

# Incentive & Comp Plan

## Design & Rollout Guide

A practical guide to designing, modeling, and rolling out a sales compensation plan that drives the right behaviors. Covers plan anatomy, quota methodology, accelerator design, the rollout process, and governance. Comp plan design is strategy -- it determines what your revenue org actually optimizes for.

### 01 WHY COMP PLAN DESIGN IS STRATEGIC

The compensation plan is the most powerful behavior-shaping tool a revenue organization has. What you pay for is what your team optimizes for -- and what they stop optimizing for the moment it is no longer in the plan.

Bad comp plans are not just expensive -- they are directionally wrong. A plan that pays on total bookings without a new logo component produces a team that milks expansions and avoids prospecting. A plan with no churn-back clause produces a team that sells to anyone, regardless of fit.

- The comp plan communicates strategy. Before you write a single line, answer: what three outcomes does the business need most this year?
- Simplicity scales; complexity does not. Plans with more than three metrics per role are consistently ignored by reps in the field.
- Model at the population level. Your plan must work not just for the median rep but across the full attainment distribution (P25 through P75).
- Benchmark to market. OTE that is more than 15% below market increases attrition regardless of company mission or equity upside.
- Plans must be final before the period starts. Retroactive changes destroy trust more than any other single management action.

### 02 ANATOMY OF A SALES COMP PLAN

#### On-Target Earnings (OTE)

OTE is what a rep earns at exactly 100% of quota. It has two components: base salary (fixed, paid regardless of performance) and target variable (paid at 100% attainment). OTE is the benchmark for market competitiveness.

#### Base / Variable Split

The split defines how much income is "safe" and how much is at risk. Higher variable = higher upside potential and higher motivation for top performers. Lower variable = more predictable income, better for relationship-driven roles. Standard benchmarks: AE (50/50 or 60/40), BDR (70/30), CSM (75/25 or 80/20).

#### Quota

The denominator against which all variable pay is measured. Quota must be attainable -- if fewer than 50% of reps hit quota in a given half, the quota is wrong, not the reps. Target attainment distribution: P25 at ~70%, P50 at 100%, P75 at 130%, P90 at 150%+.

#### Accelerators

Multipliers that apply above quota thresholds. Accelerators reward over-performance and attract and retain top earners. Common structure: 1.0x payout rate from 0% to 100%, 1.5x from 100% to 120%, 2.0x above 120%. Model cost before setting rates.

#### Decelerators & Clawbacks

Below-quota treatments and recovery mechanisms. Decelerators pay a lower rate below threshold (e.g., 0% variable until 50% quota attainment). Clawbacks recover variable pay if a deal churns within 90-180 days of close -- essential for ensuring reps sell to good-fit accounts.

### 03 DESIGNING BY ROLE

Comp plan design should reflect the actual GTM motion of each role. One plan template does not work for all roles.

<b>SDR / BDR</b>	\$55-75k OTE	70/30	Meetings + SALs	Lower variable. Stage-gate: pay on meeting held, bonus on SAL accepted.
<b>AE Mid-Market</b>	\$140-180k OTE	50/50	New ARR quota	New logo multiplier (1.2x) to prevent farming. Monthly payout on close.
<b>AE Enterprise</b>	\$200-280k OTE	50/50	New ARR quota	Longer sales cycle -- quarterly or annual payout acceptable. SPIF on multiyear.
<b>Account Manager</b>	\$120-160k OTE	65/35	GRR + expansion ARR	Clawback on churn within 180 days. Expansion accelerator above 110% NRR.
<b>CSM</b>	\$100-140k OTE	75/25	NRR / logo retention	Lower variable reflects relationship role. Tie variable to renewal + expansion.

## 04 QUOTA SETTING METHODOLOGY

### Bottom-Up vs. Top-Down

Bottom-up quota builds from individual territory opportunity and historical conversion rates. Top-down starts from the company revenue target and divides by headcount. Best practice: build bottom-up, pressure-test against top-down, reconcile the gap before communicating to the field.

### Quota to OTE Ratio

The standard ratio for AE roles is 5:1 (quota = 5x OTE). At this ratio, a rep paying their own fully loaded cost (OTE + benefits + overhead) requires roughly 50% attainment to break even for the company. Ratios below 4:1 create margin problems; ratios above 7:1 create quota attainability problems.

### Ramp Schedule

New hires should not carry full quota until they are fully ramped. Standard ramp for a B2B SaaS AE: Month 1 at 0% (onboarding), Month 2 at 25%, Month 3 at 50%, Month 4 at 75%, Month 5+ at 100%. Model ramp cost in headcount planning -- ramp deficit is real cash.

### Territory Equity

Territories must be sized consistently. A rep in an oversized territory will hit 150% quota without trying; a rep in an undersized territory cannot hit 70% regardless of effort. Analyze opportunity per territory annually and rebalance before communicating quota.

## 05 ACCELERATORS & MECHANICS

- Threshold gates: require reps to hit a minimum (e.g., 50% of quota) before any variable pays out. This eliminates payout to reps who are effectively not performing.
- Accelerator design: 1.0x from 0 to 100% quota; 1.25x from 100% to 115%; 1.5x from 115% to 130%; 2.0x above 130%. Model total payout cost at P75 and P90 attainment before finalizing.

- SPIFs (Special Performance Incentive Funds): short-term overlays for specific behaviors (new logo, specific product, quarter-end push). Keep SPIFs simple and time-limited -- open-ended SPIFs become entitlements.
- Multi-year deal kickers: pay a one-time bonus (e.g., 25% of incremental TCV for years 2+) for multi-year commits. Model cash flow impact before offering -- multi-year deals accelerate cash but defer rev rec.
- Payout timing: monthly is preferred for cash flow predictability for reps. Quarterly is acceptable for enterprise AEs with long cycles. Annual payout creates retention risk if a rep leaves mid-year.
- Cap consideration: uncapped plans are preferred for top performers. If you cap, set the cap at 250%+ OTE -- caps below 200% OTE eliminate the payout upside that retains your best people.

## 06 THE ROLLOUT PROCESS

### 8 Weeks Before Period Start: Design & Modeling

RevOps drafts plan structures for each role. Finance models total payout cost at P25, P50, P75, and P90 attainment. CRO and Finance align on plan budget (Sales variable as % of new ARR). Revise until cost and structure are approved.

### 4 Weeks Before Period Start: Leadership Preview

Share draft plans with Sales Managers. Run a Q&A session. Incorporate feedback where it aligns with business intent -- do not reopen structural decisions. Managers must be able to explain the plan to their teams.

### 2 Weeks Before Period Start: Field Communication

All reps receive their individual plan documents with their specific quota, OTE, and territory. Provide a modeling tool (the Comp Explorer) so reps can simulate their own scenarios. Hold a 30-minute all-hands Q&A. Answer every question in writing and distribute answers to the full team.

### Period Start: Signature & Go-Live

All reps sign their Individual Compensation Agreements (ICAs) within the first week. No rep should be calling on quota without a signed ICA. DocuSign or equivalent -- paper ICAs get lost. Archive signed copies in the HRIS.

### First 30 Days: Monitor & Resolve

Watch for data errors in the first pay cycle -- a wrong quota or wrong booking attribution will undermine trust immediately. Fix errors within 48 hours of discovery. Communicate corrections proactively. Do not wait for a rep to surface the issue.

## 07 COMMON MISTAKES

- Plans that are too complex: more than three metrics per role guarantees that reps optimize for the one that is easiest to hit and ignore the rest.
- Retroactive quota changes: the single fastest way to destroy trust. If territory or quota changes are necessary mid-year, add a one-time adjustment, do not change the denominator on deals already in motion.
- Communicating late: plans delivered after the period starts tell reps that comp is an afterthought. Commit to a 2-week-before deadline and hold it.
- Not modeling the full distribution: building a plan that works for the median rep but creates runaway cost at P90 is a common budget surprise.
- Misaligned metrics: paying AEs on total ARR (including renewals and expansions owned by CS) creates territorial conflict and channel confusion.
- Setting quota without territory analysis: a great rep in a small territory still cannot hit a quota built for a large one. Territory sizing and quota setting are the same exercise, not two separate exercises.
- No clawback provision: without a clawback on short-tenure churns, you have no financial mechanism to deter selling to poor-fit accounts.

## 08 GOVERNANCE & MAINTENANCE

### Ownership

Revenue Operations designs the plan structure and runs the modeling. Finance approves the budget. CRO approves the final

plan. HR / Legal reviews the ICA language. No single function owns comp design -- it requires all four.

### **When to Update**

Comp plans are annual. Mid-year structural changes require CRO approval and create trust risk -- avoid unless there is a material business change (e.g., a product pivot, M&A, or significant market shift). Territory rebalancing can happen semi-annually with 30 days notice.

### **Exception Process**

Every exception to the published plan requires CRO sign-off and a written memo documenting the rationale. Exceptions that are not documented become precedents. Over time, undocumented exceptions become the de facto plan.

### **Performance Review Cadence**

Review plan performance monthly: attainment distribution by role, payout cost as % of new ARR, quota attainment by cohort (tenure, segment, territory). Present quarterly to the CRO. If fewer than 60% of reps are above 80% quota attainment by month 3, investigate -- it is usually a quota or territory problem, not a performance problem.