

Glossary of Terms – Sales Performance Management

Accelerator	An accelerator increases payment for attainment over 100%. Commission rates and quota rates often move to an accelerated rate when the Participant achieves the annual quota. Sometimes people use this term like ramped rates and would qualify the idea of the rate to be paid over quota in another way such as: "Over-quota accelerator".
Account	A business that buys, or may buy, from the company.
Account management	The process and discipline of working with accounts in order to build long-term, mutually beneficial business relationships.
Account Planning or Plan	The process or method one follows to assess the opportunities within an account, and what is needed to achieve mutual goals with a customer.
Accrual	The estimated amount of money earned but not yet paid.
Adjustment	Modification, deletion or addition of prior period data that affects one or more payouts.
Annual Bonus	Typically a lump sum payment that can be in the form of cash or stock that is made once a year in addition to an employee's normal salary or wage for a fiscal or calendar year. May or may not be tied to achievement of performance goals.
Annual Total Target Compensation	The sum of base salary plus incentive salary projected at 100% performance.
Annual Wage Adjustment	Automatically increasing or decreasing wages in accordance with specific plan formula.
Award	A form of payment that is given within the context of a recognition event or program; may be in the form of money, prizes, plaques or public commendation.
Base Salary	The participant's base salary is a fixed amount that is determined by guidelines provided by the Human Resources department, and according to factors such as the competitive market, qualifications for the position, and past performance.
Best Practices	Best Practices represent proven methods salespeople or sales managers use to achieve a specific objective. The sharing and documentation of best practices is integral to an organization's ability to create lift and raise its own standards of excellence.
Bluebird	An unusually large-scale sale. A windfall sale.
Bonus	A bonus is an opportunity to earn money for achieving specific results. Bonus opportunities are defined in the plan documentation. A bonus may be expressed as a percentage of base pay or a fixed amount.
Bookings	Booking is a sales order, often signed.
Cap	The maximum cash compensation an employee can earn in a given time period.
Cash Compensation	The sum of all cash payments made to an individual for services during a given year.

Claw-back	The act of taking back compensation when the sale has been cancelled, charged back, or unpaid. This is usually done by deducting the amount to recover from future payments.
Commission	In sales compensation, this refers to a type of payment or revenue sharing resulting from achieving a sale or attaining a given sales level. Commissions are typically expressed as a percentage of the selling price for the product sold.
Commission Accruals	Accruals are the estimation of payment expenses based on earnings. Because of the large amount of money spent on commissions, it is customary for the compensation administrator to calculate accruals prior to actual payment of commissions.
Commission Earnings	Commission earnings are determined by the credit amount of the commissionable event times the commission rate. Once a commission is earned, the company must track the expense as a liability even if they don't pay the earnings until a later event. Example: earnings can be calculated at booking but payment doesn't occur until cash receipt.
Commission Rate	The commission rate is the rate applied to the volume measure for incentive payment. It can be expressed as percent or dollars. The commission rate is multiplied by the volume measure to calculate commission earned.
Compensation Administration	The methodology used by a sales organization to ensure proper payout of a salesperson's commissions, including the process followed for arbitrating conflicts that may rise, as a company's rules of engagement for revenue recognition are applied.
Cost of labor	A comparative measure of external pay practices; data on labor market costs (Total comp amounts) are obtained from labor market competitors and used as a reference when establishing target total compensation opportunity
Cost of sales	A relative measure of internal costs; the cost of sales, expressed as a percentage, is calculated by dividing the total sales dollar volume sold by the sales force into the total compensation costs of the sales force.
Credit	The process in which you determine which participant receives credit for the sales event and how much will count. For companies with complex selling processes it is best practice to credit multiple positions to encourage team work and avoid channel conflict. See also Split Credit.
Credit Assignment	Business rules used to determine who gets credit for a sales or shares in commission.
Cumulative	A type of performance cycle; a performance cycle is cumulative when the performance of the incumbent is measured over subsequent performance periods.
Dashboard	Term used by sales managers and sales software firms to refer to the primary performance numbers that are being tracked for the sales force.
Direct Channel	Sales organization that is constituted by sales professionals that are direct employees.

Discrete Performance Period	A performance period in which the performance of the individual is limited to a defined performance period without any connection to past or future performance periods. As an example, each month is discrete, because performance is measured for that month and payout is made for that month independent of past or future performance in other months.
Discretionary Bonus	An additional bonus opportunity may be available above the compensation plan. A discretionary bonus is allocated to a specific individual and is not based on a predetermined formula.
Discretionary Bonus Plan	A plan in which management determines the size of the bonus pool and the amounts to be allocated to specific individuals after a performance period. These have no predetermined formula or promises, and are discretionary.
Draw	In sales compensation, this refers to a cash advance, in anticipation of future sales performance. It is sometimes seen as a way to provide a salesperson with cash compensation without providing them with a guaranteed salary. "Draws" are typically recovered against future commission payments a salesperson earns. Some commissions only sales organizations offer "non recoverable draws, often considered similar to a temporary salary, during the first months of the salesperson's employment.
Eligibility	Only those employees who are classified as a participant in a Plan and who have signed this Plan form are eligible to participate in the Plan. All participants must comply with all terms and conditions outlined in the plan and with general employment practices and policies of the company. They are also responsible for selling or supporting only authorized products and services in their assigned territory.
Enterprise Incentive Management	This includes a group of applications that manage the entire process of calculating paying and reporting incentive compensation for an entire enterprise.
Excellence	Individual sales performance that is in the 90 th percentile (top 10 percent) of all individuals whose performance is being measured.
Flat Rate	A rate that remains constant regardless of the attainment level. Flat rates always result in linear earnings.
Forecast	A salesperson or a sales manager's prediction of sales results as a result of analyzing where opportunities are in the sales cycle.
Formula	A formula is the mathematical calculation that determines the payout amount for an incentive measure such as a commission or bonus.
Fulfillment	Order processing that includes documenting when an order was received, when and how it was shipped and when and how it was paid for.
Goal	The end towards which a salesperson or sales organization is headed. The ability to set and execute against ambitious yet realistic goals is considered the essential foundation to a sales organization's success.
Gross Margin	A profit measure; sales price minus the cost of goods sold before overhead, profit and taxes. Gross margin may be used as a performance measure in sales compensation plans.
Group Bonus	A bonus payment based on the performance of a group of workers

	operating as a unit, often allocated in equal amounts to all eligible employees, sometimes referred to as team pay.
Group Incentive	Any incentive that focuses on work teams or larger sets of workers operating as a unit. It is based on predetermined objectives being met to qualify for a payout.
Guarantee	A compensation payment paid regardless of performance. Paid separately from the base salary, it acts as a non-recoverable draw. Guarantees may be temporary (e.g. for new hires) or permanent.
Holdback	A holdback occurs when some of the payment until another event is completed.
Hurdle	A hurdle is similar to a threshold but based on a different measure than the one that is being measured for payout.
Incentive	Any form of variable compensation.
Incentive compensation	Incentive is a form of compensation based on a volume-based measure such as a commission and bonus, or both.
Incentive Earnings	Incentive earnings are the amount calculated by the incentive formulas. It can be actual or planned depending on the usage. Actual earnings are what all the elements of the compensation plan calculate based on the actual attainment of the measures. Planned earnings are what all the elements of the compensation plan calculate based on 100% attainment of the measures.
Incentive Eligible	A term referring to groups or classes of employees who are eligible to Participate in an incentive plan.
Incentive Formula	An incentive formula is the mathematical calculation that determines the payout amount for an incentive measure such as a commission or bonus.
Incentive Leverage	Incentive Leverage is the multiplier relationship between sales results and incentive pay. The amount of leverage is tied to the amount of compensation that is at risk and the level of control a rep has over the sale. Highly leveraged positions have a greater potential for earnings but can also make much less if they fail to attain their goals.
Incentive Measure	Incentive measures are the metrics to be used to determine incentive pay. Examples of incentive measures are sales revenue, sales units, and profitability. Also referred to as Performance Measure.
Incentive Pay	Incentive pay is a general term meaning any or all variable pay elements.
Incentive Stock Option (ISO)	A stock option that qualifies for favorable tax treatment (no tax at exercise and long term capital gains treatment if shares are held for one year after exercise and two years after grant before sale) and meets other rules as specified by legislation.
Individual Rate	A commission rate that is unique per individual instead of per plan.
Invoice Date	The Invoice Date is the date the invoice was created. The date the bill was created and sent for the customer.
Key Performance	Term used to refer to the primary measures an organization uses to

Indicators KPI's)	measure their own internal performance.
Leverage	The amount of “upside” opportunity beyond total target compensation that outstanding performers are expected to earn.
Lump Sum Bonus	An award that is paid in a single cash payment.
Milestones	Discernable points of progress in the selling process.
Miscellaneous Credit Adjustments	Miscellaneous Credit Adjustments may be used for processing Manual Claims, Split Claims and any credit exceptions. Miscellaneous Credit Adjustments include a description of the source of the credit adjustment.
Miscellaneous Payment Adjustments	Miscellaneous Payment Adjustments (sometimes referred to ‘Other Payouts’) may be used to process any adjustment to payment. They typically include a description of the source of the adjustment and can be applied to the overall payout or an individual plan component. Miscellaneous Payment Adjustments are only applied to individuals.
Override	A manager’s commission calculated as a percentage of the sales or commissions of subordinate salespeople.
Payee	Any person or entity being paid. Anyone or thing that can be assigned to a compensation plan.
Payout Frequency	The timing of incentive payouts; weekly, monthly, quarterly or annually.
Performance Measurement	Any technique employed to gather data that provides the basis for exercising a performance appraisal.
Performance Period	The time span over which performance is measured for incentive purposes.
Performance range	Levels of achievement relative to defined objectives that are used to determine the point at which payout begins, and the payout rate between defined points of achievement.
Plan	A collection of incentive components that is used to calculate the amount of incentive compensation that will be paid to a specific payee or group of payees.
Post	The process of running all calculations within a compensation plan. Typically done at the end of the fiscal period to calculate individual and group attainment and payouts. There are two types of a post; a trial post is used to validate and test calculation results and a final post that is used to systemically define the end of a process period.
Progressive Incentive	An incentive that features an increasing incentive rate as performance exceeds predetermined levels of performance.
Proration	New Hires, people out on a leave of absence and/or transfers will be eligible to earn incentives on a prorated basis. The new hire or transferred payee is typically eligible to earn incentives for the time they are on a sales compensation plan.
Quota	A predetermined performance goal. Quotas can be expressed as absolute numbers, a percent, a percent change or units sold. Also referred to as goal, objective, performance target or target.
Quota Setting	The process of setting quotas. Quotas can be established by senior management (Top down), by the field sales force bottom up) or through a

	negotiated process involving both headquarters and the field sales force (hybrid).
Recognition Program	A program which focuses on long term objectives that may be either qualitative or quantitative in nature.
Regressive Incentive	An incentive that features a declining incentive rate as performance exceeds pre-established levels.
Rollup	See Override
Salary	Compensation paid by the week, month or year (rather than the hour). Generally applies to jobs that are exempt from the provisions of the Fair Labor Standards act of 1938 (FLSA).
Salary/Incentive Ratio	Also referred to as an incentive mix; ratio of base salary to incentive opportunity as percentages of the total target compensation; expressed as two portions of 100.
Sales Assignment	A sales assignment is assigned to all payees. A single assignment can be based on territory, specific accounts, a channel, geographic territory, state, zip code, team or organization.
Sales Credits	Sales Credits are defined by each plan. Sales credits may be from direct invoices, channel sales, web sales, service sales or service contracts.
Sales Effectiveness	Term used to cover the broad range of activities a sales organization uses in order to improve the productivity and results of its sales teams. Sometimes the words "Sales Excellence" are used as synonyms to sales effectiveness.
Shared Credit	A situation where two or more sales reps receive full credit for a sale. Common in team selling environments.
Split	Sharing of sales credit between two or more sales reps who are involved in making the sale or providing after sales service. These reps may be on different compensation plans.
Stack Ranking	Salary increases are taken out of an allotted budget based on the ranking of each sales reps comparative performance.
Strategic Account Manager	The person and relationship manager who oversees and is responsible for strategizing, managing, and fulfilling expectations of the selling and customer organizations.
Target Performance	Expected level of sales results or individual performance.
Territory	Geographic area and/or accounts assigned to a salesperson.
Territory Design	The process that sales managers engage in to allocate territories in order to ensure potential exists, and to balance opportunities among their sales team members. This is done build a sense of equal opportunity within the sales force.
Threshold	Minimum level of performance that must be achieved before an incentive can be paid.
Total Target Compensation	Total cash compensation (base & incentive) available for achieving expected results.
Transaction	Anything being measured and associated with a performance measure. Typically as granular as the performance data set will allow.

Upside Potential	See leverage
Variable Compensation	Includes any compensation component linked to performance; commission, bonus, nonmonetary rewards, etc.
Variable Compensation	Includes any compensation component linked to performance; commissions, non-monetary reward. Non-guaranteed portion of total compensation.
Variable Pay	Compensation that is dependent on discretion, performance or results achieved. It may also be referred to as 'Pay-at-Risk'.
Windfall	A time when a salesperson receives significant additional pay due to actions taken by the company or a customer that favorably impact results. For example, additional commissions might accrue as a result of territory realignment, or a major purchase is made by a customer that was not expected.