Chapter 9

Motivating Salespeople

LEARNING OBJECTIVES

After completing this chapter, you should be able to

1. Define motivation and explain the sales manager's role in motivating salespeople.
2. Describe and explain a general model of sales motivation.
3. Discuss specific factors related to salesperson motivation.
4. Describe different types of quotas and how to manage quota plans.
5. Describe how to manage sales contests and recognition programs.

Motivation is big business—big, big business. That's because everyone wants to motivate someone to do something, and people who are motivated will do more, do it better, and do it longer. Just how big is it? Take a look at the world's largest performance improvement company, Maritz Inc.

Maritz Inc. has been in business for more than 100 years, and describes itself as "practising the science and art of people and potential." Worldwide, it has more than 4000 employees and revenues of more than $1.4 billion, making it the 166th largest privately held company in a recent listing of the *Forbes* "500 Biggest Privately Held Companies." It has offices in Canada, the United States, the United Kingdom, Germany, France, and Spain, and alliances in other European countries, Africa, the Middle East, Asia Pacific, and the Americas.

In Canada, Maritz has 350 employees based in Mississauga, and revenues of $100 million. It has been operating in Canada since 1992, and has recently been recognized as one of the "50 Best Companies to Work For in Canada" and third in *Marketing Magazine*'s "Top Marketing Communications Companies." Although it manages many types of incentive programs for its clients, which happen to include 28 of the world's 50 largest companies, it has been particularly active recently with its incentive travel services. In a recent three-year period, Maritz Canada executed 350 group travel programs that involved more than 95 000 people. Travel programs bring lasting memories to winners and they are remembered for years after a person wins. They also provide a chance for companies to bring winners together to collectively celebrate their success, and build productive, long-lasting relationships.[1]

In this chapter, the importance of motivation is explored, along with suggestions that a sales manager can use to help ensure she manages a highly motivated and highly productive sales force.

Motivation and Activity

In the context of sales management, **motivation** can be defined as an internal drive to initiate and expend sufficient effort over time to perform appropriate selling activities to accomplish specific sales objectives. There are several important dimensions to this definition. First, it describes motivation as an internal drive. That is, motivation resides within the individual and is therefore unique to each person. Second, it describes the focus of the drive—"to initiate and expend sufficient effort over time," which means that two dimensions of motivation are intensity and persistence. *Intensity* is the magnitude of the physical and mental effort that the individual will make. Someone who is highly motivated has an intense inner drive and will work hard to do the things he believes to be important. *Persistence* is the willingness to expend effort over time. Someone who is highly motivated will perform his actions for long periods of time. Third, it describes these actions as effort "to accomplish specific sales objectives." That is, motivation results in goal-directed behaviour. Thus, the third dimension of motivation is direction. *Direction* recognizes that the individual will decide where he wishes to direct his behaviour.

If motivation is an internal drive and the individual decides his level of effort, what activities he will perform and for how long, and which goals he will try to achieve, then what is the role for the sales manager? Quite simply, the sales manager's responsibility is to manage the motivation of the sales force, which is often determined by her ability to manage the motivation of individual salespeople. Ultimately, sales managers are concerned with performance. Performance is determined by a combination of opportunity, ability, and motivation, and requires at least a minimal level of each. The following formula expresses this relationship:

$$\text{Performance} = \text{Opportunity} \times \text{Ability} \times \text{Motivation}$$

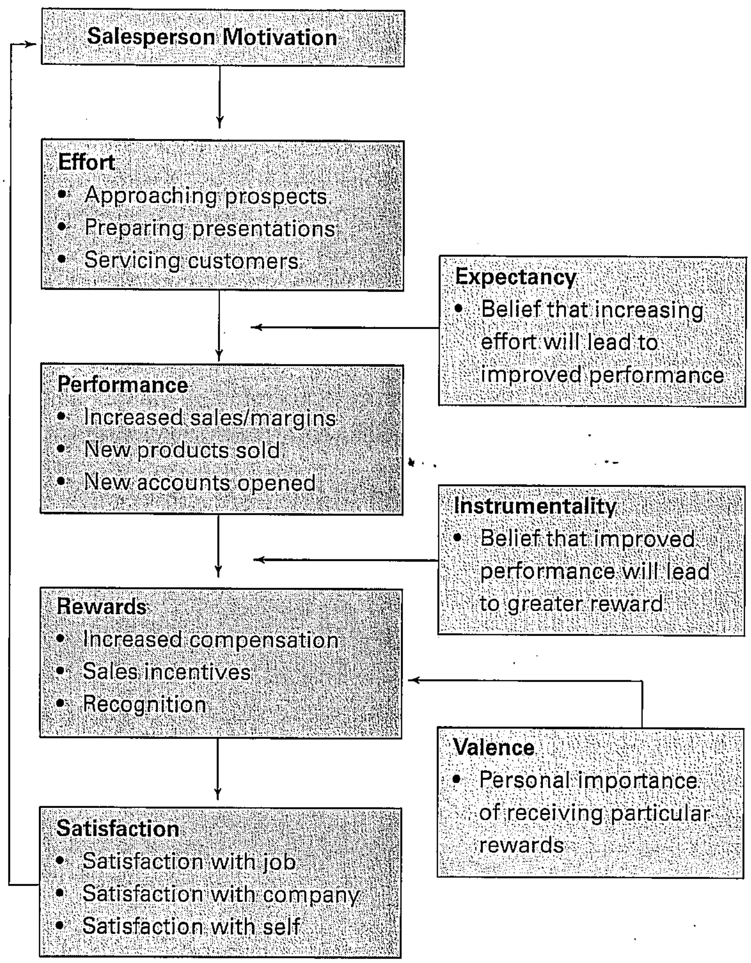
Because the relationship among these three factors is multiplicative, deficiencies in any one of these factors can be offset by a higher level on another, assuming that none of them has a value of zero. The sales manager is instrumental in helping salespeople identify opportunities, and ensuring they have selling ability by providing appropriate resources such as training, technology, and sales support. The sales manager can also increase a salesperson's motivation by carefully managing past performance and by recognizing and reinforcing it. Successfully achieving sales objectives will enhance a salesperson's self-concept, and this will increase the salesperson's motivation. More will be presented later concerning the role of the sales manager as a factor affecting a salesperson's motivation. First, however, a general model of sales motivation will be described.

General Model of Sales Motivation

Research has consistently shown that the effort salespeople will make to achieve sales objectives is related to three factors: (1) **expectancy**, the belief that making an effort to perform specific activities will, in fact, help the salesperson achieve the desired level of performance; (2) **instrumentality**, the belief that achieving the desired level of performance will be instrumental in helping the salesperson achieve specific rewards; and (3) **valence**, the personal value that the salesperson places on receiving these specific rewards. This model of motivation, shown in Exhibit 9.1, is based on Vroom's expectancy theory. It is a useful model for sales managers as it provides a good framework for making sales management decisions.

Exhibit 9.1

General Model of Sales Motivation



EXPECTANCY: THE RELATIONSHIP BETWEEN EFFORT AND PERFORMANCE

Generally, people expect a positive relationship between effort and performance. *Expectancy* refers to a salesperson's belief that such a relationship exists. A salesperson may hold a belief, for example, that increasing the average number of sales calls from 5.5 to 6.5 per day (increased effort) will lead to a 15 percent sales increase (increased performance) over a one-year period. The salesperson may believe this relationship to be highly probable, somewhat probable, or just possible (their expectancy strength). The salesperson's expectancy strength will therefore determine whether he will initiate effort and the amount and duration of effort that he will make.

Sales managers must be concerned also with the salesperson's expectancy accuracy. *Accuracy* refers to how accurate the salesperson's perception is that increased effort on a specific activity will lead to improved performance. There are dozens of activities that the salesperson could perform that might have an effect on sales performance. He could increase prospecting activity, do more pre-call planning, prepare better presentations, practise negotiating skills, or perform any number of other sales-related activities. Using the previous example, the salesperson may increase his average sales call activity because he has a strong expectancy that making one more call per day will increase his sales performance. If his increased activity does lead to his expected performance, then he will confirm his expectancy and conclude that his increased effort improved his performance. He will likely continue to maintain his sales call effort in future. But, what happens if he increases his sales call activity and his sales do not increase? Was his expectancy inaccurate simply because it was not confirmed? This is where the role of the sales manager is important. The sales manager should note the increase in effort and the lack of change in performance. A good sales manager will help the salesperson see which activities lead to increased performance and help the salesperson "work smarter" rather than simply "work harder." If the sales manager has evaluated the difference between higher-performing salespeople and lower-performing salespeople and has concluded that the average number of sales calls is a factor related to superior sales performance, then the fact that increased effort by this salesperson has not led to increased performance suggests another possibility and deserves the sales manager's attention. The salesperson may simply need better sales training, and this is where the sales manager should make some joint sales calls to experience firsthand the quality of the sales calls that the salesperson is making.

INSTRUMENTALITY: THE RELATIONSHIP BETWEEN PERFORMANCE AND REWARD

Salespeople must not only have an expectancy that increased effort will lead to improved performance, but they must also believe that improved performance will be instrumental in their receiving a reward. This is one reason why straight commission plans are popular among salespeople. They clearly understand the relationship between their performance and their compensation or reward. A salesperson who earns straight commission on sales knows that increasing her sales by 35 percent will also increase her compensation by 35 percent. On the other hand, consider a three-month sales contest. The salesperson's *instrumentality* will likely be affected by how winners are determined and the nature of the reward. If the sales contest awards all participants with points that can be redeemed for a variety of prizes based on the number of points each salesperson has accumulated, then the salesperson's instrumentality still will be high. If the reward is based upon achieving an individual sales target, again instrumentality will be high as each salesperson understands that if she achieves her target, she will receive a reward. However, if the reward is given to only a percentage of the sales force based on best performance, then a salesperson's instrumentality will be lower because the salesperson will not know what level of performance is required. She may believe that she can increase her performance by 10 percent, but she may also believe that this is unlikely to make her a winner. Her motivation to increase her effort is low because she does not see a relationship between performance and reward.

Instrumentality for salespeople who are on a straight salary compensation plan may be very low. One problem is that rewards often follow performance by a considerable period of time, so that the connection between performance and reward is not apparent. A salesperson may receive a very large order early in the year, but an increase in salary may come at the end of the year. It also may require several years of increasing performance to receive a promotion. Complicating things is the fact that others may receive the same reward for the same level of performance, or even for lower performance. At the end of the year, the entire sales force may receive a 5 percent salary increase. The salesperson who has expended extra effort to achieve superior performance

SALES MANAGEMENT **IN ACTION**

Motivating the 'B' Team

Everyone does not agree that incentive compensation is a good thing. Perhaps its best known critic has been Archie Kohn, author of the book *Why Incentive Plans Cannot Work.* He attacks incentives for several reasons. First, he says, pay is not a good motivator, and for many people gets ranked only fifth or sixth. Second, incentive plans are instruments of control; they are manipulative and they can have a punishing effect. Third, incentives increase competition, and decrease cooperation, which is important in a team environment. Fourth, incentive programs allow managers to abrogate their responsibility to manage and let the reward programs manage for them. Fifth, incentive programs undermine creativity and risk-taking. Finally, extrinsic rewards undermine employees' intrinsic motivation. Kohn argues that intrinsic motivation leads to innovation and excellence.

Certainly, it would appear, few people agree. At least if the number of sales organizations that use incentive programs is an indication. However, one important change that has been occurring recently is a greater concern with motivating the 'B' team, that is, the middle group of employees who are sometimes ignored. Martin Cozyn, vice-president of human resources for Nortel Networks, says, "You need to know who your top people are, but you also have to watch out for the message you're sending, because a disenfranchised middle can be just as damaging to your business as the loss of all of your top talent." Rodger Stotz, vice-president of Maritz Inc., introduced at the beginning of this chapter, provides an excellent suggestion. Instead of just having a "President's Club" where only the top 2–10 percent of the sales force win, leaving many to feel they might never succeed, another possibility is to set individual quotas and reward everyone who reaches their own targets. People then compete against themselves, and the overall performance of the sales force will improve even more.

When Nortel broadened its employee categories from simply critical or non-critical to include top, high, core, and low contributors, and eliminated the forced distribution that would allow only a certain percentage to be rated in the top category, there were noticeable improvements. The attrition rate among the top contributors was approximately one-half of what it was for core contributors, and about one-eighth of what it was for low contributors. This, according to Cozyn, was exactly what he wanted.

Sources: Alfie Kohn, "Why Incentive Plans Cannot Work," *Harvard Business Review,* September 1993, pp. 54–58; Alfie Kohn, "Alfie Kohn Responds," *Harvard Business Review,* November–December 1993, pp. 48–49; Alfie Kohn, "How Incentives Undermine Performance," *The Journal for Quality and Participation,* March–April 1998, pp. 6–13; Alix Nyberg Stuart, "Motivating the Middle," *CFO,* October 2005, pp. 63–70.

may then feel some level of inequity. She may feel herself treated unfairly, and her motivation will be decreased. The Sales Management in Action box describes a number of additional issues concerning sales incentive programs and motivating sales performance, and how companies are showing a greater interest in motivating the 'B' team. These people are the backbone of many sales organizations and they must also see that their performance is valued and will lead to recognition and reward.

VALENCES FOR REWARDS

The *valence,* or value, that a salesperson places on a particular reward will also influence her motivation to achieve the reward. Each salesperson has unique needs and will therefore have a different valence for any particular reward. One salesperson may want status or recognition; another simply may want a higher income. Sales managers need to understand individual valences when deciding how to reward performance.

Some sales managers fail to recognize that many salespeople are internally—as opposed to externally—motivated. Internally motivated salespeople will perform an activity simply because they get inner satisfaction from performing the activity. Some salespeople simply enjoy calling on customers, building relationships, and helping people solve problems. These salespeople are likely to be self-motivated. Some sales managers argue that internal motivators—personal growth, achievement, challenge, responsibility, advancement, involvement, work itself—have a longer-term effect on a salesperson's motivation to expend effort.[2] Other sales managers argue that financial rewards are valued most by salespeople, and often focus their attention on providing money as a reward. The extent to which a particular salesperson values more money will likely be influenced by several factors: her current career stage, her current financial situation, her income compared to other salespeople, or other factors. A salesperson who earns higher income than other salespeople in the same company, or in the same industry, may place more value on non-monetary rewards. She might prefer an extra week of vacation with her family, for example.

Sales managers need to establish rewards that meet the needs of individual salespeople in order to motivate them. Now that a general model of sales motivation has been described, several specific sets of factors related to sales motivation are examined.

Specific Factors Related to Sales Motivation

Many factors are related to salesperson motivation. Two sets of factors that are particularly important include job-related factors and individual-related factors. We will look at each of these sets of factors now.

JOB-RELATED FACTORS

One of the most important determinants of a salesperson's motivation is the sales job itself. Five job-related factors are important: job value, skill variety, autonomy, opportunity, and feedback.

JOB VALUE

Salespeople who value the sales job will be more motivated to do it. Salespeople are increasingly recognizing that their individual success helps create their firm's overall success. They know that if they do not achieve success outside the firm, nothing will happen inside the firm. This is simply another way of saying that nothing happens until somebody sells something. When management also recognizes this truism, they place more emphasis on selling and openly recognize the value the sales force contributes to the company's success. This reinforces the value of the sales job for salespeople. There was a very short period during the ascendancy of technology companies when some people were arguing that the role of the sales force in organizations would diminish. Many of the companies that took resources from their sales force and placed them elsewhere are no longer operating. Firms may find more efficient ways of communicating with customers, but personal selling has always been and will always be the most effective method of communicating with customers under most circumstances. Some salespeople are motivated simply because they value the close working relationships they develop with their customers, and the value they provide to their customers by helping solve their problems.

SKILL VARIETY The wide variety of sales jobs requires a wide variety of skills for sales success. Salespeople who are simply order-takers (gatherers) require some skills, but fewer and at a lower level than salespeople who are order-getters (hunters). This latter group of salespeople often need a combination of skills: interpersonal and relationship-building skills, oral and written communication skills, analytical and problem-solving skills, and planning and strategy skills. Salespeople whose job requires them to use a wide variety of skills must manage more complex selling situations, will feel a greater sense of accomplishment and satisfaction when they succeed, and will likely be more motivated to achieve success.

AUTONOMY There are few jobs that provide people with the same level of autonomy as sales jobs. Salespeople, assuming they are performing at a satisfactory level, have considerable autonomy to decide what to do, and when and how to do it. Most salespeople work well beyond the 35–40 hours that most people work in a week, but they do have flexibility. Some salespeople decide to work mostly from their office, while others decide to work mostly from home. Although they usually must work within a sales expense budget, they can often decide which customers to see, how often, and when, where, and if to entertain customers. The level of autonomy and the flexibility that is inherent in many sales jobs is one of the reasons why so many women are attracted to selling today. Women in sales often find it easier to balance their career and family.

OPPORTUNITY Many salespeople begin careers in sales because of the opportunity that sales careers provide. Gavin Semple, now a member of the Canadian Professional Sales Association's Sales Hall of Fame, began his sales career selling vacuum cleaners, duck decoys, and insurance. He describes his motivation "to make a lot of money" so he could buy a television, a car, central heating, and other things he did not have when growing up on a farm in rural Saskatchewan. In 1972, he started selling agricultural, trenching, and golf course equipment. In his first year, he increased sales revenue fivefold, and, in 1976, he became company president. He is still president of Brandt Group of Companies in Regina.[3]

The first opportunity that a sales career provides is financial opportunity. Regardless of whether a salesperson earns straight salary, straight commission, or a combination of salary and commission, salespeople are among the highest paid people in organizations. It is not unusual to see a salesperson who earns a higher income than his sales manager or other executives in his company. The second opportunity that a sales career provides is the opportunity for advancement. Of course, not everyone can progress to management, but when companies are searching for candidates to move into supervisory or management positions, good salespeople are often among the first people to be considered. Some of the skills they have learned in sales will benefit them in management positions. As well, good salespeople are very visible within an organization, and this makes them good candidates for promotion as their previous performance is well known. Most other employees will see them as deserving candidates for promotion and are less likely to question if successful salespeople get fast-tracked into management roles. This opportunity for advancement makes sales careers particularly attractive to women and minorities who have career aspirations. Companies are beginning to increase diversity in their sales force to gain better access to the more diverse market segments in Canada today. Many companies now have top-producing salespeople who are members of various minority groups.

FEEDBACK Feedback is valued by most people because it provides them with a sense of how well they are doing and when changes need to be made to improve their performance. Salespeople probably receive more feedback than people in any other job. Salespeople regularly receive feedback from management, but also from their peers. They also get feedback, directly or indirectly, from customers. Some salespeople are more attuned to this feedback than others. That is because some have taught themselves to more critically evaluate their performance after each sales call. They ask themselves what they did well, what they did poorly, and what changes they will make for future sales calls.

INDIVIDUAL-RELATED FACTORS

A second important set of factors that affect a salesperson's motivation are individual-related factors. Many individual-related factors have an influence on a salesperson's motivation, but two in particular will be described in the following sections: individual motives and career stages.

INDIVIDUAL MOTIVES Motivation is one of the oldest and most researched topics in psychology. Many theories have been developed over the years, and most still maintain some degree of relevance today. Some of the more important theories of motivation for sales managers are summarized in Exhibit 9.2. Most of these theories propose that human behaviour is motivated by one

Exhibit 9.2

Motivation Theories and Their Application

Theory	Brief Description
Maslow's Hierarchy of Needs Theory	There is a hierarchy of needs: physiological, safety, social, esteem, and self-actualization. As each lower-level need is satisfied, people strive to achieve the next higher need on the hierarchy.
Herzberg's Motivation–hygiene Theory	There are hygiene factors (pay, working conditions, interpersonal relationships, etc.) that can prevent dissatisfaction, but will not lead to motivation. Motivation is created by intrinsic job factors such as challenge, responsibility, and achievement.
McClelland's Theory of Learned Needs	People have three basic needs: achievement, affiliation, and power. People with higher need for the first two perform well in sales; people with higher power need perform better in sales management.
Alderfer's ERG Theory	People have three basic needs: existence, relatedness, and growth.
Adams' Equity Theory	People compare their effort, performance, and rewards to those of significant others to decide if they are treated fairly. A feeling of inequity (unfair treatment) will result in dissatisfaction. Equity theory suggests that reducing inequity may be more important than increasing incentives.
Vroom's Expectancy Theory	This theory says that motivation is determined by a person's expectancy that effort will lead to improved performance, which will be instrumental in their achieving a reward. Motivation will also be affected by the personal value of the reward as well.

Exhibit 9.3

Satisfying Common Needs of Salespeople

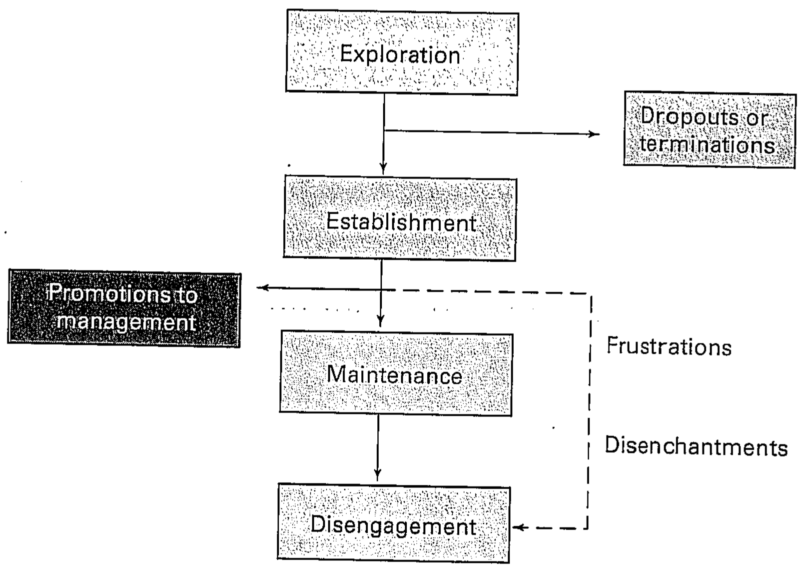
Needs	Company Policies, Programs, or Actions
Safety/security	Provide health, dental, insurance, and pension plans. Provide a safe work environment.
Social/affiliation/relatedness	Schedule meetings and encourage participation. Encourage some non-work group activities.
Esteem/status/respect/recognition	Publicly recognize and praise good performance. Seek advice and input on important decisions that affect the sales force.
Self-actualization/growth	Provide training programs to improve selling or management skills. Share responsibility with the sales force.
Achievement/accomplishment	Set short-term goals and acknowledge success. Publicly communicate achievements.
Power/control/independence	Allow salespeople to determine their account call schedule. Encourage active involvement setting sales quotas.
Stimulation/variety/excitement	Provide surprise short-term sales contests.
Routine/consistency	Perform regular sales management tasks such as making joint calls or providing performance feedback on a regular basis for all members of the sales force.
Equity	Ensure everyone knows how rewards are earned, and then reward fairly. Share workload and responsibilities evenly across the sales force.
Leadership/feedback/communication	Demonstrate competence, empathy, integrity, and respect. Share information regularly with the sales force.

or more individual needs. While the various theories focus on different needs, Exhibit 9.3 suggests that some of these theories propose needs that are closely related to needs put forward by alternative theories. Examples of company policies, programs, and actions that can help salespeople satisfy individual needs are also provided in this exhibit.

CAREER STAGE Another important individual-related factor that will affect a salesperson's motivation is **career stage**. Typically, salespeople who have had a long sales career will have progressed through a series of career stages, as diagrammed in Exhibit 9.4. These career stages include exploration, establishment, maintenance, and disengagement. As salespeople progress through

Exhibit 9.4

Career Stages



these stages, their experience and skill levels increase, their financial concerns and conditions change, and the rewards that they seek and that will motivate them change. Personal career concerns, developmental tasks, challenges, and psychosocial needs at each career stage are summarized in Exhibit 9.5. This exhibit also summarizes career stage impact on motivation, and implications for sales managers who must manage salespeople at each stage.

Exploration The first career stage, exploration, can be considered a trial or test stage. This begins when a salesperson gets her first sales job and usually occurs very shortly after graduation from school, college, or university. However, some salespeople begin their first sales job after an exploration stage in one or more other occupations. In any event, the first few months in a sales job can be very stressful for inexperienced salespeople. There is usually a lot to learn, and this is all happening at the same time that the salesperson is trying to decide if this will be what she wants to do for the rest of her life, or if it will provide future opportunities for advancement. However, the exploration stage can extend well beyond a first job, possibly to several jobs as salespeople begin to explore other selling situations that may better fit their personal interest and aptitude.

Sales managers play a very important role when new salespeople are beginning a sales career and evaluating whether it could be suitable for them. Feedback, direction, and encouragement reduce stress and demonstrate concern and interest. Recognition of small successes and reinforcing accomplishments provide some level of security at a time when new salespeople are feeling insecure. Taking time to socialize with new salespeople and communicating the value of long-term sales careers also helps foster a feeling a belonging and greater security. Some companies help new salespeople through the exploration stage by designating a mentor for them from among more senior salespeople.

Exhibit 9.5

Career Stages: Characteristics and Implications for Sales Managers

	Exploration	Establishment	Maintenance	Disengagement
Personal career concerns	• To find a rewarding occupational field	• To establish a successful career in a selected occupational field	• To maintain career standing; may reassess and possibly redirect career	• To emotionally prepare for career end
Personal developmental tasks	• Learn job-related skills • Become a contributing member of the organization	• Use skills to produce results • Increase autonomy • Improve decision making and innovativeness	• To develop a broader view of work and organization	• Establish a self-identity outside of work • Maintain respectable performance level
Personal challenges	• To develop a good initial professional self-concept	• To produce superior performance with goal of promotion • Balance work–family demands	• To maintain motivation and performance • To adjust to aging and changed career expectations	• To accept career accomplishments • To adjust to new self-concept
Psychosocial needs	• Sense of acceptance and security • Challenge and growth	• Achievement • Esteem • Autonomy • Competition	• Reduced competitiveness • Security • Helping younger colleagues	• Self-respect • Detachment from organization and career
Impact on motivation	• Low expectancy and instrumentality perceptions • High valences for personal growth and recognition	• Highest expectancy and instrumentality perceptions • High valences for compensation but even higher for recognition and promotion	• Lowering expectancy perceptions and valence for promotion • Valences for recognition and status still high • Highest valence for compensation	• Lowest instrumentality perceptions and valences for all types of rewards
Implications for sales managers	• Need to provide encouragement and sense of early success • Need to help explore possible career paths	• Must keep expectations realistic • Need to focus on career paths and appropriate skill development	• Focus effort with pay for performance as highest level of skills combined with established client relationships	• Recognize that detachment is a normal process at this career stage • May need to begin territory succession plan

Source: Adapted from William L. Cron, "Industrial Salesperson Development: A Career Stages Perspective," *Journal of Marketing*, Fall 1984, pp. 41–52.

Establishment Some salespeople will enter the establishment stage very soon after beginning their first sales job. For example, a person who has decided very early that she wants a sales career in the pharmaceutical industry may be fortunate and get her first sales job with her first choice of employers. Her initial enthusiasm and preparation quickly indicate her aptitude, and positive reinforcement from management along a known career path leads her to quickly decide that sales is a good career. Other people may spend many years trying several companies, industries, or professions before deciding that sales is the career for them. Some people will therefore enter the establishment stage in their mid-twenties; others may enter this stage in their mid-thirties or even later. Many salespeople at this stage have increased financial obligations and are beginning to have family demands as well as career demands.

Salespeople in the establishment stage have moved from exploring career options to committing to a sales career. They are more competitive and willing to work longer hours and invest more time and effort improving their selling skills or increasing their product knowledge. They are now concerned with increasing their autonomy and demonstrating their performance capabilities. It is during this stage that salespeople have their highest expectancy and instrumentality perceptions. While they have high valence for increased compensation, their highest valences are for recognition and promotion. Unfortunately, advancement often slows as competition increases among people who are in the establishment career stage.

A major concern for sales managers when salespeople are in this stage is to manage expectations while also providing adequate rewards for performance. If sales managers fail in either of these areas, salespeople will seek alternative opportunities, and turnover will increase. Companies that are concerned about this usually have career paths for salespeople, and these are often communicated to salespeople regularly during this period. A typical sales career path may begin with inside salesperson or sales trainee, and progress to intermediate salesperson, senior salesperson, and then to national, key, strategic, or major account representative. The sales manager needs to be able to manage salespeople's progression so they remain committed not only to a sales career, but to staying on as high-performing salespeople within the firm.

Maintenance Many salespeople eventually are faced with a career re-evaluation. They begin to question where they are career-wise, and what options are still available to them. This frequently happens shortly before or after the age of 40, and is often precipitated by a particular event in their lives—possibly a personal life event, or perhaps a work-related event such as being passed over for promotion. Regardless, the re-evaluation will lead to a number of choices for most people.

Some will decide to leave the firm and look for opportunities elsewhere. Some may change companies; others may change careers. Some may decide to start their own business; others may decide to return to college or university. While many M.B.A. students, for example, are studying to advance their careers, many others are enrolled because they are hoping to change careers. Fortunately, many who re-evaluate their career during the maintenance stage decide to remain in sales. A sales manager needs to be sensitive to the salesperson just entering the maintenance stage, because this is where the decision to stay or leave is made. Maintenance-stage salespeople are the backbone of many sales forces. Maintenance-stage salespeople were rated highest in many aspects, including ability to meet sales goals, product knowledge, commitment to serving customers, and creativity in solving problems.[4] At age 58, Al Clark became the top-performing salesperson among the 16 000 State Farm agents across Canada and the United States.[5]

Sales managers need to recognize the importance of these salespeople to the firm and to carefully manage their motivation. These salespeople have decided that further promotion is unlikely, and they lower their expectancy perceptions and valence for promotion. They now will be motivated by other things. Many salespeople in this stage have the highest valence for financial rewards because they have increased financial commitments as their children enter post-secondary educational programs. Some are also beginning to plan ahead for financial needs during retirement. Other salespeople still will be motivated by recognition and status within the sales force. Giving these salespeople increased responsibility often helps. Many welcome increased involvement in training and mentorship programs, or inclusion on special-project teams. Many of these salespeople will remain strong contributors throughout this stage, but management is sometimes challenged to find ways to keep others motivated.

Disengagement Disengagement is the final career stage. This is the stage where salespeople finally recognize that their sales career is coming to an end, and they begin to establish other priorities in their life. They may participate more in non-work activities such as golf or other hobbies. Their sales may continue at acceptable levels throughout this period as they have established accounts that they now manage as "gatherers." They still attempt to meet their sales quotas, but they curtail their "hunter" activities and they open fewer new accounts. This can provide opportunities for competitors and can sometimes have serious negative consequences for their firm, so sales managers need to closely watch what is happening in their territory during this period.

Managing these salespeople can sometimes be challenging. They generally have the lowest instrumentality perceptions and lower valences for all types of rewards. Some simply no longer respond to recognition programs, and others may now have reduced financial needs so that financial rewards no longer have much motivational impact. Sales managers should recognize disengagement as an important stage in a salesperson's career, and should help them through the process. Working closely with salespeople at this stage will provide better territory succession planning so customers remain satisfied and loyal.

A more serious problem for sales managers is the salesperson who enters the disengagement stage too early in his career. He may have recognized very early that his sales career has reached a plateau and he is unlikely to advance further in the company. He may simply bypass the maintenance stage and proceed directly to the disengagement stage as illustrated in Exhibit 9.4. If he is many years from retirement and has decided to do only as much as necessary to maintain job security, closer supervision becomes necessary. He is more likely to miss opportunities in his sales territory, providing opportunities to competitors who will quickly take advantage of the situation. Attempts to motivate him may fail, and may even lead to resentment. In the worst scenario, this salesperson may become openly negative concerning his job and company, and he can poison the atmosphere for the entire sales force. A sales manager who can find no other solution may eventually have to terminate this salesperson. How to manage salespeople who have reached an early career plateau and how to terminate salespeople will be discussed in greater detail in Chapter 11.

Quotas

A **quota** is a quantitative goal assigned to an individual salesperson. A good quota should be considered by the salesperson as both an objective and a challenge. Quotas, managed properly, can be one of the most important tools in a sales manager's tool kit. That is why almost all sales organizations have some form of quota system.

WHY USE QUOTAS?

There are many reasons why quotas are used in sales organizations. This section describes how sales quotas help sales managers motivate salespeople. As motivators, quotas serve two main purposes:

1. *To motivate salespeople to achieve superior performance.* Salespeople, by nature, like to have objectives. They enjoy the sense of accomplishment and like to know what is expected of them by management. A quota that is realistic but achievable will motivate salespeople to perform better than they otherwise might. As well, it can be used as the basis to communicate with and provide feedback to salespeople throughout the year.
2. *To provide direction for salespeople so they understand what is important.* Without direction, salespeople are free to sell whatever they wish and, not surprisingly, they will spend their time selling whatever is easiest to sell or whatever will provide the most sales volume. If this is acceptable to management, then simply stating the sales quota in terms of sales dollars will be sufficient. However, many companies need to ensure that time is also allocated to targeting new accounts, selling new or strategic products in a product line, focusing on specific customer segments, or moving high profit items. Under these conditions, salespeople should be focused on more than just dollar volume sales. At the same time, however, management must not have so many quotas that salespeople lose sight of what is really important to the organization.

WHAT ARE GOOD QUOTAS?

Good quotas have a number of characteristics. In particular, they are simple, complete, accepted, and managed. Simple quotas or quota plans are easier to explain to salespeople, and much easier for salespeople to understand. When quotas are complex or not understood, salespeople are unlikely to focus on the behaviours necessary to achieve them. Salespeople are also more likely to be suspicious of quotas that are difficult to understand.

A good quota plan is complete. It focuses salespeople on all of the activities that are important, or all of the criteria on which their performance will be evaluated. When the sales cycle is fairly long and often requires several face-to-face meetings to close a new account, for example, the salesperson must perform a number of activities to ensure there are always prospects at various stages of the buying process. Simply asking salespeople to close three new accounts per week could result in their achieving the quota for several weeks, but failing to meet the quota in the longer term. A solution is to break down the important activities that will lead to closing a sale, and establish a quota for each of them. A salesperson could be required to add 30 new prospects to her prospect list, make eight initial customer presentations, make four follow-up sales calls, and close two new accounts each week. As another example, a salesperson could be required to have annual sales revenue of $750 000 with 65 percent of it through dealers or distributors. In this example, salespeople have an annual sales quota, but the company is saying that dealers and distributors are important in the company's overall marketing strategy so that salespeople must remain focused on working with them.

Good quotas are accepted. In fact, if they are not accepted by the salespeople who must achieve them, they will act as demotivators rather than motivators. The importance of salesperson buy-in is suggested by the fact that more than 60 percent of sales managers receive input on sales quotas from the sales force.[6] The key to establishing good quotas is to balance the input and knowledge of both management and individual salespeople. A good place to start is with management. Sales managers, for example, will have information on past sales in each territory, and may be privy to key information that will be important in setting future sales quotas, such as changes in general economic conditions, proposed price changes, or likely new product introductions. Once the initial quota is determined, the sales manager should be able to explain to the salesperson all of the assumptions that went into deciding the initial value. The salesperson can then provide input based on information she has concerning her particular sales territory that may affect her likelihood of meeting the sales quota. A major customer may be making important changes to its level of production that will affect its purchase volume, competitor activity may be increasing or decreasing in the territory, or other factors may be involved. In any event, at the end of the process, the resulting sales quota should be acceptable to both parties, and that will get the salesperson's commitment. Some sales managers are concerned that salespeople will try to have their sales quota set too low, particularly if their compensation or reward system is based on their achieving sales quota. However, research suggests that salespeople are as likely to overestimate as to underestimate their quota, and errors were most frequently within plus or minus 10 percent. Only one in 20 sales managers thought that their salespeople tried to have their quotas set low so that they could benefit from it.[7]

Finally, good quotas are actively managed. Too frequently, quotas are established and then forgotten until it becomes necessary to see whether the salesperson has achieved his quota. Good quotas are regularly checked and performance against quota is discussed between the sales manager and the salesperson. Doing this early enough to identify potential problems allows interventions to be made so that there are no surprises at the end of the period. When it is apparent that a salesperson is tracking close to quota, recognition and encouragement from the sales manager can be motivating. It also sends the message that quotas are important and that performance is being monitored. When there are problems with performance, finding out early allows the sales manager and the salesperson to investigate the reasons and take corrective action. In some instances, the corrective action might require an adjustment to the sales quota. If it becomes apparent in June that a salesperson is unlikely to meet quota, then simply keeping the same quota for the balance of the year will result in a demotivated salesperson. If the reason for failure is beyond the salesperson's control, then adjusting the quota can improve motivation for the rest of the year. Care must be taken, however, when adjusting the quota upwards. If salespeople see this as a tactic to avoid rewarding them for their performance, this can create problems. Care should be taken before making adjustments, but there should be enough flexibility to make adjustments when they are truly necessary. Nearly one-half of the 1925 respondents to a recent survey reported that they did not make any changes to sales quotas within the previous year; just over one-quarter reported that they made one change, and almost as many indicated that they made two or more changes.[8]

TYPES OF QUOTAS

There are three widely used types of sales quotas: sales volume quotas, profit-based quotas, and activity-based quotas. The most popular among the three is sales volume quotas, which are used by the majority of companies, regardless of size. Profit-based and activity-based quotas are more likely to be used by larger firms.

SALES VOLUME QUOTAS **Sales volume quotas** are the most commonly used quotas and are the most readily accepted by salespeople as they are generally easy to explain, and they are consistent with what salespeople believe they should do: sell. Sales volume quotas can be based on dollar sales, unit sales, or a point system. Sales volume quotas establish target sales for a specific period of time—usually monthly, quarterly, or annually. However, they can be specified daily or weekly.

Setting a dollar sales quota is common when the salesperson sells a broad product line and when management has little preference for what is actually sold. An industrial distributor salesperson, for example, may simply be given a sales quota of $400 000 based on the previous year's sales of $380 000, with an adjustment for price increases and an otherwise stable sales territory. Unit sales quotas are frequently used when high-priced or bulk items are sold. It may take a dealership salesperson as much time and effort to sell a $20 000 or a $60 000 vehicle, and both may be important to the dealership that must sell a complete line of vehicles for the manufacturer. The salesperson's sales quota is most likely to be stated as a specific number of units per month or per year. Salespeople may also be given unit sales quotas when goods are sold in cartons, on pallets, or by truckloads. With both dollar volume and unit sales quotas, sales targets may also be set for specific products, or for particular segments of customers. For example, a salesperson selling office equipment could be required to sell 60 office machines per month: 20 photocopiers, 20 computers, 15 printers, and 5 fax machines or scanners. This quota system ensures that the salesperson sells the complete product line and also means they will place more emphasis on higher dollar value sales as well.

Point-based quotas are a bit more complex but they do have an advantage of being more flexible. Salespeople earn points based on sales dollars or units sold. For example, a salesperson could earn for each $1000 of sales: three points for valve sales, two points for pipe fittings sales, and one point for pipe sales. A sales quota could be established as 10 000 points annually. The salesperson has some flexibility around how he wishes to achieve his point quota. At the same time, the sales manager has some flexibility as she can add some short-term sales contests over the year to redirect sales efforts to specific products. She might, for example, award double points during March for each new account opened, or, to encourage full-line selling, give an extra two points when all three items are sold on the same order. This flexibility also allows the sales manager to intercede throughout the year without seeming to change the sales quota. If the sales manager sees that economic conditions have deteriorated and it is likely that only 20 percent of the sales force will achieve their sales quota, then these short-term sales contests can boost sales performance until it looks like the target percentage of salespeople will be successful.

PROFIT-BASED QUOTAS **Profit-based quotas** focus on profits rather than just sales revenue. When quotas are simply based on dollar sales volume, salespeople will focus on what they can sell with the least effort, and in the largest quantities. Sometimes this means selling volume at low margin, simply to get revenue. One solution is to focus salespeople on more profitable products or accounts by rewarding them for reaching profit quotas. Many profit-based quota plans focus on gross margin (net sales minus cost of goods sold) or contribution margin (gross margin minus direct selling expenses). Gross margin is frequently the fairest measure to use as salespeople are not always able to control even direct selling expenses. If a salesperson is paid a high salary because of his experience and product knowledge, or if he has higher travel expenses because his geographic territory is large, then he would be penalized because his direct selling expenses would be higher and he could not control these. On the other hand, when direct selling expenses are largely under the control of the salesperson, then profit-based quotas that use contribution margin make more sense. Salespeople would then be encouraged to control their direct selling expenses to maintain higher contribution margin. Some companies use net profit as the basis for setting sales quotas. However, it is questionable whether salespeople should be held accountable for things that are beyond their control. The accounting method the company uses to allocate overhead costs, for example, will affect the net profit on sales.

ACTIVITY-BASED QUOTAS A short-term focus on dollar sales volume or profit-based quotas may lead salespeople to neglect account management activities that are critical to maintaining long-term customer relationships, or activities that will maintain an adequate number of prospects in the sales pipeline to ensure that sales are achieved with some degree of regularity in future periods. **Activity-based quotas** help ensure salespeople do the right things so that sales and profits are generated in the long term as well as in the short term. Companies that use activity-based quotas view activities as investments. Among the activities that can be used are the following:

- Number of sales calls per day
- Number of sales calls on prospective new accounts
- Number of prospects added to prospect list
- Number of prospects qualified
- Letters or telephone calls to prospects
- Number of sales proposals prepared
- Number of sales presentations made
- Number of product demonstrations made
- Number of dealer training sessions held
- Number of displays arranged
- Number of service calls made

There are, of course, many others depending on what is important in a particular selling situation. Because the behaviours on which activity-based quotas are based are largely under the salesperson's control, he can be held more accountable for achieving satisfactory performance. A good sales manager will look beyond simply meeting activity quotas, however. If all salespeople make a required 25 product demonstrations per week, but two of the salespeople have sales dollar volume considerably below average, the sales manager should investigate the reason why. It could be the quality of the demonstration or problems with some other part of the selling process, such as handling buyer resistance or closing sales. A major issue with activity-based quotas is that the data used to measure performance is frequently collected from the sales call reports of the salespeople who are being evaluated.

ESTABLISHING AND MANAGING QUOTA PLANS

Now that you have an appreciation for why quotas are important for managing salespeople, what makes a good quota, and the various types of quotas that can be used, some considerations for establishing and managing quotas will be discussed. Ideally, a number of factors should be considered when establishing a sales quota: territory potential, the previous year's sales, forecast sales for the next period, and adjustments that may need to be made because of changing conditions in the sales territory. (Methods to estimate sales potential and forecast sales were described in Chapter 4.) When possible, it is good to use sales potential as a starting point, but relying on sales potential alone as the basis to establish quotas will seldom provide a good solution. Here is why.

First, sales potential, you may remember, is what the firm could sell under ideal conditions. Sales forecast is smaller than sales potential because it is estimated sales based on a particular marketing program and other factors such as production capacity or financial resources within the firm. Second, the previous year's sales must be considered. This figure is an indication of how well the territory has been developed, and therefore provides some indication of what is possible for the next period. Third, within specific territories important changes may be taking place that require consideration and adjustment. The firm may have just added or lost an important distributor in the territory, and will have to consider the impact this will have on sales. If sales in the territory are largely from long-standing customers, the impact on sales of having a new salesperson in the territory will not be as negative as it might be if an inexperienced salesperson is added to a territory where salespeople must constantly search for new business. Considering all four factors together therefore requires considerable management judgment.

As well as judgment, the final selection of quotas will be influenced by the beliefs or philosophy of the sales manager. Should he set quotas low so that all salespeople succeed, or should he set quotas high so that only the very best salespeople meet their sales target? There is no correct answer, and what works best will change as conditions in the sales force change. A common rule of thumb is to set quotas so that 60–80 percent of salespeople achieve quota. A sales manager could set the percentage higher if achieving quota results in salespeople getting financial compensation that is seen as an important part of their total compensation package. If achieving the sales quota results in only a minor financial reward for the salesperson, and the company has numerous other shorter-term sales contests throughout the year, then setting the percentage lower may be better. The best advice is to be conservative when changes will have an impact on the reward system and, hence, motivation of the sales force. Gradual change is likely to meet with less resistance.

Another issue that often arises when managing quota plans is what to do when a salesperson meets one quota but fails to meet a second one. For example, a salesperson might achieve dollar sales quota but fail to achieve unit sales quota. Or, a salesperson may achieve total dollar sales quota, but fail to achieve quota in a particular target segment.

Sales Contests and Recognition Programs

Sales contests are very popular among salespeople and are generally implemented to serve very specific short-term objectives. Although sales contests do provide financial as well as non-financial rewards to salespeople, they should not be considered as part of a company's overall compensation package. **Recognition programs** are programs designed to recognize salespeople for superior sales performance. They are important and popular among salespeople as well. Recognition programs require as much management attention, but they are more likely to be formalized within an organization so that they are more stable from one period to the next. Exhibit 9.6 provides a ranking of the six most important ways that respondents to a recent survey indicated that incentives impacted their quality of work or performance.

Management should follow a four-step process to design and implement sales contests and recognition programs: (1) planning, (2) promoting, (3) rewarding, and (4) evaluating.

PLANNING

Sales contests are designed to motivate sales effort toward specific objectives. Therefore, it is important to clearly define the objective for each sales contest early in the planning stage. Popular objectives might include maintaining or building overall sales, or sales for specific products, or sales to specific accounts. It is important that the sales objective for a sales contest be consistent with other sales objectives for the organization. For example, a sales organization may have an annual sales objective to increase sales 15 percent over the previous year. Establishing a sales contest to intro-

Exhibit 9.6

Incentive Impact on Quality of Work or Sales Performance

Improved individual motivation	1
Made you feel good or created a sense of personal well-being	2
Increased sales activity	3
Improved team motivation	4
Motivated sales team to reach increased targets	5
Encouraged to sell new products/premium product lines	6

Source: *2006/2007 CPSA's Guide to Incentive and Recognition Programs*, ed. Anna Fredericks (Toronto, ON: Sales Resource Centre, Canadian Professional Sales Association, 2006).

duce a new product that requires considerable time and effort to sell could refocus the efforts of the sales force on the new product and result in lower overall sales, causing the company to miss its more important annual sales objective.

A second important decision at the planning stage is to decide the budget for sales contests. Without a budget, a tendency to simply add sales contests as a response to short-term conditions could develop so that sales contests proliferate with little effort to coordinate them or consider how they fit with long-term sales objectives. A general rule of thumb is to spend approximately 75 percent of the budget on prizes and the remainder on promotion.[9] Unfortunately, only 40 percent of respondents to a survey of Canadian sales organizations indicated that they have a budget for sales programs.[10] Other decisions that need to be considered during the planning stage include how to promote the sales contest, contest duration, the probability of winning, and the type of reward. These are discussed in later sections.

Recognition programs also require some planning, although these are frequently long-standing programs that change little from one period to the next. More formalized programs would include such things as President's Club membership; Salesperson of the Month or Year; or Bronze, Silver, Gold, or Platinum Sales Club membership. Some sales managers may be more effective than others at simply recognizing salespeople for individual effort or performance on a regular basis, but this may occur outside of formal recognition programs.

PROMOTING

The effectiveness of sales contests and recognition programs will be greatly affected by their promotion. Smart planners will decide how to promote before, during, and after these contests and programs are implemented. The promotion of sales contests will be enhanced if there is an exciting theme that can be used to build motivation and encourage positive word-of-mouth prior to the launch of the sales contest. A "Heart of Darkness" contest could lead winners to an "African Safari," or a "Top Gun" contest could provide winners with an experience flying fighter jets.

Depending on the duration of the sales contest, promotion may be needed to maintain or continue to build enthusiasm. Popular methods of communicating performance progress include email updates, monthly newsletters or reports, and public postings on company notice boards. Each of these methods has been used by approximately 60 percent of sales companies.[11]

The duration of sales contests can range from one week to one year. For shorter contests, prizes are usually lower value, and the number of winners is usually higher. The duration of

Exhibit 9.7

Duration of Recognition Programs

Duration	Percentage of Responding Companies with These Programs
Annual programs	70
Semi-annual programs	10
Quarterly programs	20
Monthly programs	40

Source: "CPSA's Guide to Non-Financial Rewards and Recognition," ed. Anna Fredericks (Toronto: ON, Sales Resource Centre, Canadian Professional Sales Association, 2003).

recognition programs tends to be longer. Many companies have several types of recognition programs during the year. Exhibit 9.7 shows the popularity of recognition programs by duration. Promoting recognition programs should be an ongoing effort as the most effective promotion often comes during and after the presentation of the awards.

REWARDING

There are many decisions that must be made with respect to particular sales contests or recognition programs: Who will be eligible to win a prize or receive an award? What will the prize or award be? How many people will win a prize or receive an award? Where and when will prizes and awards be presented?

1. *Who will be eligible to win a prize or receive an award?* Some sales contests and recognition programs are focused only on sales performance, and therefore are designed mainly to reward field salespeople. Increasingly, sales organizations are beginning to reward sales support people as well. They are beginning to realize that sales support people can have both a direct and an indirect impact on sales performance. A direct impact would result when a customer service representative, for example, up-sells a customer to a larger quantity, a more expensive alternative, or complementary products. Indirectly, the same customer service representative can have an impact on sales performance by simply providing outstanding service that will foster customer loyalty and additional sales.
2. *What will the prize or award be?* The success of a sales contest will depend on the valences that the participants have for the prizes. Cash was preferred more than non-cash rewards by 85 percent of respondents to a recent survey by the Canadian Professional Sales Association.[12] However, many companies offer non-cash prizes and awards because they remain as reminders of accomplishment longer after they have been won. As the Sales Management Today box describes, tangible incentives are remembered longer than cash. Also, the value of some non-cash prizes can be higher than their cash equivalents. A $500 cash prize is worth $500 to the recipient, and costs the company $500. At the same time, it is a $500 taxable benefit for the winner. On the other hand, the company might be able

to provide a $500 non-cash prize that it pays considerably less for, meaning the company could distribute more prizes, or it could increase the value of the rewards it provides. These would still be a taxable benefit for the recipients, but valued at the company's cost. The valences that participants have for particular prizes are not necessarily related to the monetary value of the prizes. An established salesperson in mid-career who owns two widescreen HD televisions may have low valence for a third television. On the other hand, if he is a golf enthusiast, a quality golf bag has "trophy" value as it can be shown to friends and colleagues. Recognizing that different people value different things, there is a trend today to allow winners to choose prizes that they individually value. Paul Gallant, a vice-president at Carlson Marketing Group in Toronto, says, "Overall, people want to pick what they want to pick . . . . Gift cards and certificates have been on top for quite some time."[13]

3. *How many people will win a prize or receive an award?* There are several methods used to select winners in sales contests. Historically, salespeople competed as individuals, with only top performers winning sales contests. This is still popular and is appropriate where all salespeople have a reasonable chance of winning, and particularly if the prize is substantial. Even when there is a single top prize, companies can increase the number of winners by selecting a winner in each region, or at each sales branch. To overcome unequal opportunities among salespeople, some companies establish individual quotas, and salespeople who achieve their quota get rewarded or recognized. There is always a trade-off between rewarding so few that many become demotivated as they do not believe they can win, and rewarding so many that the accomplishment of winning becomes devalued. For sales contests with smaller value prizes, a good rule of thumb might be to aim for 70 percent of the sales force to win. Another possibility that allows more participants to win is to design the program so that the sales performance is based on improvement over a previous period. Salespeople who had poor performance one period would be better positioned to win the next period. The Sales Management in Action box on page 257 described the growing interest in motivating the 'B' team as well as the top performers, and rewarding each person based on improved performance is one of the valued suggestions.

   Another method of deciding winners that is growing in popularity is to group salespeople into teams, and then reward them with group and individual prizes. With a little creativity, inside salespeople and sales support people can also participate. When it is not possible to add these people to the teams, it is a good idea to have separate contests for them. Otherwise, having only field salespeople receive rewards and recognition can be demotivating. Of Canadian companies that responded to a survey concerning incentive programs, 70 percent indicated that salespeople were eligible for participation, but only 40 percent reported that outbound salespeople and customer support personnel were eligible. Only 30 percent of inbound salespeople were eligible.[14]

4. *Where and when will rewards and awards be presented?* This will be determined partly by the nature and value of the reward. National awards should be given at national meetings, and promoted through national media if possible. Many companies advertise winners in *The National Post* and *The Globe and Mail.* Monthly awards can be given at monthly sales meetings. Sales managers that wish to get the most from sales contests and recognition programs should ensure that the recipients get maximum exposure. It fosters pride among winners and increases motivation among others to become future winners.

SALES MANAGEMENT TODAY

The Benefits of Tangible Incentives

Respondents to a recent survey by World Incentives, Inc., overwhelmingly agreed (84 percent) that merchandise incentives are remembered longer than cash. Yet, the majority of salespeople (88 percent) responding to a recent CPSA survey indicated that they prefer cash to non-cash rewards. Both cash and non-cash rewards are popular in incentive programs, but Dr. Scott Jeffrey at the University of Waterloo has been researching tangible, non-cash incentives and makes some convincing arguments that they deserve more consideration.

Dr. Jeffrey suggests four psychological processes that may make tangible incentives better motivators than cash incentives of equal value: justifiability and social reinforcement (which may increase the value of earning the reward), and evaluability and separability (which may actually increase the perceived value of the reward). Here is how each of these four psychological processes may operate:

1. *Justifiability.* Employees may see some rewards as highly desirable, but may be unable to justify buying them. For example, a salesperson might like to own a set of new Calloway golf clubs, but could not justify buying them knowing that his children are about to start school and will need new clothes and school supplies. The opportunity to win the reward provides a way for the salesperson to achieve what he desires, without having to violate his family responsibilities.
2. *Social reinforcement.* Winning a tangible reward such as the Calloway golf clubs has a high level of visibility. Other members of the sales force can offer acceptable social reinforcement to the winner: "Job well done, Bob. Great set of golf clubs you won there." Each time Bob hears this, or simply uses his clubs, he will be reminded of the performance that allowed him to earn his tangible reward. While initially winning cash might be highly visible, it is less socially acceptable to acknowledge it, especially with the passage of time. Other members of the sales force would likely be uncomfortable acknowledging the reward months after it is received: "Well, Bob, what did you do with the $1000 you won last year?"
3. *Evaluability.* Hedonic goods, such as a vacation trip to Hawaii, are difficult to attach an actual value to. Winners, when recalling the trip, are likely to recall a warm beach, a cool drink, a refreshing breeze, and other affective attributes that are difficult to value. Winners may increase the perceived value of the reward beyond its actual monetary value because they may cognitively alter the predicted utility of the reward. Particularly if the winner worked hard to get the reward, cognitive dissonance research suggests they will convince themselves that it is highly valued by them, bringing their self-perceptions in line with their behaviour. Dr. Jeffrey suggests this can even produce a vicious circle: The harder a salesperson works to get the reward, the higher it is valued. The higher it is valued, the harder the salesperson will work for the reward.
4. *Separability.* Since a monetary reward is earned as part of the salesperson's job, the reward will likely become mentally aggregated as part of total income, and will have little meaning beyond any recognition that is provided at the time the reward is won. The cash bonus simply becomes "more salary." Salespeople are also much better with numbers than most employees, so they are likely to compare the cash reward to their salary without the reward, and this may actually diminish the value of the reward. For example, top salespeople regularly earn $100 000 or more. Giving these people a $1000 cash reward will mean that they see their "income" go up by 1 percent, or less. A $1000 set of golf clubs has the same monetary value, but the win will not be aggregated as part of salary. It will remain separate from income.

While much of Dr. Jeffrey's work is conceptual, he has begun a research stream to empirically investigate his hypotheses. In his first study, he has found considerable support for justifiability. In an experimental design, respondents who found the purchase of the non-cash incentive most difficult to justify expressed a clear preference for a cash incentive of equal value. However, they performed better as well.

Sources: World Incentives, Inc., http://www.worldincentives.com/2005%20Incentive%20Federation%20Study.pdf, accessed August 19, 2006; also see Incentivecentral.org, http://www.incentivecentral.org/Federation_Study_2005__Incentive_Federation_Survey_of.571.0.html#6; Scott A. Jeffrey and Victoria Shaffer, "The Motivational Properties of Tangible Incentives," working paper, Department of Management Sciences, University of Waterloo, Waterloo, Ontario; Scott A. Jeffrey, "Justifiability and the Motivational Power of Tangible Non-Cash Incentives," working paper, Department of Management Sciences, University of Waterloo; Waterloo, Ontario; "2006/2007 CPSA's Guide to Incentive and Recognition Programs," ed. Anna Fredericks (Toronto, ON: Sales Resource Centre, Canadian Professional Sales Association, 2006).

EVALUATING

Once a contest is over, or after award presentations at a formal recognition event, the results need to be evaluated. The sales manager needs to review the results at the individual salesperson and at the sales force level. He should evaluate the level of participation among the sales force, whether salespeople were satisfied with the process and the results, and what changes need to be made to future events. While evaluation is an important part of the overall process, only 40 percent of companies have a measurement to evaluate their incentive programs. Of those that do, 70 percent use subjective measures, 60 percent use sales volume increases, and 50 percent use monetary objectives.[15]

SUMMARY

1. **Define motivation and explain the sales manager's role in motivating salespeople.** Motivation is an internal drive to initiate and expend sufficient effort over time to perform appropriate selling activities to accomplish specific sales objectives. The sales manager is instrumental in helping salespeople identify opportunities, and for ensuring they have selling ability by providing appropriate resources such as training, technology, and sales support. By helping salespeople manage their performance, and by recognizing and reinforcing successes, the sales manager has an impact on the salesperson's self-concept, and this will increase the salesperson's motivation.

2. **Describe and explain a general model of sales motivation.** Expectancy theory provides a general model of sales motivation. It describes the relationship between effort, performance, and reward. The effort salespeople will make to achieve sales objectives is related to three factors: (1) expectancy, the belief that making an effort to perform specific activities will, in fact, help the salesperson achieve the desired level of performance; (2) instrumentality, the belief that achieving the desired level of performance will be instrumental in helping the salesperson achieve specific rewards; and (3) valence, the personal value that the salesperson places on receiving these specific rewards.

3. **Discuss specific factors related to salesperson motivation.** Two sets of factors that are important to a salesperson's motivation include job-related factors and individual-related factors. There are five important job-related factors: job value, skill variety, autonomy, opportunity, and feedback. Two important individual-related factors are individual motives and career stages. There are four career stages: exploration, establishment, maintenance, and disengagement. A salesperson's motivation changes as he progresses through these career stages.
4. **Describe different types of quotas and how to manage quota plans.** Quotas are used to motivate salespeople to achieve superior performance and to provide direction for salespeople so they understand what is important. Good quotas are simple, complete, accepted, and managed. Quotas may be sales volume quotas, based on dollar sales, unit sales, or a point system; profit-based quotas, based on profit rather than sales; or activity-based quotas, based on sales-related activities to ensure salespeople do the right things. Sales managers must consider a number of factors when establishing sales quotas, including territory potential, the previous year's sales, forecast sales for the next period, and adjustments that may need to be made because of changing conditions in the sales territory. They must also decide what percentage of the sales force should achieve quota, and what to do when a salesperson does not meet quota.
5. **Describe how to manage sales contests and recognition programs.** Sales contests provide rewards to salespeople for achieving specific sales objectives, and usually shorter-term ones. Recognition programs are designed to recognize sales performance. Sales managers should follow a four-step process to design and implement sales contests and recognition programs: (1) planning, (2) promoting, (3) rewarding, and (4) evaluating.

KEY TERMS

motivation **254**
expectancy **254**
instrumentality **254**
valence **254**
career stage **261**
quota **265**
sales volume quota **267**
profit-based quota **268**
activity-based quota **269**
sales contests **270**
recognition programs **270**

REVIEW QUESTIONS

1. Define *motivation* and explain the sales manager's role in motivating the sales force.
2. Using expectancy theory, explain the relationship between effort and performance, and between performance and reward.
3. Explain what factors might increase or decrease a particular salesperson's valence for financial rewards.
4. List five job-related factors that affect a salesperson's motivation and explain how they do so.
5. What must a sales manager do to manage salespeople at each of the four career stages?
6. What are the two main purposes for using sales quotas? Explain what makes a good sales quota.

7. Describe three types of sales quotas and when each is most appropriately used.
8. Identify one major concern with activity-based sales quotas and explain why sales managers must often look beyond simply achieving this type of quota.
9. Explain the difference between a sales contest and a recognition program.
10. Describe the importance of the four-step process that sales managers should use to design and implement sales contests and recognition programs.

APPLICATION EXERCISES

1. Max Power, the company CEO, has just called you in to discuss sales force motivation. Max says, "I want you to design an incentive plan that will increase the motivation of our salespeople to sell more. They are currently on straight salary, but I think a good bonus plan is what we need. I don't know whether we should pay a small percentage of sales or profits once salespeople reach their quota, and then increase the percentage as their sales above quota increase, or whether we should pay a sizable bonus when they reach quota, and then gradually decrease the percentage the further above quota they go. One of our competitors even begins to pay bonuses long before its salespeople reach quota. I don't understand why they would even consider doing that. What are your thoughts?" As the company sales manager, what specifically would you tell Max Power?
2. Elaine Cheong has been selling for the Canadian sales branch of a global consumer goods company. She originally applied for a marketing position with the company but was offered a job in sales. Now, she is beginning to understand that a transfer to marketing is highly unlikely. She does not dislike selling, and she really does enjoy travel, meeting and working closely with people, and the flexibility that her selling job provides. However, she still has a desire to move to a marketing position within the company. As her sales manager, what would you do to increase Elaine's motivation to remain in sales?
3. Consider two of the following sales positions:
   - selling website design services to large organizations (more than 1000 employees)
   - selling residential real estate
   - selling new and used automobiles
   - selling for a large consumer goods manufacturer
   - selling home security systems door to door
   - selling for a safety clothing manufacturer

   Describe how a sales manager's role would differ when trying to motivate salespeople in the two sales positions you have chosen. What are the more effective things that a sales manager might do for each of the two positions? Explain.
4. Humaid Khan recently completed a sales program at a community college and has just taken a sales job with a large Canadian insurance firm. He initially had some concerns about selling insurance but, although he is still apprehensive, he does want to prove that he can be successful and that he can establish a career in insurance sales. When Humaid talked to other salespeople with the company, they all assured him that they too had been somewhat apprehensive early in their careers. As his sales manager, what would you do to increase Humaid's motivation and relieve his apprehension? Explain.