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COMPANSATION AND MOTIVATION OF SALES FORCE

Learning objectives

The objectives of this chapter are to

- Study the various compensation methods and modes of compensating the sales force
- Understand the importance of motivation and its effect on the sales team
- analyse the different motivational theories and their application

Content outline

- Objectives of compensation plans
- Characteristics of compensation plans
- Types of compensation plans
- Designing compensation plans
- Implementation compensation plans
- Motivation to Salesforce
- Process of motivation
- Motivational theories
- Effect of personal characteristic on sales force motivation
- Sales motivational mix
- Motivating the sales personnel at different stages of their career

Introduction

Selling is the one of the few jobs in which a sales person has the opportunity to vary his or her earnings, depending on the extent of sales achieved. If a salesperson wants a higher pay check for a particular month, improving sales volumes can fulfil his desire. The compensation and reward system is the single most important motivating factor for sales personnel in any industry or organisation, all over the world. It is the key to directing the behaviour of sales personnel in alignment with organisational objectives. Therefore, a sales manager needs to be very prudent while establishing compensation plans. A compensation plan must explain clearly what activities a salesperson is expected to carry out, how performance will be measured and how they can increase their compensation. Many organisations spend a lot of time reformulating strategies to take advantage of emerging opportunities in the changing business environment. However, this seldom reorient there compensation plans to suit the changing needs of sales personnel. These plans also do not reflect the changes that have taken place as organisations involved in tune with changes in the business environment.

Objectives of compensation plans

It is imperative for an organisation to define the list of objectives that can be fulfilled with the help of a compensation plan. Prior setting down of objectives enables sales managers to make reasonable estimate from the compensation plan, thereby avoiding overload with too many expectations. A compensation plan should be able to provide a balanced and secure additional income to sales personnel. It should also motivate them to align their efforts with organisational EMS. It should also help written talented personal and finally act as a means to regulate Salesforce activities.

1.) Balancing the needs of personal

A compensation plan must be able to balance the needs of sales personnel. A plan that can cater to their basic needs like -securities, creating a feelings of secure income, desire for personal recognition, reinforcement for doing good work and fulfilling the need for status within the organisation - can be considered an effective plan.

- **Secure income and security**

A compensation plan should essentially give a salesperson financial security compensation plan used to provide for social security pension and retirement benefits, insurance schemes and other employee benefits that enhance the sense of personal and family security among the sales force. This is especially true when the fringe benefits component of the compensation plan is taken into consideration.

- **Desire for personal recognition and status**

A compensation plan can serve as a yardstick to measure the level of preconisation in an organisation. Sales personnel have an inherent need for recognition and respect from peers, subordinates and superiors. The size of the pay packet can act as a symbol of recognition and status. Whenever sales personnel win sales contests or get a bonus for their efforts, they give a feeling of achievement, which motivate them to work more.

- **Reinforcement for doing good work**

A compensation plan must reward sales personnel in line with their expectations. This helps mould the behaviour of the sales personnel, who will then operate in a manner that benefits the customer as well as the organisation. Organisations give permissions to their Salesforce, if they complete their task within the allocated cost. However, financial incentive cannot along bring out the best from a salesperson until and unless they are clubbed with required training and direction.

2.) Managing effects of time

An ideal compensation plan should provide a secure income to sales personnel at a low cost to the organisation, operate in a balanced Manner both at times of success and adversity and help create a feeling of goodwill among the sales force. The incentives should be planned that they enhance sales performance in the present and the future.

Characteristics of compensation plans

A Compensation plan is a tool that helps and organisation achieve its objectives. It gives a push to Salesforce efforts, toward achieving desire goes. This will have an impact on other organisational function too. It can influence the quantity of production, cash flow and the training needs of sales

personnel. There for the sales manager should study the characteristics of the compensation plan before going into the finer aspect of deciding on the type of compensation or the proportion of variable and fixed components. Any compensation plan should fulfill certain criteria. As they are main to motivate, there should be equality and compensation to all cells personal. The design should have flexibility to enable sales managers to modify it at times of changing emphasis in Salesforce activities.

- **Fairness to all**

To reiterate, a compensation plan should give a fair deal to sales personnel. Compensation and reward should be equitable for all persons in the sales teams, including managers. The plan must also be in tune with compensation trends and patterns followed by other organisations in the industry.

- **Flexibility**

A flexible sales compensation plan goes a long way in achieving the objectives of an organisation. The plan must provide for modification to suit changes in the external environment, products, market life cycle and the evolution of the organisation and the industry.

- **Provide incentive and motivation**

The compensation plan should provide a direct link between efforts, results and rewards. Unless this is ensured, the objective of motivating sales personnel is difficult to achieve. A proper mix of salary, commissions and incentive must be put in place so that sales personnel try to do their best to achieve organisational objectives. If they feel that the plan is not commensurate with their efforts, it will be difficult to get the best out of them

- **Lead to direction of efforts toward company objectives**

The compensation plan should direct the activities of sales personnel in such a way that is leads in fulfilment of company aims. Compensation plans also very depending upon the selling activities the management wants to focus upon at that time. For example, if the organisation is introduced in new product, it can formulate compensation system that rewards sales personnel in the form of special incentive or bonus for each unit of new product sold. Sometimes, a sales contest is help and rewards are given to sales personnel who achieve the maximum volume for the new products.

- **Ease of administration and comprehension**

Sales Compensation plans facilitate the easy administration of all activities of the sales force. If a plan is formulated in consultation with sales personnel, they will trust the plan. The basis for a particular type of compensation plan should be clearly communicated to sales persons, especially how it helps accomplish organisation objectives and coordinates selling activities. A well-designed compensation plan not only motivates sales personnel but also influences their recruitment, training and staffing activities. There must be a link between Sales force his efforts, performance and rewards. This link helps in coordinating the activities of the sales people and also other non-selling functions like recruitment, training, evaluation and control. A compensation Plan that cannot be easily comprehended or designed properly fails in administering sales activities.

Types of compensation plan

Organisations can make use of several ways to compensate employees. The main kind of compensation plans are categorised as a straight salary plan, a straight commission plan and a combination plan.

1.) Straight salary

It is the type of monetary compensation given to a sales person for a fixed time period, at a predetermined rate. The salary may constitute the entire pay of the sales person or it may be a part of the total compensation. Straight salary is the most appropriate when organisations require sales personnel to primarily sell and maintain relationships with existing customers. It is also useful when prospecting is their primary activity. Organisations that manufacture technical products prefer a straight salary as selling such products requires more than one sales person, usually an entire team. Team selling involves the combined efforts of a salesperson, a service engineer, product trainer and R&D personnel.

Advantages of straight salary

- It provides a regular, fixed and guaranteed income to sales personnel irrespective of fluctuations in sales volumes or stability of the business. It provides a sense of security to a salesperson which is critical for success.
- A straight salary compensation plan reduces the cost incurred on compensating the sales force of an organisation. This is especially true when the sales volumes achieved by sales personnel are higher than the target, because the same salary is paid in spite of highest sales volumes.
- A straight salary plan is the easiest to administer and direct in comparison to other compensation plans. Calculations are simpler because of the absence of variations in income among sales personnel.
- Switching territories and assigning quotas of sales personnel is easier and there is less resistance from the management because changes will not lead to any difference in the salary structure of sales personnel.

Disadvantages of straight salary

- Sales personnel do not have any reason to put in extra effort in selling, as it does not yield any rewards.
- A straight salary does not aid uniform sales of all products, since sales personnel will prefer selling those products that require the least efforts. This leads to certain products being undersold, reducing the net margin for the organisation.
- Such a compensation plan does not distinguish between efficient and inefficient sales personnel as both get the same, fixed salary irrespective of differences in performance.

2.) Straight commission plans

In this type of compensation plan, a percentage of the sales volume or profit obtained is given to sales personnel as a commission. The income is proportional to the sales volume achieved by a salesperson. Sometimes, commissions are fixed depending on the number of units of products sold, instead of total sales volume in terms of money. This type of plan is most effective for smaller or new organisations, as opportunities are greater for a new organisation and sales personnel can be given a higher commission to promote products. Owing to the time taken to establish sales territories and quotas, which are necessary when deciding on a compensation plan, organisations can use conditions as the primary mode of payment. In a straight commission plan, a rate, base or starting point is

required to calculate commission for the Salesforce. The rates used for calculating commissions vary. They may also be different for different products, constant for the total volume of self or maybe a combination of both.

Advantage

Commission-based compensation plans are more precise than other plan as they pay sales personnel on the basis of their performance, weeding about the possibility of over-payment or underpayment, which is possible in a straight salary plan. This is because the Straight salary plan does not consider the efficiency or sales volumes obtained by salespersons and pay them the same.

- Commissions are easily acceptable and preferred by sales personnel as they help them decide their pay on the basis of sales volumes achieved. They can easily understand that their potential earnings are depends on their performance in the market.
- It is an objective measure to judge the performance of salespersons.
- In such compensation plans, as the sales volume increases, the per unit sales expense decreases.
- It helps in setting targets for the sales force.
- It motivates salesperson to achieve higher sales targets to earn high returns.

Disadvantages

- Non-selling activities like relationship building and prospective suffer because sales personnel focus entirely on increasing sales volumes and thereby earn higher commission.
- The focus of the sales force is on increasing sales, without consideration for the net profit margin obtained.
- Customer service may be overlooked, as the sales personnel will be primarily interested in making a cell, and not in assessing the utility of the product to customers.
- A Commission based plan may lead to wide differences in pay among sales personnel, depending on their performance. This may give rise to dissatisfaction or conflict among sales personnel.
- The income of the sales person would depend on the economy or industry performance. In boom time they will get excessive pain while in times of recession, there they will be too little.
- Sales people need focus on selling themselves rather than the company or its products.
- Sales people may focus on developing short term relationships with customers rather than long term relationships.

3.) Combination salary plans

This type of plan includes a combination of salary, commission and other types of incentive plans. For example, a combination plan may be a salary plus commission plan, salary plus bonus plan or a salary plus commission + bonus plan. A combination plan provides greater control over the exercises in variable income expenses incurred by the organisation. This type of plan is suitable for organisations that have a wide range of products and divisions. This is because these plans have flexibility and can be tailored to suit the sales force, by using a variety of different combinations. The most important factor to be established in this type of plan is the probable ratio between the fixed and variable components of the compensation plan.

Advantages

- As sales people get regular income in the form of monetary incentives, they are continuously motivated.
- It provides salespersons with the advantage of both a fixed salary and variable income.
- This plan can compensate sales personnel for activities that paper, without overlooking their efforts in non selling activities thanks to inherent flexibility.
- Sales personnel have the opportunity of earning more than what is possible in a straight salary or a commission plan.
- This type of plan is referred by younger self personal because it provides financial security as well as the potential to earn more.

Disadvantage

- This plan involves a lot of calculation and administration because of the number of combinations possible for the different sales personnel.
- The administering costs are higher than other plans because complex calculations are needed and more number of personal has to co-ordinate.
- These plans have to be regularly analysed due to change in the external environment. If they are not revise periodically, the variable component make becomes very high

Designing compensation plan

Compensation plan must meet the need of an organisation and its product or service. Designing effective compensation plan has become difficult for sales manager because of the varying expectation of the sales force and the multitude of global market. The basic role of a sale compensation plan is to act as a tool to help an organisation attain the desired sales volume. A host of variables should we consider while designing the sales compensation plan. It is necessary to decide on the specific objective, the level of sales force compensation and the method of Sales force compensation in comparison to the industry average before the sales compensation plan is to designed. Other than three factors, the sales manager must also keep in mind some other aspects.

They are:

- the type of industry and the position of the organisation in the industry in which it is operating
- Awareness of company objectives that include decisions on weather to secure new clients increase average order size reduce expenses on selling or to focus on new or existing profitable products.

Determine specific objectives

A compensation plan must have certain basic objectives, which will enable the sales manager to know what to expect from the plan. if specific objectives are not established, it might be too high expectations which cannot be met full stop the most common problem faced by managers while setting objectives is conflict between different objectives. As we have discussed, any compensation plan must provide setting objectives, there is a possibility that one objective will be in conflict with personal will not a line with the objective of minimising cost for the organisation. There for, the sales manager must maintain a balance. Any compensation plan that tries to fulfil the following objectives ought to be successful.

- **Income and security**

The compensation plan must provide financial security to salespeople it should not lead to sales personnel being either overpaid or underpaid as both are detrimental to the organisation's performance. If sales personnel are underpaid, they will not be motivated and it will be difficult to retain them. If they are overpaid, it can lead to financial inefficiency due to higher operating cost.

- **Equity**

The compensation plan should be transparent and fair and equitable towards self personal. It should help the manager award performance objectively contributing to improving sales force morale.

- **Flexibility**

The compensation plan should be designed so that it has the flexibility to operate satisfactorily during the good and bad business period. Emphasis on the fixed component of sales force compensation helps fulfilled this objective.

- **Economy**

The compensation plan must be economical to the organisation. Expenditure on salaries must lead to substantial generation of profits, in the form of sales volumes. Motion between expenditure and compensation can depend on the industry average.

Establish desired levels of earnings

Once the objectives are established the level of compensation for the Salesforce is decided full stop it is formulated by considering the structure of offered by competitors as the industry average and the type of selling activities the organisation carried out. The experience and ability of sales personnel must also be kept in mind while setting payment levels.

Methods of payment

The payment method and organisation adopts depend on the analysis of selling activities full stop sales activities are segregated into various constituents like the extent of attention required to develop customer relationships time spent on negotiating prices time spent on training and educating customers, prospecting time and so on. The proportion of this activity is will vary from different organisations. Therefore every organisation must devise its own methods of payment periodically. This is necessary because the relative importance of activities change overtime. For example, greater emphasis is placed on product training for customers during the early stages of the product life cycle, while relationship building is important during the maturity stage of the product life cycle especially when there are equally competent brands available. the method of payment should respond to a good sales performance by ensuring higher pay than competitors and maintained uniform spread among different payment combination this will prevent over reliance on a particular payment methods for the Salesforce.

The compensation plan generally includes one or more of the following methods of payment:

- **Salary**

Here, sales people are paid at a predetermined rate at regular times, which vary from a week to a month to a quarter. It is usually in the form of a monthly salary which forms the basic source of assured income to sales personnel.

- **Commission**

Most organisations adopt a standard commission rate for achieving fixed sales levels, for the product mix. Some organisations has a variable commission rate for the Salesforce to calculate profitability or the progress of strategic objectives.

- **Bonus**
Bonuses are lump sums paid to sales personnel for achieving sales objectives in a defined period. The bonus can be calculated and paid on a quantitative or qualitative basis. The first involves payment on reaching designated sales volumes, while the second depends on an aspect such as selling to certain key accounts. It may also be related to a customer satisfaction survey
- **Employee stock options**
This mode of payment has become one of the most commonly used methods, especially in the information technology industry. Many companies in the US and Europe have been using this method of rewarding their sales personnel, since the early 70s. Usually, a certain number of shares of the organisation are allotted to an individual as an incentive. It not only creates a sense of ownership but also increases the sales person's performance to higher levels.
- **Special prizes**
Organisations reward sales personnel with special prizes either in the form of money for valuable gifts like a flat screen television, Rolex watch or an expensive dinner set.
- **Drawing account**
This is more like an advance given to a salesperson. It involves periodic monetary advances given at a fixed rate of interest or commission that must be repaid by the salesperson to the company within a certain time frame.
- **Special cash incentives:**
These are given to sales personnel during certain periods of time for performing specific activities or for achieving extraordinary results. Such cash awards are usually not parts of the regular compensation package for sales personnel
- **Non cash incentives:**
These include merchandise, travel, status and recognition awards that are given for a specific period of time especially during sales contests. Sales personnel gain points for achieving defined objectives which are later exchanged for merchandise that is available from a catalogue. Such incentives are given in the form of status awards and/or recognition awards.
- **Fringe benefits:**
These are benefits given to sales personnel in the form of medical reimbursement, pension scheme, group insurance and other benefits.
- **Sale force expenses:**
It includes reimbursement of expenses incurred by sales personnel as part of their selling activities. It may be travel and lodging expenses, daily allowance and so on.

Many organizations have started using software programs to facilitate easy calculation and implementation of payment methods. Companies like Oracle Corporation, Siebel System

Implementing compensation plans

While implementing the compensation plan for sales managers must know which tasks sales personnel are to be compensated for. This is followed by deciding the features of the compensation plan that will help attain organisational objectives. Otherwise it is probable that sales personnel may not be interested in tasks that they considered unimportant and for which sufficient rewards are not present in the compensation plan. Different elements like salary, commission, bonus, drawing account, expense allowances, fringe benefits and profit sharing, individually or in combination, help in designing a proper compensation plan. Sales managers try to achieve numerous objectives with the help of different combinations of elements in a compensation plan. The combination varies with

the nature of the objective. Compensation plans are successfully implemented through proper pre-testing and periodic monitoring

- **Pre-testing**

Once the compensation plan is formulated it should be pre-tested. This must be done against probable sales or expected profit volume at both possible extremes, i.e. against maximum possible sales and minimum probable sales. Pre-testing involves determining how the plan would work if implemented a few years earlier. Sales managers estimate the cost of implementation and the possible results that would have accrued if the plans have been put in action earlier. This can be done by using computer simulation programs. Pre-testing can also be conducted by considering past performance of sales personnel and the historical performance of a particular territory. A compensation plan can be applied to a particular territory for a pre-assigned period and results can be evaluated.

- **Periodic Monitoring**

The objectives of the plan must be clearly explained to sales personnel so that no misunderstandings arise. People and operating procedures have to be set up to ensure successful implementation of the compensation plan. Appropriate measurement criteria, information systems that provide data needed for measurement and regular communication of information through newsletters have to be set up. Monitoring must include non-selling activities like relationship management. Regional and territory managers must have the authority to periodically monitor and implement the plan. Periodic monitoring ensures that operating problems are minimized and appropriate modifications made when needed.

So it is necessary to monitor whether the compensation plan is encouraging sales personnel to focus on the right kind of sales efforts.

Motivation to the sales force

Motivation is the force within us that directs our behaviour. Motivation is unique to every individual. A sales manager makes adopt different methods to motivate his sales force. He should examine individual needs and use them as the basis for motivating his salespersons.

Concept of motivation

The word motivation is derived from the Latin word *movere* which means to move. Motivation is a process that instigates goal directed behaviour in an individual. In other words, motivation deals with the force within a person or which act on a person, to initiate desired behaviour and direct it to the attainment of organisational goals.

Stephen P. Robbins define motivation as the willingness to exert high levels of efforts toward organisational goals, conditioned by the effort's ability to satisfy some individual need.

Fred luthans defined motivation as a process that starts with A physiological or psychological deficiency or need that activate a behaviour or a drive that is aimed at a goal or incentive.

Thus, from the two definitions, it is clear that motivation is a process that essentially consists of three components- need, drive and goal.

- Need is a physiological or psychological state of imbalance created in an individual which stimulates the individual to take certain action to satisfy the need and thereby restore the balance
- Drive is the desire generated in the individual to satisfy or fulfil his need full stop in other words drive is the goal oriented action taken by an individual to move from a state of felt deprivation to a state of fulfilment.
- Goal is the instrument to induce the individual to follow certain course of action. Achievement of the goal restores the physiological or psychological balance in the individual by satisfying his need. Satisfaction of the needs in turn cuts off the drive in the individual to work towards need satisfaction.

The sales function plays a crucial role in the success and growth of an organisation. The attainment of goals in an organisation depends on the effectiveness of its sales force, and hence requires that its sales force be highly motivated. In sales force management, motivation refers to the amount of efforts a salesman is willing to expend to accomplish the task associated with his job. A salesperson's motivation plays a crucial role in influencing his performance in selling, and his achievement of sales targets. The salesperson's motivation affects not just his selling performance, but also has an impact on the sales force's expense turnover, absenteeism and need for supervision.

Process of motivation

The sales force motivation here refers to the arousal or the intensity or the direction and the persistence of efforts towards sales jobs, and the sales jobs will be both selling activities as well as non-selling activities. So, sales force motivation here, refers to arousal, intensity, direction and persistence of efforts directed towards sales jobs, both selling and non-selling activities. Now again, sales force motivation relates to both monetary and non-monetary incentives, and companies must motivate their sales people at two levels;

1, at the individual level based on the sales person's own productivity and performance in the field; and

2, the team or the group level which would be in terms of the entire sales force being rewarded, by the organization to keep them motivated. So, before we go into this, let us first briefly discuss **the process of motivation**.

It starts with a motive, that leads to an inner urge to move towards a particular goal. Now this inner urge would be, meant towards an action or a behaviour. So the motive leads to a behaviour on our part so as to be able to reach a particular goal. Until and unless the goal is achieved, the person remains in a state of tension. A small example with respect to, a general example and I will also give an example related to the sales force and marketing scenario. For example you enter your home in the afternoon; it is a hot summer day and you enter the home and you are very thirsty; if somebody opens the door for you at home, and wants to talk something or tell you something, you just do not want to listen to anything or hear anything, and you just want to rush to the nearest, water bottle or the refrigerator or, you know, the thermos flask which is lying there; anything there just to pull out some water, fill it in the glass and you have the water; until and unless you have the water, your mind is in a state of tension. If somebody wants to talk to you or interrupt you, you just would not mind telling the other person, "Oh please, let me first have a glass of water and it is only then that I listen to what you want to say", because that particular need leads to an inner urge in you to behave in a particular manner, and this behaviour relates to, attempting towards getting water, a glass of cold water which becomes your goal, and once you have this water, your need is satisfied, and your thirst need is satisfied and the kind of tension that you are going into, or the kind of, the reaction

which you show before you had the water gets reduced, and after you have the water, you feel you are in a state of rest and calm.

Similarly, in the case of a sales and marketing scenario, when targets are given to a particular salesperson and suddenly a salesperson realizes that he is not being able to meet the targets, and that is there is about just a few days left, it actually makes him put in more effort with respect to both selling activities, non selling activities, and he goes out of the way putting in behaviours, so as to be able to reach the target or reach the goal. Until and unless the goals are achieved or the sales target is achieved, he remains in a state of tension, because he feels that if targets are not achieved he may either be reprimanded, or he may be penalized, or he may be even asked to leave the job. So, that puts him into a huge amount of stress and huge amount of tension. Now here it is a fear, which makes him act. Companies must ensure that it is not a fear factor which must make people react. In fact, it should be more of a reward factor which should make people move, you know, strive towards, attaining certain goals and again, if we continue with this example, we will see that if there is a sales target and there is a time period within which the sales target is to be achieved, and also there is an incentive linked to productivity and performance, in that case the salesperson would be hugely motivated, to meet clients, to make presentations, and he will put in all efforts to close the sale so that he would be able to meet the targets, he would be able to meet the goal, and intertwined with the goal would be a reward system, either at the individual level, based on his own productivity, or at the group level which would be based on the teams effort, or the overall reward system in place for the organization wide sales force which he also would get a share of. So, the motive here, you know, as a target is set, he would be motivated to achieve that goal, only and only when there are incentives attached to it, and he would put in all kinds of efforts to be able to get the sale or get the target. So, the motive here, will lead to a behaviour on his part to act, to put in a huge amount of effort, to call upon customers, to call upon prospects, to make presentations, give demonstrations and close the sale. Also, to follow up with existing customers and clients, address their demands address their grievances if any, so that he can have good customer relations with them, and then he can also sell more to them.

So, in this way, he will be able to reach his goal or his target, and once the period is over, or once the particular specified time period within which he is supposed to earn the sales is over, and he is able to achieve the targets, he would be in a state of calm. It would reduce his tension. When and how will this happen?

As I said it should not be something which is based on fear, but it is something which is based on reward factor, and companies must motivate its sales people both at the individual level, so that they end up being good performers and individual productivity can be enhanced; it should also be at the team or the group level, where the salespeople work together in a team and share the rewards which have been stipulated by the organization.

Overall, the organization must earn profits, so that there is a gain sharing and a bonus with everybody, and the entire sales force can be rewarded. So, sales force motivation can relate to both monetary and non-monetary incentives. The commissions, the incentives and other benefits, and non-monetary being in terms of recognition, promotions, titles, opportunities for growth and advancement in the career. So, if companies want their sales persons to perform well, and perform more than what is actually desired, it is very important that sales force motivation is addressed, and that would mean that the people are kept motivated to perform both their selling and non-selling activities.

Purpose of motivating sales person

what is the purpose behind motivating sales persons? Sales persons we all know are hugely responsible for earning sales for a company, profits for a company, market share; Also, they have a big role to play in managing customer relations. Also, managing relationships with the channel partners or the marketing intermediaries, so, they must possess the ability and potential to achieve sales and profits for the company; they must have the knowledge, skills and abilities that develop with training and experience. However, we often see that, in spite of the fact that the salespeople have the knowledge, skills and abilities with them and which are also enhanced, either during initial days in the company or subsequently through continuous sales training programs as they grow older in the organization, yet, not all sales persons are effective and efficient, and what may drive sales people towards effectiveness and efficiency is motivation.

Also, while a salesperson has the necessary KSAs that are minimum requirements for satisfactory performance, the question that arises is, "Is satisfactory performance sufficient for an organization?" So, one, we have to keep in mind that the sales persons are hugely responsible to earn sales and revenues for the organization; and

two, in spite of the fact that they may have the knowledge, skills and abilities to perform jobs which may be enhanced from time to time, yet we would see that not all of them perform well or are very effective and efficient, and so what drives them is motivation, and it can also be sometimes realized that even if they have those knowledge, skills and abilities, they prefer to remain average performers, and so in order to extract more from them, in order to make them more productive, in order to make them more effective and efficient, it is essential that they are motivated.

Also, companies must understand and realize and question themselves, that is, satisfactory performance okay with us or do we need to go further, do we need to be better, and in case you want your people, your sales people to be better performers, more effective, more efficient, in that case if you want them to be absolutely very high on performance, then it is very important that you have a sales force motivation plan in place. So that is the reason why sales force motivation becomes very important.

Motivation also plays a very key role in encouraging sales persons towards achieving higher sales performance not only once but continually, and they do so by selling more products and hence, increasing the profitability as well as the market shares of the organization. As we will see, the basic nature of the sales job is something which is very challenging and salespeople absolutely require, you know, motivation from their superiors in particular, as well as the company in general, to attain and sustain pleasing performance levels. Both monetary and non-monetary incentives must be used by companies to keep their sales force motivated.

Motivational Theories and their application to sales force Management

we shall, be discussing these six theories which is the

- 1.) Maslow's Need Hierarchy Theory,
- 2.) Herzberg's Two Factor Theory,
- 3.) the Theory X and Y,
- 4.) the McClelland's Three Needs Theory,
- 5.) Equity Theory and
- 6.) Expectancy Theory

1) Maslow's Need Hierarchy Theory

So, the Maslow's Need Hierarchy Theory is one of the most popularly used theories proposed by Abraham Maslow. The theory postulates that in every human being, there exists a Hierarchy of Needs, which acts as a guiding force behind motivation, and according to Maslow, human beings have five needs –

- I. **Physiological needs,**
the physiological needs would include the basic physiological needs like hunger, thirst, shelter
- II. **safety needs,**
safety needs pertain, to protection from physical and emotional harm; safety needs actually refer to security, refer to protection
- III. **social needs,**
social needs which indicate the need for affection, friendship belongingness
- IV. **esteem needs**
esteem needs relate to recognition, self-esteem, attention and achievement
- V. **self actualization needs.**
the self-actualization, which again relates to achieving what one is capable of achieving, when one is at a full potential.

Now these needs are arranged in a hierarchy, and they act as guiding force behind motivation. As one of the needs is satisfied, it no longer acts as a motivator; it ceases to act as a motivator, and other needs become dominant. So, a satisfied need no longer dominates; once a particular need is satisfied, it ceases to remain a motivator and another need becomes dominant. So, in order to motivate an employee based on Maslow's Need Hierarchy, it is very important to understand the hierarchal order of needs, and the sales manager must know his sales persons, and understand their specific needs; he must be able to assess whether for a salesperson, it is the lower or higher order needs that motivate.

Now, what are lower and higher order needs? The physiological needs and the safety needs have been defined as the lower order needs, and the social, esteem and self-actualization needs have been defined as the higher order needs.

2) Herzberg's Two Factor Theory

The Herzberg's Two Factor Theory was proposed by Fredrick Herzberg, and it is also referred to as the Motivation Hygiene Theory. According to Herzberg, there are two setof factors,

- one which prevent dissatisfaction, the others
- which lead to motivation;

so he clearly demarcated a difference between something which will prevent dissatisfaction and something which will lead to satisfaction. So, he referred to them as

- **Hygiene factors** : the factors which prevent dissatisfaction are referred to as Hygiene factors
- **Motivation factors**: the factor which lead to Motivation are referred to as Motivational factors.

Now Hygiene factors are those which in case they are absent, would lead to dissatisfaction; and Motivational factors are those which actually motivate. Hygiene factors are more extrinsic in nature, and pertain to company policies, supervision, relationship with superiors and peers, work conditions, salary, status, security etcetera. While the motivational factors are more intrinsic in nature, and relate to achievement, recognition, advancement, growth, responsibility, nature of the work itself.

Now, when we apply this theory to sales force management, you know, sales managers must ensure that the job provides such conditions which prevent job dissatisfaction; this means providing to sales force, good working conditions, decent and fair compensation packages, reasonable adequate supervision, sound company policies, etcetera. Sales managers must also ensure that the sales force is provided with opportunities for achievement, recognition, responsibility, growth, and the work itself is designed in such a manner that it is inspiring in nature because these would all act as motivators.

3) Theory X and Y

The third theory which we shall discuss is the Theory X and Y, which was proposed by Douglas McGregor, and X and Y denote a distinctive class of employees with X type of people being those who dislike work, they need regular attention and direction, and need to be coerced to perform; you need to use fear or force on them to make them work. On the other hand, the Y type of people enjoy their work, they are self-motivated, self-directed, they have a desire to perform, and they do not need much of directives. Now, both these kinds of employees need to be motivated differently, because their very nature is very different.

So, if the question is, can both these kinds of employees be motivated in similar ways? Absolutely no; they need to be motivated in different ways. If we relate it to the Maslow's Need Hierarchy Theory, it can be said that as per Theory X, it is the lower order needs that motivate individuals; and for Theory Y, it is the higher order needs that dominate. And the sales manager must again know his sales persons, and must be able to assess whether for a particular sales person, it is the lower or the higher order needs that dominate, and accordingly he must design the motivational plans.

4) McClelland's Three Needs Theory

The next theory is the McClelland's Three Needs Theory which was proposed by David McClelland. According to McClelland, human needs can be of three kinds, and human beings are driven by these three kinds of needs which is

- need for achievement,
- need for power and
- need for affiliation.

So these three needs influence the behavior of an individual. Now, need for achievement is the need to achieve goals and excel in whatever you do and seek recognition; the need for power relates more to authority, which is the need to dominate and control the behavior of others; the need for affiliation is the need for friendship and belongingness, and to develop harmonious relationships.

Now, again here sales managers must know their sales persons, and be able to assess whether the sales persons is high on need for achievement, power or affiliation. So sales persons who are high on

need for achievement, would be best performers in sales jobs; they would desire attaining sales targets, and should be given difficult and challenging goals. Those who are high on need for power, would act as strong leaders for sales force who are a Y- type; they would be very strong team leaders; And sales persons who are high on need for affiliation, would work best as sales team members; they would possess team spirit and would successfully work in cross-functional teams.

5) The Equity Theory

The next is the Equity Theory which was proposed by J. Stacy Adams and according to Stacy Adams, people compare their job inputs and outcomes, with those of others and the degree of equity or equity that a person perceives, would actually have an impact on their work performance and job satisfaction. So, inequity occurs when a person perceives that the ratio of his or her outcome to inputs, and the ratio of another person's outcomes to inputs is unequal. So, in those cases whenever they feel that there is inequity, they would gradually get demotivated; they would gradually begin to get dissatisfied on the job, and so sales managers must understand that sales persons must perceive equity as this would lead to a motivated sales force.

6) The Expectancy Theory

Then we come to the Expectancy Theory which was proposed by Vroom. Now, it proposes that motivation is a process of governing choices for behavioral activity, and according to Vroom, the strength of a tendency to act in a particular manner depends on the strength of an expectation that the act of behaviour will be followed by an outcome, and the outcome is attractive to the individual. So what he spoke of was expectancy which is effort-performance relationship, instrumentality which is performance-reward relationship, and valence. So, according to Vroom, if a person feels that if he tries he can perform, and if he feels that if he performs, he will be rewarded, and the reward is something which is attractive, So, what Vroom referred to was a effort-performance relationship which was expectancy; and then the performance-reward relationship which was the instrumentality; and the reward or the personal goal relationship which was valence. As I said a little while ago, it is very, very important that motivational packages are such designed which are attractive to the sales force, and that is where Vroom's Theory is applicable, where it is not only important that salespeople realize that if they put in efforts, they will lead to the targets, and if the targets are achieved, it would lead to a reward; it is also important that the rewards are something which are attractive, and hold value to the sales force.

So, sales managers can provide training so that the performance capabilities of employees can be enhanced, which means the effort would lead to performance relationship. Sales managers must also assure their employees that good performance would lead to a reward, which is performance leading to an outcome, and the rewards must be such that are meaningful and attractive to the sales personnel, so which we refer to as valence.

Conclusion

the conclusion what companies must decide upon is the motivational mix. They must design their motivational programs carefully, and the tools could be both financial and non-financial; financial being salaries, commissions, incentives, bonus, fringe benefits, sales contests, and non-financial tools could be promotions, titles, recognitions, sales meetings and sales training programs. It is

important that such motivational plans and practices are adopted which actually will not only help meet sales force interest at the individual level, but also at the team level, and the organizational level, to keep them motivated at their respective jobs.

Review question

1. What are the basic component of a compensation package?
2. What are the advantage and disadvantages of a straight salary compensation plan?
3. What are the various methods of non-financial compensation?
4. Which factors affect the motivational need of sales person?
5. Explain the purpose and need of motivation of sales person.

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