

Chapter 8: Motivating and Rewarding Salespeople

INTRODUCING THE CHAPTER

After introducing the key academic theories published in the area of motivation research, the chapter highlights the broad motivational differences that exist across the generations. Then, students will learn about financial versus nonfinancial rewards as well the rich components of a rewards program. Delving further into the financial rewards area, the chapter unpacks the various components of the pay plan (base salary, on-target earnings, variable or incentive pay, and the benefits package). A discussion of rewards, recognition and career opportunities round out the chapter.

Chapter Objectives

After completing this chapter, students should be able to:

- Summarize how motivation has been conceptualized, and how the contributions of past studies can be incorporated into managerial activities.
- Explain the different models of motivation, and how sales managers can utilize them.
- Identify generational differences in motivation, and how to adapt motivational approaches for each group.
- Describe how managers can utilize different motivational elements available to sales organizations.
- Determine the financial versus nonfinancial rewards used to motivate salespeople.
- Explain how compensation systems can be utilized to address different motivational needs.

Chapter Outline

- I. What Motivates Salespeople?
- II. Generational Motivational Issues
 - A. Traditionalists
 - B. Baby Boomers
 - C. Generation Xers
 - D. Millennials
 - E. Generation Z
- III. The Dos and Don'ts of Motivating Your Sales Representatives
- IV. Financial and Nonfinancial Rewards
- V. The Components of a Reward Program
 - A. Compensation
 1. Base Salary
 2. Variable (Incentive) Pay
 3. Combination Plans
 - B. Benefits

- C. Work-Life Rewards
- D. Recognition
- E. Expense Accounts
- F. Personal Development and Career Opportunities

VI. Managing Your Career

VII. Summary

MANAGING YOUR CAREER

Ask students to grapple specifically with what type of compensation and rewards package they might find most rewarding. Ask them to share their preferences and rationale with the entire class. As they share their ideas, capture them on the board where they represent the continuum of 100% salary-based, predictable outcomes to 100% commission-based, performance driven outcomes.

SUPPLEMENTAL VIDEOS DISCUSSION SUGGESTIONS

Stop Trying to Motivate Your Employees (Kerry Goyette): Kerry explains that there are myths associated with motivation and then explains the broader perspective that the myth doesn't consider. The first myth suggest that motivation is simply energy. She then uses Charlie Sheen as an example of a person who is highly motivated, but he also represents both positive and negative energy. You can ask students to listen to the myths from this video outside of class and bring their own examples to share with the class.

5 Best Ways to Motivate Sales Team Members (Dave Lorenzo): Dave shares the five things that fire up salespeople as: winning (so hire the right people and share competitive information – track, rank, publish), recognition (which needs to take place in front of their peer group), money (incentive pay and competitive pay are crucial), legacy (want to be known for something or a record), and perks (incentive trips, parking spot, extras). Ask students to use this framework of five motivators for salespeople and ask them to reframe what they are doing for your class to align with these incentives.

Motivating a Demotivated Representative (Kevin F. Davis): Kevin shares three tips for working with this demotivated audience: (1) do NOT be blunt, especially at the beginning, (2) adopt the mentality of a helper, not a critic, and (3) consider if your management style might be part of this problem. You might play Use this short video (less than three minutes) in class and then ask students to share a situation where they might have been demotivated and how someone working with them was helpful to their situation as it relates to the advice in this video.

QUESTIONS AND PROBLEMS

1. **Which motivates you most: intrinsic or extrinsic factors? What intrinsic and extrinsic factors do you think would motivate you as a salesperson? What would motivate a sales manager?**

Student might note that they are much more motivated by intrinsic factors...is the work rewarding and challenging? That said, they want their organization to acknowledge their efforts with variable compensation (merit pay or bonuses) to say that the company also values their work. Salespeople are

motivated by both intrinsic and extrinsic factors. They want meaningful, interesting work. And, they want to be paid well for the value-creating work that they do on behalf of a company. A sales manager is likely to be motivated in his/her role by seeing the growth and development of the salespeople in his/her reporting line. They also want to see their people do well and are motivated by the monetary benefit tied to salesperson performance.

2. Which of the content theories of motivation makes the most sense to you and why? Which of the process theories makes the most sense and why?

Students should summarize one of these theories:

Maslow’s Hierarchy of Needs: classifies people’s needs into levels and indicates that people strive to reach the next level.

McClelland’s Needs Approach: suggests that people are motivated by achievement, affiliation, and power.

Herzberg’s Motivation-Hygiene (Two-Factor Approach): suggests that salespeople need to have jobs with motivators present and with hygiene factors that are either absent or neutral.

Adam’s Equity Theory: proposed that salespeople weigh their perceived input and outcomes relative to others and decide if they are being paid fairly.

Expectancy Theory: suggests that salespeople will choose to behave in the way that gives them the highest motivational force in order to maximize the efforts they find pleasurable and minimize those they do not.

3. Given the following information, what do you think might be going on with each salesperson?

| | <i>Sales Two Years Ago</i> | <i>Sales Last Year</i> | <i>This Year’s Sales</i> | <i>Tenure and Achievement Information</i> |
|--------|----------------------------|------------------------|--------------------------|---|
| Tyler | \$280,000 | \$286,000 | \$294,500 | 3 years; outstanding trainee in her first year |
| Dustin | \$304,000 | \$411,000 | \$419,000 | 10 years; 3 years in the \$100k club |
| Kylee | \$309,000 | \$303,000 | \$297,500 | 20 years; first time in 10 years not in the \$100K club |

We really don’t know what’s happening here because we don’t have all of the information that we need to make an assessment. While Tyler’s and Dustin’s sales are increasing, we don’t know how their overall markets are doing. Nor do we know what their quotas are. While Kylee’s sales are declining, we don’t know how her market is doing and whether she is navigating market or personal challenges.

4. If you were leading a small salesforce, what behaviors and actions would you use to motivate your employees?

First, I’d make sure that I was hiring well. I’d hire people who are self-motivated and operate with a growth mindset. I’d meet with them on a predictable basis, often enough that they know they are supported but not so often that they feel micro-managed. I want them to understand that I trust them with their work. My job would be to also know each person’s strengths and weaknesses so I can build on their strengths. My goal would be to ensure that they have the information they need to feel like they can manage their

work and own their own decisions. Lastly, I'd make sure that I knew my people well enough to provide them with the kinds of rewards that they value.

- 5. The intent behind a cost-of-living adjustment (COLA) is to allow members of the salesforce to live and work in high-expense locations. Find an online cost-of-living calculator, or use the one mentioned in this chapter: <https://www.nerdwallet.com/cost-of-living-calculator>. Compare the living costs in Minneapolis, Minnesota; Dallas, Texas; and Miami, Florida. Which area has the highest and lowest cost of living? Compare these costs with those of a small city near you. How much more (or less) would you need to earn as a sales representative to live in one locale versus another? Is it fair for a sales representative who lives in a large metropolitan area to be compensated better than one living in a smaller town with a lower cost of living?**

| | |
|--------------|----------|
| Minneapolis: | \$50,000 |
| Dallas: | \$52,361 |
| Miami: | \$54,202 |

Yes it is fair for a salesperson living in a large metro area to be better compensated than the one living in a smaller town because the company has asked the individual to live in that area and provide value for the company.

- 6. What advice would you offer a fellow student who is considering accepting a position with a firm that uses an incentive-only system? What about one who is considering a salary-only plan?**

Be sure to understand the sales cycle and if salespeople must navigate wide changes in demand. In a 100% commission role, there is no safety net for the salespeople if market conditions change. Conversely, if I had a friend seeing a sales job that had no variable compensation, I'd ask the person to explain to me why sales. It makes no sense to be in a position where you are creating value for the company and you don't experience any financial rewards as a result of your efforts.

- 7. If you were to hold a sales contest and offer a trip as an award, what location would you pick? For each generation, identify a location you believe a sales professional would find particularly motivating, and explain why.**

I would pick the location after conducting research on past trips and seeing the level of participation in each. The interests in locations will vary based on the history for the field salesforce as well as the age groups represented in the sales team. Some U.S.-based locations that might be of interest to these various age groups include:

| | |
|-----------------|--|
| Traditionalists | Palm Springs (recognition in the form of an important, elegant trip) |
| Baby Boomers | Chicago (allow choice of activities) |
| Generation Xers | Orlando (family setting) |
| Millennials | Orlando (family setting) |
| Generation Z | Miami (young vibe) |

- 8. What type of performance recognition program would motivate you the most? The least?**

Students will likely select a number of items from Exhibit 8.6 and describe their personal reasons for the selection.

9. What are some of the advantages and disadvantages of sales managers using gift cards or cash to award their salespeople for performing a new skill?

Sales managers must have a well-thought-out recognition program. Awarding gift cards or cash may not feel personal or “big enough” to have real impact on the psyche of a salesperson. If the gift cards are simply “distributed” and not “bestowed” (given away publicly), they may simply appear to be an after-thought. The research shows that public recognition may be even more powerful for reinforcing results than the actual “item given” in recognition of performance. Since a new skill represents a new competency, sales managers may detract from the intrinsic motivation that results from learning the new skill by placing emphasis on the financial reward (gift card or cash).

10. How might a recognition program for marketing students work within your college’s business school? What would you use as motivators if you had an unlimited budget? What if your budget were \$300?

Again, students are likely to select items from Exhibit 8.6 to build the recognition program. They are likely to have more meaningful ideas for the limited budget context. Answering the question using an unlimited budget context will help them recognize the limits that such rewards might have on learning-based performance.

ROLE PLAY

Motivating Salespeople for Top Performance

Students are split into groups of three each, with one person serving as Adrian (the sales manager), one as Enrique (rep with deep but fewer client relationships) and Lai (rep with many, more shallow client relationships). The group is to have an initial conversation to gather the information needed to develop a rewards program that will motivate high performance behavior which is marked by many, deep client relationships. A good way to bring this conversation back to the full class level is to debrief all of the needs as a class. Then regroup students into groups of 5-6 where they are to use the class discussion and Exhibit 8.6 to identify the recommended components of a rewards program as well as the results and activities that should be measured for making the awards or rewards.

ANSWERS FOR CHAPTER CASELETS

Caselet 8.1: Motivation to Complete Corporate Sales Training

Case Questions:

1. What are the advantages and disadvantages of sales training overall? Is training necessary for a high-performing team?

If you needed a significant medical procedure, would you prefer to have a team of medical personnel who received the latest training or one that hasn’t? How about a dental procedure? Airplane flight? Work on your new car? Seems likely that most of us would prefer the scenario with trained personnel.

Sales representatives who have received training are going to be up to date on the products and services they offer as well as how they compare with others in the marketplace. These KSAs are likely to position the sales representative, as well as the customer, for a successful sales experience. A perceived disadvantage of sales training is the time (and effort) it takes the sales representative away from important activity of selling. Whether or not this is the case depends on the actual value the training delivers to the representative.

Consider the impact on the team when a member of the team performs poorly or is incapable of providing value to the customer. The more the team needs to interact with each other to provide value to the customer, the more likely it would seem that sales training would help the sales team better perform their roles.

2. Lindsey has no budget for monetary rewards for completing the training. What types of reward systems could she implement to support the use of the sales training assets?

While having extrinsically motivating items (e.g., money, prizes, PTO, etc.) certainly can help engage some individuals, it seems likely that sales training that helps you improve your sales skills would be intrinsically motivating. Lindsey needs to share the company's sales training effectiveness measures that show the value of the training with her team members. Knowing that the training you will receive has resulted in higher performance by other teams should help individuals recognize the value of spending time on the training. She is authorized to reward individuals by praise, recognition, and additional time with her or her superiors.

3. If you were Lindsey, how would you convince Zac to invest time in training when he is already excelling at closing sales?

Zac desires to be one of the company's top 10 sales representatives. He also is one Lindsey's best salespeople. Lindsey needs to show the value that training has had with the other teams outperforming her (and Zac's) team. Perhaps she could do a simple value analysis of training time vs. additional sales. She also could share the investment (and the importance) that her company has placed on training. Taking time for training would seem to be in line with the thinking of upper management. Believing that it is not worth his time, may put Zac in a negative light by upper management and not helpful for his desire to be the best.

Lastly, Lindsey needs to remember that her responsibilities as a sales manager aren't always going to keep everyone happy all the time. At times, she may have to show a little tough love. If these suggestions don't work, as a last result, she could assign the training as part of Zac's (as well as all sales representatives) responsibilities. She might also make the training a requirement for receiving some other desirable reward.

Caselet 8.2: Motivating and Rewarding a Sales Team

Case Questions:

1. Is it a coincidence that the average number of closes per month for sales representatives coming out of their guaranteed commission periods is three times the standard?

No. It isn't a coincidence that new salespeople close three times the average of their seasoned counterparts. In fact, the new salespeople are incentivized to reserve introducing these sales until they complete the guarantee period.

2. Do you believe the two instances of sandbagging are unusual or do you think this phenomenon is more systemic throughout the company's salesforce?

No, the two incidences are related. It appears that the goals are easy to hit since 90% of those who attain their goal more than doubled what they were required to sell. And only 4% of the experienced salespeople failed to meet their goals. In essence, the organization is incentivizing their salespeople to forgo sales today to receive the orders sometime in the future (up to 9 months) and still pay the commissions.

3. Should the compensation plan be changed? If so, how?

Yes, the compensation plan should be changed. It is good that the organization provides a guarantee for new sales associates. The guarantee helps attract the right salesperson and keeps them "whole" financially as they develop their sales pipeline. However, to incentivize their teams to close business quickly, the organization should consider paying the sales representatives for all sales during the guarantee period, allowing them to "double dip." This strategy rewards salespeople to close as much business as early as possible. It also:

- grows company sales
- prevents customers from seeking a competitor's product
- encourages sales early, which increases overall profitability based on the time value of money

4. Will the company be able to attract the caliber of candidates needed without the commission guarantee?

Most likely not. It is doubtful that the company would be able to attract industry niche players with deep knowledge and personal connections without an initial commission guarantee.

5. If the company exceeds profit goals, should sales managers' commissions be enhanced?

Conversely, if the company fails to meet its profit goals, should sales managers' commissions be reduced given that the expansion was approved at such a high percentage?

Yes, and yes. Sales managers are the profit-generating engines for the organization. Therefore, when they deliver strong results, they should be compensated accordingly. In addition, it takes significant time to develop sales talent, drive sales, enforce company policy, while driving overall customer satisfaction. Conversely, if the company does fail to meet its profit goals, the sales managers' commissions should be reduced accordingly. However, a greater weight should be placed on management by objectives. Such action will ensure sales managers are investing the necessary time, energy, and focus to their newly acquired salesforce.

OTHER IN-CLASS EXERCISES

Be the Person You Needed When You Were Younger

To help students understand how motivational needs can differ dramatically throughout one's life, ask students to describe their answer to this question: What type of person did I need in my life to motivate me to achieve my best? Have them describe the ways in which this person would have motivated them effectively. Have them discuss the type of person that they need in their lives now to help them achieve their best.