

Sales organizations do not endeavor to create entitlement cultures, yet over time, many businesses find their salespeople expecting their “incentive” pay. If not treated, this entitlement mentality can take hold, spread and erupt, encumbering the effectiveness and growth capability of the entire sales organization.

Entitlement *The Sales-Incentive* *Culture*

What is the entitlement culture? It is the notion that performance bonuses are not *variable* payments that reward performance, but rather *deferred salary* that will be paid no matter what. Through repetition and experience, salespeople learn to gauge how much they will receive at bonus time. As a result, the variable pay designed to single out top performers converts into a reliable paycheck on which everyone can count. As entitlement takes root, motivation drops and the incentive plan fails.

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The Three Warning Signs

Before an entitlement culture becomes endemic, numerous warnings indicate

QUICK LOOK

- ⇒ A major tip-off to the growth of an entitlement culture is the way salespeople view and discuss their incentives.
- ⇒ While numerous issues can arouse symptoms of entitlement, three predominate: the lack of alignment between performance and pay, poor quota setting and administration, and limited differential in pay between top performers and the rest of the sales team.
- ⇒ The modification of an individual quota (e.g., when an account goes out of business) builds expectations that the company will absorb losses rather than hold salespeople accountable.

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FIGURE 1: BEST PRACTICES QUOTA-ACHIEVEMENT DISTRIBUTION

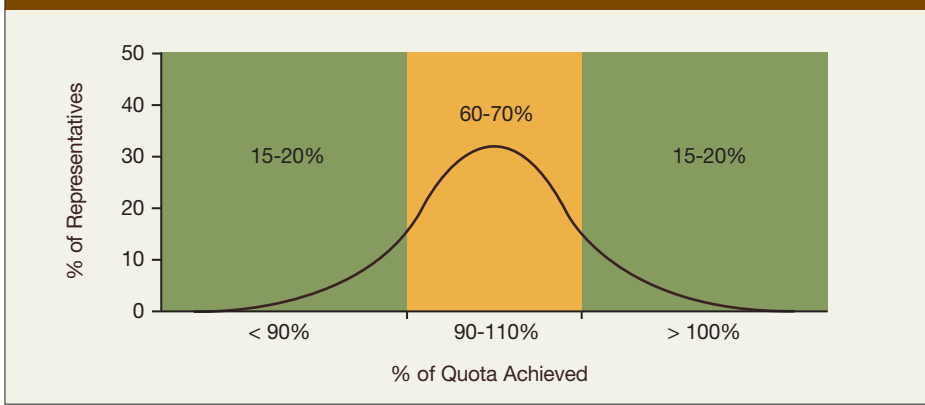
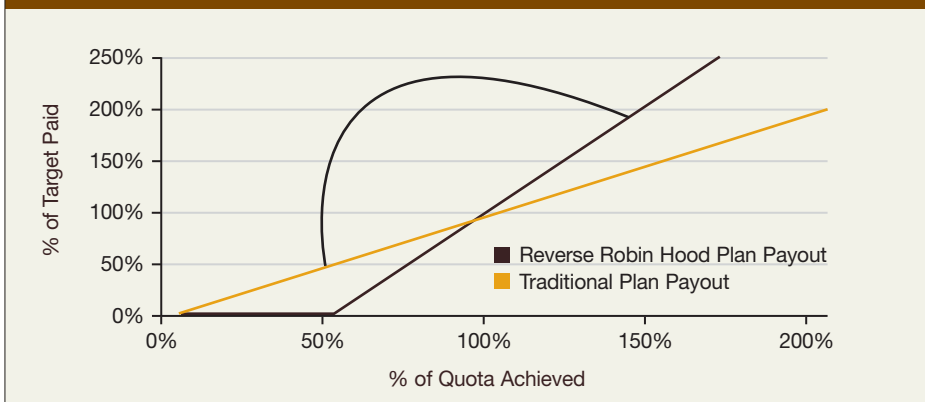


FIGURE 2: IMPACT OF REVERSE ROBIN HOOD PRINCIPLE ON PLAN PAYOUTS



a problem. A major tip-off is the way salespeople view and discuss their variable incentives. A sure red flag is learning that salespeople incorporate the expected bonus into their family budgeting. Once bonuses are budgeted, they cease to become a “positive” motivational driver. A second warning sign is a shift in the performance distribution curve. Start to worry when the traditional bell curve that spans 60-percent to 140-percent quota achievement (assuming bonuses are paid primarily on revenue achievement) begins to soar, spanning 100-percent to 150-percent quota achievement (See Figure 1.) How salespeople react when they miss the target is another strong signal. Prepare an alert when salespeople consider no payout a punishment, instead of viewing bonus achievement as a reward. The final nail in the coffin is predictability. When salespeople accurately predict their payout long before

the performance period ends — and in extreme cases, before it starts — entitlement has infected the entire salesforce.

The entitlement mindset does not spring from the genes — a salesperson’s nature is to be driven and competitive. Instead, entitlement can be traced to the sales environment. How does an organization contract entitlement fever? While numerous issues can arouse symptoms of entitlement, three predominate: the lack of alignment between performance and pay, poor quota setting and administration, and limited differential in pay between top performers and the rest of the sales team.

Lack of Alignment

Disrupting the link between performance and pay can be a fatal flaw. The strong linkage between salespeople’s day-to-day activities and their performance goals is a prime motivator, driving hard work

and achievement. If that linkage fails, salespeople lose control over their pay and may shirk accountability for achieving objectives. For example, say a salesperson responsible for growing \$200,000 within a defined set of accounts gets paid not for personal achievement, but for the company’s ability to grow \$10 million. The salesperson’s contribution to company goals represents only 2 percent of the overall target. That extended line of sight between results and rewards gives the salesperson little incentive to achieve personal targets.

Flawed Quota Setting

Effective quotas are set at a level that is achievable yet challenging. A low quota allows a salesperson to earn too much without delivering exceptional performance, thus eliminating the drive to perform. Set quotas too high and they may be seen as unachievable rather than motivational, causing representatives to lose interest. For example, last year a salesperson brought in \$1 million in revenue, and this year forecasts have the market growing by 5 percent. Selling to the same quota this year, the salesperson could exceed it without any additional effort simply by taking advantage of increased market demand. Conversely, if the quota jumps 30 percent, the salesperson will likely give up halfway through the year once he or she decides the goal is unattainable. The solution? Establish fair and accurate quotas.

Quotas also fail when adjusted too frequently, either for an individual or for the whole sales group. The modification of an individual quota (e.g., when an account goes out of business) builds expectations that the company will absorb losses rather than hold salespeople accountable. In general, quotas should stand unless a minimum of 15 percent to 20 percent of the forecasted revenue is eliminated for reasons beyond the salesperson’s control. Modifying the

quota for the entire sales team can invite frustration, mistrust and potential legal issues. Good quota setting allows for slight fluctuations in customer demand, making modifications (up or down) unnecessary during any single performance period. If market volatility hampers accurate quota setting for an entire period, shift from an annual target to a semi-annual or a quarterly target. Overall, the more stable the quotas, the more confidence they build, and the more power they hold to drive performance.

growth-management system. While no magic cure exists, a thorough examination of the entire sales-management process can bring good health and greater profitability. A broader perspective encompassing the sales strategy, how the team can *organize* around it and how the strategy is *supported* is often required to completely eradicate

entitlement. This comprehensive view prevents companies from simply addressing symptoms and enables a true, long-term cure. Well-aligned strategy and performance measures, a strong quota-setting process and high-impact plan mechanics can help the salesforce regain its strength and position itself for high performance.

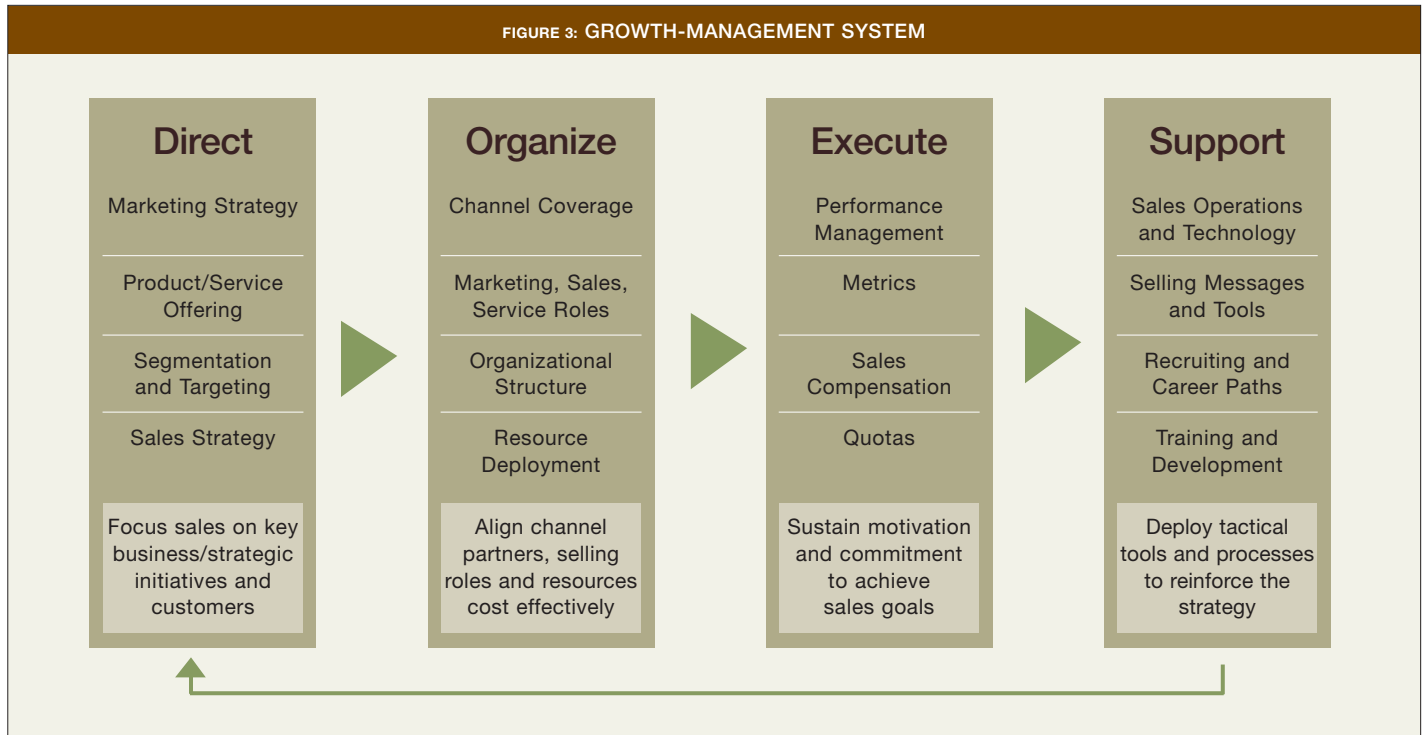
Inadequate Pay/Performance Differentiation

The third cause of an entitlement culture can be traced to insufficient pay differentiation between high and low performers. With the right mechanics, such as thresholds and accelerators, compensation plans can drive achievement. They can offer significant financial reward for strong performance while simultaneously penalizing subpar performance. If those mechanics are not in place, or not constructed well, salespeople may fail to see a direct linkage. Further, they may feel the incremental dollar value is not worth the additional effort required to achieve it. In optimized plans, the reverse Robin Hood principle applies: Money is taken away from underachievers and used for an accelerated incentive paid to over-achievers. (See Figure 2 on page 42.)

Making a Change

Given the warning signs, how can one return a sales organization to good health? This question can be complicated — incentive plans do not stand on their own. Rather, they function in combination with strategy, segmenting and other aspects of the entire growth-management system (See Figure 3 on page 44.) The root causes of a destructive entitlement culture can exist at any location in the

FIGURE 3: GROWTH-MANAGEMENT SYSTEM



The search for a cure begins with an examination of sales strategy. Just as a doctor helps a patient understand how to stay healthy, a sales organization must help its salespeople understand strategic goals, and more importantly, their role in achieving them. With that contribution clearly defined, trackable and controllable, performance measures are the next step. Goals should consider historical performance and target 50-percent quota attainment.

Clearly communicated objectives and well-defined targets tell salespeople what to go after and how to attack the market. Yet the remedy cannot stop there. Just as a patient needs to understand the risks and benefits of prescribed medication, salespeople need to understand the risks and incentives associated with their goals. That is the role of the pay differential. Every organization identifies a threshold-performance level. A salesperson who drops below the threshold fails to provide the necessary return on investment (ROI) to earn his or her keep. Salespeople must understand the risk associated with performing at

or near threshold. At the same time, salespeople also must appreciate the rewards of exceeding the goal. Performance accelerators provide these rewards. Accelerators pay salespeople more for every percent of quota achieved above target. Accelerators are most effective when they reward the top 10 percent of performers and pay out up to 250 percent of the target incentive.

Conclusion

Individuals typically choose a sales career because they like the drive and excitement of the hunt. However, just as no population is immune to infection, no sales organization is immune to entitlement. When salespeople begin to expect their incentives, entitlement is at work. This typically results from an unmonitored sales organization where sales roles have lost their connection to the sales strategy, the quota-setting process has become lackadaisical and pay differential is lacking. Yet, this can be overcome. It requires a systemic approach, from

aligning sales roles to establishing consequences for performance. By following this strict regimen, entitlement can be eradicated salesperson by salesperson. This can imbue the sales organization with a renewed sense of drive, stronger performance and increased profitability. [WS](#)

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