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#### Case Study Question #4

As a former retail sales store manager of a major wireless network carrier for over 8 years, I know first hand that there are many pros and cons of using incentives such as bonuses in an effort to drive sales. I managed locations where bonuses were based on overall team performance and I managed locations where bonuses were based on individual performance. Companies that use outcome or performance based pay structures are typically more ideal environments to utilize incentivized payouts or bonuses because pay is directly tied to performance rather than a flat hourly wage. One of the cons of using incentives that are tied to sales volume of a particular product is that the sales consultant will typically take the path of least resistance and recommend the product with lower cost. Day and Bennett (1962) argue that "it is generally easier to convince a buyer that your product is equal in quality when its price is lower than it is to sell quality at a premium price" (Day & Bennett, 1962, p. 7).

The sales consultant will tend to focus on those products that he or she believes will yield the greatest sales volume, "regardless of any quality advantages his product might have" (Day & Bennett, 1962, p. 7). What this means from the standpoint of our case study, is that the

retail store sales consultants are more apt to offer and recommend products at lower cost regardless of benefit or quality, so if I attempt to incentive sales associates to move our product, bonus incentive might not be as attractive to them if their performance based pay is determined by volume. Hays (1999) thinks that whether incentive programs are good for the company or bad for overall morale “depends on the rewards help support corporate goals, such as increased profit and customer loyalty, or if they merely engender unhealthy competitiveness and backstabbing among employees” (Hays, 1999, p. 68).

Hays (1999) cited the example of Rejuvenation Inc’s. CEO, Mary Roberts, who discontinued the bonus program for over 200 employees because incentives were leading to many unethical behaviors such as stealing product in order to meet sales quotas. Roberts (as cited in Hays, 1999, p. 68) stated,

Incentive programs create competitiveness, and that's not necessarily best for a company like ours that's growing...I don't think people are motivated by rewards and bonuses. I think they're motivated because they're excited about their jobs or because they're doing something that provides a service to the world.

Alfie Kohn (as cited in Hays, 1999, p. 68) listed five reasons that bonus and incentive programs actually hurt productivity and overall sales.

1. Rewards control behavior through seduction. They're a way for people in power to manipulate those with less power.
2. Rewards ruin relationships. They emphasize the difference in power between the person handing out the reward and the person receiving it.
3. Rewards create competitiveness among employees, undermining collaboration and teamwork.
4. Rewards reduce risk taking, creativity and innovation. People will be less likely to pursue hunches, fearing such out-of-the-box thinking may jeopardize their chances for a reward.
5. Rewards ignore reasons. A commission system, for example, may lead a manager to blame the salesmen when they don't meet quotas, when the real problem may be packaging or pricing.

## References

Day, R. L., & Bennett, P. D. (1962). Should salesmen's compensation be geared to profits? *Journal Of Marketing*, 26(4), 6.

Hays, S. (1999). Pros & cons of pay for performance. *Workforce* (10928332), 78(2), 68.