

Are Sales Incentives Becoming Obsolete?

by Andris A. Zoltners, PK Sinha, and Sally E. Lorimer

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To motivate, manage, and reward B2B salespeople, many companies use sales incentive plans that link large commissions or bonuses to individual results metrics, such as territory quota achievement. As digital channels continue to reduce and redefine salespeople's role in customer buying, these traditional sales incentive plans are becoming less effective at driving sales outcomes.

The right sales incentive plan creates a double win. Salespeople win because they are rewarded for their hard work and good performance. The company wins through a better-motivated sales team that produces short-term results and is more likely to achieve company goals.

For a sales incentive plan to produce this double win, there are two necessary conditions:

- Salespeople must have a large *impact* on sales results by focusing on activities that add value and directly influence customer buying decisions.
- The company must have the *ability to measure* individual results by separating out each salesperson's contribution and determining how much an individual's actions affect the outcome.

Today's multichannel world increasingly challenges both of these conditions.

Before the proliferation of digital information and buying channels, buyers usually relied on field salespeople's help and expertise when purchasing. Salespeople "owned" relationships with customers, and had considerable impact on purchase decisions. This made it easy to measure individual sales results. In many cases, incentives linked to sales performance were an effective way to motivate and reward individual salespeople.

Today digital channels make buyers more informed, connected, and socially influenced. Buyers no longer view salespeople as their primary connection to companies they want to do business with. For simple product purchases such as office supplies, many buyers are self-sufficient. They get information online and purchase through websites supported by inside sales and service. Field salespeople no longer have *impact* on buying decisions. The first necessary condition is no longer true.

For complex solution purchases such as customized manufacturing equipment, buyers usually rely on a combination of digital channels and salespeople. The internet allows buyers to easily gather preliminary information about solution alternatives. But when solutions are complex and expensive, digital channels are usually not enough. Buyers want to collaborate with salespeople to reduce uncertainty. Often, they want input from multiple salespeople and technical specialists from the solution provider, in addition to help from digital channels. Salespeople have *impact* on purchase decisions. But because that impact is shared with multiple sales roles and digital channels, the company's *ability to measure* impact and attribute it to a specific salesperson is limited. The second necessary condition is no longer true.

More and more selling situations today are failing to meet one or both necessary conditions for traditional sales incentives to work. Multiple influences on buying reduce individual salespeople's impact and the ability to measure it. This blurs the connection between individual

effort, results, and incentive pay in the minds of salespeople. Incentives become fuzzy and are no longer effective at rewarding and motivating individuals.

New Sales Management and Culture

Companies can no longer rely on large, individual, short-term sales incentives as a primary means of managing salespeople. Instead, they must change their sales compensation plans while emphasizing other ways to direct salespeople and shape sales culture.

Sales leaders must change compensation plans to look more like management bonus plans, designed to encourage people to work together to make the company and its customers more competitive and prosperous in the long run. Changes include:

- **Changing the metrics for determining incentive pay.** Instead of short-term individual results (for example, quarterly territory sales), the metrics that determine pay should reflect annual company and team performance, along with individual effort contributing to team results (for example, going above and beyond to meet with key decision makers or to engage product specialists to help customers).
- **Shifting the pay mix more toward salary.** Companies should also provide a smaller (but still reasonable) incentive opportunity for salespeople.

In addition to changing sales compensation, sales leaders and managers must take a more active role in managing salespeople. This involves changes such as:

- **Deploying new sales team structures.** They must work alongside other channels (internet, inside sales) to meet customer needs.
- **Hiring salespeople with new capabilities.** In addition to having solution sales skills, they should be comfortable using digital communication (email, video calls, social media) with customers, appreciate the value of analytics for enhancing the sales process, and be able to orchestrate customer buying across multiple channels.
- **Using performance management, coaching, training, and sales data and tools.** Guide salespeople instead of relying on incentives as a primary means of controlling sales activity.
- **Establishing a new sales culture.** It should be focused on teamwork and customer success.

Incentives are embedded in the culture of many sales forces, and changing that culture may be difficult. Yet change is necessary for companies to affect sales force behavior and drive results in today's multichannel sales environment.

Andris A. Zoltners is a professor emeritus at Northwestern University’s Kellogg School of Management in Evanston, Illinois. He is also a cofounder of ZS Associates, a global business consulting firm headquartered in Evanston, and a coauthor of *The Power of Sales Analytics*.

PK Sinha is a founder and cochairman of ZS Associates, a global business consulting firm, and a coauthor of *The Power of Sales Analytics*.

Sally E. Lorimer is a marketing and sales consultant and a business writer based in Northville, Michigan. She is a coauthor of three books on sales force management.

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Olavs Kiecis 3 months ago

I think, with digitalization market dynamic increase. It is important to be faster in the market, so I have seen that lead generation and role of teamwork is increasing. Therefore, this is something to include in sales incentives to increase knowledge exchange inside the team.

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