# inspire with incentives

## HOW TO MOTIVATE YOUR INDIRECT SALES PEOPLE

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Last month we pointed out that your company's biggest potential rainmakers are already working for you. We called them your "indirect sales people" – your customer service team, producers, technicians, project managers and consultants. These competent professionals interact frequently with your customers, and although they have had an enormous impact on up-sells, cross-sells, repeat business and referrals, they had not thought of themselves as being in sales. To help them embrace this critical role, we focused our discussion on developing a positive sales mindset.

Now that they get it, the challenge is to "incent" them properly to go out and do it.

### INCENTIVES THAT DON'T WORK

Incentives are not one size fits all, especially for indirect sales folks. Not every person is motivated by the same rewards. While cash bonuses may inspire one person, working on a worthwhile cause may be more meaningful to another, or having fun, or gaining recognition, or learning new skills.

What most organizations do is incent with money only. We see this all the time. Professional services firms will offer cash bonuses for developers and producers to create up-sells or cross-sells or referral business. Unfortunately, only 10 percent of these developers and producers will take advantage of the money sitting on the table for them.

Why is that?

Think of it this way. If you are incenting with money only, you are creating a culture in which everybody is either out for themselves or not working for the team or the quality of work of the organization. Your organization takes on a cutthroat atmosphere. It becomes a high-stress environment, which creates a great deal of turnover, and those who stay become frustrated from not hitting the goals. Those indirect sales people who stay will quickly revert back to the old "I'm not in sales" mindset, and nothing will be achieved.

### INCENTIVES THAT MATCH

A better approach is to manage both your direct and indirect sales people

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through a balanced system that allows you to tie their performance and achievement to the values and objectives of the company. Throughout the process, and at quarterly review periods (which is the optimal time frame), the balanced approach allows you to incent successful behavior specific to each person's ultimate needs. Those who like to have a good time win dinners or tickets or trips. Your high-ego types win cash and status. Your socially conscious people see their causes advanced, while your systematic employees garner proof that their efforts have been effective.

### THE BALANCED SCORECARD

How do you shape a system that will allow you to take a comprehensive approach to managing your team?

In 1992, Robert S. Kaplan and David Norton introduced the balanced scorecard as a means of understanding how a company can measure its activities and manage performance. Key to the implementation of the balanced scorecard is the focus not only on financial outcomes, but also on the human factors driving those outcomes, empowering everyone to focus on the future and to act in the long-term best interests of themselves and the company.

The following four perspectives are generally included in a balanced scorecard approach:

- *Financial Perspective* - measures tangible metrics that reflect financial performance.
- *Customer Perspective* - measures having a direct impact on customers and their satisfaction.
- *Business Process Perspective* - measures reflecting the performance of key business processes.
- *Learning and Growth Perspective* - measures the learning curve.

### MANAGEMENT BY OBJECTIVE

Similarly, the process of Management by Objective (MBO) is effective as an alternative to traditional incentive programs. Objectives are measured over the long term and reviewed on a quarterly basis. A good mixture is to base 75 percent of the MBO result on activities the sales person (direct or indirect) has performed toward his or her objectives, and 25 percent on how well the sales person has upheld the values and behaviors of your company. After all, as we've said before, sales people can be posting record-breaking numbers, but if they're not adhering to the corporate culture, they're not providing sustainable value. This is also known as The Jerk Theory: If you're a jerk, you're out.

Incenting proper behavior starts with a clear, practical compensation structure that enables the employee to achieve rewards based on his or her performance in either MBOs or balanced scorecards.

For instance, you may tie your incentives to the profitability of the organization. Set a corporate goal that there will be $10,000 in the bonus pool at the end of the year. Each person will have an opportunity to vest in a certain amount of that money. According to this plan, vesting is based not solely on how well the company does, but on how well the individuals do what they were asked to do. So let's say the company has a great year, and there is $20,000 in the bonus pool, but Tom, an indirect salesman, hits only 80 percent of his MBOs. Despite the fact that the pool has doubled, Tom still receives only 80 percent of his bonus.

Consider that there is more to managing by objective or implementing a balanced scorecard than just hitting sales quotas. For each category of performance you are measuring, you will need to establish both leading and lagging indicators.

From a financial perspective, measure and reward leading indicators of performance, such as creating 10 new opportunities per week. A lagging indicator would be to generate $100,000 in new business per month. Values to be measured would include such behaviors as constantly being vigilant for opportunities to grow the businesses.

From a customer perspective, you will want to keep track of leading indicators such as shorter response times and faster delivery. Lagging indicators might include better customer survey results, fewer complaints registered or higher competitive rankings. Value-oriented behaviors could include constantly looking at what would put customers in a better position to reach their goals.

With regard to business processes, track leading indicators such as the ability to work as a team or becoming a leader of a sales-driven culture or working proactively with a new hire as a mentor three times per week. Lagging indiactors may have to do with shortening the sales cycle, or lowering the cost per unit sold or improving employee satisfaction 30 percent. Behaviors that reflect the company's values could be whatever is consistent with constantly improving the culture of the organization. They can be summed up in attitudes like, "No job is too small," "first in, last out," etc.

Finally, from the learning and growth perspective, attending four continuing education classes per quarter would be a leading indicator of success, whereas gaining accreditation, certification or an advanced degree would be lagging indicators. Values to be measured would be reflected in behaviors such as constantly striving for improvement, always being open to coaching and being proactive.

## BUSINESS IS A BALANCING ACT

As CEO, you're like a juggler constantly keeping the plates spinning on the ends of sticks. Everyone takes direction from you, but may perform tasks without full understanding of the company's long-term objectives and what larger initiatives they should be focused on. A balanced scorecard/management by objective approach removes the speculation and shifts the burden of management onto the sales people. As we used to say in football, "The eye in the sky never lies." Like a camera recording a player's every move, the comprehensive approach to managing performance gives clear insight into whether or not the person did what he or she was supposed to do, fueling your personnel decisions, such as hiring, training and promoting.

The team benefits, too. The balanced scorecard/management by objective approach empowers the team to measure whether they are doing what they are supposed to be doing. They can conduct their own performance reviews, identify need for training and provide support for one another.

Finally, your organization benefits. When the organization shifts to this approach, you're going to get a team on which everyone is speaking the same language – a language that states explicitly for each unique person how he or she will be held accountable. Everyone becomes focused on behavior that promotes the growth of each individual, each team and the entire organization.

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