You get the behaviors you pay for, not the ones you say you want. It is essential that your incentive compensation plan matches your marketing plan, and they must be kept synchronized during the year if your incentives are to drive the business that you want.

If your plan has no flexibility then you are encouraging salespeople to push the sale into the next period and they are running the relationship, not you. When setting up incentive compensation based upon achieving stated goals or targets, provide a range of awards for accomplishments.

Suppose you have set a bonus for achieving a sales quota of $250,000; what do you do if the salesperson only sells $249,000; or $230,000; what if they sell $300,000?

If quota and (therefore) bonus have been missed then delaying a particular sale will boost numbers in the next period; if quota and fixed bonus has already been made, then closing a particular sale now generates no additional bonus revenue and safety dictates that it might be good insurance for the salesperson to delay the sale for the next period.

The simple way to avoid this trap is to set the bonus breaks as percentages along the following lines:

- Less than 70% of quota – no bonus

- 70% - 79% of quota – 50% of bonus

- 80%- 89% of quota – 65% of bonus

- 90% - 99% of quota – 80% of bonus

- 100% - 109% of quota – 100% of bonus

- 110% - 119% of quota – 120% of bonus

- 120% - 150% of quota – 150% of bonus

Individual formulae will vary depending on your margins, but the idea is that you pay for what the performance is worth to you and ensure that your incentive compensation really does incentivize the behaviors you want.