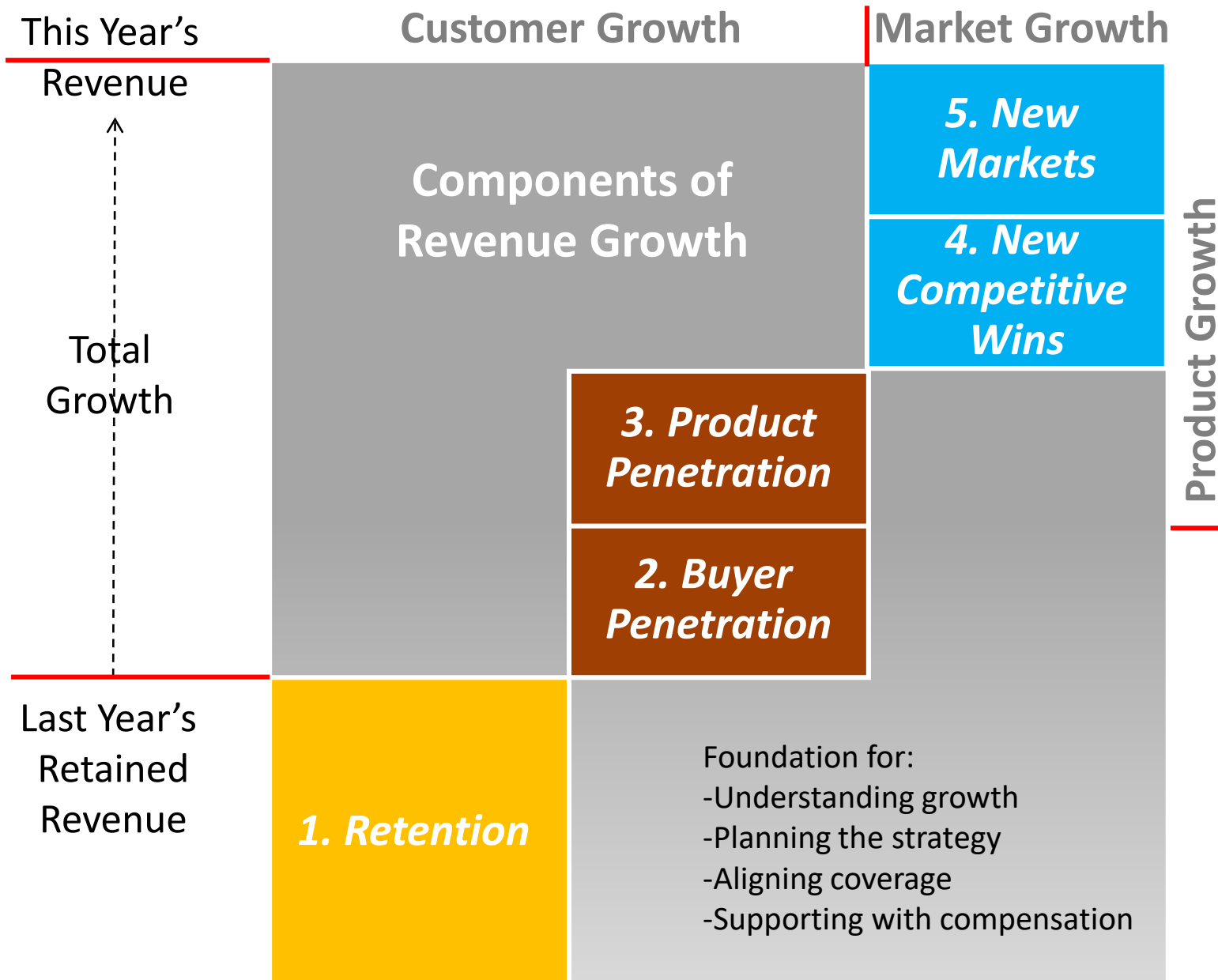


1. We need to break complacency of the sales organization.
2. We need to ensure we have the right talent to sell our products and services and we need to give them what they need to solution sell.

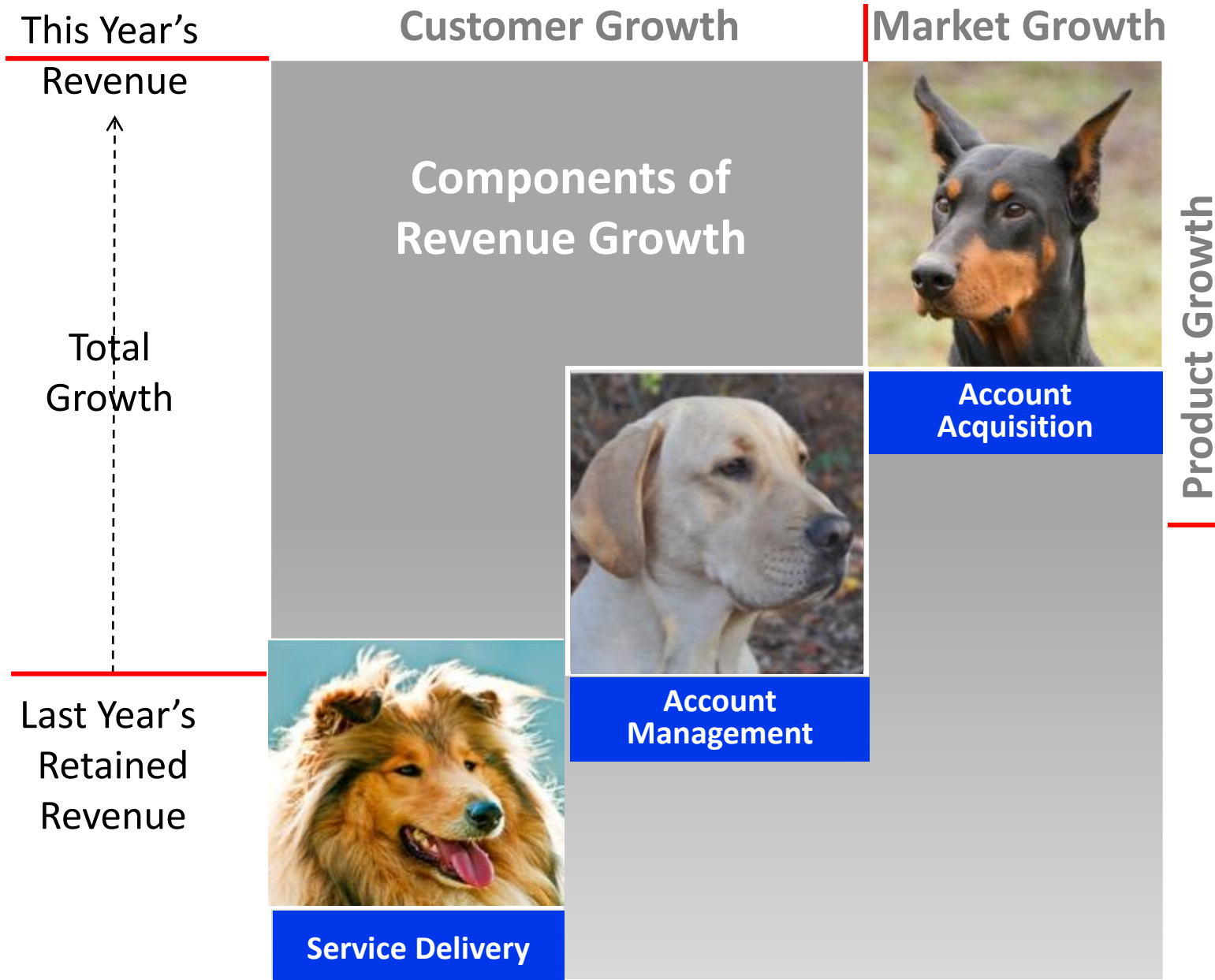
1. We must ensure our sales team can adequately cross-sell our products.
2. We want all clients to purchase products and services from at least two of our business lines by 2019.

1. "We want to drive twice as much sales productivity three years from now."

## Aligning Roles to the Strategy



## Motivating the Breed That You Need



## Success Factors for C-Level Goals and Sales Roles

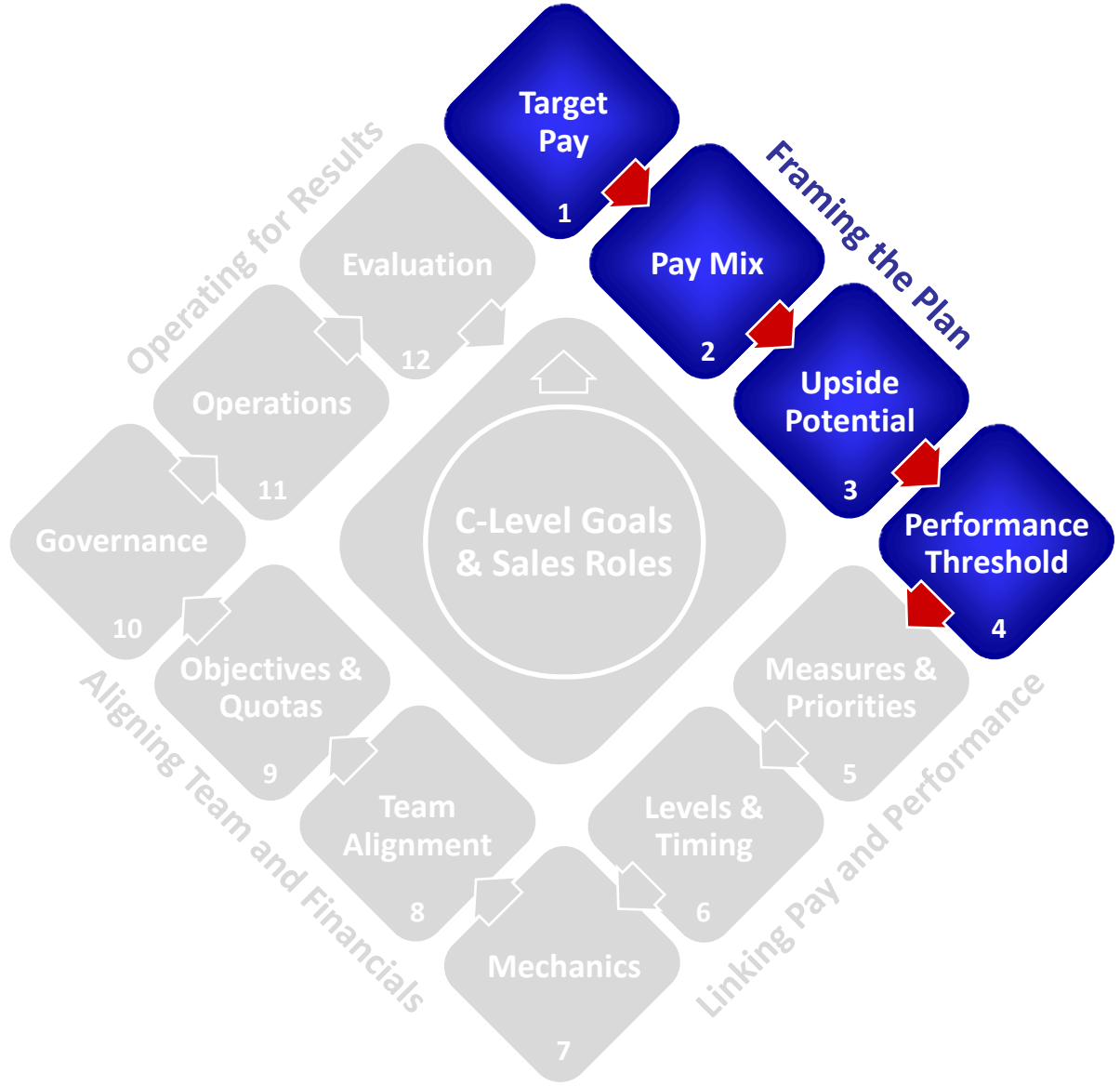
- 1. Identify the C-level goals of the executive team and stakeholders.**
- 2. Build roles from the sales strategy.**
- 3. Create focus and don't overload the bandwidth.**
- 4. Get the right DNA for each role- don't force fit.**
- 5. Use C-Level Goals as a communications framework to confirm understanding and position your design proposals.**

# Framing The Plan



# framing

## Framing the Plan

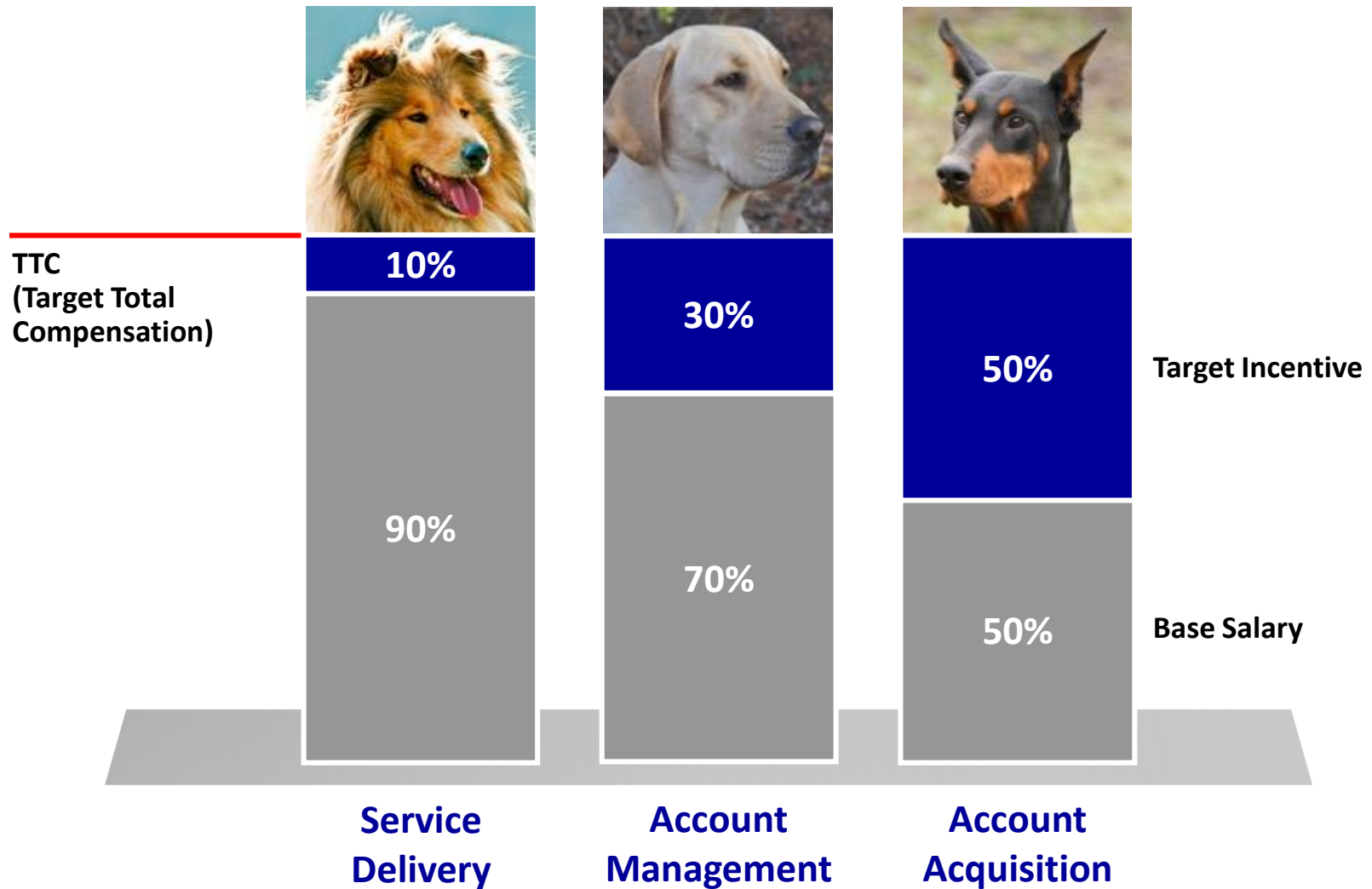


**Q: What's the Biggest Motivator in the Plan?**



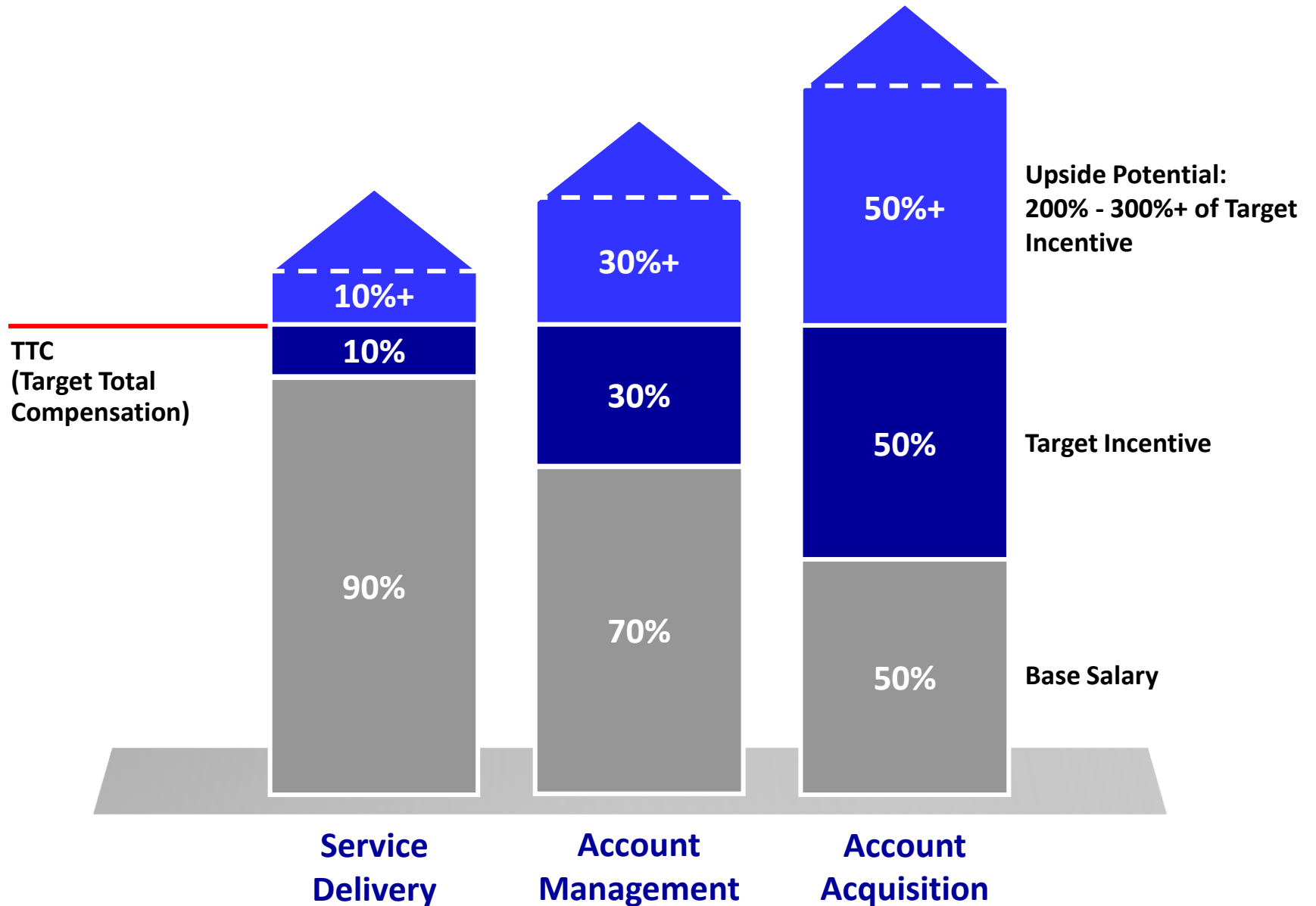
# mix

## Pay Mix



# Upside

## Pay Mix and Upside Potential



# Approach to Pay Level Calibration

- A. Understand and Document Role Attributes: The 10 Calibration Factors
- B. Market Price Survey Data

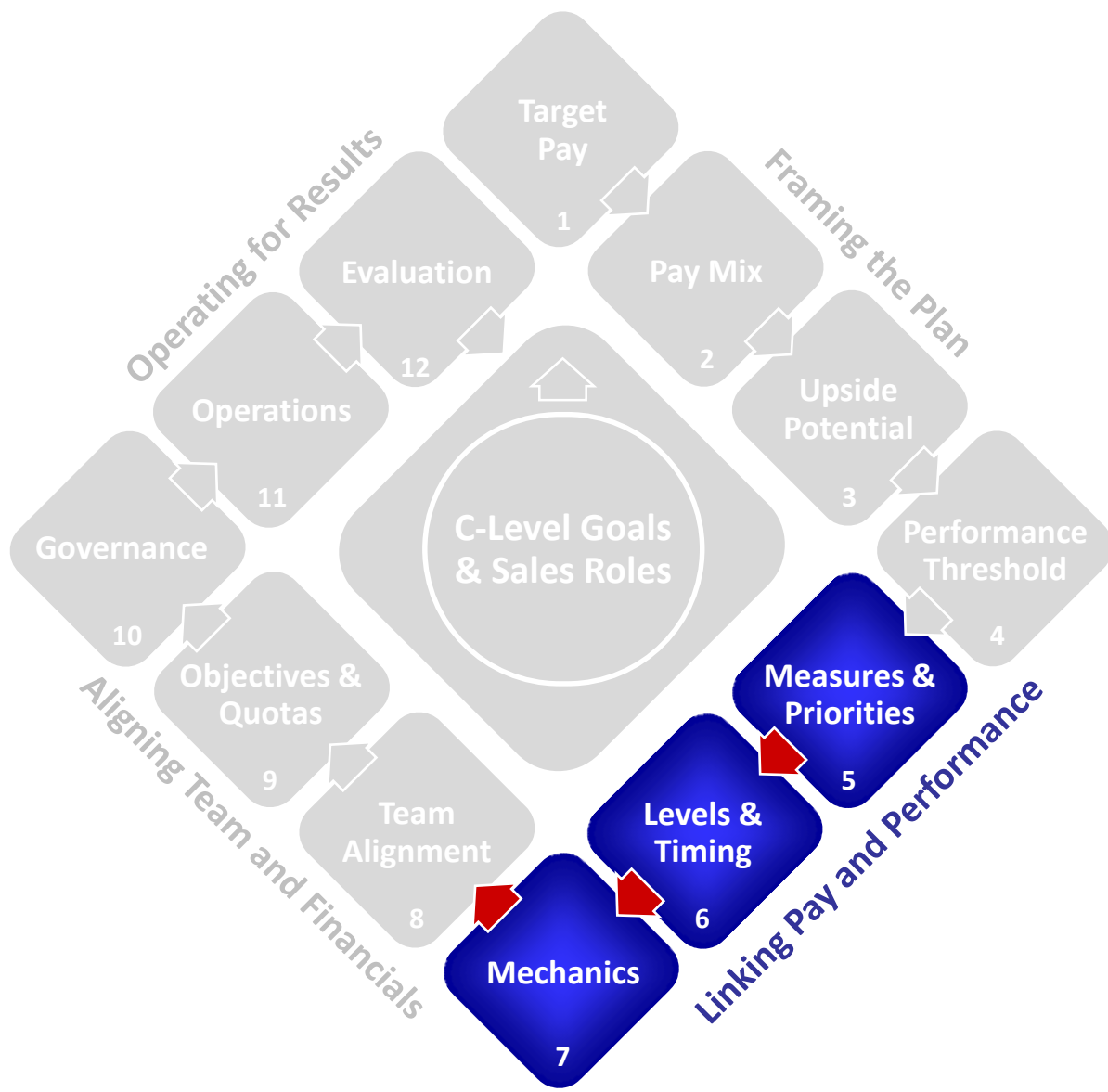


## Role and Pay Calibration Factors

1. **Sales Strategy.** Focus of role (Retention, Penetration, New).
2. **Annuity.** Portion of revenue from new versus recurring.
3. **Sales Complexity.** Transactional vs consultative.
4. **Offers.** Products or services sold.
5. **Levels.** Buyers they work with (e.g., C-level, VP)
6. **Value.** Typical contract value.
7. **Account Size.** Typical operating revenue and opportunity revenue to the company.
8. **Book Size.** Total size of book of business managed (estimated annual revenue).
9. **Talent Competitors.** Outside companies you hire talent from, or want to hire talent from.
10. **Supply and Demand.** Ease (1 easiest) or difficulty (10 most difficult) of hiring this job in the market.

# performance

## Linking Pay and Performance



# Cross Sell

## Linking Measures: Quota with Multiplier

Measure: Booked Revenue (100%)	
Performance to Quota	Percent of Target Incentive Paid
150% (Excellence)	150%
140%	140%
130%	130%
120%	120%
110%	110%
100% (Target)	100%
90%	80%
80%	60%
70%	40%
60%	20%
50%	1%
<50%	0%

Actual performance and payout are calculated on 1% increments using a detailed payout table.

Above Excellence, plan continues to pay at same slope of 1% of Target Incentive for each 1% of quota attainment.

Number of Service Line Goals Attained	Multiplier on Revenue Payout
4	1.3
3	1.2
2	1.1
<2	1

Revenue payout is multiplied by the multiplier above for total payout.

### Uses

Connecting a second important measure (product mix) with the primary measure.

# Linking Measures: Multiplier Variations

## Multiplier for New Customers Signed

Measure: Major New Customers	
New Customers Acquired During 6 Months	Multiplier on Growth Commission Payout
5	1.5
4	1.4
3	1.3
2	1.2
1	1.1

## Multiplier for Cross-Sell

Measure: Penetration Cross Sell	
Performance	Multiplier on Total Commission Payout if Revenue Goal Attained
Both Product A and Product B Goal Attained	1.6
Either Product A or Product B Goal Attained	1.3
No Product Goals Attained	-

## Multiplier for Contract Term

Measure: Average Contract Term	
Performance	Multiplier on New Revenue Payout
>24 mos. (Excellence)	1.3
18-24 mos.	1.2
12-18 mos. (Target)	1.1
<12 mos.	1

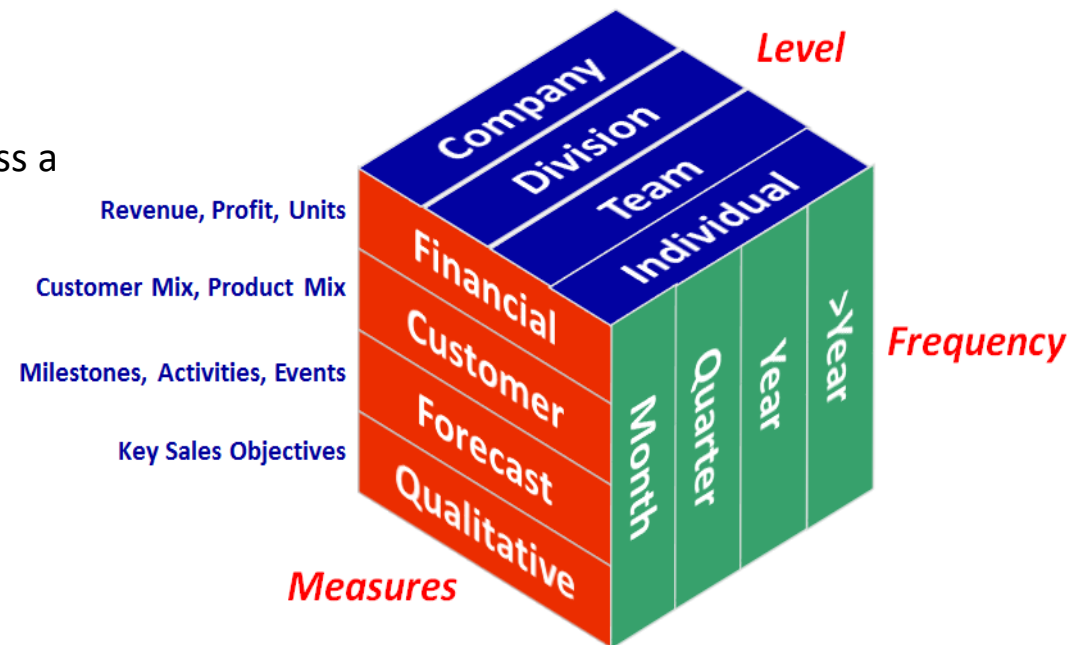
## Multiplier for Manager's Reps Attaining Goal

Measure: Reps to Quota	
Percentage of Reps Who Attain Quota	Percent of Target Incentive
100% (Excellence)	120%
90% - 99.9%	110%
70%-89.9%	105%
60% - 69.9% (Goal)	100%
<60%	80%

# Performance Measures Cubed

## Key Points

- Use no more than three measures in the plan.
- No measure should carry less than 20 percent weight of target incentive.
- Pay as close to the sales event measure as possible.
- Individual goals are viewed as a higher motivator than company level goals. Use Team measures when collaboration across a team is required.



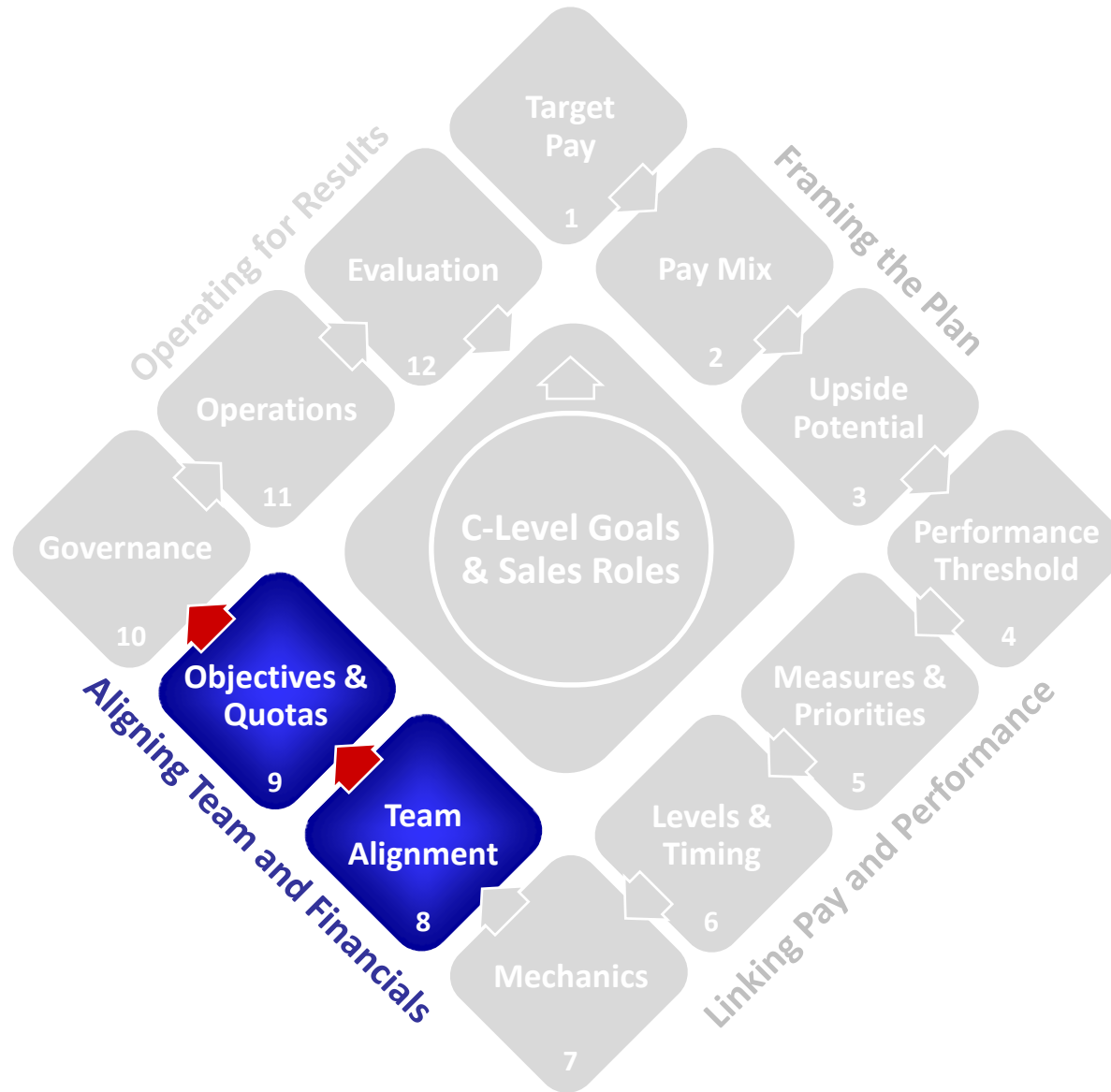
## **Success Factors for Framing, Measures and Mechanics**

- 1. Match pay mix to the sales role.**
- 2. Differentiate the top performers with the Reverse Robin Hood.**
- 3. Use three or fewer measures with no less than 20% on each.**
- 4. Measure and pay as close to the event as possible.**
- 5. Use the lowest team level, if not individual.**
- 6. Measure only what is transparent, understood, and trusted.**
- 7. Keep mechanics simple.**



# align

## Aligning the Team and Financials

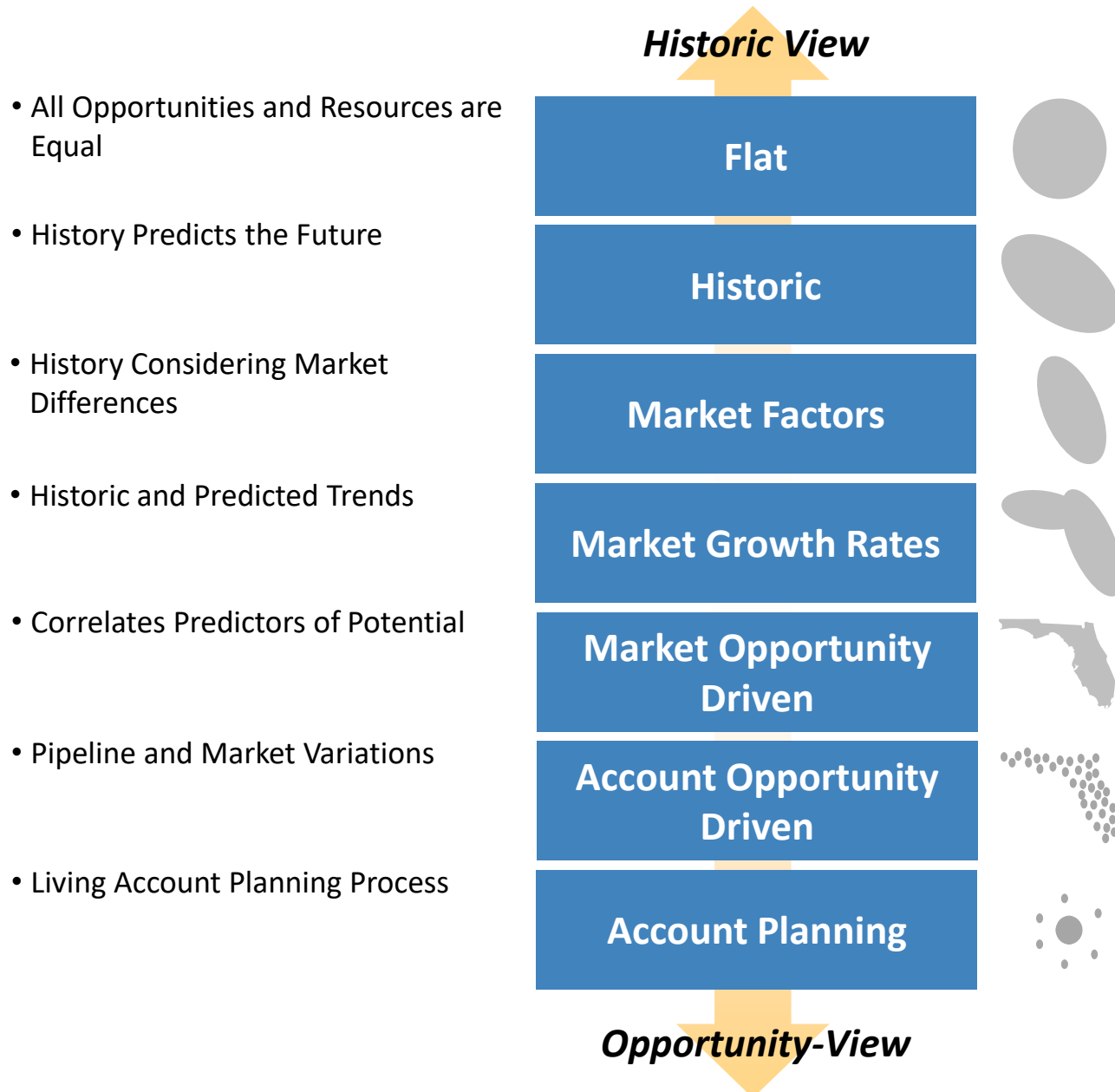


**Quotas...**



# methods

## A Range of Quota Methodologies



## Target and Quota Setting Methodology

**What is Your Organization's Approach?**

Answer choices:

- 1) Flat Quotas Applied Across the Team Based on a Corporate Target
- 2) Historical Performance
- 3) Market Driven Quotas Based On Opportunities
- 4) Dartboard Methodology
- 5) Account Driven Quotas

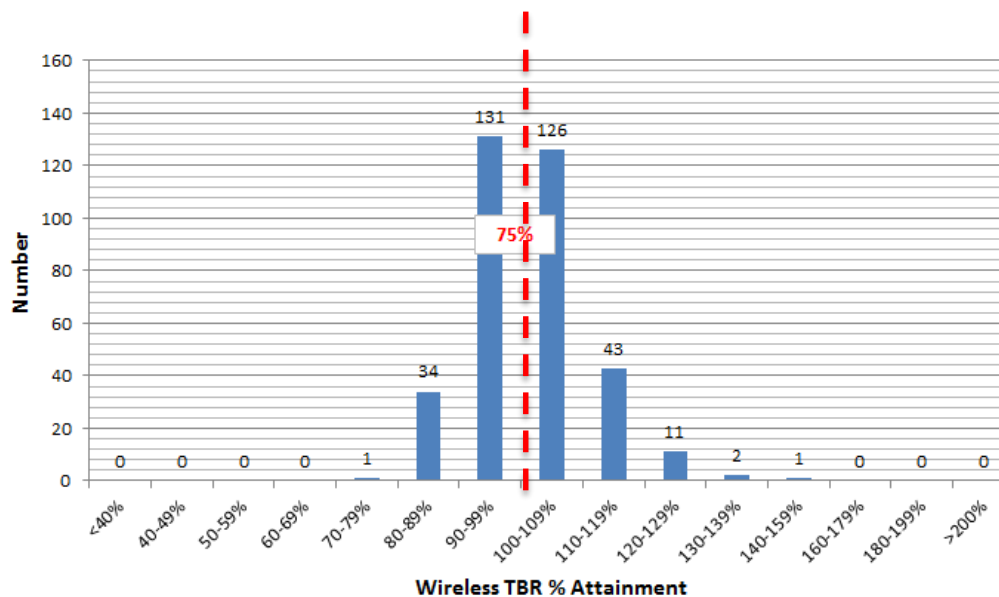
# Success

## Quota Attainment Distribution

We want 50% to 70% at or above quota.

Why?

- Business Plan Predictability
- Management of CCOS and Accelerators
- Motivation... A Culture of Winners



What We're Looking For

- 50% to 70% at or above quota
- Predictable distribution

## Success Factors for Better Quotas

1. Keep the quota process transparent to the organization.
2. Use market-driven quota processes.
3. History in sales does not repeat itself and can create a penalty for high achievement.
4. Understand your sales capacity to balance quota capability.

**The Art and Science of Quota Setting**  
**Wed 11am-12pm**  
***See you There!***

# ahead

## Thanks... Now Take Action!

### 1. Read the Book to Align Your Team

Here, Amazon.com, BarnesandNoble.com



### 2. Sales Comp Workshop

One Day to Better Comp and Quotas



### 3. Get Your Sales Comp Report Card

WhatYourCEONeedsToKnow.com

The image shows a stack of several report cards or spreadsheets. Each card has a header section and a table with multiple columns and rows of data, likely representing performance metrics and compensation details.

### Questions and Counsel:

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**Mark Donnolo- [MDonnolo@SalesGlobe.com](mailto:MDonnolo@SalesGlobe.com); 770 335 9225**

# Thanks!

