



# Commissions & Implementation

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Training Document



# Commissions and Incentives in Business

## The Logic

Let's look at some of the ways in which Commissions/Incentives can change human behaviour in life and in business.

We have various commissions or incentives in life that are happening without us even knowing or recognising them. If you think about it now, there are various incentives in play for you now. You have an incentive to not steal and that incentive is avoiding jail and the repercussions that come with it. The idea of the 'Carrot and stick' is what we see in most scenarios and that is there are positive reinforcement (carrot) items available as well as a repercussion (stick).

The carrot and the stick can easily be understood in daily life; ie. Do your homework get to play with your friends, don't do your homework get grounded. This is a live easy example of this theory in action. Now we are not saying treat your team members like kids but we are definitely saying for humans this behaviour pattern continues throughout life. People do and don't do based on the positive/negative outcomes. Let's dive into some ways in which you can motivate using commissions/incentives in the workplace.

Also a side note to remember with any commission/incentive policy, it is important to cover yourself on the other side. People will commonly try to 'game' the system in many ways and so you need to start all commissions policy creation with the devils advocate in mind. Here's a way in which people 'gamed' an ancient commission policy; and a really good example of the Cobra effect (*when an attempted solution to a problem makes the problem worse, as a type of unintended consequence*), enter the attempted cobra control program of India. The colonial British wanted to rid the country of wild Cobras and so they logically offered a bounty (commission) for dead Cobras. Immediately, this helped reduce the population of wild cobras in India, however, then enter the entrepreneurial folk to 'game the system'. Many people inspired by the bounty began to breed Cobras to then kill them for a bounty. This led to of course more Cobras in circulation and when the British found out this was happening they cancelled the bounty program and as such the breeders then let the Cobras out into the wild. Ultimately, there were actually more wild Cobras at the end of the program than at the start. So be warned, think of the Cobra effect in any large scale commission planning.

## Types of commissions/incentives we recommend:

- ⇒ One off timely rewards (quarterly/yearly/target based eg once we get to 500 members) - Good for long term motivation
- ⇒ Monthly engaging rewards - Great for long term growth and team member engagement in the short term
- ⇒ Ad hoc, urgency rewards - Used to drive immediate and urgent actions and can give a positive short term feeling
- ⇒ Non financial rewards - Can be great for motivation by recognising more than just money, eg title, ownership, opportunity, time off and more



## Launching the right commission type

With so many options and available commissions, it is important to know what behaviour you are driving and focus on that!

Type of Commissions for behaviours:

Commission Policy	Behaviour Focus	Best Used For
Sales Commission	Increased Client Acquisition	Sales team, memberships team, New business development managers
Management/Operations Commission	Better general business operation, management and leadership	General Manager, Head Office and regional teams
Service Commission	Increased Retention and engagement	Reception, Customer Service Team, Account Managers
Other Commissions	Can be created based on behaviours requiring a change	Other team members or the above in conjunction with their formal commissions

You will be able to see above some of the ways that you can commission team members to take certain actions and the suggested policies to use. You will be able to see a policy for each of these in the [Resources Section](#)



## How To Launch A Policy The Right Way

### ⇒ Excitement

This can be a huge value add to the team members and the business so launch it as such! With a huge level of excitement. A commission policy can be like giving a team member a pay rise of over twenty grand in many cases! Who wouldn't get excited about that.

### ⇒ Clear Guidelines

It must always be clearly communicated and launched so that team members know exactly what is expected of them and how they can achieve the rewards in question. You don't want people doing mind maths on how much they have earned etc.. It should be clearly visible to the team members.

### ⇒ After a trial period or litmus test of terms

Testing the program out internally or at least testing the purpose and desired consequences out in full before launching is extremely useful. We don't want to create any Cobra effects from launching this program

### ⇒ Once the numbers can be managed

You will be adding in an incentive and commission for pushing towards mostly some numbers that you will need to be able to report on. So with that in mind it is important to be able to report on your numbers strictly. For example, if you are managing growth numbers, you will need to be able to exactly pinpoint the current growth position versus the goal.

### ⇒ Pre Goal Setting

Goal setting pre commission launch and constantly thereafter is needed to ensure that the team members know the plan and that you discuss their goals in relation to the rewards prior to seeking out the reward. If the commission cycle is monthly, quarterly etc it is important that you goal set on that cycle.



## Example Policy:

**TENKAY - Sales Commission Policy**

*Effective as of the 1st of August 2019*

TENKAY pays commissions based on sales procured. A sale for us is mostly a membership and as new products/services are added the commission policy will be adjusted accordingly too.

Each membership sold will have an appropriate points value associated to it and these values will be totalled up at the end of a calendar month to ensure that all memberships are properly vetted and that commissions are paid accurately.

All memberships must be tracked and lead owner must clearly be stated as named sales person. For tracking purposes, leads will be added into the Less Annoying CRM System and followed up accordingly. Please track lead source and ensure clear notes. If there is any dispute with lead owner this may slow down commission process.

TENKAY Commission policy works on a points and units basis and payments will be made based on points. Different memberships have different points valued associated to them, please see list below for clarity.

TENKAY Commission	Membership Type	Points
	GROUP 2 X WEEKLY	0.75
	GROUP 3 X WEEKLY	1.00
	GROUP UNLIMITED	1.25
	EXCEL	1.5
	NUTRITION	0.25

In your **first full month of employment there is no minimum requirement to be paid commission**, however in **month two and onwards thereafter a minimum of 15 points** must be earned in order to qualify for any commission.

**Month One** No minimum points requirement to be paid

**Month Two+** A minimum of 15 points is required to be paid ANY COMMISSION

To see more examples and full policies please see [Resources](#) and search for 'Commissions'.



# SAOR Resource Hub

Finish this Training Session By Completing the Following Questions:

1. Do you currently have a way to motivate your people that is tied into a commission/incentive?
2. What would motivate your people further? Monetary or non monetary rewards or a mixture?
3. Have you gone into the Resource Hub and viewed the commission policies?
4. What type of behaviour do you want to promote?
5. What type of behaviour do you want to detract from?
6. Do you have an adequate reporting system to be able to strictly measure the numbers that you will be rewarding team members on?
7. Have you taken the time to view the T's&C's of the policy and adapt/adjust them to your business and in doing so played devil's advocate on any 'Cobra effects'?



# SAOR Resource Hub

Even more resources:

- ⇒ [Commission Policy - Memberships/Sales](#)
- ⇒ [Commission Policy - Manager/Revenue](#)
- ⇒ [Commission Policy - Service/Leavers](#)