

Compensation

## How to motivate your sales force to great performance

By Richard J. Bakosh

It's not just about the paycheck. Effective incentive compensation management is based on an understanding of basic human motivation—on the importance of trust, self-esteem, social recognition and improved chances to fulfill one's potential.

What motivates a sales force? It's an age-old question, of course. But these days, it's arguably more important than ever, as organizations in many industries and different parts of the world face critical talent shortages that could impede their plans for growth.

During a time of worker scarcity, a better understanding of basic human needs and of the methods that can sustain high levels of motivation among a company's sales staff is important for two reasons. First, organizations need to motivate and engage their best workers to increase the chances those workers will stick around. Second, when a large percentage of a workforce is nearing retirement or being lured to different jobs, companies

want to motivate those who remain to perform at the highest productivity levels possible. In both cases, it's a big challenge. (For a related article, see "Talent: Leveraging your most important competitive asset," *Outlook*, September 2007.)

Based on Accenture research and on our client experience around the globe, we believe that when it comes to successful motivational approaches and incentive compensation strategies, sales executives must "go back to go forward." That is, they must rediscover some of the basic and deeper truths about what factors—besides financial compensation—motivate their sales professionals, and then use those insights to design

## Long sell cycles and declining conversion rates underscore the challenges and complexities of today's sales environment.

a more comprehensive approach to incentive management.

Creating a culture of trust; leveraging the power of peer recognition; and focusing on the enablers and tools that help salespeople reach their potential in an increasingly complex business environment—these are all critical parts of the overall picture of motivating a sales force more effectively. By gaining a deeper knowledge of human motivation, sales executives can put in place a more holistic approach—one that integrates people, process, technology and compensation strategies—to encourage and reward the behaviors that help produce high performance.

What's more, gaining insights into what really makes a sales force tick has benefits that go well beyond the sales organization, since many of the lessons also apply to workforces in general. Not all workers, of course, have motivations and incentives as tied to the very definition of their jobs as salespeople do. But today, those managing all types of workforces are beginning to understand what chief sales officers have known for years: When it comes to motivating people toward great performance, it's not just about the paycheck.

In other words, something more is going on. The question is, what?

### **More work, less to show for it**

If your sales professionals feel as if they're working harder today but have less to show for it, they may be right.

The most recent results from an annual sales performance optimization survey conducted by CSO

Insights<sup>1</sup> point to some troubling trends. For example, after two consecutive years of improvement, the percentage of salespeople making their quotas declined in this year's survey to just 57 percent.

The reasons for this decline become clearer upon closer analysis of the findings. For example, the average selling cycle is getting longer. Last year, nearly 14 percent of the firms surveyed reported an average sell cycle of one month or less; this year, that number dropped to just over 7 percent. The number of calls necessary to close a deal has also jumped: About 46 percent of firms said that a typical sales cycle requires six or more calls, up from 35 percent four years ago. And conversion rates—moving from the initial call to the presentation stage, and then converting proposals to sales—are trending down again (see chart, page 3).

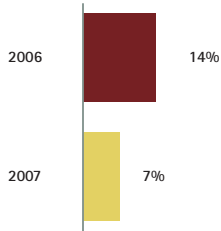
What do these long sell cycles and declining conversion rates mean? First, they underscore the challenges and complexities of today's sales environment. As David Joyner, executive vice president of sales and account management for pharmaceutical services company Caremark, puts it: "The demands from customers and the pressure from competitors continue to rise, and that results in a marketplace that has higher expectations and more demands. To effectively sell solutions, and not just boxes, a salesperson needs to have more knowledge across a broader spectrum of products and services." That leads to what Joyner describes as "a situation where you have to know more and sell harder, but where you may be less effective in your overall success rates."

<sup>1</sup> CSO Insights, in collaboration with CRMGuru.com, *Selling Power* magazine and Sales and Marketing Executive International, conducts an annual survey identifying and analyzing the challenges that are impacting sales performance today, and examining how organizations are leveraging people, process, technology and knowledge to successfully address those issues. Input is solicited from professionals directly involved in the management of their organizations' sales force regarding their sales teams' performance across 100-plus different metrics. In total, 1,275 firms participated in the most recent study.

# Selling is getting harder

The number of companies that expect a short sales cycle is shrinking.

Average selling cycle is one month or less



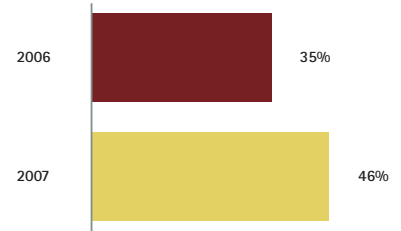
Fewer companies are progressing to the demonstration phase of the sales cycle.

Converting initial sales call to presentation stage more than half the time



And more companies need to work harder to close a sale.

Sell cycle requires six or more calls



Source: "Sales Performance Optimization: 2007 Survey Results and Analysis," CSO Insights, 2007; Accenture research

A second implication of declining success rates is that traditional approaches to incentive management are no longer adequate to the task. Dion Joannou, North America president of communications giant Nortel Networks, notes that "it's important that a company's leadership work harder at really understanding people. I spend a fair amount of time thinking about the things, beyond just compensation, that are going to motivate my sales team."

Based on the results of Nortel sales team employee satisfaction surveys, for example, Joannou has divided the motivational dimension of his sales force into two categories. The first is what he calls "table stakes . . . the things you need to do just to get people fairly satisfied. Then, on top of that, another set of factors has to be in place if you intend to increase their motivation."

According to Joannou, the latter category "may not immediately sound anything like factors that appear in traditional motivation studies. They include things like sales enablement

and tools, reducing quote cycle times, getting better documentation, and developing a product that is differentiated and therefore easier to sell. Those are some of the things that actually motivate salespeople—even more than sales compensation incentives."

Joannou recalls a recent sales meeting attended by the head of the company's supply chain management function. That executive listened carefully to the concerns expressed by the sales force about a number of supply chain issues that were sometimes interfering with selling to and servicing customers. "One of the most motivational things our salespeople heard that day was when the supply chain guy stood up and said, 'I understand your issues, and I'm going to fix them.' In some ways, that was received far better than any type of sales compensation or special bonus we could have put on the table that day."

## Universal needs

How can one best understand the factors that influence the motivation

of a sales force? One way is to return to the work of Abraham Maslow, a pioneering American psychologist who introduced, in the 1940s, a hierarchical understanding of basic or innate human needs.

Generally depicted as a pyramid, the original version of Maslow's hierarchy set forth five levels of needs. The bottom four levels proceed through basic physiological needs, a need for safety, for belonging and for esteem. Finally, at the top of the hierarchy sits "self-actualization," something Maslow called a "growth need"—striving to live up to one's potential.

Central to the application of Maslow's hierarchy are two principles—first, that people are motivated to satisfy the lowest level of unmet need, and second, that a satisfied need cannot serve as a source of motivation. For example, a starving person can be motivated by the prospect of attaining food; a well-fed one cannot.

Maslow's hierarchy is based on the principle that human beings share a set of universal needs regardless of their culture and experiences. However, to apply that hierarchy to a business setting, Maslow's general principles must be expressed in terms more relevant to a particular workforce. The figure below provides that reinterpretation for a sales force, and shows four levels of motivational need.

## Compensation

Looking at the reconstructed figure, one can see fairly quickly why financial compensation alone is not sufficient to explain the motivations at work in a sales workforce. Financial compensation—though not, strictly speaking, a physiological need—is analogous to the lowest tier of needs in Maslow's hierarchy. It is basic and important, but it touches

upon only one dimension of motivation, and a comparatively low-level one at that.

Caremark's Joyner sees it this way: "Salespersons in general have more needs than simply getting a paycheck. That is part of the reward, certainly, but once you have a fair compensation plan in place, then the real work of employee motivation begins." In other words, the carrot-and-stick approach—dangling financial rewards in front of a sales force—does not work very well once a person has reached an adequate income level and is motivated primarily by higher needs.

## Trust

Above physiological needs on Maslow's hierarchy is the human need for safety and security. In a sales context, this need can also be understood as one involving the level of trust a sales force has in how it is treated and compensated.

Trust is a difficult thing to establish within a sales organization when it comes to the complex and ever-changing calculation of commissions. The story of Canadian telecommunications company Telus Corp. is instructive in this context. Telus was suffering from the effects of inconsistent and manually intensive incentive management processes, dependent on multiple data sources that have little or nothing in the way of audit trails and traceability. As a consequence, the company's salespeople were very skeptical about how their compensation was determined: Without reliable, detailed reporting on commission payments, the compensation system was a "black box" as far as the sales force was concerned.

When trust is absent, sales professionals generally respond by creating their own individualized shadow accounting processes—most often an

automated spreadsheet or other tool they use to verify the accuracy of their paychecks and incentive payouts. While it might seem that no harm is done with such a process, in fact it can be a drain on performance and productivity. Estimates of productive selling time lost to shadow accounting activities can range from one-half day to two days per month per salesperson.

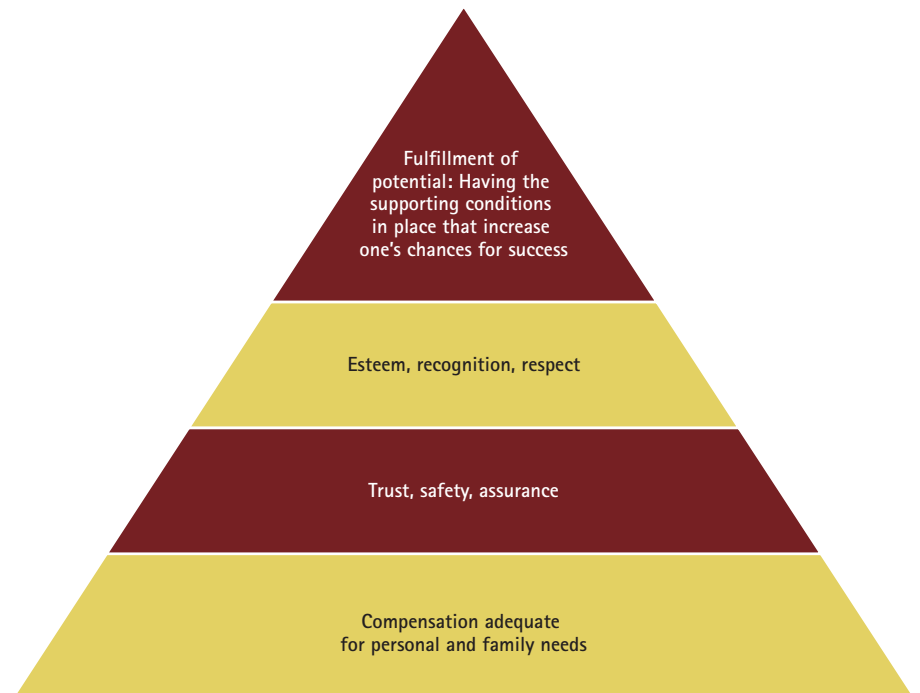
As Nortel's Joannou notes, "Decreasing the amount of time a salesperson spends on non-sales activities is critically important to raising overall productivity. Every minute spent by a salesperson verifying compensation data is one less minute available to meet with customers and close deals." What can be done? In Telus's case, the company adopted a holistic enterprise incentive management solution driven by next-generation

technologies to improve the level of trust, and to more closely align sales force behavior with not only the company's sales strategy but also its overall corporate strategy. When Telus implemented its new incentive management system, the trust level in its sales force grew.

Two years after the system's deployment, the average time spent by salespeople on shadow accounting activities dropped from 40 hours per month to 5 hours per month. The company's sales team recouped 17,730 days of additional selling time during the first year of deployment and 52,500 days the second year.

Productivity also improved. Telus saw its total annual sales transactions grow from 1,328 to 16,656 for two years after the implementation of its enterprise incentive

## A salesforce-specific hierarchy of motivational factors



**There are often deep structural obstacles preventing sales-people from living up to their potential.**

management system. In total, the company achieved a 103 percent return on investment by the end of the first year of deployment and an astounding 3,316 percent ROI by the second year.

### **Esteem and a sense of belonging**

Moving further up the modified Maslow hierarchy, we come to two principles that are closely linked in terms of motivating a sales force: the need to belong and feel a part of a group, and the need to be held in esteem and receive recognition.

One important aspect of belonging and esteem is the respect accorded to individuals by senior management. But recognition from a peer group is also critical to motivating the sales force.

Joannou describes it this way: “There are two things that Nortel has never stopped or changed, even through challenging economic times. One is our annual sales conference, where we bring our sales team together, both to interact with each other in a forum setting, but also to do peer recognition. You get the sales team up there on stage and you reward them in front of their peers. That is hugely important to them.”

The second thing Nortel has never changed is what Joannou and his team call their “circle of excellence.” With this program, he continues, “we take the top 10 percent of our sales force and treat them to an all-expenses-paid trip to a nice location. One reason we’ve never cut that program, despite all of the cost pressures, is because it motivates your best performers to do even better because they want to be a member of this elite group.”

In planning social or peer motivation programs, companies must bear in mind that such programs should be

keyed to the transactional speed of the business. When a sales force is selling business solutions and not just products, the sales cycle is generally longer.

The shorter sales cycle for transactional sales, on the other hand, means that sales results must be posted at least once a month, and perhaps even more frequently. The posting itself becomes part of the reward, as it is a form of public peer recognition. Those results generate financial rewards as well, cycling back into the more basic elements of compensation-based motivation.

Creativity is often the key to devising meaningful recognition programs that have an impact on individual performance and the bottom line. At one company we have worked with, the top 10 percent of the sales force is rewarded with the authorization to hire an administrative assistant. It is an interesting case of the “rich getting richer,” since these top performers can then leverage the additional help to generate even better sales. And the turnover rate for that level of the sales force is not just low; it is zero percent.

### **Fulfillment of potential**

At the highest level of Maslow’s motivational hierarchy is what he called “self-actualization,” which we have expressed more simply as the fulfillment of potential. People have an instinctual need to make the most of their unique abilities, and they advance toward that goal by having the conditions in place—which often means acquiring new knowledge and skills—that enable them to take on ever-greater challenges.

Understood in this context, it becomes clearer why such a high percentage of salespeople around the world appear so unmotivated and disengaged from their work and seem to lack a commitment to

their organizations. The complexity of the business environment often means there are deep structural obstacles preventing salespeople from living up to their potential.

In a sales environment, the rapid expansion of the basic catalog of products and services, the changing technical environment, and the need to sell in new ways to new customers place such a burden on the sales force that their existing knowledge simply may be inadequate to the task. Psychologists tell us that in response to this condition—known as cognitive overload—people often retreat back into modes of performance that make them more comfortable. And that can be deadly to an organization that needs its sales force to meet new challenges by performing in new ways.

More sophisticated tools can help here. For example, the Accenture Sales Workbench is a comprehensive, technology-based tool that delivers a salesforce-centric, role-based supportive environment that provides the knowledge, content, legacy applications, productivity tools, learning, collaboration and expert network capabilities that enable salespeople to take their performance to higher levels. The supportive environment created by the tool can also be tied to an enterprisewide performance management capability that links differentiated individual performance to higher workforce performance and, ultimately, to high performance for the organization as a whole.

A similar kind of sales workbench has been used effectively by a major US medical products distributor to increase the types and numbers of products it sells to physicians. Although the company offered more than 30,000 medical products, it found that most of its customers were consistently ordering from just a small percentage of the total catalog.

To help its sales force succeed, the company rolled out an application on a Tablet PC that is now used by its field sales force. One of the functions of the new application is what the company calls a “condition calculator.” It uses data mining techniques—similar to the methods used by Amazon.com to link one customer’s purchase patterns to those of other customers—to suggest additional products the physician may need based on what other doctors have purchased, on that doctor’s own past buying preferences, and on known ways that multiple products can help serve patients better. As a result of using this new tool, the company has seen dramatic improvement in its sales performance, including a 400 percent increase in cross-selling.

These sales tools, along with improved training, put workers in a position where they have a better chance of overcoming cognitive overload—and, more important, a better chance of fulfilling their potential.

### **Going back to go forward**

In the face of complex performance environments and looming worker scarcity, sales executives must return to the basics of human motivation to understand why financial incentives alone cannot hope to move the behaviors of the sales organization in a direction that can support business growth.

When compensation is approximately equal among the sales forces of competing companies, those with a better chance of achieving high performance will be the ones that recognize the importance of such things as peer recognition and a trusting relationship between salespeople and management.

Companies must also be better attuned to the challenges of the complex marketplace and of cognitive overload; the two often combine to

impede the ability of the sales force to achieve its potential. It is vital to both personal and corporate success that critical workforces are given the tools they need to succeed in a more complicated marketplace. Technology is a key enabler here. Advanced solutions now provide real-time performance support for sales personnel at the time of need, and also provide links to companywide performance management systems.

By understanding how an integrated and holistic approach to motivation works—the importance of trust, of self-esteem, of social recognition, of improved chances to fulfill one’s potential—traditional incentive compensation management strategies can be rethought and implemented in ways that improve the performance of the sales force and help the entire company achieve high performance.

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