

# SALESFORCEXP

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SALESFORCEXP—TOOLS FOR DRIVING RESULTS

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## FEATURE STORY

# Right answer, Wrong Questions

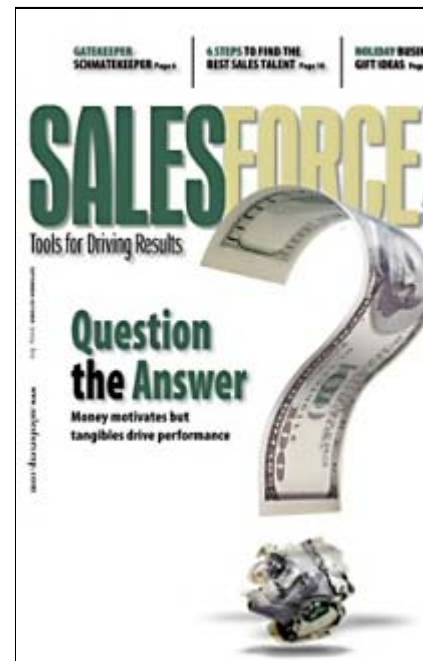
By [Scott Jeffrey](#), PH.D.

*As people become more critical to a company's success, the overall reward package designed to attract, retain and motivate them takes on more significance. Once a company has set a competitive pay scale and created a comprehensive benefits package, the real work begins – keeping employees motivated. Without question, money motivates. But a sales incentive strategy that begins and ends with cash will quickly run out of steam and prove ineffective at attracting, emboldening and retaining top sales talent.*



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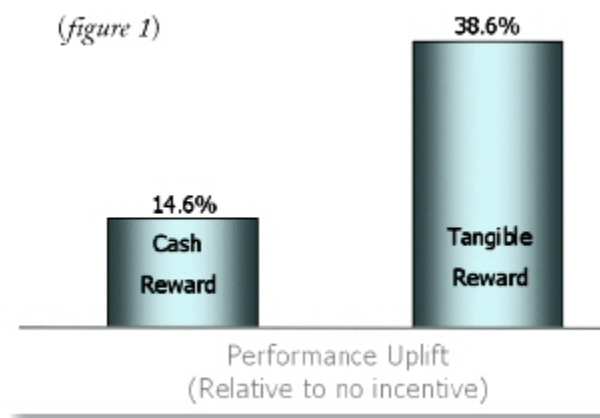
What does your sales team want you to offer as incentives? It stands to reason that they know what will motivate them. Yet when selecting incentives that will drive performance, "What do they want?" is the wrong question to ask.

Ultimately, a sales manager doesn't want to know what incentives salespeople want as much as what incentives will lead to peak performance. Recent research shows that what employees say they want and what they actually work hardest to receive do not match up.

In a study conducted at the University of Chicago, staff members came to a behavioral laboratory and engaged in a word game in pursuit of an incentive. One group of employees was given a cash reward in exchange for good performance. A second group had the opportunity to earn therapeutic massages of varying lengths depending on their performance. These rewards were based on market value so that the comparison was fair.

After performing their task, the group that worked in pursuit of the non-cash incentive was asked their level of agreement with the following statement: "I prefer to receive the cash value of the prize rather than the prize itself." A vast majority (78 percent) said that they would rather receive the money. This is surprising, as it is consistent with economic theory and the "option value" of money. Since a person can choose to purchase whatever they want, the most rational choice is to choose money.

However, the study found that while most people stated a strong preference for cash, their performance was markedly better when they were in pursuit of the non-cash incentive. Those participants working toward a cash incentive boosted their performance by 14.6 percent over those who did not receive any incentive for performance. This is a nice uplift, one that many companies would gladly invest in to gain that level of performance improvement.



However, those who were working toward a non-cash incentive improved by 38.6 percent relative to the no incentive condition, a significantly better improvement than that created by the cash incentive (figure 1). For the same amount of non-cash incentive created more than twice the performance improvement.

### The Power of Pampering

The reason for this difference is subtle but important. When faced with a choice between incentives, your employees ask themselves "Which of these awards do I prefer?" In contrast, when determining how hard to work, employees ask themselves "How hard will I work for this particular award?" While economic theory would suggest that the answer to these questions should be the same, psychological theory provides reasons why they might differ.



One reason has to do with the justifiability of the award for which employees are working. If the person considers the item as a luxury or a "splurge," then he might have trouble justifying its purchase. In this case, the ability to earn the award in exchange for hard work becomes a way to obtain it without any feelings of guilt. Thus, a salesperson is more likely to expend extra effort to earn that sort of incentive if it's likely to be the only way of obtaining the item.



In fact, this was the main cause found for the inconsistencies between preference and performance. The people working toward a non-cash reward were at their level of agreement with the following statement: "It would be hard to justify purchasing a reward such as the one offered as a prize." The level of agreement strongly correlated with performance on the word game task. Those expressing the highest level of agreement with this statement performed 40 percent better than employees not receiving an incentive; those expressing

the lowest level of agreement with that statement improved by only 6.7 percent (figure 2).

This justification explanation should also predict preference for an incentive. When an incentive is placed next to an amount of cash, choosing the incentive becomes psychologically equivalent to purchasing the item for the amount of money being offered. If the purchase of that incentive would be difficult to justify, then the likelihood of choosing the non-cash incentive should increase with the associated "guilt."

This was also found to be true in this experiment. Among those employees who found the purchase of the incentive difficult to justify, 91 percent expressed strong preference for the cash value of the award. Among those who expressed less difficulty in justifying the purchase of the incentive, 60 percent stated a preference for cash.

This experiment showed an inconsistency between choice and performance. When managers are more concerned about performance, the findings are quite important. Difficulty in justifying the purchase of an incentive leads to this phenomenon, as shown by the results reported above.

The study suggests that managers would be wise to offer incentives that employees see as luxuries – things they would not generally purchase for themselves. If you ask salespeople what they want, "cash" is usually the first reply. The right question, however, is "What will you work hardest for?" And whether they realize it or not, tangibles – non-cash "luxury" items – is the answer.

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