10 Incentive Mistakes
Including How To Rate Your Own Incentive / Compensation System

Measuring Your Sales and Leadership Potential to Drive Performance
Incentive programs can motivate your sales team to new heights, but make certain you sidestep counterproductive mistakes.

The most common mistakes in installing incentive programs often stem from three shortcomings on the part of sales managers.

First, a manager’s natural tendency is to assume that salespeople are motivated by the same things he is. This leads him to get together with other managers to plot out an incentive program with prizes that please them, not realizing that salespeople most often have different drives.

A second, more dangerous source of error is the attitude that salespeople are not as important as management. Since becoming good at sales is often an intuitive process, many excellent salespeople do not have, or need, a strong educational background, while managers tend to pride themselves on their education. This can lead managers to emphasize their own sense of value in incentive plans, while attempting to discount to some extent the hard knocks methods and styles that salespeople often rely on.

The third most common source of incentive mistakes is mimicking the competition. Sales managers frequently design an incentive contest that matches a competitor’s promotion prize for prize. But if you want your sales force to be original and to outstrip the competition, then it stands to reason that your incentive program needs to be original and outstrip the competition’s as well.

Keeping these points in mind, we have come up with the following list of mistakes often made in preparing an incentive program.
Mistake 1: Trying to Keep Everybody Happy

Poor performers needn’t be, and probably shouldn’t be, too content, unless they are trainees from whom you wouldn’t expect great results. Prior to the 1960’s, little attention was paid to how people felt about their jobs or workplaces. Then we tried various job-enrichment, happy-worker programs to improve working conditions in order to improve output. Most programs failed. Now, instead of saying, “Happy salespeople make more productive salespeople,” we substitute, “Only productive salespeople should be happy.” Incentive professionals advise that everyone should win something in an incentive contest, and that’s fine. Just make sure not to go overboard in rewarding poor performers. The key is making job satisfaction a result of productivity. In a well-run incentive program, salesperson satisfaction improves as a result of increased efforts and sales. Seldom does job satisfaction lead to increased performance. This myth is outlined in Figure 1.

Mistake 2: Failing to Separate Novices from Veterans

Don’t use the same contest guidelines for both trainees and salespeople. During training, a salesperson is still learning how to produce. The points awarded him in an incentive contest, then, should be tied to the quality or quantity of his efforts. Award him points for the number of calls made, leads followed, or improvements made in product knowledge (see Figure 2). Trainees generally don’t produce impressive results. Designing an incentive contest going on the assumption that they can will have a negative effect on trainees’ attitudes toward sales as a career.

Figure 1.

**Loose performance guidelines will backfire**

Without strict performance guidelines, a sales incentive program doesn’t do much good for anybody. The top line show the impact of such a plan on poor performers, the bottom line, on competent members of the team.
Mistake 3: Negative Reward on High Productivity

Many times, as salespeople produce more, the increased performance is believed to be a result of easier sales, rather than more effective selling skills. Some psychological theorists believe that managers have a hard time believing that anybody who reports to them is worth more than they are. Therefore, they feel they have to cap a salesperson’s salary and incentives so they won’t become inordinately high. Many top salespeople perceive this practice as unethical, so it is not always wise to ensure that a regional manager wins as much in an incentive program as his best salesperson.

A sales manager may also feel justified in doing this because he feels that selling is getting easier because management is doing a better job of advertising and sales support. This would probably be accepted by most sales forces if the incentive program offerings increase in value when selling gets more difficult, such as in tough economic times.

Mistake 4: Targeting Prizes Toward the Wants of the Entire Sales Force Instead of the High Performers

Generally, one finds high performers seeking independence versus security and desiring rewards with some long-term underlying value to them. They usually prefer to satisfy their short-term needs themselves. They want to build long-term advantages, such as hobnobbing with top executives on an incentive trip, that will give them prestige and lead to advancement. Less effective individuals typically look for short-term rewards and don’t like to worry about their long-term performance. Slanting incentive awards toward top performers may help alter such attitudes among the lower rungs of the sales force. If this doesn’t work, try offering sales education seminars as an alternative incentive to poor performers.

Figure 2.

Salesperson’s learning curve
Reward rookies for effort first, then results

At the start of a salesperson’s career, incentive awards may be based largely on effort. As soon as he or she shows that he or she has learned most of the basics, however, it is time to start tying rewards to sales performance.

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<th>Competence level</th>
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Salesperson’s learning curve
Reward rookies for effort first, then results
Mistake 5:
Planning a Contest with No Sales Force Input
When planning an incentive contest, form a committee of sales superstars to help pick the incentives and plot the guidelines for winning. Surprisingly, they will set standards tougher on themselves than managers would. But because they are still members of the rank and file, the entire sales force will usually respect their decisions. You risk the exact opposite when managers set all the standards and rewards. This is not to suggest that guidelines should not be tied to legitimate corporate goals. It is most probable that the superstars, all goal-oriented people, will include this important consideration in their proposal.

Mistake 6:
Leaving Top Management Out of the Plan
Incentives are an important part of the psychological gratification of the salesperson and, therefore, need to be given the recognition and esteem associated with top management. Incentive programs that are cranked out mechanically and anonymously in a staff process are perceived by salespeople to lack status and prestige. At the very least, include comments from the company's president or chief executive officer in promotional mailings to contest participants.

Mistake 7:
Being Inflexible
Too often, contest rules and prize choices are clad in iron, and it becomes impossible to improvise rewards that may be more appropriate in a specific situation with a given winner. For instance, a company once offered a top prize of a year's use of an automobile. It was won by an antique buff who owned classic cars that were all more attractive and glamorous than the prize automobile. And because the car was a rental, it was not transferable. He had no cash value and gained no satisfaction from winning the prize.

Mistake 8:
Hoping for X While Rewarding Z
Make sure to gear incentive rewards to reaching the company's real goal. Many sales managers will talk about goal X but go on to design an incentive plan predicated on reaching goal Z. For example, a sales manager kicks off a contest by telling salespeople they need to develop long-term customer relationships. Then he reveals that incentive points are based on the amount of sales dollars accumulated. This usually happens because Z is easier to evaluate than X, and managers are afraid to try out an untested system. Such a plan can rob the future to produce favorable short-term results.

Mistake 9:
Forgetting that Good Salespeople Always Work for Their Own Good First, Not the Company's
Sales managers are usually paid a set salary and so are motivated by the prospect of promotion and advanced status in the company. They often forget that when a salesperson is not performing up to par, it is because he feels there is not enough in it for him. When choosing incentive awards, then, be sure to find out what would make it worth that salesperson's while. Sales force input is crucial to all aspects of incentive planning.

Mistake 10:
Being a Do-Gooder
Since most sales managers enjoy influencing other people, they tend to pride themselves on improvements they see in their sales forces. They have a natural tendency to spend too much time on individuals who are poor performers and, therefore, more in need of improvement. This tendency, popularly called “do-gooder” management, has no place in a successful incentive program. If you are a do-gooder, fight the urge to make special concessions to poor performers.
In Summary

These mistakes are common traps that most incentive planners fall into at one time or another. One learns to sidestep them with experience. But the next time you find yourself planning an incentive contest, try a new approach. Imagine your salespeople as customers. Identify their needs and what segment of the force offers the most promise. Of course, don’t forget to figure in a profit for the company.

Steps In Rating Your Own Incentive / Compensation System

1. Measure present satisfaction of salespeople (use scales that include two possible answers—how it is and how it should be).
2. Compare differences between top performers and poor performers.
3. Check if top performers are substantially happier and low performers substantially less happy.
4. Find out what most top performers want (and what it’s worth in increased production).
5. Find out if all salespeople believe that increased performance will increase their level of satisfaction (all should believe this).
6. Identify changes that would increase satisfaction of top performers while reducing (or holding even) the satisfaction of poor performers.
7. Monitor on regular basis (reevaluate) to check whether you’re still on track.

Note: The most frequent problem with today’s sales incentive systems is that it is too easy for poor performers to rationalize and stay on the job.

How To Send Your Superstar To The Competition

Although there is a natural resistance to change (because they have to rebuild their customer base, etc.), superstars will leave if they get too frustrated.

The Most Common Ways to Frustrate Sales “Superstars”

1. Since most “superstars” tend to be older, their preference in incentives is usually quite different from that of the younger up and coming salespeople. Incentives should be geared to reward the highest producers.
2. Rule changes that affect their selling procedure and their established selling “position” with a customer. Have they geared their presentation to benefits associated with certain product mixes, etc., only to find they now cannot deliver that mix and get the same payout?
3. Territory changes. Many good career salespeople feel that their relationship in a territory is their equity for the future.
4. Cannibalizing sales through other channels.
5. Training for high performers that is not more specific (actual show and tell examples) than conceptual (academic and theoretical). Usually the most effective approach is to gather salespeople together for brainstorming sessions on how to overcome or minimize certain problems. (Newer salespeople may need the much more concrete classroom style approach to learning and practicing the basics, along with acquiring new product knowledge).
6. Lack of clear and timely information (especially in the areas of customer relations, new product introduction, and service follow up). Ignorance in these areas is degrading when in front of a client and hurts credibility.
7. Complex incentives which are difficult to understand and manipulate. “By the time they are understood, the rules will change again.”
8. Lack of status and advancement while maintaining a career in sales, with opportunities for career advancement only into management. Also, do salespeople perceive a “bean counter” attitude from management which values only numbers without empathy for the process by which sales are acquired?
9. Using sales management only as a training ground to round out potential higher level executives. This emphasizes short-term goals which can run counter to a successful sales process for acquiring and keeping customers (which “superstars” have developed over a period of years).
Driving innovation and growth requires a focus on optimizing your most vital asset, your people! Chally provides research-based information and analytics that enable businesses to transform their workforce into the high-performance force necessary to survive and thrive. Chally provides solutions to help businesses make critical talent management decisions and minimize risks associated with:

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