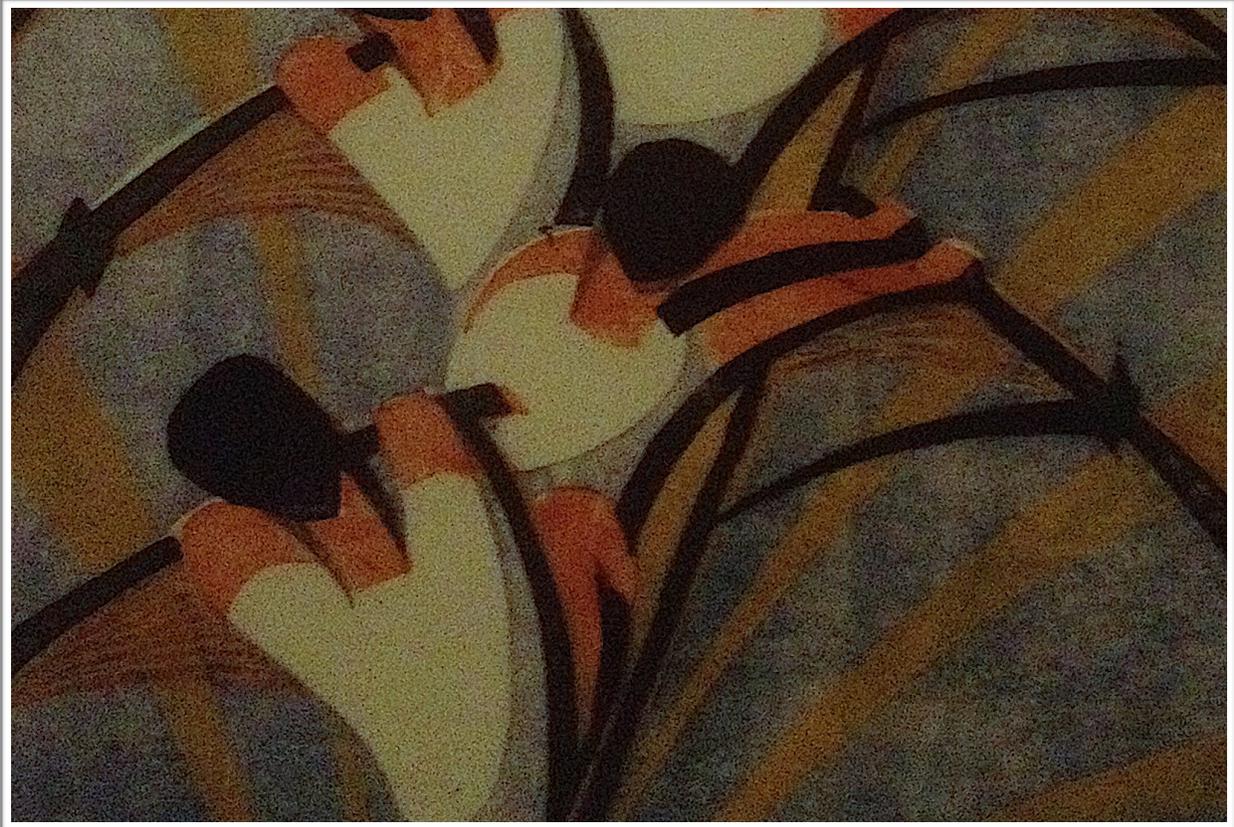


Sales Compensation Ideas from the Startup World



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The Startup World vs. the Corporate World

In sales compensation, startups often deal with similar issues as larger businesses — and tend to develop creative incentive approaches to address those issues.

This became clear to us based not only on our experiences with startup and early-stage companies, but also in interviews and focus groups we conducted with other entrepreneurs and professionals serving the startup sector. A range of industries are represented – tech, life sciences, manufacturing and others – and many are connected with institutions such as Wharton and Princeton.

Obviously, we heard that young companies have challenges unique to their stage in the business life cycle. Cash might be a scarce commodity; processes, systems and even meeting space may be lacking; and emotions or time pressures may be high. And, what startups and early stage companies ask their sales force to do is unique to their stage – to make initial customer inroads and build volume quickly.

But as we sorted through the issues we heard, the list began to look very familiar to anyone running any business. They fell into three broad categories:

- Business objectives;
- Organizational objectives; and
- People objectives.



Interesting Sales Compensation Ideas from Startups

Startups and early stage companies address these challenges using four main sales incentive levers:

- ✓ **They design rewards with a broad scope.** It's not just the base / commission / bonus that more mature companies tend to consider, but also long-term rewards like equity, or non-cash rewards that their sales team values.

"We had a guy who understood the education space, while we were all engineers. So every time he hit a milestone, we gave him a chunk of cash."

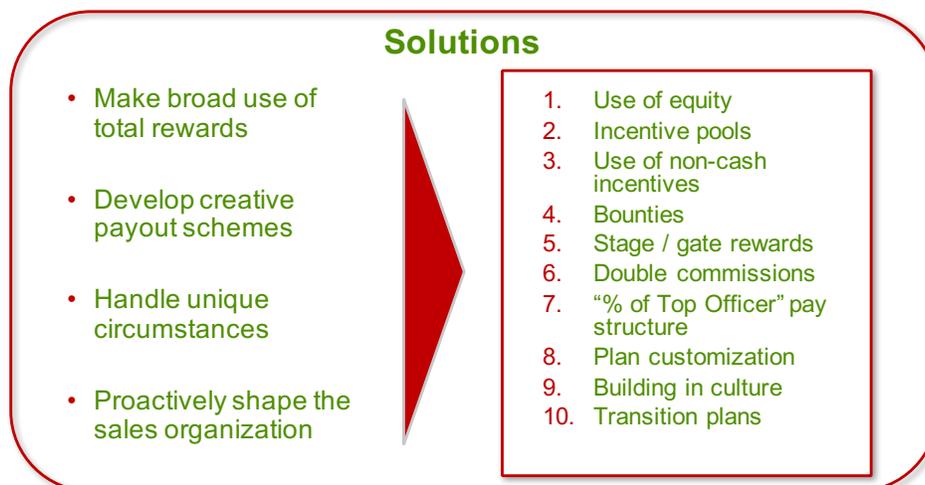
- ✓ **They use creativity in their payout schemes.**

These schemes reinforce what they need their sales team to do – perhaps by paying “bounties” or by tying rewards to stages in a long sales cycle.

- ✓ **They adjust to unique sales team circumstances.** For example, perhaps the roles individual team members play won't fit into a traditional category, or good external data to create a pay structure is not available.

"I have found immediate goals overshadow the future situation. Startups pay now and then find themselves with no flexibility to handle more mature goals."

- ✓ **They proactively aim to shape the sales team they want.** There is an increasing desire to reward Sales not just for succeeding, but also for representing the company culture well and thinking about the longer-term.



Startups and Corporations Can Take Advantage

Any of the listed solutions can be made relevant for any company. If a company is launching into a new market, or creating a new sort of sales role, or handling an

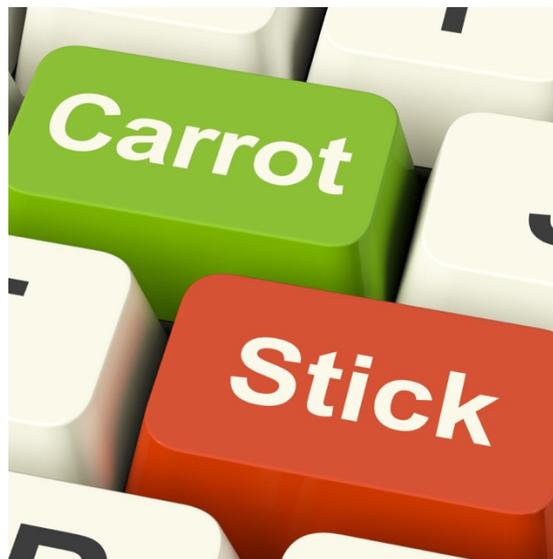
"I advised a friend of mine to find out what the CEO made, and then ask for a percentage of that. The CEO can't make all the money!"

M&A situation, or just wants to differentiate itself with clever incentive ideas for millennials – there is ample food for thought coming from the startup world, solving the same sorts of issues.

While we would not advocate every solution for everyone, keep in mind that companies are already making use of these designs -- they are already in the marketplace, actively competing for talent.

"The VP understood each rep's personality and what they needed to focus on to succeed -- and paid for that."

So, pick and choose from the list of incentive ideas when an appropriate situation arises. And, don't be afraid to allow a little creativity into the process of setting compensation plans for your sales team, like the startup world already does.



This article is adapted from Mr. Vaccaro's presentation to the World@Work Spotlight on Sales Compensation 2018 conference. Quotes throughout the article are from entrepreneurs in startup and early stage companies.