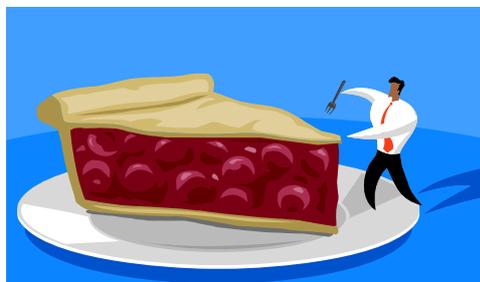


“What’s In It For Me” And Why More Money Doesn’t Work

In an industry dominated by people rewarded by commission and sometimes commission only it is given as a fact that bonuses and commissions drive performance **but it’s not fact it’s folklore** and we are planning and shaping our businesses on 20th Century attitudes. We are seeing clients who have diminishing returns as their markets, their customers and their customer’s buying habits move on in the 21st Century and their businesses don’t. “The sales job is not what it was 20 years ago” virtually every salesperson will tell you the same and it’s not just the sales job.



Bonuses and commissions are what the science calls ‘**Contingent Rewards**’ – ‘if you do this then you will get that’ and they work but the fact is that there is 50 years or more of research that shows us that contingent rewards only work for tasks that do not

...it is given as a fact that bonuses and commissions drive performance but it’s not fact it’s folklore ..

require a high degree of ‘right brain’ in other words cognitive tasks. They work when tasks are mechanical and do not require innovation, engagement, problem solving and empathetic activities yet we persist on using contingent rewards to motivate salespeople. How many salespeople does this description fit people who settle for mediocrity, make a living but are not high flyers, they cover their living costs and view survival in harsh environments as an achievement in itself, 20 years experience and all of it sub optimal. Yet these are often the people who are most knowledgeable, often they

have a small and loyal customer base and who seek to do the right thing for the customer and the business. More money does not improve their performance, I’ve often heard it said of people like this that “his/her comfort level is too low”, sound familiar?

So where is the evidence? (science is fact based right?) there is lots but let’s just look at one study by the Federal Reserve Bank of Boston, the University of Chicago and Carnegie Mellon conducted with students at MIT. As with commissions or bonuses students were offered small rewards for doing fairly well a medium reward for those who performed in the middle and a large cash prize for those that performed exceptionally over a range of tasks. For simple tasks like memorising strings of numbers or mechanical tasks the rewards worked well but when the task involved even simple cognitive skills, thinking planning and creativity the reward structure had the opposite effect **not even a neutral effect... the opposite!** “As long as the task involved only mechanical skill bonuses work as they would be expected: the higher the pay the better the performance” but when a task required “even rudimentary cognitive skill” **a larger reward “led to poorer performance”** . (Also worth reading is the famous ‘Candle Problem’ research by Karl Duncker <http://bit.ly/1c2kmyE>) which

addresses this issue directly, it's another great 'hands on' experiment that shows the performance difference getting this right can make).

It turns out that Contingent Rewards narrow the focus and drive behaviour that is not productive. "**Intrinsic Rewards**" for people – the desire to do things because they are interesting, to achieve something you believe in, to do things because they matter, to achieve things that are important to **You**, these are way more effective in driving performance. Tastier carrots or bigger sticks do not work well and sometimes are actively counterproductive.

There is a mismatch between what psychologists know and what businesses in our sector do. It's changing in other sectors look around, the car salesman is no longer the butt of the 'who would you least like to see' joke because the car companies have changed the model of how they engage with customers and how they reward sales people, at least the successful ones have, you'll still find 'Honest Joe' in his rundown old building plot with a few rusting cars all under £2k and "On SALE" (this week only and everyone guaranteed finance). However..... in the wider world who still really wants to see the double glazing salesman?

What's in it for me?– the lazy answer is to say money... guess what, it doesn't work nearly as well as you'd like it to. That doesn't mean that we shouldn't pay people well and reward them when they achieve but how they are led, the skills of the managers and leaders in the business and the environment -*what* you reward and *how* you reward people – these are key factors in building Top Performing Teams.

*Chris Ball is a Director of MBA and a member of the Institute of Consulting www.ibconsulting.org.uk, **MBA Associates Ltd** is a specialist consultancy that partners clients to **Recruit, Retain and Develop Top Performing Teams**. 01242 821 432, info@mba-associates.co.uk or through the website at www.mba-associates.co.uk*

Follow news and jobs on twitter - <http://twitter.com/MBAAssociates>

© Chris Ball July 2013