

Why Your Incentive Plan Isn't Working





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BY PAUL NOLAN

What makes salespeople excel? Read this article to gain a comprehensive understanding of what it takes to turn sales stragglers into profit powerhouses and learn a precise strategy for carrying that out.

Still reading after such a boisterous and blatantly overreaching statement? We'll come clean about what you may already be thinking: it ain't going to happen. It can't happen — not here nor in any other article, book, webinar or podcast that promises as much.

We'd love to explain why sales teams have superstars, middle performers and reps who fall well short of their goals. But if we could do that and give you a guaranteed way to turn your entire sales team into quota crushers, we'd put that content behind a beautiful big paywall and get Mexi... I mean, sales managers around the world to pay for it.

We won't claim this report will solve all your motivation problems. It also won't be a scholarly review of intrinsic versus extrinsic motivators. There are numerous books and articles on that topic, so you can go down that rabbit hole another time.

Some aspects of incentive programs that we will look more closely at include:

- Why some sales incentive efforts succeed and others fail.
- Whether money alone can motivate effectively. (Spoiler alert: it's unlikely).
- Why clarity of goals and how to earn rewards is a necessary starting point.
- The importance of short-term and long-term goals.

Incentive Program Rules Must Be Clear

Clarity of rules regarding how rewards are earned was mentioned as a vital component by several respondents to our query about building better incentive programs.

"The #1 mistake made by frantic companies is racing to implementation without clear, concise, written goals," states Mike May, president and owner of Brightspot, a full-service performance improvement company, in a self-published guide "[12.5 Steps to a Perfect Incentive Program](#)."

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An advocate of the SMART goal-setting system (specific, measurable, attainable, relevant and timely), May emphasizes that rewarding only closed deals fails to provide enough structure to the complex B2B sales process and lacks more immediate recognition for hitting milestones along the way. Additional achievements that may be reason to earn rewards include generating new leads, completing product or sales process training, improving customer satisfaction scores and earning customer referrals — all steps that lead to additional sales.

At the same time, he cautions against too much complexity to an incentive program structure. Focus on the most important objectives and prioritize three goals or less, May recommends. “Tackling too much will cripple your launch and confuse your participants.”

“What we choose to measure and reward in our incentive programs can impact their effectiveness,” adds Vaibhav Kakkar, CEO of [Digital Web Solutions](#), a UK-based marketing agency. “In digital marketing, focusing on metrics that directly contribute to business growth and client satisfaction — such as conversion rates, client retention rates and successful campaign launches — ensures that our team’s efforts are aligned with our objectives.”

The Limited Motivational Power of Money

Once you’ve set your goals, you need to determine what incentives you will offer. It’s no secret that salespeople are driven by money. The traditional sales salary structure of base pay plus commission creates the possibility of unlimited income, which is a key attraction for many people who land in sales. However, business leaders through the decades have stated that money alone is not a sufficient motivator.

A work-life balance reset that was triggered by the COVID pandemic has increased a focus on finding work that matters



for many employees, particularly among millennials and Gen Z. Managers must be mindful of helping to make this happen for their team members.

Money matters. Recognition really matters. But ultimately, most people want meaningful work that provides a sense of accomplishment and, importantly, camaraderie.

“The only way to do great work is to love what you do. If you haven’t found it yet, keep looking. Don’t settle,” said Apple Co-founder Steve Jobs. That speaks to most people’s inherent need for self-actualization that comes with accomplishment.

As Charles Schwab famously stated, “The man who does not work for the love of work but only for money is not likely to make money nor find much fun in life.”

To be sure, keeping sales reps’ earning power competitive with your industry’s standards is necessary to hold on to top performers for any length of time. But once a certain level of income is attained, money loses a great deal of its motivational power.

The classic example of this is research by academics in the pre-rideshare days on why it was so difficult to hail a cab in New York City when it rained. While it’s true that demand increased in wet weather, researchers said a phenomenon known as “income targeting” exacerbated the problem.

Money Isn’t the Only Motivator

According to a Gallup workplace study, employees who do not feel adequately recognized are twice as likely to say they will quit in the next year. When asked what types of recognition were the most memorable, respondents emphasized six methods in particular:

- Public recognition or acknowledgment via an award, certificate or commendation
- Private recognition from a boss, peer or customer
- Receiving or obtaining a high level of achievement through evaluations or reviews
- Promotion or increase in scope of work or responsibility to show trust
- Monetary award such as a trip, prize or pay increase
- Personal satisfaction or pride in work



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Cab drivers targeted a certain amount of income each day; when a downpour helped them hit that target more quickly, they'd call it quits, resulting in fewer cabs on the streets. Income targeting occurs in many areas of work, including sales. Commissions are motivating up to a certain level. Beyond that, it takes more than money to drive additional performance.

"Monetary rewards are often effective, but they're not the only — or even the most — motivating factor for everyone," stated Victor Trasoff-Jilg, vice president of sales at [Bombing Science](#), an online supplier of graffiti supplies. His comments came via an email response to a query we created for this story.

"Personal recognition, opportunities for professional development and work-life balance improvements can also be highly motivating," Trasoff-Jilg added. "Tailoring incentives to match the values and desires of your sales team can significantly enhance the effectiveness of your sales incentive program."

Rethinking Performance Management

They say what gets measured gets done. But are managers measuring the right metrics when monitoring the performance of their teams?

Most workplace performance management processes have multiple conflicting intentions, according to an HR expert cited in a new white paper available from SMM Connect, Sales & Marketing Management's community for learning and sharing best practices.

Insights shared in the report include five common-sense dynamics that capture a large part of an employee's performance and why collaboration should be part of every worker's performance metrics.

Download the white paper. (Free registration required.)
<https://www.smmconnect.com/lessons/146040/overview>

Rethinking the Purpose and Process of Performance Management

Ask not whether your employees' performance measures up to expectations, but whether what you're measuring is helping your employees' performance.

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What Makes Sammy Run?

Several sales and incentive professionals we heard from for this article stated that understanding what motivates your reps is a vital step to creating an effective incentive campaign. The late John Jack, a performance improvement veteran who researched the topic while serving as a vice president at BI Worldwide, was fond of summarizing it as, "What makes Sammy run?" (Editor's note: I'm only now realizing this may have been borrowed from the 1941 novel of the same name, which told the story of Sammy Glick, an uneducated youngster from New York who moves to Los Angeles and rises from Hollywood studio copyboy to the top of the screenwriting profession.)

"Just throwing something out there without understanding your team makeup is dangerous. You need to understand what their drivers are," said Scott Russell, vice president of engagement strategies at [C.A. Short](#), a provider of recognition and engagement programs.

Russell said this requires building a relationship with each member of your sales team. He makes a point of having informal conversations regularly with each of his 10 to 12 inside sales reps and keeps notes in his phone regarding their hobbies, family trips and other personal information they share. He relies on his support staff to do likewise.

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Make Goals Attainable

If stating goals clearly is Rule 1, then Rule 1A is making them attainable. Overly ambitious goals can kill an incentive campaign before it's even launched.

This requires admitting upfront that you have superstar sellers and middle performers. It's tempting to set a high bar for all participants, but past performance will likely be indicative of future performance in many instances.

One thing you're trying to achieve through an incentive campaign is to buck the 80-20 rule that 80% of your total sales will be produced by 20% of your team. The bottom 20% of performers probably won't budge no matter what you do, but if you can motivate the middle 60% to exceed expectations, it can have a much larger impact than motivating the top 20%.

Tiered award programs are a common way to keep middle performers from getting trounced by star sellers and losing interest in an incentive campaign. With this structure, salespeople often set their own targets and can strive to exceed their own past performance. They earn more valuable rewards for each level of success they hit.

And speaking of "middles," Ayelet Fishbach, a professor of behavioral science and marketing at the University of Chicago Booth School of Business, has written extensively about the challenge of keeping people motivated in the middle of any endeavor. Fishbach's research shows that most goals are abandoned because people don't enjoy pursuing them. Motivation is high when a person begins pursuit of a goal and as they reach the end.

"We celebrate beginnings and ends, but the middles are not so easy," she said. Her solution: Make middles short and create new beginnings. Inject short-term goals — attainable goals, of course — and reward opportunities into longer-term campaigns like an annual President's Club incentive sales program.



Review and Tweak Incentive Campaigns Regularly

When it comes to incentive campaigns, the adage, "if it ain't broke, don't fix it," may not serve you well.

Regular assessment of incentive efforts is critical, experts say, and it can be wise to change things up from one campaign to the next even when you have enjoyed success.

Scott Russell, vice president of engagement strategies at C.A. Short, carefully selects the non-cash incentives he incorporates into

his point-based sales incentive campaigns, and he switches them up as often as every quarter. Russell explains that not only does this increase the likelihood that the incentives will appeal to his diverse team of reps, it keeps them motivated from one quarter to the next.

"By creating rewards that go in and out, you drive people differently. What if this quarter's incentive has an individual travel component but

next quarter's doesn't? The reps understand they may only have 90 days to get a certain reward," he said.

A caveat: While it may make sense to inject different awards and add new goals, you want to be sure participants don't feel as if you're drastically moving the goalposts from one campaign to the next. There is a difference.

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A Customer and a Client

In true Sy Sperling fashion (“I’m not only the Hair Club president, but I’m also a client”), Russell said he uses his company’s point-based platform on top of a commission structure to reward both his inside sales team and about 25 channel partners that also sell for C.A. Short. Between 20% and 30% of the company’s budget for sales incentives is assigned to non-cash rewards.

Russell has learned a lot about using non-cash rewards by incorporating them into his efforts to motivate his own salespeople. He said a blend of cash and non-cash incentives can help prevent either one from becoming expected as compensation. “If there is nothing but money on the table and you have a salesperson who is achieving a target every quarter or every year, if you make a big change and, suddenly, they’re not achieving that target, you’re affecting their quality of life.”

When using non-cash incentives, Russell added, it’s important to ensure you’re offering something of significant value. “It has to be at a level that drives your team to perform. If you offer too low of an incentive, it won’t get results. They’ll just go out and pay for it themselves.”



Tailoring Rewards to Recipients

C.A. Short runs a traditional Chairman’s Club annual incentive travel campaign for its inside sales team, and Russell plans to expand it to the company’s channel partner sellers as well. The classic model brings top-performing sales reps together in an enticing location for three or more days to celebrate their success and imbue loyalty.

Russell said somewhere along the way, he learned that group events are not desirable to some of his team members, particularly some veteran salespeople who have had their fill of team celebrations. He tweaked the company’s incentive program to include individual travel rewards, with an assortment of six to eight trip packages that are handpicked by Russell.

“Some people feel pressure in group settings. I can find other ways to team build. By having an individual component, we allow that person to create an experience and a memory for themselves that will last way longer than a group moment will,” he said. “Our team has achieved some milestones that were rewarded with individual travel, and they come back saying it was the best trip they’ve ever taken.”

Whether during a group incentive travel event or other appropriate setting, it’s important to recognize top performers publicly. Also, because today’s younger workforce is keenly interested in obtaining additional skills, extra training is highly motivating for many employees.

Make Rewards Timely

Incentive programs are designed to change behaviors and reinforce the right actions. That only happens if it’s done in a timely manner. Whether you’re using cash or something else, salespeople should be rewarded when targets are hit, not a month or more afterward.

Timely recognition reinforces the importance of the accomplishment and encourages recipients to do it again. Delays can cause recipients to question whether the effort was worth it – and if it was truly appreciated.

Incentive program providers help ensure speedy delivery of non-cash rewards. In points-based programs, salespeople can see their account balance change in real time. Companies that patch together their own recognition programs, tackling everything from rules, communication and launch, to measurement and delivery of rewards can end up doing more harm than good. Don’t get an A for effort and an F for execution.

Seek Feedback

One of the most important steps in improving any process is gathering feedback. If you are investing thousands of dollars to motivate teams, you should welcome their insights on what works and what doesn’t.

For feedback to be useful, it must be specific and constructive. Respondents should feel comfortable sharing any information they wish without fear of retribution. If necessary, make it anonymous.

It’s also important to show respondents you are listening. Changes to an incentive program resulting from feedback should be prompt and communicated to the whole team. Complaints that do not lead to changes deserve an explanation as to why.

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A timely feedback process that produces employee-driven improvements can be motivating in and of themselves. It's a way of showing workers that their voice matters.

A Symphony of Success

Simply put, incentive campaigns are only worth doing if they're done right.

“Successful incentive programs are like a motivational symphony, harmonizing the goals of the program with the heartbeats of the organization,” said Karina Newman, owner of [iBuyers](#), an online company that matches buyers with sellers of real estate. “Imagine it as a dance where the steps taken by the sales teams are not just moves but choreographed expressions of dedication. When there's a clear connection between their efforts and the success of the company, it's like the performers hitting every beat with enthusiasm. On the flip side, lack of this alignment in flat programs is akin to a dance with no rhythm – confusing and uninspiring.”

Success is achieved, Newman adds, through careful planning and clarity of structure. “Think of the incentive program structure as the blueprint for a captivating story.

It's the difference between a thrilling novel and a confusing narrative. The former draws the reader in, page by page, while the latter might leave them lost and disinterested. Clarity in structure is the narrative that keeps participants engaged and excited about their role in the unfolding story.” **SMM**

Paul Nolan is editor of *Sales & Marketing Management*.



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Ingredients for a Successful Sales Incentive Program

BY ANDRES LARES

Organizations constantly seek ways to boost performance and drive revenue in the competitive sales landscape. One effective tool in their arsenal is a well-designed sales incentive program. A carefully crafted incentive program motivates sales teams and can help align their efforts with organizational goals. Let's explore strategies for building a better sales incentive program that captures your sales force's attention and ensures sustained success.

Set Clear Objectives

The foundation of any successful sales incentive program lies in defining clear and measurable objectives. Begin by identifying your organization's goals — increasing revenue, acquiring new customers or promoting specific products. Ensure these objectives are communicated effectively to the sales team, fostering a sense of purpose and direction.

Know Your Audience

Understanding the dynamics and preferences of your sales team is crucial. Tailor the program to appeal to their interests and preferences, making it more likely for them to actively engage and strive towards the set targets.

Choose the Right Incentives

Monetary rewards are often powerful motivators, but remember to consider the impact of non-monetary rewards such as recognition, career advancement opportunities or experiential rewards like travel incentives.

Create a Transparent System

Clearly outline the criteria for earning incentives, whether based on individual achievements, team goals or overall company performance. A transparent system builds trust and ensures that sales professionals understand how their efforts contribute to the bigger picture.

Regularly Evaluate and Adjust

The business landscape is dynamic. What works today may be less effective tomorrow. Regularly evaluate the performance of your sales incentive program and be ready to make adjustments based on feedback and results.

Motivation That Supports

Creating a sales culture that motivates and supports begins with fostering an environment that values collaboration, continuous learning, and mutual success. While top performers and leaderboards can serve as motivational tools, they should not overshadow the importance of fostering a supportive culture. This means emphasizing teamwork over



cutthroat competition and encouraging open communication, where feedback is constructive and shared transparently. Recognizing and celebrating individual and team achievements regularly reinforces a sense of accomplishment and shared goals. While some level of competitiveness is acceptable, it should be manageable, as it can quickly undermine a positive team culture.

Offer Tiered Rewards

Different levels of achievement should correspond to varying degrees of rewards, allowing high-performing and average performers to feel the impact of their efforts. This ensures that everyone has a stake in the incentive program's success.

Provide Training and Support

Equip your sales team with the necessary skills and knowledge to excel. A well-trained team is more likely to meet and exceed targets, making your incentive program more effective. Additionally, offer ongoing support and mentorship to help individuals overcome challenges and continuously improve their performance. **SMM**

Andres Lares is managing partner at [Shapiro Negotiations Institute](#) and the co-author of "Persuade: The 4-Step Process to Influence People and Decisions."

Gift Cards Motivate Skills Building

Skills building is an attractive element of today's workforce for employees and employers alike. According to a 2023 Mercer Skills Snapshot Survey, roughly two out of three employers report integrating skills in career development, talent acquisition and performance management.

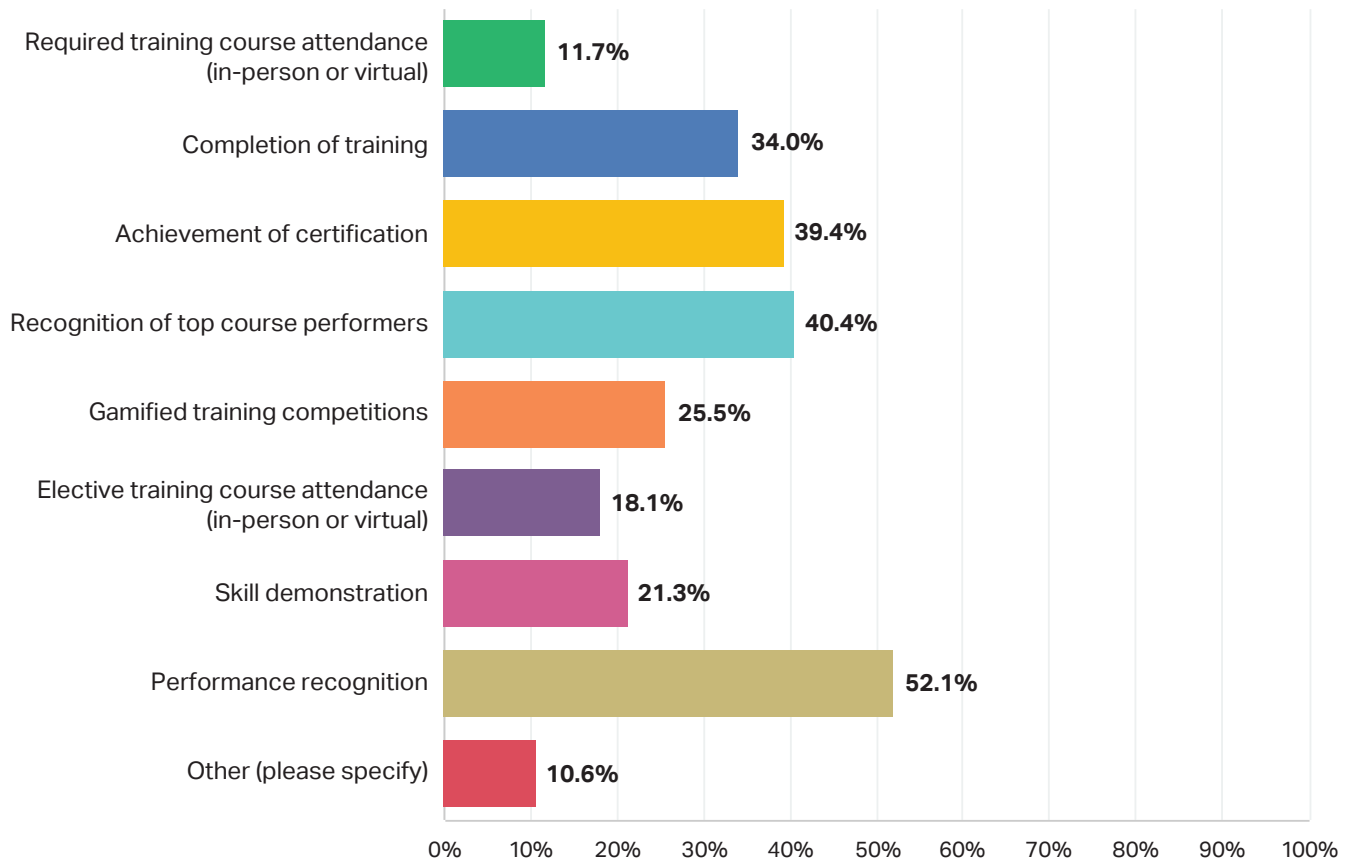
While training can be viewed as a reward itself for today's skills building-hungry workforce, many companies also use incentives to entice their workers to complete training. In a 2023 survey by *Training* magazine, a sister entity of *Sales & Marketing Management*, more than half (51%) of respondents stated they use incentives to reward workers who complete training.

Forty-seven percent said they use incentives to reward workers who achieve certification, 23% offer incentives in gamified training competitions, and nearly 13% reward workers who take elective training courses. (Respondents could check off as many statements that apply.)

Gift cards were the most common category of awards in the study, used by 60% of all respondents. A non-cash award with public recognition is used by 44% of respondents, and 42% said they use branded merchandise.

Of those who use gift cards, 47% stated the value of each reward is between \$25 and \$50. Thirty percent use gift cards valued between \$5 and \$24. — Paul Nolan **SMM**

For which of the following do you offer gift cards? (please check all that apply)



Total respondents: 94

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