

HOW CAN WE INCREASE SALES FORCE MOTIVATION? PRACTICAL APPROACH: STIMULATING MOTIVATION ON A TELECOM COMPANIES' SALES FORCE.

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ABSTRACT

What makes the salesmen tick and make them boldly go where no salesmen have gone before? (And make huge profit from it.)

Can we classify without mistake the salesmen in different categories?

Can we develop a matrix where we can put in the variables and in the end we will have the solution to every sales problems?

What if money it's simply not enough, in some cases?

After what point do the incentives start working against the salesmen and the employer?

In this research, conducted on a test group of 150 salesmen for a period of 12 months, a Business Sales Department on a major multinational telecom company, spread all around Romania, we will try to find answers to some of these questions.

The challenge: understand the mechanics of sales force motivation and sales force incentives, and of course, how they interact. There are "two sides of the story" - two objectives. The first goal was to increase sales on a product that did not sell very well (interesting for the telecom company), and the second objective was to understand what happens to a group of 150 salesmen when faced to different methods of motivation (interesting for us).

First step: What is Motivation?

"Motivation of a company sales force is crucial to the marketing success of many products" Coughlan&Narasimhan (1992) [2]. In order to hope obtaining success in sales, one must first deal with a very important issue: Motivation.

Motivation can make in many cases the difference between a very good salesmen with very good perspectives, incredible customer relations manager and a poor salesmen with no perspectives none so ever. Zero percent customers oriented. In economic terms that translates into profit or loss, money for the shareholders or the "we will have to let you go "routine".

Imagine your self-running a team of highly motivated people working together and delivering results. Now imagine a team made out of bored salesmen that you, as a manager, think nothing will ever make them happy about their work, ever again. What will you do, to turn the second team into a highly successful

example of “target destroyers”? The answer is quite simple and complex at the same time.

Make them really interested in what they do. That was easy.

Now, the real question is HOW can you make them involved?

It is well known that salesmen experience three broad outcomes on the job i) feelings about the self-self esteem , ii) actual performance : sales achieved + new business generated, iii) evaluations about specific dimensions of the work situations – job satisfaction (Bagozzi, 1980) [11].

The concept of motivation refers to internal factors that impel action and to external factors that can act as inducements to action. The three aspects of action that motivation can affect are direction (choice), intensity (effort), and duration (persistence), Locke & Source (2004) [7]. That means that you have to help them choose to be involved (give them a direction), then support them in increasing the intensity of the task that they are performing and last but not least encourage them in keeping the intensity for a long period of time.

All the statements mentioned above are true but they will be incomplete if we don't take into account the other 3 major variables that come in place when researching about motivation: Intrinsic Motivation, Extrinsic Motivation Perceived Abilities. Intrinsic motivation is the “force” within us that we were born with.

Extrinsic motivation is the motivation inducted by society and our life experiences. When the intrinsic motivation comes in conflict with the extrinsic one all bad things can happen, such as failure, the feeling that even though we achieved our goals we are not happy. Perceived abilities are those actions that, as proved in past different events, we are very good at performing them, activities that gives us self confidence because we know how to them in a very efficient way. These three terms will be very useful when developing and conducting our small experiment.

Second step: Motivation and incentives. How and for how long do they get along?

As Benabou and Tirole (2003) [12] said: “there is no doubt that the benefits of piece-rate systems or pay-for-performance devices can be considerably compromised when the systems undermine workers intrinsic motivation”. So, a reward (extrinsic motivation) is as good as the benefits that it brings.

On the short term it can boost up salesmen results, but on the long term it can have serious “side effects”, such as lack of interest on doing the job with no additional motivation but the intrinsic one (doing the job because it's “the right thing to do”). For this matter is very important to mention Condry and Chambers (1978, p. 66) [6] who stipulate that "rewards often distract attention from the process of task activity to the product of getting a reward".

The psychologists are in favor of a more dramatic idea that “the subject finds the task less attractive when offered a reward”. This may be true up to one point but, more than that, if you offer a reward to a subject this may trigger a

“Santa Claus effect”. This means that the subject will invariably expect the reward on a regular basis, just because it happened once or twice. Even more, the subject will have the impression that it’s entitled in receiving the reward even if nothing out of the ordinary happened to justify this bonus. Plus, just like in the case of small children waiting for Santa, employees will feel betrayed if they don’t receive their “presents” (in the shape, amount and form that they require) and act accordingly, showing their anger by rejecting authority, taking actions in some cases” to punish” those found guilty of this situation (direct superior manager).

Kreps (1997) [8] stipulates that if an employee performs some act, undertakes some effort without the spur of some extrinsic incentives, he looks for rationales that justify his actions, and also he will rationalize his efforts as reflecting his enjoyment of the task, and for that matter, since he enjoys it, will work harder at it. But Kreps (1997) also states that if extrinsic incentives are brought into “the game“, the employee will “attribute his efforts to those incentives, developing a distaste for the required effort”. So, what Kreps is trying to say is that in some cases incentives can really disrupt the natural flow of a sales process, going by the motto “if it’s not broke don’t fix it”.

In all of this cases, where the subject benefits from the incentive (reward, extrinsic motivation) and after the incentive it’s over, is no longer motivated to do his job properly, but instead waits for another incentive is called “the magic pill effect“. Incentives can create some sort of “addiction“ and just like in the real ones, can have serious effect on the level of motivation in personal and professional life.

In the experiment described in these papers we tried to anticipate and prevent this type of side effect. If we succeeded or not it’s not really important, but the data obtained is truly important for future research on this matter.

One of the most important tools of extrinsic motivation is the sales contest.

As defined by Churchill (1993) [5], sales contests are short-term incentive program used by companies to increase sales volumes. We fully agree with this statement but with only one exception: sales contests can take part even on a medium term, in this case the main contest being developed with the support of smaller incentives, linked together to form a “super (medium term) incentive”.

The sales contests are classified by Karla and Shi (2001)[1] in three formats.

- i) Rank Order Tournament – many winners and the amount of reward is based on relative rank achieved, with larger amounts awarded to higher ranks.
- ii) Rank Order Tournament with Multiple-Winners format – the reward is share equally
- iii) Rank Order Tournament with Winner-Take-It-all format

Every one of these formats can satisfy a certain need. As shown by Kalra&Shi, the format used depends on many variables such as risk averse, optimal number of salesmen, duration of the contest, budget allocated for the incentive, sales uncertainty, logistic distribution.

Churchill (1993) also defined an extra type of contest where salesmen earn awards for achieving or exceeding specific targets, and so competing with themselves. Lazear and Rosen (1981) [09] state that contests are equal to piece rates in some defined conditions, when salesmen are risk neutral. But when a situation where less money are spent on monitoring ranks rather than individual results, Lazear (1989)[10] argue that contests may dominate piece rates (salary, commissions , quota-based compensation).

Third Step: The Experiment

“Sales force management¹ is frequently confronted with strategy issues involving the structure and size of the sales force and the deployment of total sales effort by product and market segments. These issues are closely related, and generally have to be evaluate simultaneously.” Rangaswamy, Sinha, Zoltners(1990)[3].

The plan behind this experiment it’s quite easy to follow, as we believe “keep it simple”. So, our goals were: to motivate a major multinational telecom company’s sales team, made up of 150 salesmen, distributed on 5 geographical regions, to sell better and in larger amounts, an added value product, called product X. The second aim was a scientifically one, as in this process of motivating the team we would gather very important info about all the questions mentioned in the abstract of this paper. We had 12 months to prove that we can increase sales by 1000%, from 30 pieces/months to 330 pieces/month. Extra, we wanted to create a MATRIX.

What did we do? We started with making a short, medium and long term plan.

The short term plan (month 1 - month 5) - boosting up sales up to 210 pieces/month.

Medium term plan (month 6 - month 9) - increase sales up to 280 pieces/month and creating and sustaining a “sales rhythm” that salesman will follow.

Long term plan (month 10 - month12) - increase sales up to 330 pieces/month and keeping the sales at this scale, at least an additional 12 months, after the experiment was over .How to boost up sales up to 600% in 5 months? Glad you asked. First of all, together with the managers, we classified all the 150 salesmen in 3 Hollywood categories .The classification was made after reviewing the sales results for the past 12 months and the direct managers feedback on every salesmen motivational level:

- a. Top Gun – Great intrinsic motivation + Great perceived abilities (10 salesmen)

¹ Ceptureanu Sebastian, Ceptureanu Eduard - *Knowledge management and innovation issues in Romanian industrial SMEs*, Sesiunea științifică internațională, “Afacerile interne și justiția în procesul integrării europene și globalizării” – ediția a III-a, Academia de poliție “Alexandru Ioan Cuza”, București, 13 – 14 mai 2010

- b. Great Expectations – Medium Intrinsic Motivation + Medium perceived abilities (40 salesmen)
- c. The Age of Innocence – Low Intrinsic Motivation + Low perceived abilities (100 salesmen).

Then for each category we developed a “motivational tool kit”.

For the first month, additional to all the “motivational kit” we set up a rule: every salesman must sell at least one piece of product X, and tell send feedback to the manager about their experience.

For Top Gun, the “kit” had two components. Special advanced trainings on the product X + a special incentive .The incentive was meant to motivate the TG salesmen in competing against themselves. Starting with month 1 when they would have to sell a minimum amount of pieces/month and until month 4 they needed to have a constant increase in sales, compared to the month before, every month. The prize was an extra salary, every month for which the scheme worked.

For the Great Expectations salesmen, “the kit “had – a sales technique training + a training on product X + a Winner Takes it All Incentive (month 1 till month 4), the reward being an extra salary every month. The incentive was structured in s smaller incentives, each for every sales region. So, the salesmen from one region will have to compete with the colleagues from the same region, and only with them.

] For the “Innocent” ones, we prepared an “extra treatment” consisting of: a basic sales technique training on product X, coaching from the TG salesmen, double visits at the clients with the TG salesmen, and an Winner-Takes It All Incentive, but this time at a national level)(the salesmen compete for a prize with all the salesmen from all the regions). The results were easy to predict .We had the increase desired after 5 months and now the trick was to keep the sales at this value and still grows. So, we put in place the medium term plan. The plan was to create the rhythm and convince people to follow it and sell the product “naturally” using intrinsic motivation without the help of any extrinsic incentive.

After the incentive was over we feared that the “magic pill effect” was going take over, so what we did was a scheme that we called “fast an furious”. That meant that there will be incentives lasting only one day, but to qualify you had to have a minimum sales achievement until that day. We doubled the “fast and furious” technique with a special rule. Everyone must sell at least one piece of product X and send feedback about their experience. The results were pretty interesting in a sense that 86% of the salesmen saw a difference in the way that they perceived the sale process of that product, becoming more aware of every part of this process and doing so they began to understand where they did wrong and how to fix that problem. The medium term plan after having a decrease in sales (month 6 - 7) achieved his goal of giving salesmen the intrinsic motivation and things started to work naturally. The target for the long term plan was achieved only in the last month. The strategies in the long term was try giving the salesmen a view on their perceived abilities that they discovered in the short an medium term

plan and to encourage them to develop those abilities by “practicing “ selling this product.

The Matrix theory states that, we can use this experiment for any giving product.

The results will definitely not be the same but the important thing is to try and understand why that happened and what can we do to fix it.

In the TG the results were what we expected (a total increase by 230%), in the GA the salesmen had an increase of 200% increase but then, in the medium term plan the lost interest. Only after the TG guys talk coached them we saw an increase in the sales. The Innocent guys, who were our main focus point, developed some interesting characteristics. After the motivational kit started we saw an increase in their interest fore new info. The sales results were not a reason for joy but in the medium term plan we saw a great increase in the sales and in the long term plan these salesmen were the ones who we can say were the true success story.

The actual detailed plan of this experiment as well with all the data gathered will be presented in the next paper.

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