— Summer, 2019 —

THE IRF QUARTERLY ACADEMIC REVIEW

FOR INCENTIVE, REWARD & RECOGNITION PROFESSIONALS

Volume 2, Number 2

IMPROVING PRACTICE & APPLICATION

CONTENTS

IRF® Incentive Research Foundation

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EDITORIAL

Welcome to the second issue of the *IRF Quarterly* for 2019 and the first-ever themed edition of the journal. In this issue, we explore the world of sales incentives, the largest component of corporate expenditures on incentives in the U.S., and, perhaps, the oldest.

While compiling and editing this issue, I kept wondering whether salespeople, as a whole, are motivated by different things than non-sales employees. After reading more than two dozen journal articles and at least twice that number of practitioner articles, plus several books and conversations later, I still don't have a definitive answer.

Nevertheless, after hearing from academics who have read and written far more on the topic, and conducted some of the field experiments and research covered in this issue, I am convinced that while salespeople share the same universal drivers as the rest of us, they tend to land in different places on the spectrum of how much or how little those drives motivate them. For example, salespeople in general appear more comfortable with risk than the average employee. They are more competitive, are perhaps, more motivated by external factors and rewards. That said, I believe after reading this issue you will agree that modern-day salespeople in many industries are becoming more like employees in a growing number of occupations and industries – increasingly intrinsically-motivated and collaborative.

In past issues, the *IRF Quarterly* has covered four important studies involving sales motivation. Each is referenced in the back of this issue and highlighted in yellow for easy reference. Brief descriptions follow, but you can find the full review for each at www.theirf.org/education/the-irf-quarterly-academic-review/.

In the Spring of 2018, we reviewed a 2017 article by Adam Presslee, Khim Kelly, and Alan Webb that compares the motivational effects of cash vs. tangible rewards over a longer time horizon than in past research. It contributes to the growing body of work regarding the conditions under which tangible rewards should generate greater resilience and sustained effort than cash rewards. It offers new evidence that performance can be improved through serial use of tangible rewards versus cash in sales incentive contests. The authors found that weaker performers in initial sales incentive contests can significantly improve their performance in subsequent contests provided a tangible non-cash incentive is used rather than cash.

In our Summer 2018 issue, we reviewed two articles on sales incentives. The first, *Is Cash King?*, is a must-read for anyone involved in merchandise rewards and those interested in the cash versus non-cash rewards debate. Building on decades of research, the authors report the results of a rigorously conducted, large-scale field experiment involving almost 600 salespeople in a U.S. food company. This insightful research examines what happens when a firm moves its salespeople from an incentive program based on a mix of cash and reward points to a cash-only regime. It describes the effects of mental accounting and cash vs. merchandise preference with implications running into the millions of dollars for the organization.

The other, *30k For a Gold Star*, from UCLA Professor Ian Larkin, demonstrates that for salespeople the admiration and respect of peers can be a very powerful force. Larkin's fascinating study of a large team of highly compensated software salespeople shows how they (men especially) will compete vigorously for recognition and respect from their peers. Indeed, many will go so far as to pay tens of thousands of dollars to achieve it.

Finally, in our last issue, the Spring 2019 *Quarterly*, we reviewed new field research by Raghu Bommaraju and Sebastian Hohenberg. They learned that by giving salespeople some choice in the goals and rewards they pursue; by calibrating those options to their past performance (to ensure goals are challenging & achievable), and by making full goal attainment necessary for reward (all-or-nothing), extraordinary performance results. Performance gains were particularly pronounced among sales managers with previously mixed and poor results.

In this issue, we add to the body of important sales-motivation-related research reviewed in the *IRF Quarterly*. We offer eight new summaries of peer-reviewed, published academic articles and one review of an important article published in the *Harvard Business Review*. Though by no means comprehensive, these nine reviews combined with the four in past issues provide a wide-scope overview of the most discussed elements of sales motivation and incentive programs.

We start this issue with highlights from two meta-analyses covering roughly 200 articles, spanning five decades of sales motivation research, including a 'Top 10' set of recommendations for designing effective sales incentive plans. In between is a summary of a 2015 article written by Doug Chung in which he shares the three or four most important insights about sales motivation he's gleaned from an academic career spent exploring the topic. Following these are six reviews of articles specific to various aspects of better sales incentive program design.

We hope you enjoy this special issue of the *IRF Quarterly*. Comments and feedback are always welcome at allan.schweyer29@gmail.com. If you are interested in reading the full articles associated with any of the reviews to follow, send your request to my email and I will send the full articles to you right away.

Sincerely,

Allan Schweyer
Chief Academic Advisor,
Incentive Research Foundation

Effective Incentive Compensation for Sales Employees During Tough Economic Times

Citation: Fernando R. Jiménez, Richard A. Posthuma, Michael A. Campion, Organizational Dynamics (2013) 42, 267—273

Availability: This article is available on request from Allan Schweyer at: allans@gmail.com

Introduction:

The authors explored 40 years of published research into the effectiveness of incentives in motivating better sales performance, strengthening relationships between salespeople and their firms, and aligning salesperson and employer goals. They address the challenges and complexities of sales incentive program design and summarize best practices across four decades of research, including incentive investments that are most appropriate in recessionary times.

The Study:

The researchers' literature review began with 2000 books, articles and dissertations. They narrowed this down to 90 research articles, 27 books, and 15 practitioner articles, and also conducted expert panels to gather additional thoughts and insights into sales incentive program best practice. Their 'Top 10' recommendations are provided below:

Recommendations

1. **Use sales incentives:** In the authors' words: "A robust body of empirical findings across diverse industries indicates a strong positive relationship between sales incentives and sales worker productivity…sales incentives increase sales workers' performance by 17%." Sales incentive programs, even in difficult times, decrease attrition; especially among top performers who have options. Keeping top performers delivers cascading benefits throughout the sales organization.
2. **Use cash rewards:** Cash works because it taps salespeople's' desire to maximize their income and feel powerful, successful and in control. Cash is fungible. It is particularly effective in organizations that are "highly dependent on their salespeople's expertise, where salespeople's intrinsic motivation is low, salespeople are experts, salespeople are risk takers, and expected sales volumes are variable."
3. **Use non-cash rewards:** Considerable empirical evidence finds that non-cash rewards and recognition programs can be more effective than cash incentive programs – three times more effective according to some estimates. However, in tough economic times, travel, gift cards, and merchandise might be out of reach for some firms. Other non-cash rewards include flexible hours, greater autonomy and choice (i.e., products to sell, territories, etc.).
4. **Give regular feedback and recognition:** Verbal recognition, feedback, appreciation and the extension of "work privileges" cost little or nothing and can be very effective. Due to their competitive nature, salespeople crave feedback, especially concerning their achievements versus peers. Moreover, the main reason salespeople leave firms is lack of recognition. When salespeople are more intrinsically driven, a tailored mix of feedback and recognition can drive performance as well or better than cash rewards, increasing performance, on average, by 24%.

5. **Set achievable goals:** Salespeople will only respond to performance-contingent incentives if they believe they can achieve the goals necessary to earn the reward. Set clear and reasonably challenging goals.
6. **Use the right mix of flat and tiered incentive plans:** A tiered incentive plan offers greater rewards as sales volume increases in any given period, encouraging more sales. Unfortunately, tiered plans are often gamed by salespeople who may discount or hold off sales in order to push them into another period. Structure tiered plans carefully and use them "in predictable markets, in well-developed businesses, and in high sales volume contexts". Use the opposite sort of plan – where rewards decrease with more sales – when you need to prevent overpaying salespeople. These plans don't motivate salespeople as much but may be appropriate when sales are unpredictable, salespeople have little influence over sales, and large orders are common. Though complex to structure and manage, in some cases the mixed plans that increase payout at first, then decrease the reward after a set level is achieved may prove the best solution. Alternatively, use a "flat plan" that neither increases nor decreases depending on sales.
7. **Measure outcomes and behaviors:** Most firms stop at measuring outcomes; things like sales made, revenues and profits. These are relatively simple to track because they are objective and quantifiable to the individual. On the other hand, they are easily manipulated. Salespeople can neglect customer service and cherry pick what they sell, for example. These incentives work best when "salespeople cannot be supervised, [when your] salespeople are experienced, profit margins are similar across products, and products do not differ in the time and effort required to sell." Behavioral metrics are harder to devise and track, but they reward and influence actions that are in the firm's longer-term interests, such as treating customers well. They are important with new salespeople, in particular, and when the measures are specific, objective and easily captured. A mix of outcomes and behavioral metrics normally works best.
8. **Consider individual versus team incentives:** Determine whether salespeople depend more on themselves or on team members to make sales. Where it is a group effort, where tasks are done in teams and the company is growing, team-based incentives may be more appropriate. Otherwise, research suggests individual incentives are more motivating.
9. **Run periodic sales contests:** Studies suggest that sales contests are effective in motivating the greatest number of people to higher performance at the lowest cost to firms. Depending on the nature of your salespeople – risk averse vs. risk-taking – design your contest to reward a higher or lower percentage of participants respectively. Keep it fair by handicapping your program to even the playing field.
10. **Tailor your incentives as much as possible:** Though it will be more difficult to administer, and potentially more costly, offer as much choice as possible in your incentive programs. Avoid catering to the "average" salesperson using a one-size-fits-all design. Consider using new technologies to offer a greater range of choice in incentives and give salespeople a voice in selecting their rewards just as they should in determining the performance goals that go with them.

Whether in good times or bad, sales incentive programs that include cash and non-cash rewards; that emphasize feedback and recognition; that offer choice in setting reasonable goals (especially in the rewards themselves), and are monitored and measured, will generate returns greater than investments, and should be used as part of your overall sales compensation and motivation efforts.

Question & Answer with the Authors

We asked the authors whether they believe there are significant differences between salespeople and non-salespeople in terms of motivation. We also asked them to clarify their discussion of the use of tangible non-cash rewards in recessionary times.

A: Research suggests that the personality trait of competitiveness is positively related to salespeople's performance. Although variation is expected among salespeople, in general, we believe salespeople are more likely than non-salespeople to be motivated by extrinsic, rather than intrinsic, incentives.

A: To be effective, non-cash rewards like travel, gift cards, and merchandise need to be customized. Typically, an outside partner is required to design the program and/or manage the reward platform. Adding an outside partner to the equation can increase the cost and the time of implementation. However, with technological advances in predictive modeling and digital targeting, the implementation of customized outside partner programs is becoming more affordable and more viable in recessionary times.

More Questions?

Please forward any additional questions you may have to the authors, Professors Fernando R. Jiménez, Richard A. Posthuma, Michael A. Campion who are part of the IRF Academic Network.

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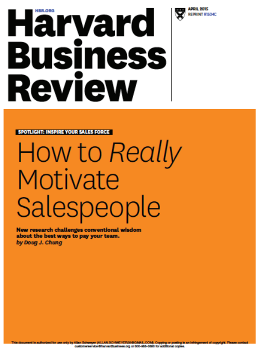
How to *Really* Motivate Salespeople



Citation: Doug J. Chung. Harvard Business Review. April, 2015. https://hbr.org/2015/04/how-to-really-motivate-salespeople

Availability: This article is available on request from Allan Schweyer at: allans@gmail.com

Introduction: Author Douglas Chung has devoted most of his professional academic career to the study of salesforce compensation and motivation. He has published numerous peer-reviewed articles on the topic, including one reviewed in this issue of the *IRF Quarterly*. Chung believes salespeople, on the whole, are a different breed than other employees in that they have a higher appetite for risk and are more extrinsically driven. In this article for the Harvard Business Review, Chung shares key recommendations from his decades-long quest to better understand what motivates salespeople.

Recommendations:

Salesforce motivation and incentives research was, not long ago, confined to theory. In recent years, however, firms have allowed academics access to their data and their sales teams to conduct field experiments. Much of the recent research confirms an older theory, but new insights have been gathered as well. In sum, field research and/or theory suggest the following:

1. When sales tend to be uncertain, focus on providing higher, steady base pay relative to commissions, rewards, and other at-risk compensation.
2. Tailor incentives to each individual salesperson as much as possible. Realistically, you may not be able to do so. At a minimum, offer a mix of cash, recognition, and tangible non-cash rewards, like travel or gift cards. Research results comparing cash to equivalent value non-cash items, such as travel and merchandise, suggest that sales representatives value the latter more than the former.
3. Don't cap commissions, bonuses or rewards.
4. Think before increasing salespeople's quotas. You may have to make periodic adjustments but increasing quotas just because a salesperson exceeded them in the previous year or sales period is unfair. You might cause resentment, disengagement, and even attrition.
5. Stagger goals and rewards throughout the year. Top performers tend to do well under annual quota/bonus plans, but others fare better against quarterly goals and rewards.
6. Experiment to see what works best in your firm. Trained researchers should conduct small, controlled trials, such as A|B tests on single factors while holding all others constant.

"Some people compare the way people compensate a sales force to the way teachers motivate students: Top students will do fine in a course in which the entire grade is determined by a final exam, but lower-performing students need frequent quizzes and tests during the semester to motivate them to keep up. Our study showed that the same general rule applies to sales compensation."

(Re)defining Salesperson Motivation: Current Status, Main Challenges, and Research Directions

Citation: Rushana Khusainova, Nick Lee, Ad de Jong, John M. Rudd. Journal of Personal Selling and Sales Management · January 2018
DOI: 10.1080/08853134.2017.1415761

Availability: This article is available on request from Allan Schweyer at allan.schweyer29@gmail.com

Introduction:

The authors note that the question of sales motivation is one of the most investigated topics in all the sales literature, yet in the past half-century, much of the research has been contradictory. Their review of 507 peer-reviewed articles published from the 1970s through 2017, and meta-analysis of the most relevant 63 articles, offers the most recent examination of sales motivation literature. The authors explore what the research says regarding both extrinsic (compensation & recognition seeking) and intrinsic (challenge seeking & task enjoyment) motivation through the lens of three prominent motivational theories: Expectancy Theory (the degree to which a person wants a reward and believes they can attain it), Attribution Theory (what a person believes about the cause of their success or failure), and Self-Determination Theory (the degree to which people obtain their universal needs for competence, autonomy, and relatedness).

Summary:

The authors find that most of the research defines intrinsic motivation as that driven by the need for challenge and a desire for interesting work, while extrinsic motivators fall into categories of desire for higher pay and more recognition/status. In summary, the past 50 years of research identifies four key salesperson drivers: the quest for pay, prestige, challenge, and fun (i.e., "task enjoyment" or fulfillment). These drives are moderated by organizational conditions including stress levels, role definitions, and managerial control, as well as individual factors, including age, gender, feelings, and emotions.

Results:

- Moderate stress helps motivate salespeople. High-stress levels demotivate. Set performance goals accordingly.
- The degree to which a salesperson identifies with the organization and its brand(s) drives higher or lower engagement in their work.
- A positive work environment drives higher salesperson engagement, for example:
    - In most studies, supervisor involvement and support prove a strong positive predictor of intrinsic and extrinsic motivation (IM & EM).
    - When supervisors/sales managers work with salespersons on improving their behaviors, it drives higher IM.
    - When salespeople are measured and rewarded against outcomes (i.e. sales, profits, etc.) it drives EM.
- However, IM and EM drivers are nuanced. When supervisors aim at activity behaviors (number of calls made, etc.) they enhance recognition-seeking (EM) and challenge-seeking (IM). When they focus on capabilities (i.e., through training) they enhance compensation-seeking (EM) and task enjoyment (IM).

- Challenge (IM) and Compensation (EM) drives change throughout a salesperson's career, the drive for recognition and task enjoyment (fulfillment) does not.
- Emotionally, pride in sales achievements and delighting customers are key drivers of sustained engagement and motivation. Fairness (e.g., in territory assignments) proves even more powerful as a positive or negative motivator.
- Historically, several studies have found that EM (compensation and recognition seeking) drives better sales outcomes, whereas the intrinsic drive for challenge and interesting work does not. Other studies contradict this, especially recently where the preponderance of evidence swings in favor of IM as the greater driver of salesperson performance. This coincides, perhaps, with a greater emphasis on relationships, collaboration, innovation, and the elimination of information disparities between buyer and seller over the past decade or so. It is also consistent with the general preferences of the newest and largest cohorts of workers, Millennials and Gen Y, both of whom are "much more tuned into IM approaches versus EM."
- Salespeople who are more intrinsically motivated appear to exhibit more resilience and flexibility and are more likely to possess a growth mindset, in which they learn from and take inspiration from failure rather than give into it.
- Salespeople who are more intrinsically motivated collaborate more, experience less burnout and exhibit more pro-social behaviors (i.e., are better corporate citizens).
- Though the latest research suggests IM-leaning salespeople outperform those more driven by EM, the reality is that salespeople need both sets of drivers to perform well.
- The role of the salesperson is changing as new technologies and big data change the business landscape. Salespeople should become more skilled at analyzing customer data for insights. In sum, the role will continue to demand more intellectual and technical skills than ever.
- The stereotypical solo sales professional is giving way to the sales team approach, involving salespeople in marketing pre-sale, and customer service post-sale. Salespeople will require better collaborative skills and a willingness to exhibit pro-social behaviors, such as helping their colleagues.
- The sales motivation literature is incomplete where the impact of extrinsic rewards on intrinsic motivation is concerned. While early studies found that external rewards diminish IM, more recent work has found that the right extrinsic rewards, namely tangible non-cash gifts and simple recognition, enhance it.

Questions?

Please forward any additional questions you may have to the authors, Professors Khusainova, Lee, de Jong, and Rudd are in the IRF Academic Network.

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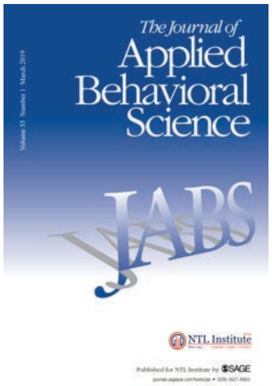

The Motivational Power of Incentive Travel: The Participant's Perspective

Citation: Scott Jeffrey, Monmouth University. Journal of Behavioral & Applied Management. 2014, Vol. 15 Issue 3, p122-139. 18p.

Availability: This article is available on request from Allan Schweyer at allan.schweyer29@gmail.com

Background:

According to Vroom's Expectancy Theory, rewards are motivating when those pursuing them a) believe they can earn them (i.e., clear and challenging but fair goals/quotas); b) they have "valence" (participants are attracted to the reward), and c) when participants trust the organization to fulfill its promise and deliver the reward.

Incentive travel, perhaps more than any other reward, offers valence. In other words, it is very attractive, so people want to earn it, especially when it is designed in a way that makes it difficult for an individual to duplicate on their own. Travel is memorable and social (people talk about it before and after), so it strengthens relationships between the giver, receiver, and between the participants themselves. Unlike cash, travel does not lose its impact quickly. Reward earners tend to remember it longer and more fondly, and because they talk about it more and share the experience with others, they feel more gratitude afterward, which triggers and sustains their psychological need to work harder for a longer period of time post-reward.

Organizations have used travel incentives to motivate salespeople and others for many decades because it works. The results of experiments and field research over the decades confirms its effectiveness in comparison to other rewards, including cash and gift cards, even though the majority of salespeople and other employees claim a preference for cash (over all other forms of the reward) and gift cards.

Introduction:

Though past research has shown travel to be a better motivator for salespeople than cash or other forms of reward, this is the first study to look at the components of incentive travel to better understand which elements make it work. 1003 employees (half in sales) from three firms were surveyed, all eligible for individual (2/3) or group (1/3) travel incentive rewards. 714 participated in at least one incentive travel reward, 289 did not. The survey asked respondents which elements of incentive travel programs they find the most and least motivating. The findings should help you design better sales incentive travel programs.

Results:

- More than three-quarters of participants reported being motivated or highly motivated by incentive travel rewards. This was higher among salespeople and, naturally, among those who actually earned a trip.
- Non-earners weren't discouraged. More than two-thirds said they would try harder or a lot harder to earn the trip next time, and fewer than one in ten felt resentment toward their employers or peers. Failure to earn the travel reward did not result in lower engagement.
- Almost nine in ten reward earners felt appreciated by the firm. Three-quarters gained a

greater sense of belonging, and more than two-thirds felt increased loyalty to and trust in their firms.

- The recognition that comes with earning a travel reward is, by a fair margin, the most motivating aspect of the reward. Spending time with executives is the least motivating.
- Recipients want more free time and leisure options during reward travel.
- By a wide margin, respondents prefer paid time-off to incentive travel rewards.

Take-Aways:

- Consistent with a considerable body of past research, this study finds that incentive travel is a powerful motivator for salespeople, channel sales teams, and other employees. It generates the types of feelings, emotions, and memories that build bonds and drive better performance. In generating feelings of belonging, trust and appreciation, travel rewards stand out among the best incentives for 21st-century organizations concerned with encouraging greater citizenship behaviors, performance and retention.
- Incentive travel programs appear to bring little risk. While many – likely most – eligible employees won't earn a reward in any given year, their disappointment does not, in general, generate feelings of envy, resentment or disengagement. In fact, most of those who fail intend to try harder to earn the reward in subsequent years.
- Design incentive travel communications (individual or group) to emphasize recognition of those who earn the reward. Where group travel is concerned, emphasize free time and choice of activities, as opposed to meetings and time with executives.
- Incentive travel, and perhaps group incentive travel, in particular, bring many potential benefits to firms that use them. The fact that a large majority of respondents prefer paid time-off to incentive travel suggests that these programs might suffer from sub-optimal design, whether in the programs themselves or their promotion/communication.
- Make sure that salespeople and employees understand the benefits of group incentive travel to their own careers (i.e., time with executives, recognition, and visibility as top performers). Through pre-trip communications, build excitement in the destination chosen and promote the enjoyment and recognition reward earners will experience.
- People say they want cash, but considerable research shows that performance improves using non-cash incentives. Likewise, people may say they prefer paid time-off – which may be a much less expensive reward for the firm – but incentive travel may ultimately be better for the recipient and deliver greater ROI for the firm.

Q&A: Scott Jeffrey answered three questions about this study.

Q. Do you have any insights as to why a person would select paid time off over paid time off plus a valuable trip? Given other responses, I can see why they might prefer it to group incentive travel. But what rationale might they have for preferring it to individual incentive travel, especially where they can bring a partner? Are they just tired of travel, for example, or do you think firms design and promote incentive travel programs poorly?

A. I can only speculate on the underlying issue reasons, although it would make an interesting survey. My speculation is a combination of poor promotion and poor design, with not enough freedom from corporate events. My guess is it feels like work, especially if there are work related events required. Firms are including more and more work events in "travel." In addition, there are two additional things that may be going on:

- *First, it may be the old Protestant work ethic raising its head, and telling people that vacations are wasteful. This is supported by the fact that most Americans don't use the vacation days they are allocated.*
- *Second, people may just prefer "staycations."*

Q. If people want paid time off over expensive trips, that would save a firm a lot of money. Does incentive travel deliver enough benefits to the firm and employee that it should be used (and by implication, forced) on reward earners?

A. It would indeed save money, but I think this also goes back to the inclusion of work related events in these "vacations." There would be some benefit in people going on vacation, both for restfulness and association with the company. Forcing employees to do anything is risky though. My early research shows that people state a preference for being bought out of their trips, but I think (no proof) that this is a bad idea.

Q. Were there any other differences found between sales and non-sales other than a stronger motivation for incentive travel among sales?

A. Just from a broad-based ANOVA, here are some differences:

- *The comparisons below are sales vs. non-sales, as the N of "other" and "channel" were very small.*
- *Sales were more likely to want a longer trip duration.*
- *Sales wanted fewer company functions than non-sales and channel.*
- *Sales were more favorable towards all-inclusive properties.*
- *This is interesting: Sales agreed more strongly with "want taxes paid."*
- *Sales also more strongly agreed that they were more motivated by more destination information.*
- *Sales also agreed more strongly with the statement that more promotion would have increased the motivation.*
- *Sales stated a stronger preference for being bought out of their award. Also, they preferred merchandise to travel.*
- *There were no differences across role in preference of paid vacation vs. travel.*
- *Sales were more likely to agree that they got sufficient feedback (objective goals makes that easy). They also felt the goals were clearer.*
- *Sales were more likely to report lower levels of engagement after not receiving the trip.*

More Questions?

Please forward any additional questions you may have to the author, Professor Scott Jeffrey, who is part of the IRF Academic Network.

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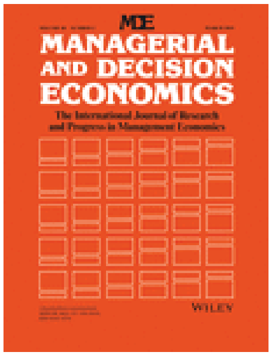

The Perils of Altering Incentive Plans: A Case Study

Citation: Antti Kauhanen, Managerial and Decision Economics. Decis. Econ. 32: 371–384 (2011)

Availability: This article is available on request from Allan Schweyer at allans@tmlu.org

Introduction:

Incentives and incentive pay increase performance. Even new, "low-powered" incentives often result in large productivity increases. In this case study, a Finnish retail firm sought to improve sales by introducing a cash incentive for sales above a quota in any given quarter. Before the incentive plan was introduced, all salespeople earned straight hourly wages.

In the first version of the incentive plan, salespeople could earn rewards for exceeding their quota (based on previous sales) by 1% up to a bonus of 12% based on exceeding quota by 10%. Two years after the incentive was introduced, management reduced its payoff. Salespeople needed to exceed quota by 2% and bonuses were capped at 5% based on surpassing quota by 8%. Though the revisions were significant, they more or less brought the firm into line with other Finnish retail firms, which, on average, pay 6% of salary in bonuses to their salespeople.

Retail salespeople differ from many others in that customers come to them. Nevertheless, the researchers determined that the firm's salespeople could influence sales in two main ways: by maintaining the appearance of the store and the merchandise within, and by being helpful and friendly toward customers. In this firm, salespeople were not authorized to offer discounts or change prices without supervisor approval.

The Study:

Results from 53 stores were analyzed over a fifty-four-month period: about two years of data prior to the incentive, two years during, and six months after the revisions to the incentive plan. As might be expected, the researchers predicted that the initial incentive plan would boost effort and sales, but cutting the value of the bonus, and increasing the quotas needed to get a bonus, would cause a drop-in effort and sales.

Results:

- Before the initial incentive plan was introduced, about 15% of the salesforce exceeded quotas by 1% or more.
- After the incentive was implemented that percentage rocketed to about 55%. The majority of the sales team beat their quotas by more than 10%. Adjusted for external factors over the length of the study, this translated to a 5% increase in sales and a 9% improvement in the probability of exceeding profit targets across the 53 stores.
- After the incentive was modified/reduced only about 12% of the salesforce exceeded quotas by 1% or more. This more than eliminated the 5% sales gain, in fact sales dropped below where they were prior to the introduction of the initial incentive, and the profit boost was erased entirely.

Take-Aways:

- If you have a successful pay-for-performance incentive plan in place, be very careful about reducing it. As this study shows, the ramifications can be deep and significant. Performance fell – almost immediately – to levels below what they were two years earlier before the incentive plan was introduced.

- Reducing incentive plans may break the trust you have with employees. Vroom's Expectancy Theory states that employees will respond to an incentive when they want it when they feel they can earn it, and, more or less, if they believe the firm will make good on it. Diminishing the program's value makes employees want it less. Increasing the difficulty of achieving it makes them believe less in their ability to earn it. Changing the rules damages trust. All of this together likely diminishes the effectiveness of any incentive plan introduced for years afterward.

Q&A: Professor Kauhanen responded to three questions about his research:

1. Cash rewards easily create entitlement effects. I think it is very important to clearly communicate how the bonuses are determined and reserve the right to change the system if needed. In this way, the organization is able to manage the expectations of the employees. In this case, the big mistake was to change the plan unilaterally. Involving the employees in the redesign could have softened the blow. In my view, the effects would have probably been quite similar even if the rewards had been non-financial.

2. By changing the rules unilaterally, the firm affected its relations with its workforce negatively and in a long-lasting way. It would be very difficult for the firm to introduce a new, well-functioning incentive plan for a long time. In this case, the firm decided to discontinue the incentive plan since none of the units ever met the targets again, so the plan was redundant.

3. I think that the key lessons from this case study extend to other settings. Implementation of incentive pay systems needs a lot of attention and unilateral changes to the plan may prove detrimental. The quantitative impact likely differs from one situation to others, but qualitatively the results likely generalize.

Questions?

Please forward any additional questions you may have to the author, Professor Antti Kauhanen, who is part of the IRF Academic Network.

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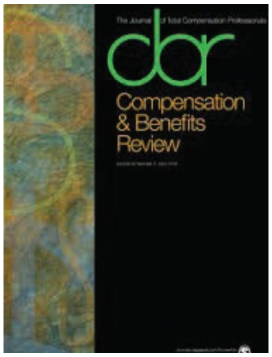

Enhancing Return on Salesforce Investment: Reallocating Incentives and Training Resources with Intrinsic Valuation Approach

Citation: Pankaj M. Madhani, Associate Dean and Professor, ICFAI Business School, Compensation & Benefits Review 2017, Vol. 49(3) 135–152

Availability: This article is available on request from Allan Schweyer at allans@tmlu.org

Introduction:

This research sheds light on what mix of incentives and training is most likely to encourage better future performance among salespeople. U.S. organizations spend $15 billion on sales training each year – at an average of $2,000 per salesperson (2018). Prior research proves that those investments, on the whole, pay off in improved engagement, retention, and sales revenues. At Nabisco, for example, every dollar invested in sales training returned twenty times the amount in profits. The returns are greatest when organizations align training to a competency framework.

Prior research also demonstrates that competitive pay alone does not fully engage and motivate salespeople. Additional incentives and rewards are required, but incentive programs should be revised and revitalized at least every two years to remain effective. Moreover, incentives should correspond to each salesperson's main motivational trigger – cash (financial) or non-cash (recognition). Recognition seeking salespeople are best served by non-financial rewards and financially motivated salespeople, with cash, but in each case, a mix of reward types works best. As World-at-Work has discovered, "Effectively implemented nonfinancial rewards programs can achieve a return on investment (ROI) three times higher than cash incentive programs."

Beyond this rough division, though, sales employees' individual idiosyncrasies should be taken into consideration when designing training and incentives to motivate them. Some will prefer a heavier mix of training, others, an emphasis on rewards. This research explores the use of both at a large technology firm and also proposes a new metric: Salesperson Intrinsic Value (SIV), based on "calculating the net present value (NPV) of future cash flows from a salesperson's customers, measured in terms of customer lifetime value (CLV), after accounting for the costs of the salesperson" (pay, training, incentives, etc.). By linking fluctuations in the SIV to training and incentive initiatives, firms can optimize and maximize their investments in training and rewards.

The Study:

The researchers examined data from 484 salespeople in a Fortune 500 B2B technology company over a period of seven years. Data was obtained from customers, salespeople themselves, and from training and incentive programs.

Findings:

- The company found strong associations between training, incentives and a salesperson's future performance.
- Optimal hours of training per year for training-driven salespeople was 29 compared to 17 for incentive-driven salespeople – 70% higher.
- Each $1,000 spent on incentives returned $1,876 from incentive-driven salespeople and $1,371 from training-driven salespeople.

- The firm was able to make higher investments of training and incentives in salespeople assessed with the highest potential, which had the effect of increasing overall sales by 4%.

Take-Aways:

- Combine incentives and training in the right mix to generate the biggest impact on salesperson performance.
- Take the time to determine what motivates your salespeople the most, at least using the broad categories of training versus incentives and cash versus recognition.
- Segment your salespeople into groups based on past, current and potential future performance to determine how best to allocate your training and incentive resources, and what types of training and rewards to use.
- If you use a CRM and track customer lifetime value (CLV) consider calculating and tracking the SIV metric (explained in the paper and below). The SIV can help you identify your best salespeople and the reasons for fluctuation in performance.

Q&A: We asked Professor Madhani three questions about his study and his proposed new metric:

Q: Can you describe the SIV in as simple terms as possible?

A: The calculation method for SIV is not complicated as it represents net present value of future cash flow (i.e. sales margin) as well as expenses (i.e. training and incentives costs) related to sales employee'

Hence, the SIV = Present value of {future contribution margin generated by a sales employee - relevant costs (i.e. training and incentives) of a sales employee}

With an Excel template it's not cumbersome to calculate SIV.

Q: Do you know of any firms that have adopted the SIV since you proposed it. If sowhat are the early results? (For example, is it helping them to more precisely identify future potential?)

A: I am not aware of the result of firms using this approach. However, Case Study 1 and Case Study 2 used in this paper represent firms using a very similar approach. As shown in Table 2, the SIV is calculated by deducting training and incentives of a sales employee from the lifetime value of customers (CLV) for that sales employee.

Hence, the SIV equation is formulated as:

*SIV = (CLV of a customer * Number of customers) - (Rewards and Incentives of sales employee + Training Cost of sales employee)*

In Case Study 1, the firm calculated salesforce equity (SE). The SE is the sum of the lifetime value of all salespeople.

In Case Study 2, the firm calculated salesperson's value (i.e. SFV) based on the equation given above.

Q: In your experience, are salespeople a different breed when it comes to what motivates them?

A: Definitely as salespeople, motivation level also changes with various lifecycle stages. Please refer to my articles:

"Managing Sales Force Compensation: A Life Cycle Perspective", Compensation & Benefits Review, Vol. 44, No. 6, pp. 315-326, (2012)

"Realigning Fixed and Variable Pay in Sales Organizations: A Career Life Cycle Perspective", Compensation & Benefits Review, Vol. 45, No. 4, pp. 223-230, (2013).

Further Questions?

Please forward any additional questions you may have to the author, Professor Madhani, who is part of the IRF Academic Network.

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Bio & Research

Incentives Versus Reciprocity: Insights from a Field Experiment

Citation: Doug J. Chung and Das Narayandas, Journal of Marketing Research, Vol. LIV (August 2017), 511–524. DOI: 10.1509/jmr.15.0174

Availability: This article is available on request from Allan Schweyer at allans@tmlu.org

Introduction:

14 million Americans, about 10% of the workforce, are salespeople (2017). Firms spend $800 billion annually on their salespeople, four times more than on advertising and marketing. Incentives account for a significant portion of this, so getting them right is a key component in designing an optimal sales operation.

For decades, theorists held salespeople to be rational actors, responsive entirely to financial incentives in return for effort and outcomes. But behavioral economics-related research has revealed considerable additional nuance. Pride, competition, status, loss aversion, the desire to reciprocate kindnesses (i.e., rewards and gifts) and intrinsic fondness for the work have been shown to influence sale efforts and motivation as well.

"… the agent is motivated, even in the absence of monetary incentives, to exert effort that exceeds the minimum required in return for a gift that is beyond the expected wage."

The Study:

The researchers conducted a randomized field experiment at a major Indian firm, possessing one of the largest sales forces in Asia. They explored the psychological forces surrounding loss aversion, reciprocation and gift exchange during modifications to the compensation plan for 80 sales employees over a six-month period. They collected and analyzed sales data on a weekly basis throughout. The subjects were not aware they were part of an experiment.

The Incentive Condition: The researchers first tested a conditional incentive compensation program. Here, salespeople were rewarded with a cash bonus at the end of each week provided they met or exceeded quota (20% higher than normal sales). Those who didn't meet quota did not receive a bonus and were told that they were refused the bonus as a penalty for failure. A third group received the cash bonus upfront but had to return it if they didn't reach quota. These three "frames" were used intentionally to observe their psychological impact on the effort.

The Reciprocity Condition: In the next part of the experiment, salespeople were rewarded unconditionally, whether or not they met the quota. Some were told they would receive a gift payment at the end of the sales period (one week), the others were given the gift payment at the start of the period.

Results:

- The researchers found that the incentive condition, in general, drives greater sales effort by an average of 24%. No significant differences were observed within the condition (i.e., how the bonus was framed or when it was given).
- In the reciprocity condition, salespeople responded with extra effort but only about half as great as the initial boost in the incentive condition. Surprisingly, an increase in

effort only occurs when the reward is given at the end of the period, not upfront.

- Salespeople are all different. For example, giving people unconditional gifts (reciprocity condition) works better for high performers.
- In both conditions, the effect of the rewards (bonuses) deteriorates quickly over time, and with repetition, can lead to even lower effort than before the program began (though these findings did not reach a statistical level of significance).

Take-Aways:

- The loss aversion effect proposed first by Avos Tversky and Daniel Kahneman in 1979 would suggest that giving a salesperson a bonus upfront on condition of having to pay it back if the goal isn't met, would spur more effort than any other condition tested in these experiments. However, while framing the bonus as a potential loss may have sparked some greater effort initially, it did not last. This is consistent with past findings which have found that loss aversion has less effect where cash rewards are involved.
- Research has consistently shown that non-performance-contingent gifts spark a desire to reciprocate. But in these experiments, where such gifts were used, efforts increased at only half the rate of the performance-contingent bonuses used in the incentive condition. This suggests that salespeople, in keeping with the conventional wisdom, might be more extrinsically driven in general than the average employee in a non-sales role. It is also possible, according to the researchers, that due to high inflation in India, salespeople view cash bonuses as entitlements against the eroding value of their regular pay. Nevertheless, all salespeople seem to expect and respond to performance-contingent rewards and bonuses, making their use a safe bet, at least in the short-term.
- Giving a salesperson a gift before a sales period begins appears to have no effect at all on their performance in that period, except among high performers. The researchers believe this is because the typical salesperson infers that the bonus is in recognition of their performance in the previous period. Thus, non-performance contingent rewards, if used at all for salespeople, might be better presented after the sales period, even if the salesperson knows they are to receive the reward regardless of their performance.
- Avoid repeating performance-contingent rewards (or gifts) week after week or sales period after sales period. The effect wears off and might even "crowd-out" a salesperson's natural drive to work hard toward their goals.

Q&A: We asked the researcher three questions about their study:

Q: Should firms stick with straight salary and commissions and avoid things like sales contests, spot rewards, and occasional performance-contingent bonuses?

A: Not really…be very careful before setting any additional incentive (conditional) pay system in place because once you give a particular incentive, it really is difficult to take it away. And if taken away, it can have negative consequences because the extra incentive would have eaten into the intrinsic motivation of employees.

Q: Your research looked at cash bonuses only, do you think the results might have been different if non-financial rewards were used? For example, incentive travel, luxury experiences, high-end merchandise, etc.?

A: Non-financial incentives have different features and roles so we cannot say for certain, but in terms of what we looked at, I'd assume the directional effect would be similar to our study. Again, we don't have proof of this.

Q: You remark that salespeople are different, they are more extrinsically driven. How big a difference do you think there is between salespeople, in general, and non-salespeople when it comes to what motivates them?

A: My past experience comes with meeting many salespeople and managers. They are more driven by extrinsic motivation, whereas other employees are driven more by intrinsic motivation. Having said that, this would depend highly on culture and the industry they are part of.

Additional Questions?

Please forward any additional questions you may have to the authors, Professors Doug J. Chung and Das Narayandas who are part of the IRF Academic Network.

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Bio & Research

Also see review of Professor Chung's 2015 article on salesforce motivation in the Harvard Business Review above.

Das Narayandas (Professor/Dean of Business Administration, Harvard Business School):
Bio & Research

Also see related article in the Harvard Business Review.

The Effects of Salesperson Need for Achievement and Sales Manager Leader Reward Behavior

Citation: Douglas Amyx and Bruce L. Alford, Journal of Personal Selling & Sales Management, vol. XXV, no. 4 (fall 2005), pp. 345–359.

Availability: This article is available on request from Allan Schweyer at allan.schweyer29@gmail.com

Introduction:

Are most salespeople money-chasing hired guns who are naturally disloyal? Or do the way firms manage and compensate them make some salespeople behave that way? This research seeks to understand the extent to which salespeople are motivated by a sense of achievement and inspired by skillful leaders who take the time to build relationships with them.

Need for Achievement (NFA) has been shown to drive effort across various professions, including sales. Simply put, a person with a high intrinsic need to achieve is likely to work harder and realize greater success. Research also demonstrates the impact of direct managers on performance, including in sales. Specifically, a manager's ability to use "positive rewards contingent upon subordinate behavior (PLRB)" and their ability/willingness to co-determine goals with each member of the sales team, results in higher performance. Naturally, salespeople are more likely to commit to organizations they identify with and feel connected to. This study tests the strength of related prior research findings and assumptions.

The Study:

The researchers conducted a literature review relevant to forming each of their seven hypotheses (H1-H7 below). To test their hypotheses, they devised a survey and received complete responses from 312 salespeople across the US, representing more than a dozen industries.

Findings:

- HI: NFA positively influences sales performance: Prior research finds that high NFA has a significant positive impact on sales performance. The researchers survey results confirm that respondents reporting high NFA are significantly more likely to experience better sales performance.
- H2: NFA positively influences organizational commitment: Past studies show that Type A salespeople (high NFA) make a deeper commitment to their organization, on average, than Type B (low NFA) salespeople. In the researchers' analysis of survey results, however, the authors find a negative correlation between high NFA and organizational commitment.
- H3: NFA positively influences goal acceptance: Limited research is available, but studies do link high NFA with higher goal commitment. The authors' results support this at a statistically significant level.
- H4: PLRB positively influences organizational commitment: A small but expanding body of research supports the notion that better sales managers drive more organizational commitment among salespeople. The authors' survey results strongly support this hypothesis.
- H5: PLRB positively influences goal acceptance: Past research finds greater goal acceptance among salespeople with good manager relationships. The authors' analysis supports the past research.

- H6: Goal acceptance positively influences sales performance: Past research across 66 studies finds that when salespeople accept their goals and believe them to be important, they perform better. Surprisingly, the survey results do not support this hypothesis.
- H7: Goal acceptance positively influences organizational commitment: Again, the literature supports this hypothesis, but the authors' survey results do not.

"…more organizations are realizing that "cold, hard cash" may be just that — rather cold and impersonal."

Take-Aways:

- Consider altering recruiting and hiring practices to identify candidates with high NFA. This research offers a summary of past findings which show significant links between salespeople with achievement-driven personalities and greater commitment to the organization and goals, resulting in higher performance. The survey results associated with this study strongly support the research-based and common-sense notion that high-NFA salespeople perform better.
- High NFA salespeople, however, may not be more loyal to the firm. Don't take their commitment for granted. Instead, emphasize the quality of the relationships between salespeople and sales managers. Managers should be held accountable for retention, especially among high-performing members of the sales team.
- Sales managers should use "positive rewards," like bonuses, contest incentives, etc. to keep salespeople motivated and connected. Non-cash rewards may work better than cash, which is often seen as cold and impersonal. Rewards (non-cash in particular) and the recognition that accompanies them, help build relationships between salespeople and their managers.
- Rewards should be chosen and delivered thoughtfully. According to the researchers, when the sales manager offers desirable rewards, salespeople are more likely to respond by accepting organizational goals and strengthening their desire to perform well.
- Managers should also ensure that adequate training opportunities are available to salespeople; career development proves a major driver of intent to stay with the firm.
- Surprisingly, the authors found no connection between goal acceptance and sales performance. This might suggest a lack of perceived fairness or trust in setting goals, or a lack of understanding of how goals are attained. However, where managers have high PLRB, salespeople are more accepting of goals. This underscores the importance of the manager's role and the quality of the relationship they have with members of their sales team. Managers should first establish a trusting relationship and then work with salespeople to set their goals.

Q&A: We asked the researchers three questions about their study:

Q: Do you think there are key differences, in general, between sales employees and non-sales employees? For example, on average, will salespeople have higher NFAs? Be more extrinsically motivated, etc.?

A: This is an interesting question. I would anecdotally say that salespeople have higher need for achievement than many other professions. For example, my understanding is that the workers used in Hertzberg's Two-factor Theory were Accountants. These Accountants indicated that money was not a "motivator" but was rather considered a "hygiene" which means it can cause dissatisfaction and not satisfaction. While the nature of accounting may be about accuracy and not making mistakes, salespeople are incentivized by rewards (e.g. money), recognition, competition, etc. that make selling unique and very much driven by a desire to be successful among peers and recognized as the best.

I have not empirically studied this question but would make the proposition that salespeople have higher NFA than most other non-sales professions. Sales is not entirely unique for needing high NFA, but it is certainly a common factor to the profession.

Q: Which of the two drivers do you think is the more important in performance: the sales leader's style and ability to create positive, caring relationships with each member of their sales team? Or the individual salesperson's NFA? Which would you rather have on your sales team if you could only have one?

A. In part, the nature of the sales position and the characteristics of the salespeople would need to be known to better answer this question. If the sales performance is based on team-selling, then an ability to work well within a team could be most important. However, if one is selling alone (not in a team), then NFA may be a better performance indicator. Also, if a salesperson is new to the field, then leadership style may be more influential on performance. However, if a salesperson is more "salty" or seasoned and experienced, then NFA could be more important to performing well.

Q: You refer to non-cash rewards as potentially more effective than cash, why?

A: This was rooted in the work of Hertzberg and his Two-Factor Theory. Many people are motivated by other non-cash-based factors such as working environment, comradery, etc. Those factors were identified as being truly more "motivating." However, such factors may vary for salespeople and I would like to see how salespeople fared in their assessments vs. non-salespeople. I am not aware of such a study although I did a study several years ago for the National Conference in Sales and Management (NCSM) that compared the importance of such factors across different cultures for students in sales classes. Overall, many workers view cash rewards as good, but only up to a point. Many workers are motivated beyond some minimum threshold of money by the "Motivators" such as work environment, friendship, warm relationships, etc.

Further Questions?

Please forward any additional questions you may have to the authors, Professors Douglas Amyx and Bruce L. Alford who are part of the IRF Academic Network.

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Sales Contest Effectiveness: An Examination of Sales Contest Design Preferences of Field Sales Forces

Citation: William Murphy, University of Wisconsin, Peter A. Dacin, Queen's University, and Neil M. Ford, University of Wisconsin. Journal of the Academy of Marketing Science, 2004, Volume 32, No. 2, pages 127-143. DOI: 10.1I77/0092070303261S82

Availability: This article is available on request from Allan Schweyer at allan.schweyer29@gmail.com

Introduction:

Sales contests are an important tool that organizations use to motivate sales teams. When designed well, sales contests tend to work. This research explores the question of what constitutes good sales contest design, including the preferences of salespeople themselves. The researchers use Expectancy Theory, the extent to which a salesperson values the reward, feels they can improve their performance through effort, and believes their improved performance will be good enough to earn the reward.

The Study:

The researchers reviewed prior literature to generate five hypotheses around sales contest design (H1-5 below). They gathered survey and conjoint data from hundreds of salespeople across three companies, with analyses revealing intriguing preferences for contest design.

Findings:

- **H1: Salespeople prefer outcomes-based goals:** Prior research suggests that because outcomes-based goals are easily quantifiable, they require less supervisory oversight or observation. Salespeople prefer them, believing they have a better chance of meeting the goal. This causes them to work harder to achieve it. The authors' data supports this hypothesis at a statistically significant level. Consistent with the recent research, however, the importance of goal type was found to decrease as the relationship between salesperson and manager improved.
- **H2: Salespeople prefer contests in which many, but not all, can win a reward:** The literature suggests that people have more desire for rewards they can't necessarily have. Restricting the numbers of people who will earn the reward makes the reward more valuable and enticing. If rewards are too restrictive though, people will not believe they can attain them, causing the effort to decrease. The authors' data supports this hypothesis. Overall, salespeople prefer contests that reward about 40% of participants.
- **H3: Salespeople prefer to travel first, merchandise second, cash third:** While cash is by far the most utilized reward in sales contests, past research suggests that non-cash tangible rewards are perceived as more valuable than their cash equivalent and are used (or consumed) in ways that are more memorable than cash. However, the authors' data reveals that cash, rather than traveling or merchandise, is the clear preference of salespeople surveyed for the study.
- **H4: Salespeople prefer short-duration contests (one sales cycle) to longer ones:** Prior field studies show that single sales cycle contests appear to deliver better performance than longer ones or shorter ones. The authors' data support these findings. B to C salespeople prefer shorter duration contests than industrial or healthcare salespeople, but each prefers a duration at least equivalent to a single sales cycle; on average, 3 months.
- **H5: Salespeople prefer contests that offer greater reward value:** Not surprisingly, past research shows that salespeople are attracted to rewards of higher value. Though

of lower importance than the factors above, the authors found that participants prefer rewards at the equivalent of 3 weeks' pay versus 2.

"It is perfectly obvious that human beings are different from one another in some respects but alike in other respects. The question is whether we should first look for statements that apply to all of them or whether we should first try to describe and explain their differences."

Take-Aways:

- In general (though all salespeople and sales teams are different) design sales contests to last about 3 months. Structure them so that about 40% of participants earn rewards. Make the winnings significant and unless you have confidence in the good health of your sales manager-salesperson relationships, use outcomes-based rewards.
- Additional discussions with the researchers about reward preferences revealed that while cash, on average, was more preferred, this preference varied considerably. Travel was more valued by over 36% of salespeople, particularly those with good relationships with supervisors, those seeking advancement, and higher-income salespeople. Meanwhile, higher-income salespeople may prefer merchandise (specifically luxury merchandise). The takeaway is that planners should consider a range of rewards where possible, including cash, attractive travel rewards, and luxury merchandise.
- Invest in developing relationships with salespeople. Make managers accountable for metrics such as attrition. Strong and healthy manager-salesperson relationships generate trust and allow for the effective use of goals and rewards beyond those based only on outcomes and cash. Process-based goals, used in combination with outcomes-based goals, drive better behaviors and avoid rewarding people for an activity that might harm the firm in the long-run. They also appeal more to women. Moreover, trusting, caring manager-salesperson relationships make incentive travel (and all the benefits that come with it) more appealing to participants.
- The researchers believe the key differences between sales employees and non-sales employees stem from the fact that sales positions are among the very few that link pay to performance so directly. The result is that salespeople often live and die by the quarter so they become avidly attuned to pursuing goals that gain them greater rewards, however, this is not to say that intrinsic motivation is lacking. Sales is one of the rare jobs where personnel get to see the impact of their efforts on those being served and it is an essential reason for loving the job.

Questions?

Please forward any additional questions you may have to the author, Professors Murphy, Dacin, and Ford, who are part of the IRF Academic Network.

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The Motivational Power of Incentive Travel: The Participant's Perspective

Citation: Scott Jeffrey, Monmouth University. Journal of Behavioral & Applied Management. 2014, Vol. 15 Issue 3, p122-139. 18p.

Availability: This article is available on request from Allan Schweyer at: allan.schweyer29@gmail.com

Background

According to Vroom's Expectancy Theory, rewards are motivating when those pursuing them a) believe they can earn them (i.e., clear and challenging but fair goals/quotas), b) they have "valence" (participants are attracted to the reward), and c) when participants trust the organization to fulfil its promise and deliver the reward.

Incentive travel, perhaps more than any other reward, offers valence. In other words, it is very attractive so people want to earn it, especially when it is designed in a way that makes it difficult for an individual to duplicate on their own. Travel is memorable and social (people talk about it before and after) so it strengthens relationships between giver, receiver, and between the participants themselves. Unlike cash, travel does not lose its impact quickly. Reward earners tend to remember it longer and more fondly, and because they talk about it more and share the experience with others, they feel more gratitude afterward, which triggers and sustains their psychological need to reciprocate, i.e., work harder for a longer period of time post-reward.

Organizations have used travel incentives to motivate salespeople and others for many decades because it works. The results of experiments and field research over the decades confirm its effectiveness in comparison to other rewards, including cash and gift cards, even though the majority of salespeople and other employees claim a preference for cash (over all other forms of reward) and gift cards.

Introduction:

Though past research has shown travel to be a better motivator for salespeople than cash or other forms of reward, this is the first study to look at the components of incentive travel to better understand which elements make it work. 1003 employees (half in sales) from three firms were surveyed, all eligible for individual (2/3) or group (1/3) travel incentive rewards. 714 participated in at least one incentive travel reward, 289 did not. The survey asked respondents which elements of incentive travel programs they find the most and least motivating. The findings should help you design better sales incentive travel programs.

Results:

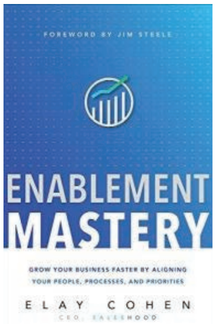
- More than three-quarters of participants reported being motivated or highly-motivated by incentive travel rewards. This was higher among salespeople and, naturally, among those who actually earned a trip.
- Non-earners weren't discouraged. More than two-thirds said they would try harder or a lot harder to earn the trip next time, and fewer than one in ten felt resentment toward their employers or peers. Failure to earn the travel reward did not result in lower engagement.

- Almost nine in ten reward earners felt appreciated by the firm. Three-quarters gained a greater sense of belonging, and more than two-thirds felt increased loyalty to and trust in their firms.
- The recognition that comes with earning a travel reward is, by a fair margin, the most motivating aspect of the reward. Spending time with executives is the least motivating.
- Recipients want more free time and leisure options during reward travel. Indeed, most would sacrifice the travel component of the reward entirely, just taking the time off. In other words, most reward earners would give up the free trip voluntarily so that they could simply have the free time (e.g., a week off).
- By a wide margin, respondents prefer paid time-off to incentive travel rewards.

Take-Aways:

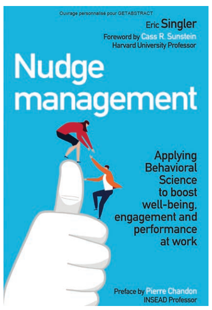
- Consistent with a considerable body of past research, this study finds that incentive travel is a powerful motivator for salespeople, channel sales teams, and other employees. It generates the types of feelings, emotions and memories that build bonds and drive better performance. In generating feelings of belonging, trust and appreciation, travel rewards stand out among the best incentives for 21st century organizations concerned with encouraging greater citizenship behaviors, performance and retention.
- Incentive travel programs appear to bring little risk. While many – likely most – eligible employees won't earn a reward in any given year, their disappointment does not, in general, generate feelings of envy, resentment or disengagement. In fact, most of those who fail intend to try harder to earn the reward in subsequent years.
- Design incentive travel communications (individual or group) to emphasize recognition of those who earn the reward. Where group travel is concerned, emphasize free time and choice of activities, as opposed to meetings and time with executives.
- Incentive travel, and perhaps group incentive travel in particular, bring many potential benefits to firms that use them. The fact that a large majority of respondents prefer paid time-off to incentive travel suggests that these programs (at least in the three firms involved in the study) might suffer from sub-optimal design, whether in the programs themselves or their promotion/communication. It would be interesting to know whether these firms use external consultants to design their programs or do it in-house.
- Make sure that salespeople and employees understand the benefits of group incentive travel to their own careers (i.e., time with executives, recognition and visibility as top performers). Through pre-trip communications, build excitement in the destination chosen and promote the enjoyment and recognition reward earners will experience.
- People say they want cash, but considerable research shows that performance improves using non-cash incentives. Likewise, people may say they prefer paid time-off – which may be a much less expensive reward for the firm – but incentive travel may ultimately be better for the recipient and deliver greater ROI for the firm.

BOOKS REVIEWED & RECOMMENDED



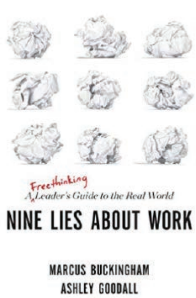
Enablement Mastery

Elay Cohen earned his reputation as a sales executive in one of the most successful organizations of the past fifty years – Salesforce. Here, he explains the sales enablement function, what it means, how to build it, and what it does to make organizations more successful. This information-rich and highly-detailed how-to guide provides a blueprint for implementing a more rigorous sales process based on enablement. Though Cohen bounces around from topic to topic and repeats himself more than is necessary, executives (especially sales managers and salespeople) will benefit from a close reading.



Nudge Management

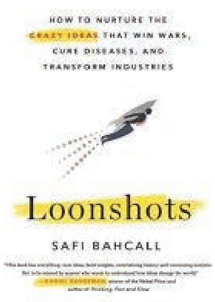
Eric Singler's first one hundred pages or so do not offer many new insights to anyone even slightly familiar with behavioral economics and the notion of nudging. Beyond this, however, Singler connects recent psychology and behavioral economics research to practical initiatives you can implement. He does so convincingly, with great clarity, backed by an impressive amount of empirical data. Though some of the studies referenced feel forced to fit Singler's points, he offers one of the most thorough, best-researched and referenced books about employee engagement and the drivers of performance you'll likely ever encounter. Rich pulls examples from rigorous experiments and observations surrounding every bit of advice in the book – a monumental effort resulting in some valuable insights. Ultimately, you may be left wondering if *Nudge Management* is really a thing. Either way, you'll appreciate Singler's sound advice, particularly where he focuses on the effects of bias and offers specific counter-nudges to combat them.



Nine Lies About Work

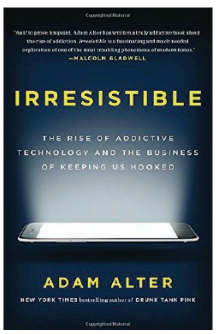
Marcus Buckingham reminds leaders, employees and everyone else that they possess a uniqueness – a set of strengths and abilities that no one else has ever possessed or will ever match. Here, with co-author Ashley Goodall, Buckingham returns in theme to his original bestseller: *First, Break All the Rules*. His and Goodall's demolishment of what has become standard operating procedure in most organizations – cascading goals, 360º feedback, programs for high-potential employees, emphasis on work-life balance, etc. – rings true. Behind their commonsense arguments, the authors reference volumes of research and data collected over the decades. Throughout the nine lies runs the thread that has made Buckingham famous: that efforts to round out your abilities return meager rewards compared to doubling down on your strengths. Everyone, from student to CEO, should heed Buckingham and Goodall's advice, for the good of individuals, teams, organizations and the world.

Incentive Research Foundation



Loonshots

Few authors achieve in their first book – or ever – what Safi Bahcall has with *Loonshots*. This original and entertaining take on managing innovation draws on decades of science, economics, psychology, and history, yet proves easy to follow. Bahcall points out that babies (innovation) require protection from beasts (organizations) but they also need the beast to test, give feedback, and eventually, to implement new ideas and products. He also describes the more challenging science around “emergent properties” in large groups. Using terrorist networks as an example, he explains how to identify, observe and influence these forces. Using these principles, you can calibrate the forces (emergent properties) to find equilibrium between innovation and execution; a balance that can help you avoid the seemingly inevitable obsolescence that haunts every firm and every nation.



Irresistible

Author Adam Alter asks, what if priests and rabbis forbid their children to practice religion? He points out that the investors and designers behind tablets, smartphones, and similar technologies often don’t let their kids anywhere near them. This should alarm you. By Alter’s count, half the population of the U.S. fits the definition of an addict. Relatively few abuse drugs though, most fall prey to the behavioral addictions that come with smartphones, tablets and the apps that go with them. Though long and lacking somewhat in originality, *Irresistible* might offer the first comprehensive review of the techniques digital designers use to build dependencies in users, and why, scientifically, those practices prove so effective in online games, apps, and social media.

A Glossary of Research Reviewed so far in the *IRF Academic Quarterly* *(sales-related papers highlighted in yellow)*

Reward and Motivation Research Summaries 2018-2019

Quarterly	Paper Title	Description
Vol 1 Number 1 Spring, 2018	The Effects of Tangible Rewards Versus Cash Rewards in Consecutive Sales Tournaments: A Field Experiment	Though tangible (non-cash) rewards are sometimes considered more motivating than cash rewards, more research – especially field experimentation – is needed to explore their impact on performance in actual work settings. This new and directly applicable research uses consecutive sales competitions in a large-scale ("real-life") field experiment. It breaks new ground by comparing the motivational effects of cash vs. tangible rewards over a longer time horizon than in past research. It adds to the growing body of evidence regarding the conditions under which tangible rewards would generate greater resilience and sustained effort than cash rewards. It offers new evidence that performance can be improved through serial use of tangible rewards versus cash in sales incentive contests. In other words, it demonstrates that weaker performers in initial sales incentive contests can significantly improve their performance in subsequent contests provided a tangible incentive is used rather than cash.
Vol 1 Number 1 Spring, 2018	Why Individuals Want Money is What Matters: Using Self-Determination Theory to Explain the Differential Relationship between Motives for Making Money and Employee Psychological Health.	This exceptional and important paper examines the reasons people pursue money (and cash rewards) and places their motivations into intrinsic and extrinsic categories. The researcher connects the categories to factors of health and well-being, and to workplace performance. Their results offer convincing evidence that the pursuit of cash for intrinsic purposes leads to greater well-being and performance while its pursuit for extrinsic reasons often leads to frustration, ill health, and lower performance. The researchers also cite experiential rewards as contributing to intrinsic purposes and positive outcomes.
Vol 1 Number 1 Spring, 2018	Translating Time to Cash: Monetizing Non-Salary Benefits Can Shift Employment Preferences	Reward and recognition professionals know that non-cash rewards often drive greater employee satisfaction and performance than cash rewards, yet employees often state a preference for cash. This research offers designers new and practical insight into how to make non-cash rewards and benefits more appealing – by converting them to cash.

Vol 1 Number 2 Summer, 2018	Is Cash King for Sales Compensation Plans? Evidence from a Large-Scale Field Intervention	This groundbreaking research adds significantly to the sales-motivation literature and motivation in general. It is a must-read for anyone involved in merchandise rewards and those interested in the cash versus non-cash rewards debate generally. Building on decades of research, the authors report the results of a rigorously conducted, large-scale field experiment involving almost 600 salespeople in a US food company. The subjects were unaware of the experiment, making their actions natural and unbiased. This important research examines what happens when a firm moves its salespeople from an incentive program based on a mix of cash and reward points to a cash-only regime. It describes the effects of mental accounting and cash vs. merchandise preference with implications running into the millions of dollars for the organization.
Vol 1 Number 2 Summer 2018	It's Not All About the Jacksons	If you've read Dan Ariely's recent bestsellers about human motivation and decision-making, you've probably seen accounts of the experiment described in this summary. Ariely, Hochman, and Bareket-Bojmel tested the effects of three short-term reward types (bonuses) with workers in a semiconductor plant in Israel. The rewards were provided for achieving output beyond baseline performance. Those who qualified earned either cash ($25), a family pizza voucher (worth $25), a written note of appreciation from their immediate senior manager, or a choice between cash and pizza. You may be surprised at the differences in impact between the reward types – and the effects when the rewards were removed.

Vol 1 Number 2 Summer 2018	The Currency of Reciprocity: Gift Exchange in the Workplace	The simple but exceptionally well-constructed experiments that are the subject of this paper shed light on the question of reciprocity in rewards. The researchers recruited 139 subjects. All were offered EUR 36 for three hours of work in a library where they would enter information about books into a database. The subjects did not know they were part of an experiment. When they arrived, they were slotted into one of six treatment groups (unbeknownst to them). In each of the first five groups, the subjects were thanked and told that in appreciation for their work, and in addition to the agreed upon EUR 36, they would, at the conclusion of their work: (Group A) receive a cash gift of EUR 7, (Group B) receive a water bottle wrapped in cellophane, (Group C) receive a water bottle wrapped in cellophane with the price (EUR 7) clearly visible, (Group D) receive either EUR 7 cash or a water bottle worth EUR 7 (their choice), or (Group E) receive EUR 7 wrapped in an attractive Origami design. Of the 139 subjects, 35 were placed into a control, or baseline group, and told only that they would receive the agreed upon EUR 36.
Vol 1 Number 2 Summer 2018	Paying $30,000 for a Gold Star: An Empirical Investigation into the Value of Peer Recognition to Software Salespeople	Much has been written about humankind's universal need for recognition and respect; from Maslow's Hierarchy through Deci & Ryan's Self- Determination Theory and more recently, from Lawrence & Nohria's Four Drive Model of Motivation to the 2016 book "Primed to Perform" (which portrays the pursuit of status as a powerful but negative motivator). For better or worse, the admiration and respect of our peers, neighbors, and even strangers exerts a powerful pull on nearly everyone (including most of those who claim not to care about what others think). Evolutionary biologists and neuroscientists would no doubt chalk this up to our genetic algorithms. Early on, our status in the tribe meant survival, or at the very least, it was a large determinant of whether we might pass on our genes. The subject of this summary is Ian Larkin's fascinating study of a modern tribe of software salespeople. His findings suggest that little has changed in the past 70,000 years or so. People, it seems, care very deeply about their place in the tribe. They (especially men) will compete vigorously for recognition and respect from their peers and pay large sums to achieve it.

Vol 1 Number 3 Fall 2018	Academic Research Summary: Intrinsic Motivation and Extrinsic Incentives Jointly Predict Performance: A 40-Year Meta-Analysis	As the economy and workplace complete and there is a monumental shift from the Industrial Age to the Information Age, incentive strategies must shift as well. After all, what was designed for the assembly line, and the routine, repetitive, and uninteresting work it required can't hope to be as effective in the cubicles and meeting rooms of the modern workforce where workers are increasingly given wide autonomy to problem-solve and innovate while performing interesting work. Indeed, for some, there is no longer any place at all for incentives and rewards at work. Widespread misinterpretation of Dan Pink's 2009 blockbuster, Drive: The Surprising Truth About What Motivates Us, has led many to that conclusion, harming the reputation of the incentives industry in some quarters. Skeptics, beginning with Alfie Kohn in the early 1990s, argue that extrinsic rewards should never be used. Kohn and others believe that rewards replace or "crowd out" natural and superior intrinsic motivation, and/or create a vicious cycle in which more and better rewards are constantly needed to maintain employee engagement and productivity. Others believe in extrinsic rewards but only to incentivize workers performing routine, repetitive work that holds little or no intrinsic interest for employees. This study looks at the effects of extrinsic rewards on repetitive work and interesting, creative work. It shatters both myths.
Vol 1 Number 3 Fall 2018	Do All Material Incentives for Prosocial Activities Backfire? The Response to Cash and Non-Cash Incentives for Blood Donations	It is reasonable to surmise that blood donors are highly intrinsically motivated. They do not expect much external reward because cash payment for blood donations has been banned in the United States since the 1970s. This was done because cash was thought to incentivize the wrong people with the wrong motives. Unfortunately, local blood supply normally operates on a precarious edge, with just a few days' supply in most cases. Thus, the authors hypothesize that intrinsic motivation, or altruism, isn't enough to ensure an adequate blood supply in most cases. They performed a randomized-controlled experiment to determine whether re-introducing cash or another type of reward might make a positive difference.

Vol 1 Number 3 Fall 2018	Employee Incentive Programs: Recipient Behaviors in Points, Cash, and Gift Card Programs	The many reward options, including cash and almost unlimited non-cash reward types, can make choosing the optimal reward under any given circumstance very challenging for reward program designers. After all, there is a body of research that says cash rewards drive better returns for organizations and another that argues in favor of non-cash rewards. In this study, the author hypothesizes that "reward currencies" (cash vs. points vs. cards) matter significantly in affecting recipients' perceptions and behaviors. Specifically, the author draws from theories in mental accounting and research in consumer loyalty programs to argue that some rewards generate more employee involvement and greater feelings of loyalty. As such, some reward types might lead to improved employee satisfaction, engagement, and retention.
Vol 1 Number 3 Fall 2018	Preference Reversals in Evaluations of Cash Versus Non-Cash Incentives	The authors hypothesize that when cash and non-cash rewards are presented together and recipients are given the choice of one or the other, they will choose cash. This is because a side-by-side comparison triggers rational thoughts of reward fungibility (i.e., flexibility in how it can be exchanged/spent), which defeats any affective (emotional) response to the non-cash option. They also hypothesize that when recipients are not given a choice, those who receive non-cash rewards will rate their anticipated satisfaction with the reward significantly higher than those who are given cash. This is due to the strong emotional (affective) response people have to noncash rewards. The authors argue that without something to compare a cash reward to, recipients of cash will not consider its fungibility and, therefore, will not derive consequent satisfaction. Rather they will be left with, at best, a mild affective response compared to those who received a non-cash gift and will, therefore, report lower anticipated satisfaction.

Vol 1 Number 3 Fall 2018	A Wonderful Life: Experiential Consumption and the Pursuit of Happiness, and We'll Always Have Paris: The Hedonic Payoff from Experiential and Material Investments	This summary condenses two related papers by the same authors (Gilovich & Kumar). Though the research is not in the field of incentives and rewards, it is highly relevant to reward program designers as it distinguishes reward types by examining a close parallel to gifts — the impact of experiential purchases versus material purchases amongst consumers. The studies summarized here demonstrate that experiential purchases generate better results for consumers across a range of emotional and psychological factors. This suggests that experiential, non-cash gifts/rewards will spark equally positive feelings, emotions, memories, and behaviors amongst reward earners.
Vol 1 Number 3 Fall 2018	Experiential Gifts Foster Stronger Social Relationships Than Material Gifts	The research reviewed explores the differences between material and experiential gifts in strengthening relationships, which closely parallels the giving of rewards at work. Though almost 80% of people report a preference for giving material gifts, the researchers expect experiential gifts to prove more effective at strengthening the relationship between the gift giver and receiver even when they do not share the experience. The authors propose that similar feelings of appreciation are likely during the exchange of a gift, whether material or experiential. However, the additional emotional impact of using (i.e., consuming) experiential gifts should lead to differences in the relationship-building effect between the two. This, they posit, is because the emotions associated with using experiential gifts prove stronger and last longer than for material gifts.
Vol 1 Number 4 Winter, 2018	The Performance Effects of Tangible Versus Cash Rewards: The Mediating Role of Categorization	The researchers set out to test elements of mental accounting theory that suggest non-cash, tangible rewards lead to greater employee performance than cash rewards because recipients are more likely to classify (i.e., mentally account for) non-cash, tangible rewards separate from salary or wages. They also investigated the question of whether the more a person accounts for a reward separate from salary or wages, the better their performance. This research explores the extent to which reward designers should strive to frame or present non-cash, tangible rewards separate from salary/wages or cash rewards, in order to encourage greater performance.

Vol 1 Number 4 Winter, 2018	The Carrot or the Stick: Investigating the Functional Meaning of Cash Rewards and Their Motivational Power According to Self Determination Theory	The researchers apply concepts from self-determination theory (SDT) to aid in explaining why cash rewards sometimes prove effective and at other times don't. Specifically, they investigate why recipients ascribe to cash rewards. The authors propose that recipients (employees) who perceive a cash reward as "informational," i.e., supportive of their psychological needs, versus "controlling," i.e., restrictive of those needs, pressure-ridden, experience a healthy effect that promotes more positive work behaviors and attitudes. Their findings contribute to a better understanding of reward program design, whether cash or non-cash is used as the reward.
Vol 1 Number 4 Winter, 2018	Motivational Spillovers from Awards: Crowding Out in a Multitasking Environment	Multitasking theory states that when employees are incentivized to achieve one goal, they are likely to pay less attention to others. Research also demonstrates that employees often gamify incentive programs to earn rewards, and that the introduction of extrinsic rewards, most notably, cash, crowd out natural, intrinsic motivations to perform the work. An impressive body of research demonstrates that these negative consequences of incentive programs can be reduced or eliminated where non-cash rewards are used in place of cash rewards. In this field research, the authors explore employee behaviors around a corporate attendance award program to investigate whether employees gamify the program and whether extrinsic rewards impact intrinsic motivations and "prosocial" behaviors. This research incorporates recent findings from the fields of social psychology and behavioral economics, making it especially relevant to today's reward program designer. For example, the authors examine the impact of new extrinsic rewards on high performers who already did the work without external reward (i.e., intrinsically motivated). This research is unique in that it investigates the negative effects of corporate non-cash reward programs, whereas most other research allows for only two possible impacts: positive and neutral.

Vol 1 Number 4 Winter, 2018	When are Rewards Bad for Innovation? Leaders as Catalysts for Positive Linkages Between Work Motivation and Innovation	Self Determination Theory (SDT) suggests that external rewards should have a detrimental impact on employee innovation because rewards serve to distract from intrinsic motivation, an essential ingredient to innovation and creativity. SDT-based and other research posits that external rewards prove effective for routine tasks but negatively impact complex, interesting and creative tasks, such as those involved in innovation. On the other hand, an equally impressive volume of research suggests that rewards can drive higher performance and sustained effort regardless of the task. Reconciling these views requires a separate, bridging construct. In this paper, Dr. Gupta describes and tests a potential missing link, that of "integrated extrinsic motivation." He investigates the notion that some extrinsic motivation, for example, to realize one's long-term career aspirations, can be internalized and made compatible with one's self-identification and values, rendering it indistinguishable from intrinsic motivation. Dr. Gupta tests this fascinating and important theory through an analysis of data generated from a survey of 750 creative and innovative workers involved in civilian research for the Indian government.
Vol 1 Number 4 Winter, 2018	The Motivational Properties of Tangible Incentives	This paper was among the first to detail various benefits of non-cash rewards versus cash rewards. The authors point out that non-cash tangible rewards are extrinsic motivators, just like cash, in that they are generally contingent on performance. It assumes that employees (in general) find tangible, non-cash rewards motivating. We chose to revisit this paper first in this issue because it sets the stage for the summaries to follow. Each subsequent summary in this issue is based on an article that explores how and when cash and non-cash tangible rewards work when they don't, and how to design them so that they more likely will.

Vol 2 Number 1 Spring, 2018	When Do Tangible Rewards Motivate Greater Effort Than Cash Rewards? An Analysis of Three Commonly Cited Differences	Non-cash rewards prove more motivating on the whole than cash rewards in the experiments conducted in this study. They drive greater goal commitment, greater effort, and greater performance. Unfortunately for reward program designers, these experiments fail to explain why non-cash rewards result in greater goal commitment, greater effort, and greater performance. If one or more of the elements were revealed as the primary reason, designers could focus more of their efforts on that motivational lever. The research does, however, confirm that reward program designers should combine the three elements (and possibly others) in non-cash reward programs. Collectively, they should frame rewards as separate from fixed pay to the extent possible, they should emphasize hedonic non-cash rewards over utilitarian non-cash rewards, and they should avoid creating the expectation of a reward to the extent possible.
Vol 2 Number 1 Spring, 2019	Needs Versus Wants: Which Motivates More Effort?	The findings are important and relevant to reward program designers because they add to the body of research that suggests organizations should use hedonic, non-cash rewards as performance-contingent incentives rather than cash on utilitarian non-cash rewards. Reward designers know that non-cash rewards often drive better results than cash; this research provides evidence that hedonic/luxury non-cash rewards (versus utilitarian non-cash rewards) may more reliably drive better results than cash. Also, though the study was performed in the lab as opposed to the field, it provides evidence that the utilitarian purposes to which most employees may associate cash rewards, cannot be easily changed. In other words, it probably doesn't work to simply frame a cash reward as hedonic (i.e., urge people to spend it on something luxurious for themselves) and hope for the same performance benefits as hedonic non-cash rewards

Vol 2 Number 1 Spring, 2018	The Interactive Effect of Reward Type and Employee-Firm Identity on Instrumental-Symbolic Valuation of Rewards and Willingness to Exert Effort	Employees do not place high relationship value on performance-contingent cash rewards, whether or not they identify strongly with their employer. Neither do they perceive good intent from the offer of performance-contingent non-cash rewards if they do not identify strongly with their firm. However, where an employee does identify strongly with their employer (i.e., feels a strong sense of belonging) the impact of non-cash rewards is magnified because the reward is assumed to be offered in a thoughtful, appreciative and caring manner. This translates into extra effort. Reward program designers should integrate their work with other elements of workforce management – engagement initiatives, for example – to help build a talent culture. This research suggests that where a talent culture exists, employees are more likely to assume that tangible cash rewards convey deep appreciation. This, in turn, accelerates a virtuous cycle, reinforcing the culture.
Vol 2 Number 1 Spring, 2019	Rejections, Incentives, and Employee Creativity: When Chocolate Is Better Than Cash	A very high proportion of employee ideas are never implemented (i.e., rejected). Nearly every employee will, at some point, face rejection multiple times. Employees whose creative ideas are rejected perform worse on creative tasks in the future. This research provides clear and direct evidence that cash rewards worsen the creative performance of previously rejected employees. Just as clearly, the results show that non-cash rewards essentially erase the disappointment and discouragement associated with having one's creative ideas rejected. Simply stated then, organizations should use non-cash incentives and rewards over cash for tasks involving creativity. This research is consistent with past studies which suggest non-performance contingent rewards don't undermine intrinsic motivation because employees aren't distracted by calculating the payoff from the task. This suggests that organizations using performance-contingent (i.e., if/then) incentives for creative tasks, should use non-cash rewards.
Vol 2 Number 1 Spring, 2019	Self-Selected Sales Incentives: Evidence of their Effectiveness, Persistence, Durability, and Underlying Mechanisms	This study demonstrates that by giving salespeople some choice in the goals and rewards they pursue; by calibrating those options to their past performance (to make sure goals are challenging & achievable), and by making full goal attainment necessary for reward (all-or-nothing) extraordinary performance results. Performance gains are particularly pronounced among sales managers with previous mixed and poor results.

Vol 2 Number 1 Spring, 2019	The Impact of Intrinsic and Extrinsic Motivators on Employee Engagement in Information Organizations	This research did not address the impact of cash or non-cash rewards (only cash as salary). While today's creative workers are often intrinsically motivated, this and a large volume of other research attests, they value extrinsic rewards too, such as recognition. This research provides more evidence for the wisdom of taking a holistic and broad view of rewards and incentives. Competitive pay, challenging, interesting and meaningful work, autonomy & accountability, a talent-centric culture, and recognition, including that reinforced with tangible rewards, are all essential components (i.e., rewards) of motivating work.
Vol 2 Number 2 Summer 2019	Effective incentive compensation for sales employees during tough economic times	The authors explored 40 years of published research into the effectiveness of incentives in motivating better sales performance, strengthening relationships between salespeople and their firms, and aligning salespeople and their employer's goals. They address the challenges and complexities of sales incentive program design and summarize best practices across four decades of research, including incentive investments that are most appropriate in tough economic times.
Vol 2 Number 2 Summer 2019	(Re)defining Salesperson Motivation: Current Status, Main Challenges, and Research Directions	The authors note that the question of sales motivation is one of the most investigated topics in all the sales literature, yet in the past half-century, most of the research findings have contradicted each other. Their review of 507 peer-reviewed articles published from the 1970s through 2017, and meta-analysis of the most relevant 63, offers the most comprehensive and recent examination of the sales motivation literature presently available. The authors explore what the literature says regarding both extrinsic (compensation & recognition seeking) and intrinsic (challenge seeking & task enjoyment) motivation through the lens of three prominent motivational theories: expectancy (the degree to which a person wants a reward and believes they can attain it), attribution (what a person believes about the cause of their success or failure), and self-determination (the degree to which people acquire the universal needs for competence, autonomy, and belonging).

Vol 2 Number 2 Summer 2019	The Motivational Power of Incentive Travel: The Participant's Perspective	Though past research has shown travel to be a better motivator for salespeople than cash or other forms of reward, this is the first study to look at the components of incentive travel to better understand which elements make it work. 1003 employees (half in sales) from three firms were surveyed, all eligible for individual (2/3) or group (1/3) travel incentive rewards. 714 participated in at least one incentive travel reward, 289 did not. The survey asked respondents which elements of incentive travel programs are the most and least motivating. The results findings should help you design better sales incentive travel programs.
Vol 2 Number 2 Summer 2019	The Perils of Altering Incentive Plans: A Case Study	Incentives and incentive pay increase performance. Even new, "low-powered" incentives often result in large productivity increases. In this case study, a Finnish retail firm sought to improve sales by introducing a cash incentive for sales above a quota in any given quarter. Before the incentive plan was introduced, all salespeople earned straight hourly wages.
Vol 2 Number 2 Summer 2019	Enhancing Return on Salesforce Investment: Reallocating Incentives and Training Resources with Intrinsic Valuation Approach	The researchers examined data from 484 salespeople in a Fortune 500 B2B technology company over a period of seven years. Data was obtained from customers, salespeople themselves and company data from training and incentive programs.
Vol 2 Number 2 Summer 2019	Incentives Versus Reciprocity: Insights from a Field Experiment	14 million Americans, about 10% of the workforce, are salespeople (2017). Firms spend $800 billion on their salespeople, four times more than on advertising and marketing. Incentives account for a significant portion of this, so getting them right is a key component in designing an optimal sales operation. For decades, theorists held salespeople to be rational actors, responsive entirely to financial incentives in terms of effort. But behavioral economics-related research has revealed considerable additional nuance. Pride, competition, status, loss aversion, the desire to reciprocate kindnesses (e.g., rewards and gifts) and intrinsic fondness for the work have been shown to influence sale efforts and motivation as well.

Vol 2 Number 2 Summer 2019	The Effects of Salesperson Need for Achievement and Sales Manager Leader Reward Behavior	Are salespeople money-chasing hired guns who are naturally disloyal? Or do the way firms manage and compensate them make salespeople behave that way? This research seeks to understand the extent to which salespeople are motivated by a sense of achievement and inspired by skillful leaders who take the time to build relationships with them.
Vol 2 Number 2 Summer 2019	Sales Contest Effectiveness: An Examination of Sales Contest Design Preferences of Field Sales Forces	Sales contests form an important part of the tool's organizations use to motivate their sales teams. When they are designed well, they work. This research explores the question of what constitutes good sales contest design, including the preferences of salespeople themselves. The researchers use Expectancy Theory – the extent to which a salesperson wants the reward, feels they can achieve it, and believes the organization will deliver – as the basis for their exploration.