AN ARTICLE FROM

CFO DIVE

Three tactics to solve sales compensation concerns and improve retention

Sales departments aren't immune to the heightened rate of employees leaving their roles for positions elsewhere, commonly referred to as the Great Resignation. According to LinkedIn data, in late 2021, **sales departures increased** by 39% compared to average churn.

It's an issue that heightens the connection between finance and sales: How do you keep your top talent from leaving? It requires a mix of proper quotas, effective compensation, and ensuring the company's goals match the reality of the customer.

Hiring and retention of sales have become a much greater focus for many CFOs. Unlike the past when the CFO and finance teams rarely interacted with sales, other than to sign paychecks, finance now takes on a more significant role of ensuring compensation structures work for the organization and talent alike. With resignations rising among sales teams, the onus falls on finance to ensure pay structures work to entice reps to stay.

The solution to this complexity: Realigning the relationship between sales and finance around data. The more (and accessible) data at your disposal, the better a company can ensure its sales team remains happy and productive by reducing the sales compensation headaches that have long existed.

Managing Complex Sales Compensation

Historically speaking, setting sales goals were often reduced to a simple formula. Companies would take the rate of growth they expected in the coming year and then increase sales quotas by that amount. From the company's point of view, it achieves its aims for growth. If the growth goal isn't reached, then sales teams were blamed, whether the goals were unrealistic or not. This setup only isolated sales teams, often making goals unattainable.

CFOs didn't have much choice in the matter – they lacked the insights required to add more detail to the plans. But with insights comes opportunity. This has a significant impact on how the company operates and incentivizes talent.

Through sales-wide insights, planning, marketing, C-Suite, and finance teams can all have a greater view of the customer. When sales teams see that certain offerings connect with customers, so does the rest of the organization. Compensation structures can then adapt to encourage further sales efforts in areas that work. Meanwhile, automation tools can protect the finance team's time, processing and managing the more complex sales compensation plans.

Without this insight, old compensation structures remain, causing a disconnect between what sales teams are paid for and what the business needs the teams to do. In the end, talent will flee such a design.

"It's important to align the goals of the business," said Jeb Scarbrough, Chief Operating Officer at SalesVista. "Once it's aligned, then the reps and the managers are on the same page and working together to drive the right business goals and the right business activities."

Mending Trust Between Sales and Finance

Over the course of a month, sales team members spend hours evaluating and calculating how much commission they will make. Traditionally, they may do this fact-checking analysis on excel or simply via back-of-the-notebook math. When they then receive checks that come up short of the calculation, it impacts the trust between sales and finance. To make matters worse, all this compensation analysis takes away from time that the sales reps could spend selling.

That's where the right data and platform can play a big role in mending the distrust between finance and sales. With the right tool, sales can simply log in to a platform and see the amount that finance currently has allotted to the sales rep. It can show the level of detail an organization requires, but it also provides the sales rep with a clear picture of their pay. If a discrepancy exists, they can reach out quickly to get it resolved. And this automated process will remain uniform across both sides of the organization, so both teams have and incorporate the exact same compensation data.

This ease of use and clear insight into pay puts the sales force at ease, allowing them to focus more energy on the job – and selling more.

"We tend to see a revenue uptick from sales reps having that time back," said Scarbrough. "They're chasing the right dollars because the compensation plans are more easily aligned to the business objectives, and they have the ability to track and validate the incentive compensation."

Achieving Better Solutions for Decision Making

Having a systemized approach to the numbers ensures that they are accurate whether they're viewed by finance, the C-Suite, sales, or elsewhere. When it's a manual process, this becomes difficult to ensure that level of continuity across the organization. Without that ability, though, it makes it more challenging to come together with solutions – the right solutions – which sales often feels the brunt of.

As an example, to fix lagging issues in one line of business, the organization might eventually blame the sales managers. But the problem may not be the management of the sales leaders. In fact, if the finance or management teams could slice customer data, they might see that demand shifted to another portion of the business or that they're targeting the wrong client.

"This detail gives you the ability to identify where you need to focus attention," said Scarbrough.

Along with the detail provided, using a system that produces numerous reports without having to incorporate new data in creating the analysis, it reduces the time it takes to develop the insight. It also decreases complexity since it should work with any customer relationship management or enterprise resource planning solution you operate.

Through this analysis, you might find the problem requires more training, a shift in staffing levels, or a change to incentive structure. Whatever the issue, it can allow the company to make the proper changes to keep talent, finance, and the company happy.

This leads to retention since greener pastures won't look nearly as lush.