

Why Daily Bonuses, Spiffs, and Contests DON'T WORK

By Mike Brooks

After you've chosen the best compensation plan for your inside sales team—whether straight salary or commission or a combination of the two—the next step is to determine how best to keep your team motivated and focused on meeting their daily and monthly revenue goals. Many business owners and managers choose daily spiff programs or contests to develop or keep sales momentum going, but how effective are these initiatives?

THE PROS AND CONS OF DAILY SPIFFS

Providing daily bonuses or “spiff” programs, or other weekly or monthly contests, has long been a part of the

inside-selling environment. Most sales reps and managers have experience with handing out or receiving cash for the first deal on the board, or for achieving a daily sales goal—or of handing out or receiving lunch vouchers or even DVD players for workers achieving month-end “top dog” status. These daily bonuses are still around because they work on some level.

Undeniably, sales reps will work harder if a special bonus is attached to the work they are already doing. As long as the bonus is truly attainable by all sales staff, a percentage of the team will temporarily try harder to earn the additional spiff. The key words here, though, are “percentage” and “temporarily.” Many managers can attest to the increase in effort and (sometimes) production, but the consensus is that, after a while, spiff programs stop working.

Some of the inherent problems with spiffs and contests are the perception by members of the sales team that no matter how hard they try, the better reps will still dominate and win the awards. This concern is valid. Top reps are often in a position to win: they usually have better pipelines, higher-quality leads, and better selling and prospecting techniques. As a result, half the sales team tends to check out and ignore contests, which can even demotivate these team members.

A more practical problem with daily spiff programs, however, is that they tend to become more expensive over time. Last month's \$500 dollar overall bonus often needs to grow to inspire



the same results. Sales reps easily become jaded, and the top reps are quick to voice their disappointment at receiving the same bonus, time and again, for all the extra work they feel they have to do. “Is that all you’ve got?” is often their tacit reaction to next month’s bonus. So up goes the investment on management’s side. But as the investment rises, the responding effort and results often decline.

At the end of year, many business owners and managers look back at all the additional money they’ve paid out in daily spiffs, bonuses, and contests and come to the same conclusion: the investment wasn’t worth the bottom-line result. According to CSOinsights.com, 48 percent of inside sales teams still fail to reach their monthly production goals, despite the contests and bonuses offered.

Fortunately, there is a better way.

A BETTER WAY TO COMPENSATE AND MOTIVATE

A better model for driving and compensating production begins by focusing on and rewarding overall production itself. Don’t bother focusing on short-term effort or the achievement of daily or weekly goals; companies

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always benefit more by focusing on monthly and quarterly production numbers and bringing their sales reps’ thinking into alignment with the company’s goals.

Here’s a case in point. Recently we consulted with a company selling healthcare products over the phone. The sales team consisted of a seasoned group of about 12 reps, and we added three new reps over a 90-day period. Many issues needed to be addressed, but coming up with a new compensation plan was at the top of the list. This company had relied on

the daily spiff and bonus program for years—and, overall, the team was spoiled, unmotivated, and ultimately unproductive. To motivate the team again, we made two primary changes.

The first was to discontinue all daily spiffs and cash bonuses and replace them with a controlled monthly bonus program based on goal attainment. In other words, if you didn’t hit your monthly revenue goal, you didn’t qualify for any of the three new month-end bonuses. The immediate benefit of this new program was to take the reps’ focus off the “What’s in it for me?” attitude and refocus them on the company’s goal of overall monthly revenue attainment.

Aligning the reps’ focus with the company’s focus changed everything. First, the reps were no longer focused on a series of short-term goals. Instead, they were focused on an entire month at a time. This longer-term focus kept them motivated throughout the month. Secondly, because the company wasn’t rewarding its reps for achieving incidental benchmarks (daily production, first deal in, and so on), the reps had to work harder and stay focused longer to achieve the one goal that mattered: their overall monthly production.

As reps remained more alert to their overall production goal, managing them also became easier. Rather than deal with the daily bonus programs and the attitudes that came with them, the frontline managers were now able to focus on monthly revenue goal attainment. Once the focus on bottom-line numbers was renewed, managers could get back to the basics of sales management. This meant less time spent babysitting attitudes and more time spent driving pipelines and sales. With management and reps more closely aligned, production steadily rose.

And, of course, by eliminating daily cash bonuses and spiffs, the company also saved money.

The second change involved giving the sales reps an internal advancement plan based on their production and goal attainment. Taking a page from larger, often public, companies, we find that people are more motivated

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when the opportunity for growth exists within their own company. Employees will work harder, stay longer, and experience more job satisfaction—and be more productive employees—if they feel their work and efforts are appreciated and rewarded.



Because this company wanted to scale its sales team and grow market share, it was easy to develop an internal management-advancement program. They developed a program in which, if a sales rep hit his or her numbers for six consecutive months, that rep became eligible to become a team leader. A team leader in this company would manage up to four reps and would receive a small direct compensation based on production and other factors. In addition to this promotion, a team leader who hit his or her team numbers for ten consecutive months became eligible for status as a unit manager, managing a larger team. Additional compensation would be available. Attaining unit-manager status would make possible further advancement as a sales manager, sales director, and so on.

One important point is worth noting: just because the advancement plan was there, that didn't automatically mean that every rep who attained his or her production levels was automatically made a team lead or manager. Promotions were based on company need and position availability. As the company grew and production progressed, though, eligible candidates were promoted.

This management advancement plan resulted in a measureable change in attitude and effort from every member of the sales team. Top producers took their jobs more seriously and became more active team players. As team leads assumed responsibility for groups of sales

reps, more performance-oriented peer pressure came to bear, making the sales group more cohesive as a whole. Managing required less effort, hiring and on-boarding of new reps sharpened in focus, and the sales team grew and scaled at a far more predictable pace.

CONCLUSION

Daily bonuses and spiffs remain an important part of compensating and driving production with many companies, but their long-term effectiveness doesn't always justify their expense or their continued use. There is a better way.

Think about the attitude and attention demonstrated by your current inside sales team. Then ask yourself this question: are they more for themselves, or are they truly invested in your company's goals and long-term growth? If you find their attention and focus out of alignment with yours, consider making some of the changes we've outlined here.

But please be aware that these changes involve detailed planning and forethought. You must handle eliminating the daily bonus and spiff programs carefully, and it's important to ensure that the design and rollout of the monthly bonus program will motivate all team members. Developing and rolling out a management advancement plan involves many elements, including skill development, duty and responsibilities identification, and compensation structure. Never make these kinds of changes without carefully considering their ramifications and long-term consequences, and always design them with your long-term growth goals in mind.

ADVICE TO MY PEERS

I've learned in my own business that receiving help from someone outside my direct industry has saved me both time and money. It's also helped me implement changes more successfully than would otherwise have been possible. Developing and implementing any new project requires significant time and effort; I've always been happier when I've enlisted the help of an experienced consultant, contractor, or vendor to

help me handle the initial workload of a new project.

Another reason to leverage outside help is to access the new perspective consultants bring from outside your industry. Also, if changes involve obtaining buy-in from others within your company, these colleagues will probably be more open-minded if the new ideas come from an outside, unbiased professional. The new perspectives, ideas, and experiences that outside consultants bring to you and your team promote out-of-the-box thinking and yield solutions you might never have come up with on your own.

When making any changes to sales procedures or policies, make sure that the people working on the project have a sales background—and preferably experience selling your product or service. This experience

will be especially useful in the project's rollout. Sales reps are always thinking, "What's in it for me?" Show them how this and any other new plan benefits them—you'll be more likely to earn their buy-in.

I wish you success in designing and rolling out a new bonus plan. Once you take the focus off short-term goals and aim it toward the overall production and growth of your company, you and your team will be aligned and primed to achieve your shared vision. **N**

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