Motivating Sales People: What Really Works

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“Half the money I spend on advertising is wasted; the trouble is, I don’t know which half.”

– John Wannamaker
Intrinsic vs. Extrinsic Motivation

“Motivation is the art of getting people to do what you want them to do because they want to do it.”

– Dwight D. Eisenhower

“Money may not be the most important thing in the world, but it’s up there with oxygen.”

– Zig Ziglar
What is this “Evidence”?  

Daniel H. Pink  
author of A Whole New Mind  

DRIVE  
The Surprising Truth About What Motivates Us
Motivating Salespeople: What Really Works

Companies fiddle constantly with their incentive plans— but most of their changes have little effect. Here’s a better approach.

by Thomas Steenburgh and Michael Haeberle

A Radical Prescription For Sales

The reps of the future won’t work on commission.

by Daniel H. Pink

Students and Workers in India
Pink's Primary “Evidence”

1. Left-censoring

What happens when we supersize the effects?

More reward creates more stress!
Pink’s Primary “Evidence”

1. Left-censoring
Pink’s Primary “Evidence”

1. Left-censoring
Pink’s Primary “Evidence”

1. Left-censoring
Pink’s Primary “Evidence”

1. Left-censoring

2. Departure from reality
   – Unrealistic tasks
   – Timed-constrained findings
   – Conducted in isolation

“If our tests mimic reality, then higher bonuses may not only cost employers more but also discourage executives.”

– Dan Ariely
Pink’s Primary “Evidence”

1. Left-censoring
2. Departure from reality
3. Departure from sales context
   - Self-selection
   - Risk-averse vs. risk-seeking
   - Workplace norms (xerox vs. Kodak)
A lit search uncovers a mountain of evidence...
...a half century of economic literature.
...a surging body of research in the field of sales.
Sales Force Performance Curve

**LAGGARDS**
- Key Incentives
- Quarterly Bonuses
- Social Pressure

**CORE PERFORMERS**
- Key Incentives
- Multi-Tier Targets
- Sales Contests with Prizes that Vary in Nature and Value

**STARS**
- Key Incentives
- No Caps on Pay
- Overachievement Commission Rates
Using Social Pressure Effectively

- Hall of Fame/Shame
- Red balloons on shoulder
- Toilet seat at annual meetings
Man-on-the-Bench Program

Research Setting

- Data were collected from the sales organization of a large U.S. industrial supplies company

Graphical Results

Key Takeaway

- MOB program led to a 4% bump in treated sales districts. Effect was larger for laggards and cohesive sales districts, suggesting parochialism
Pace-Setting Targets

Research Setting

- Data were collected from the sales organization of Fortune 500 firm that sells office durable goods

Graphical Results

Key Takeaway

- Quarterly targets serve as pace-setting goals for laggards. Similar to weekly quizzes and midterm tests for poor performing students
Sales Force Performance Curve

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Study of Olympic Medalists
Study of Olympic Medalists
Study of Olympic Medalists
Aesop’s Fable – Sour Grapes
**Multi-tier Targets**

**Research Setting**
- Data were collected from the sales organization of a Fortune 500 firm in the financial services industry.

**Graphical Results**
- **Randomized Experiment**

![Bar chart showing percent increase for 1-tier, 2-tiers, and 3-tiers.]

**Key Takeaway**
- Multi-tier targets shift the performance curve upward for core performers, acting effectively as stepping stones.
The healthiest competition occurs when average people win by putting above average effort.

— Colin Powell
Sales Force Performance Curve

- **LAGGARDS**
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  - Quarterly Bonuses
  - Social Pressure

- **CORE PERFORMERS**
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- **STARS**
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  - No Caps on Pay
  - Overachievement Commission Rates
Capping commissions only reinforces people’s natural tendency toward “income targeting.”
Capping Commissions

Research Setting

- Data were collected from the sales organization of a large U.S. contact lens manufacturer

Sales Function

Key Takeaway

- 9% improvement in revenues after commission caps were lifted
Overachievement Commission Rates

Research Setting
- Data were collected from the sales organization of Fortune 500 firm that sells office durable goods

Graphical Results

Key Takeaway
- 17% reduction in revenues for stars when overachievement commission rates were removed
The Importance of Field Experiments


• Offers seven rules for running field experiments
Thank You

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